

## News and Review

### Volume 15 - October 2019

Dear Investor

No matter how many preventative measures we put in place, cyber fraud is unfortunately on the rise, and fraudsters always find new ways to scam innocent internet users out of their hard-earned savings. Our industry is unfortunately also being targeted.

The most dangerous cyber fraud attacks all begin with email. And while email and the internet have increased efficiency and turn-around times, it has unfortunately also created a platform for cyber fraud.

#### How do criminals commit cyber fraud?

While the possibilities seem to be endless, we see the following modus operandi being followed in our industry:

- Step 1, the criminals intercept your email communication and get hold of your personal information, including investment information. Step 2, they arrange for the contact details on your investment account to be changed to their details. Step 3, they send a request for the bank details on the account to be changed to their own. Any attempt by the investment company to validate the request now goes to the fraudster, as opposed to the legal owner. Final step, they redeem your investment.
- In terms of the new FICA legislation, investment companies are no longer allowed

to publish their bank details in any public domain. This has forced investment companies to send their bank details to new investors via email. We have seen such emails being intercepted, and the bank details then being replaced with the fraudsters' bank details. The new investor then deposits his investment funds into the fraudster's bank account. Unfortunately, in most cases, those funds are never recovered.

#### How can we protect ourselves from cyber fraud?

Investors should:

- avoid internet café's or public spaces offering free wi-fi,
- confirm the contact details their investment company has on record for them on a regular basis, and
- always ensure that any email you receive is from a legitimate source. All IFM email correspondence will be from [admin@itransactfm.co.za](mailto:admin@itransactfm.co.za).

IFM will:

- contact you telephonically in order to validate the instruction, before updating any personal information, and
- validate your bank details with the relevant bank before updating our systems, or before making any payments.

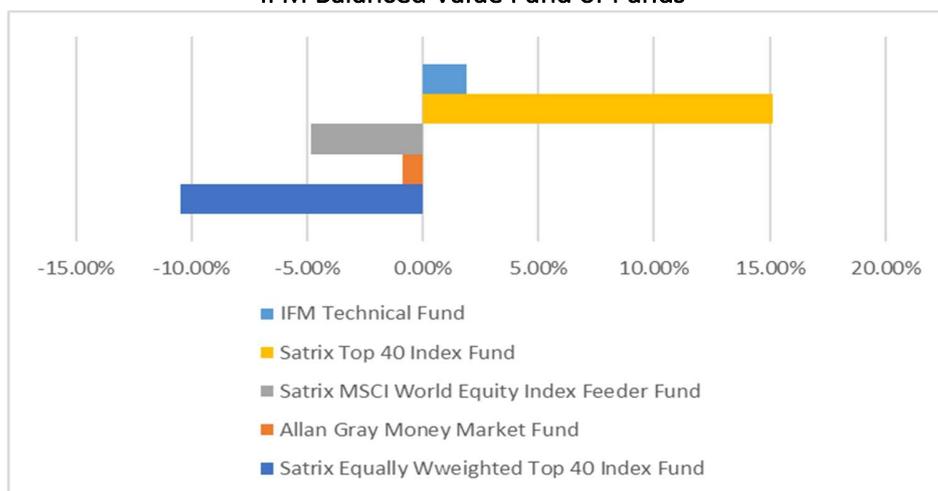
## Analysis of the Portfolios

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 September 2019, the following two portfolios have adhered to their respective policy objectives:

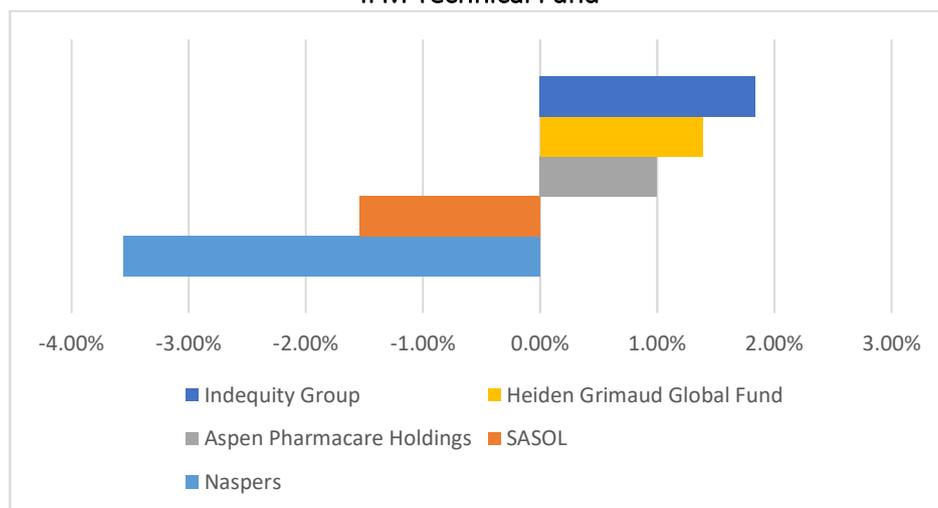
**IFM Balanced Value Fund of Funds** with the objective of prudential asset allocation and being a medium equity fund to secure balance between capital growth and income. **IFM Technical Fund** with the objective of being a general domestic equity fund where investment decisions are based on technical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

Herewith an illustration of the respective portfolio's top 5 movements, at underlying holding level, for this quarter:

IFM Balanced Value Fund of Funds



IFM Technical Fund



## News from our Fund Manager

Dear Investor

Whilst reading through recent published research reports, analysing South Africa and our investment markets, the following two issues stand out:

- South African shares are struggling to compete globally against other Emerging markets, measured in US dollars,
- Analysts do this comparison despite the inclusion of Naspers (now also Prosus) in the South African basket. It is noteworthy that Naspers is basically a company operating outside of South Africa.

In the quarter ended 30 September 2019, the South African all share index (dominated by Naspers) declined by 13.2% (measured in US dollars). The Emerging Market average (called the MSCI Emerging Market Index) declined by 5.1% (measured in US dollars). The good news is that the Emerging Market average, returned a positive 1.7% during the month of September. Unfortunately, the same could not be said by the South African index which had another negative month.

Share price movements and currency declines are responsible for these results.

### **So how does the average South African investor navigate through all this?**

At Heiden Grimaud Asset Management we have advocated for a long time that investors need to be adequately diversified and should have a large international exposure. Accordingly, we have included in our portfolios the maximum amount of Rand hedge as well as international investment funds.

Unfortunately, legislation compels the asset manager to remain within certain maximum foreign exposure levels. We have reached a point where we are in breach of these limits and need to reduce our international exposure. We have already done some portfolio re-balancing but will be required to do more of the same over the next few months.

Our IFM Technical Fund is currently closed for any new investments as the fund is in breach of the maximum allowed levels. This is unfortunate and we apologise to prospective investors that will have to wait until the fund is re-opened for new investments.

Investors that are looking to further expand their international exposure are welcome to contact us directly on 0861 378 378 or email to [investments@heidengrimaud.co.za](mailto:investments@heidengrimaud.co.za) to discuss available options for direct investment by South African investors into international available funds. Our team has the knowledge and experience to assist South African investors who wish to transfer funds out of South Africa for investment purposes. Our group's international offices could also assist in creating special purpose investment structures for clients with in excess of R5,000,000 to invest internationally. Smaller investors can also easily enjoy the benefits but without setting up special structures.

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

