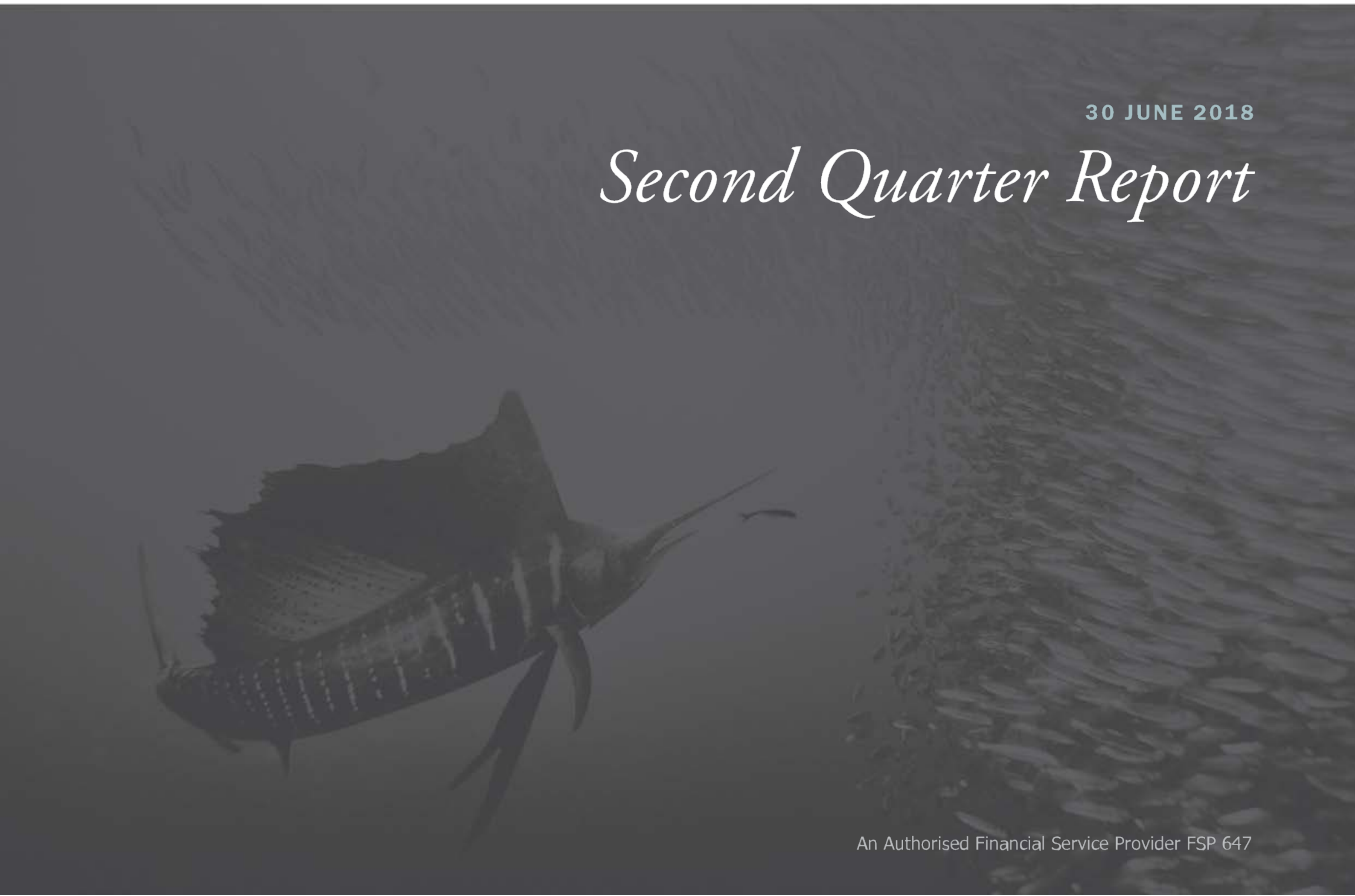
CENTAUR
ASSET MANAGEMENT



30 JUNE 2018

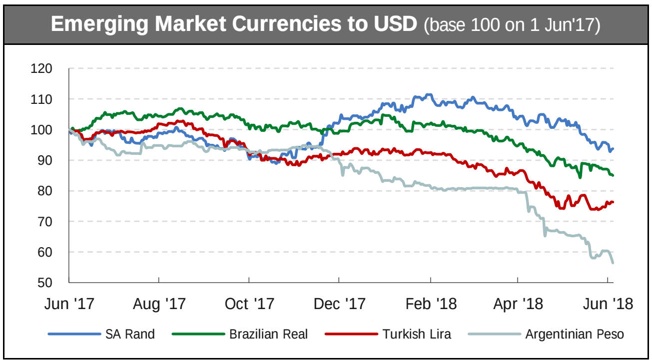
Second Quarter Report

An Authorised Financial Service Provider FSP 647

The Second Quarter 2018

The Capped Shareholder Weighted All Share Index declined 1% over the quarter notwithstanding a weak Rand which buoyed the share prices of SA listed Rand-hedge stocks. This Index performance was flattered by a 3% recovery on the last trading day. The reasons for the decline were:

- US inflation was 2.8% in May due to a booming global economy where price increases and labour shortages are becoming widespread. This has resulted in the US Federal Reserve raising interest rates 0.5% in 2018 with further hikes expected in the future. Higher interest rates are generally negative for economic growth.
- President Trump is becoming more forceful in his calls for tariffs targeting $150bn of Chinese imports and European luxury automobiles. The result is a tit-for-tat trade war which could escalate and be highly traumatic for global trade, inflation and growth.
- Higher US interest rates have caused increased risk aversion in particular to emerging markets. The Argentinian Peso collapsed requiring a $50bn bailout from the International Monetary Fund. Turkey, with a large current account deficit, high inflation and an autocratic ruler, has also been badly affected. Brazil and to a lesser degree SA has been caught up in the storm. The Rand consequently depreciated 14% against the Dollar and the 10-year government bond rate rose 1% this quarter.



Emerging Market Currencies to USD (base 100 on 1 Jun'17)

- SA had negative 2.2% Q1 GDP growth due to a contraction in the agricultural, mining and manufacturing sectors.
- The Ramaphoria which was experienced in February has worn off. President Ramaphosa's priority has been to get the government finances in order which is leading to fiscal austerity including higher VAT rates, tightening of government spending and voluntary layoffs of government employees. This is contractionary, contributing to the weak economy.
