

RE:CM Flexible EQUITY Fund (Class D)

Period ended 31 July 2012

Portfolio Manager	Daniel Malan, Wilhelm Hertzog, Piet Viljoen
Sector	Domestic Asset Allocation Flexible
Inception Date	19 January 2009
Total Fund Size	R1.2 billion
Fund Size (Class D)	R29.4 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

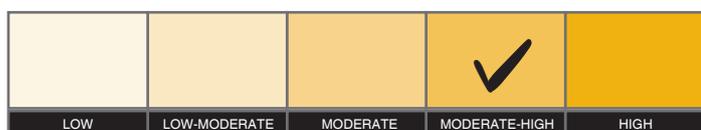
The portfolio objective is to seek long-term capital growth with a level of risk acceptable to the more aggressive investor.

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

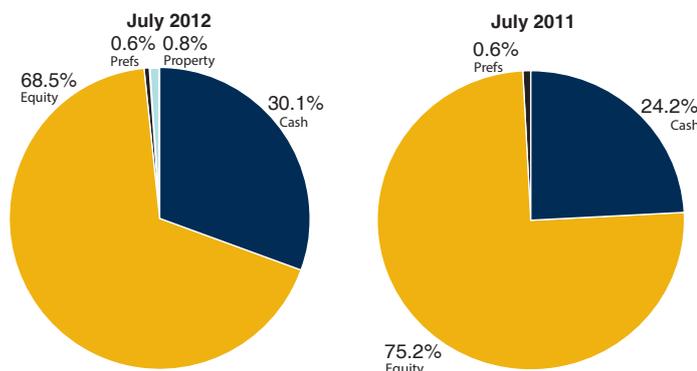


- This fund has a moderate-high risk profile

TOP HOLDINGS (%)

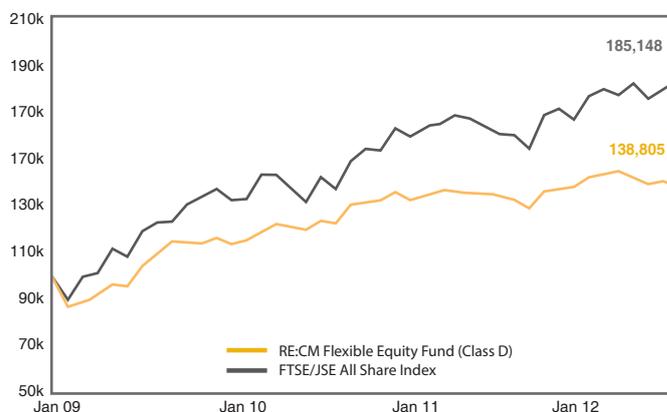
	July 2012	July 2011	
Sun International	8.4	Sun International	8.8
Amplats	6.3	Discovery	5.9
HCI	5.2	Harmony Gold	5.1
Anglo American	4.4	Amplats	5.0
Discovery	4.3	Telkom	5.0
MMI Holdings	3.3	Old Mutual	3.7
Lonmin	3.2	HCI	3.5
Sasol	2.5	Metropolitan	3.4
Harmony	2.4	Omnia	3.2
Tsogo Sun	2.2	JD Group	3.2

ASSET ALLOCATION



PERFORMANCE AND COMMENTARY

RETURNS SINCE INCEPTION (after fees)



RETURNS TO END JULY 2012

	Fund	Benchmark
1 Year	2.6%	14.5%
3 Years	9.9%	15.7%
Since Inception	9.8%	19.2%

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

INVESTMENT COMMENT

Resources and basic materials shares dominate the list of top purchases for the past six months, and at the very top of the list is new purchase Anglo American. This share also makes it into the top 10 holdings of the fund. We are concerned about the state of some of the markets in which Anglo American does business (notably the iron ore market, where we believe profitability is currently far higher than normal, sustainable levels). But when we apply realistic long-term commodity prices and profit margins to each line of business, we derive earnings levels for the group that supports an intrinsic value well above the current share price. And incidentally, the stock is trading at price to book levels slightly above the lows reached in the early and late 1990s, and in the 2008 or 2009 market crash. Besides Anglo American, existing holdings Anglo Platinum and Lonmin feature as notable purchases, as does ArcelorMittal. ArcelorMittal is currently a fairly modest investment in the fund, on account of the fact that it does not qualify as a high quality business, and also because the stocks discount to fair value, while attractive, is not yet of such a magnitude to justify a larger position. The fund's largest sales over the past six months have included Old Mutual (after the material re-rating the stock experienced late in 2011), Imperial and Omnia.

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