DPF
DEBSWANA · PENSION · FUND

Quarter 2 | 2026

Business E-Brief

Your quarterly Fund performance update

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DPF Q2 2026 E-Brief
Report Back

> **"The top-performing asset class for the Fund in the quarter was Emerging Market Equities, which increased 27.03 percent (in BWP)"**

The second quarter of 2026 was characterised by easing geopolitical tensions, declining oil prices, strong risk-on investor sentiment, continued enthusiasm for Artificial Intelligence (AI)-related investments, and a broad-based rally across global equity markets. The key driver of performance was the de-escalation of tensions between the United States and Iran following the announcement of a 14-point ceasefire framework, which brought an end to several weeks of heightened uncertainty in the Middle East. The agreement, which included commitments to halt military action, safeguard energy infrastructure, maintain freedom of navigation through the Strait of Hormuz, and pursue diplomatic engagement, significantly reduced concerns over potential disruptions to global oil supplies. As a result, oil prices retraced from their elevated levels, market volatility declined, and investors became increasingly willing to take on risk. The improvement in the geopolitical backdrop led to a marked recovery in investor confidence, supporting strong gains across developed, emerging, and frontier equity markets.

Technology stocks remained the primary driver of equity market returns during the quarter, supported by sustained capital inflows into AI and semiconductor companies as investors continued to position for the long-term transformational impact of artificial intelligence. Strong earnings growth, robust investment in AI infrastructure, and increasing corporate adoption of AI technologies reinforced the sector's leadership and helped underpin broader market performance. While the sector experienced some profit-taking towards the end of the quarter following an extended period of outperformance, AI-related companies continued to contribute meaningfully to overall market gains. Beyond technology, cyclical sectors such as industrials, financials, and consumer discretionary also delivered strong returns as improving investor confidence, easing geopolitical tensions, lower energy prices, and a more constructive global economic outlook encouraged a rotation into economically sensitive segments of the market. The broadening of market participation beyond the technology sector was a notable feature of the quarter, reflecting a healthier risk environment and growing confidence in the sustainability of the global economic recovery. Frontier markets, which have little to no exposure to the AI theme, also delivered solid gains in the quarter.

African equity market returns continued to generate strong performance, returns were more diversified across sectors versus the concentrated returns seen from developed and emerging markets. Over the past two years, African markets have experienced renewed foreign investor interest, due to a combination of attractive valuations and improving economic fundamentals. In contrast to increasingly expensive developed and emerging market equities, many African markets continue to offer compelling risk-adjusted return opportunities. Furthermore, investors have also taken comfort from progress on fiscal consolidation, more credible monetary policy frameworks, stabilising currencies, and structural reforms designed to promote long-term economic growth.

These improvements have enhanced market resilience, increased investor confidence, and reinforced the case for strategic allocations to African equities. The correction in oil prices eased inflation expectations but was negative for resource-heavy indexes as oil companies sold off. In addition, the easing in oil prices was also supported by the increased use of alternative pipelines and export routes. As disruptions to traffic through the Strait of Hormuz threatened global oil supplies, neighbouring countries redirected exports through alternative channels to the Red Sea and Gulf of Oman. This diversification of transport routes helped alleviate supply constraints, improved market confidence, and reduced the risk of a prolonged energy shock, contributing to lower oil prices during the quarter. Precious metals such as gold also came under pressure as investors' risk appetite improved. Gold's strong performance over the last two years has been driven by a combination of geopolitical uncertainty, central bank purchases, lower interest rate expectations, and reserve diversification away from traditional currencies.

Monetary policy diverged across regions, although most major central banks ultimately maintained policy rates at existing levels. In the second quarter, Kevin Warsh was sworn in as the 17th Federal Reserve Chairperson, succeeding Jerome Powell, who served eight years and will stay on as a governor at the Federal Reserve. The Federal Reserve left interest rates unchanged throughout Q2 2026, adopting a cautious stance as inflation remained above target despite moderating energy prices. The European Central Bank (ECB) and the Bank of Japan (BOJ) bucked the trend, raising their policy rates by 25bps. The Eurozone is faced with a slower growth outlook whilst Japan looked to cushion a weaker yen. All of the Fund's Asset Classes posted positive performance by the end of the quarter except for Global cash. The strongest returns were generated from Emerging Market Equities, China Equities,

Global Equities, African Equities, Global Property and African Private Equity.

Botswana Equities continued to post positive returns through the quarter, extending their growth streak. Performance benefited significantly from exposure to FMCG stocks, particularly Sechaba, which reported stronger-than-expected earnings, providing a meaningful boost to returns. As one of the Fund's largest allocations, Local Equities remain the largest source of relative return.

Africa Listed equities posted commendable performance. Gains were largely driven by exposures to telecommunications and financial services in the Egyptian and West African bourses.

