

# RECM MONEY MARKET FUND (Class A)

Period ended 31 December 2014

# RECM

The RECM Money Market Fund is a money market unit trust that provides a sensible cash portfolio with very competitive fees. The Fund aims to maximise interest income, preserve capital and provide liquidity. Capital losses are unlikely but can occur. For example, should one of the issuers of an asset held within the underlying Fund default and a loss occur, this loss will be borne by the Fund and the investors.

Portfolio Managers	Piet Viljoen, Sean Neethling***
ASISA Sector	South Africa Interest Bearing Money Market
Inception Date	1 October 2010
Total Fund Size	R2.1 billion
Fund Size (Class A)	R1.0 billion
Benchmark*	STeFI Call Rate

Min. Investment	R150,000 initial investment
Initial Fee	No initial fee
Annual Fee	0.15% annual fee excl. VAT
Total Expense Ratio	0.19% for the period ending 31 December 2014
Income Declarations	Monthly distributions are paid in cents per unit

## PORTFOLIO DETAIL

### FUND RISK PROFILE

LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH
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Effective yield** as at 31 December 2014 (net of fees)	6.8%
Fund duration (days)	84.1

\*\*Annualised 12 month yield based on the position of the fund as at date

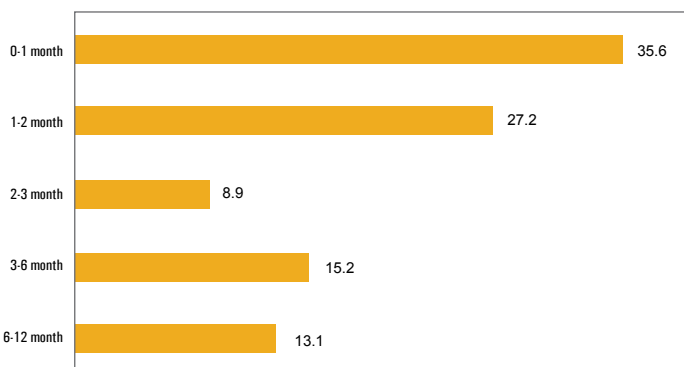
### CREDIT EXPOSURE (%)

December 2014	
Banks	100.0
Corporates	0.0
Government & Parastatals	0.0
Total	100.0

### TOP COUNTERPARTIES (%)

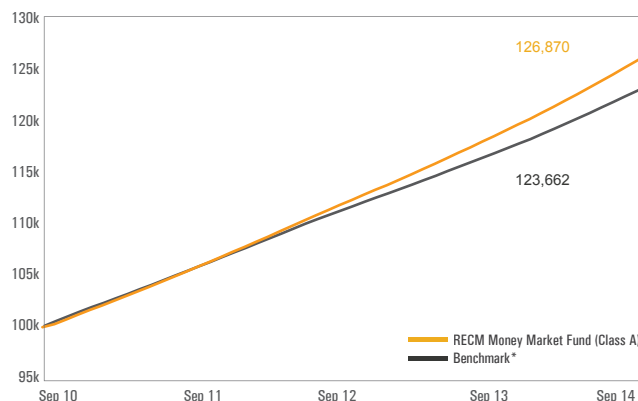
December 2014	
Standard Bank	27.0
Nedbank	24.0
Investec	19.0
ABSA	17.0
Firststrand	13.0
Total	100.0

### DURATION BREAKDOWN (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

### VALUE OF R100,000 INVESTED AT INCEPTION WITH ALL DISTRIBUTIONS REINVESTED



### MONTHLY RETURNS

Jan '14	Feb '14	Mar '14	Apr '14	May '14	Jun '14
0.48%	0.45%	0.50%	0.49%	0.51%	0.50%
Jul '14	Aug '14	Sep '14	Oct '14	Nov '14	Dec '14
0.52%	0.53%	0.52%	0.54%	0.53%	0.55%

### ANNUALISED RETURNS TO END DECEMBER 2014

	Fund	Benchmark*
1 Year	6.3%	5.3%
3 Years	5.9%	5.0%
Since Inception	5.8%	5.1%

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

### INVESTMENT COMMENT

The RECM Money Market Fund is positioned to deliver an effective yield of 6.8% over the next 12 months. For the month of December the fund returned 0.55% versus the STeFI Call Rate return of 0.46%. Fund duration decreased marginally from 86.5 to 84.1 days during the month. We have maintained a higher duration as volatility in the bond and currency market continues to provide opportunity to benefit from longer maturity money market rates. Domestic headline inflation decreased from 5.9% to 5.8% in November, remaining within the SARB's target range of 3-6%. Producer level inflation also decreased in line with expectations to 6.5%, mainly driven by lower food and fuel costs. The portfolio is competitively positioned with an approximate weighting of 50% between fixed and floating rate instruments. Currently we have no exposure to corporate instruments but we continue to look in both primary and secondary markets for attractive value.

