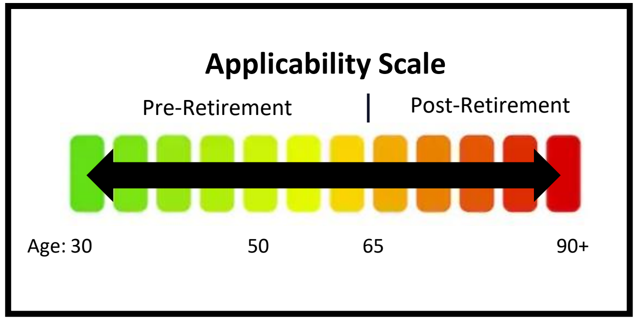


GAP MAYNARD

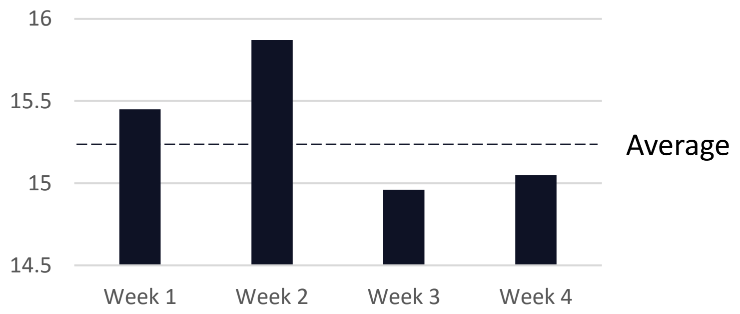
Personalized Investment Advice

TOPIC: Basic Info – When to Invest Offshore?

When to Invest offshore

- Deciding when to invest offshore can be very difficult. Ideally what you want is for your local currency to be as strong as possible against the currency you wish to invest in and for the value of markets to be low.
- Trying to predict what currencies will do is highly speculative and when it comes to currencies like the Rand, very difficult to predict.
- Rather than selecting a specific rate of exchange to convert all your investment money, convert your cash into your investment currency of choice over a period of time. This is called "cost averaging."
- As an example let's view the graphic below

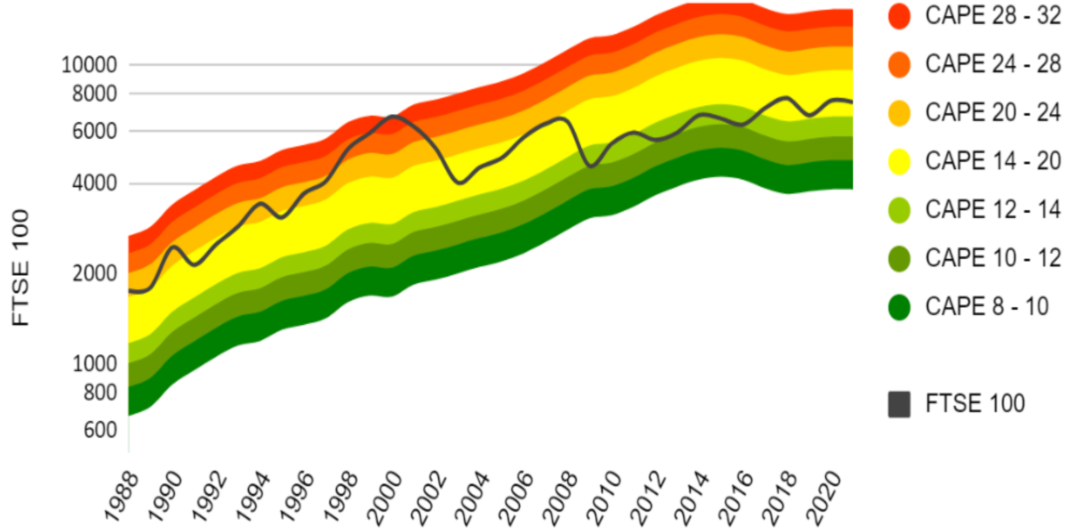
Period	USD Exchange Rate	ZAR Exchanged	USD Cash
Week 1	15.45	R 2,500,000.00	$ 161,812.30
Week 2	15.87	R 2,500,000.00	$ 157,529.93
Week 3	14.96	R 2,500,000.00	$ 167,112.30
Week 4	15.05	R 2,500,000.00	$ 166,112.96
Total		**R10,000,000.00**	**$652,567.48**
Average Rate	**15.3325**		



- In the example, this client has R10 million to move offshore and decided, rather than converting all of his investable cash into USD in week one, to spread the conversions over a 4 week period, converting 25% of the funds (R2,5 million) at a time.
- The exchange rates fluctuated over the month but ultimately led to the client having an average exchange rate of R15,33 to the USD, which luckily for the client, worked in his favour.
- This "cost averaging" technique can be done over days, weeks or even months, the principle though is to convert portions of your investment funds at different exchange rates in order to get a decent average.

When to Invest offshore

- Understanding whether or not certain markets or stocks are under or over valued, is a skill involving much time, of those people working in the financial world. Needless to say it isn't easy nor is it an exact science.
- One of the quick ways you can gauge whether or not an investment or market is under or over valued, is by looking at the Price to Earnings ratio (P/E).
- The price-earnings ratio (P/E ratio) relates a company's share price to its earnings per share. Without going into too much finance jargon, it indicates whether or not a company or market is under or over valued.
- If we compare P/E values over a period of time, say 10 years, we can get an indication of an average.
- On the right we see a graph depicting how the FTSE 100's (a share index of the top 100 companies listed on the London Stock) P/E value has fluctuated since 1988.
- The different colors indicate whether or not the index is over or under valued. Yellow means average, green means under valued and orange or red means over valued.
- Around 2000, it was over-valued. Thereafter it was slightly undervalued and recently, has fallen into line on the low side of normal averages. As a result you might say you'd be happy to buy into this offshore market as you'd be getting good value.
- Obviously its not quite as simple as this, but hopefully it illustrates the point



Note: CAPE stands for Cyclically Adjusted price-to-earnings ratio.
Source: John Kingham, February 2020, https://www.ukvalueinvestor.com/2020/02/ftse-100-cape-valuation-forecast.html/

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CONTACT DETAILS

Website: www.gapmaynard.com
Email: info@gapmaynard.com
Tel: +27 72 157 1234

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