

News and Review

Volume 17 – April 2020

Dear Investor

Together, we are experiencing an unprecedented time in our joint investment journey.

It has barely been three months since we addressed the matter of short-term market fluctuations which leads to panic selling, and here we are facing a global pandemic of epic proportions, the novel coronavirus.

Added to that is the decision by Moody's to downgrade South Africa's sovereign rating to below investment grade. While not unexpected, the timing couldn't be worse, and has put additional pressure on the country's economy during an already precarious time.

Surely now is the right time to redeem my units? Our message, following from last quarter's newsletter, is still quite clear. Caution should be exercised in overreacting to the multiple events we find ourselves faced with. Investment success is largely achieved by keeping calm, practicing investment discipline and not losing sight of your long-term investment goals. Remain invested for the recovery and the long term.

COVID-19 and IFM's Operational Fitness

As mentioned to you in our Covid-19 Newsletter, our business took certain measures to comply with the parameters set by the authorities with respect to the Covid-19 lockdown. These measures will remain in place for as long as required.

We are happy to report that we are operating normally and at full capacity whilst fully adhering to the restrictions as defined in the Regulations issued in terms of The Disaster Manager Act of 2002.

Please note that we may not be able to send statements or letters to you via the Post Office during this period. We would therefore like to urge you to visit our website www.itransactfm.co.za on a regular basis for updates and additional information about your investment.

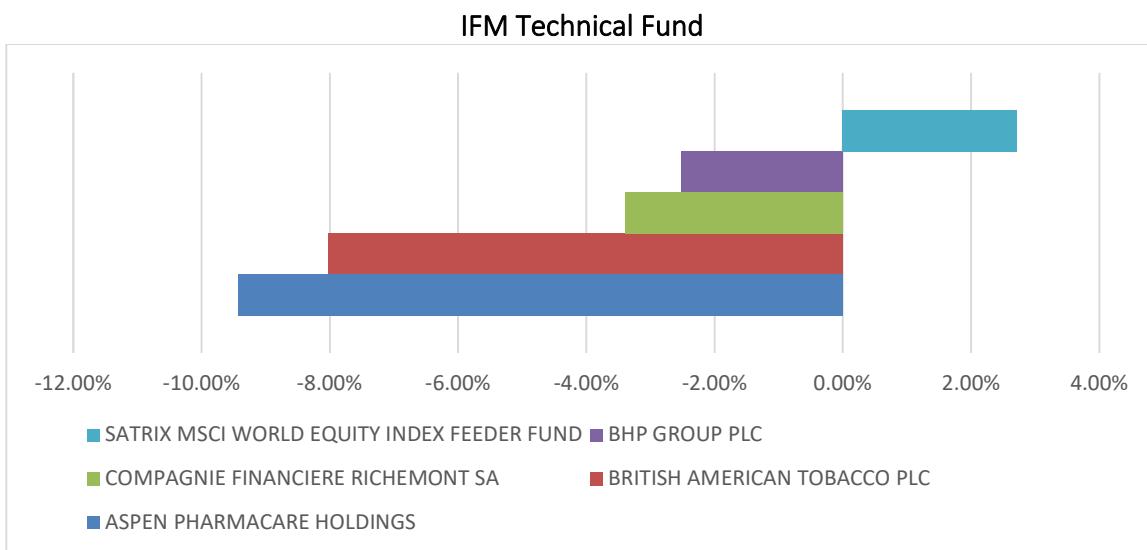
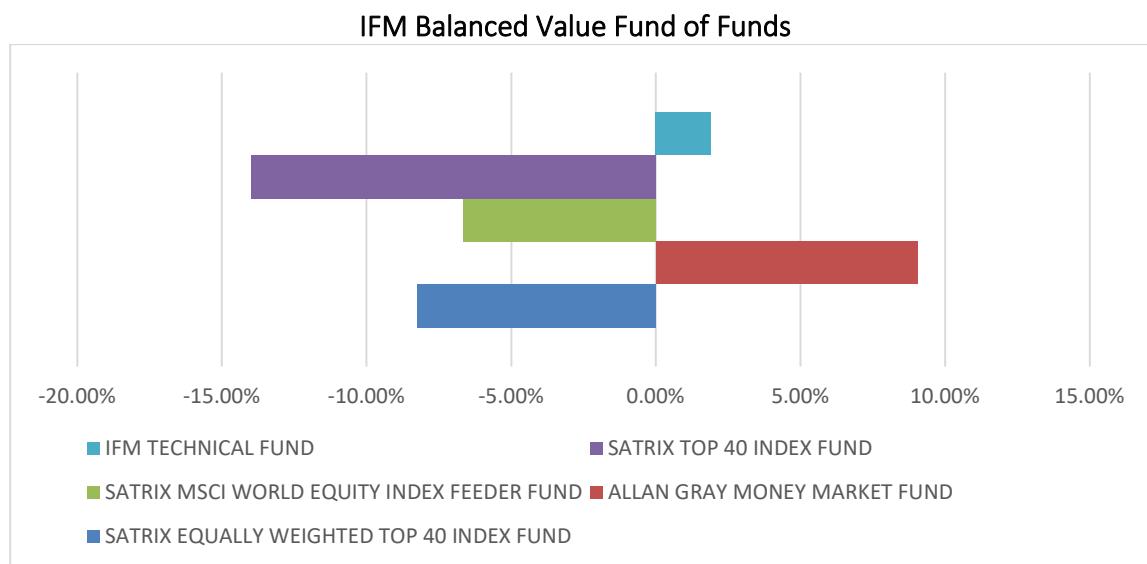
You can also register for online access to view your investments on our investor portal. Please visit our 'How to Guide' on the website for further information. Alternatively, please contact us on 0861 11 60 75 or admin@itransactfm.co.za if you need any assistance.

