



05/22

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



Look at offshore investing holistically

Many South African investors regard investing offshore as a standalone consideration. And often, these investors are tempted to increase or decrease their international allocation based on prevailing sentiment about the economic environment, specific currency expectations or recent returns.

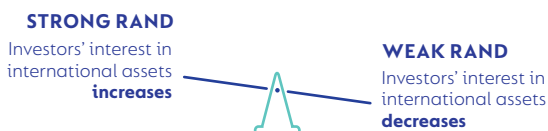
However, your decision to have exposure to foreign asset classes should not be done in isolation. Motivated by the quest for diversification, an offshore allocation should always form part of your overall long-term investment portfolio, with the level dependent on your personal circumstances and goals.

Furthermore, allocating to markets beyond the JSE is not about the timing. Instead, it should be driven by strategic reasons, which we unpack in this edition. We also explain how we have been investing our clients' money offshore for more than two decades and detail which of our funds are most suited to investors' specific offshore needs.

WHY YOU NEED TO RESIST A SENTIMENT-DRIVEN APPROACH

Like any investment, it is easy to succumb to the sentiment of the day, allowing it to determine the ultimate action you take, or don't take. Very often, this is a weak philosophy when you are investing towards a long-term goal.

One of the best examples of sentiment-driven investing is how South African investors react 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 becomes value-destructive when investors inadvertently replace cheap assets with expensive assets (buying low and selling high) 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.



Strategic reasons to be investing offshore

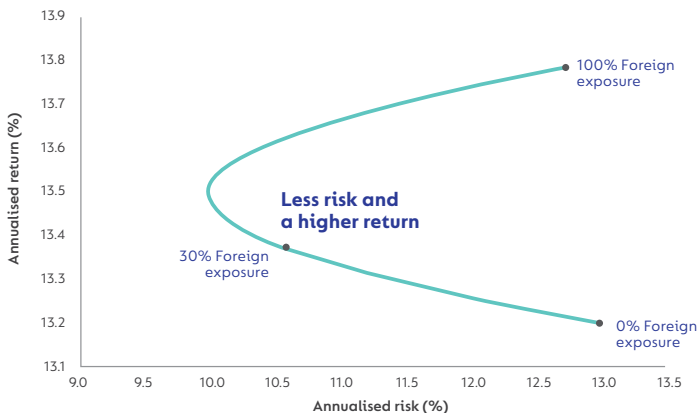
REDUCED RISK THROUGH DIVERSIFICATION

By allocating money internationally, you reduce the level of risk associated with achieving a specific rate of expected return. This is predominantly due to the diversification benefits of adding another asset class to your overall investment portfolio that, especially when factoring in the effect of the currency, behaves differently to that of your local asset class mix.

For retirement savers, the classic recommendation is to have a minimum international allocation of 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 for every unit of risk taken. But by having international exposure of 30%, their return increases and their risk decreases, meaning that they can achieve 1.27 units of return for every unit of risk taken.

Figure 1

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





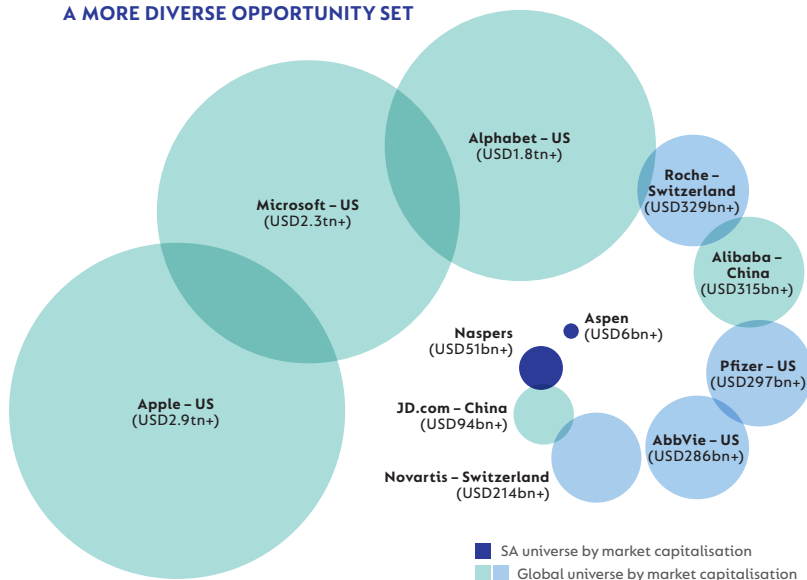
Investors who can justify a larger international allocation (more than 30%) include those who:

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

MORE OPPORTUNITIES AND ENHANCED OUTCOMES

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, or 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.

