

# RECM GLOBAL FLEXIBLE FUND (Class C)

Period ended 31 August 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	1 June 2005
Total Fund Size	R2.2 billion
Fund Size (Class C)	R478.0 million
Benchmark*	SA CPI + 6% p.a.
Min. Investment	R150,000 initial investment

Initial Fee	No initial fee
Annual Fee	1.5% 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)	4.29%
Total Expense Ratio (3 Years)	3.29%
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.

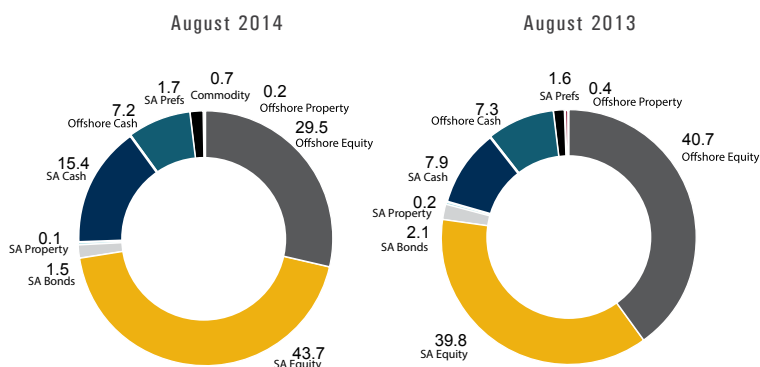
## FUND RISK PROFILE

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

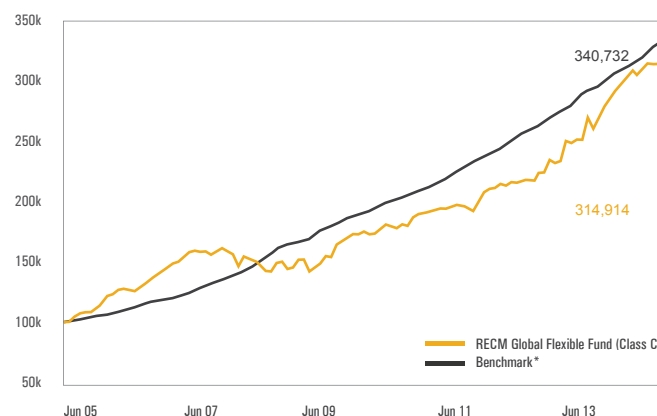
August 2014		August 2013	
Anglo American Platinum Ltd	5.7	Anglo American Platinum Ltd	6.5
Anglo American Plc	5.6	Anglo American Plc	5.6
Impala Platinum Holdings Ltd	4.0	Carrefour SA	3.8
Arcelormittal South Africa	3.2	Microsoft Corp	3.6
Sun International Ltd	2.8	Impala Platinum Holdings Ltd	3.5
Lonmin Plc	2.5	Lonmin Plc	3.2
BP Plc	2.2	Arcelormittal South Africa	3.1
Ichirizuka Master Fund	2.1	BP Plc	2.5
Arcelormittal	2.0	Sun International Ltd	2.5
JD Group Ltd	2.0	Ultra Petroleum Corp	2.2
<b>Total</b>	<b>32.1</b>	<b>Total</b>	<b>36.5</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 AUGUST 2014

	Fund	Benchmark*
1 Year	13.2%	13.0%
3 Years	17.7%	12.5%
5 Years	13.2%	12.0%
Since Inception	13.2%	14.2%
Maximum Drawdown (Life of Fund)	-12.0%	0.0%

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

## INVESTMENT COMMENT

An increased number of announcements regarding significant job cuts in South Africa, collectively numbering in the thousands, does not bode well for the consumer and consumer sector, which is already struggling to cope with high debt levels and inflation. Reported results present mixed signals, with the likes of Shoprite and Massmart coming in below expectations, and Truworths and Cashbuild above expectations. Despite downward pressure on many retailers' share prices due to negative sentiment regarding the health of the consumer, many of these businesses are not yet trading at prices significantly below intrinsic value. Thus the exposure we have to SA retailers is low, with nearly three quarters of it in JD Group – a turnaround thesis under the stewardship of Steinhoff presenting a lucrative prospective investment return profile.

