Merchant West SCI Stable Payers & Growers® Fund
Quarterly Report
Quarter ending 31 March 2026

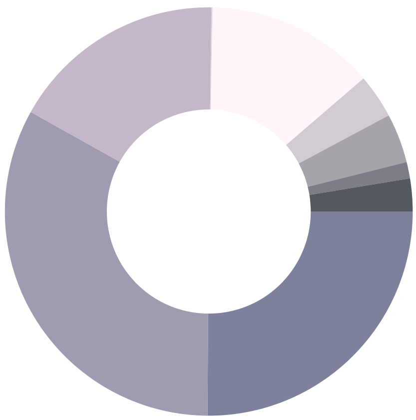
FUND DETAILS

Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
CPI + 4%	South African Multi-Asset Low Equity	Ian Anderson Richard Henwood	The Merchant West SCI Stable Payers and Growers® Fund is suitable for investors who require a balance between growth and income at moderate to conservative risk levels. The Fund is Regulation 28 compliant and has a maximum effective equity exposure limit of 40%. The recommended investment horizon is three years or more.

Top 10 Holdings

Top 10 Holdings	%
Merchant West SCI Global Managed Growth Fund Class Z	21.4
Merchant West SCI Enhanced Income Fund Class D	17.3
RSA Govt Bond R2030 8.0% 31012030	8.5
RSA Govt Bond R2035 8.875% 28022035	8.4
Accelerate Property Fund	2.1
Spear REIT Ltd	2.1
Dipula Income Fund	2.0
Emira Property Fund	1.9
Stor-Age Property REIT Ltd	1.9
Fairvest Limited	1.8

Asset Allocation: Portfolio Date: 31/03/2026



	%
SA Equity	25.1
SA Fixed Income	33.0
SA Property	17.1
SA Preference Share	0.1
Global Equity	13.4
SA Cash	3.5
Global Property	3.9
Global Cash	1.3
Global Fixed Income	2.6
Total	**100**

Performance

Performance	Fund %	Benchmark %
3 months	-0.7	2.0
1 year	14.2	7.1
3 years	12.7	7.7
5 years	12.9	8.8
10 years	6.3	8.6
Since inception	7.8	8.9

Annualised after one year

Highest and Lowest Annual Returns

Highest and Lowest Annual Returns	%
Highest annual return	28.3
Lowest annual return	-9.6

By calendar year

MARKET OVERVIEW

The first quarter of 2026 was dominated by a sharp shift in 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 decisive turning point was the escalation in geopolitical risk following the outbreak of war involving Iran on 28 February, which triggered a sharp repricing across energy, inflation and interest-rate expectations. By the end of March, the MSCI All Country World Index had declined 3.2% in US dollars and the MSCI World Index was down 3.6%. US markets underperformed, with the S&P 500 returning -4.3% and the Nasdaq Composite -7.0%, while Europe proved more resilient, with the MSCI Europe Index down 2.6% in US dollars and the UK market still posting a positive return of 2.2% (+4.1% in GBP). Emerging markets held up better than developed markets overall, with the MSCI Emerging Markets Index down only 0.2%, although China remained weak at -8.9% in US dolars. March itself was particularly difficult, with Reuters describing it as the worst month for world equities since September 2022.

The most important transmission mechanism from geopolitics into markets was energy. The war disrupted flows through the Strait of Hormuz, a critical artery for global energy trade, and the performance data shows just how severe the market reaction was: Brent crude oil rose 94.5% in US dollars over the quarter, while gold gained 8.1% as investors sought protection against both inflation and uncertainty. The IMF noted that roughly 25% to 30% of global oil and 20% of liquefied natural gas pass through Hormuz, warning that all plausible scenarios from the conflict point to higher prices and slower growth. Reuters also reported that Brent recorded its biggest quarterly rise since the first Gulf War, while analysts sharply increased their 2026 oil-price forecasts as the disruption persisted.

This energy shock materially complicated the outlook for monetary policy. At its March meeting, the US Federal Reserve left the federal funds target range unchanged at 3.50% to 3.75%, noting that uncertainty around the economic outlook remained elevated and that developments in the Middle East posed risks to both sides of its mandate. In South Africa, the SARB also kept the repo rate unchanged at 6.75% and shifted to a more cautious tone, explicitly stating that its latest projections now imply rates staying unchanged for longer and postponing the cuts that had been envisaged in January. The SARB further highlighted that scenarios with oil around or above US$100 per barrel and a weaker rand would require higher interest rates this year. In other words, the war-driven rise in oil prices has reduced the room for central banks to ease, even as growth risks have increased.

