

# FIRST QUARTER REPORT

31 MARCH 2021

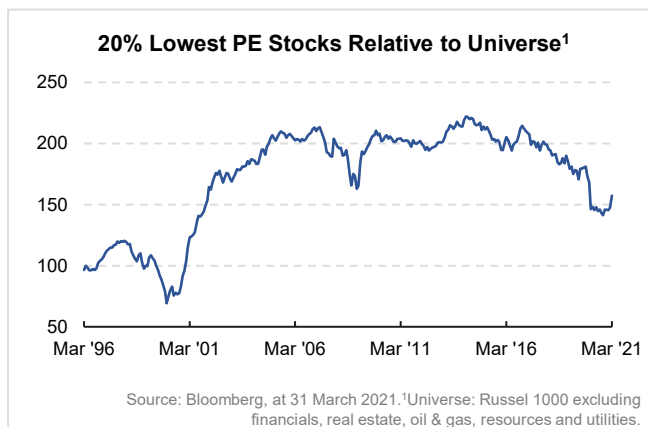


**CENTAUR**  
ASSET MANAGEMENT

An Authorised Financial Services Provider (FSP# 647)

## The First Quarter 2021

The MSCI Global Index returned 5% over the quarter whilst the more cyclical Dax Index rose 9%. Global economic growth of 5.5% is expected in 2021 after a 3.5% contraction in 2020 (Source: International Monetary Fund Mar'21). US President Biden passed a \$1.9 trillion stimulus package and is promoting a massive infrastructure programme. US government debt is mounting with debt-to-GDP forecast to escalate to 125% at the end of 2021 and corporate tax hikes are proposed. In the wake of this massive borrowing US 10-year bonds rates rose almost 1% over the quarter. There are concerns that inflation will re-ignite in light of strong demand. This stimulus has been positive for global equity markets and value stocks have started to outperform (graph on right). The combination of a high earnings base, escalating interest rates and higher taxes will create a strong headwind for future US equity returns.



In SA, the news has been positive. The 2<sup>nd</sup> stage 3 lockdown was effective with daily cases decreasing to around a 1000 a day. SA's delay in getting a vaccine may be to its benefit as it will get the locally manufactured single shot Johnson & Johnson vaccine and the majority of the country could be inoculated by year end. SA generally has handled the pandemic well compared to its peers. President Ramaphosa is making progress in confronting corruption with calls for Ace Magashule to step down.

SA tax revenues have surprised on the upside with tax receipts for the fiscal year ending Feb'21 ending R38bn above the budget estimate made in mid-February as the economy has rapidly bounced back and the benefits of the commodity price windfall manifests. Inflation remains low at around 3%. Nonetheless more needs to be done to convince markets that SA is a good credit risk as the SA All Bond Index offers 7% real rates. Measures which could improve confidence include: privatisation; a cabinet reshuffle; structural economic reforms and a reduction in tax leakage.

Centaur sees good equity opportunities and are overweight equities with some of our larger investments being:

**Aspen** is a multinational consumer and pharma company producing affordable medicines in developing countries. The company experienced hiccups over the last 5 years whereby it revised its strategy to primarily focus on developing markets and disposed of numerous businesses resulting in a material reduction of debt. Aspen has invested vast sums to modernise and expand manufacturing capacity. Centaur believes this strategy is bearing fruit and with a global distribution infrastructure leaves Aspen well placed to grow profits at double digit rates. Aspen operates in a defensive industry, trades on a single digit forward PE and we think this counter can deliver 20%+ returns for a number of years.

**HP:** HP has undertaken material share repurchases whilst undergoing a significant cost reduction process. HP has benefitted from the work from home trend resulting in strong demand for notebooks and home printers. EPS should grow at over 40% in 2021 yet HP still trades on a forward PE under 10X leaving still strong upside potential.

