

# PRESCIENT RECM GLOBAL FEEDER FUND (Class B)

Period ended 31 January 2015

# RECM

The Prescient RECM Global Feeder Fund is a Rand denominated fund that provides local investors with access to the RECM Global Fund. The RECM Global Fund is a US dollar denominated global fund that may invest in a wide array of assets without any restrictions. The Fund's aim is to generate returns significantly greater than US inflation and commensurate with equities over the long term. The fund invests mainly in large global companies at a significant discount to intrinsic value, while using the flexibility of the mandate to protect capital and enhance returns by investing in other mispriced global assets from time to time. We consider risk as the possibility of losing money, not in terms of volatility. Our main risk management tool is our investment philosophy. As value investors, we aim to buy and hold good quality companies and do so with a margin of safety. Our ability to move between asset classes assists in reducing the risk in the fund.

|                                     |                                              |                     |                                                        |
|-------------------------------------|----------------------------------------------|---------------------|--------------------------------------------------------|
| Portfolio Managers                  | Daniel Malan, Wilhelm Hertzog, Paul Whitburn | Min. Investment     | R10,000 initial investment                             |
| ASISA Sector                        | Global Multi Asset Flexible                  | Initial Fee         | No initial fee                                         |
| Inception Date (Class B)            | 24 July 2014                                 | Annual Fee          | 0.75% annual fee (excl. VAT)                           |
| Total Fund Size                     | R39.8 million                                | Total Expense Ratio | Not yet applicable (includes the RECM Global Fund fee) |
| Fund Size (Class B)                 | R12.1 million                                | Pricing Frequency   | Daily                                                  |
| Master Fund Size (RECM Global Fund) | US \$567.4 million                           | Income Declarations | None                                                   |
| Benchmark                           | US CPI + 6% p.a. measured in ZAR             |                     |                                                        |

## PORTFOLIO DETAIL

### FUND RISK PROFILE

|     |              |          |               |      |
|-----|--------------|----------|---------------|------|
| LOW | LOW-MODERATE | MODERATE | MODERATE-HIGH | HIGH |
|-----|--------------|----------|---------------|------|

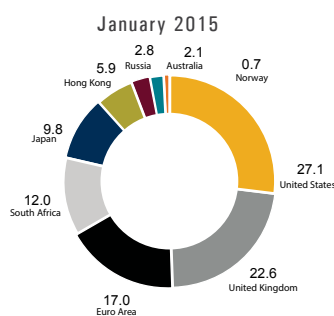
### TOP TEN HOLDINGS (%)

| January 2015                 |             |
|------------------------------|-------------|
| Tesco Plc                    | 6.6         |
| BP Plc                       | 4.8         |
| Anglo Platinum Ltd           | 4.7         |
| Anglo American Plc           | 4.4         |
| Inpex Corp                   | 4.1         |
| Arcelormittal                | 4.0         |
| Ultra Petroleum Corp         | 3.7         |
| Impala Platinum Holdings Ltd | 3.5         |
| American Int'l Group         | 3.2         |
| Ichirizuka Master Fund       | 2.8         |
| <b>Total</b>                 | <b>41.8</b> |

### ASSET ALLOCATION (%)

| January 2015      |              |
|-------------------|--------------|
| Offshore Equity   | 61.0         |
| Offshore Cash     | 26.3         |
| SA Equity         | 8.9          |
| SA Cash           | 3.0          |
| Offshore Property | 0.8          |
| <b>Total</b>      | <b>100.0</b> |

### GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

This Fund Class was launched on 24 July 2014. The performance history is provided as monthly returns, compared to those of the benchmark, until the first year of the Fund's life.

### MONTHLY RETURNS

| Month           | Fund  | Benchmark |
|-----------------|-------|-----------|
| Aug '14         | -0.7% | 0.4%      |
| Sep '14         | 1.5%  | 6.4%      |
| Oct '14         | -4.1% | -2.0%     |
| Nov '14         | -1.1% | 0.7%      |
| Dec '14         | -0.9% | 4.3%      |
| Jan '15         | -2.1% | 1.8%      |
| Since Inception | -7.3% | 11.9%     |

• Returns are in ZAR net of fees. Source: RECM Analyst, Bloomberg.

### INVESTMENT COMMENT

When we consider the contents of equity indices in general, and the stocks that one would have had to own in the last few years to have earned high returns, we think that a broad majority suffer from exposure to a single dangerous factor – being a high quality business where the assumed stable cash flows are being discounted into perpetuity using interest rates which are assumed to stay extremely low forever. Needless to say, one is able to justify almost any valuation using such assumptions - and the market is doing exactly that. When something does go wrong with these businesses (not unlikely) or interest rates increase earlier than expected (not unlikely), the end result will be permanent losses of capital. And if you say decision-makers will timeously recognize when interest rates are about to levitate, ask them one question: how many saw the recent collapse in the oil price coming?

Some of the current positions in our portfolios derive their attractive valuations from common fears in the market. We own more than one position in Platinum, Global Energy, Aluminium and UK Retail for instance. Apart from similarities in terms of their reasons for cheapness, our entire portfolio of stocks has something more important in common – they are all cheap relative to their conservatively calculated intrinsic values. If the fears relating to these companies don't subside - the bad news is already priced in, and losses will be limited. However, we know the far likelier outcome is substantial upside when the fears subside and rationality returns.

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**Disclaimer:** Collective Investment Schemes in Securities (CIS) should be considered as medium-to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS are traded at the ruling price and can engage scrip lending and borrowing up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from Prescient Management Company Ltd. Commission and incentives may be paid and if so, would be included in the overall costs. Different classes of units may apply in a portfolio and are subject to different fees and charges. A fund of funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for these portfolios. A Feeder Fund is a portfolio that, apart from assets in liquid form, consists solely of participatory interests in a single portfolio of a collective investment scheme. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of any underlying international investments to go up and down. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (Brokerage, STI, VAT, Auditor's fees, Bank Charges, Trustee and Custodian fees and the annual Management fee) from the portfolio divided by the number of participatory interests (units) in issue. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER 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. During the phase-in period TER's do not include information gathered over a full year.

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A MEMBER OF THE ASSOCIATION FOR SAVINGS & INVESTMENT SA