

Cadiz Global Equity Fund

KEY INFORMATION

Portfolio managers Brian Munro and Razeen Dinath
Inception 1 December 2013
Benchmark Capped SWIX

FUND OBJECTIVE

The fund seeks long-term capital growth with a low risk of permanent capital loss by investing in a diversified portfolio of domestic and foreign shares, which are undervalued relative to their replacement cost or sustainable earnings power.

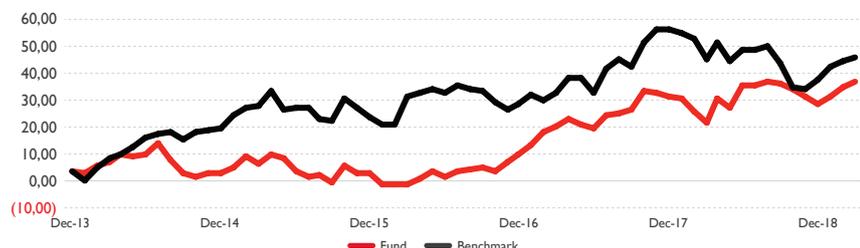
The fund invests in equities that trade below their intrinsic market value. The fund can hold up to 30% in foreign assets and 10% in Africa (excl. SA), with the balance in domestic equities listed in South Africa. The fund sits at the top end of the risk/return spectrum and can also invest in property related securities. The portfolio's minimum exposure to equities will be 80% of its net asset value at all times.

We are long-term, bottom-up, valuation driven investors searching for quality businesses selling at an attractive price. Our investment approach is rooted in the belief that there are two values for every share, 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 companies when they are typically out of favour and attractively priced.

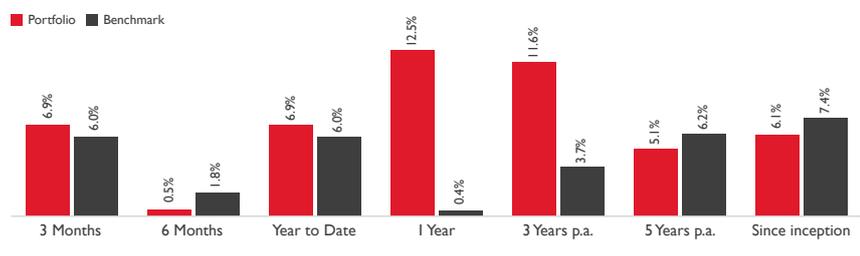
RISK STATISTICS (3 YEARS)

	Fund	Benchmark	Active
Standard Deviation	9.2%	10.4%	-1.2%
Tracking error	8.4%		
Information Ratio	0.9		

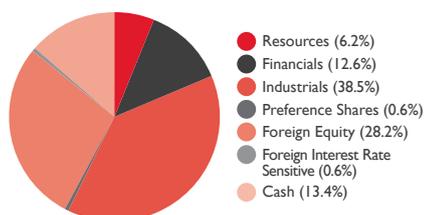
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING - 28 FEBRUARY 2019



SECTOR ALLOCATION



TOP 10 EQUITY HOLDINGS

British American Tobacco PLC	7,2%
Naspers	6,5%
MTN Group	3,6%
Mediclin International PLC	3,3%
Woolworths Holdings	2,6%
Anheuser-Busch InBev	2,5%
Limited Brands	2,3%
Metair Investments Ord	2,2%
Bed Bath & Beyond	2,2%
Absa Group Limited	2,1%

Quarterly Fund Commentary First Quarter 2019

PPORTFOLIO COMMENTARY

The Cadiz Global Equity fund gained 6.9% this quarter rebounding strongly from the prior quarter decline of -6.4% 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 Global Equity fund generated 11.6% for the rolling 3-year period which significantly outperformed the fund's benchmark of 3.7%. For the rolling 1 year period, the fund generated 12.5% also outperforming the benchmark of 0.4%.

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 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 3 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 reduced the allocation to cash from 18% to 13%. Our offshore equity exposure has increased from 21% to 28% while local equity exposure declined to 58% from 61%. Overall, total equity exposure increased to 87% from 83% as we used the market weakness to add to our equity holdings.

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Cadiz Global Equity Fund

The fund sold out of Autozone after it delivered handsome returns to invest in other businesses with higher prospective return. We also sold our African Phoenix Preference Shares and Howden Africa was delisted. This allowed us to recycle capital into new stocks; 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.