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 2020, 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.



News from our Fund Manager

Dear Investor

Can we please have some good news!!

Throughout the world people are at the end of their emotional limits and in more and more households, it has also started to become financially tight. More so in emerging countries with social security structures not yet developed to the same levels as that enjoyed in countries within the EU and other first world areas.

Fortunately, Heiden Grimaud (your fund manager) had early warning of the terrible impact that the Coronavirus might have on the world economy. We were fortunate to have David Bradfield based in China, giving us up to the minute analysis of the developments long before the rest of the world woke up to the spreading of the virus. We again include a short report back on the current situation in China that you might find interesting.

So now we come to the good news.

We first consider the situation just before the Coronavirus started causing trouble in the financial markets. During the 12 months up to 31 December 2019, the IFM Technical Fund (19,6%)¹ had been the 5th best performing fund and the IFM Balanced Value FoF (16,76%)¹ was the best performing fund in South Africa within their respective categories.

At the end of March 2020, the situation for a

lot of funds changed dramatically. However, again our funds continued to perform above the rest. The IFM Technical Fund (11,98%) had been the best performing fund and the IFM Balanced Value FoF (5,46%) was the 2nd best performing fund in South Africa within their respective categories.

It is clear from the above that returns are much lower than enjoyed before the Coronavirus, but as a result of our decision to safeguard your assets we were able to avoid the huge losses suffered by most of the other investors out there. Plus, we now have large amounts of cash available in the portfolios to re-invest in quality shares at very attractive price levels.

In closing we would also want to share some data that prompts us to continue to invest as much as possible of your portfolios in the global market. Don't get us wrong, we love South Africa but need to stay focused on the reality provided by the data (%) below:

April 2020	3 mth	YTD	1 Yr	3 Yr	5 Yr	10 Yr
JSE All Share Index	-8,8	-10,7	-10,4	1,2	1,7	9,2
MSCI World Index (ZAR) ²	8,8	24,5	16,0	17,6	15,2	18,7

The table above show the returns enjoyed by investors, investing in either the JSE All Share Index (this represents the average of all the shares on the JSE) as well as investing in MSCI World Index (this represents the average of the top 1600+ companies in the world). In the table we have converted the returns earned through the MSCI investment back into Rand.

