

# RECM GLOBAL FLEXIBLE FUND (Class C)

Period ended 28 February 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	R2.0 billion
Fund Size (Class C)	R763.3 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)	5.92%
Total Expense Ratio (5 Years)	3.31%
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.

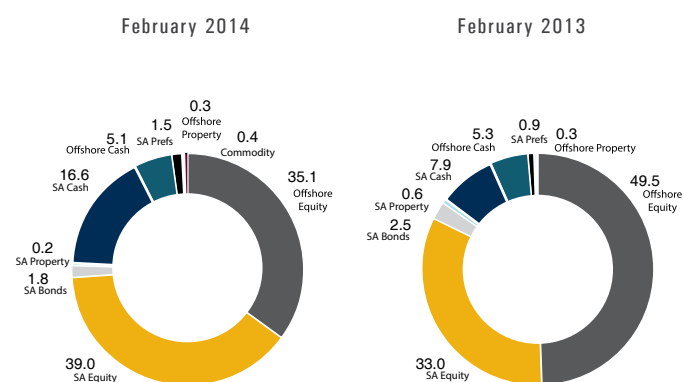
## FUND RISK PROFILE

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

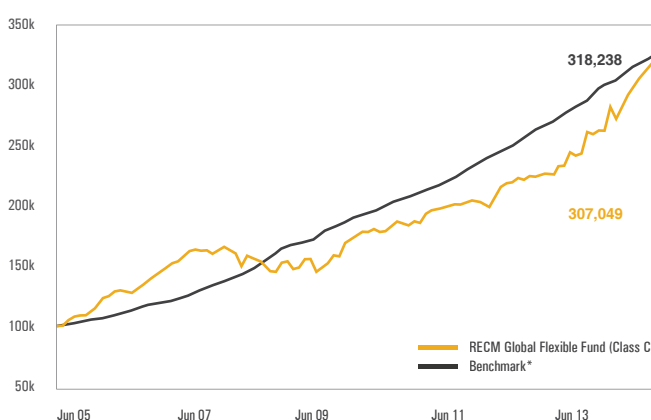
February 2014	February 2013		
Amplats	5.3	Carrefour	6.8
Anglo American	4.9	Amplats	4.9
Ultra Petroleum	3.7	Sun International	4.6
BP	3.3	Anglo American	3.6
Arcelor Mittal SA	3.1	Microsoft	3.4
Arcelor Mittal	2.9	Dell	3.4
Impala Platinum	2.8	Lonmin	3.2
Microsoft	2.8	Berkshire Hathaway	3.1
Lonmin	2.6	BP	2.6
Inpex	2.4	HCI	2.4
<b>Total</b>	<b>33.9</b>	<b>Total</b>	<b>38.0</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 FEBRUARY 2014

	Fund	Benchmark*
1 Year	22.9%	13.4%
3 Years	16.3%	13.5%
5 Years	16.5%	13.2%
Since Inception	13.7%	14.1%
Maximum Drawdown (Life of Fund)	-12.0%	0.0%

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

## INVESTMENT COMMENT

JD Group recently announced a larger than expected rights issue, underwritten fully by parent company Steinhoff. In our valuation models and scenario thinking we allowed for a potential rights issue and with JD Group trading near tangible asset value at record low multiples and a responsible parent company in Steinhoff, we intend following our rights. Our assessment is that this is a fantastic investment opportunity on a long term basis, offering a deep discount to fair value. We also bought shares in a new investment idea offshore recently, being Norsk Hydro. Norsk Hydro is a fully-integrated low-cost global aluminium producer with a best-in-class balance sheet. The business cycle is super-low in this industry right now, with the aluminium price trading at record lows relative to production cost. A semi-permanent competitive advantage for this business is its access to cheaper electricity due to owning its own hydro-electricity generating capacity covering half of its energy requirements.

