QUARTERLY REPORT

RECM BALANCED FUND - JUNE 2019

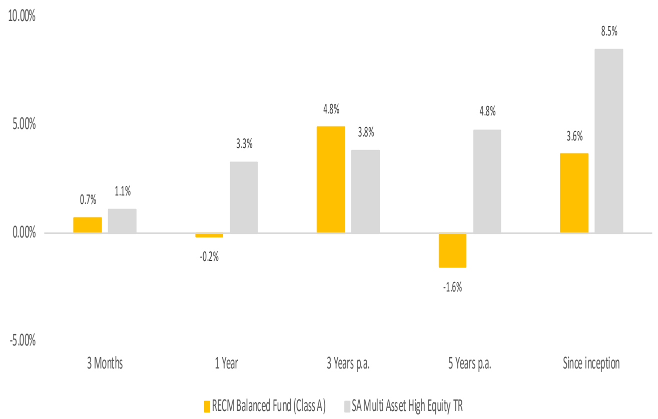
PERFORMANCE TABLE

Net Returns	RECM Balanced A	ASISA Avg	CPI +5%*
3 Months	0.7%	1.1%	3.0%
1 Year p.a.	-0.2%	3.3%	9.5%
3 Years p.a.	4.8%	3.8%	9.8%
5 Years p.a.	-1.6%	4.8%	10.0%
Since inception (5 Jul '11)	3.6%	8.5%	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:

- Gold producer Anglogold Ashanti
- Platinum producer Impala Platinum
- Luxury retailer Richemont

Positions which detracted from returns in the last quarter:

- Investment holding company HCI
- Construction company Stefanutti Stocks
- Insurance company Clientele Limited

PERFORMANCE SUMMARY

The Fund returned 0.7% for the second quarter of 2019. Since the cycle started to turn in favour of value strategies at the start of 2016, the RECM Balanced Fund has delivered 32.5% after fees on a cumulative basis, outperforming not only the average of its peer group category – the South African Multi Asset High Equity category – which achieved 14.1% over the same period, but also outperforming the JSE All Share Index, which generated 25.1% over the same time period. This is despite the Fund not being able to hold more than 75% equity at any time.

Gold prices were up by 9% during the quarter on the prospect of lower US interest rates, fuelling the rise of gold producer Anglogold Ashanti's share price, along with other fund holdings in the sector including Sibanye Gold and Gold Fields.

Platinum producer Impala Platinum's share price was up again during the quarter, with the company's finally showing a return back to profits thanks to a weaker rand, higher platinum group metals prices and increased output.

Richemont shares were up after strong sales by Cartier in mainland China helped the luxury group post a 9% rise in sales for the quarter, offsetting weaker performance in Europe and in spite of protests in Hong Kong which weighed on sales.

It was another difficult quarter however for local domestically-focused businesses, with "SA Incorporated" businesses such as Stefanutti Stocks, HCI and Bowler Metcalf all seeing their share prices down during the quarter.

RECM BALANCED FUND

Quarterly Commentary - Period ended 30 June 2019

RECM

MARKET COMMENTARY

Global equities rallied again during the second quarter, with US equities at all-time highs as the US Fed began signalling potential rate cuts going forwards. Despite the fact that this about-turn in central bank policy in fact implies concern regarding US economic growth going forwards, the most economically sensitive sectors rallied the most in response to this.

The S&P500 Index was up 4.3% and delivered its best calendar first half since 2007 with a return of 19% year-to-date. Trade tensions with China rattled markets in May, but eased later in the quarter as world leaders met in Japan at the G-20 summit.

European stocks also rose, despite continuing political turmoil across Europe, with the ECB indicating it may also cut rates in the months ahead. The MSCI EMU Index was up 4% in local currency. UK equities fared reasonably well despite ongoing Brexit-related uncertainty, with the FTSE All-Share Index up 3.3% in local currency, but flat in US dollars as a result of the pound weakening slightly.