Tel: +27 21 657 3440

Fax: +27 21 674 1088

Email: info@recm.co.za

Website: www.recm.co.za

**Disclaimer:** Collective Investment Schemes in Securities (Unit trusts) are generally medium to long term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to future performance. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The manager may borrow up to 10% of the market value of the portfolio where insufficient liquidity exists. A schedule of fees and charges and maximum commissions is available on request from the management company, RECM Collective Investments (Pty) Ltd (RECM). Commission and incentives may be paid and if so, would be included in the overall costs. The price of each unit in the RECM Money Market Fund is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the Fund. Forward pricing is used. Different classes of units apply to these portfolios and are subject to different fees and charges. Fluctuations or movements in exchange rates may cause the value of underlying international instruments to go up or down. These portfolios may be closed. 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. RECM Collective Investments (Pty) Ltd, Company Registration Number: 2004/027540/07, is a member of the Association for Savings and Investment SA (ASISA). Trustees: The Standard Bank of SA Limited, PO Box 54, Cape Town, 8000. \*\*\*Acting under the supervision of Piet Viljoen.

# RECM GLOBAL FLEXIBLE FUND (Class A)

Period ended 31 December 2014

# RECM

The RECM Global Flexible Fund is a unit trust that may invest in equities, bonds, property, cash and offshore assets without any restrictions. The Fund's aim is to generate returns significantly greater than inflation over the long term while protecting capital against permanent loss through a rigorous adherence to a value-based philosophy. 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
ASISA Sector	Worldwide Multi Asset Flexible
Inception Date	3 April 2003
Total Fund Size	R2.1 billion
Fund Size (Class A)	R1.3 billion
Benchmark*	SA CPI + 6% p.a.
Min. Investment	R150,000 initial investment
Initial Fee	No initial fee
Annual Fee	1.0% annual fee (excl. VAT)

Hurdle	SA CPI + 8% p.a.
Performance Fee	20% above hurdle subject to high watermark over rolling 5 years
Total Expense Ratio (1 Year)	-1.80% for the period ending 31 December 2014 (inclusive of a performance fee of -2.95%)
Total Expense Ratio (3 Years)	1.33% for the period ending 31 December 2014 (inclusive of a performance fee of 0.16%)
Income Declarations	31 March, 30 June, 30 September, 31 December

## PORTFOLIO DETAIL

\*The Fund's benchmark is SA Inflation + 6% p.a. Prior to 1 January 2014 the Fund's benchmark was SA Inflation + 8% p.a.

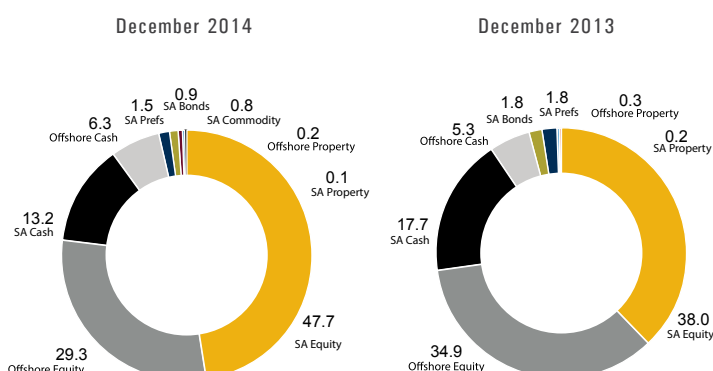
## FUND RISK PROFILE

LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH
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## TOP TEN HOLDINGS (%)

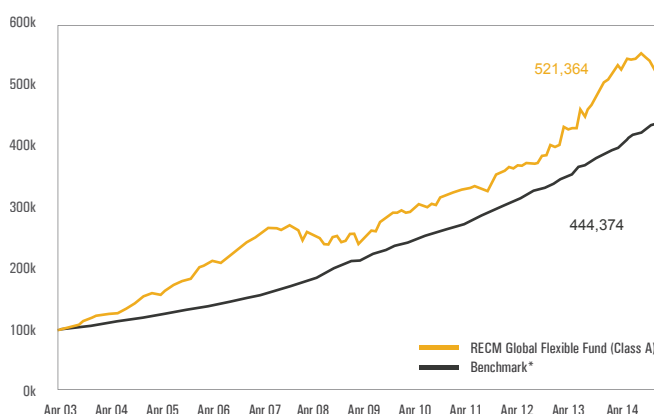
December 2014		December 2013	
Anglo Platinum Ltd	5.9	Anglo Platinum Ltd	4.8
Anglo American Plc	5.8	Anglo American Plc	4.3
Impala Platinum Holdings Ltd	4.2	Arcelormittal	3.4
JD Group Ltd	3.2	BP Plc	3.2
Lonmin Plc	3.2	Impala Platinum Holdings Ltd	3.1
Ichirizuka Master Fund	2.7	Microsoft Corp	3.1
Sun International Ltd	2.7	Arcelormittal South Africa Ltd	3.0
Tesco Plc	2.6	Ultra Petroleum Corp	2.9
Arcelormittal South Africa Limited	2.3	Lonmin Plc	2.7
Hosken Cons Investments Ltd	2.0	Sun International Ltd	2.5
<b>Total</b>	<b>34.6</b>	<b>Total</b>	<b>33.0</b>

## ASSET ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

### VALUE OF R100,000 INVESTED AT INCEPTION WITH ALL DISTRIBUTIONS REINVESTED



## ANNUALISED RETURNS TO END DECEMBER 2014

	Fund	Benchmark*
1 Year	0.5%	12.0%
3 Years	13.0%	11.8%
5 Years	11.9%	11.5%
Since Inception	15.2%	13.6%
Maximum Drawdown (Life of Fund)	-11.6%	0.0%

\* Returns in ZAR net of fees with distributions reinvested. Source: RECM Analyst.

