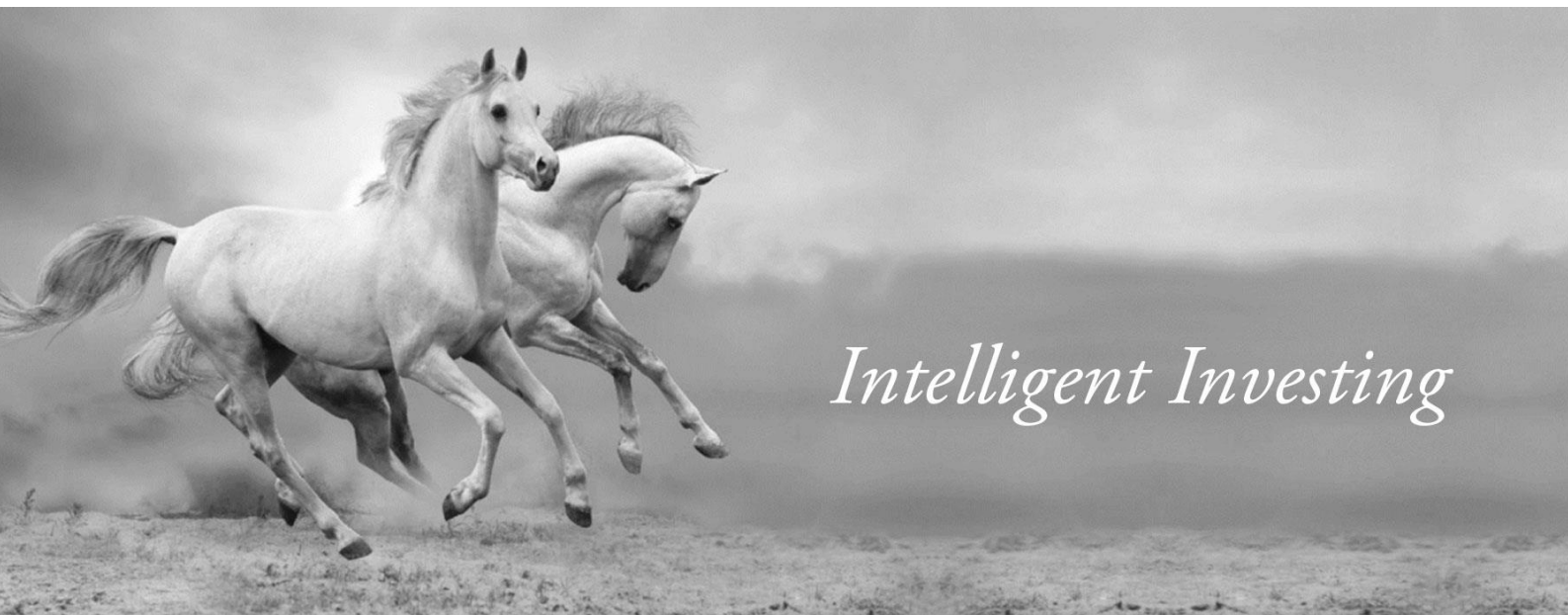




CENTAUR
ASSET MANAGEMENT

First Quarter Report 2018



Intelligent Investing

The First Quarter 2018

Despite positive political developments in South Africa, the JSE All Share Index fell 6% over the quarter. The major reasons for this decline were:

- Around 65% of the JSE All Share Index's attributable earnings are from offshore sources and the 5% stronger Rand had a negative impact on the stock market with Naspers alone falling 16%.
- The Resilient stable of property counters have been caught up in questionable accounting practices and consequently the shares of Resilient (-65% return over the quarter), Fortress B (-70%) and NEPI-Rockcastle (-44%) fell materially. Centaur identified the risk in these shares and had no holdings in these counters.
- The S&P500 fell 8% from its peak on the 26th of January but only declined 1% over the quarter, whilst the German DAX and Japanese Nikkei indices declined 6% and 5% respectively.
- US President Trump's economic policies are becoming less predictable with him summarily instituting tariffs on Chinese steel imports, creating concerns about a trade war.
- There is market concern that US inflation is stronger than anticipated which will result in more aggressive interest rate hikes depressing equity prices. However higher short-term interest rates have not always automatically resulted in weak equity market performances as the table below highlights.

