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### Economic Overview

On 12 September 2025, S&P Global Ratings (S&P) released an update on Botswana's sovereign credit rating. The Rating Agency downgraded the country's long-term sovereign credit ratings for both foreign and local currency debt, from 'BBB+' to 'BBB'. However, the short-term ratings for foreign and domestic currency debt were affirmed at 'A-2', and the outlook was maintained as negative. The decision was based on weak global demand and prices for natural diamonds which continue to weigh on Botswana's minerals-dependent economy, fiscal revenue, and exports. The downward revision underscores the importance of traction of the ongoing economic structural transformation and policy reforms by government and the urgency to accelerate economic diversification and industrialization, rebuild fiscal buffers and reduce dependence on commodity-based revenues. As we await the upcoming 2026/27 Budget Strategy Paper to be released during Q4, we expect the key message from the government to continue to be focused on austerity and fiscal consolidation. With a growing domestic financing requirement, we anticipate a protracted liquidity squeeze in the absence of a diamond recovery. We therefore anticipate government yields to remain under pressure.

Headline inflation in August 2025 rose to 1.4%, a 0.3% increase from the 1.1% registered in July. This brings average annual inflation for the year to 2.09% compared to 2.81% in 2024. The main upward contributors to the annual inflation rate were the Miscellaneous Goods & Services and Food & Non-Alcoholic Beverages groups, which accounted for 0.8% and 0.7% respectively. The upward movement in the Food & Non-Alcoholic Beverages index was primarily driven by notable price increases across all constituent sections, particularly Fish (Fresh, Chilled & Frozen), which rose by 3.3%, Sugar, Jam, Honey, Chocolate & Confectionery and Coffee, Tea & Cocoa both went up by 2.3%, Food Not Elsewhere Classified increased by 2.2%, Fruits by 1.5%, Mineral Waters, Soft Drinks, Fruits & Vegetables Juices with an increase of 1.4% and Bread & Cereals, increased by 1.1%. Conversely, the Housing, Water, Electricity, Gas & Other Fuels and Transport groups exerted downward pressure, reducing the overall inflation rate by 0.6% and 0.4% respectively.

### Stock Market Overview

Local equities closed the month in the green by 0.48%, a 0.1% decline from the previous month's 0.58% gain. Accounting for dividends, the total return index (DCTRI) rose by 0.73% compared to August's return of 0.75%. Investec (+5.67% to BWP 111.03) was the month's biggest price gainer, followed by FNBB (+1.87% to BWP 5.45). There was marginal increase in ABSA (+0.67% to BWP 7.56), Chobe (+0.06% to BWP 17.57) and BIHL (+0.04% to BWP 23.02). Cresta and G4S closed in the red with (-8.59% to BWP 1.17) and (-9.00% to BWP 0.91) respectively. Market activity heightened during the month with total market turnover increasing by 27.75% to BWP 58 million (August 2025: BWP 45.4million). Some of the top traders include ACCESS contributing 39.16% to volumes in the first week and Choppies contributing 60.67% of volumes in the last week. During the month, FNBB, ABSA, RDCP and Choppies reported their financial results for the period ended 30 June 2025 with FNBB and RDCP reporting positive earnings growth of 4.10% to BWP 1.44 billion and 25.66% to BWP 47.2 million respectively. ABSA's bottom line was greatly impacted by the increase in interest expense (+27.01%) and operating expense (+17.71%) which resulted in a y-o-y 25.42% decrease in earnings to BWP 319.7 million. Choppies also experienced declining earnings driven by an increase in expenditure (+21.83%), dragging down their earnings by 22.93% to BWP151 million.

### Fixed Income Market Overview

During the month, the Government of Botswana tapped into the market looking to raise BWP 1.8 billion, comprised of two treasury bills (T-bills) and three bonds. Compared to the August auction, bid-to-offer ratios improved across the board with a notably higher number of successful bids for bonds in the middle and at the long end of the curve. That said, there were some similarities with the August auction. Specifically, there was under allocation to 6-month T-bills with government allocating only 71.8% of the maturing amount (26.3% in August) as investors continued to demand higher yields. For September, stop out yields on the 3 Month T-Bills rose to 7.184% (6.918% in August) indicative of the on-going shortage of liquidity in the market. The rate on 6-month T-bills dropped slightly to 7.449% (7.635% in August). Spreads between the highest and lowest bids received on the T-Bills widened further – reflecting the general sense of uncertainty regarding the trajectory of the fiscus and diverging liquidity needs amongst participants.

## Product Performance

### iPRO Botswana Money Market Fund (IBMMF)

For the month of September, our Fund delivered a gross return of 1.09%, bringing the rolling 3-month and 12-month returns to 3.00% and 9.03%, respectively. We continued to outperform the benchmark, being the Average Overnight Call Rate. For the month, the benchmark delivered returns of 0.14% and 0.55% over 3 months and 12 months respectively.