

Cadiz Equity Fund

Fund Information

FUND OBJECTIVE

The fund seeks long-term capital growth with a low risk of permanent capital loss by investing in a diversified portfolio of domestic and foreign shares, which are undervalued relative to their replacement cost or sustainable earnings power.

WHAT DOES THE FUND INVEST IN?

The fund invests in equities that trade below their intrinsic market value. The fund can hold up to 30% in foreign assets and 10% in Africa (excl. SA), with the highest balance in domestic equities listed in South Africa.

The fund sits at the top end of the risk/return spectrum and can also invest in property related securities.

The portfolio's minimum exposure to equities will be 80% of its net asset value at all times.

WHO IS THE FUND SUITABLE FOR?

- Investors who have at least a 5 year investment horizon.
- Investors who are in their wealth accumulation phase seeking exposure to equity markets.
- Investors with a high risk profile.

INVESTMENT PHILOSOPHY AND PROCESS

We are long-term, bottom-up, valuation driven investors searching for quality businesses selling at an attractive price. Our investment approach is rooted in the belief that there are two values for every share, the first being the current market price, and the second what the business is worth to a knowledgeable buyer. This is referred to as intrinsic value, and the time to buy is when there is a large difference between the market price and intrinsic value, and the time to sell is when this price difference narrows. We determine intrinsic value by performing a detailed analysis of the financial statements and a qualitative assessment of the business and management. Our investment approach seeks to take advantage of short-term market pessimism by buying financially sound companies when they are typically out of favour and attractively priced.

FEES ON CLASS A (EXCLUDING VAT)

Initial fee: 0%

Annual Management fee: 1.25%

TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS

Cadiz Equity Fund (Class A)

PERIOD (ANNUALISED) 1 AUGUST 2015 - 30 SEPTEMBER 2018

Total Expense Ratio	2.2%
Transaction Costs	0.5%
Total Investment Charge	2.7%

FUND MANAGERS



Brian Munro
Head of Multi Assets



Razeen Dinath
Head of Equity Research

GENERAL INFORMATION

Inception	1 March 2006
Benchmark	SWIX
Sector	ASISA SA Equity-General
Fund Class	A
Fund Size	R90 million
Regulation 28 compliant	No
Minimum Investment	Lump sum: R5 000 Monthly: R500 Adhoc: R500
Income Distribution (Class A)	Bi-annual (end June and end December)
ISIN Code	ZAE 000078358
Domicile	South Africa
JSE Code	AHMF

RISK VS REWARD



CONTACT DETAILS

A PO Box 44547, Claremont, 7735 | Alphen Estate, Alphen Drive, Constantia, 7806 | T 08000 CADIZ (22349) | F 0861 022 349 | E investorservices@cadiz.co.za | www.cadiz.co.za

Disclaimer: This document is confidential and issued for the information of the addressee and clients of Cadiz only. It is subject to copyright and may not be reproduced in whole or in part without the written permission of Cadiz. The information, opinions and recommendations contained herein are and must be construed solely as statements of opinion and not statements of fact. No warranty, expressed or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such recommendation or information is given or made by Cadiz in any form or manner whatsoever. Each recommendation or opinion must be weighed solely as one factor in any investment or other decision made by or on behalf of any user of the information contained herein and such user must accordingly make its own study and evaluation of each strategy/security that it may consider purchasing, holding or selling and should appoint its own investment or financial or other advisers to assist the user in reaching any decision. Cadiz will accept no responsibility of whatsoever nature in respect of the use of any statement, opinion, recommendation or information contained in this document.

This document is for information only and do not constitute advice or a solicitation for funds. Investors should note that the value of an investment is dependent on numerous factors which may include, but not limited to, share price fluctuations, interest and exchange rates and other economic factors. Performance is further affected by uncertainties such as changes in government policy, taxation and other legal or regulatory developments. Past performance provides no guarantee of future performance. Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, UST, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. A schedule of fees, charges and maximum commissions is available on request from Cadiz Collective Investments. Commission and incentives may be paid, and if so, are included in the overall costs. Portfolios may be closed. Forward pricing is used. Cadiz Collective Investments' portfolios are valued daily at 15:00. Instructions must reach Cadiz Collective Investments before 14:00 (11:00 for Cadiz Money Market Fund) to ensure same day value. Cadiz Collective Investments (RF) (Pty) Ltd - Co. Reg. No. 2004/032263/07 Address: PO Box 44547, Claremont, 7735. A member of the Association of Savings & Investment South Africa. Trustees: ABSA Capital Investor Services.