S&P500 3 Year Total Return			
Date rates increased 1.5% off low	Rate	Before rates increased 1.5% off the low	After rates increased 1.5% off the low
24-Jun-88	7.50%	61.2%	50.4%
19-Aug-94	4.75%	34.3%	114.0%
19-May-00	6.50%	76.1%	-31.6%
04-Feb-05	2.50%	15.8%	21.5%
23-Mar-18	1.75%	30.9%	

Source: Bloomberg

Cyril Ramaphosa was appointed president of the ANC in February 2018. He started his presidency with an inspirational State of the Nation address giving an inclusive vision of the future for all South Africans and a promise of increased accountability by government. He has rapidly worked to stem fiscal decay and the February budget included a 1% VAT hike to better balance the budget. His cabinet reshuffle included the appointment of the highly respected Pravin Gordhan and Nhlanhla Nene to the key cabinet posts of Minister of Public Enterprises and Minister of Finance respectively whilst side-lining those ministers most implicated in State Capture. In March, Tom Moyane was suspended as the Head of South African Revenue Services. President Ramaphosa's decisive actions were rewarded by Moody's improving the outlook on SA's sovereign debt from negative to stable thus averting a downgrade to junk status. This gave the SA Reserve Bank room to reduce interest rates by quarter of a percent in late March. South Africa has been rewarded with the yield on the 9-year government bonds improving by 1.5% despite US interest rates moving higher. This lower funding cost will have immediate benefits for the government.

9-yr SA Government Bond Yield (R186)



Six months ago, it appeared South Africa was heading to certain junk status and an increasingly uncertain economic future. Although there is a lot of work required to improve the financial situation of Eskom and root out corruption, a foundation is being laid for improved confidence, sustainable growth and a more prosperous future for all South Africans. I would expect economic momentum to improve leading to much improved growth prospects in the medium term.


The sectors most exposed to the domestic economy reacted instantly to Cyril Ramaphosa's election as head of the ANC with the retail and banking sectors returning 26% and 20% respectively since the 1 December 2017 whilst Rand hedge shares have been poor performers. The rapid price reaction of these sectors left little opportunity to profit from the positive political changes.

Centaur increased its holding in Blue Label Telecoms where we think the core transaction platform business is attractive and profits will increase by adding further products to this platform. In addition, the newly acquired holding in Cell C should materially improve profits via better purchasing of key inputs and operational leverage as they gain market share due to competitive pricing. As a comparative Sprint, the USA's 4th largest mobile operator, has improved EBITDA margins by 10% since Softbank acquired it in July 2013.

The holding in Long-4-Life was topped up in the Centaur BCI Flexible Fund. In less than a year the legendary entrepreneur, Brian Joffe, has acquired an attractive spread of business in beverages, sports retailing via Sportsmans Warehouse, and beauty via Sorbet. Our estimates indicate these businesses would have generated R425 million in operating profits in the year ending February 2018 whilst the company still has over R1 billion of cash for further acquisitions. We think the current share price is well underpinned by the value of the businesses and cash it holds whilst there is asymmetric upside potential if executive management can work their entrepreneurial magic which has been so successful at Bidvest.

At Centaur, we have a highly capable investment team who are committed to caring for your money as if it were our own and delivering fund returns ahead of their benchmarks. If you have any investment queries, please contact myself or Lance Gardner and address any administrative queries to Kirsty Dale or Megan Morris (admin@centaur.co.za).

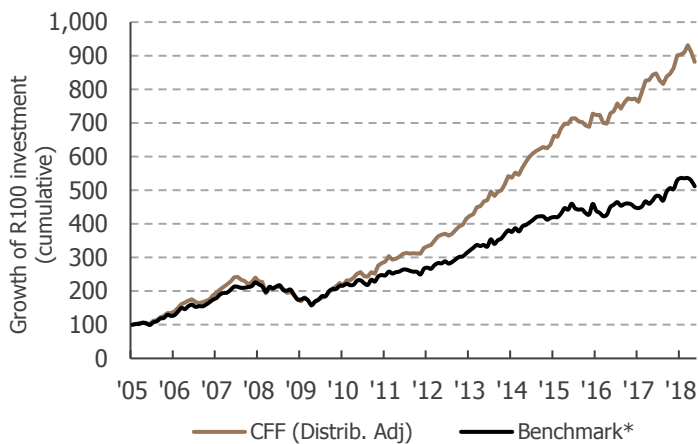
Kind regards



Roger Williams

Centaur BCI Flexible Fund

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



Centaur BCI Flexible Fund details

Fund NAV as at 31 March 2018: R 2 923m

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

Benchmark*: 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 over rolling 2-year period, capped at 2% p.a.

