



Prudential Investment Managers

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Getting to know the basics of offshore investing

Whether you're **spooked by local politics, nervous about the economy**, or just feeling like there may be better options outside of South Africa, you may be thinking about investing offshore. But what exactly does that mean, and how do you go about doing it?

Simply put, offshore investing refers to an investment that is directly linked to the performance of markets, currencies and companies located outside of South Africa.

There are a number of good reasons why investors look to go this route, from diversification (where you get exposure to a wide selection of companies and markets currently underrepresented on our local stock exchange) to currency hedging (where your offshore investment protects you against rand volatility). Or maybe some of your investment goals will require foreign currency, like overseas schooling for your children or retiring abroad.

While this deals with the **“what” and the “why” of offshore investing**, when it comes to the **“how”**, you have two broad options: investing directly in a foreign currency or investing indirectly in rands.

Investing directly offshore involves going through exchange control regulations and physically transferring your money into the base currency of your chosen fund before it's invested. South Africans are allowed to take a maximum of R10 million a year offshore, provided they have a SARS tax clearance certificate. Without that tax clearance certificate, you're limited to a maximum of R1 million a year. When you sell your investment, you are paid out in the foreign currency.

For those wanting to invest directly in a foreign currency, **Prudential has a range of four US-dollar denominated offshore investments**, each with its own investment objective and mandate. This includes the **Prudential Global Equity Fund**, which is best suited for investors with an investment time horizon of seven years or longer, and the **Prudential Global Bond Fund** (where the recommended investment horizon is two years or longer). In between these options we also have the **Prudential Global Balanced Fund** and the **Prudential Global Inflation Plus Fund**, two global multi-asset funds that invest in a combination of equities, bonds, property and cash, each at different weightings and with different investment objectives.

If you decide to invest offshore in rands, you essentially invest in a rand-denominated fund that feeds directly into its US-dollar equivalent. One of the benefits of going this route is that it allows you to hold offshore assets without converting your funds into a foreign currency (theoretically, you avoid taking your money outside of South Africa). This makes it less admin-intensive from an exchange control perspective, since you don't require a tax clearance certificate.

For example, if you want exposure to the Prudential Global Equity Fund, but want to invest in rands instead of US dollars, you could invest in the **Prudential Global Equity Feeder Fund**. As the name implies, the feeder fund invests directly into its US-dollar denominated counterpart. This means that even though your investment is in rands, its performance is still directly linked to the US-dollar equivalent. When you decide to sell, you are paid out in rands instead of foreign currency.

Of course, before investing in any fund (local or offshore), it's important do some due diligence and have a good understanding of how your chosen fund works, the risks involved and whether or not it's best suited to your investment objectives. To help you with this, try out our [fund selector tool](#) on our website, or speak to your financial adviser.

If you are ready to invest in one of Prudential's offshore funds, we can get you started. Contact our Client Services Team on 0860 105 775 or email us at query@prudential.co.za.