

INVESTING THROUGH THE SA RECESSION AND POLITICAL MIRE

JUNE 2017

The Rezco portfolios are solidly positioned to steer through this Pivotal Crossroads time for our South African nation.

Our view is that the fabric of the economy has been damaged, and it is not simply a matter of resorting to monetary policy changes to ensure that the economy moves in the right direction. Declining retail sales, with consumers continuing to be under pressure, a struggling manufacturing sector, and high unemployment rates are at the very heart of what needs to be fundamentally repaired in the South African economy.

While we are hopeful that the period ahead of us will eventually lead to nation building that benefits all South Africans, the country requires significant changes for the better.

South Africa calls for dramatically better leadership to repair the structure of the economy, in order to create employment and income streams, and to avoid further credit rating downgrades. These issues cause broad uncertainty for the ZAR currency.

The Rezco portfolios have bedrock investments in High Quality Interest-Linked Investments all issued by the premier South African banks, which provide secure, excellent returns for investors.

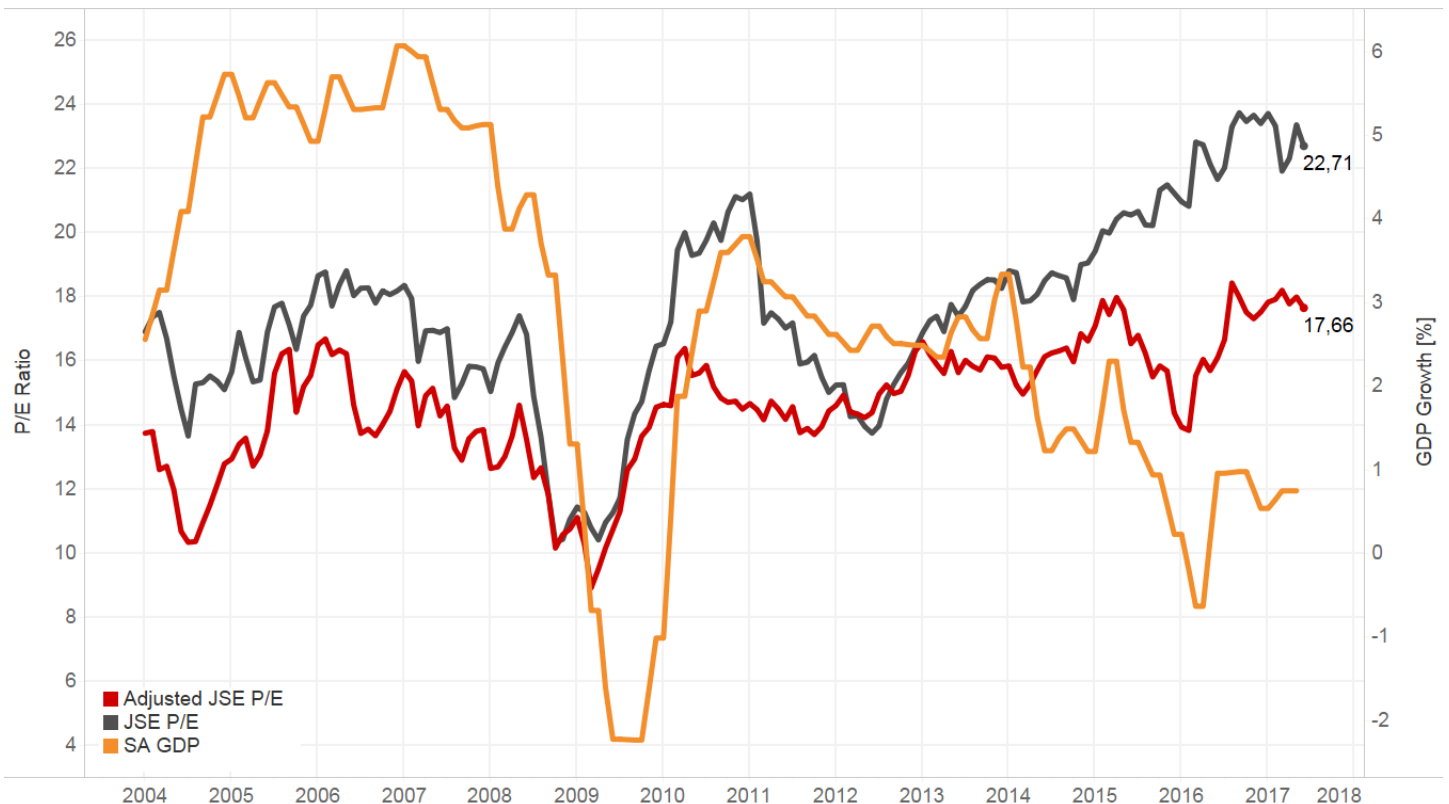
We are also finding and investing in progressive growth companies offshore, which have been generating good returns.