## INVESTMENT COMMENT

Resources and other cyclical businesses feature strongly in our portfolio given these are the businesses out of favour, going through difficult times and thus trading at very low prices relative to what they are worth. Investors often ask us when the share prices, assuming we are correct about them being too low, will go up. Unfortunately we have no crystal ball which allows us to know this precise timing – and this is because prices are often, especially over the short term, driven by sentiment rather than rational logic. As investors, we can only position ourselves given the mispricing we have identified and then wait patiently for the market to recognise and correct this. One of our investment ideas in the resources sector was to purchase a company called Alumina in the aluminium sector. Alumina owns some of the world's best bauxite reserves – the raw material that is ultimately processed into aluminium. The aluminium price has been depressed because of lower global demand for the metal, overcapacity in the industry and high inventory levels built up during the global recession. Using the equilibrium price for aluminium, or the price at which most producers are making economic returns, we calculated that the fair value for Alumina was substantially higher than the price at the time. The same situation exists for platinum producers today, which is why we are invested in platinum stocks. However, in contrast to platinum share prices which remain low, Alumina's share price is up close to 50% since we invested in early 2014. As such, we have lightened our exposure to Alumina over the past month.

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# RECM EQUITY FUND (Class B)

Period ended 31 December 2014

# RECM

The RECM Equity Fund is a unit trust which invests exclusively in South African equities. The Fund's aim is to outperform the South African equity market over the long term by selecting shares based on a value philosophy. 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.

Portfolio Managers	Daniel Malan, Wilhelm Hertzog, Paul Whitburn
ASISA Sector	South Africa Equity General*
Inception Date (Class B)	2 March 2005
Total Fund Size	R429.0 million
Fund Size (Class B)	R91.9 million
Benchmark	FTSE/JSE All Share Index
Min. Investment	R150,000 initial investment

Initial Fee	No initial fee
Annual Fee	1.0% annual fee (excl. VAT)
Hurdle	FTSE/JSE All Share Index + 2.5% p.a.
Performance Fee	20% above hurdle subject to high watermark over rolling 5 years
Total Expense Ratio (1 Year)	1.19% for the period ending 31 December 2014
Total Expense Ratio (3 Years)	0.74% for the period ending 31 December 2014
Income Declarations	31 March & 30 September

## PORTFOLIO DETAIL

\*The RECM Equity Fund was classified as South Africa Equity General with effect from 28 February 2014. From inception in March 2005 to June 2009, the Fund was classified as South Africa Equity General and from June 2009 to February 2014 as South Africa Multi Asset Flexible.

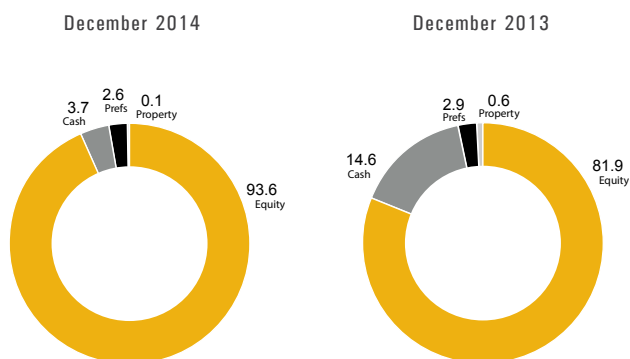
## FUND RISK PROFILE

LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH
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## TOP TEN HOLDINGS (%)

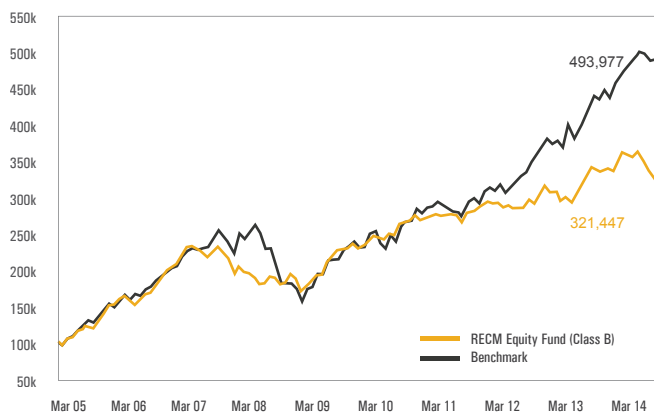
December 2014		December 2013	
Anglo Platinum Ltd	7.7	Anglo American Plc	7.3
Anglo American Plc	6.6	Anglo Platinum Ltd	6.6
Impala Platinum Holdings Ltd	6.1	Arcelormittal South Africa	5.2
Sun International Ltd	5.9	Impala Platinum Holdings Ltd	5.0
JD Group Ltd	5.1	Sun International Ltd	4.9
Lonmin Plc	4.6	Hosken Cons Investments Ltd	4.4
Arcelormittal South Africa Limited	4.0	Lonmin Plc	4.3
Standard Bank Group Ltd	3.5	Standard Bank Group Ltd	4.1
Aveng Ltd	3.4	JD Group Ltd	3.9
Hosken Cons Investments Ltd	3.1	Blue Label Telecoms Ltd	3.4
<b>Total</b>	<b>50.0</b>	<b>Total</b>	<b>49.1</b>

