

# RECM Flexible EQUITY Fund (Class B)

Period ended 31 December 2013

# RE·CM

YOUR CAPITAL FIRST

<b>Portfolio Manager</b>	Daniel Malan, Wilhelm Hertzog, Paul Whitburn
<b>Sector</b>	South African Multi Asset Flexible
<b>Inception Date</b>	2 March 2005
<b>Total Fund Size</b>	R439.3 million
<b>Fund Size (Class B)</b>	R108.1 million
<b>Benchmark</b>	FTSE/JSE All Share Index
<b>Min. Investment</b>	R150,000 initial investment
<b>Fund Status</b>	Open
<b>Initial Fee</b>	No initial fee
<b>Annual Fee (Class B)</b>	0.5% annual fee (excl. VAT)
<b>Hurdle Rate</b>	JSE All Share Index + 2.5%
<b>Performance Fee</b>	20% above/below hurdle rate
<b>Total Expense Ratio</b>	0.61%
<b>Income Declarations</b>	31 March & 30 September
<b>Regulation 28</b>	Does not comply

## About the Fund

The RECM Flexible Equity Fund is an SA Equity Fund and has the flexibility to default to cash when we can't find value in equities. It aims to generate better returns than the FTSE JSE All Share Index (including income) over the long term with lower than average risk of capital loss and with less volatility than the index. This fund is suited to investors seeking long-term wealth creation through SA equity exposure, and who are comfortable with short-term volatility.

## Fund Objective

The portfolio objective is to seek long-term capital growth with a level of risk acceptable to the more aggressive investor.

## Risk Measures

We look at risk in terms 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. Our ability to hold cash offers additional comfort when equities are expensive.

## RISK STATISTICS AND PORTFOLIO DETAIL

### FUND RISK PROFILE

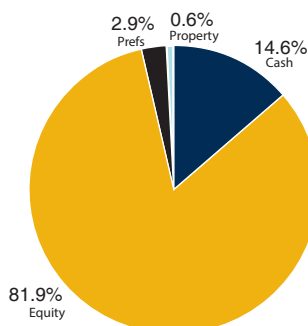
LOW	LOW-MODERATE	MODERATE	<b>MODERATE-HIGH</b>	HIGH
-----	--------------	----------	----------------------	------

### TOP TEN HOLDINGS (%)

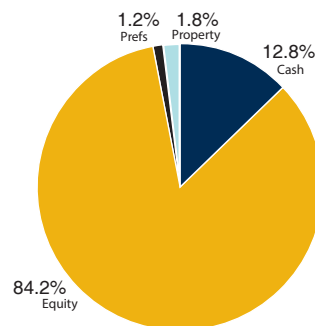
December 2013		December 2012	
Anglo American	7.2	Sun International	8.5
Amplats	6.6	Amplats	7.6
Arcelor Mittal SA	5.2	Anglo American	5.7
Impala Platinum	5.0	HCI	5.5
Sun International	4.9	Arcelor Mittal SA	5.2
HCI	4.4	Lonmin	4.8
Lonmin	4.3	Impala Platinum	3.5
Standard Bank	4.1	Sasol	3.0
JD Group	3.9	Discovery	2.8
Blue Label Telecoms	3.4	Grand Parade	2.5
<b>Total</b>	<b>49.0</b>	<b>Total</b>	<b>49.1</b>

### ASSET ALLOCATION

December 2013

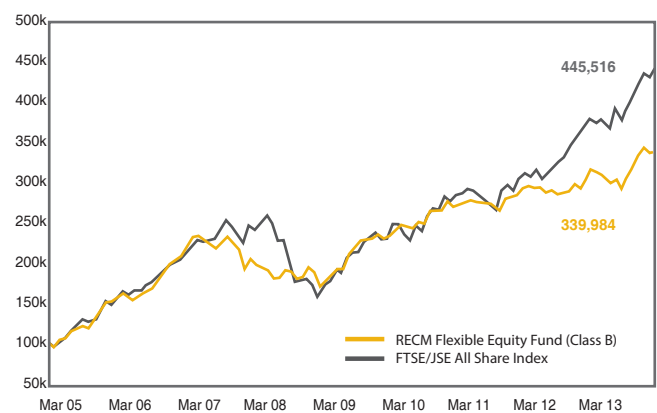


December 2012



## PERFORMANCE AND COMMENTARY

### RETURNS SINCE INCEPTION (after fees)



### RETURNS TO END DECEMBER 2013

	Fund	Benchmark
1 Year	10.7%	21.4%
3 Years	7.0%	16.4%
5 Years	11.8%	19.9%
Since Inception	15.0%	18.6%
Maximum Drawdown*	-27.1%	-40.4%

- Returns in ZAR net of fees with distributions re-invested. Source: RE:CM Analyst.
- Periods greater than 1 year are annualised
- Inception Date, 2 March 2005
- \* Life of Fund

### INVESTMENT COMMENT

Recently we allocated fund capital to existing holding Sun International and also to a newer investment idea, African Bank. The new CEO and COO of Sun International, Graeme Stephens and Steve Sun respectively, strike us as sensible executives who think and talk clearly about capital allocation and optimising the cost base. Time will tell if their actions back their words but we think that Sun International is an example of a decent business temporarily veering a bit off track. Thus a key aspect to our investment thesis is a change in the way the business is managed – provided of course that management does think about and focus on the things that we believe to be sensible and value-accretive. At present we think things are on track and Sun International therefore remains a significant investment in the fund. Our initial fund exposure to African Bank is small and appropriately sized for a business of this size, quality and level of cheapness. We think that the unwinding of the latest unsecured credit bubble in our country has some way to go still.

Tel: +27 21 657 3440

Fax: +27 21 674 1088

Email: info@reem.co.za

Website: www.reem.co.za

**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, RE:CM Collective Investments (Pty) Ltd (RE:CM). 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 RE:CM 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. RE:CM 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 Flexible Equity Fund Class B has a Total Expense Ratio of 0.61%. For the period from 1 October 2012 to 30 September 2013, 0.61% 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 0.61%, a performance fee of 0.0% of the Net Asset Value of the class of participatory interest in the portfolio was recovered.