



06/21

INVESTING  
OFFSHORE

# COROLAB

*Your guide to investment ideas*

CORONATION

TRUST IS EARNED™



+

## THE CORONATION CLIENT CHARTER

---

We strive to always put clients first

We have an unwavering  
commitment to the long term

We focus on producing top performance  
over all meaningful periods

We are uncompromising about ethics



# Reasons to be investing offshore

For many discretionary investors (those who have some money to invest beyond what is already allocated to their retirement) it may be tempting to increase or decrease their international exposure for temporary reasons (such as current sentiment, specific currency expectations or recent returns). However, having exposure to foreign asset classes is not about the timing. Instead, it is an allocation that should be made with strategic reasons in mind and one that should form part of your long-term investment, regardless of the point in the market cycle.

In this issue, we unpack why investors should be investing offshore, explain how we have been investing clients' money offshore for more than two decades and detail which of our funds are most suited to investors' specific offshore needs.

## YOUR DECISION SHOULD BE DRIVEN BY STRATEGIC REASONS, NOT SENTIMENT

While it is easy to succumb to the sentiment of the day, allowing it to determine your reasons for investing offshore is a weak philosophy – and there is no better example than South African investors' reaction to short-term currency moves. The performance of the rand has a long history of significantly impacting how investors perceive international investments. Interest in international assets is typically low when the rand is strong but increases as the rand weakens. This may be a problem if investors inadvertently replace cheap assets with expensive assets purely based on current sentiment. It is thus important for investors to approach their level of offshore exposure with strategic, not temporary, reasons in mind.



This sentiment-driven approach means investors are inadvertently replacing cheap assets with expensive assets.

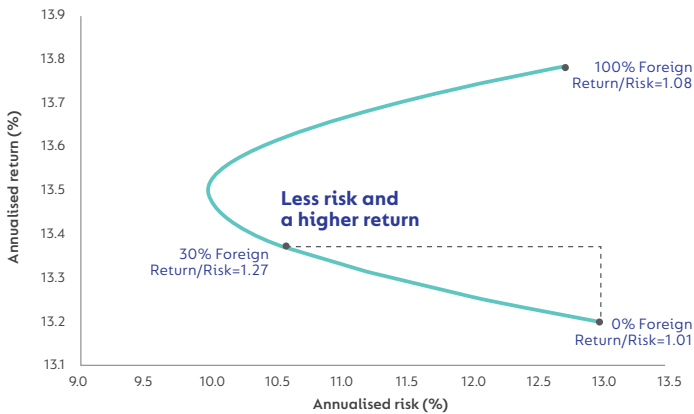


## It's about optimising your portfolio

By allocating money internationally, you reduce the level of risk associated with achieving a specific rate of expected return, as demonstrated in the risk-return frontier in **Figure 1**.

Figure 1

### ALLOCATING TO OFFSHORE ASSETS NOT ONLY REDUCES RISK, BUT ALSO INCREASES RETURN



For retirement savers, the classic recommendation is to have a minimum international allocation of 20% to 30% through the cycle. These long-term investors require an annualised return of inflation plus 4% to 5% in rand terms with which they need to buy a basket of local goods and services. **Figure 1** shows that at 0% international exposure, these investors get compensated with 1.01 units of return. But by having international exposure of 30%, their units of return increase to 1.27 (and at less risk than a portfolio without any international exposure).

