

# RECM GLOBAL FLEXIBLE FUND (Class C)

Period ended 31 May 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	R2.1billion
Fund Size (Class C)	R840.2 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)	5.06%
Total Expense Ratio (3 Years)	3.87%
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.

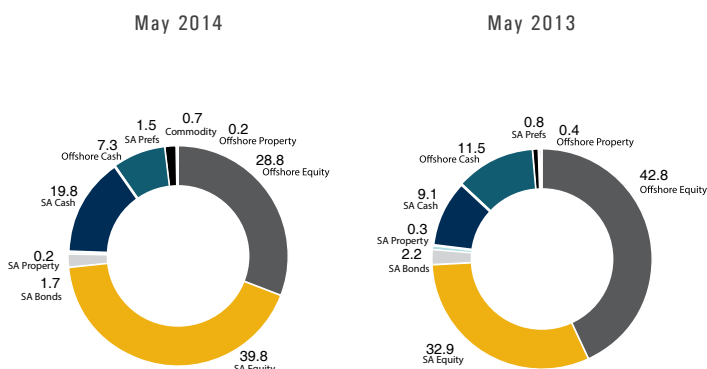
## FUND RISK PROFILE

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

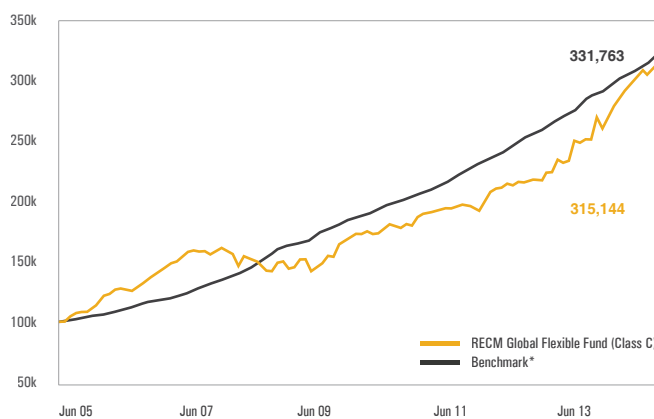
May 2014		May 2013	
Anglo American Platinum Ltd	5.8	Anglo American Platinum Ltd	4.7
Anglo American Plc	5.0	Microsoft Corp	4.2
Impala Platinum Holdings Ltd	3.5	Carrefour SA	3.8
Arcelormittal South Africa	2.8	Anglo American Plc	3.4
Sun International Ltd	2.5	Lonmin Plc	3.0
Lonmin Plc	2.3	Arcelormittal South Africa	3.0
Hosken Cons Investments Ltd	2.1	Sun International Ltd	2.9
BP Plc	2.0	BP Plc	2.7
Arcelormittal	2.0	Ultra Petroleum Corp	2.6
JD Group Ltd	1.9	Impala Platinum Holdings Ltd	2.4
<b>Total</b>	<b>29.9</b>	<b>Total</b>	<b>32.7</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 MAY 2014

	Fund	Benchmark*
1 Year	16.3%	13.3%
3 Years	16.7%	13.2%
5 Years	15.2%	12.6%
Since Inception	13.6%	14.3%
Maximum Drawdown (Life of Fund)	-12.0%	0.0%

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

## INVESTMENT COMMENT

In May we allocated fund capital to investment ideas Astrapak, Astral Foods and Stefanutti Stocks, while raising capital from partial sales of Merafe, Blue Label Telecommunications, Iliad and Grand Parade. All the businesses on the selling side of our ledger had delivered strong price advancements ahead of their fundamental business value gains over the past year, thereby significantly reducing their respective margins of safety. No fund positions were closed out completely during May. An important development in the gambling & hotel industries was formally announced during May, involving an asset restructuring between four major industry participants; Tsogo, Sun International, HCI and Grand Parade. This is particularly relevant because these four businesses cumulatively represent a significant investment exposure in the fund. To briefly summarize, a matter of material uncertainty was resolved around a 2nd casino license being based in the Cape Town metropole and the future of GrandWest casino, a key and highly profitable asset in the Sun International stable. In the process Grand Parade have exited their gambling interests entirely for what appears to be approximately fair value and they now have the capital to pursue aggressive growth with their Burger King expansions.

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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 & 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 5.06%. For the period from 1 April 2013 to 31 March 2014, 5.06% 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 5.06%, a performance fee of 3.14% of the Net Asset Value of the class of participatory interest in the portfolio was recovered.

# RECM EQUITY FUND (Class D)

Period ended 31 May 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	R453.7 million
Fund Size (Class D)	R32.3 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)	1.32%
Total Expense Ratio (3 Years)	1.23%
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.

