AUTUS

wealth care specialists

QUARTERLY ECONOMIC COMMENTARY

Q3 | 2015

AUTUS EQUITY FUND

Quarterly Commentary - Autus BCI Equity Fund

During the third quarter of 2015, the JSE All Share Index declined by 3.32%, resources and financials declined by 19.14% and 3.90% respectively, while industrials gained only 0.62%.

Global markets also faced some pressure. Courtesy of a 13.86% increase in the value of the US$ relative to the South African Rand, the MSCI World Index showed a 3.99% increase in rand terms.

As was the case during the first half of the year, the global economic and geopolitical outlook remained bleak and uncertain. Domestically, the South African economy is starting to feel the brunt of load shedding and we have yet to see how this translates into company results as their reporting periods start to include the fiasco that was the first half of 2015. While the relative lack of power outages during the 3rd quarter are ironically seen as positive, the power supply situation in SA has by no means gone away. The effect of diesel imports on our latest balance of payments numbers attest to this fact.

It is against this backdrop that the Autus BCI Equity Fund still managed to yield a positive return, one of only a handful South African equity unit trusts to do so. At 2.36% for the quarter it occupies first place out of nearly 200 such funds.

Ultimately, all of the Autus funds exist to assist its investors in achieving solid long-term investment returns well above inflation. Hence, whilst the good relative performance is encouraging, we are pleased with and thankful for the progress made towards achieving this latter and more important client related goal.

Significant contributors to performance over the period under review were Richemont, PSG, Capitec and Zeder. In addition, despite hugely attractive valuations we have continued to avoid commodities and resources, as we deem healthy global growth a prerequisite for sustainably making money from such investments. Until then, we consider meaningful investment in resources to be of a speculative nature, which makes it unsuitable from a risk-return perspective for the clients on whose behalf we invest.

Over the quarter, the Equity Fund used price strength to dispose of its holdings in SAB, Naspers and Coronation. Whilst they remain great companies, the Fund had performed sufficiently strongly to give it the ability to take some risk off the table in view of the macro context outlined earlier. In addition, the Fund prefers holding meaningful positions in companies that exhibits the characteristics we look for in a great investment, rather than just buying stocks to “make up the numbers”. We deem this to have contributed to the Fund’s success in the past and expect it to continue to be the case in the future. The portfolio currently consists of only sixteen stocks.

Despite the macro challenges outlined earlier, most of the counters in the Fund who reported earnings did so by achieving or exceeding analysts’ expectations, thus highlighting the aptitude and zeal of the management teams of these companies. Teams that can deliver the goods even when times are tough, will in all probability continue to do so in a more benign environment too.

New additions to the Fund over the quarter were Richemont and Sanlam.

Contact us:

TEL: 086 1077789 / 021 9139301 // **FAX:** 086 6100121 // **EMAIL:**info@autus.co.za // www.autus.co.za

PHYSICAL ADDRESS: Autus Manor House, Farm 3, The Vineyards Office Estate, 99 Jip de Jager Drive, Bellville, 7530

POSTAL ADDRESS: PO Box 7025, Welgemoed, 7538