TUESDAY, 3 MAY 2022

irfa dispatch

THE RETIREMENT INDUSTRY NEWSLETTER

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LOCAL NEWS

How Regulation 28 amendment changes the game

Government has given investors more options and an incentive to continue using retirement products.

The recent amendment to Regulation 28, which sets certain limits for retirement funds on how to invest, has far-reaching effects on investors. The main change was an increase in the maximum offshore exposure from 30% to 45%. This can impact their retirement savings for the better.

1. Added flexibility and investment choice

Regulation 28 is applicable to all "retirement" vehicles such as pension, provident, preservation funds and retirement annuities. These funds used to be limited to a maximum of 30% offshore exposure, which has now been increased to 45%. Another major limitation, which has not changed, is that an investor's overall equity exposure (shares) cannot exceed 75%.

Theoretically, you can allocate 25% to cash and bonds (conservative assets) – most fund managers opt for local cash and bonds (given superior yields compared to offshore cash and bonds). The balance can be allocated to equity (growth assets), you could theoretically allocate 45% to offshore equity and the balance of 30% to local equity. This is a much more diversified and global approach, giving the investor more options on offshore markets. Each fund manager can choose if they want to go up to 45% or stay lower, but the fact that they have the option gives them more flexibility and should result in higher returns over time

2. The best "balanced funds" will become even better

Most of the multi-asset funds in SA are balanced funds, all of which are Regulation 28 compliant. This is to be able to have access to retirement savings, which is big business and part of a massive savings pool in SA. But all balance funds are not the same, one can only look at their medium- and long-term growth to see the divergence. If I look at all the nuances, I can pick up that they differ in many ways

- Some are more focused on local "SA Inc" stocks such as Remgro, Foschini and Shoprite. Others focus on rand hedge stocks such as BATS, Richemont and Naspers.
- Some focus on resources such as Glencore, Sasol, Billiton and Anglo (in effect also global companies or having dollar-based earnings).

- Some prefer to move in and out of markets and adapt quickly to changing dynamics, others form a “buy and hold” strategy.
- Some have indicated they will stay below 30%, whilst others have indicated they will increase the offshore exposure over time.

The point is that they differ significantly. Listening to different fund managers makes it clear that they don’t all agree on the amount of offshore allocation they prefer. Certain balanced fund managers are better than others because they use the different elements to their benefit. The fact that offshore allocation can be increased is another lever that a fund manager can pull, and in my opinion, this will be beneficial to those who use it effectively.

3. General equity funds (discretionary assets) enter the fray

Taking a closer look at unit trusts within the “general equity” classification, which can invest up to 100% in equity and are mostly fully invested, there is one significant difference to be noted. Most of these funds have historically only invested in local shares, but over the past couple of years, some of them have changed their mandate to include up to 30% of their fund in offshore markets. Examples are Allan Gray Equity and 36One Equity.

These funds are not Regulation 28 compliant, but others follow the “trend” of maximum offshore allowance within Regulation 28. Some of them might follow suit and change their mandate to go up to 45% – in my view, this is no longer a “local equity” fund. Certain general equity funds have not included offshore exposure in their mandates, examples include Coronation Top 20 and Counterpoint Value. My point is not that the one is right or wrong, but rather that investors should be cognizant of the change and understand what they invest in.

4. Fundamental shift in government thinking, and how this benefits SA

Without a doubt, big institutional fund managers have lobbied the government to increase the Regulation 28 offshore allowance. Their rationale was that SA investors might stop using retirement structures if they are not allowed decent exposure to offshore markets. If we don’t have a healthy savings pool in SA, it prevents the proper functioning of the financial system. People invest in RAs, which go into unit trusts, the fund manager then “buys” equities or bonds – effectively lending companies and government money to expand or continue with operations.

Investors want a return for their investment, but they also want the option to invest offshore to get returns and diversification. Government and local companies need investors to give them a financing mechanism. Fund managers also need the savings as this is a core part of their business. In the end, it’s a healthy ecosystem, but one that needs constant new inflows. I want to applaud the government for allowing the change, as it benefits all parties. Instead of trying to “keep the SA pension pot local”, they have given investors more options and an incentive to

continue using retirement products. The long-term impact of allowing SA residents to grow their retirement pot with more investment opportunities will put more money into the consumers' hands, increasing spending on goods and services.

