WHEN DOING NOTHING IS THE MOST EXPENSIVE CHOICE

The Proteas, the Middle East, and the case for staying invested

Juan Mirfin, Head of Sales & Distribution

On 4 March 2026, the Proteas walked out at Eden Gardens with the clearest bowling plan in world cricket: **pace, pace, and more pace.** Seven unbeaten games. A dominant Super 8 win over India. The tournament favourites. And yet, when Finn Allen started destroying them in the powerplay, the plan did not change. Over after over, Rabada and Bosch ran in. Over after over, Allen hit them into the stands. New Zealand chased 170 in 12.5 overs. Nine wickets. The fastest century in T20 World Cup history.

For those less familiar with cricket: a powerplay is the opening phase of a T20 match where fielding restrictions make it easier for batters to score freely. When a batter is hitting pace bowling to all corners of the ground in those conditions, the conventional response is to change the approach, bring on spin, vary the angles, disrupt their rhythm. South Africa did not. That rigidity, not a shortage of talent or options, is what turned a competitive game into a nine-wicket rout.

It was not a lack of talent that cost the Proteas. It was a failure to adapt. The situation demanded a response. Sticking rigidly to a plan that was clearly not working turned out to be the most expensive decision of all.

Investors face this same test right now.

The World Is Unsettling. That Is Not New.

Fears of further military escalation in the Middle East are real. Oil prices are twitchy. Global equity markets have been volatile. The headlines are loud and the uncertainty feels acute.

But here is the thing about uncertainty: it is the permanent condition of investing. There has never been a moment in financial history when the coast was perfectly clear. From the 1929 Wall Street Crash to the 2020 global pandemic; 2022 had the fastest interest rate hiking cycle in a generation. Each time, investors who sat on cash waiting for clarity paid a price that compounded quietly, and it was no less real for being hard to see on a statement.

> ***Doing nothing is not a neutral decision. It is a choice, and it carries a cost.***

Sitting on cash while rates fall is a slow, quiet leak. Going fully into risk assets at a moment of genuine global tension is also a legitimate concern. Neither extreme is comfortable. Neither extreme is necessary. Indecision is itself a decision. Choosing to stay where you are is still a choice, just one made by default rather than design.

A Third Option

The answer for the Proteas was not to panic and throw the ball to a part-time spinner with no plan. It was to make a thoughtful adjustment with what was already in the squad. Adapt without abandoning everything.

The equivalent in a portfolio is not moving to cash and not doubling down on high-risk equities. It is finding a well-constructed, diversified income strategy that is positioned to generate real returns across multiple scenarios, one that does not require you to predict the future correctly, because it has been built with exactly that uncertainty in mind.

That is the case for the Merchant West SCI Enhanced Income Fund.

Built for Whatever the World Throws at It

The fund is not a bet on one direction for interest rates or one view on how the world plays out. It is deliberately constructed to hold its own across very different environments, because nobody gets to choose the conditions they inherit. Here is how each part of the portfolio is designed to protect and generate returns depending on what actually happens:

INFLATION STAYS STUBBORN OR SURPRISES HIGHER

Middle East tension pushes oil prices up, supply chains come under pressure, and inflation proves stickier than expected.

The fund holds 11.2% in inflation-linked bonds (ILBs). These are government bonds whose capital and income payments are directly tied to the CPI. If inflation rises, so does the real return on these instruments. Your purchasing power is protected rather than quietly eroded while you wait for things to settle.

INTEREST RATES STAY HIGHER FOR LONGER

The SARB holds rates steady or cuts more slowly than the market expects, perhaps because the rand weakens or global rates stay elevated.

The fund holds 56.5% in floating rate notes (FRNs). These are instruments whose income payments reset regularly in line with prevailing interest rates. If rates stay high, your income stays high. You are not locked into a fixed rate that becomes unattractive as time goes on.

INTEREST RATES FALL

The SARB continues its cutting cycle as inflation normalises and global conditions stabilise.

The fund holds 22.7% in fixed interest bonds. When rates fall, the capital value of fixed bonds rises. This is the part of the portfolio that turns a rate cut into a real return for investors, capturing price appreciation on top of the income already being earned.

MARKETS BECOME VOLATILE OR LIQUIDITY DRIES UP

Geopolitical escalation, a sudden risk-off move, or a local market dislocation creates pricing stress and investors head for the exits.

The fund holds 7.7% in cash and short-dated instruments. This is the liquidity buffer that allows the manager to act decisively, whether that means meeting redemptions without forced selling or deploying capital into dislocated assets at attractive prices when others are selling in a panic.

