YOUR QUARTERLY FUND PERFORMANCE UPDATE

Business
e-brief

Volume 2 | April 2020

DPF
DEBSWANA · PENSION · FUND

DPF Investment Returns

The Net Total Assets decreased 5.16 percent from BWP 8.374 billion in Quarter 4 2019 to BWP 7, 780 billion in Quarter 1 2020. The significant drop in assets was driven by the devastating impact of COVID-19, which has affected international and domestic markets. The top performing asset class for the Fund was USD Cash, which increased by12.56 percent (in BWP). The next top performing asset class for Quarter 1 was Global Bonds, which generated 10.04 percent. Global Equities dropped 10.84 percent and Emerging Market Equities declined by 15.80 percent while Domestic Equities declined by 3.32 percent.

The Fund experienced negative performance in the first quarter of the year with the Market Channel dropping 6.17 percent, the Conservative Channel falling 3.99 percent and the Pensioner Channel declining 3.76 percent. The returns were in line with Debswana Pension Fund's Life Stage Models investment strategy, where the more defensive Pensioner Channel declined the least with the moderate Conservative Channel marginally declining while the more aggressive Market Channel declined the most.

On a twelve-month basis, from March 2019 to March 2020, the Fund generated positive returns net of investment fees. In the 12 months to March 2020, the Fund returned a cumulative return equaling BWP 78, 932, 029.19. During the 12 month period, the Market Channel returned 0.98 percent, while the Conservative Channel returned 2.10 percent and the Pensioner Channel gained 2.55 percent. In the period leading to the COVID-19 pandemic performance was driven by accommodative monetary policy, trade agreements between countries such as the United States and China; the fall in the U.S. trade deficit, strong company earnings; and a buoyant economic outlook.

Fund Performance Since Inception to 31 March 2020 (BWP)

Fund	3 months to March 2020	Year to Date Jan - Mar 2020	12 months to Dec 2020	36 months to March 2020	Since Inception (August 2004)
Market	-6.17%	-6.17%	0.98%	4.89%	11.40%
Conservative	-3.99%	-3.99%	2.10%	4.74%	10.62%
Pensioner	-3.76%	-3.76%	2.55%	4.58%	11.00%
Contingency	-2.34%	-2.34%	4.03%	4.94%	12.79%

Asset Class Returns

	Q4 2019	Q1 2020
Asset Class	%Returns(Net)	%Returns(Net)
Botswana Bonds	1.39%	1.49%
Botswana Cash	0.12%	0.00%
Botswana Equities	2.71%	-3.32%
Botswana Property	4.91%	0.91%
African Equities	-0.15%	-12.91%
African Private Equity	4.01%	-1.33%
Global Bonds	-2.70%	10.04%
Global Cash	-3.72%	12.56%
Global Equities	4.96%	-10.84%
Emerging Market Equities	6.96%	-15.80%

DPF Values

- Customer Focused
- Trust & Integrity
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Next Page

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Asset Class Returns to 31 March 2020

Asset Class	Benchmark	1 month to March 2020	3 months to March 2020	Year to Date to March 2020	12 Months to March 2020	36 Months to March 2020
Botswana Cash	BoBc 91 day -1%	0.05% ▲	0.00% ▲	0.00% ▲	0.47% ▲	0.42% ▲
Botswana Bonds	Fleming Aggregate Bond Index	0.57% ▲	1.36% ▲	1.36% ▲	5.85% ▲	5.41% ▲
Botswana Equities	Domestic Companies Index(DCI) Total Return	-1.03% ▼	0.56% ▲	0.56% ▲	0.37% ▲	-1.31% ▼
Global Bonds	BarCap GABI- BWP	4.42% ▼	12.19% ▼	12.19% ▲	15.54% ▲	8.06% ▲
Global Equities	MSCI WORLD-BWP	-7.32% ▲	-11.14% ▲	-11.14% ▲	-0.64% ▲	6.36% ▲
Global EM Equities	MSCI EM- BWP	-9.63% ▲	-14.00% ▲	-14.00% ▲	-8.73% ▲	2.66% ▲
African Equities	FTSE/JSE Africa 30- BWP	-19.71% ▲	-18.80% ▲	-18.80% ▲	-12.28% ▲	2.85% ▲
Global Property	FTSE EPRA/NAREIT Developed Rental Index- BWP	-17.36% ▼	-19.47% ▼	-19.47% ▲	-14.00% ▲	1.24% ▲
China	65% MSCI China A Index & 35% MSCI China Index	-1.69% ▲	1.79% ▲	1.79% ▲	4.34% ▲	6.67% ▲
EM Debt	FTSE Emerging Markets Government Bond Index	1.09% ▲	5.78% ▲	5.78% ▲	8.90% ▲	7.04% ▲
Exchange Rate	BWP/USD	6.82% ▼	12.56% ▼	12.56% ▼	10.89% ▼	4.35% ▼

