CATALYST CASH ENHANCED FUND

CATALYST INVESTMENT MANAGERS

Fund Objective

The portfolio objective is to provide a high level of income from fixed income instruments and preserve capital. The aim is, to provide returns in excess of traditional money market portfolios.

The mandate is more flexible and the weighted average portfolio duration will be longer than that of traditional money market portfolios but less than two years.

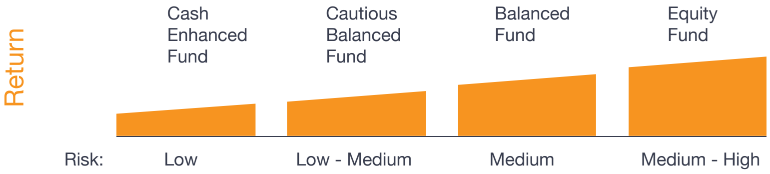
Fund Benchmark

The fund investment benchmark is the IJG Call Index

Fund Investment Strategy

The portfolio is actively managed through a combination of top-down asset allocation and bottom up asset selection.

The fund invests in a combination of Namibian and South African fixed income investments such as cash, bonds, preference shares, debenture stock, debenture bonds and money markets that offer a highly predictable level of current income and a moderate protection of capital depending on term invested.



Fund Performance December 2023

	Fund Net	Benchmark (IJG Call Index)	Out / Under
1 Month	0.70%	0.57%	0.12%
3 Months	1.91%	1.70%	0.21%
6 Months	4.09%	3.43%	0.65%
1 Year	8.17%	6.62%	1.55%
Annualised Since Inception	5.82%	5.69%	0.13%

Fund Key Holdings

Government of Namibia
Nampost
Bank Windhoek

Fund Managers

Mr. Brown Amuenje
Principal & Chief Investment Officer

Mr. Cheryl Emvula
Head of Research

Fund Information

Fund Size	N$ 49,104,585.63
Fund Classification	Interest Bearing - Short Term Risk Profile
Risk Profile	Low Risk
Bench Mark	IJG Call Index
Launch Date	March 2019
Distribution Dates	1st Business Day
Income Distribution	Monthly
Lump Sum Investment	N$ 10,000
Monthly Investment	N$ 500
Total Expense Ratio	
Fees	
Initial Fees	0,00%
Financial Advisor Fee	2.50%
Management Fee	1.00%

FUND MANAGER COMMENTARY

MACRO LANDSCAPE: Q4

Reg No: 2016/1534

MARKET OVERVIEW

The year 2023 turned out to be unexpectedly good for financial markets, defying many analysts' expectations of significant downside risks. Most major markets experienced positive returns, with many nearing or surpassing all-time highs except China, where stock markets fell to multi-decade lows.
The US economy continued to demonstrate resilience relative to its global peers, with economic figures consistently outperforming expectations. 2023 Q3 GDP data showed a 4.9% growth rate, surpassing both the previous period and the same period a year earlier. Amidst this booming economy, the fight against inflation persisted into Q4 of 2023, with inflation rates remaining above the Federal Reserve's 2.0% target. Concerningly, the disinflationary trend observed throughout the year reversed in the final data point of the year, with December's CPI increasing by 30 basis points to 3.4% from 3.1% the previous month. Additionally, the US labour market remained robust, with unemployment at 3.7% in December 2023.
Despite an unexpected rating agency downgrade, the US government continued its fiscal expansion, adding $1 trillion to its outstanding debt in Q4 alone. Consequently, US government debt stands at $34 trillion, amounting to 122.3% of GDP. This increase in debt raises concerns about US fiscal sustainability, especially as forecasted expenditure shows no sign of slowing. Unprecedentedly, expected US deficits are anticipated to remain high despite the country being at full employment. Throughout 2023, the average unemployment rate was recorded at 3.6%, considerably lower than the 50-year mean of 6.2%. In contrast, the fiscal deficit for the year stood at 6.3% of GDP, notably higher than the 50-year average of 3.7%. Historically, when unemployment rates were below 6% from 1970 to 2022, the average deficit was typically around 1.9% of GDP.

The Eurozone continues to face economic stagflation, with Germany, a key economy in the region, reporting an economic contraction of -0.3% in 2023. The HCOB's final Eurozone manufacturing Purchasing Managers' Index (PMI), marginally increased to 44.4 in December from 44.2 in November but remained contractionary for 18 months straight. The region's inflation rate significantly decelerated in the fourth quarter, with December inflation at 2.9%. In the UK, Q3 GDP growth also turned negative at -0.1%, while inflation remained higher than in the Eurozone at 3.9% in November.
China's economy likely experienced its weakest annual growth in over three decades in 2023. A group of experts interviewed by AFP forecast China's GDP growth at 5.2%, the lowest rate since 1990, excluding the Covid-19 pandemic period. The World Bank predicts a 4.5% growth for China in 2024, below the 5.0% target set by policymakers. Economic challenges in China are expected to persist into 2024. Additionally, China experienced significant capital flight. Data from the State Administration of Foreign Exchange shows a net outflow of over $140 billion in long-term investment up to September 2023, nearly 1.0% of China's GDP.
South Africa posted a marginal contraction in Q3 2023, with growth at -0.20%, surprising analysts. This contrasted with Q2's growth, driven primarily by the surprise private investment in renewable energy. Looking into 2024, the South African economy is expected to rebound due to factors such as easing fiscal restrictions ahead of the 2024 elections, improved electricity and rail service delivery, and easing monetary restrictions.

Namibia, however, bucked the global trend with high economic growth. In Q3, the Namibian economy expanded by 7.2%, mainly driven by a 51.7% year-over-year growth in the mining sector, buoyed by rising uranium spot prices and the absence of previous water supply issues. Other mining and quarrying activities grew by 167.0%, thanks to significant growth in mineral exploration off the coast of Namibia.

STRATEGY AND POSITIONING

The fund continues to benefit from the higher interest rate environment. Moreover, the fund has also maintained its duration at an average of 151 days through the quarter. TBs remained attractive relative to NCDs. The fund will continue to maintain its current positioning however, it will opportunistically increase its exposure to attractively priced government assets to lock in higher yields and maintain its outperformance.

The December NCPI number came in at 5.3% year-on-year, indicating disinflation from the 5.7% experienced in the previous month.

Relief in inflationary pressures will ease pressure on policymakers to increase rates therefore, we believe the interest rate hiking cycle is behind us. Moreover, we believe our fund is well-positioned to benefit from higher interest rates as well as marginal rate cuts for the next 6 – 12 months.
Going forward the fund continue to look for opportunities to diversify its investment jurisdiction and looks to invest in South African paper as these instruments are priced attractively compared to their Namibian counterparts.

FUND PERFORMANCE UPDATE

The Catalyst Cash Enhanced Fund delivered an outstanding return of 1.91% during the quarter, outperforming its benchmark (the IJG Call Index) by 0.21%. The fund also outperformed its benchmark in 2023 by 8.17% compared to the benchmark return of 6.62%. Much of this outperformance can be attributed to our strategic asset positioning and duration strategy which took place throughout 2022.

DIRECTORS: Dr. Tjama Tjivikua | Mr. Jerome Davis | Mr. Brown Amuenje | Mr. James Cumming | Ms. Yolandi Tjejamba

+264 83 330 8080 +264 83 330 8081 info@catalyst.com.na www.catalyst.com.na 47 Jason Hamutenya Ndadi Street, Olympia, Windhoek