BizNewsDigest

THE RATIONAL PERSPECTIVE

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Investing offshore vs Reg 28

"Hopefully this massive increase in the offshore allowance for pension funds – welcome to the real world – would silence some local financial journalists who still like to portray offshore investment as somehow being unpatriotic, disloyal or whatever, which of course is rubbish."

The decision by regulators to allow retirement funds to take up to 45% of their funds offshore, up from 30%, brings a wave of change. Investors are allowed to invest a larger slice offshore, where there is an ocean of opportunity. Local asset managers slow to adapt to the changing landscape will be challenged by this regulatory update. Magnus Heystek reasserts what he has advised since as far back as 2010 - this is an opportunity that needs to be embraced by investors and asset managers rather than shunned and missed. – Victoria Ashwin

By Magnus Heystek

It's no secret that I have been critical of the Regulation 28 regime which prescribed the various limits in terms of assets allowed within regulated retirement funds in SA.

As the great bull market on Wall Street commenced around 2010/11, I commented often that SA retirement members are being left behind in terms of the global investment race.

In short – and it was backed up by the numbers – SA's retirement fund returns were woefully lagging the returns of global markets and missing out on one of the largest bull markets of all times. From December 2010 to 2018, SA's retirement funds could only expose their funds to a maximum of 25% offshore assets.

I did not do myself any favours among SA's retirement industry with this unrelenting focus on the under-performance of SA's retirement products. The industry steadfastly tried to portray Regulation 28 as "good for the industry"- which it was – and that the returns were acceptable – which they were not. I once sat in the audience while a fund manager was having a solid go at me for my views.

Even fellow financial advisors routinely chimed in with their views on this issue.

I was even described as the "loudest mouth in the room" on LinkedIn by colleague and business partner Graydon Morris from Sterling Wealth who took exception to my views. Well-known financial advisor Warren Ingram also blocked me on Twitter, so upset was he about my views on offshore investing. Years later he wrote a book on how to invest your money offshore…

Some websites even politely stopped using any article of mine which raised this issue. It seems I was upsetting some of the large asset managers who controlled very large advertising budgets. But *BizNews* – to its credit – had no such qualms and published several of my articles along these lines.

Here is an excerpt from the article published in September 2021 which I believe requires re-reading.

Institutional pension funds underperformance over the last decade

"I spent some time last week going through the website of one of our largest financial insurance companies. I looked at its Regulation 28 funds and there were a myriad of them – hundreds, all with different names. They are all the same and they are Regulation 28 funds, which means they are in line with pension funds. I battled to find any of the particular funds that have beaten the inflation rate over one, three, five and even up to eight years. That's excluding the friction costs. The numbers are there but people are not talking about it. Just in the last few weeks, a couple of reports were released: 10X came out with its retirement survey, there was a Sanlam benchmark review and Alexander Forbes published its survey. What was lacking from all of these reports is that they made no reference to the bad returns of pension funds over the last eight years."

Read the article here

SHORTS

PREMIUM

Gupta Arrest Day – and stock insights

By Alec Hogg

Superb editorial leading our website as *BizNews* editor Michael Appel applied first-hand experience and months of State Capture reporting to craft his op-ed on the Gupta arrests. The only area where he and I differ is our belief in whether this day would actually come.

This week's Boardroom Talk has a very different theme:

If you haven't discovered it yet, the Corion Report is well worth a look. Produced a day or two after every month end, it provides a superb summary of how investment markets performed in the preceding four weeks. It's followed up with my monthly interview recorded for YouTube with Corion's chief investment officer David Bacher.

The most recent edition, released last week, reflected especially good news for two money managers whose mettle has been tested over decades. Piet Viljoen's Counterpoint Value fund rules the roost in unit trust performance. And with his sector best in the one year, three month and one-month rankings, Denker Capital's Kokkie Kooyman financial specialist is also smiling.

It's especially satisfying for Viljoen. Seven years ago he lost the mandate to operate the NedGroup Managed Fund, a unit trust he'd been running for 12 years. That public vote of no confidence must have hurt, although Viljoen certainly hid his feelings well. Listening again yesterday to our 2015 interview on the news reflects the man's resilience – and confidence in his process.