Inception Date: 1 December 2004

Source: Bloomberg, Maitland, Centaur

Investment performance is for illustrative purposes only and calculated by taking actual initial fees and ongoing fees into account for amount shown with income reinvested on reinvestment dates.

*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.

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

Performance as at 31 March 2018	1 year	3 years	5 years	10 years	Since Inception ³
Centaur BCI Flexible Fund	4.7%	8.1%	13.6%	15.5%	17.7%
Benchmark ¹	9.0%	5.0%	8.7%	9.4%	13.0%
Relative to Benchmark¹	-4.3%	3.2%	4.9%	6.1%	4.7%
Average Category return	2.8%	2.8%	7.3%	8.4%	
Ranking in Category	27/79	2/70	2/63	1/45	
Std. Deviation ² – Centaur BCI Flexible Fund	9.6%	9.4%	8.9%	11.6%	12.0%
Std. Deviation ² – Benchmark ¹	11.4%	11.9%	11.2%	13.3%	13.9%

Source: Moneymate, Maitland, 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

4. Highest and lowest calendar year performance since inception (as at 28 February 2018): High 31.1 Low -20.3

The Centaur BCI Flexible Fund delivered a negative 2.9% return for the quarter due to the firmer Rand which led to declines in the Resource and SA listed Rand hedge shares. The Fund nevertheless outperformed its benchmark by 1.5% over the quarter. The somewhat disappointing performance of the Fund over the last year is due to a very high base established in March 2017 with the Fund returning 10% p.a. over 2 years outperforming its benchmark by 3.3% and being the second best performer in its category (Source: Moneymate 31 March'18) over that period. The recent market volatility is welcomed as it creates opportunities allowing us to accumulate selected shares at more advantageous levels and with 67% equity content we have substantial buying capacity.

Asset allocation	31 Dec'17	%Δ over Quarter	31 Mar'18	Benchmark
Fixed Income	27%	+7%	33%	20%
Cash & Equivalents	7%	+8%	15%	20%
SA Bonds	4%	-1%	3%	
SA Prefs & Income Funds	13%	0%	13%	
SA Property	2%	-2%	0%	
Offshore Cash	1%	+1%	2%	
Equities	73%	-7%	67%	80%
SA Resources	10%	-2%	8%	15%
SA Financial & Industrial	44%	0%	44%	65%
World Equities	19%	-5%	14%	
Total	100%	0%	100%	100%

The Fund's equity content decreased due to material new inflows which were not immediately invested and maintaining our sell disciplines including the entire sale of Fortress A in January and Netease. The Fund's existing holdings in Old Mutual, RMI Holdings, Blue Label Telecoms and Long-4-Life were added to whilst a small position was initiated in Sibanye. Offshore holdings in Brightsphere Investment Group (formerly known as OMAM) and Admiral were added to while Hastings Group was lightened.

Strong performances were registered in the Fund's holdings of Exor, PPC and Adcock. Key detractors of performance in the quarter were the Rand hedge shares of British American Tobacco, Naspers and MTN and the Resource counters African Rainbow Minerals and Implants.

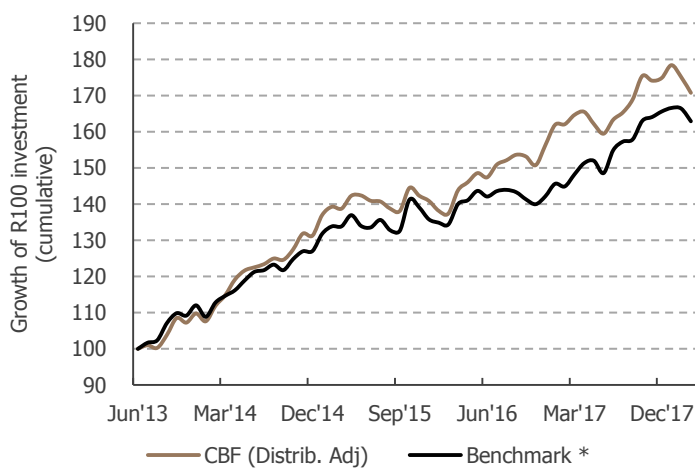
Top 10 Equity Holdings in the Centaur Flexible Fund as at 31 March 2018