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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, uncertificated 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. RE-CM 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 5.92%. For the period from 1 January 2012 to 31 December 2013, 5.92% 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 5.92%, a performance fee of 3.99% of the Net Asset Value of the class of participatory interest in the portfolio was recovered.

# RECM EQUITY FUND (Class D)

Period ended 28 February 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	19 January 2009
Total Fund Size	R433.6 million
Fund Size	R32.6 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 Rate	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%
Total Expense Ratio (5 Years)	1.06%
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.

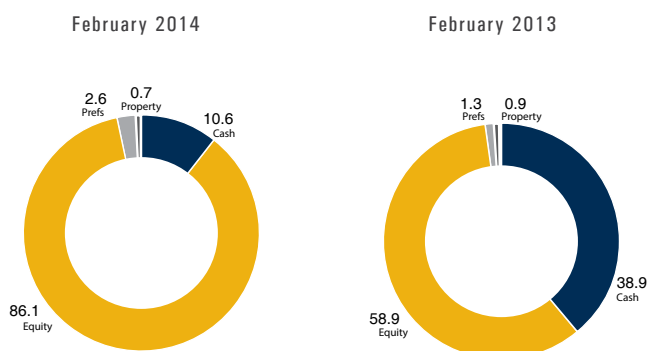
## FUND RISK PROFILE

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

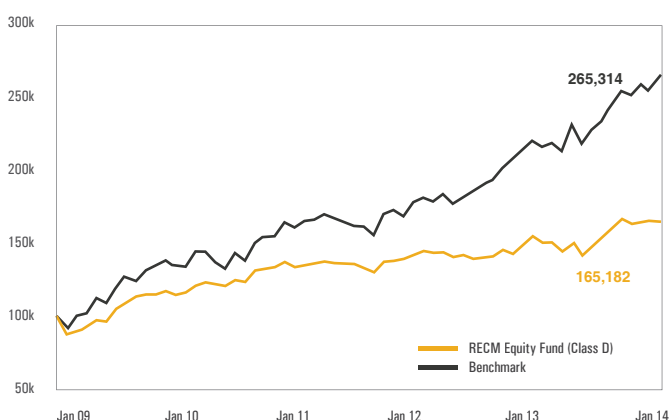
February 2014	February 2013
Anglo American	Sun International
Amplats	Amplats
Arcelor Mittal SA	Anglo American
Sun International	HCI
Impala Platinum	Lonmin
Lonmin	Arcelor Mittal SA
HCI	JD Group
Standard Bank	Impala Platinum
Blue Label Telecoms	Sasol
JD Group	Peregrine
<b>Total</b>	<b>Total</b>

## ASSET ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

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



## ANNUALISED RETURNS TO END FEBRUARY 2014

	Fund	Benchmark
1 Year	10.0%	22.8%
3 Years	7.2%	17.1%
5 Years	13.6%	24.1%
Since Inception	10.4%	21.2%
Maximum Drawdown (Life of Fund)	-13%	-10%

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

## INVESTMENT COMMENT

JD Group recently announced a larger than expected rights issue, underwritten fully by parent company Steinhoff. In our valuation models and scenario thinking we allowed for a potential rights issue, but not to the size they've decided on. This development is especially interesting if viewed in combination with a) the ongoing business deterioration at African Bank-owned Ellerines and b) the escalation in bad debts at Lewis that operates with a decentralized community based collections business model. With JD Group trading near tangible asset value at record low multiples and a responsible parent company in Steinhoff, we intend following our rights. Our assessment is that this is a fantastic investment opportunity on a long term basis, offering a deep discount to fair value. Steinhoff appears to have implemented a meaningful operational turnaround and JD Group should now be very well positioned in the sector, especially relative to Ellerines.

