News and Review

Volume 37 – April 2025

Dear Investor

VAT increase

The South African Revenue Service ('SARS') has confirmed that the standard value-added tax ('VAT') rate will increase by 0.5% to 15.5% on the 1st of May 2025. A second increase of 0.5% is also expected on the 1st of April 2026.

Although we expect to see many court battles against the VAT hike in the coming weeks, we will assume the VAT increase is going ahead as confirmed by the Finance Ministry. As such, our systems and processes have been updated to accommodate the increase in VAT rate.

How will this increase impact my IFM investment?

IFM charge no upfront fees. Investments and debit orders will therefore be unaffected by the VAT increase. Only the total management fee, relevant to your particular fund, will increase by 0.5%. The June 2025 Minimum Disclosure Documents (previously known as 'Fund Fact Sheets') will reflect the new management fee, as well as the updated Total Expense Ratio ('TER').

What is the TER?

The TER is a measure of the total cost of managing and operating an investment fund. The TER includes the management fee of the fund, as well as all other operating expenses, such as trustee fees, bank costs, etc. This is a useful tool when comparing the total fees across two or more funds.

The TER does however lack one crucial component, transaction costs. These transaction costs are the costs incurred by the fund in order to perform trades of the underlying securities. The TER plus the transaction costs are referred to as the Total Investment Cost ('TIC').

If all of this seems very confusing, we have good news. The Association of Savings and Investments South Africa ('ASISA)' introduced the Standard of Effective Annual Cost in 2016, which requires all investment providers to report all costs associated with an individual investor's investment, on their investment statement. You can find this at the end of your investment statement.

If you still have any fee-related questions, please do not hesitate to contact us.

Analysis of the Portfolios

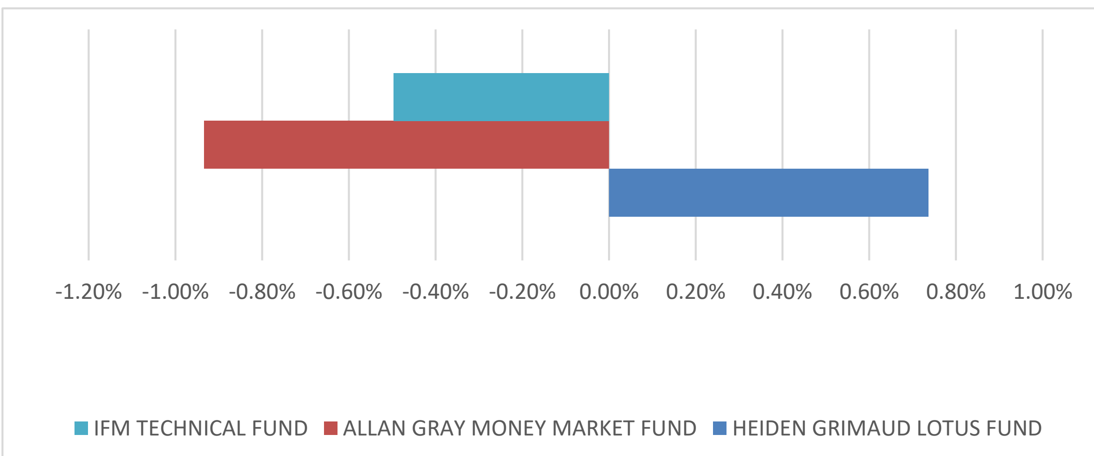
As part of the regulations that govern financial institutions, a manager must publish on its website each calendar quarter a general investor report that details an analysis of the portfolio with reference to the extent to which it has, or has not, adhered to its policy objective. We can report that for the quarter ending 31 March 2025, 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.