Emerging Market equities were the best-performing asset class. Tech stocks were buoyed by the ensuing momentum of Artificial Intelligence, with Asian markets being key drivers of outperformance.

Global Equities delivered strong double-digit returns in Q2. AI and semiconductor stocks were key drivers of performance, whilst positions in defensive, mispriced businesses in the financial services sector also bolstered returns.

The top-performing asset class for the Fund in the quarter was Emerging Market Equities, which increased 27.03 percent (in BWP). The next top-performing asset class was China Equities, which rose 19.77 percent followed by Global Equities with a return of 11.43 percent. Global Property returned 8.28 percent, Local Equities and Bonds delivered 1.98 percent and 1.48 percent respectively, whilst Global Bonds marginally gained by 0.43 percent.

The Fund delivered strong growth during the quarter, advancing by 7.00 percent. The Market Channel increased by 7.46 percent, the Conservative Channel by 6.32 percent, and the Pensioner Channel generated 6.52 percent.

On a twelve-month basis, the Fund generated positive returns, growing by 14.62 percent. During this period, the Market Channel delivered 15.85 percent, while the Conservative Channel rose 13.61 percent and the Pensioner Channel generated 13.21 percent. For the 12-month performance, 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	1 Month to June 26	3 Months to June 26	6 Months to June 26	12 Months to June 26	36 Months to June 26	60 Months to June 26	Since Inception (Aug 04)
Total Portfolio	0.50%	7.00%	7.64%	14.62%	13.60%	10.73%	13.23%
Market Portfolio	0.41%	7.46%	8.15%	15.85%	14.54%	11.43%	12.55%
Conservative Portfolio	0.42%	6.32%	7.03%	13.61%	13.16%	10.47%	10.80%
Pensioner Portfolio	0.63%	6.52%	7.08%	13.21%	12.32%	9.73%	11.34%
Contingency Portfolio	0.67%	7.52%	7.54%	12.73%	12.26%	9.73%	12.79%

Asset Class Returns

Q1 2026		Q2 2026
Asset Class	%Returns	%Returns
Botswana Bonds	0.85%	1.48%
Botswana Cash	1.80%	2.53%
Botswana Equities	3.64%	1.98%
Botswana Property	0.95%	1.08%
African Equities	12.55%	8.92%
African Private Equity	1.57%	6.10%
Global Bonds	2.39%	0.43%
Global Cash	2.68%	-1.32%
Global Property	4.69%	8.28%
Global Equities	-3.13%	11.43%
Emerging Market Bonds	4.16%	2.67%
Emerging Market Equities	0.04%	27.03%
China Funds	1.49%	19.77%

Benchmark Asset Class Returns as at 30th June 2026

Asset Class	Benchmark	1M (%)	QTR (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)
Local Equities	Botswana Domestic Companies Index	0.21 ▲	2.82 ▲	4.06 ▲	12.43 ▲	15.75 ▲	19.33 ▲	19.74 ▲
Bonds	Fleming Aggregate Bond Index	1.85 ▲	0.94 ▲	1.06 ▲	-2.88 ▼	-1.59 ▼	2.48 ▲	3.30 ▲
Global Equities	MSCI World (BWP)	0.62 ▲	12.79 ▲	14.92 ▲	29.44 ▲	21.36 ▲	21.24 ▲	17.52 ▲
Emerging Markets	MSCI EM (BWP)	-0.08 ▼	22.99 ▲	29.74 ▲	53.09 ▲	31.43 ▲	25.09 ▲	13.01 ▲
Global Property	FTSE EPRA/NAREIT Developed Rental Index - (BWP)	2.99 ▲	9.10 ▲	16.99 ▲	22.63 ▲	15.91 ▲	12.54 ▲	8.24 ▲
Global Bonds	Bloomberg Barclays GABI - (BWP)	0.63 ▲	0.01 ▲	4.54 ▲	7.34 ▲	6.96 ▲	5.15 ▲	3.79 ▲
African Equities	FTSE/JSE African 30 (BWP)	0.88 ▲	15.14 ▲	20.08 ▲	47.16 ▲	40.87 ▲	19.57 ▲	11.34 ▲
Exchange Rate	USD/BWP	1.35 ▲	-0.85 ▼	4.76 ▲	6.68 ▲	2.18 ▲	1.68 ▲	5.42 ▲
Inflation	Botswana CPI	0.20 ▲	7.21 ▲	8.60 ▲	10.74 ▲	6.29 ▲	5.12 ▲	6.47 ▲

