AUTUS

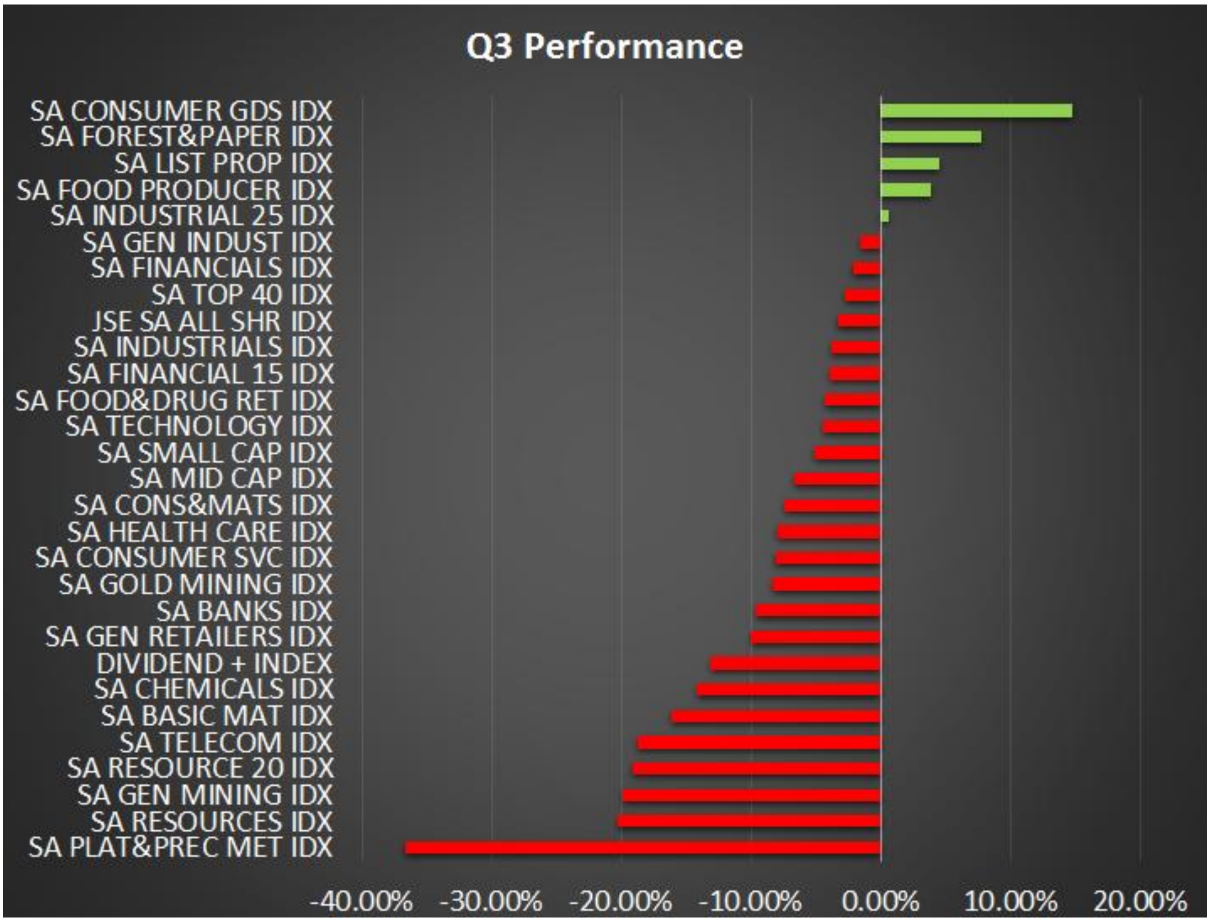
wealth care specialists

QUARTERLY ECONOMIC COMMENTARY

Q3 | 2015

AUTUS BCI BALANCED FUND

Quarterly Commentary - Autus BCI Balanced Fund



The market endured a rather torrid and volatile third quarter, with only five of the 29 sectors that make up our local index, returning a positive performance. The JSE All Share Index declined 3.32%. Global markets also faced further pressure, largely due to the China growth story that seems to be rapidly deteriorating. China continued to disappoint with Chinese imports being significantly down against expectations. Additionally, we have seen them float their currency in an attempt to stimulate their economy. What followed was an increase in negative global sentiment, causing global indices and emerging market currencies to be severely punished. The Chinese stock market detracted close to 29% with the MSCI World Index declining 8.86% in US dollar terms (up 3.99% in Rand terms). The German Dax was down 11.74%, and the S&P 500 6.94%. We have seen a new record low in the Rand against the Dollar, whilst the South African Trade Balance of negative R9 billion was a significant disappointment. This is the price that we pay for diesel to keep the lights on. The rand weakened 13.7% against the US dollar to close the quarter at 13.82.

For South Africa this implies that exports of commodities to China should be under pressure. Against this backdrop, commodity producing countries (and companies) has been punished even further by investors. We therefore maintain our underweight position towards the resource sector. It is also worth mentioning that the Glencore share price closed the quarter down almost 60% from the levels where we sold out our holding earlier in the quarter.

We anxiously awaited the decision for the liftoff of interest rates in the US. The United States Federal Reserve decided to keep us in suspense for a little longer, voting not to hike rates. Therefore, the party on the back of low cost money will continue for the time being. More pertinently the nervous volatility associated with what will happen on the day of the first rate hike will also be with us for a while longer.

Given the above context, the Fund did remarkably well returning 1.52% for the quarter. It outperformed its benchmark by 2.63% and the SA Multi-Asset High Equity category average by 2.51%. The major contributors to the positive performance were the units held in Autus BCI Equity Fund, Autus BCI Global Fund and the Autus BCI Property Fund. They outperformed their benchmarks by 5.68%, 1.30% and 2.48% respectively. Brait, PSG Group and Mediclinic further added to performance while holdings in the Autus BCI Opportunity Fund and Naspers detracted slightly from performance.

With the JSE All Share Index trading at a price earnings ratio close to 24, we remain very cautious regarding the high valuations that exists and consequently reduced our equity exposure by disposing some direct holdings and lowering the equity exposure of the underlying funds. Richemont, Coronation, Glencore and BHP Billiton were significant positions that no longer form part of the portfolio. Capitec is the only new addition to the fund.

With regard to the Fund's asset allocation, cash was raised to 26.7% and the overall equity exposure lowered to 56.8%. The property exposure at the end of the quarter was 9.2%. The fund remains fully invested offshore.

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