QUARTERLY REPORT

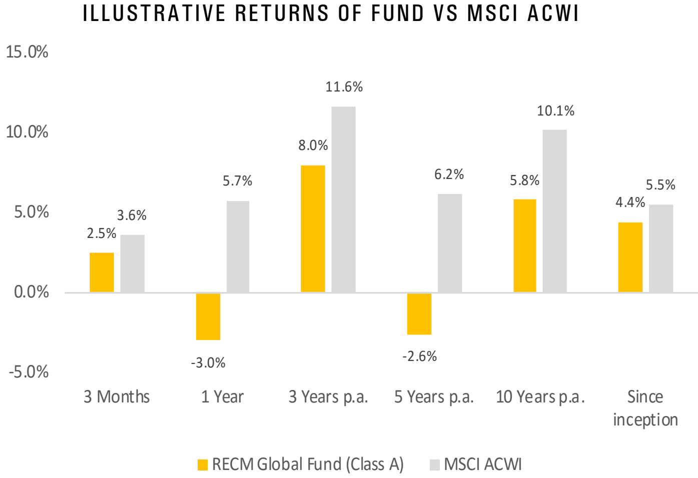
RECM GLOBAL FUND - JUNE 2019

PERFORMANCE TABLE

	Fund	MSCI ACWI*
3 Months	2.5%	3.6%
1 Year	-3.0%	5.7%
3 Years	8.0%	11.6%
5 Years	-2.6%	6.2%
10 Years	5.8%	10.1%
Since Inception	4.4%	5.5%

*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



PERFORMANCE REVIEW

Positions which benefited returns in the last quarter:

- Russian stocks Gazprom, X5 Retail and Sberbank
- Gold producer Anglogold Ashanti Ltd
- Brazilian private bank Itau Unibanco

Positions which detracted from returns in the last quarter:

- UK retailer Tesco
- Tobacco producer Imperial Brands
- Japanese energy producer Inpex

PERFORMANCE SUMMARY

The Fund returned 2.5% for the second quarter of 2019. The global equity market, as measured by the MSCI All Countries World Index (MSCI ACWI), was up 3.6% during the quarter.

State-owned Russian bank Sberbank saw its stock up 25%. Similarly, state-controlled oil company Gazprom and Russian retailer X5 Retail also saw strong rallies as the Russian central bank cut interest rates by 25 basis points and signalled potential for further easing this year.

Gold was up by over 9% during the quarter on the prospect of lower US interest rates, fuelling the rise of gold producer Anglogold Ashanti's share price, along with other fund holdings including Barrick Gold and Newmont Goldcorp.

Brazilian private sector bank Itau Unibanco saw its share price driven higher by hopes that President Bolsonaro will bring about the pension reform needed to shore up Brazil's fiscal finances and support economic growth.

After a strong first quarter, UK groceries retailer Tesco saw its share price retracing somewhat in the second quarter, hindered too by a weaker pound.

Most tobacco stocks, including Imperial Brands Plc, were down during the quarter with industry data showing a slump in cigarette volumes and alternative products such as vaping devices facing a tough regulatory and legal environment.

Japanese energy producer Inpex saw its share price fall along with most other energy stocks with oil prices declining 4.5% despite a rise in geopolitical tensions in the Persian Gulf.

MARKET COMMENTARY

Global equities rallied again during the second quarter, with US equities at all-time highs as the US Fed began signalling potential rate cuts going forwards. Despite the fact that this about-turn in central bank policy in fact implies concern regarding US economic growth going forwards, the most economically sensitive sectors rallied the most in response to this.

The S&P500 Index was up 4.3% and delivered its best calendar first half since 2007 with a return of 19% year-to-date. Trade tensions with China rattled markets in May, but eased later in the quarter as world leaders met in Japan at the G-20 summit.

European stocks also rose, despite continuing political turmoil across Europe, with the ECB indicating it may also cut rates in the months ahead. The MSCI EMU Index was up 4% in local currency. UK equities fared reasonably well despite ongoing Brexit-related uncertainty, with the FTSE All-Share Index up 3.3% in local currency, but flat in US dollars as a result of the pound weakening slightly.

Emerging markets were up only 0.4% with US-China trade talks, concerns over China's slowing economy and election uncertainty in several countries causing volatility.

It was a positive quarter for most government bonds with yields falling in the US, Europe and the UK as central banks indicated that easy monetary policy is far from over. Emerging market bonds also had a positive quarter with local currency EM debt benefiting from a weakening in the US dollar.

MANAGEMENT ACTIONS

The Fund introduced new positions in Brookfield Asset Management, the Tocqueville Bullion Reserve Fund, IBM, Michelin, Dixons Carphone, Royal Vopak, Royal Boskalis Westminster and LlyondellBasell Industries.

Brookfield Asset Management invests in alternative assets such as renewable energy and infrastructure assets. These assets typically have very stable cash flows far into the future and thus give the Fund exposure to a value opportunity that benefits if rates remain low or decline further.

The Tocqueville Bullion Reserve Fund holds physical gold stored in vaults all around the world. Gold offers a cheap insurance option with an outsized payoff in the event of market calamities. This, added to the gold shares we hold, makes up the "gold basket" which makes up around 5% of the Fund.

