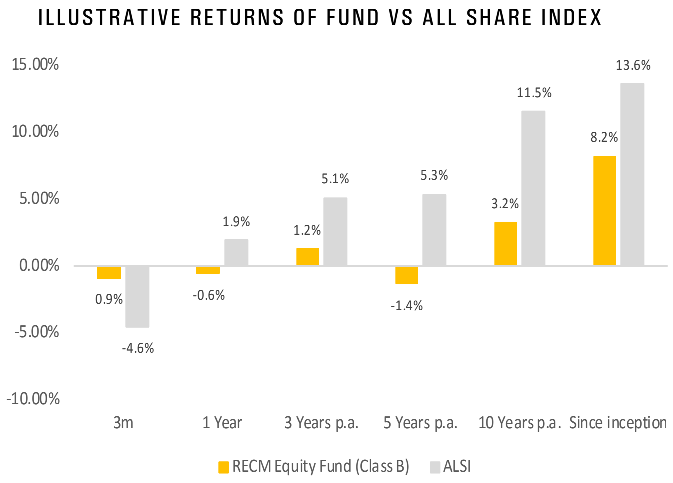
QUARTERLY REPORT

RECM EQUITY FUND - SEPTEMBER 2019

PERFORMANCE TABLE

Net Returns	RECM Equity B	ALSI
3 Months	-0.9%	-4.6%
1 Year p.a.	-0.6%	1.9%
3 Years p.a.	1.2%	5.1%
5 Years p.a.	-1.4%	5.3%
10 Years p.a.	3.2%	11.5%
Since inception (1 March 2005)	8.2%	13.6%

PERFORMANCE NET OF FEES AND EXPENSES



PERFORMANCE REVIEW

Positions which benefited returns in the last quarter:

- Gold producer Harmony Gold
- Platinum producer Impala Platinum
- Record storage company Metrofile

Positions which detracted from returns in the last quarter:

- Investment holding company HCI
- Domestic bank Firstrand
- Telecoms company MTN Group

PERFORMANCE SUMMARY

The Fund returned -0.93% during the quarter outperforming its benchmark, the FTSE/JSE All Share Index, which returned -4.6% for the quarter.

The gold price continued to rise as lower US interest rates and ongoing geopolitical concerns between the US and China and the US and Middle East saw investors flocking to the safe haven metal. This also drove up the share prices of gold producers in the Fund such as Harmony Gold.

Impala Platinum also continued its rally, fuelled by a dramatic 50% increase in the rand Platinum Group Metals basket over the past 2 years as a result of surging palladium and rhodium prices in particular.

Record storage and management company Metrofile saw its share price up strongly after it announced that it had received a takeover offer from an unnamed company. The company's share price has fallen dramatically over the past few years, making it – along with many other South African small caps - an attractive potential acquisition target at current levels.

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

RECM EQUITY FUND

Quarterly Commentary - Period ended 30 September 2019

RECM

MARKET COMMENTARY

Global stocks were flat overall for the quarter, with the positive impact of central banks cutting rates offset by a worsening US/China trade war and signs of slowing economic growth.

The S&P500 Index was up slightly with a return of 1.7% for the quarter, bringing the return to 21% year-to-date - an extraordinary result given the backdrop of trade tensions and an inverted US yield curve (which historically has often pre-empted a recession).

European stocks also rose modestly, as the market welcomed a new round of potential rate cuts in the months ahead. UK equities fared surprisingly well given ongoing Brexit-related uncertainty, with the FTSE Index up 1.3% in sterling, but down in US dollars as a result of the pound weakening.

Emerging markets, as measured by the MSCI Emerging Markets Index, were down 4.2% in US dollars as a result of trade tariffs, slowing growth in China and a strong US dollar. The JSE All Share Index was down 4.6%, with the rand depreciating by 7% versus the US dollar along with many other emerging market currencies. For the year to date, the South African equity market and bond market returned 7.1% and 8.4% respectively with listed property returning 1.3% and cash 5.5%. The Rand depreciated 5.4% against the US dollar.

