QUARTERLY REPORT

RECM GLOBAL FUND - DECEMBER 2019

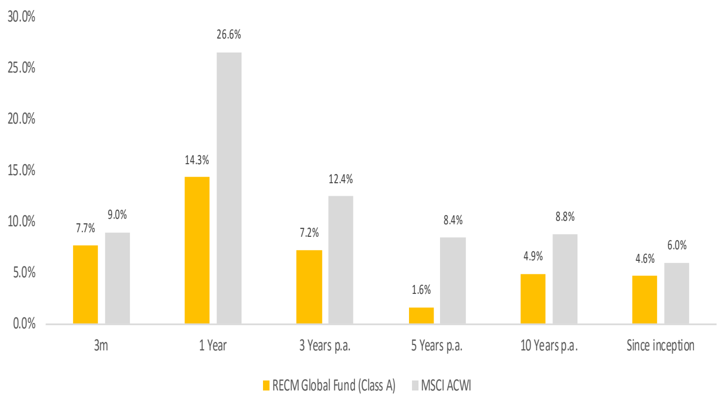
PERFORMANCE TABLE

	Fund	MSCI ACWI*
3 Months	7.7%	9.0%
1 Year	14.3%	26.6%
3 Years	7.2%	12.4%
5 Years	1.6%	8.4%
10 Years	4.9%	8.8%
Since Inception	4.6%	6.0%

*The MSCI All Countries World Index (ACWI) is an index designed to provide a broad measure of equity-market performance throughout the world and thus serves as a relevant global equity index for the Fund to be compared against.

PERFORMANCE NET OF FEES AND EXPENSES

ILLUSTRATIVE RETURNS OF FUND VS MSCI ACWI



PERFORMANCE REVIEW

Positions which benefited returns in the last quarter:

- Platinum producer Impala Platinum
- Russian domestic bank Sberbank
- UK Retailer Tesco Plc

Positions which detracted from returns in the last quarter:

- Car manufacturer Renault SA
- Technology company IBM
- Latin American telecoms firm Liberty Global Plc

PERFORMANCE SUMMARY

The Fund returned 7.7% for the fourth quarter and was up 14.3% for the year. The global equity market, as measured by the MSCI All Countries World Index (MSCI ACWI), rallied by 9% during the quarter, and was up 26.6% for the year.

The top 3 contributors to returns for the quarter also happened to be the top 3 contributors for 2019: Impala Platinum, Sberbank and Tesco Plc. Impala Platinum continued its rally and was up another 60% during the quarter, fuelled by the dramatic increase in the rand Platinum Group Metals basket over the past 2 years due to surging palladium and rhodium prices. The stock has in fact tripled during the course of the year.

Russian markets also rose during the quarter as the threat of US sanctions waned and investors turned their attention to signs of an improving local economy. This, along with the promise of generous dividend payouts saw shares in state-backed lender Sberbank advance by over 30% during the quarter.

UK retailer Tesco Plc was up during the quarter and year, with UK equities and the British poung staging a dramatic rise after the Conservative Party's election victory increased the likelihood of UK leaders approving a Brexit agreement and starting the process of leaving the EU.

Stocks that detracted from returns included French car manufacturer Renault. Weak demand for cars in Europe, the rising costs of satisfying emissions regulations and scandals related to its former CEO have plagued Renault over the past two years.

IBM's share price also continued to languish – especially in comparison to the go-go "growth" tech stocks - as it continues to transition from a hardware company to one more focused on software and services. Trading at pessimistic levels on a PE of 10, with a dividend yield of 4.7%, growth doesn't need to be spectacular for the stock to be a winner over the next few years.

Liberty Global Plc was also down, along with telecommunications companies such as Vodafone, Deutsche Telekom and Telefonica, amid fierce competition to attract wireless customers and concerns regarding Europe's economic growth prospects.