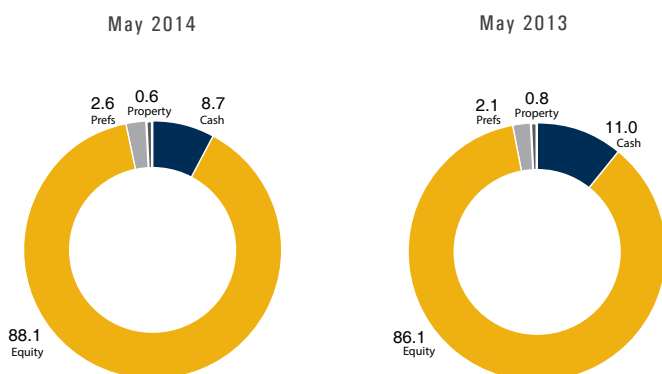
## FUND RISK PROFILE

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

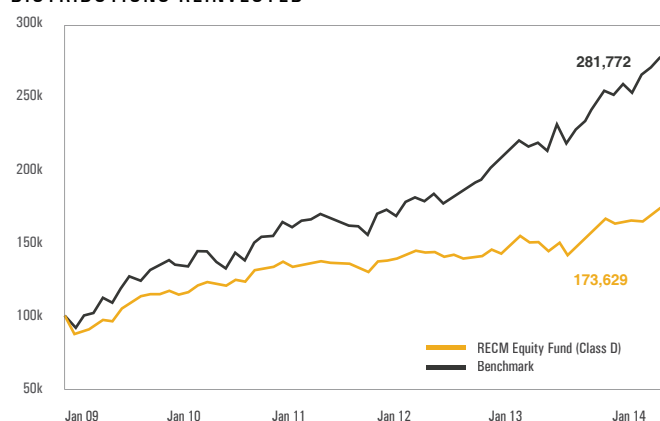
May 2014		May 2013	
Anglo American Platinum Ltd	7.5	Anglo American Platinum Ltd	6.8
Anglo American Plc	6.9	Anglo American Plc	6.0
Impala Platinum Holdings Ltd	5.6	Sun International Ltd	5.9
Sun International Ltd	5.5	Hosken Cons Investments Ltd	5.8
Arcelormittal South Africa	4.9	Lonmin Plc	5.7
Standard Bank Group Ltd	4.4	Arcelormittal South Africa	5.6
Hosken Cons Investments Ltd	4.3	Impala Platinum Holdings Ltd	4.2
JD Group Ltd	3.7	Sasol Ltd	3.8
Lonmin Plc	3.6	Standard Bank Group Ltd	3.8
Sasol Ltd	2.8	JD Group Ltd	3.6
<b>Total</b>	<b>49.2</b>	<b>Total</b>	<b>51.2</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 MAY 2014

	Fund	Benchmark
1 Year	18.4%	21.8%
3 Years	8.4%	18.7%
5 Years	12.4%	20.2%
Since Inception	10.9%	21.4%
Maximum Drawdown (Life of Fund)	-13%	-10%

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

## INVESTMENT COMMENT

In May, we allocated fund capital to investment ideas Astrapak, Astral Foods and Stefanutti Stocks, while raising capital from partial sales of Merafe, Blue Label Telecommunications, Iliad and Grand Parade. All the businesses on the selling side of our ledger had delivered strong price advancements ahead of their fundamental business value gains over the past year, thereby significantly reducing their respective margins of safety. One of the more interesting investments in the fund's current portfolio is that of JD Group. To recap: following a long period of business decline the controlling shareholder, Steinhoff, stepped in with a comprehensive turnaround package. In the process they've replaced the CEO, reshuffled the Board, bought out another 30-odd percent of the minorities and provided strategic financing and operational support to see the business through its turnaround. We elected not to sell the fund's JD Group shares to Steinhoff, for two key reasons; the primary one being that JD Group is significantly undervalued, and the secondary one being that we cannot think of a more credible turnaround expert than Steinhoff with significant skin in the game to take up the baton to fix what was still not working perfectly at JD Group. Part of the financing arranged by Steinhoff involves the equity recapitalisation of JD Group with a R1bn underwritten rights offer at R25 per share. We kept cash aside for this expected development and will be following the fund's rights.