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**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. Forward pricing is used. Funds are valued daily at 15h00. Instructions must reach RECM before 14h00 to ensure same day value. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Different classes of units apply to these portfolios and are subject to different fees and charges. Unit trust prices are calculated on a net asset value basis, defined as the total market value of all assets in the unit portfolio including any income accruals and less any permissible deductions (brokerage, uncapitalised securities tax, VAT, auditors' fees, bank charges, custodian fees, trustee fees, annual management fee and performance fees) from the portfolio divided by the number of units in issue. These portfolios may be closed. 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. The RECM Global Flexible Fund Class C has a Total Expense Ratio of 4.29%. For the period from 1 July 2013 to 30 June 2014, 4.29% of the average Net Asset Value of the portfolio was incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of future TER's. Inclusive of the TER of 4.29%, a performance fee of 2.52% of the Net Asset Value of the class of participatory interest in the portfolio was recovered.

# RECM EQUITY FUND (Class D)

Period ended 31 August 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 D)	19 January 2009
Total Fund Size	R449.4 million
Fund Size (Class D)	R37.4 million
Benchmark	FTSE/JSE All Share Index
Min. Investment	R150,000 initial investment

Initial Fee	No initial fee
Annual Fee	1.5% 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)	1.45%
Total Expense Ratio (3 Years)	1.29%
Income Declarations	31 March & 30 September

## PORTFOLIO DETAIL

\*The RECM Equity Fund was classified as a fully invested equity mandate with effect from 28 February 2014. From inception in March 2005 to June 2009, the Fund was classified as a fully invested equity mandate and from June 2009 to February 2014 as a flexible mandate.

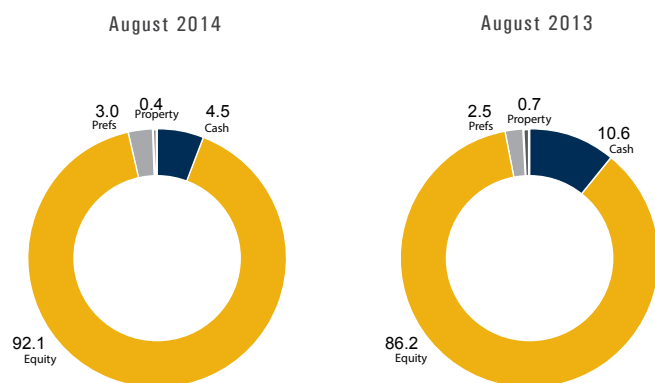
## FUND RISK PROFILE

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

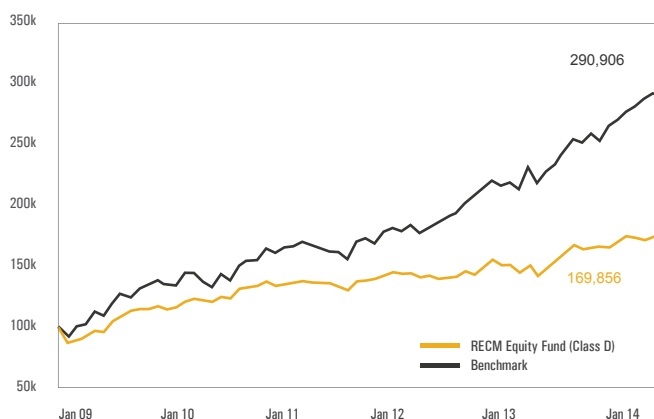
August 2014		August 2013	
Anglo American Platinum Ltd	7.5	Anglo American Platinum Ltd	9.1
Anglo American Plc	7.2	Anglo American Plc	7.8
Arcelormittal South Africa	6.2	Hosken Cons Investments Ltd	5.7
Sun International Ltd	5.9	Lonmin Plc	5.7
Impala Platinum Holdings Ltd	5.3	Impala Platinum Holdings Ltd	5.3
JD Group Ltd	4.3	Arcelormittal South Africa	5.2
Lonmin Plc	3.8	Sun International Ltd	4.9
Hosken Cons Investments Ltd	3.6	Standard Bank Group Ltd	3.8
Standard Bank Group Ltd	3.6	JD Group Ltd	3.5
Aveng Ltd	3.2	Blue Label Telecoms Ltd	3.5
<b>Total</b>	<b>50.6</b>	<b>Total</b>	<b>54.5</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 AUGUST 2014

	Fund	Benchmark
1 Year	10.2%	24.5%
3 Years	8.3%	21.7%
5 Years	9.2%	18.7%
Since Inception	10.0%	21.1%
Maximum Drawdown (Life of Fund)	-13%	-10%

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

## INVESTMENT COMMENT

An increased number of announcements regarding significant job cuts in South Africa, collectively numbering in the thousands, does not bode well for the consumer and consumer sector, which is already struggling to cope with high debt levels and inflation. Reported results present mixed signals, with the likes of Shoprite and Massmart coming in below expectations, and Truworths and Cashbuild above expectations. Despite downward pressure on many retailers' share prices due to negative sentiment regarding the health of the consumer, many of these businesses are not yet trading at prices significantly below intrinsic value. Thus the exposure we have to SA retailers is low, with nearly three quarters of it in JD Group – a turnaround thesis under the stewardship of Steinhoff presenting a lucrative prospective investment return profile.

