

News and Review

Volume 14 - July 2019

Dear Investor

To redeem or not to redeem

In today's world, it is easy to get distracted by the noise created by an information overload, and it is even easier to forget about your medium to long term investment goals. Your immediate instinct is to protect what you have and move your savings to a 'safer' investment option.

Before making any drastic decisions, it is very important to reconsider what you are saving for and why you originally decided on this particular investment. Needs do change from time to time, and it is of course important to ensure that your investments are keeping up with your needs.

When you do get to this point, be certain to focus on accurate and relevant information.

Our Fund Managers take great care, and apply years of knowledge and experience, when making investment decisions. Through this newsletter they provide insight into their investment strategy, recent investment decisions, market conditions impacting your investment, etc. Having all this information at your disposal will ensure that you make the best investment decision possible. Without it, you simply cannot make an informed decision about your investment.

It is also important to remember that your unit trust investment is a medium to long term investment. Short term fluctuations are normal. If you are saving for your December holiday, starting now, a unit trust investment may not be your best savings option.

At IFM, sharing information and communicating with you, is of utmost importance. We also encourage you 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.

What about when we cannot contact you?

We would like to remind you that you are obligated to inform IFM when your contact details change.

If we are unable to make contact with you for a period of 6 months, our Untraceable Investor Policy will apply. Your units will be blocked, and all further transacting will be terminated until we are able to make successful contact with you again. Should there be any need for IFM to employ the services of a tracing agent, any fees associated with this service will be for the investor's account.

If your contact details have changed, the process to have your details updated, as well as the form to complete, is available on our website (www.itransactfm.co.za).

Analysis of the Portfolios

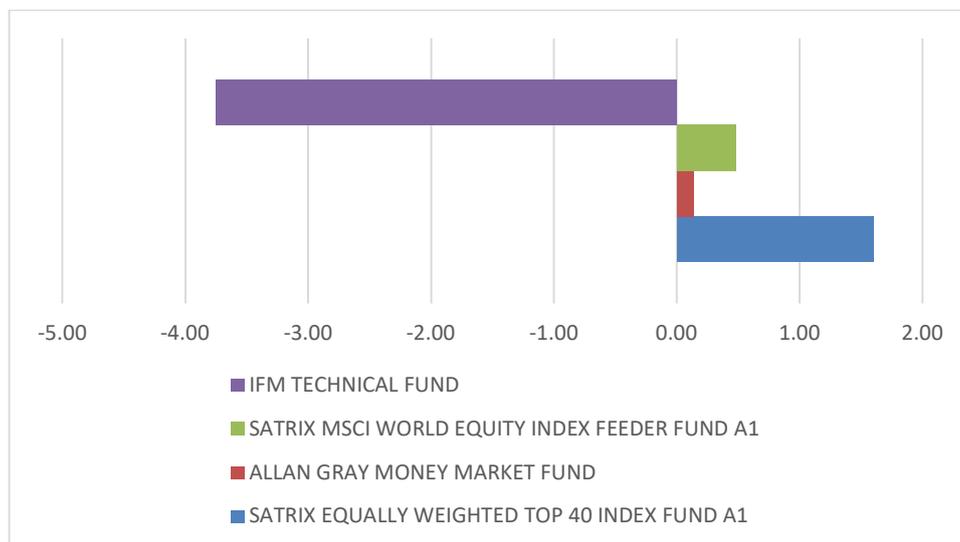
As part of the regulations that govern financial institutions, a manager must publish on its website each calendar quarter a general investor report that details an analysis of the portfolio with reference to the extent to which it has, or has not, adhered to its policy objective. We can report that for the quarter ending 30 June 2019, 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.

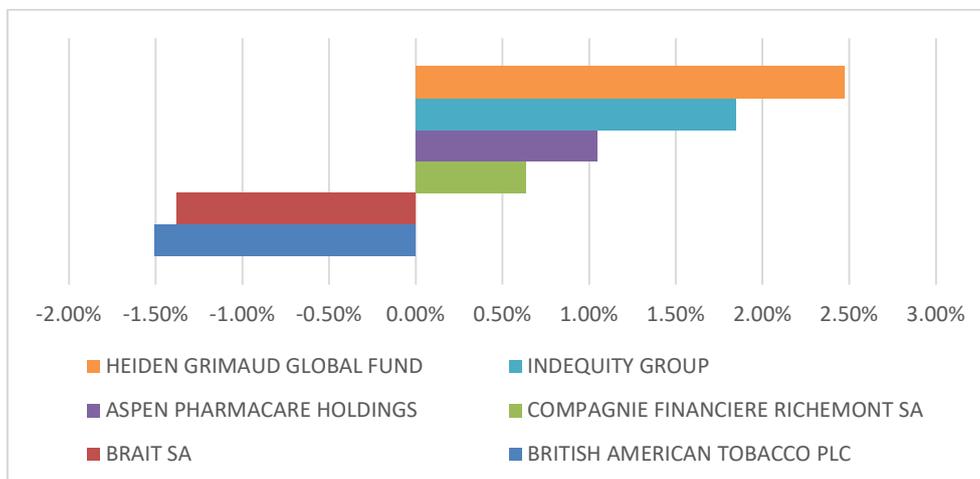
IFM Balanced Value Fund of Funds with the objectives of prudential asset allocation and being a medium equity fund to secure balance between capital growth and income.