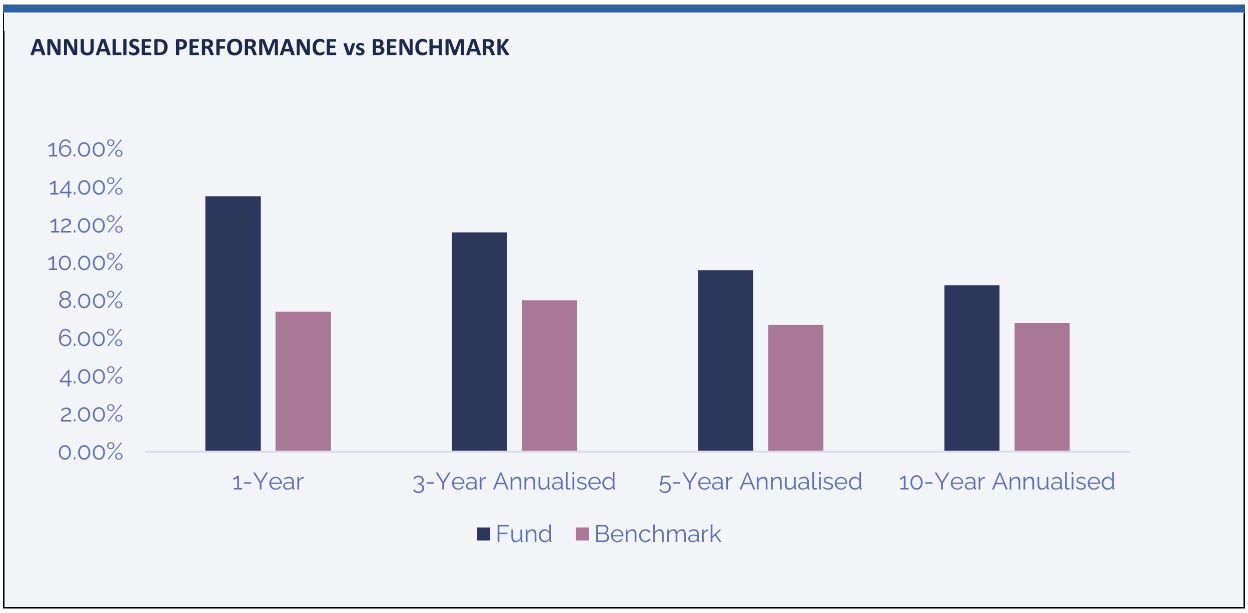
Each of these allocations is doing a specific job. Together they form a portfolio that does not need the world to cooperate in any particular way. That is a bowling attack with options: pace, spin, variation, and a plan for whatever conditions arrive.

FUND SNAPSHOT: Merchant West SCI Enhanced Income Fund A1 | as at 31 January 2026

Fund size: R675m | Benchmark: STeFI | Risk profile: Cautious | Monthly income distributions

Maximum drawdown (3-year): -1.6% | Sharpe ratio: 1.1 | Information ratio: 1.0

TER: 0.69% | Minimum lump sum: R10,000 | Minimum monthly: R500



The performance record reflects the philosophy. The fund has beaten its benchmark across every meaningful time horizon, one year, three years, five years, ten years, and since inception, while keeping the maximum drawdown to just -1.6% over three years. It has been built to last, not to win a single quarter.

> ***"We place sustainability of returns at the core of our philosophy, at the expense of accolades." — Merchant West Investments***

What the Proteas Needed and What You Have

The Proteas did not need a different team on the night. They needed the courage to adapt with what they already had. The match had not slipped entirely. The decision not to act, when the situation was clearly calling for something different, is what made the difference between a semi-final and a plane home.

Most investors already have options too. The question is whether they are willing to move off the default, whether that is cash, inertia, or simply the expected choice, and into something that works harder and smarter across the conditions ahead.

The Middle East will remain uncertain. Rates will continue to shift. Markets will be unsettled by things we cannot predict today. That has always been true, and it will always be true. The fund has been built for exactly that world.

Uncertainty is not a reason to wait. It is the reason to act. The Merchant West SCI Enhanced Income Fund has been built to deliver real returns regardless of which scenario unfolds, and its ten-year track record shows that this is not theory but practice. The Proteas learned the hard way that sticking with the default can be the costliest choice of all. Your portfolio does not have to learn the same lesson.

Past performance is not a guarantee of future returns. The information in this article does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Independent professional financial advice should always be sought before making an investment decision. Collective investment schemes are generally medium- to long-term investments and the value of units may go down as well as up.