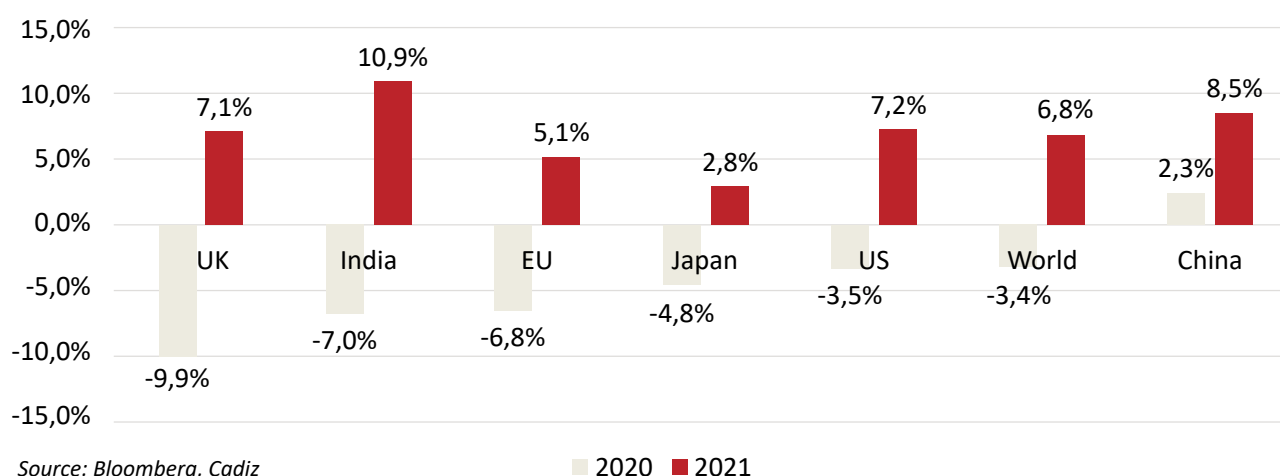


Macros That Matter

The global economic outlook is best portrayed as an uneven economic recovery. GDP forecasts have been revised upwards as countries begin to reopen their economies and economic activity tends towards pre-Covid levels. As can be expected, the recovery is dependent, in part, on a country's pace of vaccine rollout and those that have been successful have experienced a strong recovery. Unfortunately, the pace of vaccine rollout differs greatly between developed and developing countries, with many developed countries leading the way.

GDP growth estimates revised upwards, led by growth in India, China and the US

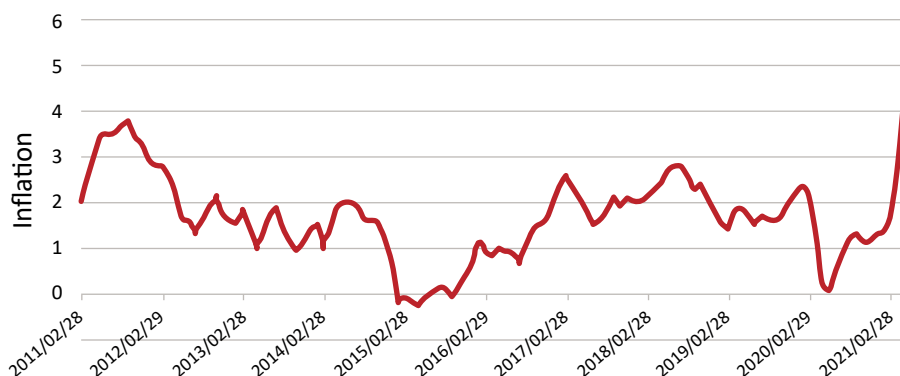


Global inflation has been rising due to a combination of a sharp rebound in economic activity, supply-chain shortages and rising commodity prices. As a result, market participants are concerned that the Federal Reserve will begin to raise interest rates faster than previously anticipated. Yet the Federal Reserve has maintained a dovish tone indicating that the US economy requires further improvement before the central bank will consider raising interest rates from their historically low levels. The Fed has communicated on several occasions that they see the recent rise in inflation as transitory, however, market participants have their doubts and will continue to look towards macroeconomic data and whether the tone of the Federal Reserve changes to try gauge the future direction of monetary policy.

