CENTAUR
ASSET MANAGEMENT

TARGETED GROWTH

Manager's Quarterly Update

31 March 2016

First Quarter Review and Outlook

The stock market remained volatile over the period with the All Share Index falling 9% by mid-January only to end 3% higher by quarter end, driven by a 13% increase in the Resource Index. The US S&P 500 and German Dax indices rose 1% and declined 7% respectively over the quarter. Commodity prices staged a recovery with the Bloomberg CRB Metals Index rising 14% from the 1st January. The Rand firmed 5% against the US Dollar albeit with considerable volatility in between.

The SA repo rate was raised 0.75% over the quarter as the Reserve Bank seeks to stamp out inflation caused by the Rand's depreciation in 2015 and higher food prices partially due to drought. The independent SARB is committed to its 6% maximum inflation target and does not want inflationary expectations to spiral upwards thus interest rates will probably be hiked further. The second half of 2016 is going to be a difficult economic period for SA as real disposable incomes decline due to a combination of rising prices, higher effective taxes and increased interest rates.

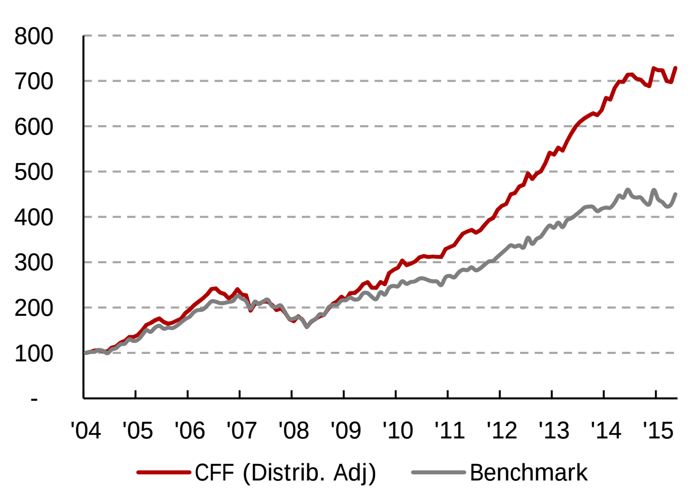
Economic decision making is being crippled by SA's risk of a sovereign debt downgrade. The Treasury, under Pravin Gordhan, is trying to avert a downgrade by reducing the budget deficit in a balanced manner, but his efforts are hamstrung by a government who is not showing a similar commitment to improving economic growth and his job is being undermined by the Hawks investigation into a SARS rogue tax unit. SA has many positives with many world class companies, a capable independent Reserve Bank, excellent Treasury and a strong justice system, however SA's bloated government is crowding out the private sector and undermining confidence leading to minimal economic growth.

With higher interest rates, a stagnant economy and threat of a sovereign downgrade, a conservative investment strategy is being followed. Both unit trust funds have SA equity weightings well below their benchmarks with the Flexible and Balanced unit trusts having equity weightings 36% and 17% below their respective benchmarks in favour of offshore equity holdings which are 23% and 7% respectively above their funds respective benchmarks. During the quarter offshore exposure was reduced via currency futures overlays. The large non-equity holdings have been invested in a mixture of property, preference shares, SA government bonds and cash in order to earn expected returns around 9.5% on this portion of the fund. We have been utilising equity market volatility to actively trade, enhancing returns for our investors.

Centaur's best performance has come just after difficult economic times where we have uncovered exceptional value opportunities and made bold bets which blossomed in the recovery.

Centaur BCI Flexible Fund

Centaur BCI Flexible Fund relative to Benchmark[1] on a monthly basis (100 = 01 Dec 2004)



Source: Bloomberg, Boutique Collective Investments, Centaur
Note: Past performance is not a reliable indicator of future returns.

1. The Fund's Benchmark was changed from 50% ALSI (J203), 50% FINDI (J213) to 15% RESI (J258), 65% FINDI (J250), 20% SA Repo on 02 July 2007 and to the current benchmark on 01 Feb 2015.

