FUND FACT SHEET FEBRUARY 2019

Cadiz Houseview Bond Fund

cadiz ASSET MANAGEMENT

KEY INFORMATION

Portfolio managers	Alastair Sellick & Sidney McKinnon
Inception	1 November 2000
Benchmark	BESA ALBI

FUND OBJECTIVE

The Cadiz Asset Management Domestic fixed interest composite invested in components of the BESA All Bond index (ALBI) complemented with higher yielding investment grade corporate bonds and inflation-linked bonds. A departure of ± 2 from the ALBI duration is maintained. Benchmark is the BESA All Bond Index.

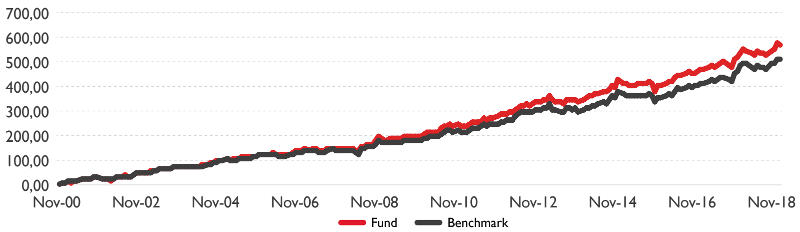
RISK STATISTICS (3 YEARS)

	Fund	Benchmark	Active
Standard Deviation	6.3%	6.8%	-0.6%
Tracking error	1.2%		
Information Ratio	-0.3		

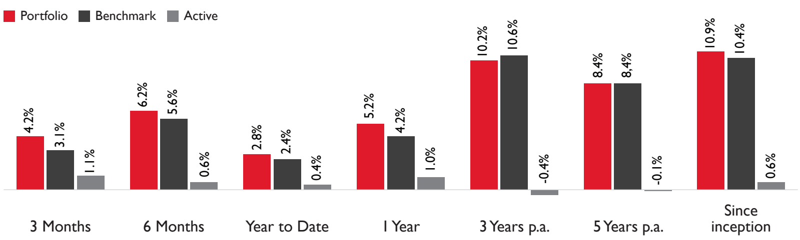
FUND CHARACTERISTICS

Modified Duration	6.8
Average number of holdings	73
Turnover per annum	331.0%
Maximum exposure to one stock	15.0%
Credit limit applied	40.0%
Maximum exposure to single counterpart (excluding government and government guaranteed debt)	15.0%
Maximum duration deviation around benchmark	1

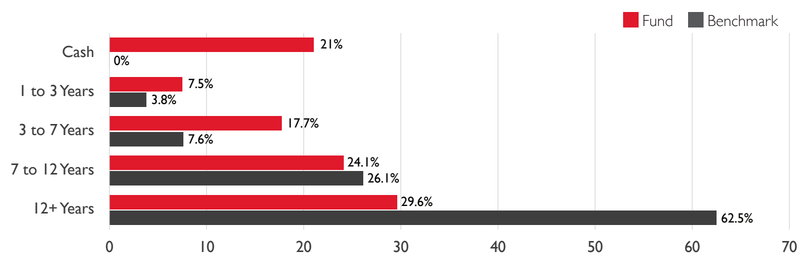
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING – 28 FEBRUARY 2019



SECTOR ALLOCATION



Quarterly Fund Commentary Fourth Quarter 2018

ECONOMIC AND MARKET COMMENT

The 4th quarter of 2018 brought a turbulent and confusing year in the financial markets to an end with a small, unconvincing riskback- on rally. South African yields were influenced by both local developments and international developments alike in Q4. A combination of ongoing rate hikes from the Fed and ever more hawkish rhetoric from the FOMC (and Fed Governor Jay Powell in particular) put upward pressure on US treasuries and global bond yields. In October, a very negative reaction to Finance Minister Tito Mboweni's inaugural Medium Term Budget Policy Statement (MTBPS) caused SA yields to sell off aggressively. Then in early December, suggestions that Eskom required a R100bn debt swap with the SA government also caused a very negative reaction in local yields. However, the absence of weekly auction issuance by National Treasury and a large dose of bond coupons coupled with an end-of-year ZAR rally caused a bond yield recovery to close a year of rising yields in South Africa. Ongoing uncertainty in the UK around how hard BREXIT will actually be (the likelihood of a no-deal BREXIT is now high and rising), and finally, the ratcheting upwards of Trade War tensions, courtesy of President Trump have created an uncertain global backdrop. Foreign outflows from the South African bond market continued, albeit at a reduced pace, and the total bond outflow for 2018 was around R68bn – a record outflow.

Global bond yields generally rose in the beginning of the quarter – US 10yr treasury yields peaked at 3.25% – and then plunged to end the quarter at 2.68%. The 10yr German Bund yield rose from 0.58% to end the quarter at 0.24%. The market is now intimating that the ECB will not be able to start hiking rates at all – and if it is able to do so, the first rate hike would be around May in 2020. South African bond yields sold off quite dramatically over the quarter, peaking at 9.46%, and then recovered to finish the quarter at 8.86%.

The stability of the Rand, coupled with the sharp decline in oil prices, caused two large petrol price cuts. However, in spite of this, the SARB raised rates at their November MPC meeting, citing global risks and rising US rates as the main reason for their hawkish hike. The currency rallied and so too did bond yields, on the expectation that this insurance hike would reduce the need for more hikes later in the cycle.

The bond market (All Bond Index) returned +2.80% for Q4 2018, leaving the 2018 year to date return at +7.74%. Equity markets (represented by the JSE ALSI) were down -4.88% over the quarter and Inflation Linked Bonds (ILBs) returned +0.43% for the quarter, with a flat +0.34% return year to date. Cash returned +1.82% for the quarter. Rolling 12 month returns for bonds fell to +7.74%, equities have returned -8.53%, and ILBs only +0.34% with cash returning 7.29% over the last 12 months.

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