FUND FACT SHEET JULY 2019

Cadiz Worldwide Flexible Fund

cadiz ASSET MANAGEMENT

KEY INFORMATION

Portfolio managers	Razeen Dinath & Brian Munro
Inception	1 March 2002
Benchmark	SA CPI (CPIX until 31/12/08) +6% (TOP40 until 31/10/08)

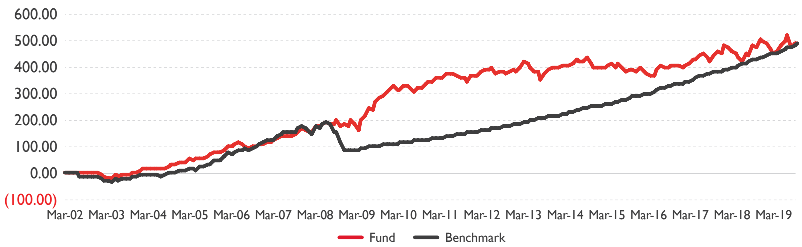
FUND OBJECTIVE

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% p.a.) 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.

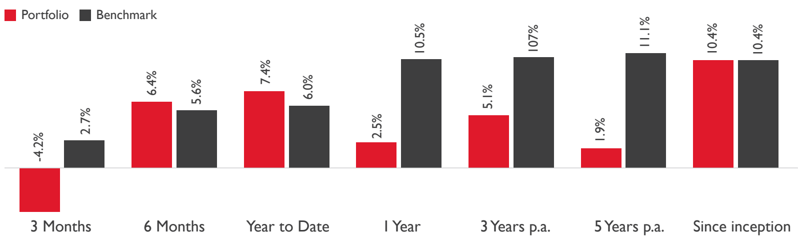
RISK STATISTICS (3 YEARS)

	Fund
Standard Deviation	11.3%

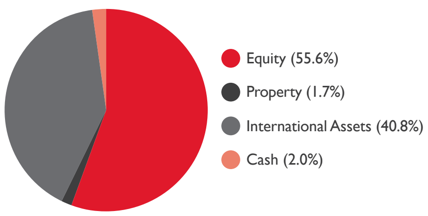
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING – 31 JULY 2019



ASSET ALLOCATION



TOP 10 EQUITY HOLDINGS

British American Tobacco Plc	5.8%
Naspers Ltd - N Shares	5.5%
MTN Group Ltd	4.3%
Mediclinic International Plc	3.5%
Woolworths Holdings Ltd	3.3%
Facebook Inc-A	3.1%
Multichoice Group Ltd	3.1%
Diamond Offshore	3.0%
Absa Group Ltd	2.9%
CVS Health	2.6%

Quarterly Fund Commentary Second Quarter 2019

PORTFOLIO COMMENTARY

The Cadiz Worldwide Flexible fund declined -1.3% this quarter. The Fund generated 6% for the rolling 3-year period. This is well below the target of CPI + 6% which is 10.8%. The rolling 1 year period is also quite volatile as the 13.9% return at the prior quarter end has been reduced to 1.1% which is below the target benchmark return.

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 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 performance 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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ASSET MANAGEMENT

Cadiz Worldwide Flexible Fund

FUND POSITIONING

Our offshore equity exposure has reduced from 38.4% to 35%, while local equity exposure increased to 56.3% from 54.4%. Overall, total equity exposure stayed fairly constant.

The fund sold out of Comcast, Franklin Resources and Transocean which was recycled into better opportunities. We invested into Booking Holdings, Alphabet, City Lodge 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's (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.

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