Finance Invest Insure

Merchant West SCI Global Managed Growth Fund

Quarterly Report
Quarter ending 31 March 2026

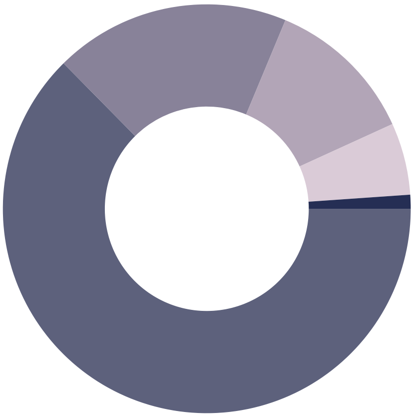
FUND DETAILS

Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
US CPI + 3% in ZAR terms	Global Multi-Asset Flexible	Ian Anderson Richard Henwood	The Merchant West SCI Global Managed Fund is suitable for investors seeking to build a growing income in a portfolio of global assets, as well as long-term capital growth. The Fund is suitable for investors seeking to benefit from compounding through the reinvestment of a reasonable and growing income stream. Investors have a moderate to aggressive risk profile and are prepared to accept capital volatility in the short to medium term. Investors are prepared to invest for a minimum period of five years and longer.

Top 10 Holdings

Top 10 Holdings	%
iShares Global High Yield Corporate Bond ETF	5.2
iShares Global Corporate Bond ETF	4.8
Exxon Mobil Corporation	3.2
SSE Plc	3.1
Novartis	2.6
TotalEnergies	2.5
Roche Holding	2.4
Johnson & Johnson	2.3
AbbVie Incorporated	2.3
Microsoft Corporation	2.2

Asset Allocation: Portfolio Date: 31/03/2026



Asset Allocation	%
Global Equity	62.6
Global Property	18.7
Global Fixed Income	11.9
Global Cash	5.7
SA Cash	1.1
Total	**100**

Performance

Performance	Fund %	Benchmark %
3 months	3.0	3.9
1 year	0.3	-2.4
3 years	7.8	4.2
5 years	8.4	10.6
10 years	6.7	7.8
Since inception	7.8	8.9

Annualised after one year

Highest and Lowest Annual Returns

Highest and Lowest Annual Returns	%
Highest annual return	35.3
Lowest annual return	-11.8

By calendar year

MARKET OVERVIEW

The first quarter of 2026 was characterised by a sharp deterioration in global market sentiment as investors moved from a relatively constructive macro backdrop at the start of the year to a far more defensive stance by quarter-end. The escalation in geopolitical risk following the outbreak of war involving Iran on 28 February, and the resulting disruption to energy markets, became the dominant driver of financial markets during the period. Global equities ended the quarter lower, with the MSCI World Index declining 3.6% in US dollars and the MSCI All Country World Index down 3.2%. The US market underperformed, with the S&P 500 returning -4.3% and the Nasdaq Composite -7.0%, while performance elsewhere was mixed. The UK equity market proved relatively resilient, gaining 2.2% in US dollars (+4.1% in GBP), and Japan also delivered a positive return of 1.2% in US dollar terms, or 2.9% in yen. Emerging markets held up better than developed markets overall, with the MSCI Emerging Markets Index down only 0.2%, while Emerging Markets ex China returned 3.2% in US dollars. Chinese equities remained weak, with the MSCI China Index declining 8.9% over the quarter. Reuters noted that March was the worst month for world equities since September 2022, underscoring how abruptly risk appetite deteriorated as the quarter progressed.

Market leadership also changed materially over the quarter. Style and size performance data shows a pronounced rotation away from expensive growth shares and toward more defensive, value-oriented parts of the market. The MSCI World Value Index gained 1.2% in US dollars over the quarter, while the MSCI World Growth Index declined 8.5%. Smaller companies also proved more resilient than their larger peers, with MSCI World Small Cap returning 1.4%, compared with a decline of 4.1% for MSCI World Large Cap. Dividend-focused strategies also held up relatively well, with the S&P Global Dividend Aristocrats Index rising 1.7%. This pattern is consistent with the market's shift away from long-duration growth assets as higher energy prices, renewed inflation concerns and greater uncertainty around the policy outlook weighed heavily on the large US technology names that had led markets previously. Reuters reported that the "Magnificent Seven" mega cap technology shares fell 13% over the quarter.