## ASSET ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

### VALUE OF R100,000 INVESTED AT INCEPTION WITH ALL DISTRIBUTIONS REINVESTED



## ANNUALISED RETURNS TO END DECEMBER 2014

	Fund	Benchmark
1 Year	-5.5%	10.9%
3 Years	4.1%	19.5%
5 Years	6.4%	15.8%
Since Inception	12.7%	17.8%
Maximum Drawdown (Life of Fund)	-27.1%	-40.4%

• Returns in ZAR net of fees with distributions reinvested. Source: RECM Analyst.

## INVESTMENT COMMENT

We currently calculate the overall weighted discount to fair value for the local equity stocks we hold to be approximately 30%. This means that the overall portfolio is trading at a price of 70 when it is worth 100. This implies more than 40% upside potential for the portfolio from the current prices if we are correct about this, and the market eventually re-prices these assets at fair value. The stocks in the South African market that we don't own we calculate to be 30% overvalued. This indicates that they are expensive – which implies the risk of permanent capital loss for investors holding these assets if the prices fall from current prices to fair value. The irony is that the market perceives the stocks we own to be risky, because they are going through difficult times, and the stocks we don't own to be safe because they have delivered good returns historically. However, as value investors we know that real risk is in the price you pay. The lower the price, the lower the expectations, the less the risk and the more upside from that point. The higher the price, the greater the expectations, the greater the risk and potential downside from that point. The only thing investors have any control over is the price they are willing to buy or sell an asset for. Fortunately it's the only thing that matters in the long run. We continue to buy assets trading at very low prices and avoid those that are expensive, even if that means going against the crowd and appearing foolish in the interim. We do this because we know this works to deliver real growth with protection against capital loss over time.

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Fax: +27 21 674 1088

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# RECM GLOBAL FEEDER FUND (Class A)

Period ended 31 December 2014

# RECM

The 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
ASISA Sector	Global Multi Asset Flexible
Inception Date	1 April 2007
Total Fund Size	R1.0 billion
Fund Size (Class A)	R380.0 million
Benchmark*	US CPI + 6% p.a. measured in ZAR
Min. Investment	R150,000 initial investment

Initial Fee	No initial fee
Annual Fee	0.25% annual fee (excl. VAT)
Total Expense Ratio	1.34% for the period ending 31 December 2014 (includes the RECM Global Fund fee)
Pricing Frequency	Daily
Income Declarations	None
Fund Status	Closed to retail investors

## PORTFOLIO DETAIL

\*The Fund's benchmark is US CPI + 6% p.a. measured in ZAR. Prior to 1 January 2014 the Fund's benchmark was the MSCI World Index TR measured in ZAR

## FUND RISK PROFILE

LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH
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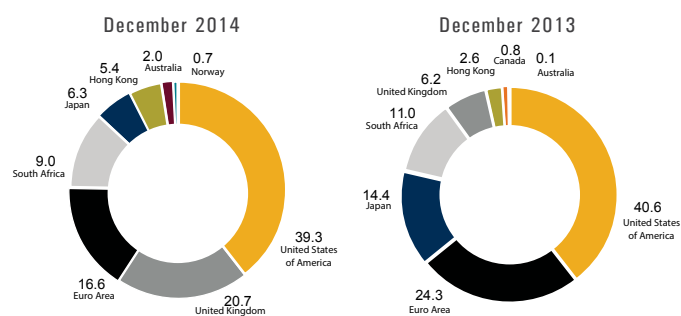
## TOP TEN HOLDINGS (%)

December 2014		December 2013	
Tesco Plc	5.6	Arcelormittal	5.6
Ichirizuka Master Fund	5.5	Ichirizuka Master Fund	5.3
BP Plc	4.6	BP Plc	4.6
Anglo Platinum Ltd	4.5	Ultra Petroleum Corp	4.4
Anglo American Plc	4.5	Intel Corp	4.2
Arcelormittal	4.4	Anglo Platinum Ltd	4.1
Inpex Corp	4.0	Microsoft Corp	3.2
Wm Morrison Supermarkets Plc	3.9	Impala Platinum Holdings Ltd	3.1
Ultra Petroleum Corp	3.4	Vivendi SA	2.9
Impala Platinum Holdings Ltd	3.4	Wells Fargo and Co	2.9
<b>Total</b>	<b>43.8</b>	<b>Total</b>	<b>40.3</b>

