



## News and Review

### Volume Four – October 2016

Dear Investor

Itransact Fund Managers is committed to operating within the Treating Customers Fairly (TCF) six outcomes framework. In seeking to achieve these outcomes, ASISA (Association for Savings and Investments SA) have developed the Effective Annual Cost measure (EAC), which was implemented by IFM on the 1<sup>st</sup> of October.

#### 1. Effective Annual Cost

##### 1.1 What is Effective Annual Cost (EAC)?

EAC is a standardized disclosure methodology that can be used by consumers and advisors to compare charges on most retail investment products, and their impact on investment returns, across various regulatory wrappers so that consumers are placed in a position to make better informed decisions around retail savings and investment product choices. It is a measure of the charges that an investor will likely incur in purchasing and holding a financial product, and does not attempt to measure the features of a financial product.

##### 1.2 IFM's Effective Annual Cost

The EAC is made up of 4 charges, which are added together, as shown in the tables below. Some of the charges may vary, depending on your investment period. The EAC calculation assumes that an investor terminates his or her investment in the financial product at the end of the relevant periods shown in the tables:

IFM Balanced Value Fund of Funds				
Charges	1 Year	3 Years	5 Years	10 Years
Investment Management <sup>1</sup>	3.0%	3.0%	3.0%	3.0%
Advice <sup>2</sup>	0.0%	0.0%	0.0%	0.0%
Administration <sup>3</sup>	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%
<b>Effective Annual Cost</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>

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Company Registration Number: 1999/012170/07  
Directors: CM Gill [Managing], JF Zwarts [Chairman], MR Baisley, TC Meyer, J Solms, JE van Heerden  
Secretary: Aspen Company Services  
Fund Manager: Heiden Grimaud Asset Management (Pty) Ltd (FSP 596)

<b>IFM Technical Fund</b>				
<b>Charges</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Investment Management <sup>1</sup>	1.8%	1.8%	1.8%	1.8%
Advice <sup>2</sup>	0.0%	0.0%	0.0%	0.0%
Administration <sup>3</sup>	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%
<b>Effective Annual Cost</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.8%</b>

<sup>1</sup>The Investment Management Fee represents the 'Total Cost' and is made up of the fund's TER and all transaction costs.

<sup>2</sup>At present, Itransact Fund Managers only accepts 'Direct' business. Should you wish to make use of a Financial Advisor, this can be arranged.

<sup>3</sup>All administration charges are included in the 'Investment Management' cost. No additional administration charges apply.

Additional Note:

All calculations include value-added tax (VAT) at the prevailing rate, where applicable.

## **2. News from the Fund Manager's Office**



### **2.1 The Heiden Grimaud Global Fund**

The Heiden Grimaud Global Fund has recently been established by our Group and is now open for new investment. To date the fund is however not authorized to be actively marketed in South Africa and this introduction should not be seen as an invitation to invest in the fund. The fund seeks to identify growth opportunities in offshore markets whilst at the same time managing risk through asset diversification. The fund is Guernsey-domiciled and denominated in Euro's (but the funds are invested worldwide), and offers a convenient avenue for investors seeking exposure to developed financial markets offshore. The investments are made in global equities listed on recognized exchanges around the world, typically those in the developed markets of the US, Europe, UK and Asia.

Ideally, investors should have an investment horizon of between 3 to 5 years. Naturally, one of the risks associated with this portfolio is currency risk and the fund manager, Chris Meyer, will take this into account when selecting securities with the focus being to outperform the general global market.

### **2.2 Inflation and Investments**

We are often asked by investors what influence inflation has on their investments. This is an especially important issue for retired investors living on a fixed income.

The rate of inflation is important as it represents the rate at which the real value of an investment is eroded and naturally results in a loss in spending power over time. It is also an indication of what percentage return investors require from their investments in order for them to maintain their standard of living.

Put simply, inflation measures price increases in goods and services over time. Because the price of these goods and services tends to increase year-on-year, inflation reduces the amount of goods that can be

purchased with an equal amount of money. For example, in South Africa a litre of milk cost R5.75 in 2006 compared to R12.99 in 2016 (prices from grocery retailer Pick n Pay) – an increase of 125.9 %. Put another way, the original R5.75 used to purchase 1 litre of milk in 2006 would now buy just 440ml in 2016. This is a visible demonstration of the erosion of purchasing power caused by inflation.

In South Africa, inflation is measured by two indices – the Producer Prices Index (PPI) and the Consumer Prices Index (CPI). CPI is calculated by Stats South Africa who measure the cost of a standardised ‘shopping basket’ of goods and services based on the shopping trends of the ‘average’ household. The cost of this shopping basket is then compared at regular intervals to generate South Africa’s official inflation rate. Stats SA also measure PPI which is a measurement of the price changes in manufacturing inputs – such as the cost of raw materials, electricity, labour costs etc. Inflation is usually quoted as an annual percentage, comparing the average prices this month with the same month a year earlier. For example, if inflation is 5%, an item that cost R10 last year would now cost R10.50 if it rose in line with inflation.

The SA inflation rate has increased further of late due to the weakness seen in the value of the rand from the end of last year, resulting in a higher rand cost for all imported goods. This obviously includes oil which has a knock-on effect on the cost of many goods and services. Coupled with this, the drought experienced in South Africa last year has put pressure on food prices – increasing SA’s inflation still further.

It can be seen therefore, that it is of vital importance that investors seek returns at least equal to inflation – with returns greater than inflation obviously being preferable. The table below reflects the returns of two of our biggest funds.

