

Schroders

An introduction to investing in offshore funds

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For many South Africans, investing offshore is an attractive concept but accessing foreign markets and international fund managers can seem uncertain and mysterious. The good news is that there are a number of ways to access global funds and an increasing number of global asset managers offering funds to South African investors.

A woman with voluminous curly hair, wearing a teal button-down shirt, is shown in profile from the chest up, looking out a window. The background is bright and slightly blurred, suggesting an office or modern interior setting.

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Important information

Why invest offshore?

There are a number of reasons why investing offshore could make sense for South Africans.

- **Diversification:** By investing offshore, you are spreading your “eggs” across more than one “basket” which can help lower the overall risk of your investment portfolio. The South African stockmarket makes up a mere 1% of the global stockmarket, which means you’re missing out on 99% of global equity opportunities. The South African stockmarket is concentrated with a number of large companies and sectors dominating returns. By investing some of your assets in a global fund you could mitigate the risk of your investment being exposed to concentration risk.
- **Exposure to global themes:** High-growth and rapidly changing sectors like pharmaceuticals, biopharmaceuticals, aerospace and technology are underrepresented in the South African domestic equity market. By investing abroad, you can increase your exposure to global companies and investment themes that you can’t necessarily access in South Africa. A well resourced global investment strategy may be able to take advantage of these opportunities around the globe.
- **Currency:** If you are concerned about an uncertain political/economic backdrop and protecting your global spending power, offshore investing can help guard against any potential devaluation of the rand. The rand as an emerging market currency has a history of volatility and investing some of your money offshore can help to preserve your wealth if it weakens.

Ways to invest offshore

Direct

You can convert your rands into foreign currency by physically moving your money from a South African bank account into an offshore account if you are over the age of 18 and a taxpayer in good standing. This is most suitable for investors who are happy to leave assets offshore for the long term and are prepared to take on the complexity of moving their money abroad.

The South African Reserve Bank (SARB) allows individuals to take up to R1 million out of the country a year without tax clearance. A further R10 million can be moved offshore annually with the approval of the SARB and a tax clearance certificate. These funds can then be used to invest directly in offshore assets including foreign-domiciled, foreign currency-denominated funds.

Indirect

For those who cannot physically move their local money into an offshore bank account or want to invest their money in rand to get global exposure, there are two key ways to achieve this.

A locally-administered unit trust that is mandated to invest a portion of the fund in international markets. Local funds can invest up to 30% of their assets overseas and an additional 10% across the African continent.