South African asset markets were not immune to this repricing. The FTSE/JSE All Share Index declined 0.6% over the quarter, while SA Listed Property returned -4.9% and the All Bond Index lost 3.4%. Equity performance within the local market was mixed: Resources gained 8.1%, helped by stronger commodity prices, with the Industrial Metals and Mining Index ring by 16.3%, but Industrials fell 8.4% and Financials were marginally negative at -0.2%. The rand also weakened, with the US dollar appreciating 2.3% against the local currency over the quarter. For a market such as South Africa, which remains sensitive to imported fuel costs, global risk appetite and bond-market flows, the combination of higher oil prices, a weaker currency and reduced scope for rate cuts created a much tougher backdrop by the end of March.

The outlook for global growth also became less favourable as the quarter closed. In January, the IMF had still projected global growth of 3.3% for 2026, while flagging geopolitical escalation as a downside risk. Since then, the Fund and the World Bank have both signalled that the Middle East conflict is forcing them to downgrade growth expectations and raise inflation forecasts. The World Bank's latest regional update now expects growth in the Middle East, North Africa, Afghanistan and Pakistan region excluding Iran to slow from 4.0% in 2025 to 1.8% in 2026. Against that backdrop, the key message for investors entering the second quarter is that geopolitical risk is no longer simply a source of short-term volatility; it has become a central macro driver, feeding directly into oil prices, inflation expectations, the interest-rate outlook and the prospects for global growth.

PORTFOLIO & PERFORMANCE COMMENTARY

During the quarter, the Fund returned -0.7%, underperforming its benchmark (CPI + 4%) but outperforming the peer group average. Over the past 12 months, the Fund returned 14.2%, outperforming the peer group average of 13.2%.

The Fund made a few measured changes to its domestic equity exposure. Positions in The Foschini Group, Nedbank and We Buy Cars were exited, while new positions were initiated in Absa and Pepkor. The switch from Nedbank into Absa reflects our preference for the relative value and return prospects available in Absa at current levels, while the replacement of The Foschini Group with Pepkor increases the Fund's exposure to a more defensive segment of the South African consumer market. In the context of a more uncertain macroeconomic backdrop, characterised by rising geopolitical risk, higher oil prices and a less supportive interest-rate outlook, we believe these changes improve the resilience of the Fund's local equity positioning.

The disposal of We Buy Cars formed part of our ongoing effort to concentrate capital in those opportunities where we have the highest conviction and where the risk-reward profile remains most compelling. As market conditions became more volatile over the course of the quarter, portfolio activity remained disciplined and valuation-driven, with a continued emphasis on quality, downside protection and earnings resilience. Overall, the equity changes implemented during the period were intended to strengthen the defensive characteristics of the portfolio without compromising the Fund's longer-term return objective.

Within the Fund's multi-asset allocation, the weighting in the Merchant West SCI Global Managed Growth Fund was increased to 20% following the period of rand strength in February. This provided an attractive opportunity to add to offshore exposure at more favourable currency levels, while preserving appropriate global diversification within the portfolio. At the same time, the Fund maintained its 18% allocation to the Merchant West SCI Enhanced Income Fund, reflecting the continued role of high-quality income-generating assets as a source of stability and capital preservation in a more uncertain market environment.

The Fund paid a distribution of 20.80c for the A class and 22.28c for the A1 class, in line with expectations. As is always the case, the first quarter distributions are lower than in any other quarter due to the limited number of companies that declare and pay dividends in the first three months of the calendar year.

CURRENT POSITIONING & OUTLOOK

The Fund's current allocation to growth assets (equities and listed property) reduced slightly to 58% with just over a quarter of that exposure in offshore markets. At 58%, the exposure to growth assets remains not far off the maximum permissible allocation of 65% (40% equity and 25% listed property).

Based on a combination of Bloomberg, Refinitiv, IRESS and Merchant West Investments forecasts, the current one-year forward income yield on the Fund is 6.3%, which compares very favourably with the yield on money market and income funds, despite 58% exposure to growth assets. Based on those same forecasts, the income produced by the portfolio is expected to grow at approximately 4.7% per annum over the next three years. This rate of growth has increased following the introduction of several higher growth stocks into the portfolio as well as the continued improvement in property fundamentals in South Africa.

The Fund is ideally suited for investors looking to build an income for their retirement and then to manage that 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	**Richard Henwood**
Portfolio Manager	*Portfolio Manager*