QUARTERLY REPORT

RECM GLOBAL FLEXIBLE FUND - JUNE 2020

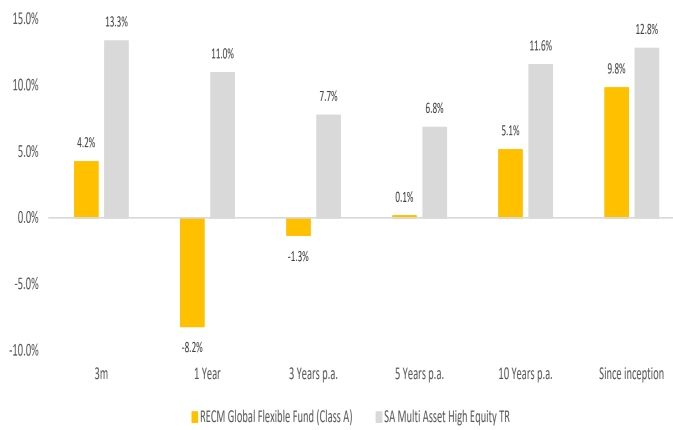
PERFORMANCE TABLE

Net Returns	RECM Global Flexible A	ASISA Avg	CPI+6%*
3 Months	4.2%	13.3%	1.3%
1 Year	-8.2%	11.0%	8.7%
3 Years	-1.3%	7.7%	9.8%
5 Years	0.1%	6.8%	10.6%
10 Years	5.1%	11.6%	11.0%
Since inception (7 Apr '03)	9.8%	12.8%	11.4%

*The Fund's benchmark is SA Inflation + 6% p.a. Prior to 1 January 2014 the Fund's benchmark was SA Inflation + 8% p.a. The blended benchmark reflects this combined history.

PERFORMANCE NET OF FEES AND EXENSES

ILLUSTRATIVE RETURNS OF FUND VS ASISA SECTOR AVERAGE



PERFORMANCE REVIEW

Positions which benefited returns in the last quarter:

- Wheaton Precious Metals Corp
- Barrick Gold Corp
- Fairfax India

Positions which detracted from returns in the last quarter:

- Shoprite Holdings
- RECM & Calibre
- Brookfield Asset Management

PERFORMANCE SUMMARY

The RECM Global Flexible Fund returned 4.2% during the second quarter, outperforming its benchmark of CPI + 6% per annum, which returned 1.3%. The Fund has returned -8% over the year-to-date, and since inception it has returned 9.8% or 3% above inflation per annum.

The second quarter of 2020 dramatically reversed the adverse trend of the previous quarter, with a strong recovery, despite the ongoing Covid-19 induced economic slowdown. The US, together with Australia, New Zealand and Germany maintained strong relative momentum with emerging markets performing in line.

Domestic equity valuations remain attractive relative to long-term growth prospects. The rand is likely to remain range-bound and could even stage a comeback, as the US dollar weakens. SA Inc equities are undoubtedly cheap and discounting very weak prospects. 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.

MARKET COMMENTARY

The MSCI World Index rallied by 19.5%. The MSCI Emerging Market Index recovered in line as with the Index advancing by 18.2%, accompanied by sustained strength in EM currencies relative to the US dollar.

The JSE All Share Index advanced by 23.2%, reversing most of the losses in the first quarter of 2020 and outperforming most other emerging markets.

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.

MANAGEMENT ACTIONS

Broadly speaking, we think the biggest that savers face over the next decade is a resumption of inflation. This is not a forecast, merely an observation of a potential adverse outcome. As a custodian of your capital, we spend a lot of time thinking about potential adverse outcomes, and how to efficiently hedge against them. Our actions this quarter reflect this thinking.

Firstly, we reduced cash, by acquiring inflation-linked bonds, both in SA and in the USA. If there were to be any unexpected inflation, the capital value of the bonds would stay intact in real terms. We have allocated 8% of the Fund to these assets – 5% in South Africa, and 3% in the USA.

