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.

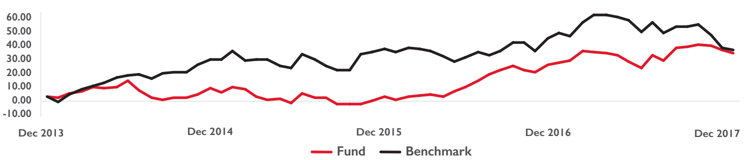
The fund invests in equities that trade below their intrinsic market value. The fund can hold up to 30% in foreign assets and 10% in Africa (excl. SA), with the balance in domestic equities listed in South Africa. The fund sits at the top end of the risk/return spectrum and can also invest in property 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.

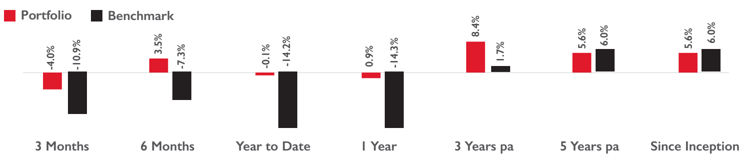
RISK STATISTICS (3YEARS)

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

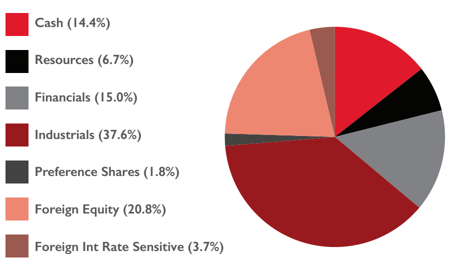
CUMULATIVE PERFORMANCE SINCE INCEPTION



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 – 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 11.2% 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.

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Cadiz Global Equity Fund

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 managements 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.