

Cadiz Global Balanced Fund

KEY INFORMATION

Portfolio managers Brian Munro and Razeen Dinath
Inception 1 December 2001
Benchmark Alexander Forbes Global Large Manager Watch Median Return

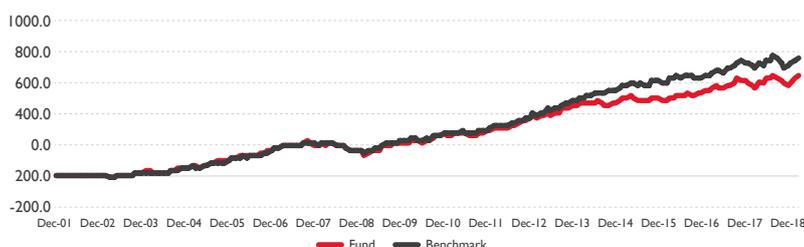
FUND OBJECTIVE

The Cadiz Asset Management Global Balanced product range encompasses both segregated and pooled portfolios. These moderate risk balanced mandates focus 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.

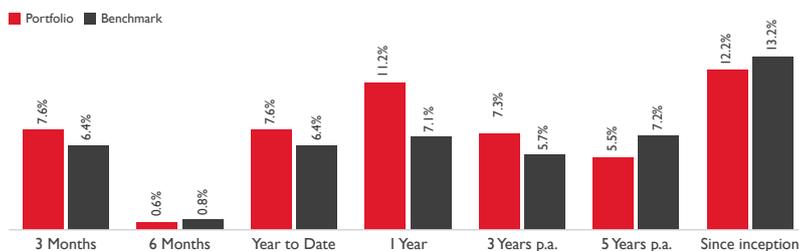
RISK STATISTICS (3 YEARS)

	Fund
Standard Deviation	7.6%

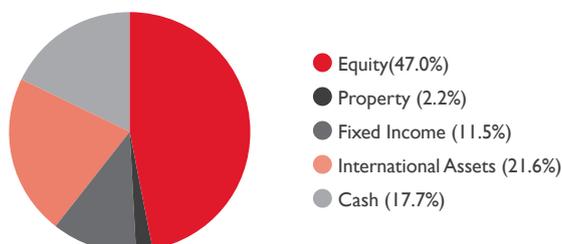
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING – 31 MARCH 2019



ASSET ALLOCATION



TOP 10 EQUITY HOLDINGS

Naspers	7.0%	Anheuser-Busch InBev	2.4%
British American Tobacco PLC	6.5%	Franklin Resources	2.3%
MTN Group	4.3%	Facebook Inc-A	2.2%
Mediclin International plc	2.9%	Woolworths Holdings	2.0%
Bed Bath & Beyond	2.5%	Macy's	2.0%

Quarterly Fund Commentary First Quarter 2019

PORTFOLIO COMMENTARY

The Cadiz Balanced fund generated 7.6% this quarter, rebounding strongly from the prior quarter as global equity markets recovered. This is compared to the fund's benchmark, which is the Alexander Forbes Global Large Manager Watch median return, which delivered 6.4%. The quarterly results can be quite volatile and therefore we encourage our clients to ignore the short-term noise and focus on the longer-term results that the fund is producing; 1-year, 3-year and longer. Over the last year, the fund delivered 11.2% outperforming the benchmark return of 7.1%.

Global recessionary fears faded as China's economic growth seems to be stabilising. US-China trade talks have also fed positive sentiment. The US Federal Reserve paused on hiking interest rates and the US, European and Japanese central banks have communicated that monetary policy would continue to be accommodative. Collectively, these events have supported equity markets.

Some positive key announcements at the end of the quarter were:

- Moody's confirmed South Africa's credit rating as investment grade which was a major relief to local bond and equity markets. South Africa has been given time to develop credible reform initiatives to boost the economy's growth prospects.
- The South African Reserve Bank (SARB) kept interest rates unchanged at 6.75%, as expected.

PERFORMANCE REVIEW

Stocks that contributed positively to performance were British American Tobacco, Naspers, Bed Bath & Beyond, Anheuser-Busch InBev and Facebook as well as the platinum stocks. These were some of the stocks that rebounded after a poor end to 2018.

The main detractors of performance during the quarter were Woolworths, Macy's and CVS Health. As part of our process, we regularly re-evaluate each stock's investment case to see if anything has changed and whether the investment case still holds. For these 3 stocks, we believe their investment case is sound with the potential to deliver good long-term investment returns for the fund.

FUND POSITIONING

During the first quarter, the fund allocated some capital offshore and increased both its foreign and local equity exposures, taking advantage of attractive prices from the equity market sell-off. The fund sold out of Philip Morris and Comcast after delivering handsome returns. Locally the fund sold the African Phoenix preference shares and Howden Africa was delisted.

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Cadiz Global Balanced Fund

This allowed us to recycle capital into new stocks; Swatch and Shoprite. After Naspers unbundled MultiChoice, we increased this position size as well as increasing the position size in some existing stocks. We have summarised the investment case for MultiChoice and Shoprite below:

- MultiChoice Group (MCG) was spun-off from Naspers and listed on the JSE on 27 February 2019. It is an above average business with low financial risk. It is Africa's leading entertainment company with world-class technology and well-invested infrastructure which allows for the distribution of content across multiple platforms. The Group has a highly cash generative South African business and no financial debt. The concern is the African operations which is currently loss making, mainly due to large depreciations of the foreign currencies. MCG has built the network infrastructure in Africa and does not have to spend a lot more capital in this business. This business has a high fixed cost base and can grow earnings quickly as more subscribers are added. These concerns have kept the share price below our assessment of what we believe the business is worth which has enabled us to add to the position.
- Shoprite Holdings is an above average quality business that has a history of creating economic value for shareholders. The company is defensive in nature and generates resilient earnings and cash flows overtime. Its two main competitive advantages are economies of scale and a superior supply chain. The share price has been under pressure lately, as the Group's earnings have been temporarily impacted by currency movements in its Rest of Africa operations, allowing us to take an initial position. Were the share price to fall further, we would add to this investment.

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.