QUARTERLY REPORT

RECM GLOBAL FLEXIBLE FUND · SEPTEMBER 2019

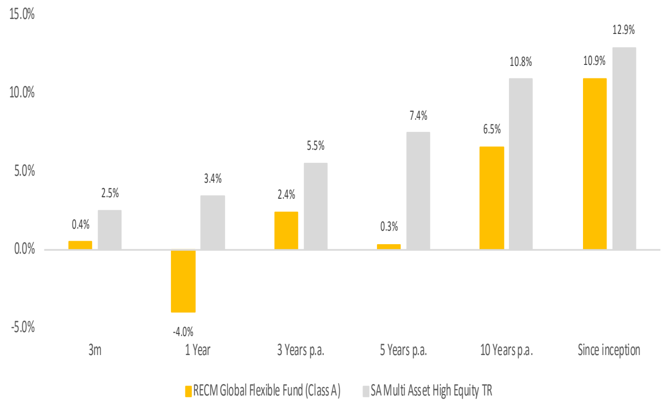
PERFORMANCE TABLE

Net Returns	RECM Global Flexible A	ASISA Avg	CPI+6%*
3 Months	0.4%	2.5%	2.5%
1 Year	-4.0%	3.4%	10.3%
3 Years	2.4%	5.5%	10.7%
5 Years	0.3%	7.4%	10.9%
10 Years	6.5%	10.8%	11.1%
Since inception (7 Apr '03)	10.9%	12.9%	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:

- Gold producers Harmony Gold and Anglogold Ashanti
- Platinum producer Impala Platinum
- Alternative asset manager Brookfield

Positions which detracted from returns in the last quarter:

- Investment holding company HCI
- Domestic bank Firstrand
- Brazilian private bank Itau Unibanco

PERFORMANCE SUMMARY

The Fund was flat during the quarter returning 0.4% against a negative backdrop – the JSE All Share Index returned -4.6% over the same time period. Since the start of 2016 the Fund has outperformed the average of its peer group category – the Worldwide Multi Asset Flexible category – achieving 21% after fees in cumulative terms, with the average for the category returning 17.3% over the same period. Since inception in 2003, the Fund has returned 11% per year, or 5.5% above inflation per year.

The gold price continued to rise as lower US interest rates and ongoing geopolitical concerns between the US and China and the US and Middle East saw investors flocking to the safe haven metal. This also drove up the share prices of gold producers in the Fund such as Harmony Gold and Anglogold Ashanti.

Impala Platinum also continued its rally, fuelled by a dramatic 50% increase in the rand Platinum Group Metals basket over the past 2 years as a result of surging palladium and rhodium prices in particular.

Brookfield Asset Management, which invests in alternative assets such as renewable energy and infrastructure assets, saw its share price up 11% during the quarter. These assets typically have very stable cash flows far into the future. Therefore, discounting them at today's low interest rates increases the present value the market is prepared to pay for them.

It was another difficult quarter for banks and other domestically-focused businesses, such as Hosken Consolidated Investments, which has exposure to gaming and leisure through its 49% stake in Tsogo Sun. HCI - which also has investments in transport, media, property and mining - is now trading at a discount to the listed market value of its investment in Tsogo Sun alone.

Brazilian private sector bank Itau Unibanco fell along with Brazilian stocks generally, which were weaker across the board on weak commodity prices and lacklustre growth. Brazil's economy has struggled since it emerged from recession in 2017.

MARKET COMMENTARY

Global stocks were flat overall for the quarter, with the positive impact of central banks cutting rates offset by a worsening US/China trade war and signs of slowing economic growth.

The S&P500 Index was up slightly with a return of 1.7% for the quarter, bringing the return to 21% year-to-date - an extraordinary result given the backdrop of trade tensions and an inverted US yield curve (which historically has often pre-empted a recession).

European stocks also rose modestly, as the market welcomed a new round of potential rate cuts in the months ahead. UK equities fared surprisingly well given ongoing Brexit-related uncertainty, with the FTSE Index up 1.3% in sterling, but down in US dollars as a result of the pound weakening.

