Finance Invest Insure

Merchant West SCI Value Fund

Quarterly Report
Quarter ending 30 June 2026

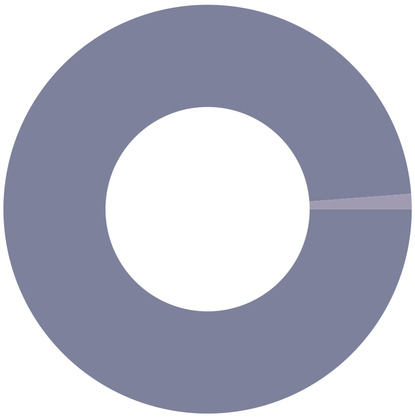
FUND DETAILS

Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
FTSE/JSE All Share Index	SA Equity General	Rudi van Niekerk Piet Viljoen	The Merchant West SCI Value Fund is suitable for investors seeking to maximise capital growth over the long term. Investors have an aggressive risk profile and are prepared to accept a high level of volatility. The Fund is suitable for investors looking for a high-conviction, actively managed equity fund, and prefer a value-based investment approach grounded in fundamental analysis. Investors are prepared to invest for a minimum period of seven years or longer.

Top 10 Holdings

Top 10 Holdings	%
Sabvest Capital Ltd	6.6
FirstRand Limited	5.9
Sasol Limited	5.7
Standard Bank Group Ltd	5.7
Hosken Consolidated Investments	5.5
Argent Industrial Limited	5.2
Naspers Limited	5.0
Astral Foods Limited	4.3
Momentum Group Limited	4.1
Oceana Group Limited	3.7

Asset Allocation: *Portfolio Date: 30/06/2026*



	%
SA Equity	98.8
SA Cash	1.2
Total	**100**

Performance

Performance	Fund %	Benchmark %
3 months	3.0	-2.4
1 year	28.0	18.4
3 years	14.1	17.4
5 years	13.2	15.2
10 years	11.7	11.6
Since inception (Dec 2010)	12.0	12.4

Annualised after one year

Highest and Lowest Annual Returns

Highest and Lowest Annual Returns	%
Highest annual return	43.6
Lowest annual return	-4.9

By calendar year

MARKET OVERVIEW

In South Africa, the June 2026 quarter highlighted the contrast between improving domestic fundamentals – including stronger fiscal credibility, credit rating upgrades, continued economic expansion and reform progress – and deteriorating external conditions stemming from the Middle East oil shock. While markets generally remained constructive on South African assets due to improving sovereign fundamentals, higher oil prices, renewed inflation concerns and slowing global growth tempered optimism and reinforced expectations that monetary policy would remain restrictive through much of 2026.

The dominant South African macro story of the quarter was the SARB's decision on 28 May to raise the repo rate by 25 basis points to 7.00%, its first hike since May 2023, in a split decision with four of six Monetary Policy Committee members voting to hike. The move followed a jump in headline consumer inflation to 4.0% in April from 3.1% in March, driven overwhelmingly by fuel price increases linked to the Middle East conflict, and came after the SARB had already held rates at two prior meetings in January and March, citing upside risks from the war. Governor Lesetja Kganyago was explicit that the Bank's credibility depended on responding decisively to the risk of second-round inflation effects feeding through into wages and broader price-setting behaviour, even as the central bank simultaneously downgraded its 2026 GDP growth forecast to 1.2% from 1.4%, reflecting both the global energy shock and the impact of severe flooding in the Eastern and Western Cape earlier in the year. The SARB's own scenario analysis highlighted a wide range of possible outcomes depending on the duration of the Iran conflict. Encouragingly, as oil prices retreated through June, consensus economist forecasts point to the SARB holding rates steady through the balance of the year, with a modest chance of renewed easing only in 2027.

The financials and industrials sectors of the South African equity market managed to leverage off the positive momentum in global equity markets, with the Financials Index returning 8.0% and the All Share Industrials Index gaining 4.8%. However, a stronger US dollar and weaker precious metals prices (gold: -14%, and platinum and silver: -21%), as well as a sharply lower oil price (-38%) over the quarter (all in US dollars) resulted in a steep decline in the Resources Index of -18.7% (ZAR). This left the FTSE/JSE All Share Index in the red for the quarter with a total return of -2.4%. The best performing industry groups over the quarter were Telecommunications (+16.2%), Health Care (+12.0%) and Consumer Discretionary (+10.9%), while the worst performing were Basic Materials (-18.8%), Energy (-15.6%) and Technology (-4.2%). Within the Top 40 Index constituents, the best performers were Richemont (+28.1%), MTN (+19.5%) and Anheuser-Busch Inbev (+17.8%), while the worst performers were Pan African Resources (-32.9%), Sibanye Stillwater (-31.8%) and Northern Platinum (-30.6%).