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# RECM GLOBAL FEEDER FUND (Class C)

Period ended 28 February 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	R1.1 billion
Fund Size (Class C)	R527.4 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 Year)	1.52% (includes the RECM Global Fund fee)
Total Expense Ratio (5 Years)	1.41%
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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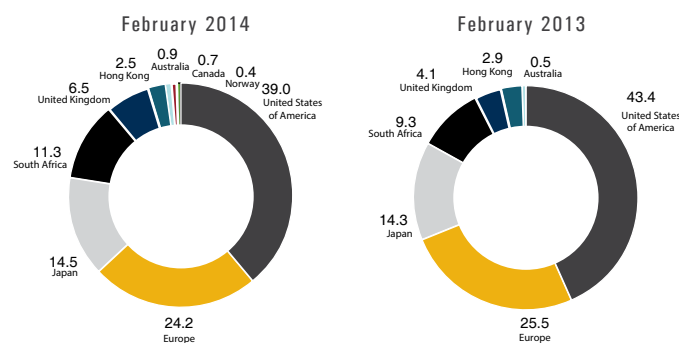
## TOP TEN HOLDINGS (%)

February 2014		February 2013	
Ichirizuka Master Fund	5.4	Carrefour	6.3
Ultra Petroleum	5.0	Microsoft	5.4
Arcelor Mittal	4.8	Ichirizuka Master Fund	5.0
BP	4.7	Amplats	3.6
Amplats	4.6	Berkshire Hathaway	3.6
Intel	3.7	Intel	3.6
Microsoft	3.2	Dell	3.4
Vivendi	2.9	BP	3.3
Wells Fargo	2.9	NTT Docomo	3.2
NTT Docomo	2.9	Ultra Petroleum	3.1
<b>Total</b>	<b>40.1</b>	<b>Total</b>	<b>40.5</b>

## ASSET ALLOCATION (%)

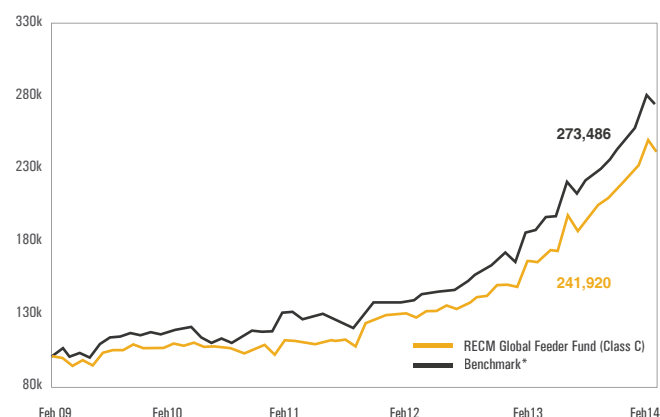
February 2014		February 2013	
Equity	78.4	Equity	86.6
Cash	20.4	Cash	12.3
Property	1.2	Property	1.1
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

## GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

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



## ANNUALISED RETURNS TO END FEBRUARY 2014

	Fund	Benchmark*
1 Year	46.4%	46.0%
3 Years	29.5%	27.7%
Since Inception	19.3%	22.3%
Maximum Drawdown (Life of Fund)	-7.5%	-9.2%

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

## INVESTMENT COMMENT

During February, we continued with our buying program of Inpex and introduced two new investment ideas, being Norsk Hydro and Semapa. Norsk Hydro is a fully-integrated low-cost global aluminium producer with a best-in-class balance sheet. The business cycle is super-low in this industry right now, with the aluminium price trading at record lows relative to production cost. A semi-permanent competitive advantage for this business is its access to cheaper electricity due to owning its own hydro-electricity generating capacity covering half of its energy requirements. Semapa is a family owned (49%) industrial conglomerate listed in Portugal with an 81% stake in listed company Portucel and 100% of a diversified cement business, Secil. Portucel makes up the bulk of the intrinsic value and is a highly admired paper and packaging business in Europe with a favourable position on the cost curve.

