MERCHANT WEST
Finance Invest Insure

Merchant West SCI Global Managed Growth Fund

Quarterly Report
Quarter ending 30 June 2026

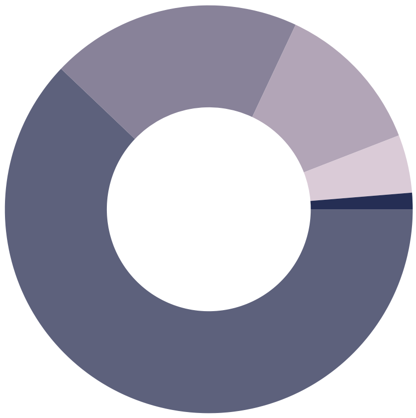
FUND DETAILS

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	5.3
iShares Global Corporate Bond ETF	4.8
SSE Plc	2.9
AbbVie	2.8
Novartis	2.7
Exxon Mobil Corporation	2.5
Johnson & Johnson	2.5
Roche Holding	2.5
Chubb Limited	2.3
Microsoft Corporation	2.3

Asset Allocation: Portfolio Date: 30/06/2026



Asset Allocation	%
Global Equity	62.1
Global Property	19.9
Global Fixed Income	12.1
Global Cash	4.6
SA Cash	1.3
Total	**100**

Performance

Performance	Fund %	Benchmark %
3 months	-0.8	-0.0
1 year	0.7	-0.6
3 years	4.7	1.6
5 years	8.2	10.7
10 years	6.7	7.7
Since inception	7.5	8.7

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 second quarter of 2026 was, in many respects, the mirror image of the first. Having been dominated by the outbreak of war involving Iran and the associated surge in energy prices, markets spent the second quarter unwinding much of that geopolitical risk premium. Brent crude oil fell 38.4% in US dollars over the quarter, reversing the bulk of the 94.5% spike recorded in the first three months of the year, while gold declined 14.1%, platinum fell 20.5% and silver lost 20.6% as demand for safe-haven assets faded. With the energy shock dissipating, risk appetite returned forcefully: the MSCI All Country World Index gained 14.9% in US dollars over the quarter, the MSCI World Index rose 13.8%, the S&P 500 returned 15.2% and the Nasdaq Composite surged 21.5%. Japan gained 16.7% in yen, Europe returned 11.8% in euros and the UK lagged with a 3.4% return in sterling. Emerging markets led the global recovery, with the MSCI Emerging Markets Index up 24.1% and Emerging Markets ex China gaining a remarkable 34.5%, although Chinese equities remained weak, declining 6.6%.

Market leadership reversed just as abruptly as it had in the first quarter. Having rotated towards value, defensive and dividend-paying shares during the risk-off environment earlier in the year, investors moved firmly back into growth: the MSCI World Growth Index returned 18.9% in US dollars over the quarter against 9.2% for the MSCI World Value Index, while the MSCI World Quality Index gained 13.6% and the S&P Global Dividend Aristocrats Index returned a comparatively modest 6.1%. The dispersion beneath the surface was extreme, with the energy, telecommunications and consumer staples shares that had provided protection in the first quarter giving back much of their relative gains, while the large technology and growth names that had sold off recovered strongly.

Global listed property participated fully in the recovery, with the GPR 250 REIT Index returning 10.1% in US dollars over the quarter, while global bonds delivered more muted returns, with the Bloomberg Global Aggregate Bond Index up 0.9% in US dollars. In currency markets, the US dollar firmed modestly against the major crosses, with the DXY Index gaining 1.2%, but weakened against emerging market currencies as risk appetite improved. Most notably for rand-based investors in the Fund, the rand appreciated 3.3% against the US dollar, 3.0% against sterling and 4.4% against the euro over the quarter, creating a meaningful headwind for the rand value of offshore assets.

PORTFOLIO & PERFORMANCE COMMENTARY

During the quarter, the Fund returned -0.8% in rand terms, marginally behind its benchmark. Over the past 12 months, the Fund returned 0.7%, ahead of the benchmark return of -0.6%. The Fund underperformed the peer group over the one-year period with a return of 0.7% versus the peer group's 4.2%. Two forces dominated the quarter's outcome: the 3.4% appreciation of the rand against the US dollar, which reduced the rand value of the Fund's offshore holdings, and the sharp rotation in global equity market leadership back towards growth shares, which created a difficult relative environment for the Fund's income-oriented, quality-biased portfolio, precisely the opposite of the conditions that supported the Fund's strong relative performance in the first quarter.

The listed property sleeve was the standout performer, returning 7.8% in rand terms (11.2% in local currency terms) and contributing 1.5% to the Fund's return. Simon Property Group (+16.0%), Invitation Homes (+17.6%), Healthcare Realty (+15.0%), Public Storage (+13.6%), Land Securities (+17.4%), British Land (+15.1%), Welltower (+10.3%) and Alexandria Real Estate (+10.5%) all delivered strong returns, with Segro gaining 30.9% before the position was sold during the quarter. Within equities, UnitedHealth Group was the largest single contributor, returning 47.9% as the shares rebounded strongly, followed by Schneider Electric (+20.2%), a position initiated only last quarter, Allianz (+14.6%), US Bancorp (+12.2%), AbbVie (+11.7%) and Zurich Insurance (+7.2%).

The main detractors were concentrated in the areas that had performed strongest during the first quarter. The Fund's energy holdings gave back much of their earlier gains as the oil price collapsed, with Exxon Mobil returning -22.3% and TotalEnergies -19.1% in rand terms. Zoetis (-41.5%) was the largest single detractor, while AT&T (-30.9%), McDonald's (-16.2%), Vodafone (-13.8%), Walmart (-12.6%), Broadridge Financial (-18.7%), Imperial Brands (-10.8%) and SSE (-9.6%) also weighed on returns. Portfolio activity was limited to the disposal of Segro following its strong run, with the proceeds retained within the property and cash allocations. The balance of the portfolio was unchanged, reflecting our conviction in the long-term income-generating capacity of the Fund's holdings, notwithstanding the quarter's style headwinds.

The Fund paid a distribution of 3.54c for the A class and 4.09c for the A1 class.

CURRENT POSITIONING & OUTLOOK

The Fund's allocation to growth assets (equities and listed property) is currently 82%, 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 equity allocation continues to emphasise quality and reliable dividend growth over any other factor. While the second quarter's sharp rotation back into growth shares was a headwind, we would caution against extrapolating a single quarter's leadership; with the geopolitical backdrop still fragile and the path of global inflation and interest rates uncertain, we believe the case for cash-generative, dividend-paying quality businesses remains intact.

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 82% allocated to growth assets. Based on those same forecasts, the income produced by the portfolio is expected to grow at approximately 4.2% per annum over the next three years, broadly in line with 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