



CENTAUR
ASSET MANAGEMENT

TARGETED GROWTH



Manager's Quarterly Update

30 September 2016

The Third Quarter and Outlook

The quarter was uneventful for the SA stock market with the JSE All Share Index unchanged. The Rand firmed 7%, buoyed by the US\$10 billion proceeds from the delisting of SA Breweries and strong inflows into emerging market stock markets. The most significant news was a material voter swing in local government elections towards the Democratic Alliance (DA) and the Economic Freedom Front and the key cities of Johannesburg, Tshwane and Port Elizabeth are now under DA leadership. The DA has done an excellent job running Cape Town but Johannesburg will be far a more difficult task due to its size and organisational decay.

There has been some excellent news on the economic front with the second quarter current account deficit decreasing to 3% of GDP (from over 6% a year ago) due to increased exports and stagnant imports. SA's terms of trade have improved materially over the last year due to the prices of key exports (gold, coal and platinum group metals) having increased faster than the price of imports and hopefully a base is being created for sustainable export led growth. SA economic growth accelerated to 3.3% in the second quarter boosted by a recovery in mining and manufacturing. Inflation has surprised on the downside and with maize prices declining it is likely interest rate hikes are on hold. In 2017 the economy will probably surprise on the upside.

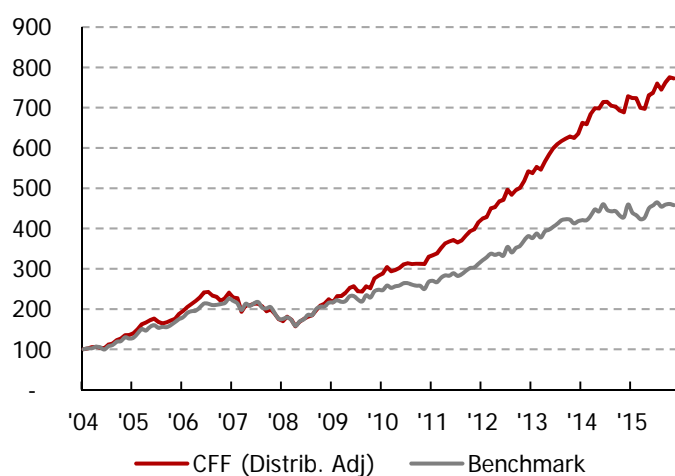
The local investment environment is dominated by SA politics with corruption openly occurring via state owned companies using procurement policies which benefit certain politically connected individuals. Recent examples include Eskom's purchase of coal at well above the market rate and the sale of SA's strategic fuel stockpiles at below market prices. The Independent Treasury and SA Reserve Bank are key buffers in the fight against corruption but are under threat. The S&P ratings team is fully aware of the dynamics in South Africa and if Finance Minister Gordhan is recalled this will result in a near certain downgrade of SA's sovereign debt rating. SA politics seems to have reached a stalemate between a corrupt core of senior government officials versus non-corrupt ANC leaders, a strengthening opposition, an independent treasury and the threat of a sovereign ratings downgrade. This binary risk of a low road scenario means a material amount of international investments are being held despite a Rand which is trading 15% below fair value.

Commodity exporters are doing well as they radically cut costs in the downturn and this combined with rising prices has resulted in better profitability. I am positive on the infrastructure sector as it will benefit from any increase in capital expenditure from the commodity exporters and government spending on improving SA's aging water infrastructure. A new investment was initiated in PPC which has seen a material decline in its share price due to reduced profits brought about by domestic cement price war and an over geared balance sheet used to fund significant investments into African cement plants. New management is cutting costs, much of the excess supply in SA has been absorbed increasing pricing power and the African investments should start contributing over the next 18 months. The recent share price weakness and rights issue has allowed us to purchase PPC at an excellent entry level.



Centaur BCI Flexible Fund

Centaur BCI Flexible Fund relative to Benchmark¹ 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.

