

Cadiz Worldwide Flexible Fund

Fund Information

FUND OBJECTIVE

The Cadiz Worldwide Flexible Fund seeks to provide investors with returns well above South African inflation over rolling 3 year periods. The Manager has the discretion to invest in opportunities across all asset classes globally in order to obtain the best risk-adjusted returns.

WHAT DOES THE FUND INVEST IN?

The fund can invest in local and global investments across equities, fixed interest instruments, listed property, derivatives and cash. Investments are selected at an individual security level where the Manager considers the risk of permanent capital loss to be low, with attractive risk-adjusted return potential. Equities will generally make up the bulk of the funds' investments in order to provide high (> 6% pa) long term real returns, but the Manager has maximum flexibility in terms of asset allocation and is not precluded from varying the asset allocation to reflect the Managers view of the attractiveness of different asset classes.

WHO IS THE FUND SUITABLE FOR?

- Investors with at least a 5 year investment horizon.
- Investors who are in their wealth accumulation phase seeking high long term real returns.
- Investors with a moderate to high risk profile.

INVESTMENT PHILOSOPHY AND PROCESS

We apply a long-term bottom-up, valuation driven process to uncover the most attractive risk-adjusted return opportunities for the various asset classes available in local and foreign markets. We follow an absolute process and construct portfolios to maximise return for an acceptable level of downside risk. Our equity investment approach is rooted in the belief that there are two values for every security, 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 investments 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 Worldwide Flexible (Class A)

PERIOD (ANNUALISED) | AUGUST 2015 - 30 SEPTEMBER 2018

Total expense ratio	1.6%
Transaction costs	0.4%
Total investment charge	1.9%

FUND MANAGERS



Brian Munro
Head of Multi Assets



Razeen Dinath
Head of Equity Research

GENERAL INFORMATION

Inception	3 June 2005
Benchmark	CPI+6% pa net of fees over rolling 3 years
Sector	ASISA Worldwide Multi Asset Flexible
Fund Class	A
Fund Size	R75 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 000066833
Domicile	South Africa
JSE Code	CCEL

RISK VS REWARD

	INCOME	INCOME/GROWTH	INCOME/GROWTH	GROWTH	GROWTH
EXPECTED RETURNS	Money Market	Absolute Yield	Stable	Worldwide Flexible	Equity
	LOW RISK	LOW – MEDIUM RISK	MEDIUM RISK	MEDIUM – HIGH RISK	HIGH RISK

CONTACT DETAILS

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Cadiz Worldwide Flexible Fund

Class A as at 31 December 2018

GENERAL INFORMATION

Inception	3 June 2005
Fund category	ASISA Worldwide Multi Asset Flexible
Portfolio managers	Brian Munro and Razeen Dinath
Fund Size	R75 million
Benchmark	CPI+6% pa net of fees over rolling 3 years

RISK STATISTICS* (FOR CLASS A)

	Fund
Sharpe ratio annualised	-0.07
Maximum drawdown	-21.7%
Highest annual return	37.1%
Lowest annual return	-6.3%

* 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 31/12/2018

	Fund	Benchmark	Outperformance
1 Year	-3.0%	11.3%	(14.2%)
2 Year (annualised)	2.0%	11.0%	(9.0%)
3 Year (annualised)	3.6%	11.6%	(8.0%)
5 Year (annualised)	0.3%	11.4%	(11.2%)
7 Year (annualised)	0.7%	11.5%	(10.8%)
Since inception annualised	5.2%	11.5%	(6.3%)

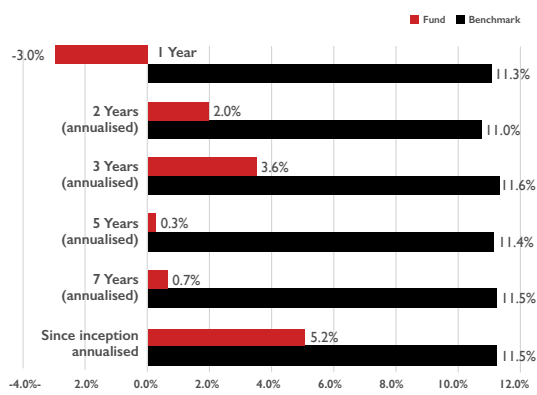
Source: Morningstar

TOP 10 HOLDINGS

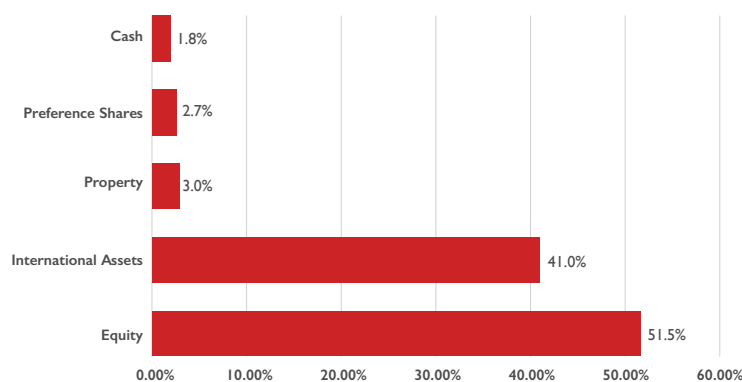
December 2018	November 2018
Naspers	Naspers
MTN	MTN
British American Tobacco	British American Tobacco
Mediclinic International	Mediclinic International
Woolworths Holdings	Woolworths Holdings
Anglogold Ashanti	Impala Platinum
Brait SE	Brait SE
African Phoenix Investments	Anglogold Ashanti
Metair Investments	African Phoenix Investments
Absa Group	Bed, Bath & Beyond

Source: Cadiz Asset Management

FUND RETURNS VS BENCHMARK



EFFECTIVE ASSET ALLOCATION EXPOSURE



RISK VS REWARD



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Cadiz Worldwide Flexible Fund

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 while we constantly review the risks, we will wait patiently for share prices to reach our assessment of what the asset is worth.

PERFORMANCE REVIEW

The Cadiz Worldwide Flexible fund generated -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 an absolute return benchmark of CPI + 6% of 11.3% for the year. When equity markets deliver poor returns, the fund will struggle to beat the benchmark but over the long term we believe that the underlying investments will deliver good returns.

The 4th quarter 2018 was a particularly poor quarter for the fund with a loss of -8.4%. 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. The fund's predominant US exposure also suffered when the US market finally succumbed to the negative sentiment that had caused negative returns in most global markets.

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 overreacted 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 hospital 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

The fund has 9% cash of which 7% is in US Dollars. Foreign listed equity is 33.8%. SA listed equity is 54.5%, with 2.6% in preference shares. We have been increasing our SA listed equity exposure through the year as the local market decline resulted in good investment opportunities.

Bayer AG and Hammerson Plc were new additions to the fund during the 4th quarter.

- 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.
- Hammerson is one of the premium European REIT's but has significant exposure to the UK. We believe that the properties Hammerson owns are well located in prime areas. BREXIT negativity has resulted in a steep share price decline to levels where future return prospects are highly attractive.

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.

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Cadiz Worldwide Flexible 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 sharp 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").

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