Alternative Investments

Quarterly Dashboard
Q2 2026

CATALYST
FUND MANAGERS ALTERNATIVE INVESTMENTS
25 YEARS

Contents

Market Commentary

Second Quarter 2026

Quarterly commentary author

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The South African Listed Property Index (SAPY) and the All Property Index (ALPI) delivered total returns of 10.0% and 10.5%, respectively, for the quarter ended June 2026. The yield-to-maturity (YTM) on the long-term South African government bond (RLRS) declined by 80 basis points over the quarter, ending at 8.43% (31 March 2026: 9.23%).

The second quarter began against the backdrop of a sharp market sell-off in late March, triggered by the escalation of the US-Iran conflict. On 8 April, the US and Iran agreed to a fragile ceasefire, providing much-needed relief to global equity markets. However, market performance remained volatile as intermittent attacks involving the US, Israel and Iran tested the durability of the ceasefire. Sentiment improved meaningfully on 17 June, when a 14-point Memorandum of Understanding was signed, aimed at permanently ending military operations and reopening the Strait of Hormuz. Equity markets responded positively, while oil prices declined from April highs of more than US$110 per barrel to below US$70 by quarter-end, returning to within a few dollars of pre-conflict levels.

One of the most significant economic consequences of the conflict was the spike in oil prices and the resulting inflationary pressure. As petrol and diesel are key input costs across the economy, higher fuel prices flowed through to broader goods and services inflation. Inflation data from many major economies proved stubborn, with several regions recording their highest inflation readings in two to three years. In response, a number of central banks resumed monetary tightening. Consistent with its hawkish stance, the South African Reserve Bank (SARB) increased the repo rate by 25 basis points at its May Monetary Policy Committee meeting.

Perhaps surprisingly, the long end of the curve - generally what SA REITs will use to price new debt - came down on this move. The market interpreted the SARB's action as a decisive move to contain inflation and reinforce its commitment to the country's long-term 3% inflation target. Consequently, listed property did not experience a meaningful sentiment-driven sell-off despite the higher policy rate. While the duration and extent of the current tightening cycle remain uncertain, consensus expectations are that it will be relatively shallow, with an easing cycle anticipated to begin in 2027. Encouragingly, the latest South African CPI data suggest that higher oil prices have not yet meaningfully filtered through into broader inflation.

The South African REIT reporting season also remained constructive. Octodec, Redefine, Stor-Age, Equites and Vukile either issued full-year distribution growth guidance above inflation or upgraded their guidance at interim results. The sector continues to benefit from healthy top-line revenue growth and disciplined operating cost management, supported in part by ongoing solar roll-outs. At the same time, lower debt funding costs and historically tight credit margins are providing a meaningful boost to distributable earnings. Despite macroeconomic uncertainty, the fundamentals underpinning South African REITs remain robust.

Global equity markets also recovered during the quarter, supported by the ceasefire announcement and exceptionally strong first-quarter earnings from AI-related companies. Investor enthusiasm around artificial intelligence fuelled a sharp rally in technology stocks, while a narrative emerged that AI could disrupt traditional software business models. As a result, software companies such as Oracle, Adobe and Salesforce came under notable pressure. Within global listed real estate, operating results were generally resilient, with early signs of improvement emerging across West Coast apartments, Gateway office assets and self-storage. Structural growth themes in data centres and senior housing continue to stand out as particularly compelling.