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# RECM GLOBAL FUND (Class B)

Period ended 28 February 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 Currency	US dollars
Inception Date	14 December 2010
Total Fund Size	US \$527.2 million
Fund Size (Class B)	US \$66.0 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 over rolling 5 years
Pricing Frequency	Daily
Total Expense Ratio (1 Year)	1.05%
Income Declarations	None
Domicile	Guernsey
ISIN Code	GB00B64VG915
SEDOL Code	B64VG91

## PORTFOLIO DETAIL

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

## FUND RISK PROFILE

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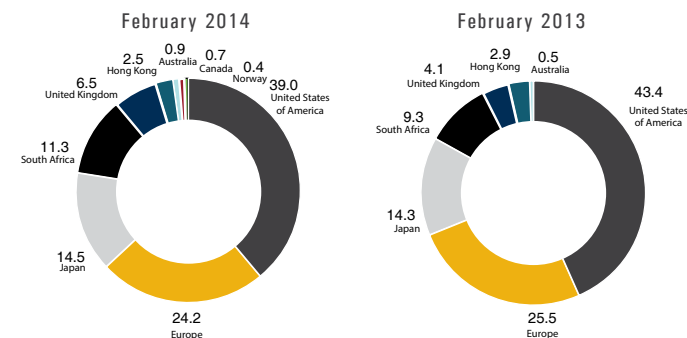
## TOP TEN HOLDINGS (%)

February 2014		February 2013	
Ichirizuka Master Fund	5.4	Carrefour	6.3
Ultra Petroleum	5.0	Microsoft	5.4
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BP	4.7	Amplats	3.6
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Intel	3.7	Intel	3.6
Microsoft	3.2	Dell	3.4
Vivendi	2.9	BP	3.3
Wells Fargo	2.9	NTT Docomo	3.2
NTT Docomo	2.9	Ultra Petroleum	3.1
<b>Total</b>	<b>40.1</b>	<b>Total</b>	<b>40.5</b>

## ASSET ALLOCATION (%)

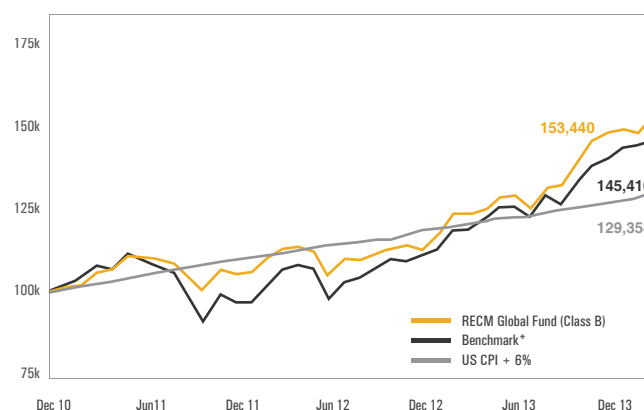
February 2014		February 2013	
Equity	78.4	Equity	86.6
Cash	20.4	Cash	12.3
Property	1.2	Property	1.1
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

## GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

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



## ANNUALISED RETURNS TO END FEBRUARY 2014

	Fund	Benchmark*	US CPI + 6%
1 Year	24.5%	22.5%	7.5%
3 Years	13.2%	10.5%	8.1%
Since Inception	14.3%	12.4%	8.2%
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

During February, we continued with our buying program of Inpex and introduced two new investment ideas, being Norsk Hydro and Semapa. Norsk Hydro is a fully-integrated low-cost global aluminium producer with a best-in-class balance sheet. The business cycle is super-low in this industry right now, with the aluminium price trading at record lows relative to production cost. A semi-permanent competitive advantage for this business is its access to cheaper electricity due to owning its own hydro-electricity generating capacity covering half of its energy requirements. Semapa is a family owned (49%) industrial conglomerate listed in Portugal with an 81% stake in listed company Portucel and 100% of a diversified cement business, Secil. Portucel makes up the bulk of the intrinsic value and is a highly admired paper and packaging business in Europe with a favourable position on the cost curve.

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A MEMBER OF THE ASSOCIATION FOR SAVINGS & INVESTMENT SA