MANAGEMENT ACTIONS

During the quarter, the Fund increased its allocation to its "net-net" basket, and introduced a small position in retailer Shoprite.

The "net-net" basket now makes up 5% of the Fund. A "net-net" is a company whose stock is trading less than the company's short-term assets (cash or other liquid assets) minus ALL liabilities, including long-term liabilities. In other words, where the share price is effectively trading below the company's liquidation value, implying that the market is pricing in complete business failure. By holding small positions in "net-net" stocks trading at extraordinarily low prices, the Fund is able to capitalise on the dramatic rise in the share price that occurs when some of these businesses unexpectedly survive.

Downside is protected by ensuring that each "net-net" position is small enough to have a negligible impact in itself should the market's expectations be correct. Historically, a basket of such opportunities has resulted in returns in excess of 20% per annum.

The Fund introduced a small position in Shoprite – which has seen its share price fall more than 60% from its peak in early 2018. At the time, the retailer was trading at high valuations which were disconnected from the economic reality on the ground. The share's subsequent fall and de-rating finally presented us with an opportunity to allocate a small position to this high quality business, at a price that makes sense.

TOP TEN HOLDINGS (%)

September 2019		June 2019	
Hosken Cons Investments Ltd	5.6	Hosken Cons Investments Ltd	5.9
Steinhoff Inv-Prefs	5.1	Firstrand Ltd	4.3
MTN Group Ltd	3.6	Steinhoff Inv-Prefs	4.0
Shoprite Holdings Ltd	3.2	MTN Group Ltd	3.9
Firstrand Ltd	3.1	Standard Bank Group Ltd	2.8
Netcare Ltd	2.8	Clientele Limited	2.6
Clientele Limited	2.7	RECM and Calibre Ltd	2.4
Bowler Metcalf Ltd	2.6	Bowler Metcalf Ltd	2.3
RECM and Calibre Ltd	2.2	Richemont	2.0
Aspen Pharmacare Holdings	2.1	Assore Ltd	1.9
Total	33.0	Total	32.1

SECTOR EXPOSURE (%)

September 2019		June 2019	
Industrials	52.8	Industrials	47.0
Resources	19.8	Resources	20.8
Financials	27.4	Financials	32.2
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund is currently 79% 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.

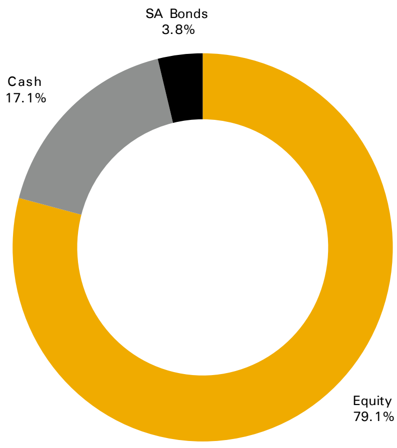
As at quarter-end, half of the equities in the Fund are in the mid and small cap space – where we find compelling value currently. This speaks directly to what we believe to be a strong competitive advantage for us: our size. The broad opportunity set available to us by virtue of being a smaller asset 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 20% in resource stocks, 27% in financial stocks (including a number of diverse investment holdings companies) and 53% in a wide array of varied industrial businesses.

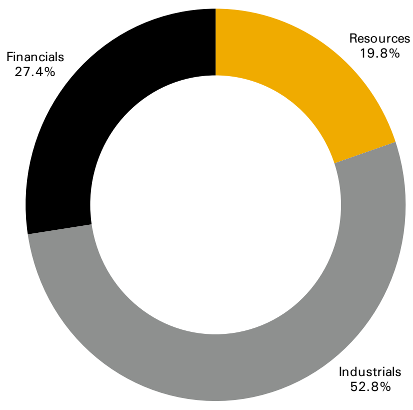
We will continue to implement our value investment philosophy consistently. This means we will always be on the lookout for assets where their share price is well below their fundamental value. The best way of stacking the odds in favour of growing capital and limiting permanent capital losses is to 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 30 September 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 137.1 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 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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