Piet admitted that his deep value approach was "looking stupid". But yesterday's apparent fool has become today's genius. In the past three years his fund's value has doubled. The Corion Report puts the R744m fund at the top of all General Equity funds for the year to end May, with a return of 31.3%.

The Counterpoint Value fund's success is in stark contrast, for instance, to the ten times bigger Coronation Equity fund, whose managers fish in the same stock pool. That heavily marketed unit trust actually lost money for its investors over the same period, giving them negative 2.1% in the same 12 months.

I chatted to Viljoen yesterday, asking how he managed to produce such a great result – and, more importantly, whether he reckons it can be sustained. He was emphatic on both points.

The superior return, he noted, was the result of a contrarian view of investing heavily in SA small cap stocks and some of their bigger brothers like MTN and Sasol that were "deeply undervalued". Plus, he completely avoided the Naspers/Prosus train crash, allocating a zero position to the JSE's largest individual counter. For context, Coronation (and many others) was a Naspers/Prosus bull.

Read the full article here

Noakes asks the tough questions

In this expansive interview, leading medical and nutritional scientist Dr Tim Noakes explains why he relates to UKZN Professor Colleen Aldous, whose independent stance on the use of Ivermectin has made her a lightning rod for criticism from officialdom. Noakes, who is on the verge of releasing findings from fresh research supporting his Low Carb High Fat diet, delves into history to explain why scientists who ask tough questions draw so much flak from the establishment.

Dr Tim Noakes, over 70, doing CrossFit with some younger friends

"At 12 years into diabetes, probably a bit longer, and with my diabetes in remission, I should be dead, let's make that point. Anyone with diagnosed diabetes for ten or 15 years should have the complications. Cross fingers, touch wood, I'm doing okay. I avoided the bullet and that's what made many people unhappy with me, because I found the solution to the problem but no one wants to hear it. I'm sure we'll be able to discuss that at great length. So, to answer your question, I'm extremely healthy. I'm doing CrossFit. I'm one of the fittest CrossFitters in Africa because I'm probably one of the very few over 70s who's still doing CrossFit. So, I've outlived all the competitors, so to speak."

On being rated the third most-cited sports scientists in the world still alive

"You know exactly how good you are because you are judged on your output; and not just your output, it's on whether people ever read them and think they are good enough to use in their own research. We call that citation. So, if somebody reads something I read and it influences them and they do research and think that the point I made was important, they cite me. You accumulate all these citations over the years and ultimately you can classify people on their citations. I might add that that's not the whole story because the top scientists in the world, by that criterion, are not very good scientists. Dr. Walter Willett from Harvard is a nutritional scientist, and they use a flawed system. They have developed the low fat, high carbohydrate diet, which they promote and they've heavily funded it. Harvard has been promoting this diet since the 1950s, thanks to the sugar industry helping them. There was a very famous case in the 1960s where two Harvard scientists were given money to say that sugar was safe and fats were bad and they published an article on that in *The New England Journal of Medicine*. So, he unfortunately follows in that category and is by far the most cited scientist in the world but I wouldn't say he's the best scientist. So, you have to understand that.

I thought that maybe I'm in the top ten at the University of Cape Town and it turned out that I was number two, which surprised me, particularly as my university had kicked me out for being a bad scientist in 2014. So, this kind of disproved that statement. A lot of the people who attacked me are below me on the ratings. I enjoyed that. I might just add that I'm currently the third most cited sports scientist in the world who's still alive."

Being the scientist who asks tough questions

"When I went into medicine, we were taught this is what you're dealing with and this is how you deal with it. Increasingly, medicine has become restricted in what you can actually do. For example, you are not allowed to prescribe Ivermectin in South Africa. Who says that a doctor can't prescribe a medication? It's unbelievable that governments now tell doctors what they can do. Medicine has got into this tight position where the doctors no longer can have the freedom to do what they are taught to do. So, I realised very early on that I wasn't designed to do what other people have told me to do, and I wanted to understand why. Why must I do this and what could I do that might be better? In a sense, I wanted to write the textbook rather than learn the textbook. So in 1975, as I finished my internship, I had the choice. You either go and learn the textbook, this huge, massive textbook, and you have to learn a hundred causes of high body temperatures and the guy who remembers the 100th is the best doctor. The fact that you never see those patients – you only see top three or four – is not material. I could never learn something that I didn't have any reason to learn. So, I went directly into science.

