

Business

e-brief

Vol. 2 | September 2018

YOUR QUARTERLY FUND PERFORMANCE UPDATE



Fund and Market Performance Review – as at 30 June 2018

The Net Total Assets posted a positive net return of 5.33% versus the benchmark return of 4.26% for quarter ended 30 June 2018, outperforming the benchmark by 1.07 percentage points. The top performing asset sector for the Fund was Global Equities posting a return of 10.63% (in BWP), underperforming the benchmark by 0.38 percentage points at 11.01%. The Fund's best performing manager for the Quarter was American century which had a net performance of 13.44%.

Orbis was the least performing manager when compared to its peers, however posting a return of 6.11% for the quarter which was driven by the contrarian investing that comes with buying unpopular shares in a rally in equity markets over the quarter. The next top performing asset class Global cash that posted a net return of 9.05%, the strong performance was due gains from exchanges rates, the Dollar strengthened against the Pula. The Pula- US Dollar exchange rate was BWP9,53 as at the end of March 2018 and BWP 10,40 in June 2018. The worst performing asset class was Local equities which posted a return of -0.11%, but the Fund managed to outperform the benchmark with a negative return of -2.18. Over the quarter, of the two Local Equity managers, Allan Gray was the top performer manager returning 0.04% versus Investec, which posted a return of -1.04%. In regards to the two Local Bond managers, BIFM was the top performer, over the posting a return of 1.26% for the quarter, ahead of Investec's return of 1.17% for the same period under review.

DPF Q2 Asset Class Returns

Asset Class	Returns(Gross)
Botswana Bonds	1.34%
Botswana Cash	0.32%
Botswana Equities	-0.11%
Botswana Property	1.15%
African Equities	0.71%
African Private Equity	1.87%
Global Bonds	6.16%
Global Cash	9.05%
Global Equities	10.63%
Emerging Market Equities	0.64%

Asset Class Returns to 30 June 2018 (Benchmarks)

Asset Class	Benchmark	1 month to June 2018	3 months to June 2018	YTD to June 2018	12 months to June 2018	36 months to June 2018
Botswana Cash	BOBc 91 day -I	0.17%	0.28%	1.02%	2.02%	1.79%
Botswana Bonds	Fleming Aggregate Bond Index (FABI)	0.36%	1.17%	2.45%	5.62%	6.57%
Botswana Equities	Domestic Companies Index (DCI) Equities Price Return	-1.66%	-2.18%	-5.16%	-9.10%	-7.71%

Asset Class Returns to 30 June 2018 (cont'd)

Botswana Equities	Domestic Companies Index (DCI) Equities Total Return	-1.55%	-0.30%	-2.24%	N/A	N/A
Global Bonds	BarCap GABI – BWP	4.21%	6.00%	3.77%	3.15%	4.23%
Global Equities	MSCI World – BWP	4.00%	10.64%	6.23%	12.53%	10.38%
Global Emerging Markets Equities	MSCI EM – BWP	-0.27%	0.17%	-1.27%	9.61%	7.45%
African Equities	FTSE/JSE Africa 30-BWP	4.85%	1.48%	10.91%	14.01%	3.13%
Global Property	FTSE EPRA/ NAREIT Developed Rental Index-BWP	6.49%	15.56%	6.77%	7.69%	9.27%
Exchange Rate	BWP/USD	4.68%	9.04%	5.30%	1.77%	1.75%

Fund Performance Since Inception to 30 June 2018 - BWP

Fund	3 months to June 2017	Year To Date Jan – Jun 2018	12 months to 30 June 2018	36 months to 30 June 2018	Since Inception (Aug 2004)
Market	5.97%	4.73%	7.53%	7.27%	12.52%
Conservative	4.35%	4.17%	6.22%	5.45%	10.33%
Pensioner	4.46%	4.21%	6.06%	5.35%	11.56%
Contingency	4.62%	4.32%	6.06%	6.46%	13.92%

Note: Returns above are net of fees

Botswana Market Review – Quarter ended 30 June 2018

GDP growth

GDP increased by 4.8% in Q1 2018, a significant increase compared to the 0.9% recorded in 2017 for the same quarter. The rebound in the economy came about as the mining, transport and communications and the finance and business sectors improved. Household and government spending rose 4.1% and 4.2%, respectively, suggesting a recovery in domestic demand conditions. Household spending has been on a rising trend over the quarters and remains an important driver of the ongoing economic expansion. Business investment rose 3.2% YoY, following four consecutive quarters of decline. However, the economy lost some steam as compared to the 6.5% expansion recorded in Q4 2017.

Despite a subdued start to the year, export activity is expected to pick up on the heels of higher diamond demand and remain a driver of growth going forward. The Pula- US Dollar exchange rate was BWP9,53 as at the end of March 2018 and BWP 10,40 in June 2018 indicating a depreciation of the pula against the dollar for the quarter.

Inflation

The annual headline inflation rate in June 2018 was 3.1%.

DPF Values

Customer Focused Trust & Integrity Innovation Agility Self driven & Motivated

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Interest Rates

At the Monetary Policy Committee meeting held on the 19th of June 2018 the Bank of Botswana decided to maintain the bank rate at 5%.

The Domestic Companies Index

In the second quarter of 2018, domestic equities continued in the negative trajectory with the Domestic Companies Index (DCI) declining 2.18% (excluding dividends) largely driven by the decline in the Financial services sector. The tourism & hospitality sector had a good quarter, delivering a total return of 5.7% while property stocks were flat. Within the quarter, however, the DCI made the first positive turnaround since May 2017 in the month of May.

