

News and Review

Volume 29 – April 2023

Dear Investor

On Friday, 24 February 2023, the Financial Action Task Force (“FATF”) announced that South Africa has been included on its greylist along with a few other jurisdictions.

FATF, the influential intergovernmental global standard-setting body for anti-money laundering (AML) and combating the financing of terrorism and proliferation (CFT/CPF), listed South Africa as a 'jurisdiction under increased monitoring'. This means that South Africa has made a commitment for swift resolution of the gaps identified within an agreed timeframe.

It is worthwhile noting that while South Africa has been greylisted, FATF has recognised the significant work and effort already made by the country since 2021.

What does South Africa’s greylisting mean?

It is important to note that it does not mean there is a ban on doing business with South Africa, but the knock-on effect may be even more detrimental.

SA may be downgraded even further by credit rating agencies, which would affect the country’s ability to borrow on the international

capital markets.

Transactions of South African companies and individuals will likely now be considered high risk by foreign countries and entities. As a result, additional processes and requirements may apply, which could result in delays as well as additional transactional costs.

Also, the greylisting could cause a retraction in foreign direct investment into South Africa as investors gravitate towards economies with less uncertainty.

How will South Africa’s greylisting affect my IFM investment?

The general view is that the greylisting was anticipated and largely priced in by the financial markets and therefore does not pose a significant risk to your existing investments.

The timing of this announcement is unfortunate, considering the ongoing energy crisis and low growth forecast.

The short-term consequences will be relatively immaterial. The impact will only be really felt if South Africa doesn’t get off the list by 2025.

Analysis of the Portfolios

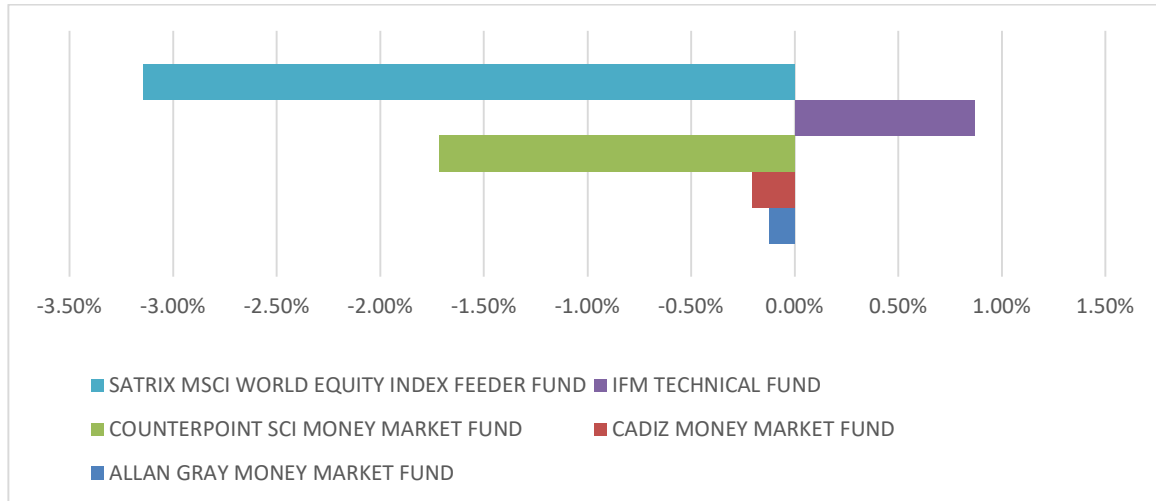
As part of the regulations that govern financial institutions, a manager must publish on its website each calendar quarter a general investor report that details an analysis of the portfolio with reference to the extent to which it has, or has not, adhered to its policy objective. We can report that for the quarter ending 31 March 2023, 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.

