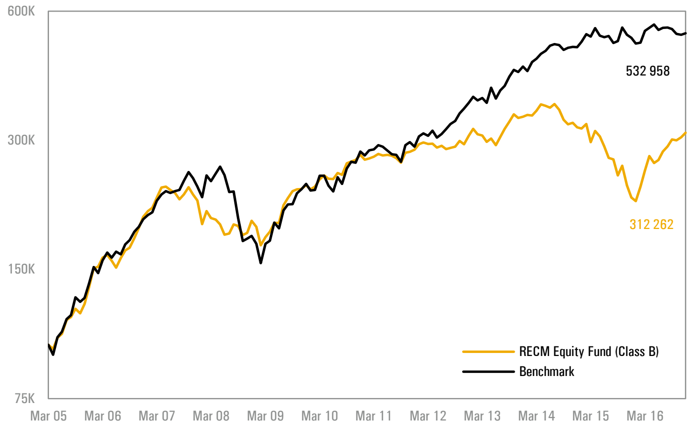
QUARTERLY REPORT

RECM EQUITY FUND - DECEMBER 2016

PERFORMANCE TABLE

Net Returns	RECM Equity B	Benchmark ALSI
3 Months	3.7%	-2.1%
1 Year p.a.	41.6%	2.6%
3 Years p.a.	-2.8%	6.2%
5 Years p.a.	1.8%	13.0%
10 Years p.a.	4.6%	10.5%
Since inception (1 March 2005)	10.2%	15.3%

PERFORMANCE NET OF FEES AND EXPENSES



PERFORMANCE REVIEW

The Fund outperformed its benchmark for the quarter.

Positions which benefited returns in the last quarter:

- Mining services company Sentula
- Packaging manufacturer Astrapak
- Ferrochrome producer Merafe Resources

Positions which detracted from returns in the last quarter:

- Platinum producer Impala Platinum
- Platinum producer Anglo American Platinum
- Secure electronic token distributor Blue Label Telecoms

PERFORMANCE SUMMARY

The Fund returned 3.7% during the quarter, and 42% for the year - dramatically outperforming its benchmark, the FTSE/JSE All Share Index which returned -2.1% for the quarter and 2.6% for the year.

Despite posting very poor results, mining services company Sentula's share price rose sharply on the back of an increase in coal prices, and the market positively receiving their move away from contract mining.

Plastic packaging company Astrapak saw its share price surge during the quarter after an announcement that the firm is to be acquired by RPC Group Plc, one of Europe's largest suppliers of plastic packaging.

Ferrocrome producer Merafe saw its share price rise boosted by expectations of higher fiscal spending in the US, triggering a surge in many industrial metals prices. Ferrochrome is a metal alloy used in the making of stainless steel.

In contrast to metals such as copper and iron ore, platinum prices fell in the fourth quarter, with the market ignoring generally strong auto data and moving in sympathy with weaker gold prices putting pressure on the share prices of platinum producers Amplats and Implats.

After tripling in price in the last two years, secure electronic token distributor Blue Label Telecoms hit an all-time high in October and retraced somewhat during the fourth quarter. RECM had already substantially reduced the position size by this time, locking in the gains.

MARKET COMMENTARY

The fourth quarter saw the US and most other developed country equity markets end the year on a high note. Newly-elected president Trump's plans to reduce taxes and regulation and increase infrastructure spending shifted expectations of domestic growth and inflation higher, which had a stimulatory effect on most developed equity markets.

Emerging market equities, including South Africa, fared less well however with tightening US interest rates and uncertainty over US trade and foreign policy causing sentiment towards emerging markets to sour somewhat. The MSCI Emerging Markets Index returned -4.1% in USD over the quarter.

As mentioned, returns for the fourth quarter were negative for South African equities overall (-2.1%) and just slightly up for the year (+2.6%). However, there was significant divergence in returns amongst the sectors with resources recovering to deliver an impressive 34% over the course of 2016, financials a more sanguine 5% and the previous winners in prior years, the industrial stocks, dragging the market lower with -7% overall during 2016.

MANAGEMENT ACTIONS

During the course of the quarter, several new investments were made in the Fund including new allocations to AECI, Clientele, and Altron.

AECI consists of a chemical manufacturing and distribution business in South Africa and an explosives business that has expanded into Africa and Indonesia. As such, the profitability of the firm is quite closely linked to the resources cycle (mining makes up more than half their sectoral exposure) and the industrial production cycle. With both cycles recently at lows, the business has been under pressure and the share price has de-rated significantly. Looking through both cycles, we believe the share offers value at current prices.

Clientele, the market leader in direct sales of life insurance in South Africa, is cheap because the market is overly concerned about the short term impact of the tough local economic conditions on Clientele's low income target market. We believe, looking through the cycle, that current prices offer a compelling opportunity to buy a highly profitable business at a substantial discount to long term fair value.