Performance Commentary

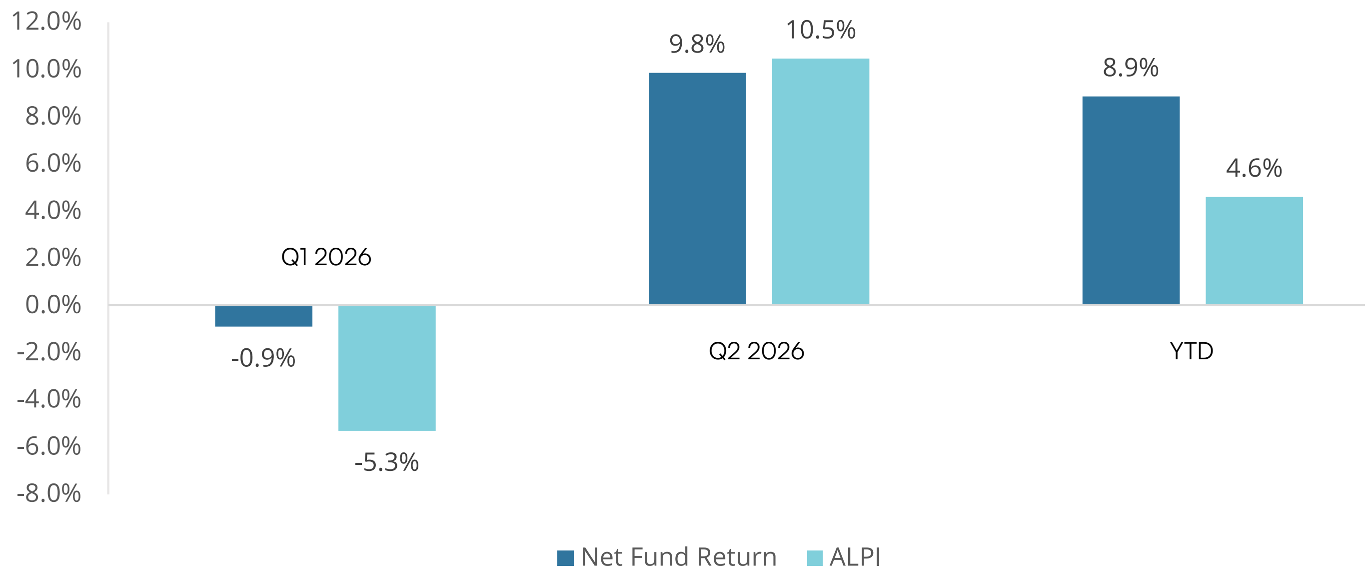
Second Quarter 2026

The Fund delivered a total return of 9.85% for the second quarter of 2026, outperforming its benchmark return of 1.72% and broadly matching the performance of the All Property Index (ALPI), which returned 10.47%.

In our previous quarterly commentary, we highlighted the importance of capital preservation as a key advantage of the hedge fund structure. By limiting losses during periods of market weakness, the Fund is able to participate meaningfully in subsequent recoveries without needing to assume excessive risk. As a long-biased hedge fund, the objective is to capture more upside in positive months and while limiting downside in negative months, thereby delivering returns in excess of cash with lower volatility than the underlying listed property market.

> **“This philosophy was demonstrated over the first half of 2026. During the first quarter, the Fund participated in only 16.8% of the ALPI’s drawdown, while successfully capturing 94.0% of the market’s recovery during the second quarter.”**

Figure 1: **Global Real Estate vs. Global Equities**



Source: Catalyst Fund Managers | Data as at 30 June 2026

Global developed listed real estate returned 5.78% in rand terms during the quarter. As geopolitical tensions eased, the US dollar relinquished much of its safe-haven strength, depreciating 3.58% against the rand. The Fund's allocation to global listed real estate, combined with its decision to hedge US dollar exposure, contributed positively to both performance and overall portfolio risk.

Periods of heightened market volatility reinforce the importance of assessing investment outcomes over longer time horizons. Over the past three years, the Fund has delivered an annualised net return of 15.54%, compared with 7.97% for its benchmark. These returns have been achieved with materially lower volatility (10.33%) than the ALPI (15.63%), resulting in superior risk-adjusted returns as reflected in the Fund's higher Sharpe ratio.

Within the South African listed property universe, Fairvest B (+20.9%) was the strongest performer during the quarter. Following a weaker start to the year, the company guided to one of the highest distribution-per-share growth rates in the sector, prompting a meaningful re-rating by the market. Hammerson (+20.0%) also delivered a strong return as sentiment towards UK real estate improved during June, supported by ongoing takeover speculation.

The weaker performers included Sirius (-0.7%), which, despite reporting strong operating results and continuing to trade on attractive valuations, failed to attract broader market support. Stor-Age (+2.8%) also underperformed after releasing mixed results. While the South African portfolio continued to generate some of the strongest net operating income growth in the sector, negative NOI growth from the UK portfolio reflected the more challenging operating environment and weighed on investor sentiment.

Globally, the listed real estate opportunity set continues to offer significantly greater diversification across both sectors and geographies.

