

Making the most of your offshore investment opportunities...

Navigating
Offshore
Investment
Options

Managing
Risk

Seeking
Opportunities

Offshore \$ Global Model Portfolios

The Challenge

With the political and economic uncertainty underlying South African financial markets, clients are requesting offshore investment solutions. But, with hundreds of offshore asset managers and unit trusts in existence, how do you choose among them? Do you have the information and skills to analyse large universes of offshore funds, combine them synergistically, and ensure the portfolios meet specific investment objectives? This can be a major challenge.

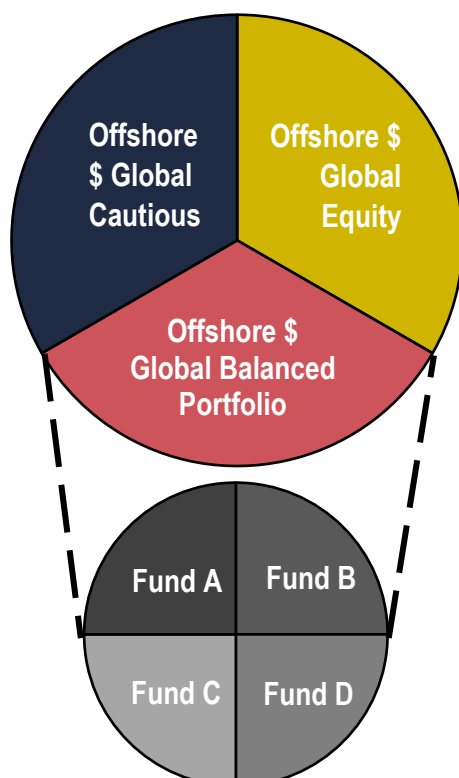
The Solution – Offshore \$ Global Model Portfolios

A model portfolio is the grouping of more than one unit trusts (funds) to form a portfolio, the premise being that a single fund seldom ranks consistently as the top performing fund. Different managers have different areas of expertise: asset allocation, stock selection, investment style, etc. A well-structured model portfolio solution will focus on the identification of funds with attractive risk-return characteristics and blend them in a way that takes advantage of complementary manager skills.

Benefits for You

A model portfolio provides access to the skills of some of the best investment managers and by blending funds synergistically strives to improve your chances of achieving your investment goals. By opting for a model portfolio solution, the client may be afforded the following benefits: diversification of manager risk, cost effective, comprehensive due diligence of all managers, ongoing portfolio monitoring, and a continued focus on investment objectives.

MiPlan offers a range of offshore model portfolios - *Offshore \$ Global Cautious*, *Offshore \$ Global Balanced*, and *Offshore \$ Global Equity* which can individually, or in combination, allow you to achieve your investment objectives as they change over time. The diagram below highlights a sample portfolio solution:



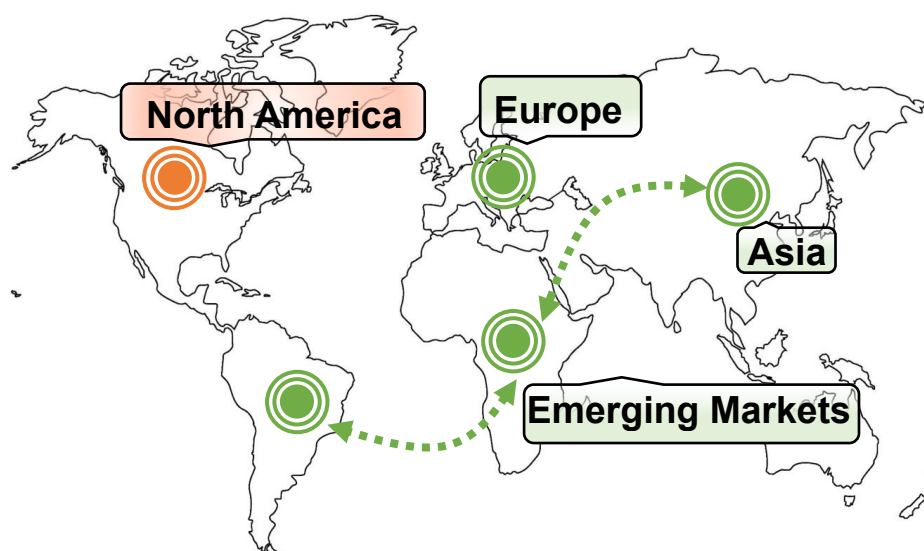
Philosophy

MiPlan's investment philosophy is based on striving to find the right mix of asset managers, understanding their risk-return "DNA", and blending them together to achieve synergy. Important aspects of manager DNA are: How have the managers performed in comparison to peers? How volatile have they been in comparison to peers? How consistently has the manager "got it right"? Have the managers successfully limited the portfolio from downside?

