QUARTERLY REPORT

RECM GLOBAL FLEXIBLE FUND - MARCH 2020

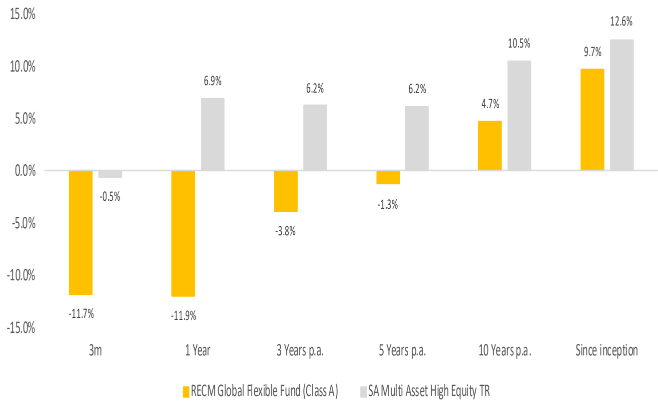
PERFORMANCE TABLE

Net Returns	RECM Global Flexible A	ASISA Avg	CPI+6%*
3 Months	-11.7%	-0.5%	3.0%
1 Year	-11.9%	6.9%	10.6%
3 Years	-3.8%	6.2%	10.2%
5 Years	-1.3%	6.2%	11.2%
10 Years	4.7%	10.5%	11.1%
Since inception (7 Apr '03)	9.7%	12.6%	11.5%

*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:

- Offshore (non-rand) exposure
- Gold miners including Anglogold Ashanti
- US grocer Kroger Co

Positions which detracted from returns in the last quarter:

- Alternative asset manager Brookfield
- Russian energy producer Gazprom
- Warren Buffet's Berkshire Hathaway

PERFORMANCE SUMMARY

On 19 February 2020 the S&P500 Index reached an all-time high after the longest bull market in US history. From that peak, the market plummeted 34% in the fastest decline since the Great Depression. Over the next 3 days, it bounced back by more than 17%, the biggest 3-day gain since 1931. This extreme volatility indicates the levels of uncertainty around the coronavirus pandemic's implications. The global equity market, as measured by the MSCI ACWI, was down 22% in US dollars during the quarter overall, with the JSE All Share Index down 21.4% as measured in rands. The RECM Global Flexible Fund was not immune to the market decline. The Fund fell 11.7% during the quarter, with the depreciation in the rand helping somewhat to offset the decline in global equities.

The specific nature of this negative surprise, being a global pandemic, saw investors seek safety in those parts of the market that were already overvalued, for reasons that are only obvious in hindsight. This included pharmaceuticals, healthcare, and technology stocks. The fact that the negative surprise was exogenous (from outside the system) and happened to favour these overvalued stocks, which we had avoided for good reason, was coincidental. This didn't offer the support we expected in the market decline, but stands us in very good stead in terms of prospective returns from this point.

The significant decline in South African equity valuations also 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 2000's, when negative sentiment towards domestic small and mid-caps provided a platform for high prospective returns in the ensuing years.

MARKET COMMENTARY

The first quarter of 2020 saw a COVID-19 induced freefall in equity markets. Rapidly increasing risk-aversion fuelled a sustained decline across most asset classes, as market participants responded to narratives of escalating virus infections and a prolonged economic shutdown.

The US Fed stepped in aggressively with a series of unprecedented interventions. Central banks across the world also responded aggressively to provide stimulus ahead of a significant economic slowdown. Central bank support has now become the overriding narrative and time will tell whether policy intervention can mute the impact of deteriorating fundamentals.

For the quarter, most major asset classes declined, with relatively few winners. Gold surged by 7.4%, in line with declining nominal yields and despite US dollar strength. Gold appears to be trading in line with an increasing demand for safety, in an environment of rising uncertainty. The MSCI Emerging Market Index fell by 23.6% over the quarter, accompanied by sustained weakness of EM currencies relative to the dollar.

