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## Cadiz unit trust funds amalgamated with BCI

Cadiz are pleased to announce that all our unit trust funds were successfully amalgamated into the BCI collective investments scheme on 4 September 2020.

BCI is one of the 10 largest unit trust management companies in the country with more than R140bn assets under administration and specializes in the administration of cobranded unit trust portfolios.

BCI's core business is to support its boutique partners to grow their assets under management by providing high quality products, administration, and distribution services.

### WHAT DOES THIS MEAN FOR OUR CLIENTS?

The Cadiz funds will now be administered by Boutique Collective Investments (RF) (Pty) Ltd and we will close Cadiz Collective Investment (RF) (Pty) Ltd (Cadiz MANCO).

The Cadiz unit trust funds that are administered by BCI are:

#### Fixed Income

- Cadiz BCI Money Market Fund
- Cadiz BCI Enhanced Income Fund
- Cadiz BCI Absolute Yield Fund

#### Multi-Asset

- Cadiz BCI Stable Fund
- Cadiz BCI Balanced Fund
- Cadiz BCI Worldwide Flexible Fund
- Cadiz BCI Global Flexible Fund of Funds

#### Equity

- Cadiz BCI Equity Fund
- Cadiz BCI Property Fund »



**BOUTIQUE**  
+ COLLECTIVE  
INVESTMENTS



**CADIZ MONEY MARKET FUND** – A top quartile performing money market fund over 1, 2, 3, 5, 7 and 10 years and the number one ranked money market fund over 1, 5, 7 years and 10 years with an annualised yield of 7.64% from inception.

Source: Morningstar | Performance reported for A Class net of fees in ZAR as at 31/08/2020 (ASISA) South African IB Money Market, Inception: 01/03/2006 | Annualised return is the weighted compound growth rate over the period measured | Benchmark: STeFI Composite ZAR, Category Rank is against the (ASISA) South African IB Money Market Category | Highest Annual Return 7.96%; Lowest Annual Return 5.58%

## WHY DID WE MAKE THIS CHANGE?

Cadiz Asset Management is a long-term asset manager whose skill and expertise incorporate both quantitative and fundamental analysis in our investment process.

We offer the full spectrum of domestic-focused investment solutions to both retail and institutional clients across equities, fixed income, and multi-asset class portfolios.

The Cadiz BCI Equity Fund is a multi-factor equity fund with an active asset allocation investment process, and our Cadiz BCI Balanced and Cadiz BCI Stable Funds are managed using a top-down, bottom up approach, taking into consideration macro-economic, fundamental, valuation and technical factors. These serve as inputs to our multi-asset strategic and tactical asset allocation decisions.

We are wholly focussed on asset management and our objective is to enrich our clients' lives through long-term investment excellence- preserving and growing our clients' long-term wealth.

Our goal is to deliver consistent long-term investment performance and exceptional client service.

Cadiz have had a longstanding relationship with BCI, and we believe the amalgamation was the logical choice as it brings with it significant cost savings, economies of scale and access to a world class administration team and systems.

## WHAT NOW FOR OUR CLIENTS?

We do understand that an administrative change may potentially be disruptive to you or your clients, so should you experience any difficulties please contact us so that we can assist in any way possible.

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# FirstRand Ready to conquer an avalanche of bad debts



## ACTING AS A FINANCIAL INTERMEDIARY

FirstRand (FSR) is a significant provider of credit to the economy, offering a universal set of transactional, lending, investment and insurance products and services. Banks act as financial intermediaries, standing between savers and borrowers, earning a portion of their revenue through paying lower interest rates to depositors, and lending out those deposits at higher interest rates. Banks also generate revenue through non-interest income which encompasses all other business activities they engage in.

## STRONG COMPETITIVE ADVANTAGE TO FIGHT OFF NEW COMPETITION

Most of the South African market is still concentrated in five major banks; FirstRand, Capitec, Standard Bank, Absa and Nedbank. FirstRand has a number of leading brands within the group, including First National Bank (FNB), Rand Merchant Bank (RMB), WesBank, and Aldermore. FNB is the main generator of earnings for FirstRand and represents the group's banking activities in the retail and commercial segments in South Africa and the broader African continent.

