

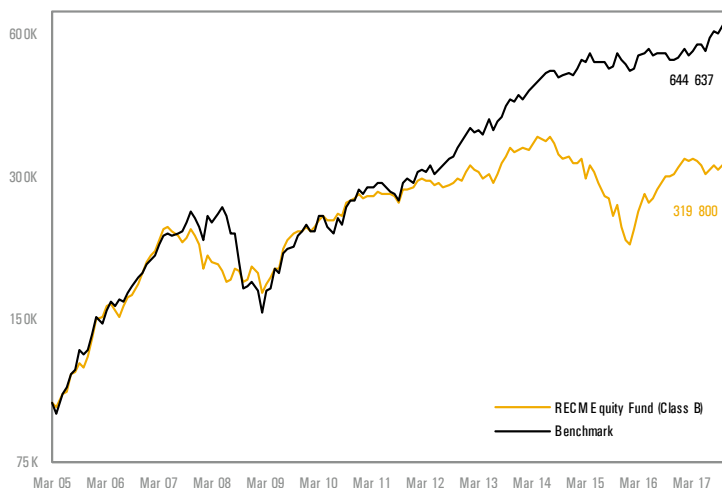
QUARTERLY REPORT

RECM EQUITY FUND - DECEMBER 2017

PERFORMANCE TABLE

Net Returns	RECM	Benchmark
	Equity B	ALSI
3 Months	2.7%	7.4%
1 Year p.a.	2.4%	21.0%
3 Years p.a.	-0.2%	9.3%
5 Years p.a.	0.8%	11.9%
10 Years p.a.	4.0%	10.7%
Since inception (1 March 2005)	9.5%	15.7%

PERFORMANCE NET OF FEES AND EXPENSES



PERFORMANCE REVIEW

The Fund underperformed its benchmark for the quarter.

Positions which benefited returns in the last quarter:

- Local banks Firststrand and Standard Bank
- Mobile telecommunications firm MTN
- Mining producers Anglo American and BHP Billiton

Positions which detracted from returns in the last quarter:

- Investment vehicle RECM & Calibre
- Technology firm Altron
- SA industrials such as Stefanutti Stocks

PERFORMANCE SUMMARY

The Fund returned 2.7% during the quarter underperforming its benchmark, the FTSE/JSE All Share Index, which returned 7.4% for the quarter.

South African equities, as measured by the FTSE/JSE All Share Index, returned 21% for the year. Naspers, which now makes up 23% of the index, was up an eye-watering 71% during this time, making up two thirds of the total market return. This shows that outside of a handful of “global” businesses, the slew of local negative news took its toll on the local market during the course of 2017. However, this appeared to change towards the end of the year with the rand strengthening by 10% and local equities finally showing signs of life after the ANC elective conference.

Exposure to banking stocks such as Firststrand and Standard Bank contributed to returns with these share prices up by more than 20% during the quarter as sentiment shifted in favour of banks after the ANC elected market-friendly Cyril Ramaphosa as their new president in December.

The collapse of Steinhoff during the quarter highlighted the benefit of having at least a portion of one’s portfolio invested with a benchmark-agnostic investor, which does not need to use the market index as a starting point when constructing a portfolio, and is positioned very differently to most peers as a result.

Mobile telecoms company MTN saw its share price continue to rise on continued confidence amongst investors that it would swing back to profit now that the substantial fine to Nigerian regulators which caused headline losses is out of the way.

Most industrial metal prices rose during the quarter on the back of renewed optimism regarding global growth, boosting the share prices of resource stocks in the Fund such as Anglo American and BHP Billiton. RECM & Calibre, the listed investment company managed by us, saw its share price down during the quarter on the back of no fundamental news. We remain comfortable that the underlying portfolio of assets represents very good value for investors, particularly at current prices.

MARKET COMMENTARY

Global equities advanced yet again amid strong corporate earnings growth and improving world economic data. The MSCI All Countries World Index (ACWI) delivered 5.7% for the quarter and 24% for the year. The US S&P500 Index returned 6.6% for the quarter, and 21.8% for the year.

The UK's FTSE All-Share index rose 5% during the quarter, supported by gains for resource stocks and progress on Brexit negotiations. This positive sentiment was reaffirmed by the Bank of England raising interest rates in November amid signs of higher inflation and a strengthening UK economy.

Eurozone equities bucked the positive trend during the fourth quarter however, with the MSCI EMU Index returning -0.5% with

simmering political risk, profit-taking after the year's gains, and a stronger euro taking the blame.

Emerging market equities as measured by the MSCI Emerging Markets Index returned 7.7% for the quarter driven by steady global growth, US dollar weakness, continuing momentum in the Chinese economy and the sustained pickup in commodity prices. For the year, the MSCI Emerging Markets Index is up an astounding 37% in US dollars.

In addition to the continued rise of Naspers, the South African equity market was also boosted by the resources sector, which rose with industrial metal prices, as well as banking stocks up strongly on the back of improved local sentiment.