## ASSET ALLOCATION (%)

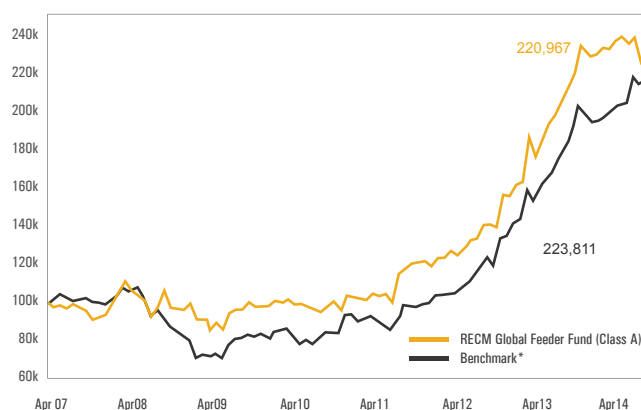
December 2014		December 2013	
Offshore Equity	64.5	Offshore Equity	66.6
Offshore Cash	25.8	Offshore Cash	21.2
SA Equity	8.5	SA Equity	10.8
Offshore Property	0.7	Offshore Property	1.2
SA Cash	0.5	SA Cash	0.2
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

## GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

### VALUE OF R100,000 INVESTED AT INCEPTION



## ANNUALISED RETURNS TO END DECEMBER 2014

	Fund	Benchmark*
1 Year	1.0%	19.2%
3 Years	22.3%	31.4%
5 Years	17.8%	21.4%
Since Inception	10.8%	11.0%
Maximum Drawdown (Life of Fund)	-22.8%	-33.7%

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

## INVESTMENT COMMENT

Resources and other cyclical businesses feature strongly in our portfolio given these are the businesses out of favour, going through difficult times and thus trading at very low prices relative to what they are worth. Investors often ask us when the share prices, assuming we are correct about them being too low, will go up. Unfortunately we have no crystal ball which allows us to know this precise timing – and this is because prices are often, especially over the short term, driven by sentiment rather than rational logic. As investors, we can only position ourselves given the mispricing we have identified and then wait patiently for the market to recognise and correct this. One of our investment ideas in the resources sector was to purchase a company called Alumina in the aluminium sector. Alumina owns some of the world's best bauxite reserves – the raw material that is ultimately processed into aluminium. The aluminium price has been depressed because of lower global demand for the metal, overcapacity in the industry and high inventory levels built up during the global recession. Using the equilibrium price for aluminium, or the price at which most producers are making economic returns, we calculated that the fair value for Alumina was substantially higher than the price at the time. The same situation exists for platinum producers today, which is why we are invested in platinum stocks. However, in contrast to platinum share prices which remain low, Alumina's share price is up close to 50% since we invested in early 2014. As such, we have lightened our exposure to Alumina over the past month.

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# PRESCIENT RECM GLOBAL FEEDER FUND (Class A)

Period ended 31 December 2014

# 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
ASISA Sector	Global Multi Asset Flexible
Inception Date (Class A)	24 July 2014
Total Fund Size	R37.0 million
Fund Size (Class A)	R11.3 million
Master Fund Size (RECM Global Fund)	US \$567.4 million
Benchmark	US CPI + 6% p.a. measured in ZAR

Min. Investment	R10,000 initial investment
Initial Fee	No initial fee
Annual Fee	0.25% annual fee (excl. VAT)
Total Expense Ratio	TBA (includes the RECM Global Fund fee)
Pricing Frequency	Daily
Income Declarations	None

## PORTFOLIO DETAIL

### FUND RISK PROFILE

LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH
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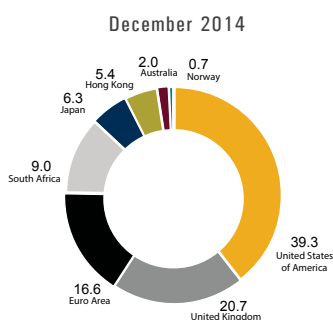
### TOP TEN HOLDINGS (%)

December 2014	
Tesco Plc	5.6
Ichirizuka Master Fund	5.5
BP Plc	4.6
Anglo Platinum Ltd	4.5
Anglo American Plc	4.5
Arcelormittal	4.4
Inpex Corp	4.0
Wm Morrison Supermarkets Plc	3.9
Ultra Petroleum Corp	3.4
Impala Platinum Holdings Ltd	3.4
<b>Total</b>	<b>43.8</b>

### ASSET ALLOCATION (%)

December 2014	
Offshore Equity	64.5
Offshore Cash	25.8
SA Equity	8.5
Offshore Property	0.7
SA Cash	0.5
<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	1.6%	6.4%
Oct '14	-4.1%	-2.0%
Nov '14	-1.1%	0.7%
Dec '14	-0.9%	4.3%
Since Inception	-5.1%	9.9%

