

## News and Review

Volume 35 – October 2024

Dear Investor

### Good news for a change

We closed off quarter three on a positive note and remain cautiously optimistic that the last quarter of 2024 will bring more positive news.

Load shedding appears to be a thing of the past (let's hope), we have seen the first repo rate cut in 4 years and local as well as international investor confidence has taken a turn for the better.

The long awaited 'two-pot' retirement system was also finally implemented on the 1<sup>st</sup> of September. SARS has already processed more than 1 million applications which has generated approximately R3.85bn in tax revenue.

For now, we won't delve too deep into the looming water crisis, with multiple provinces grappling with deteriorating water quality and increasingly frequent and lengthy disruptions to water supply.

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.

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

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

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## Analysis of the Portfolios

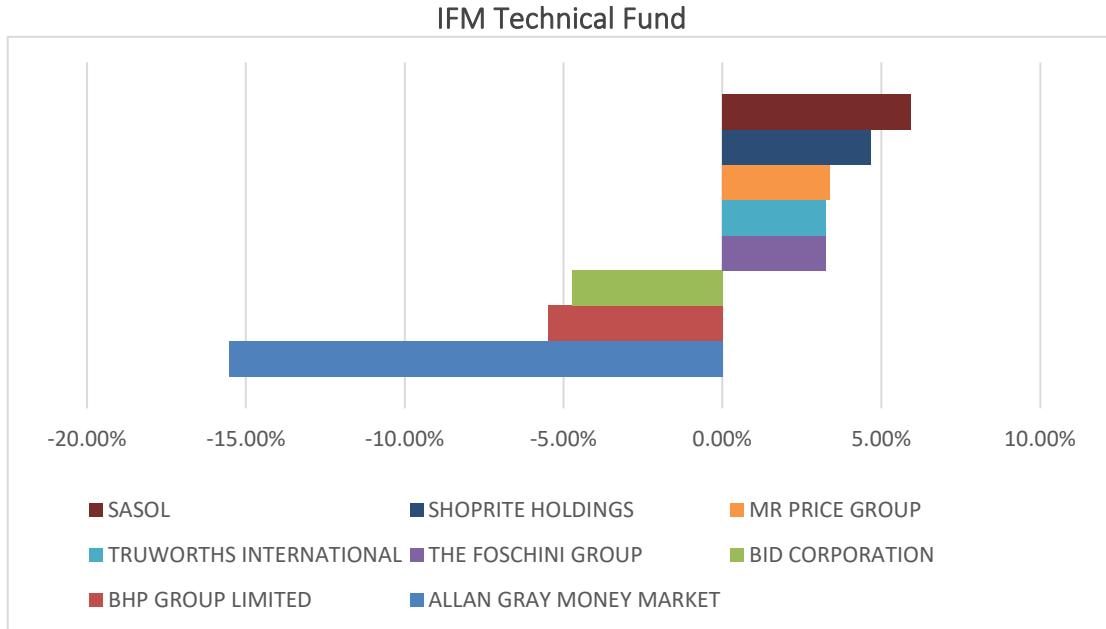
As part of the regulations that govern financial institutions, a manager must publish on its website each calendar quarter a general investor report that details an analysis of the portfolio with reference to the extent to which it has, or has not, adhered to its policy objective. We can report that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

No material changes to note for the quarter.



## News from our Fund Manager

Dear Investor

### **The Case for Investing in Emerging Technology: The Role of the Magnificent 7**

In the world of investing, the ability to anticipate trends and allocate capital to areas of high growth potential is often the difference between average returns and extraordinary wealth creation. Today, technology remains at the forefront of this dynamic, with developments in artificial intelligence (AI), cloud computing, cybersecurity, electric vehicles (EVs), and the metaverse reshaping industries and creating new opportunities for investors. A critical part of this wave of innovation is reflected in the performance of a select group of technology giants known as the "Magnificent 7." These companies — Apple, Microsoft, Alphabet (Google), Amazon, Meta Platforms, Nvidia, and Tesla — have dominated headlines and portfolios, with their stocks showing immense promise as they continue to shape the future of the global economy.

