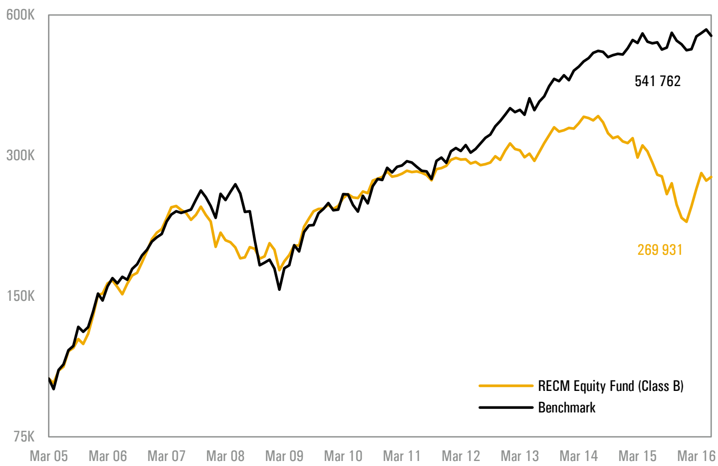
QUARTERLY REPORT

RECM EQUITY FUND - JUNE 2016

PERFORMANCE TABLE

Gross Returns	RECM Equity B	Benchmark ALSI
3 Months	5.9%	0.4%
1 Year p.a.	-6.9%	3.8%
3 Years p.a.	-2.6%	13.0%
5 Years p.a.	-0.5%	13.8%
10 Years p.a.	6.0%	12.6%
Since inception (1 March 2005)	9.2%	16.2%

PERFORMANCE NET OF FEES AND EXPENSES



PERFORMANCE REVIEW

The Fund outperformed its benchmark for the quarter.

Positions which benefited returns in the last quarter:

- Diversified global miner Anglo American
- Investment company RECM & Calibre
- Ferrochrome producer Merafe

Positions which detracted from returns in the last quarter:

- South African banks Standard Bank and Nedbank
- Oil and chemicals producer Sasol
- South African cement business PPC

PERFORMANCE SUMMARY

The Fund returned 5.9% during the quarter, outperforming its benchmark, the FTSE/JSE All Share Index which returned 0.4% over the same period.

Anglo American was a leading contributor to returns in the first quarter of the year, and continued its strong performance into the second quarter. This has been driven by improved diamond sales, the announcement of sales of assets at better prices than what the market was expecting, and a concomitant easing of concerns about the group's balance sheet pressures.

RECM & Calibre, the listed investment company managed by us, announced pleasing full year results during the past quarter, with most of the underlying investments progressing strongly. In addition, the company announced a material transaction in which it will increase its interest substantially in one of its key assets, Goldrush (a leading South African alternative gaming company), by means of a transaction structured in a very beneficial way for all parties concerned.

Merafe, the leading global ferrochrome producer, benefitted from a sharp increase in the ferrochrome price during the quarter. With steady demand for stainless steel (the primary end-market for ferrochrome) and a number of smaller ferrochrome producers going out of business, Merafe is set to enjoy the benefits of being the largest and one of the lowest cost producers of ferrochrome globally.

Continued concern about the prospects of the South African economy, and the impact that will have on credit losses in banks' lending books, have weighed on the share prices of South African banks. Sasol announced that the construction of its Louisiana ethane cracker is set to cost more than initially expected, confirming the fears held by many market participants, which drove it share price down markedly during the quarter. A small position in cement producer PPC, initiated during the quarter, hampered the Fund's return during this period.

MARKET COMMENTARY

Global markets were fairly range bound until late in the quarter. Britain's announcement that the country has voted to leave the European Union gave global markets a severe jolt in the last few days of June. The flight to safety that this announcement triggered also resulted in a sharp drop in developed market government bond yields.

The South African equity market exhibited much the same behaviour as global equity markets did during the quarter, and also fell sharply on the announcement of Britain's planned exit from the European Union, only to recover in short order. The South African bond market faced the prospect of a government credit rating downgrade early in June, but this was avoided, to the relief of local markets.

On a sectoral basis in the South African market, the resources sector continued its strong performance from the first quarter, but in less dramatic fashion. The financial sector suffered as continued concerns about growth in South Africa and the impact thereof on credit losses for banks as well as the impact of the British exit from the European Union on banks' funding costs pulled share prices down in the sector.

The Rand was quite volatile during the quarter, moving along with market perceptions about the likelihood of a sovereign ratings downgrade, but finished the quarter in line with where it started.

MANAGEMENT ACTIONS

Investment holding company Remgro was the largest purchase in the Fund. While not a new holding, a share price that has not changed meaningfully for two years combined with steady increases in the intrinsic value of the underlying businesses (despite cyclical headwinds for some), has resulted in an increasingly attractive investment proposition.

PPC is a small new investment for the Fund. PPC has turned into a textbook case study of capital allocation gone awry. The board and management lavished dividends onto shareholders at the top of the cycle in the mid to late 2000's, and followed this with an ambitious and capital hungry African expansion strategy. The result has been under-investment in the company's local operations, leaving the door open for competitors to enter the market and engage in a price war which has now brought the company to its knees. The share price has been decimated, and the announcement of a large capital raise by means of a discounted share issue drove the stock to levels last seen in the early 2000's. After incorporating a rights issue at a very dilutive price in our fair value, our assessment is that PPC's share price offers long term value at these low levels, and hence we have purchased a small holding for the Fund.

