

# RECM EQUITY FUND (Class D)

Period ended 31 October 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 (Class D)	19 January 2009
Total Fund Size	R400.6 million
Fund Size (Class D)	R35.0 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	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)	1.60% for the period ending 30 September 2014
Total Expense Ratio (3 Years)	1.34% for the period ending 30 September 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.

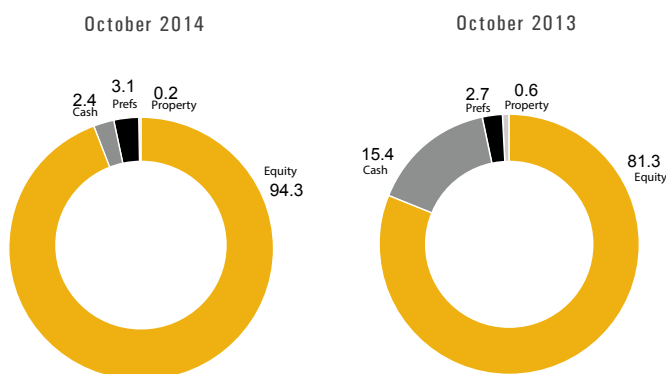
## FUND RISK PROFILE

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

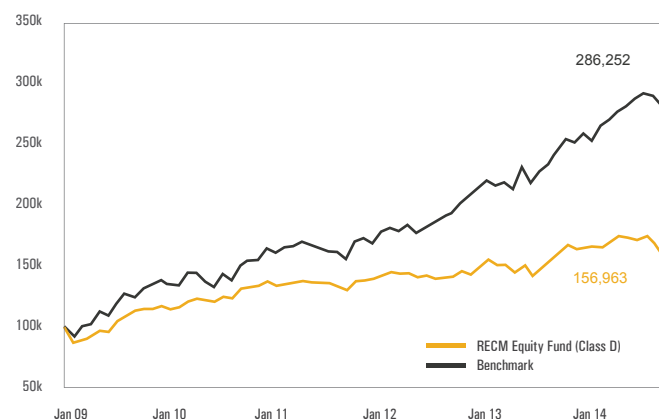
	October 2014		October 2013
Anglo Platinum Ltd	7.0	Anglo American Plc	7.1
Anglo American Plc	6.7	Anglo Platinum Ltd	6.9
Sun International Ltd	6.4	Hosken Cons Investments Ltd	5.9
Impala Platinum Holdings Ltd	5.8	Arcelormittal South Africa Ltd	5.5
JD Group Ltd	5.4	Impala Platinum Holdings Ltd	5.1
Arcelormittal South Africa Ltd	4.9	Sun International Ltd	4.7
Standard Bank Group Ltd	4.2	Lonmin Plc	4.2
Lonmin Plc	3.9	JD Group Ltd	4.1
Hosken Cons Investments Ltd	3.5	Standard Bank Group Ltd	3.8
RECM and Calibre	3.1	Blue Label Telecoms Ltd	3.4
<b>Total</b>	<b>50.9</b>	<b>Total</b>	<b>50.7</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 OCTOBER 2014

	Fund	Benchmark
1 Year	-5.8%	12.5%
3 Years	4.6%	19.0%
5 Years	6.5%	16.9%
Since Inception	8.2%	20.1%
Maximum Drawdown (Life of Fund)	-13.0%	-10.0%

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

## INVESTMENT COMMENT

The top ten holdings make up 50.9% of the Fund. This reflects the polarity in the market. Many shares are trading at expensive levels, but a pocket of the market is offering extraordinary value - largely concentrated in cyclical businesses such as resource companies.

Our portfolios don't have indiscriminate exposure to resources however. We have specifically selected certain stocks in resources such as platinum where the commodity price is at cyclical lows, and have avoided others such as iron ore which are still coming off their peaks (hence our lack of exposure to BHP Billiton). Importantly, our investment thesis does not rely on peak earnings, prices, margins, or forecasts but rather on what earnings should be when things return somewhat closer to "normal". Whilst one can debate the impact of recycling, substitution effects or structural changes in an industry such as platinum, it is a fact that global demand is officially outstripping global supply including recycling. As long as that is the case, there will ultimately be upward pressure on the platinum price when inventories above the ground are worked through. This year, the production shortage of platinum will be between 1m and 1.5m ounces.

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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. 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. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. 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.