



Investment & Retirement Specialists

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Global & Local are delighted to announce that we are making exciting improvements to the structure of our **Local Investment** house view!

Global & Local spends a substantial amount of time researching the vast amount of investment options available to our clients. We realised that to optimally manage our client's invested assets in the most productive, tax efficient and price sensitive manner it is required of us to form our own Fund of Fund (FoF).

The Global & Local SNN Balanced Fund of Funds was registered specifically for Global & Local clients to give us more freedom and flexibility in the day-to-day management of our house view mix of funds.

We believe that the Global & Local SNN Balanced fund will provide an alternative to investors in that the fund manager will implement strategies which have not yet been introduced in South Africa.

Strategic asset allocation:

What is the correct and best mix of the various types of external investment funds that will make up the required asset allocation?

The fund uses a proprietary portfolio construction methodology that explicitly measures and controls risk level and exposures. The allocation to funds is optimally diversified. Our risk budgeting methodology allocates risk to underlying funds and not simply Rands.

A common myth is that to generate higher portfolio returns, an investor must take on more risk. That is not true at all. Some types of risks result in losses rather than greater returns. Our funds avoid these risks and by doing so increase the return.

Investor Behaviour Risk:

The fund is designed around a unique and proprietary methodology that measures investor behaviour risk, called the Human Factor. The Human Factor is the risk that investors have pushed the stock price too high and out of line with management's ability to deliver the performance to support that stock price.

Assessing management's ability to deliver performance to support the price of the stock is critical because it balances the stock price (which is based on investors' biases) and the company's results. If management fails to deliver such results the stock price will drop, and investors will lose money. Investor loss is strongly related to management failing to deliver the results the stock price implies.

There is no benefit of exposure to Human Factor Risk, only cost. This Human Factor Risk is the risk of losing, for which investors are not paid for taking.

By avoiding this Human Factor risk, our fund should reduce risk and outperform the market. Using both company fundamentals and stock price – both unambiguous pieces of information – allows us to repeatedly and consistently

identify stocks likely to underperform. Alpha (Positive growth) at that point is as simple as eliminating those high Human-Factor shares from our portfolios.

It is important to keep up with the industry as the economic environment changes, new funds become available and existing funds evolve and for this reason we have taken the decision to introduce the ***Global & Local SNN Balanced Fund of Funds***.

Important questions and answers:

What does this mean for my current investment?

The fund will be available to all clients via Allan Gray Investment platform to begin with and this will be followed by all the other platforms such as Investec IMS; Momentum Wealth; Sanlam Glacier and Stanlib. We will systematically switch clients from their current list of funds into the Global & Local SNN Balanced Fund, where appropriate for your specific tax situation.

How does the fund get taxed?

Depending on the product you have invested in will determine if there will be any tax implication if we are to action a switch on your current investment portfolio. Should you have funds in an Endowment, Living Annuity, Retirement Annuity, Provident Preservation and Pension Preservation we will be able to rebalance and switch your portfolio without incurring a tax implication.

Please be advised that Capital Gains Tax (CGT) *may* be incurred if a fund switch is actioned within unit trust structured investments but we will carefully analyse your holdings and determine the most tax-effective way to migrate your investments into the new fund. Thereafter, you will never have to switch portfolios (and incur CGT) again. We will be able to make changes to the underlying investments at fund level without any further CGT or administrative implications for you. You will however incur CGT when you eventually redeem/withdraw from your Unit Trust investment.

Is the fund approved by the Financial Sector Conduct Authority (former FSB)?

Yes

What are the benefits of switching into the new Global & Local SNN Balanced Fund?

- We will be able to keep you invested in the portfolios that we view to be the best possible mix for our clients over the long term, without having to incur tax whenever market dynamics change, resulting in the need to amend the portfolio.
- We may choose from the multitude of previously unavailable fund managers, exchange traded funds and even invest directly in specific shares or bonds.
- We will have more control over the costs of the fund as we will be able to negotiate fees with underlying managers.

Will I be automatically switched into the fund?

If you have signed a Category II mandate, we will automatically switch your portfolios where we are aware that no tax implications will be triggered. If you have not yet signed a Category II mandate, we will contact you first to confirm.

As mentioned, we will carefully analyse your holdings and determine the most tax-effective way to process the switch in order to incur very little or no Capital Gains Tax implication.

We look forward to your feedback. Please contact us if you have any queries.