AA Botswana Enhanced Yield Fund

30 April 2021

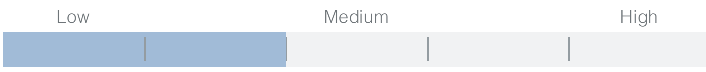
General Fund Information

Fund Structure	CIS
Region	Botswana
Currency	BWP
Asset Class	Fixed Income
Portfolio Manager	Nlume Modise Lorato Morule
Headline Fee	1.25%
Initial Fee	-
Distribution Frequency	Annually
Launch Date	April 29, 2017
Minimum Lump Sum Investment	500000
Risk Rating	Medium-Low
Net Asset Value (NAV)	102.61
Assets Under Management (AUM)	225,909,117

Fund Objective

The primary objective of this Fund is to provide an attractive level of current income while preserving capital for expert investors with a medium-term investment horizon and moderate to low liquidity needs. The Fund may invest in Botswana domiciled medium-term debt and cash investments and targets a return of a money market fund yield + 2 percentage points.

Risk Rating



Gross Performance (%)

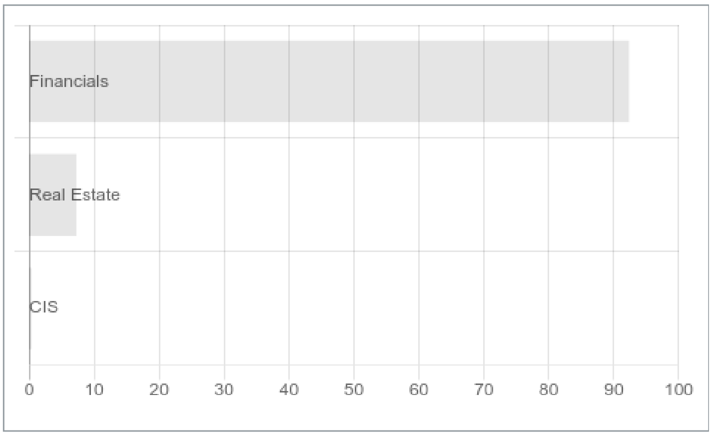
	1 Month	3 Months	6 Months	1 Year	2 Years*	3 Years*	5 Years*
Fund	0.52	1.58	3.24	6.49	6.19	6.33	-
Benchmark**	-	-	-	-	-	-	-
Value Add	-	-	-	-	-	-	-

*Annualised **Not Applicable

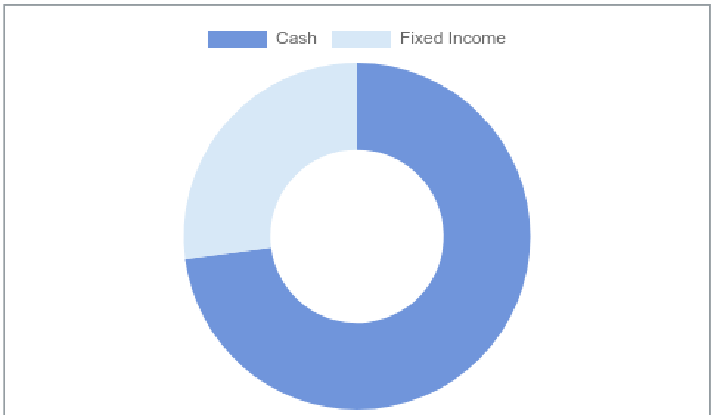
Issuer Exposure (%)

Bayport Botswana	28.7
Bank Gaborone	19.0
Letshego Holdings	16.0
BancABC	14.9
Standard Chartered Botswana	12.1
Primetime Property Holdings	7.3
Barclays Bank Botswana	1.4
AA Botswana Liquidity Fund	0.4
Stanbic Bank Botswana	0.3
Capital Bank	0.0