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# RECM GLOBAL FEEDER FUND (Class C)

Period ended 31 May 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)	R558.1 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	1.58% (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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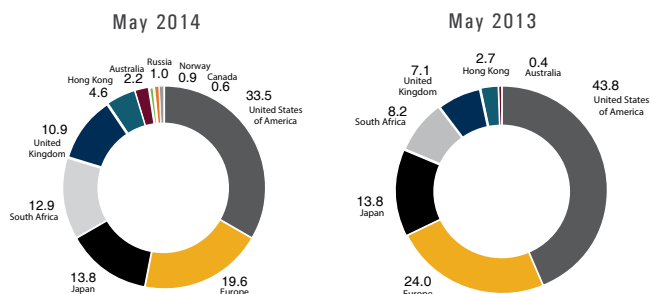
## TOP TEN HOLDINGS (%)

May 2014		May 2013	
BP Plc	4.6	Microsoft Corp	6.3
Ichirizuka Master Fund	4.6	Ichirizuka Master Fund	5.2
Arcelormittal	4.4	Carrefour SA	4.6
Anglo American Platinum Ltd	4.1	Ultra Petroleum Corp	4.3
Ultra Petroleum Corp	4.1	Intel Corp	4.1
Inpex Corp	3.4	Anglo American Platinum Ltd	3.5
Microsoft Corp	3.1	Arcelormittal	3.5
Intel Corp	3.1	BP Plc	3.3
Wellpoint Inc	2.8	Sonae	2.9
Anglo American Plc	2.7	Wellpoint	2.9
<b>Total</b>	<b>36.9</b>	<b>Total</b>	<b>40.6</b>

## ASSET ALLOCATION (%)

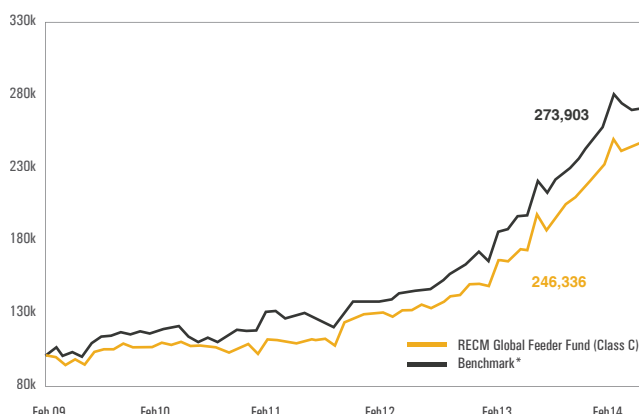
May 2014		May 2013	
Offshore Equity	63.7	Offshore Equity	72.8
Offshore Cash	22.7	Offshore Cash	17.5
SA Equity	7.1	SA Equity	7.8
SA Cash	5.8	Offshore Property	1.4
Offshore Property	0.7	SA Cash	0.4
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

## GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

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



## ANNUALISED RETURNS TO END MAY 2014

	Fund	Benchmark*
1 Year	24.8%	23.8%
3 Years	29.8%	28.3%
5 Years	20.2%	21.6%
Since Inception	18.7%	21.2%
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

In May we allocated fund capital to existing holdings BP, Alumina, Morrison and Inpex, and raised fund capital from partial sales of existing positions in Orange, Tokyo Gas, OPAP, Amgen and a position we labelled the 'pharma basket' (a grouping of 15 pharmaceutical businesses that cumulatively represented a top 10 fund holding until recently). Most of the businesses on the selling side of our ledger had delivered strong price advancements ahead of their fundamental business value gains over the past year, thereby significantly reducing their respective margins of safety. No fund positions were closed out completely during May.

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# RECM GLOBAL FUND (Class B)

Period ended 31 May 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 \$552.5 million
Fund Size (Class B)	US \$79.6 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	1.31%
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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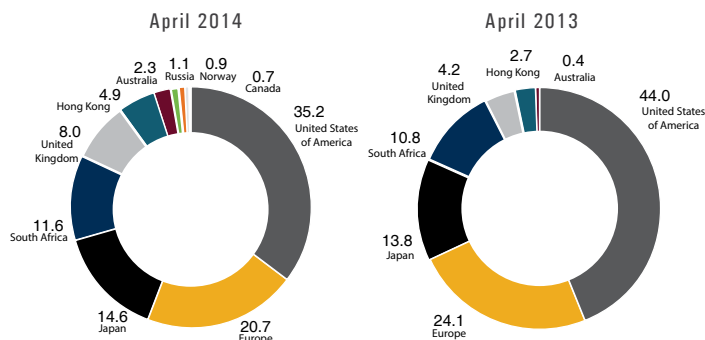
## TOP TEN HOLDINGS (%)

May 2014		May 2013	
BP Plc	4.9	Microsoft Corp	6.3
Ichirizuka Master Fund	4.9	Ichirizuka Master Fund	5.2
Arcelormittal	4.6	Carrefour	4.6
Anglo American Platinum Ltd	4.3	Ultra Petroleum Corp	4.3
Ultra Petroleum Corp	4.3	Intel Corp	4.1
Inpex Corp	3.6	Anglo American Platinum Ltd	4.1
Microsoft Corp	3.3	Arcelormittal	3.5
Intel Corp	3.3	BP Plc	3.3
Wellpoint Inc	2.9	Sonae	2.9
Anglo American Plc	2.9	Wellpoint Inc	2.9
<b>Total</b>	<b>39.0</b>	<b>Total</b>	<b>41.2</b>