Process – The Four Cornerstones



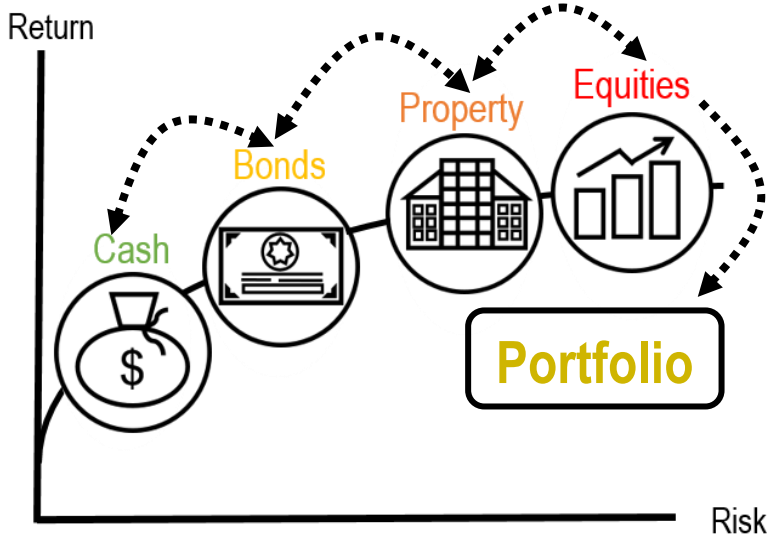
Our process for creating your offshore portfolios begins with **Taking Advantage of Macro Opportunities**. This cornerstone involves the top-down identification and capture of opportunities in global markets, regions, countries, sectors, themes and styles arising from macroeconomic and structural changes that have not been fully accounted for in prices or investor sentiment. We monitor the economic data of each region in combination with qualitative research to identify and understand these potential economic drivers that could give rise to changing dynamics



Once we have identified which regions have the greatest potential, we turn to the second cornerstone in our portfolio creation process - **Optimising Asset Allocation**. This involves analysing all asset classes within each region: cash (money market), bonds (fixed interest), property, and equities. We try to identify which asset classes may benefit from the global macro themes identified in the first stage of our process.

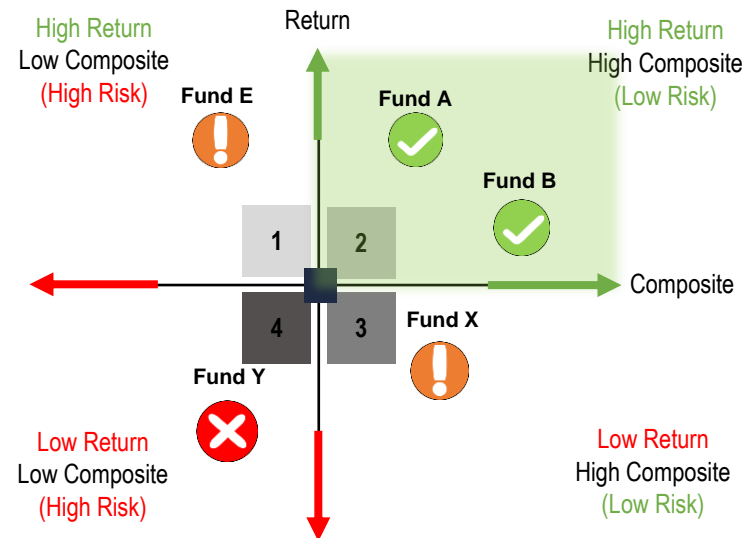
The amount we allocate to an asset class falls within a tactical asset allocation range. This range allows for various views: cautious = lower range, neutral = mid-range (strategic benchmark allocation), aggressive = upper-range. Thus, if our view is that North American equities, for example, are likely to perform well in the near future we allocate close to the upper-range of our tactical asset allocation for that asset type which will make for an overweight position (versus the strategic benchmark allocation).

The range itself depends on the type of portfolio – for example, an aggressive portfolio with a long-term investment time horizon will have a higher strategic (benchmark) allocation to risky assets (e.g. property and equity) compared to a cautious portfolio with a short-term investment time horizon which will have a higher benchmark allocation to less risky, lower returning assets such as bonds (see asset class risk-return diagram below).