### Should you consider investing more than 30% offshore?

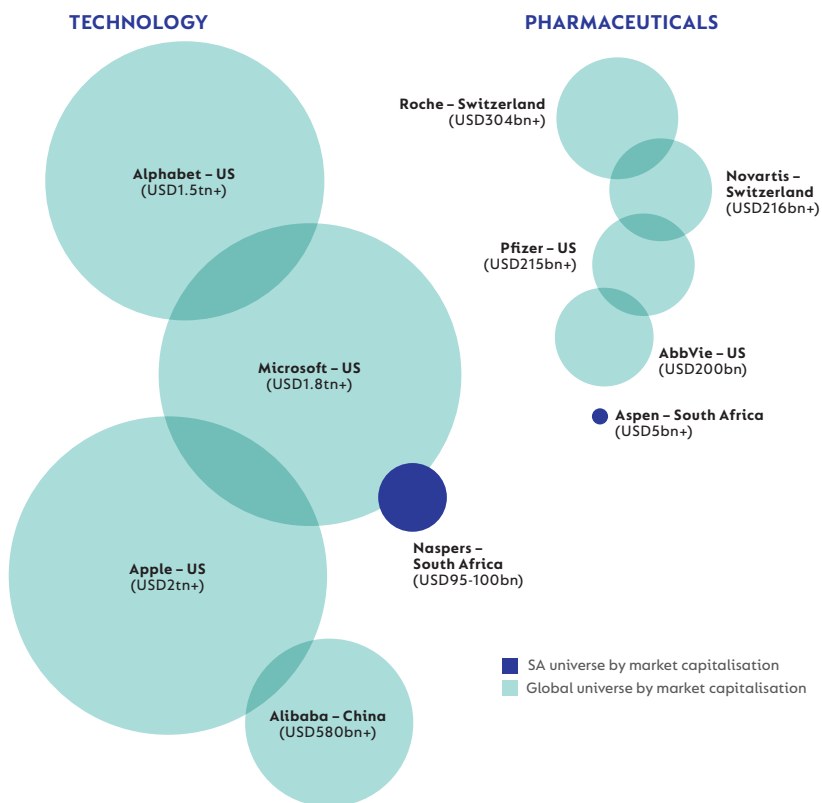
Investors who can justify a larger international allocation (more than 30%) include those who:

- spend regularly in foreign currency;
- need to consider offshore bequests because multiple generations live on different continents; and/or
- do not need to draw a domestic income from their savings.



## It's about accessing opportunities outside of our local investment universe

South African investors who restrict their universe to domestic assets not only miss out on opportunities in industries that are hardly present in the local market (e.g. information technology, biotechnology, electronics, pharmaceuticals) but also on a much wider opportunity set within those industries (see below). By opening up your investment universe, you gain access to a more diverse opportunity set, as well as to better businesses with better earnings prospects.



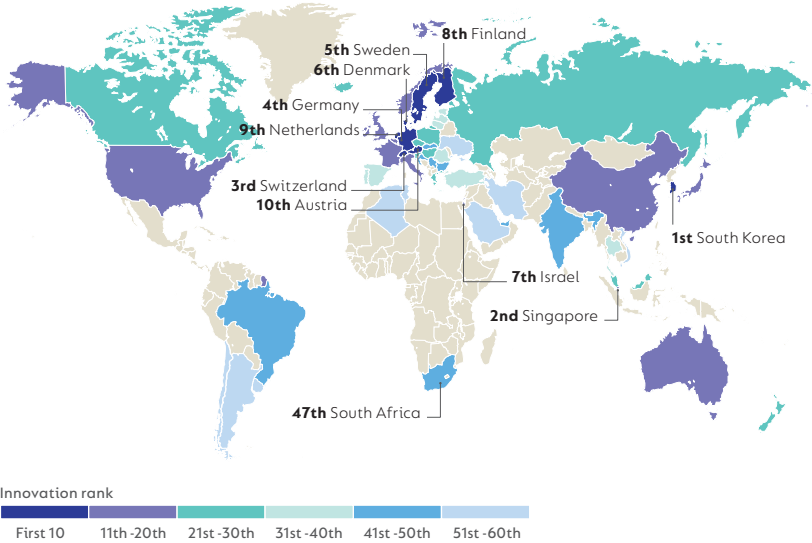
Source: Bloomberg as at end May 2021

Furthermore, by diversifying your investment portfolio to include international assets, you gain access to growth regions that benefit from mega-drivers, such as innovation, industrialisation, urbanisation, digital advances and growing consumerism. From **Figure 2**, it is clear that economies' ability to innovate (a critical driver of growth and prosperity) resides predominantly outside of our own borders. By adding global diversification to your portfolio, you are able to enhance your investment outcomes.

