CADIZ COLLECTIVE
INVESTMENTS (RF) PROPRIETARY LIMITED
Great Cellar
Alphen Estate, Alphen Drive
Constantia, 7806
PO Box 816
Constantia, 7848
South Africa
T 08000 22349
www.cadiz.co.za

cadiz
ASSET MANAGEMENT

# Report to investors

Dear Investor

## Global economy to experience trend-growth, low inflation with increased risk

The investment landscape has certainly changed in the last 12 months, global economic growth has slowed to around trend-growth, while inflation remains low.

With a change in US trade policy directed mostly at China, global trade has been significantly impacted and likely to remain a key risk to global economic growth going forward.

Instead, protectionist, nationalist and populist policies can be expected. Both developed and emerging market central banks continue to maintain accommodative monetary policies, cutting interest rates to support economic growth, especially with inflation rates being so low.

South Africa continues to deal with its own issues, having experienced low economic growth and low inflation for the last 5 years. Key concerns facing South Africa is its ongoing fiscal deterioration, high debt levels, Eskom and other SOEs that need restructuring.

Government needs to reform. The structurally high unemployment rate, especially amongst the youth is also a major concern which is leading to more social unrest and protest action.

With increased risks both globally and locally, it is important to have a clear framework for investing; buying assets that won't cause you to lose your capital but rather generate inflation-beating returns that compound your wealth in the long term.

## Our experienced team sticks to our philosophy when times are tough

How does one manage investments in such an unknown environment? For us the answer is simple:

- Emotion drives the share price in the short term with overreaction to good and bad news. These emotional biases are often repeated and hence predictable.
- Earnings and interest rates drive the underlying business value over the long term.
- Good businesses grow their underlying value at higher rates than the stock market average and hence deliver superior long-term performance
- We take advantage of the markets short term pessimism by predominantly investing in good businesses which are experiencing solvable problems and hence are priced attractively.

At Cadiz, our asset management strategy is focused on creating long-term value and delivering sustainable returns for investors and our goal is to protect and grow our clients' wealth over time and avoid the potential for permanent capital loss.

To spot opportunities to generate alpha (outperformance) and protect capital regardless of the environment, we rely on our consistent investment philosophy:

**Know the business you invest in**

- Stick to investments that you understand
- Don't invest in businesses with excess financial leverage
- Don't invest in businesses where there are major concerns around management

**Know the price you pay**

- Critically appraise what the business is worth in a worst-case scenario
- Don't overpay for an investment

**Know the position size**

- Limit position size to low conviction investments

I would like to thank our investors and supporting financial intermediaries for choosing Cadiz Collective Investments. We look forward to building a rewarding relationship with you and to helping you achieve your financial goals.

Yours sincerely

Fraser Shaw
**Managing Director**

**31 July 2019**

# Abridged Report of the Trustee Standard Chartered Bank, Johannesburg Branch

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the

CADIZ COLLECTIVE INVESTMENT SCHEME (THE "SCHEME")

have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act, 45 of 2002, as amended ("the Act"), for the period 01 July 2018 up to and including 30 June 2019 ("the Report"). The Report is available from us and /or

CADIZ COLLECTIVE INVESTMENTS (RF) PROPRIETARY LIMITED (THE "MANAGER")

This letter is an abridged version of the Report.

Having fulfilled our duties as required by the Act, we confirm that the Manager of the Scheme has in general administered the Scheme:

(i) within the limitations on the investment and borrowing powers of the Manager imposed by the Act, and

(ii) in accordance with the provisions of the Act and the deed.

We do however wish to bring to your attention the following instances of where the Manager has not administered the Scheme in accordance with the said limitations andprovisions:

Some errors and timing differences resulted in contraventions of some of the limitations referred to in (i) and some of the provisions referred to in (ii) above. These contraventions were in our view not material and where appropriate the portfolios were compensated by the Manager for any loss (if any) that may have been suffered by the portfolios as a result on these contraventions.

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

Should any investor require a copy of the Report, kindly contact the Manager.

Yours sincerely,

Chantel Kruger
**Senior Manager, Trustee Services**

Meloshri Naidoo
**Head, Securities Services Operations**

CADIZ COLLECTIVE
INVESTMENTS (RF) PROPRIETARY LIMITED
Great Cellar
Alphen Estate, Alphen Drive
Constantia, 7806
PO Box 816
Constantia, 7848
South Africa
T 08000 22349
www.cadiz.co.za