In summary

Sars gives us a healthy incentive to use pension funds and retirement annuities if you fall in a high marginal tax bracket and save part of your gross income (up to 27.5% capped at R350 000 per annum) you get a tax deduction for the amount you save. This is a guaranteed indirect return of that marginal tax bracket. The Regulation 28 limit used to be a negating factor for many investments, but with the new limit of 45%, the offer looks much more attractive. Retirement funds are only partly accessible after age 55. One should therefore consider using retirement investments in combination with discretionary investments (ZAR and/or USD), *to* allow for enough liquidity. Saving for retirement remains a key focus of individuals' investment strategies. As there are several factors to consider, it is advisable to navigate this with the guidance of a qualified, experienced advisor.

Moneyweb | 28 April 2022

The optimal offshore exposure in a living annuity

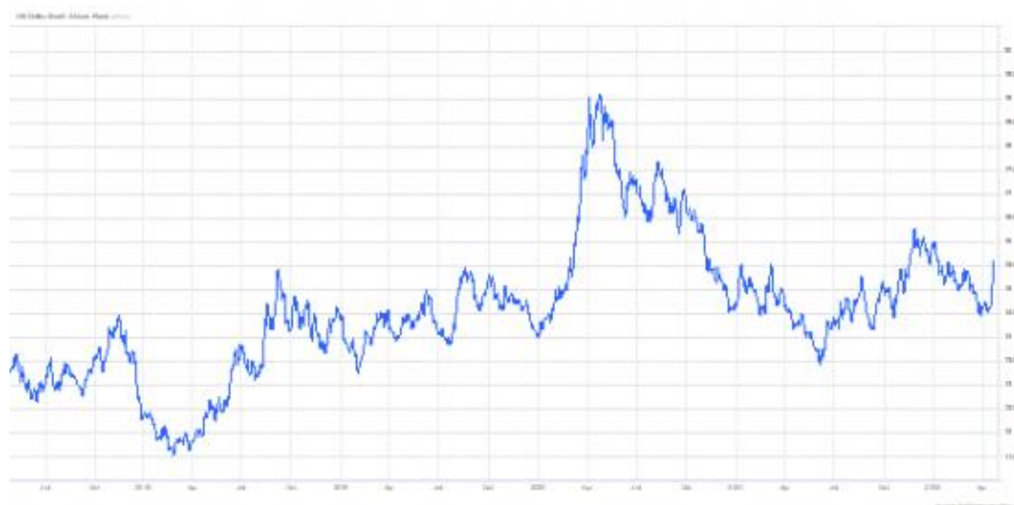
It depends on the level of income that you draw against the investment value.

With the change of Regulation 28 allowing offshore exposure to increase to 45% the debate has changed to one of what is the correct optimised offshore allocation within investments. Although living annuities are not subjected to Regulation 28 limitations, the cross-reference has always been made since living annuities are funded from Regulation 28 restricted funds namely pension funds of all sorts that resort under the Pension Funds Act. Living annuities fall under the Income Tax Act. In a previous article that I wrote, "Living annuities: Be careful, too much offshore exposure can hurt you",

I elaborated on the risks of having too much offshore exposure in any investment from which you draw a regular income. I warned about the risks and the trend of some financial advisors prompting investors to convert their retirement annuities and preservation funds to living annuities in order to get much higher offshore exposure than the 30% limit that applied up until recently. In some cases, investors were advised to increase offshore exposure in their living annuities to 100%. My warning does not mean that I think that offshore investments are riskier than SA assets (quite the contrary), it refers to the elevated levels of volatility in offshore feeder funds because of currency volatility.

Hopefully, the individuals who criticised my views now believe that rand depreciation is not a one-way street into the doldrums irrespective of the structural challenges SA faces. Yes, over an extended period the rand will depreciate against hard currencies, especially when inflation normalises again. As I previously mentioned, there are periods that the rand appreciates, and the period of a stronger rand can last for extended periods. We may just be in such a period now…. However, increased levels of volatility can be expected.

The 6% depreciation that the rand experienced last week is a case in point. The rand is now once again trading at September 2018 levels. The fact that the rand is trading at 2018 levels is not important, what must be considered as far as this article is considered is the path that the rand valuation has followed over the past four years as illustrated below. These wild swings can decimate a living annuity when high levels of income are drawn against an offshore investment portfolio.