Figure 2

**WORLD'S 60 MOST INNOVATIVE ECONOMIES**

SA significantly less innovative than its global peers



Bloomberg Innovation Index 2021  
Sources: Bloomberg, International Labour Organization, International Monetary Fund, World Bank, Organisation for Economic Cooperation and Development, World Intellectual Property Organization, United Nations Educational, Scientific and Cultural Organization



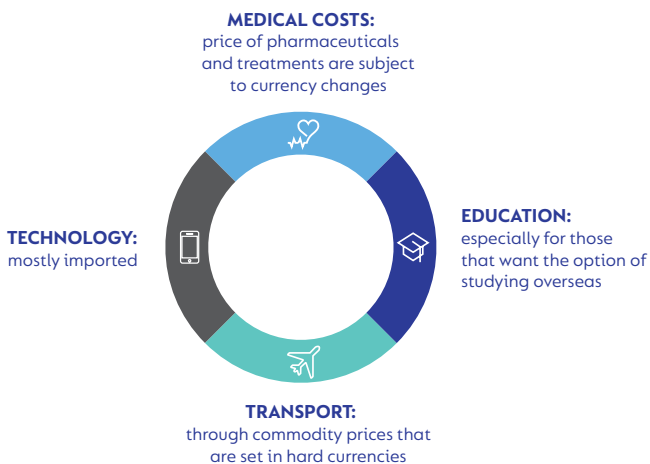
## Your future shopping basket plays a key role

Many items in a South African consumer's shopping basket (from fuel to food to healthcare) are largely priced in foreign currencies as the inputs are either commodities (with prices struck in global markets), or heavily reliant on imported content. Having adequate international exposure acts as a hedge against the long-term change in price of this part of your future shopping basket. Episodes of currency weakness will more than likely remain a strong driver of price increases into the future.

Having more than the minimum offshore exposure may also be warranted for those planning for future liabilities in hard currency. This would include expenses such as overseas travel (for leisure purposes or visiting family members living abroad) or business opportunities, investing for a next generation's education, or emigration.

### What portion of your future shopping basket is priced in foreign currency?

Consider your everyday expenses that are influenced by currency fluctuations, including:



## How we invest offshore

---

We manage all our international funds according to the same proven long-term, valuation-driven investment philosophy that we have applied locally for almost 28 years. While most managers face enormous pressure to perform well over 12-month periods – typically resulting in poor long-term decisions – our ability to focus on a time horizon of five years and longer allows us to invest in assets that we believe are trading at substantial discounts to our assessment of their underlying long-term value.

Based in Cape Town, our integrated global investment team is one of the only teams in the world with three former chief investment officers (CIOs) still actively managing money. Led by CIO Karl Leinberger, the team comprises 70 professionals, with an average of more than 14 years in the industry and just over 10 years with Coronation. Our developed markets equity team of eight analysts is headed by Neil Padoa and supported by former Coronation CIO Louis Stassen. The developed markets team is also closely integrated with our global emerging markets team of 10, led since inception by Gavin Joubert. Their efforts are also supported by our global multi-manager team, led by another former Coronation CIO Tony Gibson. This team continues to be responsible for the core global equity building block used in our domestic multi-asset funds, namely Coronation Balanced Plus. Further depth is provided by the five analysts in our Global Frontier Markets team.

*70 investment professionals  
with >980 years' collective industry experience*

---





## CONSTANT INTERACTION AND EXCHANGE OF INVESTMENT INFORMATION



We believe in a team-based approach to investing rather than relying on specialist silos where investment decisions are made in a vacuum. Our entire investment team – covering South African and global markets – constantly interact and exchange investment information. Our analysts and fund managers each cover a wide range of investments, across different industries and countries. They can price profit and risk across asset classes, sectors and geographies. We believe this broader perspective builds better investors, drives better debate and results in better investment decisions. Our team-based and generalist approach has contributed to the stability of our investment process.

