



AUTUS

*wealth care specialists*

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QUARTERLY  
ECONOMIC  
COMMENTARY

Q2 | 2016

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# AUTUS BCI INCOME PLUS FUND

## Quarterly Commentary - Autus BCI Income Plus Fund

The big headline news events have continued to create volatility for the second quarter of 2016. Most recently and certainly on most people's minds is the British decision to quit the European Union. This is currently forefront of mind as market professionals and economists attempt to better understand the likely impact of this event on asset prices and market conditions. For now, the only certainty is that this will play out over at least the next two and a half years and that the market volatility is likely to persist. This follows on the back of other news headlines that have seemingly been forgotten. About a month ago, Standard and Poor's as well as Fitch Rating Agency both dished out positive surprises and left our credit ratings unchanged. They are back for another review on the 2<sup>nd</sup> of December. Unfortunately, the urgency to avoid a downgrade seems to have been forgotten whilst the global backdrop has become less supportive of our current ratings, therefore, whilst the risk has increased the efforts to avert a disaster seem to have run out of steam.

The IMF cut expected global growth rates across the board, while South Africa's GDP contracted by 1.2% for the quarter. It is also worrying that global inflation is starting to recover with the selloff of commodities having slowed down.

The South African 10-year bond yields have declined from 9.17% to 8.78% over the period, whilst the Rand was stable moving from 14.94 on 31 March to 14.97 at the end of June. We are reluctant to price in a rate cut in South Africa in the near term and therefore believe that the bond yields are likely to slowly creep upwards again.

Being short on duration and with no exposure to SA Government bonds, the Fund still enjoyed a good quarter outperforming its benchmark by 30 basis points.

	Income Plus Fund	
	Return	Benchmark
Q2 2016	2.29%	1.99%
Since Inception	6.23%	5.79%
Portfolio Yield	8.93%	
Portfolio Duration	0.32 years	

To a lesser extent the Fund is still invested in high yielding equities and listed property counters. JSE Ltd, FirstRand and Old Mutual Plc were new additions to the portfolio during the quarter while EOH and Brait were sold.

For now, we are maintaining a stable approach towards managing the portfolio, focusing on diversification within the portfolio and managing risk.

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