**Stellantis:** Stellantis has a strong focus on delivering shareholder value. As Fiat-Chrysler it unbundled Ferrari in 2016 which is now worth 20% more than the Stellantis share price, it further unlocked value by selling its parts business and distributing the proceeds, whilst focussing on high margin RAM and Jeep sports utility vehicles in the USA. Fiat-Chrysler merged with Peugeot-Citroen in Jan'21 to form the world's 4<sup>th</sup> largest automaker, Stellantis. The merger brings on board an exceptional CEO, in Carlos Taveres, and a strong electric vehicle technology base. As a merged company it expects €5bn in synergies whilst giving it the critical mass to make a seamless transition to electric vehicles. Stellantis should have the scale be one of the most profitable car companies with excellent cash generation. It has been a strong performer yet if merger synergies are achieved it only trades on a PE of 3.5x on 2025 earnings.

Centaur is focussed on the consistent outperformance of our benchmarks and are pleased to report strong delivery relative to our targets over the quarter and multiple time periods. The fund has experienced abnormal volatility over the last 15 months and we thank you for your patience during this period and are gratified to deliver strong real returns to our unitholders.

If you have any investment queries, please contact myself or Jacques Haasbroek and address any administrative queries to Kirsty Dale or Megan Morris ([admin@centaur.co.za](mailto:admin@centaur.co.za)).

Kind regards,



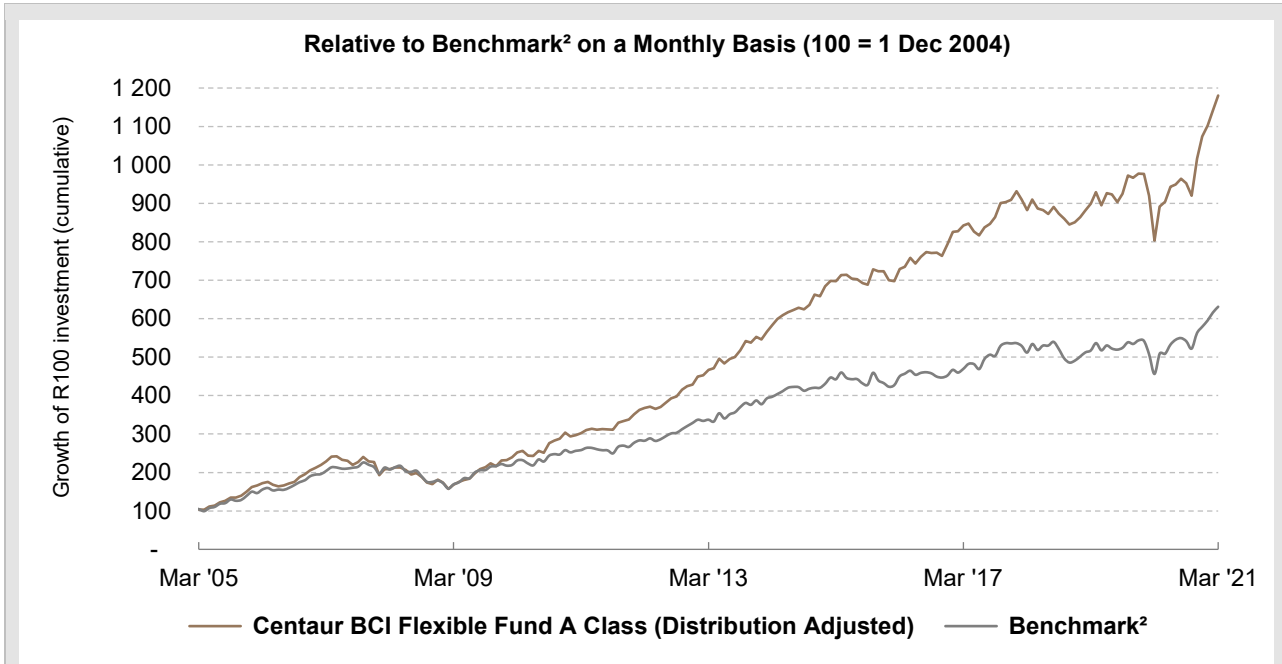
**Roger Williams**

# Centaur BCI Flexible Fund



<b>Fund NAV</b>	R 3 524.9m (as at 31 March 2021)
<b>Objective</b>	The Fund targets real returns of at least 6% per annum with volatility no greater than 80% of the JSE All Share Index.
<b>Benchmark</b>	60% JSE Capped SWIX (J433T), 20% MSCI World (M1WO), 20% SteFI.

