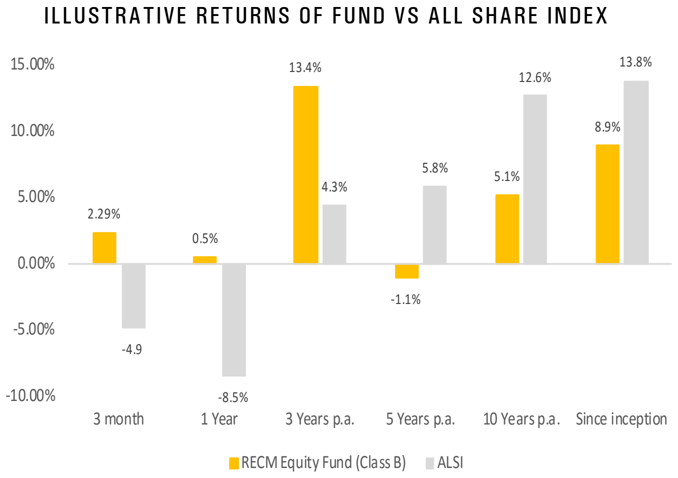
QUARTERLY REPORT

RECM EQUITY FUND - DECEMBER 2018

PERFORMANCE TABLE

Net Returns	RECM Equity B	ALSI
3 Months	2.3%	-4.9%
1 Year p.a.	0.5%	-8.5%
3 Years p.a.	13.4%	4.3%
5 Years p.a.	-1.1%	5.8%
10 Years p.a.	5.1%	12.6%
Since inception (1 March 2005)	8.9%	13.8%

PERFORMANCE NET OF FEES AND EXPENSES



PERFORMANCE REVIEW

Positions which benefited returns in the last quarter:

- Construction company Stefanutti Stocks
- Platinum producer Impala Platinum
- Retailer Spar Group

Positions which detracted from returns in the last quarter:

- Packaging company Bowler Metcalf
- Insurance company Clientele
- Energy and chemicals company Sasol

PERFORMANCE SUMMARY

The Fund returned 2.3% during the quarter significantly outperforming its benchmark, the FTSE/JSE All Share Index, which returned –4.9% for the quarter. For the 2018 calendar year, it was one of only two South African equity funds that showed a positive return, posting 0.5% versus the All Share Index which was down 8.5%. The Fund was the top performing South African equity fund over 3 years, achieving 13.4% per annum versus the All Share Index which returned 4.3% per annum.

In 2018, when the market was down, the Fund posted positive returns after fees, mainly because it did not own some of the popular stocks that collapsed, while it did hold some small-cap stocks that bucked the trend. Out of the top 40 stocks on the JSE, only nine did not post negative returns in 2018. As such, larger managers confined to this hunting ground would have struggled, with very little room to hide. Being a smaller manager was very much to RECM's advantage, allowing the Fund to hold many small and mid cap stocks that fared a lot better. We believe this greater opportunity set will continue to be of benefit to RECM's investors given the difficult macro landscape.

Construction group Stefanutti Stocks is a good example of a small cap stock that contributed to returns in 2018, with the stock up more than 20% in the fourth quarter. The company reported interim results which were better than expected, with revenue holding broadly steady despite a tough operating environment. It cited its geographic diversification as having helped protect against a marked drop in infrastructure spending locally, with its operations in the United Arab Emirates lifting headline earnings.

MARKET COMMENTARY

Global equities had a difficult quarter overall, with strained relations between the US and China, rising US interest rates and signs of slowing global growth weighing on most markets.

US equities were down significantly in the fourth quarter, with December experiencing particularly steep falls. The S&P500 Index returned -13.5%, and the tech-heavy Nasdaq -17%, with the latter becoming the first major US index to enter into bear territory since the bull market started in 2009.

Eurozone equities also fell sharply with the MSCI EMU Index returning -11% in local currency and the FTSE All Share index was down 10% as Theresa May's proposed Brexit deal met with stiff opposition. The US dollar rallied against the euro, the pound and many other currencies.

The strong US dollar again contributed to emerging markets disappointing with rising US interest rates, weaker commodity prices and heightened US-China trade tensions all compounding emerging market woes. The MSCI Emerging Market Index was down 7.4%, falling for a third consecutive quarter. Unfortunately South Africa was no exception, with the equity market experiencing its worst year since the financial crisis and the rand weakening versus the US dollar.

MANAGEMENT ACTIONS

During the quarter, the Fund introduced positions in Richemont, Woolworths, Absa and Aspen – all of which have seen their share prices come down enough for us to consider them attractive. Happily, this also means the portfolio has increased its exposure to high quality companies in the process. The Fund also increased its allocation to a small basket of "net-net" stocks, and "spin-offs".