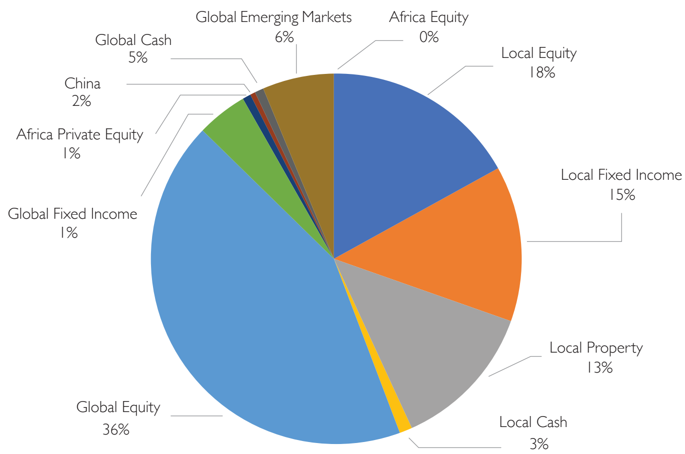
Inflation

The annual inflation rate in March 2020 was 2.5 percent.

Interest Rates

At the meeting held on April 30th, 2020 the Monetary Policy Committee of the Bank of Botswana decided cut the Bank Rate by 50 basis points from 4.75 percent to 4.25 percent.

Asset Class Weights as at 31 March 2020



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Next Page

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NB: Market Commentary and performance results sourced from RISCURA

Market Update

Global markets continue to remain affected by the outbreak of COVID-19, a virus that continues to transcend across national boundaries. COVID-19's emergence as a global pandemic in the first three months of the year, resulted in a significant drop in asset prices and the price of commodities such as oil. During this period, Debswana Pension Fund's Assets Under Management (AUM) have declined from highs of BWP8.374 billion on 31st December, 2019 and BWP 8.346 billion on 31st January, 2020, to BWP8.144 billion on 28th February, 2020, as concerns over the spread of the virus increased. At the height of the COVID-19 pandemic and its resultant impact on the global economy, DPF's Assets Under Management dropped to BWP 7.780 billion as at 31st March, 2020. The significant drop in asset prices was predominantly driven by an unprecedented global shutdown. Governments across the globe enactted national wide shutdowns which restricted global trade, travel and non-essential economic activity, as social distancing became a prerequisite for the prevention of the outbreak.

The global economy is expected to materially decline in 2020, with the risk of a recession largely forecast by markets. Many companies are expected to experience a significant contraction in earnings during the first two quarters of the year. However, earnings are anticipated to improve as national shutdowns and restrictions are lifted. The United States government has added about USD 2 trillion in economic stimulus with the stimulus forecast to add 11 percent of US Gross Domestic Product. Meanwhile, the United States Federal Reserve Bank (Fed) has cut interest rates by 150 basis points to a new range of 0.00 – 0.25 percent. 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 have encouraged other smaller central banks, including the Bank of Botswana, to cuts rates, thereby leading to improvements in the global economy.

The economy of Botswana, has also been 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 percent of government revenue, 33 percent of GDP and 80 percent of foreign exchange earnings. Botswana's economy remains predominantly undiversified and is led by the mining industry. The supply disruptions to global trade, industrial activity, mining and government activity will curtail domestic growth. Due to the foregoing, the International Monetary Fund forecast the economy of Botswana to contract by 5.4 percent this year, before rebounding to 6.8 percent in 2021. Meanwhile the government has projected a drop of 13.1 percent, before rebounding to 3.9 percent in 2021.

The unprecedented fiscal and monetary stimulus introduced was equivalent to 6 percent of the global Gross Domestic Product (GDP). As at 30th April, 2020, the Fund's Asset under Management have rebounded to BWP8.298 billion providing a tentative inflection point and a seeming recovery of the market performance. Global equity performance has also been resilient in May, providing increased optimism on market performance for the fifth month of the year. The Fund acknowledges that a full recovery in global equities is yet to occur. Currently the best case scenario points to a "V" shaped (sharp) recovery, though markets might be headed for a "U" shaped (moderate) recovery, and at the worst an "L" shaped (prolonged) recovery. DPF has also observed that the stimulus action by major global central banks has not fully fed through to the global equity market performance, with aggregate equities still below pre COVID-19 levels. Unlike the global financial crisis, which was caused by a distressed financial markets, this crisis seems to be predominantly driven by the outbreak of COVID-19 virus and not by underlying economic fundamentals.

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