MERCHANT WEST
Finance Invest Insure

Merchant West Global Equity Feeder (USD) Fund

Quarterly Report
Quarter ending 30 September 2026

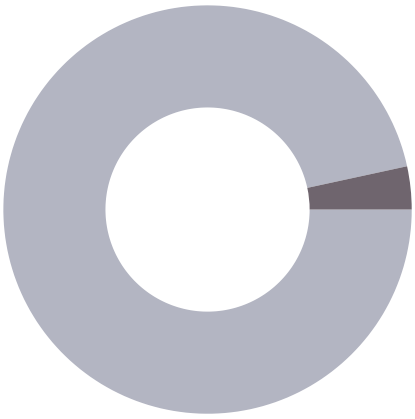
FUND DETAILS

Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
MSCI World Index in USD (Master Fund)	Global Equity General	Merchant West Investments	The Merchant West Global Equity Feeder Fund is a US dollar-denominated global equity fund that invests solely in the participatory interests of the Merchant West Global Equity (USD) Fund ("The Master Fund"). The Merchant West Global Equity (USD) Fund is suitable for investors seeking long-term capital growth in excess of inflation through a global portfolio of high-quality, lucrative businesses. Investors have an aggressive risk profile and are comfortable with a relatively high level of volatility, especially in the short term, and are prepared to invest for seven years and longer.

Top 10 Holdings (Master Fund)	%
Berkshire Hathaway	5.6
Alphabet Inc	5.5
Visa Inc	4.5
Taiwan Semiconductor Manufacturing Company	4.5
Union Pacific	3.5
ASML Holding	3.3
Schneider Electric	3.1
Amazon	3.1
Meta Platforms Inc	3.0
Mastercard Inc	2.8

Top 10 Holdings of underlying Fund, i.e., Merchant West Global Equity Fund

Asset Allocation: *Portfolio Date: 30/09/2026* %



	%
Global Equity	96.6
Global Cash	3.4
Total	**100**

Performance	Fund %	Benchmark %
3 months	2.7	1.9
1 year	4.4	15.2
2 years	14.0	16.2
5 years	N/A	
10 years	N/A	
Since inception	17.3	17.7

Annualised after one year

Highest and Lowest Rolling 12 Months Return	%
Highest Rolling 12 Months Return	34.4
Lowest Rolling 12 Months Return	4.4

PERFORMANCE REVIEW

The Merchant West Global Equity Feeder Fund (previously the Merchant West Global Value Feeder Fund) was launched on 3 September 2024. The Fund now has a track record of just over two years. The Fund returned 2.7% (in USD) over the quarter, versus the Master Fund's benchmark (+1.9% for MSCI World) and the peer group average (+0.6% for Global Equity General funds). From inception on 3 September 2024, the Global Equity Feeder Fund has returned 17.3% per annum, underperforming the MSCI World (+19.2%) marginally but outperforming the peer group's average of 14.3% significantly.

Energy led the MSCI World Index, rising more than 16% over the quarter as the conflict between the United States and Iran continued to push oil prices higher. This was a sharp turnaround from Q2, when the sector detracted from index returns. Information Technology also performed strongly, gaining 8% as the software sell-off from earlier in the year partly reversed, with software, semiconductor and cybersecurity names all contributing. The consumer-facing sectors lagged, with both Consumer Staples and Consumer Discretionary detracting from index performance.

The Fund's software and semiconductor holdings, through Microsoft, NVIDIA and SAP, contributed to performance over the quarter, and our Energy exposure, including TotalEnergies, also added to returns. Stock selection in Health Care detracted, with Novo Nordisk, UnitedHealth Group and Zoetis the main drags. Results in Industrials were mixed: Schneider Electric and Itochu added to returns, while Masco, which is more exposed to the consumer, detracted.

MANAGEMENT ACTIONS

We added a 1% position in Allegion, a global provider of security products, including mechanical and electronic locks, door hardware and access control systems. Most of its revenue is tied to commercial and institutional buildings, and we believe the outlook for commercial construction and capital spending is improving, which supports demand for the company's products.