Local Managers Performance as at 30 June 2018 - BWP

Local Equity Managers- BWP	1 month to June 2018	3 months to June 2018	12 months to June 2018	36 months to June 2018	YTD
Allan Gray	-0.79%	0.04%	-0.22%	N/A	-0.22%
Investec	-1.60%	-1.04%	-2.67%	N/A	-2.67%
Local Bond Managers-BWP	1 month to June 2018	3 months to June 2018	12 months to June 2018	36 months to June 2018	YTD
BIFM	0.35%	1.26%	2.53%	N/A	2.53%
Investec	0.32%	1.17%	2.37%	N/A	2.37%

Note: All Returns shown above are net of fees

World Market Review – Quarter ended 30 June 2018

United States

Consumer confidence remained strong and retail sales data suggested a rebound in consumption from a softer Q1. Strong consumer and business spending as well as a surge in exports ahead of retaliatory tariffs from China helped drive economic growth.

Core inflation is now at 2%, FOMC objective. As expected, the Federal Reserve (Fed) raised the target rate for Fed Funds by 0.25% at the June meeting. Gross domestic product increased 4.1% in the second quarter. The last time the economy grew this quickly was in the third quarter of 2014. During the quarter tax expenses declined for many companies even as pre-tax income grew, leading to the strongest quarterly results in years. The positive economic data was, however, undermined by moves from the Trump administration to impose tariffs on Chinese imports, weighing on longer-term growth expectations.

Europe

The Eurozone economy slowed in the second quarter of 2018, losing further momentum after a weak start to the year. GDP increased a seasonally-adjusted 0.3% in Q2 from the previous quarter, which was below Q1's 0.4% rise and marked the slowest growth since Q2 2016. The EU's annual inflation remained stable at 2.0% for the months of May and June 2018. The European Central Bank (ECB) announced that it expects to end its quantitative easing program in December 2018. The ECB added that interest rates will remain at current levels through the summer of 2019.

China & Other Asia Markets

China's economy grew 6.7% in the second quarter of 2018 slightly lower than Q1 (6.8%) but in line with expectations. The figure was no surprise as any impact from current US China trade scuffles will only factor in the second half of the year. US-China trade tension continued to hamstring Asian markets, which ended mostly lower. Chinese equities were weak, with the release of a final list of tariffs on USD 50 billion of goods, as well

as a looming threat on USD 200 billion. On the inflation front, progress in Japan has been encouraging, as higher energy prices and a 2.1% annual spring-wage hike feed through.

South Africa

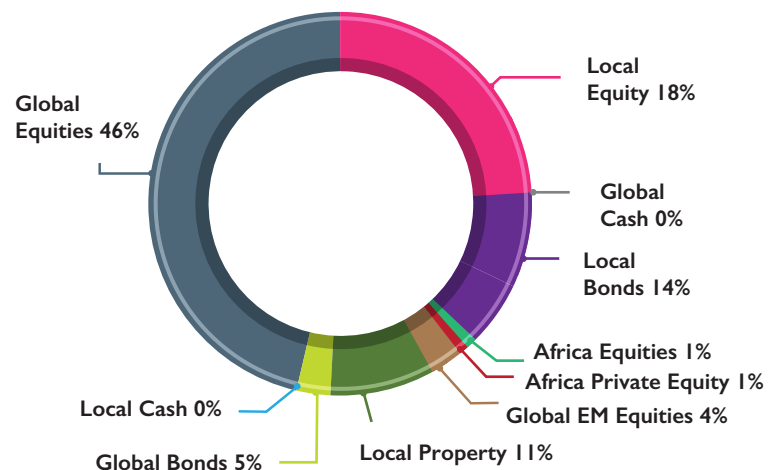
After growing by 3.1% in the fourth quarter of 2017, the South Africa economy wobbled in the first quarter of 2018, shrinking by 2.2% quarter-on-quarter. Agriculture, mining and manufacturing were the main contributors to the slowdown, with the electricity, construction and trade industries also recording negative growth. The SARB MPC decided to keep the repo rate unchanged at 6.5%. The annual inflation rate in South Africa increased to 4.6 percent in June of 2018 from 4.4 percent in the previous month. The figure is expected to rise further to 4.9% at the end of the year as the full impact of the increase in VAT takes effect. The Rand continued to depreciate against the US Dollar. The depreciation was mainly driven by the US dollar strength and unfavorable emerging market risk sentiment.

International Managers Performance as at 30 June 2018 - BW

Local Equity Managers- BWP	1 month to June 2018	3 months to June 2018	12 months to June 2018	36 months to June 2018	YTD
American Century	4.58%	13.44%	17.56%	N/A	10.31%
Marathon	3.98%	8.68%	9.74%	10.59%	4.22%
Orbis	4.68%	6.11%	12.18%	13.14%	1.13%
Walter Scott	4.83%	11.57%	16.22%	12.12%	8.88%
Veritas	7.22%	12.81%	7.14%	N/A	5.99%
Southeastern	2.92%	10.03%	6.38%	N/A	4.20%
Statstreet	4.59%	10.90%	13.37%	N/A	5.76%
Global Bond Manager	1 month to June 2018	3 months to June 2018	12 months to June 2018	36 months to June 2018	YTD
Debswana PIMCO (BWP)	4.27%	6.04%	4.09%	5.53%	4.08%
Debswana PIMCO (USD)	-0.39%	-2.76%	2.28%	3.81%	-1.16%

Note: All returns reported above are net of fees

Asset Class Weights as at June 2018



NB: Market commentary and performance results sourced from Riscura

DPF Values

Customer Focused Trust & Integrity Innovation Agility Self driven & Motivated