MANAGEMENT ACTIONS

During the course of the fourth quarter, the fund introduced a small position in private hospital group Mediclinic, and took advantage of small pockets of price weakness to increase exposure to equities overall.

Having some cash available to put to use during times of market volatility can be very useful, especially when that market volatility is caused by factors which do not directly affect your own portfolio. The circumstances in the fourth quarter provided us with an opportunity to assess the market with the benefit of a level head. In the past, being positioned differently to the market has proven to be a strong competitive advantage for RECM during broad market declines – the

latter an ever-present concern for investors given overvalued market levels currently.

Mediclinic has seen its share price down more than 50% from its previous highs, with its Middle Eastern operations coming under significant pressure due to new health insurance regulations in the region. We believe current prices are now starting to offer value, and that the business should be able to grow earnings over the long term off the current low base. With the rand at such strong levels, we are taking a closer look at businesses listed in South Africa with global exposure trading at low prices. Many of these are still not yet in value territory however.

TOP TEN HOLDINGS (%)

December 2017		September 2017	
Hosken Cons Investments Ltd	9.5	Hosken Cons Investments Ltd	9.3
RECM and Calibre Ltd	8.3	RECM and Calibre Ltd	8.9
Firststrand Ltd	7.3	Standard Bank Group Ltd	6.1
MTN Group Ltd	7.1	MTN Group Ltd	6.0
Standard Bank Group Ltd	6.8	Firststrand Ltd	6.0
Sasol Ltd	4.7	Sentula Mining Ltd	4.1
Unicorn Capital Partners	4.4	Sasol Ltd	3.3
Rengro Ltd	3.7	Afrimat Ltd	3.3
Bhp Billiton PLC	3.1	Metair Investments Ltd	3.1
Anglo American PLC	3.0	Rengro Ltd	3.1
Total	57.9	Total	53.2

SECTOR EXPOSURE (%)

December 2017		September 2017	
Industrials	38.7	Industrials	39.9
Resources	26.9	Resources	25.0
Financials	34.5	Financials	35.1
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund's equity allocation increased from 89% to 95% during the quarter, with a cash position of 5%. This was a result of allocating further capital to stocks, where market volatility offered us the opportunity to do so.

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.

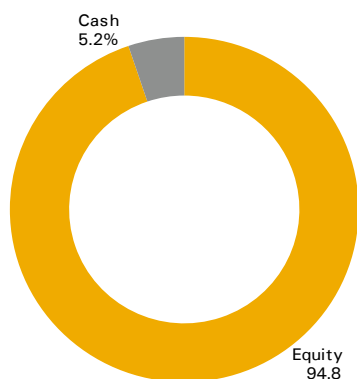
Fortunately, over the past two years, local markets have offered up a number of interesting and diverse opportunities to own decent businesses trading at attractive prices, often because they have simply been overlooked in favour of the bigger, headline-grabbing stocks of the moment. As this opportunity set has opened up, the Fund has been able to introduce many new and varied investment ideas since the beginning of 2015, whilst at the same time reducing exposure to the resources sector, which has rebounded by close to 100% 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 27% of equity in resource stocks, with 34% in financial stocks and 39% in a wide array of diverse industrial businesses.

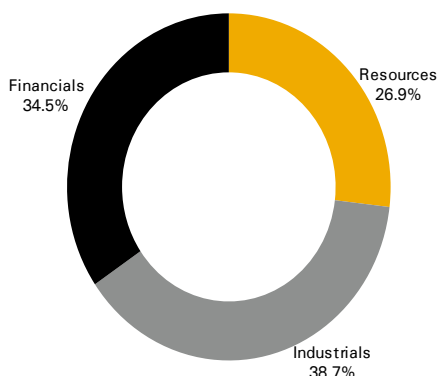
The RECM Equity Fund is a robust, diversified portfolio of unpopular and undervalued stocks which is positioned very differently to the overvalued market index. Markets have strongly favoured value strategies, in stark contrast to the years prior to this, and with the value cycle still in early stages,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

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. Investment success over time favours those who have the patience and willingness to hold stocks trading at prices, for reasons that are often unpalatable to most investors, 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 2017

RECM

PORTFOLIO OVERVIEW

Portfolio Managers	Piet Viljoen	Min. Investment	R150,000 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	R49.8 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 30 September 2017		

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 this 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.

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Disclosures: Collective Investment Schemes in Securities (CIS) should be considered as medium-to long-term investments. The Manager does not provide any guarantee either with respect to the capital or the return of the Fund. The value of participatory interests (units) may go up as well as down and past performance is not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The manager may borrow up to 10% of the market value of the portfolio where insufficient liquidity exists. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of any underlying international investments to go up and down. These portfolios may be closed. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (Brokerage, STT, VAT, Auditor's fees, Bank Charges, Trustee and Custodian fees and the annual Management fee) from the portfolio divided by the number of participatory interests (units) in issue. A schedule of fees, charges and maximum commissions is available on request from the management company. Commission and incentives may be paid and if so, would be included in the overall costs. These portfolios may be closed. Different classes of units may apply in a portfolio and are subject to different fees and charges.