DPF
DEBSWANA · PENSION · FUND

Quarter 1 | 2026

Business E-Brief

Your quarterly Fund performance update

Resilience in the Face of Risk: Fund Posts Positive Returns Despite Tech Pullbacks and Middle East Conflict

DPF Q1 2026 E-Brief

“Despite heightened market volatility and challenging conditions, Debswana Pension Fund delivered a modest quarterly return of 0.60 percent”

The first quarter of 2026 was characterised by heightened market volatility, shifting investor sentiment, and a challenging macroeconomic backdrop. While the year began with optimism driven by strong economic fundamentals, easing inflation, and expectations of further monetary policy accommodation, investor sentiment deteriorated after war broke out between the U.S and Iran, resulting in increased geopolitical uncertainty, higher energy prices, and greater market volatility.

Investor sentiment weakened during the quarter as concerns over the sustainability of U.S technology valuations prompted investors to reduce exposure to concentrated technology positions. The outbreak of war between the U.S and Iran heightened uncertainty and increased risk aversion across global markets. The escalation followed joint U.S and Israeli military strikes on Iranian targets, leading to a sharp deterioration in regional stability and raising concerns over global energy security. A key consequence of the conflict was the disruption of shipping through the Strait of Hormuz, a strategically vital global shipping route through which approximately one-fifth of global oil supplies pass. Fears of supply disruptions caused oil prices to surge. Higher energy prices intensified inflation concerns, increased market volatility, and weighed on investor sentiment, as markets reassessed the potential impact of prolonged conflict on global economic growth and monetary policy.

Due to the foregoing, capital rotated towards more defensive and value-oriented sectors, which were perceived as better positioned to withstand elevated market volatility and geopolitical risk. Despite these challenges, corporate earnings remained broadly resilient, supporting investor confidence and helping limit deeper declines across global equity markets. Global equity markets experienced a challenging quarter, Developed Markets underperformed as technology-related weakness, geopolitical uncertainty, and higher-for-longer interest rate expectations weighed on returns. Similarly, U.S equities struggled due to technology valuations and heightened geopolitical tensions contributing to a broad decline in share prices. Emerging Market Equities demonstrated greater resilience than their developed market counterparts, supported by the ongoing AI technology tailwind, which drove strong performance in technology-focused markets such as Taiwan and South Korea.

Africa Listed Equities continued to perform well during the quarter, extending their positive momentum from previous periods. Performance was supported by improving macroeconomic conditions across several countries, strengthening investor confidence, and a more favourable outlook for economic growth. Inflation dynamics during the first quarter presented a mixed picture. Price pressures had continued to moderate at the start of the year, raising expectations that central banks would maintain their easing bias. However, the sharp increase in energy prices during the quarter complicated the inflation outlook and introduced uncertainty regarding the timing and pace of future interest-rate cuts. As a result, central banks largely adopted a cautious and data-dependent approach, balancing slowing inflation trends against the risk of renewed inflationary pressures stemming from higher commodity costs.

Global property markets delivered positive returns during the quarter, supported by continued optimism surrounding Artificial Intelligence (AI) and its growing influence on real estate demand. Botswana Equities continued their positive momentum during the quarter despite a volatile global market environment.

Overall, majority of the Fund's asset classes posted positive performance by the end of the quarter. Portfolio performance was mainly driven by Africa Listed Equities, Global Property, Emerging Market Bonds, Botswana Equities, Global Cash, Global Bonds, Botswana Cash, African Private Equity and China Equities. Africa Listed Equities were the top performing asset class once again, and continued with their positive performance streak in the first quarter. Strong performance was recorded across Ghana, Tanzania, Nigeria and Zimbabwe.

Global Property was the second-best performing asset class, ongoing investment in AI infrastructure, cloud computing, and data storage capacity supported demand for data centre assets. Botswana Equities once again delivered strong positive performance during the period and were the best performing domestic asset class.

