

NAVIGATING OFFSHORE OPPORTUNITIES DURING COVID-19 AND BEYOND

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Under these market conditions, diversification is key. By investing offshore, you can diversify and build a portfolio that is robust to different investment markets and cycles. There are many factors for investors to consider and opportunities to invest offshore against the backdrop of the COVID-19 theme.

Within the current global economic context, the big theme that COVID-19 has accentuated is one that has been in place since the Global Financial Crisis – namely the inability of the global economy to grow at or above historical trends. This has re-enforced the premium placed on growth companies over value companies, and especially growth companies whose business models are seen to benefit from the current disruption, and will typically lead to a developed market bias. Given South Africa is arguably the ultimate value trap (but might benefit if global growth surprises on the upside) one could argue on risk-mitigation grounds investors should favour growth over value ideas globally.

While given the COVID-19 economic crisis, there are still opportunities offshore. Investors brave enough to buy “bombed out” value (and emerging

markets) could benefit should the COVID-19 disruption prove temporary. So far though, investors have benefited from having exposure to dominant companies who have been able to take advantage of their competitors’ difficulties, and entrench their own competitive positions. This trend could continue for longer than investors appreciate, especially if the global economic recovery proves sluggish and regulators do not intervene to break up their oligopolistic power.

However, the threat of a second wave of infection presents further renewed risks. If the second wave transpires, it will dash hope that the global economy will recover quickly, and re-enforce many of the trends described above. Here our managers would favour companies that stand to benefit from further disruption to traditional supply chains, and changing consumer preferences.

Given the lack of focus from the South African government in urgently implementing measures to restore confidence, many investment houses today are mitigating the risks from the crisis by deliberately diversifying away from SA country risk, and finding opportunities elsewhere. For an

investor, it can be daunting investing offshore as they’re faced with a number of choices.

PPS Investments launched the PPS Global Equity Fund and the PPS Global Equity Feeder Fund earlier this year, the latter which can be accessed via the PPS Investments platform. The former can be accessed via the Ninety One platform in a ‘sinking fund’ which is similar to an endowment, or via Prescient Global Funds ICAV.

PPS Investments has appointed Capital Group to manage its offshore solution. By accessing these funds, investors can gain exposure to the formidable stock-picking capabilities and institutional memory that spans 90 years of this international investment manager with a proven track record through various market cycles and managing money through previous market crashes.

Suited to investors seeking long-term capital growth, the PPS Global Equity Fund and the PPS Global Equity Feeder Fund gives investors access to opportunities outside of South Africa, and therefore allows diversification in their investment portfolios in a broader market. ■

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