

Cadiz Equity Fund

Fund Information

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.

WHAT DOES THE FUND INVEST IN?

The fund invests in South African listed equities and may hold up to 30% in foreign listed equity with a further maximum of 10% invested in Africa (excl. SA) listed equity. 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 equity securities will be 80% of its net asset value at all times.

WHO IS THE FUND SUITABLE FOR?

- Investors who have at least a 5 year investment horizon.
- Investors who are in their wealth accumulation phase seeking exposure to equity markets.
- Investors with a high risk profile.

INVESTMENT PHILOSOPHY AND PROCESS

We apply a long term, bottom-up investment process to uncover the most attractive risk-adjusted return opportunities for the various asset classes available in local and foreign markets. Our process focuses on avoiding assets that could lose capital permanently, while ensuring the fund is well diversified.

Our equity investment approach is rooted in the belief that the market is prone to overreact to good and bad news. This causes a divergence between the current market price and what the business is worth.

We seek to take advantage of these short-term market overreactions by investing in financially sound, good quality businesses with capable management, when they are typically out of favour and attractively priced.

FEES ON CLASS A (EXCLUDING VAT)

Initial fee: 0%

Annual Management fee: 1.25%

TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS

Cadiz Equity Fund (Class A)

PERIOD (ANNUALISED) | JANUARY 2019 - 31 DECEMBER 2019

Total expense ratio	1.6%
Transaction costs	0.3%
Total investment charge	1.8%

RISK VS REWARD



FUND MANAGERS



Brian Munro
Senior Multi Asset
Portfolio Manager – SA



Razeen Dinath
Senior Equity Portfolio
Manager – SA

GENERAL INFORMATION

Inception	1 March 2006
Benchmark	Capped SWIX
Sector	ASISA SA Equity-General
Fund Class	A
Fund Size	R143 million
Regulation 28 compliant	No
Minimum Investment	Lump sum: R5 000 Monthly: R500 Adhoc: R500
Income Distribution (Class A)	Bi-annual (end June and end December)
ISIN Code	ZAE 000078358
Domicile	South Africa
JSE Code	AHMF

CONTACT DETAILS

A PO Box 44547, Claremont, 7735 | Alphen Estate, Alphen Drive, Contantia 7806 | T 08000 CADIZ (22349) | F 0861 022 349 | E investorservices@cadiz.co.za | www.cadiz.co.za

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Cadiz Equity Fund

Class A as at 31 May 2020

GENERAL INFORMATION

Inception	1 March 2006
Fund category	ASISA SA Equity-General
Portfolio managers	Brian Munro & Razeen Dinath
Fund Size	R143 million
Benchmark	Capped SWIX

RISK STATISTICS* (FOR CLASS A)

Sharpe ratio annualised	Fund 0.06
Maximum drawdown	-46.6%
Highest annual return	23.0%
Lowest annual return	-4.3%

* Risk statistics for Class A refers to the highest and lowest actual 12 month return over the related period since the inception of the fund.

PERFORMANCE 31/05/2020

	Fund	Benchmark	Outperformance
1 Year	-11.7%	-14.2%	2.5%
2 Year (annualised)	-4.8%	-7.7%	2.9%
3 Year (annualised)	-2.3%	-3.8%	1.5%
5 Year (annualised)	0.0%	-0.5%	0.6%
7 Year (annualised)	1.6%	4.4%	(2.8%)
Since inception (01/03/06) annualised	6.7%	9.6%	(2.9%)