- The SA Reserve Bank is out of touch with the weak economy keeping interest rates high and not providing any countervailing monetary stimulus to the economy. In the face of inflation declining 3.0%, the SARB reduced the repo rate 0.5%, materially tightening monetary conditions and contributing to the recession. At this stage, with international economic storm clouds appearing, the SARB does not have much flexibility to reduce interest rates.

A year ago, in the quarterly letter we outlined three potential economic scenarios:

1. Status quo resulting in a deflationary environment with fixed income the best asset class.
2. Pro-market change in regime where SA equities perform the best.
3. Venezuela type scenario where populist policies take hold resulting in hyperinflation.

With the positive political changes, scenario 3 became less likely and scenario 2 was the eventual outcome. Initially the market behaved consistently with our view pushing domestic SA stocks higher however, ideologically, the ANC is still holding onto communist ideals such as land expropriation, National Health Insurance and is fiercely anti-privatisation. President Ramaphosa says he is pro-market, but recent actions signal the opposite and the reality is that there is no quick fix to our economic problems and SA based stocks have given back all their gains since December 2017 and more.

Reigniting economic growth is going to be harder than anticipated. Over the last decade there has been a loss of trust, a weakening of institutional capability and the alienation of economic allies like the United States. A leading economist says a developing country requires 3 elements to grow strongly: sophistication, ambition, and alignment. Why was the South African World Cup so successful? All three elements were there – we had the sophistication to build world class stadiums and all parties co-ordinated to get this done in time. Now there is no ambition or alignment. SA talks about growth yet promulgates legislation to expropriate land, we espouse fiscal austerity yet prop up bankrupt parastatals. The mindset is wrong and SA is going to have to do more to ignite growth.