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# RECM GLOBAL FEEDER FUND (Class C)

Period ended 31 August 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	17 February 2009
Total Fund Size	R1.2 billion
Fund Size (Class C)	R239.2 million
Benchmark*	US CPI + 6% p.a. measured in ZAR
Min. Investment	R150,000 initial investment

Initial Fee	No initial fee
Annual Fee	0.75% annual fee (excl. VAT)
Total Expense Ratio	1.99% (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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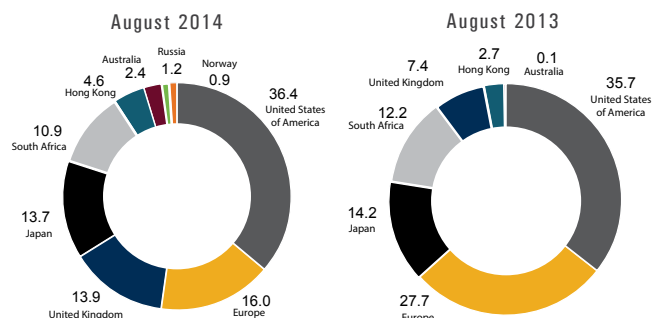
## TOP TEN HOLDINGS (%)

August 2014		August 2013	
BP Plc	4.9	Anglo American Platinum Ltd	5.8
Arcelormittal	4.8	Ichirizuka Master Fund	5.1
Ichirizuka Master Fund	4.4	Carrefour SA	4.9
Anglo American Platinum Ltd	4.2	Microsoft Corp	4.8
Ultra Petroleum Corp	4.0	Arcelormittal	4.3
WM Morrison Supermarkets	3.9	Ultra Petroleum Corp	3.9
Inpex Corp	3.3	Intel Corp	3.7
Impala Platinum Holdings Ltd	3.0	Impala Platinum Holdings Ltd	3.2
Anglo American Plc	3.0	Sonae	3.2
American International Group	2.6	BP Plc	3.1
<b>Total</b>	<b>38.1</b>	<b>Total</b>	<b>42.0</b>

## ASSET ALLOCATION (%)

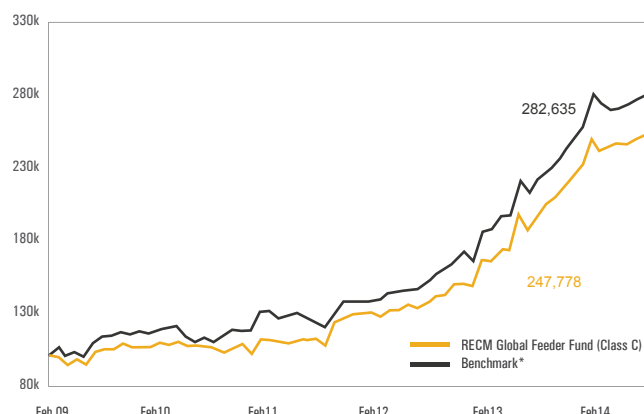
August 2014		August 2013	
Offshore Equity	62.3	Offshore Equity	74.0
Offshore Cash	26.2	Offshore Cash	12.1
SA Equity	7.7	SA Equity	10.3
SA Cash	3.2	SA Cash	2.0
Offshore Property	0.5	Offshore Property	1.6
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

## GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

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



## ANNUALISED RETURNS TO END AUGUST 2014

	Fund	Benchmark*
1 Year	21.2%	24.6%
3 Years	32.1%	33.0%
5 Years	18.8%	20.0%
Since Inception	17.9%	20.8%
Maximum Drawdown (Life of Fund)	-7.5%	-9.2%

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

## INVESTMENT COMMENT

One of the new ideas in our global portfolios this year is Alumina, one of the largest aluminium refiners globally with a 15% share of global capacity. The aluminium sector was until recently plagued by over-capacity, high inventory levels and subdued demand. This has resulted in the entire sector derating substantially, reaching levels below the previous trough of 2008/2009. Alumina has a good quality bauxite resource base in Australia and cheap energy prices in Saudi Arabia allow the business to be very competitive globally. Industry capacity has been removed by the likes of Alcoa and it seems inventory stocks are declining due to an increase in demand. The global automotive market is slowly substituting its steel vehicle bodies for aluminium in order to save weight and increase fuel efficiency, creating a market that could potentially be very large for these producers. The Fund also owns Norsk Hydro, an integrated aluminium producer.