So, what is the optimal offshore exposure that you should have in your living annuity?
Back to my favourite answer: It depends…It depends on the level of income that you draw against the investment value. As you know, living annuities offer the benefit of a variable income. Every year you have the opportunity to fix your income for 12 months at a level between 2.5% and 17.5% of the investment value. Offshore exposure should vary in the opposite direction of the percentage that you draw. In other words, the lower the % of your income is the higher the level of offshore exposure could/should be and the higher the % of the income that you draw, the lower the % of offshore exposure should be.

Why do I say this? It is purely a case of maths. School time again…
Question: If an investment value reduces by 20%, by how much must it increase to reach its previous value? (Hint, it is not 20%) The answer is 25%. Example: R2 000 000 – 20% = R1 600 000. To achieve the previous value of R2 000 000, the investment needs to grow by R400 000 and 400 000 / 1 600 000 = 25%. Offshore investments have decreased across the board so far

this year, especially where they are priced in rand. In some cases, funds have reduced by (-) 30%… Let's now draw an income against that portfolio with the reduction (loss) of 20%:

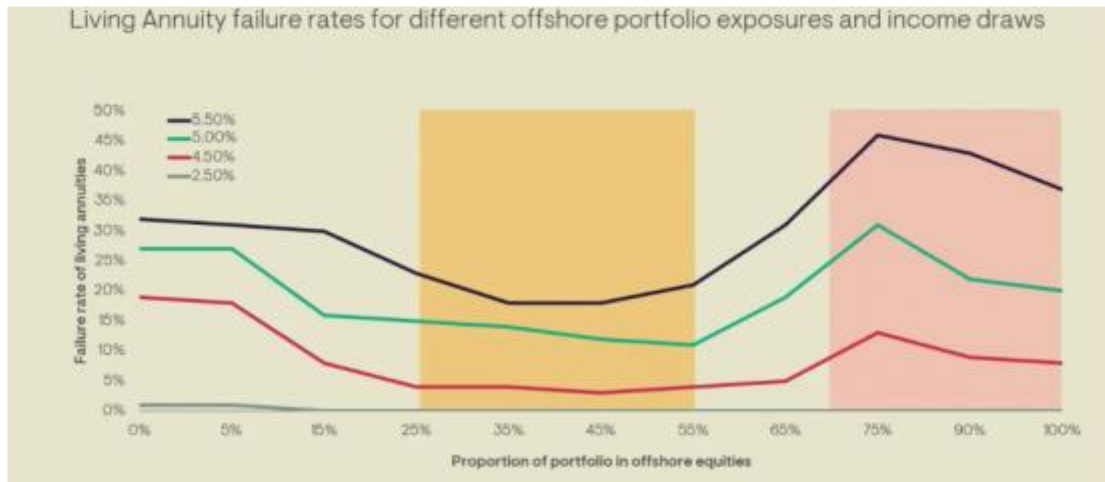
- If we draw 2.5% income against the portfolio, the portfolio will have to gain 29% to reach its previous value.
- If we draw 10% income against the portfolio, the portfolio will have to gain 42.85% to reach its previous value.
- If we draw 17.5% income against the portfolio, the portfolio will have to gain 60% to reach its previous value.

Can you see the trend and the obvious risk? To achieve a return of 29% is a challenge. To achieve a return of 60% to recover the previous value is all but impossible. It only takes two years of consecutive under-recoveries and the start of a downward spiral becomes imminent that will lead to the living annuity failing!

Now that you understand the risk of currency volatility in relationship to offshore exposure versus the amount you draw as income, we can look at the optimum offshore exposure that you should aim for in your living annuity. Various fund managers and institutions conducted research to establish the ideal blend of income versus offshore exposure within a portfolio from where income is taken. It is important to note that the research only pertains to where income is drawn. Generally, it is accepted that everyone should have offshore exposure and a healthy chunk of offshore exposure while accumulating wealth. Offshore equities still remain the favoured asset class among most fund managers when long term investing is considered.

Once one draws an income from an investment, the dynamics change and this is what I am trying to point out. I am by no means trying to convince you that offshore investments are bad, quite the contrary. My personal investment portfolio is offshore biased meaning that my portfolio has well above 50% offshore exposure. But I am not reliant on income from my investments (yet)…Once I need to draw income from my investments my portfolio will be reconstructed completely. And now for the "Grande Finale"…

What is the optimum offshore exposure you should have in your living annuity?
The graph below was constructed by Ninety One which used historical data and considered long term trends of market movements (local and global) and rand characteristics. The graph indicates the risk of increased failure rates of living annuities as offshore equity exposure increases while income in rand is drawn against a portfolio.



