



# Business

## e-brief

Volume 6 | April 2020



### DPF Investments yield positive gains

The Net Total Assets increased by 3,73% from BWP 8.102 billion in Quarter 3 to BWP 8.374 billion in Quarter 4, 2019. The returns were due to improved performance in international and domestic markets. The top performing asset class for the Fund was Emerging Market Equities, which increased by 6.96% (in BWP). The next top performing asset class for Quarter 4 was Global Equities, which generated 4.96%. Global Bonds yielded -2.70% while Local Bonds returned 1.39%. The worst performing asset class for the Fund was Global Cash, which fell 3.72%.

The Fund experienced positive performance in the final quarter of the year with the Market Channel returning 3.78%, the Conservative Channel rising 3.08% and the Pensioner Channel increasing 3.21%.

### Fund Performance Since Inception to 31 December 2019 - BWP

Channel	3 months to Dec 2019	Year to Date Jan - Dec 2019	12 months to Dec 2019	36 months to Dec 2019	Since Inception (August 2004)
Market	3,78%	17,28%	17,28%	8,54%	12,15%
Conservative	3,08%	14,41%	14,41%	7,20%	11,22%
Pensioner	3,21%	15,15%	15,15%	6,87%	11,61%
Contingency	3,14%	14,77%	14,77%	7,30%	13,31%

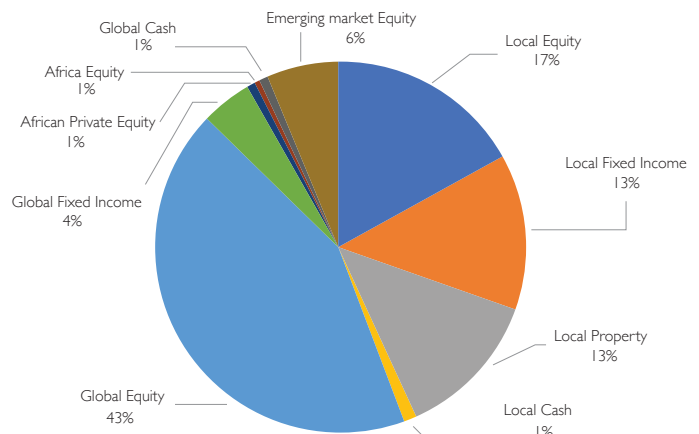
Note: Returns above are net of fees

On a 12 month basis, the Fund generated positive returns net of investment fees. In the 12 months period to December 2019 the Fund returned a cumulative BWP 1,233,699,841.00. The different channels had double digit returns. Performance is predominantly attributed to accommodative monetary policy, trade agreements between the United States and China; decrease in the United States trade deficit, strong company earnings; and buoyant economic outlook.

### Asset Class Returns as at December 2019 (Benchmarks)(BWP)

Asset Class	Q4 %Returns(Net)	Q3 %Returns(Net)
Local Bonds	1,39%	1,32%
Local Cash	0,12%	0,20%
Local Equities	2,71%	0,04%
Local Property	4,91%	6,31%
African Equities	-0,15%	-0,08%
African Private Equity	4,01%	5,95%
Global Bonds	-2,70%	4,27%
Global Cash	-3,72%	3,97%
Global Equities	4,96%	4,10%
Emerging Market Equities	6,96%	1,70%

### Asset Class Weights as at 31 December 2019



### DPF Values

- Customer Focused
- Trust & Integrity
- Innovation
- Agility
- Self Driven & Motivated

Next Page ➔

# Business

## e-brief



Volume 6 | April 2020

### Asset Class Returns to 31 December 2019

Asset Class	Benchmark	1 month to Dec 2019	3 months to Dec 2019	Year to Date to Dec 2019	12 Months to Dec 2019	36 Months to Dec 2019
Botswana Cash	BoBc 91 day -1%	0.03% ▲	0.12 ▲	0.61% ▲	0.61% ▲	0.42% ▲
Botswana Bonds	Fleming Aggregate Bond Index	0.39% ▲	1.22% ▲	5.61% ▲	5.61% ▲	5.25% ▲
Botswana Equities	Domestic Companies Index(DCI) Total Return	-0.11% ▼	2.23% ▲	0.86% ▲	0.86% ▲	-2.13% ▼
Global Bonds	BarCap GABI- BWP	-1.77% ▼	-3.25% ▼	5.82% ▲	5.82% ▲	4.20% ▲
Global Equities	MSCI WORLD-BWP	0.59% ▲	4.52% ▲	26.45% ▲	26.45% ▲	12.49% ▲
Global EM Equities	MSCI EM- BWP	4.95% ▲	7.68% ▲	17.30% ▲	17.30% ▲	11.49% ▲
African Equities	FTSE/JSE Africa 30- BWP	1.07% ▲	1.98% ▲	14.47% ▲	14.47% ▲	10.24% ▲
Global Property	FTSE EPRA/NAREIT Developed Rental Index- BWP	-2.00% ▼	-2.19% ▼	22.92% ▲	22.92% ▲	8.88% ▲
China	65% MSCI China A Index & 35% MSCI China Index	5.67% ▲	7.26% ▲	30.14% ▲	30.14% ▲	8.07% ▲
EM Debt	FTSE Emerging Markets Government Bond Index	2.14% ▲	0.52% ▲	7.21% ▲	7.21% ▲	6.95% ▲
Exchange Rate	BWP/USD	-2.34% ▼	-3.72% ▼	-0.96% ▼	-0.96% ▼	-0.07% ▼

