

Cadiz Money Market Fund

PORTFOLIO MANAGER



Sidney McKinnon
Senior Fixed Income
Portfolio Manager – SA

KEY INFORMATION

Inception 1 July 2008
Benchmark STeFi Composite

FUND OBJECTIVES

The Cadiz Money Market product range encompasses both segregated and pooled portfolios. These low risk money market mandates focus on delivering strong consistent returns over the medium to longer term, benchmarked against the STeFi. These money market mandates are managed on a fully discretionary best house view basis and targets a weighted average duration of 90 days. This mandate is ideally suited as a core money market investment for both pension and provident funds, as well as a money market investment option for retirement funds which offer member investment choice. Our money market products have consistently outperformed the STeFi since its inception in 2000.

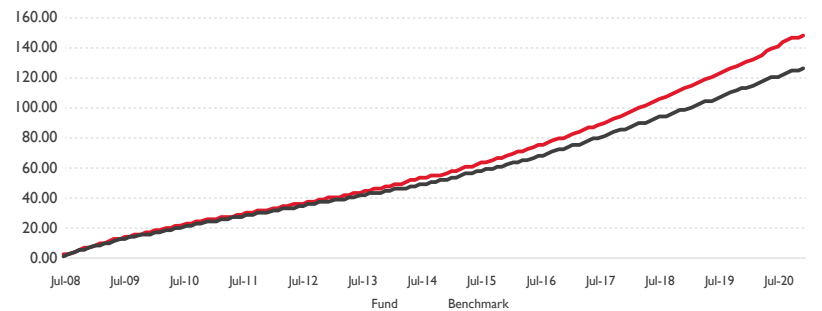
RISK STATISTICS (3 YEARS)

	Fund	Benchmark	Active
Standard Deviation	0.6%	0.2%	0.4%
Tracking error	0.6%		
Information Ratio	2.6		

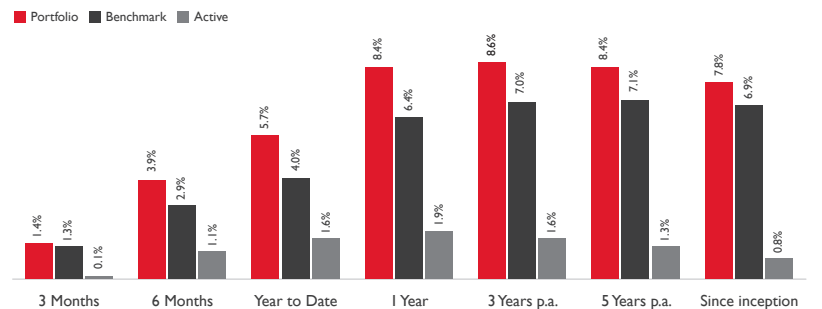
FUND CHARACTERISTICS

Maximum duration of the portfolio	90 days
Maturity of longest dated instrument	897 days

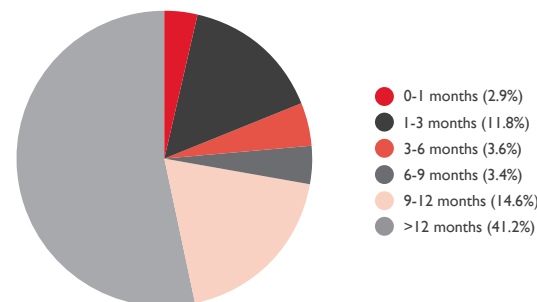
CUMULATIVE PERFORMANCE SINCE INCEPTION



PERIOD RETURN ENDING – 31 AUGUST 2020



SECTOR ALLOCATION



Cadiz Money Market Fund

Quarterly Fund Commentary Second Quarter 2020

Markets reacted positively to the flattening of the covid-19 infection curve and the partial resumption of economic activity in large parts of the world at the beginning of the quarter. Developed economies started to implement monetary and fiscal stimulus support which caused a wave of risk on sentiment to return. Some of the positivity was curtailed by a sharp rise in US-China tensions and mounting concerns over a second wave of Covid-19 infections. The stimulus programs kept global bond yields in check with most of the decline in yields initially experienced in European bond markets before yields retraced and settled at slightly higher levels by the end of the quarter.

The local fixed interest landscape was driven by substantial rate cuts in April and May as the SARB provided much needed stimulus and liquidity to the local bond market. The SARB continues to provide additional liquidity through open market operations via daily overnight repurchase auctions, 7-day and special 3-month term repurchases, weekly auctions and intervention in the secondary market via purchases of government bonds. These actions have supported our local bond market well but foreigners remained net sellers of our bonds as Fitch and S&P Global downgraded our sovereign credit rating in April and South Africa's exit from the FTSE World Government Bond Index commenced. Our local bonds performed exceptionally well during the month of May as the global risk-on trade returned. The gains were however offset somewhat by the announcement by National Treasury, in its supplementary budget, that issuance of local bonds would increase. The JSE All Bond Total Return Index was up 9.94% for the quarter.

The rand once again saw extreme volatility throughout the quarter, reaching a high of USDZAR 19.08 before falling back to USDZAR 16.52 and eventually ending the period at about USDZAR 17.35.

Money market yields once again declined alongside a spate of aggressive rate cuts as the South African Reserve Bank (SARB) acted swiftly to combat the economic

fallout from the global Covid-19 pandemic. The Repo rate was slashed by 100 basis points in April and a further 50 basis points in May bringing borrowing costs to its lowest level on record.

The Money Market Fund remains one of the most conservative investments that can be made across the investment spectrum. Investment risk, however, continues to rise as the Covid-19 crisis deepens and the threat of breakdowns in a fragile economy loom. On Thursday 23 April 2020, the Land and Development Bank of South Africa, defaulted on debt due triggering a cross default on certain other notes and bonds that the Landbank uses to fund their operations. This necessitated a write down of the Landbank exposure held in the fund to protect clients invested in the fund and to ensure that existing clients, new clients and those clients that choose to exit the fund are treated fairly. Already much progress has been made allowing us to write back most of the initial adjustments.

The Cadiz Money Market Fund has maintained its record of being highly competitive relative to its peers and is well positioned to continue doing so going forward.

The Fund continues to invest strategically across the money market yield curve to maximise yield while remaining within the risk parameters defined for money market funds. The Fund's retail asset class delivered 1.43% for the quarter while the STeFI composite index was up 1.46%.