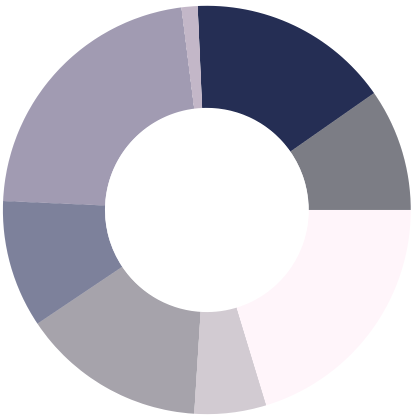
Merchant West SCI Worldwide Flexible Fund
Quarterly Report
Quarter ending 30 June 2026

FUND DETAILS

Benchmark	ASISA Category	Portfolio Manager	Suitable Investor
CPI + 6%	Worldwide Multi Asset Flexible	Piet Viljoen	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	11.3
Merchant West SCI Enhanced Income Fund Class D	9.4
VanEck JP Morgan EM Local Currency Bond ETF	7.8
iShares $ Treasury Bond 0-1yr ETF	6.4
US Dollar	6.3
Merchant West SCI Value Fund	5.7
RSA Govt Bond R2044 8.75% 31012044	5.4
iShares Core Japan Government Bond ETF	4.7
RSA Govt Bond R2040 9.0% 31012040	4.7
Texas Pacific Land Corporation	3.5

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



Asset Allocation	%
Global Equity	20.3
SA Equity	5.7
Global Fixed Income	14.6
SA Fixed Income	10.1
Global Hard Assets	22.3
SA Hard Assets	1.3
Global Cash	16.0
SA Cash	9.7
Total	**100**

Note: Global hard assets can include land, precious metals, commodity royalty and streaming companies, and crypto.

Performance	Fund %	Benchmark %
3 months	-1.5	3.7
1 year	5.9	10.8
3 years	8.7	10.3
5 years	9.9	11.1
10 years	5.8	10.7
Since inception	9.6	11.10

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. Hard Assets (can include land, precious metals, commodity royalty and streaming companies, and crypto) – to protect against and benefit from inflationary conditions.

Each asset class is allocated 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, underowned, 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:
Having entered April in deeply oversold territory following a difficult first quarter, global equity markets staged a powerful recovery with the MSCI World Index posting a net total return of 13.8% in US dollars (+9.7% in ZAR). US indices recorded their best quarterly performance in several years (+15.2% for the S&P 500 in USD), semiconductor and technology shares led the advance with the Nasdaq-100 (+27.7%) posting its second-best quarter in 25 years, and market breadth improved markedly as the rally broadened beyond the largest technology names into small and mid-caps, value, and cyclical sectors. Emerging markets, led by South Korea and Taiwan, once again outperformed developed peers with a US dollar return of 24.1%, buoyed by AI-related capital spending, resilient earnings growth and improving governance. Excluding China, the MSCI Emerging Markets Index gained 34.5% in US dollars.

Bond markets had a far more turbulent quarter. Oil-driven inflation fears pushed global yields sharply higher in May, before a reversal in energy prices and progress toward a durable US-Iran ceasefire allowed yields to retreat somewhat into quarter-end. The Bloomberg Global Aggregate Bond Index ended the quarter down by 0.9% in US dollars.

The more notable story in bond markets was Japan, where a weakening yen and rising domestic yields, with the 30-year Japanese government bond yield reaching a record high and the 10-year reaching its highest level since 1997, raised the prospect of unwinding carry trades that have been a persistent source of global liquidity. Commentators highlighted the risk that a disorderly reversal of the yen carry trade could act as a source of volatility for global risk assets, and that renewed yen strength on the back of intervention by the Bank of Japan could reignite demand for gold as an alternative store of value.

Commodity markets were defined almost entirely by the oil price cycle. Brent crude spiked to a multi-decade wartime high before retracing the bulk of its gains as a ceasefire framework took hold, although residual uncertainty over shipping through the Strait of Hormuz kept a risk premium embedded in prices. Gold, having reached a record high earlier in the year, consolidated lower over the quarter as the stronger US dollar and higher real yields weighed on the metal, before staging a partial recovery into quarter-end.

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.

Even though the rand managed to regain some lost ground against the US dollar (+3.4%), global equities still managed to produce strong returns in rand terms (MSCI World Index in ZAR: +9.7%) over the quarter. It is therefore unsurprising that with its underweight exposure to global equities (25%), the Merchant West SCI Worldwide Flexible Fund will underperform its peers during periods of strong equity returns. On average, the peer group holds a significantly higher exposure to global equities than the Merchant West SCI Worldwide Flexible Fund. In addition to the underweight global equity exposure, the Fund's large holding in hard assets (specifically commodity-related stocks) also detracted from relative performance over the quarter.

However, once again, it is important to note that "The Cockroach Fund" has an entirely different investment objective versus its peers, namely, to preserve and grow the real value of your capital in hard currency (i.e. to grow in US$ terms in line with or above US rates of inflation). Importantly, it aims to do so with lower-than-average levels of volatility – an objective that it has more than achieved over the medium to long term.

