



AUTUS

wealth care specialists

QUARTERLY
ECONOMIC
COMMENTARY

Q4 | 2015

AUTUS BCI BALANCED FUND

Quarterly Commentary - Autus BCI Balanced Fund

The fourth quarter of 2015 that will be remembered for the first hike in US interest rates for nearly a decade, oil prices that collapsed further and the China growth story that continues to deteriorate. But surely the biggest shock and market mover of them all, was the dismissal of South Africa's respected minister of finance, Nhlanhla Nene. It certainly caught us all by surprise and what followed was a sharp sell-off in our currency and local indices. The damage was limited to some extent with Pravin Gordhan being introduced as a speedy substitution. The ALSI ended the quarter up 1.7% while the SA All Bond Index plunged to end the quarter down 6.4% as investors started to anticipate a SA sovereign debt downgrade to sub-investment grade as a real possibility. The Rand weakened 10.6% against the US Dollar and 8% against the Euro. The S&P 500 and DAX returned 18.28% and 23.16% in Rand terms respectively over the quarter.

We still remain very cautious regarding the high company valuations that exist on the JSE ALL Share Index. That said, with the fund heavily underweight equity at the start of the quarter, we have started to add to the direct equity exposure where we saw value. Current holdings such as Curro, Mediclinic and Naspers were increased whilst Steinhoff, Mr Price and Remgro were some of the significant new additions.

In light of the challenging news flow, we are delighted with the Fund's performance over the quarter. The fund returned 7.26%, outperforming its benchmark by a staggering 5.61%. We remain fully invested offshore, predominantly through the holding in Autus BCI Global Equity Fund, and this was well rewarded with the weakening Rand contributing to the fund returning 23.35% for the quarter. Holdings in Autus BCI Equity Fund, Autus BCI Opportunity Fund, Autus BCI Property Fund and Autus BCI Worldwide Flexible Fund further contributed to the outperformance with each outperforming all their respective benchmarks.

Since it traded at a significant premium to its sum-of-the-parts valuation, we took some profit in PSG and sold out of the holding in Shoprite.

With regards to the Fund's asset allocation, cash was lowered to 16.9% and the overall equity exposure raised to 64%. The property exposure at the end of the quarter was 10.85%.

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

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