

# RECM

RECM Global Fund Limited

**Report and audited financial statements**

**For the year ended 31 March 2020  
(Company Registered No. 44273)**

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# RECM Global Fund Limited

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# RECM Global Fund Limited

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## MANAGEMENT & ADMINISTRATION

### **Directors:**

Benedict Peter Goronwy Morgan  
James Bernard Tracey  
Johannes Cornelis Van Niekerk  
Pieter Gerhardt Viljoen (alternate director)

### **Custodian:**

Northern Trust (Guernsey) Limited  
PO Box 71  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey GY1 3DA

### **Principal Manager:**

RECM Global Management Limited  
Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey GY1 2HT

### **Legal Advisors:**

Carey Olsen (Guernsey) LLP  
PO Box 98  
Carey House  
Les Banques  
St Peter Port  
Guernsey GY1 4BZ

### **Investment Advisor:**

Regarding Capital Management Proprietary  
Limited  
6<sup>th</sup> Floor, Claremont Central  
8 Vineyard Road  
Claremont, 7700  
Cape Town  
South Africa

### **Independent Auditors:**

Ernst & Young LLP  
Royal Chambers  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 4AF

### **Administrator, Secretary, Designated Manager and Registrar:**

JTC Fund Solutions (Guernsey) Limited  
Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey GY1 2HT

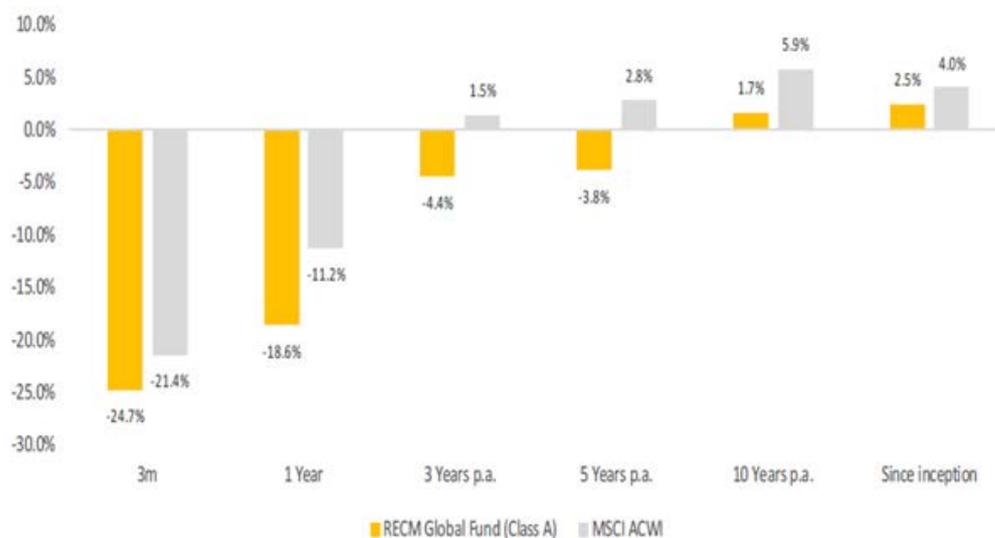
### **Registered Office:**

Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
GY1 2HT

## INVESTMENT ADVISOR'S REPORT

Performance net of fees and expenses

### RETURNS OF FUND VS MSCI ACWI



### Performance Table

	Fund	MSCI ACWI*
3 Months	-24.7%	-21.4%
1 Year	-18.6%	-11.2%
3 Years	-4.4%	1.5%
5 Years	-3.8%	2.8%
10 Years	1.7%	5.9%
Since Inception	2.5%	4.0%

\*The MSCI All Countries World Index (ACWI) is an index designed to provide a broad measure of equity-market performance throughout the world and thus serves as a relevant global equity index for the Fund to be compared against.

### Performance review

The RECM Global Fund underperformed its benchmark for the year.

Positions which benefited returns:

- Gold producer AngloGold Ashanti
- Platinum producer Impala Platinum
- Tank storage company Vopak

Positions which detracted from returns:

- Car producer Renault Sa
- Tobacco producer Philip Morris
- Warren Buffett's Berkshire Hathaway

## INVESTMENT ADVISOR'S REPORT (continued)

### Performance (continued)

On 19 February 2020 the S&P500 Index reached an all-time high after the longest bull market in US history. From that peak, the US market plummeted 34% in the fastest decline since the Great Depression. Over the next 3 days, it bounced back by more than 17%, the biggest 3-day gain since 1931. This extreme volatility indicates the levels of uncertainty around the pandemic's implications.

The RECM Global Fund was not immune to this market decline. The Fund fell 18.6% in US dollars over the year - with the MSCI All Countries World Index returning -11.2% over the same time period.

Prior to the sell-off, there was a dramatic distortion between the most expensive and the cheapest stocks in the market – particularly in the US. The gap between the two extremes was wider than in the run up to the Great Depression, and before the Dotcom bubble burst. As value investors, knowing that long term success involves buying low (cheap stocks) and selling high (expensive stocks), we avoided the overvalued parts of the market believing that this protected our investors from potential destruction of capital. This meant avoiding the popular technology stocks and other quality businesses that had run up to very expensive levels. Despite this, the Fund managed to broadly keep pace with the market over the past few years.

The disappointment for value investors during this decline was that the specific nature of this negative surprise, being a global pandemic, saw investors seek safety in those parts of the market that were already overvalued, for reasons that are only obvious in hindsight. This included pharmaceuticals, healthcare, and technology stocks. The fact that the negative surprise was exogenous (from outside the system) and happened to favour these overvalued stocks, which we had avoided for good reason, was entirely coincidental. This meant we did not benefit, as we usually do, from the relative outperformance that undervalued stocks typically enjoy in falling markets. Instead, we saw the fund's overall returns down in line with the broader market sell-off.

### Market commentary

The first quarter of 2020 saw a COVID-19 induced freefall in equity markets. The US, together with China and Japan maintained strong relative momentum while emerging market and European equities lagged global markets.

Rapidly increasing risk-aversion fuelled a sustained decline across most asset classes, as market participants responded to narratives of escalating virus infections and a prolonged economic shutdown.

The US Fed stepped in aggressively with a series of unprecedented interventions. Central banks across the world also responded aggressively to provide stimulus ahead of a significant economic slowdown. Central bank support has now become the overriding narrative and time will tell whether policy intervention can mute the impact of deteriorating fundamentals.

An additional feature of the quarter was the decline in developed market bond yields. Global Bonds advanced by 14.2% during the year ending March 2020, as market participants sought safe havens in anticipation of deflation and a synchronised global slowdown.

Emerging market bonds declined in line with the weakness in emerging currencies and general risk aversion. The signal from bond markets is one of declining risk-appetite. For the moment, yield considerations have taken a back seat to perceived safety. The MSCI Emerging Market Index fell by 17.7% over the year accompanied by sustained weakness of EM currencies relative to the dollar.

## INVESTMENT ADVISOR'S REPORT (continued)

### Management actions

Going into the market decline, RECM held close to 25% in cash, as well as 5% in a basket of gold stocks. Over the last few years, we had re-oriented the Fund away from cyclical, lower quality businesses such as resources, which have more than doubled since the start of 2016, towards a diversified array of higher quality businesses trading at attractive prices. This didn't offer the support we expected in the market decline, but stands us in very good stead in terms of prospective returns from this point.

Once we understood that this exogenous event would have a significant knock-on effect – where businesses which might otherwise have been perfectly fine would be severely impacted, we needed to assess the Fund with fresh eyes. Overnight, businesses without the balance sheets to survive a complete shutdown of their productive capacity for months, faced failure – no matter how low their valuations were at the outset.

