TFP GLOBAL MODEL RANGE

The Tailored Fund Portfolios Global Model Range consists of three risk rated multi-asset strategies. The underlying investment philosophy focuses on managing costs and controlling asset allocation. The asset managers selected use an index tracking approach and, where available, utilise an ESG factor tilt to provide investors with a Responsible Investment strategy. These solutions are available in direct foreign currency and through asset swap ZAR denominated model portfolios. Risk and return are the same in USD terms. However, in the asset swap funds you hold a Rand investment, so you are also exposed to Rand/Dollar exchange rate volatility.

WHY INVEST OFFSHORE?

South Africa only makes up 0.7% of the World Index. South African investors who have discretionary funds to invest could consider offshore investing to diversify their risk across various regions and asset classes. By investing offshore, investors will benefit from different market exposure in their discretionary assets. Global exposure also provides some protection against sovereign risk. In addition, offshore investing allows clients to do asset and liability matching. For clients who are expecting to incur expenses in foreign currency in future, such as tertiary education, earning global returns in foreign currency could be useful. Clients can invest offshore in two ways; either through a Rand denominated unit trust that invests in offshore assets but returns are earned in ZAR, or a Foreign Denominated fund where returns are earned in base currency.

THE SOLUTIONS

The model portfolios are available as follows:

DOLLAR DENOMINATED SOLUTIONS AVAILABLE ON OMI PLATFORM	RAND BASED ASSET SWAP FUNDS AVAILABLE ON LOCAL LISP PLATFORMS	BENCHMARK
Tailored Fund Portfolios USD Conservative Portfolio	Tailored Fund Portfolios USD Conservative Asset Swap Portfolio	US Inflation plus 3%
Tailored Fund Portfolios USD Balanced Portfolio	Tailored Fund Portfolios USD Balanced Asset Swap Portfolio	US Inflation plus 4%
Tailored Fund Portfolios USD Maximum Return Portfolio	Tailored Fund Portfolios USD Maximum Return Asset Swap Portfolio	US Inflation plus 5%

UNDERLYING EXPOSURE

ASSET CLASS	ASSET MANAGER OF DOLLAR DENOMINATED SOLUTIONS	ASSET MANAGER OF ASSET SWAP	EXPOSURE
Developed Markets Equity	Old Mutual Investment Group	Old Mutual MSCI World ESG Index Feeder Fund	MSCI World ESG Index
Emerging Markets Equity	Old Mutual Investment Group	Old Mutual MSCI Emerging Markets ESG Index Feeder Fund	MSCI Emerging Markets ESG Index
Developed Markets Property	Northern Trust	Nedgroup Investments Global Property Feeder Fund	Developed REIT Index
Global Aggregate Bonds	State Street Global Advisor	Stylo Global Bond Fund of Funds	Barclays Global Aggregate Bond
USD Cash	5% held on platform	Not Applicable	

FEES

Whether an investor, decides to invest offshore through either the direct offshore models or asset swap portfolios, the Tailored Fund Portfolios global range has been designed so that the total investment charge for the two solutions is very similar. This means that investors do not need to think of costs as a consideration of which vehicle to use, but focus on their individual need for deciding to diversify offshore.

For more information on our portfolio fees, please refer to our portfolio fact sheets.

SERVICES OFFERED

- Manager research and feedback
- Asset allocation
- Monthly and quarterly client reporting
- Ongoing performance monitoring and measurement

DIFFERENCES AND SIMILARITIES BETWEEN THE TWO OFFERINGS

The table below summarises the key features of the two offerings, focussing on the differences and similarities, and allows the investor to decide which offering is best suited to their individual requirements.

	WHY ASSET SWAP INVESTMENT THROUGH UNIT TRUSTS?	WHY DIRECT FOREIGN INVESTMENTS THROUGH ENDOWMENT?
	Gain full exposure to offshore asset classes but returns reported in Rand.	All growth occurs in foreign currency and returns reported in foreign currency. Payable/drawable anywhere in the world.
1.	Investing through the Asset Swap Fund does not require offshore clearance from the Reserve bank and therefore discretionary investments are not limited. It also allows investors to gain additional foreign exposure when their direct offshore allowance is maximised.	Investing directly into offshore provides a single discretionary allowance (R1 million) and a foreign investment allowance (R10 million) available.
2.	Exposure to global assets but exposed to Rand volatility.	100% exposure in foreign currency and therefore no currency risk.
3.	Ease of investment for investors with a smaller lump sum and allows for ease of investing monthly contributions.	Subject to minimum investment if USD150 000 or GSB100 000. Investor is responsible for expatriation of currency.
4.	Investors are subject to individual Capital Gains Tax (CGT) rates based on the investor's individual tax rates when investing through a discretionary investment vehicle. Investors can also invest through an endowment structure and it is therefore subject to a fixed corporate tax rate.	As all OMI policies are wrapped in an endowment structure, the administrator pays a fixed corporate tax rate on behalf of the structure – the investment is then tax free in the hands of the investor.
5.	Asset management fees are subject to VAT.	Direct offshore investment does not incur VAT on asset management fees.
6.	Tax is payable on the returns based in ZAR.	Tax is payable on returns in the base currency of the investment.

CONCLUSION

For investors who want global exposure, deciding which investment vehicle to use depends on the personal circumstances of the investor. Asset swap unit trusts are simple and easier to administer than investing offshore, as no offshore capacity needs to be used or applied. Investors wanting to diversify their portfolios outside South Africa, without having to meet minimum investment requirements, would therefore benefit from the asset swap investment option. Investing offshore through a foreign currency endowment structure benefits clients who are expecting future liabilities in foreign currency. In addition, the endowment structure minimises personal tax administration requirements and investors can appoint beneficiaries for the policy without incurring related estate duty costs.

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