FUND FACT SHEET AUGUST 2020

Cadiz Global Equity Fund

cadiz ASSET MANAGEMENT

PORTFOLIO MANAGERS

Adrian Meager
MD and CIO

Johan Louwrens
Senior Equity Portfolio Manager – SA

KEY INFORMATION

Inception	1 December 2013
Benchmark	Cadiz Equity Fund linked benchmark (inception to 31/01/2019 SWIX; 01/02/2019 ongoing Capped SWIX)

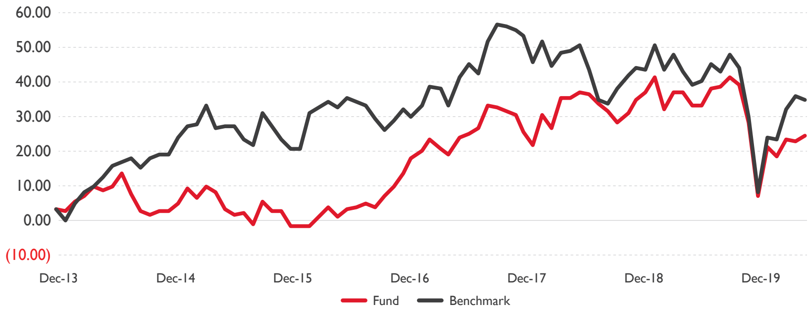
FUND OBJECTIVES

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.

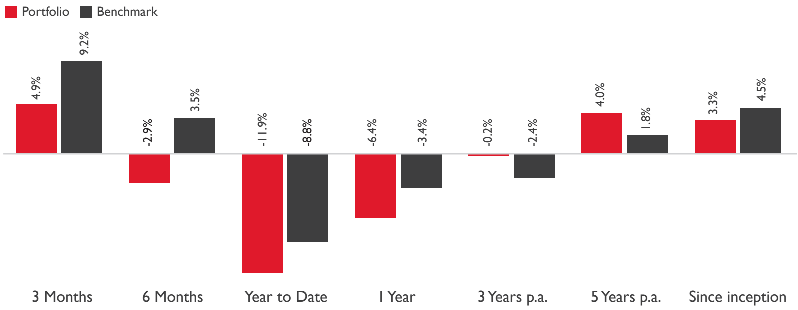
RISK STATISTICS (3 YEARS)

	Fund	Benchmark	Active
Standard Deviation	16.5%	17.7%	-1.3%
Tracking error	7.8%		
Information Ratio	0.3		

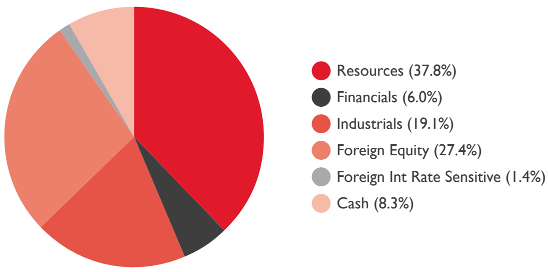
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING – 31 AUGUST 2020



ASSET ALLOCATION



TOP 10 EQUITY HOLDINGS

Naspers Ltd - N Shares	7.6%
Clicks Group Limited	3.5%
Vodacom Group Limited	3.4%
Anglo Platinum Ltd	3.2%
ALPHABET INC-A	2.1%
Mondi Plc	2.1%
Anglo American Plc	2.1%
BHP Group Plc	2.1%
Bid Corporation Ltd	2.0%
Impala Platinum Holdings Ltd	2.0%

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ASSET MANAGEMENT

Cadiz Global Equity Fund

Quarterly Fund Commentary
Second Quarter 2020

PORTFOLIO COMMENTARY

The Cadiz Global Equity fund bounced back in the second quarter, gaining 15.4% and recovering some of the declines seen in the first quarter. Despite the sharp recovery, the fund trailed the Capped Swix, its benchmark, which gained 21.6% for the quarter. The fund's performance over a rolling 1-year period was -9.9% compared to its benchmark, which returned -10.8%. Over a rolling 3-year period, the fund has delivered 1.1% per annum, which is ahead of its benchmark of -0.3% per annum.

