By Priya Rama

Offshore Equities Have Outperformed Local Markets

Investment opportunities aplenty in offshore markets.

With local equity markets not performing up to the mark, Tan Wei Yine, Research Analyst at Fundsupermart, tells *Smart Investor* why investors should look into offshore equity markets.

Smart Investor (SI): Can you briefly introduce offshore funds, especially the scenario in Malaysia?

Tan Wei Yine (WY): Offshore funds simply imply a collective investment scheme that invests in overseas assets, providing investors with access to international markets.

In Malaysia, local asset management companies have been expanding their fund offerings to investors with options to diversify their portfolio holdings to offshore markets.

Local asset management companies that have the necessary research resources and expertise are likely to manage offshore funds on their own.

Those with limited resources but are still keen to bridge the offshore, they fund gap tend to partner up with international asset management companies like BlackRock, Schroders and Fidelity.

This allows local asset management companies to leverage on the expertise provided by their respective partners, while increasing the fund options available for investors.

SI: What benefits can investors derive by including offshore funds in their portfolio?

WY: By including offshore fund(s) in one's investment portfolios, the overall portfolio volatility may be


Tan Wei Yine

reduced as offshore and local funds are not perfectly correlated to one another.

For example, an investor who solely invests in Malaysia's equity market will probably witness muted returns over the past 3 to 5 years (see Table 1) due to the headwinds coming from a

> *"Investors who have included offshore funds in their portfolio will be able to compensate the lacklustre performance in local equity market."*

Table 1: Performance Figures of Equity Markets

Duration	World Equity	Asia ex-Japan Equity	Emerging Market Equity	Malaysia
1-Year	31.8%	34.5%	34.2%	4.3%
3-Year*	17.5%	16.2%	12.3%	0.4%
5-Year*	18.4%	13.0%	8.8%	4.0%

**Annualised return*

Source: Bloomberg, Fundsupermart compilations. Data as of end-March 2017. Returns in MYR terms with dividends reinvested.

depressed oil price environment, poor consumer sentiment on top of political scandals concerning 1MDB issues.

However, investors who have diversified their portfolio geographically by including offshore funds in their portfolio will be able to compensate the lacklustre performance within the domestic equity market, as offshore equity markets have outperformed local equities over the past few years.

Apart from mitigating portfolio concentration risks, investors can also tap into investment opportunities that reside within the offshore markets by including offshore funds in their portfolio.

For instance, an investor who is positive on the outlook of e-commerce giants like Alibaba and Tencent Holdings may capture the growth opportunities by gaining equity exposure to these companies through investing in a China equity fund.

SI: How can an investor ensure the legality and security of the funds he invests in? What aspects should he look into before investing, and what are the red signals?

WY: Investors should ensure that the fund management companies they're dealing with are licensed by the Securities Commission

"Investors should ensure that the fund management companies and the funds they propose are licensed and approved by SC."

Malaysia (SC). The funds proposed or recommended by the fund managers must also be approved by SC, and is listed on www.sc.com.my.

For fund management companies that distribute their own products, they will be required to obtain a license from the Federation of Investment Managers Malaysia (FIMM).

Lastly, prior to investing, investors should also check if their fund manager is authorised by FIMM to distribute unit trust products.

SI: What are the offshore fund portfolios that you offer?

WY: At Fundsupermart, we have numerous offshore funds that invest in specific regions, countries and even in sectors.

Each fund differs in terms of its investment style and portfolio approach, and that allows investors to have distinct options when it comes to selecting a fund based on their personal preferences.

Within the fixed income segment, we have funds that invest in various segments such as high yield and investment grades.

Under a volatile investment landscape, such as the one we're experiencing currently, with uncertainties stemming from Trump's policies and political risks arising from Europe region, investors can choose to allocate part of their investment portfolio to short-duration bond funds that may provide shelter to volatilities, while waiting to capture investment opportunities.

As for equity funds, investors may gain exposure towards developed markets and emerging economies in accordance to their very own investment objective and risk profile, as well as the economic outlook for the respective regions and countries.

For instance, an investor who wishes to gain global equity exposure may look at some of the global funds that are being offered on our platform, which predominantly invest in developed equity markets such as the US, Europe and Japan.

A defensive investor may opt for dividend-themed funds that primarily invest in established dividend-paying companies in developed markets.

Growth-seeking investors may seek funds that primarily invest within the small-cap segment or the emerging economies to capture growth opportunities.

Out of the 395 funds available on our platform, there are more than 190 offshore funds investors can choose from.