The strongest performing subsectors during the quarter included:

US Offices (31.5%): For a long time, offices globally have been under pressure as oversupply and work from home have limited pricing power for landlords. Recently, however, increased occupancy and stronger fundamentals on the West Coast of the US have buoyed share price performance. It appears an inflection point has been reached in the sub-sector.

UK Industrial (23.4%): In June, the largest listed US industrial REIT, Prologis, made an all-share bid for Segro, a UK logistics landlord with a major data centre pipeline. The proposal was rejected by Segro's board, which argued that the approximately 25% premium to the recent share price was well below the intrinsic value of the company. UK industrial stocks were buoyed on this news, and the expectation is that Prologis may return with an improved offer. The UK market as a whole has traded at depressed levels, so sentiment improved as it became apparent that US companies are seeking opportunities in the region.

The weaker performing subsectors included:

Japan Developers (-8.4%): After a strong start to the year, stocks in this sector moderated in Q2. Construction cost inflation, combined with debt funding costs near decade highs, has generally made it more difficult for developers to bring stock online accretively. Bond yields have continued to rise in Japan more broadly, which has put pressure on JREIT performance.

European Office (1.7%): The sector's underperformance reflected less a deterioration in fundamentals than the region's high sensitivity to bond yield fluctuations. Following the war, inflation concerns pushed bond yields higher, and European companies tend to carry higher leverage and a lower cost of funding - a combination that is particularly exposed to a rising-inflation, rising-bond-yield environment.

At the end of Q2 2026, net physical exposure to South African listed real estate and Global listed real estate (including ZAR hedges) stood at 38.8% and 36.4%, respectively.

The Fund's long-term strategy is to maintain, over time, a broadly balanced allocation between local and global listed real estate. Within each market, capital is allocated to the Fund's highest conviction long and short opportunities. This approach is underpinned by the low correlation between local and global listed real estate security returns, both in local currency terms and in ZAR. Material deviations from this allocation reflect relative value opportunities between the two markets.

Approximately 29.6% of the Fund's exposure is invested in direct offshore opportunities. While we continue to identify attractive opportunities within the global listed real estate universe, we remain mindful that strong demand for US technology stocks has led to US real estate being overlooked in the short term, despite compelling valuations. The remaining developed-market currency exposure is held through net long positions in rand-hedge JSE-listed real estate stocks and offshore cash.

South African cash and cash equivalents, including enhanced cash and indirect foreign cash, represented approximately 23.6% of Fund NAV at quarter-end (Q1 2026: 13.7%). The Fund reduced a significant amount of equity exposure during the strong Q2 rally, having entered the quarter highly invested. This proved effective, as the ALPI generated a return of more than 10% for Q2 2026. The Fund used some of this cash to close its bond short position, as yields had moved out materially and the position was no longer required to fund additional SA property exposure.

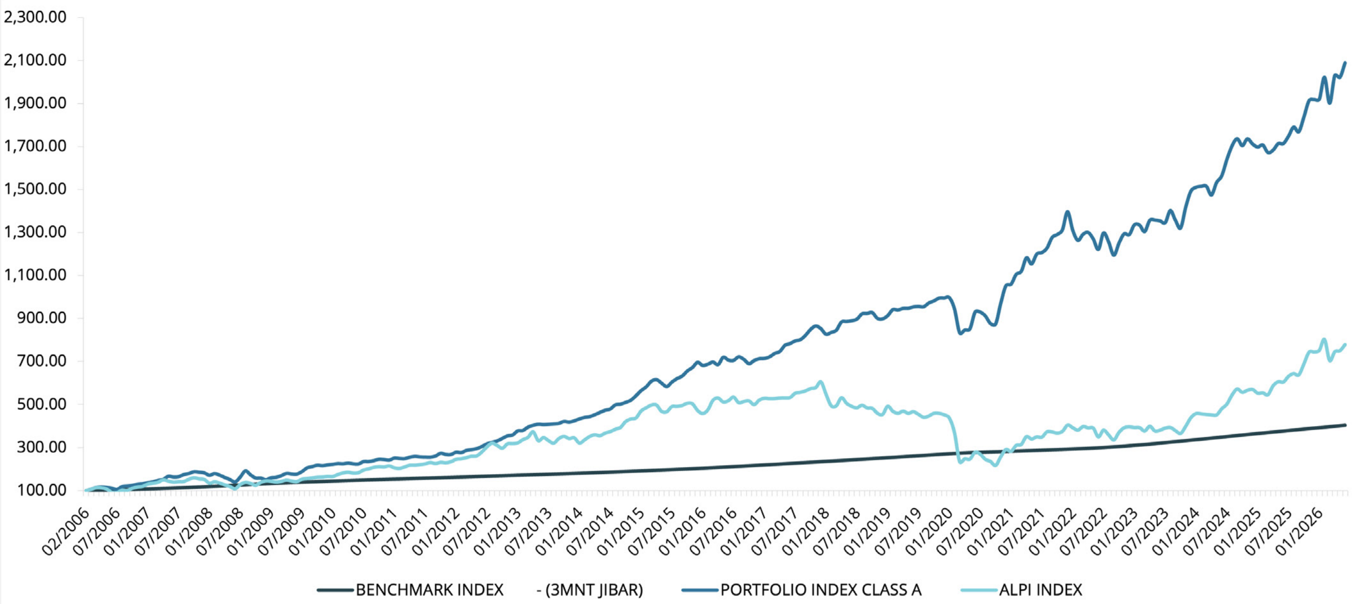
Gross physical equity exposure	Net physical equity exposure	Net direct credit exposure
94.5%	75.2%	0.0%

