News and Review

Volume 34 – July 2024

Dear Investor

Elections 2024 and your investments (continued)

What an exciting 2nd quarter! The market has taken positively to our new government of national unity (GNU). We have seen:

- strong foreign investment inflows over the last month,
- over 5% JSE uptick, and
- best performing emerging market currency, against the US dollar, over the last month.

As with any multiparty coalition, we do expect a few bumps in the road. Differing ideologies and standpoints will without a doubt cause some volatility. Rest assured that we continue to monitor and manage any political risk that may have an impact on your investment.

We do however remain optimistic and expect more positive feedback once tangible improvement from the GNU becomes apparent through positive growth or policy reform.

Should you have any questions regarding your investments, please do not hesitate to contact us.

Enquiries regarding your investments

As always, we would like to invite you to contact us via the below channels to address any queries or complaints you may have regarding your investment.

- 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) or

  ✆ +32 468 280463 (Belgium)

  investments@heidengrimaud.com

Analysis of the Portfolios

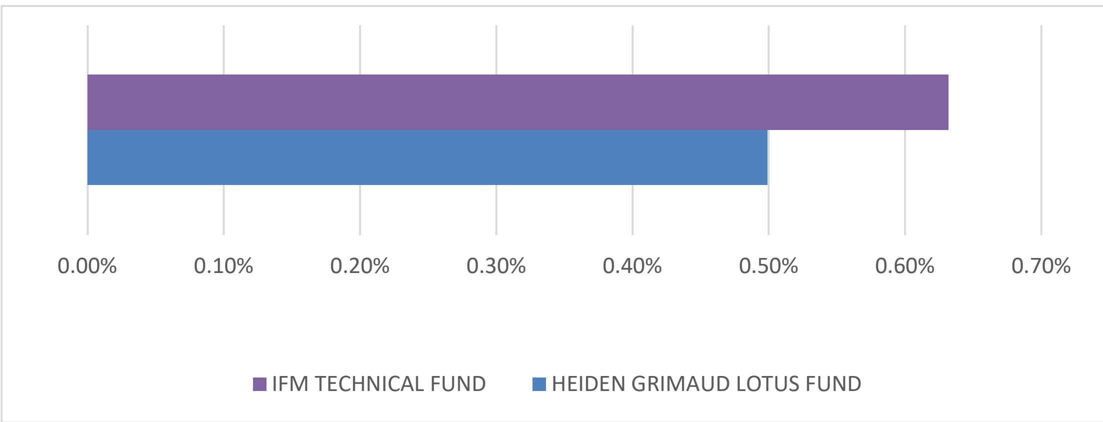
As part of the regulations that govern financial institutions, a manager must publish on its website each calendar quarter a general investor report that details an analysis of the portfolio with reference to the extent to which it has, or has not, adhered to its policy objective. We can report that for the quarter ending 30 June 2024, 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.

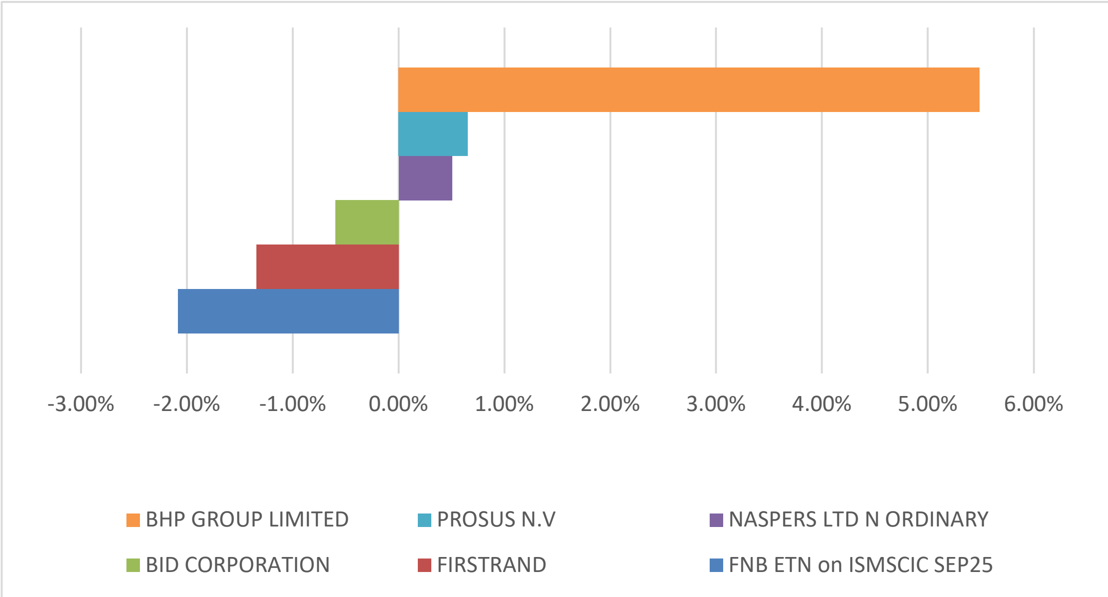
IFM Technical Fund with the objective of being a general domestic equity fund where investment decisions are based on technical analysis.

