



INVEST BETTER with BRENTHURST

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Global diversification is key to building wealth because it spreads risk across different markets and economies, reducing the impact of local downturns. By investing internationally, you tap into growth opportunities worldwide, which can lead to more stable and potentially higher returns over time.

WHY GLOBAL DIVERSIFICATION

IS THE CORNERSTONE OF WEALTH CREATION

ARIN RUTTENBERG | FINANCIAL ADVISOR, BRENTHURST SANDTON

The hard truth is that numbers tell a clear story — investing only in rands is a losing game if you want to protect your wealth over the long haul.

If you relied solely on local headlines over the festive season to guide your investments, you might have been misled into thinking the Johannesburg Stock Exchange (JSE) was a standout performer globally.

For example, a 31 December headline from Netwerk24 proclaimed, “JSE ends 9% higher in a record-breaking year.” while other local outlets, like the Business Day, echoed similar sentiments. Yet, these narratives failed to address the resounding bull market on the Nasdaq and S&P 500 — the two dominant stock markets globally.

The JSE today comprises less than 1% of global equity markets, while the Nasdaq and Wall Street collectively account for nearly 70%. This disparity is staggering and highlights why South African investors must look beyond their borders to build lasting wealth.

The JSE's underperformance is so immense, that offshore investing is no longer just an option for South Africans, it is a necessity for maintaining and growing purchasing power.

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THE NUMBERS DON'T LIE

For South Africans, offshore investing is not just an option — it is a necessity for maintaining and growing purchasing power. Over the past decade, the JSE's performance has been lacklustre compared to international markets. While the JSE returned 9% in rand terms in 2024, the Nasdaq surged 29%, the S&P 500 grew 23%, and the MSCI World Index gained 22%.

Consider this: If you had invested R1 million ten years ago in the JSE, your investment would now be worth around R2.16 million. In contrast, that same investment in the Nasdaq would be valued at a life-changing R9.03 million today. Even a balanced global portfolio, split between the MSCI World Index and S&P 500, would have more than doubled the returns, when compared to sticking to local markets.

The long-term trend is clear: The JSE has consistently underperformed major global indices for the past 10-15 years. Local currency returns, while impressive, often fail to keep up with the international purchasing power needed for goods and services priced in dollars or euros.

PERFORMANCE FOR THE PAST TEN YEARS

Fund Performance ZAR

Fund	Allocation	6 Months	1 Year	3 Years	5 Years	10 Years
Satrix Alsi Index Fund B1	100%	4.65%	15.50%	7.25%	11.1%	8.68%
Total Weighted Average		4.65%	15.50%	7.25%	11.1%	8.68%
Benchmark: MSCI World		8.29%	22.84%	13.98%	18.18%	16.23%
Benchmark: Nasdaq		8.10%	32.83%	18.29%	27.19%	24.68%
Benchmark: S&P 500		10.65%	29.23%	16.49%	21.24%	18.92%

Source: Ninety One Charting Tool

FORECASTERS AND THE PITFALLS OF SHORT-TERM PREDICTIONS

The consistent underperformance of the JSE is even more stark when investors fixate on trying to time a volatile currency with the overly optimistic predictions from some local forecasters. In 2019, for example, a large insurance company boldly claimed the JSE would be the best-performing market over the next five years. Instead, it became one of the worst, vastly trailing global benchmarks.

More recently, the insurer's chief economist predicted a ZAR/USD exchange rate of R15 at the end of 2024. The year closed at R19.25, a far cry from the forecast. Such examples underscore a critical lesson: rather than relying on speculative short-term predictions or caring what the latest predictions are for the short term, investors are far better served by focusing on a globally diversified, long-term strategy. If the rand is the country's share price, investors locally will continue to sell their "shares" for global pastures; I know I have.



BIG TECH, SIMPLICITY AND THE CASE FOR OFFSHORE INVESTING

In today's landscape, global diversification remains the most effective strategy for building wealth. Tech giants, especially those driving innovation in artificial intelligence, e-commerce and cloud computing, have pricing power and resilience that smaller companies often lack. These businesses are not only flush with cash, but are integral to everyday life, making them long-term winners regardless of economic cycles such as inflation.

Instead of chasing speculative opportunities, investors can simplify their portfolios with exposure to offshore tech companies, global retailers and diversified international funds. These investments tap into the booming US economy and allow investors to own businesses that shape our daily lives, from the smartphones in our hands to the platforms we rely on for work and leisure.

WHY THE LONG-TERM VIEW MATTERS

Panic about inflation or short-term market corrections often creates opportunities to buy quality companies at discounted prices. By holding globally diversified portfolios, investors can weather these temporary disruptions and stay focused on the big picture. After all, history has shown that markets reward patience and discipline.

The JSE's struggles are not just a reflection of poor management or structural issues within South Africa's economy – they are also a testament to the transformative power of global markets. **Investors who embraced global diversification years ago have seen life-changing returns, while those who stayed confined to local assets have watched their purchasing power dwindle.**

THE BOTTOM LINE

THE NUMBERS TELL A CLEAR STORY:

Investing only in rands is a losing game in the global economy. Offshore investments are no longer just a smart option; they are essential for anyone looking to secure financial independence and protect their wealth over the long term.

By embracing a strategy rooted in simplicity — tech giants, global retailers and diversified portfolios — investors can align with the forces driving the modern economy. Ignore the short-term noise, avoid misguided forecasts, and focus on what truly matters: owning the best companies in the world and holding them for the long haul.



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ARIN, based in Brenthurst Wealth's Sandton office, has been working in the financial services industry since 2013. With experience at Investec, Momentum Wealth International and Brenthurst Wealth Management, he brings a wealth of expertise as a financial advisor.

He has been at Brenthurst since 2016 and holds a BCom degree and a Postgraduate Diploma in Financial Planning from the University of the Free State. Arin's passion for financial planning drives him to continuously expand his knowledge, ensuring he can assist clients in achieving their financial goals. He has successfully completed the First Level Regulatory Examination for Representatives, enabling him to provide comprehensive investment advice.

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