Investing Offshore

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Global ETF Seminar
June 2017

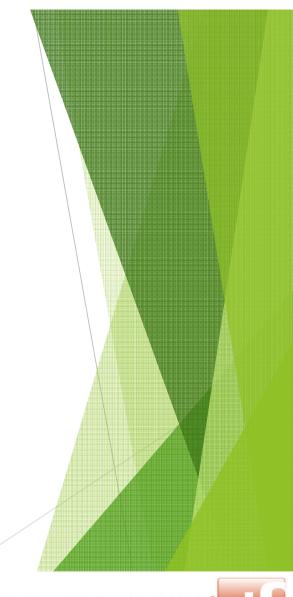
Nerina Visser
ETF Strategist & Advisor etfSA.co.za





Investing Offshore

- ► Why?
 - Nerina Visser
- ► What?
 - ► KP (Khoabane Phoofolo), Blackrock (iShares)
- ► How?
 - Mike Brown



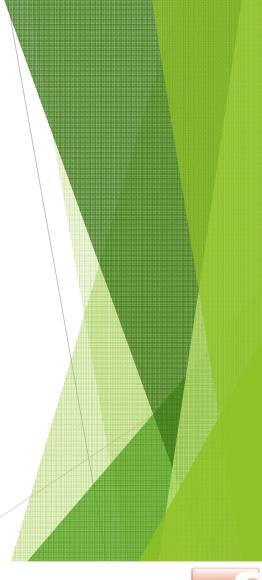
Investing Offshore — Why? Diversification

- All South African investments share common macro-economic return drivers
 - Currency, interest rates, inflation rate, business cycle, investor confidence
 - This applies across all asset classes (equities, bonds, property, etc.)
- Benefits of diversification rely on counter-cyclical & dis-similar return profiles
 - Biggest reduction in risk (mathematically calculated) comes from a combination of high standard deviation (risk) and negative correlation
 - Something that zigs when everything else zags
- Uncertainty voids the usefulness of predictions and forecasts
 - Investment strategies based on forecasts rely on luck, rather than skill
 - Strategic, well-diversified portfolio has much more predictable chance of success



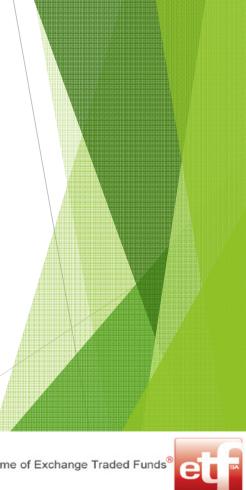
Investing Offshore — Why? Opportunity set

- South Africa contributes less than 1% to the global GDP
 - ▶ Why expose 100% of your capital to less than 1% of the global economy?
 - ▶ Poor economic growth, policy uncertainty, etc. restricts ability of companies to grow earnings specifically in South Africa
- ► Limited range of asset classes & investment strategies
 - ▶ Other emerging & frontier markets; Corporate & high yielding bonds
 - Factor investing (e.g. dividends, minimum volatility, quality, etc.)
- ▶ Investable opportunities in some industries don't exist / very limited in SA
 - ► Fintech; Biotechnology; Renewable energy
 - Utilities (water, electricity, transport); Private equity; Infrastructure



Investing Offshore — Why? Matching assets to liabilities

- Earn income in the country and currency where you spend it
 - What is your time horizon?
 - Do you require regular income, or spending money?
- Grow your assets by above-inflation rates
 - ▶ Required return depends on offshore market inflation rate
 - Some investment goals (e.g. education) may have a different / higher inflation
- Reduce / avoid mismatch risk
 - Shortfall risk bigger than market or political risk
 - Assess performance in the relevant currency, not in ZAR



Investing Offshore — Why? Don't do the right thing for wrong reasons

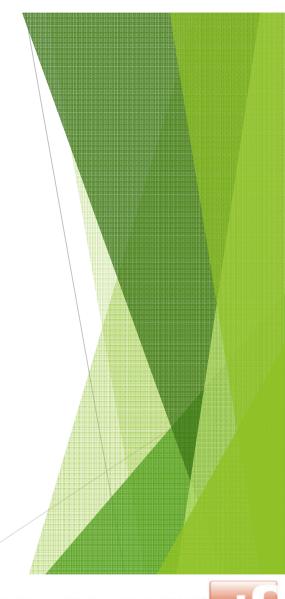
- Running away from SA to perceived greener pastures
 - Don't take your assets offshore but leave your liabilities in SA
- Expecting additional returns from rand depreciation
 - ▶ Offshore investment is a hedge (reduce risk), not an alpha-generator (increase returns)
- Avoidance of tax or other regulatory measures
 - ▶ Financial regulations and compliance have also gone global FATCA, AML, FIC
 - "Panama is not a haven" President Juan Carlos Varela



Investing Offshore — Why? It would be DOM not to do so!

Offshore Investments for Dummies

- ▶ D − Diversification
- ▶ 0 − Opportunities
- ► M Matching



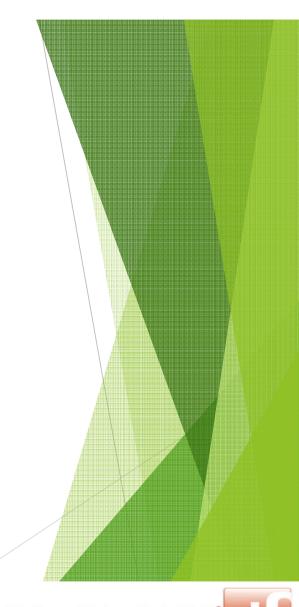
Investing Offshore What? How?

The world (of global ETFs) is a

BIG

place

We're here to help you...



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