I'm trained to ask the question why, so when you tell me something, I say why? And unfortunately in medicine, you are not allowed to do that. You've got to say, well, this is the way we do it. The professor said so, so you have to do it. The problem was when I cured myself of my diabetes, I wasn't allowed to do that because you're not allowed to cure yourself of diabetes, because diabetes is treated with insulin. And if you don't take insulin, then someone will get very angry with you. So, the first thing I spoke about in one of my books was that cholesterol doesn't cause heart disease. I can promise you, there is absolutely no evidence that cholesterol causes heart disease. It is what we call a foundation myth. It was developed by a guy called Ancel Keys and the myth has just carried on. Industry has manipulated that myth because their financial return is dependent on the myth remaining, and anyone who questions it gets into trouble. So, the first people who attacked me were the cardiologists. They said Noakes is going to kill patients because he's telling them to eat a high fat diet and not to take statins. However, eventually the truth comes out and it will ultimately come out. What we say to people is the beauty about nutrition is that you can find out for yourself, but don't, for goodness sake, keep doing something that you think might not be right and you can't understand why you're sick. Don't keep doing it. Ask the question. Well, maybe if I changed, it would be better."

Listen to the full interview

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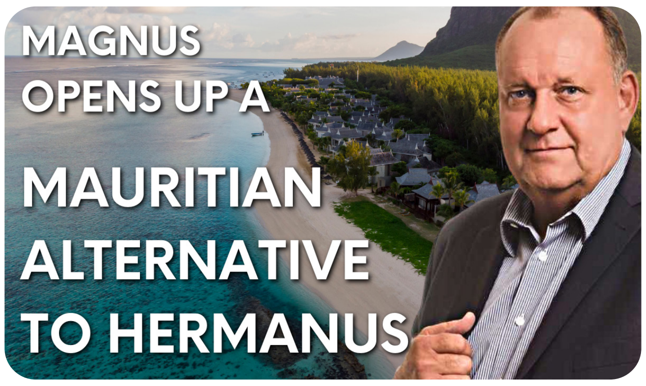

Magnus opening up a Mauritius alternative

No-nonsense Judith February a 'Jill of all trades'

Gupta arrests - 'I had a smile on my face'

SA's paraglider makes first legal flight off Everest

Grindrod Bank CEO on merging with African Bank

Ketamine – a severely misunderstood drug

INVESTIGATION

Clicks under attack by pharmacists

An organisation representing over a thousand independent pharmacy owners wants the Constitutional Court to close down the 650 Clicks-owned pharmacies nationwide. A case launched by the Independent Community Pharmacy Association (ICPA) against the Clicks Group six years ago is scheduled for a final round in the Constitutional Court in September. The case has already been argued in two Department of Health hearings (Clicks won both), the Western Cape High Court (ICPA won) and then before a five-judge bench of the Supreme Court of Appeal (where Clicks won 4-1).

EFF supporters gesture during a picket outside the Clicks store. Photographer: Luca Sola

By Martin Welz

On 6 May 2016, ICPA lodged a formal complaint with the Department of Health alleging that Unicorn Pharmaceuticals, a pharmaceutical manufacturing company in the Clicks Group, and Clicks Retailers, company in the group that owns 650 retail pharmacies, are contravening a regulation promulgated in terms of the Pharmacy Act The regulation stipulates that a person or corporate entity that owns or has a beneficial interest in a dispensing pharmacy may not also have a interest in a manufacturing pharmacy.

In ICPA's view, according to a recent press statement, "the mischief which Regulation 6(d) intends to cure is, very clear: The purpose of the regulation was to ensure that pharmacists do not have a vested interest in the medicines that they choose to dispense or recommend.

