

Cadiz Stable Fund

REGULATION 28 COMPLIANT

Fund Information

FUND OBJECTIVE

The fund aims to provide investors with real returns (inflation plus 3%) over rolling 3 year periods, while minimising the risk of capital loss over a one year period.

WHAT DOES THE FUND INVEST IN?

The fund invests in equities, fixed interest instruments, listed property and cash. The intended maximum limits are: up to 40% in equities, 25% in listed property, 30% in offshore assets plus an additional 10% in Africa (excl. South Africa). Derivative strategies may also be used to mitigate the risk of capital loss.

WHO IS THE FUND SUITABLE FOR?

- Investors seeking a low to medium risk multi asset fund.
- Retirees who wish to protect their investment from inflation erosion.
- Those seeking capital preservation.
- Investors who have at least a 3 year investment horizon.

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: 1.00%

PERFORMANCE FEE

None

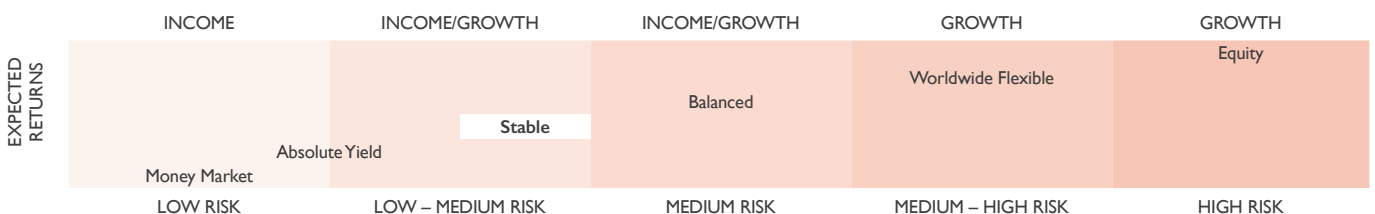
TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS

Cadiz Stable Fund (Class A)

PERIOD (ANNUALISED) 1 APRIL 2019 - 31 MARCH 2020

Total expense ratio	1.40%
Transaction costs	0.10%
Total investment charge	1.50%

RISK VS REWARD



FUND MANAGERS



Adrian Meager
MD and CIO

Johan Louwrens
Senior Portfolio
Manager – SA

Thomas Blamey
Portfolio
Manager – SA

GENERAL INFORMATION

Inception	3 September 2012
Benchmark	CPI+3% pa net of fees over rolling 3 years. No negative returns over rolling 12 months
Sector	ASISA SA Multi Asset Low Equity
Fund Class	A
Fund Size	R148 million
Regulation 28 compliant	Yes
Minimum Investment	Lump sum: R5 000 Monthly: R500 Adhoc: R500
Income Distribution (Class A)	Bi-annual (end June and end December)
ISIN Code	ZAE 000170205
Domicile	South Africa
JSE Code	CASF

CONTACT DETAILS

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Class A as at 31 July 2020

GENERAL INFORMATION

Inception	3 September 2012
Fund category	ASISA SA Multi Asset Low Equity
Portfolio managers	Adrian Meager, Johan Louwrens & Thomas Blamey
Fund Size	R148 million
Benchmark	CPI+3% pa net of fees over rolling 3 years. No negative returns over rolling 12 months
Performance fee	None

RISK STATISTICS* (FOR CLASS A)

Sharpe ratio annualised	Fund
Maximum drawdown	-0.16
Highest annual return	-14.8%
Lowest annual return	8.4%
	2.0%

* 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 31/07/2020

	Fund	Benchmark	Outperformance
1 Year	2.7%	6.4%	(3.7%)
2 Years (annualised)	3.7%	7.0%	(3.3%)
3 Years (annualised)	4.4%	7.2%	(2.8%)
5 Years (annualised)	5.5%	7.9%	(2.4%)
7 Years (annualised)	5.5%	8.1%	(2.6%)
Since inception annualised	5.7%	8.2%	(2.5%)

