

Cadiz Global Equity Fund

KEY INFORMATION

Portfolio managers Razeen Dinath & Brian Munro
Inception 1 December 2013
Benchmark Cadiz Equity Fund linked benchmark (inception to 31/01/2019 SWIX; 01/02/2019 ongoing Capped SWIX)

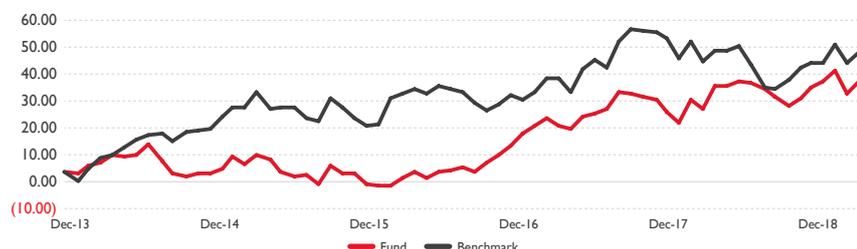
FUND OBJECTIVE

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	10.0%	11.3%	-1.3%
Tracking error	8.7%		
Information Ratio	0.8		

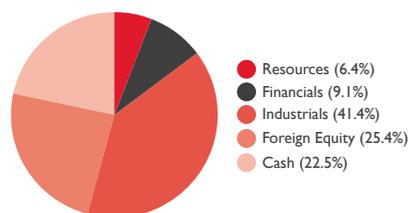
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING - 31 JULY 2019



SECTOR ALLOCATION



TOP 10 EQUITY HOLDINGS

British American Tobacco Plc	6.7%
Naspers Ltd - IN Shares	5.1%
Mediclinic International Plc	3.5%
MTN Group Ltd	3.3%
Woolworths Holdings Ltd	2.8%
Absa Group Ltd	2.7%
Multichoice Group Ltd	2.7%
Facebook Inc-A	2.6%
Anglogold Ashanti Ltd	2.5%
Shoprite Holdings Ltd	2.4%

Quarterly Fund Commentary Second Quarter 2019

PORTFOLIO COMMENTARY

The Cadiz Equity fund returned -0.1% this quarter. The Fund generated 10.6% for the rolling 3-year period which significantly outperformed the Capped SWIX benchmark of 3.7%. The rolling 1 year period is also quite volatile as the 10.6% return at the prior quarter end has reduced to 1.2% as per chart which is similar to the return of the Capped SWIX.

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 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

(continues on the next page)

Cadiz Global Equity Fund

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.

FUND POSITIONING

The fund has continued to receive inflows over the quarter which has resulted in the cash position increasing to 18%. As investment opportunities became available, or the stocks we hold became cheaper, we will increase our equity weight.

The fund sold out of Comcast, Franklin Resources, Transocean and Old Mutual 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.