

# RECM EQUITY FUND (Class F)

Period ended 30 November 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 F)	2 January 2014
Total Fund Size	R405.2 million
Fund Size (Class F)	R6.5 million
Benchmark	FTSE/JSE All Share Index
Min. Investment	Subject to the relevant platform
Initial Fee	No initial fee

Annual Fee	0.9% annual fee (excl. VAT)
Hurdle	FTSE/JSE All Share Index + 2.5% p.a.
Performance Fee	The performance fees have been suspended in the F class until the performance of the B class matches that of its benchmark since its inception
Total Expense Ratio (Annualised)	1.08% 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.

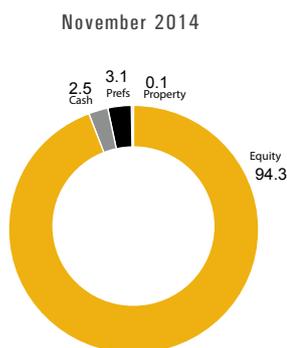
## FUND RISK PROFILE

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

November 2014	
Anglo Platinum Ltd	7.8
Anglo American Plc	6.7
Sun International Ltd	6.2
JD Group Ltd	6.2
Impala Platinum Holdings Ltd	6.2
Lonmin Plc	4.2
Standard Bank Group Ltd	4.1
Arcelormittal South Africa Ltd	4.0
Hosken Cons Investments Ltd	3.5
RECM & Calibre	3.1
<b>Total</b>	<b>52.0</b>

## ASSET ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

This Fund class was launched on 2 January 2014. The performance history is provided as monthly returns, compared to those of the benchmark, until the first year of the class' life.

## MONTHLY RETURNS

Month	Fund	Benchmark
Jan '14	-0.1%	-2.4%
Feb '14	0.5%	4.9%
Mar '14	2.7%	1.8%
Apr '14	2.9%	2.7%
May '14	-0.7%	1.6%
Jun '14	-1.0%	2.8%
Jul '14	1.7%	0.9%
Aug '14	-2.7%	-0.5%
Sep '14	-5.2%	-2.6%
Oct '14	-2.4%	1.0%
Nov '14	0.8%	0.5%
Since Inception	-3.5%	11.1%

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

## INVESTMENT COMMENT

The aggregate level of the South African stock market, which rose further in November, currently does not represent a true proxy for the domestic economy, having split into domestic businesses versus globally-oriented businesses. The disconnect in valuation multiples between these two segments is both significant and increasingly widening as the domestic economy continues to come to terms with the weak consumer, mining, manufacturing, construction and infrastructure sectors, while the "global" businesses are priced for perfection. The domestic portion of the market represents the best value, for reasons that we can understand, and this is what we have slowly but surely rotated a large segment of the Fund into. Simultaneously no matter how much we slice and dice the numbers for the global businesses, we cannot get close to fair value estimates that would justify current share price levels. As value investors, we will not compromise our investment philosophy to own these expensive stocks because to do so introduces real risk of permanent capital loss. We have entered another phase in the long history of our country where high levels of pessimism dominate the outlook. In every previous such phase, investment bargains presented themselves. We believe, as has happened before, that the resourcefulness of the nation combined with the restoration of balance by the intrinsic power of capital will create value for patient, contrarian investors.

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