

# RECM GLOBAL FLEXIBLE FUND (Class C)

Period ended 31 December 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 (Class C)	1 June 2005
Total Fund Size	R2.1 billion
Fund Size (Class C)	R431.1 million
Benchmark*	SA CPI + 6% p.a.
Min. Investment	R150,000 initial investment
Initial Fee	No initial fee
Annual Fee	1.5% 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)	-0.40% for the period ending 31 December 2014 (inclusive of a performance fee of -2.13%)
Total Expense Ratio (3 Years)	2.34% for the period ending 31 December 2014 (inclusive of a performance fee of 0.57%)
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.

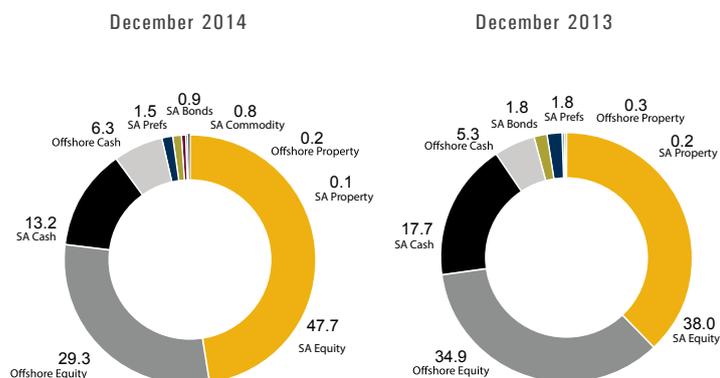
## FUND RISK PROFILE

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

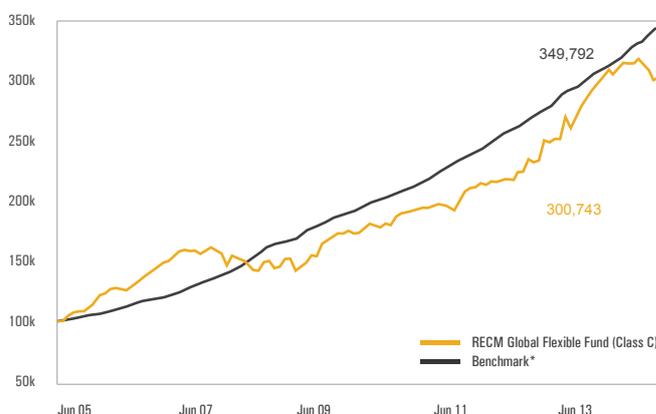
December 2014		December 2013	
Anglo Platinum Ltd	5.9	Anglo Platinum Ltd	4.8
Anglo American Plc	5.8	Anglo American Plc	4.3
Impala Platinum Holdings Ltd	4.2	Arcelormittal	3.4
JD Group Ltd	3.2	BP Plc	3.2
Lonmin Plc	3.2	Impala Platinum Holdings Ltd	3.1
Ichirizuka Master Fund	2.7	Microsoft Corp	3.1
Sun International Ltd	2.7	Arcelormittal South Africa Ltd	3.0
Tesco Plc	2.6	Ultra Petroleum Corp	2.9
Arcelormittal South Africa Limited	2.3	Lonmin Plc	2.7
Hosken Cons Investments Ltd	2.0	Sun International Ltd	2.5
<b>Total</b>	<b>34.6</b>	<b>Total</b>	<b>33.0</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 DECEMBER 2014

	Fund	Benchmark*
1 Year	-0.1%	12.0%
3 Years	12.3%	11.8%
5 Years	11.3%	11.5%
Since Inception	12.2%	14.0%
Maximum Drawdown (Life of Fund)	-12.0%	0.0%

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

## INVESTMENT COMMENT

Resources and other cyclical businesses feature strongly in our portfolio given these are the businesses out of favour, going through difficult times and thus trading at very low prices relative to what they are worth. Investors often ask us when the share prices, assuming we are correct about them being too low, will go up. Unfortunately we have no crystal ball which allows us to know this precise timing – and this is because prices are often, especially over the short term, driven by sentiment rather than rational logic. As investors, we can only position ourselves given the mispricing we have identified and then wait patiently for the market to recognise and correct this. One of our investment ideas in the resources sector was to purchase a company called Alumina in the aluminium sector. Alumina owns some of the world's best bauxite reserves – the raw material that is ultimately processed into aluminium. The aluminium price has been depressed because of lower global demand for the metal, overcapacity in the industry and high inventory levels built up during the global recession. Using the equilibrium price for aluminium, or the price at which most producers are making economic returns, we calculated that the fair value for Alumina was substantially higher than the price at the time. The same situation exists for platinum producers today, which is why we are invested in platinum stocks. However, in contrast to platinum share prices which remain low, Alumina's share price is up close to 50% since we invested in early 2014. As such, we have lightened our exposure to Alumina over the past month.

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