

# RECM GLOBAL FUND (Class D)

Period ended 31 October 2014

# 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	Hurdle	US CPI + 8% p.a.
ASISA Sector	Global Multi Asset Flexible	Performance Fee	20% above hurdle subject to high watermark since inception of the Fund
Fund Currency	US dollars	Pricing Frequency	Daily
Inception Date (Class D)	13 August 2014	Total Expense Ratio (Annualised)	0.26% for the period ending 30 September 2014
Total Fund Size	US \$556.7 million	Income Declarations	None
Fund Size (Class D)	US \$46.8 million	Domicile	Guernsey
Benchmark*	US CPI + 6% p.a.	ISIN Code	GG00BP8YH636
Min. Investment	US \$50,000 initial investment	SEDOL Code	BP8YH63
Initial Fee	No initial fee		
Annual Fee	0.9% annual fee		

## PORTFOLIO DETAIL

### FUND RISK PROFILE

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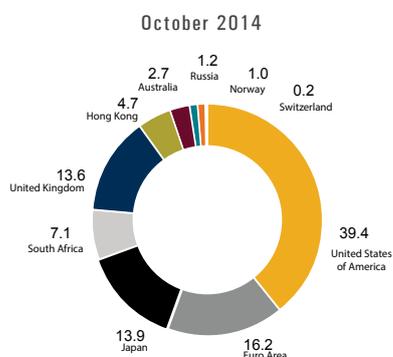
### TOP TEN HOLDINGS (%)

October 2014	
Ichirizuka Master Fund	4.9
BP Plc	4.8
Arcelormittal	4.7
Ultra Petroleum Corp	4.6
Tesco Plc	4.5
Anglo American Plc	4.1
Anglo Platinum Ltd	4.1
Wm Morrison Plc	3.7
Inpex Corp	3.5
Impala Platinum Holdings Ltd	3.3
<b>Total</b>	<b>42.2</b>

### ASSET ALLOCATION (%)

October 2014	
Equity	73.8
Cash	26.2
Property	0.0
<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%
Since Inception	-6.0%	1.6%

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

### INVESTMENT COMMENT

The Fund holds a significant position in energy company BP. The market is placing a discount on BP due to company specific issues. Finding new barrels of oil has become increasingly expensive and Return on Capital (ROC) has been under pressure recently. The company's exposure to Russia via their 19.8% stake in Rosneft (the country's largest oil producer), as well as the extent of claims arising from the Deepwater Horizon oil spill, still continue to weigh on the price. A federal judge in New Orleans recently ruled that BP's "gross negligence" and "wilful misconduct" had caused the massive oil spill in the Gulf of Mexico in 2010. The stock is priced so low that even factoring in the worst case scenario of \$17bn in additional damages, or a write-off of their stake in Rosneft, it still trades at a discount to our estimate of fair value. Recently reserve replacement has been high; production is expected to grow next year while dividends are returning to normal. BP is a high quality business which is trading at a compelling price to earnings ratio of 6. As such, we retain a position in the stock, while enjoying a dividend yield of around 4.9%.

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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).