News and Review

Volume 43 – October 2026

Dear Investor

In this quarter's newsletter, we continue our investor education campaign by looking at the Minimum Disclosure Document (MDD) and how it can be used to make more informed investment decisions.

How to read a MDD

A MDD is your fund's fact sheet. It brings together key information about the portfolio's objective, investments, risk, performance and costs. The following points can help you focus on what matters most.

1. Start with the investment objective

What is the portfolio trying to achieve? Look for whether its main purpose is capital growth, income, capital preservation or a combination of these outcomes. The objective and strategy should suit your investment needs, irrespective of past returns.

2. Understand the benchmark

A benchmark is a reference point used to place the portfolio's performance in context. It may be an index, an inflation-related measure or another stated comparator. Performance should be considered relative to the portfolio's objective, benchmark, risk and intended investment period.

3. Check the risk profile and investment horizon

Consider how much uncertainty you are comfortable accepting and when you are likely to need the money. Investment values may fluctuate, and a long-term growth portfolio may be unsuitable for money needed in the near future. Regulation provides a framework, but it does not remove market risk.

4. See what the portfolio owns

Review the asset allocation, major holdings and sector exposures. Depending on the mandate, the portfolio may hold equities, bonds or other fixed-income instruments, cash, property and offshore assets. The portfolio name does not tell the whole story; its asset allocation shows where the investment exposure actually sits.

5. Read performance carefully

Compare the portfolio and its benchmark over periods appropriate to the fund's objective and investment horizon. Cumulative return shows the total movement over the full period, while annualised return expresses the compounded average return per year over a period longer than one year. Read the performance notes to understand whether distributions are reinvested and which fees or charges are reflected. Past performance is not a guarantee of future performance.

6. Understand the costs

Review the fee and cost disclosures and confirm that the unit class shown is the one available to you, as fees may differ between classes. Costs reduce the return ultimately available to an investor and can have a meaningful effect over longer periods.

7. Look at distributions

Where relevant, the MDD may show distribution dates, amounts or frequency. A distribution generally represents income allocated by the portfolio to investors. It should not be confused with the portfolio's total investment return.

8. Read the disclosures

The disclosure section may contain important information about valuation, dealing, fees, investment risk, the manager, the trustee or custodian and other regulatory matters. These notes help explain how the information in the MDD should be interpreted.

Use the MDD as a decision-making tool

An MDD should help you understand what you are investing in, the risks you are accepting and whether the portfolio is aligned with your objectives. If any part is unclear, please contact us on the details below for further information before making an investment decision.

Enquiries regarding your investments

- All **administrative enquiries**, for example a request of statement or balance of investment, redemption request, update of contact details, enquiries regarding FICA or assistance required to log onto the online Ireport system is handled by Itransact Fund Managers.

  ✆ 0861 116 075

  admin@itransactfm.co.za

- All **investment specific or portfolio enquiries** are handled by Heiden Grimaud Asset Management.

  ✆ 0861 378 378

  investments@heidengrimaud.co.za

- All **Heiden Grimaud Global Fund** enquiries are handled directly by the Heiden Grimaud Group International Network. Their contact details are:

  ✆ +27 12 743 6437 (South Africa)

  ✆ +353 1 254 9406 (Ireland)

  ✆ +32 468 280463 (Belgium)

  investments@heidengrimaud.com

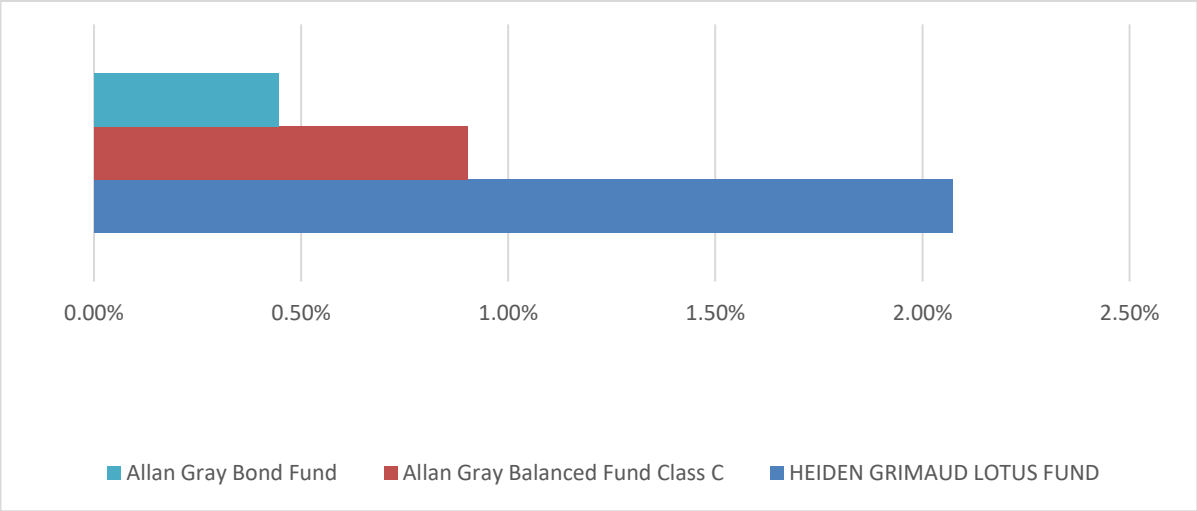
Analysis of the Portfolio

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 30 September 2026, 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



The Hidden Story Behind the Stock Market: Why Active Management Matters More Than Ever

When the stock market reaches new highs, it is tempting to assume that most shares are performing well. But the reality can be very different.

One of the most interesting developments in global financial markets is the growing difference between the performance of major stock market indices and the performance of the individual companies that make up those indices. This is particularly evident in the United States, where a relatively small number of exceptionally successful companies have been responsible for a disproportionate share of the gains in the S&P 500 Index.

