

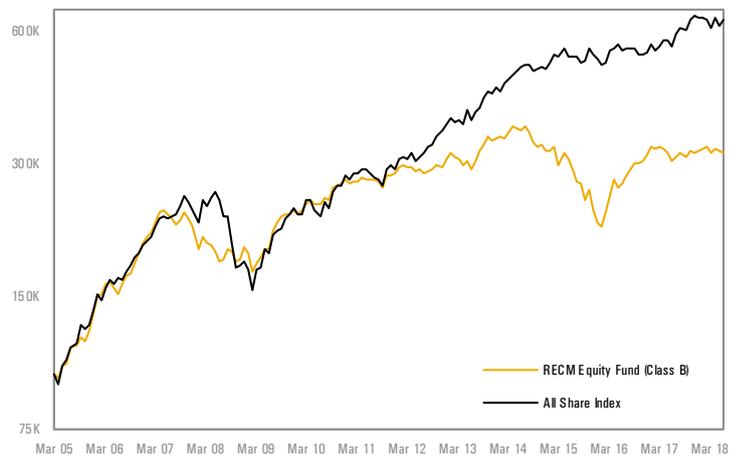
QUARTERLY REPORT

RECM EQUITY FUND - JUNE 2018

PERFORMANCE TABLE

Net Returns	RECM	Benchmark
	Equity B	ALSI
3 Months	0.0%	4.5%
1 Year p.a.	4.7%	15.0%
3 Years p.a.	3.1%	6.7%
5 Years p.a.	1.7%	11.1%
10 Years p.a.	5.8%	9.8%
Since inception (1 March 2005)	9.1%	15.0%

PERFORMANCE NET OF FEES AND EXPENSES



PERFORMANCE REVIEW

The Fund underperformed its benchmark for the quarter.

Positions which benefited returns in the last quarter:

- Diversified miner BHP Billiton
- Mining company Anglo American
- Chemicals company Sasol

Positions which detracted from returns in the last quarter:

- South African bank Standard Bank
- Telecoms company MTN
- Local "SA Inc" industrial counters

PERFORMANCE SUMMARY

The Fund's returns were flat for the quarter returning 0.02% relative to its benchmark, the FTSE/JSE All Share Index, which returned 4.5% for the quarter. This was mostly driven by Naspers, which was up 20% after falling significantly in the first quarter. As a result, the share price is flat for the year to date, as is the market overall. Over the past 2 years however, the Equity Fund has managed to outperform the All Share Index without owning any Naspers, which now constitutes almost a fifth of the market and was up 56% during those 2 years.

After a strong first quarter, the rand weakened quite significantly in the second quarter, with the effects of "Ramaphoria" dissipating as the reality of tough economic conditions in South Africa came back to the fore. The rand fell 15% against the US dollar during the quarter,

suffering the worst quarter since 2011, along with many other emerging market currencies which also came under pressure.

The South African equity market was buoyed by resource stocks and other rand hedge business with domestically-oriented companies such as banks and retailers de-rating significantly. As such, stocks in the Fund such as BHP Billiton and Anglo American contributed to returns.

Oil prices touched \$80 during the quarter amid concerns about global oil supply shortages. This, coupled with the rand's weakness, saw Sasol's share price up, also adding to the Fund's returns. Banking stocks Standard Bank and FirstRand, as well as many of the local industrial stocks, detracted from returns however.

MARKET COMMENTARY

South Africa's real GDP fell by 2.2% in the first quarter of 2018, the largest quarter-on-quarter decline since 2009, with mining, manufacturing and agriculture weakness all weighing on economic growth.

Business confidence dipped in May – largely as a result of lower merchandise import and export volumes. Although SA inflation slowed to 3.8% year-on-year in March, the lowest numbers since

January 2011, SA's consumer inflation came out slightly higher at 4.5% in April, up from 3.8% in March, driven mostly by the increasing price of fuel.

Unsurprisingly given the above and the declining rand, resources outperformed with financials underperforming and industrials a mixed bag depending on whether they were more locally or globally oriented.