CADIZ MONEY MARKET FUND – The number one ranked South African money market fund over 1, 2, 3, 5, 7 and 10 years with an annualised yield of 7.44% from inception.

Source: Morningstar | Performance reported for A Class net of fees in ZAR as at 30/06/2021 (ASISA) South African IB Money Market, Inception: 01/03/2006 | Annualised return is the weighted average 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 12.27%; Lowest Annual Return 5.58%.

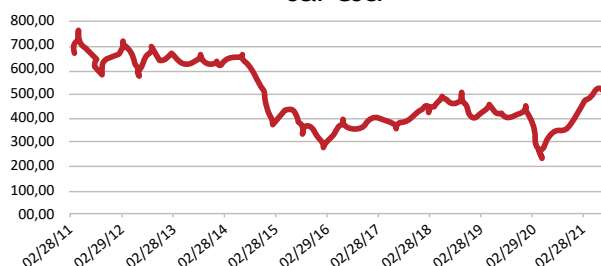
US CPI YoY



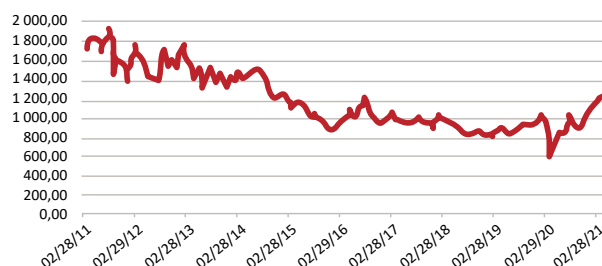
Source: Bloomberg, Cadiz

Commodity prices have risen rapidly over the last year, driven by the global economic recovery and supply-chain shortages. The S&P GSCI (a commodity index consisting of metals, energy and agriculture commodities) is up over 30% year-to-date in US dollar terms. Turning our attention to Platinum Group Metals (PGMs), the spot price has rallied significantly since Q2 of 2020. We believe that PGMs will remain at elevated levels, supported by the global stimulus-led recovery, stricter emission standards and advances in fuel cell technology.