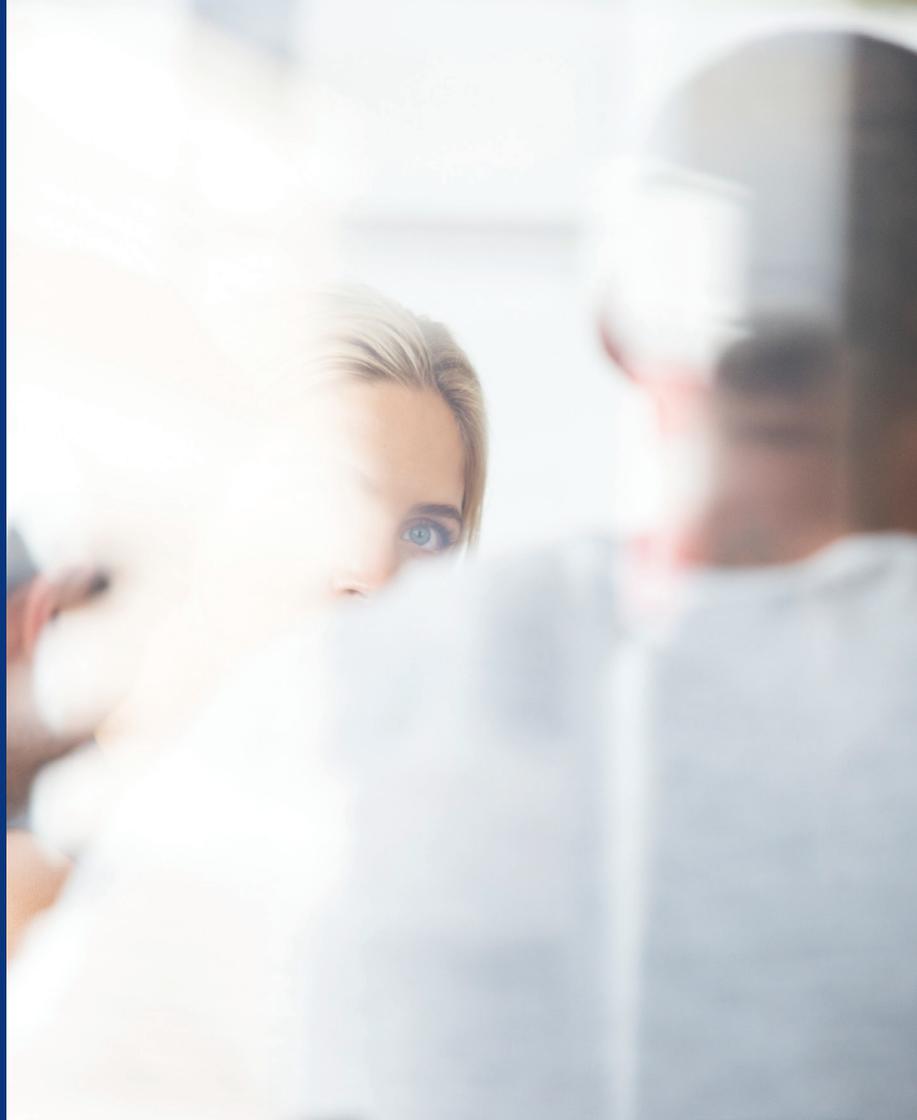
A foreign-administrated rand-denominated local unit trust that invests entirely offshore. These are known as “feeder funds”.

Both structures can give you access to international markets without physically moving your money abroad and you are not restricted by how much you can invest (it doesn't count as part of your personal R11 million offshore allowance). This can be a straight forward option if you are happy that the proceeds from any divestment are paid to you in rand when you want to get your money back.

Investing offshore with Schroders

Schroders is a global asset manager with responsibility for £447.0 billion (€503.6 billion/US\$604.7 billion)¹, which we manage on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world.

¹ As at December 2017





We are highly committed to the South African market with four FSCA-approved offshore funds available to South African investors:

- **Schroder International Selection Fund (ISF) Global Equity Alpha**
- **Schroder ISF Global Cities Real Estate***
- **Schroder ISF QEP Global Core***
- **Schroder ISF Global Recovery***

* Available as rand-denominated feeder funds through our partnership with Absa Asset Management.

Talk to an adviser

The optimal offshore allocation of your portfolio will depend on your individual circumstances and your long-term financial goals. There will be tax implications with investing offshore so it's important to discuss all the options available to you with your financial adviser.

You can visit us online at www.schroders.co.za

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Subscriptions for shares of the Company can only be made on the basis of its latest Minimum Disclosure Document and prospectus, together with the latest audited annual report (and subsequent unaudited semi-annual report, if published), copies of which can be obtained, free of charge, from Schroder Investment Management (Luxembourg) S.A.

An investment in the Company entails risks, which are fully described in the prospectus.



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**If you would like further information,
please contact:**

Doug Abbott

Head of Business Development, South Africa

T +27 63 617 9954

doug.abbott@schroders.com

Disclosures and Risk Factors

Collective investment schemes are generally medium to long-term investments.

The value of participatory interests or the investment may go down as well as up.

Past performance is not necessarily a guide to future performance.

Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending.

A schedule of fees and charges and maximum commissions is available on request from the manager.

The manager does not provide any guarantee either with respect to the capital or the return of a portfolio.

The manager has a right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate.

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Schroder Unit Trusts Ltd, South Africa
Cube WS, 183 Albion Springs, Rondebosch
Cape Town 7700

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