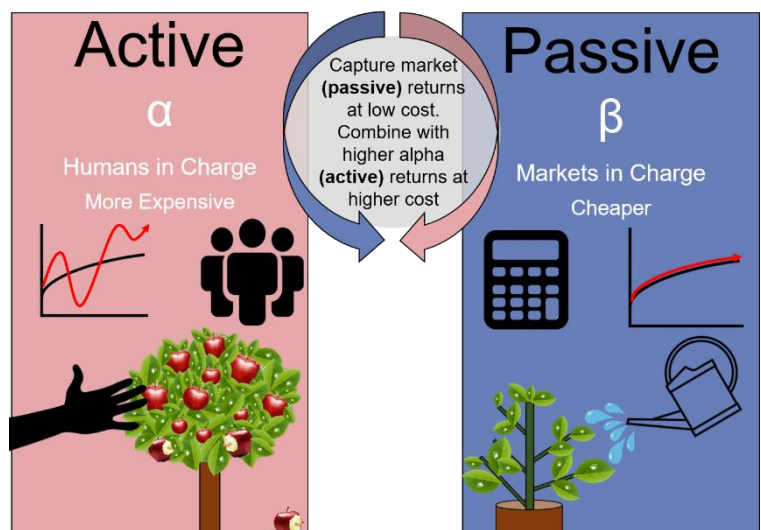


Having identified regions and asset classes which are likely to deliver good returns we begin the process of **Manager Selection & Blending**. Funds are analysed alongside all peers using an internally developed “DNA” analysis system. The system categorises funds across various risk and return metrics over time to identify funds which we believe show superior risk-return characteristics within each region and asset class. Selecting candidates will differ depending on the portfolio – high returns with minimum exposure to risk are ideal but, by design, earning higher returns generally involves taking on more risk. For conservative portfolios, we are conscious of trying to protect your investment from loss, thus we may need to sacrifice some returns to improve the risk characteristics of the portfolio. For aggressive portfolios, on the other hand, the focus shifts to higher returns with a greater risk tolerance. For a cautious portfolio, for example, the illustrative risk-return chart below shows our highlighted “selection area”. This area comprises only those funds with above average returns and lower than average risk over time. Funds A and B fall into this above average area over time, whereas Funds E, X and Y either produced lower returns for the same or more risk (Funds X and Y), or the same returns for more risk (Fund E). Thus, we would identify Funds A and B as better managers from a risk-return point of view than Funds X, Y and Z.

We then validate our quantitative risk-return results with qualitative assessments of the managers of each of the funds we find attractive. This involves a comprehensive due diligence in which we assess whether the philosophy and process used by the fund manager are comprehensive and align with the “DNA” we identify through the fund’s risk-return characteristics.



Finally, in blending managers and identifying exposures to asset classes and macro factors we **Make the Most of Active and Passive** funds to reduce risk and costs. The aim of an active fund is to deliver returns that are better than the market (as defined by an index). These funds are run by fund managers who make all decisions such as which companies’ stock/equity to invest in and when to buy/sell; which bonds to invest in; how much cash to hold to buy assets when opportunities arise, etc. They research markets and sectors extensively, and often meet with companies directly. An actively managed fund has the potential to offer returns higher than the market provides if the fund manager makes the right calls. Passive funds, on the other hand, simply track a market index (e.g. MSCI World Index) by automating programs to buy and sell the assets of a particular market index to give you a return that reflects how that market is performing. These funds have minimal human input beyond computer programming and, resultantly, charge lower fees than active funds. Mixing active and passive funds in your portfolio allows us to reduce overall costs to you whilst giving you the possibility of earning above market returns.

