

# Cadiz Money Market Fund

## Fund Information

### FUND OBJECTIVE

The fund aims to deliver high levels of income in excess of returns available through fixed term deposits and call accounts offered banks, while providing investors with capital protection and the stability of monthly returns and liquidity.

### WHAT DOES THE FUND INVEST IN?

The fund invests in a range of South African money market instruments. These assets include bankers' acceptances, debentures, negotiable certificates of deposit, treasury bills and call accounts. The fund may only invest in money market instruments with a residual maturity not exceeding 13 months, its weighted average duration not exceeding 90 days and its weighted average legal maturity (life) not exceeding 120 days. The Fund's returns are further enhanced by the inclusion of selected, highly rated, corporate paper.

### WHO IS THE FUND SUITABLE FOR?

- Investors seeking a low risk fund to diversify their portfolio.
- Those wishing to "park" their savings for a short period of time as an alternative to a bank deposit.
- Those seeking capital protection but not capital growth.
- Investors who have a one month or longer investment time horizon. Ideally the fund is not suited for lengthy investment terms as it has no exposure to growth assets.

### INVESTMENT PHILOSOPHY AND PROCESS

A disciplined process is followed to arrive at the optimum area of the money market yield curve we wish to invest in. Our fixed interest team researches the full spectrum of money market instruments to achieve the best possible return from short maturity money market instruments, while aiming to deliver the best possible returns with the highest measure of capital protection at all times.

The fund's investments are subject to a stringent risk management process.

The fund, though low risk, is not a bank deposit account, and whilst capital losses are unlikely, they can occur. In this event, losses will be borne by the fund and its investors.

### FEES ON CLASS A (EXCLUDING VAT)

Initial fee: 0%

Annual Management fee: 0.25%

### PERFORMANCE FEE

None

### TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS

Cadiz Money Market Fund Class A

PERIOD (ANNUALISED) | APRIL 2019 - 31 MARCH 2020

Total expense ratio	0.3%
Transaction costs	0.0%
Total investment charge	0.3%

### RISK VS REWARD



### FUND MANAGER

Sidney McKinnon  
Senior Fixed Income  
Portfolio Manager – SA

### GENERAL INFORMATION

Inception	1 March 2006
Benchmark	STeFi Composite
Sector	ASISA SA Interest-Bearing Money Market
Fund Class	A
Fund Size	R703 million
Regulation 28 compliant	No
Minimum Investment	Lump sum: R20 000 Monthly: R1 000 Adhoc: R500
Income Distribution (Class A)	Monthly
ISIN Code	ZAE 000078341
Domicile	South Africa
JSE Code	AFMM

### 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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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. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. 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. A schedule of fees, charges and maximum commissions is available on request from Cadiz Collective Investments. Commission and incentives may be paid, and if so, are included in the overall costs. Portfolios may be closed. Forward pricing is used. 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. Cadiz Collective Investments (RF) (Pty) Ltd – Co. Reg. No. 2004/032263/07. Address: PO Box 816, Constantia, 7848. A member of the Association of Savings & Investment South Africa. Trustees: ABSA Capital Investor Services, Cadiz Funds (Pty) Ltd an authorised financial services provider (PSP 45442).

# Cadiz Money Market Fund

## Class A as at 31 August 2020

### GENERAL INFORMATION

Inception	1 March 2006
Fund category	ASISA SA Interest-Bearing Money Market
Portfolio manager	Sidney McKinnon
Fund Size	R703 million
Benchmark	STeFi Composite
Performance fee	None

### RISK STATISTICS\* (FOR CLASS A)

	Fund
Sharpe ratio annualised	0.20
Maximum drawdown	
Highest annual return	7.96%
Lowest annual return	5.58%

\* 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 31/08/2020

	Fund	Benchmark	Outperformance
1 Year	6.92%	6.44%	0.48%
2 Year (annualised)	7.36%	6.88%	0.48%
3 Year (annualised)	7.52%	7.01%	0.51%
5 Year (annualised)	7.60%	7.14%	0.46%
7 Year (annualised)	7.22%	6.80%	0.42%
Since inception (01/03/06) annualised	7.64%	7.28%	0.36%

Source: Morningstar

### HOLDINGS % OF PORTFOLIO

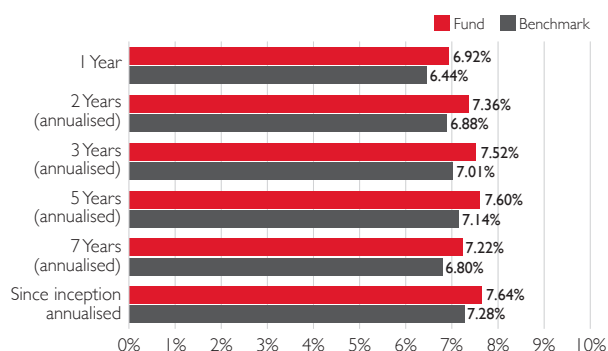
<b>August 2020</b>	
Call	16.3%
0-1 months	28.4%
1-3 months	33.2%
3-6 months	11.8%
6-9 months	2.8%
9-12 months	6.0%
12 months +	1.5%

