

# FOURTH QUARTER REPORT

31 DECEMBER 2021



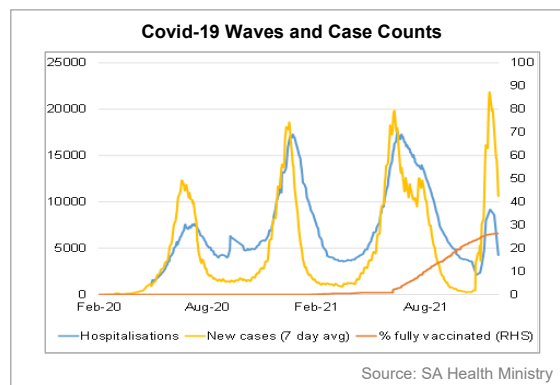
**CENTAUR**  
ASSET MANAGEMENT

An Authorised Financial Services Provider (FSP# 647)

## The Year in 2021 and Outlook

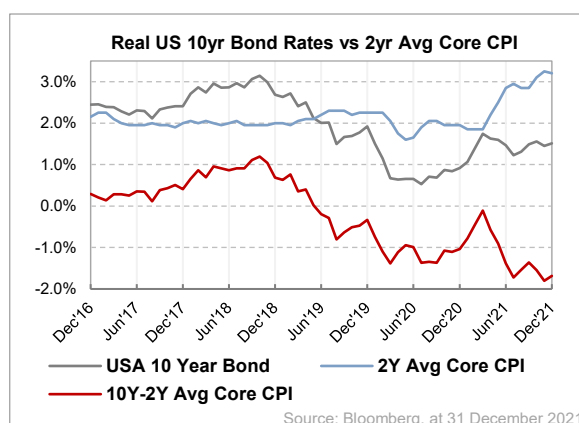
The JSE All Share Index gained 24% for the year despite a 18% decline in both Naspers/Prosus. The key driver was lower SA interest rates and a bull market in global equities stoked by negative real interest rates. Over the year there was plenty to be concerned about as we hit multiple Covid waves highlighted by the graph below.

The WHO commented in early December that it is possible that Omicron could “change the course of the pandemic” with one scenario being the Omicron variant causing a large percentage of the population to be infected with a mild disease and the combination of vaccination plus mild infection inferring a “hybrid” immunity that could help take the world out of pandemic status. The much-maligned South African decision to reveal the Omicron variant to the world may be a blessing in disguise.



In July we had the KZN and Gauteng riots where looters were largely left unchecked by security forces. Although there was widespread damage in affected areas, the communities came together, and order was restored. The municipal elections were held in early November with the ANC garnering 46% of the vote, being unseated from major metropolitan areas such as Johannesburg and Pretoria. The ANC is in disarray without the internal capability to rectify itself and a concerning period for politics is emerging where coalitions govern. The SA Reserve Bank raised interest rates in November by 0.25% with inflation picking up due to higher oil and food prices, yet consumer spending is lacklustre as sentiment is fragile due to Covid uncertainty. In the first half of 2021 we had a boom in our terms of trade with platinum group metals, iron ore and coal being extremely strong, but this benefit waned during the year. The Rand weakened 8% against a strong Dollar but only fell 1% against the Euro. SA's GDP growth forecast was increased to 5.2% by the SARB (vs -6.4% in 2020) and is forecast to grow at 1.7% and 1.8% in F'22 and F'23 by the SARB. These low growth expectations give scope for large upgrades if the Covid epidemic ends, giving potential for upside in tourism and consumer expenditure. Although equity content dropped over the quarter due to tactical reasons, we maintain a positive outlook and will remain overweight shares relative to benchmark.

The S&P 500 rose 27% over the year underpinned by negative real US interest rates as 2-year average historic inflation exceeds 10-year bond yields by 1.8%, as seen in the red graph to the right. This is resulting in ever higher ratings for equities and strong profits as companies benefit from these conditions. The US Fed has signalled the ending of quantitative easing and for higher interest rates yet it is losing credibility in its fight against inflation, as it is reluctant to mete out the strong medicine to curb inflation which would involve much higher interest rates and a fall in equity markets. It is for this reason inflation may remain higher for longer until there is a change in monetary regime and equities will remain the favoured place to invest.



