

QUARTERLY REPORT

RECM GLOBAL FLEXIBLE FUND - JUNE 2017

PERFORMANCE TABLE

Net Returns	RECM Global Flexible A	*Benchmark CPIX then CPI + 6%
3 Months	-3.5%	2.5%
1 Year	9.4%	11.7%
3 Years	-1.7%	11.7%
5 Years	6.8%	12.6%
10 Years	7.0%	13.9%
Since inception (7 April 2003)	12.3%	13.6%

PERFORMANCE REVIEW

The Fund underperformed its benchmark for the quarter.

Positions which benefited returns in the last quarter:

- British engine manufacturer Rolls Royce
- Russian internet company Mail.ru
- Technology group Allied Electronics Corporation Limited

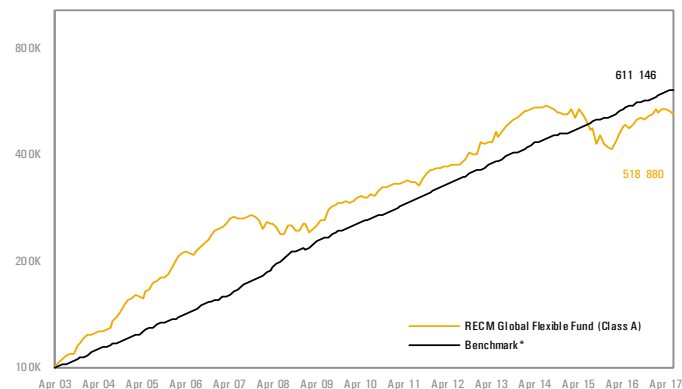
PERFORMANCE SUMMARY

The Fund returned -3.5% during the quarter underperforming its benchmark of CPI + 6% which delivered 2.5% over the same period. Global equities, as measured by the MSCI All Countries World Index (ACWI), returned 4.3% in USD and 1.5% in ZAR. South African equities, as measured by the FTSE/JSE All Share Index, returned -0.4% for the quarter. If one considers that Naspers, which makes up 18% of the index, was up 10%, this implies the rest of the index returned -2.2%. This shows that outside of a handful of "global" businesses, the slew of local negative news is taking its toll on the local market. To this end, local "SA Incorporated" type businesses such as Grindrod, Omnia, Hudaco, Raubex and Aveng saw their share prices decline over the quarter.

However, on the global front, continued evidence of a broad-based global economic recovery failed to lift out-of-favour stocks in the quarter. Instead, accelerated flows into index-tracking funds, as well as strong results from new-era, disruptor companies drove growth-oriented stocks to outpace more defensive company stocks. The health care and information technology sectors were both beneficiaries of this trend.

In our portfolio, Russian internet business Mail.ru performed in line with global IT peers, returning close to 20% in USD during

PERFORMANCE NET OF FEES AND EXPENSES



Positions which detracted from returns in the last quarter:

- Platinum producer Implats
- British retailer Tesco
- Investment Holding Company HCI

the quarter. Rising business investment bolstered industrial companies such as Rolls Royce, which has seen its share price surge by more than 40% since it bottomed in January after the company finally agreed to settle outstanding bribery and corruption claims.

Technology group Allied Electronics (Altron) continued to benefit from improved sentiment regarding the businesses restructuring and consolidation under the leadership of new CEO Mteto Nyati with the active involvement of new strategic shareholder Value Capital Partners.

Implats however saw its share price fall in line with weaker platinum prices in ZAR, and after the platinum producer unveiled plans to raise \$400m in a convertible bond.

Tesco shares remained under pressure, with the market still critical of the proposed acquisition of UK wholesaler Booker and remaining unconvinced by Tesco's rising underlying sales growth. These doubts were further magnified by Amazon's \$13.7 billion acquisition of Whole Foods Market and fears of the impact this might have on global bricks and mortar grocery businesses.

MARKET COMMENTARY

Global equity markets were buoyant during the second quarter driven by a strong corporate earnings season in the US, generally positive economic data in both the US and Europe, and diminishing signs of political risk in the euro zone. US equities were up with the S&P 500 returning 3.1%, despite some uncertainty regarding the ability of the US administration to push through fiscally expansive policies. The Federal Reserve raised rates by a further 0.25%. Despite this, the US dollar weakened against both the euro and pound.