The top performing asset class for the Fund in the quarter was Africa Equities, which increased 12.55 percent (in BWP). The next top performing asset class for Quarter 3 was Global Property which rose 4.69 percent, followed by Emerging Marketing Bonds which rose by 4.16. Botswana Equites advanced 3.64 percent and Global Cash generated 2.68 percent. Global Bonds, Botswana Cash, Africa Private Equity, China A Shares, Botswana Property and Botswana Bonds provided positive performance in the quarter advancing by 2.39 percent, 1.80 percent, 1.57 percent, 1.49 percent, 0.95 percent and 0.85 percent, respectively. Emerging Market Equites were relatively flat for the quarter generating 0.04 percent. Global Equities were the only asset class in negative territory for the quarter, declining by 3.13 percent.

The Fund delivered modest growth during the quarter advancing by 0.60 percent, the Market Channel increased 0.64 percent the Conservative Channel rose by 0.66 percent, and the Pensioner Channel generated 0.52 percent.

On a twelve-month basis, the Fund overall generated positive returns growing by 12.83 percent. During the 12-month period, the Market Channel delivered 14.09 percent, while the Conservative Channel rose 12.39 percent and the Pensioner Channel generated 11.24 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 March 26	6 Months to March 26	12 Months to March 26	36 Months to March 26	60 Months to March 26	Since Inception (Aug 04)
Total Portfolio	0.60%	1.74%	12.83%	12.75%	9.80%	13.11%
Market Portfolio	0.64%	2.04%	14.09%	13.61%	10.49%	12.40%
Conservation Portfolio	0.66%	1.70%	12.39%	12.47%	9.63%	10.67%
Pensioner Portfolio	0.52%	1.35%	11.24%	11.51%	8.81%	11.28%
Contingency Portfolio	0.02%	0.70%	9.20%	11.12%	8.60%	12.67%

Asset Class Returns

	Q4 2025	Q1 2026
Asset Class	%Returns	%Returns
Botswana Bonds	-3.63%	0.85%
Botswana Cash	2.07%	1.8%
Botswana Equities	4.94%	3.64%
Botswana Property	1.18%	0.95%
African Equities	8.38%	12.55%
African Private Equity	-3.33%	1.57%
Global Bonds	-1.07%	2.39%
Global Cash	-1.83%	2.68%
Global Property	-2.42%	4.69%
Global Equities	0.72%	-3.13%
Emerging Market Bonds	0.93%	4.16%
Emerging Market Equities	5.33%	0.04%
China A Shares Equities	-2.26%	1.49%

Benchmark Asset Class Returns as at 31st March 2026

Asset Class	Benchmark	1M (%)	QTR (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)
Local Equities	Botswana Domestic Companies Index	1.44 ▲	1.21 ▲	1.21 ▲	15.94 ▲	18.36 ▲	20.26 ▲	20.01 ▲
Bonds	Fleming Aggregate Bond Index	1.09 ▲	0.11 ▲	0.11 ▲	-4.86 ▼	-0.81 ▼	2.72 ▲	3.20 ▲
Global Equities	MSCI World (BWP)	-2.68 ▼	1.89 ▲	1.89 ▲	24.10 ▲	15.39 ▲	20.58 ▲	16.23 ▲
Emerging Markets	MSCI EM (BWP)	-9.63 ▼	5.49 ▲	5.49 ▲	35.22 ▲	21.19 ▲	18.58 ▲	9.30 ▲
Global Property	FTSE EPRA/NAREIT Developed Rental Index - (BWP)	-4.20 ▼	7.23 ▲	7.23 ▲	13.03 ▲	9.79 ▲	10.94 ▲	8.26 ▲
Global Bonds	Bloomberg Barclays GABI - (BWP)	0.75 ▲	4.53 ▲	4.53 ▲	8.82 ▲	6.00 ▲	5.93 ▲	3.86 ▲
African Equities	FTSE/JSE African 30 (BWP)	-7.73 ▼	4.29 ▲	4.29 ▲	36.57 ▲	31.39 ▲	12.24 ▲	9.25 ▲
Exchange Rate	USD/BWP	3.94 ▲	5.66 ▲	5.66 ▲	4.37 ▲	2.27 ▲	3.26 ▲	5.40 ▲

