FUND FACT SHEET
JANUARY 2019

Cadiz Global Balanced Fund

cadiz ASSET MANAGEMENT

KEY INFORMATION

Portfolio Manager	Brian Munro
Co-Portfolio Manager	Razeen Dinath
Inception	1 December 2001
Benchmark	AF Global Large Median

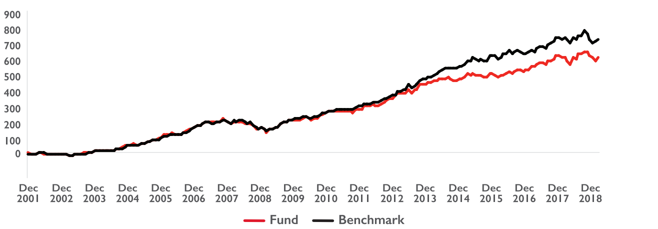
FUND OBJECTIVE

The Cadiz Asset Management Global Balanced product range encompasses both segregated and pooled portfolios. These moderate risk balanced mandates focuses on delivering strong consistent returns over the medium to longer term. These portfolios are managed on a fully discretionary best house view basis and comply with Regulation 28 of the Pension Funds Act, 1956 as amended. This product is targeted at institutional clients seeking moderate risk investment strategies based on a value style investment approach. This mandate is suitable as a core investment for pension and provident funds, as well as a medium risk option and trustee default for funds offering their members investment choice.

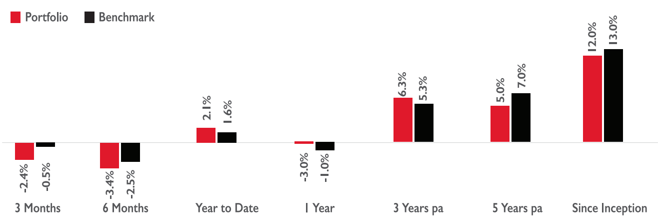
RISK STATISTICS (3 YEARS)

	Fund
Standard Deviation	7.4%

CUMULATIVE PERFORMANCE SINCE INCEPTION

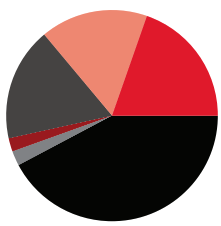


PERIOD RETURN ENDING - 31 JANUARY 2019



ASSET ALLOCATION

- Cash (19.6%)
- Equity (42.2%)
- Property (2.3%)
- Preference Shares (2.0%)
- Fixed Income (17.4%)
- International Assets (16.4%)



TOP 10 EQUITY HOLDINGS

Naspers	6.4%
British American Tobacco PLC	5.1%
MTN Group	4.1%
Mediclinic International plc	2.8%
Woolworths Holdings	2.3%
Standard Bank Group	2.1%
African Phoenix Investmen	2.0%
Gilead Sciences Inc	2.0%
Absa Group Limited	2.0%
Anheuser-Busch InBev	2.0%

Quarterly Fund Commentary-Fourth Quarter 2018

PORTFOLIO COMMENTARY

2018 was a particularly tough year for risk assets (which include equities, property and commodities) that generated negative returns for the year. Local and global risks have increased due to the trade war between the US and China, Brexit, US interest rate hikes and tightening global liquidity. Locally the risk of having our sovereign credit rating downgraded by Moody's also impacted local markets.

However, with a long term focus, the fund continues to follow a disciplined process to generate capital growth and income for its clients, while limiting the potential for capital loss. With this is mind, the fund has not changed its overall investment strategy:

- For growing our client's capital, the fund's equity allocation has ranged between 68% and 72%. (local and international equities). With the sell-off in risk assets in 2018, these investments have become even more attractive. Fundamentally, we believe the investment cases for each asset remains intact, where we expect earnings to grow overtime. Share prices usually follow earnings growth in the long term and so we wait patiently for share prices to reach our assessment of what the asset is worth.
- For our income strategy the fund still prefers to be overweight corporate bonds relative to long duration bonds. These high yielding corporate bonds have a better risk-adjusted return and have generated good income for our clients.

ASSET CLASS PERFORMANCE

To give some context to the performance of the fund, Table 1 shows the various asset class performances. Risk assets were negative for the year. In the fourth quarter, International equities (-13.3%) and Brent Crude Oil (-36%) were major underperformers.

For the year, South African Resources (16%), Bonds (8%) and cash (7%) were the winners while Financial and Industrial stocks dragged the overall equity market lower (ALSI -9%). The Rand depreciated 16% against the US Dollar.