For investors, this raises an important question: Is simply investing in an index still the best approach, or are we entering a period in which carefully selected investments and active fund management could deliver superior returns? At IFM Balanced Value Fund of Funds, we believe the current environment provides a compelling argument for the continued importance of active investment management.

Not All Shares Are Equal

Most investors are familiar with the S&P 500 in the United States and the JSE Top 40 in South Africa. These indices are widely followed as indicators of how their respective stock markets are performing. However, these indices do not give every company an equal influence over their performance.

Instead, they are generally weighted according to the market value of their constituent companies, adjusted for the proportion of shares available to public investors. In simple terms, the larger the company, the greater its influence on the index.

Imagine an index consisting of 100 companies. If just five companies account for 40% of the index's total value, those five companies will have an enormous influence on its performance. Even if the remaining 95 companies perform poorly, strong gains in those five large companies could keep the overall index moving higher.

This is not a flaw in how an index is calculated. It is simply a consequence of how market-capitalisation-weighted indices work. However, the performance of an index does not necessarily reflect the investment experience of the majority of its constituent companies.

The American Stock Market: A Remarkable Example

According to recent market research published by The Kobeissi Letter, the recovery in the S&P 500 since its March 2026 lows has been driven overwhelmingly by a small group of companies.

The research suggests that approximately 70% of the index's recovery came from just ten companies, with the remaining 490 companies collectively contributing only 30%. Nvidia, Apple and Microsoft were among the largest contributors.

The research also indicates that a substantial majority of S&P 500 companies were trading at least 10% below their previous record prices, despite the overall index trading close to record levels. These figures are drawn from the cited research and should be independently verified before publication.

A company trading 20% below its previous high is not necessarily a poor investment. Equally, a company trading at a record high is not necessarily expensive. What matters is the underlying business, its earnings, its growth prospects and the price investors are paying for those future earnings.

The Extraordinary Companies Driving Global Markets

Companies such as Nvidia, Microsoft, Apple and Meta Platforms have developed businesses of extraordinary scale, profitability and competitive strength. Artificial intelligence has added another dimension to their growth prospects.

Nvidia supplies advanced computing technology used to develop and operate many artificial intelligence systems. Microsoft has integrated AI into its software and cloud computing businesses. Meta is applying AI to improve advertising effectiveness and develop new services, while Apple has opportunities to incorporate increasingly sophisticated AI capabilities into its global ecosystem of devices and services.

These are established businesses generating substantial revenues and profits, with the resources to invest heavily in their future development. Nevertheless, even the world's most successful businesses can become poor investments if purchased at excessive valuations. This is where active investment management becomes particularly important.

Why Active Management Could Have an Advantage

Passive investment funds are designed to follow an index. They generally hold the same companies, in approximately the same proportions, as the index they track. This provides investors with a convenient, relatively inexpensive way to participate in financial markets.

However, passive funds cannot ordinarily decide to avoid a company simply because its shares appear overvalued, or increase their exposure to an attractive business beyond its index weighting. An active fund manager has considerably more flexibility: the manager can increase exposure to companies considered undervalued, reduce holdings where valuations appear excessive, and invest in opportunities receiving relatively little attention.

If the leading companies continue to deliver exceptional earnings growth, investors with meaningful exposure to them could benefit. Alternatively, if the recovery broadens and more companies begin to participate, active managers may find attractive opportunities among businesses that have been overlooked. Active management does not guarantee superior performance; stock selection, valuation discipline and portfolio diversification remain essential.

How the IFM Balanced Value Fund of Funds is Positioned

Investors in the IFM Balanced Value FoF have meaningful exposure to several of the world's most successful companies through the fund's substantial investment in the Heiden Grimaud Lotus Fund. Lotus follows an actively managed approach, selecting individual companies based on their underlying investment merits rather than simply replicating a market index.

As at 12 October 2026, the Lotus Fund's reported portfolio exposures included:

Company	Lotus Fund exposure
Nvidia	13.04%
Microsoft	9.20%
Meta Platforms	6.93%
Apple	5.61%
Combined exposure	34.78%

These four companies alone represent approximately 35% of the Lotus Fund's portfolio. The fund also holds Berkshire Hathaway and selected European and British companies. These percentages are holdings within the Lotus Fund, not direct portfolio weights of the IFM Balanced Value FoF.

Looking Beyond the Headlines

Financial markets are influenced by interest rates, inflation, geopolitical developments and investor sentiment. These factors can cause considerable short-term volatility, even when the underlying businesses remain fundamentally sound. Over longer periods, the value of an investment is influenced by the ability of the underlying company to grow its earnings and generate cash for shareholders.

The fact that the S&P 500 is performing well does not mean every company within it is an attractive investment. Similarly, a company whose share price has declined may represent an opportunity if its underlying business remains strong and its valuation is attractive.

Our Outlook

The increasing concentration of global stock market returns has been a defining investment development of recent years. We do not believe investors should automatically avoid the companies driving this concentration. Many are among the world's most successful and financially resilient businesses.

However, investors should remain selective rather than assume the largest companies will always deliver the best future returns. The current environment offers two attractive sources of opportunity: continued earnings growth from exceptional global businesses and a broader recovery among companies whose share prices have lagged.

Through the IFM Balanced Value FoF and its investment in the Heiden Grimaud Lotus Fund, our investors are positioned to participate in these developments. Our objective remains to identify attractive long-term opportunities, maintain a disciplined approach to valuation and manage risk through thoughtful portfolio construction.

We remain confident that active investment management has an important role to play, particularly where headline index performance can conceal significant differences between individual companies.

The IFM Investment Management Team