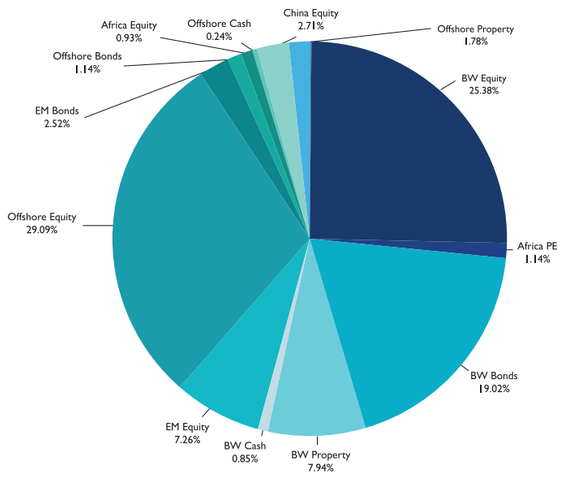
Inflation

Headline inflation increased from 4.0 percent in February 2026 to 4.2 percent in March 2026, remaining within the Bank of Botswana's medium-term objective range of 3–6 percent. The increase was mainly driven by faster price increases in Transport and Food & Non-Alcoholic Beverages. Currently, inflation as at June 2026 stood at 10.7 percent.

Interest Rates

The Bank of Botswana's Monetary Policy Committee (MPC) maintained the Monetary Policy Rate (MoPR) at 3.50 percent at its meeting on 26 February 2026. The MPC did increase the MoPR rate by 200 basis points in April 2026 to 5.5 percent and this was maintained in June 2026

Asset Class Weights 31st March 2026



NB: Market performance results sourced from RISCURA

Global Market Update

Quarter ended 31st March 2026

The first quarter of 2026 reinforced the increasingly significant role that geopolitical developments are playing in shaping global financial markets. Over recent years, markets have had to navigate a series of major geopolitical events, including the Russia-Ukraine conflict, ongoing instability in the Middle East, and evolving shifts in U.S trade and tariff policies. During the quarter, geopolitical risks intensified further following the outbreak of conflict between the United States and Iran, adding another layer of uncertainty to an already complex global environment. The escalation raised concerns over regional stability, global energy security, and potential disruptions to international trade routes, particularly through the Strait of Hormuz, a critical artery for global oil supplies. As a result, oil prices increased sharply, inflation concerns resurfaced, and market volatility rose as investors reassessed the outlook for global growth, corporate earnings, and monetary policy.

Global equity markets experienced increased volatility and weaker performance during the quarter. Investor sentiment deteriorated as concerns emerged regarding elevated valuations within parts of the U.S technology sector, prompting a rotation away from some of the market's strongest-performing stocks. Heightened geopolitical uncertainty further weighed on investor sentiment. The MSCI World index generated 0.38 percent for the quarter, whilst the S&P 500 declined by 5.3 percent. The decline in the S&P 500 is largely attributable to the Magnificent Seven stocks, which had been the primary drivers of market returns in recent years. All seven companies recorded negative returns during the quarter and, collectively, accounted for almost the entire 4.3 percent decline in the S&P 500 Index. By comparison, the remaining 493 companies in the index detracted only 0.45 percentage points from performance, highlighting the significant concentration within the index and the extent to which overall market returns remain dependent on a small group of mega-cap technology companies. In the quarter, investors increasingly favoured companies enabling the AI ecosystem, such as digital infrastructure providers and data-processing operators, while reducing exposure to traditional software businesses amid concerns that generative AI could disrupt established software revenue models and intensify industry competition. The Energy and Materials sectors were the strongest performers during the quarter, benefiting from higher oil and commodity prices driven by supply concerns and geopolitical tensions in the Middle East.

Monetary policy expectations remained an important driver of market performance during the quarter. At the start of the year, investors anticipated that major central banks would continue easing monetary policy as inflation moderated and economic growth remained resilient. However, the outbreak of conflict between the United States and Iran and the resulting rise in energy prices complicated the inflation outlook, reducing expectations for the pace and magnitude of future interest rate cuts. Central banks therefore adopted a cautious and data-dependent approach, balancing slowing inflation trends against the risk of renewed price pressures arising from higher oil and commodity prices. The United States also experienced an important transition in central bank leadership during the quarter. President Donald Trump nominated Kevin Warsh to succeed Jerome Powell as Chairperson of the Federal Reserve Bank.