## More than two decades of creating significant value in global multi-asset class portfolios

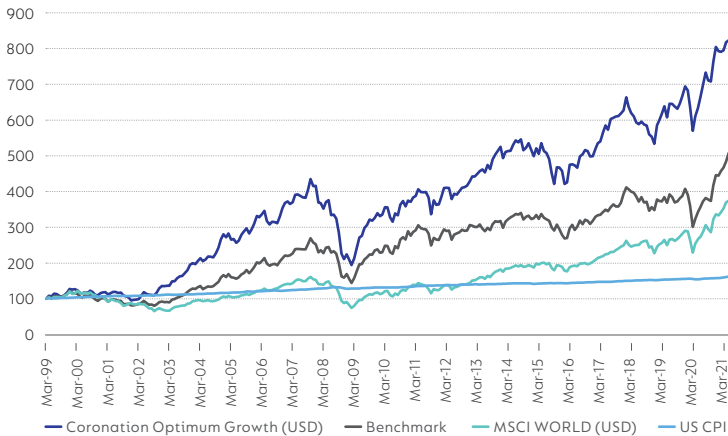
Our proven multi-asset capabilities across global markets have generated significant value for investors over the long term, as demonstrated by the track record of **Coronation Optimum Growth (Figure 3)**. Having pioneered the uniquely flexible worldwide multi-asset mandate 22 years ago, the Fund is an aggressive long-term portfolio that invests in the best opportunities selected from local, emerging and developed markets. As at end-May 2021, the retail class of the Fund had:

- ▶ outperformed global equities (as measured by the MSCI World Index) by 3.8% p.a. since inception (in US dollars), resulting in a current investment value more than double that of an investment in the index, delivered with significantly less volatility.
- ▶ outperformed US inflation by 7.8% p.a. since inception (in US dollars); and ranked first in its Morningstar category over all longer-term periods of 10, 15 and 20 years, while outperforming more than 90% of all competitors over the last 3 and 5 years. (Source: Morningstar)

Figure 3

### MEANINGFUL OUTPERFORMANCE OF BENCHMARK AND INFLATION IN USD

US\$'000 Accumulation of \$100 000 since March 1999



Launch date: March 1999; Highest annual return: 51.1% (Jan 2013 – Dec 2013);

Lowest annual return: -31.5% (Mar 2008 – Feb 2009)

Benchmark: Composite 35% local equities, 35% international equities, 15% local bonds and 15% international bonds

For full fund details, download the Fund's **comprehensive fact sheet**.

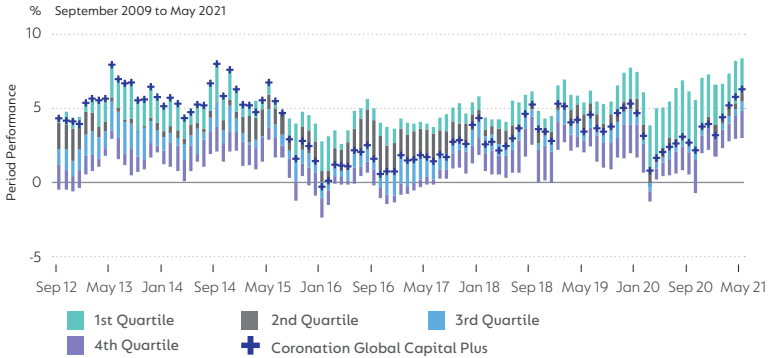
Source: Coronation and IRESS as at end May 2021



The breadth and depth of our investment team's expertise is also evident in the more than 10-year track records of our pure global multi-asset funds among international peers (see Figures 4 and 5).

Figure 4

**CONSISTENT 1ST OR 2ND QUARTILE PERFORMANCE**  
**Coronation Global Capital Plus Fund (Rolling 3-year return vs Peers)**

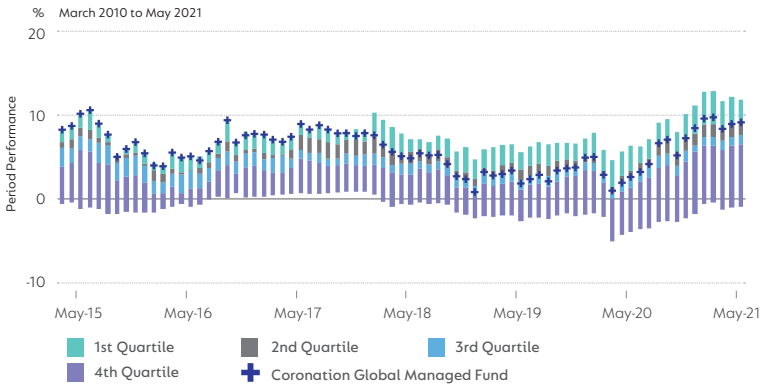


\*Peer group consists of comparable global funds available on the major South African-based offshore platforms. Returns are class P (clean or platform fund class), quoted for the USD-denominated fund for the period September 2009 (launch date of fund) to May 2021. For full details on the retail class of the fund, download the Fund's **comprehensive fact sheet**.