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

### INVESTMENT COMMENT

Resources and other cyclical businesses feature strongly in our portfolio given these are the businesses out of favour, going through difficult times and thus trading at very low prices relative to what they are worth. Investors often ask us when the share prices, assuming we are correct about them being too low, will go up. Unfortunately we have no crystal ball which allows us to know this precise timing – and this is because prices are often, especially over the short term, driven by sentiment rather than rational logic. As investors, we can only position ourselves given the mispricing we have identified and then wait patiently for the market to recognise and correct this. One of our investment ideas in the resources sector was to purchase a company called Alumina in the aluminium sector. Alumina owns some of the world's best bauxite reserves – the raw material that is ultimately processed into aluminium. The aluminium price has been depressed because of lower global demand for the metal, overcapacity in the industry and high inventory levels built up during the global recession. Using the equilibrium price for aluminium, or the price at which most producers are making economic returns, we calculated that the fair value for Alumina was substantially higher than the price at the time. The same situation exists for platinum producers today, which is why we are invested in platinum stocks. However, in contrast to platinum share prices which remain low, Alumina's share price is up close to 50% since we invested in early 2014. As such, we have lightened our exposure to Alumina over the past month.

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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.

PRESCIENT

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# RECM GLOBAL EQUITY FEEDER FUND (Class A)

Period ended 31 December 2014

# RECM

The RECM Global Equity Feeder Fund is a Rand denominated fund that provides local investors with access to the RECM Global Equity Fund. The RECM Global Equity Fund is a US dollar denominated offshore fund which invests exclusively in Global Equities. It aims to generate better returns than the MSCI World All Countries TR Index over the long term by selecting shares based on a value philosophy. Investors in this fund would seek long term outperformance of the passive alternatives which are derived from our stock picking skills, rather than protection against short term market volatility. 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.

Portfolio Managers	Daniel Malan, Wilhelm Hertzog, Paul Whitburn
ASISA Sector	Global Equity General
Inception Date	1 August 2014
Total Fund Size	R902.1 thousand
Fund Size (Class A)	R884.1 thousand
Benchmark	MSCI World All Countries Total Return measured in ZAR
Min. Investment	R150,000 initial investment
Initial Fee	No initial fee

Annual Fee (Class A)	0.25% annual fee
Hurdle	MSCI World AC TR + 2.5% measured in ZAR
Performance Fee	20% above hurdle subject to high watermark since inception of the Fund
Total Expense Ratio	TBA (includes the RECM Global Equity Fund fee)
Pricing Frequency	Daily
Income Declarations	None

## PORTFOLIO DETAIL

### FUND RISK PROFILE

LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH
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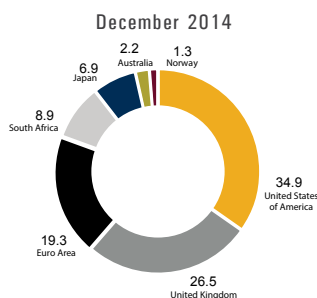
### TOP TEN HOLDINGS (%)

December 2014	
Ichirizuka Master Fund	8.7
Tesco Plc	7.8
Anglo American Plc	5.5
Anglo Platinum Ltd	5.4
BP Plc	5.3
Wm Morrison Supermarkets Plc	5.0
Arcelormittal	4.9
American Int'l Group	4.5
Ultra Petroleum Corp	4.2
Impala Platinum Holdings Ltd	4.1
<b>Total</b>	<b>55.4</b>

### ASSET ALLOCATION (%)

December 2014	
Equity	95.2
Cash	4.4
Property	0.4
<b>Total</b>	<b>100.0</b>

### GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

This Fund was launched on 1 August 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	1.6%	1.8%
Sep '14	-0.2%	2.4%
Oct '14	-7.7%	-1.6%
Nov '14	-0.9%	1.8%
Dec '14	-2.8%	1.7%
Since Inception	-9.8%	6.3%

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

### INVESTMENT COMMENT

Resources and other cyclical businesses feature strongly in our portfolio given these are the businesses out of favour, going through difficult times and thus trading at very low prices relative to what they are worth. Investors often ask us when the share prices, assuming we are correct about them being too low, will go up. Unfortunately we have no crystal ball which allows us to know this precise timing – and this is because prices are often, especially over the short term, driven by sentiment rather than rational logic. As investors, we can only position ourselves given the mispricing we have identified and then wait patiently for the market to recognise and correct this. One of our investment ideas in the resources sector was to purchase a company called Alumina in the aluminium sector. Alumina owns some of the world's best bauxite reserves – the raw material that is ultimately processed into aluminium. The aluminium price has been depressed because of lower global demand for the metal, overcapacity in the industry and high inventory levels built up during the global recession. Using the equilibrium price for aluminium, or the price at which most producers are making economic returns, we calculated that the fair value for Alumina was substantially higher than the price at the time. The same situation exists for platinum producers today, which is why we are invested in platinum stocks. However, in contrast to platinum share prices which remain low, Alumina's share price is up close to 50% since we invested in early 2014. As such, we have lightened our exposure to Alumina over the past month.