Investors largely regard Warsh as a market-conscious successor. In the quarter, U.S Treasury securities proved to be more resilient and benefited from periodic safe-haven flows as heightened geopolitical uncertainty prompted investors to seek the safety and liquidity of government bonds. The US 10-year Treasury rose from 4.18 percent to 4.31 percent in Q1. The U.S 2-year bond increased from bond 3.47 percent to 3.80 percent. U.S Credit markets, both investment grade and high yield, similarly faired well. The U.S. dollar strengthened during the quarter as investors sought safety amid heightened geopolitical uncertainty. Safe-haven flows, combined with expectations that the Federal Reserve may maintain a more cautious policy stance than previously anticipated, provided support for the currency despite ongoing concerns regarding fiscal and trade policy uncertainty.

European Equity markets came under pressure during the quarter as the escalation of the U.S-Iran conflict worsened geopolitical uncertainty and raised concerns over energy security and global economic growth. Rising oil prices and the potential for disruptions to global trade and supply chains weighed on investor sentiment. Consumer discretionary stocks were among the weakest performers as investors became increasingly cautious about the economic outlook. Similar to the United States, Information Technology performance was mixed, as software companies faced pressure from concerns that advances in artificial intelligence could challenge traditional business models, while semiconductor and hardware companies benefited from strong earnings and continued demand for AI-related infrastructure. The Energy sector was among the strongest performers, supported by higher oil prices resulting from supply concerns linked to the conflict.

United Kingdom Equities proved relatively resilient during the quarter, supported by the market's significant exposure to energy companies and the benefit of a

Global Market Update

Quarter ended 31st March 2026

weaker pound, which aided internationally focused businesses. Strong gains were also recorded across the Materials, Communication Services, and Health Care sectors. The Information Technology and Consumer Discretionary sectors were the worst performing segments.

Japanese Equities delivered positive returns despite heightened global uncertainty. Performance was driven by improving investor confidence and optimism surrounding the government's pro-growth economic agenda. Expectations of greater political stability and continued implementation of policies aimed at stimulating economic activity helped bolster sentiment and supported market performance during the quarter.

Asia ex-Japan Equities similarly faced pressure during the quarter as the escalation of the conflict in the Middle East weighed on investor sentiment and increased market volatility. Performance across the region was mixed. South Korea was among the stronger performers, supported by robust demand for AI-related technologies and semiconductors, which continued to benefit from the global artificial intelligence investment theme. Thailand also generated positive returns as investor confidence improved on expectations of favorable political outlook and supportive policy reforms. In contrast, Indonesian Equities came under pressure amid concerns surrounding corporate governance, transparency, and ownership structures. Indian Equities also came under pressure during the quarter, as a weaker currency, elevated oil prices, and inflation concerns weighed on investor sentiment and the economic outlook.

Emerging Markets outperformed their developed-market counterparts during the quarter, although the asset class continued to face a challenging global backdrop characterised by heightened geopolitical tensions, rising energy prices, and uncertainty surrounding the outlook for global growth. Performance was driven by both technology and commodity-related themes. Technology-focused markets such as South Korea and Taiwan benefited from continued demand for AI-related semiconductors and digital infrastructure, supporting strong earnings growth and investor sentiment. In Latin America, countries such as Colombia, Brazil, and Peru delivered strong returns, supported by higher prices for key commodity exports, including oil and industrial metals. Generally, commodity-producing countries in Emerging Markets benefited from the favourable pricing environment. Saudi Arabia was supported primarily by higher oil prices, which strengthened the earnings outlook for the energy sector and improved fiscal prospects. South Africa benefited from rising prices across precious and industrial metals, with stronger mining-sector performance supporting both corporate earnings and investor sentiment.

In contrast, Chinese Equities underperformed during the quarter as investors reduced exposure to internet and platform companies amid concerns that rapid advances in artificial intelligence could weaken the competitive positioning of established digital businesses and place pressure on future earnings growth. While geopolitical tensions contributed to market volatility, China's sizeable strategic oil reserves and diversified energy supply sources helped cushion the economy from the full impact of disruptions in global energy markets.

