Quarter 1 | 2025

Business E-Brief

Your Quarterly Fund Performance Update

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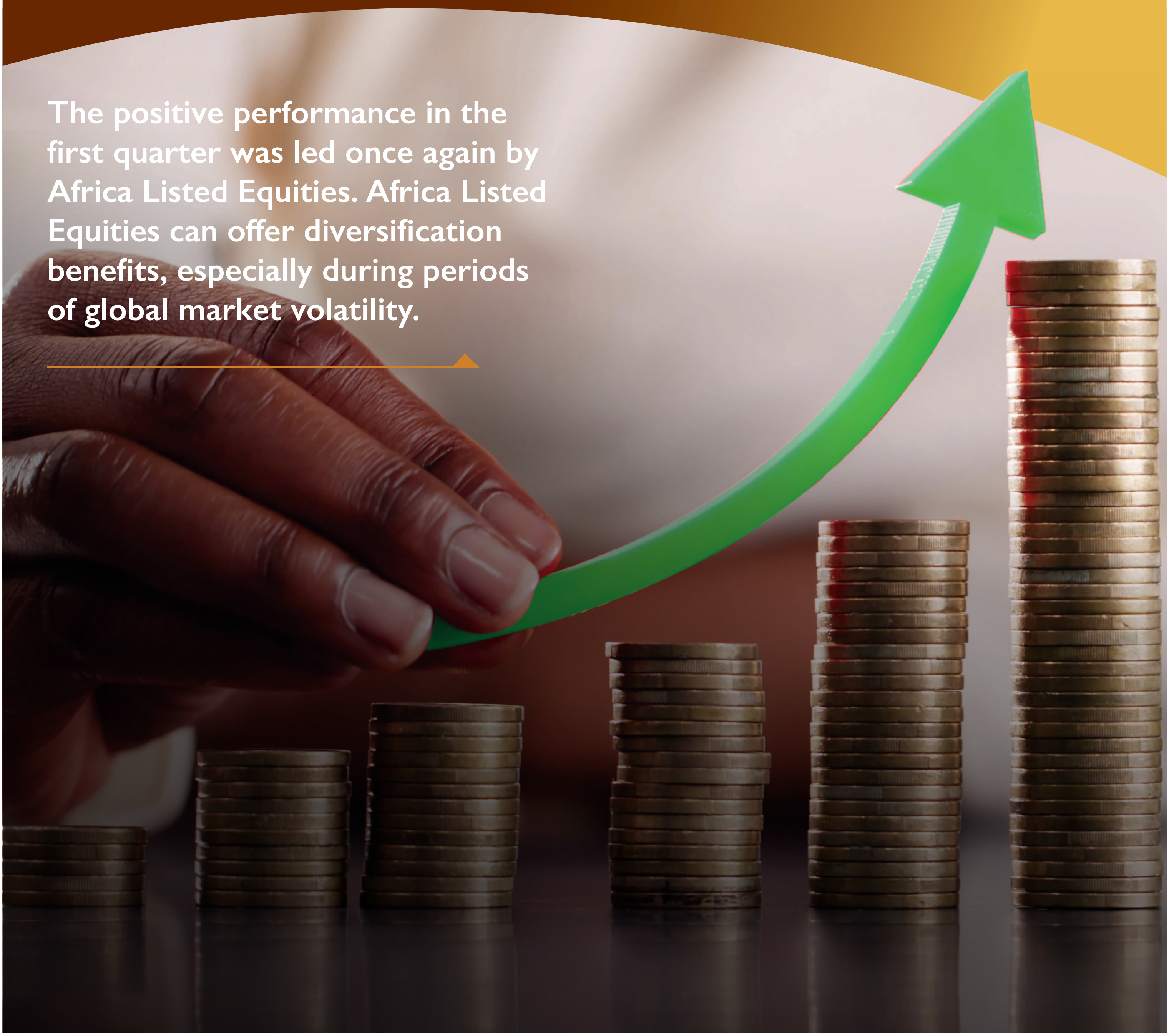


DPF Q1 2025 E-Brief

Report Back

"Portfolio performance was mainly driven by Africa Listed Equities, China A Share Equities, Global Bonds, Botswana Assets including, Property, Cash, Equities, and Bonds."

Global markets continued to experience significant volatility in 2025, primarily due to the economic policies of the Trump 2.0 administration. The administration's aggressive stance on global tariffs and trade wars was the major contributing factor to market instability. The quarter began with significant sell-offs in the technology market, triggered by DeepSeek, a Chinese Artificial Intelligence (AI) startup company. DeepSeek, founded in 2023, has rapidly gained attention for its innovative and cost-effective AI models.