A MORE DIVERSE OPPORTUNITY SET

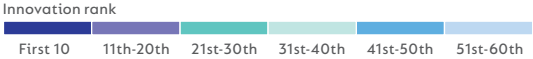
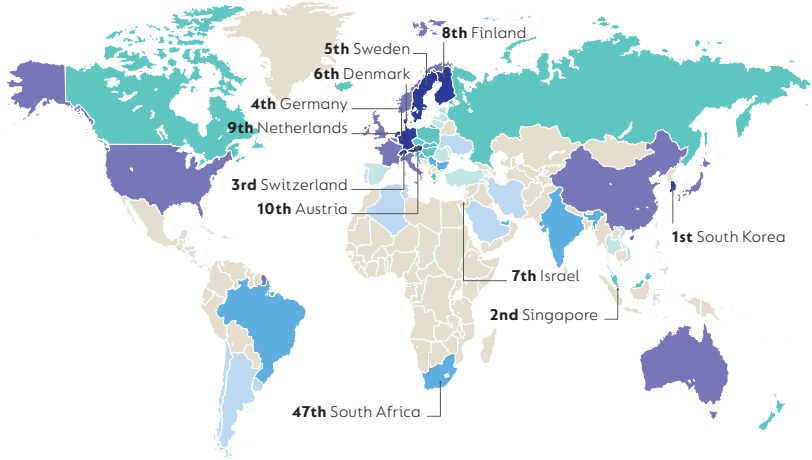


Furthermore, by diversifying your investment portfolio to include international assets, you gain access to growth regions that benefit from mega-drivers, such as innovation, industrialisation, urbanisation, digital advances and growing consumerism. From **Figure 2**, it is clear that economies' ability 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

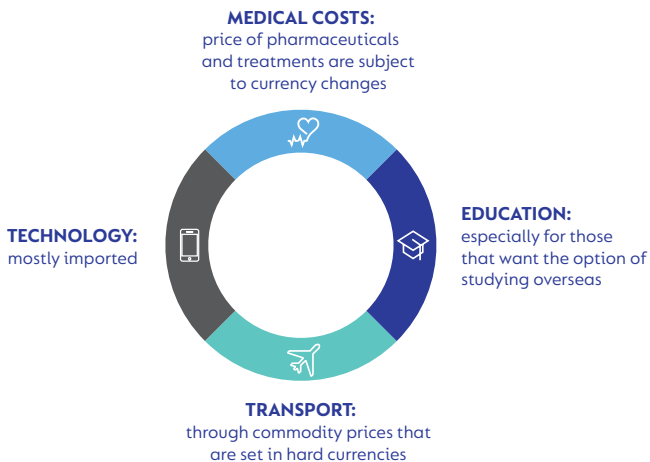


3. YOUR FUTURE SHOPPING BASKET MAY REQUIRE IT

Many items in the 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 (30%) 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?

Everyday expenses that are influenced by currency fluctuations



How we invest offshore

A SINGLE LONG-TERM INVESTMENT PHILOSOPHY

Investing is fundamentally a multi-decade endeavour in a world where markets are incredibly efficient at pricing short-term news flow, yet inefficient at pricing the long-term value of assets. Our ability to focus on a time horizon beyond five years allows us to invest in assets that we believe are trading at substantial discounts to our assessment of their underlying long-term value. This enables us to unlock that opportunity on behalf of those investors who are willing to invest with us for the time that is required.

DEEP PROPRIETARY RESEARCH

An extraordinary amount of deep research informs every position owned on our clients' behalf across all of our portfolios. We assess risks, prospects and values on a daily and weekly basis, and continue to avail ourselves of as many independent information sources and inputs as possible into our analysis process. This includes speaking to as many customers, competitors, suppliers, experts and different levels of management to understand the fundamentals of a particular company and its long-term prospects.