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# RECM GLOBAL FUND (Class B)

Period ended 31 August 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
Fund Sector	Global Multi-Asset Flexible
Fund Currency	US dollars
Inception Date	14 December 2010
Total Fund Size	US \$562.3 million
Fund Size (Class B)	US \$91.2 million
Benchmark*	US CPI + 6% p.a.
Min. Investment	US \$50,000 initial investment
Initial Fee	No initial fee
Annual Fee	1.5% 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	1.57%
Income Declarations	None
Domicile	Guernsey
ISIN Code	GB00B64VG915
SEDOL Code	B64VG91

## 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 + 2.5% respectively.

## FUND RISK PROFILE

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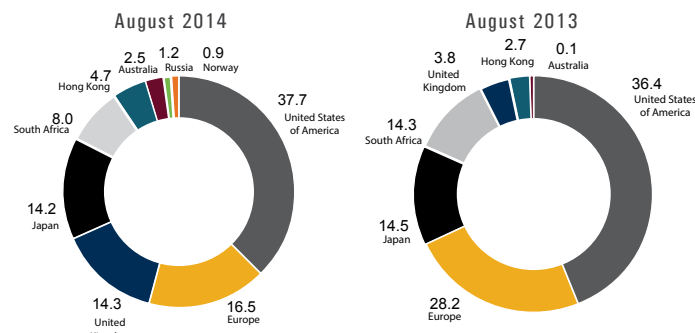
## TOP TEN HOLDINGS (%)

August 2014		August 2013	
BP Plc	5.1	Anglo American Platinum Ltd	5.9
Arcelormittal	5.0	Ichirizuka Master Fund	5.2
Ichirizuka Master Fund	4.6	Carrefour SA	5.0
Anglo American Platinum Ltd	4.3	Microsoft Corp	4.9
Ultra Petroleum Corp	4.1	Arcelor Mittal	4.4
WM Morrison Supermarkets	4.0	Ultra Petroleum	3.9
Inpex Corp	3.5	Intel Corp	3.8
Impala Platinum Holdings Ltd	3.1	Impala Platinum Holdings Ltd	3.3
Anglo American Plc	3.1	Sonae	3.2
American International Group	2.7	BP Plc	3.2
<b>Total</b>	<b>39.5</b>	<b>Total</b>	<b>42.8</b>

## ASSET ALLOCATION (%)

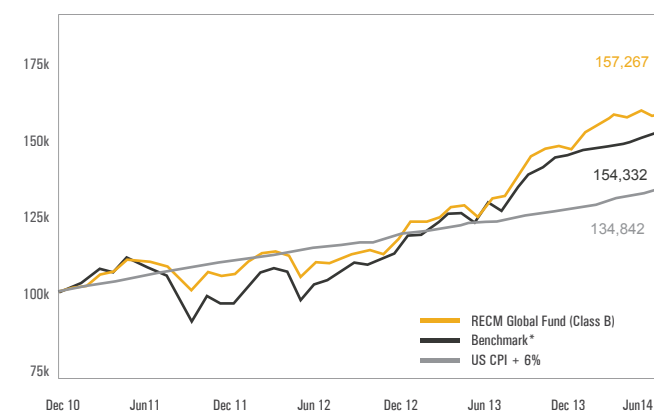
August 2014		August 2013	
Equity	72.4	Equity	86.0
Cash	27.1	Cash	12.4
Property	0.6	Property	1.6
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

## GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

### VALUE OF US \$100,000 INVESTED AT INCEPTION WITH ALL DISTRIBUTIONS REINVESTED



## ANNUALISED RETURNS TO END AUGUST 2014

	Fund	Benchmark*	US CPI + 6%
1 Year	19.0%	20.0%	8.1%
3 Years	14.7%	11.0%	7.8%
Since Inception	13.0%	12.4%	8.3%
Maximum Drawdown (Life of Fund)	-10.4%	-19.4%	0.0%

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

## INVESTMENT COMMENT

One of the new ideas in our global portfolios this year is Alumina, one of the largest aluminium refiners globally with a 15% share of global capacity. The aluminium sector was until recently plagued by over-capacity, high inventory levels and subdued demand. This has resulted in the entire sector derating substantially, reaching levels below the previous trough of 2008/2009. Alumina has a good quality bauxite resource base in Australia and cheap energy prices in Saudi Arabia allow the business to be very competitive globally. Industry capacity has been removed by the likes of Alcoa and it seems inventory stocks are declining due to an increase in demand. The global automotive market is slowly substituting its steel vehicle bodies for aluminium in order to save weight and increase fuel efficiency, creating a market that could potentially be very large for these producers. The Fund also owns Norsk Hydro, an integrated aluminium producer.