We are fully invested in offshore equities but favour undervalued, quality stocks which are not as vulnerable to a de-rating shock. An international share we have purchased is Dell with the rationale being:

### Reminiscences of a PC Operator

In 1984, Michael Dell, a technology-obsessed university freshman, took \$1,000 and started selling computers. Within 4 years he dropped out of college, took his company public, and became the youngest ever CEO to enter Fortune's Top 500 companies list. Dell's business philosophy pursued industry domination through cost-leadership, superior production, and unrivalled customer service. These ambitions were achieved by pioneering the direct-sales approach and the strategy of "virtual integration" within the supply chain, both of which challenged industry norms. The 2015 acquisition of EMC and VMware was a masterstroke, turning Dell into a mission critical, one-stop shop for IT hardware. Today, Dell is a \$90bn revenue market leader, and as software continues to eat the world, Dell remains at the centre of growth areas surrounding cloud and big data. We see continued strong revenue and earnings growth due to secular tailwinds and market share gains, which combined with low capital intensity and high cash conversion will enable significant capital returns. Michael Dell is the epitome of a "Dynamic Value Creator", having built his dorm room business into a significantly scaled, IP-rich and customer-entrenched behemoth. Dell is trading on a P/E of 8x – outstanding value for a business of this quality.

If you have any investment queries, please contact myself, Nicholas de Vos 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



**Fund NAV** R 4 617.0m (at 31 December 2021)

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

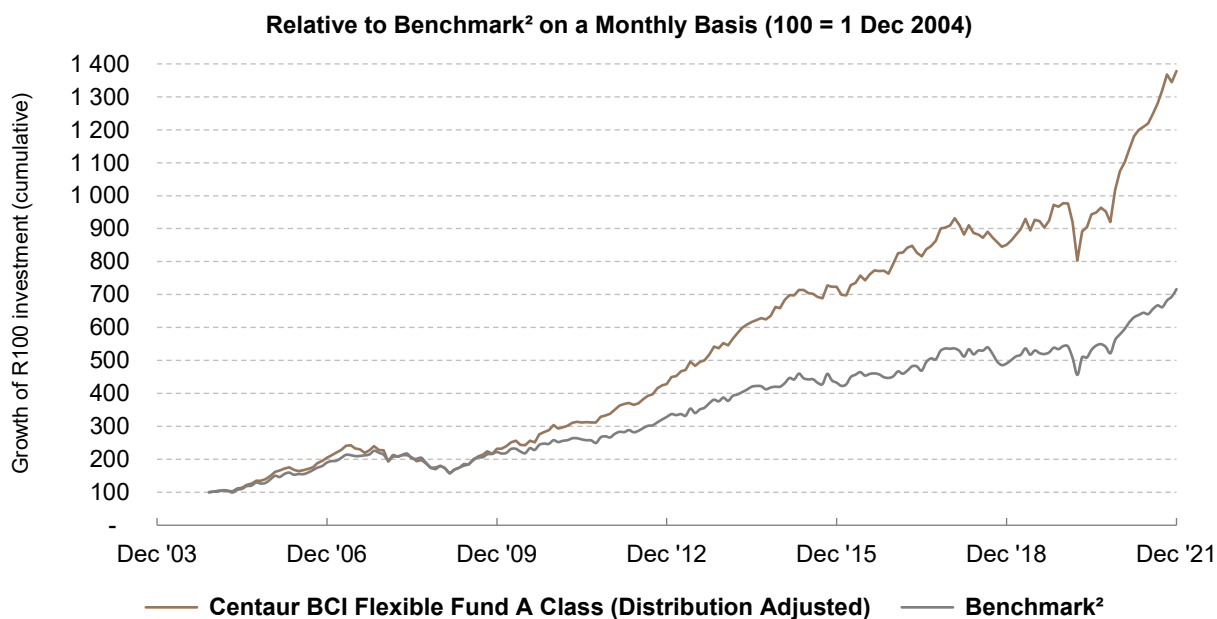
**Benchmark** 60% JSE Capped SWIX (J433T), 20% MSCI World (M1WO), 20% SteFI.

