

QUARTERLY REPORT

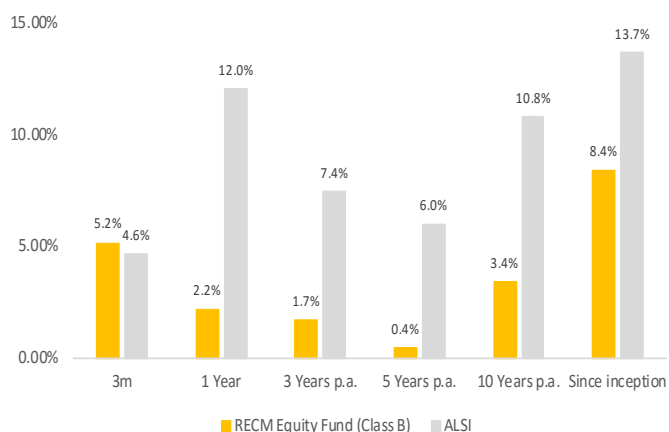
RECM EQUITY FUND - DECEMBER 2019

PERFORMANCE TABLE

Net Returns	RECM	
	Equity B	ALSI
3 Months	5.2%	4.6%
1 Year p.a.	2.2%	12.0%
3 Years p.a.	1.7%	7.4%
5 Years p.a.	0.4%	6.0%
10 Years p.a.	3.4%	10.8%
Since inception (1 March 2005)	8.4%	13.7%

PERFORMANCE NET OF FEES AND EXPENSES

ILLUSTRATIVE RETURNS OF FUND VS ALL SHARE INDEX



PERFORMANCE REVIEW

Positions which benefited returns in the last quarter:

- Gold producers Sibanye Gold and Goldfields
- Platinum producer Impala Platinum
- Record storage company Metrofile

Positions which detracted from returns in the last quarter:

- Telecoms company MTN Group
- Investment holding company HCI
- Clothing retailer Truworths

PERFORMANCE SUMMARY

The Fund returned 5.2% for the quarter slightly underperforming its benchmark, the FTSE/JSE All Share Index, which returned 4.6% for the quarter.

The gold price continued to rise supported by low US interest rates, a weaker dollar, and its role as a useful hedge against macro/geopolitical risk. This drove up the share prices of gold producers in the Fund such as Sibanye Gold and Goldfields.

Impala Platinum continued its rally and saw its share price up over 50% during the quarter, fuelled by the dramatic increase in palladium and rhodium prices over the past 2 years. The stock has in fact tripled during the course of the year, and is up an astounding 9 times from its lows in 2018.

Record storage and management company Metrofile saw its share price rise more than 30% after US-based consortium Housatonic made

an offer to pay R3.30 per share to acquire 100% of the group. The share price ended the month at R2.82. We would not be surprised to see more of these offers given the attractive levels many local small cap companies are trading at currently.

It was another difficult quarter for domestically-focused businesses however, with Hosken Consolidated Investments, which has exposure to gaming and leisure through its 49% stake in Tsogo Sun continuing to languish. HCI - which also has investments in transport, media, property and mining - is now trading at a significant discount to even the listed market value of its investments.

Telecommunications firm MTN, along with many other communications firms around the world, came under pressure amid fierce competition to attract customers and concerns regarding economic growth prospects.

MARKET COMMENTARY

Global stocks rallied strongly during the quarter, with US equities reaching all-time highs after trade uncertainty was reduced with the US and China “phase one” trade deal announcement. The S&P500 Index rose 9% during the quarter, bringing the return to an astounding 31% year-to-date – its largest annual increase since 2013. This rally was largely driven by a “risk-on” powerful rotation into growth-oriented stocks.

European stocks also rose, boosted not only by optimism surrounding the US and China trade deal, but also supported by improved economic data. The MSCI EMU Index was up 5.1% in local currency. UK equities rose and the British pound strengthened as uncertainty surrounding Brexit was reduced with a negotiated withdrawal from the EU looking more likely.

MANAGEMENT ACTIONS

During the quarter, the Fund increased its allocation to its “spin-off” basket, and introduced a small position in retailer Truworths.

A “spin-off” is a stock that is 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, or may receive negligibly small positions in them, and thus choose to sell them quickly, 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

Easing trade tensions also saw emerging markets post strong gains, with the MSCI Emerging Markets Index returning 11.6% in US dollars for the quarter, and 18.4% for the year. A pick-up in oil prices was supportive of emerging markets such as Russia and Colombia. A number of emerging markets sensitive to US dollar strength outperformed, including South Africa.

The All Share Index rose by 4.6%, with large rand hedges (British American Tobacco, Richemont and Naspers) staging a comeback after a difficult 2018. Financials and industrials were mostly unchanged but a narrow set of precious metal miners (gold and platinum) drove the index higher. The rand strengthened on improved emerging market sentiment and attractive real yields.

initial forced selling, and hold them until value unlocks as a result of the inherent market inefficiency at the outset. By holding a diversified basket of small positions in multiple spin-offs, we are able to diversify the overall risk of the position while still benefiting from the upside potential.

