

# RECM FLEXIBLE VALUE PRESCIENT QI HEDGE FUND (Class A)

Minimum Disclosure Document - Period ended 30 September 2017

# RECM

The RECM Flexible Value Prescient Qualified Investor Fund is a fund with the benefit of a wide opportunity set that includes local and global assets, of varying size, across multiple asset classes, listed and unlisted. The Fund's aim is to outperform the South African equity market over the long term by buying assets that are mispriced because they are neglected, ignored or unloved by virtue of their size, current circumstances or lack of liquidity. With the benefit of this opportunity set, a longer time horizon and less liquidity constraints, the fund is extremely well positioned to extract value from inefficient markets. The fund utilises the Qualified Investor Hedge Fund structure in order to pursue its investment objective. The unit price could be volatile as the fund may have positions in small and illiquid instruments from time to time.

Portfolio Managers	Jan van Niekerk & Richard Court*
Fund Classification	Qualified Investor Hedge Fund
Fund Launch Date	2 May 2017
Inception Date (Class A)	2 May 2017
Total Fund Size	R60.8 million
Fund Size (Class A)	R60.8 million
Min. Investment	R1 000 000 initial investment

Initial Fee	No initial fee
Annual Fee	1.0% (excl. VAT)
Intermediary Fee	0.0% (excl. VAT)
Performance Fee	20% of the outperformance of the hurdle over 5 year rolling periods
Benchmark (Bmk)	FTSE/JSE All Share Index
Performance Hurdle	FTSE/JSE All Share Index + 2.5% p.a.

## PORTFOLIO DETAIL

### FUND RISK PROFILE

LOW	LOW-MODERATE	MODERATE	MODERATE-HIGH	HIGH
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The Fund has a high risk profile as it is actively managed across South African and global multi asset classes.

### TOP TEN POSITIONS IN THE FUND IN ALPHABETICAL ORDER

September 2017	
ELB Group Ltd	Mustek Ltd
Hosken Cons Investments Ltd	Putprop Ltd
KLK Landbou Ltd	Renegen Ltd
Metair Investments Ltd	The York Timber Holdings Ltd
MTN Group Ltd	Unicorn Capital Partners Ltd

### ASSET EXPOSURE (%)

September 2017	
Long Equity	101.4
Short Equity	-18.0
Cash	16.6
<b>Total</b>	<b>100.0</b>
Gross Equity Exposure	119.3
Net Equity Exposure	83.4

### Gross Regional Exposure (%)

South Africa	92.9
Global	7.1
<b>Total</b>	<b>100.0</b>

## WWW.RECM.CO.ZA

Investors can access, free of charge, daily fund prices, quarterly reports, brochures, minimum disclosure documents, annual fund reports, application forms and investment insights on our website at [www.recm.co.za](http://www.recm.co.za).

## PERFORMANCE NET OF FEES AND EXPENSES

Performance is calculated using net NAV to NAV numbers with income reinvested. The performance for each period is reflected in the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

### MONTHLY RETURNS

Month	Fund	Benchmark
May '17	0.0%	-0.4%
Jun '17	-1.4%	-3.5%
Jul '17	0.8%	7.0%
Aug '17	0.9%	2.7%
Sept '2017	5.1%	-0.9%
Since Inception	5.3%	4.7%

## INCOME DISTRIBUTIONS

Distribution Date is 31 March

31 Mar 18	
Class A	TBC

If the income earned in the form of dividends and interest exceeds the total expenses, the Fund will make a distribution. (cpu = cents per participatory unit)

## TER AND TRANSACTION COSTS \*\*

Please note that the Total Expense Ratio and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product and the funds TER will be available after one year.

1 Year	
TER	TBC
Performance Fee (included in TER above)	TBC
Transaction Costs	TBC
<b>Total Investment Charge</b>	<b>TBC</b>

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**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. 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. \* Acting under the supervision of Jan Van Niekerk.

PRESCIENT

A MEMBER OF THE ASSOCIATION FOR SAVINGS & INVESTMENT SA

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# RECM

## 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 Fund's 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.

## Investment 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.

## Currency/Exchange Rate Risk

Currency or exchange rate risk is a form of risk that arises from the change in price of one currency against another. The constant fluctuations in the foreign currency in which an investment is denominated relative to the currency in which the Fund is denominated may add risk to the value of a security.

## International Risks

International investments or investments in foreign securities could be accompanied by additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information.

## Inflation Risk

The Fund may invest in cash and bonds, in South Africa or globally, 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 an 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 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.

## Manager

Prescient Management Company (RF) (Pty) Ltd  
P O Box 31142, Tokai, 7966  
Company Reg 2002/022560/07  
Registered under the Collective Investment  
Schemes Control Act, 2002

## Investment Manager

Regarding Capital Management (Pty) Ltd (FSP No 18834)  
Authorised under the Financial Advisory and  
Intermediary Services Act, 2002 to act in such capacity

## Trustee

Nedbank Investor Services  
2nd Floor, 16 Constantia Boulevard,  
Constantia Kloof, Roodepoort, 1709

## JSE Code

RFVAL

## ISIN

ZAE000244497

## Transaction Cut Off Time

14h00, 2 (two) business days before month end

## Document Issue Date

11 October 2017