

News and Review

Volume 40 – January 2026

Dear Investor

Regulatory change on the horizon

The Financial Sector Conduct Authority (FSCA) published a new Conduct Standard for CIS managers in August 2025 (Conduct Standard 3 of 2025). This regulatory framework, intended to update and sharpen oversight of CIS management company practices, comes into force in August 2026.

The new Conduct Standard is mainly about making sure that the people who manage unit trusts look after investors' money more carefully. Fund managers will have a clearer legal duty to act in the best interests of their clients and to avoid taking unnecessary risks. For you, this means there should be a lower chance of your savings being exposed to poor decisions, conflicts of interest, or weak governance inside a fund.

Another important change is that information given to investors must be clearer and fairer. Managers will have to explain risks, performance and fees in a way that is easier to understand and not misleading. This should make it simpler for the average person to compare different funds.

The rules also focus strongly on fees and charges. Fund managers will need to show that their fees are reasonable and that all investors in the same fund are treated fairly. For you, this means more pressure on the industry to keep costs under control and to be upfront about what you are paying for, instead of using complicated fee structures that only experts can decode.

There will also be tighter requirements around the day-to-day administration of funds, such as how client money is safeguarded and how service providers are appointed. If an administrative mistake happens, like an incorrect price or a delayed withdrawal, managers must have proper processes to correct it quickly and fairly.

Finally, the Conduct Standard strengthens accountability. The regulator will have clearer powers to act against managers who mislead investors or manage funds irresponsibly. For ordinary people this means better protection and a stronger chance of being treated fairly if something goes wrong, helping to build more trust in unit trusts and ETFs as a safe way to save and invest for the future.

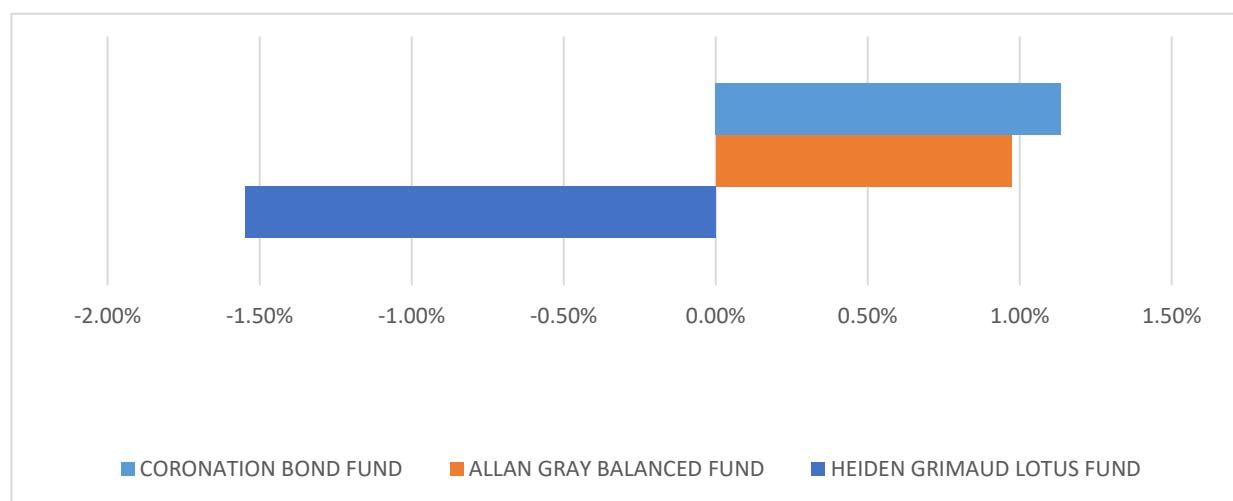
Analysis of the Portfolio

As part of the regulations that govern financial institutions, a manager must publish on its website each calendar quarter a general investor report that details an analysis of the portfolio with reference to the extent to which it has, or has not, adhered to its policy objective. We can report that for the quarter ending 31 December 2025, the following portfolio has adhered to its policy objective:

IFM Balanced Value Fund of Funds with the objective of prudential asset allocation and being a medium equity fund to secure a balance between capital growth and income.

During the previous quarter the Manager bought and sold some shares and investments. Herewith an illustration of the changes in holdings as a result of this. Please note that this is not a reflection of the performance of these investments.

IFM Balanced Value Fund of Funds



News from our Fund Manager

Dear Investor

Looking back... but should we rather look forward?

At Heiden Grimaud Asset Management, our team reads widely — from global macroeconomic reports, interest rate commentary, geopolitical developments, and industry research, to company-specific analysis. The goal is simple: to stay informed and identify the opportunities and threats that could shape future returns.