Truworths, along with many other retailers, has seen its share price under immense pressure amidst tough trading conditions in both SA and the UK – where the group’s Office Retail Group is largely based. The share’s fall of over 40% in 2019 has seen it de-rate to attractive levels, presenting us with an opportunity to allocate a small position to the stock towards the end of the quarter

TOP TEN HOLDINGS (%)

December 2019		September 2019	
Hosken Cons Investments Ltd	5.1	Hosken Cons Investments Ltd	5.6
Steinhoff Inv-Prefs	4.9	Steinhoff Inv-Prefs	5.1
Netcare Ltd	3.8	MTN Group Ltd	3.6
Shoprite Holdings Ltd	3.2	Shoprite Holdings Ltd	3.2
Truworths International Ltd	2.9	Firststrand Ltd	3.1
Bowler Metcalf Ltd	2.6	Netcare Ltd	2.8
Clientele Limited	2.6	Clientele Limited	2.7
Reinet Investments SCA	2.5	Bowler Metcalf Ltd	2.6
Assore Ltd	2.3	RECM and Calibre Ltd	2.2
RECM and Calibre Ltd	2.2	Aspen Pharmacare Holdings	2.1
Total	32.1	Total	33.0

SECTOR EXPOSURE (%)

December 2019		September 2019	
Industrials	54.4	Industrials	52.8
Resources	21.3	Resources	19.8
Financials	24.3	Financials	27.4
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund is currently 84% invested in local equities. The top 10 stocks in the Fund are a good reflection of the broader composition of the Fund – a mix of small, medium and large cap stocks, which are all undervalued but in varied industries and sectors, with very different drivers – many of which are uncorrelated to each other.

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.

As at year-end, half of the equities in the Fund are in the mid and small cap space – where we find compelling value currently. 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. Many of these are simply not accessible for larger asset managers, even if they are value-oriented in terms of their philosophy. In addition to this, since we are not benchmark-cognisant, we are not compelled to hold any stock merely due to its respective size in the index. This has helped us to avoid exposure to many of the large cap stocks that have come under immense downward pressure from the starting point of high valuations over the past few years.

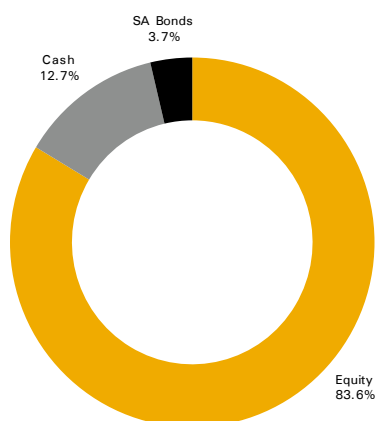
Local markets continue to offer up a number of interesting and diverse opportunities to own decent businesses trading at attractive

prices, often because they have simply been overlooked. As this opportunity set has opened up, the Fund has been able to introduce many new investment ideas. The end result is a portfolio of assets which comprises of 21% in resource stocks, 24% in financial stocks (including a number of diverse investment holdings companies) and 54% in a wide array of varied industrial businesses.

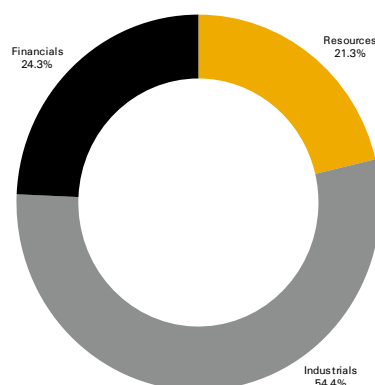
We will continue to implement our value investment philosophy consistently. This means we will always be on the lookout for assets where their share price is well below their fundamental value. The best way of stacking the odds in favour of growing capital and limiting permanent capital losses is to pay low prices for the businesses you invest in – when the business is out of favour, and expectations are low. If the business continues to report disappointing news, the effect on the share price is often minimal: The market has already anticipated bad news and has no need to knock the price down much further. Conversely, when things turn out to be rosier than expected, the price can rise quickly and dramatically. This asymmetrical payoff profile stacks the odds in the investors' favour, mitigating the risk of permanent capital loss and giving capital the best chance to compound off a low base

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 Equity Fund offers investors the widest opportunity to capitalise on this investment truth.

ASSET EXPOSURE (% OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



RECM EQUITY FUND

Quarterly Commentary - Period ended 31 December 2019

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 141.4 million	Performance Hurdle	Not Applicable
Benchmark (Bmk)	FTSE/JSE All Share Index	Performance Fee**	None
Total Expense Ratio	1.3% for the 3 year period ending 30 June 2019		

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. 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 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.