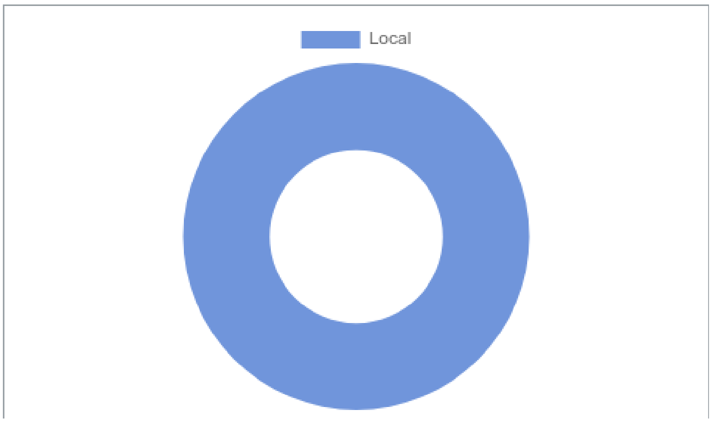
Sector Allocations (%)



Asset Class Breakdown (%)



Region Breakdown (%)



Portfolio Manager Commentary

The annual inflation rate hit 3.2% in March, up from 2.4% in February. The main drivers were the Housing, Food and Transport sub-indices. Retail pump prices for petrol and diesel were increased by 57 thebe and 52 thebe per litre respectively. Upside risks to the inflation print come from administered prices such as anticipated tariff increases on electricity and water, whilst weakened domestic demand continues to anchor inflation. At 3.2%, this is the first time in 24 months that the print has fallen within the Bank of Botswana's (BoB) target range of 3% to 6%. The Monetary Policy Committee (MPC) at the BoB convened and held the bank rate at 3.75%. The MPC projects inflation to breach the upper bound of their target in Q2 due to "supply-side factors."

In the debt space, Moody's downgraded Botswana's sovereign credit rating from A2 to A3, and changed the outlook from negative to stable. The agency pointed to Botswana's weakened fiscal position due to the COVID 19 pandemic. This has hampered the country's ability to withstand future shocks, which the agency says Botswana is more exposed to than its A-rated peers. On the positive side, the country still has low debt levels.

The domestic equity market had a positive month, with the DCI up 0.6% driven by gains in Letshego, SeedCo and BTCL, which added 15.9%, 13.6% and 7.1% respectively. The worst performers were Primetime, which fell 6.4% and Sechaba which lost 4.6%. NAP reported interim results with rental income down 2.8% from the comparative period. Profit after tax fell 21.2% due to negative fair value adjustments given the impact of COVID 19 on valuations. Investment property decreased 2.5% to BWP 1.46bn. Turnstar released full year results experiencing a 30.1% drop in profit after tax. Among the causes of the decline were a 4.4% drop in rental income, a BWP 12m charge for rental relief, a 3.5% increase in operating expenses, and unfavourable FX movements. The group continues to face vacancies in its commercial office space in Tanzania, but are seeing better performance in the retail space. Investment property value increased by 0.59% and fair value losses were driven mostly by losses in Tanzania, whilst the Botswana properties recorded gains.

Banc ABC announced the signing of a share purchase agreement between Atlas Mara, ABC Holdings and Access Bank Plc for the latter to acquire a 78.15% stake in Banc ABC Botswana. The Bank of Botswana has given conditional approval of the transaction. The deal is expected to be finalized by the end of Q2. Access Bank is a Nigerian bank with a presence in 12 countries on three continents, and over 40 million customers. The acquisition is expected to complement BancABC's retail strength with the wholesale capabilities of Access Bank.

The BoB held the fourth government bond auction with BWP 1.34bn raised out of BWP 1.83bn on offer. The most aggressive bids were for the 6-month T-Bill with a bid-to-cover ratio of 1.36x. Of the longer dated bonds, the most in demand was the 19-year which had a stop out yield of 6.70% and a bid-to-cover of 7.37x.

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