From the above the following conclusion can be made:

Income drawn	Optimal offshore equity exposure	The failure rate when offshore exposure exceeds 70%
2.5% p.a.	No limit, can be 100%	Nil
4.5% p.a.	25% – 55%	15%
5.0% p.a.	25% – 55%	30%
5.5% p.a.	Approx. 35%	45%
Above 5.5%	Less than 35%	Exponentially above 50% as income increases

In the above analysis, only offshore equities were considered. Under normal conditions, other asset classes will also be included in a living annuity portfolio but given current global inflation and interest rate trends, the only global asset class that currently makes sense is global equities. This will obviously change when interest rates and bond yields normalise. Not many investors can stomach a 100% equity living annuity. Asset allocation is as important to get right in a similar manner as getting offshore exposure right as indicated above but that makes for a different article… You are more than welcome to contact me if you wish to discuss offshore exposure, asset allocation and other strategies to secure a portfolio during volatile times.

Happy investing and stay invested!

Moneyweb | 26 April 2022

Debt, savings and retirement – the budget address we should be having with ourselves

Financial adviser from Momentum, Janine Horn, provides some perspective on how South Africans should approach debt, emergency savings and retirement.

The National Budget Speech is here, and South Africans are ready to face the reality of increased costs across the board. Rising fuel prices, growing inflation, increased interest rates and the inevitable surge in food prices all seek to cripple household finances. Whereas National Debt is the Finance Minister's concern, financial adviser from Momentum, Janine Horn, says personal debt is the issue too many South Africans need to tackle on this and every other month of the year. "The cost of living has put us all under pressure. The ability to save is becoming a luxury that many South Africans simply cannot afford.

This time of year makes me feel like we should all be making household budget addresses in our own lives to deal with our own financial woes," says Horn. According to the Momentum/Unisa Consumer Financial Vulnerability Index, with high levels of unemployment, economic uncertainty, poverty and debt, South Africans are finding it increasingly difficult to stay afloat and keep up with monthly debt, let alone save for emergencies or even retirement. As a financial adviser, Horn provides some perspective on these consequences:

Swim to your goals, don't drown in debt

"According to my clients, over the years, debt may be the single greatest stressor when it comes to financial planning," says Horn. With credit cards, clothing accounts, small loans and even family handouts, coupled with a fragile economy with record high levels of unemployment, the best thing we can do; is avoid the trappings of debt. It starts with understanding your financial goals.

"Financial success can be achieved on two levels: the journey towards a financial goal and the destination - when the specific goal is reached. In simple terms, for households and individuals to know whether they are financially successful or not, they must have financial goals." Horn says some people set these goals consciously, and others do it on a subconscious level. "All the same, financial goals should exist for all households and individuals. Perhaps that should be issue number one in your household budget address," advises Horn.

Save yourself by saving your money

Along with rising and rampant levels of debt, the Momentum/Unisa research also indicated that many South Africans simply don't have access to emergency savings. Many consumers have

been forced to sacrifice savings in order to cover expenditure and service their existing debts. But Horn says saving is a key component of a sound financial plan. “Life happens, and when it does, you need to be able to meet it head on. Ask yourself, could you survive for three months without your salary? Would you have enough to cover urgent car repairs; or, even insurance excess without a loan?” If you want to avoid possible financial ruin, Horn seriously advises building up an emergency fund and to be prepared for all of life's major pitfalls.

Horn advises taking a look at your budget and assess where you can free up some money to stash away in your emergency fund. “The truth is, more than half of South Africans cannot even afford a financial setback of R20 000. You need to start figuring out how much emergency money you should have based on your lifestyle and expenses,” says Horn.

Don’t forget about retirement

Burying your head in the sand and hoping for the best is definitely not a solid retirement funding strategy. Horn says people need to start saving for retirement as early as possible in their lives.

The earlier the better.

“The stats tell us that only 6% of South Africans are able to retire comfortably,” says Horn. “But don’t let that scare you. If you do not know whether you’re on track for a financially stable retirement, it’s never too late to make a plan.” If you’ve never had a retirement plan prepared, and you don’t know whether you are putting away enough for retirement, Horn advises speaking to a financial adviser to assist with formulating and reaching realistic retirement goals. If you are having trouble with debt, can’t save or lack a solid retirement plan, Horn says there is no substitution for the right advice. “A financial adviser can assist you with consolidating your debt; creating savings goals and managing your retirement portfolio. Find one you can trust and start making a positive impact on your household budget address,” Horn concludes.

