



Practical guide to offshore investments

Part 1



GRAYSWAN

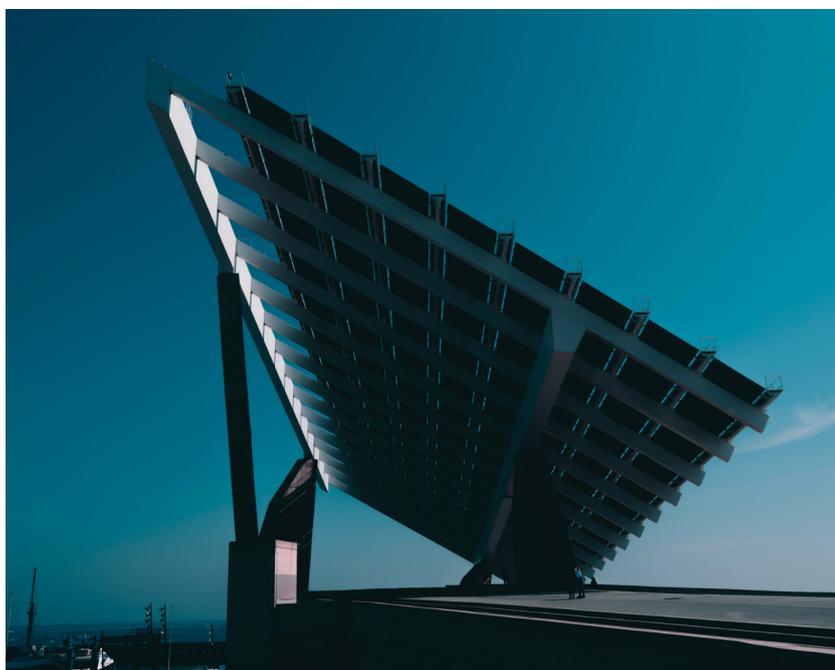
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The world is becoming more interconnected every day - technological disruption, urbanisation and climate change are redefining the investment landscape, creating new opportunities for wealth generation. However, with more freedom of choice, also comes more confusion as investors seek to navigate this expanding investment landscape.



GraySwan anticipates global trends to identify the right opportunities to grow powerful investments.

It is the freedom to shape the future.

In this series on offshore investments, we will focus on which options are available to investors, how South Africans can access such offshore investment opportunities and the impact product choice can have on offshore portfolios.

Most South African investors are familiar with the local investment options available to us with regards to unit trust funds, index tracking funds and stock broking portfolios. So how does this compare to what is available internationally?

OFFSHORE UNIT TRUST

An offshore unit trust works the same as 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. The unit trusts you choose can either be actively / passively managed and the cost thereof varies. A unit trust can be accessed directly with the management company, on a Linked Investment Service Provider (LISP) or through a stockbroker (service provider dependent).



OFFSHORE EXCHANGE TRADED FUNDS

Similar to unit trusts, are Exchange Traded Funds (commonly known as “ETF’s”). The difference between a ETF and unit trust though is with a unit trust the price is the net asset value and it is only calculated at the end of the trading day whilst ETF’s are traded on the stock exchange and you can buy or sell an ETF at quoted prices throughout the trading day. However, unlike a share, which focuses on one company, an ETF tracks a basket of shares, or an index, or a specific asset class and usually does so at a low cost. ETF’s can be accessed via a stockbroker or in rare circumstances via a LISP (although we do believe that LISPs might expand their ETF offerings over time).

OFFSHORE EXCHANGE TRADED NOTES

Exchange Traded Notes (commonly known as “ETN’s”) 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. ETN’s are also bought and sold via a stock exchange like a share but unlike ETF’s, ETN’s 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 it is extremely important that the price of the ETN tracks the index closely to mitigate the possibility of tracking errors. ETN’s are normally accessed via a stockbroker.

OFFSHORE SHARE PORTFOLIO

An offshore share portfolio works the same as a local share portfolio, as you require an offshore stock broking account to access offshore shares. In stead of only having access to shares listed on the JSE, investors now have access to the full spectrum of globally listed companies.

OFFSHORE STRUCTURED PRODUCTS

A structured product is an investment product innovation that has gained increased traction over the last few years as a supplement to traditional unit trusts, etf’s and share portfolios. These products 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 prepackaged risk and return profile. The issuer of the structured product utilises asset classes like equities, bonds and derivatives, to structure the specific performance and risk profile for the investor - also called the pay-off profile. The pay-off profile refers to the balance between downside protection (capital protection) and upside participation (level of participation in the investment growth).

Important to note, is that from a taxation and estate planning point of view, the above investment options can be expensive and/or ineffective if accessed directly. In **Part II** of our offshore investment series, we will look at the impact that product selection can make on your portfolio.

Should you wish to gain more insight into the offshore investment possibilities available, we encourage you to engage with our team of experts in structuring your own offshore investment.

FIND YOUR FREEDOM



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