RECM GLOBAL FLEXIBLE FUND (Class A)

Period ended 31 January 2015

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	R2.0 billion
Fund Size (Class A)	R1.2 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)	-1.80% for the period ending 31 December 2014 (inclusive of a perfomance fee of -2.95%)
Total Expense Ratio (3 Years)	1.33% for the period ending 31 December 2014 (inclusive of a perfomance fee of 0.16%)
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

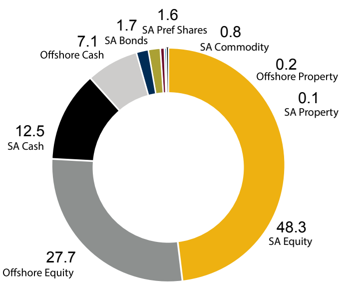
LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH

TOP TEN HOLDINGS (%)

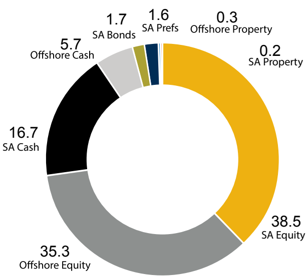
January 2015		January 2014	
Anglo Platinum Ltd	6.2	Anglo Platinum Ltd	5.3
Anglo American Plc	5.4	Anglo American Plc	4.7
Impala Platinum Holdings Ltd	4.2	Ultra Petroleum Corp	3.7
JD Group Ltd	3.4	BP Plc	3.3
Tesco Plc	3.0	Arcelormittal	3.3
Lonmin Plc	2.9	Arcelormittal South Africa Limited	3.1
Sun International Ltd	2.8	Microsoft Corp	2.9
Iliad Africa Ltd	2.3	Impala Platinum Holdings Ltd	2.9
Arcelormittal South Africa Limited	2.2	Lonmin Plc	2.7
Hosken Cons Investments Ltd	2.0	Sun International Ltd	2.4
Total	34.4	Total	34.3

ASSET ALLOCATION (%)

January 2015

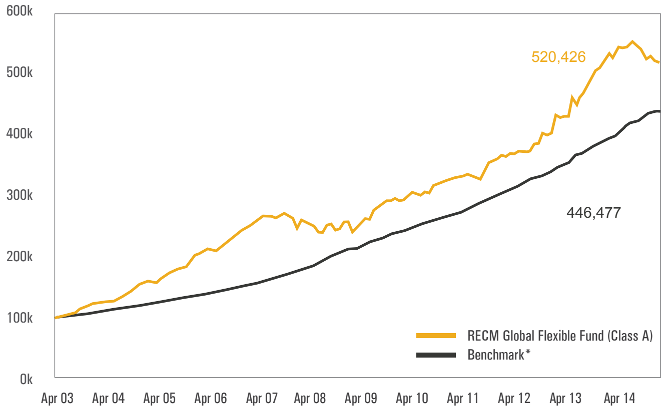


January 2014



PERFORMANCE NET OF ALL FEES AND EXPENSES

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



ANNUALISED RETURNS TO END JANUARY 2015

	Fund	Benchmark*
1 Year	-3.1%	11.5%
3 Years	12.0%	11.6%
5 Years	12.0%	11.4%
Since Inception	15.0%	13.6%
Maximum Drawdown (Life of Fund)	-11.6%	-0.6%

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

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, Commodities and Gaming 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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