FUND FACT SHEET
NOVEMBER 2018

Cadiz Global Equity Fund

cadiz ASSET MANAGEMENT

KEY INFORMATION

Portfolio Manager	Razeen Dinath and Brian Munro
Inception	1 December 2013
Benchmark	FTSE/JSE J403T SWIX

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.

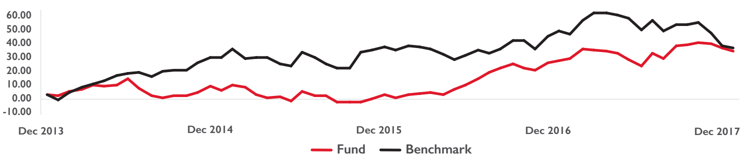
The fund invests in equities that trade below their intrinsic market value. The fund can hold up to 30% in foreign assets and 10% in Africa (excl. SA), with the balance in domestic equities listed in South Africa. The fund sits at the top end of the risk/return spectrum and can also invest in property related securities. The portfolio's minimum exposure to equities will be 80% of its net asset value at all times.

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.

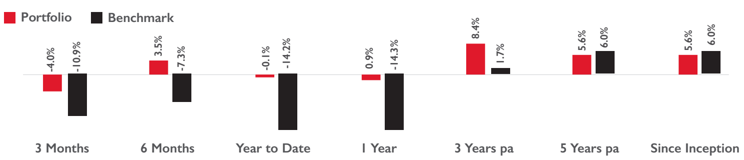
RISK STATISTICS (3YEARS)

	Fund	Benchmark	Active
Standard Deviation	9.4%	11.4%	-2.0%
Tracking error	9.3%		
Information Ratio	0.7		

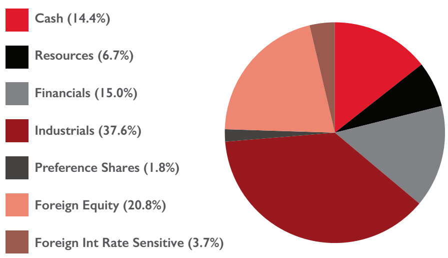
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING - 30 NOVEMBER 2018



SECTOR ALLOCATION



TOP HOLDINGS

Naspers	6.4%
British American Tobacco	6.1%
Mediclinic International plc	4.2%
MTN Group	4.1%
Woolworths Holdings	3.7%
Impala Platinum Hlds	2.6%
Absa Group Limited	2.5%
Tiger Brands	2.4%
Standard Bank Group	2.3%
Metair Investments Ord	2.2%

Quarterly Fund Manager Commentary – Fourth Quarter 2018

PORTFOLIO COMMENTARY

2018 was a particularly tough year for risk assets (which include equities, property and commodities) which generated negative returns for the year. Local and global risks have seemingly increased due to the potential downgrade of South Africa's sovereign credit rating by Moody's, the trade war between the US and China, BREXIT and the unwinding of quantitative easing.

With a long term focus, the fund continues to follow a disciplined process to generate capital growth for its clients, while limiting the potential for permanent capital loss. The market weakness lowers the price that you are paying for an investment and a lower price in most cases translates into higher future returns. Whether these returns will come through in 2019 is unknown, but over a 3 to 5 year investment horizon business fundamentals drive the underlying share price. Fundamentally, we believe the investment cases for each asset in the fund remains intact and so we wait patiently for share prices to reach our assessment of what the asset is worth.

PERFOMRANCE REVIEW

The Cadiz Equity fund generated -4.3% 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 FTSE/JSE SWIX, which delivered -11.7% for the year. The fund did much better than its benchmark and hence delivered an acceptable result given the turbulent environment in 2018.

The 4th quarter 2018 was a particularly poor quarter for the fund with a loss of -6.4%. The main detractors of performance in the fourth quarter were International stocks. In particular, the oil services businesses (Transocean, Diamond Offshore Drilling and National Oilwell Varco) really suffered as the Brent crude oil price fell from a high of $82 to a low of $52 driven by good output from the US Shale oil fields and fears of a global economic slowdown. We have seen Opec+ already reinstate a supply cut of 1.2m barrels per day which has lifted the oil price close to $60, with any further supply disruption likely to result in higher oil prices.

Local stocks that were major detractors from performance were British American Tobacco, Mediclinic and Intu Properties.

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.

(continues on the next page)

Cadiz Global Equity Fund

FUND POSITIONING

The fund has a high allocation to cash of 18%. We have not used our full offshore allocation of 30% and hence have capacity to take 8% of this cash offshore which can be invested to increase the equity weighting. This action is justified as our international investments are quite attractively priced at this point in time.

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 sold Apple and Starbucks after these businesses share prices had run-up to levels where the expected return was not attractive versus other investment opportunities.

We continue to remain disciplined in sticking to our investment philosophy and process and focus 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.