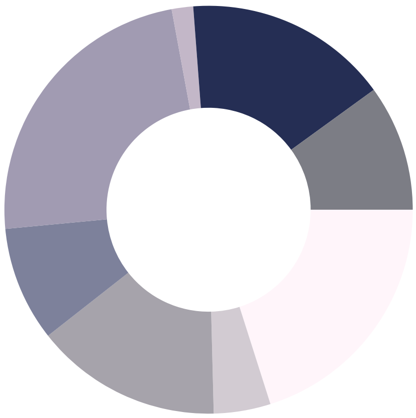
Merchant West SCI Worldwide Flexible Fund
Quarterly Report
Quarter ending 31 March 2026

FUND DETAILS

Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
CPI + 6%	Worldwide Multi Asset Flexible	Piet Viljoen Daniel King	The Merchant West SCI Worldwide Flexible Fund is suitable for investors seeking a real return in hard currency (US dollar) terms. Investors have a moderate risk profile, and are prepared to accept some (below average) volatility. Investors are prepared to invest for five years and longer.

Top 10 Holdings	%
SPDR Gold Shares ETF	13.1
Merchant West SCI Enhanced Income Fund Class D	9.2
iShares $ Treasury Bond 0-1yr ETF	8.6
VanEck JP Morgan EM Local Currency Bond ETF	7.7
iShares Core Emerging Markets IMI UCITS ETF	5.5
iShares Core Japan Government Bond ETF	5.1
RSA Govt Bond R2044 8.75% 31012044	4.9
Merchant West SCI Value Fund Class H	4.5
Jananese Yen	4.2
RSA Govt Bond R2040 9.0% 31012040	4.2

Asset Allocation: *Portfolio Date: 31/03/2026*



	%
SA Equity	20.1
Global Equity	4.5
Global Fixed Income	14.8
SA Fixed Income	9.1
Global Commodities	23.6
SA Commodities	1.7
Global Cash	16.2
SA Cash	10.0
Total	**100**

Note: *Global commodities can include exposure to various forms of hard assets – land, precious metals, commodity royalty and streaming companies, and crypto-related businesses*

Performance	Fund %	Benchmark %
3 months	3.5	2.5
1 year	10.3	9.1
3 years	10.4	9.7
5 years	10.7	10.8
10 years	6.4	10.6
Since inception	9.8	11.0

Annualised after one year

Highest and Lowest Annual Returns	%
Highest annual return	28.9
Lowest annual return	-19.8

By calendar year

THE FUND

The Merchant West SCI Worldwide Flexible Fund is an unconstrained, globally diversified fund that invests in a combination of asset classes: cash, bonds, equity, and hard assets (commodities, land, etc.).

The Fund had performed particularly poorly in the years leading up to 2020. RECM's merger with Counterpoint, the acquisition of Bridge, and the formation of Merchant West Investments provided the opportunity to change the Fund's investment philosophy and process, which commenced in August 2020.

This document discusses that philosophy and process, and the investment outcome achieved so far.

INVESTMENT PHILOSOPHY

The Fund is domiciled in South Africa, and its units are denominated in rand. However, its goal is to generate a real return in US dollar terms over time.

In simple terms, we expect the Fund to grow, in US$ terms, in line with or above US rates of inflation, thereby preserving and growing the real value of your capital in hard currency.

Importantly, it aims to do so with lower-than-average levels of volatility.

That is why our nickname for the Fund is "The Cockroach Fund" – it aims to survive during negative environments and thrive in positive ones.

INVESTMENT PROCESS

Our point of departure is that the future is unknowable. As such, the Fund should be prepared for any eventuality. The best way to do so is to own a diversified group of asset classes, each able to protect or grow, depending on the investment environment.

The assets the Fund uses to hedge, protect and grow are:

1. Cash – as a store of value, a stable income generator, and to provide the firepower to deploy when one of the other asset classes declines sharply.
2. Bonds – to protect against and benefit from deflationary conditions. Bonds are also used to provide a stable source of income.
3. Equities – to provide long-term capital growth.
4. Commodities/hard assets – to protect against and benefit from inflationary conditions.

Each asset class is allocated around 25% of the Fund's assets, and weights are rebalanced every two to four months, depending on market movements. Importantly, assets are rebalanced in reaction to market movements, not in anticipation of them. Accurately forecasting market movements consistently is not a skill in which we have an edge.

Within each asset class, we tend to allocate to components that are either at an attractive point in their capital cycle, undervalued, under owned, or misunderstood. We tend to use ETFs and funds to gain exposure to attractive assets, while specific stock picks are limited to a number of high-quality, long-term equity holdings that we refer to as our "10 Forever Stocks."

