RECM and Calibre Limited
(Incorporated in the Republic of South Africa)
Registration number 2009/012403/06
Preference Share Code: RACP
ISIN: ZAE000145041
("RAC" or "the Company")

PREPARED COMMENTS FROM RAC SHAREHOLDERS MEETING

At a directors meeting with participating preference shareholders, which was held directly after the Annual General Meeting on 26 July 2017, the following prepared comments were shared with attendees. In the interest of sharing the information equally with all shareholders, the statement is also published on SENS and on the RAC website www.racltd.co.za.

PORTFOLIO CHANGES SINCE YEAR END

As mentioned in our year end results, we have invested in a new fund launched by our sister company RECM. The fund, called the RECM Flexible Value Prescient QI Hedge Fund (don't ask!) has a mandate to invest in deep value situations. Such situations tend to become more attractive as the economic cycle worsens, and momentum investors (in this case index funds) get the bit between their teeth. RAC has invested just over R40mn of its existing assets into the fund, in return for units. RAC agrees with RECM that the value investing style has bright prospects. Additionally, this leaves RAC free to focus on its core investments.

As discussed in our year end results, RAC supported the DAWN emergency recapitalization, which was done in the form of a rights issue. RAC underwrote a substantial portion of the rights at a deeply discounted price, and managed to acquire an influential stake of 16.8% in the business. We look forward to working with the board and management to getting the business back to profitability and sustainability.

We also sold the last of our shares in Sovereign Holdings, the embattled chicken producer.

Finally, we continued to increase our investment into a variety of situations which we currently class as non-core investments. We are also in the process of reducing some other holdings. Only once we have either completely disposed of, or acquired a large enough stake in these situations will we be in a better position to offer more disclosure.

Goldrush (57.9% of NAV)

Since our financial year-end, the acquisitions of both Boss Gaming and Crazy Slots have become unconditional and the economic benefit of these transactions will now accrue to Goldrush from 1 July 2017. Both acquired businesses will add notably to the profitability of Goldrush. We welcome the entrepreneurs that built these businesses to the group.

The existing Goldrush business is doing well, with the team continuing the roll-out of Bingo Halls, LPM's and sports betting facilities. Goldrush is playing a leading role in the consolidation of the sports betting industry and we intend building considerable scale in this area. A Bingo license was moved from Centurion Lake, in Pretoria, to the old Morula Sun premises. The move allowed us to increase our capacity on this license considerably.

The group will be able to initiate a roll out of the KZN Bingo licenses as soon as regulatory certainty has been achieved. No new licenses were allocated in the period after our year-end. A 1000-machine LPM route license that was under review at year-end, has been subsequently confirmed in favor of Goldrush.

Transhex/West Coast Resources (11.2% of NAV)

At Transhex, the Lower Orange River assets (including Baken) are rapidly approaching their end of life. Historically, management has executed well on reducing the cost base to extend the life of a mine. However, there are limits to what can be done, and we are reaching those. West Coast is starting to perform at better levels, and is exceeding budget for the year to date. It is still too early to say whether this improvement is sustainable over the long term. Transhex's third operation, Somiluana in Angola, is performing very well and the prospects for this mine are bright. Exchange controls are hampering cash repatriation at present.

Management continues to evaluate acquisition opportunities. Transhex's supportive shareholder base, strong balance sheet and experienced management increase the odds of success in this regard.

JB Private Equity Investment Partnership (7% of NAV)

The only asset in the JB Private Equity Partnership is its 37% ownership of Sentula Mining, which is listed on the JSE.

Since year end, whilst still in the process of resolving some legacy issues, Sentula has placed its operating businesses on a path to growth. The exploration drilling business Geosearch was awarded new contracts in Botswana, South Africa and Mozambique. Nkomati Anthracite mine achieved increased targeted open pit production. The planning for the reopening of the underground mine and increased wash plant capacity were completed on the back of a secured offtake agreement with Glencore. JEF Drill & Blast invested in 19 additional drill rigs, all of which were deployed on new long term contracts. Ritchie Crane Hire acquired three new cranes.

To reflect the new direction of Sentula as an investment holding company, its name will be changed to Unicorn Capital Partners, effective 31 July 2017.

College SA (4.5% of NAV)

The College SA group houses the tertiary distance learning activities of the group, which is operated under three brands. The business is in a strong growth and investment phase.

College SA has maintained its focus on providing quality, efficient distance learning opportunities for mostly South African students. Affordability remains a big issue for this demographic, but we are encouraged by the continued growth in student numbers after a complete re-establishment of the business's sales function.

