QUARTERLY REPORT

RECM BALANCED FUND - DECEMBER 2018

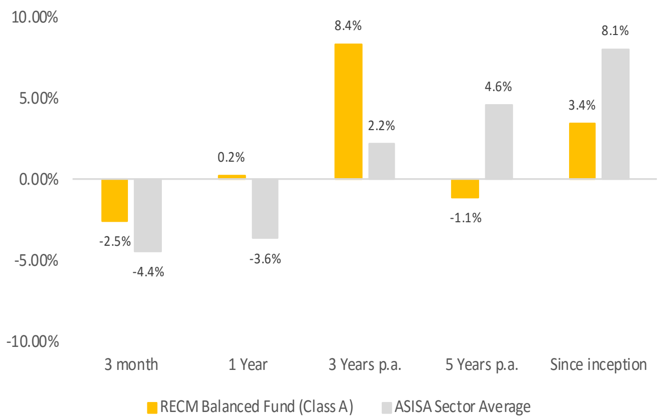
PERFORMANCE TABLE

Net Returns	RECM Balanced A	ASISA Avg	CPI +5%*
3 Months	-2.5%	-4.4%	10.2%
1 Year p.a.	0.2%	-3.6%	10.2%
3 Years p.a.	8.4%	2.2%	10.5%
5 Years p.a.	-1.1%	4.6%	10.4%
Since inception (5 Jul '11)	3.4%	8.1%	10.4%

*The Fund's benchmark is SA Inflation + 5% p.a. Prior to 1 February 2014 the Fund's benchmark was SA Inflation + 6% p.a.

PERFORMANCE NET OF FEES AND EXPENSES

ILLUSTRATIVE RETURNS OF FUND VS ASISA SECTOR AVERAGE



PERFORMANCE REVIEW

Positions which benefited returns in the last quarter:

- Construction company Stefanutti Stocks
- Gold miner Anglogold Ashanti
- Retailer Spar Group

Positions which detracted from returns in the last quarter:

- UK retailer Tesco Plc
- Telecoms company Liberty Global Plc
- Energy companies Inpex and Sasol

PERFORMANCE SUMMARY

The Fund returned -2.5% during the quarter, and 0.2% for the year. It was one of very few funds in its category to post a positive return in 2018, with equity markets under pressure and the FTSE/JSE All Share Index down 8.5%. The Fund achieved 8.4% per annum after fees over the past 3 years, with the average return for the category being 2.2% per annum.

Construction group Stefanutti Stocks contributed to returns, 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.

Precious metals prices, in contrast to most other commodity prices, posted strong gains during the quarter as global growth concerns drove demand for safe-haven assets. As such, gold shares such as Anglogold Ashanti, Barrick Gold and Randgold all boosted Fund returns.

The Fund also benefited from having a cash position in Japanese yen, since the yen strengthened as a result of the currency being viewed as a "safe-haven" refuge given the relative isolation of the Japanese economy.

Continued uncertainty regarding the UK's impending departure from the European Union, as well as a weakening pound, also drove the share prices of many UK domestic companies down, including UK retailer Tesco Plc and telecommunications firm Liberty Global Plc.

Most energy stocks, including Inpex and Sasol, fell during the quarter as the combination of slowing global growth, and oil prices plummeting by more than 30%, weighed on the sector in general.

RECM BALANCED FUND

Quarterly Commentary - Period ended 31 December 2018

RECM

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 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, on the local side, the Fund introduced positions in Richemont, Woolworths, Absa and Aspen – all of which have seen their share prices come down enough for us to initiate small positions. Happily, this also means the portfolio has increased its exposure to high quality companies in the process.

On the global side, the Fund took advantage of price weakness to add to positions in UK holdings such as Tesco, Admiral, Liberty Global as well as to Russian bank Sberbank.

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 unexpectedly survive. Downside is protected against by ensuring that each "net-net" position is small enough on its own 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 thus 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	6.4	MTN Group Ltd	5.5
Standard Bank Group Ltd	6.1	Hosken Cons Investments Ltd	5.2
The Spar Group Ltd	4.5	BHP Billiton PLC	3.0
Firstrand Ltd	3.6	Anglo American PLC	2.9
Mediclinic International PLC	3.0	The Spar Group Ltd	2.9
MTN Group Ltd	2.9	Old Mutual Ltd	2.8
Old Mutual Ltd	2.8	RECM and Calibre Ltd	2.8
RECM and Calibre Ltd	2.5	Firstrand Ltd	2.6
Compagnie Financiere Richemont	2.4	Tesco PLC	2.6
Unicorn Capital Partners Ltd	2.2	Standard Bank Group Ltd	2.4
Total	36.4	Total	32.7

ASSET EXPOSURE (%)

December 2018		September 2018	
SA Equity	58.0	SA Equity	44.4
SA Cash	15.4	SA Cash	23.7
Global Equity	17.0	Global Equity	21.3
Global Cash	9.6	Global Cash	10.6
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund has 75% exposure to local and global equities and continues to hold a meaningful portion in cash (25%). The Fund remains cautious about increasing exposure to traditional interest-bearing investments such as bonds and property. We believe current yields still do not adequately compensate investors for their commensurate risk. The global portion of the Fund now makes up 27% of the portfolio.

