

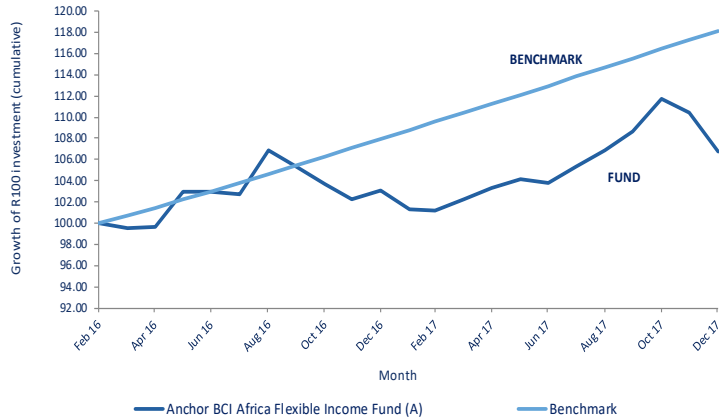
## INVESTMENT OBJECTIVE

The Anchor BCI Africa Flexible Income Fund's objective is to maximise income for investors by investing in mainly African interest-bearing securities.

## INVESTMENT PHILOSOPHY

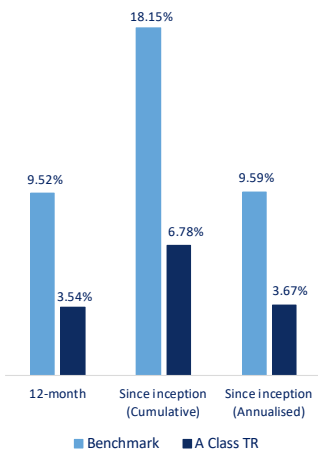
The maximum effective equity exposure (including international equity) will be 10% and a maximum effective property exposure (including international property) of 25%. The portfolio's African exposure, excluding South Africa, will always exceed 80% of the portfolio's asset value. The portfolio may, from time to time, invest in listed and unlisted financial instruments. The manager may also include forward currency, interest rate and exchange-rate swap transactions for efficient portfolio management purposes.

## CUMULATIVE PERFORMANCE VS. BENCHMARK SINCE INCEPTION



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 date.

## PERFORMANCE AT 31 DEC 2017



Annualised return is the weighted average compound growth rate over the period measured.

## ASSET ALLOCATION AT 31 DEC 2017

Asset Allocation	100.0%
Cash	4.7%
Bonds	95.3%
Country Allocation	100%
Equities	0.0%
Money Markets	0.0%
Gabon	0.0%
USA	0.9%
Tunisia	2.8%
Ethiopia	2.9%
Rwanda	2.9%
Senegal	3.1%
Ghana	3.2%
Supra National	4.8%
Kenya	5.7%
Nigeria	6.6%
Mauritius	7.2%
Namibia	7.5%
Tanzania	7.5%
Ivory Coast	8.6%
Egypt	8.7%
Morocco	10.8%
South Africa	16.6%

## TOP HOLDINGS AT 31 DEC 2017

Morocco - 2022 bond	10.8%
Tanzania - 2020 bond	7.5%
MTN - 2024 bond	7.3%
Kenya - 2019 bond	5.7%
Standard Bank - cash	5.6%
African Dev Bank - 2021 bond	4.2%
Nigeria - 2021 bond	3.8%
Naspers - 2025 bond	3.6%
Namibia - 2022 bond	3.4%
Ghana - 2026 bond	3.2%

## FUND MANAGER COMMENTARY AT 31 DEC 2017

Over December the rand moved from R13.61/\$1 to R12.35/\$1, representing a strengthening of 9.25% over the period.

The portfolio invests in US dollar denominated assets, and whilst 55% of the portfolio is hedged back into Rand, the remaining US Dollar position pushed the portfolio into a loss.

The loss on currency of 4.16% was offset by the interest carry on the portfolio resulting in a net negative return of 3.31% for the month.

As mentioned last month, we purchased additional Nigerian bonds with the excess cash in the portfolio.

Overall the portfolio has been performing in line with expectations and we don't expect to make significant changes in the near term.

## RISK PROFILE: MODERATE

Low	Mod-Low	Mod	Mod-High	High
<ul style="list-style-type: none"> <li>This portfolio has a balanced exposure to various asset classes. It has more equity exposure than a low risk portfolio but less than a high-risk portfolio. In turn the expected volatility is higher than a low risk portfolio, but less than a high-risk portfolio.</li> <li>Where the asset allocation contained in this MDD reflect offshore exposure, the portfolio is exposed to currency risks</li> <li>The portfolio is exposed to equity as well as default and interest rate risks.</li> <li>The portfolio is suitable for medium term investment horizons</li> <li>The probability of losses is higher than that of a low risk portfolio, but less than a high-risk portfolio and moderate long term investment returns are expected.</li> </ul>				

## HIGH LOW/MONTH BY YEAR

Dates	2016	2017
High	4.1%	2.7%
Low	-1.6%	-3.3%

**FUND NAME**  
Anchor BCI Africa Flexible Income Fund

**ISIN NUMBER**  
ZAE000212882

**INCEPTION DATE**  
8th March 2016

**BENCHMARK**  
SteFl Composite Index + 2% p.a over a rolling 1 year period

**MINIMUM INVESTMENTS**  
R25,000 lump sum  
R1,000 monthly debit order

**FUND CLASSIFICATION**  
Regional Multi Asset Flexible

**UNIT PRICE**  
R100.33

**DISTRIBUTIONS**  
Quarterly Declaration Date:  
28 Feb/31 May/31 Aug/30 Nov  
2016 Distribution (cpu): Aug 0.81;  
Nov 0.92

