CATALYST CAUTIOUS BALANCED FUND

CATALYST INVESTMENT MANAGERS

Fund Objective

The objective of the fund is to provide total returns that is in excess of Namibian Inflation over the medium term. Furthermore, the fund seeks to provide a high level of capital stability and minimize losses over any 1-year period.

Therefore, the fund aims to:
- Beat Namibian Inflation +3% over a rolling 3 year period
- Protect 90% of the net investment over a 12 months period

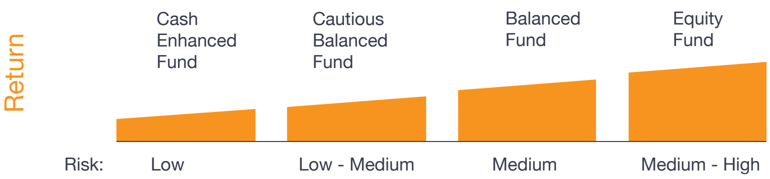
Fund Benchmark

The fund investment benchmark is Namibian Inflation (NCPI) + 3% over a rolling 3 year period.

Fund Investment Strategy

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

The fund can invest in a wide variety of domestic (Namibia & South Africa) and international asset classes such as equities, commodities, listed property, conventional bonds, inflation linked bonds, and cash. The maximum fund net equity exposure is 50%.



Fund Performance December 2023

Performance	CIM NET	Benchmark (Nam CPI+3%)	Peer Average
1 Month	1.05%	0.69%	1.46%
3 Months	4.82%	2.08%	4.09%
6 Months	4.48%	4.11%	1.84%
1 Year	12.76%	8.18%	7.63%
Annualised Since Inception	5.79%	7.03%	4.55%

Fund Asset Allocation

South Africa & Namibian Equities	17.40%
Offshore Equity	14.80%
Fixed Income	30.60%
Cash	37.12%

Fund Key Holdings

Anglo American Plc
Naspers Limited-N SHS
Standard Bank Group Limited
British American Tobacco Plc
Clicks Group Ltd
Anheuser-Busch InBev SA/NV
FNB Namibia Holdings Ltd
Glencore Xstrata Plc
MTN Group Limited
Netcare Limited

Fund Managers

Mr. Brown Amuenje
Principal & Chief Investment Officer

Mr. Cheryl Emvula
Head of Research

Fund Information

Fund Size	N$13,352,950.01
Fund Classification	Interest Bearing - Short Term Risk Profile
Risk Profile	Low-Medium
Bench Mark	NCPI +3% over a rolling 3-year period
Launch Date	March 2019
Distribution Dates	TBC
Income Distribution	Semi-Annually
Lump Sum Investment	N$ 10,000
Monthly Investment	N$ 500
Total Expense Ratio	
Fees	
Initial Fees	0,00%
Financial Advisor Fee	2.50%
Management Fee	1.25%

FUND MANAGER COMMENTARY

MACRO LANDSCAPE: Q4

Reg No: 2016/1534

MACRO LANDSCAPE

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

Changes in monetary policies in 2022/23 have led to recessionary sentiment from analysts throughout 2023, however, global markets have proven to be resilient by delivering strong returns for 2023. Equities and fixed income have both delivered annual returns that surpass the average. Globally the MSCI World Index saw returns of 9.50% and 21.11% for the fourth quarter and the year, respectively.

The JSE Capped SWIX delivered a quarterly return of 7.89% recovering all losses witnessed throughout the year consequently bringing the total year's return to 7.01%. Domestically, the NSX overall saw a quarterly gain of 3.84% whereas the NSX local saw a decline of -1.67% over the same period. Yearly returns for the NSX overall and local amounted to 32.48% and 0.14%, respectively. From the fixed income perspective, Namibian bonds have outperformed South African bonds in 2023. The SA ALBI witnessed the first positive returns since Q1 improving by of 8.04% over Q4 which resulted in a yearly return of 9.67%. Namibian All Bonds Index lagged during the quarter witnessing a rise of 6.66% however outperforming on an annual basis with a return of 18.71%. Cash (as measured by the IJG Call Index) has seen a rise of 1.70% and 6.62% over the quarter and year, respectively.

The fund saw a 4.82% rise over the quarter and 12.76% over 2023, beating its inflation +3% target which increased by 2.08% and 8.18% over the quarter and year respectively. Moreover, the fund has outperformed the peer average over the quarter as well as yearly.

Strategic allocation to developed markets and bond selection process delivered strong returns for the fund. Within the equity exposure, the largest contributors to returns were Clicks, The Standard Bank Group and AB-In Bev. Conversely, The Life Healthcare Group, Sasol and Anglo-American Plc emerged as the largest detractors from the Q4'23 performance.

FUND PERFORMANCE UPDATE

During the quarter the Catalyst Cautious Balanced Fund consistently held cash at maximum levels due to volatile markets and to take advantage of potential investment opportunities as they arise. The fund increased its holdings in developed markets equities which paid dividends as foreign markets saw a rally over the final quarter of the year. The rest of the fund allocations have remained relatively unchanged. The fund has slightly increased its holdings in Mondi Plc due to improved valuations and sentiments. No new companies were bought or sold over the quarter.

The fund will navigate the next quarter by continuing to stick to its process of top-down asset allocation and bottom-up stock selection.

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