The company's ability to create competitive models at a much lower cost and with fewer computational resources has posed a significant challenge to industry leaders like OpenAI (ChatGPT), Alphabet (Google), and Meta (Facebook). The sell-offs were particularly severe, with major technology stocks such as Nvidia, Microsoft, and Alphabet experiencing notable declines. Nvidia, for example, saw its market capitalization fall by approximately USD 600 billion in a single day, marking the worst single-day loss in the company's history, and the largest single-day decline ever recorded by a U.S company.

Deep Seek's emergence has unsettled investor confidence in the AI sector, which had been a key driver of the U.S bull market in recent years. Consequently, the tech market has faced increased turbulence and uncertainty, highlighting the broader impact of this disruptive innovation. As the quarter progressed, more market volatility was spurred by Donald Trump and his tariff and trade wars. Mr Trump first initiated a trade war during his first term in office with three of the United States' largest trading partners Canada, Mexico, and China. The first set of tariffs targeted China and Chinese goods. In response, Beijing retaliated with its own tariffs on particular U.S goods.

Trump threatened Canada and Mexico with additional tariffs, compelling them to renegotiate the North American trade pact, which led to the creation of the U.S-Mexico-Canada Agreement in 2020. During the quarter, President Trump imposed tariffs on most U.S. trade partners. These tariffs included a 10 percent rate and higher, differentiated rates for nations that have trade deficits with the United States. Several countries responded to the tarrifs by imposing their own set of import duties on U.S products. The ongoing tariff and trade wars risk escalating global inflation, inducing an economic slowdown, and potentially triggering a global recession if not resolved amicably between the U.S and its various trading partners.

Negotiations are still underway, and global markets are closely monitoring the progress. Global equities, particularly in the United States, faced a challenging quarter due to renewed trade tensions, rising inflation, and the diminishing influence of major U.S. tech firms. These factors contributed to increased volatility, uncertainty, and declining confidence among consumers, businesses, and investors. Performance for the MSCI World Index was negative for Q1, the index declined by 3.67 percent highlighting the difficulties experienced in the quarter. Furthermore, United States Treasury Securities (bonds) uncharacteristically sold off during the quarter, as heightened volatility prompted investors to offload their holdings. Typically, U.S government bonds are favored during market downturns, but policy instability, prompted by the U.S trade and tariff wars, has eroded confidence in the United States as a safe haven.

Against this background a majority of the Fund's Asset Classes posted negative performance by the end of the quarter. Portfolio performance was mainly driven by Africa Listed Equities, China A Share Equities, Global Bonds, Botswana Assets including, Property, Cash, Equities, and Bonds.

The positive performance in the first quarter was led once again by Africa Listed Equities. Africa Listed Equities can offer diversification benefits, especially during periods of global market volatility. African stock markets often have a lower correlation with Developed Markets, which can help reduce overall portfolio risk. Africa Listed Equities generated positive performance from countries such as Morocco, Ghana, Egypt, Mauritius, Kenya, and Nigeria.

Despite the ongoing tariff and trade wars, Chinese Equities had strong performance in the quarter. Positive performance by China A Shares can be attributed to monetary and fiscal stimulus measures and stronger than expected GDP growth of 5.4 percent.

Additionally, policy announcements during the National People's Congress set ambitious economic targets and initiatives to boost domestic demand, support homegrown tech developments and strengthen key industries, further enhancing investor confidence and driving a notable uplift in Mainland China A-Share Equities.

Global Bonds experienced positive performance as investors sought refuge in safer assets amid heightened market volatility. Investor flight to quality was driven by uncertainty surrounding trade policies and fluctuating economic indicators. Most Domestics Assets, namely Botswana Property, Botswana Cash, Equities and Bonds, posted positive returns for the quarter.

Local Equities led the charge, in terms of performance, for domestic assets in the quarter. Botswana Equities were flat for most of the Q1 but managed to generate positive performance towards the end of the quarter due to positive performance by FMCG, Financial services, and Property sectors.

Botswana Bonds were the second best performing domestic asset class. Local bonds achieved modest positive returns due to increasing fiscal pressures, a rise in the bond supply, and tighter liquidity within the financial system.