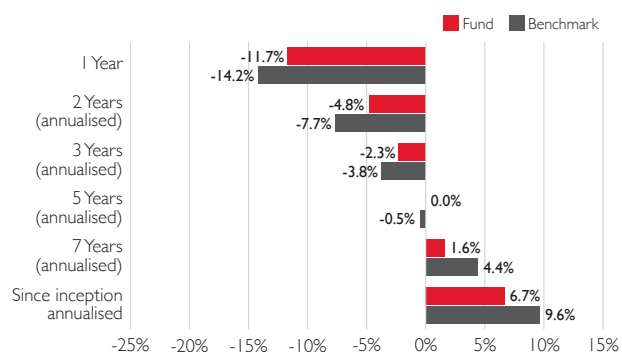
Source: Morningstar

TOP 10 HOLDINGS

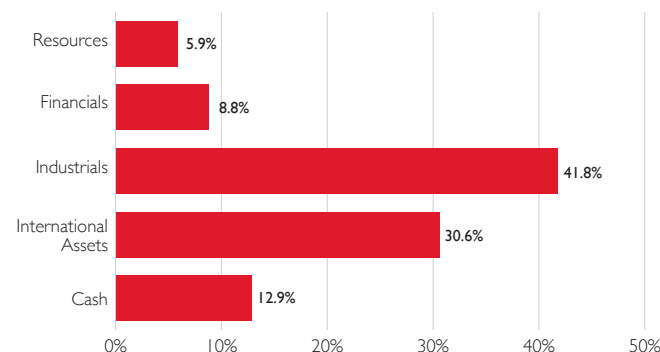
April 2020	May 2020
British American Tobacco	British American Tobacco
Naspers	Naspers
Famous Brands	Mediclinic International
Shoprite Holdings	MTN Group
Mediclinic International	Shoprite Holdings
Multichoice Group	Impala Platinum Holdings
Impala Platinum Holdings	Multichoice Group
Booking Holdings	CVS Health
Anglo Platinum	Famous Brands
Gilead Sciences	Booking Holdings

Source: Cadiz Asset Management

FUND RETURNS VS BENCHMARK



ASSET ALLOCATION EXPOSURE



RISK VS REWARD



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Cadiz Equity Fund

Quarterly Fund Manager Commentary – First Quarter 2020

The Cadiz Equity fund declined 24.6% this quarter which was better than the benchmark Capped SWIX decline of 26.6%. The 1 year rolling return is -23.1%, with a rolling 3 year return of -5.7%. This is compared to its benchmark, which delivered -24.5% and -6.6% respectively. The Covid-19 market crash has caused the benchmark return over the last 10 years to be a paltry 6% p.a. and clients would have been better off in fixed income investments, but now is not the time to reduce equity exposure as the worst time to sell equity is right after a market crash.

South African equity has delivered poor long-term returns, which is a combination of a high starting price as well as the lost decade of economic growth during the Zuma presidency. Current SA share prices are highly attractive and could deliver stellar returns if economic growth normalises to SA's long-term potential. Hence, while it is painful to experience the recent market sell-off, the low price improves future return prospects and instead of fleeing equity investments, we encourage clients to stick to their long-term investment plan.

Global Equity markets fell -21% in the first quarter of 2020 as COVID-19 spread rapidly from China to Europe, US and to more than 200 countries globally. This has caused economic activity to come to an abrupt halt as various social distancing and lockdown measures have been implemented to curb the spread of the disease. From China, to Europe, US and South Africa economic activity was reduced to around 20% to 40% of normal activity. This has forced the global economy into a recession.

The policy response has been unprecedented. Central banks, globally, have provided an abundance of liquidity to ensure financial markets function in an orderly manner as corporates and households access cash. Corporates need cash to pay their staff, pay rent, service interest costs and pay taxes. At the same time various governments around the world have provided extensive relief packages (greater than 10% of their GDP) to help households and corporates weather this storm. The full extent of the global economic contraction is not known and could take time to recover.

During this global COVID-19 pandemic, we remain focused on protecting our clients from permanent capital loss while investing in good businesses that should compound your wealth over time.

The quickest way to lose your money is when a company can't service its debt obligations. For each of our investments, we have re-interrogated the company's balance sheet and stress tested their ability to manage debt obligations and cash requirements under more extreme operating scenarios. We are pleased to report that we are comfortable with the balance sheets of all the investments we hold, which limits the risk of losing investment capital. So even though share prices are lower, these businesses should recover and be able to navigate the impacts of the lockdown and over time generate good long-term returns.

The fund continues to hold a well-diversified portfolio of global and local stocks. These are predominately quality businesses that have proven track records of weathering downturns and lasting through the cycle.

When the world finally overcomes this COVID-19 pandemic and world economies recover, different industries are likely to recover faster than others. It is hard to tell which industries or stocks will be winners in the short term, but we believe the portfolio of diverse businesses our clients are invested in have decent long-term growth prospects. This, combined with highly attractive valuations, sets up the portfolio for good long-term returns. Markets can be very volatile in the short-term, but history has shown that those that are willing to be patient and invest for the long-term, will be handsomely rewarded.

FUND POSITIONING

The fund has 92.3% invested in equity, with offshore exposure at 31.5% and 0.9% in UK REITs. This is slightly down from the 92.9% exposure at 31 December 2019. The UK REITs were hit hard as Covid-19 has resulted in all shopping malls closing for the duration of the shut-down. The fund also took advantage of the falling share prices at the beginning of March to improve the quality and return expectations of the fund.

