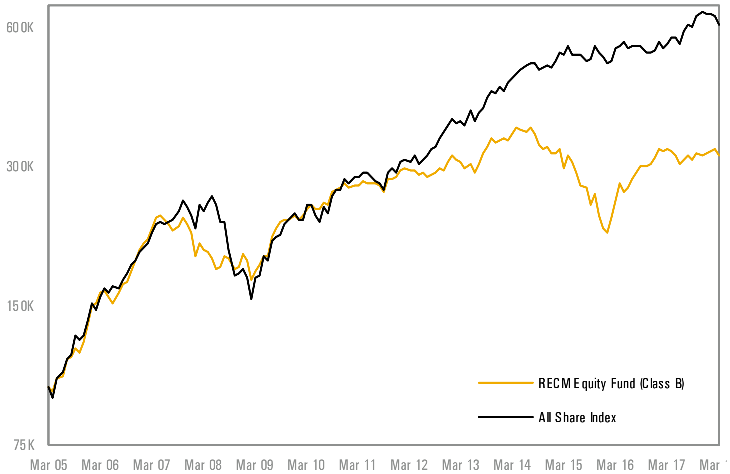
QUARTERLY REPORT

RECM EQUITY FUND - MARCH 2018

PERFORMANCE TABLE

Net Returns	RECM Equity B	Benchmark ALSI
3 Months	-0.8%	-6.0%
1 Year p.a.	-3.5%	9.6%
3 Years p.a.	2.2%	5.1%
5 Years p.a.	0.6%	10.0%
10 Years p.a.	4.8%	9.7%
Since inception (1 March 2005)	9.3%	14.9%

PERFORMANCE NET OF FEES AND EXPENSES



PERFORMANCE REVIEW

The Fund outperformed its benchmark for the quarter.

Positions which benefited returns in the last quarter:

- Furniture retailer Lewis Group
- Local bank Standard Bank
- Hosken Consolidated Investments (HCI)

Positions which detracted from returns in the last quarter:

- Telecommunications company MTN
- Energy and chemicals company Sasol
- Container business Trencor

PERFORMANCE SUMMARY

The Fund returned -0.8% during the quarter significantly outperforming its benchmark, the FTSE/JSE All Share Index, which returned -6.0% for the quarter. With Naspers down 16% during the quarter, this was a significant detractor from the market's returns, and for all benchmark-oriented portfolios that hold Naspers. In contrast, the RECM Equity Fund, which is positioned very differently from the market, held its ground well during the market declines, as one would expect from a value-oriented portfolio.

After Zuma's resignation and Ramaphosa's subsequent election as SA president, local sentiment continued to improve, bolstered by foreign portfolio inflows and a strengthening rand. Exposure to domestic banks (considered the barometer of a nation's health) through stocks Standard Bank and Firstrand contributed to the Fund's returns.

Other "SA Incorporated" type businesses focused on the local economy also benefited from this shift in confidence. Examples in the portfolio included the likes of local furniture retailer Lewis Group, and investment holding company Hosken Consolidated Investments (HCI), which has significant exposure to gaming and leisure in South Africa via its stake in Tsogo Sun.

RECM & Calibre, the listed investment company managed by us, saw a partial reversal of the share price declines it experienced last year. We remain comfortable that the underlying portfolio of assets represents very good value for investors at current prices.

RECM EQUITY FUND

Quarterly Commentary - Period ended 31 March 2018

RECM

MARKET COMMENTARY

Global equities declined in the first quarter as a result of investors' worries about rising interest rates, increasing inflation pressures and escalating trade tensions between the US and China.

US equities started the year strongly, buoyed by positive economic data and news of tax reforms. However, towards the end of the quarter, there was an increase in volatility as investors began to anticipate inflation, and with this the possibility of higher than expected rate increases. This caused US equity returns to end in a negative territory.

Despite signs of ongoing improvement in their economies, European and UK equities were also down amid investor worries about a global market sell-off, rising US interest rates and euro and sterling strength. The MSCI Europe Index fell 2% in dollar terms while the FTSE All Share Index was down 3.4% for the quarter.

