Offshore trading enhanced by comprehensive, high-quality research

08 February 2020 – South Africa currently makes up less than one percent of the total global economy. This means that limiting your investment activities to only our local markets is effectively doing your portfolio a disservice, because it will be missing out on the many potentially lucrative growth opportunities that are available in many other parts of the world.

Not only that, but a well-considered offshore investment or share trading strategy is an effective way of diversifying a portfolio geographically which, as the increased market volatility created by Covid-19 has demonstrated, should be a non-negotiable component of any investment strategy.

According to Chantal Marx, Head of Research at FNB Wealth and Investments, such diversification of a share portfolio geographically offers similar benefits to diversifying it across asset classes. In fact, both should be a core part of any investment approach. “Should the JSE experience a reduction in growth, the investments you make in international markets may help to offset any potential losses by providing better growth over that period,” she explains, “and the benefits of offshore investment can be further enhanced if the rand weakens against global currencies at the same time.”

However, Marx cautions that while offshore investment can be an invaluable means of stabilising and growing your investment portfolio, trading in international shares should never be undertaken without first doing extensive research into prospective overseas shares and markets.

“Any experienced investor will tell you that one of the golden rules to successful trading or investing is keeping emotions out of the equation,” Marx emphasises, “and solid, unbiased research is arguably the most effective way of ensuring that’s the case – especially when you’re dealing with the shares of unfamiliar companies located beyond your own borders.”
She says, however, that few individual investors have the time or expertise to do the level of research needed to maximise the chances that their offshore share trades will be successful. “In our experience at FNB Wealth and Investments, this lack of research capacity typically has one of two consequences,” Marx explains, “either individual investors shy away from international portfolio exposure and miss out on the benefits, or they dive into offshore trading without doing their research and expose themselves to unnecessary risks and underperformance.”

She points out that, based on this understanding of the difficulties many investors experience in terms of finding the time to do in-depth offshore research themselves, FNB Wealth and Investments now offers two services that effectively do it for them.

“2020 gave us an opportunity to respond to too numerous requests from our clients and intermediaries, we launched two innovative research services,” she explains, “both of which effectively take the guesswork out of offshore trading by providing investors with thorough research insights delivered by our expert and experienced equity research professionals.

“While we know that past performance is not a guarantee of future performance, we have enjoyed significant success with these offshore trade recommendations,” Marx says, “delivering a portfolio return in excess of the S&P 500 benchmark.”

Marx says that the valuable research findings, which currently cover almost 100 offshore companies, are summarised in the investment notes distributed by FNB Wealth and Investments to its subscriber base each morning, and are also available for download as PDFs from the FNB Stockbroking and Portfolio Management website at https://shares.fnb.co.za under the Market Tools link.

“Offshore trading is certainly not a panacea for the market uncertainty and volatility we’re currently experiencing due to Covid-19,” Marx concludes, “for investors willing to do their homework it is most definitely a tried and tested method of broadening the exposure, performance potential and risk management of their portfolios.”
FNB Media Release

FNB Wealth and Investments also provides its subscribers with three offshore trade ideas per week, distributed via email on Mondays, Tuesdays and Thursdays prior to the opening of the US stock market. The research is packaged in a user-friendly, uncomplicated way allowing the reader to quickly obtain a clear view of each company or share and equip them to make an informed decision as to whether it fits with their risk preferences and portfolio objectives.

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