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 geographies, 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.

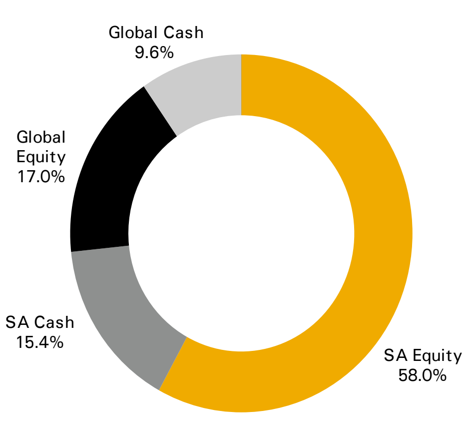
Fortunately, over the past few years, global and local markets have offered up a number of interesting and diverse opportunities to own good businesses trading at attractive prices, often because they have simply been overlooked in favour of the bigger, headline-grabbing stocks of the moment. As this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

The end result is a portfolio of assets which is more diversified than before, invested in higher quality companies than before. The Fund currently holds only 13% of equity in resource stocks, with 44% in financial stocks and investment holding vehicles, and 43% in a wide array of diverse, high quality industrial businesses both locally and globally.

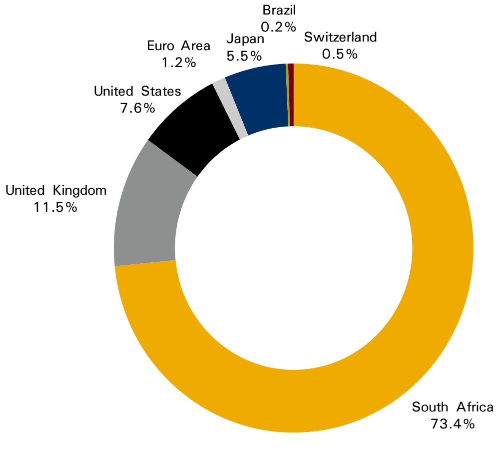
The RECM Balanced Fund is a robust, diversified portfolio of undervalued stocks, with the advantage of a meaningful cash component to put to use as opportunities arise. With the value cycle still in early stages, there is further value to be unlocked by investors who stay the course.

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 Balanced Fund offers investors the opportunity to capitalise on this enduring investment truth.

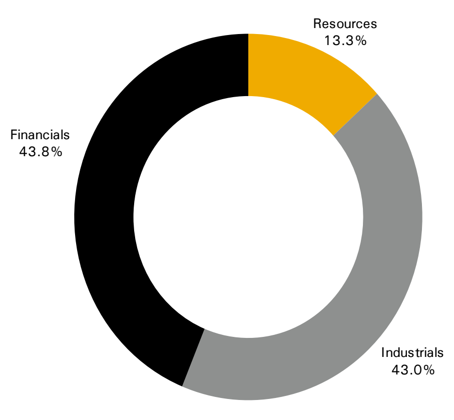
ASSET EXPOSURE (%OF FUND)



REGIONAL EXPOSURE (% OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



PORTFOLIO OVERVIEW

Portfolio Manager	Piet Viljoen	Initial Fee	No initial fee
ASISA Sector	South African Multi Asset High Equity	Annual Fee	0.9% (excl. VAT)
Regulation 28	Complies	Performance Fee	Not Applicable
Fund Launch Date	15 February 2010	Total Expense Ratio	1.8% for the 3 year period ending 31 December 2018
Total Fund Size	R98.8 million	Income Declarations	31 March, 30 June, 30 September, 31 December
Benchmark (Bmk)*	SA CPI + 5% p.a.		

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.

Currency/Exchange Rate Risk
Currency or exchange rate risk is a form of risk that arises from the change in price of one currency against another. The constant fluctuations in the foreign currency in which an investment is denominated relative to the currency in which the Fund is denominated may add risk to the value of a security.

International Risks
International investments or investments in foreign securities could be accompanied by additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information.

Inflation Risk
The Fund may invest in cash and bonds, in South Africa or globally, 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.

****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.

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