South African companies are facing difficult conditions with a profit squeeze on 3 fronts: low price increases, negative volumes and above-inflation cost increases. Few companies are growing yet employed individuals are doing well benefitting from good real salary increases. This is the economic reality but even under these circumstances there are pockets of opportunity where we think we can still achieve solid risk-adjusted returns.

Our current strategy is broadly:

- 35% in fixed income investments. Good real interest rates and low core inflation make this an attractive asset class to park excess cash. We are invested in a mix of: bank preference shares, 12-year SA government bonds, income funds, and money market funds.
- 35% in stocks not linked to the SA economy including direct offshore stocks, SA listed offshore domiciled stocks and SA based resource counters. Price weakness around an index rebalancing allowed us to increase the Funds' exposure to Sibanye-Stillwater at a material discount to our valuation of the low-cost US based Stillwater palladium mine whilst getting the considerable SA based assets for free. This counter has asymmetric upside potential to stronger platinum group metal prices or a weaker rand.
- 30% to SA based stocks, but even these counters have large offshore earnings and once this is stripped out the true SA based exposure is 25% of the portfolio. We are targeting good value, strong companies with capable management that will ride out the difficult economy and prosper in better times. For example, the Centaur BCI Flexible Fund has a:
  - 1% holding in Comair which has the lowest seat cost in the industry due to fuel efficient planes. In the short term higher oil prices hurt margins but improves their competitive advantage allowing them to increase market share and pricing power.
  - 3% holding in MMI which is trading at a 30% discount to our adjusted embedded value. A new CEO is exiting loss making businesses and re-focussing the business, whilst re-purchasing shares into weakness.

We are realistic on our assessment of the economic environment. We are being as disciplined as possible in our portfolio management to protect capital whilst deploying capital into attractive opportunities. At Centaur we have a wealth of experience and are mindful that there are times to be cautious yet be alert to investing in great opportunities that negativity sows. We thank you for your trust and are using our investment skills to try grow your money under difficult circumstances.

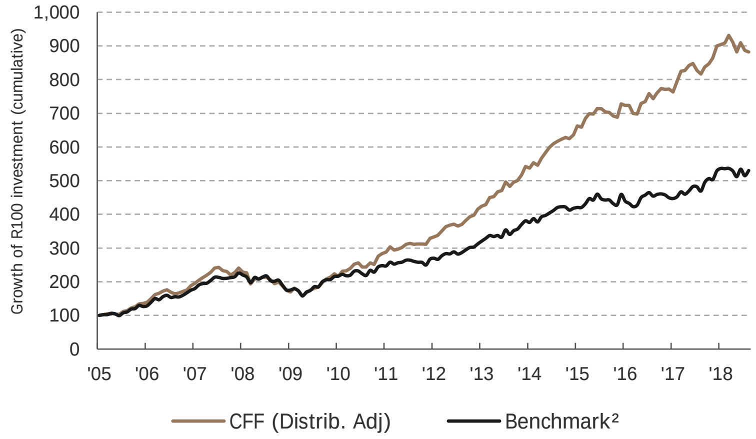
If you have any investment queries, please contact myself or Lance Gardner and address any administrative queries to Kirsty Dale or Megan Morris (admin@centaur.co.za).

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 30 June 2018: R 3 248m

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

Benchmark²: 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

Performance as at 30 June 2018	*1 year*	*3 years*	*5 years*	*10 years*	*Inception[1]*
Centaur BCI Flexible Fund	**8.1%**	**7.8%**	**12.8%**	**15.7%**	**17.4%**
Benchmark²	13.0%	6.2%	9.3%	10.1%	13.1%
Average Category return	6.4%	4.3%	8.1%	9.1%	
Ranking in Category	**31/78**	**6/67**	**3/62**	**1/45**	
Std. Deviation[3] – Centaur BCI Flexible Fund	9.4%	9.3%	8.7%	11.5%	11.9%
Std. Deviation[3] – Benchmark[2]	10.8%	11.8%	11.0%	13.2%	13.8%

Source: Maitland, Moneymate and Centaur.
Past performance is not a reliable indicator of future returns. Investment performance is for illustrative purposes only and calculated by taking actual intial fees and ongoing fees into account for amoutn shown with income reinvested on reinvestment dates.Annualised return is weighted average compound growth rate over the period measured.

