

Cadiz Worldwide Flexible Fund

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)

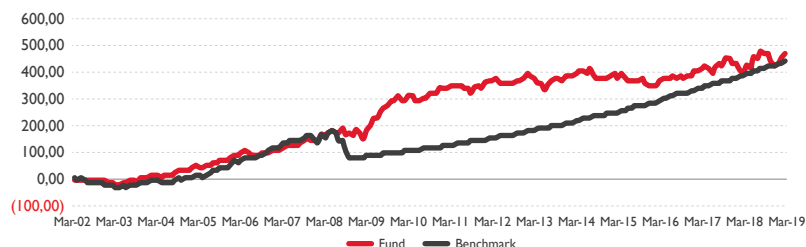
FUND OBJECTIVE

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.

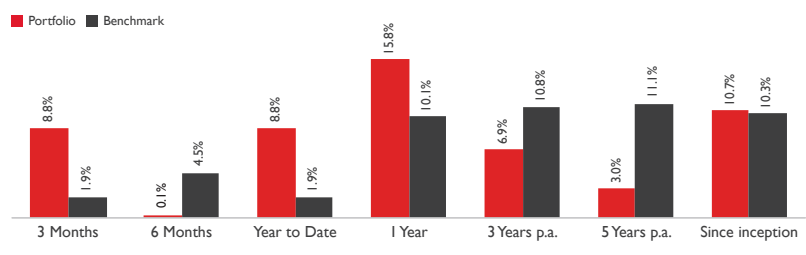
RISK STATISTICS (3 YEARS)

	Fund
Standard Deviation	10.5%

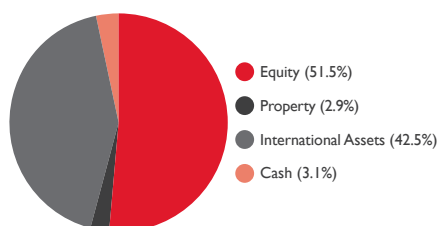
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING – 31 MARCH 2019



ASSET ALLOCATION



TOP 10 EQUITY HOLDINGS

British American Tobacco PLC	7.8%
Naspers	7.4%
MTN Group	4.6%
Bed Bath & Beyond	3.5%
Mediclinic International PLC	3.4%
Woolworths Holdings	2.8%
Metair Investments Ord	2.8%
Anheuser-Busch InBev	2.6%
Facebook Inc-A	2.3%
Absa Group Limited	2.2%

Quarterly Fund Commentary First Quarter 2019

PORTFOLIO COMMENTARY

The Cadiz Worldwide Flexible fund gained 8.8% this quarter rebounding strongly from the prior quarter decline of -8.4% as global equity markets recovered. 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. The Cadiz Worldwide Flexible fund generated 6.9% for the rolling 3-year period which is below the target of CPI + 6% of 10.8%. For the rolling 1 year period, the fund generated 15.8% outperforming the benchmark of 10.1%. Although the rolling 3 year return is disappointing, we believe that the fund is currently positioned for good longer term returns.

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 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, CVS Health, Macy's and Brait. 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 4 stocks, we believe their investment case is sound with the potential to deliver good long-term investment returns for the fund.

FUND POSITIONING

The fund has 3.1% SA cash, up from 1.8%, while offshore cash declined from 7.3% to 4%. Our offshore equity exposure has increased from 33.8% to 38.4% while local equity exposure declined to 54.4% from 57.2%. Overall, total equity exposure increased to 92.9% from 91% as we used the market weakness to add to our equity holdings.

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Cadiz Worldwide Flexible Fund

We sold our African Phoenix Preference Shares and Howden Africa was delisted. This allowed us to recycle capital into new stocks; Peregrine holdings, Swatch and Shoprite. After Naspers unbundled MultiChoice, we increased this position on share price weakness. 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 depreciation 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.

Thank you for your continued support and trust.