


Quarter 2 | 2025

Business E-Brief

Your quarterly Fund Performance update



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by volatility, resilience,
and policy-driven pivots.

DPF Q2 2025

E-Brief

Q2 Report Back

“ The Fund’s Market Channel increased by 5.86% during the quarter, the Conservative Channel rose by 5.20% and the Pensioner Channel generated 4.70% ”

The second quarter of 2025 underscored the influence of policy decisions, geopolitical developments, and sector-specific performance on global financial markets, highlighting the importance of strategic positioning amid evolving macroeconomic conditions. The quarter was marked by volatility, resilience, and policy-driven pivots. The single biggest driver of global markets in Q2 2025 was the announcement and subsequent suspension of sweeping U.S. trade tariffs, commonly referred to as the 'Liberation Day Tariffs'. 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 tariffs by imposing their own set of import duties on U.S. products. Following the surprise announcement of the U.S. tariffs, markets experienced a period of heightened volatility and uncertainty. To de-escalate tensions and create space for diplomatic dialogue, the Trump administration introduced a 90-day suspension of the proposed measures. This move proved pivotal, triggering a sharp reversal in negative investor sentiment. Equity markets responded with a robust V-shaped recovery, and by June, indexes such as the Standard and Poor's (S&P) 500 had climbed to new record highs, reflecting renewed confidence in the global economic outlook and the resilience of corporate earnings.

A key trend in Q2 was the strong performance of speculative tech firms with limited earnings visibility, especially those in Artificial Intelligence (AI). Investors viewed AI as a counterbalance to economic headwinds. While tariffs typically dampen growth and raise costs, AI was seen as a tool to boost productivity and efficiency, helping companies absorb or offset economic pressures. Artificial intelligence continues to attract substantial investor interest in the United States, with AI startups raising approximately USD 104.3 billion in the first half of 2025 alone, nearly equaling the total capital raised throughout all of 2024. In contrast, profitable tech companies

posted more moderate gains, highlighting a shift in investor focus toward high-growth potential over financial stability. Despite the aforementioned, the Magnificent Seven, mega-cap tech counters, staged a strong comeback after lagging in Q1, delivering impressive double-digit returns.

This resurgence signaled a broader investor rotation back into growth equities, serving as a key tailwind for overall market performance. During the quarter, escalating tensions between Israel and Iran triggered a brief wave of uncertainty across global markets. Markets experienced a period of significant volatility, and oil prices surged amid concerns over potential supply disruptions in the Middle East. Investors responded by shifting toward safe-haven assets. Although the conflict was short-lived and markets soon regained stability, the occurrence underscored how geopolitical risks can swiftly influence investor sentiment, market and commodity prices. In the second quarter, policy-driven pivots were evident in global markets. Growing uncertainty surrounding U.S. trade and fiscal policies, particularly the introduction of broad tariffs and rising concerns over debt sustainability, sparked a notable sell-off in U.S. fixed income instruments. As investor confidence in the government's policy direction waned, demand for fixed income assets declined sharply, leading to rising yields and falling prices. This shift prompted a broader reallocation of capital away from U.S. markets, with investors seeking more stable and predictable environments. Among the beneficiaries was the UK's FTSE, which attracted significant inflows. International equities, especially in developed and Emerging Markets, rallied as investors sought diversification and a more stable policy environment.

To help stabilize financial markets, President Trump responded with a 90-day suspension of the proposed tariff measures. This move was widely seen as a direct reaction to the volatility in the bond market, which plays a critical role in the U.S. economy. The bond

market not only supports federal financing but also influences interest rates across consumer and business lending, and serves as a key benchmark for global financial stability.

Bond market performance was modest, with the Barclays Capital Global Aggregate Bond Index returning 1.60 percent.

The MSCI World Index posted positive performance in Q1, generating a return of 8.36 percent, reflecting improved investor confidence and favorable market conditions during the quarter.

Overall, majority of the Fund's Asset Classes performed positively by the end of the quarter. Portfolio performance was mainly driven by Africa Equities, Emerging Market Equities, Global Equities, Botswana Equities, Global Bonds, Botswana Property and Botswana Cash.

The positive performance in the third quarter was led, once again for a third consecutive quarter, 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, Ghana, Nigeria, Tanzania, Kenya, and Nigeria.

Emerging Market Equities rebounded in Q2 after previously struggling and generated strong performance in the quarter. Emerging Market Equities performance was spurred by a combination of macroeconomic tailwinds, sector-specific momentum, and policy and trade developments.

Global Equities, posted strong gains in Q2 2025, supported by resilient corporate earnings, easing inflationary pressures, and improving investor sentiment. A weaker U.S. dollar enhanced returns for international dollar-based investors, while

technology and growth stocks led sector performance. Despite ongoing geopolitical tensions and tariff uncertainties, markets were buoyed by signs of policy moderation and fiscal clarity, including the passage of key U.S. legislation. This backdrop fostered a broad-based rally across both developed and Emerging Markets.

