

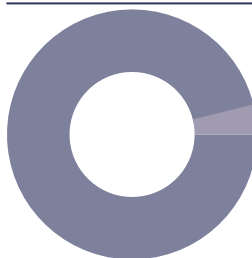
Fund Details

Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
FTSE/JSE ALSI	SA Equity General	Piet Viljoen	Merchant West Sanlam Collective Investments Value Fund invests exclusively in South African equities with the aim of outperforming the local equity market over time by selecting shares based on a value philosophy. The recommended investment horizon is seven years or more.

Top 10 Holdings

	%
FirstRand Limited	5,7
Standard Bank Group Ltd	5,4
Absa Group Ltd	5,1
Sibanye Stillwater Ltd	4,6
Nedbank Group Ltd	4,1
Anheuser-Busch InBev	4,1
Sabvest Capital Ltd	4,0
Glencore Plc	3,9
Sasol Ltd	3,9
Exxaro Resources Ltd	3,7

Asset Allocation Portfolio date: 31/03/2023



SA Equity	96,8
SA Cash	-0,7
SA Property	3,9
Total	100

Annualised Performance

	Fund %	Benchmark %
3 months	-1,5	5,2
1 year	-7,2	4,9
3 years	26,1	24,2
5 years	14,7	10,4
10 years	10,9	10,2
Since Inception (January 2012)	11,7	11,4
Launch date (January 2012)		

Highest and Lowest Annual Returns

	%
Highest Annual %	43,6
Lowest Annual %	-4,9

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, it invests 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.

Performance Review as of 31 March 2023

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)
Merchant West SCI Value Fund	-1.5%	-7.2%	26.1%	14.7%	10.9%
FTSE/JSE All Share Index (TR)	5.2%	4.9%	24.2%	10.4%	10.2%
Average SA General Equity Funds	2.3%	1.2%	20.9%	7.0%	7.2%

For the quarter, the Merchant West SCI Value Fund underperformed the JSE All Share Index Total Return (TR) by almost 7%, as well as the average general equity Fund. This was the second consecutive quarter of underperformance shown by the Fund, which has resulted in underperformance over the past year as well. Despite this setback, the Fund remains well ahead of its benchmark over the medium to longer term, and even more so when compared to its peers.

During the first quarter of 2023, global bond yields fell on expectations that central banks (and the US Fed in particular), will reduce the magnitude of rate hikes at upcoming policy meetings and start cutting interest rates again before the end of the year. Lower bond yields helped growth stocks stage a significant rally in the first quarter, with the tech-heavy NASDAQ Index gaining 17%, while the Dow Jones Industrial Average (DJIA) was up just 0.9%.

The scenario in South Africa over the quarter was no different, with the MSCI SA Value Index (-1.7%) underperforming the MSCI SA Growth Index (+8.5%) by a significant margin.

The Merchant West SCI Value Fund's recent underperformance against the benchmark can be attributed to the Fund's underweight position in the growth-orientated Technology sector, with index heavyweights Prosus (+18%) and Naspers (+17%) having both delivered strong, double-digit returns over the quarter. The Fund also has no exposure to index heavyweight Richemont, which gained 27%. These three dual-listed holdings comprise almost 30% of the FTSE/JSE All Share Index (ALSI) and therefore have a significant effect on the Index's performance.

For this reason, the Value Fund has not fully participated in the ALSI's rally that commenced in October last year, and when the share prices of these companies (which most of the large funds that dominate the peer group do own) do very well, the Merchant West SCI Value Fund does relatively poorly. We constantly review the investment case for Richemont and Naspers/Prosus and are of the opinion that both are overpriced relative to our perception of the risks that are prevalent in the businesses and the share prices. Consequently, the Fund has a zero holding in both shares.

The Fund's shorter-term performance relative to the peer group has also been affected negatively by the fact that it does not hold any direct exposure to foreign equities, which have delivered strong returns for local investors over the past three months and one-year period, partially due to the weak rand. The MSCI World Index has returned over 12% in rand terms over the quarter and more than 13% over the past year versus the FTSE/JSE All Share Index which delivered 5.2% and 4.9% respectively over these periods.

The Merchant West SCI Value Fund's edge lies in our disciplined investment process (blend of quantitative and fundamental research) and mindful approach to portfolio construction. At present, we have identified a significant number of opportunities in the mid and small-cap space, and therefore the Fund has a high allocation to some great local businesses where we believe the current extreme negative sentiment surrounding the economy – loadshedding, high-level corruption, BEE legislation, poor infrastructure, government distrust for the private sector, etc. – are to a large extent priced in.

If things stay as they are – i.e., bad – the unwinding of the high interest rate will benefit the Fund. And if things were to improve, even marginally, many of the stocks the Fund owns have significant upside potential. We like those odds and prefer them to the odds available on guessing what the price of the large companies on the JSE will do over the next few months.

Management Actions

During the quarter, the Fund – as always – remained fully invested. The Fund does not take a view on the direction of the market; it always aims to give investors full exposure to South African listed assets. Some risk was however taken off the table by reducing the Fund's exposure to resources due to short-term commodity price pressures.

- The Fund's exposure to Anglo American was sold out in totality, while Glencore's overweight position was reduced in February. However, this holding was increased again in March after a strong pull-back in price.
- During the quarter, a number of holdings were trimmed after some strength in prices led to outperformance, including AB InBev, Bidvest and MTN.
- The Fund's exposure to British American Tobacco and Southern Sun (which is part of Hosken Consolidated Investments) are in the process of being sold out in totality, while the entire holdings in Sanlam and Shoprite were disposed of.
- Several holdings were topped up, including Argent Industrial, Nu-World Holdings, Metrofile, Zeda, Hulamin, Hosken Consolidate Investments, Sasol, Reinnet, Cashbuild and Lewis, with many of these companies having underperformed over the past year and are attractively priced now.
- The Fund's exposure to listed property was increased with Growthpoint's (big discount to NAV (35%+) and attractive yield of c 9.5%) target weight being increased, and a new holding acquired in Spear REIT.

- New holdings were acquired in Ascendis Health (company is in play, and sum of the parts is materially higher), Adcorp (deep value), and Transaction Capital (significant price decline after a weak trading update was released)).

Overall, the Fund remains well diversified with a spread of holdings across all the major sectors, resources, financials and industrials. Despite our very positive outlook for commodities in general, we think an extreme position at this time would be too risky. If commodity prices take off, as we expect, over the next few years, the local economy would benefit. This would then also reflect in positive moves in local financial and industrial shares, which are not discounting any positive developments at all.

On the other hand, there is a non-trivial chance that this outcome does not materialise. Our macro forecasting is as good as the next persons, which is to say, not very good. If so, current valuation levels offer a modicum of support.

We recently announced that our CIO, Brian Pyle, has joined Piet Viljoen as a co-manager of the Fund, and finally, we thank you for your continued support of the Fund and look forward to working with you to create continued positive financial outcomes.

Piet Viljoen
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. 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. 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. Charges of the most expensive fee class, maximum fund charges include (incl. VAT): Manager initial fee (max.): 3.45%; Manager annual fee (max.): 1.41%; Total Expense Ratio (TER): 1.53%. The Manager retains full legal responsibility of the third-party portfolio. The registered name of the fund is "Merchant West Sanlam Collective Investments Value Fund." The performance of the portfolio depends on the underlying assets and variable market factors. 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.