MARKET COMMENTARY

Global stocks rallied strongly during the quarter, with US equities reaching all-time highs after trade uncertainty was reduced with the US and China "phase one" trade deal announcement. The S&P500 Index rose 9% during the quarter, bringing the return to an astounding 31% year-to-date – its largest annual increase since 2013. A quarter of the market's gain was driven by the top 5 stocks: Apple, Microsoft, Amazon, Facebook and Alphabet (Google). The gain in Apple's market cap last year was a record-breaking $556bn. This gain alone is larger than the total market cap of every other stock in the S&P500 outside of the top 5 stocks. This rally was largely driven by a "risk-on" powerful rotation into growth-oriented stocks.

European stocks also rose, boosted not only by optimism surrounding the US and China trade deal, but also supported by improved economic data. The MSCI EMU Index was up 5.1% in local currency.

UK equities rose and the British pound strengthened as uncertainty surrounding Brexit was reduced with a negotiated withdrawal from the EU looking more likely.

Easing trade tensions also saw emerging markets post strong gains, with the MSCI Emerging Markets Index returning 11.6% in US dollars for the quarter, and 18.4% for the year. A pick-up in oil prices was supportive of emerging markets such as Russia and Colombia. A number of emerging markets sensitive to US dollar strength outperformed, including South Africa.

Global bond markets saw yields rising (i.e. bond prices falling) as improved sentiment amidst reduced geopolitical tension was reflected in a rise in investor appetites for riskier assets.

MANAGEMENT ACTIONS

The Fund introduced a new position in US grocer Kroger, and increased its exposure to Michelin, Brookfield Asset Management and Prudential Plc.

Kroger is the US's largest grocery chain and the US's second-largest general retailer after Walmart. Of the traditional grocers, Kroger is uniquely position to defend its returns against the "Amazon Effect" through a combination of scale, vast customer data through a strong loyalty program, private-label strength and the advantage of its store locations. The firm is positioned well to capitalise on the digitalisation of grocery – with customers ultimately likely to move towards an omni-channel approach to shopping – namely a combination of delivery to home, click-and-collect and in-store sales.

The click-and-collect model may well see increased prevalence in the US, where the convenience of online shopping remains, without the inconvenience of having to schedule time around the arrival of a delivery at home. However, a recent investment into European online grocery leader Ocado also strengthens its online delivery to home proposition.

The Fund actively reduced its exposure to Aspen Pharmacare after the stock saw its share price advance by more than 50% during the quarter, as well as to Japanese firm Sawai Pharmaceutical, the world's leading independent tank storage company Vopak, UK retailer Tesco and Russian bank Sberbank – all of which also saw their share prices rise significantly.

TOP TEN HOLDINGS (%)

December 2019		September 2019	
Tesco PLC	4.3	Tesco PLC	4.2
Itau Unibanco	4.1	Sberbank Of Russia	4.1
Sberbank of Russia	4.1	Itau Unibanco	3.7
Brookfield Asset Management	4.0	Brookfield Asset Management	3.0
Prudential PLC	3.3	Richemont	2.7
Kroger Co	3.2	Tocqueville Bullion Reserve	2.3
Richemont	3.1	Berkshire Hathaway	2.1
Tocqueville Bullion Reserve	2.2	Vopak	2.1
Berkshire Hathaway	2.2	Tapestry Inc	2.1
Tapestry Inc	2.1	INTL Business Machines Corp	2.1
Total	32.6	Total	28.4

ASSET EXPOSURE (%)

December 2019		September 2019	
Equity	79.0	Equity	64.4
Cash	21.0	Cash	35.6
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The year ended with roughly 79% of the Fund invested in equities, and 21% in cash. This cash portion includes an active allocation to both British pounds and Japanese yen – both of which remain attractive relative to the US dollar - which remains vulnerable - as implied by surging gold prices.

The cash allocation of the Fund is entirely a by-product of how many bottom-up investment ideas we find. The fact that we are not fully invested in equities reflects the fact that we are not finding sufficient quality companies trading at low enough 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. What this widening spread means is that the market continues to buy high (expensive stocks) and sell low (cheap stocks). However, long-term investment success lies in the opposite trade - buying low and selling high – and in the current context that means buying value and selling growth.