FA News | 25 April 2022

Responsible Investing is key to driving positive climate change outcomes

For an asset manager that invests responsibly with the sustainability of our future at the centre of every investment decision, there is great alignment with the theme for 2022's Earth Day, which is "Invest in our planet". The theme focuses on Climate and Environmental Literacy, Ending Plastic Pollution, Conservation and Restoration, Food and Environment and Acting on Climate Change. With over 1billion people mobilised for action every Earth Day across 190 countries according to earthday.org, how often is the conversation had about using the power of retail investments to bring about change? Of course, the Earth Day focus areas are worthy and deserve every minute for people to reflect and act on them.

However, the fact that Responsible Investing is not listed as a focus area is a major missed opportunity. Responsible Investing is rooted in an understanding that how we invest today determines the quality of our future. Simply put, if we continue to invest in unsustainable companies that erode public trust, pollute the environment and perpetuate inequality, we should accept that this is the kind of future we will bestow on our children. The surprising thing though is that this exclusion is not for lack of interest. Responsible Investing, which incorporates Environmental, Social and Governance (ESG) factors in investment decisions, is an investment theme that is now moving from the periphery to the mainstream, according to Bloomberg.

In 2021, assets under management in responsible investing portfolios reached $35trillion due to heightened concerns about climate change, environmental degradation, and other social issues. In South Africa, the market for retail ESG funds is still in an infancy stage, with only a handful of funds on offer, however, we expect this to grow steadily over the medium term. Indeed, in Old Mutual Unit Trusts' own client survey there was a distinct interest in investing in ESG products for those 35 years and under. This is also proven by new investments into our ESG funds being relatively higher from millennial and generation-Z clients.

Old Mutual Unit Trusts launched the first retail-focused ESG index funds in 2018, followed by the actively managed ESG Equity Fund in 2020 which remain the only ESG fund focusing on South African companies with good ESG scores at 31 March 2022. The fund's investment mandate is to invest in instruments included in the FTSE/JSE Capped Shareholder Weighted All Share Index. The fund primarily gains exposure to equity securities with a superior Environmental, Social and Governance (ESG) score, targeting a significantly lower carbon footprint and a higher ESG profile relative to the benchmark. We currently manage six responsible investment funds available to retail investors; these are the Old Mutual MSCI World

ESG Index Feeder Fund, Old Mutual MSCI Emerging Markets ESG Index Feeder Fund, Old Mutual ESG Equity Fund, Old Mutual Albaraka Balanced Fund, Old Mutual Albaraka Equity Fund, and Old Mutual Albaraka Income Fund. In 2021, Old Mutual collaborated with MSCI, a global leader in investment research, to get all Old Mutual Unit Trust Funds listed on the Old Mutual Wealth platform rated from ESG perspective. The platform became the first in South Africa to provide and publish an ESG rating for all the listed funds, thereby informing and enabling investors to invest with purpose.

MSCI ESG Research provides ESG Fund Ratings on a scale of AAA (leader) to CCC (laggard), according to exposure of the underlying assets held to industry specific ESG risks and the ability to manage those risks relative to peers. In an ESG Asset Manager Survey recently published by 27four Investment Managers, Old Mutual Investment Group was named in the top three asset managers as measured on Policy, Resources and Governance; ESG implementation; Active stewardship; Transparency and disclosure, and Climate change. The survey was open to South African-domiciled asset managers who manage South African listed equity mandates of at least R100 million.

Controlling the purse to create impact or encourage those in power to act responsibly must surely be one of the most effective ways to bring about change. If you don't believe me, look at the placing of sanctions on governments when they are not abiding by international law or norms. There is relatively more information on Responsible Investing directed at institutional investors than individual investors, yet those institutional assets are made up of individual investments, whether it be in the form of retirement funds, insurance, risk etc. Individuals are the ones who are at the coalface. They live with the consequences of environmental degradation, social unrest and poor governance.

Indeed, the recent extreme weather patterns, senseless conflicts and wars, pandemics – all have human faces. We relate to people losing loved ones to disease or conflict because we know the gap it leaves. We are touched by stories of failing businesses not because we liked their logos, but because we empathise with the people in the organisation. Over the years, Old Mutual Unit Trusts has run various educational campaigns to highlight the power that investors have in their hands, to bring about change and create a better world for future generations.