The fund sold AngloGold Ashanti, while we added to Impala Platinum and Anglo American Platinum. We also sold Prosus and added to quality SA Inc businesses, while increasing our holding in Naspers which is trading at a larger discount to intrinsic value versus Prosus. In addition, the fund incrementally added to Woolworths, Famous Brands, Booking.com, Walgreens Boots Alliance and Swatch, taking advantage of depressed share prices.

We chose to add to existing investments rather than add new ideas this quarter, even though our analysts continue to present compelling ideas that meet our investment criteria.

We remain disciplined in sticking to our investment philosophy and process and focus intently on limiting permanent capital loss in order to grow your capital over the long term. This is achieved 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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Cadiz Equity Fund

Important information regarding terms of use

GENERAL INFORMATION AND RISKS

- Collective Investment Schemes in Securities (unit trusts) are generally medium to long-term investments.
- The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. The manager does not guarantee the capital, nor the income of the portfolio.
- Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing.
- Portfolios are priced daily and prices can be obtained from the website and in the daily newspapers or on Profile Data. Figures quoted are from Morningstar Inc.
- Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions (brokerage, UST, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio, divided by the number of units in issue.
- Different classes of participatory interests apply to this fund and are subject to different fees and charges.
- Performance is shown for the most expensive class of the Fund and individual investor performance may differ as a result of initial fees, actual investment date, date of any subsequent reinvestment and any dividend withholding tax.
- A schedule of fees, charges and minimum commissions is available on request from Cadiz Collective Investments.
- Commissions and incentives may be paid, and if so, are included in the overall costs.
- The manager has the right to close the portfolio to new investments in order to manage it more efficiently in accordance with the mandate.
- Cadiz Collective Investments' portfolios are valued daily at 15:00. Instructions must reach Cadiz Collective Investments before 14:00 (11:00 for Cadiz Money Market Fund) to ensure same day value.
- Transaction costs are necessary costs in administering the fund and impacts the fund returns. They should be considered in isolation as returns may be impacted by many factors over time including market returns, type of fund, the investment decisions of the investment manager and TER.

IMPORTANT INFORMATION FOR INVESTORS:

Total Expense Ratio (TER)

- TER is a measure of a fund's expenses relating to administration of the portfolio expressed as a percentage of the average daily value of the fund over a three year period. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return.
- The sum of the TER and transaction costs is shown as the Total Investment Charge. Since Fund returns are quoted after the deduction of these expenses, the TER and Transaction costs should not be deducted again from the published returns.

Regulation 28 Compliance

- Where indicated the fund is managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately, except where, due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period.
- The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Foreign investment risk

The portfolio may include underlying foreign investments. Fluctuations or movements in exchange rates may cause the value of the underlying foreign investments to go up or down. The underlying foreign investments may be adversely affected by political instability as well as exchange controls, changes in taxation, foreign investment policies, restrictions on repatriation of investments and other restrictions and controls that may be imposed by the relevant authorities in the relevant countries.

Derivative risk

The use of derivatives may increase the overall risk in the Fund by multiplying the effect of gains and losses.

Maximum drawdown

- A maximum drawdown is the maximum loss from peak to trough of a portfolio.
- It is an indicator of downside risk over a specified time period.

Sharpe ratio

The sharpe ratio is the average return earned in excess of one risk-free rate per unit of volatility or total risk.

Risks associated with investing in fixed interest and Money Market investments

- A money market fund is not a bank deposit account.
- Fluctuations in the market value of the securities in which a fixed income fund invests may have a negative impact on the fund. The income instruments are likely to be especially sensitive to changes in interest rates or changes in the market participants' expectations of how interest rates will change in future.
- There is a risk that certain corporate and other counterparties with whom the manager invests or through whom the manager transacts run into financial difficulty, and are unable to honour their commitments in full, which will lead to a potential loss of capital.
- There is a risk that in a high inflation environment, the securities in the Fund may appreciate at a rate lower than the inflation rate, and as such, the purchasing power of an investor's capital may decline.

Complaints

Cadiz Collective Investments are committed to handling client complaints in a timely and fair manner and has implemented systems and procedures to satisfy this commitment. The detailed Complaints Handling and Resolution Procedure is available on the website, or can be requested directly from the manager. A complaint should be lodged in writing with the Compliance Officer at investorservices@cadiz.co.za

An investor can obtain, free of charge, additional information on the proposed investment including, but not limited to, brochures, application forms and the annual report and any half-yearly report.

About the Management Company

Cadiz Collective Investments (RF) (Pty) Ltd – Co. Reg. NO 2004/032263/07, is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002. It operates 6 unit trust portfolios under the Cadiz Unit Trust scheme, and is supervised by the Financial Services Board ("FSB").

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