<b>Fees on Class A:</b>	
<b>Annual Fee</b>	1.25% p.a. (excl. VAT) on the value of the Fund.
<b>Performance Fee</b>	20% above benchmark over rolling 2-year period, capped at 2% p.a.
<b>Inception Date</b>	1 December 2004



Performance as at 31 March 2021	1 year	3 years	5 years	10 years	Inception <sup>1</sup>
Centaur BCI Flexible Fund	47.0%	10.2%	10.1%	14.6%	16.3%
Benchmark <sup>2</sup>	38.3%	7.2%	7.0%	9.3%	11.9%
Average Category return	32.3%	6.8%	5.3%	9.3%	
Ranking in Category	8 / 61	10 / 46	2 / 39	1 / 32	
Std. Deviation <sup>3</sup> – Centaur BCI Flexible Fund	15.3%	14.9%	12.7%	10.9%	12.6%
Std. Deviation <sup>3</sup> – Benchmark <sup>2</sup>	16.0%	15.6%	13.7%	12.3%	14.2%

**Source:** Maitland, Moneymate and Centaur, as at 31 March 2021. Past performance is not a reliable indicator of future returns. 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. Annualised return is weighted average compound growth rate over the period measured. Full details and basis of the awards are available from the manager. <sup>1</sup>Inception Date: 01 December 2004. <sup>2</sup>Benchmark: 1 Dec 2004 – 2 July 2007: 50% ALSI (J203), 50% FINDI (J213) to 15% RESI (J258), 65% FINDI (J250), 20% SA Repo. 3 July 2007 – 31 Oct 2018: 15% RESI (J258T), 65% FINDI (J250T), 20% SA Repo. Calculated over a 2-year rolling period. 1 Nov 2018 – Current: 60% JSE Capped SWIX (J433T), 20% MSCI World (M1WO), 20% SteFI. Calculated over a 2-year rolling period. <sup>3</sup>Weekly standard deviation is the measure of how much an investment's return varies from its average on an annualised basis. Highest and lowest calendar year performance since inception (as at 28 February 2021): High 46.7 Low -20.3.

The Centaur BCI Flexible Fund increased 10% over the quarter. Over five years it is the second-best performing fund in its category and has outperformed its benchmark over all the above periods.

<b>Asset Allocation</b>	<b>31 Dec'20</b>	<b>%Δ over Quarter</b>	<b>31 Mar'21</b>	<b>Benchmark</b>
<b>Fixed Income</b>	<b>19%</b>	<b>-2%</b>	<b>17%</b>	<b>20%</b>
SA Cash & Equivalents	3%	+1%	4%	
SA Bonds	9%	-1%	8%	
SA Prefs & Income Funds	3%	-1%	2%	
SA Property	0%	+0%	0%	
Offshore Cash	4%	-1%	3%	
<b>SA Equities</b>	<b>53%</b>	<b>+1%</b>	<b>54%</b>	<b>60%</b>
<b>World Equities</b>	<b>28%</b>	<b>+1%</b>	<b>29%</b>	<b>20%</b>
<b>Total</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>

The Fund increased equity content by 2% to 83% over the quarter. Centaur will maintain equity content above benchmark as low SA interest rates and favourable opportunities make this an appropriate time to invest.

During the quarter a new holding was initiated in Anglo American, whilst the holding in Netcare was switched in Life Healthcare. The funds existing positions in Aspen, Astral, Mr.Price, Naspers and PPC were topped up, whilst the holding in Sibanye-Stillwater was trimmed and Discovery was exited at good levels.

The Fund benefitted from strong performances in PPC, Sappi and Merafe whilst an underweight holding in Resources detracted from relative performance.