Source: Morningstar

Figure 5

**CONSISTENT 1ST OR 2ND QUARTILE PERFORMANCE**  
**Coronation Global Managed Fund (Rolling 5-year return vs Peers)**






\*Peer group consists of comparable global funds available on the major South African-based offshore platforms. Returns are class P (clean or platform fund class), quoted for the USD-denominated fund for the period March 2010 (launch date of fund) to May 2021. For full details on the retail class of the fund, download the Fund's **comprehensive fact sheet**.

Source: Morningstar

# Which fund is right for you?

## INVEST OFFSHORE WITH US IN RANDB OR IN DOLLARS

Investors can gain international exposure with Coronation through different funds. Those who wish to invest solely in global markets can do so by choosing the most appropriate fund that matches their needs from our range of rand- or US dollar-denominated funds. We offer a range of funds (rand-denominated or foreign-domiciled) that are invested in global markets, while most of our flagship domestic multi-asset funds already have a considerable international allocation. Below we discuss these options in more detail.

 YOUR SITUATION	 YOUR OPTIONS	 % OFFSHORE
<b>I only have the budget to invest for retirement</b>	Invest in a domestic multi-asset fund	Max 30% offshore exposure
<b>I want to grow my rands by investing globally</b>	Invest in a worldwide flexible fund or a rand-denominated global multi-asset fund	Between 40% – 100% offshore exposure
<b>I want to invest offshore in US dollars</b>	Invest in a dollar-denominated global multi-asset fund	100% direct offshore exposure



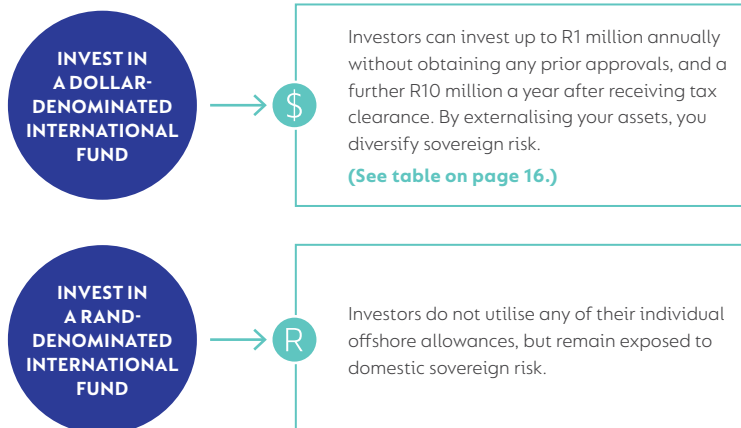
## INVEST IN A FUND THAT ONLY HOLDS INTERNATIONAL ASSETS



### SUITABLE FOR INVESTORS WHO:

- do not have access to the optimal level of offshore exposure by means of their pension funds and want to further diversify their risk; or
- have investment horizons spanning multiple decades and/or sizeable discretionary (non-retirement) savings.

By living, working and owning a home in South Africa, it must be noted that you already have significant country-specific risk, arguing for additional international exposure. Investors who require more international exposure than is achievable by way of a domestic or an aggressive global allocation fund (discussed below), can therefore use their non-retirement savings to invest in a fund incorporated in another country (i.e. externalising your rands), most often in the EU. In this case, the laws of the country of incorporation govern your investment. Coronation offers a range of funds incorporated in Ireland with the same underlying market exposure as our rand-denominated international funds, but with the added benefit of jurisdictional diversification. We also offer rand-denominated funds that allocate all or most assets to international investments, while remaining easy to use and access, as the funds are established in South Africa. While these funds provide full economic diversification, they still operate under the laws of South Africa and therefore do not diversify jurisdictional risk<sup>1</sup>.



1. One example of jurisdictional risk is that South Africa still enforces exchange controls, which limit the amount that asset managers can invest outside South Africa on behalf of clients. The current limits are 30% globally and 10% in the rest of Africa for retirement fund investors, and 40% globally and 10% in the rest of Africa for discretionary investors.