Emerging markets were up only 0.4% with US-China trade talks, concerns over China's slowing economy and election uncertainty in several countries causing volatility.

The JSE All Share Index was up 3.9%, led by financials and industrials. SA bonds also rallied with yields falling in expectation of further rate cuts by the SA Reserve Bank. The rand went above R15 to the US dollar at one point, before retreating towards the end of the quarter as the US dollar weakened on news of potential rate cuts in the US.

MANAGEMENT ACTIONS

On the local side, the Fund introduced new positions in property REIT Fortress A shares, and stocks Netcare, Santova, Spur and Trencor.

Fortress Income Fund is a listed SA property REIT. The A shares have a preferential right to distribution of income and to capital participation in the event of winding up. With the A shares yielding 7.8% at purchase, and CPI at 4.5%, the total return is 12.3% with the possibility of this rising to 12.8% - sufficient to justify a small exposure in the Fund.

Netcare has seen falling occupancies as healthcare funders rein in costs, squeezing healthcare providers' margins and with medical aid membership dropping due to tough economic times. We took advantage of recent share price weakness to switch our Mediclinic exposure into Netcare – which has less debt and is further down the line in terms of correcting its missteps outside of SA.

Trencor is an investment holding company that owns 47.5% of NYSE-listed Textainer, a company focused on the purchasing, leasing, and resale of marine cargo containers. The stock provides a useful vehicle for South African investors to get access to an offshore investment trading at less than half of its book value due to the collapse of Hanjin, a major shipping client, and continued fears regarding trade with China.

On the global side, the Fund introduced new positions in Brookfield Asset Management, IBM, Michelin, Dixons Carphone, Royal Vopak, Royal Boskalis Westminster and LlyondellBasell Industries.

Brookfield Asset Management invests in alternative assets such as renewable energy and infrastructure assets with very stable cash flows far into the future. This investment gives the Fund exposure to a value opportunity that benefits if rates remain low or decline further.

Technology company IBM's recent $34 billion acquisition of Red Hat will help them catch up to companies like Amazon, Microsoft and Google in the cloud market after having lagged for over a decade. It has disappointed over recent years, after having being highly rated before this, resulting in a buy opportunity.

Royal Vopak and Royal Boskalis Westminster are both industrial businesses which share an anchor shareholder. Royal Vopak owns and operates bulk liquid tank terminals which store oil, gas, edible oils and chemical products. Royal Boskalis Westminster is a dredging and heavylift company that provides services relating to the construction and maintenance of maritime infrastructure. Both businesses offer value at current prices, and provide different exposure to the Fund's existing holdings.

TOP TEN HOLDINGS (%)

June 2019		March 2019	
Hosken Cons Investments Ltd	7.1	Hosken Cons Investments Ltd	5.7
Firstrand Ltd	4.5	Standard Bank Group Ltd	3.2
Standard Bank Group Ltd	3.3	Firstrand Ltd	3.1
MTN Group Ltd	3.0	MTN Group Ltd	2.7
Compagnie Financiere Richemont	2.6	Mediclinic International PLC	2.6
The Spar Group Ltd	2.4	The Spar Group Ltd	2.5
Assore Ltd	2.3	Compagnie Financiere Richemont	2.4
Old Mutual Ltd	2.2	Tesco PLC	2.3
Aspen Pharmacare Holdings Ltd	2.1	Old Mutual Ltd	2.2
RECM and Calibre Ltd	2.0	RECM and Calibre (Pty) Ltd	2.2
Total	31.5	Total	28.9

ASSET EXPOSURE (%)

June 2019		March 2019	
SA Equity	51.7	SA Equity	47.7
Global Equity	15.9	SA Cash	20.5
SA Cash	15.2	Global Equity	13.6
Global Cash	12.4	Global Cash	15.8
SA Bonds	4.8	SA Bonds	2.7
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund has 68% exposure to local and global equities and continues to hold a meaningful portion in cash (27%) along with a small allocation to bonds (5%).

