QUARTERLY REPORT

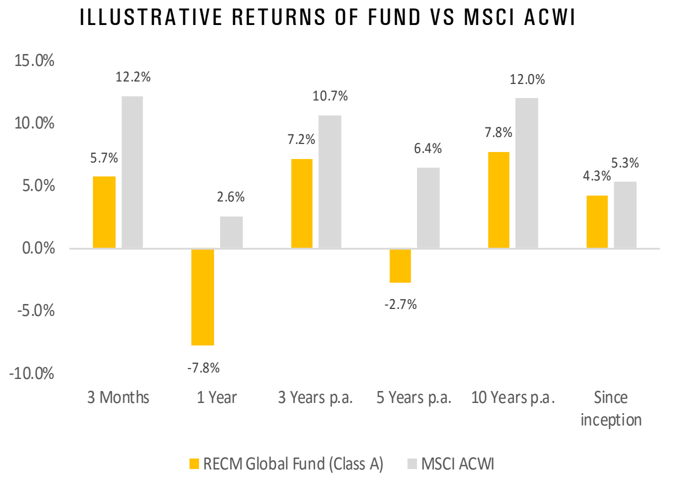
RECM GLOBAL FUND - 31 MARCH 2019

PERFORMANCE TABLE

	Fund	MSCI ACWI*	US CPI+6%
3 Months	5.7%	12.2%	1.4%
1 Year	-7.8%	2.6%	7.6%
3 Years	7.2%	10.7%	8.2%
5 Years	-2.7%	6.4%	7.5%
10 Years	7.8%	12.0%	13.2%
Since Inception	4.3%	5.3%	6.4%

*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:

- UK grocery retailer Tesco Plc
- Russian bank Sberbank
- Platinum producer Implats

Positions which detracted from returns in the last quarter:

- Brazilian private bank Itau Unibanco
- Telecoms company BT Group Plc
- Investment holding company Berkshire Hathaway

PERFORMANCE SUMMARY

The Fund returned 5.7% for the first quarter of 2019. The global equity market, as measured by the MSCI All Countries World Index (MSCI ACWI), was up 12.2% during the quarter.

Despite ongoing Brexit uncertainty, the UK equity market rallied along with most other global markets, with UK grocery retailer Tesco's share price surging more than 20% in the first quarter, boosted by a slightly stronger pound.

Russian domestic bank Sberbank and Gazprom both saw their share prices driven higher by surging oil prices and an appreciation in the Russian ruble which boosted investor sentiment towards Russia.

Platinum producer Impala Platinum's share price was up over 60% during the quarter, with the company's interim results finally showing a return back to profits thanks to a weaker rand, higher platinum group metals prices and increased output.

Brazil lagged its emerging market peers as slow progress on social security reform and disappointing economic data held back local equities - including that of Brazilian private bank Itau Unibanco.

In the US, stocks in the financial sector were hindered by increasingly dovish comments from the Fed suggesting no further interest rate hikes for the rest of the year. Berkshire Hathaway, which has sizeable investments in insurance companies, saw its share price down as a result.

MARKET COMMENTARY

Global equities rallied strongly during the first quarter of the year, as trade tensions between the US and China eased and the US Fed indicated that they would not be raising rates again for the remainder of the year.

US equities outperformed most other markets with the S&P500 Index returning 13.6%, making the first quarter of 2019 the highest first quarter return since 1998. Cyclical sectors outpaced more defensive sectors, with the technology sector delivering the best sector returns overall.

Eurozone equities rose in tandem with the US market despite signs of slowing economic growth, with the MSCI EMU Index up 12% in local currency. UK equities fared surprisingly well despite ongoing Brexit-related uncertainty, with the FTSE All-Share Index up 9.4% in local currency and 12% in US dollar due to the pound strengthening slightly after a weak fourth quarter of 2018.

Most emerging markets also enjoyed strong gains during the first quarter, fuelled mainly by optimism regarding a trade agreement between the US and China. The MSCI Emerging Markets Index rose 10% in US dollars after sharp declines in 2018.

US government bond yields ended the quarter at 2.41%, 28 basis points lower than they started, on the back of the Fed keeping rates at 2.5% and signalling no further hikes for the year. European government bond yields followed suit, with the 10 year yield on German government bonds falling 32 basis points to end the quarter at a negative yield of 0.7%.

MANAGEMENT ACTIONS

During the quarter, the Fund introduced new positions in Tobacco producers Philip Morris and Imperial Brands plc, as well as to French car manufacturer Renault. The Fund also added to its basket of net-net stocks as well as to its basket of spin-offs. (Please see the last quarterly commentary for an explanation of these two investment ideas).

Once considered stable investments, tobacco producers have more recently seen their share prices come under intense pressure as the industry struggles with the global shift away from smoking due to health concerns, with no meaningful shift to alternative products such as e-cigarettes. However, both Philip Morris and Imperial Brands are still highly profitable and cash flow generative with very compelling dividend yields. At current levels, the market has low expectations with regards to how these companies will ramp up their New Generation Products (NGPs) to adapt to a changing market place. We believe today's excessively low prices stack the odds in favour of a surprise on the upside in this regard, while protecting against further downside should the market's pessimistic expectations be realised.