## INVEST IN AN UNCONSTRAINED PORTFOLIO



### SUITABLE FOR INVESTORS WHO:

- are discretionary investors with larger offshore exposure needs; but
- still require a fund manager to allocate between domestic and international assets.

We offer two multi-asset funds optimised for long-term discretionary investors who are not subject to retirement fund investment restrictions. Coronation Market Plus can invest up to 40% offshore, while investors requiring an unconstrained mandate can consider Coronation Optimum Growth (as detailed on [page 10](#)). The Fund will typically invest between 50% and 90% of its portfolio in international assets. Coronation Optimum Growth truly celebrates active investing. Its ability to invest in any listed asset from anywhere in the world benefits from the breadth and depth of our global investment team covering equities, bonds and property across the domestic, international developed, emerging and frontier markets. While it is an equity-centric solution, allocation to other asset classes will be informed by valuations. The Fund does not target a specific asset allocation.

## UNPACKING CORONATION OPTIMUM GROWTH



\*Morningstar as at 31 May 2021

Launch date: March 1999; Highest annual return: 51.1% (Jan 2013 – Dec 2013);  
Lowest annual return: -31.5% (Mar 2008 – Feb 2009)

Benchmark: Composite 35% local equities, 35% international equities, 15% local bonds and 15% international bonds



## INVEST IN A DOMESTIC MULTI-ASSET FUND








### SUITABLE FOR INVESTORS WHO:

- **only have the budget to invest for retirement;**
- **do not plan to make any other discretionary investments; or**
- **have both income and growth needs.**

Pension funds that are subject to regulatory limits are currently allowed a maximum offshore allocation of 30% (with an additional 10% in other African markets). This level of exposure to offshore assets may be sufficient for investors with the above-mentioned needs. Our domestic multi-asset funds (Coronation Balanced Plus, Coronation Capital Plus and Coronation Balanced Defensive) are mandated to hold the maximum allowable offshore allocation on behalf of investors.

# An established international fund range to meet your specific needs

To give you access to the best global opportunities, we offer a range of single and multi-asset funds, each designed to match different investor needs.

 FUND	<b>Coronation Global Strategic USD Income</b>	<b>Coronation Global Capital Plus</b>	<b>Coronation Global Managed</b>	<b>Coronation Optimum Growth</b>	<b>Coronation Global Equity Select</b>
 DESCRIPTION	An intelligent alternative to dollar-denominated bank deposits.	A low-risk global balanced fund that can invest up to half of your money in growth assets.	A long-term global balanced fund that will invest more than half of your money in growth assets.	An aggressive long-term portfolio that invests in the best opportunities in both local and international markets.	An aggressive long-term portfolio that invests in the best opportunities in global developed and emerging equity markets.
 RECOMMENDED INVESTMENT TERM	1 year +	3 years +	5 years +	10 years +	10 years +
 CURRENCY	Available in rands or US dollars	Available in rands, US dollars, hedged dollars, hedged euros or hedged pounds	Available in rands or US dollars	Available in rands or US dollars.	Available in rands or US dollars
 INFORMATION	Read more about this <b>fund</b>	Read more about this <b>fund</b>	Read more about this <b>fund</b>	Read more about this <b>fund</b>	Read more about this <b>fund</b>





# FAQs

---

## HOW TO ACCESS OUR INTERNATIONAL FUNDS

Our rand-denominated international funds are available directly from Coronation, or as investment options on the product platforms of most of the prominent linked product companies in South Africa. Our foreign-domiciled funds can also be accessed directly, or through the offshore fund platforms offered by both domestic and foreign institutions including Alexander Forbes, Allan Gray, Capital International, Cidel, Discovery, Absa Investment Management Services, Glacier by Sanlam, Ninety One, INN8, Momentum, and Old Mutual International.

## HOW TO CHOOSE BETWEEN A RAND-DENOMINATED & FOREIGN CURRENCY-DENOMINATED FUND

Our rand-denominated and foreign-domiciled international funds are invested in the same assets. The suitability of fund structure is best determined by an investor's financial and tax planning considerations. Factors such as the investor's status (natural person or trust); family needs (e.g. children on different continents) and the purpose of their investment (e.g. whether they want to draw an income) should influence this decision. Offshore investment is still subject to exchange controls set by government and administered by the South African Reserve Bank. When investors elect to invest in our foreign-domiciled international funds, they use their individual allowance of up to R11 million a year. Investors in our rand-denominated international funds utilise Coronation's foreign investment allowance, which is currently set at 40% (excl. Africa) of the household assets invested in our unit trust funds.