The global portion of the Fund now makes up just under 30% of the portfolio. Roughly 40% of this offshore exposure is held in cash in a combination of Japanese yen and British sterling - both of which remain significantly undervalued on a purchasing power parity basis.

This sizeable cash portion of the offshore allocation reflects a dearth of quality global companies trading at sufficiently low prices to constitute value by our measures. Today, looking back on one of the US market's most prolonged growth rallies ever, the spread between the valuations of the most expensive decile and cheapest decile of stocks is at the widest it's been since the run-up to the Great Depression and the dot-com bubble. This also explains why we have no exposure to global technology stocks, and very limited exposure to the US market in total – where valuations, by almost any measure, are back at nose-bleed highs. Instead, we are finding better global value opportunities in areas that are less popular, such as the UK and various emerging markets.

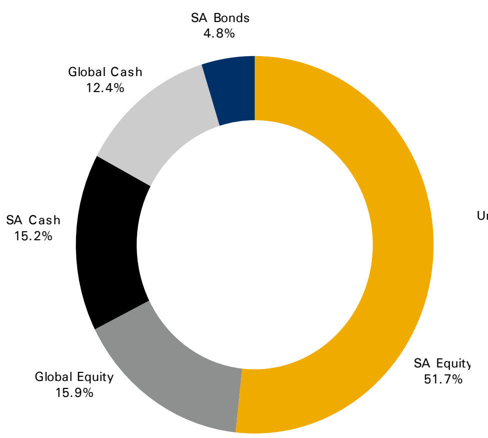
Within the local equity portion of the portfolio, the emphasis is on more domestically-oriented businesses, which have been out of favour for some time. As mentioned, half of our local equity exposure is in small and mid cap stocks, where we are able to meaningfully allocate capital to some of the best value opportunities in the market - available only to asset managers small enough to take advantage of them.

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 as many investment ideas as possible, across as many geographies, sectors and industries, such that investment success is never overly reliant on any one particular investment thesis being proven correct within a particular frame of time. The end result is a portfolio of diversified assets with 15% of equity in resource stocks, 40% in financial stocks and investment holding vehicles, and 45% in a wide array of diverse, quality industrial businesses.

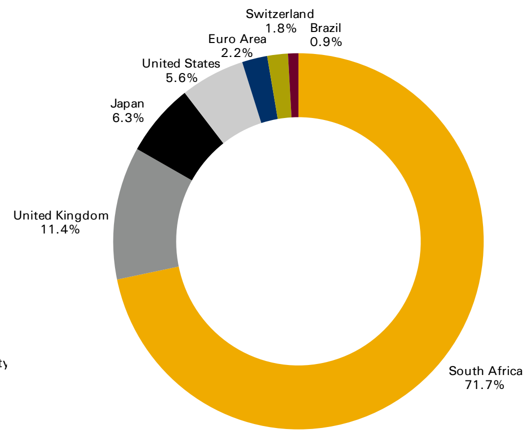
The Fund remains cautious about increasing exposure to traditional interest-bearing investments such as bonds and property. We believe current yields still do not adequately compensate investors for their commensurate risk.

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.

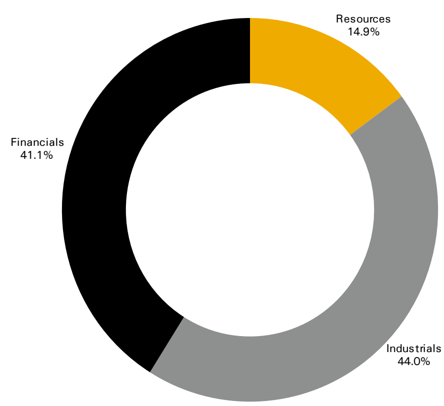
ASSET EXPOSURE (%OF FUND)



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	1.4% for the 3 year period ending 31 March 2019
Total Fund Size	R113.9 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