Given this reality, we re-evaluated every holding in our Fund for robustness. We sold stocks where we had material concerns. This included the likes of IBM, Renault, Dixons and Aspen Pharmacare. In the process we raised cash levels to close to 50% of the Fund. The quarter-end cash position thus reflected a point in time as we transitioned out of companies we had concerns, or where we felt the valuations were elevated given what might lie ahead of them fundamentally, and bought others that had been sold down disproportionately such as Berkshire Hathaway.

### Fund positioning

The Fund's cash position is now closer to 30% at the time of writing. Like Warren Buffett, we believe there is a lot to be said for having options. To have options, you need liquidity. Having liquidity today ensures that you can act tomorrow. Being a 'liquidity provider' in times of stress and distress is a certain way to survive and thrive as the dust settles. We are excited about the potential to deploy the cash in our Fund. Owning gold also helps us to hedge and manage risk.

The market has rallied from its lows of mid-March, but we remain cautious and disciplined in our buying. Ben Carlson of Ritholtz Wealth pointed out that many of history's great crashes had rallies before they eventually bottomed – giving investors false hope that proved to be fleeting. During the Great Depression there was a 47% rally from late-1929 until early 1930 - It didn't last. Before that rally stocks had fallen 45%. The 1973-1974 bear market that saw the market halve bounced 20% before it finally ended. The 2007-2009 market crash gave a gain of more than 25% before rescinding these returns. The bear market from 2000-2002 saw three separate rallies of around 20% before finally settling in at a bottom more than 50% lower than the peak. Things could well get worse before they get better. Or perhaps markets have already bottomed in anticipation of better times ahead. No one has any way of knowing for sure.

How do we protect, invest and grow your capital against this uncertain backdrop?

We have built an all-terrain portfolio. In addition to holding cash and gold, which provides us with liquidity and optionality, every stock in the Fund has the following attributes:

- A solid balance sheet
- The ability to survive the next 12 -18 months
- An attractive valuation (implying high prospective returns)
- Management teams with the track record and ability to adapt (many of whom are owner-managers)
- The ability to grow free cash flow and dividends on a sustainable basis

# RECM Global Fund Limited

## INVESTMENT ADVISOR'S REPORT (continued)

### Fund positioning (continued)

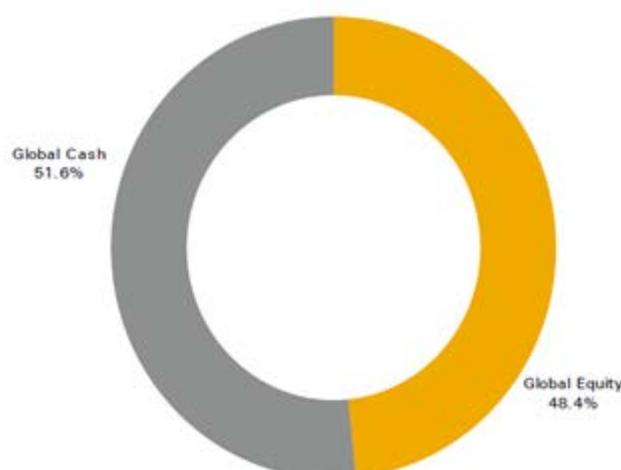
As investors, it's important to remember that market declines come with the territory. Since 1928, the S&P 500 has experienced 12 different declines of 30% or worse. These losses have occurred once every 7-8 years on average. Nonetheless, the world market has given investors 6% real returns above inflation per year since 1900. The US market even more than this. This time period includes the Great Depression, wars, recessions, rising interest rates, falling interest rates, bear markets, economic booms, economic busts, inflation, deflation and everything in-between.

Importantly, this is the kind of market environment value investors such as ourselves get really excited about - because it provides a compellingly attractive entry point for those with the ability and willingness to take advantage of lower prices. As every market decline in history has demonstrated, there is no factor as important to subsequent investment returns as the price you pay at the outset of your investment. The RECM Global Fund offers investors the opportunity to capitalise on this enduring investment truth.

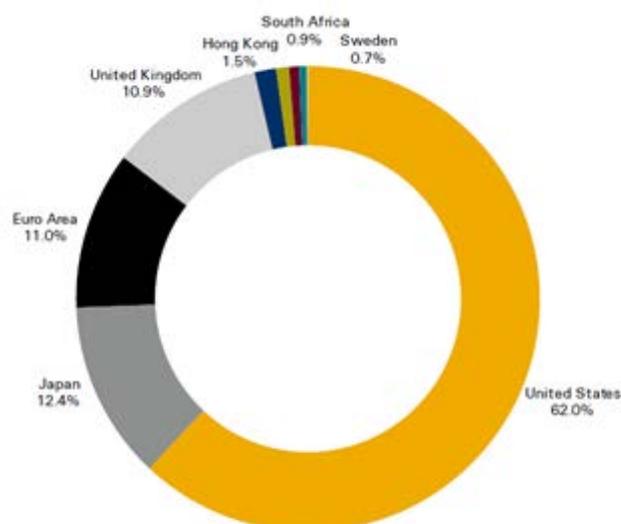
### TOP TEN HOLDINGS (% OF NAV)

March 2020	
Berkshire Hathaway	4.9
Philip Morris International Inc	4.0
Brookfield Asset Management	3.6
Tocqueville Bullion Reserve	3.2
Vopak	2.6
Boskalis Westminster	2.0
Gazprom	1.7
Barrick Gold	1.4
Exor NV	1.3
Newmont Mining	1.3
<b>Total</b>	<b>26.0</b>

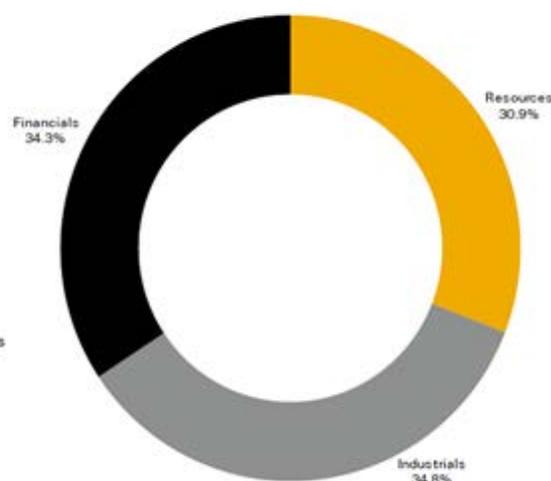
### ASSET EXPOSURE (% OF FUND)



### REGIONAL EXPOSURE (% OF FUND)



### SECTOR EXPOSURE (% OF FUND)



### Regarding Capital Management (Pty) Ltd

Date:

# RECM Global Fund Limited

## PERFORMANCE RECORD

The table below summarises the financial highlights per share class, per share in issue for the year ended 31 March 2020:

	<b>31 March 2020</b>				
	<b>A Class</b>	<b>B Class</b>	<b>C Class</b>	<b>D Class</b>	<b>E Class</b>
Change in net asset per share (US\$)					
Opening net asset value per share	17.26	13.29	9.42	8.80	13.41
Income before operating charges <sup>1**</sup>	(2.99)	(2.29)	(1.64)	(1.52)	(2.32)
Operating charges <sup>2</sup>	(0.22)	(0.24)	(0.07)	(0.11)	(0.20)
Income after operating charges <sup>3</sup>	(3.21)	(2.53)	(1.71)	(1.63)	(2.52)
Closing net asset value per share	14.05	10.76	7.71	7.17	10.89
**After transaction fees of: <sup>6</sup>	0.04	0.03	0.03	0.02	0.04
Performance					
Return after charges <sup>4</sup>	(18.60%)	(19.04%)	(18.15%)	(18.52%)	(18.79%)
Other information					
Closing net asset value (US\$)	29,465,199	5,604,017	14,011,148	18,290,087	70,667
Closing number of shares	2,096,700	520,883	1,818,217	2,549,786	6,487
Operating charges percentage <sup>5</sup>	1.21%	1.74%	0.75%	1.12%	1.50%
Transaction fee <sup>7</sup>	0.24%	0.22%	0.28%	0.24%	0.26%
Prices					
Highest share price	18.72	14.36	10.25	9.55	14.52
Lowest share price	13.14	10.06	7.20	6.71	10.19