## DECIDING ON THE RIGHT CURRENCY CHOICE

Deciding on the optimal currency allocation within a portfolio is integral to establishing the fair value of assets and optimising returns over time. Our long-term, growth-oriented foreign-domiciled funds therefore invest in a basket of currencies, despite the fact that returns are reported in US dollars. However, where funds have short-term capital preservation targets, which can only be expressed in a certain currency, the currency decision is often more appropriately made by the client. For this reason, we have introduced hedged

currency classes for the Coronation Global Capital Plus Fund. This enables investors to choose the reference currency that we will use in managing the risk of short-term capital loss. **(See table on page 16 for details.)**

**Disclaimer:**

All information and opinions provided are of a general nature and are not intended to address the circumstances of any particular individual or entity. As a result thereof, there may be limitations as to the appropriateness of any information given. It is therefore recommended that the reader first obtain the appropriate legal, tax, investment or other professional advice and formulate an appropriate investment strategy that would suit the risk profile of the reader prior to acting upon information. Neither Coronation Fund Managers Limited, Coronation Management Company (RF) (Pty) Ltd nor any other subsidiary of Coronation Fund Managers Limited (collectively "Coronation") is acting, purporting to act and nor is it authorised to act in any way as an adviser. Coronation endeavours to provide accurate and timely information but we make no representation or warranty, expressed or implied, with respect to the correctness, accuracy or completeness of the information and opinions. Coronation does not undertake to update, modify or amend the information on a frequent basis or to advise any person if such information subsequently becomes inaccurate. Any representation or opinion is provided for information purposes only. Unit trusts should be considered a medium- to long-term investment. The value of units may go down as well as up, and is therefore not guaranteed. Past performance is not necessarily an indication of future performance. Unit trusts are allowed to engage in scrip lending and borrowing. Performance is calculated by Coronation for a lump sum investment with income distributions reinvested. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Where foreign securities are included in a fund it may be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. The Coronation Money Market fund is not a bank deposit account. The fund has a constant price, and the total return is made up of interest received and any gain or loss made on any particular instrument, in most cases the return will merely have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals could place the fund under liquidity pressures, in such circumstances a process of ring-fencing of redemption instructions and managed pay-outs over time may be followed. A fund of funds invests in collective investment schemes that levy their own fees and charges, which could result in a higher fee structure for this fund. A feeder fund invests in a single fund of a collective investment scheme, which levies its own charges and could result in a higher fee structure for the feeder fund. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority in terms of the Collective Investment Schemes Control Act. Unit trusts are traded at ruling prices set on every day trading. Forward pricing is used. For Domestic Unit Trust Funds and Tax Free Investments, including rand-denominated International Unit Trust Funds, fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close). For these Funds, instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. For International Unit Trust Funds that are denominated in a foreign currency, fund valuations take place at approximately 17h00 each business day (Irish Time) and instructions must reach the Management Company before 12h00 (SA Time) to ensure the value of the next business day. For Retirement Products, fund valuations take place at approximately 15h00 each business day, except at month end when valuation is performed at approximately 17h00 (JSE market close). For these Products, instructions must reach the Management Company before 14h00 to ensure the value of the next business day. Additional information such as fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, [www.coronation.com](http://www.coronation.com). Coronation Fund Managers Limited is a Full member of the Association for Savings & Investment SA (ASISA). Coronation Asset Management (Pty) Ltd (FSP 548), Coronation Investment Management International (Pty) Ltd (FSP 45646) and Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893) are authorised financial services providers.

**TRUST IS EARNED™**



For **enquiries** you can call us on **0800 22 11 77**  
or email us at **[clientservice@coronation.com](mailto:clientservice@coronation.com)**.

For **new applications or transactions** you can email your forms directly to  
**[transact@coronation.com](mailto:transact@coronation.com)** or fax us on **+27 21 680 2100**.

For **more information or to invest online**, visit us on **[www.coronation.com](http://www.coronation.com)**.