

# Business

## e-brief

Vol. 2 | April 2019

YOUR QUARTERLY FUND PERFORMANCE UPDATE



### Fund and Market Performance Review as at April 2019

The first quarter of 2019 presented a turnaround in the Fund's assets with positive investment performance following negative returns reported in the final quarter of 2018. Performance for the quarter was characterized by satisfactory returns with the Market channel outperforming all the other channels, as global equities rallied. The Net Total Assets increased 7.85 percent from BWP 7.141 billion in Quarter 4 2018 to BWP 7.702 billion in Quarter 1 2019. The positive returns were due to strong performance in international markets led by Developed and Emerging Market equities.

The Fund experienced positive performance in the first quarter of the year, with the Market Channel surging 7.72 percent, the Conservative Channel rising 5.84 percent and the Pensioner Channel increasing 6.08 percent. On a twelve-month basis, the Fund generated positive returns net of investment fees, with the Market Channel reporting a return of 11.62 percent followed by the Pensioner Channel at 10.60 percent whilst the conservative channel returned 10.06 percent. Increased expectations of supportive monetary policy by major central banks and lower inflation expectations supported by rising corporate earnings underpinned global stocks and bonds. In addition, the local equity market also marginally contributed to the positive performance as the Domestic Company

### Portfolio performance as at 31 March 2019

Fund	3 months to March 2019	Year to Date Jan - Mar 2019	12 months to March 2019	36 months to March 2019	Since Inception (Aug 2004)
Market	7.72%	7.72%	11.62%	6.59%	12.25%
Conservative	5.84%	5.84%	10.06%	5.22%	10.18%
Pensioner	6.08%	6.08%	10.60%	4.59%	11.24%
Contingency	5.92%	5.92%	10.15%	5.33%	14.40%

Note: Returns above are net of fees.

Index posted a positive return.

The top performing asset class for the Fund was Global Equities, which increased 13.40 percent (in BWP). The next top performing asset class for Quarter 1 was Emerging Market Equities, which returned 8.79 percent. Foreign equities surged as the appetite for listed stocks rose in anticipation of lower interest rates. Higher corporate earnings underpinned by an economic environment conducive to capital market growth contributed to the outperformance. Global Bonds returned 2.92 percent while Local Bonds returned 1.15 percent. The least performing asset class for the Fund was local cash, which generated 0.14 percent.

### DPF Asset Class Returns

Asset Class BWP	Returns (Net) Q4 2018	Returns (Net) Q1 2019
Botswana Bonds	1.17%	1.15%
Botswana Cash	0.24%	- 0.14%
Botswana Equities	0.67%	1.27%
Botswana Property	1.84%	4.44%
African Equities	2.84%	3.56%
African Private Equity	1.28%	1.48%
Global Bonds	1.47%	2.92%
Global Cash	1.27%	0.54%
Global Equities	11.75%	13.40%
Emerging Market Equities	-4.86%	8.79%



### DPF Values

Customer Focused Trust & Integrity Innovation Agility Self driven & Motivated

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### Asset Class Returns as at 31 March 2019 (Benchmarks) (BWP)

Asset Class	Benchmark	1 month to March 2019	3 months to March 2019	Year to Date to March 2019	12 months to Mar 2019	36 months to Mar 2019
Botswana Cash	BOBc 91 day - I	0.05%	0.14%	0.14%	0.64%	0.17%
Botswana Bonds	Fleming Aggregate Bond Index (FABI)	0.33%	1.13%	1.13%	4.74%	5.49%
Botswana Equities	Domestic Companies Index (DCI) Price Return	0.25%	0.41%	0.41%	- 8.20%	- 8.23%
	Domestic Companies Index (DCI) Total Return	0.83%	1.05%	1.05%	- 3.23%	- 3.60%
Global Bonds	BarCap GABI - BWP	3.65%	2.75%	2.75%	12.72%	1.33%
Global Equities	MSCI World	3.72%	13.09%	13.09%	17.78%	10.50%
Global EM Equities	MSCI EM - BWP	3.23%	10.52%	10.52%	4.92%	10.50%
African Equities	FTSE / JSE Africa 30 - BWP	0.85%	5.96%	5.96%	- 4.27%	4.86%
Global Property	FTSE EPRA / NAREIT Developed Rental Index BWP	5.00%	14.92%	14.92%	31.39%	4.72%
China	65% MSCI China A Index & 35% MSCI China Index	6.59%	27.74%	27.74%	3.7%	2.11%
Exchange Rate	BWP / USD	2.37%	0.54%	0.54%	13.16%	- 0.16%

