

## INVESTMENT OBJECTIVE

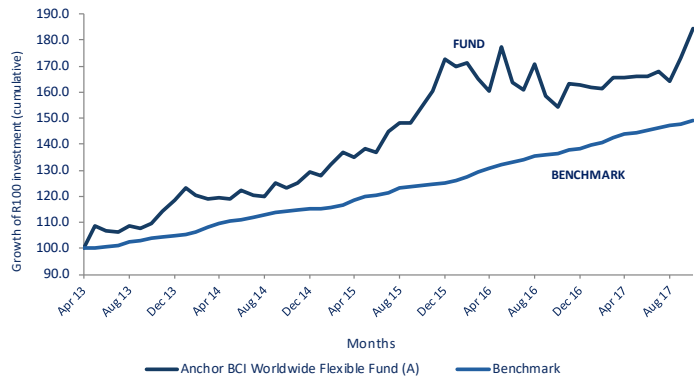
The Anchor BCI Worldwide Flexible Fund aims to provide investors with a moderate to high long-term total return by way of a worldwide flexible portfolio actively investing across different asset classes.

## INVESTMENT PHILOSOPHY

The portfolio is a rand-denominated worldwide fund that has the flexibility to invest in equities, bonds, property and cash both globally and in South Africa.

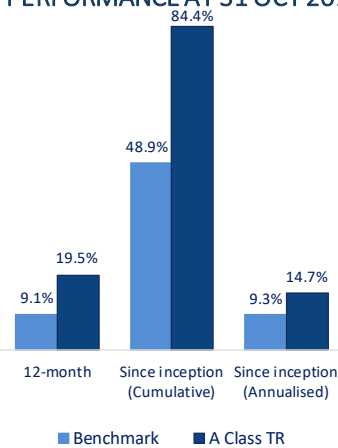
The heart of our philosophy is investing in companies with a durable competitive advantage that are underappreciated by investors and, consequently, trade for less than they are worth. They have enduring qualities and a history of attractive returns on capital. Ideally, they are led by highly talented management teams. 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



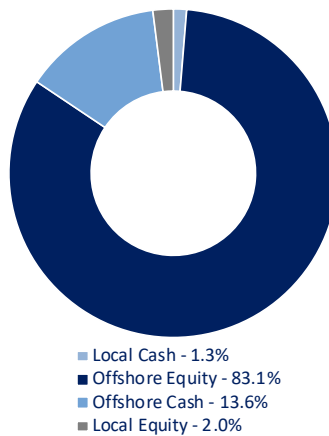
Investment performance is for illustrative purposes only and calculated by taking actual initial fees and ongoing fees into account for amount shown with income reinvested on reinvestment date.

## PERFORMANCE AT 31 OCT 2017

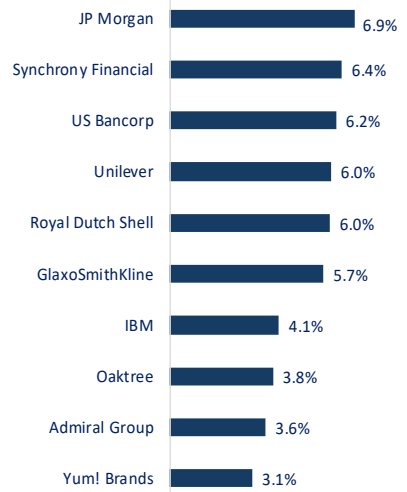


Annualised return is the weighted average compound growth rate over the period measured.

## ASSET ALLOCATION AT 31 OCT 2017



## TOP HOLDINGS AT 31 OCT 2017



## QUARTERLY FUND MANAGER COMMENTARY

During the quarter, our existing holding in IBM was reduced to 3.8% of the portfolio, from 5.3% at the end of June 2017. The small holding in Verizon, the US telecommunication company, was also sold. Our investment in Schibsted, the global online classified-advertising business, was increased slightly to 2.5% of the portfolio.

Finally, and most notably, the Fund invested in Synchrony Financial (SYF), the large US private-label retail credit card business. SYF, previously part of the industrial giant, General Electric (GE), was spun out of GE in late 2014.

This investment represented 6.1% of the portfolio at the end of September 2017.

Equity content of the portfolio was 83.1% at the end of September, up from 77.1% at the end of June. Emerging market (EM) equity exposure was steady at 3.2% of the portfolio. Cash holdings accounted for 16.9% of the portfolio, with no investment in bonds - an asset class we view as unattractive. The offshore cash holdings are largely split between euro (45%) and US dollar (55%). We note that our rand holding remained low at 1.7% of the portfolio at the end of September.

