

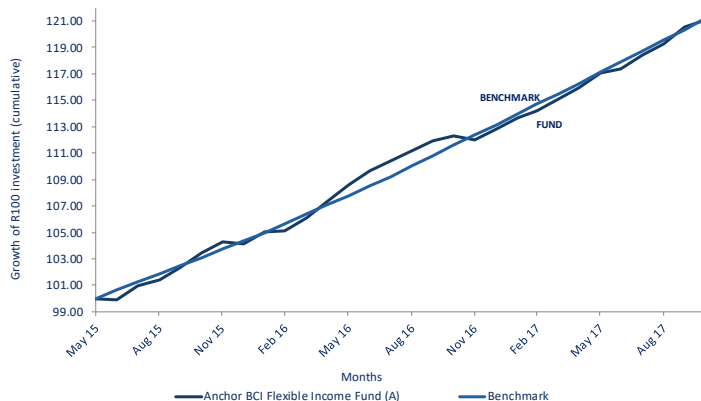
## INVESTMENT OBJECTIVE

The Anchor BCI Flexible Income Fund is a specialist income-generating portfolio. The investment objective of the portfolio is to achieve a high level of sustainable income and stability of capital invested.

## INVESTMENT PHILOSOPHY

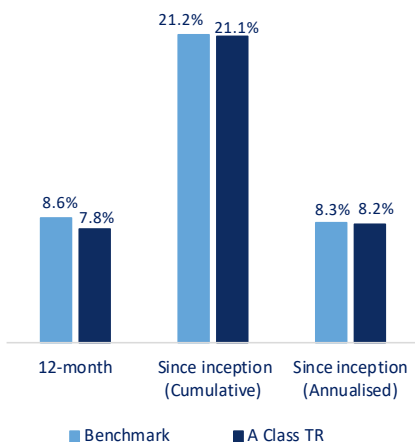
Investments to be acquired for the portfolio may include equity securities, property securities, property related securities, interest-bearing securities, non-equity securities, money-market instruments, preference shares and assets in liquid form. The portfolio may, from time to time, invest in listed and unlisted financial instruments. The manager may only include the following unlisted financial instruments for efficient portfolio-management purposes: forward currency, interest rate and exchange-rate swap transactions. The portfolio will comply with prudent investment guidelines to the extent allowed for by the Act. However, the portfolio's equity exposure may be as high as 10% of the portfolio's net asset value, whilst its property exposure may be as high as 25%.

## CUMULATIVE PERFORMANCE VS. BENCHMARK SINCE INCEPTION



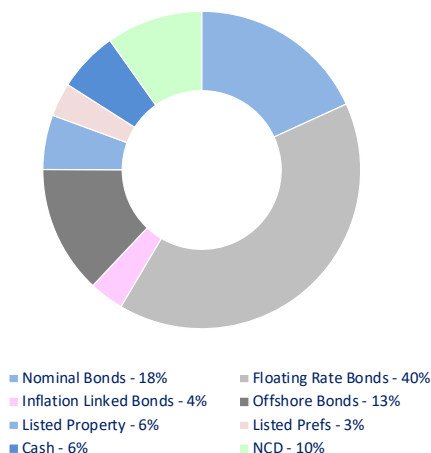
Investment performance is for illustrative purposes only and calculated by taking actual initial fees and ongoing fees into account for amount shown with income reinvested on reinvestment date.

## PERFORMANCE AT 31 OCT 2017

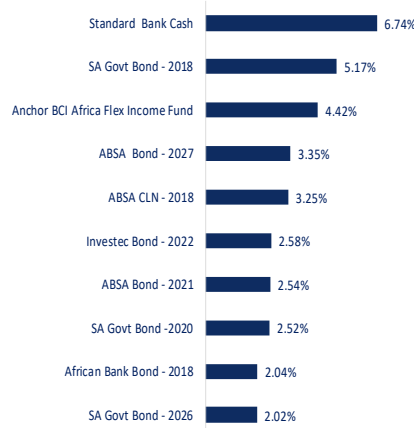


Annualised return is the weighted average compound growth rate over the period measured.

## 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 content to have returned 0.45% on your portfolio, albeit that this is behind the benchmark return.

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 pleased that our portfolio demonstrated a high level of defensiveness throughout the most volatile days, as we feel that this is in-line with our objective of stability of valuation.

## RISK PROFILE: LOW-MEDIUM

Low	Mod-Low	Mod	Mod-High	High
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- This portfolio has relatively low equity exposure, resulting in relatively low volatility compared to higher risk portfolios.
- Where the asset allocation contained in this MDD reflects offshore exposure, the portfolio is exposed to currency risks
- The portfolio is exposed to default and interest rate risks.
- Therefore, it is suitable for medium term investment horizons.
- The expected potential long term investment returns are lower over the medium to long term than higher risk portfolios.

## HIGH / LOW MONTHS BY YEAR

Dates	2015	2016	2017
High	1.1%	1.2%	1.1%
Low	-0.1%	-0.3%	0.2%

### FUND NAME

Anchor BCI Flexible Income Fund

### ISIN NUMBER

ZAE000202917

### INCEPTION DATE

1 June 2015

### BENCHMARK

StEfi Call Deposit rate +1%

### MINIMUM INVESTMENTS

R25,000 Lump sum  
 R1,000 monthly debit order

### FUND CLASSIFICATION

SA Multi Asset-Income

### UNIT PRICE

R105.45

### DISTRIBUTIONS

Quarterly Declaration Date: 28 Feb, 31 May, 31 Aug and 30 Nov

2016 Distribution (cpu): Feb 1.34; May 1.64; Aug 1.71; Nov 1.78

2017 Distribution (cpu): Feb 1.60; May 1.84; Aug 1.72

### PORTFOLIO VALUE

R1 003.41 billion

## 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	1.14%
Performance fee	None
<b>TER and Transaction Cost (incl VAT)</b>	
Basic	1.25%
Portfolio Transaction Cost	0.07%
Total Investment Charge	1.32%

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@bcis-transact.co.za](mailto:instructions@bcis-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 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

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 where the US Federal Reserve (Fed) started to unwind its balance sheet. 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, the positioning of South African fixed income will 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 upward spikes 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

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 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