Emerging markets, as measured by the MSCI Emerging Markets Index, were down 4.2% in US dollars as a result of trade tariffs, slowing growth in China and a strong US dollar. The JSE All Share Index was down 4.6%, with the rand depreciating by 7% versus the US dollar along with many other emerging market currencies. For the year to date, the South African equity market and bond market returned 7.1% and 8.4% respectively with listed property returning 1.3% and cash 5.5%. The Rand depreciated 5.4% against the US dollar.

MANAGEMENT ACTIONS

On the local side, the Fund increased its allocation to the "net-net" basket to 5%, and introduced a small position in retailer Shoprite.

A "net-net" is a stock trading below the company's liquidation value. By holding small positions in "net-net" stocks, the Fund is able to capitalise on the dramatic unlock of value that occurs when some of these businesses unexpectedly survive. Downside is protected by the low price paid, and ensuring that each "net-net" position is small enough to have a negligible impact on the overall Fund should it fail as the market expects.

Retailer Shoprite has seen its share price down more than 60% from its peak in early 2018. At the time, the retailer was trading at high valuations which were disconnected from economic reality on the ground. The share's subsequent decline and de-rating presented us with an opportunity to allocate a small position to this high quality business at a price that finally makes some sense.

On the global side, the Fund introduced new positions in Nordstrom, Takkt AG, and Shaeffler AG.

Nordstrom is an American chain of luxury department stores. The investment case for Nordstrom includes the fact that it is family-controlled, has low debt levels, generates high returns over time and is trading on low multiples due to the expectation of the "Amazon effect" on retailers. Nordstrom already has a strong online presence, and is focused on customer experience and a strong loyalty program to increase this further.

Takkt AG is a direct (B2B) seller of office, restaurant and display equipment, as well as containers for hazardous materials. The company consists of a wide group of European and US companies with scale, integration and switching costs all working in their favour. The share price is trading at a PE of 10 due to contracting manufacturing activity. This presented an attractive entry point.

Shaeffler AG is a family-controlled manufacturer of automotive and industrial parts. Negative sentiment around the business is mostly due to fears that they will be negatively impacted by the shift to electric vehicles; and increasing pricing pressure on the auto part industry due to the cyclical downturn. These fears are overblown in our mind – Shaeffler still generates attractive returns on equity and is trading at a discount to our conservative earnings power valuation.

TOP TEN HOLDINGS (%)

September 2019		June 2019	
Hosken Cons Investments Ltd	5.0	Hosken Cons Investments Ltd	6.7
RECM and Calibre Ltd	4.5	RECM and Calibre Ltd	4.9
Tesco PLC	4.5	Firstrand Ltd	4.4
Shoprite Holdings Ltd	2.5	Tesco PLC	4.0
Firstrand Ltd	2.4	Standard Bank Group Ltd	3.5
Netcare Ltd	2.3	MTN Group Ltd	3.0
MTN Group Ltd	2.2	The Spar Group Ltd	2.6
Standard Bank Group Ltd	2.1	Aspen Pharmacare Holdings Ltd	2.3
Assore Ltd	1.8	Assore Ltd	2.3
Sberbank Of Russia	1.8	Old Mutual Ltd	2.1
Total	29.1	Total	35.8

ASSET ALLOCATION (%)

September 2019		June 2019	
Global Equity	34.4%	Global Equity	29.2
SA Equity	33.6%	SA Equity	44.4
Global Cash	27.3%	Global Cash	21.5
SA Cash	2.4%	SA Cash	2.7
SA Bonds	2.3%	SA Bonds	2.2
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund's allocation is currently tilted more towards offshore assets currently with 62% in global assets, and 38% in local assets. Within the global portion of the portfolio, just under half of this is held in cash in a combination of Japanese yen and British sterling - both of which remain significantly undervalued on a purchasing power parity basis.

This sizeable offshore cash position reflects a dearth of quality companies trading at sufficiently low prices to constitute value by our measures. Today, looking back on one of the US market's most prolonged growth rallies ever, the spread between the valuations of the most expensive decile and cheapest decile of stocks is at the widest it's been since the run-up to the Great Depression and the dot-com bubble. This also explains why we have no exposure to global technology stocks, and very limited exposure to the US market in total – where valuations, by almost any measure, are back at extreme highs. Instead, we are finding better global value opportunities in areas that are less popular, such as the UK and various emerging markets.