Botswana Equities similarly recovered, delivering strong positive performance during the period. However, the rally was relatively narrow, driven primarily by a handful of counters on the Domestic Equity Board in the Financial, and Consumer staples sectors.

Global Bond markets delivered positive returns in the quarter, despite elevated geopolitical risks stemming from U.S. tariff actions, diverging central policies, long-term viability of the United States' fiscal

position, and tensions in the Middle East. Performance was supported by easing inflation, accommodative monetary policies, a flight to quality, and tightening credit spreads.

The top performing asset class for the Fund in the quarter was Africa Equities, which increased 17.50 percent (in BWP). The next top performing asset class for Quarter 2 was Emerging Market Equities which rose 10.95 percent followed by Global Equities, which advanced 8.68 percent, Botswana Equities, Global Bonds, Botswana Property, Botswana Cash, and Global property provided positive performance in the quarter advancing by 8.22 percent, 1.79 percent, 1.33 percent, 0.99 percent, 0.25 percent respectively.

Africa Private Equity, Emerging Market Bonds, Botswana Bonds, China Funds, and Global Cash were in negative territory for

the quarter, declining by 0.11 percent, 0.18 percent, 0.50 percent, 2.13 percent, and 2.79 percent.

The Fund's Market Channel increased 5.86 percent during the quarter; the Conservative Channel rose by 5.20 percent and the Pensioner Channel generated 4.70 percent.

On a twelve-month basis, the Fund overall generated positive returns. During the 12-month period, the Market Channel delivered 12.41 percent, while the Conservative Channel rose 10.99 percent and the Pensioner Channel generated 9.63 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.

Life Stage Channel Returns

Fund	3 Months to June 25	6 Months to June 25	12 Months to June 25	36 Months to June 25	60 Months to June 25	Since Inception (Aug 04)
Market	5.86%	5.78%	12.41%	14.83%	11.37%	12.40%
Conservative	5.20%	5.33%	10.99%	13.68%	10.25%	10.67%
Pensioner	4.70%	4.83%	9.63%	12.73%	9.54%	11.32%
Contingency	4.16%	4.29%	9.71%	12.89%	9.45%	12.79%

Asset Class Returns

Q1 2025		Q2 2025
Asset Class	%Returns (Net)	%Returns (Net)
Botswana Bonds	0.90 %	-0.50%
Botswana Cash	1.24 %	0.99%
Botswana Equities	1.22 %	8.22%
Botswana Property	1.41 %	1.33%
African Equities	7.79 %	17.50%
African Private Equity	0.45 %	-0.11%
Global Bonds	2.09%	1.79%
Global Cash	-1.92 %	-2.79%
Global Property	-0.65 %	0.25%
Global Equities	-2.55 %	8.68%
Emerging Market Bonds	-0.04 %	-0.18%
Emerging Market Equities	-1.32%	10.95%
China Funds	6.65%	-2.13%

Benchmark Asset Class Returns as at 30th June 2025

Asset Class	Benchmark	1M (%)	QTR (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)
Local Equities	Botswana Domestic Companies Index	1.09 ▲	6.03 ▲	7.46 ▲	19.16 ▲	22.94 ▲	22.63 ▲	16.31 ▲
Bonds	Fleming Aggregate Bond Index	0.62 ▲	-1.12 ▼	-0.20 ▼	-0.30 ▼	5.27 ▲	5.60 ▲	3.65 ▲
Global Equities	MSCI World (BWP)	3.34 ▲	8.13 ▲	4.73 ▲	13.78 ▲	17.34 ▲	21.18 ▲	17.36 ▲
Emerging Markets	MSCI EM (BWP)	5.02 ▲	8.63 ▲	10.28 ▲	12.83 ▲	13.07 ▲	12.37 ▲	9.42 ▲
Global Property	FTSE EPRA/NAREIT Developed Rental Index - (BWP)	-0.16 ▼	0.56 ▲	0.94 ▲	9.56 ▲	7.81 ▲	6.90 ▲	8.74 ▲
Global Bonds	Bloomberg Barclays GABI - (BWP)	0.94 ▲	1.38 ▲	2.63 ▲	6.58 ▲	4.07 ▲	5.24 ▲	1.26 ▲
African Equities	FTSE/JSE African 30 (BWP)	4.08 ▲	6.85 ▲	24.64 ▲	34.84 ▲	7.78 ▲	4.41 ▲	6.08 ▲
Exchange Rate	USD/BWP	-0.93 ▼	-3.00 ▼	-4.33 ▼	-2.13 ▼	-0.74 ▼	2.43 ▲	2.45 ▲