As for disposals, Anglo American ranks top of the list, followed closely by Blue Label Telecoms. While we maintain holdings in these shares, it is at much reduced levels, following very strong share price performances in recent months. After paying scant attention to the attractive economics and growth optionality of Blue Label's businesses for the better part of three years, the market has recently become very excited about the prospects of the business again. Announcing that it will be a major investor in the restructuring of Cell C has attracted interest, and appears to have contributed to the major rerating of the stock.

TOP TEN HOLDINGS (%)

June 2016		March 2016	
RECM & Calibre Ltd	6.5	Anglo American Plc	6.0
Impala Platinum Holdings Ltd	5.8	Standard Bank Group Ltd	6.0
Standard Bank Group Ltd	5.8	Blue Label	5.9
Hosken Cons Investments Ltd	5.5	Hosken Cons Investments Ltd	5.6
BHP Billiton Plc	3.5	Impala Platinum Holdings Ltd	5.6
Nedbank Group Ltd	3.4	RECM & Calibre Ltd	5.6
Wilson Bayly Holmes Ltd	2.9	Sasol Ltd	4.7
Niveus Investments Ltd	2.8	Anglo Platinum Ltd	3.7
Anglo Platinum Ltd	2.6	Bhp Billiton Plc	3.3
Remgro Ltd	2.5	Nedbank Group Ltd	2.9
Total	41.3	Total	49.3

SECTOR EXPOSURE (%)

June 2016		March 2016	
Resources	28.8	Resources	35.6
Industrials	42.9	Industrials	38.1
Financials	28.3	Financials	26.3
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The RECM Equity Fund currently has 85% exposure to equities, with 15% in cash. This is a small decrease in equity exposure from the first quarter, as the value of material sales of holdings like Anglo American and Blue Label Telecoms exceeded that of the number of small purchases made during the period.

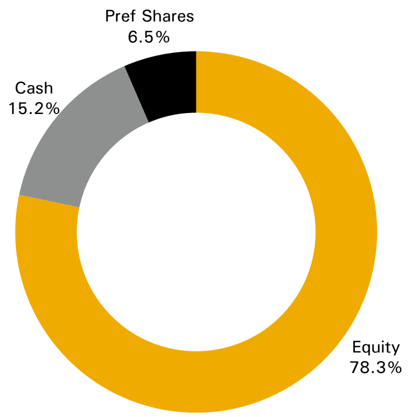
The substantial cash holding in the fund reflects an environment where high quality assets have by and large not been priced attractively. As always, we are comfortable with being patient and biding time until the truly compelling opportunities emerge, in the knowledge that cash serves as protection in an environment where many assets are expensive, and provides optionality to capitalise on opportunities when they come. As absolute return focused investors, we prefer holding cash to compromising unduly on the discipline of only deploying capital into compelling opportunities.

Sectoral exposure to equities has shifted somewhat in favour of industrials, with mining sector exposure being reduced following the sharp share price increases in the sector during the early months of 2016. Within the industrial sector, we are starting to see some attractive investment propositions in so-called 'SA Inc.' businesses – those with substantial exposure to the South African domestic market, and limited global exposure. Business conditions for these companies are undeniably tough at the moment, and without the benefit of offshore earnings that has been bolstered by the weak Rand, the market has taken a dim view of the value of these assets. In both South African financial markets and amongst company management teams, we detect a frenzied rush to own assets not exposed to South Africa. In this process our sense is that some attractive local businesses are being sold off without due regard for their long term earnings power, and we have been allocating some capital to such assets, albeit not on large scale yet.

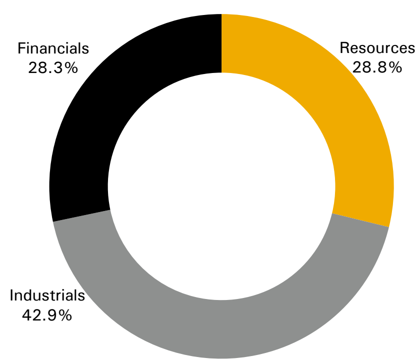
Despite this slight sectoral shift recently, the Fund remains substantially overweight resources, somewhat overweight financials, and materially underweight industrials relative to the market. Investment holding company Hosken Consolidated Investments (one of the top holdings in the Fund) is classified as a financial counter (despite its underlying assets being industrial businesses), which skews this sector allocation somewhat (i.e. the financial exposure is actually about 5% less, and the industrial exposure 5% higher). But directionally the sectoral allocations are as described. This gives a good indication of where we find attractive investment opportunities on a market wide basis, despite some activity recently that has changed sectoral allocations somewhat.

The first half of this year has brought some signs that the quality/momentum theme that has dominated equity markets (including that of South Africa) in recent years is starting to wane and that markets are once again beginning to recognise the fundamental value of assets held in funds managed according to a disciplined value investing philosophy, like the RECM Equity Fund. If this continues, the RECM Equity Fund should benefit handsomely in coming months.

ASSET EXPOSURE (%OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



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	R58.5 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	1.4% for the 3 year period ending 31 March 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.

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