PREFORMANCE REVIEW

There are two ways to read the Fund's performance, both of which are given in the table below.

The first section of the table looks at the rand returns of the Fund, its benchmark, and its peers, while the second section does the same in US dollar terms.

We tend to focus on returns relative to the benchmark – i.e., inflation – rather than relative to the peer group. If the Fund beats its benchmark over time, it will do well relative to the peer group. However, this Fund looks completely different to its peer group as it is trying to solve a different problem for its investors. Thus, the peer group does not represent the Fund's investment opportunities.

The third section of the table gives the returns of the benchmarks for the four different asset classes used in the Fund.

A few comments:
Global equity markets began the year on a cautiously optimistic note despite questions around AI disruption and elevated valuations before the joint US-Israeli military campaign against Iran, launched on 28 February, transformed the investment landscape. Iran's subsequent closure of the Strait of Hormuz – though which roughly 20% of global oil and a fifth of the world's LNG is transported – triggered the largest supply disruption in modern oil market history. Brent crude surged from the mid-$60s to above US $110 per barrel by late March, injecting acute stagflationary risk into an already uncertain macro environment.

Global equities declined broadly, with the MSCI World Index returning -3.6% in US dollar terms (-1.0% in rand) for the quarter. The S&P 500 fell 4.3%, led lower by mega-cap technology stocks (-7.0% for the Nasdaq Composite Index) that were already under pressure from AI disruption concerns. A sharp rotation from growth to value defined the period, with dividend-yielding, cash flow-secure businesses strongly outperforming. Energy (MSCI World Energy: +36.9%) was the standout sector globally, while the technology, consumer discretionary and growth-oriented sectors bore the brunt of the sell-off.

Emerging markets entered the quarter with positive momentum, supported by AI-related enthusiasm in Taiwan and Korea and ongoing policy stimulus in China. However, Asia's outsized dependence on Middle Eastern energy – over 80% of oil and gas through the Strait of Hormuz is destined for Asian markets – created acute vulnerability in emerging markets with the MSCI Emerging Markets Index shedding 13.1% in March in US dollars (-7.0% in rand). The steep drop was cushioned by the solid gains seen in January (+8.9%) and February (+5.5%), resulting in a negative return of just 0.2% for the quarter, in US dollar terms. Emerging Markets ex-China (+3.2% in USD) significantly outperformed, while the MSCI China Index fell -8.3% in HKD terms (-6.5% in rand) as the energy shock compounded concerns about China's dependence on imported hydrocarbons.

The South African equity market fared more in line with emerging markets, with the FTSE/JSE All Share Index returning -0.6% in ZAR for Q1 2026. However, this number masked significant intra-quarter volatility. Following an incredibly strong 2025 and a strong start to 2026, the Index was upended in March, falling 10.45% in the month and narrowly avoiding its deepest monthly drawdown since the global financial crisis.

Precious metal miners, the largest driver of Index returns in 2025, were the largest detractors in March, with gold miners falling 18% and platinum miners 25% month-on-month, contributing more than six percentage points to the JSE's March drawdown as precious metals prices corrected sharply. The pain was broad-based as SA economy centric equities, including banking stocks, fell 10% in March, erasing year-to-date gains, leaving the group down 1% for the quarter. The JSE Financials Index returned -0.2% for the quarter, SA Listed Property fell -4.9%, and the All Share Industrials Index declined -8.4%, with index heavyweights Naspers and Prosus falling 22% and 25% respectively over the quarter.

Despite March weakness the Resources Index gained 8.1% for the quarter – buoyed by the oil price surge and industrial metals, as well as strength in gold and platinum stocks before the March sell off.

The FTSE/JSE All Bond Index declined -3.4% for the quarter, with March representing the second-worst month in the Index's 25-year history at -6.8%. South Africa's 10-year government bond yield spiked 120 basis points to 9.3% during March. The bond sell-off was exacerbated by the largest foreign outflow from SA's bond market in at least six years, as global investors reduced risk in the face of the Iran conflict, and took profits after a very strong performance from SA bonds over the last two years. Inflation-linked bonds proved slightly more resilient at -1.1% for the quarter, reflecting their implicit inflation protection in a potential rising price environment.

The rand was the worst-performing major currency in March, including amongst emerging markets, falling 5.9% against the US dollar over the month as investors fled to the perceived safety of the dollar. For the quarter, the rand depreciated 2.2% against the dollar, erasing its gains from earlier in the year.

