

# 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.

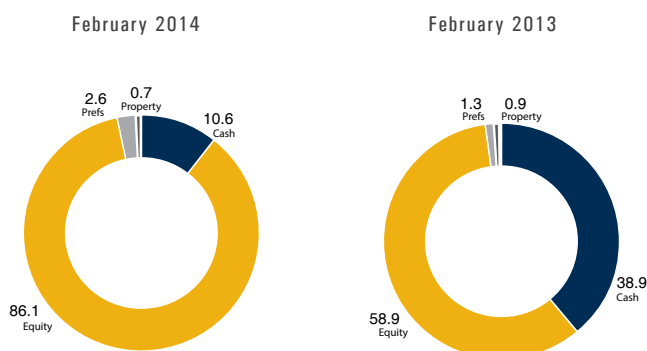
## FUND RISK PROFILE

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

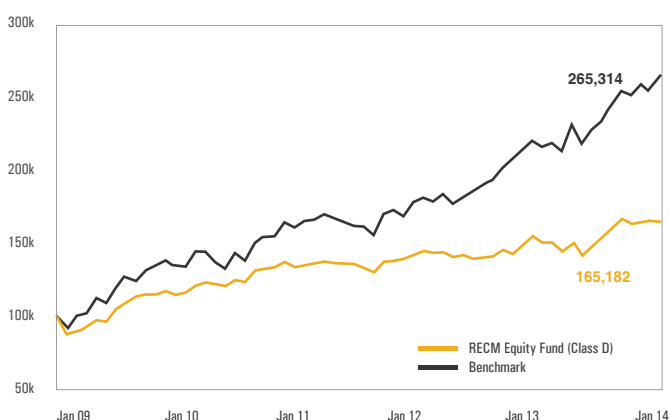
February 2014	February 2013
Anglo American	Sun International
Amplats	Amplats
Arcelor Mittal SA	Anglo American
Sun International	HCI
Impala Platinum	Lonmin
Lonmin	Arcelor Mittal SA
HCI	JD Group
Standard Bank	Impala Platinum
Blue Label Telecoms	Sasol
JD Group	Peregrine
<b>Total</b>	<b>Total</b>

## 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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**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 1.19%. For the period from 1 January 2012 to 31 December 2013, 1.19% 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 1.19%, a performance fee of 0.0% of the Net Asset Value of the class of participatory interest in the portfolio was recovered.