Despite a continued rise in inflation prints in the June quarter, with CPI increasing to 4.5% in May, the FTSE/JSE All Bond Index (ALBI) managed to post a positive return of 7.9% over the quarter. The positive return came about thanks to some normalisation in bond yields which had spiked in March (the ALBI declined by 7%, the second-worst month in the Index's 25-year history) on the back of the US/Israeli invasion of Iran and the sharp rise in the oil price. Inflation-linked bonds produced a return of 6.5% for the quarter amidst signs of a de-escalation in the conflict in Iran and lower oil prices towards the end of June.

The best performing major asset class in SA over the quarter was listed property, with the FTSE/JSE SA Listed Property Index (SAPY) returning 10.0%. The strong second quarter was supported by falling SA government bond yields (the yield on the R2035 bond dropped from 9.15% to 8.28% over the period) alongside continued improvement in property fundamentals, which is translating into inflation-beating dividend growth.

South Africa's economic outlook remains one of gradual but modest improvement, supported by easing structural constraints, improving fiscal credibility, and stronger investor confidence following recent sovereign credit rating upgrades. However, growth is expected to remain below potential, constrained by persistent unemployment, weak private investment, infrastructure bottlenecks, and global uncertainty. The outlook will depend on continued implementation of economic reforms, the outcome of South Africa's local government elections in November and their implications for GNU stability, the South African Reserve Bank's ability to manage inflation amid external shocks such as higher oil prices, and the resilience of global demand for South African exports. While the medium-term trajectory has improved, risks remain tilted to the downside if global growth weakens further or domestic reform momentum slows.

THE FUND

The Merchant West SCI Value Fund is an unconstrained, diversified South African equity fund that aims to outperform the JSE All Share Index over the long term. To do so, we invest in South African listed assets, employing a value-based investment philosophy and a sensible risk management process with the backing of the Merchant West Investments research capabilities.

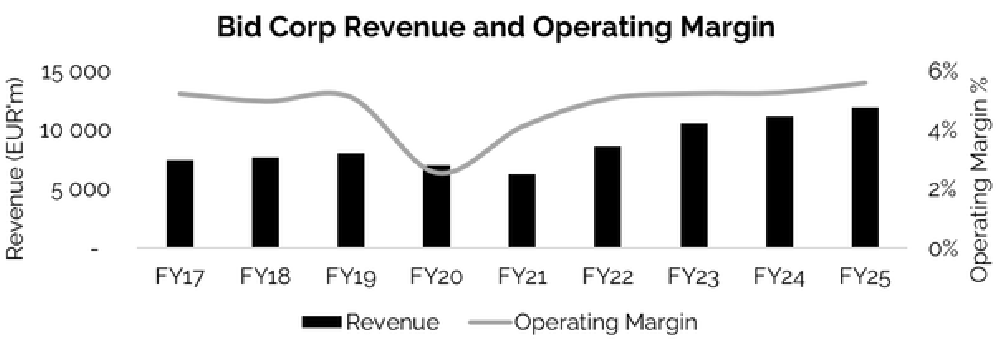
The Merchant West SCI Value Fund outperformed the JSE All Share Index (ALSI) Total Return (TR) and the average ASISA SA Equity General fund over the June quarter. During the quarter the Fund delivered a total return of 3.0% (net of fees) while the ALSI delivered a total return of -2.4%. The Fund thus outperformed the ALSI by 5.4% over the quarter. At a sector level, a large contributor to the outperformance can be ascribed to stock selection and asset allocation within the Materials sector, where the Fund's underweight position to gold stocks, which saw sharp drawdowns in the quarter, aided relative performance. Furthermore, the overweight position to tin miner Alphamin Resources (+26.7%) contributed positively, generating strong absolute and relative returns versus the ALSI. Strong returns in Oceana Group Ltd (+30.5%), Argent Industrial (+16.3%) and investment holding company Sabvest Capital (+11.1%) were also significant contributors to the Fund's outperformance.

The biggest detractor from relative performance was the Fund's overweight position in Sasol, which was down 28.3% for the quarter. Additionally, having no exposure to index-heavyweights MTN (+19.5%) or Richemont (+28.1%) also detracted on a relative basis.

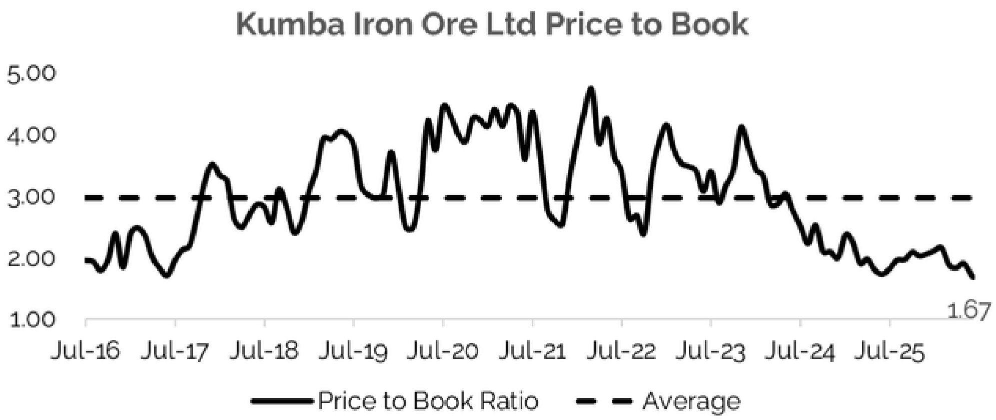
MANAGAMENT ACTIONS

During the quarter new positions were entered in Bid Corporation, Kumba Iron Ore, PPC Ltd and Reinet Investments. Our rationale behind Bid Corp and Reinet Investments were triggered with the objective of increasing the hard currency exposure of the portfolio.

