QUARTERLY REPORT

RECM BALANCED FUND - JUNE 2020

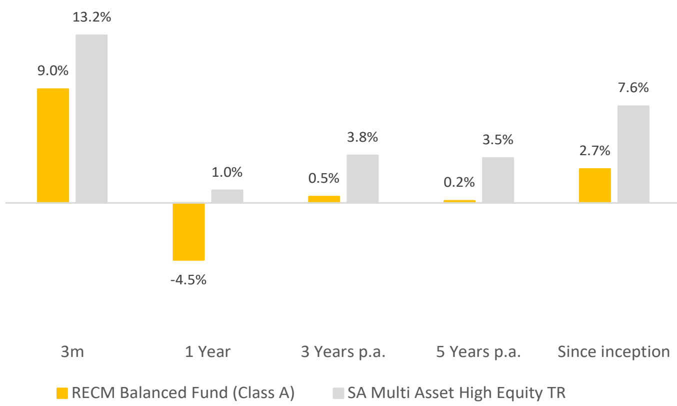
PERFORMANCE TABLE

Net Returns	RECM Balanced A	ASISA Avg	CPI +5%*
3 Months	9.0%	13.2%	1.1%
1 Year p.a.	-4.5%	1.0%	7.7%
3 Years p.a.	0.5%	3.8%	8.8%
5 Years p.a.	0.2%	3.5%	9.6%
Since inception (5 Jul '11)	2.7%	7.6%	10.1%

*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:

- Anglogold Ashanti
- Gold Field Ltd
- Impala Platinum

Positions which detracted from returns in the last quarter:

- Remgro
- Brookfield Asset Management
- RECM & Calibre

PERFORMANCE SUMMARY

The Fund returned 9% for the quarter, outperforming its inflation-based benchmark. In the second quarter, the market rallied strongly and risk-taking, rather than the Fund's defensive positioning, was rewarded.

Domestic equity selection yielded mixed results with our significant holding in gold stocks contributing strongly. Lack of exposure to risk was the overriding reason for the Fund's lagging returns relative to peers.

On the domestic front, our stock selection discipline and asset allocation experience enabled us to maintain our trend of avoiding or averting the worst-performing securities and sectors. In equities, our very low exposure to Drug Retailers, Food Retailers and Healthcare protected investors. Individual stocks contributed significantly, led by our exposure to Goldfields, Anglogold, Implats and Discovery.

Detractors were few, with a minor impact on relative returns. Our small position in Tiger Brands and other domestic consumer stocks, were the only detractors.

Our high allocation to global equities provided additional drag, as currency strength and lagging stock selection resulted in significant underperformance relative to domestic equities.

In addition, our long-held commitment to having above-average cash in the Fund was a significant detractor over the quarter, as virtually every asset class advanced.

RECM BALANCED FUND

Quarterly Commentary - Period ended 30 June 2020

RECM | Becoming COUNTERPOINT™

MARKET COMMENTARY

The second quarter of 2020 saw a dramatic Covid-19 induced economic slowdown. Despite this, rapidly increasing risk appetite fuelled a sustained advance across most asset classes. An additional feature of the quarter was the surprising resilience in developed market bonds with global bonds returning 2.7% as market participants sought safe havens in anticipation of continued policymaker intervention.

The MSCI World Index rallied by 19.5%. The MSCI Emerging Market performed in line with this, with the Index up 18.2% over the quarter, accompanied by sustained strength in EM currencies relative to USD.

On the domestic front, the global recovery had a knock-on effect on SA risk assets, including bonds and the rand. The JSE All Share Index advanced by 23.2%, reversing most of the losses in the first quarter. Local bonds had an exceptional quarter with the All Bond Index up 9.9%. SA-listed Property staged a strong comeback, rising by 20.4% after marked underperformance since 2018.

The advance in the ALSI was broad based and in terms of sectors, Resources was the best performer, returning 41.2%, followed by Industrials with a total return of 16.6% and Financials returned 12.4%. Mid-Caps bounced, with a 15.4% return, while Small-Caps staged a resurgence with a 17.2% return. The Small-Caps sector has declined every year for the last 6 years and remains a long-term laggard in relative returns.

MANAGEMENT ACTIONS

SA Inc equities are undoubtedly cheap and discounting very weak prospects. We continue to believe that we are entering a prolonged period that will suit stock-pickers and active managers.

The magnitude and speed of the recent rally has surprised us. For that reason, we have maintained a level of conservatism and slowed down our deployment of cash into the myriad of opportunities that continue to become available.

We started the quarter with a higher equity weighting and within equities, we continued to favour strong balance sheets and cheaper valuations. In May, we steadily reduced foreign exposure in anticipation of less foreign currency tailwinds and increased our exposure to domestically-oriented stocks. In addition, we increased exposure to both gold and platinum stocks. In response to the broad-based rally in equities, we reduced our exposure to overall equities towards the end of the quarter.

Our fixed income exposure remains inherently conservative, of lower duration and well-diversified. Our SA bond positioning varied considerably during the quarter. The bond market rallied strongly but is still characterised by significant event risk and tight liquidity in peripheral securities. We started the quarter with higher bond exposure, as yields increased on EM contagion and the anticipated impact of the Moody's downgrade. In late May, we reduced our bond exposure again, particularly on the longer end of the curve. We remain vigilant and are inclined to buy into any renewed weakness in bonds. We have no parastatal or SOE debt exposure.