Cadiz Equity Fund

Class A as at 30 November 2018

GENERAL INFORMATION

Inception	1 March 2006
Fund category	ASISA SA Equity-General
Portfolio managers	Brian Munro and Razeen Dinath
Fund Size	R90 million
Benchmark	SWIX

RISK STATISTICS* (FOR CLASS A)

Sharpe ratio annualised	0.18
Maximum drawdown	-46.6%
Highest annual return	36.1%
Lowest annual return	-23.4%

* Risk statistics for Class A refers to the highest and lowest actual 12 month return over the related period since the inception of the fund.

PERFORMANCE 30/11/2018

	Fund	Benchmark	Outperformance
1 Year	-2.7%	-14.3%	11.6%
2 Year (annualised)	8.2%	3.0%	5.2%
3 Year (annualised)	6.1%	1.7%	4.4%
5 Year (annualised)	3.6%	6.0%	(2.4%)
7 Year (annualised)	7.2%	10.3%	(3.1%)
Since inception (01/03/06) annualised	8.6%	11.5%	(2.9%)

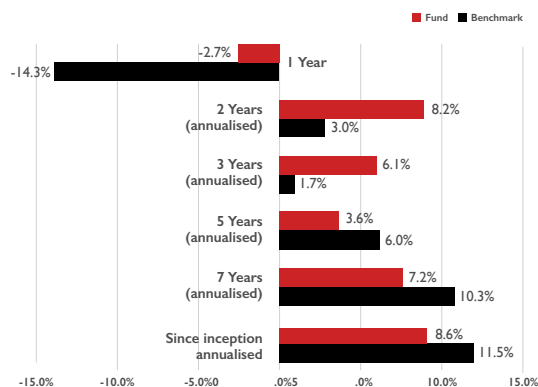
Source: Morningstar

TOP 10 HOLDINGS

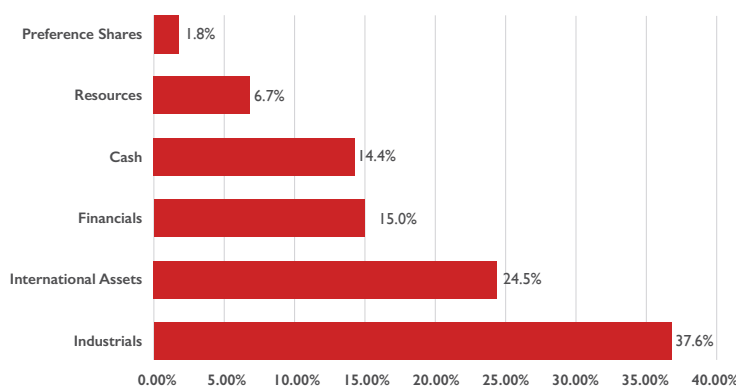
November 2018	October 2018
Naspers	British American Tobacco
British American Tobacco	Naspers
Mediclinic International	Mediclinic International
MTN	MTN
Woolworths Holdings	Woolworths Holdings
Impala Platinum	Absa Group
Absa Group	Tiger Brands
Tiger Brands	Anglogold Ashanti
Standard Bank	Standard Bank
Metair Investments	Impala Platinum

Source: Cadiz Asset Management

FUND RETURNS VS BENCHMARK



EFFECTIVE ASSET ALLOCATION EXPOSURE



RISK VS REWARD



CONTACT DETAILS

A PO Box 44547, Claremont, 7735 | Alphen Estate, Alphen Drive, Constantia, 7806 | T 08000 CADIZ (22349) | F 0861 022 349 | E investorservices@cadiz.co.za | www.cadiz.co.za

Disclaimer: This document is confidential and issued for the information of the addressee and clients of Cadiz only. It is subject to copyright and may not be reproduced in whole or in part without the written permission of Cadiz. The information, opinions and recommendations contained herein are and must be construed solely as statements of opinion and not statements of fact. No warranty, expressed or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such recommendation or information is given or made by Cadiz in any form or manner whatsoever. Each recommendation or opinion must be weighed solely as one factor in any investment or other decision made by or on behalf of any user of the information contained herein and such user must accordingly make its own study and evaluation of each strategy/security that it may consider purchasing, holding or selling and should appoint its own investment or financial or other advisers to assist the user in reaching any decision. Cadiz will accept no responsibility of whatsoever nature in respect of the use of any statement, opinion, recommendation or information contained in this document.

