

ALTERNATIVE INVESTMENTS

FOURTH QUARTER 2024



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ALPHA PRESCIENT QI HEDGE FUND

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MARKET COMMENTARY

FOURTH QUARTER 2024

WATCH VIDEO COMMENTARY



QUARTERLY COMMENTARY AUTHOR

Marcus Erlank, CFA, CA (SA)

Portfolio Manager

The SA Listed Property Index (SAPY), and the All-Property Index (ALPI) recorded total returns of -0.83% and -0.37% respectively for the quarter ended December 2024. The yield-to-maturity (YTM) on the long-term South African government bond (RLRS) weakened by 27bps ending the quarter at 10.22% (9.95% as at 30 September 2024).

The final quarter of the year brought with it a breather from what was a bumper Q3 in the SA Listed Property sector. During the quarter, South Africa recorded CPI prints of below 3% for both October and November. This paved the road for the SARB to continue decreasing interest rates. During November, interest rates were decreased by another 25bps to bring a cumulative 50bps of cuts during 2024.

Toward the end of the year, bond yields in the US started spiking due to strong economic data, as well as uncertainty over inflationary policies from president elect, Donald Trump. Generally, the rate cycle policy of South Africa closely mirrors that of the US, so the pace and depth of the cutting cycle in South Africa could be slower and lower than previously anticipated.

In terms of results, SA centric companies continued to deliver strong results, guiding to inflation or exceeding inflation levels of distributable income growth. While the retail and industrial sectors have been resilient for the past few years, the office sector has reached an inflection point with closing negative reversions showing that tension between demand and supply is returning to the market. A combination of a dearth of supply, above market leases rolling off, an influx of demand from the BPO sector and increasing business confidence have caused the green shoots of improvement.

For years, SA Property has been a largely ignored and underweighted sector due to the anemic fundamentals in the sector. 2024 was the second consecutive year that listed property outperformed the other major asset classes of cash, bonds and general equities. 2025 should start to bring with it the effect of the decreasing interest rate cycle, which would be beneficial to distributable earnings growth. We remain constructive on the short to medium term outlook for SA listed real estate.





PERFORMANCE COMMENTARY

FOURTH QUARTER 2024

The Fund recorded a negative total return for Q4 2024 (-1.41%), underperforming its benchmark (2.01%) and the ALPI (-0.37%). The fund outperformed the ALSI (-2.13%). While delivering a negative return for the quarter is disappointing, global real estate was down almost 10% in USD during the quarter and the fund was largely successful in protecting capital in this drawdown period.

Global Developed listed real estate delivered a return of -9.44% in USD for the quarter.

The fund delivered a total return of 14.70% after fees for the calendar year 2024. The fund aims to deliver returns ahead of its benchmark, through the cycle, at a lower standard deviation than the underlying constituent indices. The fund has been successful on delivering its mandate.

In volatile markets, it is important to refer to longer-term performance figures. Over 5 years, the fund has delivered an annualised return of 11.43%, versus its benchmark of 6.13% and the ALPI which returned 4.73% per annum. The fund delivered these returns at significantly lower volatility (13.91%) than the ALPI (27.54%), thus maximising the Sharpe ratio.

At the end of Q4 2024, the net exposure to SA listed real estate and Global listed real estate was 33.9% and 51.5%, respectively.

The long-term strategy of the fund is, through time, to maintain a broadly even allocation between local and global listed real estate. Within each market, we allocate to our best long and short ideas. The investment philosophy is underpinned by the low correlation that exists between local and global listed real estate security returns (in both local currency and in ZAR). Material differences in relative value between local and global listed real estate will drive deviations from this allocation.

Approximately 40.5% of the fund's NAV is invested in the Catalyst Global Alpha Real Estate Fund (Q3 2024: 39.7%). We feel that there are attractive pockets of opportunity within the global listed real estate universe. The remaining 'Developed market currency' exposure is held via net long positions in Rand hedge JSE listed real estate stocks, offshore cash, and direct offshore holdings.

SA cash and cash equivalents, including enhanced cash and indirect foreign cash is approximately 14.4% of fund NAV (Q3 2024: 20.1%).