Cash is a residual outcome of our investment process. End of the quarter cash balances remained stable, despite significant changes during the quarter, as we rebalanced exposures in response to prevailing market conditions.

TOP TEN HOLDINGS (%)

June 2020		March 2020	
AngloGold Ashanti Ltd	4.3	Naspers Ltd	5.0
NewGold Issuer Ltd	4.1	Impala Platinum Holdings Ltd	4.6
Gold Fields Ltd	2.8	AngloGold Ashanti Ltd	4.0
Barrick Gold Crp	2.2	NewGold Issuer Ltd	4.0
RECM and Calibre (Pty) Ltd	1.9	Netcare Ltd	2.0
Standard Bank Group Ltd	1.8	Gold Fields Ltd	2.0
Zambezi Platinum Pref Share	1.7	RECM and Calibre (Pty) Ltd	1.9
Firstrand Ltd	1.7	Barrick Gold	1.4
PSG Pref Share	1.3	British American Tobacco	1.3
Exor NV	1.1	Berkshire Hathaway	1.3
Total	22.9	Total	27.5

ASSET EXPOSURE (%)

June 2020		March 2020	
SA Equity	35.0	SA Equity	35.0
SA Cash	26.8	SA Bonds	26.2
SA Bonds	14.6	Global Cash	24.4
Global Equity	12.4	Global Equity	13.3
Global Cash	11.0	SA Cash	0.9
SA Commodity	0.2	SA Commodity	0.2
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

Once we understood that the pandemic 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 the new reality, we re-evaluated every holding in our Fund for robustness. We sold stocks where we had material concerns. This included bank stocks, who in all likelihood will see everyone else's problems migrating onto their balance sheets, and any other companies with debt levels rendering them vulnerable.

We added better-bolstered businesses trading at even lower valuations, including an array of quality, domestically oriented businesses across the large, mid and small cap space. This speaks directly to what we believe to be a strong competitive advantage for us: our size. The broad opportunity set available to us by virtue of being a smaller asset manager allows us to capitalise on all value opportunities available in the local market, and to significantly diversify risk across a more diverse range of investment ideas.

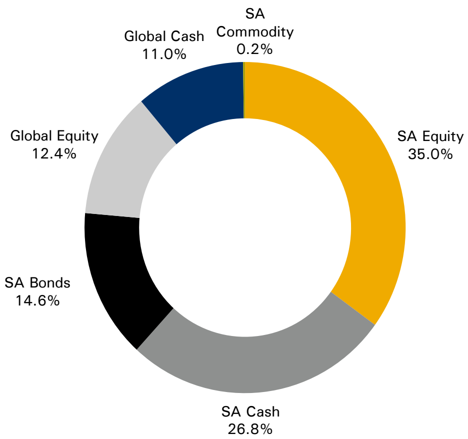
We continue to hold significantly higher than average cash reserves, which provides us with liquidity and optionality.

Having liquidity today ensures that we 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.

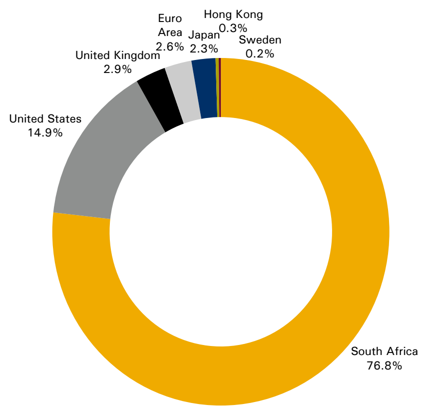
We will continue to implement our value investment philosophy consistently. This means we will always be on the lookout for assets where their share price is well below their fundamental value. Our fixed Income exposure is inherently conservative, of lower duration and adequately diversified. We remain underweight relative to the average fund, based on fiscal considerations. We have no parastatal or SOE debt exposure.

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 – 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 widest opportunity to capitalise on this investment truth.

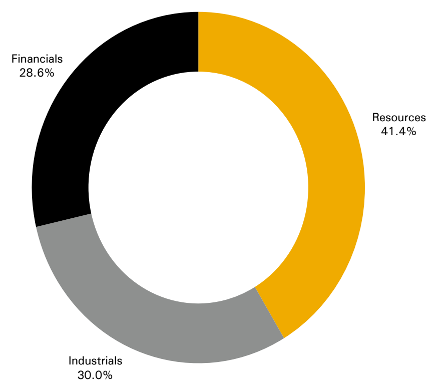
ASSET EXPOSURE (%OF FUND)



REGIONAL EXPOSURE (% OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



PORTFOLIO OVERVIEW

Portfolio Manager	Piet Viljoen, Sam Houlie, Alex Pestana	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	1.6% for the 3 year period ending 30 June 2019
Total Fund Size	R 67.5 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 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.

Tel: +27 21 657 3440 **Fax**: +27 21 674 1088 **Email**: info@recm.co.za **Website**: www.recm.co.za