In the offshore equity portfolio, the holdings in Spotify and Entain was trimmed at good levels, whilst a new position was initiated in Brilliance China Automotive. The offshore performance was primarily driven by Entain and HP Inc which returned 37% & 27% respectively.

## *Top 10 Equity Holdings - Centaur BCI Flexible Fund*

<b>Holdings</b>	<b>Sector</b>	<b>% of Fund NAV</b>
Entain (previously GVC Holdings PLC)	Offshore – Gaming	6.0%
Exor NV	Offshore – Investment Services	5.6%
Aspen Pharmacare Holdings Ltd	Pharmaceuticals	4.7%
Firststrand Ltd	Banking	4.5%
RMI Holdings Ltd (RMI)	Insurance	4.2%
HP Inc.	Offshore – Computer Hardware	4.2%
Naspers Ltd	Media and IT	3.9%
British American Tobacco PLC	Tobacco	3.8%
Sibanye Stillwater Ltd	Gold Mining	3.7%
Sappi Ltd	Paper and Packaging	3.2%

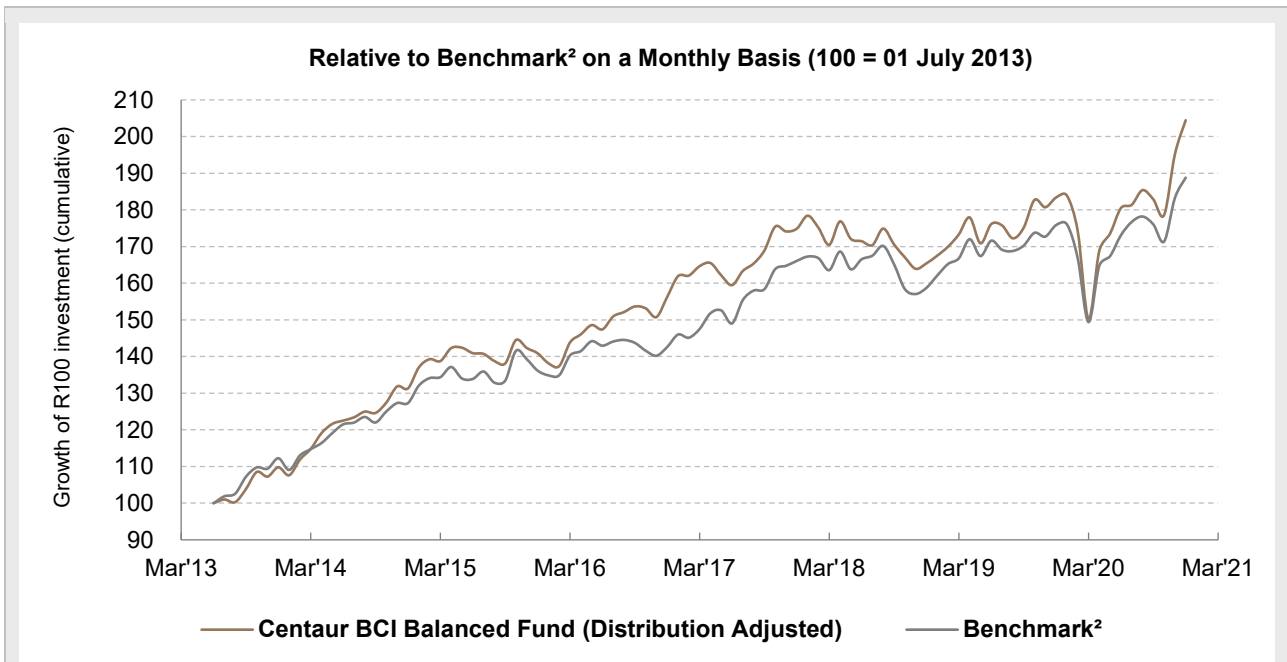
Source: Maitland and Centaur, as at 31 March 2021



# Centaur BCI Balanced Fund

<b>Fund NAV</b>	R 1 280.0m (as at 31 March 2021)
<b>Objective</b>	The Fund targets real returns of at least 4% per annum with volatility no greater than 60% of the JSE All Share Index.
<b>Benchmark</b>	25% JSE All Bond Index (ALBTR), 48% JSE Capped SWIX (J433T), 16% MSCI World (M1WO) and 11% SteFI.

