

Time for greater offshore exposure investing?

While the local economy and markets have enjoyed good growth over the past few years, investors should diversify a greater portion of their portfolios

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THE sharp depreciation of the rand in 2001 and its subsequent recovery have left many South African investors wary of investing off shore. With market returns in SA averaging almost 40% pa over the past three years, the average investor's portfolio exposure to the offshore markets has decreased considerably.

Given that local markets have had a good run and are now trading at comparable levels to quality developed markets, the time is ideal for investing offshore.

While the U.S., European and Japanese economies all face a number of challenges, the fundamentals for these regions remain sound and growth appears to be sustainable, supported by lower unemployment rates and healthy consumer fundamentals.

In contrast, indicators are pointing to a slowdown of the strong consumer cycle experienced over the past five years in South Africa.

For example, new vehicle sales have continued to surprise on the downside and the

six percent year-on-year decline for October 2007 is now the seventh negative month, clearly indicating that the declining consumer trend is not of a short-term nature.

In addition, following the release of higher than expected inflation on a number of occasions over the past six months, it became clear that inflation is entrenched deeper in our economy than first thought. We have seen a very substantial increase in yields on the short end of the yield curve and a less pronounced shift on the longer end of the yield curve.

Investors need to be aware that markets move up as well as down, and should not let greed get the better of them. In this time of market volatility and subprime lending issues, investors should be seeking fund managers that protect their capital over the long term. This downside protection will lead to outperformance over the long term. When choosing a manager, investors need to be aware of the volatile markets and the

long-term objectives of their investments.

There are a number of questions that investors should be asking when choosing an asset manager.

Does my investment manager have a proven track record of excellent performance locally and globally?

Does my investment manager protect my investments from the downside in bear markets? Is there protection from stock picking, or is it done using expensive derivative instruments?

Does my investment manager have the skills, infrastructure and experience to manage the global portion of my assets?

Does my investment manager offer simple and effective products with transparency and liquidity?

Is my investment manager passionate about growing my wealth?

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