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A MEMBER OF THE ASSOCIATION FOR SAVINGS & INVESTMENT SA

# RECM GLOBAL EQUITY FUND (Class B)

Period ended 31 August 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	Annual Fee (Class B)	1.5% annual fee
Fund Sector	Global Equity General	Hurdle Rate	MSCI World AC TR + 2.5%
Fund Currency	US dollars	Performance Fee	20% above hurdle subject to high watermark since inception of the Fund
Inception Date	1 January 2014	Total Expense Ratio	1.91%
Total Fund Size	US \$82.7 million	Pricing Frequency	Daily
Fund Size (Class B)	US \$104.7 thousand	Domicile	Guernsey
Benchmark	MSCI World All Countries Total Return	Income Declarations	None
Min. Investment	US \$50,000 initial investment	ISIN Code	GG00BH65QX21
Initial Fee	No initial fee	SEDOL Code	BH65QX2 GG

## PORTFOLIO DETAIL

### FUND RISK PROFILE

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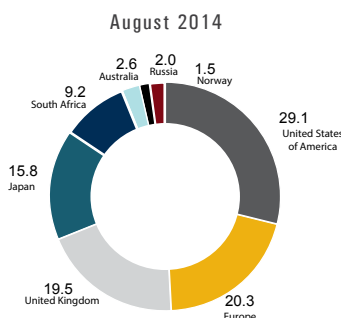
### TOP TEN HOLDINGS (%)

August 2014	
Ichirizuka Master Fund	6.2
BP Plc	5.8
Arcelormittal	5.2
Ultra Petroleum Corp	5.2
WM Morrison Supermarkets	5.0
Anglo American Platinum Ltd	4.8
Anglo American Plc	4.2
Inpex Corp	3.8
Impala Platinum Holdings Ltd	3.7
Wells Fargo & Co	3.6
<b>Total</b>	<b>47.5</b>

### ASSET ALLOCATION (%)

August 2014	
Equity	94.8
Cash	4.9
Property	0.3
<b>Total</b>	<b>100.0</b>

### GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

This Fund was launched on 1 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	-0.7%	2.1%
Jun '14	1.0%	1.9%
Jul '14	-2.0%	-1.2%
Aug '14	0.2%	2.2%
Since Inception	4.7%	7.2%

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

## INVESTMENT COMMENT

One of the new ideas in our global portfolios this year is Alumina, one of the largest aluminium refiners globally with a 15% share of global capacity. The aluminium sector was until recently plagued by over-capacity, high inventory levels and subdued demand. This has resulted in the entire sector derating substantially, reaching levels below the previous trough of 2008/2009. Alumina has a good quality bauxite resource base in Australia and cheap energy prices in Saudi Arabia allow the business to be very competitive globally. Industry capacity has been removed by the likes of Alcoa and it seems inventory stocks are declining due to an increase in demand. The global automotive market is slowly substituting its steel vehicle bodies for aluminium in order to save weight and increase fuel efficiency, creating a market that could potentially be very large for these producers. The Fund also owns Norsk Hydro, an integrated aluminium producer.

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**Disclaimer:** Collective Investment Schemes in Securities are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Collective investments are traded at ruling prices. The manager may borrow up to 10% of the net asset value of the portfolio where insufficient liquidity exists. A schedule of fees and charges and maximum commissions is available from the company/ scheme. Commission and incentives may be paid and if so, would be included in the overall costs. The quantifiable deduction is the annual management fee (and performance fee), whilst non-quantifiable fees included in the net asset value price may comprise brokerage, auditor's fees, bank charges, UST, trustee and custodian fees. Collective investment prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Forward pricing is used. Fund valuations take place at 23h00 Guernsey time on the business day immediately preceding each dealing day. Withdrawal requests and contributions must be received by the Administrators by 15h30 Guernsey time on the business day preceding each dealing day. The Management Company is RECM Global Management Limited. The Custodian is Royal Bank of Canada (Channel Islands) Limited and the Administrators are Kleinwort Benson (Channel Islands) Fund Services Limited. This fact sheet should be read in conjunction with the "Schedule of Similarities and Differences" available on the website. RECM Collective Investments (Pty) Ltd is a member of the Association for Savings and Investment SA (ASISA).