The investment landscape continues to be extremely volatile, and after reaching the trough towards the end of the first quarter, global stock markets have proceeded to bounce back in spectacular fashion! This recovery has occurred despite the uncertainty around how bad the actual damage has been to the global economy. We have seen governments and central banks take urgent action, and have poured trillions of dollars into the global economy to provide stability.

The US stock market has led the recovery, with the DOW Jones ending the quarter up 18.51%, the S&P 500 up 20.54%, and Nasdaq up a whopping 30.95%. The tech sector has been the biggest driver of returns, and investors have been piling into US listed companies that they believe will benefit from an acceleration in digital trends that were already underway (such as e-commerce, online payments, food and grocery delivery, cloud computing, telemedicine etc.). In addition to the uncertainty around the extent of the economic damage that has been done, we think investors should act with caution as other events, such as increasing US-China tensions, increased levels of corporate debt, a possible second wave of COVID-19, could derail the stock market's recovery. With that being said, we continue to focus on identifying individual businesses (and not the stock market as a whole), that meet our investment criteria, and are trading at a level that we think will provide good returns over a 5+ year time horizon.

In the local market, the JSE ALSI has bounced back strongly in the second quarter, from the lows reached in March. The JSE ALSI gained 23.18% in the second quarter, and is now down just 3.16% for the year to date. The second quarter recovery was led by resources, as Sasol and the precious metal miners all enjoyed strong gains. Industrials advanced 17.12% for quarter, whilst financials lagged and are still down 33.4% for the year as their performance is more aligned with overall performance of the economy. The South African economy has endured years of mismanagement, and has seen barely any growth over the last few years. COVID-19 couldn't have come at a worse time for the local economy, and the impacts of the virus, and actions that have been required to fight it, will likely put the South African economy under enormous strain for years to come. Unless the government has a plan that can realistically be implemented to address things like the extreme levels of unemployment, a broken education system, policy uncertainty, increasing levels of government debt, a deteriorating fiscal deficit, corruption, bankrupt SOE's etc., the local economy is likely to experience another lost decade of economic growth as experienced during the Zuma presidency. It's easy to become too pessimistic on the economy though, and it's important to remember that there's a lot of low hanging fruit and easy wins to take advantage of, and if the public and private sector can find a way to work together, over time the local economy can get back to growth rates of over 3%. Despite this weak environment we currently find ourselves in, there are always opportunities to be taken, and we believe share prices of certain companies are very attractive at current levels and could deliver stellar returns if economic growth normalises to SA's long-term potential.

FUND POSITIONING

After taking advantage of lower share prices towards the end of the first quarter, we reduced our exposure to certain stocks that we believe had run too hard given the economic outlook, and we looked to improve the quality and return expectations of the fund. The fund has 85.8% invested in equity, down from the 92.3% exposure at 31 March 2020. Offshore exposure is at 27.9% and 0.6% is invested in UK REITs.

We exited positions in L Brands, Diamond Offshore Drilling, and Intu Properties during the quarter, on concerns around increasing financial risk. Two of these decisions have already proven to be correct with both Diamond Offshore Drilling and Intu Properties filing for business rescue. Berkshire Hathaway was the only new addition to the fund, as we were able to buy this very well run and diversified business at an attractive level. Berkshire is run by one of the greatest capital allocators of all time, and with over $130bn worth of cash sitting on the balance sheet, they are well positioned to take advantage of any opportunities that may arise.

We trimmed certain positions that we believe don't offer a compelling risk/reward ratio anymore after they had increased by more than we think is warranted given the current economic environment. We added to existing investments, taking advantage of depressed share prices.

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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