With the cost of launching a new bank declining over the last few years, South African banks have recently been faced with new competition from entrants that have launched digital banking services. In South Africa, branchless digital banks have started to gain traction with consumers, partially due to banks' encouragement. Although new competition offers banking services and products at lower fees, the cheapest South African banks are not necessarily the most successful at attracting customers. Higher levels of customer satisfaction allow banks to attract customers, giving them pricing power. FNB's customer service levels are one of the highest in the industry. In addition, FirstRand's defensive brands, strong credit products and large customer base strengthen their competitive advantage.

## THE IMPACT OF COVID-19 ON FIRSTRAND

FirstRand operates mainly in South Africa, the rest of Africa as well as in the United Kingdom. Prior to Covid-19, the operating environment in South Africa was already tough as the group faced a weak local economy, largely owing to high government indebtedness, ongoing inefficiencies in the state-owned enterprises, combined with low private sector investment and high unemployment rates. These conditions in turn placed significant and sustained pressure on both household and corporate income.

The South African bank industry as a whole has been significantly affected by the current pandemic as banks are generally geared to economic activity. Due to Covid-19, both consumers and businesses have experienced a loss of income, therefore some borrowers will be unable to meet their debt obligations. As a result, banks will have to write off an increasing amount of bad debts, causing bank's earnings to decline.

While it is likely that the economic impact of Covid-19 will be greater than the 2007-2008 financial crisis, South African banks are also in a better position to weather the storm. Bank capital levels have increased over the past decade and banks have created bigger provisions for future credit losses. South African banks are also unlikely to pay dividends this year, as requested by the regulator.

## HIGH-QUALITY NAME IN THE SECTOR

FirstRand is an above average business which has historically been able to generate positive net income after cost of capital as well as return on equity greater than its cost of equity, creating value for its shareholders. The group is recognised as one of the higher quality banks due to its higher capital position, higher profitability and lower pre-crisis non-performing loans when compared to peers. »

Over the past few years, the company has shown good cost efficiency, which has become critical in the current environment of weaker revenue. FirstRand has been able to efficiently pivot its operating models and exercise stricter cost controls, allowing the business to not only defend its profitability, but also gain a competitive advantage. The group's strong operating margins, driven by a lower cost-to-income ratio than its peers, has allowed FirstRand to consistently achieve stronger returns on equity. Historically, FirstRand is a defensively strong value creator, offering attractive dividend yields to investors.

As a high-quality bank that generates value for its shareholders, we believe that FirstRand is in a good position to protect its balance sheet and return on equity. Capital levels are sufficient to absorb potential losses from a severe economic slowdown. We believe FirstRand is an attractive investment which will provide a superior return over the long term. •

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Cadiz Funds (Pty) Ltd (Reg. No. 2013/118580/07) is an authorized financial services provider (FSP 45442)

Boutique Collective Investments (RF) (Pty) Ltd ("BCI") is a registered Manager of the Boutique Collective Investments Scheme, approved in terms of the Collective Investments Schemes Control Act, No 45 of 2002 and is a full member of the Association for Savings and Investment SA.

Collective Investment Schemes in securities are generally medium to long term investments. The value of participatory interests may go up or down and past performance is not necessarily an indication of future performance. The Manager does not guarantee the capital or the return of a portfolio. Collective Investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees, charges and maximum commissions is available on request. BCI reserves the right to close the portfolio to new investors and reopen certain portfolios from time to time in order to manage them more efficiently. Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge.

Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax.

A money market portfolio is not the same as a bank deposit account. The price is targeted at a constant value. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument. In most cases the return will merely have the effect of increasing or decreasing the daily yield, but that in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. The yield is calculated using an annualised seven day rolling average.

Actual annual figures are available to the investor on request.

Investments in foreign securities may include additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information.

Boutique Collective Investments (RF) Pty Ltd retains full legal responsibility for the third party named portfolio.

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