"We say that such a conflict of interest exists within the Clicks Group as Clicks owns more than 600 pharmacies and also owns a manufacturing pharmacy, Unicorn Pharmaceuticals. The Unicorn brand has many generic medicines under its label that are only supplied to Clicks Pharmacies." It contends that the conflict of interest could also explain why the manufacturing pharmacy prefers the retail pharmacies belonging to the same group above outside or independent pharmacies, and that this might affect the availability of [certain cheaper generic] medicines to non-Clicks customers.

ICPA claims further that certain medicines are not easily substitutable, such as certain heart medicines and many epileptic medicines. "If a patient is stabilised on a Unicorn brand of one such medicine, he or she is effectively restricted to using Clicks Pharmacies only, as other pharmacies cannot purchase Unicorn brand medicines."

ICPA believes that the Clicks Pharmacies actively promote their own brands and that Clicks' pharmacists are incentivised to promote their Unicorn brand: their performance appraisals allegedly require that a certain percentage of sales are own-brand sales. "This might put some of their pharmacists in a difficult position, either to recommend a medicine they believe is best suited to the patient or an alternative Unicorn own brand to ensure his/her performance appraisal is favourable."

In conclusion, ICPA intends arguing in the Constitutional Court ¬– the hearing is set down for 1 September 2022 – that the Clicks corporate structure is in contravention of the Pharmacy Act and Regulations, and that if Clicks are allowed to continue in this manner, then they are infringing on individuals' Constitutional right to have access to affordable health care services.

But read Clicks' lawyers' unpicking of the law and their counter-arguments and you quickly realise this is not going to be smooth riding, either way.

Click here to read the full article

No more sugar coating Tongaat

By Victoria Ashwin

Tongaat is looking to raise R5bn in a rights issue that is 12 times its current market value of R400m. The Rudland Family through Magister Investments will partially underwrite R2bn of the rights offer provided that a waiver is approved by regulators. Related parties to Magister were found to have dealt in shares during the restricted period which has influenced the Takeover Regulation Panel's decision to nullify the waiver. This decision calls into question the certainty of the rights issue and ultimately the future of Tongaat. A body of shareholders' including shareholder activist Chris Logan, is appealing to Tongaat to reconsider their strategy amid concerns about the intentions of the Rudland family for the business if it obtains control. Hamish Rudland believes a rights issue is the only way forward in order for the company to avoid collapse.

The history of the Tongaat Hulett group reaches as far back as the 1800s. Today it employs close to 23,000 people and owns close to 17,000 hectares of land with over half of this being prime development land in KwaZulu-Natal, South Africa.

The company has accumulated R6.8bn worth of debt over the years through financial mismanagement and a struggling sugar business. This has been reflected in the share price which has deteriorated nearly 65% from R8.15 a year ago to R2.8 at the time of writing.

A rights issue to the value of R5bn is being pursued by Tongaat in order to raise capital for the business. The Mauritian-based company, Magister, owned by Hamish Rudland, will partially underwrite the rights offer up to an amount of R2bn. The Rudland family is one of the richest families in Zimbabwe and minority shareholders have questioned their governance and financial history.

Hamish Rutland confirms:

"How much of the R2bn Magister invests and what percentage of shareholding it will be required to subscribe to, depends on shareholder participation in the rights offer. There is also a limit, in terms of the agreement between Tongaat and Magister, that Magister cannot exceed 60% of the shareholding post rights issue."

This strategy has left a body of shareholders questioning whether this is the right approach.

Chris Logan, Opportune owner and shareholder activist, states:

"The company is insolvent and there's strong resentment by a body of shareholders to the Rudlands assuming control by whatever means. There are shareholders who feel really strongly about this company. I mean, you know, this ruling was derived by a body of shareholders, largely Durban-based families, who took on Tongaat and Magister on the confirmed vote. They've really gone out on a limb. I mean, it costs them a lot time, money, energy, so there are people who really want Tongaat to work."

The conclusion of this deal was subject to a waiver being approved whereby Magister would not have to make an offer for all of Tongaat's shares. Legislation requires that if a company's shareholding in a business is over a 35% threshold, a mandatory buyout offer must follow.

The waiver has been struck down by the TRP after it concluded that there were concert parties or inter-related parties buying Tongaat shares once the transaction was announced. And that contravenes a specific regulation that makes the waiver a nullity.