MANAGEMENT ACTIONS

On the local side, the Fund introduced a small position in leading records management and document storage company Metrofile. The company has managed to successfully build a base of sticky customers and is in the process of adjusting to meet the developing digital needs of its customers. Onerous regulatory requirements act as a further tailwind for the business.

The Fund exited its remaining position in Allied Electronics Corporation Limited (Altron). The technology group has been in the process of a massive restructuring over the past few years to refocus

the business, cut costs and move from a family-controlled business to an independent management structure. This has already led to a unlock in value with the stock having more than doubled since it was introduced into the Fund in 2016.

Given the continued rally in share prices, and commensurate decrease in discounts to fair value, it should come as no surprise that positions in resource stocks such as BHP Billiton and Anglo American, were again trimmed during the quarter.

TOP TEN HOLDINGS (%)

June 2018		March 2018	
Firstrand Ltd	6.3	Hosken Cons Investments Ltd	11.1
Standard Bank Group Ltd	6.2	RECM and Calibre Ltd	10.1
Hosken Cons Investments Ltd	6.1	MTN Group Ltd	7.6
MTN Group Ltd	6.0	Firstrand Ltd	6.1
Steinhoff Inv-Prefs	5.1	Standard Bank Group Ltd	6.0
Stefanutti Stocks Holdings Ltd	5.0	Sasol Ltd	4.7
Clientele Limited	4.4	Unicorn Capital Partners Ltd	4.5
Bowler Metcalf Ltd	4.4	Anglo American PLC	4.0
Reinet Investments SCA	4.2	BHP Billiton PLC	3.5
Mediclinic International PLC	3.9	Mediclinic International PLC	3.4
Total	51.6	Total	61.0

SECTOR EXPOSURE (%)

June 2018		March 2018	
Industrials	40.5	Industrials	33.4
Resources	24.5	Resources	28.5
Financials	35.0	Financials	38.1
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund is currently 91% invested in local equities with a small portion of cash (9%) remaining.

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.

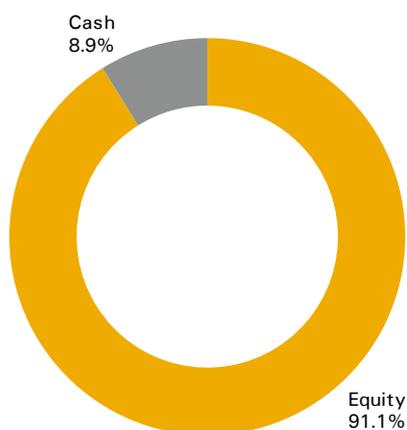
Fortunately, over the past few years, local markets have offered up a number of interesting and diverse opportunities to own decent businesses trading at attractive prices, often because they have simply been overlooked in favour of the bigger, headline-grabbing stocks of the moment. As this opportunity set has opened up, the Fund has been able to introduce many new and varied investment ideas, 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 25% of equity in resource stocks, with 35% in financial stocks and 40% in a wide array of diverse industrial businesses.

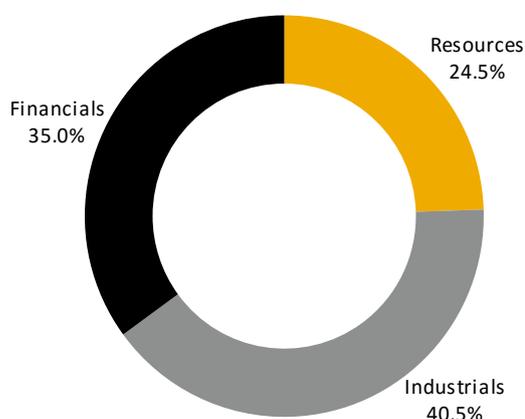
The RECM Equity Fund is a robust, diversified portfolio of unpopular and undervalued stocks which is positioned very differently to the overvalued market index. Markets have strongly favoured value strategies, in stark contrast to the years prior to this, and with the value cycle still in early stages, 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 30 June 2018

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	R109.9 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 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. 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.

Tel: +27 21 657 3440

Fax: +27 21 674 1088

Email: info@recm.co.za

Website: www.recm.co.za

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.