This document is for information only and do not constitute advice or a solicitation for funds. Investors should note that the value of an investment is dependent on numerous factors which may include, but not limited to, share price fluctuations, interest and exchange rates and other economic factors. Performance is further affected by uncertainties such as changes in government policy, taxation and other legal or regulatory developments. Past performance provides no guarantee of future performance. Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, UST/VAT auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. A schedule of fees, charges and maximum commissions is available on request from Cadiz Collective Investments. Commission and incentives may be paid, and if so, are included in the overall costs. Portfolios may be closed. Forward pricing is used. Cadiz Collective Investments' portfolios are valued daily at 15:00. Instructions must reach Cadiz Collective Investments before 14:00 (11:00 for Cadiz Money Market Fund) to ensure same day value. Cadiz Collective Investments (RF) (Pty) Ltd – Co. Reg. No. 2004/032263/07 Address: PO Box 44547, Claremont, 7735. A member of the Association of Savings & Investment South Africa. Trustees: ABSA Capital Investor Services.

Cadiz Equity Fund

Quarterly Fund Manager Commentary – Third Quarter 2018

PORTFOLIO COMMENTARY

The 3rd quarter of 2018 was a tough environment for the FTSE/JSE SWIX which lost -3.3%, while the Cadiz Equity Fund delivered a positive return of 0.7%. Over a rolling 3 year period, the Fund has provided a total annualised return of 8.8% while the FTSE/JSE SWIX has gained 5.6%. The rolling 3 year return demonstrates that our strategy of predominantly buying good businesses at attractive prices with capable management and low financial risk is delivering a good outcome for our clients versus the market.

The divergence of performance between developed markets and emerging markets this year is evident. MSCI EM equities sold off -7.5% compared to MSCI World equities gaining 5.9% (in dollars). Concerns around US-China trade war, US Fed rate hikes and the reversal of quantitative easing by central banks has caused investors to sell emerging markets. So far this month, October 2018, the US equity market has performed poorly and seems to be correcting – following emerging markets.

As equity markets fall, it provides us with excellent opportunities to add quality investments to the portfolio at highly attractive prices. This positions the fund for excellent long term returns. We encourage our clients to stay invested even though there is potential for increased volatility in the stock markets.

MTN was a large detractor from performance due to claims from the Nigerian central bank and Attorney General for alleged illegal repatriation of cash and tax underpayment respectively. From our review of the information, it seems that these claims are unfounded. The drop in MTN share price to R70 was so severe that the market has effectively priced the Nigerian operations at zero. This appears overly pessimistic and hence we still view MTN as an attractive investment.

Mediclinic also detracted from performance. The other hospital companies in SA reported weaker than expected results which added to the negative view on the sector. Nothing has come to light that has changed our investment case and we have used the lower price to increase our investment in this good business at more attractive prices.

Naspers continued to drift lower as the market was unimpressed by Tencent's quarter on quarter result and weaker Chinese Yuan due to the trade war. We don't believe that the quarter on quarter performance was definitive evidence of a major slowdown in the business growth prospects and hence are comfortable with our investment.

Woolworths continued to underperform. The financial results highlighted the tough economic environment that South Africa is in, while the turnaround in David Jones is not progressing as quickly as the market would like. The current share price assigns little value to David Jones and together with an improving SA business should deliver a good long term investment result.

Impala platinum has been trounced by the market over the last few years and had a decent recovery in the latest quarter making it the top contributor to performance. We exited Express Scripts as the share price moved close to the acquisition price on offer from Cigna. African Phoenix preference shares also recovered some underperformance as the possibility of the preference shares being bought back is on the cards. CVS Caremark, Discovery Communications and Starbucks all moved up nicely. All three of these businesses are good quality, with capable management and moderate financial risk at an attractive price and hence are still good long term investments.

PORTFOLIO POSITIONING

We trimmed our Sasol investment as the share price moved closer to our base case valuation on the back of the recovering oil price. We added to our investment in British American Tobacco on share price weakness.

We initiated a new position in Tiger Brands. Tiger Brands had initially been hit hard by the listeriosis crisis at the start of 2018 and the weak economic environment has caused short term expectations to be lowered with a resultant decline in the share price. The business has a very good long term track record but the previous management team made poor capital allocation decisions. New management are now in place who are focusing on stabilising and improving the core operations.

We invested in Famous Brands, as the share price has also declined to levels where we believe the long term returns are favourable. It is clear that Famous Brands made a mistake buying Gourmet Burger Kitchen in the UK. The core SA focused business is defensive and has a strong competitive position with excellent return on capital and hence is a compelling long term investment.

Absa has also been added to the fund as the share price declined significantly during the quarter. Absa is trading on a 7% dividend yield and even though the SA economic environment is tough with competition in the banking industry heating up, we believe that even if Absa delivers subpar earnings growth, the return prospects are favourable due to the depressed share price.

