



CENTAUR
ASSET MANAGEMENT

TARGETED GROWTH



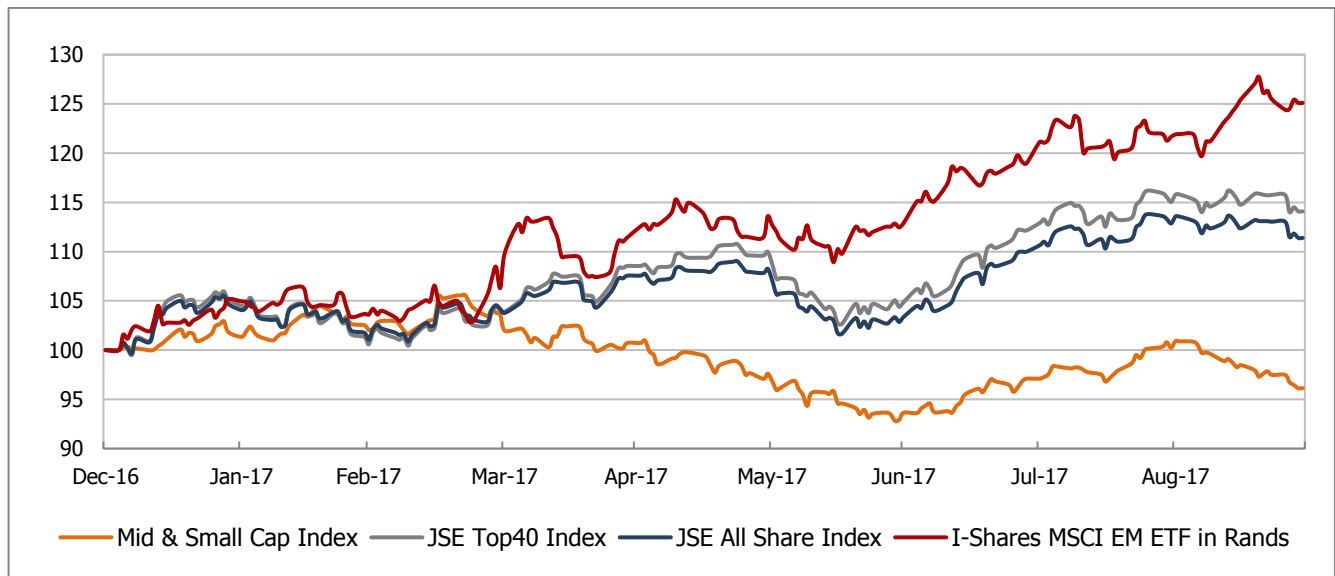
Manager's Quarterly Update

30 September 2017

Third Quarter 2017 and Outlook

The All Share Index returned 9% in the third quarter driven by the JSE Resource Index which increased 18%, benefitting from buoyant commodity prices due to strong global growth. The JSE also benefited from 15% and 16% returns from Naspers and Richemont. The Rand weakened 4% against the US Dollar whilst the S&P500 Index and the DAX Index both appreciated 4%.

For the year to date the JSE All Share Index returned 13% with this performance driven by a 45% and 38% total return from the JSE's two largest shares, namely Naspers and Richemont. However the strong performance of the All Share Index masks the fact that many JSE listed shares have not performed.



The above graph highlights the material divergence between global emerging market equities which have risen 26% in Rands in 2017 whilst SA biased shares have struggled with the JSE small and mid-cap indices delivering negative 1% and 4% returns respectively over the same period due to stagnant economic growth and the SA sovereign downgrade in March. This environment where the largest shares are outperforming is making it difficult as a stock picker to outperform the JSE All Share Index. Despite a negative South African economic environment, the JSE has reached record highs over the quarter benefitting from a global bull market which has pushed up SA listed global companies such as Naspers and Richemont. The global bull market seems set to continue aided by negative real interest rates in the USA and Europe but the threat of rising inflation due to labour shortages and rising oil and commodity prices is a key risk.

