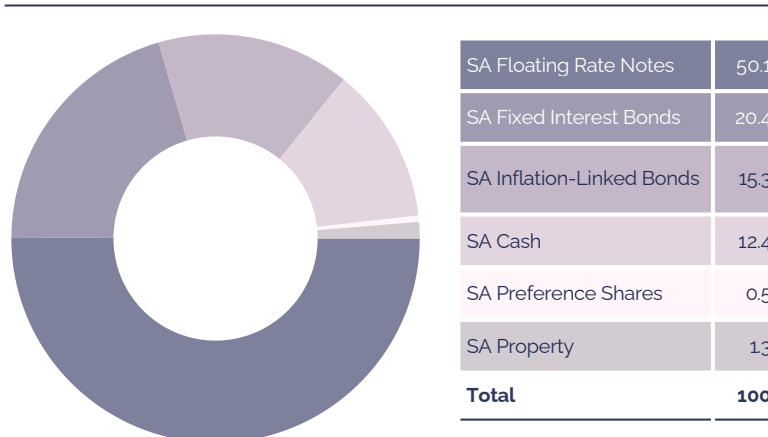


FUND DETAILS

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	15.1
RSA Government Bond	12.9
RSA Government Floating Rate Note 1	10.6
RSA Government Floating Rate Note 2	10.1
Merchant West SCI Money Market Fund Class B	9.5
Nedbank NCD	6.4
Standard Bank Floating Rate Note 1	4.4
ABSA Floating Rate Note 1	4.3
ABSA Floating Rate Note 2	4.3
Standard Bank Floating Rate Note 2	4.3

Asset Allocation: Portfolio Date: 30/09/2026

Performance

	Fund %	Benchmark %
3 months	16	17
1 year	9.9	7.0
3 years	12.4	7.8
5 years	9.8	7.1
10 years	8.7	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 1.6% 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 1.0% during the quarter. The Fund's net return over 12 months is 9.9% versus the STeFI Composite return of 7.0% and a peer group return of 8.5% over the period. The Fund's low modified duration and large floating rate note allocation protected capital in a quarter in which global bond markets sold off sharply, while floating rate coupons reset higher following the SARB's rate hikes and the inflation-linked bond holdings continued to accrue attractive inflation carry.

MARKET AND ECONOMIC REVIEW

The energy shock continued to reverberate through global inflation and monetary policy during the third quarter. US GDP grew at a 2.2% annualised rate in the second quarter, carried by consumer spending and AI-related business investment, while CPI inflation eased to 3.4% year-on-year in August from 4.2% in May. Core CPI stood at 2.4%, but core PCE inflation, the Federal Reserve's preferred measure, remained at 3.0% and energy prices were up 16.3% year-on-year. Against this backdrop, the Federal Reserve raised the federal funds target range by 25 basis points to 3.75–4.00% in September, its first hike since July 2023 and the first under Chairman Kevin Warsh. The European Central Bank and the Bank of Japan also raised rates by 25 basis points, while the Bank of England held steady, with euro area inflation rising to 3.8% in September and UK inflation reaching 3.1% in August.

The interim agreement between the United States and Iran that drove oil prices lower in June failed to deliver a lasting settlement. As talks lost momentum and supply fears returned, oil rallied hard and Brent crude rose back above US\$100 per barrel in September. Government bonds suffered their worst quarter in years: the US 10-year Treasury yield rose 85 basis points to 5.29%, the largest quarterly rise in several years and its highest level since just before the 2007 financial crisis, while the Bloomberg Global Aggregate Bond Index fell 2.5% in US dollars. Three forces drove the rout: higher energy-led headline inflation, which forced central banks to tighten; heightened term premia on the back of heavy sovereign issuance and record corporate borrowing, with US hyperscalers alone issuing more than US\$200 billion of long-term bonds in 2026 to fund the AI build-out; and the resurfacing of fiscal and political risk in France and the UK.

The SARB held the repo rate at 7.00% at its July meeting before its Monetary Policy Committee voted unanimously on 23 September to raise it by 25 basis points to 7.25%, the second hike this year, taking the prime lending rate to 10.75%. Headline inflation edged up to 4.4% in August from 4.3% in July, slightly below expectations, but the fuel shock has re-intensified, with transport prices rising 8.8% year-on-year, while core inflation eased to 4.1% from a two-year high of 4.2% in July. Governor Kganyago expects headline CPI to rise above 5% late this year and early next, returning to the 3% target only towards the end of 2027, although the SARB's model shows rates broadly stable for the rest of 2026, with cuts later as inflation falls. The domestic economy has lost momentum: after six consecutive quarters of growth, GDP contracted 0.2% quarter-on-quarter in the second quarter as trade, manufacturing and mining declined, fixed investment fell for a second consecutive quarter and unemployment rose to 33.6%.

South African bonds held up relatively well given the turmoil in global bond markets and the domestic rate hike, with the FTSE/JSE All Bond Index returning -0.7% for the quarter, while inflation-linked bonds gained 1.5%. The rand was broadly stable, firming by around 0.3% against the US dollar. Domestic political risk is rising ahead of the 4 November local government elections, which are widely seen as the first major test of the Government of National Unity's reform agenda, with campaigning sharpening friction between the ANC and the DA, while strained relations with the United States remain a background trade risk.

PORTFOLIO STRATEGY

With global bond yields at multi-year highs and the SARB back in tightening mode, we have remained disciplined about keeping the Fund's duration short, and its modified duration now stands at approximately 1.5 years. The largest component of the portfolio remains a sizable, low duration, floating rate note allocation of approximately 50% of the Fund, including positions in the government's floating rate bonds, which continue to benefit directly from this year's rate hikes as coupons reset off higher reference rates. Nominal fixed-rate bonds make up approximately 20% of the Fund, including a measured position at the long end of the curve whose modest size limited the impact of the global bond sell-off, while the Fund retains an allocation of approximately 15% 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 expected to rise above 5%. Money market instruments and cash increased to approximately 12% of the Fund as maturing instruments and new inflows were invested at the front end of the curve, providing ample liquidity and the flexibility to add duration should the sell-off create more compelling value. 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.

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.