Inflation

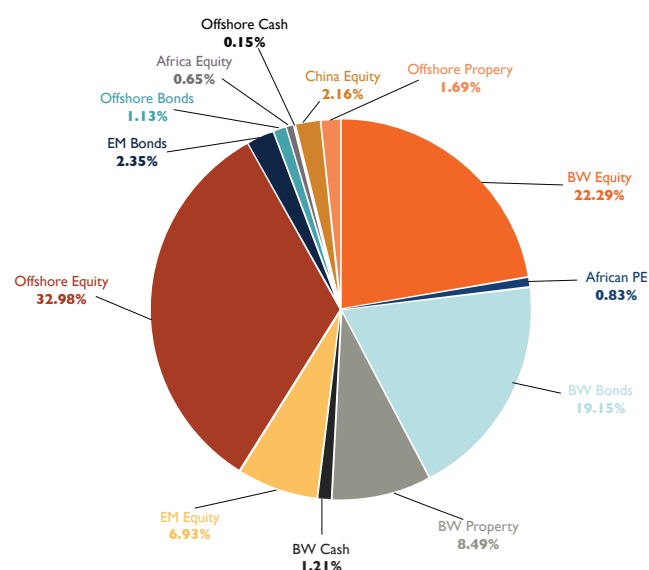
According to the Bank of Botswana, the annual inflation rate decreased from 2 percent in June to 1.1 percent in July 2025, staying below the lower bound of the medium-term objective range of 3 to 6 percent. The decline in inflation between June and July 2025 was primarily driven by the adjustment in electricity tariffs implemented in July 2025.

Interest Rates



At its meeting on 21st August 2025, the Bank of Botswana's Monetary Policy Committee (MPC) maintained the Monetary Policy Rate (MoPR) at 1.9 percent.

Asset Class Weights 30th June 2025



NB: Market performance results sourced from RISCURA

Global Market Update

Quarter ended 30th June 2025



The second quarter of 2025 proved to be one of the most eventful periods in recent history, marked by a complex mix of factors that triggered significant volatility and sharp swings across global capital markets.

At the forefront of market volatility, and the main talking point for the quarter, was the Liberation Day tariffs. Market sentiment during the quarter was largely influenced by uncertainty surrounding U.S. trade tariffs. As the quarter progressed, perceived risks associated with tariffs began to wane. Investor sentiment improved as the VIX index, a key measure of market volatility, fell below 20, signaling a reduction in fear and uncertainty. Confidence was further bolstered by robust corporate earnings across both the U.S. and Europe, which reassured investors about the underlying strength of businesses. Additionally, macroeconomic indicators exceeded forecasts, with strong U.S. labor market data and notable improvements in European manufacturing and services sector. Progress on trade negotiations, including the development of frameworks between the U.S. and UK and a temporary tariff truce with China, also contributed to the positive momentum, helping to stabilize markets and restore optimism.

The aforementioned factors contributed to a strong rebound in Global Equity markets. U.S. equity markets posted robust gains over the quarter. The S&P 500 had an exceptional quarter, as 81 percent of companies within the index exceeded analysts' revenue expectations, underscoring broad-based corporate strength. The average revenue outperformance was a notable 8.4 percent, reflecting strong operational

execution and a positive demand trend. Overall, the S&P 500 returned 10.9 percent in the quarter. The best performing sectors were Information Technology, Financial services, Communication, and Consumer discretionary sectors. The worst performing sectors were the Health care and Energy sectors. The Healthcare sector underperformed primarily due to regulatory and policy pressures, most notably the passing of President Donald Trump's, One Big Beautiful Bill Act (OBBBA). The bill raised concerns for the health care sector in terms of coverage losses, reduced patient volumes, and lower provider revenues. The energy sector was impacted by geopolitical tensions, particularly the Iran-Israel conflict, as well as subdued natural gas demand, which together pressured prices and investor sentiment.

In Q2 2025, the Federal Reserve maintained its benchmark interest rate within the 4.25 percent to 4.5 percent range. This decision was primarily influenced by concerns over prolonged economic stagnation and the inflationary impact of newly implemented tariff policies.

Global Bonds experienced heightened volatility throughout Q2 2025. Early in the quarter, market turbulence was driven by concerns surrounding U.S. tariff policies and escalating geopolitical tensions, particularly the Iran-Israel conflict. Later in the quarter, volatility intensified following the passage of President Donald Trump's OBBBA Act, which sparked widespread unease over the long-term fiscal outlook of the United States. This led to a sharp rise in bond yields across several major developed markets, as investors reassessed sovereign credit risk and future interest

rate trajectories. The US 10-year Treasury note increased slightly from 4.23 percent in Q1 2025 to 4.24 percent in Q2 2025. The U.S. 2-year bond declined from 3.89 percent to 3.72 percent. The U.S. dollar continued its downward trend this quarter, reaching its lowest level in three years. U.S. dollar weakness stemmed from heightened policy uncertainty and growing concerns over the country's rising debt levels and long-term fiscal sustainability.