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

Investments, debt and children

I am currently reading an insightful book called "Superabundance" by Marian L. Tupy & Gale L. Pooley, which truly makes you think. As a species, humans are programmed to look out for danger, and as a result, we are naturally drawn to reading and watching bad news. The media understands this, and we are constantly bombarded with negative news. With the explosion of social media as our primary source of information, the volume, intensity, and, dare I say, the falseness of bad news has reached new levels.

Bringing this into the world of finance and investments, we can relate to the constant spreading of fear. We are always on the brink of the end of "something." However, the world continues to grow, improve, and, in general, become a better place than what our parents enjoyed 50 years ago. While some might immediately disagree with this statement, insisting that some past experiences were more pleasant, I encourage you to reflect on how your personal life has improved over the past 10 years. This does not mean we no longer encounter challenges in our daily lives.

Here are just a few examples:

- Family can reach you (via video) almost anywhere in the world at a fraction of the cost compared to 10 years ago.
- You can watch your favorite movie, sports event, or lecture (students will confirm) on a small portable screen (remember the huge old computer/TV screens?) in any room in your house, outside on the terrace, or on the beach.
- Cars are far more comfortable and safer. Remember when air conditioning in cars was exclusive to the most expensive models?
- Food variety and availability are consistent all year round.

Investments

Studies have shown that in the 1970s, investors on average held shares for a period of 5 years. Today, this has decreased to just 10 months. I believe access to social media, increased exposure to bad news, and cultural changes have driven this shift. Warren Buffet, a renowned American investor, and other value investors have always advocated for not just buying shares but seeing it as buying companies. You own a small part of an operating business. Why would you buy into a business only to sell out again 10 months later due to some bad news somewhere in the world?

Another study of the S&P 500 (the largest 500 companies listed in America) for the period 1990 to 2009 confirmed that the longer you hold a share, the more your returns are correlated to the company's growth in sales and profits. This approach is less risky than hoping for a higher share price next week. Share price movement over a one-week period is 100% sentimental reactions (read luck and gambling).

The study shows that holding a share for one year relies 46% on the change in the "multiple" which is the P/E ratio (Price:Earnings ratio) change over the period. This means that after one year, someone decides they are willing to pay more for the same company with the same profits per year. This is pure sentiment and luck. However, if you hold a share (read business) for 10 years, the effect of the change in the multiple is reduced to 5%. The performance then is 89% the result of growth in sales and profits. What does all this mean for us as intelligent investors? We are constantly looking for great companies (businesses) that we can invest in, expecting strong growth in sales and profitability over the next 10+ years.

Debt

Debt is part of our financial world and does provide oil to the gears of the economy. However, it is crucial not to get sucked into a debt black hole. This means we should never overcommit to taking on debt. Remember, it is not necessarily a good idea to incur debt just because it is easily available from banks. We end up using larger portions of our hard-earned money to reward the banks in the form of interest paid. This is why Capitec has grown so strongly, and other big banks continue to make handsome profits. Those profits are simply a redistribution of our income into the hands of the owners of these banks. Incidentally, we also have some banks in our investment portfolios (great businesses).

The worst kind of debt is to finance living expenses, big holidays, and fancy cars. These only add to your outflows, and the "asset" acquired with the debt has no value or is losing value.

Children

Blessed are those of us who have children. With them come pleasure and commitments. One responsibility that we sometimes overlook is the need to educate children on the workings of the financial world, investments, and living within our means. What good does it do if they excel in sports or are highly artistic but fall apart financially? I always promote the small book "Richest Man in Babylon" by George S. Clason as a fun way to introduce teenagers and young adults to a culture of saving and investment.

Teaching them from a young age to make choices between two or more items to buy (you can't have them all) and making them pay for it themselves (even if you hand them the cash or debit card) will teach them the value of money. They will start to develop an understanding of how much things cost, what is too expensive, and that there are limits to what you can buy. Introducing them early to investing in shares, unit trusts, and property will set them on the road to financial independence.

In closing, I also want to encourage parents who are able to assist their young children in buying their first property. Maybe just help with the deposit. This will get them into the property market sooner and prevent them from parting with their hard-earned income in the form of rent to a wealthy property owner.

Kind regards
Chris Meyer
Managing Director

HeidenGrimaud
Asset Management