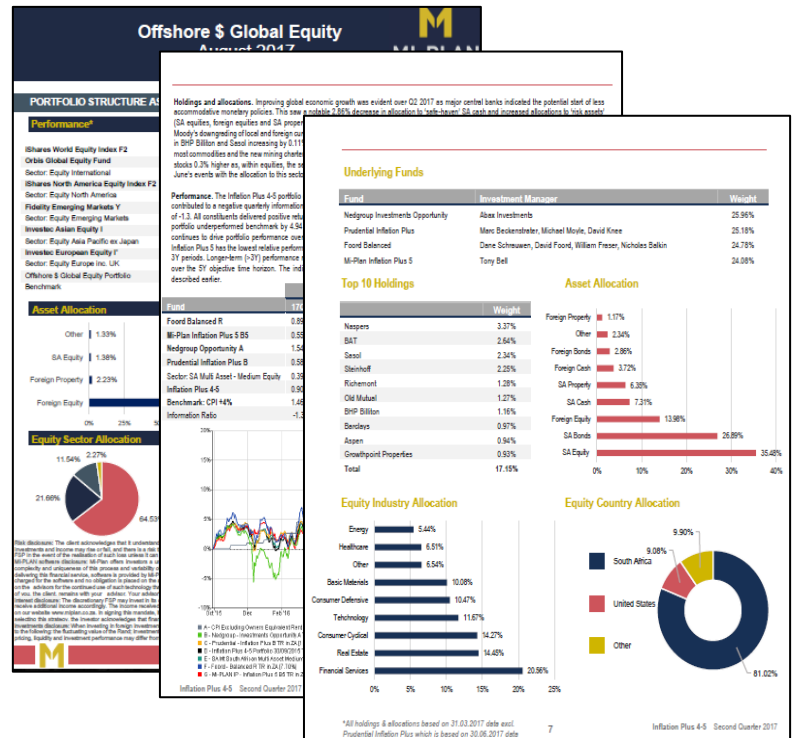


Reporting

To enhance your understanding of where and how your money is invested we provide you with the following reports and information:

- Monthly portfolio factsheets
 - Monthly commentary
 - Performance
 - Sector Allocations
 - Asset Allocations
 - Holdings

All documents are made available to you online via our client portal MiGateway (see www.miplan.co.za/Support/MiGateway/What-is-Mi-Gateway for more information on what MiGateway provides)



Model Portfolio	Inception	Risk		Investment (Return) Objective	Minimum Inv. period	Benchmark Morningstar Sector
		Profile	Volatility			
Offshore \$ Global Equity	23/11/2016	Aggressive	High	Growth	7+ Years	EAA Fund Global Large Cap Blend average
Offshore \$ Global Balanced	16/12/2016	Moderate-Aggressive	Medium-High	Balanced Growth	5-7 Years	EAA Fund USD Moderate Allocation average
Offshore \$ Global Cautious	09/01/ 2017	Moderate-Conservative	Medium-Low	Income & Growth	3-5 Years	EAA Fund USD Cautious Allocation average

Risk disclosure: The client acknowledges that it understands and has been made aware by the discretionary FSP of the risks associated with investing in financial products. The value of the investments and income may rise or fall, and there is a risk that the client may suffer financial loss over the investment period. The client acknowledges that it has no claim over the discretionary FSP in the event of the realisation of such loss unless it can be proved that such losses were due to gross negligence, fraud, or dishonesty by the discretionary FSP. **MI-PLAN software disclosure:** MiPlan offers investors a unique liability matching offering that matches the client's portfolio to their unique needs as documented at www.miplan.co.za. The complexity and uniqueness of this process and variability of each client's needs, required that technology be used to embed MiPlan's intellectual property in the financial service offering. In delivering this financial service, software is provided by MiPlan to advisers that determines a liability matched asset allocation. No fee is charged for the software and no obligation is placed on the adviser to offer, continue to offer, or offer to a minimum number of clients, this financial service. There are no other conditions placed on the advisers for the continued use of such technology that may influence the objective performance of the adviser. The adviser's obligations to render unbiased, fair advice in the best interests of you, the client, remains with your adviser. Your adviser's obligation is to compare this financial offering against all others and ensure it is the most appropriate for your needs. **Conflict of interest disclosure:** The discretionary FSP may invest in its own Collective Investments or provide intermediary services to investment schemes administered by IP Management Company and receive additional income accordingly. The income received by way of any fees applicable to such Collective Investments are disclosed on each fact sheet or as required by CISA at the time on our website www.miplan.co.za. In signing this mandate, it is assumed MiPlan's Conflict Of Interest Management Policy available from this website has been read. **Adviser fees disclosure:** In selecting this strategy, the investor acknowledges that financial advice has been sought and that such fees are agreed between the adviser and the investor by separate agreement. **Foreign investments disclosure:** When investing in foreign investments, the client understands and accepts the risks and will not hold the discretionary FSP responsible, which include but are not limited to the following: the fluctuating value of the Rand; investments are exposed to different tax regimes that may influence investment returns; exchange control limitations may influence accessibility; pricing, liquidity and investment performance may differ from South Africa. A comprehensive disclosure document may be viewed at www.miplan.co.za

MI-PLAN
1st Floor, Mariendahl House,
Newlands-on-Main, Newlands, 7700
P O Box 23271, Claremont, 7735
T: +27 21 657 5960
Website: www.miplan.co.za
Mi-Plan (Pty) Ltd is a licensed Financial Services Provider No. 9383.

COMPLIANCE OFFICER
Muller Van Staden
Providus Compliance
T: +27 21 592 4488
Email: muller@providus.co.za

