

# **Bobats & Sterling Invest**

## **Direct Offshore Investing**

### **August 2021**

#### **Why invest offshore?**

As a South African, investing offshore allows you to capitalise on circumstances outside the country, providing a buffer against our markets, politics, inflation spikes and exchange rate fluctuations.

Essentially, investing offshore allows you to achieve investment diversification. It enables you to access different economies and regions, as well as a broader selection of companies and emerging markets – increasing your potential to earn solid returns under varying conditions.

We also believe it's strategically important to build up investments denominated directly in hard-currency (USD, GBP or EUR) to protect your hard-earned wealth against a potential scenario of foreign exchange controls restricting the flow of money out of South Africa.

#### **Why invest into shares?**

We believe investing into shares is an investment in human ingenuity. It is a bet on the progress of humankind and the future being better than it is today. It allows people to invest into and alongside the most intelligent business minds as they innovate and grow. We believe investing into shares available via global stock markets is the most efficient and passive way to own slices of the best businesses in the world and profiting from their growth.

If there is an ironclad rule in the investing world, it's that risk and reward will always and forever be attached at the hip. If there were no risk, there would be no wonderful long-term returns. And because there is risk involved in owning shares, your returns can vary widely, depending on when you invest. The good news, the longer your time horizon, the less volatile investment returns become. This is the beauty of compounding. Even the worst 30-year return achieved by global stock markets over the last 100 years would have resulted in an 850% return (more than 8x your initial investment), far outstripping returns generated by other investments.

#### **What offshore investment options can you offer me?**

Detailed below, we have three long-term, direct offshore investment options that cater for all investor types. Depending on the amount you wish to invest, we can structure your investment to access shares in global companies via unit trusts, ETF's or directly via a share portfolio.

## 1. Old Mutual International Offshore Share Portfolio Endowment Wrapper

Investment Universe:	Global Listed Shares Global Listed ETF's Offshore Unit Trusts
Shariah Investments Available:	Yes
Platform:	Old Mutual International (OMI) & DMA Stockbrokers
Expected returns (after costs):	8 % per annum in USD
Investment time horizon:	Long term (+ 5 years)
Investment Currency:	USD, GBP or EUR to be transferred to OMI
Investment Minimum:	USD 75 000 Initial Investment USD 7 500 Top Up Investment
Estate Planning:	Investment forms part of South African Estate

### Taxes:

Income returns	Taxed at 30%
Capital Gains	Taxed effectively at 12%

### Fees:

Old Mutual International (Platform)	0.60% to 0.35% per annum *
DMA Stockbrokers (Platform)	0,075% per annum (Stocks/ETF's)
Bobats (Financial Advisor)	0.50% per annum
Sterling Invest (Investment Manager)	1.00 % to 0.50% per annum *

\* Sliding scale, depending on investment amount

The Old Mutual International Offshore Share Portfolio Endowment Wrapper is our **premier offshore investment solution**. It is ideal for families that wish to externalize a material portion of their portfolio outside of South Africa over time.

The benefits of this structure are:

- all tax administration is handled by Old Mutual International within the wrapper
- the portfolio can be co-owned by multiple family members, enabling efficient distribution of wealth upon the death of any family member (simple removal of one of the co-owners)
- your share of the portfolio is recognized as part of your South African estate upon your death, so there's no need for an offshore Will to dictate how offshore assets are distributed
- it allows maximum flexibility in selecting underlying investments, which include offshore unit trusts and almost any listed stock or ETF available around the world
- access to our investment management expertise

The drawbacks of this structure are:

- there is a limit of the amount that can be withdrawn from the portfolio within the first 5 years that the investment is active (capital value + 6% per annum growth)
- a relatively high investment minimum of USD 75 000 upfront

## 2. DMA Discretionary Offshore Share Portfolio

Investment Universe:	Global Listed Stocks Global Listed ETF's Offshore Unit Trusts
Shariah Investments Available:	Yes
Platform:	DMA Stockbrokers
Expected returns (after costs):	8 % per annum in USD
Investment time horizon:	Long term (+ 5 years)
Investment Currency:	USD, GBP or EUR to be transferred to DMA
Investment Minimum:	USD 20 000    Initial Investment Any            Top Up Investment
Estate Planning:	Investment forms part of Offshore Estate

### Taxes:

Income	Taxed at Marginal Rate of investor
Capital Gains	Taxed at Marginal Rate of investor

### Fees:

DMA Stockbrokers (Platform)	0,075% per annum (Stocks/ETF's)
Sterling Invest (Investment Management)	1% per annum to 0.5% per annum *

\* Sliding scale, depending on investment amount

The DMA Discretionary Offshore Share Portfolio is a **cost-effective structure to achieve direct offshore investment exposure**. It offers you maximum flexibility in selecting underlying investments, which include offshore unit trusts and almost any listed stock or ETF available around the world.

It allows you the flexibility to invest via:

- **A Managed Share Portfolio**
  - o Sterling Invest manages the portfolio on your behalf, making all investment decisions, using the Sterling Invest Alpha Investment Process
- **A Non-Managed Share Portfolio**
  - o You can manage the portfolio and all investment decisions yourself via DMA's world-class online trading portal or mobile app

The primary benefits of this structure are:

- reduced investment minimums (USD 20 000)
- no restrictions on withdrawals (easy liquidity)
- a wide range of underlying investment options available
- access to our investment management expertise

The drawbacks of this structure are:

- your investment holdings form a part of your offshore estate, which may have estate duty implications should the portfolio become materially large upon your death
- less tax-efficient than the offshore endowment wrapper for high-income earners

### 3. Allan Gray Discretionary Offshore Unit Trust Portfolio

Investment Universe:	Offshore Unit Trusts
Shariah Investments Available:	<i>To be confirmed</i>
Platform:	Allan Gray
Expected returns (after costs):	7 % per annum in USD
Investment time horizon:	Long term (+ 5 years)
Investment Currency:	<b>ZAR</b> , USD, GBP or EUR
Investment Minimum:	R 50 000      Initial Investment R 10 000      Top Up Investment
Estate Planning:	Investment forms part of Offshore Estate

#### Taxes:

Income	Taxed at Marginal Rate of investor
Capital Gains	Taxed at Marginal Rate of investor

#### Fees:

Allan Gray (Platform)	0.50%
Bobats (Financial Advisor)	1% to 0.50% per annum *
Investment Manager (Various)	1.50% to 0.25% per annum *

\* Sliding scale, depending on investment amount

The Allan Gray Discretionary Offshore Unit Trust Portfolio is a **convenient vehicle with very low minimum investment requirements. You can contribute Rands (ZAR) into the investment and Allan Gray takes care of the currency conversion administration into foreign currency**, making use of your R 1 million foreign discretionary investment allowance. Allan Gray also facilitate regular contributions into the investment via scheduled monthly or quarterly transfers (debit-order styled investing). On the Allan Gray platform, you have access to a curated selection of top-rated offshore unit trust funds.

The benefits of this structure are:

- the ease and simplicity in externalizing your money offshore (contribute Rands (ZAR), Allan Gray takes care of currency conversion on your behalf
- low investment minimum (R 50 000 minimum investment)
- no restrictions on withdrawals (easy liquidity)
- the ability to invest monthly or quarterly via scheduled transfers (debit-order styled investing)

The drawbacks of this structure are:

- your investment holdings form part of your offshore estate, which may have estate duty implications should the portfolio be materially large upon your demise
- less tax-efficient than the offshore endowment wrapper for high-income earners
- investment range is limited to a curated selection of unit trust funds