The table below summarises the financial highlights per share class, per share in issue for the year ended 31 March 2019:

	<b>31 March 2019</b>				
	<b>A Class</b>	<b>B Class</b>	<b>C Class</b>	<b>D Class</b>	<b>E Class</b>
Change in net asset per share (US\$)					
Opening net asset value per share	18.69	14.47	10.14	9.52	14.56
Income before operating charges <sup>1**</sup>	(1.22)	(0.94)	(0.65)	(0.62)	(0.95)
Operating charges <sup>2</sup>	(0.21)	(0.24)	(0.07)	(0.10)	(0.20)
Income after operating charges <sup>3</sup>	(1.43)	(1.18)	(0.72)	(0.72)	(1.15)
Closing net asset value per share	17.26	13.29	9.42	8.80	13.41
**After transaction fees of: <sup>6</sup>	0.04	0.03	0.02	0.02	0.04

# RECM Global Fund Limited

## PERFORMANCE RECORD (continued)

	<b>31 March 2019</b>				
	<b>A Class</b>	<b>B Class</b>	<b>C Class</b>	<b>D Class</b>	<b>E Class</b>
<b>Performance</b>					
Return after charges <sup>4</sup>	(7.65%)	(8.16%)	(7.10%)	(7.56%)	(7.90%)
<b>Other information</b>					
Closing net asset value (US\$)	43,174,205	9,292,836	16,994,920	26,801,804	87,000
Closing number of shares	2,501,414	699,348	1,804,953	3,045,611	6,487
Operating charges percentage <sup>5</sup>	1.20%	1.74%	0.70%	1.09%	1.44%
Transaction fee <sup>7</sup>	0.23%	0.24%	0.24%	0.25%	0.26%
<b>Prices</b>					
Highest share price	19.40	15.01	10.53	9.88	15.11
Lowest share price	16.02	12.35	8.73	8.17	12.46

The table below summarises the financial highlights per share class, per share in issue for the year ended 31 March 2018:

	<b>31 March 2018</b>				
	<b>A Class</b>	<b>B Class</b>	<b>C Class</b>	<b>D Class</b>	<b>E Class</b>
<b>Change in net asset per share (US\$)</b>					
Opening net asset value per share	16.08	12.51	8.68	8.18	12.55
Income before operating charges <sup>1**</sup>	2.82	2.19	1.55	1.44	2.20
Operating charges <sup>2</sup>	(0.21)	(0.23)	(0.09)	(0.10)	(0.19)
Income after operating charges <sup>3</sup>	2.61	1.96	1.46	1.34	2.01
Closing net asset value per share	18.69	14.47	10.14	9.52	14.56
**After transaction fees of: <sup>6</sup>	0.05	0.03	0.03	0.02	0.03
<b>Performance</b>					
Return after charges <sup>4</sup>	16.23%	15.67%	16.82%	16.38%	16.02%
<b>Other information</b>					
Closing net asset value (US\$)	58,300,676	11,536,179	22,564,799	30,929,544	94,434
Closing number of shares	3,118,682	797,491	2,224,465	3,249,332	6,487
Operating charges percentage <sup>5</sup>	1.16%	1.69%	0.65%	1.05%	1.40%
Transaction fee <sup>7</sup>	0.26%	0.24%	0.22%	0.23%	0.22%
<b>Prices</b>					
Highest share price	19.80	15.34	10.73	10.08	15.42
Lowest share price	16.03	12.47	8.65	8.15	12.51

## PERFORMANCE RECORD (continued)

### Notes

1. Income before operating charges:  
Calculated as the “Return after operating charges” plus “operating charges.”
2. Operating charges:  
The Operating Charges shows the relevant annualised operating expenses, excluding performance fees, expressed by reference to the average number of shares in issue during the year.
3. Income after operating charges:  
Calculated as the “closing net asset value per share” plus the “distributions” minus the “opening net asset value per share.” The Fund is not a distributing fund therefore no distributions have been taken into account.
4. Return after charges:  
Calculated as the “income after operating charges” per share divided by the “opening net asset value per share.”
5. Operating charges percentage:  
The Operating Charges shows the relevant annualised operating expenses from the most recent reporting period as a single percentage of the average net asset value over the same period and are indicative of costs that are applied on an ongoing basis.
6. Total direct transaction costs expressed by reference to the average of the number of units in issue at each valuation point during the financial year.
7. Total direct transaction costs expressed by reference to the average of the net asset values at each valuation point during the financial year.

# RECM Global Fund Limited

## PORTFOLIO STATEMENT

As at 31 March 2020

	Holding	Fair Value of Holding US\$	% of Net Assets
<b>Australian Dollar (2019: nil)</b>			
Renegen Limited	469,973	287,648	0.43
		<b>287,648</b>	<b>0.43</b>
<b>Brazilian Real (2019: 2.04%)</b>			
Even Construction Incorporated	60,145	70,853	0.11
		<b>70,853</b>	<b>0.11</b>
<b>Danish Krone (2019: nil)</b>			
Drilling Co. 1972	2,940	56,372	0.08
		<b>56,372</b>	<b>0.08</b>
<b>Euro (2019: 3.41%)</b>			
Bollre	53,604	146,925	0.22
Erytech Pharmaceuticals	5,303	32,876	0.05
Esprinet SPA	13,042	45,722	0.07
Exor NV	16,914	883,218	1.31
Koninklijke Boskalis	73,392	1,324,306	1.96
Metrovacesa SA	4,250	23,503	0.03
Sonae SGPS SA	897,366	579,950	0.86
Takkt AG	49,469	380,502	0.56
Vopak	33,192	1,727,033	2.57
		<b>5,144,035</b>	<b>7.63</b>
<b>Hong Kong Dollar (2019: 0.24%)</b>			
Country Garden SVC	126,500	514,102	0.76
Nagacorp Limited	458,567	467,388	0.70
		<b>981,490</b>	<b>1.46</b>
<b>Turkish Lira (2019: nil)</b>			
Emlak Konut	1,614,203	284,128	0.42
		<b>284,128</b>	<b>0.42</b>
<b>South African Rand (2019: 1.94%)</b>			
Impala Platinum Holdings	86,808	367,500	0.54
Motus Holdings Limited	35,000	53,205	0.08
Reinet Investments	25,715	408,460	0.61
		<b>829,165</b>	<b>1.23</b>
<b>Swedish Krona (2019: nil)</b>			
Adapteo OYJ	16,265	131,578	0.19
Nordic Enterta	8,325	174,605	0.26
Nyfosa AB	31,100	155,756	0.23
		<b>461,939</b>	<b>0.68</b>
<b>United Kingdom Pound (2019: 13.69%)</b>			
Georgia Capital	13,146	69,195	0.10
Imperial Brands 1	442	8,202	0.01
M&G PLC	583	813	0.00
Prudential	583	7,482	0.01
		<b>85,692</b>	<b>0.12</b>

