



AUTUS

wealth care specialists

QUARTERLY
ECONOMIC
COMMENTARY

Q4 | 2015

AUTUS BCI STABLE FUND

Quarterly Commentary - Autus BCI Stable 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.

In the light of the challenging news flow, we are delighted with the Fund's performance over the quarter. The fund returned 5.63%, outperforming its benchmark by a staggering 3.97%. We further decided to increase the holding in the Autus BCI Global Equity Fund, and this was well rewarded with the weakening Rand contributing to the fund returning 23.35% for the quarter. The fund is now fully invested offshore.

Holdings in the 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 fund outperforming their respective benchmarks.

A significant change was the realization of a quarter of the Autus BCI Income Plus Fund holding in exchange for more direct fixed income exposure via the segregated portfolio. This part of the Fund has been outsourced to the fixed-interest team at Anchor Capital.

During the quarter, the portfolio has continued to earn a stable interest income without much exposure to interest rates. Unfortunately at the time of the shock, the portfolio was not immune and lost 10 bps from the events of Nenegate. We intend to maintain the current conservative position of the Fund and will seek to focus on stable income generating opportunities in the months ahead.

In this context, the portfolio was able to generate a positive return for the quarter and remains above the benchmark for both the quarter.

The Autus BCI Income Plus Fund was adversely affected by the December events and was slightly behind the benchmark for the quarter.

With regard to the Fund's asset allocation, the overall equity exposure increased marginally to 38.4% and the cash holding lowered to 17.8%. The property exposure at the end of the quarter was 10.9%.

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