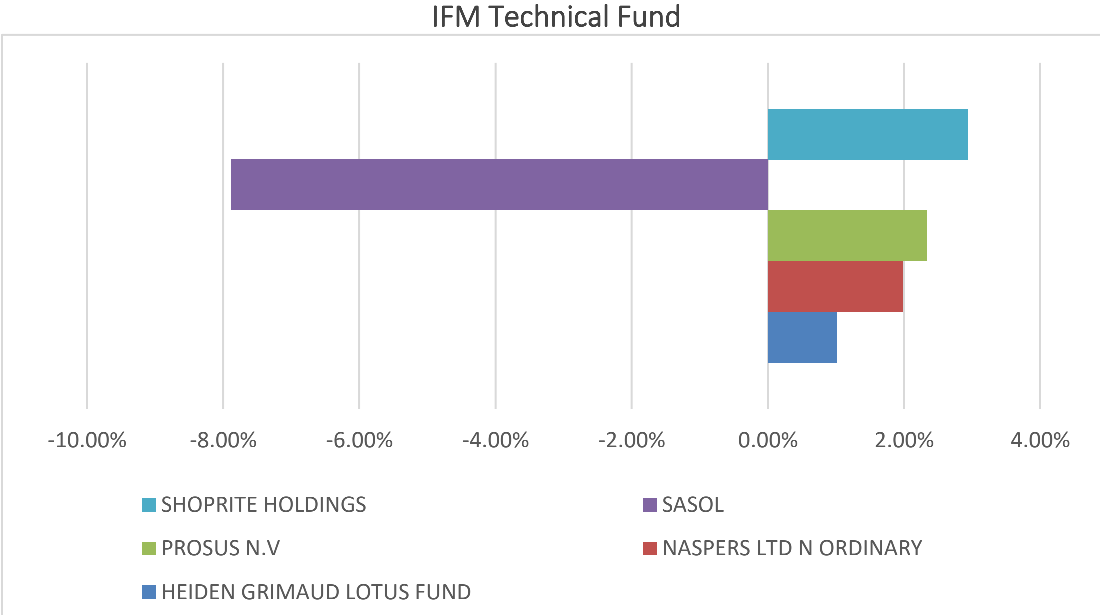
IFM Technical Fund with the objective of being a general domestic equity fund where investment decisions are based on technical analysis.

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

"Think Local, Invest Global"

As we move into the second quarter of 2025, the South African investment landscape continues to evolve amid both global and domestic crosswinds. While local markets have shown surprising resilience in some sectors, the macro picture remains a complex one—marked by renewed load shedding uncertainty and a volatile rand. Against this backdrop, diversification has never been more critical.

Domestic Snapshot: Resilience, But With Caution

The JSE All Share Index posted modest gains in Q1, driven largely by resource counters and select financials. However, consumer-facing sectors remain under pressure from high interest rates, sticky inflation, and sluggish GDP growth projections (currently hovering around 1.2% for the year). With the South African Reserve Bank holding rates steady at elevated levels, local credit conditions remain tight.

That said, there are still pockets of opportunity: infrastructure-linked investments are attracting renewed attention thanks to government-private sector partnerships aimed at addressing energy and logistics bottlenecks. Local bonds also continue to offer attractive real yields, especially for income-focused investors.

The Rand: A Double-Edged Sword

The rand has shown some volatility, dipping below R18 to the USD. Structural vulnerabilities and global risk sentiment keep the currency highly volatile. Investors holding only rand-based assets remain exposed to this risk, which could erode long-term purchasing power—especially when planning for offshore expenses, international education, or global retirement living.

Why You Need Global Exposure—Now More Than Ever

South African investors often underestimate the importance of international diversification. With South Africa representing less than 1% of global GDP and market capitalisation, staying too locally focused can significantly limit portfolio performance.

Three Key Reasons to Go Global:

- <u>Access to Innovation & Growth:</u> The world's fastest-growing companies—whether in AI, healthcare, clean energy, or technology—are largely based in the U.S., Europe, and Asia. By investing globally, you gain exposure to industries and business models not available on the JSE.
- <u>Currency Diversification:</u> Holding assets in USD, EUR, or other stable currencies reduces reliance on the rand, providing a hedge against local currency depreciation and enhancing long-term capital preservation.

- Geopolitical Balance: Different regions move in and out of favor at different times. Global portfolios smooth out regional risks and give you access to growth cycles beyond SA's borders.

How Much Offshore is Enough?

While personal circumstances vary, many financial advisors suggest allocating at least 30-40% of an investment portfolio offshore, with some recommending up to 50% or more depending on goals and risk profile. South African regulations currently allow individuals to externalise up to R1 million annually without tax clearance, and up to R10 million with clearance—a generous allowance that should be considered actively.

Final Thoughts:

In 2025, a "wait and see" approach is not a strategy. Global diversification is no longer optional—it's essential. By blending solid local opportunities with a globally diversified core, investors can build resilient, growth-oriented portfolios that stand the test of time.

Yours in smart investing,
The SA Investor Team

HeidenGrimaud Asset Management

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