# RECM Global Fund Limited

## PORTFOLIO STATEMENT (continued)

As at 31 March 2020

	Holding	Fair Value of Holding US\$	% of Net Assets
<b>Japanese Yen (2019: 2.92%)</b>			
Aiphone Co Ltd	3,300	43,468	0.06
AOI Electronics	2,700	48,545	0.07
Corona Corp	5,500	48,196	0.07
Daiichi Kensetsu	3,400	53,289	0.08
Elematec Corp	6,000	42,184	0.06
First Juken	4,145	37,436	0.06
FJ Next Co Limited	6,494	49,086	0.07
Fujishoji Co Limited	5,168	31,069	0.05
Fujitsu Frontech	5,700	53,592	0.08
Funai Electric	10,344	46,088	0.07
Goldcrest Co Ltd	3,192	48,018	0.07
Hagiwara Electric	1,900	38,403	0.06
Hakuto Co Ltd	3,912	35,005	0.05
Hosiden Corp	5,830	40,611	0.06
Icom Inc	2,324	55,003	0.08
Iwaicosmo Hd Inc	3,914	33,972	0.05
Jaccs	3,100	52,492	0.08
Jichodo Co Ltd	700	40,202	0.06
Kato Works Co	2,342	25,491	0.04
Komori Corp	4,700	31,912	0.05
Kyokuto Securities	6,000	32,180	0.05
Macnica Fuji Ele	3,400	41,951	0.06
Marubun Corp	8,088	35,362	0.05
Matsumoto Yushi	500	43,166	0.06
Nakayama Steel	10,900	40,286	0.06
Nihon Eslead Corporation	3,558	45,713	0.07
Nisshin Fudosan Co Ltd	10,058	36,615	0.05
Ohashi Technica	3,800	46,499	0.07
Ohmoto Gumi Co	1,100	41,828	0.06
Osaka Steel Co	3,900	41,256	0.06
Oyo Corp	4,701	53,431	0.08
Ricoh Leasing Co	1,872	49,265	0.07
Ryoden Trading Company	3,824	45,624	0.07
Ryosan Co Ltd	2,100	46,433	0.07
Ryoyo Electro	3,300	62,910	0.09
Sanshin Elec Co	3,600	46,153	0.07
Sawai Pharmaceut JPY	14,500	770,969	1.14
Shinko Shoji Co Ltd	7,812	64,259	0.10
Shinnihon Corp	7,100	53,535	0.08
Techno Associe C	2,100	15,465	0.02
Tenma Corp	3,300	48,848	0.07
Tohokushinsha Fi	9,200	43,633	0.06
Tokai Tokyo Fina	19,000	42,944	0.06
Tokyo Energy	6,200	46,462	0.07
Tsutsumi Jewelry Co Ltd	3,353	52,801	0.08
United Inc	3,700	27,419	0.04
Xebio Holdings C	4,700	38,704	0.06
Yodogawa Steel	2,900	47,225	0.07
		<b>2,814,998</b>	<b>4.17</b>

# RECM Global Fund Limited

## PORTFOLIO STATEMENT (continued)

As at 31 March 2020

	Holding	Fair Value of Holding US\$	% of Net Assets
<b>United States Dollar (2019: 14.93%)</b>			
Anglogold Ashanti LTD	36,787	611,768	0.91
Apergy Corporation	4,419	25,453	0.04
Arcosa Incorporated	6,691	264,094	0.39
Barrick Gold Corporation	50,217	919,975	1.36
Berkshire Hathaway Cl	12	3,287,160	4.87
Brookfield Asset Management Limited	54,868	2,425,714	3.60
Cerence Incorporated	8,757	140,112	0.21
Covetrus Incorporated	8,420	68,202	0.10
Cyclerion Therapeutics	20,725	54,714	0.08
Diamond S Shipping	16,750	196,143	0.29
Equitrans Midstream Com	9,565	47,729	0.07
FRMO Corporation	83,576	335,140	0.50
Frontdoor Incorporation	8,496	294,896	0.44
Garrett Motio	16,927	48,411	0.07
Gazprom	245,920	1,109,099	1.65
Globaltrans Investment	50,000	264,500	0.39
Kontoor Brand	5,841	112,439	0.17
Kroger Company	23,602	710,892	1.05
Net 1 UEPS Technology	123,563	359,568	0.53
Newmont Mining	19,083	861,979	1.28
Nordstrom Incorporation	22,306	342,174	0.51
Nvent Electric	7,382	124,387	0.18
Pennant Group	7,318	103,550	0.15
Perspecta Incorporated	7,779	141,811	0.21
Philip Morris Internantional	36,235	2,643,343	3.92
Resideo Techn	9,214	44,504	0.07
Riviera Resource	9,227	37,831	0.06
Tapestry Incorporated	22,894	296,248	0.44
Tidewater Incorporated	27,600	194,304	0.29
Tocqueville Bullion Reserve - Singapore	716	1,087,500	1.61
Tocqueville Bullion Reserve - Switzerland	694	1,088,562	1.61
Veoneer Incorporated	4,100	29,930	0.04
Wheaton Precious	30,405	836,138	1.24
Williams-Sonoma Inc	12,343	523,467	0.78
Wyndham Hotels	3,759	118,634	0.18
X5 Retail Group	27,524	742,873	1.10
		<b>20,493,244</b>	<b>30.39</b>
<b>Total Investments</b>		31,509,564	46.72
Other Net Assets		35,932,554	53.28
<b>Total Net Assets</b>		<b>67,442,118</b>	<b>100.00</b>

All of the above investments are listed investments on a recognised stock exchange.

# RECM Global Fund Limited

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## REPORT OF THE DIRECTORS

The Directors submit their report and the audited financial statements for the year ended 31 March 2020.

### Activities

The Fund is an open-ended investment company registered with limited liability in Guernsey on 31 January, 2006 with registration number 44273 and has obtained authorisation from the Guernsey Financial Services Commission under the Authorised Collective Investment Schemes (Class B) Rules, 2013 (the “new Class B Rules”) (previously; Collective Investment Schemes (Class B) Rules, 1990) and the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. The registered office is disclosed on page 3.

The Fund was established to achieve long-term capital appreciation primarily through investing in securities listed on recognised exchanges around the world; these assets will primarily consist of listed equity investments.

The name of the Fund was changed from RE:CM Global Fund Limited to RECM Global Fund Limited on 18 December, 2013. On 2 January, 2014 RECM Global Management Limited (“the Principal Manager”) was appointed Principal Manager of the Fund. Under the terms of the Management Agreement between the Fund and the Principal Manager, the Principal Manager will receive fees from the Fund as set out in Note 10 of the Financial Statements.

### Net asset value

At 31 March 2020, the net asset value of the Fund was US\$ 67,442,118 (2019: US\$ 96,350,764) being US\$ 9.65 (2019: US\$ 11.96) per share.

### Results and dividend

The results for the year ended 31 March 2020 are set out in the Statement of Total Return on page 19.

No dividend is proposed for the year ended 31 March 2020 (2019: US\$ Nil).

### Directors

The Directors who held office during the year and up to the date of this report are:

Benedict Peter Goronwy Morgan  
James Bernard Tracey  
Johannes Cornelis Van Niekerk  
Pieter Gerhardt Viljoen (alternate director)

### Directors’ and other interests

The Directors are also directors of the Principal Manager. Advocate Morgan is a partner in the firm of Carey Olsen (Guernsey) LLP, Legal Advisors to the Fund. Mr Tracey is a director of JTC Fund Solutions (Guernsey) Limited who acted as Administrator and Secretary during the year. Mr Van Niekerk is the co-owner, Chief Executive Officer and Chief Investment Officer of Regarding Capital Management (Pty) Ltd, the Investment Advisor of the Fund and he is a director of RECM Global Management Limited, the appointed Manager of the Fund.