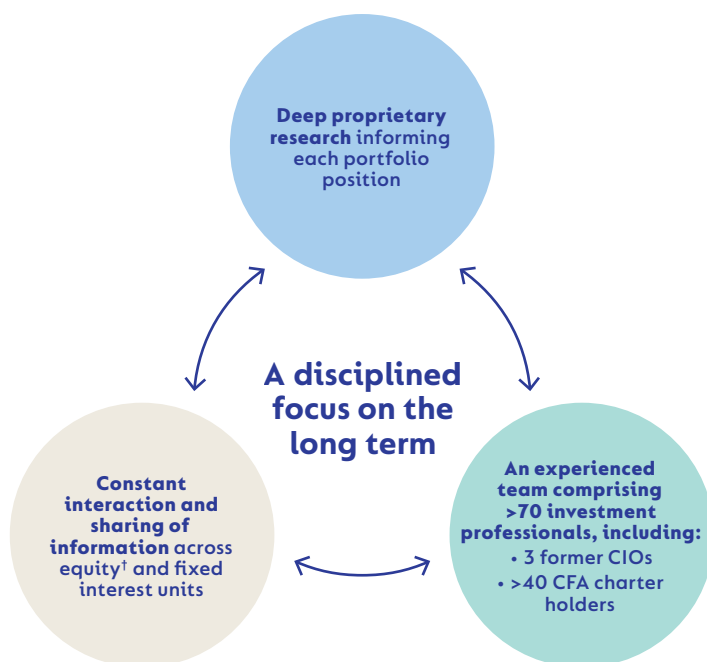
CONSTANT INTERACTION AND INFORMATION SHARING

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 interacts and exchanges 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.



AN EXPERIENCED TEAM

Based in Cape Town, our integrated global investment team is one of the only teams in the world with three former chief investment officers who have experienced all of the major financial crises of the past three decades still actively managing money. Led by CIO Karl Leinberger, the team comprises almost 70 professionals, with an average of close to 15 years in the industry and almost 11 years with Coronation*.



* as at end-March 2022

† SA, Global Developed, Global Emerging and Frontier Markets

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 the **Coronation Global Optimum Growth Fund (Figure 3)**. The Fund is an unconstrained global portfolio that allocates to our best ideas in developed and emerging markets. Key highlights as at end March 2022 include:

- ▶ for every R1 invested in the rand-denominated feeder fund at inception, you would have R16 today compared to R3.70 needed to keep up with inflation – resulting in a four-fold increase in purchasing power over that period (or resulting in a four-fold increase in purchasing power in USD terms over that same period).
- ▶ Ranked in the first quartile of its ASISA category over 10 and 20 years, while outperforming the average competitor in this category by 98% over the last five years (Source: Morningstar).

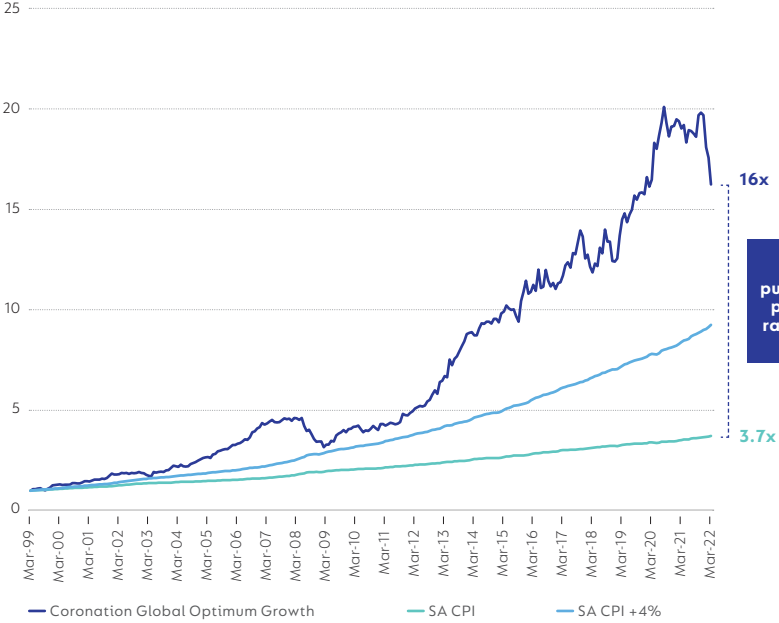
We also offer two other international multi-asset portfolios aimed at meeting specific investor needs, each with an investment track record of more than 10 years, namely Coronation Global Managed and Coronation Global Capital Plus (see table on page 15). All of our international funds are available as rand feeder funds or denominated in US dollars.