Gross equity exposure is 114.2%

Net equity exposure is 85.4%

Net direct credit exposure is 0.0%



**FUND PERFORMANCE (in ZAR)**

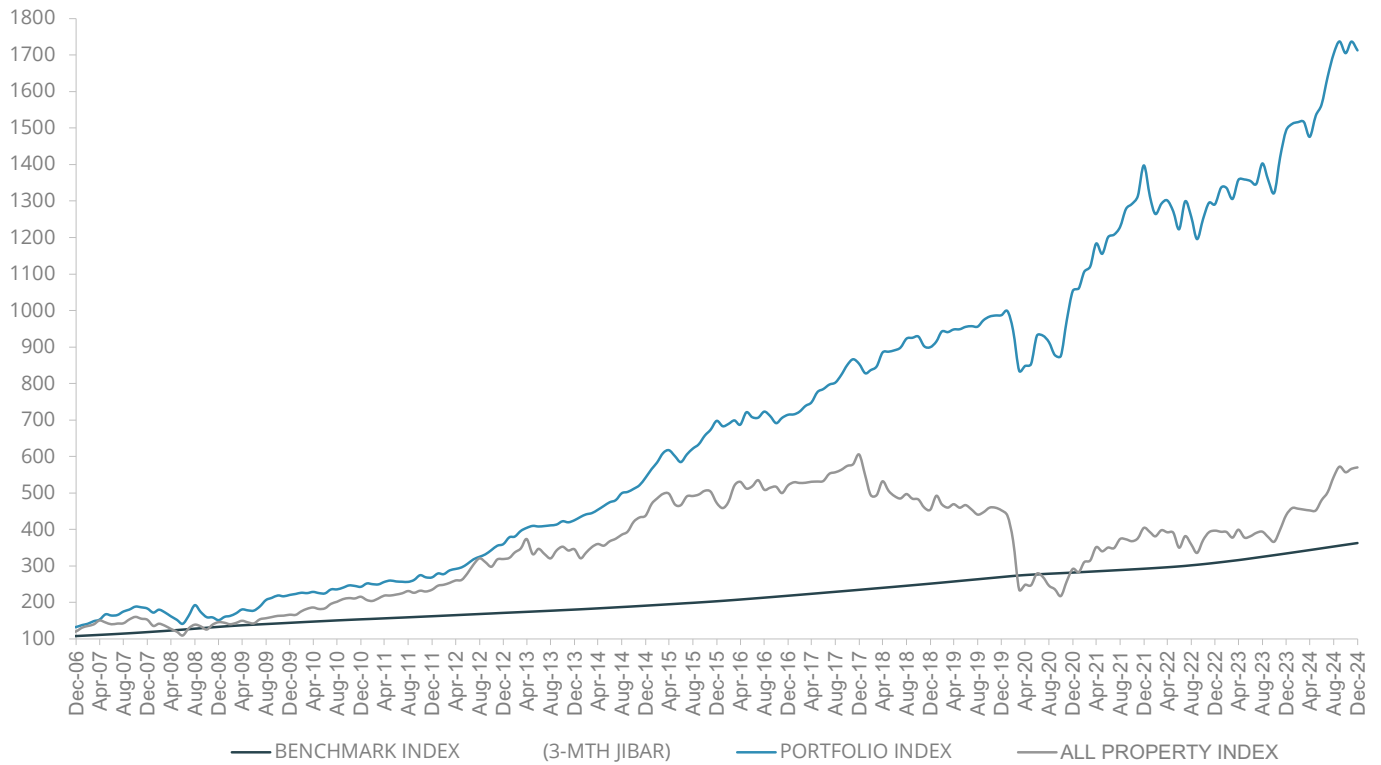
Date	Fund Return	Benchmark Index (3 Month JIBAR)	JSE ALPI (All Property) Index	JSE All Share Index
Q4 2024	-1.41%	2.01%	-0.37%	-2.13%
2024	14.70%	8.56%	29.81%	13.44%
3 Year				
Annualised	7.02%	7.47%	12.13%	8.68%
3 yr Standard Deviation	11.68%	0.45%	17.45%	14.58%
5 Year				
Annualised	11.43%	6.13%	4.73%	12.16%
5 yr Standard Deviation	13.91%	0.59%	27.54%	16.82%
Since Inception				
Inception to date	1612.30%	262.42%	470.07%	672.44%
Annualised inception to date	16.19%	7.04%	9.63%	11.41%
Standard Deviation	12.59%	0.55%	19.69%	14.94%
Sharpe Ratio	0.73	-	0.13	0.29
Positive months	70%	-	-	-

Source: Bloomberg | Data as at 31 December 2024





NET PERFORMANCE OF R100 INVESTED SINCE INCEPTION



The investment performance which is shown is for illustrative purposes only, and takes the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date.

Source: Catalyst Fund Managers & Bloomberg | Data as at 31 December 2024

FUND'S 3 YEAR ROLLING RETURN ANNUALIZED (ZAR)

Positive Since Inception



Source: Catalyst Fund Managers | Data as at 31 December 2024





PORTFOLIO COMMENTARY

FOURTH QUARTER 2024

Our largest long positions remain investments in specialist, focused companies, that have remained attractive on a risk adjusted basis. The fund is overweight small cap stocks in South Africa, whilst in offshore Rand Hedge stocks, we are well diversified between Eastern European Retail, UK Retail and German Multi-let real estate.