Net Fund Performance (in ZAR)

Date	Fund Return	Benchmark Index (3 Month JIBAR)	JSE ALPI (All Property) Index	JSE All Share Index
Q2 2026	9.85%	1.72%	10.47%	-2.36%
YTD	8.87%	3.41%	4.59%	-2.96%
1 Year	21.88%	7.10%	28.75%	18.42%
3 Year				
Annualised	15.54%	7.97%	26.87%	17.39%
3 year Standard Deviation	10.33%	0.21%	15.63%	12.80%
5 Year				
Annualised	11.73%	7.04%	17.32%	15.16%
5 Year Standard Deviation	10.97%	0.46%	16.82%	14.08%
Since Inception				
Inception to date	1989.26%	303.01%	678.53%	967.48%
Annualised inception to date	16.05%	7.06%	10.57%	12.29%
Standard Deviation	12.42%	0.53%	19.50%	14.84%
Sharpe Ratio	0.72		0.18	0.35
Positive months	70%			

Source: Bloomberg | Data as at 30 June 2026

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 30 June 2026

Fund's 3 Year Rolling Return Annualised (ZAR)

Positive Since Inception

Source: Catalyst Fund Managers | Data as at 30 June 2026

Portfolio Commentary

Second Quarter 2026

The Fund's largest long positions remain concentrated in specialist, high-conviction real estate companies that continue to offer the most attractive risk-adjusted return opportunities. The portfolio remains overweight South African small-cap REITs, while offshore rand-hedge exposure is primarily focused on Eastern European retail.

Entering the quarter, the Fund increased net equity exposure to close to 100%, reflecting our expectation that geopolitical tensions would ultimately de-escalate. As markets recovered and the ALPI generated a return in excess of 10% during the quarter, the Fund captured a significant proportion of the upside. As valuations strengthened, exposure was progressively reduced in line with our disciplined portfolio management process.

The most significant portfolio changes during the quarter included reductions in OCT and SEA, both of which had materially outperformed their respective peer groups year-to-date. Capital realised from these positions was primarily redeployed to close the Fund's short position in MSP. The company underperformed during the quarter before announcing a programme of asset disposals alongside a tender offer to repurchase shares. This gives the stock optionality and presents too high a risk to be short the stock given the binary nature of its strategy from here.

Net exposure to South African rand-hedge listed real estate increased to 6.8% of NAV at the end of Q2 2026, higher than the 4.0% at the end of the previous quarter. During the period, the Fund increased its investment in Sirius, the German multi-let industrial property company, reflecting its attractive valuation, compelling yield and continued earnings growth driven by disciplined capital allocation. The Fund also closed its MSP short position.

Having successfully navigated the Middle Eastern conflict during the first half of the year, we expect market attention to refocus on underlying fundamentals. We continue to believe that inflationary pressures will moderate over time, allowing bond yields to decline and paving the way for the next phase of the monetary easing cycle.

