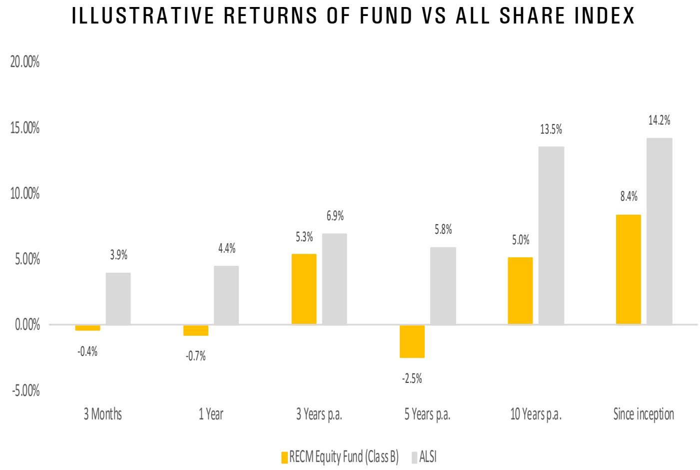
QUARTERLY REPORT

RECM EQUITY FUND - JUNE 2019

PERFORMANCE TABLE

Net Returns	RECM Equity B	ALSI
3 Months	-0.4%	3.9%
1 Year p.a.	-0.7%	4.4%
3 Years p.a.	5.3%	6.9%
5 Years p.a.	-2.5%	5.8%
10 Years p.a.	5.0%	13.5%
Since inception (1 March 2005)	8.4%	14.2%

PERFORMANCE NET OF FEES AND EXPENSES



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:

- Construction company Stefanutti Stocks
- Investment holding company HCI
- Packaging company Bowler Metcalf

PERFORMANCE SUMMARY

The Fund returned -0.42% during the quarter underperforming its benchmark, the FTSE/JSE All Share Index, which returned 3.9% for the quarter.

Gold prices were up more than 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 during the quarter, with the company's interim results 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.

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

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. 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 provider's margins and with medical aid membership dropping due to tough economic times. With Netcare being our preferred stock in the sector, we took advantage of recent share price weakness to switch our Mediclinic exposure into this higher quality business – which has less debt and is further down the line in terms of correcting its missteps outside of SA.

Santova is a logistics business with more than 60% of its earnings coming from outside of South Africa. In South Africa, subdued growth, lower consumer spending and lower levels of business confidence have resulted in trade volumes declining. Santova's geographic diversification does provide a buffer against poor local economics, and trading at a PE of under 6, warranted a position in the Fund.

Spur Corporation recently managed to lift half-year sales after a difficult time which included a tough economic climate, increased competition and a boycott following a controversial racist incident at a Spur steak ranch. This provided an opportunity to introduce a small position in this well-managed business at a decent price relative to its normalised fair value through the cycle.

Trencor is an investment holding company that owns 47.5% of NYSE-listed Textainer, a company focusesd 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.

Some of these new investments, Santova, Spur and Trencor, all with market caps of less than R4 billion, speak to what we believe to be a strong competitive advantages: our size. Currently half of the equities in the Fund are in the mid and small cap space. This opportunity set is simply not available to larger asset managers, even if they are value-oriented in terms of their philosophy.

TOP TEN HOLDINGS (%)

June 2019		March 2019	
Hosken Cons Investments Ltd	5.9	Hosken Cons Investments Ltd	5.1
Firstrand Ltd	4.3	Steinhoff Inv-Prefs	4.9
Steinhoff Inv-Prefs	4.0	MTN Group Ltd	3.8
MTN Group Ltd	3.9	Stefanutti Stocks Holdings Ltd	3.2
Standard Bank Group Ltd	2.8	Clientele Limited	3.1
Clientele Limited	2.6	Bowler Metcalf Ltd	2.9
RECM and Calibre Ltd	2.4	RECM and Calibre Ltd	2.8
Bowler Metcalf Ltd	2.3	Standard Bank Group Ltd	2.5
Richemont	2.0	Firstrand Ltd	2.4
Assore Ltd	1.9	Unicorn Capital Partners Ltd	2.4
Total	32.1	Total	33.1

SECTOR EXPOSURE (%)

June 2019		March 2019	
Industrials	47.0	Industrials	47.4
Resources	20.8	Resources	20.4
Financials	32.2	Financials	32.2
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund is currently 76% 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 diverse 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.

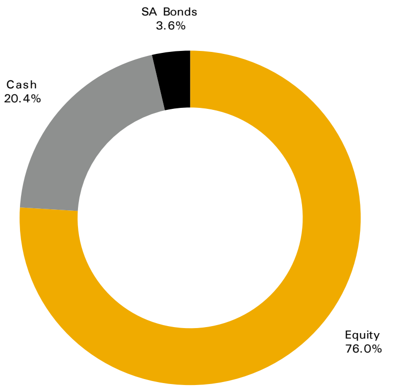
Fortunately, over the past few years, local markets have offered up a number of interesting and diverse opportunities to own decent businesses trading at attractive prices, often because they have simply been overlooked in favour of the bigger, headline-grabbing stocks of the moment. As this opportunity set has opened up, the Fund has been able to introduce many new investment ideas.

The end result is a portfolio of assets which comprises of 21% in resource stocks, 32% in financial stocks (including a number of diverse investment holdings companies) and 47% in a wide array of varied industrial businesses.

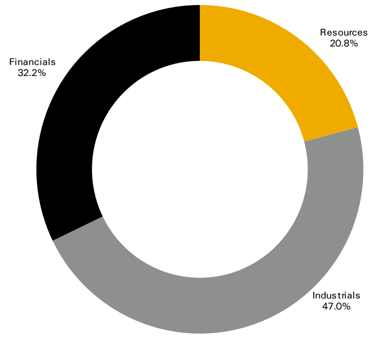
We will continue to implement our value investment philosophy consistently. This means we will always be on the lookout for assets where their share price is well below their fundamental value. The best way of stacking the odds in favour of growing capital and limiting permanent capital losses is to 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 – 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 Equity Fund offers investors the widest opportunity to capitalise on this enduring investment truth.

ASSET EXPOSURE (%OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



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 143.2 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 31 March 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 thisw 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.

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