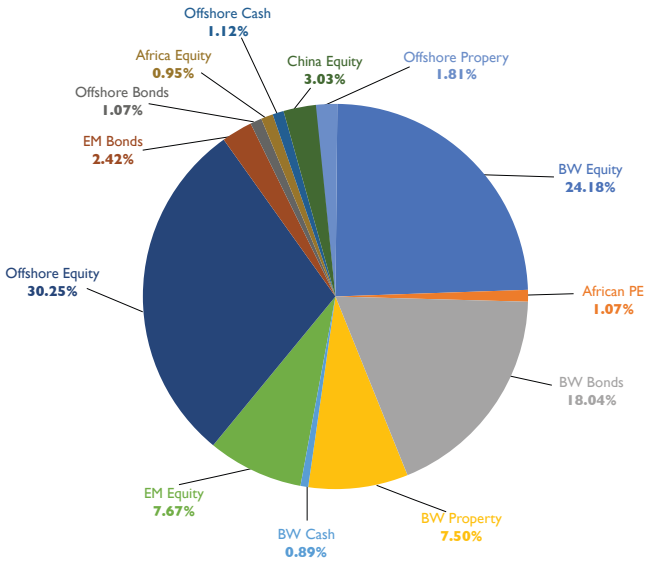
Inflation

Inflation spiked during Q2 2026, emanating from the knock-on effects of international crude oil price increases as a result of the US-Israel and Iran war. This exerted upward pressure on domestic fuel prices and public transport fares. According to the Bank of Botswana (BoB), headline inflation came in at 10.7 percent in June 2026, significantly above the BoB medium-term objective range of 3 – 6 percent. Post the quarter, inflation slightly eased to 9.4 percent in July following the reduction in domestic fuel prices early in the month as international crude oil prices fell following the US and Iran ceasefire.

Interest Rates

The Monetary Policy Committee (MPC) of the BoB convened twice during the quarter. The Monetary Policy Rate (MoPR) was increased by 200 basis points, from 3.5 percent to 5.5 percent at the April meeting. The MPC cited that this was not a tightening measure but rather a recalibration to strengthen the impact of the policy adjustments that helped to ease liquidity conditions as well as strengthen the effectiveness of the exchange rate parameter adjustments. BoB maintained the moratorium on Prime Lending Rates (PLRs). The MPC kept the MoPR flat at 5.5 percent at the June meeting on the back of an outlook that requires balancing support for economic activity and managing inflation expectations.

Asset Class Weights 30th June 2026



NB: Market performance results sourced from RISCURA

Global Market Update

Quarter ended 30th June 2026

Global markets experienced a positive quarter, underpinned by renewed positive sentiment towards the AI capex theme coupled with the pronouncement of the US-Israel and Iran ceasefire, which translated to an easing of inflation pressures. The biggest winners of the AI rally were infrastructure companies, particularly those supplying memory, storage and servers to AI data centres. The ceasefire, on the other hand, culminated in lower oil prices, which filtered into lower inflation levels.

Global equity markets exhibited strong performance for the quarter, with the MSCI World Index increasing by 12.79 percent in BWP. This performance was driven by a surge in spending related to artificial intelligence, providing momentum to technology-led markets and economies tied to semiconductor and related supply chains. Concurrently, the moderation in inflation and broadly stable interest rate expectations ignited risk-on sentiment.

The S&P 500 Index increased by 15.2 percent in the second quarter, the highest quarterly gain since 2020. This performance was on the back of a resilient earnings season, ensuing interest in the AI theme, and an improved outlook for inflation and the economy. Information technology was the top-performing sector, led by semiconductors and AI infrastructure companies. Gains were also seen in the communication services and consumer discretionary sectors.

The new Fed chair, Kevin Warsh, entered the fray with his first FOMC (Federal Open Market Committee) meeting in June, where the federal funds rate was maintained at 3.50 - 3.75 percent. Whilst investors reacted positively to the rhetoric that monetary policy would not become excessively restrictive unless inflation re-accelerated, the latest dot plot indicated that a supermajority of the FOMC officials anticipate a rate-hike by year end.

The US Treasury curve flattened as yields rose on the shorter end whilst falling slightly at the longer end of the curve. The 2-year and 10-year treasuries closed the quarter with yields of 4.139 percent and 4.420 percent respectively. US investment-grade corporate bonds generated positive returns, outperforming Treasuries.

Eurozone equities performed well for the quarter, led by information technology and financials. This was despite marginally negative GDP growth of -0.2 percent in Q1 2026. Tech stocks performed well on the back of solid corporate earnings and a positive outlook for the sector. Eurozone headline inflation rose to 3.2 percent in May, prompting the European Central Bank to hike rates by 25 bps in June as it raised its inflation outlook for 2026 and 2027.