<b>Fees on Class A:</b>	
<b>Annual Fee</b>	1.35% p.a. (excl. VAT) on the value of the Fund.
<b>Performance Fee</b>	12.5% above benchmark over rolling 2-yr period, capped at 1% p.a.
<b>Inception Date</b>	1 July 2013



<b>Performance as at 31 March 2021</b>	<b>1 years</b>	<b>3 years</b>	<b>5 years</b>	<b>Inception<sup>1</sup></b>
Centaur BCI Balanced Fund	46.4%	8.9%	8.9%	10.7%
Benchmark <sup>2</sup>	34.8%	7.2%	7.5%	9.4%
Average Category return	30.8%	7.4%	5.7%	
Ranking in Category	7 / 193	44 / 173	7 / 138	
Std. Deviation <sup>3</sup> – Centaur BCI Balanced Fund	14.2%	14.8%	12.4%	11.2%
Std. Deviation <sup>3</sup> – Benchmark <sup>2</sup>	14.0%	13.8%	11.8%	11.0%

**Source:** Maitland, Moneymate and Centaur, as at 31 March 2021. Past performance is not a reliable indicator of future returns. 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. Annualised return is weighted average compound growth rate over the period measured. Full details and basis of the awards are available from the manager. <sup>1</sup>Inception Date: 01 December 2004. <sup>2</sup>Benchmark: 1 Jul 2013 – 31 Oct 2018: 28% ALSI (J203T); 28% FINDI (J250T); 8% MSCI World Index; 30% JSE ALBI; 6% SA Repo rate. 1 Nov 2018 – Current: 25% JSE All Bond Index (ALBTR), 48% JSE Capped SWIX (J433T), 16% MSCI World (M1WO) and 11% SteFI. Calculated over a 2-year rolling period. <sup>3</sup>Weekly standard deviation is the measure of how much an investment's return varies from its average on an annualised basis. Highest and lowest calendar year performance since inception (as at 28 February 2021): High 19.6 Low -5.4.

The Centaur BCI Balanced Fund increased 8% over the quarter. Since inception and over 5 years the Fund is one of the top performing funds in its category.

<b>Asset Allocation</b>	<b>30 Dec'20</b>	<b>%Δ over Quarter</b>	<b>31 Mar'21</b>	<b>Benchmark</b>
<b>Fixed Income</b>	<b>35%</b>	<b>-1%</b>	<b>34%</b>	<b>36%</b>
SA Cash & Equivalents	2%	+2%	4%	11%
SA Bonds	27%	-2%	25%	25%
SA Prefs & Income Funds	3%	+0%	3%	
SA Property	0%	+0%	0%	
Offshore Cash	3%	+0%	3%	
<b>SA Equities</b>	<b>37%</b>	<b>+0%</b>	<b>37%</b>	<b>48%</b>
<b>World Equities</b>	<b>28%</b>	<b>+1%</b>	<b>29%</b>	<b>16%</b>
<b>Total</b>	<b>100%</b>	<b>+0%</b>	<b>100%</b>	<b>100%</b>

Equity content increased 1% to 66% driven by market movements and Rands were remitted back to SA at favourable levels. The Fund's holdings in SA government bonds decreased due to relative underperformance. Centaur will maintain equity content at or above benchmark as low SA interest rates and favourable opportunities make this an appropriate time to invest.

During the quarter the existing positions in Aspen and PPC were increased at good levels, whilst the holdings in Sibanye-Stillwater and Blue Label Telecoms were trimmed. The funds holding in Discovery was exited and the position in Netcare was switched into Life Healthcare.

The Fund benefitted from strong performances in PPC, Merafe and Sappi. A slightly overweight allocation to SA government bonds detracted from relative performance.