Despite heightened market volatility and challenging conditions, Debswana Pension Fund delivered a modest quarterly return of 0.60 percent. The Fund's Assets Under Management (AUM) did decline from BWP 11.852 billion from 12.110 billion, primarily due to members' exits during the quarter.

As Debswana Pension Fund enters the second quarter of 2026, the investment environment remains characterised by elevated uncertainty and a challenging geopolitical backdrop. The ongoing conflict between the United States and Iran continues to weigh on investor sentiment and has contributed to higher commodity prices, raising concerns that inflation may remain above central bank targets for longer than anticipated. Should inflationary

pressures persist or intensify, central banks may be forced to delay further monetary easing or, in an adverse scenario, tighten monetary policy through additional interest rate increases. Such an outcome would place further pressure on economic growth, corporate earnings, and financial market valuations.

Global growth also faces headwinds from ongoing trade tensions, policy uncertainty, the lagged effects of restrictive monetary conditions and any other geopolitical risk events that may emerge. In addition, while artificial intelligence continues to offer significant long-term growth opportunities, elevated valuations across parts of the technology sector leave markets vulnerable to a correction should earnings growth fail to justify current expectations. Given the concentration of global equity returns within a small number of large technology companies, any reassessment of valuations could trigger broader market volatility.

Against this backdrop, the Fund remains cautiously optimistic. While opportunities continue to exist across global and domestic markets, particularly in sectors benefiting from structural growth trends and technological innovation, maintaining a diversified portfolio and disciplined risk management framework remains critical as markets navigate geopolitical uncertainty, inflation risks, slower economic growth, and elevated asset valuations.

Botswana Market Review

Quarter ended 31st March 2026

According to statistics Botswana, real GDP increased by 3.5 percent year-on-year, compared to a 0.3 percent contraction in the corresponding period of the previous year. Growth was driven by Water & Electricity (87.4 %) and Diamond Traders Industries (60.5%). On a quarter-to-quarter basis, GDP increased by 9.2 percent. During the quarter under review, Public Administration & Defence became the major contributor to GDP at 16.9 percent, followed by and Mining & Quarrying at 14.5 percent, Wholesale and Retail at 12.3 percent and Construction at 11.4 percent.

According to the Bank of Botswana's latest Business Expectations Survey (BES), firms were generally less optimistic about business conditions in the first quarter of 2026 compared with the fourth quarter of 2025, reflecting increasingly constrained operating conditions and a challenging economic environment. Negative sentiment was most evident in the Construction and Real Estate; Finance, Professional and Administrative Activities; Retail, Accommodation, Transport and Communications; and Agriculture sectors. Meanwhile, Mining and Quarrying and Manufacturing firms maintained a broadly neutral outlook. Businesses also remained cautious about conditions in the second quarter of 2026 and over the 12 months to March 2027.

The Business Expectations Survey highlights constrained government spending as the most significant challenge facing businesses, reflecting Botswana's weakened fiscal position amid subdued diamond export earnings, lower government revenues and tighter domestic liquidity conditions. Firms also identified the exchange rate environment as unfavorable, citing adjustment costs and spillover effects associated with the July 2025 exchange rate policy changes. Additional concerns included weak domestic and international demand, limited availability of raw materials and restricted access to external financing.

Looking ahead, businesses expect lending interest rates and borrowing volumes to increase across domestic and international markets over the next 12 months. Rising credit demand is expected to be driven mainly by working capital and liquidity requirements, although investments linked to the Botswana Economic Transformation Programme may also support borrowing activity. Cost pressures are expected to rise modestly in the second quarter of 2026, driven primarily by higher input costs for materials, transport, utilities and rent. Businesses attributed these pressures partly to higher fuel prices and supply chain disruptions resulting from ongoing geopolitical tensions in the Middle East.

Despite these challenges, inflation expectations remain well anchored, with firms forecasting average inflation of 4.5 percent in both 2026 and 2027, comfortably within the Bank of Botswana's medium-term objective range of 3 to 6 percent. Businesses expect the domestic economy to grow by 1.7 percent in 2026, representing a modest recovery from the estimated 0.7 percent contraction in 2025, although overall sentiment suggests that firms remain cautious about the pace and sustainability of the recovery.