| | Cadiz Money Market Fund | Cadiz Protected Income Fund | Cadiz Absolute Yield Fund | Cadiz Stable Fund | Cadiz Balanced Fund | Cadiz Worldwide Flexible Fund | Cadiz Equity Fund | Cadiz Absolute Yield ABIL Retention Fund |
|---|---|---|---|---|---|---|---|---|
| **Benchmark** | STeFI | STeFI+1% | STeFI+2% | CPI*+3% | Peer average | CPI*+6%** | JSE SWIX | N/a |
| **Maximum initial fee, VAT included (payable to financial adviser)** | 0,57% | 0,00% | 3,45% | 3,45% | 3,45% | 3,45% | 3,45% | 0% |
| **Class A Annual Management Fee, incl VAT** | 0,29% | 0,00% | 0,92% | 1,15% | 1,43% | 1,43% | 1,43% | 0% |
| **Class A Total Expense Ratio (TER)*** ** | 0,30% | 0,04% | 0,95% | 1,22% | 1,49% | 1,58% | 1,63% | 0,04% |
| **Transaction Cost** | 0,00% | 0,00% | 0,00% | 0,11% | 0,21% | 0,30% | 0,45% | 0,00% |
| **Total Investment Charge** | 0,30% | 0,04% | 0,95% | 1,33% | 1,70% | 1,88% | 2,08% | 0,04% |
| **Performance fee expense ratio (included in TER)** | N/a | N/a | N/a | 0,00% | N/a | 0.00% | 0.00% | N/a |

* SA CPI (CPIX until 31/12/2008)
** FTSE/JSE Top40 until 31/10/2008
*** TER is a measure of a portfolio's assets that are relinquished as operating expenses. It is expressed as a % of the average value of the portfolio. Included in the TER is the proportion of costs that are incurred in the performance component (if applicable). The TER does notinclude transaction costs. A high TER does not return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. necessarily imply a poor

| Income statement for the year ended 30 June 2019 (Rands) | Cadiz Money Market Fund | Cadiz Protected Income Fund | Cadiz Absolute Yield Fund | Cadiz Stable Fund | Cadiz Balanced Fund | Cadiz Worldwide Flexible Fund | Cadiz Equity Fund | Cadiz Absolute Yield ABIL Retention Fund |
|---|---|---|---|---|---|---|---|---|
| **Distributable income for the year** | 77 396 046 | 2 049 349 | 37 727 684 | 13 269 770 | 7 991 707 | 827 932 | 1 624 626 | 2 836 456 |
| **Undistributed income at the beginning of the year** | 488 121 | 256 238 | 15 301 | 27 491 | 1 854 | 48 983 | 584 | 728 146 |
| **Amount available for distribution** | **77 884 167** | **2 305 587** | **37 742 985** | **13 297 261** | **7 993 561** | **876 915** | **1 625 210** | **3 564 602** |
| **Income distribution** | -77 396 045 | -2 052 895 | -37 432 494 | -13 252 110 | -7 969 318 | -824 935 | -1 635 642 | -3 564 602 |
| **Undistributed income at the end of the year** | **488 122** | **252 692** | **310 491** | **45 151** | **24 243** | **51 980** | **-10 432** | **-** |
| **Balance sheet as at 30 June 2019** | | | | | | | | |
| **Assets** | | | | | | | | |
| Investments at market value (incl. cash) | 1 102 815 239 | 55 805 831 | 554 410 238 | 306 892 736 | 360 625 020 | 85 271 162 | 135 792 402 | - |
| Current assets | 18 025 140 | 140 300 | 11 071 546 | 2 781 376 | 2 013 479 | 263 050 | 452 584 | - |
| **Total assets** | **1 120 840 379** | **55 946 131** | **565 481 784** | **309 674 112** | **362 638 499** | **85 534 212** | **136 244 986** | **-** |
| **Liabilities** | | | | | | | | |
| Current liabilities | 7 409 393 | 156 789 | 16 827 617 | 6 283 558 | 4 876 942 | 1 643 564 | 2 405 113 | - |
| **Total liabilities** | **7 409 393** | **156 789** | **16 827 617** | **6 283 558** | **4 876 942** | **1 643 564** | **2 405 113** | **-** |
| **Net assets attributable to unitholders at 30 June 2019** | **1 113 430 986** | **55 789 342** | **548 654 167** | **303 390 554** | **357 761 557** | **83 890 648** | **133 839 873** | - |