Gaztransport & Technigaz (GTT) is a new 1% holding in the Fund. The company designs the cryogenic membrane containment systems used to transport and store liquefied natural gas, and licenses this patented technology to shipyards in exchange for a royalty on each vessel built. GTT holds a near monopoly, with more than 80% of the global LNG fleet using its technology and over 95% of new LNG carriers fitted with its systems. Because it owns no shipyards or vessels and takes no commodity price risk, its economics are exceptional. Revenue is driven by orders for new LNG carriers rather than gas prices, and record liquefaction investment decisions in 2025, along with an ageing global fleet, should support orders beyond the existing €1.7bn backlog.

To broaden our exposure to payment networks, we bought Mastercard, which represented 2.8% of the Fund at period end, and reduced our holding in Visa to keep combined exposure at around 7%. Mastercard shares many of Visa's qualities: both are structural growers with revenue compounding in the low to mid-teens and exceptionally high returns on capital, with even higher returns on incremental investment. Mastercard has historically grown a little faster, has greater exposure to emerging markets and operates from a smaller base. The market has typically recognised this with a valuation premium of more than 20% to Visa, but at purchase Mastercard traded at near parity on around 25x next-twelve-months earnings.

Our final new holding is Broadcom, which designs semiconductors and infrastructure software and is best known today for co-designing custom AI accelerators for large technology companies such as Google and Meta that want an alternative to Nvidia's general-purpose chips. Because these chips are built for a single customer over several years, they create deep switching costs, and Broadcom also supplies much of the networking equipment that connects AI clusters inside data centres. Its infrastructure software business, including VMware, adds recurring, mission-critical revenue. The result is an exceptionally profitable business. The position provides exposure to the growth in AI semiconductor investment in a way that is differentiated from Nvidia and less cyclical than areas such as memory.

We exited our positions in Nestlé, Unilever and Alimentation Couche-Tard, as we became less confident that these businesses can grow fast enough to justify their valuations.
Even under generous assumptions, we could not find attractive enough expected returns in Nestlé or Unilever. Rising interest rates in the US and Europe weigh on predictable but low growth stocks, and because higher rates reflect a higher risk premium more so than higher long-term inflation, these elevated rates cannot be offset through growth from raising prices. Growth in these stocks has averaged around 5% a year in US dollars over the past decade, with roughly two percentage points of that coming from debt-funded buybacks that are now hard to repeat. We are also concerned about risks such as weight-loss drugs, private-label competition and weakening brands.

We sold Alimentation Couche-Tard into a strong post-results rally that appeared to be driven by a temporary boost from fuel trading. The valuation looked full given structural pressure from declining tobacco and alcohol sales and the gradual shift to electric vehicles. Its failed attempt to acquire Seven & i, a company of similar size, also raised concerns about capital allocation, since very large acquisitions rarely create value.

We also exited our position in Otis. The company's slow growth and high debt leave it poorly placed in an environment of rising interest rates, which increase the cost of carrying that debt and weigh on the valuation of steady, low-growth businesses.

MARKET OVERVIEW

The conflict between the United States and Iran continued to drive global markets and economic policy in the third quarter. Oil prices had fallen in June on hopes of a memorandum of understanding between the two countries but rallied sharply as talks stalled and supply fears returned, with Brent crude climbing back above $100 a barrel in September and bond yields reaching their highest levels in years. This energy-led inflation shock, combined with a surprisingly resilient global economy, pushed most developed-market central banks to raise rates. In September, the US Federal Reserve raised rates by 25 basis points, its first hike since July 2023 and the first under its new chair, 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.

Heavy sovereign bond issuance and record corporate borrowing compounded the rate shock. US hyperscalers (large-scale cloud service providers that offer highly scalable and flexible computing infrastructure to businesses and organisations such as Amazon, Microsoft and Alphabet) have issued more than US $200 billion of long-term bonds in 2026 to fund the AI buildout, competing directly with governments for duration buyers.