Eurozone equities were also up in the second quarter with the MSCI Europe Index returning 1.8% amid signs of improving economic growth and reduced political risk. Investor sentiment improved markedly after centrist and pro-EU candidate Emmanuel Macron's convincing victory in the French presidential election. The UK equity market

returned 1.4% for the quarter, but was very volatile during the period due to uncertainty regarding the political and economic backdrop.

In a repeat of the first quarter, emerging markets were again the strongest performers, with the MSCI Emerging Markets Index up 5.8% in USD for the quarter. This was driven by a strengthening global economy, solid growth from technology-related companies and a weaker US dollar.

Despite the Federal Reserve raising interest rates by 0.25%, most investment grade US bonds enjoyed gains with demand for risk assets seeing investment-grade corporate bond spreads contracting throughout the quarter. Bund and gilt yields were well supported for most of the quarter, but a sell-off triggered by perceived hawkish signalling by central bank leaders reversed earlier gains.

MANAGEMENT ACTIONS

New stocks introduced during the quarter included Life Healthcare Group, Sports Direct International Plc and insurance companies Porto Seguro SA and Uniqa Insurance Group AG.

Life Healthcare Group enjoys a competitive advantage in the form of hospital licenses in favourable urban locations. Poor public healthcare has enabled the business to pass on price increases with stable margins. Concerns around recent overseas purchases mean that at current prices investors are getting excellent cash flow generation at a reasonable multiple.

Sports Direct, the largest sporting goods retailer in the UK, has seen its business and share price come under pressure over the past 2 years largely as a result of the weaker pound impacting the gross margin of its imported products and generally negative sentiment towards UK retailers in the face of Brexit. Assuming a recovery in underlying margins in

the sports retail division and positive sales growth through store investment and expansion, the share price represents a buying opportunity.

Porto Seguro SA is the third largest insurance company in Brazil, and is primarily engaged in automobile insurance. Vehicle sales, a good indicator of the auto insurance cycle, have recently hit decade lows in Brazil, resulting in the business trading at very levels close to book value. We expect this to normalise as the cycle plays out.

Uniqa is the second largest insurance company in Austria. The business is undervalued due to the current pressure that low interest rates in Europe place on the capital, earnings and growth prospects for insurance companies in the region. Given Uniqa's dividend yield is around 6%, and is sustainable at such levels, investors are being paid to wait for conditions to improve as and when the interest rate cycle turns.

TOP TEN HOLDINGS (%)

June 2017		March 2017	
Hosken Cons Investments Ltd	5.3	Hoskens Cons Investments Ltd	5.3
RECM & Calibre Ltd	5.0	RECM & Calibre Ltd	5.0
MTN Group Ltd	3.7	Impala Platinum Holdings Ltd	4.7
Impala Platinum Holdings Ltd	3.4	MTN Group Ltd	3.1
Standard Bank Group Ltd	3.1	Standard Bank Group Ltd	3.0
Tesco PLC	2.7	Anglo Platinum Ltd	2.8
Anglo Platinum Ltd	2.6	Tesco Plc	2.4
Allied Electronics Corp Ltd	2.5	Allied Electronics Corp Ltd	2.2
Inpex Corp	2.1	Sonae	2.0
Sonae	1.8	Mail.ru Group Ltd	1.9
Total	32.2	Total	32.4

ASSET ALLOCATION (%)

June 2017		March 2017	
SA Equity	46.1	SA Equity	47.0
Global Equity	26.1	Global Equity	26.4
SA Cash	11.9	SA Cash	16.1
Global Cash	9.1	Global Cash	4.5
SA Bonds	6.8	SA Bonds	6.0
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund's allocation to South African equity decreased slightly, as a by-product of continuing to sell down many of the resource counters in the portfolio. This saw the equity allocation reducing to 72% overall, with South African equity at 46% and global equity remaining at around 26% of the total portfolio.

As such, the Fund still remains tilted towards local equities over global equities. This is mostly a reflection of the scarcity of global businesses that meet the dual criteria of qualifying as quality by RECM's measures, and being sufficiently cheap enough to justify a larger allocation.

The RECM Global Flexible Fund increased its position in offshore cash to 9%, with meaningful allocations to euro, yen and sterling which remain undervalued. Local cash constitutes 12% of the overall portfolio and local bonds remained around 6%.