But we also remind ourselves of something important.

Warren Buffett — one of the world's most respected long-term investors — has repeatedly emphasised that neither he nor his long-time partner Charlie Munger were able to consistently predict short-term market movements. In fact, Buffett often describes the market's daily chatter as a distraction from what truly matters: owning quality businesses over time.

This principle applies just as much to us. We refer to much of the media commentary as “the noise” — not because it is always wrong, but because it is often emotion-driven, designed to create fear or excitement, and typically encourages investors to act at the worst possible time.

The danger of listening to the noise is that it can lead investors into inaction (or worse —

panic), at the exact moments when long-term opportunities are being created.

Throughout most of 2025, the prevailing message across many media sources was that a major correction was coming. Many commentators urged caution, waiting on the sidelines, or moving into cash.

Had we listened to that “noise”, we would have missed some remarkable market outcomes.

Returns for 2025 in US Dollars (Source: First National Bank):

Market / Asset	Return
JSE All Share Index (South Africa)	62,4%
S&P 500 Index (USA)	17,9%
NASDAQ Composite Index (USA)	21,1%
FTSE 100 Index (UK)	35,2%
Euro Stoxx 50 (Europe)	37,4%
MSCI World Index (Global)	21,6%
Gold price	64,6%
Platinum price	127,0%
Oil	-14,4%

At first glance, it may look like South Africa dramatically outperformed the rest of the world. But we need to interpret these figures carefully.

The JSE All Share Index benefited strongly from commodity strength, particularly gold and platinum — and South Africa is, in many ways, still a “mining town” in terms of market

exposure. This wasn't unique to South Africa: Canada also benefited (up 28.3%) due to similar resource-linked market drivers.

Meanwhile, it may appear that the USA "underperformed" in 2025. However, it is essential not to lose sight of another major factor: currency movement.

The US Dollar weakened by approximately 12% against the Euro and the Rand. This matters because a weaker Dollar reduces USD-based returns when translated into stronger currencies, but it can also boost US competitiveness by making exports cheaper and imports more expensive.

It is not unreasonable to ask whether the Dollar weakness is partly aligned with US policy direction. President Trump has been vocal about reducing imports and stimulating internal economic activity — both outcomes that a weaker currency tends to support.

Looking forward: the only place long-term returns come from

We want to be clear: we cannot predict short-term market direction, and we do not pretend that we can.

But long-term returns do not come from guessing next month's correction.

They come from owning productive assets, investing in businesses with growing earnings power, and ensuring portfolios are positioned in industries and regions that will shape the next decade — not the last one.

This is why our investment approach remains future-focused:

- We stay invested
- We diversify
- We focus on quality and sustainability of growth
- We avoid emotional decision-making

A personal reflection: when change arrives, it arrives fast

Many years ago, as a young banker, I witnessed the introduction of cellphones into South Africa. At the time it felt revolutionary — and in hindsight, it was.

Suddenly, communication became mobile. Transactions could happen on the move, between meetings, without being tied to an office. Productivity improved dramatically. It reshaped how business was done.

We recognised it as a game changer — but we were still early in our investment journey, focused on careers and daily responsibilities. We didn't fully appreciate that the big opportunity wasn't only using the new technology... it was owning the businesses behind it.

Had we invested meaningfully into that sector, it would have been a defining investment outcome.

We believe we are at a similar moment again

Today, we are witnessing another historic shift: Artificial Intelligence (AI).

AI is already changing how companies operate, how customers interact, how products are developed, and how information is processed. It is not a trend — it is a structural transformation.

And as with every technological revolution:

- Not all current “stars” will survive
- Hype will create bubbles in parts of the market
- But the winners can be extraordinary

The media (“noise”) is already warning about an “AI bubble”. That may even be partly true in certain pockets — but it does not change the bigger investment reality:

The world will not reverse AI adoption. It will accelerate.

Our approach is therefore opportunity-focused, but disciplined. We are not trying to guess which single AI company will dominate. Instead, we focus on companies with real earnings power, strong balance sheets, global competitive advantage, and products already embedded in business ecosystems.

We also seek exposure through diversified baskets of businesses, because in any disruptive cycle a few “superstars” can more than compensate for one or two disappointments.

This is why we remain fully invested, while constantly researching future leaders.

Closing thought

The investors who succeed are rarely the ones who predict the next correction.

They are the ones who ignore fear-based noise, avoid emotional reactions, stay invested through uncertainty, and position for future growth.

At Heiden Grimaud Asset Management, we remain committed to staying future-focused — because past performance alone will not drive future returns.

Best wishes for 2026!!

Yours in smart investing,



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