## Fees on Class A:

**Annual Fee** 1.25% p.a. (excl. VAT) on the value of the Fund.

**Performance Fee** 20% above benchmark over a rolling 2-year period, capped at 2% p.a.

**Inception Date** 1 December 2004



<b>Performance at 31 December 2021</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>	<b>Inception<sup>1</sup></b>
Centaur BCI Flexible Fund A Class	28.3%	17.4%	11.7%	15.1%	16.6%
Benchmark <sup>2</sup>	23.7%	13.4%	9.6%	10.4%	12.2%
Average Category Return	22.1%	11.4%	8.0%	10.0%	
Ranking in Category	12 / 60	1 / 48	1 / 38	1 / 29	
Std. Deviation <sup>3</sup> – Centaur BCI Flexible Fund	10.9%	15.2%	12.8%	10.8%	12.3%
Std. Deviation <sup>3</sup> – Benchmark <sup>2</sup>	9.3%	15.1%	13.5%	12.0%	14.0%

**Source:** Maitland, Moneymate and Centaur, at 31 December 2021. Category: South African Multi Asset Flexible. Boutique Collective Investments (RF) (Pty) Ltd ("BCI") is a registered Manager of the Boutique Collective Investments Scheme, approved in terms of the Collective Investment Schemes Control Act, No 45 of 2002. Collective Investment Schemes in securities are generally medium to long term investments. The value of participatory interests may go up or down and past performance is not necessarily an indication of future performance. A schedule of fees, charges, maximum commissions, and rankings is available on request. 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 award is 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 30 November 2021): High 46.7 Low -20.3.

The Centaur BCI Flexible Fund returned 4.3% over the quarter. Over 3,5 and 10 years it is the best performing Fund in its category, materially outperforming its benchmark over all the above periods.

<b>Asset Allocation</b>	<b>30 Sep'21</b>	<b>%Δ over Quarter</b>	<b>31 Dec'21</b>	<b>Benchmark</b>
<b>Fixed Income</b>	<b>14%</b>	<b>+5%</b>	<b>19%</b>	<b>20%</b>
SA Cash & Equivalents	4%	+5%	9%	
SA Bonds & Preference Shares	10%	-1%	9%	
Offshore Cash	0%	+1%	1%	
<b>SA Equities</b>	<b>56%</b>	<b>-3%</b>	<b>53%</b>	<b>60%</b>
<b>World Equities</b>	<b>30%</b>	<b>-2%</b>	<b>28%</b>	<b>20%</b>
<b>Total</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>

Equity content decreased by 5% over the quarter due to the trimming of select holdings and a 2% reduction in the offshore exposure due to a tender offer by Brightsphere. Centaur will maintain equity content above benchmark as low SA interest rates and favourable opportunities make this an appropriate time to invest. The Fund's holdings in preference shares were reduced, whilst 3% of the offshore cash was remitted back through futures.

During the quarter, the existing positions in ABSA and African Rainbow Minerals were topped up, whilst the holding in Momentum Metropolitan was partially switched into a much larger position in RMI Holdings. Notable trimming was undertaken in the Fund's holdings in Prosus, Exxaro and Life Healthcare.

The Fund benefitted from strong performances in RMI Holdings, African Rainbow Minerals and Anglo American. Aspen, Momentum Metropolitan and no holding in Richemont detracted from relative performance over the quarter.

In the offshore equity portfolio, the existing holdings in Dell Technologies were topped up, whilst the holding in Brightsphere was reduced through a tender offer. The offshore performance was primarily driven by HP Inc which increased 39%.

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

<b>Holdings</b>	<b>Sector</b>	<b>% of Fund NAV</b>
RMI Holdings Ltd (RMI)	Insurance	6.2%
Entain PLC	Offshore – Gaming	5.4%
Aspen Pharmacare Holdings Limited	Pharmaceuticals	5.4%
Exor NV	Offshore – Investment Services	5.0%
African Rainbow Minerals Limited	Mining	3.7%
Dell Technologies	Offshore – Computer Hardware	3.6%
Absa Group Limited	Banking	3.5%
HP Inc	Offshore – Computer Hardware	3.5%
PPC Ltd	Construction and Materials	3.5%
British American Tobacco PLC	Tobacco	3.0%

Source: Maitland and Centaur, at 31 December 2021



## Centaur BCI Balanced Fund

**Fund NAV** R 1 591.5m (at 31 December 2021)

**Objective** The Fund targets real returns of at least 4% per annum with volatility no greater than 60% of the JSE All Share Index.