FA News | 25 April 2022

INTERNATIONAL NEWS

UK pensions regulator enters dispute over £12mn surplus in water sector scheme

Case closely watching by industry as more employers choose to offload retirement plans

The Pensions Regulator has become involved in a dispute over a £12mn surplus cash payment within a retirement scheme for thousands of UK water sector workers, in a case that is being closely watched by the industry. The regulator said on Monday it was in discussions with the trustees of the £710mn Water Companies Pension Scheme, which is the subject of concerns over its decision to hand a £12mn scheme surplus to an employer, Bristol Water, rather than boost members' pensions.

Defined benefit pension plans build their asset base by contributions from employers and employees as well as investment performance. When the schemes are wound up, the trustees are legally obliged to follow a specific process before they can pay any surplus to the employer, which could use the cash for business investment, rather than give it to the members themselves. At issue for the Water Companies Pension Scheme, a retirement plan for six water sector companies, is its decision to distribute the surplus to Bristol Water. The surplus was identified by the trustees in 2018, after a move to secure the section's benefits with an insurer, which started the wind-up process.

The development comes as growing numbers of employers with defined benefit schemes are likely to face tensions with members over the distribution of surplus funds, as more employers look to offload plans with an insurer. Ahead of the Bristol scheme being formally wound up at the end of this year, the work and pensions select committee has written to the trustees of the water companies scheme asking questions over its plans for the surplus. "The Committee has been contacted by scheme members who say they are concerned that the trustees have taken the decision to transfer the remaining surplus . . . to the employer," wrote committee chair Stephen Timms MP in a letter to David Sankey, chair of the Water Companies Pension Fund Trustee Company.

He said the members' understanding was that the scheme rules allowed the trustee to use any surplus to boost their pensions, but that the trustee "decided to transfer the remaining funds to the employer without, in their view, adequate consultation or explanation". Timms added that his committee "rarely considers individual cases" except where these illuminate more general

policy and operational matters. A spokesperson for The Pensions Regulator said: “We are in discussions with the trustees of the Water Companies Bristol Water Section in our role to protect savers. We will not be commenting further at this time.” The trustees of the Water Companies Pension Scheme and Pennon Group, which agreed to take over Bristol Water last year, did not respond to requests for comment.

Financials Times | 25 April 2022

China nudges mutual funds to offer pension products, stabilise markets

SHANGHAI, April 27 (Reuters) - China's securities regulator nudged mutual funds to develop fund products for private pensions and asked them to stabilise markets, as Chinese equities witness a downturn that has pushed benchmarks to two-year lows. The move also comes against the backdrop of China launching its first private pension scheme last week, as it tackles economic challenges linked to an ageing population and looks to channel more long-term money into the stock market. Main benchmarks in China's stock market (.SSEC), (.CSI300) have plunged more than 20% this year, as the world's second largest economy grapples with COVID-19 flare-ups, the Ukraine crisis, and a likely aggressive U.S. monetary tightening.

The China Securities Regulatory Commission (CSRC) said in a statement late on Tuesday it would guide fund managers to adhere to the concept of "long-term investment" and "value investment" and play the roles of "stabilizer" and "ballast stone" in capital markets. The CSRC, in its statement, said it would support the opening up of the country's fund management industry and urged mutual funds to participate in the policymaking of pension fund investments.

To promote opening up of the industry, the CSRC said it will support foreign long-term institutional investors in establishing fund management companies or expand shareholding in China, and support domestic qualified fund management companies to "go global." It would also help some fund houses set up subsidiaries specializing in REITs (real estate investment trusts), equity investment, and pension financial services, and promote high-quality financial institutions like commercial banks, insurance institutions, and securities companies to set up fund firms.

Reuters | 27 April 2022

OUT OF INTEREST NEWS

Finding a silver lining in offshore investments during unprecedented times

There isn't a better time to equip offshore investors with the best product options available for their needs.

Following President Cyril Ramaphosa's announcement on the further opening of the South African economy, more people are looking for new investment opportunities. In 2020, South Africa's share in the global gross domestic product (GDP) adjusted for Purchasing Power Parity amounted to approximately 1%[1]. This is highly influenced by the extreme concentration of the country's ownership and control. A relatively small number of firms are dominating the economic sector. However, there are options available for investors who wish to diversify their wealth, beyond the South African borders.