Read the full article here

Minister chokes mining sector with empowerment agenda – IRR

Sibanye debacle: Mantashe's gambit

It actually doesn't need a former judge of the Supreme Court to confirm that Mantashe's talking bosh. But it helps. Once again, the tri-partite alliance shows just how destructive their ideology can be of our teetering economy. Here Mantashe's comes down firmly, never mind illegally and absurdly, on the side of the unions in a protracted gold-mine labour dispute. That Sibanye-Stillwater used a bit of rhetoric in a bid to kickstart negotiations so it can resume operations is stock standard practice. In assessing Mantashe's threats to close the mine down 'because they obviously don't want to mine," we easily forget that politicians are the masters of rhetoric. With calm jurisprudence, Rex van Schalkwyk, dismantles Mantashe's bluster for what it is, tyranny unseating all the requirements of the Rule of Law. Hopefully Gwede won't waste more taxpayers' money defending the indefensible in court – if he acts on his threat. – Chris Bateman

> *"The Rule of Law is the barrier that the law sets against tyranny. Tyranny, at the hands of an officialdom, is any form of autocratic, capricious, or high-handed action which has an adverse effect upon one who is subject to that authority. Until it is remedied, preferably by a retraction from the minister himself, he will have cast himself in the role of the tyrant, with Sibanye his potential victim."*

By Rex van Schalkwyk

Gwede Mantashe's unlawful attempt at coercion fails the test of the Rule of Law.

In purported compliance with section 47 of the *Mineral and Petroleum Resources Development Act*, the minister has threatened the possible revocation of the Sibanye/Stillwater mining licence.

For the past three months there has been a strike at the Sibanye gold mines which has effectively halted mining operations. Various attempts have been made, the most recent no more than a week ago, to bring the strike to an end. This last one ended, like the others, in failure to reach agreement.

After the most recent failure Sibanye issued a rhetorical flourish to the effect that it had sufficient resources to overcome a strike even if it was to last for years.

In a statement before a select committee of the National Assembly, the minister seized upon Sibanye's rhetoric to issue the threat. This is what he is reported to have said: "…(T)he message he is sending to us is that he is not ready to actually mine gold. He has enough money to fight the strike and stop production for years and years…" This the minister interpreted as a "message" (sic) that the department "…look into the possibility of the application of section 47. A mine that does not want to mine, but sit on the properties… so that we can give that property to companies that want to mine gold." (*Emphasis added*)

The first observation that must be made is that there is no substance whatsoever to the minister's assertion that "(Sibanye) does not want to mine…" Neither is it possible to interpret the words of the flourish in this way. What is evident from the statement is that Sibanye was engaging in a form of hyperbole, of a kind frequently adopted in intense negotiations, where the stakes are high, in an attempt to accomplish an acceptable compromise.

The suggestion that Sibanye does not want to mine is contradicted by the plain facts. It has been actively and continuously engaged in gold mining for decades past, in a multitude of successful ventures where capital investment of billions of rand has been committed, and to a point at which it now has more than 84 000 miners and related employees, 31 000 of them in the gold mining sector alone.

The suggestion that Sibanye does not want to mine is patently absurd and has been made only for effect.

The assertion that Sibanye "…is not ready to actually mine gold…" is incompatible with the circumstances readily observable at any of the mines where Sibanye has been actively mining for many years.

The question then is, what is to be made of statements of this kind? It is clear that it was seriously intended and that it was expected to be acted upon. Assertions of this sort are not made by a minister, before a body of the National Assembly, if not seriously intended.

The obvious answer to the question is that Mantashe was throwing his considerable weight behind the cause of the striking miners, in an attempt to goad Sibanye into a settlement that the miners demanded.

