

# RECM EQUITY FUND (Class D)

Period ended 30 April 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	R458.8 million
Fund Size	R34.3 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.

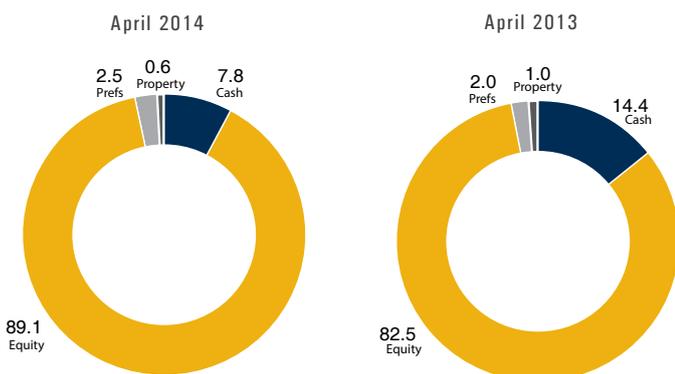
## FUND RISK PROFILE

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

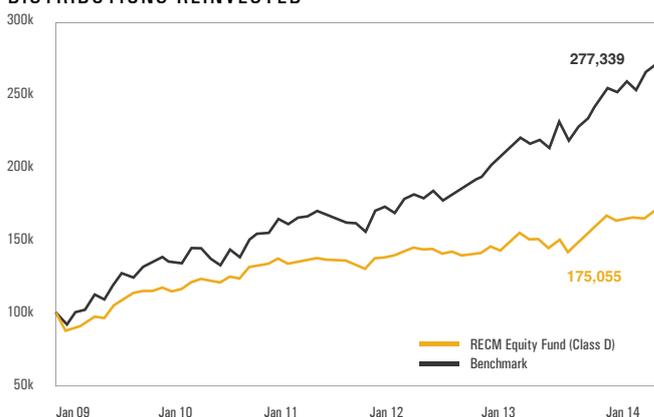
April 2014		April 2013	
Anglo American Platinum Ltd	8.1	Sun International Ltd	6.4
Anglo American Plc	7.1	Anglo American Platinum Ltd	6.2
Impala Platinum Holdings Ltd	5.9	Hosken Cons Investments Ltd	5.6
Sun International Ltd	5.3	Anglo American Plc	5.3
Arcelormittal South Africa	5.1	Lonmin Plc	4.3
Standard Bank Group Ltd	4.2	Impala Platinum Holdings Ltd	4.1
Hosken Cons Investments Ltd	3.9	Arcelormittal South Africa	4.0
Lonmin Plc	3.9	Standard Bank Group Ltd	3.8
JD Group Ltd	3.8	Sasol Ltd	3.2
Blue Label Telecoms Ltd	2.8	JD Group Ltd	3.2
<b>Total</b>	<b>50.1</b>	<b>Total</b>	<b>46.1</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 APRIL 2014

	Fund	Benchmark
1 Year	21.4%	30.1%
3 Years	8.4%	17.8%
5 Years	13.7%	22.2%
Since Inception	11.3%	21.4%
Maximum Drawdown (Life of Fund)	-13%	-10%

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

## INVESTMENT COMMENT

A key aspect of our investment thesis in platinum counters is that reduced supply (capacity closure) meets increasing demand (nascent European and US economic recovery), leading to a metal supply/demand shortfall and a related platinum price recovery. After two years it's still relatively early days in terms of this thesis, but so far, we have seen reduced supply via a combination of mine closures (permanent and semi-permanent i.e. mothballed), bankruptcy or near-bankruptcy of smaller firms and lengthy strike action. On the demand side the data supports the beginning of an economic recovery in Europe and the USA and an upturn in vehicle sales. The PGM (platinum-group metals) basket price has moved up nicely, but almost all of the price strength has been in palladium and rhodium, which leaves us somewhat puzzled as to the lagging price behaviour of platinum itself. What many casual observers don't realize is that palladium and rhodium are quite significant revenue and profit contributors to our investee companies. Our best thinking at this point in time is that it is taking a bit longer than we thought for excess platinum inventories to be worked through the system between primary producers, converters, end users and recyclers. Despite the ongoing strike and the lagging platinum price, the share prices of our investee companies have responded positively and strongly.

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