

RECM EQUITY FUND (Class B)

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 | 2 March 2005 |
| Total Fund Size | R453.7 million |
| Fund Size (Class B) | R112.9 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 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) | 0.77% |
| Total Expense Ratio (3 Years) | 0.62% |
| 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.

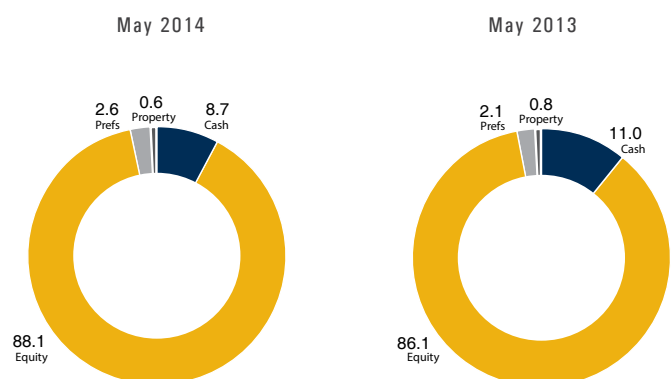
FUND RISK PROFILE

| | | | | |
|-----|--------------|----------|---------------|------|
| LOW | LOW-MODERATE | MODERATE | MODERATE-HIGH | HIGH |
|-----|--------------|----------|---------------|------|

TOP TEN HOLDINGS (%)

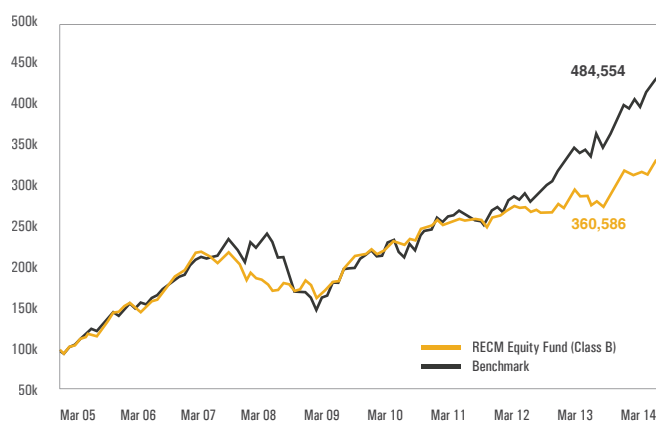
| May 2014 | | May 2013 | |
|------------------------------|-------------|------------------------------|-------------|
| Anglo American Platinum Ltd | 7.5 | Anglo American Platinum Ltd | 6.8 |
| Anglo American Plc | 6.9 | Anglo American Plc | 6.0 |
| Impala Platinum Holdings Ltd | 5.6 | Sun International 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 |
| Total | 49.2 | Total | 51.2 |

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 | 19.1% | 21.8% |
| 3 Years | 9.3% | 18.7% |
| 5 Years | 13.4% | 20.2% |
| Since Inception | 15.0% | 18.8% |
| Maximum Drawdown (Life of Fund) | -27.1% | -40.4% |

• 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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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. 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 Equity Fund Class B has a Total Expense Ratio of 0.77%. For the period from 1 April 2013 to 31 March 2014, 0.77% 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 0.77%, a performance fee of 0.0% of the Net Asset Value of the class of participatory interest in the portfolio was recovered.

A MEMBER OF THE ASSOCIATION FOR SAVINGS & INVESTMENT SA