## ASSET ALLOCATION (%)

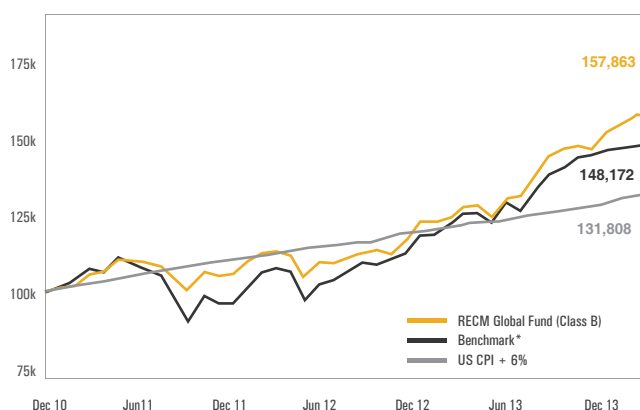
May 2014		May 2013	
Equity	74.7	Equity	81.0
Cash	24.6	Cash	17.6
Property	0.7	Property	1.4
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

## 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 MAY 2014

	Fund	Benchmark*	US CPI + 6%
1 Year	22.4%	18.0%	7.5%
3 Years	12.6%	10.7%	7.9%
Since Inception	14.1%	12.0%	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

In May we allocated fund capital to existing holdings BP, Alumina, Morrison and Inpex, and raised fund capital from partial sales of existing positions in Orange, Tokyo Gas, OPAP, Amgen and a position we labelled the 'pharma basket' (a grouping of 15 pharmaceutical businesses that cumulatively represented a top 10 fund holding until recently). Most of the businesses on the selling side of our ledger had delivered strong price advancements ahead of their fundamental business value gains over the past year, thereby significantly reducing their respective margins of safety. No fund positions were closed out completely during May.

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# RECM GLOBAL EQUITY FUND (Class B)

Period ended 31 May 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
Sector	Global Equity	Hurdle Rate	MSCI World AC TR + 2.5%
Fund Currency	US dollars	Performance Fee	20% above hurdle subject to high watermark over rolling 5 years
Inception Date	1 January 2014	Pricing Frequency	Daily
Total Fund Size	US \$94.1 million	Domicile	Guernsey
Fund Size (Class B)	US \$105.5 thousand	Income Declarations	None
Benchmark	MSCI World All Countries Total Return	ISIN Code	GG00BH65QX21
Min. Investment	US \$50,000 initial investment	SEDOL Code	BH65QX2 GG
Initial Fee	No initial fee		

## PORTFOLIO DETAIL

### FUND RISK PROFILE

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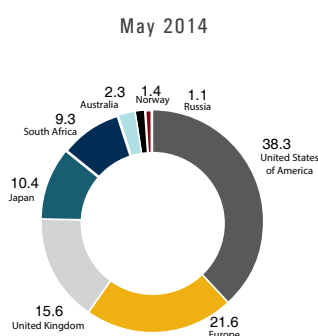
### TOP TEN HOLDINGS (%)

May 2014	
Arcelormittal	5.4
BP Plc	5.4
Ultra Petroleum Corp	5.3
Anglo American Platinum Ltd	4.9
Intel Corp	4.5
Anglo American Plc	3.9
Microsoft Corp	3.9
Inpex Corp	3.7
Impala Platinum Holdings Ltd	3.6
Wells Fargo & Co	3.5
<b>Total</b>	<b>44.1</b>

### ASSET ALLOCATION (%)

May 2014	
Equity	89.1
Cash	10.5
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 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	Jan '14	Feb '14	Mar '14	Apr '14	May '14	Jun '14
Fund	-1.8%	4.6%	2.4%	1.0%	-0.7%	-
Benchmark	-4.0%	4.8%	0.4%	1.0%	2.1%	-

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

## INVESTMENT COMMENT

In May we allocated fund capital to existing holdings BP, Alumina, Morrison and Inpex. We raised fund capital from partial sales of existing positions in Orange, Tokyo Gas, OPAP, Amgen and a position we labelled the 'pharma basket' (a grouping of 15 pharmaceutical businesses that cumulatively represented a top 10 fund holding until recently). Most of the businesses on the selling side of our ledger had delivered strong price advancements ahead of their fundamental business value gains over the past year, thereby significantly reducing their respective margins of safety. No fund positions were closed out completely during May.

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