1. Inception Date: 01 December 2004
2. 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.
3. 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 31 May 2018): High 31.1 Low -20.3

The Centaur BCI Flexible Fund's return was flat for the quarter and rose 8% over the last 12 months, being the top performing fund in its category over 10 years (Source: Moneymate, 30 June 2018).

Over the quarter the Fund benefitted from Rand-hedge exposure however an under-weight exposure to resource shares detracted from the fund's relative performance, with energy prices exceptionally strong. SA bond weakness also weighed on the insurance sector holdings in the Fund. While it frustrates short-term performance, we actually welcome the recent market volatility as it creates opportunities to accumulate selected shares at more advantageous levels. With only 64% equity content we have substantial buying capacity.

Asset Allocation	*31 Mar'18*	*%Δ over Quarter*	*30 June'18*	*Benchmark*
Fixed Income	**33%**	**+3%**	**36%**	**20%**
Cash & Equivalents	15%	+3%	18%	20%
SA Bonds	3%	+1%	4%	
SA Prefs & Income Funds	13%	+1%	14%	
SA Property	0%	0%	0%	
Offshore Cash	2%	-2%	0%	
Equities	**67%**	**-3%**	**64%**	**80%**
SA Resources	8%	+1%	9%	15%
SA Financial & Industrial	44%	-7%	37%	65%
World Equities	15%	+3%	18%	
Total	**100%**	**0%**	**100%**	**100%**

The Fund's equity content decreased due to inflows which were not immediately invested and maintaining our sell disciplines including the entire stake in Implats and Afrimat. The exposure to Long-4-Life was reduced post their over-priced acquisition of shoe retailer Rage and Old Mutual was pared into price strength. The Fund's existing holdings in Naspers, Sibanye, MMI Holdings, MTN, Blue Label Telecoms, African Rainbow Minerals and WBHO were topped up. The holding in Old Mutual plc was unbundled into the SA based insurer and Quilter, a UK-focussed wealth & asset manager.

Offshore holdings in the Hastings Group was exited while adding to Brightsphere, Admiral, EXOR, Fiat Chrysler and Sberbank. A new position was initiated in Biogen, a multinational biotechnology company specializing in treatments for neurodegenerative diseases.

Strong performances were registered in the Fund's holdings of Naspers, Merafe and Sasol. Key detractors of performance in the quarter were Sibanye-Stillwater, RMI Holdings, MMI Holdings, Old Mutual, MTN, Blue Label Telecoms and Woolies.

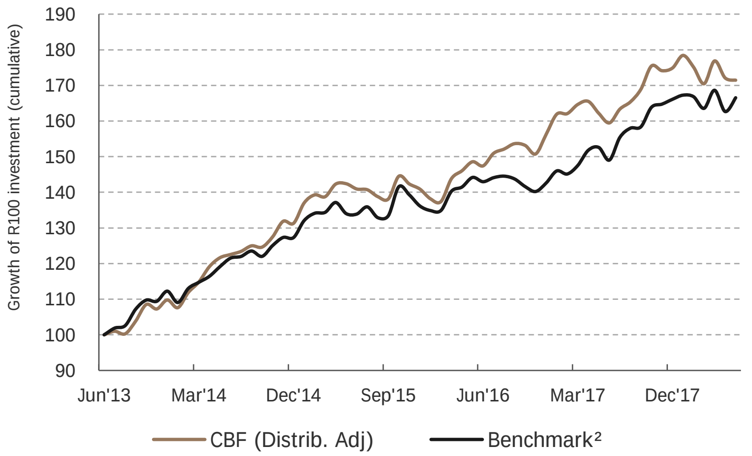
Top 10 Equity Holdings in the Centaur BCI Flexible Fund as at 30 June 2018

Holdings	Sector	% of Fund NAV
RMI Holdings Ltd	Specialty Finance	5.1%
Naspers Ltd	Broadcasting & Entertainment	4.6%
Woolworth Holdings	Broadline Retailers	3.6%
Exor Nv	Offshore - Investment Services	3.6%
British American Tobacco Plc	Tobacco	3.5%
Old Mutual Plc	Life Assurance	3.1%
African Rainbow Minerals	General Mining	2.9%
Fiat Chrysler Automobiles	Offshore - Automobiles	2.9%
MMI Holdings Ltd	Financial Services	2.6%
MTN Group Ltd	Mobile Telecommunications	2.6%