Source: Cadiz Asset Management

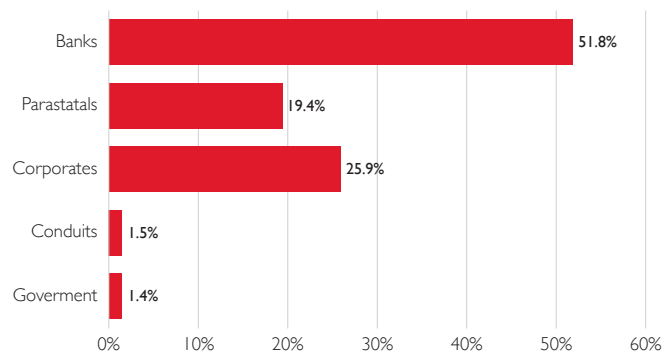
**EFFECTIVE YIELD 31/07/2020 4,87%**

**WEIGHTED AVERAGE DURATION 47,56**

### FUND RETURNS VS BENCHMARK



### EFFECTIVE ASSET ALLOCATION EXPOSURE



### INCOME DISTRIBUTIONS

Cadiz Money Market Fund Class A

MONTHLY INCOME DISTRIBUTIONS (CENTS PER UNIT ROUNDED TO 2 DECIMAL POINTS)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	0.64	0.60	0.62	0.42	0.50	0.50	0.40	0.55				
2019	0.64	0.58	0.65	0.64	0.65	0.63	0.65	0.63	0.61	0.64	0.61	0.63
2018	0.65	0.59	0.66	0.63	0.64	0.62	0.63	0.62	0.60	0.61	0.63	0.65
2017	0.66	0.59	0.65	0.63	0.65	0.63	0.65	0.65	0.63	0.67	0.63	0.65
2016	0.58	0.56	0.61	0.57	0.61	0.63	0.62	0.66	0.63	0.66	0.64	0.67
2015	0.56	0.51	0.56	0.54	0.56	0.54	0.56	0.56	0.54	0.57	0.55	0.57
2014	0.48	0.43	0.49	0.48	0.51	0.50	0.53	0.39	0.52	0.54	0.54	0.56
2013	0.46	0.41	0.45	0.44	0.44	0.45	0.47	0.47	0.45	0.47	0.46	0.48

\* Income payment on 1st working day after declaration date.

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# Cadiz Money Market Fund

## Quarterly Fund Manager Commentary – Second Quarter 2020

Markets reacted positively to the flattening of the covid-19 infection curve and the partial resumption of economic activity in large parts of the world at the beginning of the quarter. Developed economies started to implement monetary and fiscal stimulus support which caused a wave of risk on sentiment to return. Some of the positivity was curtailed by a sharp rise in US-China tensions and mounting concerns over a second wave of Covid-19 infections. The stimulus programs kept global bond yields in check with most of the decline in yields initially experienced in European bond markets before yields retraced and settled at slightly higher levels by the end of the quarter.

The local fixed interest landscape was driven by substantial rate cuts in April and May as the SARB provided much needed stimulus and liquidity to the local bond market. The SARB continues to provide additional liquidity through open market operations via daily overnight repurchase auctions, 7-day and special 3-month term repurchases, weekly auctions and intervention in the secondary market via purchases of government bonds. These actions have supported our local bond market well but foreigners remained net sellers of our bonds as Fitch and S&P Global downgraded our sovereign credit rating in April and South Africa's exit from the FTSE World Government Bond Index commenced. Our local bonds performed exceptionally well during the month of May as the global risk-on trade returned. The gains were however offset somewhat by the announcement by National Treasury, in its supplementary budget, that issuance of local bonds would increase. The JSE All Bond Total Return Index was up 9.94% for the quarter.

The rand once again saw extreme volatility throughout the quarter, reaching a high pf USDZAR 19.08 before falling back to USDZAR 16.52 and eventually ending the period at about USDZAR 17.35.

Money market yields once again declined alongside a spate of aggressive rate cuts as the South African Reserve Bank (SARB) acted swiftly to combat the economic fallout from the global Covid-19 pandemic. The Repo rate was slashed by 100 basis points in April and a further 50 basis points in May bringing borrowing costs to its lowest level on record.

The Money Market Fund remains one of the most conservative investments that can be made across the investment spectrum. Investment risk, however, continues to rise as the Covid-19 crisis deepens and the threat of breakdowns in a fragile economy loom. On Thursday 23 April 2020, the Land and Development Bank of South Africa, defaulted on debt due triggering a cross default on certain other notes and bonds that the Landbank uses to fund their operations. This necessitated a write down of the Landbank exposure held in the fund to protect clients invested in the fund and to ensure that existing clients, new clients and those clients that choose to exit the fund are treated fairly. Already much progress has been made allowing us to write back most of the initial adjustments.

The Cadiz Money Market Fund has maintained its record of being highly competitive relative to its peers and is well positioned to continue doing so going forward.

The Fund continues to invest strategically across the money market yield curve to maximise yield while remaining within the risk parameters defined for money market funds. The Fund's retail asset class delivered 1.43% for the quarter while the STeFI composite index was up 1.46%.

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# Cadiz Money Market 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](mailto: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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