Read the full article here

COMMENTARY

War, what war? Russia thriving

Economist Dawie Roodt, married to a Russian, recently returned from a family wedding in Russia's famous Sochi town, bearing some valuable takeaways about the Ukrainian invasion. For ordinary Russians, (besides those with fighting conscripts), there may as well be no war. There's no evidence of it, nor yet of global sanctions. The rouble is strong, shelves are full, and people are thriving, most of them behind their armed forces. Yes, 9 May was Victory Day, commemorating Russia's WWII triumph over the invading Germans (actively backed by Ukraine), so the Roodts witnessed some national fervour. Upon closer questioning though, the average man in the street supports the annexation of Crimea, a right-wing stronghold with Nazi echoes. Not so much all of Ukraine. They apparently couldn't care less, according to Roodt. His family's passport tribulations on attempting to return home matched that of a recent *BizNews* contributor upon arrival in Cape Town. However, their Home Affairs equivalent made ours look silly. – Chris Bateman

By Dawie Roodt

My family and I visited the Russian Federation (the official name) or just Russia, during April/May this year to attend a family wedding. I am after all married to a Russian girl, and the wedding was the ideal opportunity for our twins to see their Babushka (grandmother). The whole to-do took place over three days covering three functions – all three confirming the intimate relationship Russians have with vodka.

I have been criticised by some for my decision to take our children to a country at war, and although the wedding was held at Sochi, a city on the Black Sea – not that far from the Ukraine – I did confirm it was completely safe for us to visit beforehand. Sochi is a very popular holiday destination for Russians, as well as foreigners, and was the previous host city of the winter Olympics.

Sidenote: *Sochi is a very beautiful modern city. Even in spring, it is only an hour's drive from a tan on the black-pebbled beach of the Black Sea to a ski slope in the Caucasus.*

Apart from visiting with family and enjoying a run next to the sea every morning, I saw this as the perfect opportunity, as an economist, to try and gain insight from ordinary Russians' perspectives on the war between Russia and Ukraine. Sochi afforded me the opportunity to speak to many people on their views on the war.

But things were about to change.

There are still many (mostly) Middle Eastern airlines flying the Moscow route, but it is mostly (only) Russian airlines flying domestic routes. We encountered full airplanes and busy airports. No sign of a war anywhere!

On our way back, we were confronted with problems at customs. Since our girls hold dual citizenship, they were not allowed to leave Russia with their South African passports – the way they came in – because Russia does not recognise dual citizenship, apparently. Believe me, Russian customs people are as rude and unfriendly as most customs officials everywhere in the world and the rudeness of an individual is in direct relationship to the size of the stamp he wields… So, we could leave our nine-year-old girls in Russia, they would feed them and give them a place to stay, these friendly custom officials said, or we must get Russian passports for the girls.

So, there we are in the middle of the night, my wife semi-hysterical, the girls in tears, no money and nowhere to go. Since Russia has been excluded from the SWIFT system, 'Western' credit cards do not work in Russia. Fortunately, we still had our Russian SIM cards and at 3 o'clock in morning, we booked into a 'boutique hotel' –a generous description – I also managed to borrow RUB100,000, approximately R20,000, from friends.

We could start the passport application process only a few days later because of official holidays but at least we could move to the small, but modern, flat in Moscow of the bride whose wedding we attended. This gave me another opportunity to explore Moscow and to see first-hand what the impact of the war was on the capital city.

Here are my impressions:

There is no sign of a war anywhere! There were no soldiers, tanks, or any other signs of the military.

Read the full article here

SPONSORED

Four steps to investing in the US

Brought to you by Lockstep

For many, investing offshore is both enticing and intimidating. Offshore investments allow you to diversify your portfolio and risk. But with opportunity comes apprehension, as the inevitable, "how-where-when-what?" settles in.

Fortunately, it's never been easier. There are simple online resources that make the logistics of offshore investments accessible and effortless. Plus, if you're looking for guidance on what investments to make, while maintaining complete control of your wealth, Lockstep is here to help. But let's get to that later.

1. Decide how much you want to invest offshore.

There's no one-size-fits-all when it comes to investing locally or offshore, but here are two things to consider as a starting point. Firstly, what can you afford? For an investment to be worthwhile, you shouldn't draw from it for at least 3 to 5 years. So choose an amount that you can happily invest, knowing that you won't want access. Secondly, as a South African citizen, you can take out up to R1 million per year without declaring it. To invest between R1 million and R4 million,

you'll need a SARS Tax Clearance certificate and for investments between R4 million and R10 million, you'll also need a SARS Letter of Compliance. Decide which option works for you and take it from there.

