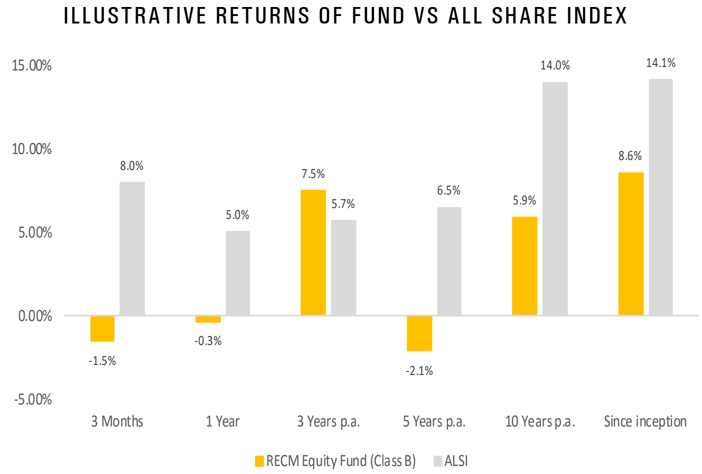
QUARTERLY REPORT

RECM EQUITY FUND - MARCH 2019

PERFORMANCE TABLE

Net Returns	RECM Equity B	ALSI
3 Months	-1.5%	8.0%
1 Year p.a.	-0.3%	5.0%
3 Years p.a.	7.5%	5.7%
5 Years p.a.	-2.1%	6.5%
10 Years p.a.	5.9%	14.0%
Since inception (1 March 2005)	8.6%	14.1%

PERFORMANCE NET OF FEES AND EXPENSES



PERFORMANCE REVIEW

Positions which benefited returns in the last quarter:

- Platinum producer Impala Platinum
- Luxury retailer Richemont
- Mining producer Anglo American Plc

Positions which detracted from returns in the last quarter:

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

PERFORMANCE SUMMARY

The Fund returned -1.5% during the quarter underperforming its benchmark, the FTSE/JSE All Share Index, which returned 8% for the quarter. This was largely driven by a handful of large rand hedge stocks such as Naspers, which was up 16% and Richemont, up 12% for the quarter.

The largest five stocks in the All Share Index made up 90% of the total 8% return for the quarter. This shows that outside of a handful of "global" businesses, the slew of local negative news and uncertainty ahead of elections continues to take its toll on local businesses. To this end, domestically focused "SA Incorporated" type businesses such as Stefanutti Stocks, Hosken Consolidated Investments and Clientele Limited all saw their share prices under pressure.

Most industrial metal prices rose during the quarter on the back of renewed optimism regarding US/China trade talks, boosting the share prices of resource stocks in the Fund such as Anglo American and BHP Billiton.

Platinum producer Impala Platinum's share price was up over 60% 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.

With investor sentiment regarding the Chinese economy improving, Richemont's successful repositioning of Cartier (which accounts for over half of Richemont's group profit,) in the Chinese market helped boost its share price during the quarter.

MARKET COMMENTARY

Global equities rallied strongly during the first quarter of the year, as trade tensions between the US and China eased and the US Fed indicated that they would not be raising rates again for the remainder of the year.

US equities outperformed most other markets with the S&P500 Index returning 13.6%, making the first quarter of 2019 the highest first quarter return since 1998. Cyclical sectors outpaced more defensive sectors, with the technology sector delivering the best sector returns overall.

Eurozone equities rose in tandem with the US market despite signs of slowing economic growth, with the MSCI EMU Index up 12% in local currency. UK equities fared surprisingly well despite ongoing Brexit-related uncertainty, with the FTSE All-Share Index up 9.4% in local currency and 12% in US dollar due to the pound strengthening slightly after a weak fourth quarter of 2018.

Most emerging markets also enjoyed strong gains during the first quarter, fuelled mainly by optimism regarding a trade agreement between the US and China. The MSCI Emerging Markets Index rose 10% in US dollars after sharp declines in 2018.

The South African equity market was up 8% during the quarter, boosted by the resources sector and other businesses that are more global in nature such as Naspers and Richemont. The resources sector delivered 17.8%, followed by industrials which returned 7.4% with the financial sector lagging with -0.4%.