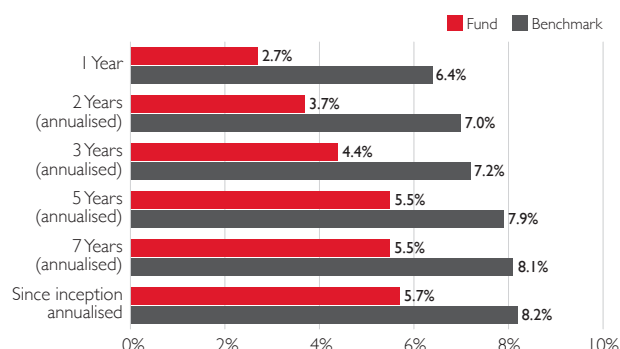
Source: Morningstar

TOP 10 HOLDINGS

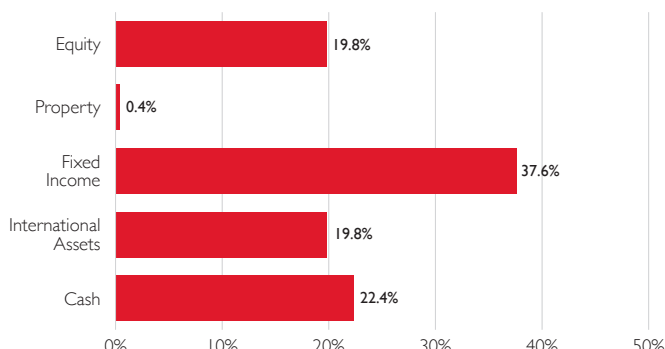
June 2020	July 2020
Naspers	Naspers
British American Tobacco	British American Tobacco
Shopright Holdings	Shopright Holdings
Multichoice Group	Multichoice Group
Booking Holdings	Impala Platinum Holdings
CVS Health	Standard Bank Group
Standard Bank Group	Firststrand
Discovery Holdings	Alphabet Inc
Firststrand	Anglo Platinum
Gilead Sciences	Woolworths Holdings

Source: Cadiz Asset Management

FUND RETURNS VS BENCHMARK



EFFECTIVE ASSET ALLOCATION EXPOSURE



RISK VS REWARD



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Quarterly Fund Manager Commentary – Second Quarter 2020

After the selloff we saw during the first quarter, markets started seeing through the noise and pricing in a global recovery. While the recovery is still ongoing, and much is still to be uncovered and explored, we are confident that the fund is well positioned to take advantage of a continued recovery. The Cadiz Stable Fund delivered 9.04% for the second quarter of 2020. This compared favourably to the target benchmark of inflation +3%, which grew by 0.83% over the same period.

Over a meaningful period of three years, South African equity has disappointed, with the FTSE/JSE Capped SWIX delivering a return of -0.81% per annum, despite the recent market rally from March lows. What this means for our clients is that there is potential for long term gains, provided long term investment plans are adhered to. While we cannot predict the tipping point at which South African economic growth will bounce back, we can position ourselves to take advantage of this when it does, patience is key.

Most global markets have fared well in quarter two, with the MSCI World Index returning 18.65% in USD. Economic data out of developed markets is still mixed however, with governments and central banks weighing up options to reopen and provide continued stimulus to the economy. Most central banks globally have drastically reduced interest rates in an attempt to support the economy, with inflation rates dwindling near zero. While China seemed to get COVID-19 under control, Europe and the USA seemed to have mixed results in their response. While this story unfolds, we will keep looking for opportunities that may present themselves along the way.

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.

FUND POSITIONING

During the quarter, the South African Reserve Bank cut the repo rate by 150 basis points, and initiated their bond purchasing program, providing stability and liquidity to the local bond market. At the beginning of April, the fund reduced its exposure to long dated bonds and started rotating into shorter dated paper at very attractive levels. This cautious approach has been beneficial to the fund and we are currently maintaining this position.

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 reduced its exposure to equity, taking a cautious stance with increased cash at its disposal. The fund 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.

Positions which did not offer compelling risk/reward ratios anymore were trimmed as they 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 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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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 Sector Conduct Authority (FSCA).

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