Emerging Market equities bucked the negative trend this quarter, with the MSCI Emerging Markets index up 1.3% in US dollars, having risen for a fifth consecutive quarter. Emerging markets were boosted by steady economic growth in China and other developing countries, higher oil prices and a weaker dollar.

Unfortunately, South African equity markets did not follow their emerging market counterparts and SA equities were down 6% in the first quarter, with Naspers and many other "rand-hedge" stocks feeling the most pain given the continued strengthening of the rand.

MANAGEMENT ACTIONS

During the course of the fourth quarter, the fund introduced new exposure to Reinet Investments.

Reinet Investments is an investment vehicle, the principal asset of which is the former Richemont's interest in British American Tobacco (BAT). Global tobacco stocks have come under severe price pressure since the global interest rate cycle started to turn, weighing heavily on defensive stocks that had previously benefited from the low interest rate environment. This shift has seen BAT's share price down almost 50% from its peak, with Reinet an effective entry point to start building exposure to a very high quality business, now finally being offered at a discount.

The Fund exited its investments in Remgro, and Life Healthcare - preferring to take similar exposure through Mediclinic instead, which was introduced in the fourth quarter of 2017 as mentioned in the last quarterly report.

The Fund trimmed exposure to domestic banks Firstrand and Standard Bank, both of which have seen their share prices rise substantially since they were introduced into the Fund soon after Nhlanhla Nene was fired and amidst news of credit downgrades.

TOP TEN HOLDINGS (%)

March 2018		December 2017	
Hosken Cons Investments Ltd	11.1	Hosken Cons Investments Ltd	9.5
RECM and Calibre Ltd	10.1	RECM and Calibre Ltd	8.3
MTN Group Ltd	7.6	Firstrand Ltd	7.3
Firstrand Ltd	6.1	MTN Group Ltd	7.1
Standard Bank Group	6.0	Standard Bank Group	6.8
Sasol Ltd	4.7	Sasol Ltd	4.7
Unicorn Capital Partners Ltd	4.5	Unicorn Capital Partners	4.4
Anglo American PLC	4.0	Remgro Ltd	3.7
BHP Billiton PLC	3.5	BHP Billiton PLC	3.1
Mediclinic International PLC	3.4	Anglo American PLC	3.0
Total	61.0	Total	57.9

SECTOR EXPOSURE (%)

March 2018		December 2017	
Industrials	33.4	Industrials	38.7
Resources	28.5	Resources	26.9
Financials	38.1	Financials	34.5
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

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 two 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.

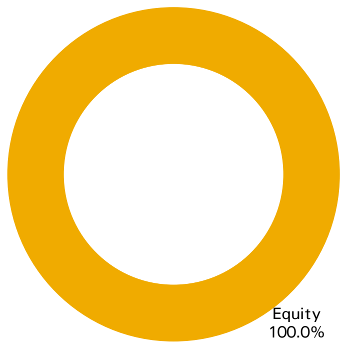
As this opportunity set has opened up, the Fund has been able to introduce many new and varied investment ideas since the beginning of 2015, whilst at the same time reducing exposure to the resources sector, which has rebounded by close to 100% since the beginning of 2016.

The end result is a portfolio of assets which is more diversified than before, invested in higher quality companies than before. The Fund now holds 29% of equity in resource stocks, with 38% in financial stocks and 33% in a wide array of diverse, predominantly domestically oriented industrial businesses.

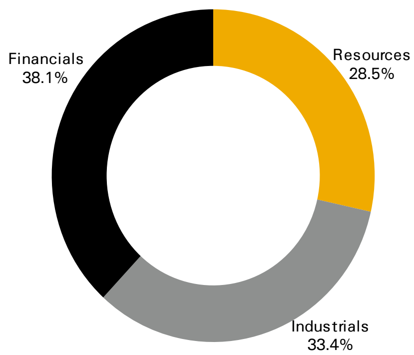
The RECM Equity Fund is a robust, diversified portfolio of unpopular and undervalued stocks which is positioned very differently to the still overvalued market index. Markets have recently strongly favoured value strategies, in stark contrast to the years prior to this, and with the value cycle still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



PORTFOLIO OVERVIEW

Portfolio Managers	Piet Viljoen	Min. Investment	R150,000 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	R41.7 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 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 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