Fund Objective
The Catalyst SCI SA Property Equity Fund is an actively managed portfolio, which has a total return objective and seeks to offer investors a return in excess of South African domestic property markets. The portfolio has a medium to long-term investment horizon.

Fund Strategy
In order to achieve this investment objective, the securities normally to be included in the portfolio will primarily consist of property shares, property loan stock, participatory interests and that the Act may allow from time to time, all to be acquired at fair market value. The manager may also invest in participatory interests or any other form of participation in portfolios of collective investment schemes or other similar collective investment schemes with the conditions as determined by legislation from time to time, as sets in liquid form and in collective investment schemes in property, listed and unlisted financial instruments in line with the conditions as determined by legislation from time to time, assets in liquid form and non-equity securities which are considered consistent with the portfolio’s primary objective and that the Act may allow from time to time, all to be acquired at fair market value. The manager may also invest in participatory interests or any other form of participation in portfolios of collective investment schemes or other similar collective investment schemes as the Act may allow from time to time, all to be acquired at fair market value. The manager may also invest in participatory interests or any other form of participation in portfolios of collective investment schemes or other similar collective investment schemes consistent with the portfolios of collective investment schemes or other similar collective investment schemes.
**Glossary Terms**

**Annualised Returns**
Annualised return is the weighted average compound growth rate over the period measured.

**Asset Allocation**
Asset allocation is the percentage holding in different asset classes (i.e. equities, bonds, property, etc.). It is used to determine the level of diversification in a portfolio.

**Capital Volatility**
Volatility is a measure of risk and refers to the extent to which the price of an investment or capital value fluctuates over a certain period of time. Funds with high volatility usually offer the potential for higher returns over the longer term than low volatility funds.

**Cumulative Returns**
Cumulative return is the total growth experienced over the period measured.

**Derivatives**
Derivatives are instruments generally used as an instrument to protect against risk (capital losses), but can also be used for speculative purposes. Examples are futures, options and swaps.

**Distributions**
Distributions are the income that is generated from an investment and given to investors through monthly, quarterly, or annual payments. They can also be used for speculative purposes. Examples are futures, options and swaps.

**Diversification**
Diversification is a strategy designed to reduce risk within a portfolio by combining a variety of investments (or asset classes) such as equities, bonds, cash or property, which are unlikely to all move in the same direction at the same time. This is designed to reduce the risk (and protect against capital losses) within a portfolio. Diversification allows for more consistent performance under a wide range of economic conditions as it smooths out the impact of negative market events. The positive performance of some investments or asset classes should neutralize the negative performance of others.

**Financial Instruments**
Financial instruments are general financial instruments (such as a future, option, or warrants) whose value derives from and is dependent on the change in value of an underlying asset (such as a commodity, currency, or security) to protect against risk (capital losses).

**Fund Objective**
The fund objective is the portfolio's core goal.

**Fund Strategy**
The fund strategy is the way that the fund is managed to achieve the fund objective.

**Information Ratio**
The Information Ratio measures the risk-adjusted performance of an investment or portfolio. The greater a portfolio's Information Ratio, the better its risk-adjusted performance has been compared to the market in general.

**LISP (Linked Investment Service Provider)**
A Linked Investment Service Provider is a financial institution which packages, distributes, and administers a broad range of unit trust investments.

**Maximum Drawdown**
The maximum drawdown measures the highest peak to trough loss experienced by the fund.

**Participatory Interests**
When you buy a unit trust, your money is pooled with that of many other investors. The total value of the pool of invested money in a unit trust fund is split into equal portions called participatory interests or units. When you invest your money in a unit trust, you buy a portion of the participatory interests in the total unit trust portfolio. Participatory interests are therefore the number of units that you have in a particular unit trust portfolio.

**Sharpe Ratio**
The Sharpe Ratio measures total risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio’s returns are due to excessive risk or not. The Sharpe Ratio is calculated as the difference between the portfolio’s return and the risk-free rate of return divided by the standard deviation of the portfolio.

**Standard Deviation**
Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected of an investment.
Portfolio Manager Comment

Market Commentary March 2022

The SA Listed Property Index (SAPY) and the All Property Index (ALPI) recorded total returns of -1.27% and -1.60% respectively for the quarter ended March, with the historic yield of the ALPI ending the quarter at 7.54%. However, it should be noted that many companies have reduced, deferred, or canceled dividend payments in the aftermath of the Covid-19 pandemic. The yield-to-maturity (YTM) on the long-term South African government bond (RLRS) weakened by 29bps ending the quarter at 9.94% (9.65% - 31 December 2021). SA listed property outperformed other asset classes in the month of March (+5.05%) but has lagged year to date (-1.27%), following a strong 2021 calendar year performance (+36.94%). Despite the year-to-date underperformance, SA listed property has still outperformed other asset classes over a rolling 12-month period (+27.06%). On a 12-month basis equities delivered returns of (+18.61%) followed by bonds (+12.37%) and cash (+3.94%). Reboxis-A (41.1%), Emira (18.11%), Fortress-B (14.46%) and Vukile (13.66%) were the outperformers in the quarter. Sirius (-19.95%), Fairvest-A (-20.70%) Reboisis (-21.43%) and Fairvest B (-22.12%) were noteworthy underperformers in the quarter.

The results for December 2021 reporting periods were mostly in line with expectations. Fundamentals in CEE (NepiRockcastle & Mas) are improving, evidenced by strong recovery in net operating incomes. Locally, fundamentals continue to be weak evidenced by negative reversions reported by Growthpoint, Liberty2Degrees and Emira. This was to be expected given that in-place escalation on leases continue to be above market rent growth. A positive across the board is that asset valuation write-downs have been muted, and we don't expect any further material write-downs from here on. We have seen improvements in gearing ratios due to the preservation of capital in the form of lower pay-out ratios, increased disposal programs at or slightly below book values and the introduction of reinvestment options by some REITs.

During the quarter the invasion of Ukraine by Russia sparked massive volatility in the prices of commodities, equities and bonds. The SA listed property sector has no exposure to Russia/Ukraine/Belarus where the current conflict has been focused. The sector is exposed to 5 countries that border the current conflict zone including Hungary, Lithuania, Poland, Romania, and Slovakia however all 5 are NATO members (since 2004 for the latest). The only European country that is not a member of NATO on the list is Serbia. It should be noted that the exposure is relatively small at 2% of Nepi Rockcastle’s portfolio (Only company directly exposed to Serbia), and Serbia does not border the current conflict zone.

Our rolled 1-year funds available for distribution (FAD) yield remains attractive at circa 9.02% Distribution growth is forecasted to be in excess of inflation in the short-term due to the low base effects of covid in the historical numbers and strong growth prospects from some of the offshore names within our universe. The sector continues to trade at a discount to NAV of circa 17.5% with SA centric companies at a discount to NAV of 23.8% and offshore companies trading in line with NAV. We currently see the sector fairly valued with total return expectations of between 11- 13%. The uncertain macro environment will likely continue to drive elevated volatility in asset prices locally and abroad.