2. Convert ZAR into USD and move it to an offshore bank account.

You don't have to pack your bags, find your passport and go meet with a banker in New York. All of this is done locally through various platforms of your choice. Here are two that could work for you.

Shyft

If you're transferring less than R1 million outside of the country, one of the easiest and cheapest ways is to use Standard Bank's Shyft app. We don't get any benefits from recommending this service, we just love it because it's easy to use and very well priced.

- Open a Shyft account – you don't need to be a Standard Bank customer.
- Transfer ZAR to your Shyft account.
- Buy USD with the ZAR in your Shyft account.
- Standard Bank then holds the USD in an offshore account in your name

The Bank

If Shyft isn't for you or if you want to transfer more than R1 million, you can approach your bank. Most banks help with the whole process, including obtaining a Tax Clearance Certificate, converting your ZAR to USD, and transferring the funds to an offshore bank account. Be mindful of costs, as Tax Clearance Certificate fees, Forex rates which are usually the largest cost, transfer fees, and others, can very quickly add up.

3. Open an offshore broker account

Next up, you're going to need a broker account, which is an account opened at an offshore bank/broker where you can buy and sell US-listed shares. Again this might seem daunting, but it isn't hard. There are many options available to individuals, so the hardest part is picking an option that suits your needs. We have two recommendations, and once again, we don't benefit from suggesting their services.

Shyft

Shyft offers share trading on its platform allowing you to instantly buy and sell US-listed shares available on the app. For convenience, you really can't beat it.

Interactive Brokers

Interactive Brokers gives you access to multiple exchanges internationally, including US markets.

Click here for the full article

HNWIs leaving South Africa in droves

Brought to you by Global & Local

Safety concerns, rolling blackouts, corruption, and economic stagnation are just some of the motives behind high-net-worth individuals (HNWIs) choosing to leave for overseas. Data from New World Health and Henley & Partners shows approximately 4 500 HNWIs have left South Africa over the past decade.

HNWIs are defined as individuals who have a wealth of R15.7 million or more, this includes all their assets such as property, cash, equities, and business interests less liabilities. Majority of these individuals are leaving for the UK, Australia, and USA. Other data also shows that HNWIs are leaving for Portugal, Switzerland, Israel, Mauritius, New Zealand, the USA, Canada, Monaco, and Malta. The cost to South Africa is a loss of approximately R1.2 million in income tax as well as consumer, fuel levy, and excise duty spending. This means that SARS will see a drop in the number of top earners for the fiscal year.

Even though many wealthy South Africans are leaving in droves this isn't unique to just South Africa. Other Emerging Markets have also seen a significant number of HNWIs migrating over the past decade, particularly from Egypt, Turkey, and Nigeria. On the flip side data also points to there an increasing trend of wealthy people returning to South Africa, particularly HNWIs from the UK.

South Africa is also home to more than twice as many millionaires as any other African country. Globally South Africa ranks 28th ahead of other emerging economies like Turkey, Argentina, Malaysia, and Thailand.

According to the New World Wealth, some of the main reasons that millionaires chose to move to South Africa are:

- Top-end residential areas such as Sandton
- Weather
- Beaches
- Opportunities to acquire business ventures or invest in businesses at a discount
- Reliable and trustworthy stock exchange

The return of a few millionaires is beneficial for the economy, however, with current headwinds such as high unemployment and skill shortage means government must tax the HNWIs at 45% instead of 41%. In 2022, South Africa is forecast to obtain 38% (9.7% of GDP) of its tax revenue from personal income tax, 27.1% from VAT (6.9%) and 15.6% (4% of GDP) from corporate income tax. This forecasted personal income tax exceeds that which is forecasted to be collected from corporate tax receipts. Fortunately, National Treasury is aware that the increase in the tax rate often leads to the emigration of HNWIs which negatively impacts the total amount collected by government.

National Treasury has also put in place provisions for provisional taxpayers with business interests that all assets must be declared based on their cost and liabilities in the tax year of assessment. These measures assist Treasury to detect non-compliance or fraud of possible unexplained wealth. All provisional taxpayers with assets above R50 million are required to declare specified assets and liabilities at market value.