The current narrative surrounding the automotive industry is that disruption from technological advancements will lead to significantly reduced levels of demand and a lower growth profile for car makers. These expectations have translated into very low market valuations for French car maker Renault which is trading at only three times its last reported earnings. Renault produces approximately 3.7 million cars annually and combines these manufacturing operations with profitable sales financing operations. Additionally, Renault owns 43% of Japanese car maker Nissan Motors - a larger and more profitable car maker than Renault. Our valuation assumptions for Nissan do not have to be too optimistic before we arrive at the scenario where the value of Renault's investment in Nissan is greater than Renault's entire market capitalisation. This implies that an investor, buying in at current prices, is paying for Renault's stake in Nissan Motors and effectively getting Renault's car manufacturing and sales financing operations for free.

TOP TEN HOLDINGS (%)

March 2019		December 2018	
Tesco PLC	5.2	Tesco PLC	6.2
Richemont	3.2	Berkshire Hathaway	4.6
Swatch Group	2.9	Williams-Sonoma	3.8
Sberbank of Russia	2.3	Reinet Investments SCA	3.1
Berkshire Hathaway	2.2	Inpex Corp	2.8
Itau Unibanco	1.9	Liberty Latin America Ltd	2.8
Old Mutual PLC	1.7	Gazprom-adr	2.5
Royal Bank of Scotland	1.2	X5 Retail Group Gdr	2.3
Reinet Investments SCA	1.1	BP PLC	2.3
Prudential PLC	1.1	Admiral Group	2.2
Total	22.8	Total	32.6

ASSET EXPOSURE (%)

March 2019		December 2018	
Equity	45.8	Equity	65.5
Cash	54.2	Cash	34.5
Total	100.0	Total	100.0

PORTFOLIO POSITIONING

The quarter ended with roughly half the Fund invested in equities, and half in cash. The cash portion includes an active allocation to both British pounds and Japanese yen – both of which are trading at compelling discounts 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 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.

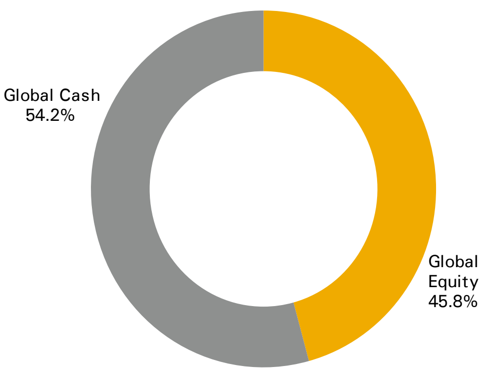
Being bottom-up value investors first and foremost, we make our allocations on a case-by-case basis depending on where quality and value collide in the global opportunity set. From a portfolio construction perspective however, we ensure too that the resulting portfolio is as diversified as possible when 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 13% of equity in resource stocks, with 32% in financial stocks and 55% in a wide array of diverse, quality industrial businesses around the world.

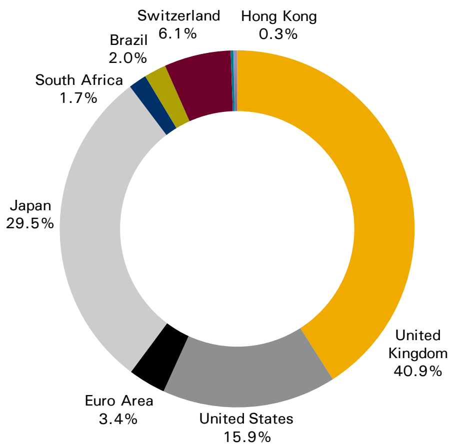
The Fund continues to avoid exposure to bonds, and has negligible exposure to other traditional interest-bearing investments such as property. We believe these assets still do not adequately compensate investors for their commensurate risk.

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.

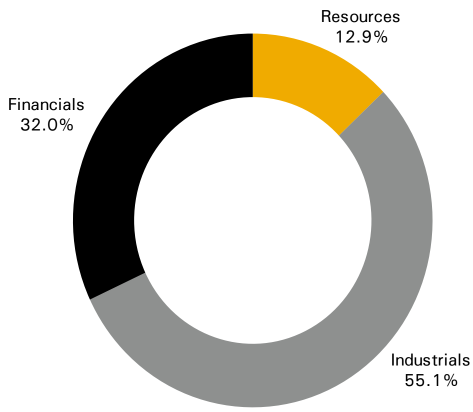
ASSET EXPOSURE (%OF FUND)



REGIONAL EXPOSURE (% OF FUND)



SECTOR EXPOSURE (% OF EQUITY)



RECM GLOBAL FUND

Quarterly Commentary - Period ended 31 March 2019

RECM

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 $96.4 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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