During the quarter, the fund transacted 55% of average NAV. The portfolio is positioned above its long-term average net exposure at the end of the quarter. Despite the re-rating in SA centric stocks, there are tailwinds in the sector and the market has not fully priced in a return to growth in distributable income from the sector as a whole. The fund took the opportunity to increase exposure in offshore stocks on the back of the deep drawdowns experienced during the quarter.

SA Rand Hedge listed real estate net exposure is 12.8% at the end of Q4 2024, which was up from 11.3% of NAV at the end of Q3 2024. Weakness in UK Retail and German Multi-let Industrial caused the fund to increase exposure to these sectors.

For a large portion of the year, the fund has had low short exposure as the momentum in SA markets continued. In the final quarter, the fund looked to re-add short exposure to stocks that screened expensive on a risk adjusted basis to get back to long term average levels of short exposure.

The fund is very well positioned to take advantage of some incredibly attractive long-term risk adjusted return opportunities. We will continue to take advantage of these opportunities responsibly whilst maintaining a strict adherence to our investment philosophy.





ASSET CLASS	LONG	SHORT	NET
SA Listed Property Equity	43.6%	-9.7%	33.9%
SA Bonds	0.0%	0.0%	0.0%
SA Listed Property, Rand Hedge	12.8%	0.0%	12.8%
Enhanced Cash	0.0%	0.0%	0.0%
<i>Global Listed Property Equity</i>	<i>36.3%</i>	<i>-4.6%</i>	<i>31.6%</i>
<i>Global Bond Shorts</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<i>Indirect Cash - Foreign</i>	<i>9.0%</i>	<i>-0.1%</i>	<i>8.9%</i>
Global Qualifying Investor Funds	45.2%	-4.7%	40.5%
Direct Offshore	7.1%	0.0%	7.1%
Currency Futures	25.4%	-25.2%	0.2%
Total cash and cash equivalents	6.7%	-1.1%	5.6%
Total Gross	140.8%	-40.8%	100.0%
Leverage (adjusted gross)	139.3%	-	-

CURRENCY EXPOSURE % NAV	NET
JPY	0.0%
CAD	1.5%
SEK	0.5%
GBP	6.1%
USD	10.1%
HKD	0.3%
EUR	15.0%
AUD	1.6%
CHF	0.0%
SGD	0.1%
ZAR	64.7%
Total	100.0%

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MARKET COMMENTARY

FOURTH QUARTER 2024



QUARTERLY COMMENTARY AUTHOR

Marcus Erlank, CFA, CA (SA)

Portfolio Manager

In the previous quarter, we saw a rotation into value sectors away from year-to-date winning sectors, such as Technology. Listed real estate was a beneficiary of this. In the final quarter of the year, several events happened that unwound the relative performance of listed real estate.

- A Trump victory in the US election was generally seen as inflationary and supportive of economic growth. This, along with his close ties to Elon Musk and the formation of the Department of Government Efficiency, saw Tesla and the Magnificent Seven rally into the end of the year.
- As a result of the above, US 10-year bond yields moved out by almost 1%, peaking just above 4.6% during December. Generally, value asset classes are compared to long bond yields, and with the attractiveness of long bonds increasing, listed real estate came under pressure.
- The US Fed came out in December stating that the depth of the rate cutting cycle may not be as much as previously anticipated as a result of a resilient economy allowing rates to stay higher for longer. 2025 rate cut expectations decreased from 4 cuts to only 2 cuts post the December meeting.
- Across the pond in the UK, the new Labour government delivered its budget that imposed increased taxes and pointed to increasing debt to facilitate spending. As a result, UK real estate was down 20.5% in USD during the quarter as the budget was not well received.
- Political uncertainty in eurozone giants, Germany and France, unsettled sentiment in those countries, causing a selloff in general equities and listed real estate.

All the above weighed on sentiment in the sector and, while we still see fundamentals as robust in most sub-sectors, macro forces continue to drive the market. In the upcoming year, we believe the benefit of lower rates to start supporting performance of listed real estate companies. The lack of supply in real estate over the last 3 years while rates were high, and a lot of debt capital markets were effectively shut should also benefit the sector over the short to medium term.

There is a lot of opportunity for listed real estate to re-rate. We believe long bond yields in the US should stabilise somewhere between 4% and 4.25%. If they return to those levels, and fundamentals continue to be strong, we believe the fund can capitalise on attractive pockets of value within the listed real estate universe.