Locally, we added some exposure to the undervalued banking sector – with Absa and Nedbank both trading at low single digit multiples – the cheapest they've been in a long time. The effects of the lockdown will be negative for banks, but we think the current share prices discount an overly pessimistic scenario. Similarly, the economic consequences of lockdown also caused the share price of Transaction Capital to decline to levels which represented compelling value. We used the proceeds from the buyout of Assore and some profits on our Impala and Harmony positions to fund these purchases. Despite this, our resources allocation went up to 43% of our equity allocation, due to strong performance from our gold holdings. The Fund's exposure to SA remains at around 27%.

In the global portion of the Fund (i.e. the other 73%) we made some changes: We reduced our holding of industrial stocks in favour of stocks that offer more of an inflation hedge. These stocks included the oil royalty company Texas Pacific, the uranium miner Cameco, and the silver miner Pan American Silver corp. We also increased our holdings in tobacco stocks, especially Altria. These companies are strongly cash generative, pay high dividends and are available at attractive multiples. Overall, offshore equity remains at just under 30% of the Fund.

We think the Fund is well positioned to continue protecting its investors from unexpected future inflation, while providing some growth through holdings in well-managed owner-operated businesses like Berkshire Hathaway, ABInbev, Loews Corp and Fairfax Financial Holdings.

TOP TEN HOLDINGS (%)

June 2020		March 2020	
RECM and Calibre (Pty) Ltd	3.2	RECM and Calibre (Pty) Ltd	4.4
Barrick Gold	2.7	Berkshire Hathaway	2.6
SPDR Gold Spares	2.1	Philip Morris International Inc	2.1
NewGold Issuer Ltd	2.0	Brookfield Asset Management	2.0
Pan Amercan Silver Corp	2.0	Barrick Gold	1.9
Cameco Corp	2.0	Sabvest Ltd	1.7
Texas Pacific Land Trust	1.8	Hosken Cons Investments Ltd	1.6
Sabvest Ltd	1.8	AngloGold Ashanti Ltd	1.5
Berkshire Hathaway	1.5	Newmont Mining	1.4
AngloGold Ashanti Ltd	1.5	Vopak	1.4
Total	20.6	Total	20.6

ASSET ALLOCATION (%)

June 2020		March 2020	
Global Cash	41.2%	Global Cash	46.1%
Global Equity	27.4%	Global Equity	26.5%
SA Equity	17.7%	SA Equity	18.0%
SA Bonds	6.0%	SA Cash	6.4%
Global Bonds	5.0%	SA Bonds	2.7%
SA Cash	1.5%	SA Commodity	0.3%
SA Commodity	1.2%		
Total	100%	Total	100.0

PORTFOLIO POSITIONING

These are the opportunities today as we see them:

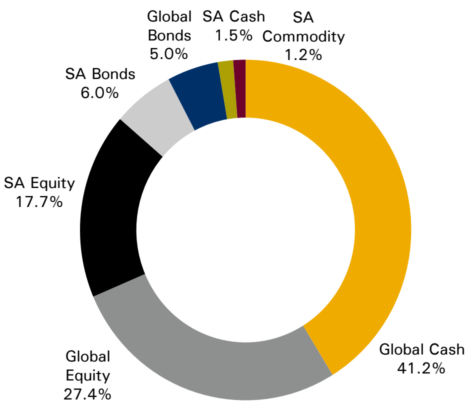
1. **Value.** Value is currently priced at its cheapest ever. The 55% equity exposure in the Fund is "all-in value".
2. **Emerging Markets.** Emerging markets are undervalued, having been hardest hit by the Coronavirus fall-out. The Fund has a decent allocation to emerging markets via its direct holding in SA assets (23% of assets) as well as via holdings in Russia, Asia and Latin America which add up to 9% of the global equity. Overall, the Fund has just less than 30% exposure to emerging markets.
3. **Small caps.** Small companies have underperformed, and are cheap with good long term potential. Around 12% of our global equities are in small caps, and around 60% of local equities. In total, this adds up to just over 12% exposure to small caps in the Fund.
4. **Oil.** Oil is trading at historically low levels, with massive production cuts happening. This will be difficult to reverse when the economic cycle turns, leading to a spike in the oil price. We own some unlevered oil companies (4%) and where we get the opportunity, we will build this exposure.

