

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

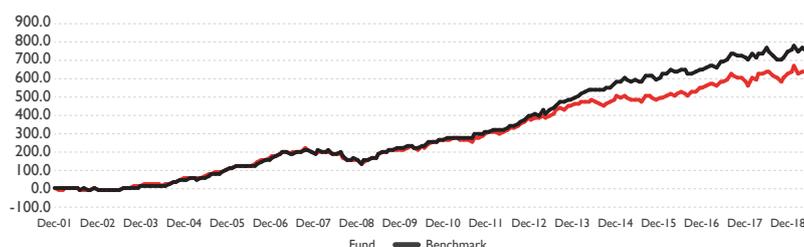
FUND OBJECTIVE

The Cadiz Asset Management Global Balanced product range encompasses both segregated and pooled portfolios. These moderate risk balanced mandates focuses 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	8.5%

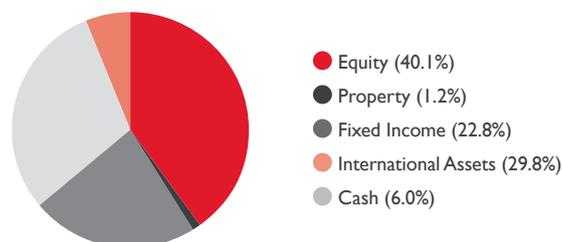
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING – 31 JULY 2019



ASSET ALLOCATION



TOP 10 EQUITY HOLDINGS

British American Tobacco Plc	4.8%	CVS Health	1.9%
Naspers Ltd-N Shares	4.2%	Tiger Brands Ltd	1.9%
MTN Group Ltd	3.7%	Alphabet Inc-A	1.7%
Mediclin International Plc	2.6%	Woolworths Holdings Ltd	1.7%
Facebook Inc-A	2.2%	Anheuser-Busch Inbev SA/NV	1.7%

Quarterly Fund Commentary Second Quarter 2019

PORTFOLIO COMMENTARY

The Cadiz Balanced fund generated -0.1% for the quarter and 7.5% for the first half of the year. The month of May was a particularly poor month as global markets corrected on renewed fears of an escalating trade war between US and China as negotiations broke down. The fund performed in line with its benchmark for the first half of the year.

The last 18 months has seen global markets correct 3 times and then rebound – essentially moving sideways with volatility. We are at an interesting phase of the business cycle. Various economic indicators suggest the global economy is struggling and is likely to slow to around trend-growth. The risks are that the global economy slows even further towards a recession. Consequently, safe haven assets such as gold, global bonds and even the US Dollar have rallied. On the other hand, global equity markets are posting all-time highs with the S&P 500 leading the way and returning 17% for the first half of the year. Earnings growth has slowed and there are indications that company earnings growth is expected to either be flat or negative.

While the risks of a global recession have increased, we continue to find good investment opportunities where prices have already fallen significantly. These investments should generate handsome real returns for the fund in the long term.

PERFORMANCE REVIEW

Stocks that contributed positively to the fund return were AngloGold, MTN, Absa, Richemont, Multichoice, Facebook and Discovery Inc. We continue to hold these investments in the fund.

The main detractors of performance were British American Tobacco, Transocean, Diamond Offshore drilling, Bed Bath and Beyond, Macy's, Intu and Hammerson. US cigarette volumes were weaker than market expectations which led to the Tobacco sector decline. The oil services companies were driven by sharp movements in the oil price due to inventory build in the US and lower prospects for demand on weak economic indicators. US retailers also sold off on recession fears. Intu and Hammerson declined as the possibility of a hard BREXIT once again came into play with the resignation of Theresa May.

We exited our investment in Transocean and swapped this into Diamond Offshore Drilling, which maintains our overall exposure to the offshore drillers. Transocean has recently acquired one of their competitors which has significantly increased their debt levels on the balance sheet, increasing their financial risk. Diamond Offshore Drilling offers the same exposure, has lower debt levels and is more likely to last through the cycle. As a result, Diamond Offshore Drilling is offering a better risk-adjusted return for investors.

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Cadiz Global Balanced Fund

FUND POSITIONING

The fund enjoyed a substantial inflow at the end of May which has meaningfully increased the cash position of the fund. We are in the process of investing some of this capital into existing assets that still offer attractive returns. The additional cash has also provided a cushion to some of the recent volatility experienced in the market.

The fund sold out of Franklin Resources and Old Mutual which was recycled into better opportunities. We invested into Booking Holdings, Alphabet (Google) and Truworths. We have summarised the investment case for Booking Holdings and Alphabet below:

- Booking Holdings share price has declined due to concerns about the health of the European economy and the impact this will have on travel. Booking Holdings is the world's leading provider of online travel & related services. Booking.com is the world's leading brand for booking online accommodation reservations. The Group operates a capital light platform business model, and through their online platforms, they are able to connect consumers wishing to make travel reservations with providers of travel services around the world. Booking's primary competitive advantage lies in its network effect where they have built more partnerships with hotels, motels, and other accommodations compared to their competitors, and therefore offer consumers greater choice. The business has low financial risk. Management are innovative with a long-term focus seeking to expand the moat and have delivered good operating results. We invested at an attractive price of 17x free cash flow.

- Alphabet (Google) share price suffered some pressure due to regulatory concerns. This gave us an opportunity to invest in this high quality business that dominates the internet search business with Google. The business has a proven track record of growing its intrinsic value through time, has a strong moat around its business and is a strong generator of free cash flow. The business has low financial risk with surplus cash. Were there to be further price weakness, we would look to increase our position in this quality business.

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.