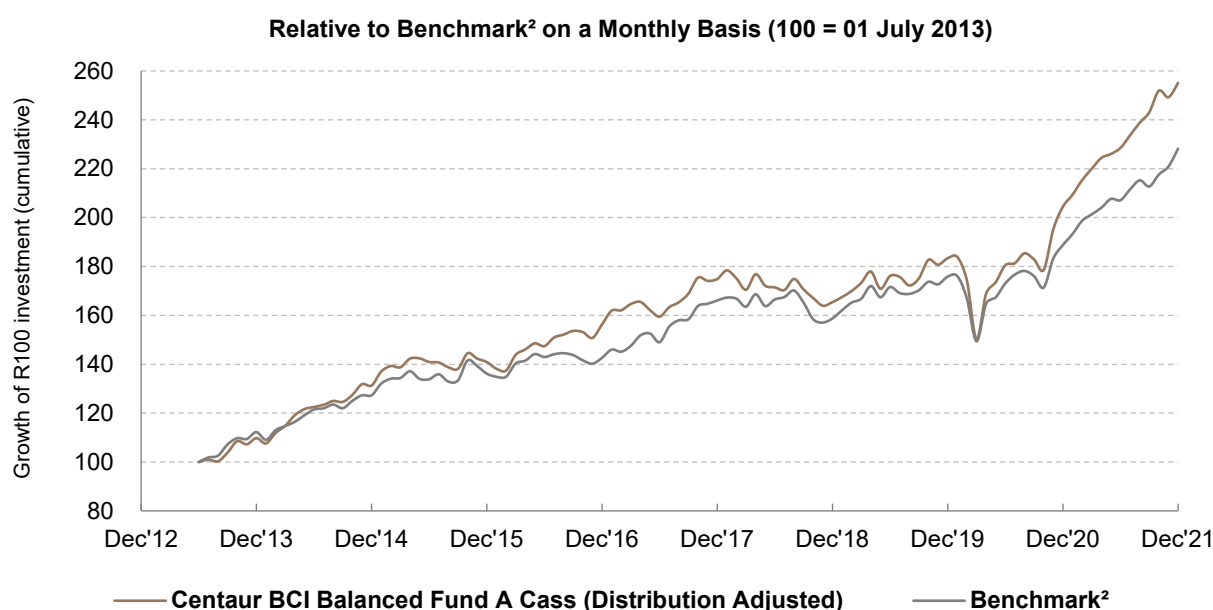
**Benchmark** 25% JSE All Bond Index (ALBTR), 48% JSE Capped SWIX (J433T), 16% MSCI World (M1WO) and 11% SteFI.

### Fees on Class A:

**Annual Fee** 1.35% p.a. (excl. VAT) on the value of the Fund.

**Performance Fee** 12.5% above benchmark over a rolling 2-yr period, capped at 1% p.a.

**Inception Date** 1 July 2013



Performance at 31 December 2021	1 years	3 years	5 years	Inception <sup>1</sup>
Centaur BCI Balanced Fund A Class	24.8%	15.5%	10.3%	11.6%
Benchmark <sup>2</sup>	20.9%	12.9%	9.9%	10.2%
Average Category Return	20.2%	11.4%	8.1%	
Ranking in Category	22 / 197	6 / 175	13 / 145	
Std. Deviation <sup>3</sup> – Centaur BCI Balanced Fund	9.3%	15.0%	12.5%	11.0%
Std. Deviation <sup>3</sup> – Benchmark <sup>2</sup>	8.2%	13.8%	11.8%	10.7%

**Source:** Maitland, Moneymate and Centaur, at 31 December 2021. Category: South African Multi Asset High Equity. Boutique Collective Investments (RF) (Pty) Ltd ("BCI") is a registered Manager of the Boutique Collective Investments Scheme, approved in terms of the Collective Investments Schemes Control Act, No 45 of 2002. Collective Investment Schemes in securities are generally medium to long term investments. The value of participatory interests may go up or down and past performance is not necessarily an indication of future performance. A schedule of fees, charges, maximum commissions, and rankings is available on request. 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 award is available from the manager. <sup>1</sup>Inception Date: 01 July 2013. <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 30 November 2021): High 19.6 Low -5.4.

