Quarterly Report

RECM
Global Fund

Quarter ending 31 March 2021

This Fund is suitable for investors seeking long-term capital growth from a diversified portfolio of global equities. It seeks to outperform world equity markets without greater risk of loss. The recommended investment horizon is seven years or more.

Performance Table

Annualised Performance	Fund	Benchmark
3 Months	10.3%	4.6%
1 Year	34.8%	54.6%
3 Years	0.4%	12.1%
5 Years	6.2%	13.2%
10 Years	3.6%	9.4%
Since Inception (Jan 2006)	4.4%	7.0%

Fund Details	
Benchmark	*MSCI All Countries World Index*
ASISA Category	*Global Multi Asset Flexible*
Portfolio Managers	*Piet Viljoen*

The Fund

The RECM Global Fund, soon to be renamed the Counterpoint Global Value Fund, is an unconstrained, diversified global equity fund, that aims to outperform the MSCI All Countries World Index (ACWI). To do so, it invests predominantly in equities around the world, with a value-based philosophy. It can invest in other classes - but only if equity-like returns are on offer. As a pure, unconstrained global value fund, it forms part of the Counterpoint Value franchise.

Market Review (all returns (US$)

For the quarter, the MSCI ACWI was up by 4.6%. This followed a very strong final 3 quarters of 2020, leaving the index up by 55% over the past 12 months. Most stock indices worldwide have now fully recovered any losses related to the Covid epidemic.

Developed markets outperformed, with the US market continuing to lead the way. As the recovery becomes even more broad-based, European markets are playing some catch up. The USA was up by 5.5% - slightly more than the index, while Sweden was the best-performing developed market, up by over 11%. New Zealand continues to be the worst-performing developed market, declining by 11% in the quarter. Emerging markets also lagged for the quarter, returning only 2.3%. Latin America was the biggest detractor, declining by 5.3% ; while EMEA (which includes South Africa) outperformed, returning 8.1%.

In terms of global sectors, the value sectors - Energy, Financials and Real Estate - continued to outperform during the quarter. Energy (mainly oil) was the star performer, up by 22% over the three-month period. The quality/growth sectors - Consumer Staples, Info Tech and Utilities - underperformed, with Consumer Staples actually posting a negative return.

In terms of valuation, the UK stands out amongst developed markets as being particularly cheap. In Emerging markets, Brazil, Russia, South Africa and Turkey are priced quite attractively.

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Top 10 Holdings (%)	
Berkshire Hathaway	3.1
Altria	2.4
Toyota	2.1
Fairfax Financial	2.1
Roche	2.0
Nintendo	1.9
British American Tobacco	1.9
Gazprom	1.7
PPC Ltd	1.7
Derwent London Plc	1.4
Total	**20.3**

Asset Allocation (%)	
Global Equity	91.4
Global Cash	8.6
Total	**100.0**

Performance Outcome

The RECM Global Fund outperformed during the quarter, returning 10% in US dollar vs 4.6% for its benchmark, the MSCI ACWI. Over 12 months the Fund is up by 34%. Longer term returns still lag somewhat, but the building blocks for continued outperformance are falling into place. Value is starting to regain its rightful place in the investment landscape.

Major contributors to returns included:
- Altria (Tobacco)
- Hess corp (Energy)
- Freeport-Mcmoran (Mining)
- Fairfax (Insurance/investment holding)
- Berkshire Hathaway (Insurance/Investment holding)

Major detractors from returns included:
- Barrick (Gold)
- Not owning Alphabet
- Wheaton (Gold)
- SPDR Gold
- Not owning JP Morgan (Banks)

Management Process

During the quarter, certain refinements to the investment process were introduced, which included the following:

1. The Fund is more diversified, by stock exposure, by sector exposure, by size exposure and by country exposure.
2. The Fund is managed according to the following disciplined, diversified, unconstrained value process:
   - The process aims to allocate to deeply undervalued situations, but in a risk-controlled way, which limits stock-specific risk.
   - Generally, as certain sectors, geographies and themes get cheap, most stocks in these groupings get cheap together. Instead of buying one stock per sector, theme or geography, the Fund will tend to own groups of stocks that are exposed to the cheap dynamic.
   - The biggest weighting in individual stocks will occur when it is simultaneously in an undervalued sector, in an undervalued geography and part of an undervalued theme.

   Examples of this include:
     - Undervalued geographies: Russia, South Africa, the UK
     - Undervalued sectors: Oil, Mining, Tobacco, Travel, Automobiles
     - Undervalued themes: Holding companies at big discounts, undervalued/unrecognized growth stocks, inflation hedges and stocks oriented towards a reopening of the global economy.
     - Once a position has been introduced, the Fund will only add to that position if momentum turns positive. Momentum is a strong and durable factor which can be used as a risk management tool to hedge against both positive and negative shocks.
3. The Fund is intended to be more or less fully invested in equities at all times. As an equity fund, it is designed to give exposure to equity returns throughout the cycle.
4. The holdings are more diversified than before, with the top 20 stocks making up a third of the total Fund. This is to limit stock-specific risk, while retaining exposure to value opportunities.

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5. In terms of sectors, the Fund is most overweight the Energy and Materials sector - including stocks like Wheaton Precious metals, Gazprom, Schlumberger and Cameco. It is also heavily weighted in the tobacco sector, with holdings such as British American Tobacco and Altria. The third biggest overweight is in the Real Estate sector, where the Fund replaced Simon Property Group with a diverse holding of real estate businesses such as Derwent (a UK homebuilder), CK Asset Holdings (A Hong Kong based property developer) and CapitaLand (a Singaporean property developer and manager).
6. The Fund's biggest underweights are (unsurprisingly) in the technology sector as well as in some of the higher quality sectors such as pharma and healthcare. Not because we have anything in principle against these sectors, but just that they are pricing in an extraordinarily rosy future.

Overall, the Fund is well positioned to take advantage of the economic recovery and continued rotation from growth to value. It also offers investors some protection should inflation surprise on the upside.

Piet Viljoen

Portfolio Manager

Disclaimer