A "net-net" is a company whose stock is trading below the company's current assets (cash or cash equivalents) minus all liabilities. In other words, where the share price is effectively trading below the company's liquidation value. By holding small positions in net-net stocks trading at extraordinarily low prices, the Fund is able to capitalise on the inherent unlock of value that occurs when these businesses survive. Downside is protected against by ensuring each "net-net" position is a small enough position in the Fund to have a negligible impact if the market is correct in its original assessment.

A "spin-off" is a stock created through the sale or distribution of new shares from an existing parent company. Typically shareholders of the parent company that receive these shares aren't interested in these underlying assets, and often choose to sell them, putting downward pressure on the share price in the short term. As such, the spinoff process is a fundamentally inefficient method of distributing stock to the wrong people, who are then inclined to sell without any regard for price or fundamental value. This presents an attractive opportunity to value investors who are prepared to buy these spinoffs after the initial forced selling, and hold them until value unlocks.

TOP TEN HOLDINGS (%)

December 2018		September 2018	
Hosken Cons Investments Ltd	5.8	Hosken Cons Investments Ltd	6.1
Stefanutti Stocks Holdings Ltd	5.6	MTN Group Ltd	6.1
The Spar Group Ltd	5.1	Steinhoff Inv-Prefs	5.6
Standard Bank Group Ltd	5.0	Bowler Metcalf Ltd	5.1
Steinhoff Inv-Prefs	4.9	Stefanutti Stocks Holdings Ltd	5.1
Old Mutual Ltd	4.1	Clientele Limited	5.0
Mtn Group Ltd	4.1	The Spar Group Ltd	4.4
Clientele Limited	3.7	Mediclinic International PLC	4.2
Bowler Metcalf Ltd	3.4	RECM and Calibre Ltd	3.8
RECM and Calibre Ltd	3.2	Old Mutual Ltd	3.1
Total	44.9	Total	48.5

SECTOR EXPOSURE (%)

December 2018		September 2018	
Industrials	44.2	Industrials	43.2
Resources	19.1	Resources	25.5
Financials	36.7	Financials	31.3
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund is currently 87% invested in local equities with 13% of the Fund held in cash.

Being bottom-up value investors first and foremost, we make our allocations on a case-by-case basis depending on where quality and value collide within our wide opportunity set. From a portfolio construction perspective however, we ensure too that the resulting portfolio is as diversified as possible when viewed in totality. Ideally, we want the Fund to comprise of as many investment ideas as possible, across as many sectors and industries as possible, such that investment success is never overly reliant on any one particular investment thesis being proven correct within a particular frame of time.

Fortunately, over the past few years, local markets have offered up a number of interesting and diverse opportunities to own decent businesses trading at attractive prices, often because they have simply been overlooked in favour of the bigger, headline-grabbing stocks of the moment. As this opportunity set has opened up, the Fund has been able to introduce many new and varied investment ideas, whilst at the same time reducing exposure to the resources sector, which has rebounded since the beginning of 2016.

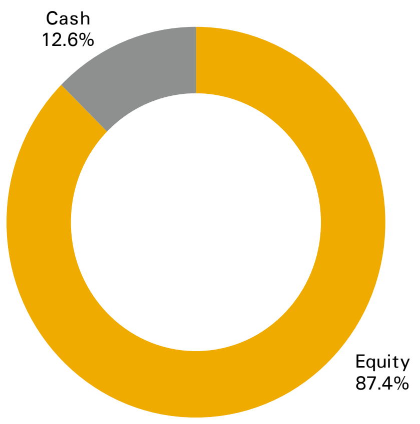
The end result is a portfolio of assets which is more diversified than before, in higher quality companies than before. The Fund now holds only 19% of equity in resource stocks, with 37% in financial stocks and 44% in a wide array of diverse industrial businesses.

The RECM Equity Fund is a robust, diversified portfolio of unpopular and undervalued stocks which is positioned very differently to the market index, and most other portfolios. Markets have strongly favoured value strategies over the past three years, in stark contrast to the years prior to this, and with the value cycle still in early stages, there is further value to be unlocked by investors who stay the course.

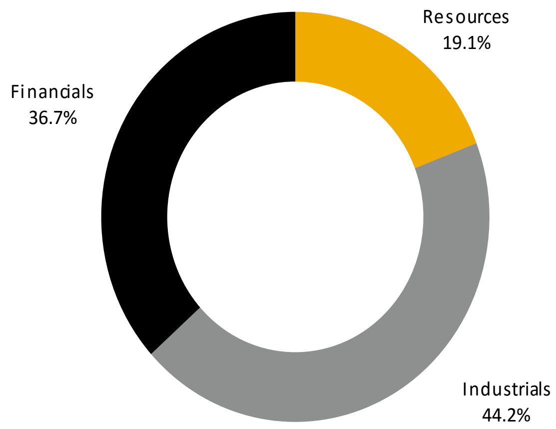
We will continue to implement our value investment philosophy consistently. This means we will always be on the lookout for assets where the price is well below their value. In addition, our investment process – which determines how we put together our portfolio – remains the same, resulting in a broadly diversified portfolio, consisting of undervalued situations, many of which will be uncorrelated.

