



AUTUS

wealth care specialists

QUARTERLY
ECONOMIC
COMMENTARY

Q3 | 2016

AUTUS STABLE FUND

Quarterly Commentary - Autus BCI Stable Fund

The theme in the rest of the world remains one of slow growth and accommodative monetary policy by central banks, with many commentators voicing concerns that central banks may be running out of effective tools with which to stimulate economic growth sustainably. Continued deliberation as to when the Fed will eventually pull the trigger and increase interest rates further added to a lacklustre market that struggled to gain momentum. With the probability currently above 65%, consensus appears to be growing that the Fed will make its move at their December meeting.

The South African economy grew by 3.3% on an annualised basis in the second quarter of this year, which translated into positive momentum for the local currency in the third quarter. The rand was also propped up by renewed interest in South African bonds as investors from developed markets continued to search for higher yields in emerging markets.

Markets, and especially the local currency, reacted very negatively to the news that Finance Minister Gordhan had been summoned to appear before the Hawks. However, as per the above-mentioned facts the positives seemed to outweigh the negatives for the Rand, and during the quarter as a whole it strengthened 6.8% against the US Dollar. A large proportion of the asset allocation exposure is gained through our holdings in the underlying funds; please refer to their respective commentaries as to see how they were affected by this occurrence. Consequently, the Fund endured another tough quarter returning 0.43% compared to 1.45% of the benchmark.

During the quarter we transferred a small portion of the segregated portfolio towards the Autus BCI Income Plus Fund. It was a like-for-like transaction with the sole purpose of freeing up some cash in the portfolio. We added marginally to the Autus BCI Worldwide Flexible Fund to end the quarter with a total equity exposure and offshore exposure slightly higher at 38.6% and 22.2% respectively. Given the uncertain outlook for the rest of the year, our focus remains on capital preservation and risk management.

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