

# QUARTERLY REPORT

RECM MONEY MARKET FUND - JUNE 2017

## PORTFOLIO AND PERFORMANCE DETAIL

### PERFORMANCE NET OF FEES AND EXPENSES

	Annualised		Cumulative	
	Fund	STeFI	Fund	STeFI
3 Months	1.9%	1.7%	1.9%	1.7%
1 Year	7.8%	7.0%	7.8%	7.0%
3 Years	7.2%	6.2%	23.1%	19.8%
5 Years	6.6%	5.7%	37.5%	31.7%
Since inception	6.3%	5.6%	51.2%	44.3%

- Returns in ZAR, on a lump sum investment, net of fees with net distributions reinvested. Source: RECM, Bloomberg.
  - Annualised returns are the weighted average compound growth rate earned each year over the given time period.
  - Individual Investor's performances may differ due to fees, actual investment date, dates of reinvestments and dividend withholding taxes.
- <sup>1</sup> Highest/Lowest – reflects the Fund's highest and lowest 12 month performance reported during the given period.

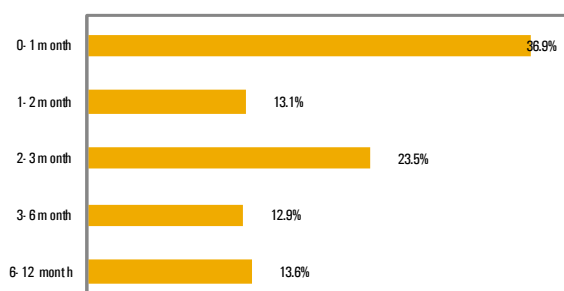
### CREDIT EXPOSURE (%)

	Jun 2017	Mar 2017
Banks	92.0	94.0
Corporates	6.0	5.0
Government & Parastatals	2.0	1.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### TOP COUNTERPARTIES (%)

	Jun 2017	Mar 2017
Investec	29.0	23.0
Nedbank	27.0	32.0
ABSA	10.0	14.0
HSBC	10.0	10.0
Standard Bank	6.0	5.0
Corporates	6.0	5.0
Firstrand	5.0	5.0
China Construction Bank	5.0	5.0
National Treasury	2.0	1.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### DURATION BREAKDOWN (%) - JUNE 2017



## PERFORMANCE SUMMARY

The RECM Money Market Fund returned 1.9% for the quarter, outperforming its benchmark, the Short Term Fixed Interest (STeFI) Daily Call Rate, which returned 1.7%. The Fund's total return for the year to 30 June 2017, net of fees, was 7.8%. Since inception in 2010, the Fund has comfortably outperformed the STeFI call rate with a return of 6.3% per annum versus the benchmark's annual return of 5.6% over the same period.

## PORTFOLIO STRATEGY & ACTIVITY

The goal of the RECM Money Market Fund is to preserve investors' capital, maximise interest income and provide the liquidity that institutional and corporate investors need.

The current volatile market environment has made it increasingly challenging for investors to earn satisfactory returns while minimising the risk of permanent capital loss. It is possible to improve money market yields by increasing the duration of a fund or by looking for higher rates in lower quality assets.

The RECM Money Market Fund however prioritises capital preservation and achieves competitive yields for our clients by charging low fees, not by stretching for yield in lower quality credit or increasing duration. The fees on the RECM Money Market Fund are the lowest in the industry, at 15 basis points (bps) annually, compared to an industry average of around 25bps. The benefit to our investors is a layer of additional yield, with no commensurate increase in risk.

Together with the economy moving into a technical recession, inflation has moderated over the past quarter from 6.3% at the end of March to 5.4% in May and further weakened to 5.1% in June. The reduction in petrol and diesel prices partly influenced the reduction in inflation. We saw inflation remain within the target band and a continued dovish tone at the MPC meetings. SARB decided to keep rates unchanged in May however.

Political intervention continued following a report from the Public Protector requesting a change to the constitutional mandate of SARB. This added to the weakening of the Rand that was trading at just over R12.60 in mid-June and ended the quarter at approximately R13 to the US dollar. The money market yield curve tightened over the quarter as 12-month yields reduced to a low of 8.125%. Furthermore, 3-month JIBAR rate remained at 7.3% levels and ended the quarter 7.35%.

Although yield movements were subdued at the end of the quarter, we consciously purchased NCDs at yields above 8%. Yields remained attractive at the longer end of the curve given the possibility of rate cuts priced into the curve. We continued to increase exposure to short dated fixed deposits for extra yield pickup, which has added to maintaining the fund's maturity profile at the upper end within regularity limits.

**PORTFOLIO OVERVIEW**

Portfolio Manager	Piet Viljoen	Min. Investment	R150,000 initial investment
ASISA Sector	South Africa Interest Bearing Money Market	Initial Fee	No initial fee
Fund Launch Date	15 February 2010	Annual Fee	0.15% (excl. VAT)
Inception Date (Class A)	1 October 2010	Intermediary Fee	0.0% (excl. VAT)
Total Fund Size	R789.7 million	Total Expense Ratio	0.2% for the 1 year period ending 31 March 2017
Fund Size (Class A)	R635.5 million	Income Distributions	Monthly distributions are paid
Benchmark (Bmk)	STeFI Call Rate	Value of Distributions	7.53 cents per participatory unit over the past 12 months

**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.

**Total Return**

Investors' total returns are made up of interest received and any gain or loss made on any particular instrument; and that in most cases the return will merely have the effect of increasing or decreasing the daily yield, but in cases of abnormal losses it can have the effect of reducing the capital value of the portfolio.

**Yield Calculation**

The Fund's yield quoted on an annual effective rate (NACA) basis. The NACA is the effective interest rate an investor can expect to earn over a 12 month period based on the nominal yield of the fund at a point in time. The nominal yield is simply the net interest accrual of all the instruments in the fund divided by the number of units in the fund (the fund NAV). The quoted NACA is always higher than the nominal yield because the calculation is based on an investor re-investing the monthly income distribution back into the fund at the nominal yield. (i.e. The NACA is the compounded annual 12-month rate).

**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 fixed income instrument or money market 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.

**Inflation Risk**

The Fund may invest in cash and other fixed income instruments 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 of 0.15%, excluding VAT is levied monthly on the market value of the RECM Money Market Fund (Class A).

**\*\*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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**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.