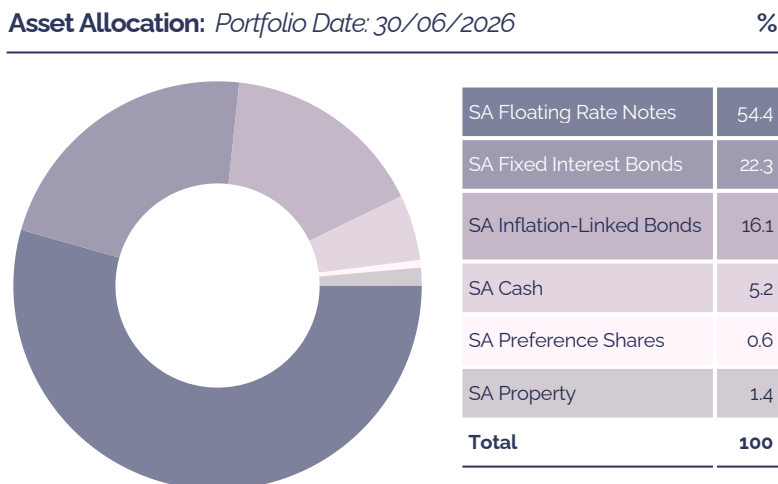


FUND DETAILS

Benchmark	ASISA Category	Portfolio Manager	Suitable Investor
STeFI	South African Multi-Asset Income	Ian Anderson	The Merchant West SCI Enhanced Income Fund is suitable for investors seeking a high level of income in excess of that yielded by the money market or cash, which is payable on a monthly basis. Investors have a conservative risk profile, but are prepared to accept a low level of volatility and are prepared to invest for three years and longer.

Top 10 Holdings

	%
RSA Government Inflation-Linked Bond	15.5
RSA Government Bond	14.2
RSA Government Floating Rate Note 1	11.0
RSA Government Floating Rate Note 2	10.5
Nedbank NCD	6.5
Merchant West SCI Money Market Fund Class B	5.0
Standard Bank Floating Rate Note 1	4.5
Standard Bank Floating Rate Note 2	4.5
ABSA Floating Rate Note 1	4.5
ABSA Floating Rate Note 2	4.5

Asset Allocation: Portfolio Date: 30/06/2026

Performance

	Fund %	Benchmark %
3 months	3.1	1.7
1 year	12.3	7.1
3 years	12.4	7.9
5 years	9.8	6.9
10 years	8.8	6.8
Since inception (December 2012)	7.9	6.5

Annualised after one year

Highest and Lowest Annual Returns

	%
Highest annual return	13.5
Lowest annual return	4.5
<i>By calendar year</i>	

PERFORMANCE REVIEW

The Fund generated a return of 3.1% for the quarter, compared to its benchmark, the STeFI Composite Rate, which generated a return of 1.7%. The average local multi-asset income fund delivered a return of 3.3% during the quarter, while the average local bond fund delivered 7.6%. The Fund's net return over 12 months is 12.3% versus the STeFI Composite return of 7.1% and a peer group return of 10.7% over the period. The average bond fund delivered 20.8% over 12 months. The Fund's government bond holdings, including its measured position at the long end of the curve, contributed meaningfully to performance as the bond market rallied strongly over the quarter.

MARKET AND ECONOMIC REVIEW

The inflationary consequences of the first quarter's oil shock arrived on schedule in the United States, with CPI accelerating to 4.2% year-on-year in May, although core CPI at 2.9% suggested that second-round effects remained contained for now. The Federal Reserve held the federal funds target range unchanged at 3.50–3.75% at both its April and June meetings. The June meeting was the first chaired by Kevin Warsh, who succeeded Jerome Powell in May, and marked a distinct shift in tone: the Committee voted unanimously to hold, released a dramatically shortened statement that dispensed with forward guidance and removed the prior easing bias, and declared simply that it "will deliver price stability". The accompanying projections showed the median expectation for the federal funds rate at the end of 2026 rising to 3.8% from 3.4%, with nine of eighteen participants projecting at least one hike this year and the 2026 inflation forecast raised to 3.6% from 2.7%. Ten-year US Treasury yields climbed towards 4.6% mid-quarter as inflation concerns intensified, before easing back to around 4.4% by the end of June following the ceasefire.

The pivotal event of the quarter came in mid-June, when the United States and Iran signed an interim peace agreement providing for a 60-day truce, the reopening of the Strait of Hormuz and immediate sanctions relief allowing Iran to resume oil sales. Brent crude, which had traded above US\$100 per barrel through May after peaking above US\$120 earlier in the conflict, fell below US\$80 on 16 June for the first time since March and ended the quarter around US\$72 – a decline of 38.4% in US dollars over the three months, reversing the bulk of the first quarter's spike.

The ceasefire nevertheless remains fragile: an attack on a tanker in the Gulf of Oman in late June, and warnings from Washington that military action could resume, were a reminder that the geopolitical risk premium in energy markets can return as quickly as it faded. Global bond markets delivered modest returns, with the Bloomberg Global Aggregate Bond Index up 0.9% in US dollars for the quarter, while the US Dollar Index gained 1.2%.