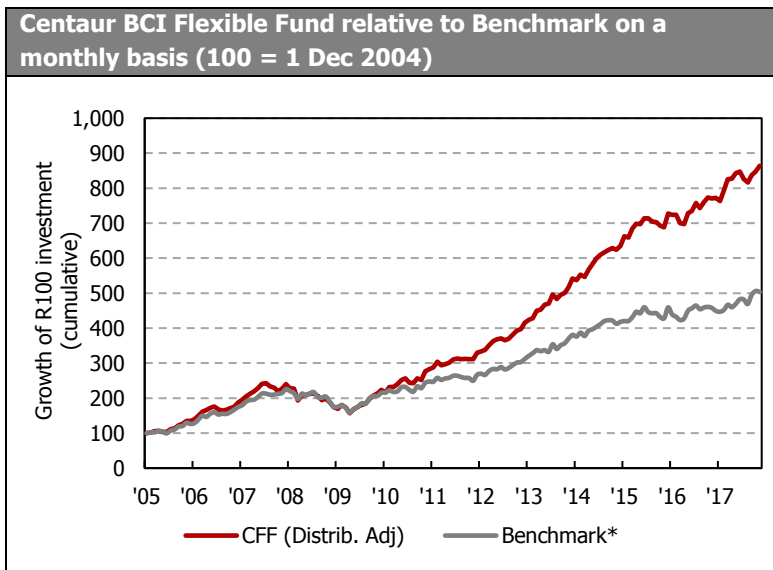
In previous newsletters I have talked about the domestic political risks and have recommended international diversification as a hedge. Over 20% of both funds are invested directly offshore, however the relative value between surging offshore markets and somewhat depressed SA based shares has resulted in Centaur selling selected offshore counters and post quarter end we repatriated US dollars back to South Africa to invest in depressed local shares. Despite a domestic South African recession and low confidence, quality SA businesses have generally delivered solid results. For example, whilst Aveng and Group 5, have reported enormous losses in the construction sector, Wilson Bayly Holmes (WBHO) reported 19% growth in adjusted earnings and has a positive outlook. WBHO



are growing their Australian and African businesses and there is enough local business to go around, and in addition they are making acquisitions which leaves them well placed to benefit in an upturn. WBHO's share price has performed well since purchase almost 2 years ago, and still remains attractively priced on a forward PE of 8x. Successful investing depends largely on micro-economic factors and good businesses are utilising these tough times to grow market share which will deliver substantial rewards to investors in better times. Centaur sees increasing good value in domestic SA shares and we are investing accordingly.



Centaur BCI Flexible Fund



Centaur BCI Flexible Fund details

Fund NAV as at 30 Sept 2017: R 2 053m

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: Boutique Collective Investments

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 the current benchmark on 01 Feb 2015.

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

Performance as at 30 September 2017	1 year	3 years	5 years	10 years	Since Inception ³
Centaur BCI Flexible Fund	12.1%	11.4%	16.8%	14.3%	18.3%
Benchmark ¹	10.0%	6.8%	10.7%	8.9%	13.4%
Relative to Benchmark¹	2.1%	4.6%	6.8%	5.4%	4.9%
Average Category return	5.5%	5.8%	9.8%	8.4%	
Ranking in Category	4/84	2/73	1/62	1/42	
Std. Deviation ² – Centaur BCI Flexible Fund	7.9%	8.9%	8.4%	12.0%	12.0%
Std. Deviation ² – Benchmark ¹	9.1%	11.5%	10.6%	13.5%	13.9%

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 2017): High 31.1 Low -20.3

The Centaur BCI Flexible Fund delivered a return of 9% for the year to date and 12% over the last 12 months, being the top performing fund in its category over 5 years (Source: Moneymate, 30 September 17). The Fund's third quarter performance improved on buoyant global markets and selected SA based stock picks which performed well. We have materially increased exposure to local equities where we are finding good value. A new position was initiated in MMI Holdings whilst we topped up holdings in Naspers, WBHO, PPC and Woolies and also increased offshore equity exposure in Old Mutual Asset Management (OMAM) and Sberbank. The Fund marginally underperformed its benchmark over the quarter due to an underweight exposure to Naspers, which was up 15% in the quarter and constitutes 18% of the Fund's benchmark, and no exposure to Richemont which increased 14% in the quarter.



Asset allocation	30 Jun '17	%Δ over Quarter	30 Sep '17	Benchmark
Fixed Income	38%	-11%	26%	20%
Cash & Equivalents	18%	-13%	5%	20%
SA Bonds	4%	0%	4%	
SA Prefs & Income Funds	12%	0%	12%	
SA Property	2%	0%	2%	
Offshore Cash	2%	+2%	4%	
Equities	62%	+11%	73%	80%
SA Resources	8%	+1%	9%	15%
SA Financial & Industrial	35%	+8%	43%	65%
World Equities	19%	+2%	21%	
Total	100%	+0%	100%	100%

The large cash holding was deployed into local equities in the third quarter. The SA Financial & Industrial exposure increased 8% as a new holding was established in MMI and positions in Naspers, WBHO, Woolies and PPC were added to. Some profits were taken in the strongly performing Altron. Offshore holdings in OMAM and Sberbank were added to whilst Netease was lightened. Paticularly strong performances were registered in the Fund's holdings of Fiat-Chrysler, Sberbank, African Rainbow Minerals, Naspers, PPC, Merafe and Exor. The main detractors of performance were British American Tobacco, Netease and Mylan.