Credit markets demonstrated resilience during the quarter, driven by attractive returns and subdued net issuances.

European equity markets posted another strong quarter, maintaining their upward momentum. Performance was largely driven by an accommodative monetary policy and robust gains in the industrial and real estate sectors. Industrials have been a standout performer year-to-date, underpinned by elevated geopolitical tensions and substantial European Union defense spending commitments, which continue to reshape investor sentiment across the region. The worst performing sectors were Energy, Healthcare, and Consumer Discretionary.

United Kingdom (UK) Equities also advanced over the quarter, supported by an accommodative monetary policy by the Bank of England (BOE). The strongest sector performers included Industrials, Telecommunications, Utilities, and Real Estate.

Japan rebounded in the quarter after experiencing a significant decline in the previous quarter. Japanese markets experienced initial volatility due to tariff announcements from President Donald Trump. However, sentiment gradually improved over the quarter as trade negotiations progressed amicably between the U.S. and key global partners. Equity performance was driven by growth stocks, and positive investor sentiment fueled by corporate governance reforms and initiatives aimed at enhancing return for shareholders.

Global Market Update (Cont.)

Quarter ended 30th June 2025

Asia ex-Japan Equities performed strongly during the quarter, with markets exposed to AI and technology benefiting from global optimism around artificial intelligence and its potential to enhance productivity and offset pressures from U.S. trade policies. The top-performing markets were Korea, Taiwan, and Hong Kong, all of which have significant exposure to the tech and AI sectors.

Emerging Markets outperformed their developed Market counter parts in Q2. Emerging Markets investor performance was buoyed by a weaker U.S. dollar, constructive trade negotiations between the U.S. and key partners, growing optimism around artificial intelligence, signs of economic stabilization in China, and easing inflation across several major economies.

Despite heightened market volatility and challenging conditions, Debswana Pension Fund delivered a strong quarterly return of 5.35 percent. The Fund's Assets Under Management (AUM) increased from BWP 11.528 billion to BWP 11.901 billion, even after accommodating notable member exits during the period.

Debswana Pension Fund remains cautiously optimistic heading into the next few quarters. Market performance will largely hinge on the outcomes of global tariff negotiations, trade agreements, and inflationary pressures. Current market volatility appears to be driven more by geopolitical tensions than by fundamental or structural weaknesses. Should favorable trade deals be reached, which has been the case thus far, the outlook for global markets

is positive. Conversely, the absence of such agreements could lead to escalating trade wars, posing significant risks to economic growth and inflation. Artificial intelligence (AI) optimism has emerged as a major catalyst for global markets, helping to offset broader economic pressures. Additionally, President Donald Trump's One Big Beautiful Bill Act could provide the U.S. economy with tools to navigate turbulent conditions. The bill's tax provisions may act as a tailwind, supporting both domestic growth and global capital markets. The Fund will continue to implement its prudent investment strategy, aiming to mitigate risks while capitalizing on emerging opportunities.

Botswana Market Review

Quarter ended June 2025



According to statistics Botswana, the Real Gross Domestic Product decreased by 0.3 percent compared to the 5.2 percent decline registered in the same quarter of the previous year. The decline was attributed to real value added by Diamond Traders, Water & Electricity, Mining & Quarrying, Agriculture, Forestry & Fishing industries and Transport & Storage which recorded 36.2 percent, 29.0 percent, 7.7 percent, 3.4 percent and 1.3 percent, respectively.

On a quarter to quarter comparison the GDP decreased by 0.1 percent during the period under review.

During the quarter under review, Public Administration & Defence became the major contributor to GDP at 17.4 percent, followed by Mining & Quarrying at 14.4 percent, Wholesale & Retail at 12.1 percent and Construction at 11.6 percent.

According to the Bank of Botswana's latest Business Expectations Survey, companies remain broadly confident about operating conditions in the second quarter of 2025, with sentiment largely consistent with the previous quarter. Positive outlooks were most evident among businesses in sectors such as Retail, Hospitality, Transportation and Communication, Mining, and Financial and Professional services.

Looking ahead, expectations for the 12 months leading up to June 2026 were more reserved. The most commonly cited obstacle to business performance was limited public sector expenditure, reflecting ongoing fiscal constraints due to diamond market weakness.

In terms of financial conditions, businesses foresee an uptick in both interest rates and borrowing activity over the coming year and projected to inflation to remain within Banks of Botswana's medium inflation target range of 3 to 6 percent.