Global developed markets were led higher by the US over the quarter. The S&P 500 returned 2.3% and the Nasdaq Composite 2.6%, setting records in August and early September. The Dow returned -2.3% and the Russell 2000 -7.2%. Only four sectors finished positive: Energy (mainly oil), Information Technology, Health Care and Communication Services. Utilities, Industrials and Real Estate were the weakest, punished by the 85 basis points jump in the US 10-year Treasury yield. Leadership rotated from semiconductors towards hyperscalers and software. S&P 500 earnings are expected to grow at least 30% in 2026.

The MSCI World Index returned 1.9% in US dollars over the quarter, but performance beneath the surface was narrow and driven by interest rates. Small caps, which carry more floating-rate debt, and real estate stocks lagged badly as bond yields rose. Europe fell 1.7% in US dollars on concerns about further ECB rate hikes, while Japan gained 5.9% and the UK, helped by its heavy weighting in energy, mining and banks, rose 1.9%.

Emerging market equities ended Q3 marginally lower (-0.4% in US dollars) after a 24.1% gain in Q2, their best quarter since 2009. The Index's heavy tech concentration made it hostage to the July chip sell-off; it rebounded 3.2% in August, led by Korea and Taiwan, before rising US yields and a firmer dollar weighed on prices in September. The MSCI China Index gained 3.7% both in Hong Kong and US dollars.

US GDP grew at a 2.2% annualised rate in Q2, carried by consumer spending and AI-related business investment. Consumer price inflation was 3.4% year-on-year (YoY) in August with core inflation (excluding the volatile food and energy products) at 2.4%. Headline Personal Consumption Expenditure (PCE) – the Fed's preferred measure of inflation – was 3.4% and core PCE 3.0%. Energy prices were up 16.3% YoY.

Growth in the major energy importers, the UK, the euro area and Japan, was expected to slow without tipping into contraction. The euro area expanded by 0.6% quarter on quarter in Q2, revised up from an initial 0.4%, and by 1.2% year on year. Inflation there rose from 3.2% in August to 3.8% in September, according to data released in early October. The UK grew by 0.5% over the quarter and 1.4% year on year, while inflation rose to 3.1% in August from 2.9% in July, its highest level in five months. Japan's economy grew by 0.4% over the quarter and 1.4% year on year, with inflation unchanged at 1.9% in August.

Overall, China's economy remained resilient but uneven in Q3. The key theme was a widening gap between a strong industrial/export sector and relatively weak domestic demand and property activity. Growth momentum softened, but the economy was still broadly on track for the government's 4.5–5% 2026 growth target. However, the property downturn and weak household demand continued to constrain activity.

Government bonds had their worst quarter in years, with the US 10-year Treasury yield rising 85 basis points to 5.29%, the largest quarterly rise in several years and its highest level since just before the 2007 financial crisis. The Bloomberg Global Aggregate Bond Index ended the quarter down by 2.5% in US dollars. The rout in bond markets can be ascribed to three factors, namely higher energy-led headline inflation that forced the Fed, ECB and BoJ to hike, heightened term premia on heavy sovereign supply and record hyperscaler bond issuance, and the resurfacing of fiscal and political risk in France and the UK.

The global economy is slowing but holding up better than many feared. It has absorbed the energy supply shock from the Middle East conflict better than expected, though persistent inflation and uncertainty are clouding the near term. Several risks remain, including renewed energy market turmoil, extreme weather from a strong El Niño, surging government bond yields and AI investments that fail to deliver expected returns.

PORTFOLIO STRATEGY

In the third quarter the stress spread from the oil market to the bond market. Stalled US-Iran talks pushed Brent crude back above $100 a barrel, most central banks hiked, and the US 10-year Treasury yield rose 85 basis points to its highest level since 2007. Higher rates test valuation discipline: they compress the valuations of bond-like, slow-growing businesses, expose the leveraged and leave less room for overpaying for growth. We acted accordingly, exiting businesses we doubt can grow fast enough to justify their valuations.

Pricing power remains at the centre of our framework: the most important attribute a business can possess in any environment is the ability to raise prices without losing customers. The portfolio is deliberately weighted towards businesses that operate as essential toll roads on economic activity – payment networks, financial data and analytics providers, exchanges and market-infrastructure operators, and insurance underwriters whose premiums reprice to reflect inflation and whose float now earns the highest yields in almost two decades. Their pricing power is structural, embedded in the product or contractual, rather than dependent on the cycle. However, pricing power offsets inflation, not a higher risk premium; which can only be overcome by stronger real growth. We pair this with an insistence on conservative balance sheets, a discipline whose value rises with the cost of debt.