- 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 30 Sept 2016: R 1 235.5m

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

Benchmark¹: 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 30 September 2016	1 year	3 years	5 years	10 years	Since Inception ³
Centaur BCI Flexible Fund	12.3%	14.3%	19.9%	16.0%	18.9%
Benchmark ¹	6.9%	7.3%	12.9%	10.6%	13.7%
Relative to Benchmark¹	5.4%	6.9%	7.0%	5.4%	5.1%
Average Category return	5.4%	7.9%	12.7%	10.4%	
Relative to Avg. in Category	6.9%	6.4%	7.2%	5.6%	
Std. Deviation ² – Centaur BCI Flexible Fund	10.5%	8.8%	8.4%	12.4%	12.3%
Std. Deviation ² – Benchmark ¹	13.9%	11.5%	10.5%	13.9%	14.2%

Source: Moneymate, Boutique Collective Investments, Centaur

Note: Past performance is not a reliable indicator of future returns.

- 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.
- Measure of how much an investment's return varies from its average on an annualised basis.
- Inception Date: 01 December 2004
- Highest and lowest calendar year performance since inception (as at 31 August 2016)
 High 37.2 Low -20.3

The Centaur BCI Flexible Fund delivered a return of 12.2% over the last 12 months outperforming its benchmark by 5.3%. The Centaur BCI Flexible Fund was the best performing South African Flexible Fund over 5, 6, 7, 8 and 9 years as at 30 September 2016 (Source: Moneymate).



Asset allocation	30 Jun'16	%Δ over Quarter	30 Sep '16	Benchmark
Fixed Income	31%	-3%	28%	20%
Local Bonds & Pref Shares	13%	0%	13%	
Local Property	5%	0%	5%	
Cash & Equivalents	13%	-3%	10%	20%
Equities	69%	+3%	72%	80%
SA Resources	10%	+3%	13%	15%
SA Financial & Industrial	36%	0%	36%	65%
World Equities	23%	0%	23%	
Total	100%	+0%	100%	100%

Local Bond and Preference Share allocation was kept steady. Cash weightings reduced by 3% in favour of equities. The Funds exposure to resources paid off with the Resources Index (RESI30) returning 8% over the quarter. The resource sector weighting increased 3% to 13% driven by a stellar performance from Implats (+48%) as well as from initiating a new investment in Sasol whilst reducing Sappi post a solid performance. New positions were initiated in PPC and HCI. World equity exposure was flat with a 30% rise in Netease off-setting Rand strength and weakness in Automotive stocks.

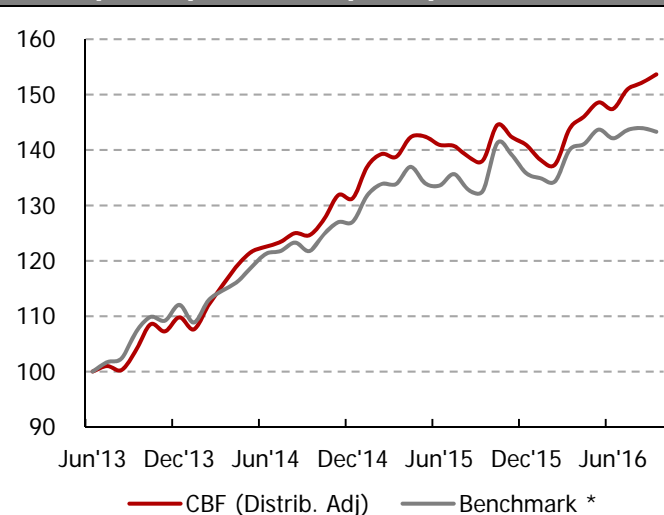
Top 10 Equity Holdings in Centaur BCI Flexible Fund as at 30 September 2016		
Holdings	Sector	% of Fund NAV
RMI Holdings	Equity Investment Instruments	4.9%
Netease	Offshore - Software	4.7%
Implats	Platinum & Precious Metals	4.6%
British American Tobacco	Tobacco	4.4%
Merafe Resources	General Mining	3.6%
Wilson Bayly Holmes-Ovcon	Heavy Construction	3.5%
Old Mutual	Life Assurance	3.1%
Sasol	Speciality Chemicals	3.1%
Hannover	Offshore - Reinsurance	2.9%
BMW	Offshore - Automobiles	2.8%

Source: Maitland, Centaur



Centaur BCI Balanced Fund

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



Centaur BCI Balanced Fund details

Fund NAV as at 30 Sept 2016: R 1 149.4m

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

Source: Bloomberg, Boutique Collective Investments, Centaur

Note: Past performance is not a reliable indicator of future returns.