## REPORT OF THE DIRECTORS (continued)

### Disclosure of information to auditors

The Directors who held office at the date of approval of this directors' report confirm that, in so far as they are each aware, there is no relevant audit information of which the Fund's auditors are unaware; and each Director has taken all the necessary steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Fund's auditors are aware of that information.

### Going concern

The coronavirus (COVID-19) outbreak has caused extensive disruptions to business and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. The total impact is yet difficult to project and will depend on the duration of the disruptions and the degree of continued spreading of the virus.

The financial statements have been prepared on a going concern basis. The Directors believe that this basis is appropriate as the Fund has significant net assets, minimal creditors and is not dependent on any external finance or support from other group companies.

The Directors, in consultation with the Investment Advisor, have considered the impact on global markets including the fact that certain markets are already showing signs of recovery and conclude that the most appropriate basis of presentation is going concern.

### Statement of Directors' responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and United Kingdom Accounting Standards. The Companies (Guernsey) Law 2008, as amended requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that year. In preparing those financial statements the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Directors confirm that they have complied with the above when preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008, the Protection of Investors (Bailiwick of Guernsey) Law, 1987, the Authorised Collective Investment Schemes (Class B) Rules, 2013 and the Principal Documents. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Independent auditors

A resolution to reappoint Ernst & Young LLP as auditors of the Fund will be proposed at the next Annual General Meeting.

Director: James Bernard Tracey

Date: 30 July 2020

# **RECM Global Fund Limited**

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## **REPORT OF THE CUSTODIAN**

In our opinion, the Principal Manager of the Company, RECM Global Management Limited has in all material respects managed the Company for the year ended 31 March 2020 in accordance with the provisions of the principal documents, scheme particulars and the Authorised Collective Investment Schemes (Class B) Rules, 2013.

Northern Trust (Guernsey) Limited  
as Custodian of  
RECM Global Fund Limited

Date: 30 July 2020

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RECM GLOBAL FUND LIMITED

### Opinion

We have audited the financial statements of RECM Global Fund Limited ("the Company") for the year ended 31 March 2020 which comprise the Statement of Total Return, the Statement of Changes in Net Assets attributable to Participating Redeemable Preference Shareholders, the Balance Sheet and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland".

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of the Company's total return for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland"; and
- ▶ have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RECM GLOBAL FUND LIMITED (continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the Company; or
- ▶ the financial statements are not in agreement with the Company's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008 and Paragraph 4.02(3) of the Authorised Collective Investment Schemes (Class B) Rules, 2013. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or the opinions we have formed.

**Ernst & Young LLP**

**Guernsey**

**Date: 30 July 2020**

# RECM Global Fund Limited

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## STATEMENT OF TOTAL RETURN

For the year ended 31 March 2020

	Notes	For the year ended 31 March 2020 US\$	For the year ended 31 March 2019 US\$
Net capital loss	1(e);2	(15,553,076)	(9,603,050)
Revenue	3	1,725,003	2,317,228
Expenses	4	(1,068,527)	(1,235,836)
Net revenue before taxation		656,476	1,081,392
Taxation – securities tax	5	-	(56,002)
Taxation – withholding tax	5	(306,452)	(268,745)
Net revenue after taxation		350,024	756,645
<b>Change in net assets attributable to participating redeemable preference shareholders from investment activities</b>		<b>(15,203,052)</b>	<b>(8,846,405)</b>
<b>Basic &amp; diluted loss per share</b>		<b>(2.02)</b>	<b>(1.02)</b>

The attached notes form an integral part of these financial statements.

## RECM Global Fund Limited

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### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTICIPATING REDEEMABLE PREFERENCE SHAREHOLDERS

For the year ended 31 March 2020

	31 March 2020 US\$	31 March 2019 US\$
<b>Net assets at the beginning of the period</b>	<b>96,350,764</b>	<b>123,425,632</b>
Amounts received on issue of participating redeemable preference shares	1,120,576	2,699,533
Amounts paid on redemption of participating redeemable preference shares	<u>(14,826,170)</u>	<u>(20,927,996)</u>
	(13,705,594)	(18,228,463)
Change in net assets attributable to participating redeemable preference shareholders from investment activities	(15,203,052)	(8,846,405)
<b>Net assets at the end of the period</b>	<b><u>67,442,118</u></b>	<b><u>96,350,764</u></b>

The results for the year are derived from continuing operations.

The attached notes form an integral part of these financial statements.

# RECM Global Fund Limited

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## BALANCE SHEET

At 31 March 2020

	Notes	31 March 2020 US\$	31 March 2019 US\$
<b>Fixed Assets</b>			
Investments	1(e), 12	<b>31,509,564</b>	<b>43,727,146</b>
<b>Current Assets</b>			
Debtors	7	84,124	195,841
Cash and bank balances		36,327,264	52,540,259
<b>Total current assets</b>		<b>36,411,388</b>	<b>52,736,100</b>
<b>Total Assets</b>		<b>67,920,952</b>	<b>96,463,246</b>
<b>Current liabilities</b>			
Creditors	8	479,834	112,482
		<b>479,834</b>	<b>112,482</b>
<b>Net assets attributable to participating redeemable preference shareholders</b>		<b>67,441,118</b>	<b>96,350,764</b>
<b>Equity</b>			
Management shares	6	<b>1,000</b>	<b>1,000</b>

The financial statements on pages 19 to 34 were approved by the Board of Directors on 30 July 2020 and signed on its behalf by:

Director: James Bernard Tracey

The attached notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

### 1 Principal Accounting Policies

#### a) The Fund

The Fund is an open-ended investment company with limited liability registered in Guernsey on 31 January, 2006 with registration number 44273 and has been authorised by the Guernsey Financial Services Commission under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended. The registered office is disclosed on page 3.

The Fund was established to achieve long-term capital appreciation primarily through investing in securities listed on recognised exchanges around the world; these assets will primarily consist of listed equity investments.

#### b) Basis of Preparation

These financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, as modified in accordance with the Statement of Recommended Practice "Financial Statements of Authorised Funds", issued by the Investment Association, (the "IA SORP") in May, 2014.

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments.

#### Going concern

The coronavirus (COVID-19) outbreak has caused extensive disruptions to business and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. The total impact is yet difficult to project and will depend on the duration of the disruptions and the degree of continued spreading of the virus.

The financial statements have been prepared on a going concern basis. The Directors believe that this basis is appropriate as the Fund has significant net assets, minimal creditors and is not dependent on any external finance or support from other group companies.

The Directors, in consultation with the Investment Advisor, have considered the impact on global markets including the fact that certain markets are already showing signs of recovery and conclude that the most appropriate basis of presentation is going concern.

#### c) Revenue

Dividend income is recognised when the Fund's right to receive payment is established and is shown gross of withholding taxes.

Interest income is recognised as interest accrues using the effective interest method.

#### d) Expenses

Expenses are accounted for on an accrual basis.

#### e) Investments at fair value through profit or loss

In accordance with the "IA SORP", listed investments are stated at bid-market prices ruling at the balance sheet date. Unrealised gains and losses on valuation of investments are recorded in the Statement of Total Return. Realised gains and losses on disposals of investments are also shown in the Statement of Total Return.

# RECM Global Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 1 Principal Accounting Policies (continued)

#### f) Foreign currencies

These financial statements are presented in U.S. Dollars which is the functional and presentation currency of the Fund.

Monetary assets and liabilities, including investments at valuation, are translated into U.S. Dollars at the rate of exchange ruling at the balance sheet date. Investment transactions and income and expenditure items are translated at the rate of exchange ruling at the date of the transactions. Differences on foreign exchange are recorded in the Statement of Total Return.

