AUTUS

wealth care specialists

QUARTERLY ECONOMIC COMMENTARY

Q2 | 2015

AUTUS GLOBAL EQUITY

Quarterly Commentary - Autus BCI Global Equity Fund

In general, the economic and geopolitical outlook remained bleak and uncertain. The Eurozone is on a knife's edge as to the future of Greece, with the fear of a possible 'Grexit' causing European bourses to detract quite a bit. China remains the most important economy for resource demand and recent data continued to disappoint. Although the US economy seems to be strengthening, a lot of uncertainty still remains as to when an increase in interest rates will materialise. This uncertainty contributed to some volatility in the market during the period under review.

Autus has broadened its investment horizon by launching its eighth FSB regulated unit trust, the Autus BCI Global Equity Fund in March this year.

By investing in non-South African listed equities, the Fund makes it possible for investors to achieve geographical and industry diversification as well as exposure to foreign currencies. Although Rand denominated, the fund is invested in foreign currency (mainly US$ and EUR), with its focus predominantly on companies listed in developed markets. . The fund's objective is to invest in companies that will deliver consistent long-term inflation-beating growth.

With this as context, we search for the dominant players in each of the major industry classifications with the added benefit of gaining exposure to companies that are not listed on our domestic market.

Starbucks Inc. is a very good example of a company that we find attractive. It roasts, retails and provides its own brand of specialty coffee. The company operates retail locations worldwide and sells whole bean coffees through its sales group, direct response business, supermarkets and via the internet. By the Fund owning shares in Starbucks, our investors get the opportunity to own a part of such a business, something that is not accessible on the JSE. Similarly, the fund holds positions in leading German car manufacturers like Daimler, BMW and Porsche.

The Fund returned 0.81% for the quarter, compared to the benchmark MSCI World Index returning 1.35% in Rand terms (-0.15% in US Dollar terms). The Fund's muted performance in the first quarter of its inception can be attributed to the fact that it was underweight equities as it was phasing in its investment strategy. We share the broad market sentiment that share valuations are high and therefore adopted a cautious stance by gradually increasing our equity exposure from the launch just before the start of the quarter. Our cautious outlook was reflected in the Funds asset allocation at the end of the quarter which stood at 81% in equities.

The greatest contributors to quarterly performance were overweight positions in Starbucks, Gilead Sciences, Nike and Amazon. The German car manufacturers were the major detractors from performance.

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