The SARB raised the repo rate by 25 basis points to 7.00% at its May meeting, its first hike since May 2023, on a four-to-two vote. The decision was explicitly pre-emptive: April CPI had jumped to 4.0% from 3.1% as fuel prices rose 11.4% in a single month, one of the largest increases in fuel inflation on record, while services inflation accelerated to 4.6%. The SARB raised its 2026 inflation forecast to an average of 4.4% (from 3.7% in March), with inflation only returning to the 3% target in 2028, and lowered its 2026 growth forecast to 1.2%, partly reflecting the severe flooding in the Eastern and Western Cape. The committee considered three risk scenarios – a prolonged Middle East conflict, the possible emergence of El Niño, and the danger of non-linear effects whereby large shocks have an outsized impact on inflation – and its Quarterly Projection Model indicated one hike this quarter before rates ease back towards neutral as inflation falls later in the forecast period. Governor Kganyago stressed that with the world possibly at the start of a second inflation surge this decade, central banks must protect their credibility and prevent higher inflation from becoming entrenched.

South African bonds delivered a complete reversal of the first quarter's sell-off. The FTSE/JSE All Bond Index returned 7.9% for the quarter, recovering the first quarter's 3.4% decline and more, and taking the Index's 12-month return to 21.5%. Inflation-linked bonds returned 6.5% for the quarter. Three forces drove the rally: Moody's decision on 22 May to revise South Africa's sovereign outlook to positive from stable – the agency's first positive outlook on the country since 2007, and one that National Treasury noted makes South Africa the only G20 sovereign currently on a positive outlook – following S&P's upgrade in November 2025; the SARB's credibility-affirming rate hike, which the bond market clearly rewarded; and the June ceasefire and collapse in the oil price, which restored appetite for South African duration after the record foreign outflows of the first quarter. The rand appreciated 3.4% against the US dollar over the quarter.

PORTFOLIO STRATEGY

As the South African bond market has rallied, we have remained disciplined about managing the duration profile of the Fund. The exceptional value that justified meaningfully higher duration through 2024 and 2025, when long-dated government bonds offered yields above 12%, has largely been arbitrated away, and the Fund's modified duration now stands at approximately 1.6 years. The largest component of the portfolio remains a sizable, low duration, floating rate note allocation of approximately 55% of the Fund, including positions in the government's floating rate bonds, which is a direct beneficiary of the May rate hike as coupons reset off higher reference rates. Nominal fixed-rate bonds make up approximately 22% of the Fund, including a measured position at the long end of the curve that participated fully in the quarter's rally, while the Fund retains an allocation of approximately 16% to inflation-linked bonds, concentrated in shorter-dated instruments, which continue to provide protection against the inflationary tail scenario and are accruing attractive inflation carry with headline inflation at 4% and rising. The balance is held in money market instruments for liquidity. The Fund is positioned to harvest the generous real carry still on offer at the front end of the curve, while retaining protection across both the inflationary and disinflationary scenarios in our framework. Against this backdrop, the Fund continues to be a valuable investment proposition for clients.

We wish to take this opportunity to inform investors in the Merchant West SCI Enhanced Income Fund that, after the resignation of previous portfolio manager Daniel Kind at the end of April 2026, the Fund is now managed by Ian Anderson. Ian has over 30 years' experience in the investment management industry, where he has also focused on income-bearing assets, including listed property, equities (specifically companies that have a track record of paying a solid and growing dividend) and fixed-interest markets. Merchant West Investments has always employed a team-based research process, with all portfolio managers and analysts leveraging off the team's economic and markets analysis and investment idea generation. We therefore wish to assure investors that the investment philosophy and strategy in respect of the Merchant West SCI Enhanced Income Fund will remain the same under Ian's leadership going forward.

Ian Anderson
Portfolio Manager

Disclaimer

Sanlam Collective Investments (RF) (Pty) Ltd is a registered Manager in terms of the Collective Investment Schemes in Securities. Collective investment schemes are generally medium to long-term investments. Please note that past performance is not necessarily a guide to future performance and that the value of investments may go down as well as up. A schedule of fees, charges and maximum commissions can be obtained from the Manager. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge. Collective investments are traded at ruling prices and can engage in borrowing and script lending. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. Charges of the most expensive fee class, maximum fund charges include (incl. VAT): Manager initial fee (max.): 3.45%; Manager annual fee (max.): 0.63%; Total Expense Ratio (TER): 0.67%. The Manager retains full legal responsibility of the third-party portfolio. The registered name of the Fund is "Merchant West Sanlam Collective Investments Enhanced Income Fund." The performance of the portfolio depends on the underlying assets and variable market factors. Performance is based on NAV-to-NAV calculations with income reinvestments done on the ex-dividend date. Lump sum investment performances are quoted. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage, and service fees. The actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Past performance is not indicative of future performance. The Management of this portfolio is outsourced to Merchant West Investments (Pty) Ltd, (FSP) License No. 44508, an Authorised Financial Service Provider under the Financial Advisory and Intermediary Services Act, 2002. The manager has the right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. Annualised return is the weighted average compound growth rate over the period measured.