#### g) Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

#### h) Cash flow statement

The Fund is exempt from the requirement to produce a cash flow statement in accordance with Section 7 of FRS 102.

#### i) Participating Redeemable Preference Shares (“Participating Shares”)

In accordance with Section 22 of FRS 102 redeemable participating shares are classified as financial liabilities. Distributions on these shares are recognised as in the Statement of Total Return as finance costs.

#### j) Valuation date

The valuation date of the Fund was 31 March 2020.

### 2 Net capital (loss)/gain

	For the year ended 31 March 2020 US\$	For the year ended 31 March 2019 US\$
Investments:		
Realised (loss) / gain	(8,857,920)	2,781,808
Unrealised loss	(5,698,284)	(10,388,110)
Transaction fees	(227,722)	(257,159)
Realised and unrealised loss on currency contracts	(50,544)	(13,240)
Movement in unrealised foreign exchange loss	(685,556)	(1,643,853)
Realised foreign exchange loss	(33,050)	(82,496)
	<b>(15,553,076)</b>	<b>(9,603,050)</b>
	<b>2020</b>	<b>2019</b>
Average portfolio dealing spread	0.34%	0.12%

This spread is the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

# RECM Global Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 3 Revenue

	31 March 2020 US\$	31 March 2019 US\$
Dividend income	1,703,398	2,248,650
Interest income	21,605	19,410
Other income	-	49,168
	<b>1,725,003</b>	<b>2,317,228</b>

### 4 Expenses

#### Payable to principal manager and associates

Management fee	836,714	1,010,464
Directors' fees	25,580	26,165
	<b>862,294</b>	<b>1,036,629</b>

#### Payable to custodian and associates

Custodian fee	<b>54,303</b>	<b>60,392</b>
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#### Other expenses

Auditor's remuneration	27,561	27,338
Insurance expenses	8,125	8,098
General expenses	29,157	36,664
Legal and professional fees	1,073	1,040
Regulatory expenses	5,932	5,950
Interest expense	80,082	59,725
	<b>151,930</b>	<b>138,815</b>

	<b>1,068,527</b>	<b>1,235,836</b>
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### 5 Taxation

As the Fund has been granted exemption from Guernsey Income Tax by States of Guernsey Income Tax, their only liability is an annual fee which was fixed at £1,200 per annum. As a publicly available fund, it will continue to be eligible to apply for exempt status, and liable for the annual fee if it chooses to do so.

All income is included in the financial statements gross of any withholding tax in accordance with Section 29 of FRS 102, Income Tax.

Withholding tax on investment income is imposed by certain countries.

As per Decree 6,306/2007, Brazil imposes Tax on Financial Operations "IOF", which is a federal tax levied on credit (including intercompany loans), foreign exchange, insurance and securities transactions.

The tax base varies according to the taxable event and the financial nature of the transaction, and rates vary depending on the type of transaction and maturity terms, if applicable.

For securities transactions, the IOF tax rate varies from 0% to 1.5% per day, depending on the type of investment. Generally, IOF on securities is charged at 1% per day on the value of redemption, cession or refinancing, limited to the gains of the operation.

# RECM Global Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

<b>6</b>	<b>Share capital and share premium</b>	<b>2020</b>	<b>2019</b>
		<b>US\$</b>	<b>US\$</b>
	<b>Authorised and issued share capital</b>		
	1,000 Management Shares of US\$ 1.00 each	1,000	1,000
		<b>1,000</b>	<b>1,000</b>

There are also an unlimited number of Authorised Participating Shares of No Par Value.

### Issued:

#### Participating shares of US\$ nil each

	No. of shares					
	Class A	Class B	Class C	Class D	Class E	Total
Balance at 31 March 2019	2,501,414	699,347	1,804,953	3,045,611	6,487	8,057,812
Issued during the year	8,472	7,962	13,265	84,809	-	114,508
Redemptions during the year	(413,186)	(186,426)	-	(580,634)	-	(1,180,246)
Balance at 31 March 2020	2,096,700	520,883	1,818,218	2,549,786	6,487	6,992,074

### Issued:

#### Participating shares of US\$ nil each

	No. of shares					
	Class A	Class B	Class C	Class D	Class E	Total
Balance at 31 March 2018	3,118,682	797,491	2,224,465	3,249,332	6,487	9,396,457
Issued during the year	52,448	27,145	34,509	113,330	-	227,432
Redemptions during the year	(669,716)	(125,289)	(454,021)	(317,051)	-	(1,566,077)
Balance at 31 March 2019	2,501,414	699,347	1,804,953	3,045,611	6,487	8,057,812

### Management Shares

The Management Shares may only be issued at par and to the principal manager for the time being of the Fund. The rights attaching to the Management Shares are as follows:

(i) Voting Rights:

Management Shares carry no right to vote unless there are no other shares then in issue.

(ii) Dividends and distribution of assets on winding up:

The Management Shares carry no right to receive any distribution whether by way of dividend, return of capital or otherwise other than the return (on a winding up) of the issue price paid on such Management Shares.

# RECM Global Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 6 Share capital and share premium (continued)

#### Management Shares (continued)

##### (iii) Redemption:

The Management Shares are not redeemable and may be compulsorily repurchased, at a price equivalent to their par value, if they are not held by the Principal Manager.

#### Participating Shares

The rights attaching to the Participating Shares are as follows (all these conditions are applicable to Classes A, B, C, D and E):

##### (i) Voting Rights:

On a show of hands, every holder of Participating Shares who (being an individual) is present in person or by proxy or by a duly authorised representative shall have one vote and, on a poll, every holder of Participating Shares present in person or by proxy or by a duly authorised representative shall have one vote for every whole Participating Share held by him and a further part of one vote proportionate to any fraction of a Participating Share held by him.

##### (ii) Dividends:

The shareholders may from time to time by Ordinary Resolution declare dividends payable to holders of Participating Shares up to an amount recommended by the Directors. The Directors may from time to time if they think fit pay interim dividends on Participating Shares as appear to the Directors to be justified by the profits of the Fund. The rate of dividend on the Participating Shares in respect of any Annual Accounting Period of the Fund (as defined in the Articles) shall be calculated by the Directors and shall be arrived at by dividing the amount of income after tax attributable to the Participating Shares which the Directors deem advisable for distribution divided by the number of Participating Shares entitled to the dividend.

##### (iii) Winding Up:

On a winding up, the assets available for distribution shall be paid to the shareholders of Participating Shares in proportion to the number of Participating Shares held subject to the payment to the holders of the Management Shares of the nominal amount paid up thereon.

##### (iv) Redemption:

The Participating Shares may be redeemed by Shareholders on any Dealing Day at a price based on the Net Asset Value of such Participating Shares.

7 Debtors	2020	2019
	US\$	US\$
Dividend income	78,783	175,616
Prepayments	6,341	20,225
	<b>85,124</b>	<b>195,841</b>

# RECM Global Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

8	<b>Creditors</b>	<b>2020</b>	<b>2019</b>
		<b>US\$</b>	<b>US\$</b>
	Auditors' remuneration	25,914	26,177
	Custodian fees	3,515	7,624
	Directors' fees	-	6,371
	Management fees	57,010	72,153
	Securities purchased payable	391,033	-
	Other	2,362	157
		<b>479,834</b>	<b>112,482</b>

9	<b>Earnings per share</b>	<b>2020</b>	<b>2019</b>
		<b>US\$</b>	<b>US\$</b>
		(2.02)	(1.02)

The Earnings Per Share is based on the net decrease in amounts due to Shareholders from investment activities and on the Weighted Average Number of Shares in issue for the year 7,537,025 (2019: 8,690,032).