Centaur BCI Flexible Fund details

Fund NAV as at 31 Mar 2016: R 1 252.1m

Objective: The fund targets real returns of at least 6% per annum with volatility no greater than 80% of the All Share Index.

Benchmark[1]: 15% RESI (J258T), 65% FINDI (J250T), 20% SA Repo.

Fees on Class A:
Annual fee: 1.25% p.a. (excl. VAT) on the value of the fund.
Performance fee: 20% above benchmark cap over rolling 2-years, capped at 2% p.a.

Inception Date: 1 December 2004

Performance as at 31 Mar 2016	1 year	3 years	5 years	10 years	Since Inception[3]
Centaur BCI Flexible Fund	**4.5%**	**16.0%**	**19.3%**	**15.5%**	**19.1%**
Benchmark[1]	1.7%	10.0%	11.8%	11.2%	14.2%
Relative to Benchmark[1]	**2.8%**	**5.9%**	**7.4%**	**4.3%**	**4.9%**
Average Category return	2.0%	10.0%	12.1%	10.1%	
Relative to Avg. in Category	**2.5%**	**6.0%**	**7.2%**	**5.4%**	
Std. Deviation[2] – Centaur BCI Flexible Fund	10.9%	9.1%	8.8%	12.4%	12.3%
Std. Deviation[2] – Benchmark[1]	14.6%	11.8%	10.8%	14.3%	14.4%

Source: Moneymate, Boutique Collective Investments, Centaur
Note: Past performance is not a reliable indicator of future returns.

1. 15% RESI (J258T), 65% FINDI (J250T), 20% SA Repo. Calculated over a 2 year rolling period.
   The Fund's Benchmark was changed from 50% ALSI (J203), 50% FINDI (J213) to 15% RESI (J258), 65% FINDI (J250), 20% SA Repo on 02 July 2007 and to its current benchmark on 01 Feb 2015.
2. Measure of how much an investment's return varies from its average on an annualised basis.
3. Inception Date: 01 December 2004

The Centaur BCI Flexible Fund delivered a return of 4.5% over the last 12 months, outperforming its benchmark by 2.8%. The Centaur BCI Flexible Fund was the 2nd best performing South African Flexible Fund over 7 and 10 years as at 31 March 2015 (Source: Moneymate). Not only has the Fund performed extremely well over the medium term but has also preserved capital ending the quarter within 1% of the Fund's all time high.

Asset Allocation	31 Dec'15	%Δ over Quarter	31 Mar'16	Benchmark
Fixed Income	**31%**	**+2%**	**33%**	**20%**
Local Bonds & Pref Shares	9%	+3%	12%	-
Local Property	4%	+1%	5%	-
Cash & Equivalents	19%	-2%	16%	20%
Equities	**69%**	**-2%**	**67%**	**80%**
SA Resources	5%	+4%	9%	15%
SA Financial & Industrial	39%	-4%	35%	65%
World Equities	25%	-2%	23%	-
Total	**100%**		**100%**	**100%**

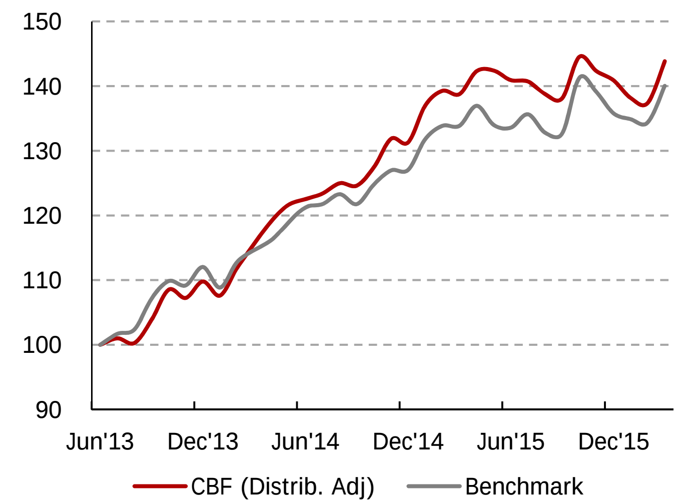
Preference shares and bonds were purchased leading to a 3% increase in exposure to this category. Holdings in Merafe, Implats and Sappi were added to at favourable levels and this, combined with strong performance led to a 4% jump in Resources exposure. Exposure to selected SA Financial and Industrial stocks were actively sold at attractive prices. World equity exposure declined due to poor relative performance partially due to Rand strength and also due to a large exposure to Germany which declined over the period. Currency exposure was trimmed by 3% via currency future overlays however this postion was closed by quarter end.