Herewith an illustration of the respective portfolios' significant movements, at underlying holding level, for this quarter:

IFM Balanced Value Fund of Funds



IFM Technical Fund



News from our Fund Manager

Dear Investor

We often hear “we are living in a changing world”. At times these changes are slower and then we have these moments of rapid change that affect our daily lives drastically. Could we again be experiencing such a period? At Heiden Grimaud Asset Management we believe that this is in fact the case. Technology and global politics are busy changing the landscape at an extremely fast pace.

At Heiden Grimaud Asset Management, we are currently conducting “out of the box” research on the quality of reported growth rates released by countries on a regular basis. In short: We are looking at the components making up the published growth rates of the Gross Domestic Product (“GDP”) in an attempt to identify countries and regions that will provide long term growth through “spending” on the correct/sensible areas of their economies. Our theory is that it will benefit a country in the long run if the government and companies invest funds into areas that will assist in generating sustainable long-term growth. As an example, investing scarce resources in growing the infrastructure will benefit long term prosperity whereas growing consumption (utilizing the scarce resources) will reflect as part of a growing GDP ratio but will have very limited long-term benefits for the country/region/companies. Having said that, a balance needs to be maintained.

Heiden Grimaud Asset Management has, with effect from 1 July 2019, expand its international research network by opening a research office in Beijing, China. This research team will focus exclusively on Asia.

This will greatly enhance our existing South African and European capabilities. Part of our reasoning to establish an Asian presence is that we believe a large part of the growth in GDP (still to be confirmed by our research project) from Asian countries are the result of investing in growth assets/infrastructure as opposed to spending on consumption. This we believe is currently a very worrying factor present in the South African economy and has been the situation for a number of years. The current tight economic situation in South Africa can partly be blamed on this past trend.

Below our representative, David Bradfield’s initial observations from Beijing. David holds a B. Com (Investment Management) degree, as well as Level I & II Chartered Financial Analyst (“CFA”) qualifications. He joined our team with effect from 1 July.

“Hi Chris,

China is incredible. It seems as if the city never sleeps. Everyone has work (not sure how they organized this, I have heard some different stories, but not sure what to believe yet) and there is a huge middle class. Some companies that stand out to me just from the day-to-day life is Alibaba, which own TaoBao, and which every single person I have spoken to uses. I even used it to buy a bed, a toothbrush, a closet. It is extremely popular here. Tencent (Part of Naspers) is also obviously huge here, everyone uses something Tencent made every day. Everyone pays on the wechat app and they even play games against each other on the wechat app (it’s like WhatsApp but way more advanced). They dominate China.

From what I read in the media before coming here, I thought Apple was struggling to sell here, because it is a lot more expensive, but I was so wrong. Apple thrives here. I have asked everyone I can why they own an apple phone and they say they just love it. They

spend the equivalent of a whole month's salary on their phone. Most of them have two phones and one is an apple...it's a status thing.

I think there is still a whole lot of growth for these companies as the new generations roll in and are more technologically inclined. For instance, TaoBao has around 650 million users. I believe their whole population will eventually be on Tencent and TaoBoa when the newer generations roll in. Also, as the economy increases and the middle class earns more, these companies will earn more. At the moment Alibaba has a P/E of 30, so it wouldn't be considered cheap, I can't say if this constitutes a fair price either?

Other than the companies, China just seems to operate. I haven't seen a traffic light that doesn't work. You can drive and drive and there's just buildings and buildings that go on for what seems like forever. There is also a lot of construction happening. I saw probably 20 huge apartment blocks almost completed further outside Beijing (my friends say they weren't there 3 months ago).

I am not sure if they construct these to fill demand or just construct them, but most from what I have seen are occupied.

*Kind regards,
David"*

Our portfolio returns continue to **improve in absolute and relative terms**. In particular our IFM Technical Fund and IFM Balanced Value Fund of Funds show strong and steady positive returns. During the first 6 months of 2019 the **IFM Technical Fund returned 8.85%** and the **IFM Balanced Value Fund of Funds returned 9.72%**.

For those investors invested in the IFM Technical Fund, it is noteworthy that the **Heiden Grimaud Global Fund** returned **13.39%**

in Euro terms during the same period. We remain invested in Rand hedge investments as well as directly into the Heiden Grimaud Global Fund.

Kind regards
Chris Meyer
Managing Director – Heiden Grimaud Asset Management



Enquiries relating to your investment

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 IFM Connect system is handled by IFM 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 contact details are: Telephone number: 0861 378 378
Email: investments@heidengrimaud.co.za
- All **Heiden Grimaud Global Fund** enquiries are handled directly by the Heiden Grimaud Group International Network on: +27 12 743 6437 (South Africa); +353 1 254 9406 (Ireland); or +32 468 280463 (Belgium)
Email: investments@heidengrimaud.com