It is alleged that government is requesting provisional taxpayers to declare assets above R50 million to collect more information on the country's wealthiest individuals and understand the true value of their wealth. Experts speculate the other main driver is government's need to collect additional tax revenue to help finance social projects such as the R350 social relief grant and KZN relief funds. The New World's Wealth's Africa report shows that a total of 4 200 HNWIs have left the country over the last decade. If Treasury's proposal of a wealth tax is implemented, then this number of emigrating HNWIs is likely to increase.

Though South Africa's issues has led some HNWIs to seek greener pastures, South Africa still ranks 28th in the world when it comes to total private wealth. According to the 2022 Africa Wealth Report, total private wealth currently held in Africa is $2.1 trillion and is expected to rise by 38% over the next 10 years.

THOUGHT LEADERS

An anything-is-possible mindset

Brought to you by BrightRock

In just under four minutes, one man proved that almost anything is possible if you set your mind to it.

Picture the scene: Oxford University, May 6, 1954, the Iffley Road running track. Roger Bannister, a medical student at St Mary's Hospital Medical School, has just become the first person in the world to run a mile (1,6 km) in less than four minutes.

Before this achievement, the four-minute mile was thought to be impossible. You'd have to run at 15 miles (24 km) per hour, they said. It couldn't be done, they said.

Obviously, they were wrong. But what happened after Bannister's breakthrough achievement was even more interesting. Just two months later, the record was broken again. And then again, and again and again.

In the 68-odd years since then, more than 1 400 runners have cracked the four-minute mile, which has become the standard for male professional middle-distance runners.

Professor Tim Noakes of the Sports Science Institute of South Africa believes there is a switch in the human brain that limits our physical efforts.

He calls it "the central governor". In a landmark 2012 paper, he wrote that marathon running provides evidence that human athletes race "in anticipation", by setting a variable pace at the start.

What if your brain has a similar "central governor" that imposes limits on what you can achieve – and what if you could flip a switch that removes those limits and invites abundance into your life?

According to research, you do, and you can. A team at the Donders Institute for Brain, Cognition and Behaviour in the Netherlands used neuroimaging to confirm that a "scarcity mindset negatively affects the neural mechanisms that underly your goal-directed decision-making".

According to the study, this is even more pronounced in situations where people used to have more resources than they currently have. In other words, if you think you can't do something, especially if you used to be able to do it, then you are likely to be right. But only because of the limits you have placed on yourself.

Now what if you could flip the switch around, using the same neural networking? Stephen Covey, touched on this in *The Seven Habits of Highly Effective People*, contrasting the "scarcity mindset" with the "abundance mindset".

"Most people are deeply scripted in what I call the Scarcity Mentality," Covey wrote. "They see life as having only so much, as though there were only one pie out there. And if someone were to get a big piece of the pie, it would mean less for everybody else."

What Covey calls the Abundance Mentality, on the other hand, flows out of a deep inner sense of personal worth and security.

"It is the paradigm that there is plenty out there and enough to spare for everybody," he writes. "It results in sharing of prestige, of recognition, of profits, of decision-making. It opens possibilities, options, alternatives, and creativity."

Neuroscientist, Tara Swart, builds on this concept in her book, *The Source: The Secrets of the Universe, the Science of the Brain*.

"To be creative, we also need to develop a certain level of confidence in our right to express our unique take on things; to value our own ideas and interpretations," she writes. She adds that when she was at school, she was told she wasn't creative just because she wasn't good at drawing.

"It turns out there is a generation of people afflicted by this myth," she writes.

Understanding that your limitations are self-imposed, and therefore imaginary, makes it easier to surpass them.

As Swart suggests, "Why not apply for that new job or go on that date your friends are suggesting? Why not take up that new hobby you have been putting off for years?"

Stanford University psychologist, Carol Dweck, sums it up in her book, *Mindset: The New Psychology of Success*.

She asks whether people with a "growth mindset" believe that anyone can be anything, that anyone with proper motivation or education can become an Einstein.

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