

CONTENT FROM HIGH STREET ASSET MANAGEMENT

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Maximising offshore exposure for retirement savings

High Street offers retirement savers a way to maximise offshore exposure and minimise South African-specific risks. A 95% Rand-hedge bias has ensured that their local balanced Fund has a proven track record of strong performance during periods of Rand weakness.



High Street Asset Management, founded in 2011, is an offshore and Rand-hedge investment specialist that manages several local and offshore funds. Their local balanced Fund offers retirement savers a way to maximise offshore exposure and minimise South African-specific risks. "The considerable tax deductions linked to retirement contributions make it a very efficient savings structure", says Michael Patchitt, Founder and CEO. "However, the

investment performance ultimately dictates if this is the most efficient way to save for retirement. For investors who are concerned about the local economy, they must believe their savings will grow in international terms”.

High Street’s analysis reveals that over the past decade, offshore markets and Rand-hedge investments have outperformed locally-focused shares in Rand terms. High Street provides a solution to savers who believe this trend will continue. The Fund is differentiated from other retirement offerings by its extreme Rand-hedge bias – approximately 95%. This is achieved through full use of prudential offshore allowances while the local component is invested in dual-listed shares and companies with foreign revenue streams. The offering is fairly unique: liquidity constraints associated with these investment structures ensure that the strategy is not easily applied by larger fund managers.

A materially weakened Rand/USD exchange rate this year has benefitted the Fund which has produced a return of 34% for the year-to-date. The question is whether now is the correct time to invest given exaggerated movements in the exchange rate? Despite recent currency devaluation, the Rand/USD exchange rate has weakened by 6% per annum since the Fund’s inception nearly 5 years ago – consistent with its longer-term trend. Ross Beckley, CIO, goes on to say, “We do not attempt to predict the currency outlook, but rather aim to provide investors with a way to secure the global value of their retirement savings should they believe the Rand is set to weaken over the long term. We maintain it is prudent to include this type of offering as a portion of any retirement portfolio to insure against potential further Rand weakness given the risks South Africa is facing”. The Fund has a proven track record of generating strong performance during periods of Rand weakness. Furthermore, it has a low correlation to its peers, and acts as a diversifier which ensures that it warrants consideration for any retirement model portfolio.

The High Street philosophy of utilising material tax efficiencies associated with retirements contributions, together with investment in an offshore-focused fund to protect against any unforeseen local risks, is a solution many South African investors have been looking for.

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