

RECM Flexible EQUITY Fund (Class D)

Period ended 31 December 2013

Portfolio Manager	Daniel Malan, Wilhelm Hertzog, Paul Whitburn
Sector	South African Multi Asset Flexible
Inception Date	19 January 2009
Total Fund Size	R439.3 million
Fund Size (Class D)	R41.6 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	1.19%
Income Declarations	31 March & 30 September
Regulation 28	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

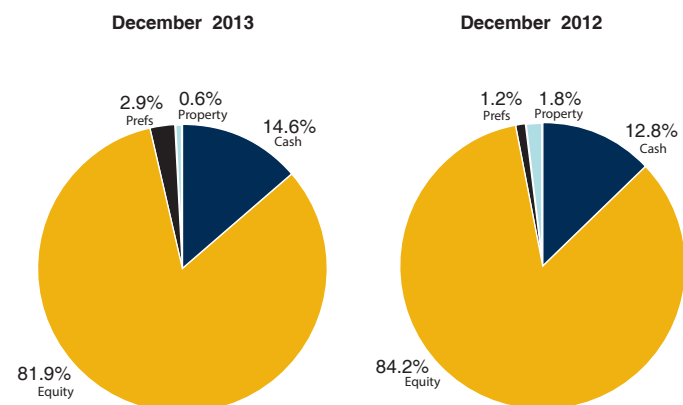
FUND RISK PROFILE

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

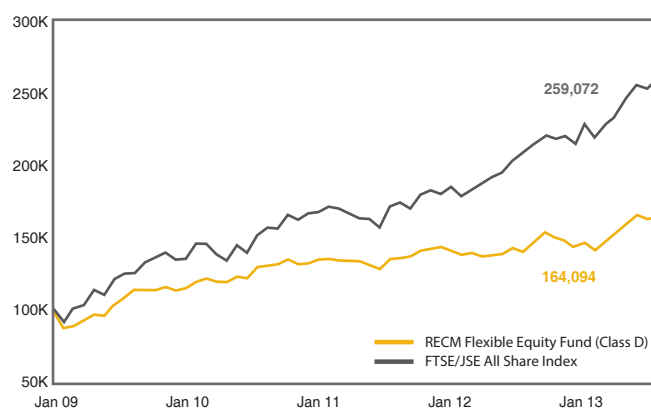
December 2013		December 2012	
Anglo American	7.2	Sun International	8.5
Amplats	6.6	Amplats	7.6
Arcelor Mittal SA	5.2	Anglo American	5.7
Impala Platinum	5.0	HCI	5.5
Sun International	4.9	Arcelor Mittal SA	5.2
HCI	4.4	Lonmin	4.8
Lonmin	4.3	Impala Platinum	3.5
Standard Bank	4.1	Sasol	3.0
JD Group	3.9	Discovery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

ASSET ALLOCATION



PERFORMANCE AND COMMENTARY

RETURNS SINCE INCEPTION (after fees)



RETURNS TO END DECEMBER 2013

	Fund	Benchmark
1 Year	10.0%	21.4%
3 Years	6.2%	16.4%
Since Inception	10.6%	21.4%
Maximum Drawdown*	-13.0%	-10.0%

- 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
- * 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.

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