### Inflation

The annual inflation rate in December 2019 was 2.2%.

### Interest Rates

At the meeting held on December 5th, 2019 the Monetary Policy Committee of the Bank of Botswana decided to maintain the Bank Rate at 4.75%.

*NB: Market Commentary and performance results sourced from RISCURA*

### Covid-19 Outbreak

Global markets are currently being affected by the outbreak of Covid-19. This virus initially emerged in Wuhan, China, several months ago but has since spread to most corners of the world, thereby raising concerns that although the disease has reported a mortality rate of 1 to 2.5% , it remains highly infectious and a threat to human life. The Covid-19 pandemic and the consequent fall in the price of oil, has resulted in a steep drop in risky asset prices such as global equities. Markets have shown increased levels of weakness with most sectors of the global economy affected by the outbreak. Tourism, travel, manufacturing and oil companies have been most affected by Covid-19.

The global economy is expected to decline during the first half of 2020, thereby increasing the probability of a recession. In a bid to stimulate economic activity, United States Federal Reserve Bank cut interest rates by 150 basis points in March, 2020, with the Quantitative Easing Programme extended by an additional USD 700 billion. In addition, there are tentative signs that the United States Government will stimulate the economy by at least USD 2 trillion. Accommodative monetary policy by the Fed has been coupled with monetary stimulus by the central banks of China, the Euro-zone, United Kingdom and South Africa. The rate cuts will also encourage other smaller central banks, including the Bank of Botswana, to cut rates, thereby leading to improvements in the global economy.

The economy of Botswana, albeit at a time lag, will be affected by the impact of the Covid-19 virus. The initial impact of Covid-19 will be felt through decreased diamond sales, beef exports and tourism activity. Diamond sales account for 45% of government revenue, 33% of GDP and 80% of foreign exchange earnings. Botswana's economy remains predominantly not diversified and is led by the mining industry. The supply disruptions to global trade, industrial activity, mining and

### DPF Values

■ Customer Focused
 ■ Trust & Integrity
 ■ Innovation
 ■ Agility
 ■ Self Driven & Motivated

Next Page ➔



# Business

## e-brief

Volume 6 | April 2020

government activity will curtail domestic growth. The travel restrictions imposed by different sovereign states will predominantly affect restaurants, leisure activities and tourism companies.

Fund Management has engaged with all of its asset managers to assess their investment strategies' and any technical allocations that have been undertaken amidst the outbreak of Covid-19. Since the crisis emerged, a majority of DPF's asset managers have deployed their crisis management protocols with many portfolio management teams operating from their respective homes. Portfolio scrutiny by various asset managers are consistently being undertaken with managers assessing the impact of the virus under various scenarios. DPF's investment managers have held numerous meetings with the respective management teams of the various invested companies to assess the risk posed by this crisis to their business. Global investors are bracing for significant downward and upward swings to their various portfolios; although this is the case some Asset Managers believe they will find great investment opportunities during these trying times and economies will have the full support of Government (Fiscal Policy) and Central Banks (Monetary Policy).

A glimmer of hope on defeating this crisis is reflected from Asia. Some Asian countries where the disease first emerged and spread seem to have contained the outbreak of Covid-19. China, which was the epicentre of the disease, has reported a decline in the number of new cases. Meanwhile, Singapore has reported that the treatment protocols against the disease seem to be achieving the desired results. This provides successful solutions to many nations on what can be done to successfully defeat this virus and revert the globe to normalcy. As soon as the outcomes of the binary event of Covid-19 is resolved, its impact of listed companies will moderate. Against this background, Debswana Pension Fund reasons that it is prudent to remain cautious in light of the risk events ahead. The impact of Covid-19 will be significant on economic activity and earnings over the near term, but over the long term horizon, the impact will be short lived, thereby resulting in a strong outperformance of the Fund.



### DPF Values

- Customer Focused
- Trust & Integrity
- Innovation
- Agility
- Self Driven & Motivated