FUND FACT SHEET
OCTOBER 2018

cadiz
ASSET MANAGEMENT

Cadiz Global Balanced Fund

KEY INFORMATION

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

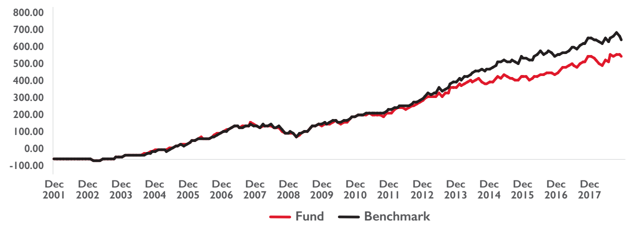
FUND OBJECTIVE

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.

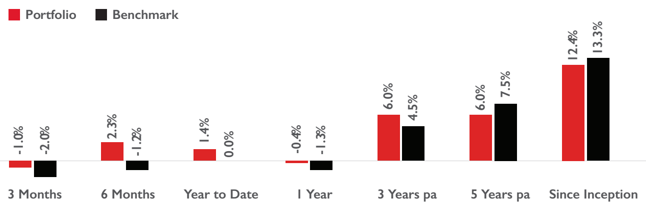
RISK STATISTICS (3 YEARS)

	Fund	Benchmark
Standard Deviation	7.2%	6.9%

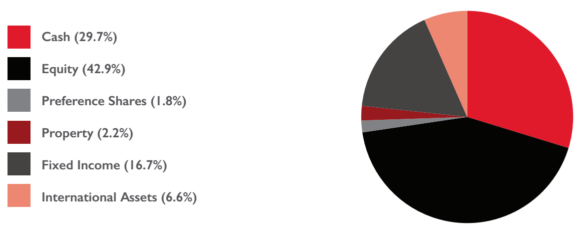
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING - 31 OCTOBER 2018



ASSET ALLOCATION



TOP 10 EQUITY HOLDINGS

British American Tobacco PLC	5.3%
Naspers	5.2%
MTN Group	3.7%
Mediclinic International plc	3.3%
Woolworths Holdings	2.4%
Impala Platinum Hlds	2.4%
Brait SE	2.2%
Anglogold Ashanti	2.1%
Standard Bank Group	2.0%
African Phoenix Investment	1.8%

Quarterly Fund Commentary-Third Quarter 2018

PORTFOLIO COMMENTARY

The Cadiz Balanced fund generated 1.0% for the quarter. This is compared to the fund's benchmark which is the peer group median of the Alexander Forbes Global Large Managers, which delivered 1.4%. Over a rolling 3-year period the fund has delivered 8.3% outperforming the peer group median return of 7.5%

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.

PERFORMANCE REVIEW

Stocks that contributed positively to performance were Impala Platinum that rebounded strongly during the quarter. Express Scripts also had a good quarter along with most of our international stocks including the oil services stocks. African Phoenix preference shares also contributed positively with the announcement that the preference shares are likely to be bought back.

Stocks that detracted from performance this last quarter were MTN, Mediclinic and Naspers.

- MTN was hit hard by claims from the Nigerian Central bank and their 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 was so severe that at the current price, 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.
- 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.

FUND POSITIONING

At the end of June we began buying South African bonds adding to our corporate bond exposure. We have continued to add to this position this quarter as bond yields have risen. Our property and equity weights have remained similar although we have recycled some capital within equities which will be explained below. With the significant depreciation in the rand we have bought currency futures to protect the fund against the rand strengthening.

As share prices have fallen, we have used this opportunity to slowly add a number of stocks to the portfolio. These include:

- Tiger Brands, which was hit hard by the listeriosis crisis at the start of 2018 and the weak economic environment. We believe the business has a very good long term track record and although it has made some poor capital allocation decisions in the past, new management are in place who are focusing on stabilising core operations.
- Absa which 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.
- Facebook, which has a powerful business model, a strong network effect and the advantage of access to customer information that can be used for targeted advertising. The share price declined more than 25% due to the market downgrading the near term growth expectations. We believe that the near term growth pressures are overly discounted and hence expect a good long term outcome from this investment.

To fund these purchases we have taken profits by reducing our Sasol investment as the share price reached our base case valuation on the back of the recovering oil price. We sold Express Scripts as the share price reflected the deal value of the Cigna buyout. We also sold Charter Communications. Our investment review highlighted that the attractiveness of the investment hinged on very aggressive tax structures and we were uncomfortable with the level of financial risk. This reduced our conviction level and decided to exit this investment.

We continue to 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.

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