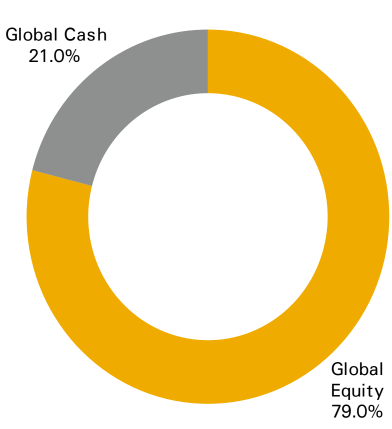
This also explains why we have no exposure to the go-go "growth" technology stocks, which now completely dominate the market in terms of their size. The top five stocks in the S&P500 Index – Apple, Microsoft, Amazon, Facebook and Alphabet (Google) – now make up 16% of the Index. This level of concentration has worrying echoes of the dotcom bubble in 2000 – when the top 5 made up 19% of the Index.

The Fund has very selective exposure to the US market in general, with the overall allocation to the US being around 35% in contrast to the MSCI All Countries World Index's 56% exposure. Valuations in the US, by almost any measure, are back at extreme highs outside of very specific value-oriented pockets of opportunity. Instead, we are finding better value in areas that are less popular, such as the UK, Europe and various emerging markets.

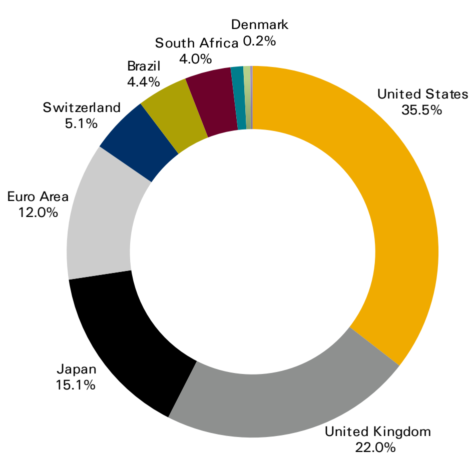
The RECM Global Fund has broadly kept pace with a very buoyant global equity market over the past four years, delivering 45% in US dollars over this period in comparison to the MSCI ACWI's 53% return. The Fund has done so with a value-based portfolio positioned very differently to the Index. If value investors are correct about the current distortions in the global market, being positioned similarly to the market at this point in time carries with it significant risk of permanent capital loss. In contrast, a diversified portfolio of undervalued assets should hold its ground well in falling markets. The Fund now holds only 16% of equity in resource stocks (which includes a 5% gold basket), with 28% in financial stocks and 56% in a wide array of diverse, quality industrial businesses around the world. The Fund continues to avoid exposure to bonds, and has negligible exposure to other traditional interest-bearing investments such as property. We believe these assets still do not adequately compensate investors for their commensurate risk.

The Global 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 they are fundamentally worth. The Global Fund offers investors the opportunity to capitalise on this enduring investment truth.

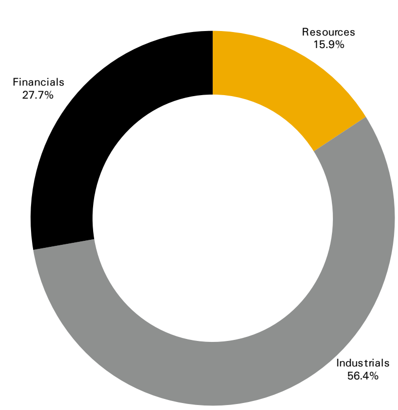
ASSET EXPOSURE (%OF FUND)



REGIONAL EXPOSURE (% OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



PORTFOLIO OVERVIEW

Portfolio Manager	Piet Viljoen	Initial Fee	No initial fee
ASISA Sector	Global Multi Asset Flexible	Annual Fee*	1.0%
Domicile	Guernsey	Intermediary Fee*	0.0 %
Fund Currency	US dollars	Performance Fee*	None
Fund Launch Date	31 January 2006	Benchmark (Bmk)*	US CPI + 6% p.a.
Inception Date (Class A)	31 March 2006	Performance Hurdle	Not Applicable
Total Fund Size	US 92.3$ million	Total Expense Ratio	1.2% for the 3 year period ending 30 September 2019
Min. Investment	US $50,000 initial investment		

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.

***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