In the long run it has been proven that over multiple market cycles there is no factor as important to subsequent investment returns as starting valuations – or the price paid at the outset. Investment success over time favours those who have the ability and willingness to buy stocks at prices, for reasons that are often uncomfortable at the time, well below what the underlying companies are fundamentally worth. The RECM Equity Fund offers investors the opportunity to capitalise on this enduring investment truth.

ASSET EXPOSURE (%OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



RECM EQUITY FUND

Quarterly Commentary - Period ended 31 December 2018

RECM

PORTFOLIO OVERVIEW

Portfolio Manager	Piet Viljoen	Min. Investment	R10,000 initial investment
ASISA Sector	South Africa Equity General*	Initial Fee	No initial fee
Fund Launch Date	2 March 2005	Annual Fee**	1.0% (excl. VAT)
Inception Date (Class B)	2 March 2005	Intermediary Fee**	0.0% (excl. VAT)
Total Fund Size	R 114.1 million	Performance Hurdle	FTSE/JSE All Share Index + 2.5% p.a.
Benchmark (Bmk)	FTSE/JSE All Share Index	Performance Fee**	20% of the outperformance of the hurdle over 5 year rolling periods
Total Expense Ratio	1.4% for the 3 year period ending 31 December 2018		

Risks associated with investing in the Fund

All investments carry risk. Different investment strategies may carry different levels and kinds of risks depending on the assets held. You should consider the risks listed below in the context of your risk profile, which includes factors such as your investment timeframe, objectives and tolerance for performance volatility, income and age. We do not offer advice, nor does the Fund's investment strategy consider your individual circumstances and we cannot advise that the Fund is suitable for your circumstance.

The Manager does not guarantee the Fund's returns, its liquidity, and repayment of capital, interest nor a rate of return. Assets that are expected to provide the highest long-term returns often have the highest short-term risk. The Funds' investment strategy and the assets it invests in, will determine the Fund's sensitivity to these risk factors.

You should obtain financial advice to determine whether the Fund is suitable for your circumstances before investing in the Fund.

Sharemarket and Business Risk

The Fund may experience losses due to factors that affect the overall performance of the financial markets. The Fund holds securities issued by individual companies and are subject to the business risks specific to them, including sales volumes, profit margins, input costs, competition, economic climate and government regulations. The companies may also have exposure to specific financial risk, liquidity risk, market risk, exchange-rate risk and country-specific risks.

Interest Rate Risk

This is the possibility that fixed-rate debt instruments may decline in value as a result of a rise in interest rates.

Credit Risk

Refers to the possibility that a bond issuer may not be able to make expected interest payments and/or principal repayment.

Liquidity Risk

Refers to the possibility that an investor may not be able to invest or disinvest when they want to. This may occur during a period of adverse market trading conditions where the manager may not be able to buy or sell the Fund's investments because opportunities to do so are limited.

Social/Political/Legislative Risk

Risks associated with the possibility of nationalisation, unfavourable government action or social changes resulting in a loss of value is called social or political risk which may affect the Fund.

Inflation Risk

The Fund may hold investments that do not generate sufficient income and capital gains to outperform inflation.

Key Person Risk

The Fund depends on the expertise of RECM and its investment team. The Fund could be negatively impacted if RECM does not retain key staff.

Third Party Operational Risk

The Fund's operations depend on third parties. Investors in the Fund may suffer financial loss or disruption in the event of third party operational failure.

Fees

An annual management fee (determined by the investor's selected unit class above) is levied monthly on the market value of the Fund. An annual performance fee of 20% is levied on returns (net of fees) in excess of the Performance Hurdle. Performance fees are calculated and accrued daily. While the performance fee accrual is calculated daily, for inclusion in the daily unit price, it will only be paid should the Manager outperform the performance fee hurdle over a 60-month rolling period. The performance fee is in addition to the annual management fee. No maximum is set for the performance fee. The Fund may invest in the Guernsey-domiciled RECM Global Fund, which is a associated collective investment scheme, however there will be no additional investor fees connected with thisw investment.

****Total Expense Ratio (TER) and Transaction Costs**

The TER reflects the percentage of this Fund's Net Asset Value that was incurred as expenses relating to the administration of this Fund, including the annual fee and the performance fee and intermediary fee if applicable. A Higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. Transaction costs are a necessary cost in administering this Fund and impacts this Fund's returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. The TER and Transaction costs are a measure of the actual expenses incurred by this Fund over a 3 year period (annualised). If this Fund is between 1 and 3 years old, the TER and Transaction Costs are calculated using the actual expenses incurred since the inception of this Fund. The sum of the TER and Transactions Costs is shown as the Total Investment Charge; these costs all being VAT inclusive.