As at 31 March 2020

	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Class D</b>	<b>Class E</b>
Profit per share class (US\$)	(2.96)	(1.98)	(1.74)	(1.45)	(2.57)
Profit (US\$)	(6,676,003)	(1,233,209)	(3,164,598)	(4,112,552)	(16,690)
Weighted average number of shares per class	2,253,839	621,271	1,816,374	2,834,742	6,487

As at 31 March 2019

	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Class D</b>	<b>Class E</b>
Profit per share class (US\$)	(1.52)	(1.18)	(0.76)	(0.69)	(1.08)
Profit (US\$)	(4,339,794)	(889,187)	(1,432,911)	(2,177,519)	(6,997)
Weighted average number of shares per class	2,855,797	752,057	1,890,779	3,156,630	6,487

## 10 Transactions with related parties

### Management fees

The Fund pays the Principal Manager a management fee equal to 1% per annum of the Net Asset Value of the "A" share class, 1.50% of the Net Asset Value of the "B" share class, 0.50% of the Net Asset Value of the "C" share class, 0.90% of the Net Asset Value of "D" share class and 1.25% of the Net Asset Value of the "E" share class. The management fee is calculated daily on each valuation day and shall be paid pro-rata for any period shorter than the month in respect of which such fee is payable.

### Performance fee

The Principal Manager is also entitled to a performance fee in respect of the "A" Share class, the "B" Share class and "D" Share class. There is no performance fee payable in respect of the "C" Share class or "E" Share class.

The performance fee shall be levied respectively on the "A" Share class, the "B" Share class and the "D" Share class based on the performance of the Fund relative to that of its hurdle. The performance fee is calculated and accrued daily and can be either positive in the case of outperformance of the Daily Performance Hurdle.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 10 Transactions with related parties (continued)

#### Performance fee (continued)

The daily performance fee is calculated as an amount equal to 20% of the Fund's Return above/ (below) the Daily Performance Hurdle, after the deduction of the Manager's fee. The performance fee accrual (the "Accrual") due to the Manager is calculated as the sum of all daily performance fees accrued since the inception of the share class. The Accrual will increase or decrease by the Daily performance fee charges or refunds respectively. A daily calculated performance fee refund is only possible to the extent that there is a positive Accrual (a fee owing to the Manager, but not yet paid) in the relevant class of the Fund. The Accrual may never be negative for the Fund (it may not be an asset in the relevant class of the Fund). The Manager shall track any negative amount that develops and any such negative amount must first be offset by a performance fee charge before a positive Accrual can be recognized in the Fund.

Prior to 1 August 2014, the Accrual was calculated as the sum of all daily accruals over the five years immediately prior to the calculation date. As a result of the change to the performance measure period, the accrual for the "A" Shares at 1 August 2014 was rebased to an inception to the date period. There was no change to the "B" Shares and "D" Shares since their inception dates were less than 5 years prior to 1 August 2014.

Prior to 2 January, 2014, the Daily Performance Hurdle was based on the MSCI World Index plus 2.5% per annum and the accrual was calculated since inception of the Fund. From 2 January, 2014, the Daily Performance Hurdle is based on the US Consumer Price Index for All Urban Consumers plus 8% per annum. As a result of the change to the Daily Performance Hurdle, the Accrual will be calculated using daily performance fees based on both the old and new hurdles.

The payment of the performance fee to the Manager reduces the outstanding Accrual. Payment of the performance fee can only be made when the following criteria have been met:

1. The Accrual must be positive, and:
2. The share class return must have outperformed its hurdle return over the previous five years.

The value of the performance fee paid to the Manager each month end will be equal to the lesser of the performance fee accrued in the equivalent month five years prior or the total value of the Accrual. If the performance fee accrued in the equivalent month five years prior was negative, then no payment is to be made. Prior to 1 August 2014 the value of the performance fee paid to the Manager at each month end was one twelfth of the Accrual at the end of each month. The first performance fee payment will occur at the end of the sixtieth month following the date on which the relevant class of the Fund first issues Shares. "A" Shares and "B" Shares are currently eligible for the payments of performance fees.

The Directors are permitted to write back into the relevant class of the Fund any part of the performance fee accrual that the Directors believe will not become payable.

#### Investment Advisor fee

The Investment Advisor's fee and the Administration fee of the Fund are payable by the Principal Manager at no additional cost to the Fund.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 10 Transactions with related parties (continued)

#### Directors' fees

The Directors are entitled to receive a fee for acting as directors of the Fund which in aggregate shall not exceed US\$100,000 in any financial year or such higher amount as may be approved by an Ordinary Resolution of the Shareholders in a general meeting. James Tracey and Ben Morgan currently each receive a fee of £10,000 per annum. Jan van Niekerk has waived his entitlement to a director's fee. All Directors are reimbursed for any reasonable travel and other expenses relating to the management of the Fund.

#### General

The Principal Manager is entitled to reimbursement of out-of-pocket expenses reasonably incurred in the performance of its duties for the Fund. During the year no out-of-pocket expenses were incurred by the manager (2019: US\$ nil).

### 11 Significant Agreements

#### Custodian fee

The Custodian is entitled to an annual fee based on the NAV of the Fund at the following rates:

<b>Assets under management</b>	<b>Fee based on NAV</b>
<\$200,000,000	0.05% p.a
Between \$200,000,000 and \$350,000,000	0.04% p.a
>\$350,000,000	0.03% p.a

The fee is accrued daily and payable monthly in arrears, subject to a minimum annual fee of \$40,000.

### 12 Financial instruments and risk profile

The primary objective of the Fund is to achieve long-term capital appreciation for its shareholders primarily through investing in securities listed on recognised exchanges around the world; these assets will primarily consist of listed equity investments.

The main risks arising from the Fund's financial instruments are price risk, exchange rate risk, interest rate risk, liquidity risk and credit risk, those risks associated with fixed income securities and finally portfolio companies and management risks. The Board reviews and agrees policies for managing its risk exposure. These policies are summarised below and have remained unchanged during the year under review.

#### Foreign currency considerations

The Net Asset Value of the Fund is calculated in US Dollars whereas the investments held for the account of the Fund may be acquired in other currencies. The value in terms of US Dollars of the investments of the Fund, which may be designated in any currency, may rise and fall due to exchange rate fluctuations of individual currencies. Adverse movements in currency exchange rates can result in a decrease and loss of capital.

# RECM Global Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 12 Financial instruments and risk profile (continued)

#### Foreign currency considerations (continued)

As at 31 March the Fund's net currency exposure was as follows:

	2020		2019	
	US\$	%	US\$	%
Australian Dollar	287,865	0.43	6,243	0.01
Brazilian Real	73,297	0.11	1,977,676	2.05
British Pound	7,020,045	10.41	38,922,472	40.40
Danish Krona	56,373	0.08	-	-
European Euro	7,533,640	11.17	3,293,565	3.42
Hong Kong Dollar	981,745	1.46	316,384	0.33
Japanese Yen	8,363,879	12.40	28,453,089	29.53
South African Rand	833,173	1.24	1,879,061	1.95
Swedish Krona	461,945	0.68	243,622	0.25
Swiss Franc	627	0.00	5,986,175	6.21
Turkish Lira	(106,905)	(0.16)	-	-
United States Dollar	41,935,385	62.18	15,272,477	15.85
	<b>67,441,118</b>	<b>100</b>	<b>96,350,764</b>	<b>100</b>

#### Sensitivity analysis

The following table details the Fund's sensitivity to a 5% strengthening of the functional currency against each of the relevant foreign exchange currencies. A 5% weakening of the functional currency against each of the relevant foreign exchange currencies would have the opposite effect. This analysis assumes that all other variables, in particular interest rates remain constant.