The Centaur BCI Balanced Fund returned 5% over the quarter. Since inception and over the above periods the Fund is ranked within the top quartile performing funds in its category.

<b>Asset Allocation</b>	<b>30 Sep'21</b>	<b>%Δ over Quarter</b>	<b>31 Dec'21</b>	<b>Benchmark</b>
<b>Fixed Income</b>	<b>34%</b>	<b>+4%</b>	<b>38%</b>	<b>36%</b>
SA Cash & Equivalents	5%	+3%	8%	11%
SA Bonds	25%	0%	25%	25%
SA Prefs & Income Funds	3%	-1%	2%	
Offshore Cash	1%	+2%	3%	
<b>SA Equities</b>	<b>37%</b>	<b>-2%</b>	<b>35%</b>	<b>48%</b>
<b>World Equities</b>	<b>29%</b>	<b>-2%</b>	<b>27%</b>	<b>16%</b>
<b>Total</b>	<b>100%</b>	<b>+0%</b>	<b>100%</b>	<b>100%</b>

Equity content decreased by 4% over the quarter to 62% due to the trimming of select holdings and a 2% reduction in the offshore exposure due to a tender offer by Brightsphere. Centaur intends maintaining equity content at or above benchmark as low SA interest rates and favourable opportunities make this an appropriate time to invest. The Fund's holdings in preference shares were reduced while 2% of the offshore cash was brought back via futures.

During the quarter, the existing position in Standard Bank was switched into a new holding in ABSA, whilst the existing holding in RMI Holdings was topped up. Notable trimming was undertaken in Prosus and Life Healthcare.

The Fund benefitted from strong performances in RMI Holdings, African Rainbow Minerals and Anglo American over the quarter. The overweight holding in Aspen and no exposure to a hard charging Richemont detracted from relative performance during the quarter.

In the offshore equity portfolio, the existing holdings in Dell Technologies were topped up, whilst the holding in Brightsphere was reduced through a tender offer and Entain was trimmed. The offshore performance benefitted from a 39% rise in HP Inc.