Botswana Property similarly generated strong performance as the Fund's overall property portfolio grew primarily due to the development of the new Cresta Jwaneng Grande Boutique hotel, and increased valuations of numerous properties of the Fund. Local cash continued to earn positive returns due to the liquidity crunch that is occurring in the domestic market and the attractive yields on offer.

The top performing asset class for the Fund in the quarter was Africa Listed Equities, which increased 7.79 percent (in BWP). The next top performing asset class for Quarter 1 was China A Share Equities which rose 6.65 percent followed by Global Bonds, which advanced 2.09 percent. Domestic Assets including, Botswana Equities, Botswana Property, Cash and Bonds provided positive performance in the quarter advancing by 1.41 percent, 1.24 percent, 1.22 percent, 0.90 percent, respectively.

Africa Private Equity was seemingly flat for the quarter generating 0.45 percent, Global Equities, Global Cash, Emerging Market Equities, Global Property, Emerging Market Bonds were in negative territory for the quarter, declining by 2.55 percent, 1.92 percent, 1.32 percent, 0.65 percent, 0.04 percent, respectively.

The Fund's Market Channel decreased 0.22 percent during the quarter, the Conservative Channel declined by 0.02 percent and the Pensioner Channel fell by 0.01 percent.

On a twelve-month basis, the Fund overall generated positive returns. During the 12-month period, the Market Channel delivered 8.10 percent, while the Conservative Channel rose 7.43 percent and the Pensioner Channel generated 6.42 percent. During the period under review, returns remained consistent with Debswana Pension Fund's Life Stage Models investment strategy; whereby the most aggressive Market Channel outperformed the most while the least aggressive Pensioner Channel registered relatively lower returns.

Portfolio performance as at 31st March 2025

Life Stage Channel Returns

Fund	3 Months to Mar 25	6 Months to Mar 25	12 Months to Mar 25	36 Months to Mar 25	60 Months to Mar 25	Since Inception (Aug 04)
Market	-0.22%	2.50%	8.10%	10.70%	11.39%	11.44%
Conservative	-0.02%	2.55%	7.43%	10.19%	10.14%	10.56%
Pensioner	-0.01%	2.35%	6.42%	9.53%	9.55%	10.77%
Contingency	0.00%	2.54%	7.03%	9.88%	9.34%	12.09%

Asset Class Returns

	Q4 2024	Q1 2025
Asset Class	**%Returns (Net)**	**%Returns (Net)**
Botswana Bonds	0.16%	1.24 %
Botswana Cash	0.76%	0.90 %
Botswana Equities	4.24%	1.41%
Botswana Property	0.32%	1.22 %
African Listed Equities	12.48%	7.79 %
African Private Equity	-13.97 %	0.45 %
Global Bonds	1.66%	2.09%
Global Cash	6.56%	-1.92 %
Global Property	-3.71%	-0.65 %
Global Equities	4.48%	-2.55 %
Emerging Market Bonds	6.15%	-0.04 %
Emerging Market Equities	-0.45%	-1.32%
China Funds	0.49%	6.65%

Benchmark Asset Class Returns as at 31st March 2025

ASSET CLASS	BENCHMARK	1M (%)	QTR (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)
Local Equities	Botswana Domestic Companies Index	0.68 ▲	1.35 ▲	1.35 ▲	20.83 ▲	22.48 ▲	20.99 ▲	14.49 ▲
Global Equities	MSCI World (BWP)	-5.04 ▼	-3.14 ▼	-3.14 ▼	7.29 ▲	18.86 ▲	14.30 ▲	19.46 ▲
Emerging Markets	MSCI EM (BWP)	0.01 ▲	1.51 ▲	1.51 ▲	8.61 ▲	11.05 ▲	7.77 ▲	11.04 ▲
Global Property	FTSE EPRA/NAREIT Developed Rental Index (BWP)	-3.12 ▼	0.38 ▲	0.38 ▲	6.64 ▲	9.91 ▲	2.45 ▲	10.59 ▲
Global Bonds	Bloomberg Barclays GABI (BWP)	-0.01 ▼	1.23 ▲	1.23 ▲	3.25 ▲	4.52 ▲	4.51 ▲	1.44 ▲
Africa Equities	FTSE/JSE Africa 30 (BWP)	6.57 ▲	16.65 ▲	16.65 ▲	26.40 ▲	1.75 ▲	1.99 ▲	7.04 ▲
Exchange Rate	USDBWP	-0.62 ▼	-1.37 ▼	-1.37 ▼	0.21 ▲	2.71 ▲	6.24 ▲	2.87 ▲