In the offshore equity portfolio, the holdings in Spotify and Entain was trimmed at good levels, while a new position was initiated in Brilliance China Automotive. The offshore performance was primarily driven by Entain and HP Inc which returned 37% & 27% respectively.



## *Top 10 Equity Holdings - Centaur BCI Balanced Fund*

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Entain (previously GVC Holdings PLC)	Offshore – Gaming	5.3%
Exor NV	Offshore – Investment Services	5.3%
British American Tobacco PLC	Tobacco	4.9%
HP, Inc.	Offshore – Computer Hardware	4.0%
Stellantis NV	Offshore – Automobiles	3.9%
Aspen Pharmacare Holdings Limited	Pharmaceuticals	3.8%
Brightsphere Investment Group PLC	Offshore – Investment Services	3.7%
Sibanye Stillwater Ltd	Gold Mining	3.5%
Naspers Ltd	Media and IT	3.1%
RMI Holdings Ltd (RMI)	Insurance	3.1%

Source: Maitland and Centaur, as at 31 March 2021

## Major Indicators

<p>South African Indices (100 = 01/01/2000)</p> <p>— ALSI — FINDI</p> <p>Source: Bloomberg</p>	<table border="1"> <thead> <tr> <th>SA Indices</th> <th>Dec'20</th> <th>Mar'21</th> <th>%Δ Q/Q</th> <th>Return % YTD</th> </tr> </thead> <tbody> <tr> <td>All Share Index*</td> <td>59 409</td> <td>66 485</td> <td>11.9%</td> <td>11.9%</td> </tr> <tr> <td>FINDI 30*</td> <td>75 693</td> <td>82 942</td> <td>9.6%</td> <td>9.6%</td> </tr> <tr> <td>All Bond Index</td> <td>759</td> <td>746</td> <td>-1.7%</td> <td>-1.7%</td> </tr> </tbody> </table> <p>*Excludes dividends re-invested</p>	SA Indices	Dec'20	Mar'21	%Δ Q/Q	Return % YTD	All Share Index*	59 409	66 485	11.9%	11.9%	FINDI 30*	75 693	82 942	9.6%	9.6%	All Bond Index	759	746	-1.7%	-1.7%
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<p>Commodity Prices</p> <p>— Gold (\$/oz) — Plat (\$/oz) — Crude (\$/bbl) (rhs)</p> <p>Source: Bloomberg</p>	<table border="1"> <thead> <tr> <th>Commodities</th> <th>Dec'20</th> <th>Mar'21</th> <th>%Δ Q/Q</th> <th>Return % YTD</th> </tr> </thead> <tbody> <tr> <td>Gold</td> <td>1 898</td> <td>1 708</td> <td>-10.0%</td> <td>-10.0%</td> </tr> <tr> <td>Platinum (USD/oz)</td> <td>1 072</td> <td>1 187</td> <td>10.8%</td> <td>10.8%</td> </tr> <tr> <td>Brent Crude (USD/bbl)</td> <td>51.2</td> <td>62.4</td> <td>22.0%</td> <td>22.0%</td> </tr> </tbody> </table>	Commodities	Dec'20	Mar'21	%Δ Q/Q	Return % YTD	Gold	1 898	1 708	-10.0%	-10.0%	Platinum (USD/oz)	1 072	1 187	10.8%	10.8%	Brent Crude (USD/bbl)	51.2	62.4	22.0%	22.0%
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## CENTAUR

ASSET MANAGEMENT

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

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**Physical address:** Great Westerford Building, 240 Main Road, Rondebosch, Cape Town, 7700.

**Postal address:** P.O. Box 35, Newlands, 7725.

- ❖ 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.centaur.co.za](http://www.centaur.co.za).
- ❖ Valuation takes place daily and prices can be viewed on BCI's website ([www.bcis.co.za](http://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.

### Management Company Information

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**Fax:** 086 502 5319

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**Website:** [www.bcis.co.za](http://www.bcis.co.za)

### Custodian / Trustee Information

The Standard Bank of South African Limited

**Tel:** 021 441 4100

#### Disclaimer

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