| Income distribution per unit (cents) - Class A | Cadiz Money Market Fund | Cadiz Protected Income Fund | Cadiz Absolute Yield Fund | Cadiz Stable Fund | Cadiz Balanced Fund | Cadiz Worldwide Flexible Fund | Cadiz Equity Fund | Cadiz Absolute Yield ABIL Retention Fund |
|---|---|---|---|---|---|---|---|---|
| 30 June 2006 | **** | | - | | - | 1,44 | - | |
| 30 September 2006 | **** | | 3,26 | | 2,54 | - | 2,26 | |
| 31 December 2006 | **** | | - | | - | 1,28 | - | |
| 31 March 2007 | **** | | 3,87 | | 1,73 | - | 0,29 | |
| 30 June 2007 | **** | | - | | - | 0,4 | - | |
| 30 September 2007 | **** | | 3,57 | | 1,99 | 2,38 | 1,04 | |
| 31 March 2008 | **** | | 6,75 | | 2,19 | 0,91 | 0,72 | |
| 30 September 2008 | **** | | 5,47 | | 2,84 | 3,79 | 2,75 | |
| 31 March 2009 | **** | | 5,59 | | 3,63 | 4,16 | 1,03 | |
| 30 September 2009 | **** | | 5,22 | | 2,55 | 0,53 | 1,67 | |
| 31 March 2010 | **** | | 4,19 | | 0,97 | 0,00 | 0,00 | |
| 30 September 2010 | **** | | 4,16 | | 1,51 | 0,00 | 0,18 | |
| 31 March 2011 | **** | | 4,29 | | 1,60 | 0,00 | 0,91 | |
| 30 September 2011 | **** | | 3,95 | | 1,39 | 2,30 | 0,90 | |
| 31 March 2012 | **** | **** | 3,72 | | 1,65 | 2,03 | 1,12 | |
| 30 September 2012 | **** | **** | 3,93 | 0,2 | 2,04 | 2,50 | 3,33 | |
| 31 March 2013 | **** | **** | 3,71 | 1,87 | 1,56 | 1,92 | 1,62 | |
| 30 September 2013 | **** | **** | 3,41 | 2,25 | 2,84 | 1,69 | 2,65 | |
| 31 March 2014 | **** | **** | 3,82 | 2,23 | 2,78 | 3,56 | 2,17 | |
| 30 September 2014 | **** | **** | 3,90 | 2,08 | 1,66 | 1,82 | 1,05 | |
| 31 March 2015 | **** | **** | 3,89 | 1,90 | 1,92 | 2,48 | 1,30 | |
| 30 September 2015 | **** | **** | 3,58 | 2,49 | 3,41 | 2,83 | 1,92 | |
| 31 March 2016 | **** | **** | 4,79 | 2,09 | 1,96 | 1,19 | 0,45 | |
| 30 June 2016 | **** | **** | 2,73 | 1,14 | 1,09 | 0,71 | 0,47 | |
| 09 May 2016 | **** | **** | | | | | | 14,58 |
| 31 December 2016 | **** | **** | 5,17 | 2,33 | | | | |
| 16 January 2017 | | | | | 2,22 | 1,39 | 0,19 | |
| 30 June 2017 | **** | **** | 4,88 | 2,28 | | | | 7,56 |
| 31 December 2017 | **** | **** | 4,90 | 1,77 | 2,17 | 1,03 | 0,00 | 5,41 |
| 23 January 2018 | | | | | 2,06 | 1,12 | 0,00 | |
| 23 April 2018 | | | | | | | | 5,67 |
| 30 June 2018 | **** | **** | 4,45 | 2,44 | 2,43 | 0,78 | 0,14 | 15,57 |
| 31 December 2018 | **** | **** | 4,37 | 2,69 | 2,04 | 0,08 | 1,92 | |
| 05 February 2019 | | | | | | | | 57,6 |
| 10 June 2019 | | | | | | | | 18,21 |
| 30 June 2019 | **** | **** | 3,9 | 2,57 | 2,87 | 1,81 | 2,77 | |

***** The Cadiz Money Market and Protected Income Funds distribute daily and monthly respectively.*
*The ABIL Retention Funds distribute on an adhoc basis.*

| Portfolio composition | Cadiz Money Market Fund | Cadiz Protected Income Fund | Cadiz Absolute Yield Fund | Cadiz Stable Fund | Cadiz Balanced Fund | Cadiz Worldwide Flexible Fund | Cadiz Equity Fund | Cadiz Absolute Yield ABIL Retention Fund |
|---|---|---|---|---|---|---|---|---|
| Equities | | | 0,00% | 24,37% | 39,38% | 58,37% | 54,09% | |
| Gilts | 18,09% | 100,05% | 90,50% | 38,92% | 10,27% | | | |
| Property | | | | | | | | |
| Preference shares | | | | | | | | |
| Cash | 81,91% | -0,05% | 6,93% | 17,28% | 21,51% | 3,59% | 19,69% | |
| Foreign equity | | | | 13,72% | 21,52% | 34,92% | 26,13% | |
| Foreign gilts | | | 2,62% | | | | | |
| Foreign cash | | | 0,15% | 5,71% | 7,32% | 3,12% | 0,09% | |
| Equity linked note | | | | | | | | |
| Money market | | | | | | | | |
| Other | | | -0,20% | | | | | |
| **Investment performance ******* | | | | | | | | |
| **Fund performance** | | | | | | | | |
| 1 year | 7,78% | N/a | 10,24% | 4,30% | 0,00% | -0,50% | -0,50% | 28,57% |
| 2 years (annualised) | 7,85% | N/a | 9,43% | 6,30% | 4,40% | 4,90% | 5,20% | 15,09% |
| **Benchmark** | | | | | | | | |
| 1 year | 7,31% | N/a | 9,42% | 7,60% | 3,40% | 10,50% | -0,50% | |
| 2 years (annualised) | 7,33% | N/a | 9,46% | 7,50% | 5,40% | 10,50% | 5,40% | |

***** Performance is annualised and is Rand denominated, and is based on a lump sum investment calculated on a NAV-NAV basis, with income distributions reinvested (source: Morningstar)

Copies of the audited financial statements of Cadiz Collective Investments (RF) Proprietary Limited and each portfolio under the Cadiz Collective Investment Scheme are available, free of charge, on request by any unitholder.