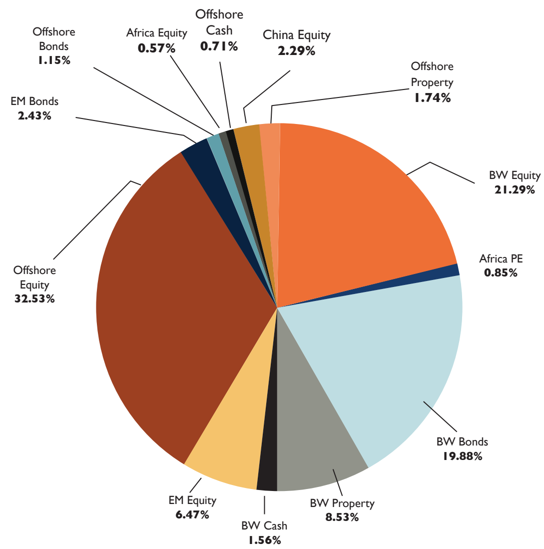
Inflation

According to the Bank of Botswana, the annual inflation rate decreased from 2.8 percent in March to 2.3 percent in April 2025, staying below the lower bound of the medium-term objective range of 3 to 6 percent

Interest Rates

At its meeting of 17 April 2025, the Bank of Botswana's Monetary Policy Committee (MPC) maintained the Monetary Policy Rate (MoPR) at 1.9 percent.

Asset Class Weights 31st March 2025



NB: Market performance results sourced from RISCURA

Global Market Update

Quarter ended 31st March 2025

In the first quarter of 2025, financial markets experienced significant volatility and uncertainty, driven by the disruptive impact of advanced AI models from China and by fluctuating trade policies. The emergence of DeepSeek, which developed a competitive AI model with an alleged investment of just USD 5.6 million, triggered a significant sell-off in technology stocks due to its disruptive approach to AI development. This stark contrast to the billions spent by established U.S firms led investors to question the efficiency and innovation strategies of larger companies. However, doubts remain about the validity and sustainability of DeepSeek's approach, as its efforts have not yet been fully confirmed. The success of DeepSeek's cost-effective model suggests a potential paradigm shift in AI investments, emphasizing leaner, more agile development processes. This development could lead to a reevaluation of capital allocation strategies within the AI sector, with a focus on maximizing returns through more efficient use of resources. Donald Trump launched new tariffs on multiple countries as one of his first initiatives in his second term, igniting a tariff trade war. These tariffs targeted key trading partners, leading to a series of retaliatory measures and escalating global trade tensions. Trump introduced the numerous tariffs measures as he wants to reduce the gap between the value of goods the U.S buys from other countries and those it sells to them. Trump believes that tariffs will boost U.S manufacturing, protect and create jobs, encourage consumers to buy more American-made goods, increase tax revenue, and attract significant levels of investment to the country. Global Equity markets declined due to increased uncertainty about future trade policies, economic growth prospects, the potential rise in production costs and inflation resulting from disruptions to global supply chains, and the disruptive AI model DeepSeek. The S&P 500 declined by 4.3 percent in the first quarter, its negative performance can be attributed to changing interest rate expectations and prolonged tariff uncertainty. The aforementioned culminated in the index experiencing its most challenging quarter since Q3 2022. The Magnificent Seven stocks (Alphabet, Amazon, Apple, Meta Microsoft, Nvidia, , and Tesla) faced significant challenges in the quarter due to new tariffs and the emergence of new disruptive AI models. All seven stocks declined by 20 percent from their all-time highs, placing them in bear market territory. The top performing sectors in the United States in the quarter were energy and healthcare sectors whilst the information technology and consumer discretionary sectors were the biggest detractors

In Q1 2025, the Federal Reserve held its benchmark interest rate steady between 4.25 percent and 4.5 percent. The Federal Reserve's decision to hold interest rates was primarily influenced by President Trump's tariff policies, which could lead to higher unemployment and elevated inflation. The Federal Reserve has highlighted that it will make its interest rate decisions on comprehensive data analysis.

