



Further relaxation of exchange control and the effect on your portfolios

Introduction

In the budget documents released as part of the Minister of Finance's budget speech on 23 February 2022, Annexure F of the budget documentation contained the following:

'The offshore limit for all insurance, retirement and savings funds is harmonised at 45 per cent inclusive of the 10 per cent African allowance. The previous maximum limits were set at 30 per cent or 40 per cent for different investors.'

This announcement effectively continues the trend towards relaxing exchange control in the past number of years. As has been the case previously, the increase in the offshore allowance makes the role of the offshore portion of portfolios ever more important in driving investment outcomes. This further validates the deep integration of our investment team with our global team and partner, Robeco, in managing our portfolios.

Support for increased offshore exposure

We support the increased offshore exposure, as this allows us to incorporate a greater investment opportunity set and prospect of greater diversification benefits into our portfolios. The South African investment market is relatively small compared to global markets, and increasing the offshore allowance gives investors access to a far greater set of investment opportunities.

We have approached this relaxation with rigour and in the context of our outcome-based investing philosophy, which puts the investment goals at the forefront. Our outcome-based investing process takes into account the time

horizon, the risk budget and the resultant return target and, as a result, we will be systematically increasing our offshore exposures across portfolios. Importantly, we won't increase all portfolios' offshore exposure equally.

Based on our assessment, we anticipate that, over time, the offshore exposure in the portfolios will typically be between 30% and 40% from a strategic perspective, with changing market conditions and shorter-term views potentially taking the exposure to different levels at different times.

We are also acutely aware of the geopolitical crisis in Ukraine and the significant risks present in global financial markets as a result of this. Therefore, to navigate the uncertain and highly volatile environment, our increase in offshore exposure will be implemented in a measured way.

We look forward to further expanding our exposure to the global investment opportunity set and expect that exchange control relaxation is a theme that will continue into the future. As the potential investment parameters change, we will continually assess how best these changes can be incorporated into portfolios to robustly deliver on their outcomes.

If you require any information, do not hesitate to contact us and we will gladly engage on the effect these changes will have on portfolios and what opportunities we foresee.

Sonja Saunderson

Chief Investment Officer

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