Publication: Biz News Digest
Date: Saturday, March 06, 2021
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Heystek on Regulation 28

In the inaugural episode of the BizNews Power Hour, Brenthurst Wealth Management founder Magnus Heystek joined Jackie Cameron to discuss new draft amendments to Regulation 28 – which governs the way pension funds can allocate your assets. The proposal is the South African government's 'response calls for retirement funds to help pay for national; infrastructure investment', says Cameron. Magnus Heystek weighs in on how this all works, his thoughts on the proposal and the lack of proposal to allow greater access to offshore investments.

Magnus Heystek on Regulation 28:

"Regulation 28 determines how much of your money can or may be allocated to various asset classes while your money is invested in a pension fund, provident fund, and a retirement annuity fund. So essentially, most of your build up of your retirement capital has to follow these guidelines and it determines how much can be in shares, in property, onshore and offshore.

One of the criticisms – for a while – has been the limits of limitation of 30% offshore. By and large, this has been a substantial drag on investment performance for a very long time. There were all sorts of rumours flying around a while ago that this might be increased and also that there be some prescribed assets, which is something else. But in the end, we got a situation where government has decided not to introduce prescribed assets, which is very nice."

Brenthurst Wealth Management founder Magnus Heystek

On government investing in infrastructure:

"But it has come with a new classification of what pension funds may or may not invest in, in infrastructure. Now, that hasn't been clearly defined yet, but it opens the door as to how much pension funds may invest in a new asset class called infrastructure. This is just broad comments that are now being expected. We need a bit more detail. So on the whole, I don't think it's such a bad development.

I think we do need expenditure into infrastructure and we already do – pension funds for a long time have said 'but we do invest in infrastructure'. But they said, 'bring us bankable schemes that will make a return on investors' money. So that's the problem. So in general, I think it's to be welcomed. I think it might open some gates and get infrastructure going.

It's going to be very important, the role that the quality of these infrastructure schemes will play. Will they be monitored by the ratings agencies? What will the role of the trustees be? Because ultimately, nobody will be forcing pension funds to invest in these things – and only on the basis that they are good investments. Will the trustees allow these investments to go ahead?

Not a bad development - no shocks about it. I think if it's done responsibly and correctly, it will provide a much-needed boost for South Africa's infrastructure – which has been neglected for a very long time. The issue is how will investors make money and that is the crux of the matter."

On the easing of exchange controls:

"The whole industry was expecting something to be said in the budget, but I think that it will happen soon. I still think that there are negotiations behind the scenes as to what exactly that circular was all about and how you interpret that circular – the infamous Circular 15/20, which some people interpreted as no boundaries on the offshore exposure."

Listen to full interview