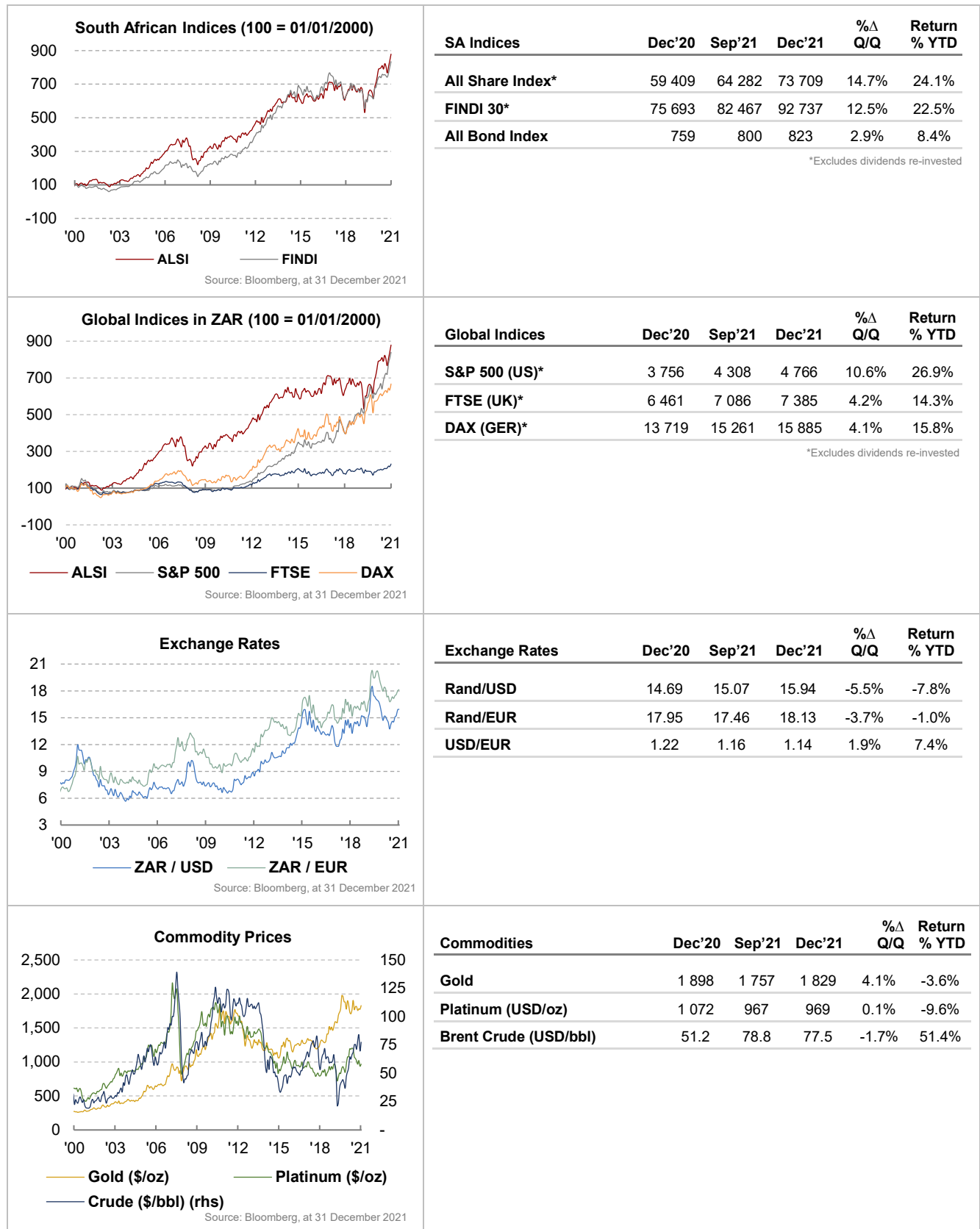


## *Top 10 Equity Holdings - Centaur BCI Balanced Fund*

<b>Holdings</b>	<b>Sector</b>	<b>% of Fund NAV</b>
Exor NV	Offshore – Investment Services	4.9%
Entain PLC	Offshore – Gaming	4.8%
Aspen Pharmacare Holdings Limited	Pharmaceuticals	4.4%
RMI Holdings Ltd (RMI)	Insurance	4.0%
HP Inc	Offshore – Computer Hardware	3.6%
Stellantis NV	Offshore – Motor Vehicles	3.4%
British American Tobacco PLC	Tobacco	3.4%
Dell Technologies	Offshore – Computer Hardware	3.1%
PPC Ltd	Construction and Materials	2.9%
African Rainbow Minerals Limited	Mining	2.3%

Source: Maitland and Centaur, at 31 December 2021

## Major Indicators





## CENTAUR

ASSET MANAGEMENT

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

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

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

- 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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### Custodian / Trustee Information

The Standard Bank of South African Limited

**Tel:** 021 441 4100

#### Disclaimer

Boutique Collective Investments (RF) (Pty) Ltd ("BCI") is a registered Manager of the Boutique Collective Investments Scheme, approved in terms of the Collective Investments Schemes Control Act, No. 45 of 2002 and is a full member of the Association for Savings and Investment SA. Collective Investment Schemes in securities are generally medium to long term investments. The value of participatory interests may go up or down and past performance is not necessarily an indication of future performance. The Manager does not guarantee the capital or the return of a portfolio. Collective Investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees, charges and maximum commissions is available on request. BCI reserves the right to close and reopen certain portfolios from time to time in order to manage them more efficiently. Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge. Performance fees are calculated and accrued on a daily basis based upon the daily outperformance, in excess of the benchmark, multiplied by the share rate and paid over to the manager monthly. Performance figures quoted are from MoneyMate, as at the date of this report for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Investments in foreign securities may include additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information. Boutique Collective Investments (RF) (Pty) Ltd retains full legal responsibility for the third party named portfolio. Although reasonable steps have been taken to ensure the validity and accuracy of the information in this document, BCI does not accept any responsibility for any claim, damages, loss or expense, however it arises, out of or in connection with the information in this document, whether by a client, investor or intermediary. This document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of BCI/the Manager's products.