Foreign exchange, also known as FX or Forex, is the conversion, or exchange, of one currency into another through an authorised dealer. Offshore investors trade in foreign currency to diversify their portfolio against the Rand. Diversification of the South African rand is important for individuals who want to be exposed to wider investment opportunities, including those that are not listed on the Johannesburg Stock Exchange (JSE).

Diversification

Other ways to diversify an offshore investment portfolio, beyond currency, is through investing across various geographical investment funds, where clients have the freedom to invest in developed markets such as those in parts of Europe and the United States as well as investing in emerging markets outside of SA. Further diversification can also be obtained through the different investment asset classes like shares, bonds, property or even cash and investment themes, such as Megatrends and Disruption portfolios. Under unprecedented times, such as the recent Russia and Ukraine wars, the importance of proper portfolio diversification has become even more significant to secure investors' wealth under unforeseen circumstances.

Offshore investments allowances

The aftermath of the pandemic left a negative effect on the global economic growth as a decrease from 5.5 per cent in 2021 to 4.1 per cent in 2022 and 3.2 per cent in 2023 is expected.[2] South Africa experienced a slight decrease in inflation in January from 5,9% to 5,7%. This means that there is a growing need for South Africans to pursue offshore trading. To

gain access to offshore investing, investors can utilise foreign allowances such as the Single discretionary allowance (SDA), where South African offshore investors over the age of 18 years are entitled to an SDA of up to R1 million per calendar year. The allowance can be used for any legitimate purpose, at the investor's discretion. Other allowances include the Foreign Investment Allowance (FIA), where investors can receive an additional R10 million per calendar year, provided they are a taxpayer in good standing and have applied for the required tax clearance certificate successfully.

The amount can be used to purchase property in foreign countries, invest amounts exceeding R1 million, and for transfers for other purposes where you may have already exceeded your R1 million SDA. The tax clearance application process takes approximately 21 business days to finalise, and all supporting documentation must be provided along with your application.

Structuring your investments

The importance of product choice is often overlooked by offshore investors. The purpose of an investment product is to define the accessibility to and tax implications on the investors' investment capital. Offshore investors can structure their offshore investments using various products such as direct investment into a Unit Trust, Stockbroking portfolio or Structured Product, or via an offshore Life Wrapper, like an offshore Endowment or offshore Sinking Fund, through which one can also access offshore Unit Trusts, Stockbroking portfolios and Structured Products. A Life Wrapper provides investors with a fixed tax rate within the product on the growth and proceeds generated. Through GraySwan, offshore investors gain access to international investment opportunities, tailored to their specific needs.

Types of Offshore Investments

Examples of offshore investment products include:

- Offshore unit trusts and ETFs,

This product is similar to a local unit trust, where investors pool their funds together and purchase units in a portfolio consisting of a single or various underlying asset classes. They can either be actively or passively managed.

- Offshore share portfolios

An offshore share portfolio works the same as a local share portfolio but instead of only having access to shares listed on the JSE, investors now have access to the full spectrum of globally listed companies.

- Structured products

These are investment product innovations that have gained increased traction over the last few years as a supplement to traditional unit trusts, ETF and share portfolios. They are a pre-packaged, fixed-term investment that offers investors easy access to equity markets, but with the added benefit of a pre-defined and pre-packaged risk and return profile.

- Offshore exchange-traded notes

Exchange-Traded Notes ("ETNs') are exchange-traded debt instruments. The investor lends money to the issuer of the ETN (usually a bank) and then receives a return based on the movements in a specific benchmark. ETNs are also bought and sold via a stock exchange like a share but unlike ETFs. They do not provide investors ownership of the securities in the index they track, ETN's merely provide the return that the index produces. That is why the price of the ETN must track the index closely to mitigate the possibility of tracking errors. ETNs are normally accessed via a stockbroker.

South Africans often shy away from exploring offshore investments due to the lack of knowledge available, however, offshore investing is a simple and convenient method of growing sustainable wealth. Any South African that is over the age of 18 years and South African companies (excluding Trusts and Close Corporations) may transfer money offshore via Foreign Exchange. Through expert and industry experience offshore investors should be assisted with constructing an underlying investment that is suited to their personal investment goals and risk profile. It is the freedom to grow your wealth. Investors are also offered a tailor-made offshore investment portfolio suited to the client's investment needs, time horizon and individual risk profile.

FA News | 26 April 2022

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