This article delves into why the Magnificent 7 represent compelling opportunities for investors, particularly in the context of upcoming technological innovations.

#### **1. Apple (AAPL): Pioneering Consumer Tech**

Apple has long been a leader in consumer electronics, software and services. While its flagship product, the iPhone, remains a cash cow, Apple is increasingly focusing on expanding into new markets, particularly in

wearables, services and AI-driven technology.

#### **\*\*Why Invest Now?\*\***

Apple's investments in augmented reality (AR) and virtual reality (VR) through its upcoming AR headset, along with its services segment (which includes iCloud, Apple Music, and Apple Pay), have fueled a transition from being purely a hardware company to a more diversified technology business. With recurring revenue streams on the rise and potential breakthroughs in AR, Apple offers a reliable yet innovative exposure to next-generation technology.

#### **\*\*Recent Performance:\*\***

Apple has remained resilient despite economic headwinds, posting strong earnings and continuing to generate significant free cash flow, which it uses for dividends and stock buybacks. In 2023, the stock surged over 30%, making it a consistent performer among large-cap stocks.

#### **2. Microsoft (MSFT): The AI Powerhouse**

Microsoft, one of the first tech giants, continues to evolve, with its cloud platform Azure becoming the bedrock for enterprises transitioning to cloud computing. Recently, Microsoft has heavily invested in artificial intelligence, particularly through its partnership with OpenAI (the company behind ChatGPT).

#### **\*\*Why Invest Now?\*\***

AI and cloud computing are growth industries that are expected to see multi-trillion-dollar

markets in the coming decade. Microsoft's integration of AI into its entire product suite, including Office 365 and Azure, gives it a significant edge. Moreover, Microsoft's leadership in enterprise software, gaming (via Xbox) and its investments in quantum computing make it a compelling play on multiple tech fronts.

**\*\*Recent Performance:\*\***

In 2023, Microsoft saw a gain of around 40%, propelled by strong cloud revenue growth and excitement surrounding its AI initiatives. This solidified its position as a major player in both cloud and AI, areas poised for exponential growth.

### **3. Alphabet (GOOGL): Leading the AI Revolution**

Google's parent company, Alphabet, has long been a dominant force in search, digital advertising and video (via YouTube). However, Alphabet is now positioning itself as a leader in AI through its advancements in natural language processing and machine learning via its Google Cloud division.

**\*\*Why Invest Now?\***

Alphabet's extensive data sets and its AI-driven advertising model are key differentiators in a crowded tech landscape. With the ongoing development of Google Bard, its AI chatbot, and its deep investment in cloud-based AI services, Alphabet is ensuring it remains at the forefront of AI innovation. Investors looking to capitalize on AI's impact on multiple sectors—from advertising to healthcare—should consider Alphabet.

**\*\*Recent Performance:\*\***

Despite regulatory challenges and increasing competition in the AI space, Alphabet's stock has surged over 40% in 2023, bolstered by strong ad revenue and the rapid growth of its cloud business, which saw a 22% increase in revenue year-over-year.

### **4. Amazon (AMZN): The E-commerce and Cloud Giant**

Amazon is synonymous with e-commerce, but its growth engine lies in Amazon Web Services (AWS), the company's cloud-computing division. AWS dominates the cloud infrastructure market, a space that will continue expanding as more companies migrate their operations online.

**\*\*Why Invest Now?\***

Amazon's dominance in e-commerce, combined with its leadership in cloud services, provides a dual growth trajectory. AWS is also investing heavily in AI and machine learning, making it a key player in the future of cloud-based AI tools. Moreover, Amazon is advancing in logistics, drones, and automation, positioning itself to benefit from innovations in supply chain technology.

**\*\*Recent Performance:\*\***

After a rough start in 2023, Amazon rebounded, with shares up about 50% year-to-date, driven by a recovery in e-commerce demand and the continued strength of AWS. The company's ability to innovate in areas like AI and logistics gives it a long-term edge.