The UK equity market performed well in the quarter; the FTSE All-Share Index rose during Q2. The market was led by consumer discretionary, real estate and financials. Gains were limited by the energy sector, a significant constituent of the index, as oil prices normalised. Despite above target inflation of 2.8 percent in May, the Bank of England (BOE) held rates steady at 3.75 percent. Andy Burnham secured victory as the new Prime Minister, the seventh in the past decade, though this did little to move markets.

The Japanese equity market had a stellar run in the quarter. The tech-laden Nikkei 225 index soared by over 37 percent whilst the Topix Total Return Index saw gains of 14 percent. Investor sentiment was lifted by the easing of the conflict in the Middle East, fiscal stimuli, and corporate reform. AI, semiconductor counters, and financials were the star performers. Despite muted inflation, the Bank of Japan raised the policy rate by 25 bps to 1.0 percent in a bid to support a weak yen.

Emerging markets posted stronger growth than their developed market counterparts. The MSCI EM Index rallied 22.99 percent (BWP) for the quarter, the highest quarterly performance since 2009. This performance, however, was largely driven by a narrow universe of AI companies whilst the easing of geopolitical tensions provided further impetus to the markets. Notwithstanding the rally, valuations for emerging markets remain relatively more attractive compared to developed markets.

The MSCI Asia ex Japan Index delivered stellar performance, rising by 28 percent in the quarter. This was driven by a combination of AI-related export growth, semiconductor cycle acceleration and risk-on sentiment, albeit performance was highly concentrated in select markets. The leading performers were Korea and Taiwan, propped up by AI-related demand.

In contrast, the Chinese market underperformed as investors exercised caution given policy uncertainty, ongoing strain in the property sector, and mixed economic signals. Furthermore, China had less direct exposure to the AI rally, which was a constant theme during the quarter. The People's Bank of China left loan prime rates unchanged at 3.0 percent for the one-year loan prime rate and the five-year rate at 3.5 percent.

Against the backdrop of positive market performance, Debswana Pension Fund delivered a robust quarterly return of 7.00 percent. The Fund's Assets Under Management (AUM) increased from BWP 11,85 billion in March 2026 to BWP 12,66 billion.

Debswana Pension Fund navigates the second half of 2026 with a cautiously optimistic outlook. The geopolitical climate remains obscured with renewed conflict in the Middle East and the continued imposition of tariffs, presenting upside risks to inflation. On balance, the narrative has shifted to expectations of interest rate hikes, which could tighten financial conditions and lead to higher bond yields. Global equity valuations remain elevated; however, this is in the presence of earnings momentum, albeit with concentration risk. Locally, the economy appears to be turning the corner, with growth experienced in the first quarter and expectations of plus 2 percent GDP growth for the year, lessened pressure on the fiscus and improved liquidity conditions. Sensitivity to external demand remains a risk for growth while the diversification story is yet to gain traction. Against this backdrop, the Fund remains prudent in its positioning, balancing participation in growth opportunities with careful risk management as it heads into the second half of 2026.

Botswana Market Review

Quarter ended June 2026

Following two years of economic contractions, real GDP came in at a marginal growth rate of 0.2 percent for the quarter ended March 2026. The non-mining private sector grew by 2.6 percent, whilst there was a 9.6 percent contraction in the mining sector, albeit at a slower pace than the comparative period.

On a quarter-to-quarter basis, GDP grew by 9.2 percent in Q1 2026. During the quarter under review, Public Administration & Defence was the major contributor to GDP at 16.9 percent, followed by Mining & Quarrying at 14.4 percent, Wholesale & Retail at 12.3 percent and Construction at 11.4 percent.

According to the Bank of Botswana's June 2026 Business Expectations Survey (BES), firms were less pessimistic about business conditions in the second quarter of 2026 versus the first quarter of 2026. However, sentiment improved for the 12 months to June 2027, likely due to anticipation of the implementation of projects under the Botswana Economic Transformation Programme and government reforms aimed at improving the business environment.

Negative sentiment was expressed by the Construction and Real Estate, Finance, Professional and Administrative Activities, Retail, Accommodation, Transport and Communication and Manufacturing sectors. On the other hand, the Mining and Quarrying and Agriculture sectors were neutral on business conditions.

The high cost of finance and limited government spending were cited as the major constraints to business operations, as a result of the constrained domestic liquidity environment and its resultant impact on commercial bank lending rates, as well as Botswana's tight fiscal position. Furthermore, the exchange rate environment was deemed unfavourable, a result of the knock-on effects of the exchange rate parameter changes effected in 2025.

Looking ahead, businesses anticipate an increase in both lending interest rates and borrowing volumes over the coming year. Cost pressures, on the other hand, were expected to decrease in the second quarter of 2026, mainly due to an anticipated decrease in input costs. As a result, firms expect inflation to be within the Bank of Botswana's medium-term objective range of 3–6 percent through 2026 and 2027, which may be devoid of reality.