QUARTERLY REPORT

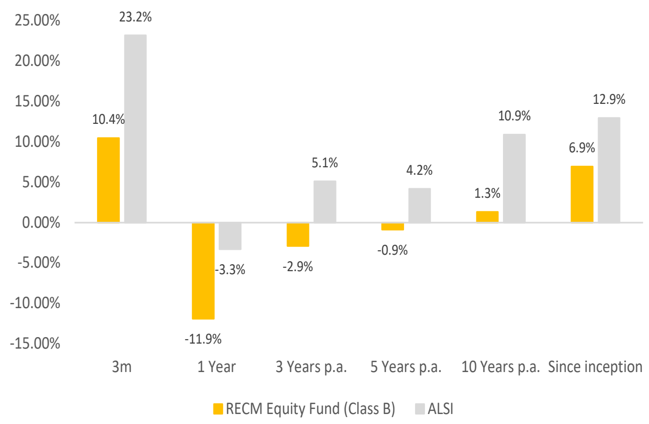
RECM EQUITY FUND - JUNE 2020

PERFORMANCE TABLE

Net Returns	RECM Equity B	ALSI
3 Months	10.4%	23.2%
1 Year p.a.	-11.9%	-3.3%
3 Years p.a.	-2.9%	5.1%
5 Years p.a.	-0.9%	4.2%
10 Years p.a.	1.3%	10.9%
Since inception (1 March 2005)	6.9%	12.9%

PERFORMANCE NET OF FEES AND EXPENSES

ILLUSTRATIVE RETURNS OF FUND VS ALL SHARE INDEX



PERFORMANCE REVIEW

Positions which benefited returns in the last quarter:

- Goldfields
- Anglogold Ashanti
- Discovery

Positions which detracted from returns in the last quarter:

- Shoprite Holdings
- RECM & Calibre
- Lewis Group

PERFORMANCE SUMMARY

So far, 2020 has proven to be a tale of two quarters. A vicious decline in the first quarter of the year, as fears around Covid-19 took hold, was followed by a strong rebound in the second quarter. This left the All Share Index (ALSI) down by 3.2% for the year to date. Large caps have dominated small caps over the past year – just as they have done over the past 10 years. In Q2 resource stocks did very well, and together with industrials posted positive returns for the year. Financials – and specifically property performed poorly.

The Fund's return followed a similar pattern to the market. The Fund was down 23.4% in Q1, and up 10.4% in Q2 as markets recovered. During the quarter, the Fund benefited from owning no property, being very light in financials, and having a strong tilt towards industrials. Our exposure to gold shares also helped. However, not having a lot of resource exposure (outside of gold shares) hurt returns in the period under review.

Over the longer term we remain behind the All Share Index. There are two main reasons for this:

1. We do not own Naspers or Prosus, which together make up over a quarter of the ALSI. On its own, Naspers has been responsible for over 4% p.a. of the ALSI's performance over the past 5 years. The first reason we don't own these shares is because, compellingly for us as value investors, we regard the valuation to be rich. The second reason is more existential: The ownership structure through which Naspers owns its stake in Tencent has never been tested in a legal environment.
2. Being value-oriented, the Fund is tilted towards where current value is, i.e. in small caps, financials and industrials. Longer term, value stocks like these have underperformed, and in the short term, have fared even worse. But investing is about the future and not the past. And we believe the future will look very different to the past.

MARKET COMMENTARY

During the quarter, the JSE All Share Index advanced by 23.2%, reversing most of the losses in the first quarter of 2020. South African equities outperformed most other emerging markets. The quarter was highly volatile and dominated by rapidly increasing appetite for risk assets in general.

Domestically-oriented equities, most notably small-caps, recovered the least and valuations are very cheap relative to history. The valuation of domestic equities now discounts very low expectations and represents a multi-decade opportunity for investors to participate in the recovery on a more rational basis. Current valuations are reminiscent of the early 2000s, when negative sentiment towards domestic small and mid-caps provided a platform for high prospective returns in the ensuing years.

The rand is likely to remain range-bound and could even stage a comeback, as the US dollar weakens. We continue to believe that we are entering a prolonged period that will suit stock-pickers and active managers.

The probability is high that equities, as an asset class, will generate inflation-beating returns from current levels. Risk assets are set to continue the recovery that started at the end of the previous quarter. The magnitude and speed of the recent rally has surprised us. For that reason, we have maintained a level of conservatism and slowed down our deployment of cash into the myriad of opportunities that continue to become available.

MANAGEMENT ACTIONS

We continue to increase the quality and diversity of the Fund's holdings. Due to the sell-off in March, some high quality companies became cheap enough for us to start buying into them. Such purchases included Discovery, Transaction Capital, Netcare, Adcock-Ingram, Distell Group, and ABInbev. We also added substantially to banking exposure via ABSA, Nedcor and FirstRand. Banks on PEs of less than 5 are just too cheap to ignore. Some smaller capitalisation stocks with embedded optionality and limited downside were added: Net1, Aveng and Renergen.

On the selling side, we lightened our resource exposure by selling out of Impala and taking some profits on Anglogold and Goldfields by lightening their weight in the Fund. We still have substantial positions in both these stocks. We also reduced our illiquid small cap industrial holdings by selling down HCI, Truworths and Spur.