Gold, which is a non-correlating international asset, is beginning to attract buying from Exchange Traded Funds (ETFs), and some countries' Central Banks.

South African equities are not yet reflecting current economic facts, nor what we expect ahead.

The chart below shows that prices still need to close the uncomfortable "jaws" of high valuations versus current and forecast economic conditions that South African companies are reporting.

JAWS: RSA INC's P/E vs GDP



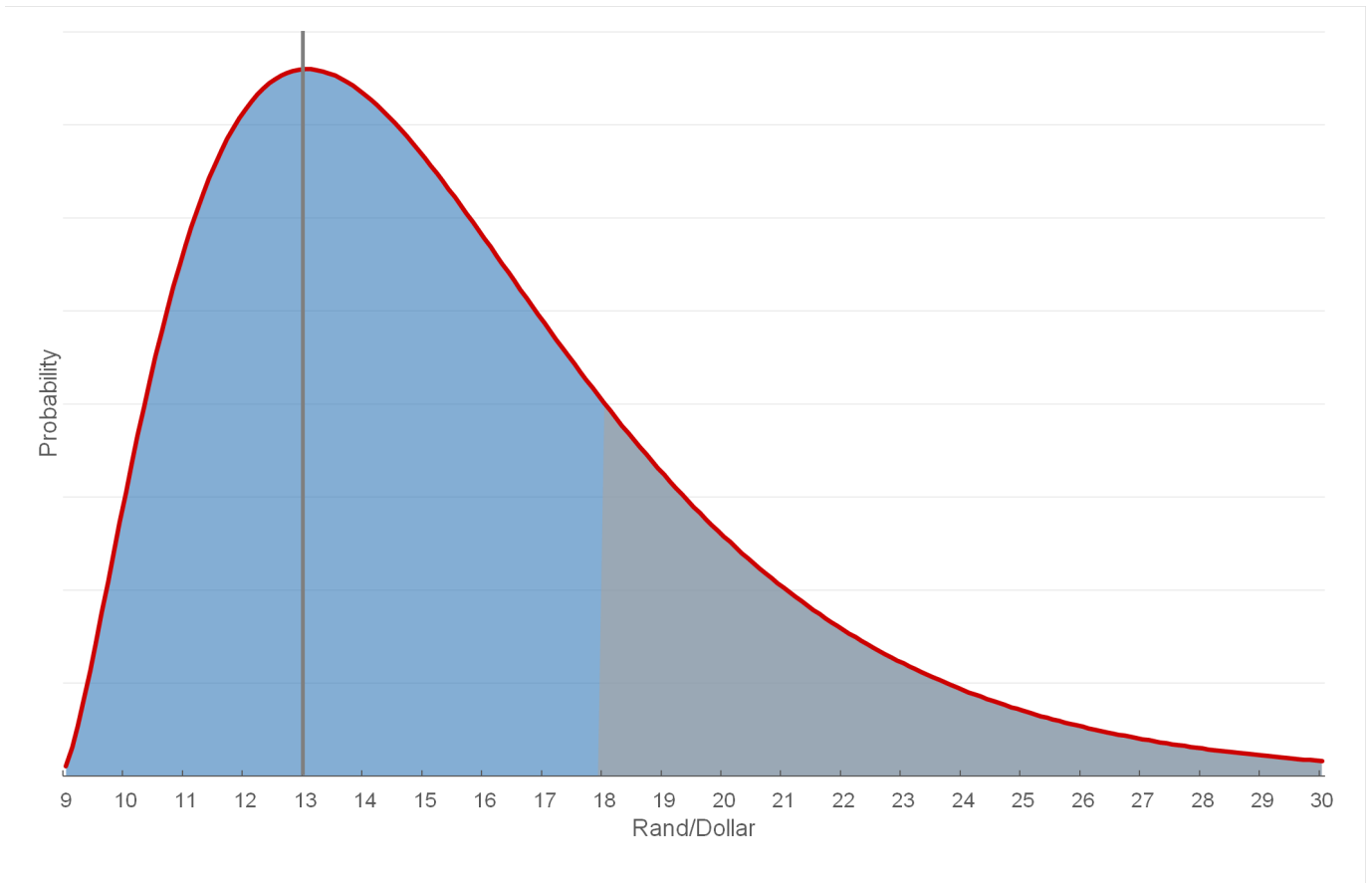
Adjusted P/E Excludes: Mining, REITs, Naspers, Brit. American Tobacco and Richemont