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# RECM GLOBAL FUND (Class A)

Period ended 31 December 2014

# RECM

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. The Offering Memorandum is available at [www.recm.co.za](http://www.recm.co.za).

Portfolio Managers	Daniel Malan, Wilhelm Hertzog, Paul Whitburn
ASISA Sector	Global Multi Asset Flexible
Fund Currency	US dollars
Inception Date	31 March 2006
Total Fund Size	US \$479.3 million
Fund Size (Class A)	US \$218.1 million
Benchmark*	US CPI + 6% p.a.
Min. Investment	US \$50,000 initial investment
Initial Fee	No initial fee
Annual Fee	1.0% annual fee

Hurdle	US CPI + 8% p.a.
Performance Fee	20% above hurdle subject to high watermark since inception of the Fund
Pricing Frequency	Daily
Total Expense Ratio	0.99% for the period ending 31 December 2014
Income Declarations	None
Domicile	Guernsey
ISIN Code	GB00B12W4642
SEDOL Code	B12W464

## PORTFOLIO DETAIL

\*The Fund's benchmark is US CPI + 6% p.a. and the performance fee hurdle is US CPI + 8% p.a. Prior to 1 January 2014, the Fund's benchmark and performance fee hurdle was the MSCI World Index TR and the MSCI World Index TR + 2.5% respectively.

## FUND RISK PROFILE

LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH
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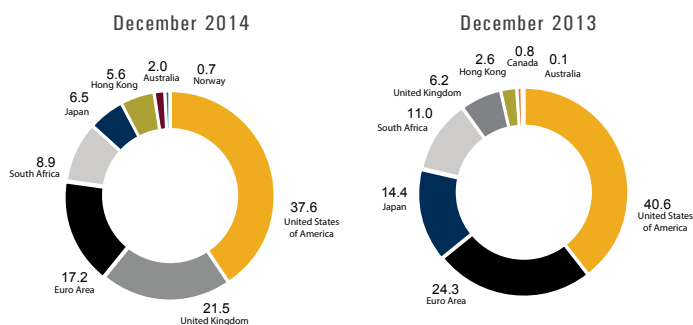
## TOP TEN HOLDINGS (%)

December 2014		December 2013	
Tesco Plc	5.8	Arcelormittal	5.6
Ichirizuka Master Fund	5.7	Ichirizuka Master Fund	5.3
BP Plc	4.7	BP Plc	4.6
Anglo Platinum Ltd	4.6	Ultra Petroleum Corp	4.4
Anglo American Plc	4.6	Intel Corp	4.2
Arcelormittal	4.6	Anglo Platinum Ltd	4.1
Inpex Corp	4.1	Microsoft Corp	3.2
Wm Morrison Supermarkets Plc	4.1	Impala Platinum Holdings Ltd	3.1
Ultra Petroleum Corp	3.5	Vivendi SA	2.9
Impala Platinum Holdings Ltd	3.5	Wells Fargo and Co	2.9
<b>Total</b>	<b>45.2</b>	<b>Total</b>	<b>40.3</b>

## ASSET ALLOCATION (%)

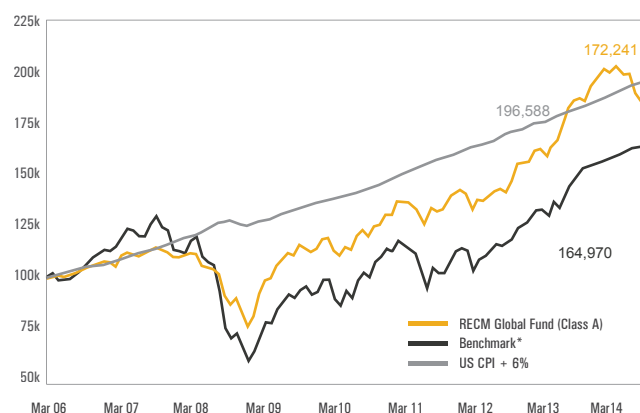
December 2014		December 2013	
Equity	75.6	Equity	77.5
Cash	23.7	Cash	21.3
Property	0.7	Property	1.2
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

## GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

### VALUE OF US \$100,000 INVESTED AT INCEPTION



### ANNUALISED RETURNS TO END DECEMBER 2014

	Fund	Benchmark*	US CPI + 6%
1 Year	-8.5%	7.8%	7.7%
3 Years	8.8%	16.9%	7.6%
5 Years	8.3%	11.3%	7.9%
Since Inception	6.4%	5.9%	8.0%
Maximum Drawdown (Life of Fund)	-33.1%	-53.7%	0.0%

\* Returns are in USD net of fees. Source: RECM Analyst, Bloomberg.