The Fund remains cautious about increasing exposure to traditional interest-bearing investments such as bonds and property. We believe current yields still do not adequately compensate investors for their commensurate risk.

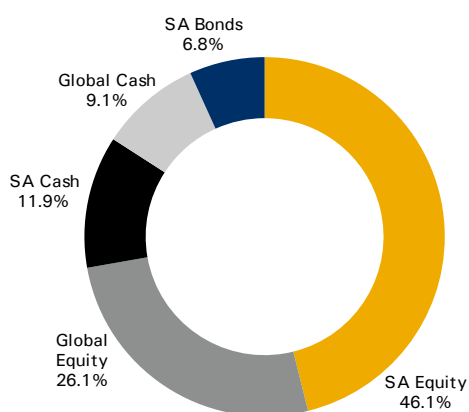
The continuing surge in most resource share prices has prompted us to further reduce our exposure to those companies where the corresponding margin of safety between the rising share price and fair value has been eroded. The Fund now has a 22% allocation of equities to resource stocks, with the larger exposures being to companies such

as Impala Platinum which we believe still offer compelling value.

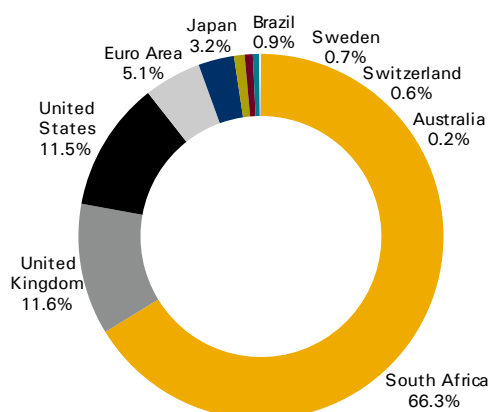
The Fund has become increasingly diversified. As a result of the opportunity set widening, new investments - while sharing the favourable characteristics of being quality businesses trading at attractive prices - are in more varied industries and sectors and most notably, often where the Fund had limited existing exposure beforehand. A more diversified portfolio, should the opportunity set allow, is always more desirable because investment success is then not overly reliant on any one particular investment thesis being proven correct within a particular frame of time.

The RECM Global Flexible Fund is a robust, diversified portfolio of unpopular and undervalued stocks, with the advantage of a meaningful cash component to put to use as opportunities arise. Global and local markets strongly favoured value strategies during 2016, in stark contrast to the years prior to this, and with the value cycle still in early stages, there is further value to be unlocked by investors who stay the course. 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. Investment success over time favours those who have the patience and willingness to hold stocks trading at prices, for reasons that are often unpalatable to most investors, 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.

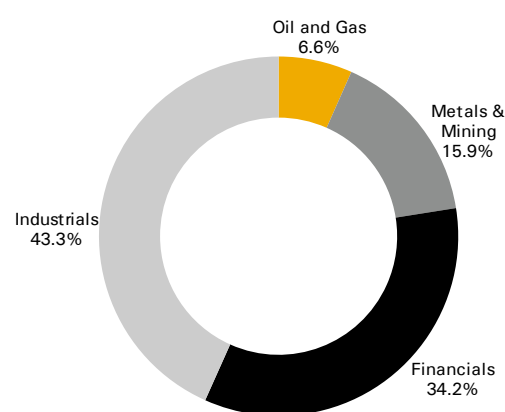
ASSET EXPOSURE (% OF FUND)



REGIONAL EXPOSURE (% OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



RECM GLOBAL FLEXIBLE FUND

Quarterly Report - Period ended 30 June 2017

RECM

PORTFOLIO OVERVIEW

Portfolio Managers	Piet Viljoen & Paul Whitburn	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**	20% of the outperformance of the hurdle over 5 year rolling periods
Total Fund Size	R1.20 billion	Benchmark (Bmk)*	SA CPI + 6% p.a.
Min. Investment	R150,000 initial investment	Performance Hurdle	SA CPI + 8% p.a.
Total Expense Ratio	0.0% for the 3 year period ending 31 March 2017		

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. 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, 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 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.

Tel: +27 21 657 3440

Fax: +27 21 674 1088

Email: info@recm.co.za

Website: www.recm.co.za

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. These portfolios may be closed. 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.