The Merchant West SCI Worldwide Flexible Fund's lived up to its nickname "The Cockroach Fund" during the difficult month of March, declining by just 1.7% versus the peer group (Worldwide Multi-Asset Flexible Funds) which declined by 4.1%. Over the March quarter, the Fund outperformed its peer group by over 6 percentage points – delivering a positive return of 3.5% versus the peer group's -2.8%. This shows that the Fund has the ability to survive during negative environments, while at the same time proving that it can also thrive in positive ones.

The Merchant West SCI Worldwide Flexible Fund's outperformance against its peer group can be ascribed mainly to its holdings within the commodities sector of the portfolio. The most significant contributors to the outperformance were Texas Pacific Land (+70.8%), the large holding (13.5%) in the SPDR Gold Shares ETF (+12.1%) and the State Street Energy Select Sector SPDR ETF (+42.4%). The Fund's relatively large holding in US dollar cash (mainly via the holding in the iShares iShares 1-3 Year US Treasury Bond ETF) also benefitted performance against the peer group. Despite being a relatively small at just over 4%, the Fund's South African equity exposure via the Merchant West SCI Value Fund performed well with a return of 5.2%. The Fund's holdings in South African government bonds at 9% of the total portfolio were the biggest detractor from performance due to the sharp rise in South African long bond yields in March. A sharp decline in two of the Fund's global equity holdings, namely Walt Disney (-12.5%) and DSM Firmenich (-9.5%) also detracted significantly from performance.

The Fund is now outperforming the peer group comfortably over the past year as well as since the implementation of the new investment strategy which was fully implemented by the end of September 2020. However, the Fund's objective is not to outperform the peer group – it strives to solve a different problem for its investors. The Fund's goal is to generate a real return in US dollar terms over time together with low levels of volatility – both of which have exceeded expectations.

Firstly, the Fund continues to outperform its benchmark of inflation both in rand and US dollar terms by a handsome margin over both the short and longer term.

Returns in ZAR	**3 Months (%)**	**1 Year (%)**	**3 Years (%p.a.)**	**Since 30/09/2020 (% p.a.)**
Merchant West SCI Worldwide Flexible Fund	3.5	10.3	10.4	10.4
SA Multi-Asset Flexible Funds Avg.	-2.8	9.4	11.2	9.4
SA Inflation Rate (CPI)	0.8	3.0	3.9	4.7
Returns in US$	**3 Months (%)**	**1 Year (%)**	**3 Years (%p.a.)**	**Since 30/09/2020 (% p.a.)**
Merchant West SCI Worldwide Flexible Fund	0.2	18.5	11.7	9.9
SA Multi-Asset Flexible Funds Avg.	-5.9	17.2	12.3	8.9
US Inflation Rate (CPI)	0.8	2.4	2.8	4.3
Returns in US$	**3 Months (%)**	**1 Year (%)**	**3 Years (%p.a.)**	**Since 30/09/2020 (% p.a.)**
Cash (US Gov Money Market Funds Avg.)	0.8	3.6	4.3	N/A (3.0 for (5 years to 31/03/2026)
Bonds (US Treasury 7-10 Year Index)	0.1	3.2	2.5	-1.2
Equities (MSCI All Countries World Index)	-3.2	20.0	20.6	16.6
Gold (US$)	8.2	49.5	33.3	17.9

Source: Morningstar and FE Fund Analytics (for CIS funds)
Note: Inflation rates lagged by one month.

Secondly, and more importantly, is the fact that not only has the Fund performed well since the new investment strategy was implemented, but it has also managed to do so with class-leading low levels of volatility – and especially downside volatility. The following table shows how the Fund compares to the sector average across some important metrics. Again, the Fund has lived up to its nickname, "The Cockroach Fund", as it remains relatively stable in a volatile world where risks abound.

From 30 September 2020 to 31 December 2025				
Fund/Sector	**Return**	**Volatility**	**Downside Risk**	**Maximum Drawdown**
Merchant West SCI Worldwide Flexible Fund (ZAR)	10.4%	6.0%	5.3%	-5.1%
Rank in Sector	28/86	2/86	2/86	2/86
Sector Average: Multi-Asset Worldwide Flexible Funds	9.4%	8.5%	8.3%	-13.0%

Source: FE Fund Analytics

There are 86 funds in the sector with a track record over the period shown above. The cockroach's performance is well above the average of the peer group, while showing the second-best downside risk, maximum drawdown and volatility within the sector.

Generating satisfactory returns with below-average volatility and downside risk is key to the investment process of the Fund. Investors – understandably – tend to disinvest when they suffer sharp drawdowns. If we can keep our investors' experience on a reasonably even keel, they will likely stay the course. And staying the course is the best way to get ahead in investing.