MANAGEMENT ACTIONS

During the quarter, the Fund took advantage of price weakness to increase exposure to equities such as Lewis Stores, which is currently trading below net current asset value – a proxy of liquidation value. The Fund also increased its overall allocation to "net-net" stocks, as well as to "spin-offs". (Please see the last quarterly commentary for an explanation of these two investment ideas).

The Fund introduced small positions in poultry producers Astral Foods (R7 billion market cap) and Quantum Food (R700 million market cap) as well as to printing company Novus Holdings (R1.2 billion market cap). All three of these investment ideas speak to what we believe to be one of our main competitive advantages as an investment firm: our size. Currently half of the equities in the Fund are in the mid and small cap space – suggesting that this is where much of the value can be found in the South African equity market. This opportunity set is simply not available to larger asset managers, even if they are value-oriented in terms of their investment philosophy.

The Fund trimmed exposure to stocks such as Implats and Standard Bank, both of which saw their share prices rise during the quarter.

TOP TEN HOLDINGS (%)

March 2019		December 2018	
Hosken Cons Investments Ltd	5.1	Hosken Cons Investments Ltd	5.8
Steinhoff Inv-Prefs	4.9	Stefanutti Stocks Holdings Ltd	5.6
MTN Group Ltd	3.8	The Spar Group Ltd	5.1
Stefanutti Stocks Holdings Ltd	3.2	Standard Bank Group Ltd	5.0
Clientele Limited	3.1	Steinhoff Inv-Prefs	4.9
Bowler Metcalf Ltd	2.9	Old Mutual Ltd	4.1
RECM and Calibre Ltd	2.8	MTN Group Ltd	4.1
Standard Bank Group Ltd	2.5	Clientele Limited	3.7
Firstrand Ltd	2.4	Bowler Metcalf Ltd	3.4
Unicorn Capital Partners Ltd	2.4	RECM and Calibre Ltd	3.2
Total	33.1	Total	44.9

SECTOR EXPOSURE (%)

March 2019		December 2018	
Industrials	47.4	Industrials	44.2
Resources	20.4	Resources	19.1
Financials	32.2	Financials	36.7
Total	100.0	Total	100.0

This document should be read in conjuction with the Minimum Disclosure Document (MDD) applicable to the relevant fund and share class which is available at www.recm.co.za.

PORTFOLIO POSITIONING

The Fund is currently 73% 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.

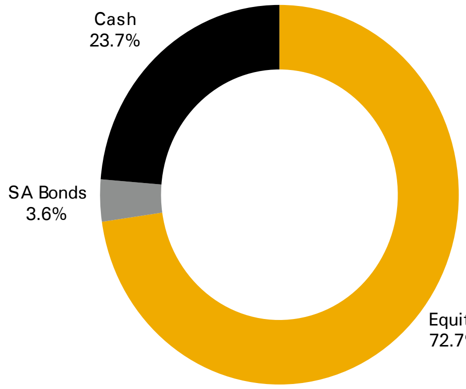
Fortunately, over the past few years, local markets have offered up a number of interesting and diverse opportunities to own decent businesses trading at attractive prices, often because they have simply been overlooked in favour of the bigger, headline-grabbing stocks of the moment. As this opportunity 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 20% 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.

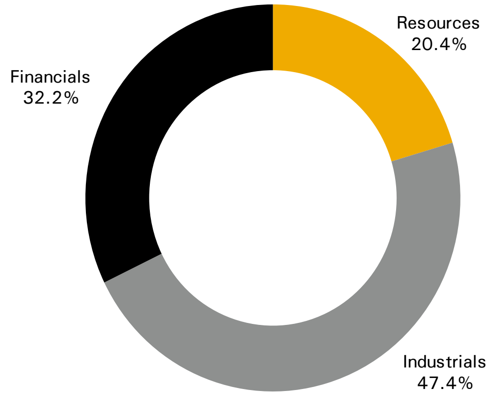
We will continue to implement our value investment philosophy consistently. This means we will always be on the lookout for assets where their share price is well below their fundamental value. The best way of stacking the odds in favour of growing capital and limiting permanent capital losses is to 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)



RECM EQUITY FUND

Quarterly Commentary - Period ended 31 March 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 125.3 million	Performance Hurdle	Not Applicable
Benchmark (Bmk)	FTSE/JSE All Share Index	Performance Fee**	None
Total Expense Ratio	1.4% for the 3 year period ending 31 December 2018		

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.

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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.

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