Top 10 Equity Holdings in Centaur BCI Flexible Fund as at 31 March 2016		
Holdings	**Sector**	**% of Fund NAV**
RMI Holdings Limited	Insurance	5.1%
British American Tobacco Plc	Tobacco	4.4%
Bidvest Group Limited	Diversified Industrials	4.2%
Hannover Rueckversicherung	Offshore – Insurance	3.5%
Bayerische Motoren Werke AG	Offshore – Automobiles	3.3%
Exor S.p.A.	Offshore – Investment Holding Company	3.2%
Impala Platinum Holdings Limited	Platinum & Precious Metals	3.1%
Netease.com	Offshore – Internet Gaming	2.9%
Merafe Resources Limited	General Mining	2.9%
Wilson Bayly Holmes-Ovcon Limited	Heavy Construction	2.8%

Source: Maitland, Centaur

Centaur BCI Balanced Fund

Centaur BCI Balanced Fund relative to Benchmark on a monthly basis (100 = 01 July 2013)



Source: Bloomberg, Boutique Collective Investments, Centaur
Note: Past performance is not a reliable indicator of future returns.

Centaur BCI Balanced Fund details

Fund NAV as at 31 Mar 2016: R 1 174.6m

Objective: The fund targets real returns of at least 4% per annum with volatility no greater than 65% of the All Share Index.

Benchmark: 28% ALSI (J203T); 28% FINDI (J250T); 8% MSCI World Index; 30% JSE ALBI; 6% SA Repo rate.

Fees on Class A:
Annual fee: 1.50% p.a. (excl. VAT) on the value of the fund.
Performance fee: 12.5% above benchmark cap over rolling 2-year, capped at 1% p.a.

Inception Date: 1 July 2013

Performance as at 31 Mar 2016	1 year	2 years	Since Inception[3]
Centaur BCI Balanced Fund	**3.7%**	**11.5%**	**14.1%**
Benchmark[1]	4.6%	10.5%	13.0%
Relative to Benchmark	**-0.9%**	**1.0%**	**1.1%**
Average Category Return	3.9%	7.8%	
Relative to Avg. in Category	**-0.2%**	**3.7%**	
Std. Deviation[2] – Centaur BCI Balanced Fund	10.0%	8.5%	8.2%
Std. Deviation[2] – Benchmark[1]	11.8%	9.7%	9.3%

Source: Moneymate, Boutique Collective Investments, Centaur
Note: Past performance is not a reliable indicator of future returns.

1. 28% ALSI (J203T); 28% FINDI (J250T); 8% MSCI World Index; 30% JSE ALBI; 6% SA Repo rate.
2. Measure of how much an investment's return varies from its average on an annualised basis.
3. Inception Date: 01 July 2013

The Centaur BCI Balanced Fund delivered a return of 3.7% over the last 12 months, slightly underperforming its benchmark primarily due to no exposure to SAB which contributed 2% of the benchmarks performance in the last year. The Fund ranked 14th in its category (SA Multi Asset – High Equity) out of 143 Funds for the 2 years ended 31 March 2016 (Source: Moneymate).