Figure 3

SIGNIFICANT VALUE CREATION IN REAL TERMS

R Accumulated value of R1 since inception (March 1999) as at 31 March 2022



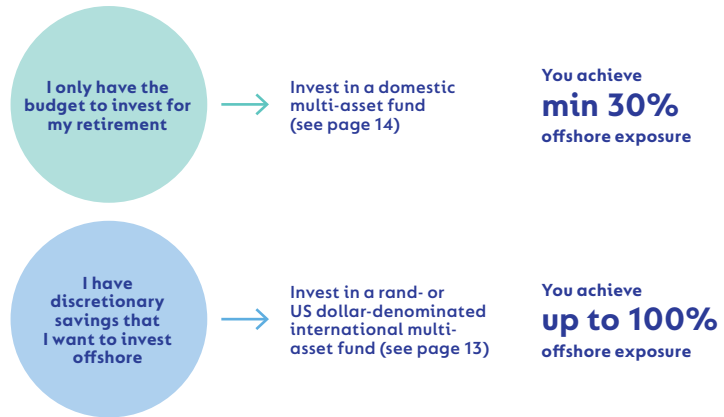
For full fund details, download the Fund's [comprehensive fact sheet](#).

Source: Coronation and IRESS as at end-March 2022

Invest offshore with us in rands or in dollars

Investors can gain international exposure with Coronation through different funds. We offer a range of portfolios (rand-denominated feeder or foreign-domiciled) that are invested in global markets, while most of our flagship domestic multi-asset funds already have a considerable international allocation. The following section should help guide your fund choice to achieve the level of offshore exposure that best suits your needs and goals.

CHOOSING THE RIGHT FUND





INVEST IN A FUND THAT ONLY HOLDS INTERNATIONAL ASSETS

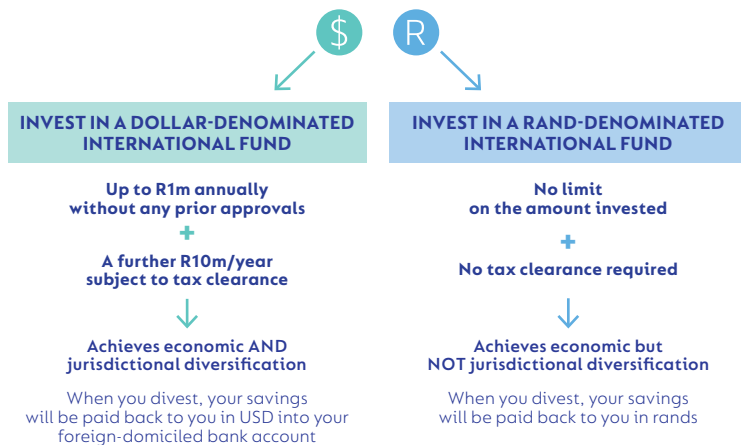


SUITABLE FOR INVESTORS WHO:

- do not have access to the optimal level of offshore exposure by means of their pension funds (min 30%) and want to further diversify their risk; and/or
- have investment horizons spanning multiple decades and/or sizeable discretionary (non-retirement) savings.

By living, working and owning a home in South Africa, 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 multi-asset or worldwide flexible fund, 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 feeder 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 (e.g. exchange controls, which limit the amount an asset manager can invest outside of SA obo clients).

WHERE WILL YOUR MONEY BE NEEDED IN FUTURE?



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; and/or**
- **have both income and growth needs.**

Pension funds that are subject to regulatory limits are currently allowed a maximum offshore allocation of 45%. This level of exposure to offshore assets may be sufficient for investors with the above-mentioned needs. Our domestic multi-asset funds (**Coronation Market Plus, Coronation Balanced Plus, Coronation Capital Plus** and **Coronation Balanced Defensive**) are mandated to hold up to 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 multi-asset class solutions (as per the table below) that are designed to meet specific investor needs. We also offer three equity-only portfolios in the form of the developed market-focused global equity fund (**Coronation Global Equity Select**), a global equity fund of funds (**Coronation Global Opportunities Equity**) or our global emerging markets funds (visit [coronation.com](https://www.coronation.com) for more details about these funds).

 FUND	Coronation Global Strategic USD Income	Coronation Global Capital Plus	Coronation Global Managed	Coronation Global Optimum Growth
 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 moderate fund seeking to balance long-term real returns with the risk of loss, by investing in a range of listed asset classes around the world.	An aggressive long-term portfolio with the ability to allocate across developed and emerging markets (including South Africa) on a totally flexible basis
 RECOMMENDED INVESTMENT TERM	1 year +	3 years +	5 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.
 INFORMATION	Read more about this fund	Read more about this fund	Read more about this fund	Read more about this fund

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, Canaccord, Cidel, Discovery, 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 15 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, express 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 Offshore 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 Offshore 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. 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. Coronation Life Assurance Company Limited is a licenced insurer under the Insurance Act, No.18 of 2017.



For **enquiries** you can call us on **0800 22 11 77**
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For **more information or to invest online**, visit us on **www.coronation.com**.