	2020		2019	
	+5% US\$	-5% US\$	+5% US\$	-5% US\$
Australian Dollar	14,393	(14,393)	312	(312)
Brazilian Real	3,665	(3,665)	98,884	(98,884)
British Pound	351,005	(351,005)	1,946,124	(1,946,124)
Danish Krona	2,819	(2,819)	-	-
European Euro	376,682	(376,682)	164,678	(164,678)
Hong Kong Dollar	49,087	(49,087)	15,819	(15,819)
Japanese Yen	418,194	(418,194)	1,422,655	(1,422,655)
South African Rand	41,659	(41,659)	93,953	(93,953)
Swedish Krona	23,097	(23,097)	12,181	(12,181)
Swiss Franc	31	(31)	299,309	(299,309)
Turkish Lira	5,345	(5,345)	-	-
	<b>1,285,977</b>	<b>(1,285,977)</b>	<b>4,053,915</b>	<b>(4,053,915)</b>

#### Market risk

The Fund's Net Asset Value will increase or decrease with changes in the market value of the Fund's investments. Shares are subject to market, economic and business risks that cause their prices to fluctuate. The Fund is also subject to the risk that the investment advisor's judgment about the potential of a particular company's shares is incorrect and the perceived value of such shares is not realised by the market or the Net Asset Value of the Fund will decline. An investment in the Fund is not guaranteed and an investor could lose some or the entire amount invested in the Fund.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 12 Financial Instruments and Risk Profile (continued)

#### Market risk (continued)

Equity securities represent ownership interest in a company or corporation, and include common stock, preferred stock and warrants and other rights to acquire such instruments. The principal risk of investing in the Fund is equity risk. Equity risk is the risk that the prices of the securities held by the Fund will change due to general market and economic conditions, perceptions regarding the industries in which the companies issuing the securities participate and the issuer company's particular circumstances. Investment in equity securities in general are subject to market risks that may cause their prices to fluctuate over time. The value of convertible equity securities is also affected by prevailing interest rates, the credit quality of the issuer and any call provisions. Fluctuations in the value of equity securities in which the Fund invests would cause the Net Asset Value of the fund to fluctuate.

#### Price sensitivity

At 31 March 2020, if the market prices of the securities had been 10% higher with all other variables held constant, the increase in net assets attributable to holders of participating shares for the year would have been US\$ 3,150,956 (2019: US\$ 4,372,715) higher, arising due to the increase in the fair value of financial instruments.

#### Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liabilities are short-term in nature and are payable in the normal operating cycle.

#### Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. The maximum extent of the Fund's exposure to credit risk in respect of the financial assets is equal to the carrying amount in the Fund's balance sheet.

The Fund holds cash and cash equivalents for operational use with Northern Trust (Guernsey) Limited with a stable Moody's financial strength rating, who is also the custodian of all the investment holdings.

Credit risk related to accounts receivable is considered to be minimal. All transactions in listed securities are settled upon delivery using approved brokers.

#### Interest rate risk

Fixed Income securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). The fixed income securities in which the Fund will invest are interest rate sensitive. An increase in interest rates will generally reduce the value of fixed-income securities while a decline in interest rates will generally increase the value of fixed-income securities.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 12 Financial Instruments and Risk Profile (continued)

#### Interest rate risk (continued)

The performance of the Fund will therefore depend in part on the ability to anticipate and respond to such fluctuations on market interest rates and to utilise appropriate strategies to maximise returns while attempting to minimise the associated risks to investment capital.

At 31 March 2020 and 2019, the Fund did not hold any fixed income securities and as such was not exposed to material interest rate risk.

#### Portfolio companies and management risks

The success of the Fund with respect to its investments will depend largely on the ability of the Investment Advisor to identify suitable investment opportunities for capital growth and to assess those opportunities. Identification and exploration of the investment opportunities to be pursued by the Fund involves a high degree of uncertainty. No assurance can be given that the Investment Advisor will be able to locate suitable investment opportunities in which to deploy all of the Fund's assets in the securities markets and therefore there can be no assurance that the Fund's investment objective or investment strategy will be successful.

#### Capital management

The capital structure of the Fund at year end consists of equity attributable to equity holders of the Fund, comprising issued capital and retained earnings. The Fund's capital benchmark is the spliced MSCI World Index and US CPI + 6%.

The Board continues to monitor the balance of the overall capital structure so as to maintain investor and market confidence. The Fund is not subject to any external capital requirements.

The Fund has the power to borrow, but any borrowings will be limited to 10% of the aggregate Net Asset Value of all the classes at the time of borrowing and will only be used to fund redemptions when in the opinion of the Investment Advisor it is in the interests of the shareholders to borrow rather than liquidate investments.

### 13 Fair value disclosure

In the opinion of the principal manager there is no material difference between the book values and the fair values of the other financial assets and liabilities.

Section 11 of FRS 102 establishes a hierarchy to be used to estimate the fair value of investments that are publicly traded or whose fair value can be reliably measured if they are not publicly traded. The table below shows financial instruments recognised at fair value, analysed between those whose fair values is based on:

- (1) Quoted price in active markets for the identical assets or liabilities (Level 1).
- (2) Those involving inputs other than the quoted prices including in Level 1 that are observables for the asset or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2).
- (3) Those with inputs for the assets or liabilities that are not based on observable market data (unobservable inputs), (Level 3).

# RECM Global Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 13 Fair value disclosure (continued)

The following table presents the Fund's financial assets by level within the valuation hierarchy as of 31 March 2020.

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Investments valued at fair value	31,509,564	-	-	31,509,564

The following table presents the Fund's financial assets by level within the valuation hierarchy as of 31 March 2019.

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Investments valued at fair value	43,727,146	-	-	43,727,146

The table below shows the movement in investments during the year:

	2020 US\$	2019 US\$
Cost at beginning of the year	42,488,009	80,131,788
Purchases	55,038,182	38,138,246
Sales	(52,471,838)	(78,306,674)
Transaction costs	(227,722)	(257,159)
Realised (loss) / gain on sales of investments	(8,857,920)	2,781,808
Unrealised (depreciation) / appreciation on investments	(4,459,147)	1,239,137
Fair value at end of the year	<b>31,509,564</b>	<b>43,727,146</b>

### 14 Ultimate controlling party

In the opinion of the Directors there is no ultimate controlling party as defined by the Section 33 of FRS 102, Related Party Disclosures, as no one party has the ability to direct the financial and operating policies of the Fund with a view to gain economic benefits from their direction.

### 15 Post balance sheet events

RECM is in the process of concluding a merger with Counterpoint Asset Management whereby the Fund will fall under the brand Counterpoint Asset Management. The anticipated deadline for merger will be October 2020. The Directors do not foresee any changes to the Investment Mandate of RECM Global Fund and aims to benefit from the skills and advice of the merger with Counterpoint Asset Management.

The outbreak of Covid-19 has caused disruptions to global supply chains and has affected the demand for certain products and services. The total impact is yet difficult to project and will depend on the duration of the disruptions and the degree of continued spreading of the virus. The financial effects are also expected to vary significantly between sectors and geographies.

The Directors, taking advice from the Investment Manager, will monitor the development of this situation closely, continue to analyse the impact on a company by company basis, and seek to initiate mitigating actions in the portfolio companies of the Fund, where possible.

# RECM Global Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

### 15 Post balance sheet events (continued)

The table below illustrates the units issued and redeemed by the Fund since the year end:

	Class A	Class B	Class C	Class D	Total
Redemption	(2,256,852)	(374,284)	(8,524,830)	(2,850,575)	(14,006,541)
Subscription	30,550			183,436	213,986

Subsequent to year end, up to the date of signing of this report, the NAV per share of the fund has increased by US\$ 1.33 to US\$ 10.98.

There were no other significant subsequent events.