Allied Electronics Corporation Limited (Altron), the struggling technology group, has been in the process of a massive restructuring over the past year to refocus the business, cut costs and move from a family-controlled business to an independent management structure. We believe this unlock value and with the share also very cheap at current levels, there is substantial upside.

During the quarter we further trimmed exposure to resources companies such as Merafe, BHP Billiton, Glencore Xstrata and Anglo American where share prices were fuelled by rising commodity prices. We also added to existing positions in MTN Group Ltd and Richemont which still offer value at current prices, and to Amplats and Implats both of which saw their share prices pull back during the quarter.

TOP TEN HOLDINGS (%)

December 2016		September 2016	
RECM & Calibre Ltd	7.4	RECM & Calibre Ltd	7.0
Hosken Cons Investments Ltd	6.9	Impala Platinum Holdings Ltd	6.8
Impala Platinum Holdings Ltd	5.6	Hosken Cons Investments Ltd	5.6
Standard Bank Group Ltd	4.7	Standard Bank Group Ltd	5.4
MTN Group Ltd	4.4	Bhp Billiton Plc	3.5
Sasol Ltd	3.2	Niveus Investments Limited	3.3
Astrapak Ltd	2.9	Sasol Ltd	3.0
Anglo Platinum Ltd	2.8	Anglo American Plc	2.8
Allied Electronics Corporation Ltd	2.7	MTN Group Ltd	2.3
Compagnie Financiere Richemont	2.4	Glencore Xstrata Plc	2.2
Total	43.0	Total	41.9

SECTOR EXPOSURE (%)

December 2016		September 2016	
Industrials	42.2	Industrials	37.6
Resources	31.4	Resources	33.5
Financials	26.4	Financials	28.9
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund deployed cash into the equity market during the quarter, with the equity allocation having moved from 80% to 87% as a by-product of new investments made. The RECM Equity Fund currently has 13% in cash. Given our asset allocation is a reflection of bottom-up investment decision-making, the fact that we still hold some cash is a reflection of the scarcity of high quality businesses that are sufficiently cheap enough to justify a larger allocation. While we do allow a smaller allocation to lower quality companies trading at very attractive prices, we make sure that the larger portion of equities in the RECM Equity Fund is invested in high quality, attractively priced businesses such that the portfolio always has a tilt towards the latter from a portfolio construction perspective.

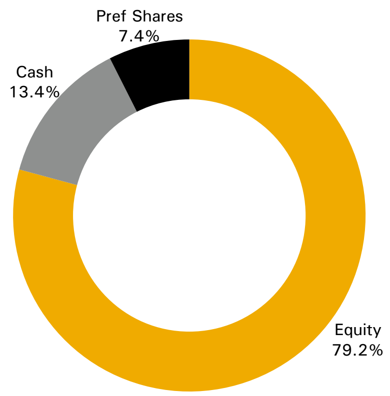
The continuing surge in most resource share prices has prompted us to further reduce our exposure to those companies where the corresponding margin of safety between the rising share price and fair value has been eroded. Nonetheless, the Fund still holds a meaningful 31% of equities in resource stocks, with the larger exposures being to companies such as Impala Platinum and Anglo Platinum which did not enjoy the same rally in the fourth quarter, and thus still offer compelling value.

Importantly, the Fund has become increasingly diversified over the past two years. As a result of the opportunity set widening, new investments - while sharing the favourable characteristics of being quality businesses trading at attractive prices - are in more varied industries and sectors and most notably, often where the Fund had limited existing exposure beforehand. Two years ago, the market was very concentrated with resources being by far the most attractive sector from a valuation perspective. Today, this is no longer the case and the portfolio is less concentrated as a result. A more diversified portfolio, should the opportunity set allow, is always more desirable because investment success is then not overly reliant on any one particular investment thesis being proven correct within a particular frame of time.

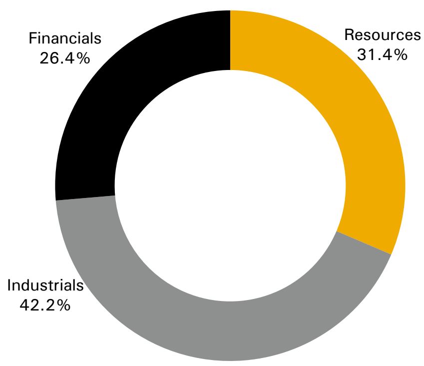
The RECM Equity Fund is a robust, diversified portfolio of unpopular and undervalued stocks, with the advantage of a cash component to put to use as opportunities arise. Markets strongly favoured value strategies during 2016, in stark contrast to the years prior to this, and with the value cycle still 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 31 December 2016

RECM

PORTFOLIO OVERVIEW

Portfolio Managers	Piet Viljoen, Wilhelm Hertzog & Paul Whitburn	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	R71.5 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	1.6% for the 3 year period ending 30 September 2016		

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 and RECM Global Equity Fund, which are associated collective investment schemes, however there will be no additional investor fees connected with these investments.

****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 overleaf; 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