## RISK PROFILE: MEDIUM - HIGH

Low	Mod-Low	Mod	Mod-High	High
-----	---------	-----	----------	------

- This portfolio holds more equity exposure than a medium risk portfolio but less than a high-risk portfolio. In turn the expected volatility is higher than a medium risk portfolio, but less than a high-risk portfolio. The probability of losses is higher than that of a medium risk portfolio, but less than a high-risk portfolio and the expected potential long term investment returns could therefore be higher than a medium risk portfolio.
- Where the asset allocation contained in this MDD reflect offshore exposure, the portfolio is exposed to currency risks
- The portfolio is exposed to equity as well as default and interest rate risks.
- Therefore, it is suitable for medium to long term investment horizons.

## HIGH / LOW MONTHS BY YEAR

Dates	2014	2015	2016	2017
High	4.5%	7.8%	10.4%	6.5%
Low	-2.4	-1.2%	-7.7%	-2.3%

### FUND NAME

Anchor BCI Worldwide Flexible Fund

### ISIN NUMBER

ZAE000175683

### INCEPTION DATE

14<sup>th</sup> May 2013

### BENCHMARK

Inflation (SA CPI) + 4% p.a.

### MINIMUM INVESTMENTS

R25,000 lump sum  
 R1,000 monthly debit order

### FUND CLASSIFICATION

Worldwide Multi Asset Flexible

### UNIT PRICE

R138.27

### DISTRIBUTIONS

Semi-annually Declaration Date: 28 Feb/31 Aug

2016 Distribution (cpu): Feb 0.77; Aug 0.61

2017 Distribution (cpu): Feb 0.49; Aug 0.43

### PORTFOLIO VALUE

R465.65 million

## 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%

### Annual Management Fee (incl VAT)

Class A	1.14%
Performance fee	None

### TER and Transaction Cost (incl VAT)

Basic	1.23%
Portfolio Transaction Cost	0.05%
Total Investment Charge	1.28%

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 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

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 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. 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.

## QUARTERLY MARKET COMMENTARY

SYF was the major addition to the portfolio in 3Q17. SYF is a retail credit card company in the US. It is a partner to several retailers who want to offer credit to customers. SYF was spun out of GE in the second half of 2014, when the parent company decided to return to its roots as an industrial business, and retain only those parts of GE Capital that supported the industrial business. SYF has been in business for 80 years.

SYF is the dominant retail credit card provider in the US. Its major clients include Walmart, Sam's Club, JC Penney and Lowe's (a partner for 37 years). Amazon is also a client.

SYF's main competitors are the banks but the advantage that SYF has is that it is focused on retail, while the banks tend to be less committed to the retail-card market. Another key difference is that SYF doesn't charge the retail partner interchange fees (approximately 2%) on transactions. Instead, it relies primarily on interest on outstanding balances to generate profits. SYF is therefore a true partner to the retailers. This is important when you consider the turbulence that the retail sector is currently experiencing, as online shopping grows in importance.

Why this investment now? The share price has declined in 2017 because of fears about increasing write-offs in US credit-card debt, a trend that is evident across the industry. Is this a concern? We don't think so. After declining for several years, to levels that are below historic norms, credit card write-offs are simply beginning to normalise. After a long, and slow, economic recovery from the global financial crisis, the US consumer still appears to be responsible in the use of debt. He/she is not binging on credit.

SYF is dominant in its market, well managed, and has scope for good earnings growth in 2018 and beyond. In addition, it comes at a very reasonable price. We therefore expect SYF to be an excellent long-term investment.

With global stock markets continuing to perform well in 2017, and US stocks now in the second-longest bull market on record, questions are often being asked as to how sustainable this all is. Although the US equity market *appears* to be very expensive relative to history, the situation is less alarming when you consider how low interest rates are (e.g. US 10-year government bonds only yield 2.3%). Developed market bonds are very expensive - far more expensive than equities. Equities therefore remain our preferred asset class. If interest rates and bond rates were to rise materially, then this may change.

With abnormally low interest rates boosting so many asset prices, we are reminded of the words of the great Spanish writer, Miguel de Cervantes - 'preparation is half the victory'. Try to create a portfolio of investments that will be robust under a range of *different* outcomes, and keep some spare cash available.

## FUND MANAGER



David Gibb has a BSc (Med) degree from the University of Cape Town together with CA (SA) and CFA qualifications. Having joined the local investment industry in 1994, David has many years of experience in both equity research and fund management, including running the equity research team at Stanlib. His focus is global investments with a bias towards equities. David runs the Anchor BCI Worldwide Flexible Fund.

## 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 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