Asset Allocation	31 Dec'15	%Δ over Quarter	31 Mar'16	Benchmark
Fixed Income	**47%**	**-1%**	**47%**	**36%**
Local Bonds	18%	+3%	21%	30%
Local Property	5%	+2%	7%	-
Cash & Equivalents	24%	-5%	19%	6%
Equities	**53%**	**+1%**	**53%**	**64%**
Local Equity	37%	+2%	39%	56%
World Equities	16%	-1%	15%	8%
Total	**100%**		**100%**	**100%**

Preference shares and bonds were purchased leading to a 3% increase in exposure to this category. Property exposure increased due to the purchase of Growthpoint early in the quarter. SA equity holdings increased due to: the outperformance of this segment of the portfolio; purchases of selected resource counters at excellent levels; purchases of Altron, Woolworths and Discovery which were more than funded by the sale of selected SA Financial and Industrial stocks at attractive prices. World equity exposure declined due to poor relative performance partially due to Rand strength and also due to a large German exposure which declined over the period. Currency exposure was trimmed by 2.5% via currency future overlays however this position was closed by quarter end.

Top 10 Equity Holdings in Centaur BCI Balanced Fund as at 31 March 2016		
Holdings	**Sector**	**% of Fund NAV**
British American Tobacco Plc	Tobacco	3.1%
RMI Holdings Limited	Insurance	3.0%
Exor SpA	Offshore – Investment Holding Company	2.9%
Impala Platinum Holdings Limited	Platinum & Precious Metals	2.9%
Bayerische Motoren Werke AG	Offshore – Automobiles	2.8%
Sappi Limited	Paper	2.7%
Adcock Ingram Holdings	Pharmaceuticals	2.5%
Bidvest Group Limited	Diversified Industrials	2.4%
Woolworths Holdings Limited	Broadline Retailers	2.4%
Merafe resources Limited	General Mining	2.2%

Source: Maitland, Centaur

Altron - an analyst's insight by Dirk Noeth

Centaur is extremely fortunate to have hired the formerly top-rated Electronic and Electrical Equipment sector analyst who has found, what we believe, to be an excellent investment opportunity in Altron. This diversified electronic and IT services company has had a tumultuous few years featuring large investment losses along with challenging market conditions for its electrical equipment manufacturing operations. These losses however mask a solidly performing core IT services group. In the face of persistent underperformance, the share has fallen dramatically and is trading at under a third of our estimate of a fair market value.

We are positive on Altron for the following reasons:

- Altron is restructuring itself into an IT services group focussed around Bytes technology and Netstar. The restructured Altron will be a reasonably attractive business with low capital requirements and increased annuity earnings.
- Management's commitment is displayed by the recent disposal of Altech Autopage and pending sale of Aberdare Cables which should reduce the net debt to a manageable R1.5bn. In addition, the lossmaking Transformer business has been materially downscaled and is up for sale.
- The Venter family intends taking a step back from active management and to introduce independent professional management. This will improve executive accountability and should result in a re-rating for the group.

Whilst financial year 2016's earnings (to be released in May) will feature further losses, we expect these to be primarily once-off events given the sale of assets and restructuring. Looking through this, we find the deep discount and the healthy core asset base to offer a compelling value argument. Furthermore, the prospect of positive changes in the executive provides further potential for re-rating.

Final note

Centaur has the team, the experience and systems to navigate the road ahead. Centaur will utlise all our skills to deliver value for our investors and continue our proud track record of outperforming our benchmarks with below benchmark risk.

If you have any investment queries contact myself or Lance Gardner and address any administrative queries to Kirsty Dale (admin@centaur.co.za).

Kind regards

Roger Williams

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- Valuation takes place daily and prices can be viewed on BCI's website (www.bcis.co.za) or in the daily newspaper.
- Actual annual performance figures are available to existing investors on request.
- Upon request the Manager will provide the investor with portfolio quarterly investment holdings reports.

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Disclaimer

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