The Fund continues to hold African Bank inflation linked bonds. Although this not an equity, it has equity-like characteristics. It is priced to yield 8.5% over inflation, which is better than the equity risk premium that the South African equity market has returned over the long term. As such it is a very attractive, low risk holding for an equity fund like the RECM Equity Fund.

Overall, the Fund is well-positioned to capture the upside from very depressed local valuations, and to take advantage of any further dislocations.

TOP TEN HOLDINGS (%)

June 2020		March 2020	
Steinhoff Inv-Prefs	7.1	Steinhoff Inv-Prefs	6.7
Gold Fields Ltd	4.2	Shoprite Holdings Ltd	4.2
AngloGold Ashanti Ltd	4.1	Netcare Ltd	4.0
Absa Group Ltd	3.9	Assore Ltd	3.4
Nedbank Group Ltd	3.9	Newgold Platinum Debentures	3.3
Bowler Metcalf Ltd	3.6	Bowler Metcalf Ltd	3.2
Anheuser-Busch InBev	3.2	AngloGold Ashanti Ltd	3.1
Discovery Holdings Ltd	3.1	Gold Fields Ltd	2.7
Shoprite Holdings Ltd	3.1	Sibanye Stillwater Ltd	2.7
Netcare Ltd	2.8	Truworths International Ltd	2.4
Total	39.0	Total	35.7

SECTOR EXPOSURE (%)

June 2020		March 2020	
Industrials	52.1	Industrials	52.4
Resources	29.8	Resources	29.4
Financials	18.1	Financials	18.2
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

South Africa has been a poor investment destination for the last 10 years. It has underperformed both developed and emerging markets over 5 and 10 years. It is not difficult to understand why this has been the case. A weak and corrupt government compounded by a breakdown in trust between the government and the business sector has undermined South Africa's ability to create wealth and jobs. Sadly, there are no signs that this is about to change.

Ten years ago, at the time of our hosting of the Word Cup, South Africa was riding on a high. We were part of the famed BRICS movement, optimism was rife and South Africans were actually immigrating back to their home country. Little did we know that the recently-inaugurated President Jacob Gedleyihlekisa Zuma would accelerate what was already a germinating culture of corruption and unaccountability in the government, and to a lesser extent, the private sector. Ten years ago, very few people forecast the poor prospective performance of local assets.

The past 10 years have sprung a couple of other surprises. Who would have thought that property would be the worst-performing major asset class over 5 and 10 years? Not that long ago it was perceived to be a bastion of safety. Who would have thought the resources sector would be the best performing sub-index over the past 5 years? It was generally regarded as "uninvestable" in 2014/15!

One of the few things we can say with certainty about markets is that extrapolating past performance is a dangerous game. Narratives change and are generally based on what has come before. Investing according to the prevailing narrative is like driving by looking through the rear-view mirror: Dangerous and bound to end badly. Today, things look as bleak in South Africa as they looked positive in 2010.

Another thing that has changed is the valuation of the market.

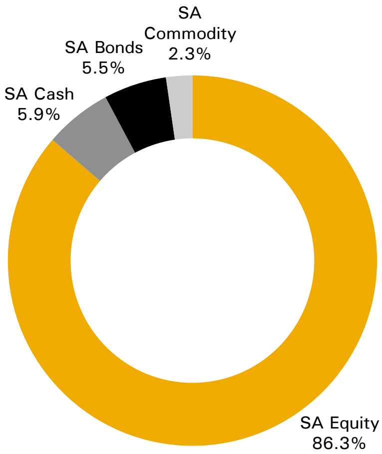
The PE of the South African market (excluding Naspers) is now as low or lower than it was in 2008 and 2002 – both good times to buy South African assets. It is worth bearing in mind that both times were characterised by heavily negative sentiment - just like the sentiment we are experiencing today.

However, there is one important difference today: Our institutions have been steadily weakened by a progressively more corrupt government, and a morally deficient private sector. There is a non-negligible chance that South Africa could find itself going down the failed state route, with debt defaults and a worthless currency.

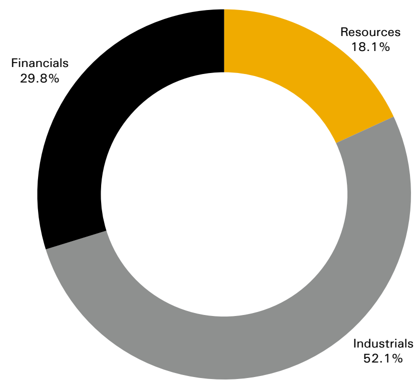
At the moment, we think the chances of this happening are less than 20%, but they are not entirely negligible. In light of this, it would be foolish to allocate all your eggs into this basket, notwithstanding how attractive it is from a valuation point of view. As Warren Buffett once said – "a long string of impressive numbers multiplied by zero is equal to zero".

Having said that, the valuation warrants at least some allocation. And, if one decided to do so, we believe a value-orientated fund like the RECM Equity Fund, with its ability to invest in smaller SA domestic businesses trading on unbelievably low valuations, makes a whole lot of sense.

ASSET EXPOSURE (%OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



PORTFOLIO OVERVIEW

Portfolio Manager	Piet Viljoen, Sam Houlie	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 98.5 million	Performance Hurdle	Not Applicable
Benchmark (Bmk)	FTSE/JSE All Share Index	Performance Fee**	None
Total Expense Ratio	1.7% for the 3 year period ending 31 March 2020		

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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