



AUTUS

wealth care specialists

QUARTERLY
ECONOMIC
COMMENTARY

Q2 | 2015

AUTUS BALANCED FUND

Quarterly Commentary - Autus BCI Balanced Fund

In general, the economic and geopolitical outlook remained bleak and uncertain. Domestically, the South African economy is starting to feel the brunt of load shedding, with economic growth constrained diminishing and GDP growth forecasts for 2015 downgraded from 2.2% to 2.1%. The markets are also entering the wage negotiation season, with tense negotiations already visible within the gold sector. The Eurozone is balanced on a knife's edge as to the future of Greece, with the fear of a possible 'Grexit' causing increased volatility on European bourses. China remains the most important economy for resource demand and recent economic data continued to disappoint. Although the US economy seems to be strengthening, much uncertainty still remains as to when an increase in interest rates will materialise. This uncertainty contributed to weigh negatively on the market during the period under review.

Given the above context, the Fund declined 0.38% for the quarter. The biggest detractor to performance was the overweight position towards listed property. The SA Listed Property Index endured a torrid time, declining by 6.62% over the last three months. Analysts believe that the ratings of the property stocks were stretched, especially it was the best performing asset class in 2014. Together with the constant speculation regarding an expected interest rate hike by the US Federal Reserve Board, the South African Monetary Policy Committee also raised its voice about a possible increase in domestic rates. That further contributed to listed property coming under severe pressure. The Autus BCI Property Fund declined by 5.8% and although the Fund's exposure was reduced by just over 4% during the quarter, there was nevertheless a marked impact on the performance.

The relative attractiveness of global equities, the weaker rand and the benefits of portfolio diversification motivated for the increasing of the Fund's offshore holdings. This was achieved through the purchase of units in the Autus BCI Global Equity Fund. The fund is now fully invested offshore. The direct holdings in The PSG Group and Brait added positively to performance for the quarter. A fall in the prices of Coronation and Mediclinic shares however detracted from performance. The strong run in Naspers shares was used to lighten the portfolio's holding. MTN, Barloworld and Bidvest counters now no longer forms part of the portfolio. Zeder, the listed agri-business was a new addition to the portfolio in the quarter.

With regard to the Fund's asset allocation, cash was raised to 16.8% and the overall equity exposure lowered to 17.5%. The property exposure at the end of the quarter was 6.7%.

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