2017 Distribution: (cpu) Feb 1.04;  
May 1.11; Aug 1.16; Nov: 1.34

**PORTFOLIO VALUE**  
R89.54 million

**BOUTIQUE  
+ COLLECTIVE  
INVESTMENTS**

## FEES & FAIS DISCLOSURE

Initial fees (BCI) (incl. VAT)	0.00%
Advisory Fee (Max) (incl. VAT)	3.42%
Ongoing Advisory Fee (Max) (incl. VAT)	1.14%
<b>Annual Management Fee (incl. VAT)</b>	
Class A	0.80%
Performance fee: 15% of outperformance of benchmark over a rolling 1 year capped at 1.0% p.a.	
<b>TER and Transaction Cost (incl. VAT)</b>	
Basic	1.05%
Portfolio Transaction Cost	--
Total Investment Charge	1.05%

A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. Transaction Costs are a necessary cost in administering the Fund and impacts Fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, the investment decisions of the investment manager and the TER. The TER and transaction costs cannot be determined accurately because of the short life span of the Fund. Calculations are based on actual data where possible and best estimates where actual data is not available. The TER and Transaction cost calculations are based upon the portfolio's direct costs for the financial year ended 31 August 2017, whilst the underlying portfolio's ratio and cost calculations are based upon their most recent published figures, being 30 September 2017.

### FAIS CONFLICT OF INTEREST DISCLOSURE

Please note that your financial advisor may be a related party to the co-naming partner and/or BCI. It is your financial advisor's responsibility to disclose all fees he/she receives from any related party. The portfolio's TER includes all fees paid by portfolio to BCI, the trustees, the auditors, banks, the co-naming partner, underlying portfolios, and any other investment consultants/managers as well as distribution fees and LISP rebates, if applicable. The portfolio's performance numbers are calculated net of the TER expenses. The investment manager earns a portion of the service charge and performance fees where applicable. In some instance portfolios invest in other portfolios which forms part of the BCI Schemes. These investments will be detailed in this document, as applicable.

Boutique Collective Investments adopted the ASISA Standard on Effective Annual Cost ("EAC"). The EAC measure allows you to compare charges on your investments as well as their impact on your investment returns prior to investing. For further information regarding the ASISA Standard on Effective Annual Cost and access to the EAC calculator please visit our website at [www.bcis.co.za](http://www.bcis.co.za).

## SUBSCRIPTIONS

Valuation time	15h00
Transaction cut-off time	14h00
Payment reference	Initials and Surname

Please send proof of deposit to fax (011) 263 6152 or e-mail [instructions@bci-transact.co.za](mailto:instructions@bci-transact.co.za)

## 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 the portfolio to new investors and reopen certain portfolios from time to time in order to manage them more efficiently. Performance fees will be 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 for the portfolio are from Morningstar, as at the date of this document 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.

Certain investments - including those involving futures, options, equity swaps, and other derivatives may give rise to substantial risk and might not be suitable for all investors. Income funds derive their income from interest-bearing instruments in accordance with Section 100(2) of the Act. The yield is a current yield and is calculated daily. 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.

## MARKET COMMENTARY

It is often the case in fixed income that what you do not own is far more important than what you do own. We have started 2018 with Angola announcing that it intends defaulting on its bonds. We are pleased that we have no exposure to the country in our portfolios and will therefore not be impacted by this announcement

Over the month, Moody's affirmed the credit rating of Nigeria at B2 (stable) and are forecasting that we will see economic growth again (albeit only 3.3% for 2018). The country continues to adjust to the lower oil price and is starting to rebound. However, the growth remains centered around oil production and the efforts to diversify the economy are lagging expectations. As a result, we will likely see some fiscal slippage.

Ghana also remains expansionary, with Purchasing Managers' Indices (PMIs) continuing to rise. Again, this is fuelled by the oil sector, although Ghana's economy is better diversified than that of Nigeria.

In contrast, Namibia and Kenya are both facing weaker economies at the moment. The Namibians have likely entered into a recession although we think that the stronger rand will now give the country's central bank an opportunity to cut interest rates. The Namibians have been battling with a slowing of credit for some time and will benefit from lower interest rates.

Kenya, unfortunately, is facing a loss of economic confidence on the back of the drought in 2017. We are seeing a broad-based slowdown of the country's economy, with job losses starting to take place.

Overall, the slow rise in global interest rates will keep this asset class well supported. For now, the opportunities are stronger in the commodity producing nations and we are looking to take advantage of this where we can.

## FUND MANAGER



Nolan Wapenaar is a CA (SA) and has a M Com degree. He has 16 years fixed-income experience, including domestically at Rand Merchant Bank and Efficient Select. His offshore experience was at Deutsche Bank. He is responsible for the Fixed Income Asset Class at Anchor Capital.

## INFORMATION AND DISCLOSURES

### Investment Manager

Anchor Capital (Pty) Ltd is an authorised Financial Services Provider FSP 39834.

- 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](http://www.bcis.co.za))
- Valuation takes place daily and prices can be viewed on our website ([www.bcis.co.za](http://www.bcis.co.za)) or in the daily newspaper.
- Actual annual percentage figures are available to existing investors on request.
- Upon request the Manager will provide the investor with quarterly portfolio investment holdings reports.

### Management Company Information

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 Bella Rosa Village, Bella Rosa Street  
 Belville, 7530  
 Tel: 021 007 1500/1/2 | 021 914 1880, Fax: 086 502 5319  
 Email: [clientservices@bcis.co.za](mailto:clientservices@bcis.co.za)  
[www.bcis.co.za](http://www.bcis.co.za)

### Custodian/Trustee Information

The Standard Bank South Africa Ltd  
 Tel: 021 441 4100