Global Bonds similarly experienced a very volatile quarter. The sell-off in U.S Treasuries during the quarter was primarily driven by policy uncertainty, including the reintroduction and implementation of tariffs, which created significant market instability. Investors were concerned about the potential inflationary effects of these tariffs, which could push the U.S economy closer to a recession. Additionally, geopolitical tensions and fears of retaliation from foreign trading partners further eroded confidence in U.S. Treasuries. This combination of factors led investors to seek safer assets, contributing to the sharp decline in Treasury prices. Investors have pivoted from U.S Treasuries into higher-credit-quality bonds and international bonds such a German Bonds. Towards the end of the quarter U.S Bonds recovered despite the initial sell-off, as concerns over inflation and growth eased. The U.S 10-year Treasury note declined from 4.57 percent in Q4 2024 to 4.23 percent in Q1 2025. The U.S 2-year bond decreased from 4.25 percent to 3.89 percent. Despite significant market volatility spurred by tariffs, the United States Dollar (USD) weakened in the quarter. The United States Dollar (USD) is typically viewed as a safe-haven asset, but during the quarter, the dollar did not perform as expected. Generally, tariffs can strengthen the dollar, but when imposed on close trading partners, they can undermine confidence in the U.S economy. Additionally, the heightened risk of a U.S recession during the quarter prompted investors to seek other stable hard currencies, such as the Japanese Yen, Swiss Franc, and the Euro.

European equity markets had a positive quarter, reversing a year of mixed performance. This turnaround was driven by investors pivoting from U.S equities, particularly large-cap technology stocks, as DeepSeek's advancements and U.S tariffs impacted global markets. The strongest performing sectors were financials, industrials, energy, communication and utilities. Detractors for the quarter where real estate, consumer discretionary, and Information Technology.

United Kingdom (UK) equities rose in the quarter, driven similarly by pivots from the United States. The best performing sectors

Global Market Update (Cont.)

Quarter ended 31st March 2025

were financials, energy, and health. In particular, large-cap counters in these sectors performed strongly.

Japan experienced negative performance driven by concerns about Trump administration tariffs and increasing fears of a U.S recession. Trump's tariffs particularly impacted Japanese car makers and technology counters. In the Quarter, the TOPIX Total Return declined by 3.4 percent in yen terms.

Asia ex-Japan equities achieved moderate gains in the first quarter. The top performing markets were China, Singapore, and South Korea. Performance for these three countries was driven by fiscal support and robust demand in the technology sector. Taiwan and Indonesia experienced significant declines during the quarter due to tariff-related economic uncertainty, as well as a slowdown in exports and overall economic activity. Emerging Markets delivered positive performance in the quarter, driven by U.S trade tariffs and policy unpredictability, volatile U.S bond markets, and a weaker dollar. Markets such as Brazil, Korea, the United Arab Emirates, South Africa, and Czech Republic fared well in the quarter.

Despite significant market volatility and challenging market dynamics, Debswana Pension Fund was flat for the quarter, generating 0.02 percent. Debswana Pension Fund has a well-diversified investment portfolio that enables it to withstand adverse market conditions.

The Debswana Pension Fund remains cautiously optimistic going into the next few quarters. Market performance will largely depend on the outcomes of global tariff and trade deals. The current market volatility has not been due to fundamental or structural issues but rather geopolitical factors. If favorable deals are struck, the market outlook is positive. However, if they are not, tariff and trade wars will pose a significant risk to economic growth and inflation. The Fund will continue to implement its prudent investment strategy to navigate the different risks while taking advantage of emerging opportunities.

> “Debswana Pension Fund has a well-diversified investment portfolio that enables it to withstand adverse market conditions.”

Botswana Market Review

Quarter ended December 2024

According to statistics Botswana, the Real Gross Domestic Product decreased by 2.0 percent compared to the 2.3 percent growth registered in the same quarter of the previous year. The decline was attributed to real value added by Mining & Quarrying, Manufacturing and Agriculture, which decreased by 27.3 percent, 6.5 percent, 2.5 percent respectively.

On a quarter to quarter comparison the GDP increased by 1.3 percent during period under review.

During the quarter under review, Public Administration & Defence became the major contributor to GDP by 18.7 percent, followed by Wholesale & Retail Trade at 13.0 percent, and Construction at 12.4 percent.

The Bank of Botswana's Quarterly Business Expectations Survey indicates that firms maintained a positive outlook on business conditions in the first quarter of 2025, albeit with slightly less enthusiasm compared to the fourth quarter of 2024. The sectors expressing optimism include Retail, Accommodation, Transport, Communications, Manufacturing, and Mining and Quarrying. In contrast, firms in the Agriculture sector remain neutral, while others sectors remained less optimistic. Additionally, firms anticipated an increase in lending interest rates and borrowing volumes. Furthermore, firms expected a reduction in overall cost burdens due to the expected decline in input costs and foresee inflation remaining within the 3-6 percent target range.