### 2.3 Investment Returns (Source: Morningstar)

The table below reflects the latest returns of our two South African funds.

	<b>This Month</b>	<b>Last 3 Months</b>	<b>Last 6 Months</b>	<b>Last 12 Months</b>	<b>Last 3 Years</b>	<b>Last 5 Years</b>	<b>Last 10 years</b>
<b>IFM Balanced Value FoF</b>	<b>-4,47%</b>	<b>-4,02%</b>	<b>-6,61%</b>	<b>-0,66%</b>	<b>6,85%</b>	<b>11,01%</b>	<b>9,35%</b>
<b>Benchmark</b>	<b>-0,03%</b>	<b>1,32%</b>	<b>5,33%</b>	<b>6,08%</b>	<b>8,16%</b>	<b>11,82%</b>	<b>10,55%</b>
<b>IFM Technical Fund</b>	<b>-3,78%</b>	<b>-5,08%</b>	<b>-7,80%</b>	<b>-2,66%</b>	<b>9,26%</b>	<b>14,41%</b>	<b>10,49%</b>
<b>Benchmark</b>	<b>-0,93%</b>	<b>0,48%</b>	<b>0,92%</b>	<b>6,59%</b>	<b>8,84%</b>	<b>15,29%</b>	<b>11,99%</b>

We still have the view that the rand will weaken in the coming months, and therefore still favour rand-hedge investments. This has had a negative effect on our returns during the past 6 months, however we continue to believe our strategy will be correct in the medium to long term.

### 3. General Portfolio Analysis

Kindly note that for the quarter ending 30 September 2016 the following two portfolios have adhered to its respective policy objectives:

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

Summary of analysis of the respective funds for this quarter:

Month	IFM Technical Fund		IFM Balanced Value Fund of Funds	
<b>July</b>	+	Anheuser-Busch Investec BHP Billiton	+	Stanlib Bond Fund Stanlib Bond ABIL Retention Fund Momentum Bond Fund
	-	Steinhof International Holdings SAB Miller Reinet Investments Old Mutual Aspen Pharmacare Holdings Compagnie Financiere Richemont	-	Allan Gray Money Market Fund Stanlib Global Bond Feeder Fund Momentum Bond ABIL Retention Fund
	*	Heiden Grimaud Global Fund MMI Holdings Adcock Ingram	*	None
	x	None	x	None
<b>August</b>	+	None	+	Stanlib Bond Fund Momentum Bond Fund
	-	None	-	Allan Gray Money Market Fund Momentum Bond ABIL Retention Fund IFM Technical Fund
	*	None	*	None
	x	Sasol BHP Billiton	x	None
<b>September</b>	+	Aspen Pharmacare Holdings	+	Allan Gray Money Market Fund Foord Equity Fund
	-	None	-	IFM Technical Fund Old Mutual Global Bond Feeder Fund Stanlib Global Bond Feeder Fund
	*	None	*	None
	x	SAB Miller PLC	x	None

+	<i>Increased Holding</i>	-	<i>Reduced Holding</i>	*	<i>New Holding</i>	x	<i>Removed Holding</i>
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## **4. General**

### **4.1 Important requirements for you as investor**

All investors must update their FICA details with IFM at least once within the last 12 months. This information is very important, as no enquiry or request may be undertaken by a client consultant unless the correct updated detail is on file with us. The necessary requirement for South African citizens is:

- A copy of their identification document (e.g. ID book or passport);
- Written confirmation of the residential address and contact particulars of the person (e.g. utility bill not older than 3 months reflecting the name and address of the investor);
- A copy of a cancelled cheque or recent bank statement with the account name and bank account details (the bank account must be in the name of the investing party, no third party accounts or payments are permitted). Note that we may not accept an electronic generated statement as proof of bank account verification - the account document must have a bank stamp on it.

Investors can nominate a third party to assist them with their investment account and forward instructions on their behalf, for example a wife can nominate her husband, or a parent can nominate a child. To get this arrangement in place, the investor must complete the 'third party nomination' form – available from the investment support team. By completing this paperwork, we adhere to the stipulations of the Protection of Personal Information Act (POPI) and are then able to act on instructions from the nominated party.

### **4.2 IFM website**

We would like to remind you that our website, [www.itransactfm.co.za](http://www.itransactfm.co.za), is now available to you for your convenience. Here you will be able to access:

- More information on who we are;
- Historic as well as the latest Minimum Disclosure Documents (Fund Fact Sheets);
- Copies of newsletters;
- Application Forms;
- Details on how to transact and register as an iBrowse user.

### **4.3 Enquiries**

Any enquiries regarding your investments can be directed as follows:

- 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 iBrowse system is handled by Itransact Fund Managers. The telephone number is 0861 116 075, and email is [admin@itransactfm.co.za](mailto:admin@itransactfm.co.za).
- All investment specific or portfolio enquiries are handled by Heiden Grimaud Asset Management. The telephone number for the fund is 0861 378 378, and the email is [investments@heidengrimaud.co.za](mailto:investments@heidengrimaud.co.za).

Carin Henderson (Institutional and Client Executive) will be more than willing to assist you with these queries. She joined the Heiden Grimaud Group in 2015. Carin completed her MBA at the University of Pretoria and has a strong interest in the financial sector, specifically looking at investments.

**5. Communication to Investors**

We want to communicate to our investors on a more regular basis, sharing articles of interest and other interesting investment news. If you are interested in receiving this information, please send your contact email and investor number to [data@heidengrimaud.co.za](mailto:data@heidengrimaud.co.za).