

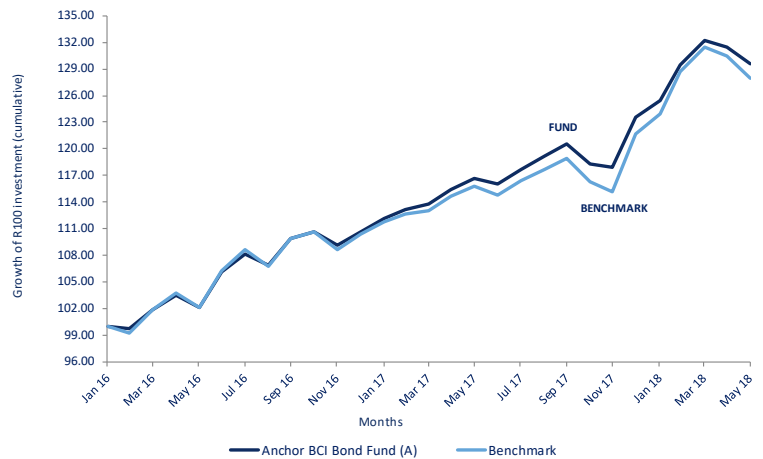
## INVESTMENT OBJECTIVE

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

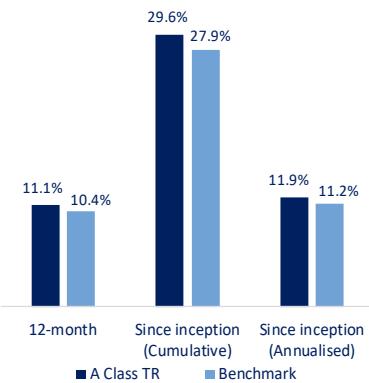
The investments normally to be included in the portfolio will comprise a combination of assets in liquid form and a combination of gilts and interest-bearing securities, including loan stock, semi-gilts, notes, debentures, debenture bonds, preference shares, money-market instruments, bonds, corporate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



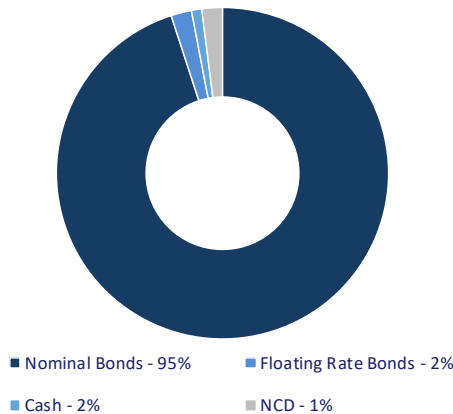
Investment performance is for illustrative purposes only and calculated by taking actual initial fees and ongoing fees into account for amount shown with income reinvested on reinvestment date.

## PERFORMANCE AT 31 MAY 2018

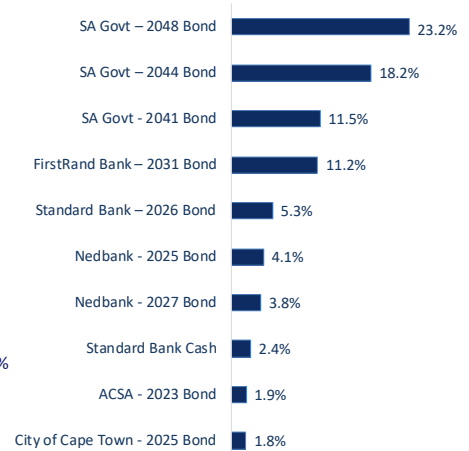


Annualised return is the weighted average compound growth rate over the period measured.

## ASSET ALLOCATION AT 31 MAY 2018



## TOP HOLDINGS AT 31 MAY 2018



## FUND MANAGER COMMENTARY AT 31 MAY 2018

The past month has served up a number of surprises, including US inflation fears coming to the fore, concerns about the sustainability of emerging market (EM) flows and worries about European growth and Italian stability.

In this context, the South African (SA) benchmark R186 bond yield rose from 8.18% to 8.54%, acting as a drag on portfolio returns

Equally challenging, the yield curve has steepened again in reaction to the risk-off environment. This has also made it a very difficult month for bonds.

We continue to hold that SA assets are cheap and that yields are attractive. We are likely to retain our current investment stance going forward.

## 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.

## HIGH / LOW MONTHS BY YEAR

Dates	2016	2017	2018
High	4.0%	4.7%	3.2%
Low	-1.31%	-1.9%	-1.4%

### FUND NAME

Anchor BCI Bond Fund

### ISIN NUMBER

ZAE000212874

### INCEPTION DATE

8<sup>th</sup> February 2016

### BENCHMARK

JSE/BESA All bond Index (ALBI)

### MINIMUM INVESTMENTS

R25,000 lump sum  
R1,000 monthly debit order

### PORTFOLIO VALUE

R116.54mm

### UNIT PRICE

R108.46

### 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; Nov 2.24

2018 Distribution (cpu): Feb 2.22; May 2.32

## FEES & FAIS DISCLOSURE

Initial fees (BCI) (incl VAT)	0.00%
Advisory Fee (Max) (incl VAT)	3.45%
Ongoing Advisory Fee (Max) (incl VAT)	1.15%

Annual Management Fee (incl VAT)	
Class A	0.63%
Performance fee	None

TER and Transaction Costs (incl VAT)	
Basic	Mar 18: 0.69% (PY): 0.68%
Portfolio Transaction Cost	Mar 18: 0.00% (PY): 0.00%
Total Investment Charge	Mar 18: 0.69% (PY): 0.68%

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 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 31 March 2018.

## 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.

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

Foreign investors sold more SA bonds in May than in any other month on record. In the context of the size of our local market, total bond sales of R30bn is quite staggering. We note that the primary reason bond yields did not blow out more is that domestic investors (pension funds) have been buying bonds at these levels thus absorbing foreign supply. Clearly, as SA becomes ever more reliant on foreign investors to fund our current account and fiscal deficits, we would expect bonds to become more volatile.

We continue to hold that SA bonds have a fair yield in the 8.25%-8.50% range and we see this volatility as an opportunity to buy attractive assets for our investors.

We reiterate our view that US bond yields are not likely to sustain above 3%- 3.25% levels for extended periods of time and note that this is likely to be a ceiling for offshore yields. However, we also highlight that US inflation fears certainly tested this view, with the US 10-year bond pushing up towards 3.14% during May. Nevertheless, in the end, comments from the US Federal Reserve (Fed), assuring the market that we are likely to see a gradual rate-hiking cycle, allayed these concerns. The risk-off reaction to European instability pushed US bonds stronger to end the month at 2.88%. We continue to believe that offshore duration is attractive at current levels, although we are being cautious in our portfolio construction around this issue. As a result, our view remains that foreign selling of SA bonds is not likely to be sustained in the near term and we are comfortable with holding local duration assets.

We are, broadly speaking, happy with your portfolio composition and construction and we do not anticipate significant changes in the month ahead, rather being comfortable to hold cheap assets whilst earning an attractive portfolio yield of c. 9.4%

## 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  
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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