FUND POSITIONING

This table shows how the Fund's exposure to the asset class building blocks has changed over time:

Asset Class	March-2025	June-2025	Sept-2025	Dec-2025	March-2026
Cash	**25%**	**29%**	**24%**	**24%**	**26%**
Global	22%	25%	20%	19%	16%
South Africa	3%	4%	4%	5%	10%
Bonds	**25%**	**22%**	**25%**	**26%**	**24%**
Global	9%	7%	10%	10%	15%
South Africa	16%	15%	15%	16%	9%
Equities	**25%**	**24%**	**25%**	**24%**	**24%**
Global	20%	21%	21%	20%	20%
South Africa	5%	3%	4%	4%	4%
Commodities*	**25%**	**25%**	**26%**	**26%**	**26%**
Global	25%	24%	24%	24%	24%
South Africa	0%	1%	2%	2%	2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**
Global	76%	77%	75%	73%	75%
South Africa	24%	23%	25%	27%	25%

** Note: Global commodities can include exposure to various forms of hard assets – land, precious metals, commodity royalty and streaming companies, and crypto-related businesses.*

The first building block is cash. The weight of this asset class at quarter-end is at 26%, marginally overweight. During the quarter we increased exposure to South African cash by increasing our holding in the Merchant West SCI Enhanced Income Fund, a well-managed proxy for cash. This was funded mainly through the sale of some of our SA government bond holdings. Global cash exposure declined over the quarter as the yen cash was used to acquire a new holding of 5% in a Japanese bond ETF. However, we did continue to add to our Japanese yen exposure during the quarter by swapping some USD cash into yen and some proceeds from the sale of Yellow Cake as in our opinion it remains the most undervalued currency in the world. The bulk of the global cash is held in US Treasury Bills (9%) offering a highly satisfactory low risk return, as well as Japanese yen (4%). The local cash is invested in the Merchant West SCI Enhanced Income Fund (9%), a top-performing South African income fund.

The second building block is the bond or fixed-income asset class, which is currently marginally underweight at 24%. The South African bond exposure was reduced from 16% to 9% as we began to switch our overweight position in SA bonds into Japanese bonds (5%). For now, the fixed-income building block remains exposed to mainly South African rand-denominated bonds (9%), where yields remain significantly higher than inflation especially after the spike in yields in March on the back of the oil price spike. The balance of the bond building block is held in global emerging market bonds (8%) and Namibian bonds (2%).

The third building block is the equity asset class, with exposure having remained steady at 24% (slightly underweight). As has been mentioned in the Performance Review, the local equity portfolio within this building block, i.e. the Merchant West SCI Value Fund performed well, gaining 5.2% over the quarter. The building block's exposure to emerging markets via the holding in the iShares Core MSCI Emerging Markets ETF also performed well, gaining 3.6% in rand terms. These two holdings more than compensated for some negative returns from the global equity holdings. There was very little trading within this building block: the holding in the iShares Core MSCI Emerging Markets ETF was topped up, and the Fund's exposure to one of our "10 Forever Stocks", namely the London Stock Exchange Group (LSEG), was increased on price weakness.

The Fund will continue to transition its global First World equity allocation from the current Exchange Traded Fund (ETF) structure to what we call our "forever portfolio" over time. This is a portfolio of 10 stocks that have the following characteristics:

- Strong culture
- 50 years or longer lifespan, taking advantage of the Lindy Effect
- Globally diversified
- Large market cap
- Good quality business
- Low debt levels

The idea behind this being to hold this set of stocks for a long time, allowing their intrinsic high-quality business characteristics to compound at what is expected to be an above-average rate. Each stock will comprise 2.5% of the Fund, adding up to the equity component of 25% in total. This will be done judiciously over time as buying opportunities present.

The fourth building block, commodities or "hard assets", remained slightly above target weight at 26%. This building block was responsible for most of the Fund's outperformance over the quarter as the combined holdings contributed a positive return of almost 5% over the month (see the Performance Review above for details on some of the individual holdings returns). During the quarter we sold down our position in Yellow Cake after a strong run in the price of uranium.

The Fund's exposure to South African rand-denominated assets decreased from 27% as at the end of December 2025 to 25% as at the end of March. This can be attributed mainly to our strategy of swapping our overweight exposure to SA government bonds in favour of Japanese bonds. The largest holding in the Fund at the end of the March quarter is the SPDR Gold Shares ETF, which continues to offer some stability in the current uncertain geopolitical environment. However, we will be reducing the holding back to the maximum allowable exposure of 10% as the opportunity arises.

Finally, we thank you for your continued support of the Fund and look forward to working with you to continue creating positive financial outcomes.

Piet Viljoen
Portfolio Manager

Daniel King
Portfolio Manager