Global market contagion had a knock-on effect on SA risk assets, including bonds and the rand. In addition to the Covid-19 induced economic slowdown, Moody's added insult to injury by downgrading the country to junk status, during the quarter. The country faces severe economic headwinds and the downgrade is likely to raise the cost of capital, in addition to the potential negative impact on the currency via outflows from the bond market.

Domestic fixed income securities had an abysmal quarter. The All Bond Index declined by 8.7%, with longer-dated bonds falling by 11.2%. SA Listed Property had the worst ever quarter, declining by a massive 51.8%.

MANAGEMENT ACTIONS

Going into the market decline, RECM held close to 20% in cash, as well as 5% in a basket of gold stocks and was oriented towards global assets – with more than 60% invested outside of South Africa. Over the last few years, we had re-oriented the Fund away from cyclical, lower quality businesses both locally and globally such as resources, which had more than doubled since the start of 2016, towards a diversified array of higher quality businesses trading at attractive prices. This did not offer the support we expected in the market decline for the reasons explained in the performance summary, but stands us in very good stead in terms of prospective returns from this point.

Once we understood that the virus, an exogenous event, would have a significant knock-on effect – where businesses which might otherwise have been perfectly fine would be severely impacted, we needed to assess the Fund with fresh eyes. Overnight, businesses without the balance sheets to survive a complete shutdown of their productive capacity for months, faced failure – no matter how low their valuations were at the outset.

Given this reality, we re-evaluated every holding in our Fund for robustness. We sold stocks where we had material concerns. This included, on the global side, stocks such as IBM, Renault, Dixons and Aspen Pharmacare. On the local side, we reduced our exposure to banks and companies with high levels of debt. In the process, we raised cash levels. We deployed some of this cash into other quality stocks that had been sold down disproportionately such as Berkshire Hathaway but still hold some cash reserves to invest as opportunities present themselves.

TOP TEN HOLDINGS (%)

March 2020		December 2019	
RECM and Calibre (Pty) Ltd	4.4	Hosken Cons Investments Ltd	5.1
Berkshire Hathaway	2.6	Tesco PLC	5.0
Philip Morris International Inc	2.1	RECM and Calibre Ltd	4.9
Brookfield Asset Manager	2.0	Prudential PLC	2.7
Barrick Gold	1.9	Netcare Ltd	2.7
Sabvest Ltd	1.7	Assore Ltd	2.7
Hosken Cons Investments Ltd	1.6	Shoprite Holdings Ltd	2.4
AngloGold Ashanti Ltd	1.5	Firstrand Ltd	2.2
Newmont Mining	1.4	MTN Group Ltd	2.0
Vopak	1.4	Itau Unibanco	2.0
Total	20.6	Total	31.7

ASSET ALLOCATION (%)

March 2020		December 2019	
Global Cash	46.1%	Global Cash	14.7%
Global Equity	26.5%	Global Equity	43.6%
SA Equity	18.0%	SA Equity	35.5%
SA Cash	6.4%	SA Cash	3.7%
SA Bonds	2.7%	SA Bonds	2.5%
SA Commodity	0.3%		
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The market has rallied from its lows of mid-March, but we remain cautious and disciplined in our buying. Ben Carlson of Ritholtz Wealth pointed out that many of history's great crashes had rallies before they eventually bottomed – giving investors false hope that proved to be fleeting. During the Great Depression there was a 47% rally from late-1929 until early 1930 - It didn't last. Before that rally stocks had fallen 45%. The 1973-1974 bear market that saw the market halve bounced 20% before it finally ended. The 2007-2009 market crash gave a gain of more than 25% before rescinding these returns. The bear market from 2000-2002 saw three separate rallies of around 20% before finally settling in at a bottom more than 50% lower than the peak. Things could well get worse before they get better. Or perhaps markets have already bottomed in anticipation of better times ahead. No one has any way of knowing for sure.

