



AUTUS

*wealth care specialists*

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QUARTERLY  
ECONOMIC  
COMMENTARY

Q3 | 2017

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# AUTUS GLOBAL EQUITY FUND

## Quarterly Commentary - Autus Global Equity Fund

### ECONOMIC AND POLITICAL ENVIRONMENT

The third quarter of 2017 displayed early signs of policy convergence between the world's major central banks, which follow from subtle indications of ongoing growth in global economic activity. The European Central Bank provided further guidance on its intention to taper its quantitative easing programme while the United States Federal Reserve did not commit to another rate hike during the quarter. The United States dollar appreciated against its peers late in the quarter on the back of expectations for expansionary fiscal policy in the form of tax cuts over the coming year. The Bank of Canada raised interest rates twice during the quarter as it tempers a strengthening economy, while the Bank of Japan is staying the course with its expansionary monetary policy in its ongoing pursuit of inflation.

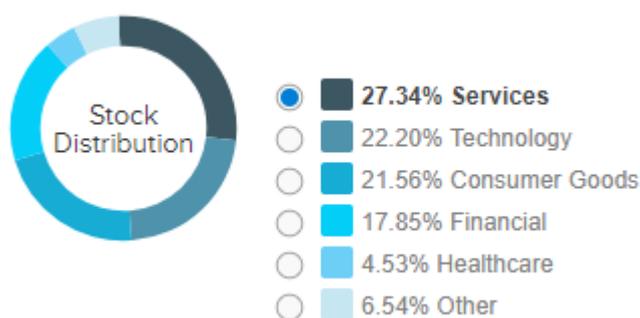
Global politics were relatively stable during the quarter except for aggressive rhetoric between the leaders of North Korea and the United States (along with its allies in the region). The face-off has unsettled markets since it returned to headlines in early August. Germany re-elected Angela Merkel as chancellor in September, which bodes well for its alliance with the French and its position as political and economic leader of Europe. Terrorist activities remained a big concern and all countries are on high alert to prevent serious incidents.

### PORTFOLIO COMMENTARY

The Autus BCI Global Equity Feeder Fund feeds into the Autus Global Equity Fund which is registered in Ireland and represents a mirror image of the feeder fund. In rand terms, the Fund recorded a return of 6,25% for the quarter. The cautious stance taken, because of relatively high international equity valuations, resulted in an underweight equity exposure in the Fund of just more than 80% with the remainder held in offshore cash (Dollar and Euro).

During the quarter 10 counters were added to the portfolio while profit was taken by selling selected holdings, thus resulting in lower exposure to the top holdings. Some of the S&P 500 ETF holding was replaced with a Europe ETF while we reduced the Small Cap ETF's exposure to 2%. Profits realised from the downweighing of the Fund's holding in Apple were invested in Financial Engines Inc. Coca Cola was replaced by PepsiCo Inc while Berkshire Hathaway was replaced by Sberbank. Because of its sheer size, global markets often offer interesting investment opportunities from time-to-time. Two such counters unearthed from our research process were Raytheon and Alaska Air. Minor adjustments were made to other counters by realizing gains in line with our cautious stance. Although economists predict increased world economic growth, the market in general is trading near full valuations compared to 3 months ago, leaving fewer stocks, offering outstanding earnings growth prospects.

### Stock Distribution By Sector ⓘ



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## **SHORT TERM OUTLOOK**

The universe of shares available for inclusion in the Autus Global Equity Fund is of such a nature that the search for value adding counters is a continuous process and fine tuning of the portfolio a constant given.

The current low exposure to equities (close to minimum of 80%) will be maintained and we foresee a maximum exposure of 85% in the next term. Short term market and price volatility may offer buying opportunities which may result in a moderate increase in equity exposure.

We remain stock pickers and shall focus on valuations of individual shares rather than following the current. We are comfortable with the quality and diversity of the stocks included in the portfolio and the sectoral exposure that the positioning provides.