

# A solid option for those looking to invest offshore

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**S**outh African investors looking for capital growth are having a hard time finding a home for their money these days. Local growth assets, such as listed equity and property, are looking expensive on a number of metrics including price-to-earnings (P/E) and yield.

Empirical evidence suggests that investors buying expensive assets tend to experience low returns in the short to medium term and underperform in the long term. The challenge is that many market commentators have been saying for a while now that local assets are expensive, yet markets continue to power ahead.

Many investors, unfortunately, are not in a position to control the timing of their investments, and may be coming into money now. Otherwise, as per a

recent meeting I had with a client, they have built up significant exposure to the local market and are now considering alternatives. The two alternatives we are putting on the table for such investors are private equity and offshore. I want to focus on offshore in this article.

There are two ways that local investors can get exposure to offshore assets: via asset swap funds and directly. Asset swap funds are rand-denominated funds that invest offshore. The investor puts rand into the investment, and takes rand out when he disinvests. The fund is invested primarily in offshore assets.

Alternatively, an investor could use his annual offshore allowance of R10m and invest directly into an offshore fund or portfolio of funds. This requires the investor to get tax clearance from Sars, and to convert rand into a hard currency

(such as US dollars, pounds or euros) before investing. The advantage of this option is that the investor can receive the proceeds from the investment in hard currency, anywhere in the world.

The difficulty many investors have when investing offshore though is that there are a plethora of funds to choose from when investing outside SA. There are literally hundreds of thousands of funds available to investors globally. If they were to try structure a portfolio on their own, they would also have to consider currencies and domiciles in addition to the usual asset allocation decisions. This can be a daunting prospect for most investors. This is where risk profiled, multi-asset-class funds like the Stanlib Global Balanced Fund (SGBF) can be quite useful.

The fund has a good spread of assets, namely listed property (11%), cash (11%), fixed interest (22%) and equities (56%), and is invested in the US, Japan, emerging markets, the UK and other domiciles. The fund's top 10 holdings include global brands such as Google, Unilever, Apple and Aon.

An exciting development with regard to the management of the SGBF is the appointment of Threadneedle Asset Management as the fund manager. Threadneedle manages over \$500bn (R5.9tr) of assets worldwide, has a presence in 18 countries, and pedigree in managing multi-asset-class mandates. The SGBF has performed largely in line with the sector historically, but the appointment of Threadneedle augurs well for future growth if it is able to live up to its billing as a global player. The fund can be accessed directly via one of the offshore investment platforms. ■

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## PERFORMANCE in Class Funds Currency

	1 year 01/03/14- 28/02/15	3 years 01/03/12- 28/02/15	5 years 01/03/10- 28/02/15
Class Funds Cumulative Performance	0.49%	16.39%	30.74%
Index Cumulative Performance	4.54%	22.86%	44.41%
Class Funds Annualised Performance	0.49%	5.19%	5.51%
Index Annualised Performance	4.54%	7.10%	7.62%

## PORTFOLIO FACTS

**Investment manager:**

**Underlying investment manager:**

**Fund size:**

**Denominated in:**

**Min. investment amount:**

**Min. subsequent investment:**

**Upfront charge (max.):**

**Annual management charge:**

**Manager and administrator:**

**Trustee:**

**Contact information:**

STANLIB Asset Management Limited

Threadneedle Asset Management

\$45.88m

US dollars

\$2 500

\$1 000

5.50%

1.35%

STANLIB Fund Managers Jersey Limited

Capita Trust Company (Jersey) Limited

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