

CORONATION Fund Managers reports that its asset allocation funds are invested to their maximum 25 percent offshore allocation and for now closed to further offshore investments.

Karl Leinberger, Coronation's chief investment officer, says while most investment houses would be overweight offshore, Coronation is at the extreme end of the spectrum, reflecting the depth of its positive view of offshore investments at the moment.

This also reflects strong demand from institutional investors, a trend which ironically is not mirrored in

Institutional market takes all the offshore assets it can get

the retail market.

"The retail market remains underexposed to the offshore market because it was primarily the man in the street who took the brunt of the pain over the past decade. It was the retail market which was overinvested offshore 10 years ago, got burned and just doesn't want to know offshore equities anymore," says Leinberger.

It's rather sad, he says, because they stand to lose just as badly this

time round because the fundamentals have exactly reversed. The retail market may think it is not going to make the same mistake as before, but that is exactly what it is likely to do.

Leinberger points to the following instances: Walmart would have had a rating in the 20s or even 30s a decade ago, but is today 13. Shoprite a decade ago would have been on a valuation of 10 to 11, and today is 17.

"Therefore, we think there's

good value offshore," he says. Leinberger expects the retail market to only regain interest in the global market most probably only when the rand has weakened and offshore returns are again attractive. Obviously, by that time it is too late.

The good news is that through their pension funds and investments in asset allocation or balanced funds, retail investors will already have substantial indirect offshore exposure.

"However, because of the constraints on the level of international exposure allowed in most multi-asset mandates, investors should consider additional exposure by means of an international fund."

As to all the bad news emanating from the very markets he is recommending local investors place their money in, Leinberger says that offshore markets have priced in all the bad news.