



AUTUS

wealth care specialists

QUARTERLY
ECONOMIC
COMMENTARY

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AUTUS GLOBAL EQUITY

Quarterly Commentary - Autus BCI Global Equity Fund Feeder Fund

The first quarter of 2017 exhibited signs that the global economy is strengthening. Year-on-year inflation in the US hit a five-year high of 2.7% in Feb, while UK inflation was up to 2.3% and Eurozone inflation at 2%. This is positive news for policy makers who were recently still warding off threats of deflation in their economies. Economic indicators in developed nations (especially PMI and labour statistics) further suggest that the global economy is expanding at a steady rate.

The US Federal Reserve's rate hike in December 2016 was followed by another hike in March 2017. Minutes from the Fed's March meeting revealed that the Fed is ready to start reducing the size of its substantial post-crisis-era balance sheet, effectively putting "reverse QE" on the table. The European Central Bank has announced that it is slowly beginning to scale back its asset-purchasing programme.

President Trump was inaugurated on 20 January 2017. The so-called "Trump rally" in stock prices that commenced shortly after the election was sustained throughout the first quarter, with the S&P 500 TR Index rising 4% in USD during the quarter. At the end of March, British Prime Minister Theresa May triggered Article 50 of the Lisbon Treaty, which allows the potentially long and drawn-out Brexit negotiations to proceed. In continental Europe, the Dutch population maintained the status quo by electing Mark Rutte, in lieu of the more radical Geert Wilders. All eyes are now on France and Germany, as they prepare for their own presidential election in the coming months.

President Zuma carried out a controversial cabinet reshuffle at the end of the quarter. The move prompted reactions from the opposition, the public and eventually from the ratings agencies. There were instances of public criticism toward the president from within the ANC, but this quickly dissipated as the party sought to convey a demeanour of coherence among its leaders. Political risk and currency volatility remain daily realities for investors in South African assets.

The Fund returned 2.68% for the quarter and 3.36% over the past month. The portfolio was restructured by increasing the number of counters to lower the risk and the standard deviation against its benchmark. The counters in the portfolio were increased to 47. The following shares were added to the Fund: Western Digital Corporation, JD.Com, FedEx Corporation and Oracle. The Fund maintains an exposure to equity of more than 85% and the focus is mainly on large growth corporations and shares normally not found in South Africa. Valuations might be on the higher side but the economic environment in the USA, Europe and China continue to improve. The result season in the USA might surprise on the upside and earnings of the counters held should continue to grow.

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