

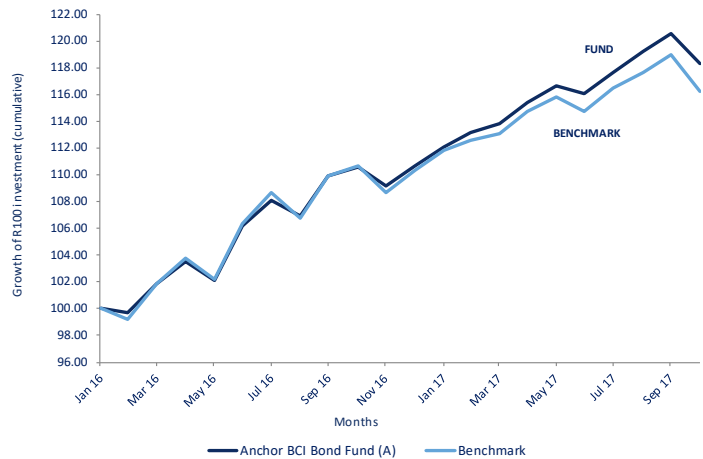
## INVESTMENT OBJECTIVE

The Anchor BCI Bond Fund seeks to achieve an investment medium for investors, with its main objective being the maximum total return by primarily investing in bonds.

## INVESTMENT PHILOSOPHY

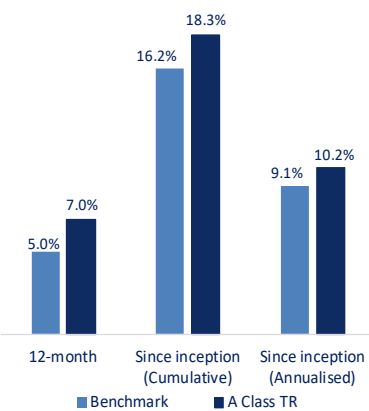
The investments normally to be included in the portfolio will comprise a combination of assets in liquid form and a combination of gilts and interest-bearing securities, including loan stock, semi-gilts, notes, debentures, debenture bonds, preference shares, money-market instruments, bonds, corporate debt, convertible equities and non-equity securities. 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



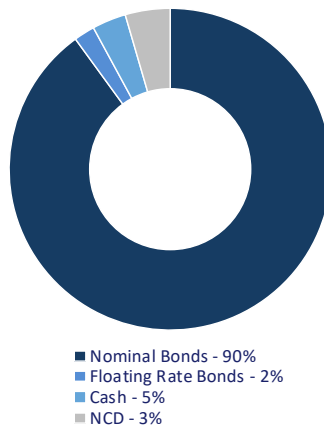
Investment performance is for illustrative purposes only and calculated by taking actual initial fees and ongoing fees into account for amount shown with income reinvested on reinvestment date.

## PERFORMANCE AT 31 OCT 2017

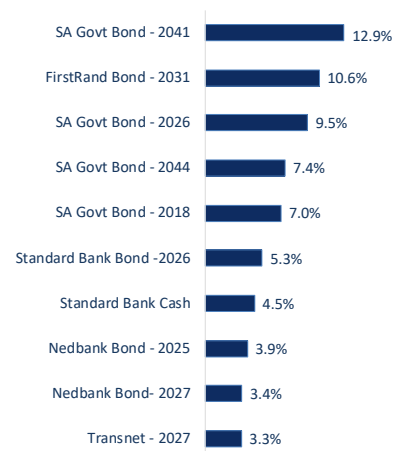


Annualised return is the weighted average compound growth rate over the period measured.

## ASSET ALLOCATION AT 31 OCT 2017



## TOP HOLDINGS AT 31 OCT 2017



## FUND MANAGER COMMENTARY AT 31 OCT 2017

October was a month for playing defense. In this context, we are disappointed with the loss of 1.85% on your portfolio, albeit that this is more defensive than our benchmark.

The month was obviously dominated by the shock of the medium-term budget policy statement from Finance Minister Malusi Gigaba. We believe that Gigaba's first speech as Minister of Finance was disappointing and is likely to lead to further fiscal deterioration in South Africa.

Bonds have sold off heavily on the back of this, with the short-dated R207 bond yield moving to 7.795% (Sept: 7.26%) and the benchmark R186 bond ending at 9.095% (Sept: 8.55%).

