Merchant West Global Value Fund
Quarterly Report
Quarter ending 30 June 2024

Fund Details

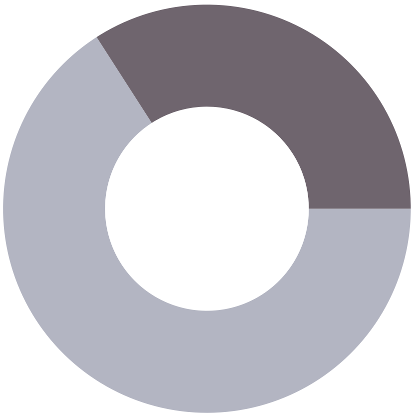
Benchmark	ASISA Category	Portfolio Managers	Suitable Investor
MSCI All Countries World Index (USD)	Global Equity General	Piet Viljoen Brian Pyle	This Fund is suitable for investors seeking long-term capital growth from a diversified portfolio of global equities. It seeks to outperform world equity markets without greater risk of loss. The recommended investment horizon is seven years or more.

Top 10 Holdings

Top 10 Holdings	%
Fairfax Financial Holdings	4,4
Aflac Incorporated	3,4
Berkshire Hathaway	2,5
Teva Pharmaceutical	2,3
Hitachi Ltd	2,2
Nintendo	2,2
Exor NV	2,1
SAP SE	2,0
Fomento Economico Mexicano	2,0
Markel Corporation	1,9

Asset Allocation

Portfolio Date: 30/06/2024



Asset Allocation	%
Global Equity	65,9
Global Cash	34,1
Total	**100**

Annualised Performance

Annualised Performance	Fund %	Benchmark %
3 months	0,2	2,9
1 year	16,2	19,4
3 years	2,8	5,4
5 years	4,2	10,8
10 years	0,7	8,4
Since Inception (December 2010)	4,3	7,1
Launch Date (January 2006)		

Highest and Lowest Rolling 12 Months Return

Highest and Lowest Rolling 12 Months Return	%
Highest Rolling 12 Months Return	49,2
Lowest Rolling 12 Months Return	-30,5

The Fund

The Merchant West Global Value Fund is an unconstrained, diversified global equity fund that aims to outperform the global equity market. To do so, we invest predominantly in equities from across the world, and have adopted a "value" philosophy as a guiding principle. The Fund can invest in other asset classes, but only if equity-like returns are on offer.

Performance Review to 30 June 2024 (%) in US$

	3 months	6 months	1 year	3 years (p.a.)	5 years (p.a.)
Merchant West Global Value Fund	0,2	7,1	16,2	2,8	4,2
MSCI All Country World Index	2,9	11,3	19,4	5,4	10,8
Global Equity General	1,2	7,1	12,7	0,2	6,3
MSCI World Value Index	-1,2	6,2	13,9	5,6	7,6
MSCI World Growth Index	6,4	17,2	26,4	7,4	15,3

The Merchant West Global Value Fund underperformed its benchmark as well as the peer group average over the June quarter. The Fund's underperformance against the benchmark can be attributed to the value investment style followed by management which continues to underperform the so-called growth strategy, especially over the past year. The value strategy means that the Fund has for some years now had a significant underweight exposure to the Information Technology sector, and a small underweight exposure to the Communication Services sector, which are dominated by the so-called magnificent seven tech-centric stocks. The Fund does not have any exposure to these stocks as they are priced at extremely lofty valuations, and therefore do not conform to our value investment strategy.

Information Technology is the largest sector within the MSCI All Countries World Index (comprising almost a fifth of the Index), and as the best performing sector over most periods (see table below), the large underweight position has a meaningful influence on relative returns.

The performance of the Information Technology and Communication Services sectors, together with their rankings, are detailed in the table below:

Sector	3 Months		1 Year		3 Years (p.a.)		5 Years (p.a.)	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Information Technology	11.4%	1st	38.1%	1st	15.1%	2nd	23.6%	1st
Communication Services	8.1%	2nd	37.2%	2nd	3.2%	7th	11.5%	2nd

Note: Ranked out of 10 main MSCI sectors (excl. Utilities)

However, despite the Fund's value investment strategy with a significant underweight exposure to Information Technology, the Fund has managed to outperform its peer group over the past one- and three-year periods. The outperformance can largely be attributed to the Fund's significant overweight exposure to Financials which outperformed the ACWI benchmark over these periods.

We continue to believe that the exuberance in global equity markets, especially growth stocks (and specifically the magnificent seven), may be overdone. The global investment landscape continues to face several risks in 2024 and 2025. These include stubborn inflation, high interest rates that have not as yet had an effect on growth, geopolitical tensions and uncertainty surrounding the upcoming election in the US. The value strategy in our opinion should provide investors with some measure of safety should global markets experience any pullback, and that the value strategy should continue to stand patient investors in good stead over the long term.