Source: Thomson Reuters Datastream and Rezco Asset Management



In this environment, ZAR currency predictions have a much wider range of possibilities. We do not believe that it is prudent to forecast an exact value for the exchange rate. Rather, we feel that it is better to look at a range of probabilities, as illustrated in the chart below:

ZAR VIEW PROBABILITIES

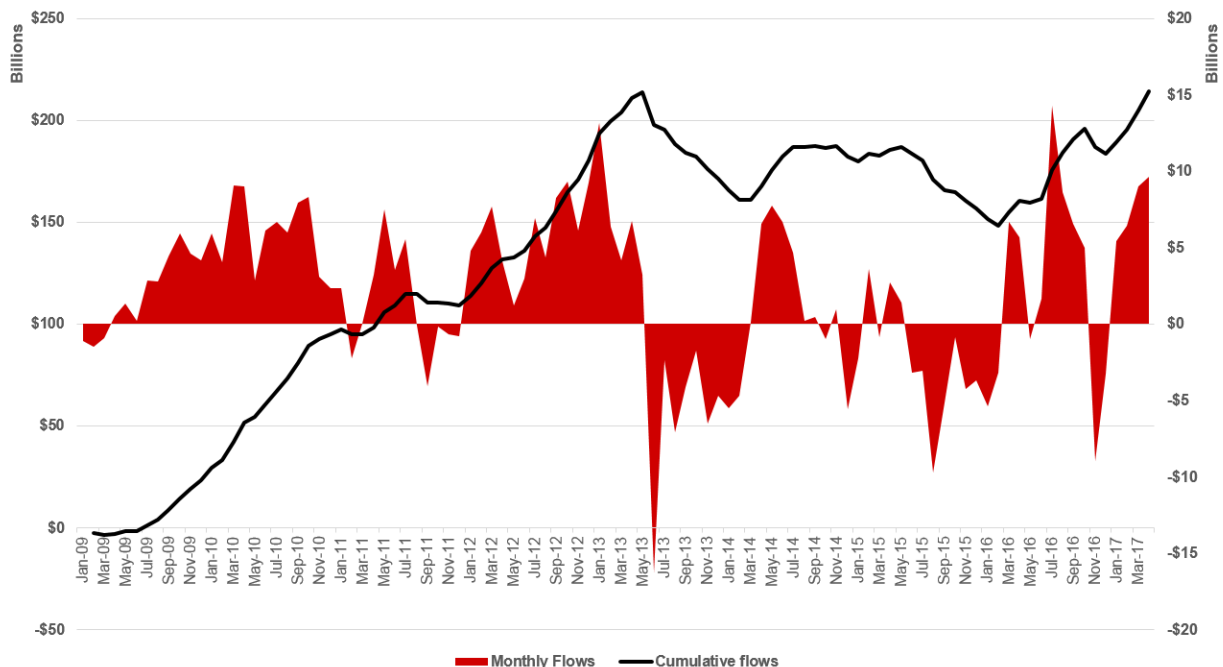


Source: Rezco Asset Management

We believe investors should protectively position their portfolios against the grey shaded area in the chart above. The largest area in the chart (blue) is the most likely scenario of where the ZAR currency will trade.

Emerging market flows, stemming from the international hunt for yield, have helped the ZAR during this quarter, but these flows are not consistent and can suddenly turn negative.

EMERGING MARKET BOND FLOWS



Source: Morningstar and Rezco Asset Management

The Rezco portfolios are positioned for these conditions, as illustrated by a summary below of the Rezco Value Trend Fund, categorised by source of income.