Holdings	Sector	% of Fund NAV
RMI Holdings Ltd	Equity Investment Instruments	6.1%
Old Mutual Plc	Life Assurance	5.9%
Woolworths Holdings Ltd	Broadline Retailers	4.4%
British American Tobacco Plc	Tobacco	3.8%
Exor Nv	Offshore - Investment Services	3.3%
Naspers Ltd	Broadcasting & Entertainment	3.3%
MTN Group Ltd	Mobile Telecommunications	3.0%
PPC Ltd	Building Materials & Fixtures	3.0%
Adcock Ingram Holdings Ltd	Pharmaceuticals	3.0%
MMI Holdings Ltd	Financial Services	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, Maitland, Centaur

Investment performance is for illustrative purposes only and calculated by taking actual initial fees and ongoing fees into account for amount shown with income reinvested on reinvestment dates.

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

Centaur BCI Balanced Fund details

Fund NAV as at 31 March 2018: R 1 537m

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 over rolling 2-year period, capped at 1% p.a.

Inception Date: 1 July 2013

Performance as at 31 March 2018	1 year	2 years	3 years	4 years	Since Inception ³
Centaur BCI Balanced Fund	3.5%	8.9%	7.1%	10.4%	11.9%
Benchmark ¹	10.8%	7.9%	6.8%	9.2%	10.8%
Relative to Benchmark	-7.2%	1.0%	0.3%	1.2%	1.1%
Average Category Return	3.3%	2.7%	3.3%	5.5%	
Ranking in Category	73/171	4/151	5/124	1/103	
Std. Deviation ² – Centaur BCI Balanced Fund	8.6%	7.8%	8.6%	8.2%	8.3%
Std. Deviation ² – Benchmark ¹	8.9%	8.0%	9.4%	8.9%	8.8%

Source: Moneymate, Maitland, 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 (at 28 February 2018): High 19.6 Low 7.3

The Centaur BCI Balanced Fund delivered a negative 2.5% return for the quarter. The somewhat disappointing performance of the Fund over the last year is partially due to a high base established in March 2017 with the Fund delivering good returns relative to peers over periods of 2 years and more (Moneymate, 31 March 18).

Asset allocation	31 Dec'17	%Δ over Quarter	31 Mar'18	Benchmark
Fixed Income	37%	+1%	38%	36%
Cash & Equivalents	3%	-2%	1%	6%
SA Bonds	16%	+4%	20%	30%
SA Prefs and Income Funds	9%	0%	9%	
SA Property	4%	-2%	2%	
Offshore Cash	5%	+1%	6%	
Equities	63%	-1%	62%	64%
Local Equities	49%	0%	49%	56%
World Equities	14%	-1%	13%	8%
Total	100%	0%	100%	100%

The Fund increased the modified duration of its fixed interest exposure from 1.5 to 1.7 years by purchasing SA government bonds at an 8.9% effective yield. New positions were initiated in Blue Label Telecoms and Sibanye. In Sibanye we see hidden value in its expanding US palladium mine, Stillwater, which is a low cost and long life operation and will benefit from the strong Palladium price. Offshore holdings in OMAM (since renamed Brightsphere) and Admiral were added to whilst Hastings Group was lightened. The Fund's entire holdings in Fortress A and Netease were sold.

Strong performances were registered in the Fund's holdings of Exor, PPC and Adcock. The detractors of performance in the quarter were mainly the SA listed Rand hedge shares of British American Tobacco, Naspers and MTN and Resource counters in particular Implats and African Rainbow Minerals.

Top 10 Equity Holdings in the Centaur BCI Balanced Fund as at 31 March 2018		
Holdings	Sector	% of Fund NAV
Old Mutual Plc	Life Assurance	5.6%
British American Tobacco Plc	Tobacco	4.2%
Woolworths Holdings Ltd	Broadline Retailers	3.9%
RMI Holdings Ltd	Equity Investment Instruments	3.9%
Adcock Ingram Holdings Ltd	Pharmaceuticals	3.7%
Exor Nv	Offshore - Investment Services	3.6%
Naspers Ltd	Broadcasting & Entertainment	3.5%
MTN Group Ltd	Mobile Telecommunications	3.2%
PPC Ltd	Building Materials & Fixtures	3.0%
Merafe Resources Ltd	General Mining	2.8%

Source: Maitland, Centaur

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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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Custodian / Trustee Information

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Disclaimer

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