These opportunities are somewhat correlated and likely to do well or poorly together – the latter being the case so far this year. The Fund holds cash (43%) and gold (10%) to diversify risk. There are many risks out there, including:

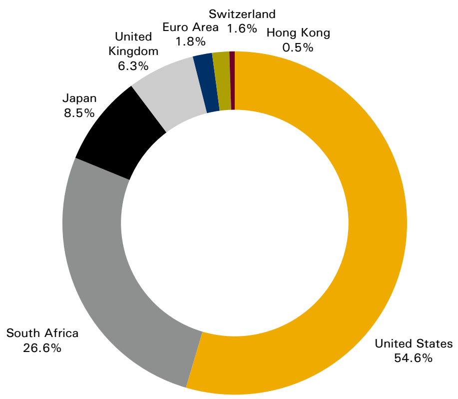
1. **Deflation.** The spread of the Coronavirus, and government's policies to combat it have meant a severe downwards adjustment to aggregate demand, which is by nature deflationary. Reflecting this already, bond yields are at historically low levels with many countries at negative yields. Cash - held in undervalued, potentially strong currencies - is a good measure to counter deflationary risk.
2. **Inflation.** Conversely, inflation could be a longer term threat, as governments print money to combat the lockdown-induced economic slowdown. Supply chains could also come under pressure, further aggravating inflationary forces. Gold is our main defence against this risk, but we also own some inflation-linked bonds. If the short term deflation risk perception increases, pushing out the spread on inflation linkers, we will buy more.
3. **Indices.** Indices are becoming ever more concentrated as large cap growth companies continue to outperform, at the expense of almost everything else. This is basically the converse of the opportunities mentioned above, so we have no further specific strategy here - but it is worth keeping this risk in mind, as pressure from clients to index their funds keeps building.
4. **Volatility.** Uncertainty breeds volatility: Oil prices collapsing to negative levels and stock markets moving up or down by over 5% a day, are all signs of this uncertainty. To counteract this, we have a small position in companies that mine, invest in or otherwise vacillate trade in cryptocurrencies. We think this could prove to be a valuable hedge against undue volatility now and in the future. The position is very small – less than 2% of the Fund. But we think of it as a small insurance premium, with a big potential payoff, which pays out when needed most.

In a nutshell, the RECM Global Flexible Fund is a portfolio whose job it is to help you sleep easy at night, but still take advantage of the market - with all its attendant volatility.

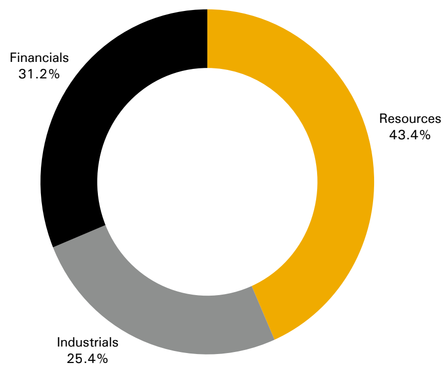
ASSET EXPOSURE (%OF FUND)



REGIONAL EXPOSURE (% OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



RECM GLOBAL FLEXIBLE FUND

Quarterly Report - Period ended 30 June 2020

RECM

PORTFOLIO OVERVIEW

Portfolio Manager	Piet Viljoen, Sam Houlie	Initial Fee	No initial fee
ASISA Sector	Worldwide Multi Asset Flexible	Annual Fee*	1.0% (excl. VAT)
Fund Launch Date	3 April 2003	Intermediary Fee*	0.0% (excl. VAT)
Inception Date (Class A)	3 April 2003	Performance Fee*	None
Total Fund Size	R 422.3 million	Benchmark (Bmk)	SA CPI + 6% p.a.
Min. Investment	R10,000 initial investment	Performance Hurdle	Not Applicable
Total Expense Ratio	1.8% for the 3 year period ending 31 December 2019		

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.

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; 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