The most important transmission mechanism from geopolitics into markets was energy. Brent crude oil surged 94.5% in US dollars over the quarter, while gold gained 8.1% as investors sought protection against inflation and rising uncertainty. Reuters described Brent's move as its biggest quarterly rise since the first Gulf War. The IMF had projected in January that global growth would be 3.3% in 2026, supported by technology investment and accommodative financial conditions, but it had already identified escalating geopolitical tensions as a key downside risk. By early April, IMF Managing Director Kristalina Georgieva warned that the war's disruption to energy supplies would result in slower global growth and higher inflation, with the earlier forecast now likely to be revised down.

Central banks responded by adopting a more cautious tone. At its March meeting, the US Federal Reserve kept the federal funds target range unchanged at 3.50% to 3.75%, stating that uncertainty about the economic outlook remained elevated and that developments in the Middle East posed risks to both sides of its mandate. The European Central Bank likewise left its key interest rates unchanged, with the deposit facility rate at 2.00% and the main refinancing rate at 2.15%, while acknowledging that the war had created upside risks to inflation and downside risks to growth through higher energy prices. Against this backdrop, global fixed income also came under pressure, with the Bloomberg Global Aggregate Bond Index declining 1.1% in US dollars over the quarter. The US dollar strengthened modestly, with the DXY Index up 1.7%, while the dollar appreciated 1.7% against the euro and 1.3% against the yen. Global listed property was flat over the quarter, with the GPR 250 REIT Index returning 0.0% in US dollars. Overall, the quarter reinforced how quickly geopolitical shocks can feed into oil prices, inflation expectations, the interest-rate outlook and, ultimately, global asset prices.

PORTFOLIO & PERFORMANCE COMMENTARY

During the quarter, the Fund returned 3.0%, underperforming the Fund's benchmark but outperforming the peer group average and the broader global equity market in a difficult quarter for risk assets. This relative resilience was driven primarily by strong stock selection within the Fund's equity portfolio, as well as a solid contribution from the listed property sleeve. The largest positive contributors were the Fund's energy holdings, most notably Exxon Mobil and TotalEnergies, which benefitted from the sharp rise in oil prices during the period. These were complemented by strong contributions from more defensive holdings such as SSE, Johnson & Johnson, Novartis, AT&T, Vodafone and Walmart, while Digital Realty was the standout contributor within the property portfolio. The Fund's positioning in value-oriented, defensive and cash-generative businesses was particularly beneficial as global markets rotated away from growth shares, with the MSCI World Index declining 3.6% and the Nasdaq Composite falling 7.0% in US dollars over the quarter.

The main detractors from performance came largely from the Fund's exposure to selected US growth and quality businesses that came under pressure during the quarter's risk-off environment. Microsoft was the largest detractor, followed by Broadridge Financial, McCormick, Wells Fargo, Paychex, Unilever and UnitedHealth Group. Several UK-listed property counters, including British Land, Land Securities and Segro, also weighed on returns, although this was more than offset by stronger performers elsewhere in the real estate allocation. Portfolio activity during the quarter remained measured. The Fund initiated new positions in Zoetis and Schneider Electric, both of which we believe are high-quality global businesses with attractive long-term fundamentals, while the small holding in Magnum Ice Cream, which was unbundled from Unilever, was sold. Given the timing and size of these trades, their impact on quarter-one performance was limited, but they further align the portfolio with our emphasis on quality, resilience and long-term compounding.

CURRENT POSITIONING & OUTLOOK

The Fund's allocation to growth assets (equities and listed property) is currently 81% and is only slightly below the Fund's longer-term strategic allocation of 90% (65% equity and 25% listed property) but well above the peer group average. The Fund's current allocation to equities continues to emphasise quality over any other factor and with global growth slowing and global inflation stubbornly high, quality is likely to outperform other styles, at least in the short to medium term.

Based on a combination of Bloomberg, Refinitiv, IRESS and Merchant West Investments forecasts, the current one-year forward income yield on the Fund is 3.3%, which compares very favourably with the yield on global money market and income funds, despite having 81% allocated to growth assets. Based on those same forecasts, the income produced by the portfolio is expected to grow at approximately 5.4% per annum over the next three years, slightly above global inflation expectations over that same period.

The Fund is ideally suited for investors with sufficient excess capital and who are looking to build a hard currency linked income for their retirement and then to manage that hard currency income in retirement such that the major risks facing retirees, namely longevity (how long am I going to live), sequence of returns risk (getting the returns when you need them) and inflation (the hurdle rate and one that grows rather than shrinks in retirement), are mitigated and in some instances completely eradicated. Investors can live off the income provided by the portfolio and not draw excessively against the capital. In this way, the investor's capital is preserved and is only utilised in emergencies during their retirement, irrespective of how long that retirement lasts.

Ian Anderson
Portfolio Manager

Richard Henwood
Portfolio Manager