PERFORMANCE COMMENTARY

Fund performance was negative for Q4 2024 (-8.6%), underperforming the fund benchmark (1.9%), but outperforming the FTSE EPRA NAREIT Developed Rental Index (-9.4%), all in USD.

Performance in the quarter was weak across global listed real estate markets. Canada and the UK were weakest recording USD returns of -21.8% and -20.5%, respectively. The US recorded the least negative return with a print of -6.2%.

Sub-sectors that outperformed during the quarter include:

North American Data Centres (4.3%): The sector continues to benefit from the boom in AI required data needs. In Q3 results, data centre giant, Digital Realty signed a record number of leases during the quarter. With no short-term catalyst for a slowdown in demand, we expect this sub-sector to continue being strong going into 2025.

North American Malls (3.0%): Continued strong operating performance from the constituents in this sub-sector buoyed share price performance. In addition to this, retailers in the malls are seen as economically sensitive, so benefitted from the Trump election outcome. The landlords thus got a sentiment-based bid.

Sub-sectors that underperformed during the quarter include:

UK Storage (-31.0%): The sector came under pressure as both Safestore and Big Yellow released results that signalled that a recovery in rate and occupancy may be further away than initially anticipated. In addition to this, rising bond yields has depressed housing activity, which is required for stronger demand in Storage. The UK as a whole also came under pressure as a result of the Labour's first budget meeting which was not well received by the market.

UK Industrial (-21.4%): Due to the long lease nature of this sub-sector, it came under pressure as long bond yields increased. Fundamentals in this sector are softening after a bumper COVID period. The sector does benefit from leases which are materially below market rates which will mark to market as they roll off. This should allow distributable income growth to be achievable despite slowing top line growth.



**FUND PERFORMANCE (in USD)**

DATE	FUND RETURN	BENCHMARK (3 Month SOFR plus 3%)	FTSE EPRA NAREIT	MSCI WORLD
Q4 2024	-8.62%	1.90%	-9.44%	-0.41%
2024	0.58%	8.37%	1.28%	17.00%
3 Year				
Annualised	-4.46%	7.50%	-6.52%	4.69%
3 yr Standard Deviation	14.50%	0.45%	20.74%	16.89%
5 Year				
Annualised	2.89%	5.86%	-0.83%	9.47%
5 yr Standard Deviation	15.11%	0.66%	21.87%	17.93%
Since Inception				
Inception to date	39.36%	60.58%	24.89%	118.04%
Annualised inception to date	3.70%	5.33%	2.47%	8.92%
Standard Deviation	12.45%	0.54%	17.83%	15.11%
Sharpe Ratio	0.11	-	0.01	0.44

Source: Catalyst Fund Managers & Bloomberg | Data as at 31 December 2024





PORTFOLIO COMMENTARY

The fund transacted 74.2% of average NAV over the quarter, versus 65.4% over Q3 2024. Throughout the quarter, the fund continued to actively recycle relative winners into higher conviction opportunities that have higher risk adjusted return outlooks.

The most significant portfolio changes quarter on quarter included increasing exposure to Healthcare (+1.8%), predominantly to a company, Welltower, which has got an exceptional external growth opportunity by issuing its equity above NAV and deploying it into a fragmented market accretively. The fund also increased exposure to Data Centres (+1.7%). As mentioned earlier in the commentary, Data Centres have AI related tailwinds that create a demand supply imbalance. We are constructive on the sector. The fund decreased exposure to the Industrial sector (-2.7%) on the back of potential risks to Trump's tariffs affecting companies with coastal exposure. In addition, fundamentals are softening off of a stellar period through the COVID years. The fund also decreased exposure to Towers (-1.5%) as the long duration nature of the leases could put the sector under pressure in a higher for longer environment. In addition to this, disruptors like Musk's Starlink create a cloud of uncertainty on the future of traditional Towers. The fund has higher than long term net exposure, at 78.1%. We believe there is an opportunity set within listed real estate that could deliver attractive returns in the near term.

During the quarter, gross exposure stayed stable going from 100.8% at the end of Q3 2024 to 101.0% at the end of Q4 2024. The fund is positioned in defensive sub-sectors with strong growth prospects, competent management teams, well defined strategies, and robust balance sheets. The fund looks to short stocks that do not meet most of the above criteria.