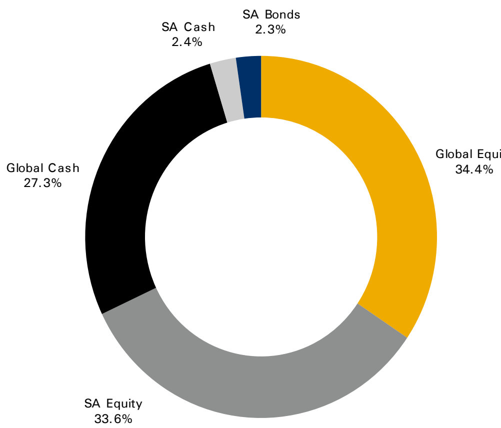
Within the local equity portfolio of the portfolio, the emphasis is on more domestically-oriented businesses, which have been out of favour for some time due to the downturn in the economic cycle. The Fund currently has 68% in equities overall. Roughly half of our local equity exposure is in small and mid cap stocks, where we are able to meaningfully allocate capital to some of the best value opportunities in the market - available only to asset managers small enough to take advantage of them.

Being bottom-up value investors first and foremost, we make our allocations on a case-by-case basis depending on where quality and value collide within our wide opportunity set. From a portfolio construction perspective however, we ensure too that the resulting portfolio is as diversified as possible when viewed in totality. Ideally, we want as many investment ideas as possible, across as many geographies, sectors and industries, such that investment success is never overly reliant on any one particular investment thesis being proven correct within a particular frame of time. The end result is a portfolio of diversified assets 16% of equity in resource stocks, 39% in financial stocks and investment holding vehicles, and 45% in a wide array of diverse, quality industrial businesses around the world.

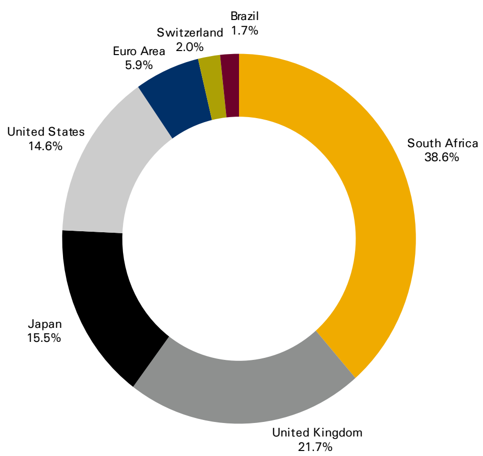
The Fund remains cautious about increasing exposure to local traditional interest-bearing investments such as bonds and property. We believe that within the local portion of the Fund, equities still offer the best risk-adjusted source of potential absolute returns.

In the long run it has been proven that over multiple market cycles there is no factor as important to subsequent investment returns as starting valuations – or the price paid at the outset. Investment success over time favours those who have the ability and willingness to buy stocks at prices, for reasons that are often uncomfortable at the time, well below what the underlying companies are fundamentally worth. The RECM Global Flexible Fund offers investors the opportunity to capitalise on this enduring investment truth.

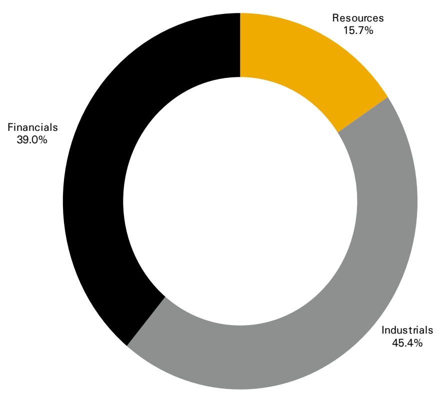
ASSET EXPOSURE (%OF FUND)



REGIONAL EXPOSURE (% OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



PORTFOLIO OVERVIEW

Portfolio Manager	Piet Viljoen	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 537.7 million	Benchmark (Bmk)	SA CPI + 6% p.a.
Min. Investment	R10,000 initial investment	Performance Hurdle	Not Applicable
Total Expense Ratio	1.3% for the 3 year period ending 30 June 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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