Market Overview

Financial markets continued to be driven mainly by interest rate expectations during the second quarter of 2024. Consensus at the end of March 2024 was for the US Federal Reserve (Fed) to cut interest rates three times by the end of the year. However, the Fed remains wary of cutting rates due to stubborn inflation, which despite showing some signs of easing remains above the central bank's 2% annual target.

After a brief uptick to 3.5% in March, the US annual inflation rate resumed its downward trajectory in the second quarter to 3.3% in May 2024, with expectations of a further drop to 3.1% for the June print. While there are expectations for a 25 basis points cut in rates in September this year, some Fed participants have pushed back their rate-cut expectations into 2025. The Fed's Summary of Economic Projections, released in June, shows four cuts pencilled in for next year, with the benchmark rate expected to dip to about 4.1% by the end of 2025.

The US economy expanded at a 1.4% annualised in the first quarter of 2024, the slowest quarterly growth since spring 2022. Consumer spending grew at just a 1.5% rate, down from an initial estimate of 2%, in a sign that high interest rates may be taking a toll on the economy. According to the latest data from Statista, a renown global data and business intelligence platform, it is projected that by May 2025 there is a probability of 51.82 percent that the United States will fall into another economic recession.

Meanwhile, the outlook for the economies in Europe and the UK in 2024 leave room for some cautious optimism, notwithstanding remaining challenges. Inflation in both regions continued to decline. The European Central Bank (ECB) lowered its interest rates by 25 basis points in June, while the Bank of England has opened the door to cutting interest rates in August in what would be the first drop in borrowing costs for more than four years.

In China, the world's second-largest economy, analysts have upgraded their forecast for China's growth this year after a better-than-expected performance in the first quarter — but they see more signs that the world's second-biggest economy will struggle to escape from deflationary pressures. Chinese gross domestic product (GDP) is now projected to expand 4.8%, according to the median estimate in a Bloomberg survey of economists. That is up from a 4.6% forecast in last month's poll, and a tad closer to the government's goal of around 5%.

After a poor start to the second quarter, with equities posting their first negative month for the year in April, equity markets resumed their upward trend as investors focussed on future interest rate declines. The MSCI World Index gained 2.6% for the quarter, with mega-cap technology stocks continuing to have a significant influence on returns. The MSCI Emerging Markets Index gained 5.0%, outperforming developed market equities over the quarter. For the year-to-date, the MSCI World Index has gained almost 12%, with the so-called Magnificent 7 (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) contributing half of the MSCI World's performance. Emerging Markets delivered a return of 7.5% over the six-month period.

Global bond yields remained elevated during the June quarter as the US Fed maintained its hawkish stance amidst stubborn inflation. Developed market bonds lost 2.0% over the quarter, while emerging markets bonds shed 0.2%, both in US dollars. Higher bond yields also had a negative impact on global listed property, with the GPR 250 REIT Index losing 0.9% in US dollars over the quarter and 3.0% for the year-to-date.

The global economy continues to grow at a modest pace, according to the OECD's latest Economic Outlook. The Economic Outlook projects steady global GDP growth of 3.1% in 2024, the same as the 3.1% in 2023, followed by a slight pick-up to 3.2% in 2025. Notwithstanding, a number of risks remain such as a possible recession in the US, as well as continued geopolitical tensions in the Middle East and the ongoing war between Russia and Ukraine.

Management Process

The Fund remains most overweight in the cyclical (and value) sector of Financials, while exposure to the Information Technology sector remains significantly underweight.

In terms of geographical exposure, the Fund continues to run a significant underweight position in the US, while the UK and Canada are overweight. The Fund also has exposure to emerging markets, excluding China. In terms of valuation, the UK stands out amongst developed markets as being particularly cheap, while emerging markets also offer value over the longer term.

As investors have already been informed, the Merchant West Global Value Fund is to become a feeder fund for the top performing Ranmore Global Equity Fund, which is expected to take place early in September 2024. The process of selectively selling holdings in the Fund in anticipation of the transition continued in the second quarter, with the Fund's cash exposure having increased to 34% at the end of June from 20% at the end of March 2024. Further selling of holdings will be effected in the next month or two on a prudent basis to manage the transition.

The Ranmore Global Equity Fund also favours a strong value bias and as such investors can be assured that the investment strategy of the Merchant West Global Value Fund will largely remain the same. The value bias of the Ranmore Global Equity Fund means it is well positioned to offer some protection in the event of a global slowdown and the possibility of inflation remaining higher for longer than expected.

Longer term, there seems to be a good case to be made for value to continue its outperformance of growth, short-term setbacks notwithstanding. If so, the Merchant West Global Value Fund will once again perform satisfactorily into the future.

Should you require information on the Ranmore Global Equity Fund, please do not hesitate to contact your advisor or Merchant West Investments on 021 492 0200 or invest@merchantwest.co.za.

As always, we thank you for your continued support.

Piet Viljoen	**Brian Pyle**
Portfolio Manager	*Chief Investment Officer*