### Managers' Performance

In an environment of positive performances by global managers, American Century was the Fund's best outperforming manager for Quarter 1 with a return of 17.65 percent. Walter Scott was the second best performing manager returning 15.19 percent. The least performing global manager was Orbis, posting a respectable 9.31 percent. Local equities returned an above benchmark return. The Botswana Stock Exchange Domestic Company Index, which increased 0.41 percent over the quarter, underperformed Allan Gray which returned 1.23 percent and Investec which rose 0.57 percent. Of the two Local Bond managers, BIFM was the top performer, posting a return of 1.18 percent for the quarter, ahead of Investec's gain of 0.90 percent.

### Local Managers performance as at 31 March 2019

Local Equity Managers - BWP	1 month to March 2019	3 months to March 2019	12 months to March 2019	36 months to March 2019	Year to Date
Allan Gray	- 0.18%	1.23%	- 0.54%	N/A	1.23%
Investec	0.79%	0.57%	- 0.86%	N/A	0.57%
Local Bond Managers - BWP	1 month to March 2019	3 months to March 2019	12 months to March 2019	36 months to March 2019	Year to Date
BIFM	0.43%	1.18%	4.85%	N/A	1.18%
Investec	0.30%	0.90%	3.55%	N/A	0.90%

Note: All Returns shown above are net of fees

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### International Managers performance as at 31 March 2019 (BWP)

International Managers - BWP	1 month to March 2019	3 months to March 2019	12 months to March 2019	36 months to March 2019	Year to Date
American Century	4.72%	17.65%	21.59%	N/A	17.65%
Marathon	3.70%	11.73%	17.27%	9.79%	11.73%
Orbis	4.52%	9.31%	3.72%	9.81%	9.31%
Walter Scott	5.41%	15.81%	26.34%	12.80%	15.81%
Veritas	4.83%	13.20%	24.23%	N/A	13.20%
Southeast	2.43%	12.40%	8.33%	N/A	12.40%
Statstreet	3.70%	13.02%	17.50%	N/A	13.02%

Global Bond Manager	1 month to March 2019	3 months to March 2019	12 months to March 2019	36 months to March 2019	Year to Date
PIMCO (BWP)	3.30%	2.92%	11.90%	2.23%	2.92%
Vantage	0.14%	1.48%	8.75%	6.25%	1.48%

Note: All Returns shown above are net of fees

### Botswana Market Review – Quarter ended 31st March 2019

GDP increased by 4.1% in Quarter 4 2018, the strong performance was supported by the significant growth in real value added of Mining (13.9 percent), Transport & Communications (7.1 percent), Finance & Business Services (4.9 percent) and general government (3.8 percent). Household consumption improved 2.2 percent in the fourth quarter of 2018 while government expenditure rose 2.1 percent. Gross capital formation increased 4.8 percent as business investment experienced a moderate pick up. Exports increased 4.6 percent driven by a surge in diamond sales in the fourth quarter of 2018 while imports rose 27.3 percent. Government expenditure rose 2.1 percent with markets anticipating increased government expenditure as national presidential elections loom. The Pula-US Dollar exchange rate was BWP10.73 at the end of December 2018 and BWP 10.79 on 31st March, 2019 indicating a marginal depreciation of the Pula against the Dollar. The local equity market continued to underperform its global listed equity peers, in part driven by historic low rates and economic weakness, characterized by high levels of unemployment.

#### Inflation

The annual headline inflation rate in March 2018 was 3.2 percent.

#### Interest Rates

During the first quarter of the year, the Monetary Policy Committee (MPC) of the Bank of Botswana has maintained the historically low Bank Rate of 5 percent.