Table 1. Asset class performance. Source IRESS

South African Assets	Q4 2018	1-YEAR
Cash	2%	7%
Bonds	3%	8%
ILB	0%	0%
Property	-4%	-25%
SWIX	-4.0%	-12%
ALSI	-4.9%	-9%
Resources	-5%	16%
Financials	-2%	-9%
Industrials	-6%	-18%
Rand/Dollar (R/$)	1%	16%
Foreign Assets (USD)	Q4 2018	1-YEAR
US Cash	0.6%	0.6%
JPM Global Bonds	1%	1%
S&P 500	- 14%	-14%
MSCI World	- 13.3%	-13.3%
MSCI EM	- 7.6%	-7.6%
ALSI $	-6.2%	-6.2%
Gold Price $	8%	8%
Platinum price $	- 3%	-3%
Brent Crude Oil	- 36%	-36%

PERFORMANCE REVIEW

The Cadiz Balanced fund generated -4.57% for the year which was a function of negative equity, commodity and property markets. This is compared to the fund's benchmark which is the peer group median of the Multi-Asset High Equity unit trust category, which delivered -3.61% for the year. Most of the negative returns for the market and the Cadiz Balanced fund (-6.84%) happened in the fourth quarter.

The main detractors of performance in the fourth quarter were International stocks. In particular, the oil services (Transocean, Diamond Offshore Drilling and National Oilwell Varco) really suffered as Brent crude oil price fell from a high of $82 to a low of $52. An overshoot in both directions as we believe fair value for oil is somewhere between $60 and $75. We expect a rebound in the oil services as the oil price recovers to fair value.

Local stocks that mostly detracted from performance were British American Tobacco, Mediclinic and Intu Properties.

CONTACT DETAILS | T 08000 CADIZ (22349) | F 0861 022 349 | E cam@cadiz.co.za | www.cadiz.co.za

Cadiz Global Balanced Fund

- British American Tobacco (BTI) was severely impacted by the news that the US Food and Drug Administration (FDA) unveiled new steps to prevent youth access to flavoured tobacco products and plans to ban menthol in cigarettes. Regarding menthol cigarettes, when the FDA examined menthol in 2013, the published science concluded that menthol should not be treated differently to non-menthol cigarettes. The published science has not changed its position since then. Management continue to engage proactively with the FDA on its proposed plan. If anything, it will take time (years) to implement. Consequently, we believe the market has overacted to the FDA announcement and believe there is meaningful upside to the share price.
- Mediclinic has been impacted by regulatory change in Switzerland, whereby authorities have made changes to medical aid regulations. This has led to patients having shorter hospitals visits (days spent in hospital) and has encouraged certain procedures to be conducted in outpatient facilities. This has caught all hospital providers off guard including Mediclinic, impacting their profitability. Overtime, Mediclinic should be able to re-position itself to take advantage of current conditions.
- Intu properties (UK Retail Real Estate) had an offer to be bought out by a consortium of investors including Brookfield Property Group, Olayan Group and the Peel Group. After a lengthy due diligence process, the consortium decided not to buy Intu properties for £2.14 citing political concerns surrounding BREXIT. Consequently the share price fell significantly. It now trades at £1.09, 0.3x Price Book and is extremely cheap.

FUND POSITIONING

Although the fund's overall strategy has not changed, there were some movements in the fund's positioning. Within Equities, we have slowly increased local equities (+3%) as attractive opportunities presented themselves while trimming positions and taking profits amongst some international equities. As we have been buying local assets (including bonds), we have removed a portion of the currency protection we have against a strengthening rand at favourable currency levels.

Two stocks that were added to the portfolio were Richemont and Bayer AG.

- Bayer AG is an above average quality business and operates in the areas of health care and agriculture. Its competitive advantages stem from the Group's strong R&D capabilities and patent protection, producing products and services that solve genuine customer needs. It has fairly stable revenues and earnings and has generated high returns on capital, creating economic value for shareholders.
- Richemont, a good quality luxury goods business was added to the portfolio. Its share price had fallen too much offering a sufficient margin-of-safety to have a small position. If the stock were to fall further, we would add to this position.

We continue to remain disciplined in sticking to our investment philosophy and process and focus intently on protecting and growing your capital by investing in predominantly good businesses at attractive prices with capable management and low financial risk.

Wishing you and your family all the best for 2019.

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