Critically, we continue to avoid constructing the portfolio for a single macro or thematic outcome. Equally, we do not position defensively for its own sake. Opportunities often appear when uncertainty is greatest and others are selling indiscriminately. The portfolio balances resilience against renewed stress – integrated energy majors, Japanese trading houses, property and casualty insurers and defensive healthcare – with meaningful exposure to high-quality structural compounders, from industrial-technology leaders to global travel platforms, that should lead the recovery when oil and yields ease. We remain prepared to act counter-cyclically, deploying capital into the fear-driven sell-offs that create the most attractive entry points.

Artificial intelligence remained the dominant driver of markets. Monetisation is improving: cloud revenue growth accelerated at all three major providers in the second quarter, with Google Cloud up 82%, Microsoft Azure 43% and Amazon Web Services 37%. Yet spending guidance rose again, increasingly financed in bond markets at sharply higher yields, lifting the return the spend must earn. History is unkind to capital cycles that outrun their economics. As argued in our August Letter from the CIO, the hyperscalers hold the decision rights: much of the projected spend is not contracted and can be cut at any time, an option few of their suppliers enjoy. Having trimmed hyperscaler exposure into strength

earlier this year, we are closely monitoring returns on that spend, while recognising that, as users as well as builders of AI, these are exceptional businesses. We continue to favour picks-and-shovels beneficiaries such as energy management, and the unrecognised users of AI – insurers, data franchises and payment networks – where cheaper automation drops straight to margin.

By our estimates, AI-driven stocks make up around 40% of the MSCI World Index and close to half of the S&P 500, up from about a quarter when ChatGPT launched in 2022. We are wary of such a large concentration in the essentially single theme of AI – one with highly uncertain future profitability. Our most consequential positioning call has been avoiding semiconductor memory stocks; the principal reason the Fund lagged its benchmark over the past twelve months. July showed the risk we are guarding against: the Philadelphia Semiconductor Index fell 21%, its worst month since October 2008, with memory-chip names hit hardest, and despite a recovery, ended September still some 14% below its June peak. A key risk in markets currently is the future size and timing of AI-driven spend, of which semiconductors are a principal beneficiary. The semiconductor industry is intensely cyclical and prone to booms, busts and commoditisation, especially memory chips, where profitability has historically been most volatile and moats weak. We rather choose to hold our exposure through the highest-quality semiconductor names – ASML, TSMC and Nvidia – and this quarter added Broadcom, whose custom accelerators carry deep, multi-year switching costs. The stance is consistent with how we underwrite durable returns and we remain comfortable with it. AI enthusiasm continues to draw capital away from other sectors, creating very attractive entry points into neglected high-quality businesses, several of which we added this quarter.

Merchant West Investments Team
Portfolio Manager

Disclosure

The Merchant West Global Equity Feeder Fund (the "Fund") is a cell of The Offshore Mutual Fund PCC Limited (the "Scheme") (Registration Number 51900). The Scheme is an open-ended investment company, which was registered with limited liability in Guernsey on 20 May 2010, and is authorised by the Guernsey Financial Services Commission ("GFSC") as a Class B Collective Investment Scheme. The Scheme is an umbrella company constituted as a Protected Cell Company under the Companies Law. The provisions of the Companies Law enable a company to which it applies to create one or more cells for the purpose of segregating and protecting the assets within those cells so that, on the basis that the company complies with the conditions laid down by the Companies Law, liabilities of the company attributable to one cell can only be satisfied out of the assets of that cell and even if those assets are insufficient, recourse cannot be had to the assets of any other cell. The Fund was approved by the Financial Sector Conduct Authority in terms of Section 65 of the Collective Investment Schemes Control Act, 2002 (the "Act"), Notice 2076 of 2003 as amended by notice 1502 of 2005 ("the conditions") on 19 April 2024.

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