Portfolio Characteristics	Long	Short
Open Longs	77	-
Open Shorts	-	22
Large Caps(>5 bn)	62.2%	2.5%
Mid Caps(>1 bn)	26.1%	8.7%
Small Caps	1.2%	0.3%





Real Estate Equity key metrics	Long	Short
Required Rate of Return	8.6%	9.4%
Forward Rolled Gross Div yld	4.4%	4.5%
Forward Rolled FAD yield	5.5%	5.1%
Five year FAD growth	6.7%	0.3%
Sustainable Growth	3.0%	2.5%
Discount/Premium to NAV	-1.8%	-19.3%
Debt to Assets	29.9%	41.7%
Ave 100D Trade mln per day	106	22
Market Cap mln	22914	7006

MARKET RETURNS

1 October 2024 to 31 December 2024	Currency	Real Estate USD	Equities USD	Currency to USD	Real Estate Local Currency	Equities Local Currency
World Dev	USD	-9.44%	-0.4%	0.00%	-9.44%	-0.41%
World All	USD	-9.45%	-1.2%	0.00%	-9.45%	-1.23%
US	USD	-6.20%	2.4%	0.00%	-6.20%	2.41%
Canada	CAD	-21.78%	-2.4%	-6.14%	-16.66%	3.98%
UK	GBP	-20.52%	-6.9%	-6.60%	-14.91%	-0.35%
Europe	EUR	-18.48%	-10.0%	-7.17%	-12.18%	-3.01%
Singapore	SGD	-15.07%	-0.8%	-6.14%	-9.51%	5.64%
Japan	JPY	-11.74%	-4.2%	-9.06%	-2.96%	5.35%
Hong Kong	HKD	-9.71%	-4.9%	0.02%	-9.73%	-4.88%
Australia	AUD	-18.16%	-12.1%	-10.86%	-8.19%	-1.38%
South Africa	ZAR	-9.64%	-10.8%	-8.88%	-0.83%	-2.13%

Source: Bloomberg | Data as at 31 December 2024





Data Source	BLOOMBERG
REAL ESTATE	Real Estate Indices used to represent regions are in descending order as follows: FTSE EPRA/NAREIT Developed Rental Index Net TR, FTSE EPRA NAREIT DEVELOPED Total Return Index USD, FTSE EPRA/NAREIT United States Rental Index Total Return USD, Bloomberg Canadian Real Estate Investment Trust Index, FTSE EPRA/ NAREIT UK Rental Index Total Return USD, FTSE EPRA/NAREIT Developed Europe Rental Index TR USD, FTSE EPRA/NAREIT Developed REITs SINGAPORE Total Return Index USD, FTSE EPRA/NAREIT Developed REITs JAPAN Total Return Index USD, FTSE EPRA/NAREIT Hong Kong Rental Index Total Return USD, FTSE EPRA/ NAREIT Australia Rental Index Total Return USD, FTSE/JSE SA Listed Property Total Return Index
EQUITIES	Equity Indices used to represent regions are in descending order as follows: MSCI World Index, MSCI ACWI Index, S&P 500 Total Return Index, MSCI Canada Index, FTSE All-Share Index Total Return, MSCI Europe Index, Straits Times Index STI, Nikkei 225 Total Return Index, Hang Seng Index Total Return, Australian Stock Exchange All Ordinaries Index, FTSE JSE All Share Index Total Return Value

Currency Exposure % NAV	Net
USD	76.4%
EUR	10.2%
GBP	5.9%
CAD	3.6%
HKD	0.7%
SGD	0.4%
JPY	0.1%
CHF	0.0%
AUD	1.4%
SEK	1.3%
Total	100.0%

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COMPANY OVERVIEW

COMPANY SNAPSHOT



Single Asset Class

Boutique, focused **public market real estate** manager since 2001 with **R 27 bln AUM**



Track Record

23 Years of building property returns



Experience

11 dedicated investment professionals with **direct and listed real estate experience**

125 years industry experience | **95** years at Catalyst Fund Managers



ESG

CFMSA is a PRI signatory

Catalyst Global Real Estate UCITS Fund:
MSCI ESG A-rating



HedgeNews Africa Awards

Catalyst Alpha Prescient QI Hedge Fund
2017 | 2019 | 2021

Raging Bull Winner

Catalyst Global Real Estate UCITS Fund
2014 | 2016 | 2017

Catalyst Global Real Prescient Feeder Fund
2014 | 2015 | 2016 | 2017 | 2018 | 2019

Source: Catalyst Fund Managers | Data as at 31 December 2024



CONTACT US

WE LOOK FORWARD TO HEARING FROM YOU.



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**“INVESTING IN LISTED REAL ESTATE IS OUR
PASSION AND OUR SOLE AREA OF FOCUS.**

**IT’S WHAT ENERGISES US AND KEEPS
US MOTIVATED.”**

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