FUND FACT SHEET FEBRUARY 2019

Cadiz Worldwide Flexible Fund

cadiz ASSET MANAGEMENT

KEY INFORMATION

Portfolio managers	Brian Munro and Razeen Dinath
Inception	1 March 2002
Benchmark	SA CPI (CPIX until 31/12/08) +6% (TOP40 until 30/11/08)

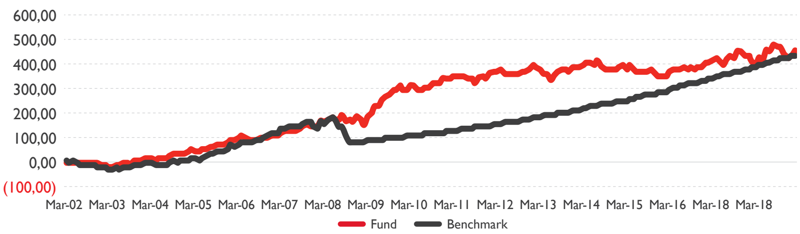
FUND OBJECTIVE

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. 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. 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.

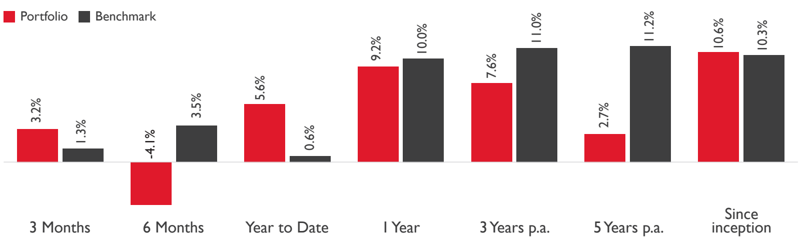
RISK STATISTICS (3 YEARS)

	Fund
Standard Deviation	10.8%

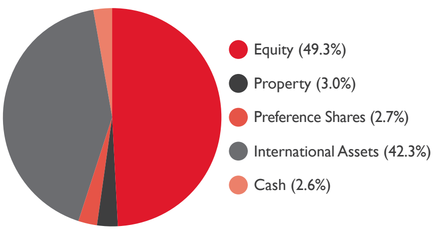
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING – 28 FEBRUARY 2019



ASSET ALLOCATION



TOP 10 EQUITY HOLDINGS

Naspers	7.9%
British American Tobacco PLC	4.5%
MTN Group	4.7%
Mediclinic International PLC	3.6%
Bed Bath Beyond	3.3%
Woolworths Holdings	2.8%
African Phoenix Investmen	2.7%
Absa Group Limited	2.7%
Anglo American Platinum	2.6%
Standard Bank Group	2.5%

Quarterly Fund 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 -1.4% 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%. 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 funds 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.

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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.

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.