Merchant West SCI Global Property Income Fund

Quarterly Report
Quarter ending 30 June 2026

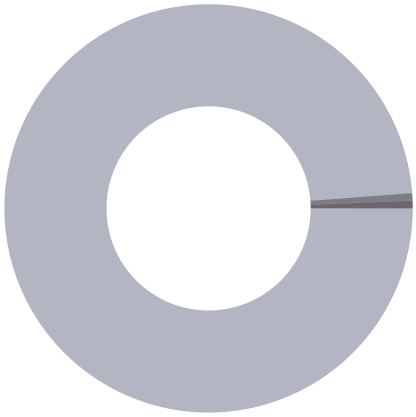
FUND DETAILS

Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
GPR 250 REIT Index Total Return (TR) in rand	Global Real Estate General	Richard Henwood Ian Anderson	The Merchant West SCI Global Property Income Fund is suitable for investors seeking a diversified portfolio of global property stocks across developed markets and various property types, some of which are not available in South Africa (i.e. listed on JSE) e.g. healthcare, data centres, and mobile towers. Investors have an aggressive risk profile and are prepared to accept capital volatility in the short term. Investors are prepared to invest for a minimum period of seven years and longer.

Top 10 Holdings

Top 10 Holdings	%
Prologis Incorporated	6.6
Welltower Incorporated	6.0
Simon Property Group Inc	4.2
Public Storage Incorporated	4.0
Digital Realty Trust	3.9
American Tower Corporation	3.8
Realty Income Corporation	3.4
Goodman Group	3.3
Warehouses de Pauw	2.5
Invitation Homes Inc	2.4

Asset Allocation: Portfolio Date: 30/06/2026



	%
Global Property	98.8
Global Cash	0.6
SA Cash	0.6
Total	**100**

Performance

Performance	Fund %	Benchmark %
3 months	11.3	6.5
1 year	1.2	6.1
3 years	3.1	5.0
5 years	2.7	5.9
10 years	1.3	5.0
Since inception	10.3	13.3

Annualised after one year

Highest and Lowest Annual Returns

Highest and Lowest Annual Returns	%
Highest annual return	50.0
Lowest annual return	-25.3

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% in US dollars.

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 second 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. There were gains across most regions, led by the Americas (+11.3%), Africa (+9.8%), Europe (+8.0%) and Oceania (+6.9%), while Asia (-4.0%) fell behind. 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 3.4% against the US dollar, 3.1% against sterling and 4.6% against the euro over the quarter, creating a meaningful headwind for the rand value of offshore assets.

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PORTFOLIO AND PERFORMANCE COMMENTARY

During the second quarter, the Fund produced a positive return of 11.3% (in ZAR), outperforming its benchmark (GPR250 REIT Index +6.5% in ZAR) and its peer group average (6.2% in ZAR).

There were positive contributions from the retail (+9.2%), office (+24.8%), residential (+8.9%), logistics (+7.9%) and healthcare (+10.8%) property sectors within the portfolio during the second quarter. These were slightly offset by negative contributions from the data centers (-0.5%) and towers (-8.0%) property sectors. The Fund's best individual performers (in ZAR) during the second quarter were Hudson Pacific (+146%), SL Green (+35.8%), Americold Realty Trust (+33.3%) and SEGRO plc (+30.9%). The worst performers were Crown Castle (-9.7%), Sun Communities (-8.0%), American Tower (-7.4%) and Digital Realty (-3.9%).

Hudson Pacific Properties (HPP) shares staged a notable recovery in the second quarter of 2026, supported by improving US West Coast office fundamentals and a wave of leasing momentum, particularly from AI-related tenants in the Bay Area and Silicon Valley. The rally has been underpinned by rising leasing volumes as demand for prime office space in its core US West Coast markets continues to recover, prompting several sell-side firms – including BMO Capital, Piper Sandler, Goldman Sachs and Citi – to lift their price targets for HPP through May and June.

SEGRO's (SGRO) share price jumped in June after news broke that Prologis (PLD), the world's largest listed industrial REIT, had made an indicative approach to acquire the UK logistics specialist in an all-share transaction. Prologis sent a letter to SEGRO's board on 16 June 2026 outlining terms under which SEGRO shareholders would receive 0.084 new Prologis shares for each SEGRO share held. Based on Prologis' share price at the time, this implied a value of 925 pence per SEGRO share, a 24.6% premium to SEGRO's undisturbed price, valuing the target at roughly £12.6 billion. SEGRO's board unequivocally rejected the proposal on 23 June 2026, with chairman Andy Harrison calling the offer opportunistic and arguing that it failed to reflect the quality of the business. Despite the rebuff, Prologis followed up on 30 June 2026 with an investor presentation reiterating the strategic and financial rationale for the tie-up. Under UK Takeover Code rules, Prologis must announce a firm intention to bid, or walk away, by 22 July 2026.

CURRENT POSITIONING AND OUTLOOK

The Fund continues to maintain full exposure to global listed property. The Fund is well diversified across geographical regions but does have significant exposure to North America (76%) and less exposure to the UK (10%), Europe (6%), and Australia (6%). Compared to its benchmark, the Fund is overweight developed markets (US, UK, and EU) and underweight Asia. The Fund is well diversified across various property types but holds significant exposure to the retail (17%), residential (17%) and logistics warehouse (14%) property sectors. The Fund also has exposure to alternative property types, such as self-storage (9%), healthcare (13%), cold storage (2%), and technology (11%) – being data centres and mobile towers – which provides diversification away from the traditional commercial property types e.g. office (7%).

Global REITs delivered a positive return in 2025, rising 10.5% (GPR 250 REIT Index, net return in USD). While the Americas region meaningfully outperformed other regions over the past five and ten years, 2025 highlighted the benefits of global diversification as leadership rotated away from the region. Asia (+32%), Africa (+30%), Oceania (+24%) and Europe (+8%) all outperformed the Americas (+6%) region in 2025, helped by currency moves and shifting policy expectations. In the US, restrictive monetary policy and a "higher-for-longer" rate backdrop remained a key headwind for US REITs, with near-term performance still tightly linked to moves in long-dated Treasury yields.

The outlook for global listed REITs in 2026 remains cautiously constructive, with returns likely to be driven by an easing – or at least stabilising – interest rate and long-bond yield backdrop, which would be particularly supportive for rate-sensitive markets such as the US and UK. At the sector level, data centres, logistics and residential remain underpinned by durable secular demand from AI-led digital infrastructure buildout, continued e-commerce penetration, and longer-term urbanisation trends. That said, the path is unlikely to be smooth: geopolitical tensions, policy uncertainty (including shifts in US economic policy), and the risk of slower growth or recession in parts of the world could weigh on sentiment and capital flows at times. Overall, selectivity by region, balance sheet strength and asset quality should be key differentiators in 2026.

The Fund continues to favour investments in high quality REITs that are expected to withstand the impact of technological disruptions. The Fund is well diversified both geographically and by property-type. The Fund continues to offer investors a level of initial income higher than global bonds, as well as inflation-beating income and capital growth over the medium and long term. The current one-year forward yield on the portfolio is 4.1% (before fees and dividend withholding taxes) and the portfolio's income is expected to grow by 4.5% per annum over the next three years. The Fund distributes on a semi-annual basis (June and December).

Richard Henwood
Portfolio Manager