We invested in Peregrine holdings which is also a high return on capital business at a good price. The wealth management business is stable and still growing at a moderate pace, while the asset management business is differentiated and focused on hedge fund strategies which have good long term track records and have lower risk of commoditisation from ETFs.

In the international stock picks, we initiated a new position in Facebook which has a really powerful business model with a strong network effect and the ability to use the tremendous amount of data they have on their vast user base to more effectively aid advertisers in reaching customers. The share price declined more than 20% due to the market downgrading the near term growth expectations after management's 2nd quarter earnings comments. We believe that the near term growth pressures are overly discounted and hence expect a good long term outcome from this investment.

Our investment case review on Charter Communications highlighted that the attractiveness of the investment hinges on very aggressive tax structures and we were uncomfortable with the level of financial risk. This reduced our conviction level and hence we exited.

We used the proceeds and inflows to invest in Fairfax Financial Holdings and Franklin Resources. Both of these investments are held in the Cadiz Worldwide Flexible Fund and the additional capital available enabled us to invest in these businesses which have very good owner managers and excellent long term track records.

We remain focused on protecting and growing your capital by taking advantage of the markets short term overreaction to bad news by investing in predominantly good businesses at attractive prices with capable management and low financial risk.

CONTACT DETAILS

A PO Box 44547, Claremont, 7735 | Alphen Estate, Alphen Drive, Constantia, 7806 | T 08000 CADIZ (22349) | F 0861 022 349 | E investorservices@cadiz.co.za | www.cadiz.co.za

Disclaimer: This document is confidential and issued for the information of the addressee and clients of Cadiz only. It is subject to copyright and may not be reproduced in whole or in part without the written permission of Cadiz. The information, opinions and recommendations contained herein are and must be construed solely as statements of opinion and not statements of fact. No warranty, expressed or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such recommendation or information is given or made by Cadiz in any form or manner whatsoever. Each recommendation or opinion must be weighed solely as one factor in any investment or other decision made by or on behalf of any user of the information contained herein and such user must accordingly make its own study and evaluation of each strategy/security that it may consider purchasing, holding or selling and should appoint its own investment or financial or other advisers to assist the user in reaching any decision. Cadiz will accept no responsibility of whatsoever nature in respect of the use of any statement, opinion, recommendation or information contained in this document.

This document is for information only and does not constitute advice or a solicitation for funds. Investors should note that the value of an investment is dependent on numerous factors which may include, but not limited to, share price fluctuations, interest and exchange rates and other economic factors. Performance is further affected by uncertainties such as changes in government policy, taxation and other legal or regulatory developments. Past performance provides no guarantee of future performance. Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, UST, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. A schedule of fees, charges and maximum commissions is available on request from Cadiz Collective Investments. Commission and incentives may be paid, and if so, are included in the overall costs. Portfolios may be closed. Forward pricing is used. Cadiz Collective Investments' portfolios are valued daily at 15:00. Instructions must reach Cadiz Collective Investments before 14:00 (11:00 for Cadiz Money Market Fund) to ensure same day value. Cadiz Collective Investments (RF) (Pty) Ltd – Co. Reg. No. 2004/032263/07 Address: PO Box 44547, Claremont, 7735. A member of the Association of Savings & Investment South Africa. Trustees: ABSA Capital Investor Services.

Cadiz Equity Fund

Important information regarding terms of use

GENERAL INFORMATION AND RISKS

1. Collective Investment Schemes in Securities (unit trusts) are generally medium to long-term investments.
2. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. The manager does not guarantee the capital, nor the income of the portfolio.
3. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing.
4. Portfolios are priced daily and prices can be obtained from the website and in the daily newspapers or on Profile Data. Figures quoted are from Morningstar Inc.
5. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, UST, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue.
6. Different classes of participatory interests apply to this fund and are subject to different fees and charges.
7. Performance is shown for the most expensive class of the Fund and individual investor performance may differ as a result of initial fees, actual investment date, date of any subsequent reinvestment and any dividend withholding tax.
8. A schedule of fees, charges and minimum commissions is available on request from Cadiz Collective Investments.
9. Commissions and incentives may be paid, and if so, are included in the overall costs.
10. The manager has the right to close the portfolio to new investments in order to manage it more efficiently in accordance with the mandate.
11. Cadiz Collective Investments' portfolios are valued daily at 15:00. Instructions must reach Cadiz Collective Investments before 14:00 (11:00 for Cadiz Money Market Fund) to ensure same day value.
12. Transaction costs are necessary costs in administering the fund and impacts the fund returns. They should be considered in isolation as returns may be impacted by many factors over time including market returns, type of fund, the investment decisions of the investment manager and TER.

