

# RECM GLOBAL FUND (Class D)

Period ended 31 January 2015

# RECM

The RECM Global Fund is a US dollar denominated global fund that may invest in a wide array of assets without any restrictions. The Fund's aim is to generate returns significantly greater than US inflation and commensurate with equities over the long term. The Fund invests mainly in large global companies at a significant discount to intrinsic value, while using the flexibility of the mandate to protect capital and enhance returns by investing in other mispriced global assets from time to time. 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. Our ability to move between asset classes assists in reducing the risk in the fund. The Offering Memorandum is available at [www.recm.co.za](http://www.recm.co.za).

Portfolio Managers	Daniel Malan, Wilhelm Hertzog, Paul Whitburn
ASISA Sector	Global Multi Asset Flexible
Fund Currency	US dollars
Inception Date (Class D)	13 August 2014
Total Fund Size	US \$446.7 million
Fund Size (Class D)	US \$52.8 million
Benchmark*	US CPI + 6% p.a.
Min. Investment	US \$50,000 initial investment
Initial Fee	No initial fee
Annual Fee	0.9% annual fee

Hurdle	US CPI + 8% p.a.
Performance Fee	20% above hurdle subject to high watermark since inception of the Fund
Pricing Frequency	Daily
Total Expense Ratio (Annualised)	0.51% for the period ending 31 December 2014
Income Declarations	None
Domicile	Guernsey
ISIN Code	GG00BP8YH636
SEDOL Code	BP8YH63

## PORTFOLIO DETAIL

### FUND RISK PROFILE

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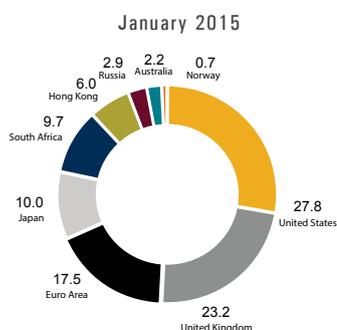
### TOP TEN HOLDINGS (%)

January 2015	
Tesco Plc	6.8
BP Plc	4.9
Anglo Platinum Ltd	4.8
Anglo American Plc	4.5
Inpex Corp	4.2
Arcelormittal	4.1
Ultra Petroleum Corp	3.8
Impala Platinum Holdings Ltd	3.6
American Int'l Group	3.2
Ichirizuka Master Fund	2.9
<b>Total</b>	<b>42.8</b>

### ASSET ALLOCATION (%)

January 2015	
Equity	71.7
Cash	27.5
Property	0.8
<b>Total</b>	<b>100.0</b>

### GEOGRAPHICAL ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

This Fund Class was launched on 13 August 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
Aug '14	1.1%	0.7%
Sep '14	-4.5%	0.6%
Oct '14	-2.7%	0.3%
Nov '14	2.4%	0.6%
Dec '14	-4.8%	0.5%
Jan '15	-2.2%	-1.6%
Since Inception	-14.5%	1.1%

• Returns are in USD net of fees. Source: RECM Analyst, Bloomberg.

## INVESTMENT COMMENT

When we consider the contents of equity indices in general, and the stocks that one would have had to own in the last few years to have earned high returns, we think that a broad majority suffer from exposure to a single dangerous factor – being a high quality business where the assumed stable cash flows are being discounted into perpetuity using interest rates which are assumed to stay extremely low forever. Needless to say, one is able to justify almost any valuation using such assumptions - and the market is doing exactly that. When something does go wrong with these businesses (not unlikely) or interest rates increase earlier than expected (not unlikely), the end result will be permanent losses of capital. And if you say decision-makers will timeously recognize when interest rates are about to levitate, ask them one question: how many saw the recent collapse in the oil price coming?

Some of the current positions in our portfolios derive their attractive valuations from common fears in the market. We own more than one position in Platinum, Global Energy, Aluminium and UK Retail for instance. Apart from similarities in terms of their reasons for cheapness, our entire portfolio of stocks has something more important in common – they are all cheap relative to their conservatively calculated intrinsic values. If the fears relating to these companies don't subside - the bad news is already priced in, and losses will be limited. However, we know the far likelier outcome is substantial upside when the fears subside and rationality returns.

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**Disclaimer:** Collective Investment Schemes in Securities are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Collective investments are traded at ruling prices. The manager may borrow up to 10% of the net asset value of the portfolio where insufficient liquidity exists. A schedule of fees and charges and maximum commissions is available from the company/ scheme. Commission and incentives may be paid and if so, would be included in the overall costs. The quantifiable deduction is the annual management fee (and performance fee if applicable), whilst non-quantifiable fees included in the net asset value price may comprise brokerage, auditor's fees, bank charges, trustee and custodian fees. Collective investment prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Forward pricing is used. The Management Company is RECM Global Management Limited. The Custodian is Royal Bank of Canada (Channel Islands) Limited and the Administrators are Kleinwort Benson (Channel Islands) Fund Services Limited. The Fund's annualised Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. This fact sheet should be read in conjunction with the "Schedule of Similarities and Differences" available on the website. RECM Collective Investments (Pty) Ltd is a member of the Association for Savings & Investment SA (ASISA).