### **5. Meta Platforms (META): Building the Metaverse**

Meta, formerly Facebook, is betting big on the metaverse—the next evolution of the internet where digital and physical worlds blend. Despite facing scrutiny for its heavy spending on Reality Labs (its division focused on AR and VR), Meta remains a leader in social networking, digital advertising and now, virtual environments.

#### **\*\*Why Invest Now?\***

Meta's pivot towards the metaverse, while risky, could pay off significantly as the metaverse grows into a multi-billion-dollar market. Moreover, the company's core businesses, Instagram, WhatsApp and Facebook, remain cash cows. Meta is also exploring AI applications in content moderation, recommendation systems and advertising, which could boost profitability.

#### **\*\*Recent Performance:\***

In 2023, Meta saw a staggering 150% rise in its stock price, reflecting investor confidence in its restructuring efforts and its ability to monetize the metaverse while continuing to grow its social platforms.

### **6. Nvidia (NVDA): The AI Hardware Leader**

Nvidia, known for its dominance in GPUs (graphics processing units), is at the centre of the AI revolution. Its GPUs are essential for training AI models, powering autonomous vehicles, and driving virtual and augmented reality.

#### **\*\*Why Invest Now?\***

As AI becomes ubiquitous, Nvidia's hardware will be critical for everything from data centres to gaming to autonomous vehicles. Nvidia's

unique position as the go-to provider of GPUs for AI applications gives it a significant competitive moat. Moreover, its forays into AI software and autonomous driving technologies offer even more growth potential.

#### **\*\*Recent Performance:\***

Nvidia has been one of the best-performing stocks of 2023, rising more than 200%, driven by the boom in AI and cloud infrastructure demand. With AI poised to become a transformative force in every sector, Nvidia is a key investment for those looking to ride the AI wave.

### **7. Tesla (TSLA): The EV and Energy Innovator**

Tesla is not just an electric vehicle (EV) manufacturer; it is a pioneer in renewable energy, autonomous driving and battery technology. Its ambitions to build a more sustainable future, including solar energy solutions and grid storage, position Tesla as a long-term growth story.

#### **\*\*Why Invest Now?\***

The global push toward sustainability, combined with increasing EV adoption and advancements in battery technology, makes Tesla a key player in the future of transportation and energy. Tesla's development of autonomous driving technology also represents a significant potential revenue stream as self-driving cars become a reality.

#### **\*\*Recent Performance:\***

Tesla shares have surged by over 100% in 2023, as the company continues to post

deliveries and improve margins through cost reductions and operational efficiencies. Tesla's ability to innovate across industries—vehicles, energy and AI—makes it a cornerstone investment in emerging tech.

### **Conclusion: A Bet on the Future**

The Magnificent 7 represent more than just the biggest companies in tech; they are the architects of tomorrow's digital economy. With advancements in AI, cloud computing, EVs and the metaverse, these firms are positioned to drive the next wave of technological innovation. While no investment comes without risk, the potential for growth in these companies makes them compelling choices for investors seeking to capitalize on emerging technology trends.

For long-term investors, allocating capital to these tech leaders can offer exposure to some of the most transformative trends of our time, providing both growth potential and a hedge against the risk of missing out on the next frontier of technology.

How do we as South African's get an investment exposure to these wonderful companies?

- South African's are allowed to invest money offshore within certain limits (R1m & R10m). This way you can invest directly into these companies. We are always available to assist with this process;
- Our clients can indirectly get an exposure by investing in the IFM Technical Fund and the IFM Balanced Value FoF. Both have invested a portion of their portfolios

record internationally and also into some of these great companies (Currently: Apple, Microsoft, Meta & Nvidia);

- Our clients can invest funds that are held offshore into the Heiden Grimaud Lotus fund and thereby get an exposure to some of these companies (Currently: Apple, Microsoft, Meta & Nvidia).

Looking forward to hearing from our investors who are interested in these and other current opportunities.

Kind regards  
Chris Meyer  
Managing Director