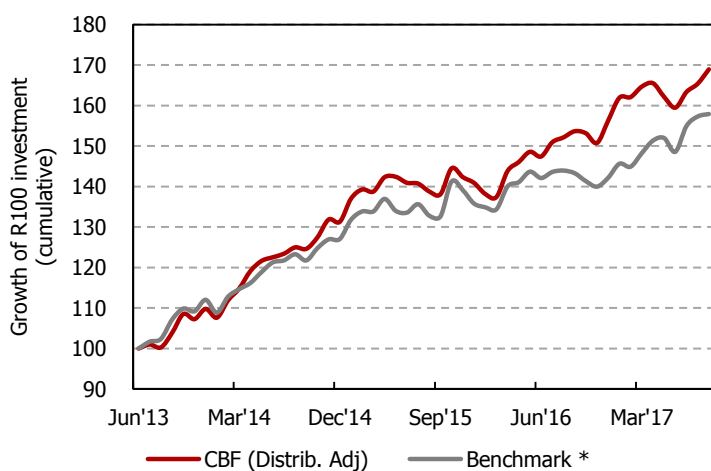
Top 10 Equity Holdings in the Centaur Flexible Fund as at 30 September 2017		
Holdings	Sector	% of Fund NAV
Old Mutual	Life Assurance	5.4%
British American Tobacco	Tobacco	5.0%
Woolworths	Broadline Retailers	4.8%
Naspers	Broadcasting & Entertainment	3.9%
MTN	Mobile Telecommunications	3.6%
African Rainbow Minerals	General Mining	3.3%
RMI Holdings	Equity Investment Instruments	3.2%
Fiat-Chrysler	Offshore - Automobiles	3.1%
Merafe Resources	General Mining	3.1%
MMI Holdings	Financial Services	2.9%

Source: Maitland, Centaur



Centaur BCI Balanced Fund

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



Source: Boutique Collective Investments

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 30 Sept 2017: R 1 418m

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 30 September 2017	1 year	2 years	3 years	Since Inception ³
Centaur BCI Balanced Fund	9.9%	10.6%	10.7%	13.2%
Benchmark ¹	10.2%	9.1%	9.0%	11.4%
Relative to Benchmark	-0.3%	1.5%	1.6%	1.8%
Average Category Return	6.1%	6.3%	6.4%	
Ranking in Category	8/185	10/150	2/128	
Std. Deviation ² – Centaur BCI Balanced Fund	7.1%	8.7%	8.3%	8.1%
Std. Deviation ² – Benchmark ¹	6.9%	9.2%	9.0%	8.6%

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 (at 31 August 2017): High 19.6 Low 7.3

The Centaur BCI Balanced Fund delivered a return of 8% year to date and 10% over the last 12 months. Over 3 years the Fund is the second best performing Balanced Fund in its category out of 128 funds (Moneymate, 30 September 17). The Fund's third quarter performance improved on buoyant global markets and a less volatile local environment. The marginal underperformance of the Fund relative to its benchmark for the 12 month period was due to a materially underweight holding in Naspers which constitutes 13% of the Fund's benchmark and which increased 23% over the period.



Asset allocation	30 Jun '17	%Δ over Quarter	30 Sep '17	Benchmark
Fixed Income	40%	-7%	33%	36%
Cash & Equivalents	5%	-3%	2%	6%
SA Bonds	12%	-1%	11%	30%
SA Prefs and Income Funds	15%	-6%	9%	
SA Property	6%	-1%	5%	
Offshore Cash	2%	+4%	6%	
Equities	60%	+7%	67%	64%
Local Equities	43%	+7%	50%	56%
World Equities	17%	0%	17%	8%
Total	100%	0%	100%	100%

The income fund exposure reduced as the funds were mainly deployed into SA based equities. Key SA listed purchases were Naspers, WBHO, Woolies and PPC and the new addition of MMI Holdings. The Fund's exposure to Hosken Consolidated Investments (HCI), Adcock Ingram and Altron were lightened. Offshore equity exposure was unchanged as increased holdings in BMW and OMAM where counteracted by sales in Netease and Fiat-Chrysler. Strong performances were registered in the Fund's holdings of Fiat-Chrysler, African Rainbow Minerals, Naspers, PPC, Merafe and Exor. The main detractors of performance were British American Tobacco, Netease, Mylan, and EOH.

Top 10 Equity Holdings in the Centaur BCI Balanced Fund as at 30 September 2017		
Holdings	Sector	% of Fund NAV
British American Tobacco	Tobacco	5.0%
Woolworths	Broadline Retailers	4.3%
Old Mutual	Life Assurance	4.3%
Naspers	Broadcasting & Entertainment	3.8%
Fiat-Chrysler	Offshore - Automobiles	3.7%
MTN	Mobile Telecommunications	3.5%
Exor	Offshore - Investment Services	3.3%
Merafe Resources	General Mining	3.3%
African Rainbow Minerals	General Mining	3.0%
BMW	Offshore - Automobiles	2.9%

Source: Maitland, Centaur



At Centaur, we have a highly capable investment team who is committed to caring for your money as if it were our own and we are particularly proud of our long-term track record. We are cognisant of the many risks we are facing in the current environment and are committed to use our investment skills to preserve and grow your investment.

If you have any investment queries contact myself or Lance Gardner and address any administrative queries to Kirsten Dale or Megan Morris (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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Custodian / Trustee Information

The Standard Bank of South African Limited

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Disclaimer

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