RE:CM Flexible **EQUITY** Fund (Class D)

Period ended 31 August 2012

RE·CM
YOUR CAPITAL FIRST

Portfolio Manager	Daniel Malan, Wilhelm Hertzog, Piet Viljoen, Paul Whitburn
Sector	Domestic Asset Allocation Flexible
Inception Date	19 January 2009
Total Fund Size	R1.1 billion
Fund Size (Class D)	R30.7 million
Benchmark	FTSE/JSE All Share Index
Min. Investment	R150,000 initial investment
Fund Status	Open
Initial Fee	No initial fee
Annual Fee (Class D)	1% annual fee excl. VAT
Hurdle Rate	JSE All Share Index + 2.5%
Performance Fee	20% above/below hurdle rate
Total Expense Ratio	1.14%
Income Declarations	31 March & 30 September
Regulation 28	Does not comply

About the Fund

The RE:CM 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 PROFILE

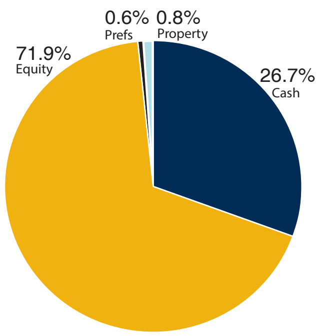
- This fund has a moderate-high risk profile

TOP HOLDINGS (%)

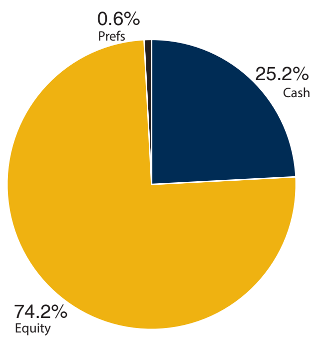
August 2012		August 2011	
Sun International	9.1	Sun International	8.3
Amplats	6.6	Discovery	5.8
HCI	5.9	Amplats	5.5
Anglo American	5.0	Harmony Gold	5.3
Discovery	3.6	Telkom	5.0
Lonmin	3.4	Old Mutual	3.8
Arcelor Mittal	2.7	HCI	3.5
Sasol	2.7	Metropolitan	3.3
Old Mutual	2.4	Omnia	3.2
Telkom	2.3	Imperial	3.2

ASSET ALLOCATION

August 2012

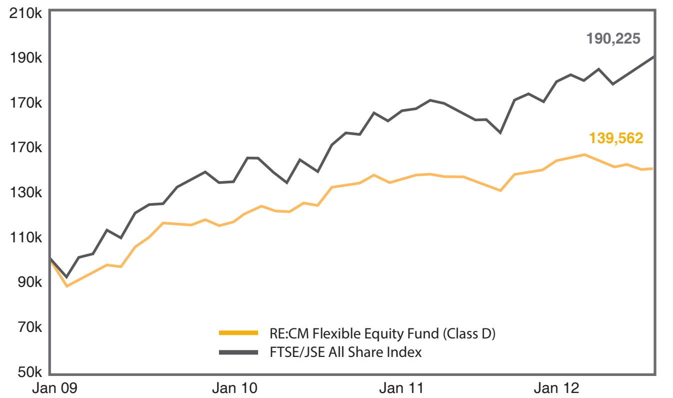


August 2011



PERFORMANCE AND COMMENTARY

RETURNS SINCE INCEPTION (after fees)



RETURNS TO END AUGUST 2012

	Fund	Benchmark
1 Year	4.7%	18.0%
3 Years	8.6%	15.5%
Since Inception	9.7%	19.7%

- Returns in ZAR net of fees with distributions re-invested. Source: RE:CM Analyst.
- Periods greater than 1 year are annualised
- Inception Date, 19 January 2009

INVESTMENT COMMENT

The short term investment outcome of the RE:CM Flexible Equity Fund bears explaining. For the year to August 2012, the fund delivered a positive 5.6% return vs. the ALSI's positive 18% - a relative shortfall of 12.4%. The reason for this relative underperformance, against the backdrop of the continuing strong performance within the retail and consumer defensive sectors of the market, is that these segments of the market are overvalued in our opinion and we have slowly but surely sold out of these assets over the past 24 months. The poor relative performance we are facing right now is fast becoming a repeat of the experiences of early 2008, of course with different role players. In the final phases of that bull market the ALSI leadership narrowed into just 5 highly overvalued large cap stocks - which we didn't own. The rest of the market sold off - including undervalued stocks held in our portfolios that became more undervalued and that we were buying more of. The RE:CM Flexible Equity Fund delivered a relative underperformance over the 15 month period ending in May 2008 that could only be, and was described as, spectacular. However, in the following 8 months from June 2008 to January 2009 the fund ouperformed relative to the ALSI which declined by 35%. We had made up all that we had lost on a relative basis in the midst of a global financial crisis, great uncertainty and widespread panic.

Tel: +27 21 657 3440 **Fax:** +27 21 674 1088 **Email:** info@recm.co.za **Website:** www.recm.co.za