The rand moved sharply and has settled at R14.12/\$1 (Sept: R13.46/\$1) for month-end purposes. The stark shift in bond yields has kept the fixed-income sectors under pressure.

We are of the view that a further reduction in risk is the best strategy for this portfolio and will do so, whilst remaining cognisant of the All Bond Index mandate.

## RISK PROFILE: LOW

Low	Mod-Low	Mod	Mod-High	High
Low				

- This portfolio has no equity exposure, resulting in low risk, stable investment returns
- The portfolio is not directly exposed to currency risk, but it is exposed to default and interest rate risks.
- The portfolio is suitable for shorter term investment horizons.

### FUND NAME

Anchor BCI Bond Fund

### ISIN NUMBER

ZAE000212874

### INCEPTION DATE

8<sup>th</sup> February 2016

### BENCHMARK

JSE/ASSA All bond Index (ALBI)

### MINIMUM INVESTMENTS

R25,000 lump sum  
R1,000 monthly debit order

### UNIT PRICE

R103.31

### FUND CLASSIFICATION

SA Interest Bearing Variable Term

### DISTRIBUTIONS

Quarterly Declaration Date: 28

Feb/31 May/31 Aug/30 Nov

2016 Distribution (cpu): Feb 0.43;

May 2.16; Aug; 2.27; Nov 2.29

2017 Distribution (cpu): Feb 2.26;

May 2.22; Aug 2.45

### PORTFOLIO VALUE

R118.21 million

## HIGH / LOW MONTHS BY YEAR

Dates	2016	2017
High	4.0%	1.4%
Low	-1.31%	-1.9%

## FEES & FAIS DISCLOSURE

<b>Initial fees (BCI) (incl VAT)</b>	0.00%
<b>Advisory Fee (Max) (incl VAT)</b>	3.42%
<b>Ongoing Advisory Fee (Max) (incl VAT)</b>	1.14%
<b>Annual Management Fee (incl VAT)</b>	
Class A	0.63%
Performance fee	None
<b>TER and Transaction Costs (incl VAT)</b>	
Basic	0.71%
Portfolio Transaction Cost	0.00%
Total Investment Charge	0.71%

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 TER's. 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 were calculated based upon figures for the past financial year ended 31 August 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

<b>Valuation time</b>	15h00
<b>Transaction cut-off time</b>	14h00
<b>Payment reference</b>	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)

## MARKET COMMENTARY

Whilst there has been much homegrown turmoil in October, we should remain cognisant of the global environment. The European Central Bank (ECB) announced a plan to reduce its bond-buying programme from EUR60bn/month to EUR30bn/month starting in January 2018. October was also the month when the US Federal Reserve (Fed) started to unwind its balance sheet. The global central banks are clearly putting upward pressure on interest rates. We note that the US 10-year rate traded up to our target level of 2.45%, but has since slid back down to 2.39% at month-end. We think that this is a fair level for global yields in the context of the stimulus reduction that is occurring on a global basis.

Looking forward, positioning of South African fixed income will be very challenging.

An outright win for the Cyril Ramaphosa camp at the ANC elective conference in December will potentially see our credit ratings stabilise and a surge of confidence in South Africa. This would manifest in the form of a firmer rand, stronger bonds and likely interest rate cuts. In summary, this scenario would be great for all South African assets, although the R207 bond, in particular, will rally significantly.

Conversely, other outcomes are likely to see rating downgrades, and the forced sale of South African assets as we are ejected from bond indices. This will probably see significant spikes upwards in bond yields (our view is that the R186 bond will push towards a 10.25% yield) and a weaker rand. We would expect this to be accompanied by a slower economy and job losses again. We might even see some interest-rate hikes in response to the mayhem.

Either event will be massively market moving and could reasonably be expected to occur. Our strategy is to be neutral (as we do not like massive positions with large binary outcomes). We will likely have a slight tilt towards a negative outcome as the probabilities seem to be shifting in that direction.

## 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

Boutique Collective Investments (RF) (Pty) Ltd  
Catnia Building  
Bella Rosa Village, Bella Rosa Street  
Belville, 7530  
Tel: 021 007 1500/1/2 | 021 914 1220, 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

## DISCLAIMER

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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.