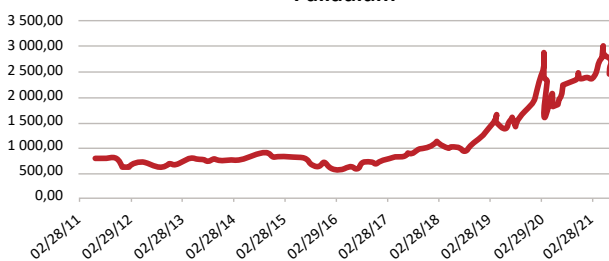
S&P GSCI



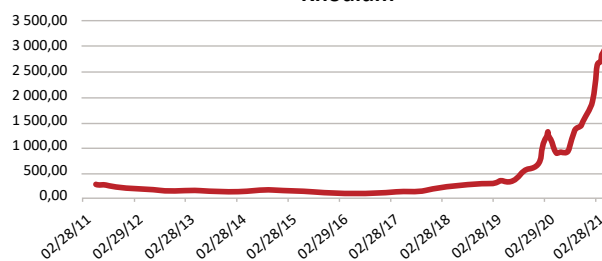
Platinum



Palladium



Rhodium



Source: FactSet, Cadiz

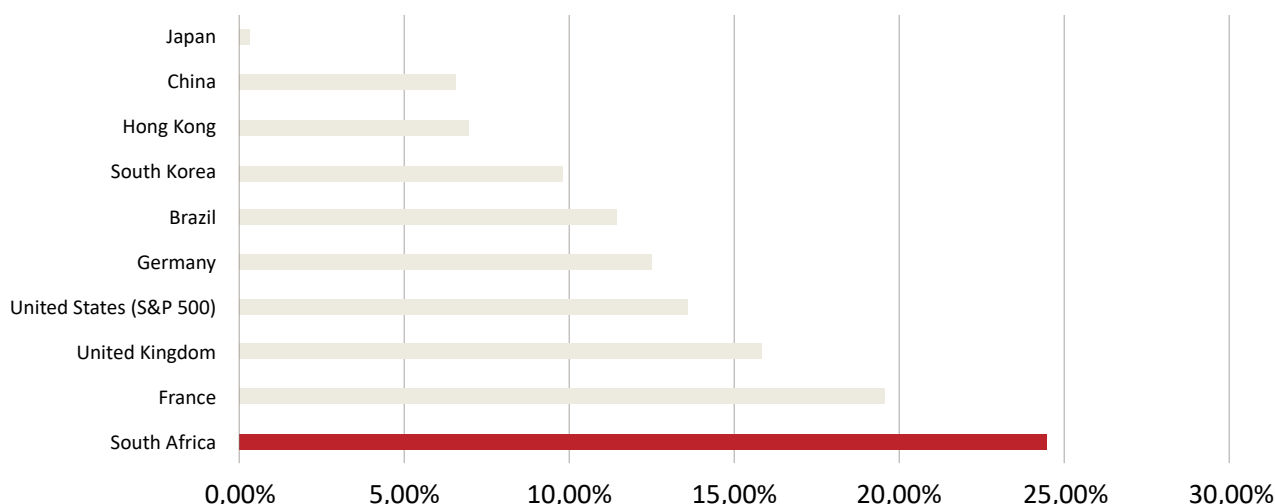
A trend that has been seen throughout 2021 is the rotation from 'Covid defensive' stocks, predominately technology-based companies, towards 'Covid recovery' stocks, predominately airlines, energy, Real Estate Investment Trusts, hospitality and financials. The rotation experienced in global equity markets is driven by the rebound in economic activity, possible interest rate hikes and the phenomenally high market prices that many of the large technology companies reached throughout 2020. We expect this trend to continue as economic activity trends towards pre-Covid levels. Furthermore, these 'Covid recovery' stocks remain relatively cheap compared to 'Covid defensive' stocks.

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The South African JSE was the best performing market year-to-date on a global comparison. This strong performance was mainly due to rallies among South African resources and financials.

YTD Returns in USD



Source: Bloomberg, Cadiz

On local macro-economic data, South Africa's GDP forecasts have been revised upwards with forecasts for 2021, ranging between 3.5% and 4.2%. This strong growth is coming off a low base and economic activity is still well below pre-Covid levels. Strong local economic growth forecasts are driven by the synchronized global recovery and rising commodity prices. South African business confidence has also improved from a pessimistic outlook towards a more neutral outlook as the Business Confidence Index reached its highest levels since 2015. However, this improvement in the Business Confidence Index occurred prior to the recent looting in parts of KwaZulu-Natal and Gauteng.

The rand has been one of the best performing currencies against the dollar for the year-to-date, supported by a strong trade surplus and risk-on trade environment. We expect the rand to remain strong throughout 2021 and be largely rangebound. The SARB has followed the direction of most central banks across the world, cutting rates well below historical averages. The Repo Rate is currently 3.5%, well below its twenty-year average of approximately 7.7%. Headline inflation eased to 4.9% in June after recording a 30-month high of 5.2% in May. Headline inflation at 4.9% is well within the Reserve Bank's inflation target range of between 3% and 6%. Due to base effects, the recent uptick in inflation is not supportive of a monetary policy change and we believe that rates will remain low over the near-term.

Despite this, the South African economy remains in a depressed state. The economy faces several risks, with the most pronounced risks including, electricity shortages, credit downgrades and future Covid-19 lockdowns. State Owned Enterprise (SOE), ESKOM, continues to weigh heavily on the South African economy as periods of sporadic load-shedding constricts productivity. Some estimates have the cost of load shedding at 1% of GDP growth. South Africa also risks future credit downgrades, due to rising fiscal debt. This will place the country's debt further below investment grade. South Africa is behind in its vaccination roll-out due to mismanagement and supply shortages, which, consequentially, places the country at risk of future lockdown restriction. Other risks remain, including rising unemployment, civil unrest and future bailouts to SOE's. Despite all these challenges, there are pockets of opportunity in the market.

At Cadiz, we have positioned ourselves to take advantage of longer-term trends while reducing excessive risk in our portfolios.

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