## INVESTMENT COMMENT

Resources and other cyclical businesses feature strongly in our portfolio given these are the businesses out of favour, going through difficult times and thus trading at very low prices relative to what they are worth. Investors often ask us when the share prices, assuming we are correct about them being too low, will go up. Unfortunately we have no crystal ball which allows us to know this precise timing – and this is because prices are often, especially over the short term, driven by sentiment rather than rational logic. As investors, we can only position ourselves given the mispricing we have identified and then wait patiently for the market to recognise and correct this. One of our investment ideas in the resources sector was to purchase a company called Alumina in the aluminium sector. Alumina owns some of the world's best bauxite reserves – the raw material that is ultimately processed into aluminium. The aluminium price has been depressed because of lower global demand for the metal, overcapacity in the industry and high inventory levels built up during the global recession. Using the equilibrium price for aluminium, or the price at which most producers are making economic returns, we calculated that the fair value for Alumina was substantially higher than the price at the time. The same situation exists for platinum producers today, which is why we are invested in platinum stocks. However, in contrast to platinum share prices which remain low, Alumina's share price is up close to 50% since we invested in early 2014. As such, we have lightened our exposure to Alumina over the past month.

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# RECM GLOBAL EQUITY FUND (Class A)

Period ended 31 December 2014

# RECM

The RECM Global Equity Fund is a US dollar denominated offshore fund which invests exclusively in Global Equities. It aims to generate better returns than the MSCI World All Countries TR Index over the long term by selecting shares based on a value philosophy. Investors in this fund would seek long term outperformance of the passive alternatives which are derived from our stock picking skills, rather than protection against short term market volatility. 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.

Portfolio Managers	Daniel Malan, Wilhelm Hertzog, Paul Whitburn
ASISA Sector	Global Equity General
Fund Currency	US dollars
Inception Date (Class A)	2 January 2014
Total Fund Size	US \$63.7 million
Fund Size (Class A)	US \$2.6 million
Benchmark	MSCI World All Countries Total Return
Min. Investment	US \$50,000 initial investment
Initial Fee	No initial fee

Annual Fee (Class A)	1.0% annual fee
Hurdle	MSCI World AC TR + 2.5%
Performance Fee	20% above hurdle subject to high watermark since inception of the Fund
Total Expense Ratio (Annualised)	1.10% for the period ending 31 December 2014
Pricing Frequency	Daily
Domicile	Guernsey
Income Declarations	None
ISIN Code	GG00BH650F49
SEDOL Code	BH650F4 GG

## PORTFOLIO DETAIL

### FUND RISK PROFILE

LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH
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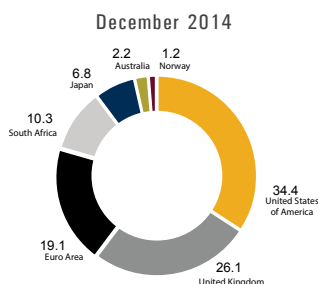
### TOP TEN HOLDINGS (%)

December 2014	
Ichirizuka Master Fund	8.7
Tesco Plc	7.8
Anglo American Plc	5.5
Anglo Platinum Ltd	5.4
BP Plc	5.3
Wm Morrison Supermarkets Plc	5.0
Arcelormittal	4.9
American Int'l Group	4.5
Ultra Petroleum Corp	4.2
Impala Platinum Holdings Ltd	4.1
<b>Total</b>	<b>55.4</b>

### ASSET ALLOCATION (%)

December 2014	
Equity	95.2
Cash	4.4
Property	0.4
<b>Total</b>	<b>100.0</b>

### GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

This Fund Class was launched on 2 January 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
Jan '14	-1.8%	-4.0%
Feb '14	4.7%	4.8%
Mar '14	2.4%	0.4%
Apr '14	1.0%	1.0%
May '14	-1.0%	2.1%
Jun '14	1.0%	1.9%
Jul '14	-1.9%	-1.2%
Aug '14	0.3%	2.2%
Sep '14	-5.8%	-3.2%
Oct '14	-3.3%	0.7%
Nov '14	-2.6%	1.7%
Dec '14	-5.6%	-1.9%
Since Inception	-12.4%	4.2%

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

## INVESTMENT COMMENT

Resources and other cyclical businesses feature strongly in our portfolio given these are the businesses out of favour, going through difficult times and thus trading at very low prices relative to what they are worth. Investors often ask us when the share prices, assuming we are correct about them being too low, will go up. Unfortunately we have no crystal ball which allows us to know this precise timing – and this is because prices are often, especially over the short term, driven by sentiment rather than rational logic. As investors, we can only position ourselves given the mispricing we have identified and then wait patiently for the market to recognise and correct this. One of our investment ideas in the resources sector was to purchase a company called Alumina in the aluminium sector. Alumina owns some of the world's best bauxite reserves – the raw material that is ultimately processed into aluminium. The aluminium price has been depressed because of lower global demand for the metal, overcapacity in the industry and high inventory levels built up during the global recession. Using the equilibrium price for aluminium, or the price at which most producers are making economic returns, we calculated that the fair value for Alumina was substantially higher than the price at the time. The same situation exists for platinum producers today, which is why we are invested in platinum stocks. However, in contrast to platinum share prices which remain low, Alumina's share price is up close to 50% since we invested in early 2014. As such, we have lightened our exposure to Alumina over the past month.

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