IMPORTANT INFORMATION FOR INVESTORS:

Total Expense Ratio (TER)

- TER is a measure of a funds expenses relating to administration of the portfolio expressed as a percentage of the average daily value of the fund over a three year period. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return.
- The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and Transaction costs should not be deducted again from the published returns.

Regulation 28 Compliance

- Where indicated the fund is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where, due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period.
- The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Foreign investment risk

The portfolio may include underlying foreign investments. Fluctuations or movements in exchange rates may cause the value of the underlying foreign investments to go up or down. The underlying foreign investments may be adversely affected by political instability as well as exchange controls, changes in taxation, foreign investment policies, restrictions on repatriation of investments and other restrictions and controls that may be imposed by the relevant authorities in the relevant countries.

Derivative risk

The use of derivatives may increase the overall risk in the Fund by multiplying the effect of gains and losses.

Maximum drawdown

- A maximum drawdown is the maximum loss from peak to trough of a portfolio.
- It is an indicator of downside risk over a specified time period.

Sharpe ratio

The sharpe ratio is the average return earned in excess of one risk-free rate per unit of volatility or total risk.

Risks associated with investing in fixed interest and Money Market investments

- A money market fund is not a bank deposit account.
- Fluctuations in the market value of the securities in which a fixed income fund invests may have a negative impact on the fund. The income instruments are likely to be especially sensitive to changes in interest rates or changes in the market participants' expectations of how interest rates will change in future.
- There is a risk that certain corporate and other counterparties with whom the manager invests or through whom the manager transacts run into financial difficulty, and are unable to honour their commitments in full, which will lead to a potential loss of capital.
- There is a risk that in a high inflation environment, the securities in the Fund may appreciate at a rate lower than the inflation rate, and as such, the purchasing power of an investor's capital may decline

Complaints

Cadiz Collective Investments are committed to handling client complaints in a timely and fair manner and has implemented systems and procedures to satisfy this commitment. The detailed Complaints Handling and Resolution Procedure is available on the website, or can be requested directly from the manager. A complaint should be lodged in writing with the Compliance Officer at investorservices@cadiz.co.za

An investor can obtain, free of charge, additional information on the proposed investment including, but not limited to, brochures, application forms and the annual report and any half-yearly report.

About the Management Company

Cadiz Collective Investments (RF) (Pty) Ltd – Co. Reg. NO 2004/032263/07, is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002. It operates 6 unit trust portfolios under the Cadiz Unit Trust scheme, and is supervised by the Financial Services Board ("FSB").

CONTACT DETAILS

A PO Box 44547, Claremont, 7735 | Alphen Estate, Alphen Drive, Constantia, 7806 | T 08000 CADIZ (22349) | F 0861 022 349 | E investorservices@cadiz.co.za | www.cadiz.co.za

Disclaimer: This document is confidential and issued for the information of the addressee and clients of Cadiz only. It is subject to copyright and may not be reproduced in whole or in part without the written permission of Cadiz. The information, opinions and recommendations contained herein are and must be construed solely as statements of opinion and not statements of fact. No warranty, expressed or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such recommendation or information is given or made by Cadiz in any form or manner whatsoever. Each recommendation or opinion must be weighed solely as one factor in any investment or other decision made by or on behalf of any user of the information contained herein and such user must accordingly make its own study and evaluation of each strategy/security that it may consider purchasing, holding or selling and should appoint its own investment or financial or other advisers to assist the user in reaching any decision. Cadiz will accept no responsibility of whatsoever nature in respect of the use of any statement, opinion, recommendation or information contained in this document.

This document is for information only and do not constitute advice or a solicitation for funds. Investors should note that the value of an investment is dependent on numerous factors which may include, but not limited to, share price fluctuations, interest and exchange rates and other economic factors. Performance is further affected by uncertainties such as changes in government policy, taxation and other legal or regulatory developments. Past performance provides no guarantee of future performance. Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, UST, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue. A schedule of fees, charges and maximum commissions is available on request from Cadiz Collective Investments. Commission and incentives may be paid, and if so, are included in the overall costs. Portfolios may be closed. Forward pricing is used. Cadiz Collective Investments' portfolios are valued daily at 15:00. Instructions must reach Cadiz Collective Investments before 14:00 (11:00 for Cadiz Money Market Fund) to ensure same day value. Cadiz Collective Investments (RF) (Pty) Ltd – Co. Reg. No. 2004/032263/07 Address: PO Box 44547, Claremont, 7735. A member of the Association of Savings & Investment South Africa. Trustees: ABSA Capital Investor Services.