Against this backdrop, we believe the listed real estate sector continues to offer compelling long-term risk-adjusted return opportunities. The Fund remains well positioned to capitalise on these opportunities while maintaining a disciplined investment process and a steadfast commitment to capital preservation.

Outlook

Second Quarter 2026

The outlook for SA-centric REITs remains robust. Within the traditional sub-sectors, we are seeing the following trends:

Retail: Strong market rental growth is driving positive lease renewal reversion. Trading density growth remains broadly in line with inflation, while cost-of-occupancy ratios are close to 10-year lows, allowing tenants to comfortably absorb higher rental levels.

Industrial: Similar growth in rentals is being achieved, especially for modern, automated logistics facilities. For years, rentals stagnated in the R80-R90/ m^2 range, but recent evidence suggests that P-Grade logistics facilities are now exceeding R100/ m^2. Industrial assets also lend themselves well to optimising roof space for solar, which can materially decrease operating costs for the landlord.

Office: For a long time, offices have been a laggard, as oversupply and low economic growth were headwinds for the sector. More recently, green shoots of recovery have been noted with the BPO sector taking up more space, and growth in the Western Cape causing vacancy to drop below 10% in the province. In other regions, a lack of new supply, and in some cases negative supply as older offices are taken offline or repurposed, has placed some upward pressure on pricing. Reported NOI growth has benefited from a low base, given high vacancy, so any improvement in occupancy flows directly to the bottom line.

The earnings outlook for the sector remains encouraging. Funds available for distribution (FAD) growth currently stands at 7.03% over one year, 6.29% per annum over two years and 5.64% per annum over three years. Combined with a forward dividend yield of 7.14%, these metrics support an expected total return of approximately 12—14% per annum over the next three years.

Globally, structural growth themes remain firmly intact. US data centres and senior housing continue to exhibit exceptionally strong fundamentals, while self-storage, cold storage and selected office markets appear to be approaching inflection points. Europe also offers pockets of opportunity, although the region remains relatively more exposed to energy price shocks and the risk of further monetary tightening.

Corporate activity within the global listed real estate sector has been elevated year to date. Notable transactions during the year include Prologis' bid for Segro and Public Storage's agreed acquisition of National Storage Affiliates, among others.

The global listed real estate sector currently offers an estimated forward FAD yield of 4.79%, together with expected four-year annual compound FAD growth of 6.08% in US dollar terms. In our view, current valuations remain compelling and provide an attractive entry point for long-term investors. As market leadership broadens beyond the narrow group of AI-related technology stocks, the listed real estate sector appears well positioned to benefit from a rotation towards attractively valued, income-generating assets.

Asset Class	Long	Short	Net
SA Listed Property Equity	45.0%	-6.2%	38.8%
SA Bonds	0.0%	0.0%	0.0%
SA Listed Property, Rand Hedge	8.1%	-1.3%	6.8%
Enhanced Cash	0.0%	0.0%	0.0%
Global Listed Property Equity	0.0%	0.0%	0.0%
Global Bond Shorts	0.0%	0.0%	0.0%
Indirect Cash - Foreign	0.0%	0.0%	0.0%
Direct Offshore	31.8%	-2.1%	29.6%
Currency Futures	15.4%	-14.2%	1.2%
Total cash and cash equivalents	24.8%	-1.2%	23.6%
Total Gross	125.0%	-25.0%	100.0%
Leverage(adjusted gross)	124.1%	-	-

Currency Exposure % NAV	Net
JPY	0.0%
CAD	0.0%
SEK	0.0%
GBP	7.0%
USD	9.6%
HKD	0.0%
EUR	6.3%
AUD	0.7%
CHF	0.0%
SGD	0.0%
ZAR	76.3%
Total	**100%**

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Company Snapshot

Second Quarter 2026

R26bn	25 yrs	108 yrs
Assets under management	Building real asset returns since 2001	Combined industry experience

Single asset class

Boutique, focused **public market real assets** manager since 2001 with **R26bn AUM**

Track record

25 years of building consistent, risk-adjusted real asset returns across market cycles

Experience

- **11** dedicated professionals
- **108 yrs** industry experience
- **81 yrs** at Catalyst

ESG

CFMSA is a **PRI signatory** - committed to responsible investment principles

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Real assets, Real returns.

It's in our DNA.

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