Performance as at 30 September 2016	1 year	2 years	3 years	Since Inception ³
Centaur BCI Balanced Fund	11.3%	11.0%	13.9%	14.1%
Benchmark ¹	8.0%	8.5%	10.2%	11.7%
Relative to Benchmark	3.2%	2.6%	3.8%	2.4%
Average Category Return	6.4%	6.1%	7.9%	
Relative to Avg. in Category	4.9%	4.9%	6.0%	
Std. Deviation ² – Centaur BCI Balanced Fund	10.2%	8.7%	8.0%	7.9%
Std. Deviation ² – Benchmark ¹	11.1%	9.9%	9.1%	9.0%

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

4. Highest and lowest calendar year performance since inception (as at 31 August 2016)

High 19.6 Low 7.3

The Centaur BCI Balanced Fund delivered a return of 11.3% over the last 12 months outperforming its benchmark by 3.2%. The Fund ranked 1st in its category (SA Multi Asset – High Equity) out of 125 Funds for the 3 years ended 30 September 2016 (Source: MoneyMate).



Asset Allocation	30 Jun '16	%Δ over the Period	30 Sep'16	Benchmark
Fixed Income	44%	-2%	42%	36%
Local Bonds & Pref Shares	23%	0%	23%	30%
Local Property	7%	0%	7%	
Cash & Equivalents	14%	-2%	12%	6%
Equities	56%	+2%	58%	64%
Local Equity	42%	2%	44%	56%
World Equities	14%	0%	14%	8%
Total	100%		100%	100%

Local Bonds, Preference Shares and Property allocations were steady with a strong performance from Bonds and Property whilst Preference shares returns were somewhat weaker. Cash weightings reduced by 2% in favour of equities. Notably strong performances were registered in the funds holdings of Implats, WBHO, Netease and EOH. We exited positions in Lewis, Richemont, Bidcorp and Bidvest and used the cash to initiate new positions in Sasol, PPC and HCI while increasing the funds Old Mutual weighting. World equity exposure was flat with a 30% rise in Netease off-setting Rand strength and weakness in Automotive stocks.

Top 10 Equity Holdings in Centaur BCI Balanced Fund as at 30 September 2016		
Holdings	Sector	% of Fund NAV
Netease	Offshore - Software	4.0%
Impala Platinum	Platinum & Precious Metals	3.9%
Sa Corporate	Retail REITs	3.3%
British American Tobacco	Tobacco	3.2%
Old Mutual	Life Assurance	3.1%
Merafe Resources	Offshore - General Mining	3.0%
Wilson Bayly Holmes-Ovcon	Heavy Construction	3.0%
RMI Holdings	Equity Investment Instruments	2.9%
Sasol	Speciality Chemicals	2.9%
Exor	Offshore - Investment Services	2.6%

Source: Maitland, Centaur



At Centaur we are committed to investment excellence and I am very proud that on Centaur's 16th birthday the Centaur BCI Flexible Fund and Centaur BCI Balanced Fund are first in their category's over 5 years and 3 years respectively and would like to congratulate the Centaur team on an excellent job. Despite a superb track record we are by no means complacent and are working tirelessly to uncover investment opportunities with which we can continue to grow your investments. We are committed to caring for your money as if it were our own.

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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Centaur Asset Management (Pty) Ltd is an authorised Financial Service Provider FSP 647.

- Annualised performance is the return that would have been achieved if invested for the full 12month period.
- Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge or can be accessed on our website www.bcis.co.za.
- 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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