Tabaldi offers on-line support mainly to accounting students. The business has drastically expanded its academic coverage in the second semester.

IASeminars, which provides training to Accounting professionals outside South Africa has maintained strong growth on the back of the global roll-out of IFRS.

As College SA is still in a strong investment phase of its life-cycle, and RAC has only acquired its interest over the past two years, we continue to value the investment at book value. Given some of the valuations we have seen for similar businesses in the marketplace, RAC regards organic growth to be a sensible course of action for College SA.

Outdoor Investment Holdings (4.3% of NAV)

The consumer goods sector is under pressure nationally and Outdoor Investment Holdings (OIH) is no exception. With this backdrop, our retail and wholesale subsidiaries Safari & Outdoor, Formalito and Inyathi Sporting Supplies, held their own for the first four months of the year, showing some growth and trading ahead of budget.

LATEST NET ASSET VALUE (”NAV”) PER SHARE (ORDINARY AND PARTICIPATING PREFERENCE)

	% Ownership	Cost Rmn	Directors' Fair Value Rmn	% of net asset value
Core investments		699.8	1,196.3	84.8%
Goldrush	53.3%	386.9	816.4	57.9%
Trans Hex	25.5%	96.2	103.8	7.4%
JB Private Equity Investors Partnership	90.0%	72.3	98.9	7.0%
College SA	88.1%	63.4	63.4	4.5%
Outdoor Investment Holdings	28.3%	41.6	60.4	4.3%
West Coast Resources	27.2%	39.6	53.5	3.8%
Portfolio investments		209.2	261.9	18.6%
DAWN	16.8%	100.6	107.7	7.6%
La Concorde	5.1%	32.3	42.1	3.0%
RECM Flexible Value Prescient QI Hedge Fund	85.4%	40.8	40.2	2.9%
Conduit	3.0%	20.9	37.8	2.7%
Excellerate	6.2%	14.7	34.0	2.4%
Non-core investments		255.1	264.2	18.7%
Receivables			0.6	0.0%
Cash and money market fund			23.6	1.7%
Liabilities (mainly CGT)			(129.4)	(9.2%)
Long-term debt			(206.2)	(14.6%)
Net asset value			1,410.9	100.0%
NAV per share ("R")	27.58			

As at 19 July 2017 the NAV per share came to R27.58 – just less than a 1% increase from the year-end number of R27.35. This NAV has not been audited or reviewed by the company’s external auditors. It should also be noted that this NAV only reflects changes in the prices of our listed or traded assets. Our unlisted, untraded assets (over 70% of net assets) will only be revalued at the time of our interim results, due to be released in October.

Most of our NAV is invested in businesses that are young and growing rapidly. Valuing such businesses with any accuracy is not easy, and requires a high degree of judgement. We therefore tend to err on the side of caution, building in a considerable margin of safety in arriving at our fair values. Some of our listed or traded investments are "deep value" situations, a sector currently being severely discounted by the market. It is not unreasonable to think that the "fair value" of these investments, as indicated by their market price is not fair at all.

Recently there have been a few instances where investment companies have been aggressive in their valuation methodology, incorporating a limited margin of safety. This was all done at "fair values" as approved by their auditors, and ultimately led to disappointing results for their shareholders. At RAC, we agree with Charlie Munger, when he says the key to a happy life is to have low expectations. Our valuation methodology builds in such low expectations – or, in other words, a wide margin of safety. This means our shareholders can sleep well, not having to worry about Mr. Market's gyrations.

It is probably fair to say that true "fair value" only emerges in transactions between knowledgeable buyers and sellers. Our recent realizations of Dischem and Sovereign as well as the La Concorde sale of its brandy assets have all been transactions which took place at prices well above our stated fair values – and generated good returns for our shareholders. Our current portfolio undoubtedly contains more such gems.

GENERAL OBSERVATIONS

Political uncertainty, a weak economy and the rise of indexation have dramatically reduced the quoted prices of listed businesses which operate predominantly in the domestic market. Although their intrinsic value has probably also declined, we guess a substantial gap is in the process of opening up between these numbers. RAC is well positioned to take advantage of this gap. In the private market we are seeing some interesting opportunities as well. As a result, we believe prospective returns are increasing.

RAC's preferred investment strategy is to acquire influential interests in privately owned businesses – specifically good businesses with good management, available at a fair price. If you are involved in a business that meets these criteria, and needs capital or a responsible owner with true long-term orientation, please give us a call. We don't make many promises, but we promise not to waste your time.

Any forward-looking statements in this announcement have not been reviewed or reported on by our auditors.

Cape Town
26 July 2017

Sponsor: Questco (Pty) Ltd