REZCO VALUE TREND FUND EXPOSURE

REZCO VALUE TREND FUND	EXPOSURE
SA INC. EQUITIES	9%
SA LISTED OFFSHORE EQUITIES	10.8%
SA LISTED OFFSHORE PROPERTY	5.8%
OFFSHORE EQUITIES	22.5%
GOLD AND GOLD EQUITIES	8.1%
OFFSHORE INTEREST BEARING	4.2%
LOCAL INTEREST RATE LINKED	39.6%

Source: JTC Group and Rezco Asset Management

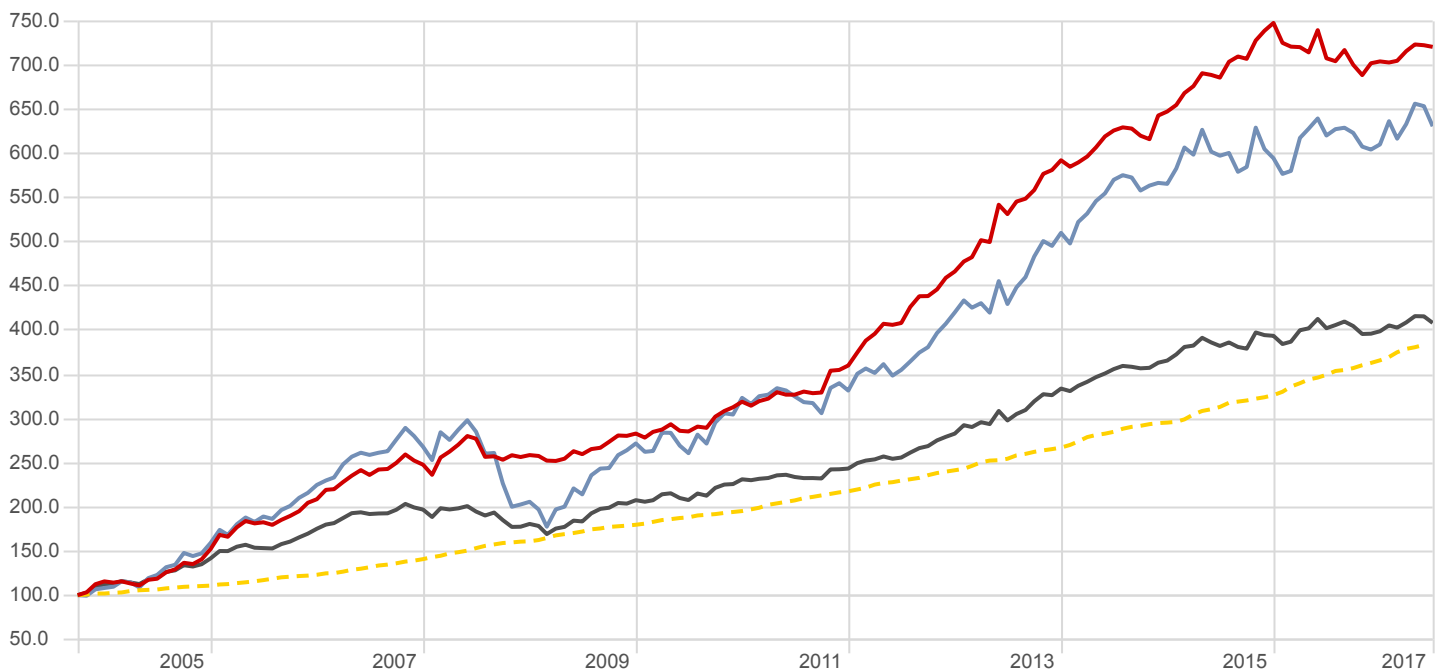
Rezco is ready to take the investment opportunities that inevitably arise during times of adversity. We have a list of companies that fit into our investment philosophy and style, and the High Quality Interest-Linked Investments are a strong source of capital to implement the buying at the opportune time.

This is going to take patience and quality research. The South African market is beginning to move in the direction that we have been expecting and that our portfolios are positioned for.

REZCO VALUE TREND FUND | 12 YEAR TRACK RECORD

Time Period: 2004/10/01 to 2017/06/30

Currency: South African Rand Source Data: Total Return



— Rezco Value Trend A

721.1 — Inflation + 5%

383.6 — FTSE/JSE All Share TR ZAR

631.2

— ASISA South African MA High Equity

408.4

Source: Morningstar

It is our privilege to serve our investors, and we thank you for entrusting the care of your capital to us.



WALLY GRAY
Executive Chairman



ROB SPANJAARD
Chief Investment Officer