### World Market Review – Quarter ended 31 March 2019

#### United States

Consumer confidence improved in March as the household and business outlook of the US economic conditions improved. The labour market remained resilient with the unemployment rate reported at 3.8% in March. The strong employment levels have supported retail activity thereby pointing to improved domestic activity.

Core inflation was 2.2 percent in March. Inflation remained a notch above the, FOMC objective. Since the beginning of the year, the Federal Reserve (Fed) has maintained the target rate for Fed Funds range between 2.25 and 2.50 percent. In addition, the Fed has indicated a lower interest rate increase trajectory for 2019. Gross Domestic Product increased from 2.2% to 3.2% in the first quarter. Asset price volatility spiked during the previous quarter, when the Fed Chairman stated a higher path of interest rate hikes. However, since the beginning of the year the Fed Chairman has adopted a more dovish stance underpinned by monetary policy support. In light of this, a recovery in equity prices has occurred partially supported by an improved outlook of the global economy and increased corporate earnings.

#### Europe

The Eurozone economy further strengthened in Quarter 1 2019, GDP increased a seasonally adjusted 0.4 percent in Q1 against 0.2 percent the previous quarter. Household consumption has remained anemic with the unemployment rate of 7.7% undermining confidence. Forward looking indices such as the Composite Purchasing Manager's Index plunged to a five-year low of 47.6. Annual headline inflation dropped from 1.5% in February to 1.4% in March.

#### China & Other Asia Markets

China's economy grew 6.4% in the first quarter of 2019, marginally higher than expectations of 6.3%. The impact of the current US China trade dispute continues to undermine China's economic activity with a spillover effect to other Asian economies. In a bid to stimulate the economy, China's Central Bank has lowered the

reserve requirement ratio. Asian equities experienced a rally in the first quarter of 2019 characterized by equity inflows as investor optimism of growth improved.

#### South Africa

South Africa's economy increased 3.1% in the fourth quarter of 2018, thereby marking two consecutive quarters of growth. The South African Reserve Bank (SARB) Monetary Policy Committee (MPC) has kept the key policy rate at 6.75%. Moody's affirmed South Africa's investment grade credit rating of Baa3.

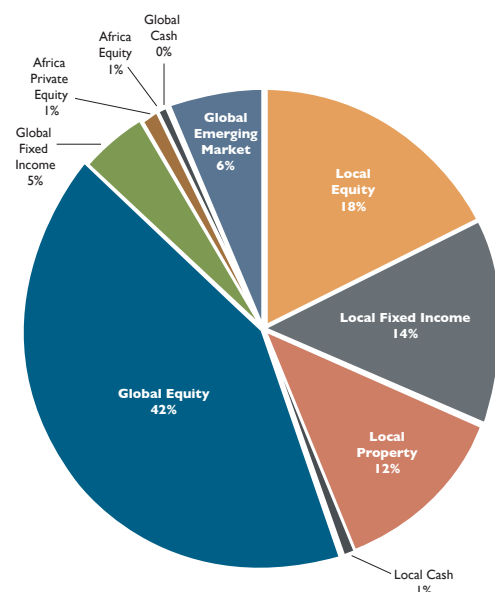
### Fund Valuation as at 31 December 2018

Total Fund	31/12/18	31/12/17
Fair Value Assets	7 235 997.00	7 036 478.00
Actuarial Liabilities	6 998 749.00	6 726 596.00
Surplus Deficit	237 248.00	309 882.00
Funding Level	103.4%	104.6%

### Membership movements Jan - Dec 2018

Description	Active members	Deferred members	Pensioners	Beneficiaries	Total
Numbers at beginning of period	5 940	2 312	3 753	77	12 082
Beneficiary Age 21 exit	0	0	0	(11)	(11)
Additions	263	51	187	8	509
Transfers-in	0	33	0	0	33
Transfers-out	0	(25)	0	0	(25)
Retirements	(75)	(151)	0	0	(226)
Dismissals	(19)				(19)
Resignation	(30)				(30)
Retirements	(75)	(151)	0	0	(226)
Retrenchment	(2)				(2)
Deaths	(16)	(7)	(77)		(100)
Numbers at end of period	6061	2213	3863	74	12 211

### Asset Class Weights as at 31 March 2019



NB: Market Commentary and performance results sourced from RISCURA

### DPF Values

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