How do we protect, invest and grow your capital against this uncertain backdrop? We have built an all-terrain portfolio. In addition to orienting the Fund strongly towards global assets, we hold stocks with the following attributes:

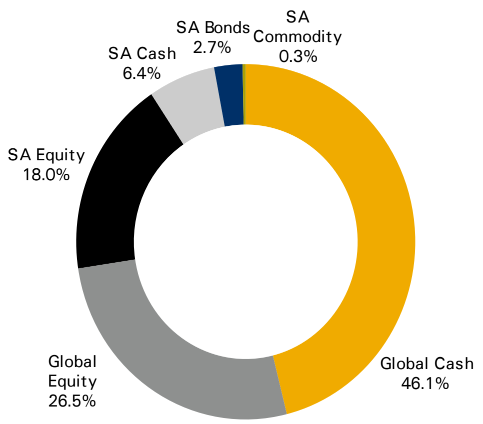
- A solid balance sheet
- The ability to survive the next 12 -18 months
- An attractive valuation (implying high prospective returns)
- Management teams with the track record and ability adapt (many of whom are owner-managers)
- The ability to grow free cash flow and dividends on a sustainable basis

We continue to hold significantly higher than average cash reserves, which provides us with liquidity and optionality. Having liquidity today ensures that you can act tomorrow. Being a 'liquidity provider' in times of stress and distress is a certain way to survive and thrive as the dust settles. We are excited about the potential to deploy the cash in our Fund. Owning gold also helps us to hedge and manage risk.

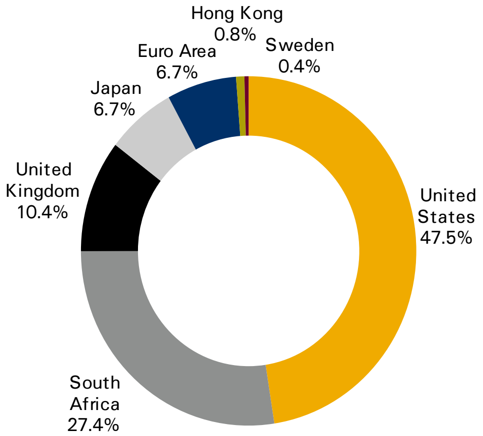
As investors, it is important to remember that market declines come with the territory. Since 1928, the S&P 500 has experienced 12 different declines of 30% or worse. These losses have occurred once every 7-8 years on average. Nonetheless, the world market has given investors 6% real returns above inflation per year since 1900. The US market even more than this. This time period includes the Great Depression, wars, recessions, rising interest rates, falling interest rates, bear markets, economic booms, economic busts, inflation, deflation and everything in-between.

Importantly, this is the kind of market environment value investors such as ourselves get really excited about - because it provides a compellingly attractive entry point for those with the ability and willingness to take advantage of lower prices. As every market decline in history has demonstrated, there is no factor as important to subsequent investment returns as the price paid at the outset of your investment. The RECM Global Flexible Fund offers investors the opportunity to capitalise on this enduring investment truth.

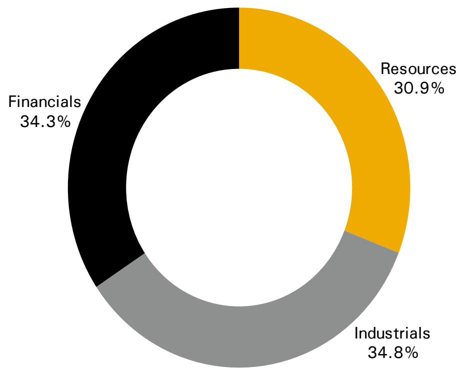
ASSET EXPOSURE (%OF FUND)



REGIONAL EXPOSURE (% OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



RECM GLOBAL FLEXIBLE FUND

Quarterly Report - Period ended 31 March 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 421.5 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.

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