As the table below shows, 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.)**	**5 Years (p.a.)**	**Since 30/09/2020 (% p.a.)**
MW SCI Worldwide Flexible Fund	-1.5	5.9	8.7	9.9	9.7
SA Multi-Asset Flexible Funds Avg.	4.9	8.0	10.6	9.5	9.9
SA Inflation Rate (CPI)	2.4	4.5	4.2	5.1	4.9
Returns in US$	**3 Months (%)**	**1 Year (%)**	**3 Years (%p.a.)**	**5 Years (p.a.)**	**Since 30/09/2020 (% p.a.)**
Merchant West SCI Worldwide Flexible Fund	2.8	14.8	14.0	7.0	7.0
SA Multi-Asset Flexible Funds Avg.	9.5	16.8	15.6	6.5	6.5
US Inflation Rate (CPI)	2.5	4.2	3.3	4.5	4.5
Returns in US$	**3 Months (%)**	**1 Year (%)**	**3 Years (%p.a.)**	**5 Years (p.a.)**	**Since 30/09/2020 (% p.a.)**
Cash (US Gov Money Market Funds Avg.)	0.8	3.4	4.2	3.2	N/A
Bonds (US Treasury 7-10 Year Index)	0.1	2.7	3.1	-1.0	-1.7
Equities (MSCI All Countries World Index)	14.9	23.7	19.7	11.0	14.4
Gold (US$)	-14.2	21.3	27.8	17.7	14.0

Source: Morningstar and FE Fund Analytics (for CIS funds)

Note: Inflation rates lagged by one month.

More importantly is the fact that not only has the Fund delivered competitive performance 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 30 June 2026				
Fund/Sector	**Return**	**Volatility**	**Downside Risk**	**Maximum Drawdown**
Merchant West SCI Worldwide Flexible Fund (ZAR)	9.7%	6.0%	4.9%	-5.1%
Rank in Sector	39/87	3/87	2/87	2/87
Sector Average: Multi-Asset Worldwide Flexible Funds	9.9%	8.5%	8.5%	-13.0%

Source: FE Fund Analytics

There are 87 funds in the sector with a track record over the period shown above. The cockroach's performance is almost on par with the average of the peer group, while showing the second-best downside risk and maximum drawdown, and the third-best 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	June 2026	Sept 2025	Dec 2025	March 2026	June 2026
Cash	**29%**	**24%**	**24%**	**26%**	**26%**
Global	25%	20%	19%	16%	16%
South Africa	4%	4%	5%	10%	10%
Bonds	**22%**	**25%**	**26%**	**24%**	**25%**
Global	7%	10%	10%	15%	15%
South Africa	15%	15%	16	16%	9%
Equities	**24%**	**25%**	**24%**	**24%**	**26%**
Global	21%	21%	20%	20%	20%
South Africa	3%	4%	4%	4%	6%
Hard Assets*	**25%**	**26%**	**26%**	**26%**	**23%**
Global	24%	24%	24%	24%	22%
South Africa	1%	2%	2%	2%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**
Global	77%	75%	73%	75%	73%
South Africa	23%	25%	27%	25%	27%

Note: Global hard assets can include land, precious metals, commodity royalty and streaming companies, and crypto.

The first building block is cash. The weight of this asset class remained at 26% at quarter-end, which is marginally overweight. During the quarter, we reduced the portfolio's exposure to the iShares $ Treasury Bond 0-1yr ETF to fund purchases within the equity and hard-asset building blocks. The bulk of the global cash is held in US Treasury Bills (T-Bills) offering a highly satisfactory low-risk return, as well as US dollar cash (due to a US 2-year T-Bill which matured on 30 June, the proceeds of which will be reinvested in July). There is also a 3% exposure to the Japanese yen, which we continue to believe is undervalued. 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 at the target weight of 25%. While we did not trade within the bond building block during the quarter, the exposure to South African bonds increased due to positive price movement from the two SA government bonds held within this building block. For now, the fixed-income building block remains exposed to mainly South African rand-denominated bonds (10%), where yields remain significantly higher than inflation. The balance of the bond building block is held in global emerging market bonds (8%), Japanese bonds (5%) and Namibian bonds (2%).

The third building block is the equity asset class, with exposure having increased from 24% to a slightly overweight position of 26%. During the quarter, two new 10 Forever Stocks were added to the portfolio. Firstly, Nintendo (a high-quality, global entertainment franchise) was added at a more-than-reasonable price after a sharp decline. Secondly, we effected a 1% holding in Hermes International, a French luxury design house. Hermes' valuation was starting to look interesting relative to other options after a 40% decline from recent highs, and we believe the company has recovery potential over the medium term.

Within the equity block, the only sale was a slight reduction in the iShares Core Emerging Markets ETF, which recovered strongly in the second quarter after the sharp pullback in March this year.

The Fund continues 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, namely hard assets, declined from 26% at the end of March to 23% at the end of June. The decline can be attributed to the decline in commodity prices over the quarter (mainly due to a stronger US dollar on the back of higher interest rate expectations), with the Fund's large holding in the SPDR Gold Share ETF having contributed significantly to the decrease in this building block's exposure. During the quarter, a new holding was acquired in Consensus Mining and Seigniorage Corp, a cryptocurrency mining company that validates and secures the Bitcoin and other public blockchains. We also increased our position in FRMO, another crypto-related business.

The Fund's exposure to South African rand-denominated assets increased from 25% as at the end of March 2026 to 27% as at the end of June. This can be attributed mainly to the decline in the value of the global portion of our hard-assets building block.

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