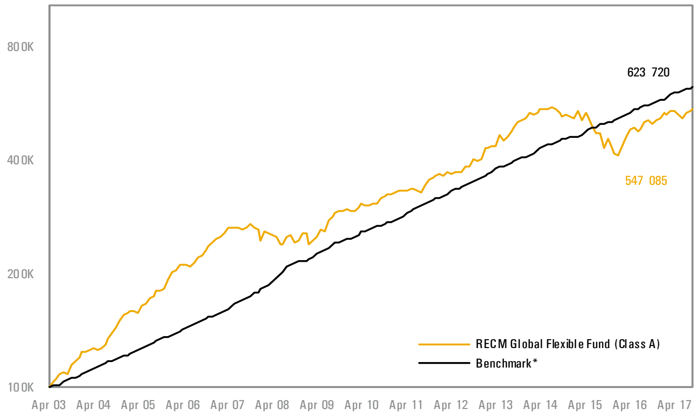
QUARTERLY REPORT

RECM GLOBAL FLEXIBLE FUND · SEPTEMBER 2017

PERFORMANCE TABLE

Net Returns	RECM Global Flexible A	*Benchmark CPIX then CPI +6%
3 Months	5.4%	2.1%
1 Year	7.6%	11.0%
3 Years	0.6%	11.4%
5 Years	7.3%	12.4%
10 Years	7.5%	13.7%
Since inception (7 April 2003)	12.5%	13.5%

PERFORMANCE NET OF FEES AND EXPENSES



PERFORMANCE REVIEW

The Fund outperformed its benchmark for the quarter.

Positions which benefited returns in the last quarter:

- Mobile telecommunications firm MTN
- Mining companies BHP Billiton and Anglo American
- Energy producers Inpex and BP

Positions which detracted from returns in the last quarter:

- Platinum producer Implats
- Luxury accessories retailer Coach
- SA industrials such as Aveng and Inpex

PERFORMANCE SUMMARY

The Fund returned 5.4% during the quarter outperforming its benchmark of CPI + 6%, which delivered 2.1%. Global equities, as measured by the MSCI All Countries World Index (ACWI), returned 5.2% in USD and 9.2% in ZAR.

South African equities, as measured by the FTSE/JSE All Share Index, returned 12.6% for the year-to-date. Naspers, which is 18% of the index, was up 45% during this time, making up almost two thirds of this return. Richemont, which is 6% of the ALSI, is also up 36% this year. Together, these two stocks make up almost 80% of the ALSI return year-to-date. 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 Aveng, Raubex and Invicta, saw their share prices under pressure.

Mobile telecoms company MTN saw its share price rise almost 10% on news that it would swing back to profit in the first half of its financial year after a substantial fine to Nigerian regulators caused headline losses in the prior period.

Supply disruptions in the Gulf of Mexico and a faster-than-expected fall in US crude inventories caused energy prices to rise, boosting energy stocks such as Inpex and BP. Industrial metals also rose with economic momentum in China remaining firm. This boosted most resource stocks in the Fund.

Platinum producer Implats remained under pressure however, after reporting a full-year loss of R8bn. CEO Muller further reduced targets on output, extended timing on the ramp-up of the Rustenburg lease area, and indicated that further restructuring and job cuts are to come.

After a strong second quarter, luxury accessories retailer Coach saw its share price retrace somewhat, after a lukewarm reception to the announcement that the company would be renaming itself Tapestry Inc. in an effort to unify its three brands (Coach, Stuart Weitzman and Kate Spade) under one umbrella.

MARKET COMMENTARY

Global equities advanced on the back of a brighter outlook for the global economy and better-than-expected corporate earnings. US stock indices reached record highs, with the S&P500 returning 4.5% supported by generally positive macroeconomic data and a robust quarterly reporting season.

Economically sensitive sectors such as information technology, energy and materials stocks generally outpaced more defensive sectors such as consumer staples and healthcare, with financial stocks rising on expectations of higher rates.

Eurozone equities also performed very well, with the MSCI EMU Index returning 4.3% against a backdrop of improving economic activity, and diminishing political uncertainty.

UK equities as measured by the FTSE All-Share Index rose by a more muted 2.1%, with the appreciation in the sterling negatively weighing on the internationally diversified defensive UK stocks.

Emerging market equities outperformed yet again driven by steady global growth, US dollar weakness, continued momentum in the Chinese economy and a pickup in commodity prices. For the year, the MSCI Emerging Markets Index is up 28% in US dollars.

Bond yields in the US and Europe, despite some movement intra-quarter, were broadly flat over the three months, with UK yields slightly up on the back of more hawkish comments from the Bank of England and the SA yield curve steepening through lower short rates and higher long-dated yields.

MANAGEMENT ACTIONS

New stocks introduced during the quarter included Williams-Sonoma, Carpetright Plc and Next Plc, as well as SA bank Firstrand.

A depressed US retail environment has afforded us the opportunity to buy Williams-Sonoma, a specialty homeware retailer in the US, at a PE of around 13. This is a bargain for a company that has generated returns on equity (ROE) in excess of 18%, with a 3.4% dividend yield and a long growth runway left.

Carpetright Plc is the largest flooring retailer in the UK with 25-30% market share. Historically, the business was able to generate great returns through cheap sourcing, economies of scale, low store capital expenditure and cheap long-term leases. We expect a re-rating of the stock over time, based on a refocused customer offer, an improvement in consumer spending power, and a recovery in sterling.

Next Plc is the UK's largest clothing retailer on the high street, as well as online, having grown organically with bargaining power supported by good merchandising and capital allocation. Next has faced pressure due to zero real wage growth weighing heavily on clothing sales. Margins should improve from current levels as the cycle turns, with online growth remaining in the double digits.