IBM has disappointed over recent years after having being highly rated by the market prior to this. Their recent $34 billion acquisition of Red Hat generates good free cash flow and will help them catch up to companies like Amazon, Microsoft and Google in the cloud market after having lagged for a decade.

Dixons Carphone has been under pressure with their mobile business making losses, and various integration issues after their merger in 2014. UK retail has also been out of favour due to Brexit uncertainty and poor fundamentals. The confluence of these negative factors resulted in an opportunity for us to invest at a single digit price to earnings ratio.

Royal Vopak and Royal Boskalis Westminster share a long-term oriented majority shareholder. Royal Vopak owns and operates bulk liquid tank terminals which store oil, gas, edible oils and chemical products. Royal Boskalis Westminster is a dredging and heavylift company that provides services relating maritime earthmoving and construction. Both businesses offer value, and provide different exposure to the Fund's existing holdings.

Llyondellbasell is a chemicals company that is one of the world's largest polypropylene and polyethylene producers. They are the lowest-cost producers for most of the products they make, and have managed to remain profitable despite the chemicals cycle being at a low. This investment offers significant potential upside as and when the cycle turns.

TOP TEN HOLDINGS (%)

June 2019		March 2019	
Itau Unibanco	4.2	Tesco PLC	5.2
Tesco PLC	4.2	Richemont	3.2
Richemont	3.1	Swatch Group	2.9
Swatch Group	3.0	Sberbank of Russia	2.3
Brookfield Asset Management	3.0	Berkshire Hathaway	2.2
Berkshire Hathaway	2.4	Itau Unibanco	1.9
Tapestry Inc	2.0	Royal Bank of Scotland	1.2
Sberbank of Russia	2.0	Old Mutual PLC	1.1
Tocqueville Bullion Reserve	2.0	Reinet Investments	1.1
Aspen Pharmacare	1.5	Prudential PLC	1.1
Total	27.4	Total	22.2

ASSET EXPOSURE (%)

June 2019		March 2019	
Equity	61.9	Equity	45.8
Cash	38.1	Cash	54.2
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The quarter ended with roughly 62% of the Fund invested in equities, and 38% in cash. The cash portion includes an active allocation to both British pounds and Japanese yen – both of which are trading at discounts of close to 30% relative to fair value on a purchasing power parity basis versus the US dollar.

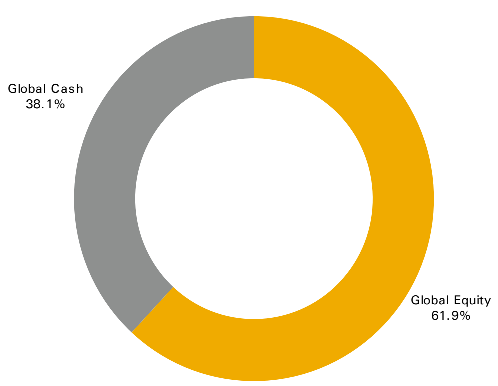
Bearing in mind that the cash allocation is entirely a by-product of how many bottom-up investment ideas we find, this large cash position reflects a dearth of quality companies trading at sufficiently low prices to constitute value by our measures. The last time the Fund had such a large cash position was prior to the Financial Crisis in 2007. 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). But 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 technology stocks, and very limited exposure to US market in total – where valuations, by almost any measure, are back at nose-bleed highs. Instead, we are finding better value opportunities in areas that are less popular, such as the UK and various emerging markets.

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 in the global 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 robust and diversified portfolio of undervalued assets.

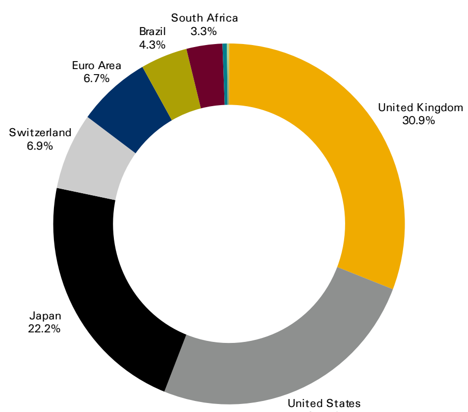
The RECM Global Fund has kept up with a very buoyant global equity market over the past few years, but has done so with a value-based portfolio positioned very differently from the MSCI All Countries World Index. If value investors are correct about the current distortions and overvaluations in the global market, being positioned similarly to the market at this point in time carries with it significant risk of permanent capital loss. The Fund now holds 11% of equity in resource stocks, with 33% in financial stocks and 57% 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.

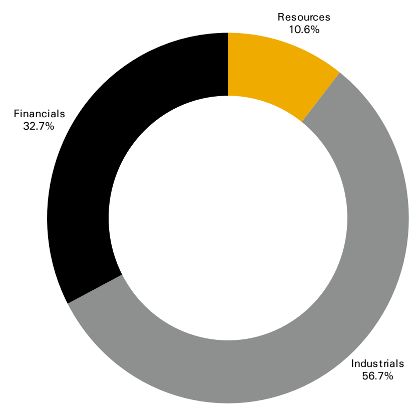
ASSET EXPOSURE (%OF FUND)



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 $96.2 million	Total Expense Ratio	1.2% for the 3 year period ending 31 March 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.

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