¹ The returns indicated above was for the 12 months ending 31 December 2019 and 31 March 2020. Source Morningstar

² This is the average of international shares in Rand currency.

This allows true comparison of the returns. From this table it is clear why investing your funds internationally is and continues to provide superior returns.

Investors that are looking to further expand their international exposure are welcome to contact us directly on 0861 378 378 or email investments@heidengrimaud.co.za to discuss available options for direct investment by South African investors into international available funds. Our team has the knowledge

and experience to assist South African investors who wish to transfer funds out of South Africa for investment purposes. Our group's international offices could also assist in creating special purpose investment structures for clients in excess of R5,000,000 to invest internationally. Smaller investors can also easily enjoy the benefits but without setting up special structures.

Now for the promised report back directly from Beijing, China.

China's response to COVID-19

Extract from a special report prepared by David Bradfield for this newsletter.

Following a visit to South Africa, I arrived back in Beijing on the 1st of March 2020. At the time China was still considered as an epicenter of the virus. All the airport staff had protective eye-ware, gloves, and masks. The taxi driver had a plastic barrier separating himself from me (in the back seat) and also wore gloves and a mask. It was like a scene out of a scary movie.

I arrived at my apartment and was told to remain inside for 2 weeks of quarantine. There was some misunderstanding between me and the official because I asked if I could buy groceries and was told yes, or so I thought. I left to stock up on groceries and when I got

back I had three officials all in protective gear politely tell me that they would forcibly isolate me if I left the apartment again, and that they would help me with anything I needed. I had to take my temperature twice a day and send the results to a doctor until my quarantine was over (it is like this for anyone who flies into Beijing). They also took my flight details so that if someone from my flight was infected, or I was infected they could monitor everyone else on the flight that had arrived in Beijing.

The image below is a checkpoint at the entrance to my compound. Temperature and details need to be taken by these officials.



I arrived in Beijing when there were around 100+ cases and it has decreased to 80 so far, with most of the new cases being from people flying back to Beijing. Since then, China has upped their control and now requires anyone entering Beijing to be escorted to a designated quarantine location.

I got lucky and was able to quarantine in my apartment. I honestly believe that these days Beijing is one of the safest places in the world for people who do not want to catch the coronavirus.

Wuhan Situation

It seems like it was almost inevitable that Wuhan suffered like they did. There was little information or awareness of the virus until it was too late. China has received a lot of criticism from the western world about how they handled the virus but even with a huge head start the western world, being Europe and America, have failed to act fast enough in

banning flights, quarantining travelers from high-risk areas, and taking other precautions even when they had ample time to do so after seeing how badly Wuhan was affected by the virus.

In China, the government acted extremely quickly and banned all their traditional New Year's celebrations. Forced schools and other public places to close and started stimulating the economy by adding liquidity. They implemented quarantine and have temperature checks in place everywhere.

If you want to leave your house to go to a restaurant you will be temperature-checked by at least 5 different people and they will all take your details so if you do have coronavirus they can track down every single person you may have come into contact with.

Even the small family owned shop below our apartment has been told to take customers temperatures.



It is shocking to see how slowly the Western world reacted to the virus. Using Wuhan as an example of what would happen if no precautions were implemented, they should have immediately acted, like the other cities in China did, and quarantine foreign entries, start temperature checks and start contact-tracing. Only recently did they ban flights from high-risk areas and take other precautions. It happened far later than it should of and just highlights how effective China has been in controlling this crisis.

As for Beijing, my biggest worry was for a re-infection of the population but with the extreme measures they have taken to control the spread of the virus it seems a lot less likely. People are out and about, and China is slowly getting back to work.

Kind regards
Chris Meyer
Managing Director – Heiden Grimaud Asset Management



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 Connect 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

You are welcome to contact us directly should you have any specific questions relating to your South African and/or International investment portfolios, their risk profiles and returns.