

News and Review

Volume Seven – July 2017

Dear Investor

One of the most important parts of an investment is the administration of the details of our investors. Legislation that governs all investment actions stipulates that the records of investors are correct and up to date. If any of your details, such as your contact number, email address (where possible) and address have changed since opening your account, please do inform us immediately. If you are not sure if any of your details are incorrect or if you have any outstanding FICA documentation, we would like to urge you to call us on 0861 11 60 75 or email us on admin@itransactfm.co.za in order to confirm. In accordance with the Act, all investor accounts are frozen where we do not hold the required FICA documentation.

1.1 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 2017, the following two portfolios have adhered to their respective policy objectives:

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

Herewith a summary of analysis of the respective portfolios for this quarter:

| Portfolio | Analysis |
|--------------------|---|
| IFM Technical Fund | <p>APRIL:</p> <ul style="list-style-type: none"> • Decreased holding of Adcock Ingram Holdings, Mediclinic Int PLC, MMI Holdings, Old Mutual PLC & Standard Bank Group. • Added holding of BHP Billiton, Glencore Xstrata PLC, Nictus & Assore. <p>MAY:</p> <ul style="list-style-type: none"> • Decreased holding of Anglo American PLC, Anheuser-Busch, Aspen Pharmacare, Assore Ltd, BHP Billiton, Glencore Xstrata PLC & Schroder European Real Estate Investment Trust PLC. |

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|--|---|
| | <ul style="list-style-type: none"> • Added and increased holding of Spur Corporation. • Then did away with holdings of Mediclinic, MMI, Old Mutual, Rolfes & Spur Corporation. <p>JUNE:</p> <ul style="list-style-type: none"> • Decreased holding of Nictus & Schroder European Real Estate Investment Trust PLC. • Did away with holding of Assore, Sasol & Standard Bank. |
|--|---|

| Portfolio | Analysis |
|----------------------------------|---|
| IFM Balanced Value Fund of Funds | <p>APRIL:</p> <ul style="list-style-type: none"> • Increased holding of Allan Gray Money Market Fund, Momentum Bond ABIL Retention Fund, STANLIB Bond ABIL Retention Fund, Momentum Bond Fund (A) & STANLIB Bond Fund A Class. • Decreased holding of STANLIB Global Bond Feeder Fund – Class B3. <p>MAY:</p> <ul style="list-style-type: none"> • Increased holding of Allan Gray Money Market Fund, Momentum Bond Fund (A) & STANLIB Bond Fund A Class. • Decreased holding of STANLIB Bond ABIL Retention Fund, Technical Fund & STANLIB Global Bond Feeder Fund – Class B3. • Did away with holding of Momentum Bond ABIL Retention Fund (A). <p>JUNE:</p> <ul style="list-style-type: none"> • Decreased holding of Old Mutual Global Bond Feeder Fund A. • Increased holding of Allan Gray Money Market Fund. • Holding of IFM Technical Fund decreased. |

1.2 Enquiries regarding your investments

Should you have any enquiries regarding your investments, please direct it 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 086 111 60 75, and the email is 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.

1.3 News from the Fund Manager's Office



The Importance of Long-Term Investing

The last few months have offered challenging investment scenarios for our investment team, particularly as a result of political instability experienced in South Africa of late. This has, in turn, led to sharp changes in the value of the rand, with subsequent follow-on effects on South African equities and bonds. As a result, the price of units under management has fluctuated more than has perhaps been seen in the past.

Many investors can be 'spooked' by such price variations and look to exit the market. Such actions, however, can lock in losses and prevent investors from reaping the rewards when the market rebounds. You may hear a lot of talk about timing the market, but successful investing is much more about time than timing. To date, no one has figured out the absolute best time to invest in any market and taking a long-term view on well run companies with sustainable business models is a far better long-term plan than trying to catch the bottoms and tops of continually moving markets.

Further to this, investing for the long haul can help put the power of time on your side. One of the advantages associated with long-term investing is the potential for compounding. When your investments produce earnings, such as dividends, those earnings get reinvested and therefore also earn returns going forward. These returns are themselves reinvested and so on, thus compounding the return on your initial investment. The more time your money stays invested, the greater the opportunity for this compounding effect to generate extra returns and growth. Keep in mind that while compounding can have a significant long-term impact, there may be periods where your money won't grow. It is therefore important to measure the long-term returns on your investment and ignore short-term fluctuations caused by outside influences (such as politics). While there are no guarantees, the value of compounded investment earnings can turn out to be far greater over many years than your contributions alone.

The investment team of Heiden Grimaud continues to consider the prevailing South African and global economic data. Based on this they use their experience to identify future trends that they believe may influence the direction of the overall economy, and within that, determine price movements of market segments. The team will identify asset classes that they believe would outperform the available options. Quite often these choices include shares from companies currently experiencing pressure. However, by doing comprehensive research, current shares that appear to be 'losers' can turn into 'winners' over longer investment periods. In following this approach, the shares are bought when prices are lower or declining. Keep in mind that the investment team look at possible income generators factored for 3 to 5 years ahead.

Psychologists and behavioural economists have commented for years that human beings have a greater

fear of loss than they have a need for gain. That can and does affect how investments are made. If one is not working in the financial market arena daily, declines in the value of our shares is unnerving. That is however the benefit of investing in a unit trust fund managed by an experienced fund manager. All current losses have been factored in, and over time, as proved in history, these losses are countered by the steady growth cycle of shares. Shares can be risky in the short term but still offer a very good rate of return over time and therefore equities should be held.

Volatility is emphasized when you focus on short periods. When that timeline is drawn out over a period of 20-30 years, those hiccups tend to almost be insignificant on that graph line. With that in mind and with the general direction being upward, it is important to highlight this fact in current times. Shares are an asset class that will always outperform other investments, it is however vital to allow a sufficient investment period.

We take pleasure and pride in assisting families and individuals to define and implement strategies for managing their wealth, and for this purpose, offers a range of products in which we provide investment instruments in both local and offshore markets to investors. The Heiden Grimaud Global Fund, which is a Guernsey based domiciled fund denominated in Euro, offers a convenient way for investors to gain offshore exposure to developed financial markets in the USA, Hong Kong, UK and selected European countries. Investing offshore allows you to spread your investment risk across different economies and regions. Offshore investments may perform better at times than local investments, and vice versa, depending on various factors, such as global economic conditions and exchange rates. Through our offering of unit trusts, you have the opportunity to grow your money more than you would in a bank account. However, your investment value and return are not fixed and may go up or down

Through a collaboration with our Belgium and Guernsey office and business partners, we now also offer assistance to our clients and their families to create offshore trust structures for the purpose of securing investments for future generations. This journey is based on trust, mutual respect, expert knowledge and a genuine interest in your wellbeing, underpinned by principles of service excellence, innovative ideas and adherence to the highest levels of ethics. Through our global footprint we are able to assist our clients through every step and support them in the process. If you are interested to set up a discussion to look at your specific investment needs, kindly contact our office.

Yours in investments.