



Business

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Fund and Market Performance Review

The Net Total Assets increased 8.05 percent from BWP 7, 780 billion in Quarter 1 to BWP 8.412billion in Q2 2020. The significant recovery in assets was supported by coordinated fiscal and monetary policy implemented by governments across the world to offset the negative impact of Covid-19 across international and domestic markets. The top performing asset class for the Fund was China – A shares, which increased 20.57 percent (in BWP). The next top performing asset class for Quarter 2 was Global Equities which rose 16.51. Emerging Market Equities rallied 18.60 while Domestic Equities advanced 0.88 percent. The worst performing asset class for the Fund was Global Cash, which fell 1.42 percent.

The Fund experienced positive performance in the second quarter of the year with the Market Channel increasing 8.75 percent, the Conservative Channel rising 7.11 percent and the Pensioner Channel improving 7.18 percent. The returns were in line with Debswana Pension Fund’s Life Stage Models investment strategy, where the most aggressive Market Channel rallied the most while the more defensive Channels registered relative lower returns.

On a twelve-month basis, the Fund generated positive returns net of investment fees. In the 12 months to June 2020, the Fund returned a cumulative return equaling BWP 550,594,624.79. During the 12-month period, the Market Channel returned 8.29 percent, while the Conservative Channel returned 7.83 percent and the Pensioner Channel gained 8.29 percent. Performance has been recently driven by improved business and household confidence underpinned by reopening economies after unprecedented government shutdowns across the globe.

Portfolio performance as at 30 June 2020

Fund Performance since inception to 30 June 2020 (BWP)

Fund	3 months to June 2020	Year to Date Jan - June 2020	12 months to June 2020	36 months to June 2020	Since Inception (August 2004)
Market	8.75%	2.08%	8.29%	7.41%	11.86%
Conservative	7.11%	2.87%	7.83%	7.01%	11,01%
Pensioner	7.18%	3.20%	8.29%	7.00%	11,41%
Contingency	6.04%	3.60%	-8.65%	6.66%	13,09%

Asset Class Returns as at June 2020 (BWP)

Asset Class	Q1	Q2
	%Returns(Net)	%Returns(Net)
Botswana Bonds	1.49%	1.60%
Botswana Cash	0.00%	0.06%
Botswana Equities	-3.32	0.88%
Botswana Property	0.91%	2.08%
African Equities	-12.91	-0.22%
African Private Equity	-1.33%	-0.43%
Global Bonds	10.04 %	2.95 %
Global Cash	12.56 %	-1.42%
Global Equities	- 10.84%	16.51%
Emerging Market Equities	- 15.80	18.60%
China Funds	N/A	20.57%



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Asset Class Returns to 30 June 2020 (Benchmarks) (BWP)

Asset Class	Benchmark	1 month to June 2020	3 months to June 2020	Year to Date to June 2020	12 Months to June 2020	36 Months to June 2020
Botswana Cash	BoBc 91 day -1%	0.00%	0.06%	0.06%	0.38%	0.42%
Botswana Bonds	Fleming Aggregate Bond Index (FABI)	0.33%	1.66%	3.04%	5.66%	5.57%
Botswana Equities	Domestic Companies Index(DCI) Total Return	-2.11%	-2.02%	-1.47%	-0.31%	-2.80%
Global Bonds	BarCap GABI- BWP	0.41%	1.86%	14.28%	15.78%	8.88%
Global Equities	MSCI WORLD-BWP	2.16%	17.67%	4.57%	14.24%	11.93%
Global EM Equities	MSCI EM- BWP	6.84%	16.41%	0.11%	7.32%	6.89%
African Equities	FTSE/JSE Africa 30- BWP	0.32%	12.46%	-8.68%	-2.26%	1.99%
Global Property	FTSE EPRA/NAREIT Developed Rental Index- BWP	2.15%	8.95%	-12.27%	-5.31%	4.37%
China	65% MSCI China A Index & 35% MSCI China Index	8.96%	14.62%	16.68%	25.68%	9.95%
EM Debt	FTSE Emerging Markets Government Bond Index	-0.12%	2.70%	8.64%	12.13%	7.85%
Exchange Rate	USD/BWP	-0.47%	-1.42%	10.97%	11.08%	4.90%

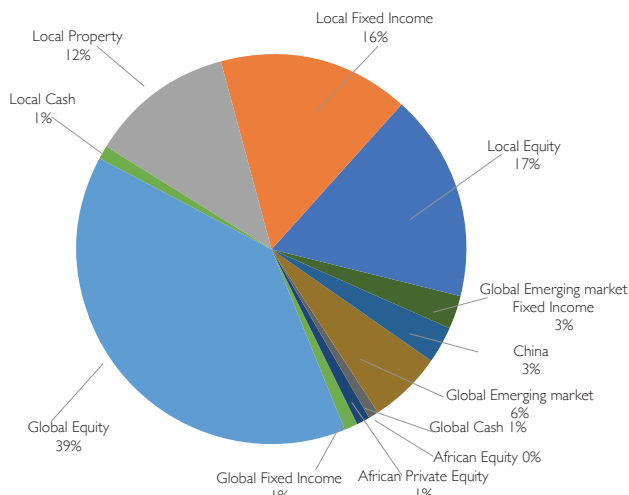
Inflation

The annual inflation rate fell to a historic low of 0.9 percent in June 2020.

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% to 4.25%.

Asset Class Weights as at 30 June 2020



NB: Market Commentary and performance results sourced from RISCURA

Market Update

Global markets continue to remain affected by the outbreak of Covid-19, a disease which 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. The second quarter of the year was characterized by a strong market recovery. During this period, Debswana Pension Fund's Assets Under Management (AUM) have increased from a low of BWP 7.782 billion in March, 2020 to BWP 8.412 billion in June, 2020. The significant increase in asset prices was predominantly driven by an unprecedented monetary and fiscal stimulus action coupled with the re-opening of economies.

The first half of the year recorded the sharpest and shortest economic recession in history, which prompted global governments and central banks to implement unprecedented fiscal and monetary stimulus. Synchronized government and central bank policy action have underpinned investment performance. This has been augmented by an improved global economic outlook amidst positive global health data. Many companies experienced a significant contraction in earnings during the second quarter of the year, with company earnings outlook anticipated to improve as national shutdowns and restrictions are lifted. Governments across the globe have added in excess of USD 5 trillion with the United States government stimulus action forecast to add 11 percent of US Gross Domestic Product. The United States Federal Reserve Bank (Fed) has cut interest rates by 150 basis points to a new

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range of 0.00 – 0.25 percent while the European Central Bank (ECB) has increased Quantitative Easing by USD 130 billion. Accommodative monetary policy by the Fed and ECB has been coupled with monetary stimulus by the central banks of China, United Kingdom and South Africa. The rate cuts have encouraged other smaller central banks, including the Bank of Botswana, to cut rates, thereby leading to improvements in the global economy.

The economy of Botswana, has also been affected by the impact of the Corvid 19 virus. The initial impact of Corvid 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.



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