

# RECM GLOBAL FLEXIBLE FUND (Class A)

Period ended 30 April 2014

# RECM

The RECM Global Flexible Fund is a unit trust that may invest in equities, bonds, property, cash and offshore assets without any restrictions. The Fund's aim is to generate returns significantly greater than inflation over the long term while protecting capital against permanent loss through a rigorous adherence to a value-based philosophy. 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.

Portfolio Managers	Daniel Malan, Wilhelm Hertzog, Paul Whitburn
ASISA Sector	Worldwide Multi Asset Flexible
Inception Date	3 April 2003
Total Fund Size	R2.1 billion
Fund Size (Class A)	R1.3 billion
Benchmark*	SA CPI + 6% p.a.
Min. Investment	R150,000 initial investment

Initial Fee	No initial fee
Annual Fee	1.0% annual fee (excl. VAT)
Hurdle	SA CPI + 8% p.a.
Performance Fee	20% above hurdle subject to high watermark over rolling 5 years
Total Expense Ratio (1 Year)	4.56%
Total Expense Ratio (3 Years)	2.98%
Income Declarations	31 March, 30 June, 30 September, 31 December

## PORTFOLIO DETAIL

\*The Fund's benchmark is SA Inflation + 6% p.a. Prior to 1 January 2014 the Fund's benchmark was SA Inflation + 8% p.a.

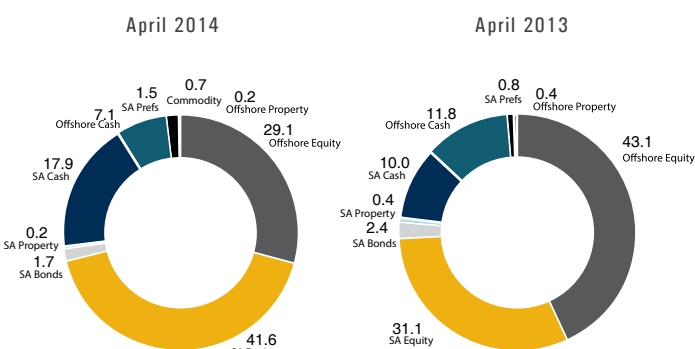
## FUND RISK PROFILE

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

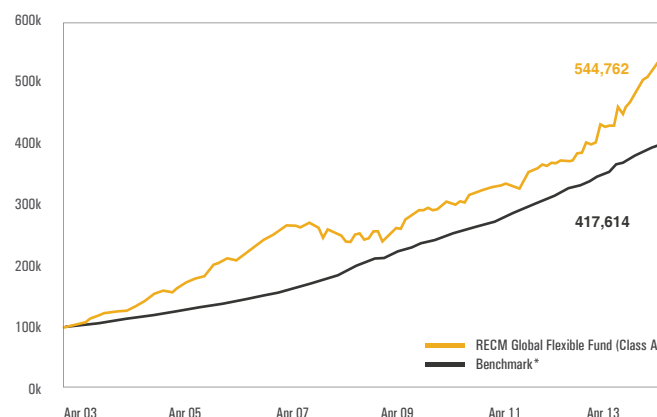
April 2014		April 2013	
Anglo American Platinum Ltd	6.4	Carrefour SA	4.2
Anglo American Plc	5.7	Anglo American Platinum Ltd	4.0
Impala Platinum Holdings Ltd	3.7	Microsoft Corp	3.9
Arcelormittal South Africa	3.0	Sun International Ltd	3.5
Lonmin Plc	2.5	Anglo American Plc	3.2
Sun International Ltd	2.5	BP Plc	2.7
Arcelormittal	2.0	Lonmin Plc	2.6
JD Group Ltd	2.0	Hosken Cons Investments Ltd	2.4
Ichirizuka Master Fund	1.9	Tokyo Gas Co Ltd	2.4
Hosken Cons Investments Ltd	1.9	Ultra Petroleum Corp	2.3
<b>Total</b>	<b>31.6</b>	<b>Total</b>	<b>31.2</b>

## ASSET ALLOCATION (%)



## PERFORMANCE NET OF ALL FEES AND EXPENSES

### VALUE OF R100,000 INVESTED AT INCEPTION WITH ALL DISTRIBUTIONS REINVESTED



## ANNUALISED RETURNS TO END APRIL 2014

	Fund	Benchmark*
1 Year	25.7%	13.4%
3 Years	17.8%	13.3%
5 Years	16.8%	12.8%
Since Inception	16.7%	13.9%
Maximum Drawdown (Life of Fund)	-11.6%	0.0%

\* Returns in ZAR net of fees with distributions reinvested. Source: RECM Analyst.

## INVESTMENT COMMENT

A key aspect of our investment thesis in platinum counters is that reduced supply (capacity closure) meets increasing demand (nascent European and US economic recovery), leading to a metal supply/demand shortfall and a related platinum price recovery. After two years it's still relatively early days in terms of this thesis, but so far, we have seen reduced supply via a combination of mine closures (permanent and semi-permanent i.e. mothballed), bankruptcy or near-bankruptcy of smaller firms and lengthy strike action. On the demand side the data supports the beginning of an economic recovery in Europe and the USA and an upturn in vehicle sales. The PGM (platinum-group metals) basket price has moved up nicely, but almost all of the price strength has been in palladium and rhodium, which leaves us somewhat puzzled as to the lagging price behaviour of platinum itself. What many casual observers don't realize is that palladium and rhodium are quite significant revenue and profit contributors to our investee companies. Our best thinking at this point in time is that it is taking a bit longer than we thought for excess platinum inventories to be worked through the system between primary producers, converters, end users and recyclers. Despite the ongoing strike and the lagging platinum price, the share prices of our investee companies have responded positively and strongly.

Tel: +27 21 657 3440

Fax: +27 21 674 1088

Email: [info@recm.co.za](mailto:info@recm.co.za)

Website: [www.recm.co.za](http://www.recm.co.za)

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