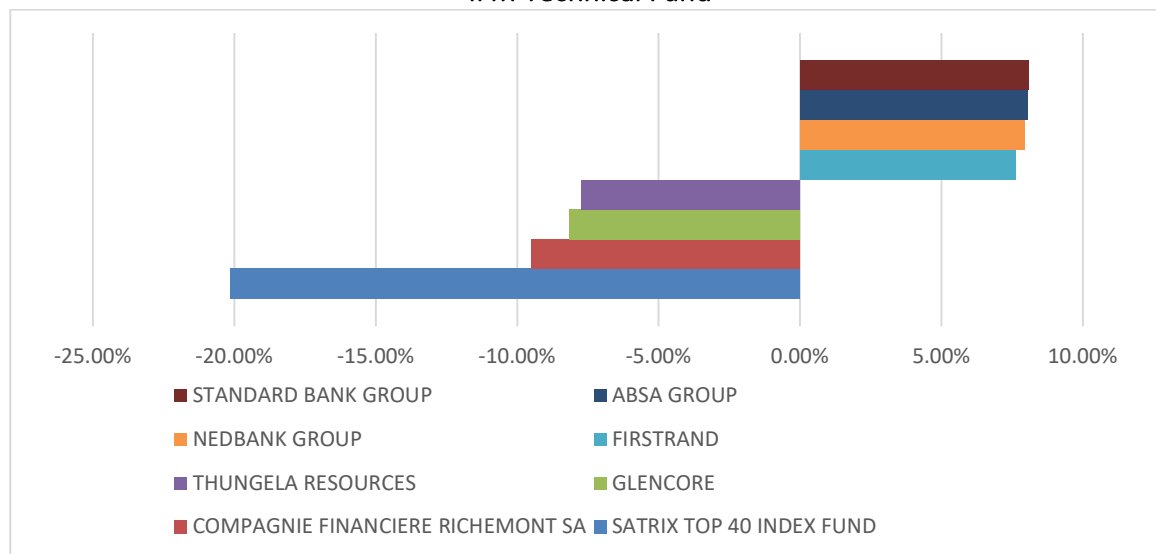
IFM Technical Fund with the objective of being a general domestic equity fund where investment decisions are based on technical analysis.

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



IFM Technical Fund



News from our Fund Manager

Dear Investor

Are we doomed?

As South Africans we are constantly fighting for survival. But we are a tough nation and have always worked around the challenges. As we approach the general election in 2024 we can expect politicians to voice ideas that are aimed at attracting more votes. These “ideas” might not always be favourably interpreted by international investors. As a result, we could expect volatility in our currency, but also on the stock exchange, to increase from now until the election. At times we might then really start to believe that “we are doomed”.

Fortunately, we have a large number of international companies listed on the Johannesburg Stock Exchange that we could include in our portfolios. This has been the strategy used to a large degree by our IFM Technical Fund. We also invest the maximum allowed percentage of the funds’ portfolios internationally.

How could we further safeguard our assets?

An option that has gained a huge following amongst South Africans is to invest a portion of their investable funds outside South Africa. Heiden Grimaud Asset Management, having built deep rooted expertise in the Chinese and East Asian markets over many years, has already been employing this strategy successfully, to your benefit.

The IFM Technical Fund, which has a 20% exposure to Chinese and East Asian markets via the Heiden Grimaud Prive Global Fund, was the top performing fund out of 200, in the ASISA SA equity general category in the last year.

What sets us apart from our competitors when it comes to investing in China and East Asia?

- Local knowledge

Our team of dedicated professionals has extensive on-the-ground experience in China and East Asia. This first-hand knowledge enables us to understand the nuances of these markets and identify opportunities that others might overlook.

- Established network

Heiden Grimaud’s well-established relationships with local businesses in the region provide us with a unique advantage. These connections allow us to understand and uncover opportunities that others cannot.

- Proven track record

Our long-standing presence and successful investment history in the Chinese and East Asian markets have earned us a reputation for excellence. We pride ourselves on our ability to deliver consistent, above-average returns for our clients.

But why China and East Asia?

The following 3 facts should already get any investor to sit up and take notice:

1. 300,000+ annual installations of industrial robots versus Europe and the Americas at below 70,000.

Technological innovation: Pioneering advancements in AI, robotics, semi-conductor manufacturing, and e-commerce are revolutionizing industries and creating new world leaders.

2. Asia Pacific currently has a 54% share of the global middle class. This is set to expand to 65% by 2030.

Expanding middle classes: The growing middle class is fueling a consumer boom, leading to rising disposable incomes and driving massive demand for a diverse range of goods and services.

3. Asia Pacific forecast to have 51% of global GDP by 2030.

Strong and developed economies: Prudent fiscal policies and economic liberalization have created resilient economies in China, Japan and the rest of East Asia.

Should you wish to increase your exposure to these markets, please contact us for additional information regarding a direct investment into the Heiden Grimaud Prive Global Fund.

Kind regards
Chris Meyer
Managing Director

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 new online iReport system is handled by Itransact Fund Managers.

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

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

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