RECM EQUITY FUND (Class B)

Period ended 31 January 2015

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	R367.0 million
Fund Size (Class B)	R91.3 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

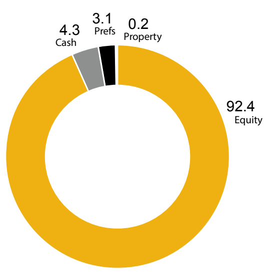
LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH

TOP TEN HOLDINGS (%)

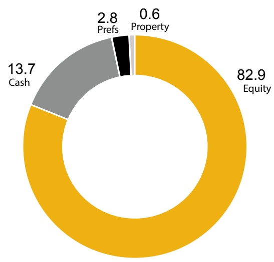
January 2015		January 2014	
Anglo Platinum Ltd	7.6	Anglo American Plc	8.3
JD Group Ltd	6.3	Anglo Platinum Ltd	7.5
Anglo American Plc	5.8	Arcelormittal South Africa	5.4
Impala Platinum Holdings Ltd	5.8	Sun International Ltd	5.0
Sun International Ltd	4.2	Impala Platinum Holdings Ltd	4.7
Iliad Africa Ltd	4.0	Lonmin Plc	4.5
Lonmin Plc	4.0	Hosken Cons Investments Ltd	4.3
Standard Bank Group Ltd	3.9	JD Group Ltd	3.8
Arcelormittal South Africa Limited	3.7	Standard Bank Group Ltd	3.7
Aveng Ltd	3.3	Blue Label	3.4
Total	48.6	Total	50.6

ASSET ALLOCATION (%)

January 2015

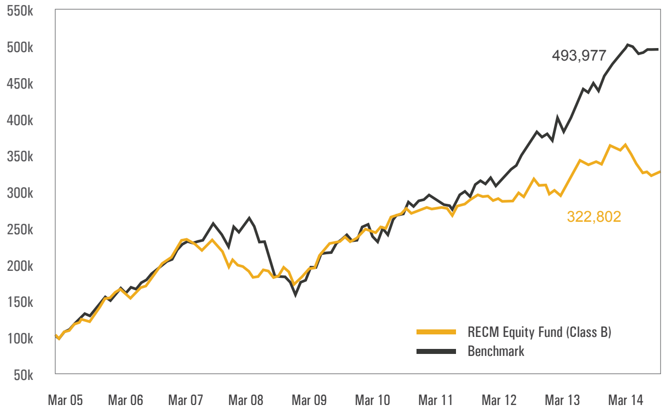


January 2014



PERFORMANCE NET OF ALL FEES AND EXPENSES

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



ANNUALISED RETURNS TO END JANUARY 2015

	Fund	Benchmark
1 Year	-7.1%	17.1%
3 Years	2.8%	18.5%
5 Years	6.7%	17.3%
Since Inception	12.5%	18.0%
Maximum Drawdown (Life of Fund)	-27.1%	-40.4%

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

INVESTMENT COMMENT

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

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

Tel: +27 21 657 3440 **Fax**: +27 21 674 1088 **Email**: info@recm.co.za **Website**: www.recm.co.za