The SA banking sector is currently struggling, with credit demand remaining muted. At the current price to book ratio, and given its excess returns over cost of equity, the market is expecting around 10-12% growth from Firstrand, which appears reasonable from this low point in the cycle. As such, Firstrand is our preferred exposure amongst the local banking stocks.

During the quarter, we reduced our positions in Antofagasta, BHP Billiton and Anglo American after strong rallies. We also trimmed exposure to Russian stocks X5 Retail and Mail.Ru, as well as to industrial business Alfa Laval.

TOP TEN HOLDINGS (%)

September 2017		June 2017	
Hosken Cons Investments Ltd	5.2	Hoskens Cons Investments Ltd	5.3
RECM and Calibre Ltd	4.9	RECM & Calibre Ltd	5.0
Standard Bank Group Ltd	3.8	MTN Group Ltd	3.7
Firstrand Bank Ltd	3.8	Impala Platinum Holdings Ltd	3.4
MTN Group Ltd	3.6	Standard Bank Group Ltd	3.1
Tesco PLC	3.1	Tesco PLC	2.7
Inpex Corp	2.3	Anglo Platinum Ltd	2.6
Sonae	2.0	Allied Electronics Corp Ltd	2.5
Remgro Ltd	1.9	Inpex Corp	2.1
Allied Electronics Corp Ltd	1.8	Sonae	1.8
Total	32.4	Total	32.2

ASSET ALLOCATION (%)

September 2017		June 2017	
SA Equity	42.0	SA Equity	46.1
Global Equity	30.1	Global Equity	26.1
SA Cash	6.0	SA Cash	11.9
Global Cash	17.7	Global Cash	9.1
SA Bonds	4.2	SA Bonds	6.8
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The Fund's allocation to South African equity decreased slightly, as we continued to sell down many of the resource counters in the portfolio after their rally. This saw the allocation to SA equity reducing from 46% to 42%. Global equity increased however, with the new investments mentioned earlier boosting the allocation from 27% to 30%. The Fund increased its position in offshore cash to 18%, with meaningful allocations to euro, yen and sterling which all remain undervalued on a purchasing power parity basis. Therefore, the total global allocation increased from 36% to 48% at quarter-end and as such, the Fund is now almost evenly split between local and global assets.

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.

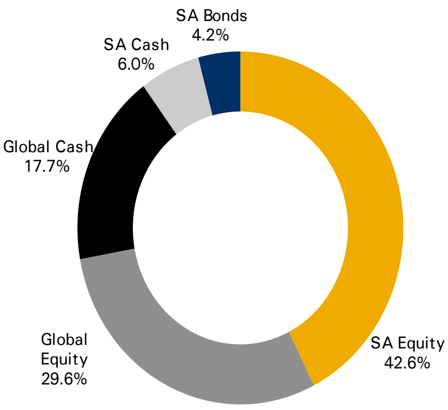
Fortunately, over the past two years, global and local markets have offered up a number of interesting and diverse opportunities to own good businesses trading at attractive prices, often because they have simply been overlooked in favour of the bigger, headline-grabbing stocks of the moment.

As this opportunity set has opened up, the Fund has been able to introduce over 20 new and varied investment ideas locally and globally since the beginning of 2015, whilst at the same time reducing exposure to the resources sector, which has rebounded by more than 70% since the beginning of 2016. The end result is a portfolio of assets which is more diversified than before, in higher quality companies than before. The Fund now holds only 16% of equity in resource stocks, with 36% in financial stocks and 48% in a wide array of diverse, quality industrial businesses around the world.

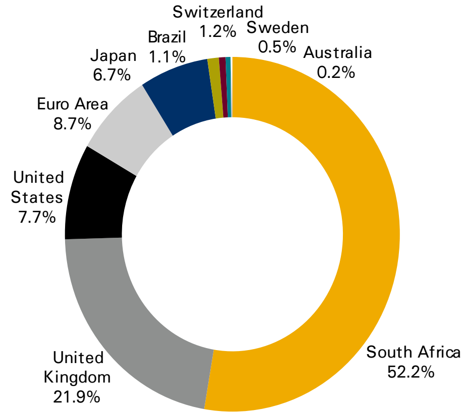
The Fund remains cautious about increasing exposure to traditional interest-bearing investments such as bonds and property. We believe current yields still do not adequately compensate investors for their commensurate risk.

The RECM Global Flexible Fund is a robust, diversified portfolio of high quality but undervalued stocks, with the advantage of a meaningful cash component to put to use as opportunities arise. 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 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.

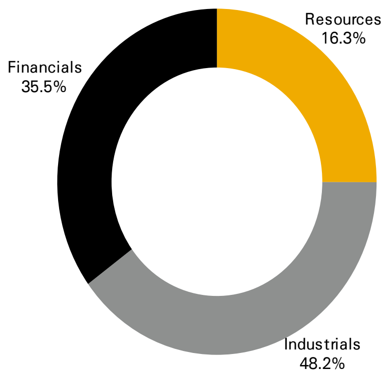
ASSET EXPOSURE (%OF FUND)



REGIONAL EXPOSURE (% OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



RECM GLOBAL FLEXIBLE FUND

Quarterly Report - Period ended 30 September 2017

RECM

PORTFOLIO OVERVIEW

Portfolio Managers	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**	20% of the outperformance of the hurdle over 5 year rolling periods
Total Fund Size	R1.24 billion		
Min. Investment	R150,000 initial investment	Benchmark (Bmk)*	SA CPI + 6% p.a.
Total Expense Ratio	0.0% for the 3 year period ending 31 June 2017	Performance Hurdle	SA CPI + 8% p.a.

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.

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