



AUTUS

wealth care specialists

QUARTERLY
ECONOMIC
COMMENTARY

Q1 | 2016

AUTUS EQUITY FUND

Quarterly Commentary - Autus BCI Equity Fund

The first quarter of 2016 was characterised by particular volatility global equity markets, partly due to fresh concerns on the sustainability of China's economic growth. The markets have calmed slightly towards the end of the quarter, possibly by dovish commentary from the FOMC. This also provided support to emerging market currencies. The rand appreciated 4.5% against the US dollar during the quarter, while the JSE All Share index returned 3.07% on a price basis over the period. The SARB has increased the repo rate by a combined 75bps during the first quarter in anticipation of a high and climbing inflation rate. CPI inflation came in at 7% annualised for February on the back of higher food prices and a slight rally in the price of Brent Crude oil.

In addition, we have seen a resurgence in the share prices of resource companies. Whether this is the long-awaited bull run in resources remains to be seen. Typically, global growth or at the least expectations of global growth, needs to be real and present for a surge in resource shares to be justified. We simply do not see sufficient evidence of this being the case to share the newfound excitement that accompanied resource stocks in the New Year. Naturally, we monitor this closely and wish to be part of any rally that is based on sound and sustainable fundamentals.

As a result of the extraordinary gains the resources sector (along with a revaluation of high-quality companies) the FTSE/JSE All Share Index has outperformed the Fund over the quarter. The Fund was flat, the JSE on average gained 3.07% over the three-month period. This is an impossibly short period over which to draw meaningful conclusions. More importantly, given the conservative and long-term nature of the Equity Fund's pool of investors, we are more than happy to hold on to quality, 'sure-fire' long term investments even if it implies that occasionally the short-term performance of other managers or an index of JSE shares overshoot that of the Fund.

The Fund remains a mix of proven, JSE-listed business models and management teams, augmented by an exposure to the global equivalent through its 17¼% exposure to the Global Equity Fund.

During the quarter an introductory position was acquired in Anheuser-Busch Inbev, which recently listed on the JSE as part of its pending takeover of SAB. For the most part, the Fund remains a combination of those companies leading the way in the financial and industrial industries in South Africa. The majority of them these days have strengthened their resilience in a changing economic and political landscape by successfully extending their businesses internationally, either through organic growth, acquisitions or both.

The fortunes of investors in the Autus BCI Equity Fund remains interwoven with the collective future of these companies and it is a position we are completely comfortable with. A detailed summary of the ten most dominant share in the portfolio can be found in the latest fund fact sheet of the Fund.

Whilst we remain carefully optimistic of sustained global (and local) economic growth, thus providing an ecosystem for the customers of our investee companies within which to flourish, we have recently moved closer to the minimum 80%-invested position thereby making available the proverbial dry powder, should continued volatility give us cheaper (less expensive!) entry points into the companies we are targeting for this portfolio for the long haul.

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