Bid Corp generates more than 85% of its earnings in hard currency from Europe, the United Kingdom and Australasia. Over the past twelve months the rand has strengthened 9.4% against the pound and 9.8% against the euro which is a material headwind for a company earning in euros and pounds and reporting in rand. We thus view the recent strength as an opportune time to increase the offshore earnings component of the portfolio at a reasonable 15x forward price-to-earnings multiple. Since spinning out from Bidvest in 2016, Bid Corp has been a steady compounder delivering mid- to high-single-digit revenue growth in hard currency with remarkably stable operating margins, barring the impact the COVID-19 lockdown had on the food services industry.



A position was taken in Kumba Iron Ore which should be viewed within the context of our broader materials exposure. We have rotated some capital out of BHP Group and Glencore, both of which have seen strong price appreciation over the past twelve months, into lowly valued iron ore exposure. We believe the consensus view for iron ore and Kumba's equity is overly bearish. Kumba is investing in UHDMS (Ultra-High Dense Medium Separation) technology allowing them to economically process lower-grade ore that older plants couldn't handle profitably, extending mine life and improving yield at operations like Kolomela and Sishen. This carries meaningful capital expenditure and execution risk. As a result, the full year dividend payout ratio has been reduced. We acknowledge that there are numerous reasons to be bearish on Kumba in the near term, however we view the current price as an attractive entry into a good-quality company at a reasonable price relative to its long-term history with a robust long-term outlook for iron ore. Since listing in December 2006, Kumba has generated an average return on invested capital of 46% and has not generated a loss in any single year. The same cannot be said for the majority of the mining companies listed on the JSE.



Reinet is the offshore investment vehicle that spun out of Richemont in 2008. Performance of the share has hardly been desirable over the past decade, delivering an annualised 10-year return of 6.72% versus the JSE All Share Index return of 11.4%. So why have we bought into the share despite this less-than-desirable long-term track record? Reinet's net asset value now comprises more than 80%-euro cash and cash equivalents, and with the share trading at a 24% discount to net asset value, and a discount to net cash, we see this as a reasonable place to allocate capital in the short term, capitalising on the strong rand.

We added a small special situation position in PPC for the Fund after reports that Heidelberg Materials is exploring a takeover of the group. The rationale is straightforward: Heidelberg has no presence in South Africa despite a broad African footprint, has significant acquisition firepower it wants to deploy, and PPC's turnaround has left the shares trading well below global cement peers. We see this as an attractively priced way to participate in a plausible corporate action, while recognising the outcome is uncertain and the position is sized accordingly. The position is currently playing out favourably with the share up 24% since our initial purchase.

During the quarter positions in South32, Wilson Bayly Holmes, BHP Group, Glencore and Sasol were trimmed, while no positions were sold out entirely. Existing positions in British American Tobacco and Naspers were meaningfully increased over the quarter.

The Merchant West SCI Value Fund's edge lies in our disciplined investment process (a blend of quantitative and fundamental research) and mindful approach to portfolio construction. We follow a fundamental, bottom-up process, backing quality businesses. Our focus is on companies with genuine growth prospects and management teams that allocate capital in a shareholder-friendly way, and we look to buy at a discount to our assessment of intrinsic value, giving us both downside protection and upside potential. This is a deliberate departure from deep value or contrarian investing in distressed businesses, and we don't buy a stock simply because of its index weighting. A summary of the portfolio weighted average metrics can be found below:

Metric	Merchant West SCI Value Fund	JSE All Share Index
Forward Price to Earnings Ratio	7.3	11.4
Price to Book Ratio	2.01	3.1
Dividend Yield	3.8%	3.7%
Return on Invested Capital	14.7%	13.1%
Debt to Equity Ratio	41%	59%

Source: Bloomberg, Portfolio Weighted Average Metrics as of 30 June 2026

The Merchant West SCI Value Fund is a niche South African equity portfolio that offers investors access to a wide array of companies that larger asset managers are unable to invest in. The Fund can therefore provide greater diversification within a traditional equity portfolio that is heavily exposed to index heavyweights. We are confident that the Merchant West SCI Value Fund will continue to reward long-term investors with superior returns.

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

Rudi van Niekerk
Portfolio Manager

Piet Viljoen
Portfolio Manager