



AUTUS

wealth care specialists

QUARTERLY
ECONOMIC
COMMENTARY

Q2 | 2016

AUTUS STABLE FUND

Quarterly Commentary - Autus BCI Stable Fund

The second quarter of the year will be remembered for being overwhelmingly dominated by one word: Brexit. The UK population has expressed its desire to end its membership of the EU in a referendum that was held on the 23rd of June. This outcome seems to have taken the general market by surprise, as the British Pound declined by more than 11% against the US dollar in the aftermath of the announcement. Global equity markets were also victims of negative sentiment, with the S&P 500 index declining 4.15% and our own JSE All Share index falling 5.3% in the two days after the vote.

The theme in the rest of the world remains one of slow growth and easy monetary policy by central banks. The US Federal Reserve has voiced a more dovish tone in the quarter, and has kept from hiking interest rates in its April and June meetings. On a local front South Africa has managed to retain its investment-grade credit rating on its sovereign debt, this was undoubtedly helped by some effective persuasion on the part of National Treasury. Government is expected to keep the fiscal deficit in check and all eyes will again be cast on ratings agency announcements closer to the end of the year.

The Rand strengthened against most major developing currencies due to the above mentioned occurrences, further exposure to “Brexit-sensitive” shares and being relative underweight resources all weighed heavily on the portfolio. Although holding close to a minimum of 80% in equity, The Autus BCI Global Equity Fund and Autus BCI Equity Fund were especially hit hard and significantly contributed to the short-term underperformance. The two flexible mandates in Autus BCI Opportunity Fund and Autus BCI Worldwide Flexible Fund weren’t spared the rod either. UK listed property endured a torrid last week of the quarter due to Brexit. The performance from the Autus BCI Property Fund proved resilient given the circumstances.

Just over 40% of the portfolio is invested in fixed-income instruments. We are glad to report that both the Segregated Portfolio and exposure gained through the Autus BCI Income Plus Fund were favourably positioned for the events that ensued in the UK. Both holdings outperformed their respective benchmarks and contributed positively to performance, serving as a buffer against the relatively poor equity performance.

	Segregated Portfolio		Autus BCI Income Plus Fund	
	Return	Benchmark	Return	Benchmark
Q2 2016	2.04%	1.99%	2.29%	1.99%
Since Inception	9.31%	8.80%	6.23%	5.79%
Portfolio Yield	8.97%		8.93%	
Portfolio Duration	0.17 years		0.32 years	

At the end of the quarter, the Fund’s total equity exposure was lower at 36%, with property and cash exposures reduces in favour of bonds. Offshore exposure remained relatively unchanged around 20%.

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