

News and Review

Volume 12 – January 2019

Dear Investors,

Tracking investments on a daily basis is best left for speculators and the brave. This is especially true during higher share price volatility periods such as what we experienced during the latter part of 2018.

The FTSE/JSE All Share Index (this is the average of the shares listed on the JSE stock exchange) fell 8.5% (even worse if measured in US dollars – down by 21.3%) last year. Several blue-chip stalwarts suffered heavy losses. Nine of the 40 largest shares (Alsi40) declined by more than 30%. Having an exposure to these apparently “wrong/doomed” shares would have affected an investor’s returns rather negatively during 2018.

Trump has been blamed for a lot. He is outspoken and rather controversial, adding to the market’s volatility by creating uncertainty on a number of global issues. However, his tax cuts have benefitted US corporate earnings and the US economy (for that matter the global economy) continue to deliver above trend growth. The US Federal Reserve, in an attempt to contain inflation has responded by starting to raise interest rates.

The Rand continue to be under pressure with global investors de-risking by moving assets away from emerging markets (South-Africa is one of them). South-Africa faces a further challenge in that we import more than we export. The shortfall has historically been “covered” by investors pouring money into our economy. This has however not been the case lately. Something has got to give. Over time a weaker Rand will allow South-Africa to export more products, thereby helping to balance the accounts. In the short term additional strain could however be expected by our currency.

The South-Africa government’s finances are stretched at the moment. Tax collections are lower than budgeted for, the economy is not growing as planned (read: even less taxes available) and business confidence is at a low.

Your portfolios have been cautiously positioned for the past 18 months. We have held large cash balances in the portfolios and invested heavily with remaining funds in Rand hedge investments. It is a bears' market (meaning pressure on share prices) and we remain cautious. As experienced portfolio managers we continue to be vigilant, buying slowly into top quality shares at the current low share prices. There is no rush but we do want to enjoy the benefit in the long run when sentiment change and share prices start to recover.

Kind regards

Chris Meyer

Managing Director – Heiden Grimaud Asset Management



1. Analysis of the Portfolios

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 2018, the following two portfolios have adhered to their respective policy objectives:

- **IFM Technical Fund** with the objective of being a general domestic equity fund where investment decisions are based on technical analysis.
- **IFM Balanced Value Fund of Funds** with the objectives of prudential asset allocation and being a medium equity fund to secure balance between capital growth and income.

Herewith a summary of the analysis of the respective portfolios for this quarter.

Portfolio	Analysis
IFM Technical Fund	<p><u>October:</u></p> <ul style="list-style-type: none"> • Decreased holding of British American Tobacco PLC, Compagnie Financiere Richemont SA, Mondi PLC, Naspers, Remgro & Vodacom Group. • Increased holding of Nictus. <p><u>November:</u></p> <ul style="list-style-type: none"> • Decreased holding of Anglo American PLC; BHP Billiton; Compagnie Financiere Richemont SA; Glencore Xstrata PLC; Indequity Group; Mondi PLC; Quilter PLC; Remgro & Vodacom Group. • Increased holding of British American Tobacco PLC & Nictus. • Added holding of Brait SA & Peregrine Holdings. • Cash increased due to portfolio restructuring, overall resulting in a breach of CISCA Chapter II 6(1) Table 3 – Item 2.1. <p><u>December:</u></p> <ul style="list-style-type: none"> • Increased holding of Nictus. • Decreased holding of Indequity Group. • Cash was still in a breach of CISCA Chapter II 6(1) Table 3 – Item 2.1.

Portfolio	Analysis
IFM Balanced Value Fund of Funds	<p><u>October:</u></p> <ul style="list-style-type: none"> • Increased holding of Allan Gray Money Market Fund.

	<ul style="list-style-type: none"> Decreased holding of Old Mutual Global Bond Feeder Fund A; STANLIB Global Bond Feeder Fund – Class B3 & Technical Fund. <p><u>November:</u></p> <ul style="list-style-type: none"> Increased holding of Allan Gray Money Market Fund. Decreased holding of Old Mutual Global Bond Feeder Fund A; SATRIX MSCI World Equity Index Feeder Fund; STANLIB Global Bond Feeder Fund – Class B3 & Technical Fund. <p><u>December:</u></p> <ul style="list-style-type: none"> Increased holding of Allan Gray Money Market Fund.
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2. Enquiries regarding your investments

Should you have any enquiries regarding your investments, please direct it as follows:

- 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 IBrowse system is handled by Itransact Fund Managers. The telephone number is 0861 116 075, and the email is admin@itransactfm.co.za.
- All **investment specific or portfolio enquiries** are handled by Heiden Grimaud Asset Management. The telephone number for the fund is 0861 378 378, and the email is 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) or
 - +32 468 280463 (Belgium) and
 - the email is investments@heidengrimaud.com.

You are welcome to contact us directly should you have any specific questions relating to your South African and/or International investment portfolios, their risk profiles and returns.