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 June 2018: R 1 563m

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

Benchmark²:
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 30 June 2018	*1 year*	*2 years*	*3 years*	*4 years*	*Since Inception[1]*
Centaur BCI Balanced Fund	**7.5%**	**7.8%**	**6.7%**	**8.8%**	**11.4%**
Benchmark[2]	11.7%	7.9%	7.5%	8.2%	10.7%
Average Category return	7.0%	4.2%	4.6%	5.3%	
Ranking in Category	**70/174**	**7/156**	**11/126**	**4/105**	
Std. Deviation[3] – Centaur BCI Balanced Fund	8.5%	7.8%	8.6%	8.3%	8.2%
Std. Deviation[3] – Benchmark[2]	8.5%	7.7%	9.3%	8.9%	8.6%

Source: Maitland, Moneymate and Centaur
Past performance is not a reliable indicator of future returns. Investment performance is for illustrative purposes only and is 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.

1. Inception Date: 1 July 2013
2. 28% ALSI (J203T); 28% FINDI (J250T); 8% MSCI World Index; 30% JSE ALBI; 6% SA Repo rate.
3. 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 (at 31 May 2018): High 19.6 Low 7.3

The Centaur BCI Balanced Fund delivered a 1% return for the quarter and 7.5% for the last 12 months. Over the quarter the Fund benefited from offshore exposure to the weaker Rand, and by being underweight banks and SA retailers relative to its benchmark. The key detractor from performance was the overweight exposure to the insurance sector and the underweight exposure to the Resource sector with the likes of Billiton and Sasol benefiting enormously from the weaker Rand and higher oil prices.

Asset Allocation	*31 Mar'18*	*%Δ over Quarter*	*30 June'18*	*Benchmark*
Fixed Income	**38%**	**-1%**	**37%**	**36%**
Cash & Equivalents	1%	+1%	2%	6%
SA Bonds	20%	0%	20%	30%
SA Prefs & Income Funds	9%	0%	9%	
SA Property	2%	0%	2%	
Offshore Cash	6%	-2%	4%	
Equities	**62%**	**+1%**	**63%**	**64%**
Local Equities	49%	-2%	47%	56%
World Equities	13%	+3%	16%	8%
Total	**100%**	**0%**	**100%**	**100%**

The Fund used price weakness to increase bond exposure whilst maintaining the modified duration of its fixed interest exposure at 1.7 years which remains below its benchmark weighting of 2.1 years. New positions were initiated in the A-units of Rebosis Property Fund. Old Mutual plc unbundled and the Fund now reflects Old Mutual Ltd and Quilter, a UK-focussed wealth & asset manager. Offshore holdings in Brightsphere and Fiat Chrysler were added to whilst a new position in Biogen was initiated. Biogen is a multinational biotechnology company specializing in, amongst other, treatments for neurodegenerative diseases.

Strong performances were registered in the Fund's holdings of Naspers, Sasol, Merafe and Stefanutti. The main detractors of performance over the quarter were Sibanye-Stillwater, RMI Holdings, MMI Holdings, MTN and Woolies.

Top 10 Equity Holdings in the Centaur BCI Balanced Fund as at 30 June 2018

Holdings	Sector	% of Fund NAV
British American Tobacco Plc	Tobacco	4.2%
Naspers Ltd	Broadcasting & Entertainment	4.1%
Exor Nv	Offshore - Investment Services	3.9%
RMI Holdings Ltd	Equity Investment Instruments	3.6%
Woolworth Holdings	Broadline Retailers	3.6%
Merafe Resources Ltd	General Mining	3.1%
Old Mutual Plc	Life Assurance	2.9%
Fiat Chrysler Automobiles	Automobiles	2.9%
Sasol Limited	Speciality Chemicals	2.9%
African Rainbow Minerals Limited	General Mining	2.9%

Source: Maitland, Centaur

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

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- 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.

Management Company Information

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Custodian / Trustee Information

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