

PERFORMANCE FEES FOR CADIZ UNIT TRUST FUNDS: FREQUENTLY ASKED QUESTIONS (FAQ)

This FAQ addresses the questions most frequently asked about performance based fees, together with Cadiz's answers.

Glossary of terms used in this FAQ

"Annual management fee" is the fee charged for managing the unit trust fund. This fee may be **fixed** (minimum or base) i.e. it is charged irrespective of how the fund performs, or **performance based** i.e. it is based on the fund's performance relative to a benchmark. Many performance based fees are a combination of a fixed component and a performance-based component. This is the case for the Cadiz funds that charge performance fees.

"Maximum fee" is the maximum annual management fee that may in any instance be recovered from the fund by the Manager. This fee includes the minimum fee and all performance fee elements.

"Benchmark" is the yardstick the fund is managed to. It is also the point of reference to determine whether a fund is under/outperforming.

"Fee hurdle" is the level of performance relative to the fund's benchmark that the fund must attain before which a performance fee in excess of the minimum fee may be charged.

"High watermark" is the highest level of outperformance that a fund has achieved since the previous fee payment date.

"Sharing rate" is the percentage of under/outperformance in excess of the fee hurdle that the Manager is entitled to share in with the investor.

"Fee accrual frequency" is the frequency at which provisions are made in the fund prices in order to allow for fees in excess of the minimum fee.

"Fee payment frequency" is the frequency at which the amounts provided in the fund in respect of fees in excess of the minimum fee are transferred from the fund to the Manager.

"Performance fee measurement period" is the length of the period for which the fund performance is compared to the fee hurdle, each time the fee is accrued.

1. Which Cadiz funds charge performance fees?

Performance fees are currently charged on the following Cadiz unit trust funds:

- Cadiz Inflation Plus Fund
- Cadiz Equity Ladder Fund
- Cadiz Mastermind Fund

2. What are the minimum and maximum fees for the relevant funds and classes?

3. At what performance levels (also called fee hurdles) will the Manager charge more than the minimum fees?

4. What portion of the funds' performances will the Manager be entitled to share, should the funds perform above their fee hurdles (also called the sharing rate)?

Fund name	Benchmark	Performance measurement period	Fee hurdle	Minimum fee	High watermark	Sharing rate	Maximum fee
Cadiz Inflation Plus Fund	CPI+5%	Cumulative benchmark (daily)	CPI+5%	1.25%	Yes	15%	3%
Cadiz Equity Ladder Fund	CPI+6%	Cumulative benchmark (daily)	CPI+6%	1.25%	Yes	20%	3%
Cadiz Mastermind Fund	FTSE/JSE Shareholder Weighted Index (SWIX)	One year rolling	FTSE/JSE Shareholder Weighted Index (SWIX)	1.25%	Yes	15%	3%

All fees are quoted per annum and excluding VAT

5. Are the fee hurdles the same as the relevant fund benchmarks?

Yes, as shown in the table above, the fee hurdles are the same as the relevant fund benchmarks.

6. Will more than the minimum fee be charged regardless of whether the fund is experiencing positive or negative returns?

Not in respect of the Cadiz Inflation Plus and Equity Ladder Funds, whose fee hurdles are inflation linked. However in respect of the Cadiz Mastermind Fund, whose fee hurdle is the FTSE/JSE SWIX which can go down as well as up, in the event that it outperforms the index even though the net result is still negative, more than the minimum fee may be charged.

7. When fund performance is considered, are fees included or excluded (net of fees or gross of fees)?

Performance fees are paid on outperformance net of fixed fees.

8. What fee rate will be charged under the following conditions?

Fund name	-10%	-5%	Benchmark	+5%	+10%
Cadiz Inflation Plus Fund	1.25%	1.25%	1.25%	2%	2.75%
Cadiz Equity Ladder Fund	1.25%	1.25%	1.25%	2.25%	3%
Cadiz Mastermind Fund	1.25%	1.25%	1.25%	2%	2.75%

All fees are quoted per annum and excluding VAT

9. Do any other classes of funds charge fixed fees instead of performance fees?

No

10. Are the performance fees accrued daily (also called the Fee Accrual Frequency)?

Yes

11. Do performance fee accruals pertain to performance periods more than a month prior to accrual?

No. Performance fees are accrued based on the most recent fund performance versus that of the relevant benchmark. For funds with a CPI related benchmark the inflation data is obtained in arrears, but the performance periods are not lagged.

12. Is a rolling measurement period used?

Yes. Where rolling measurement periods are used, certain unit holders may carry a lower proportion of the performance fee relative to the performance enjoyed, whilst other investors may carry a higher proportion of the performance fee relative to the performance enjoyed.

13. How often is the performance fee paid to the Manager (also called the Fee Payment Frequency)?

The performance fee is paid annually in respect of the Cadiz Inflation Plus and Equity Ladder Funds (30 November and 31 October respectively), and monthly in respect of the Cadiz Mastermind Fund.

14. Should the fund experience underperformance to the fee hurdle, how long is that underperformance held against the Manager? In particular, at what point would that underperformance be written off from a fee calculation point of view?

In respect of the Cadiz Inflation Plus and Equity Ladder Funds the underperformance is held against the Manager for a maximum of one year i.e. it is written off when the performance fee is paid once annually. In respect of the Cadiz Mastermind Fund the underperformance is held for the annual performance measurement period on a rolling one month basis i.e. one year rolling monthly.

15. Does performance in excess of the hurdle need to overcome prior underperformance (also called a High Watermark system)? If so, explain whether fee accruals are simply suspended or whether past fee accruals are refunded. Also disclose the circumstances under which the High Watermark expires, if at all.

Yes, in respect of the Cadiz Inflation Plus and Equity Ladder Funds an annual high watermark system is in place and fee accruals are refunded and not simply suspended when the fund dips below the high watermark. The high watermark is reset once annually. In respect of the Cadiz Mastermind Fund there is also an annual high watermark which this is reset annually on a rolling monthly basis.

16. Do any underlying funds charge implicit performance fees?

No