



THE POWER  
OF INDEPENDENT ADVICE

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BRENTHURST RANKED BEST  
BOULIQUE WEALTH MANAGER IN SA 2017  
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PRIVATE BANKS AWARD

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# BRENTHURST WEALTH REMAINS BULLISH ON OFFSHORE

*By Brian Butchart, Managing Director and CFP®, Brenthurst Wealth Management*

**Brenthurst Wealth Management has been advocating a healthy exposure to foreign markets to local investors for more than 8 years now and continues to be a cornerstone of our investment strategy.**

Depending on individual circumstances, we are strategically advising between 50% and 80% offshore allocation across discretionary portfolios, in some cases more.

The primary reason for this bullish push abroad is the concentration risk the South African market poses to portfolios. The JSE is a tiny market, representing less than 1% of the global investable universe. Only 10 shares listed on the local bourse make up between 50% and 60% of the JSE All Share Index. Technology giant, Naspers, makes up 20% of the local index, alone.

Taking money offshore offers access to a multitude of diverse industries, listed stocks, geographies and themes not available back home.

The local market also diverged from lucrative international growth rates over several years, resulting in pedestrian returns at best.

**Those invested in international markets fared far better than those primarily invested in the local market over 1, 3, 5 and now 7 and 10 years if you compare the JSE ALSI vs the MSCI World index and S & P 500.**

Investors who did not increase their offshore investment exposure in recent years suffered a tremendous opportunity cost and, in some cases, have not seen any real increase in the real value of their holdings in rand terms.

# PERFORMANCE: JSE ALSI, MSCI WORLD, S&P500

5 YEAR PERIOD 2014-2019 CURRENCY ( ZAR)



## LOCAL VALUATIONS

We are not denying valuations are attractive, however corporate growth prospects remain grim in an environment of pedestrian economic growth projections, and political uncertainty.

First quarter GDP growth of -3.2%, the largest contraction since the global financial crisis 10 years ago, showed this will not be an easy feat.

The President's State of the Nation speech, advising on yet another bailout for Eskom did investor confidence no favours either, as he failed to address the serious structural concerns around the state-owned enterprise.

The JSE ALSI index can only gain momentum when company earnings improve. Earnings will only improve when consumer confidence returns. Consumer confidence will only return when structural reform is visible.

**Unless these structural concerns are addressed, we find it difficult to see the catalyst to change the current poor trajectory of the local market. And therein lies the value trap!**

Foreigners have sold down, almost R500 billion from our local stock market over the last 5 years and continued to sell an additional R28 Billion in the first quarter of 2019.



Contrary to belief, we do remain hopeful the SA economy turns around, but that can only happen with definitive action and commitment from government to structural reform, before we see any opportunity to buy back into the local market. Currently, we simply don't see it, and therefore remain cautious over the medium term!

Instead, our appetite for homegrown investments currently are the historically "unsexy" asset classes. However boring income funds may seem, some of these funds delivered Stellar performances with far less risk. In fact, most income funds beat money market, inflation, almost all balanced funds and the JSE ALSI over 1,3 and 5 years.

The Mi-Plan and Counterpoint enhanced income funds for example beat the JSE ALSI index over all periods comfortably and in this market 12% and 9% returns from these two funds respectively seem pretty damn sexy to me!

## INCOME FUNDS BEATING MARKETS

DATA AS AT 12 JUNE 2019 INCLUDING REINVESTMENTS

| FUND                                                | 1 MONTH<br>(%) | 3 MONTH<br>(%) | 1 YEAR<br>(%) | 3 YEAR<br>(%) | 3 YEAR<br>ANNULIZED<br>(%) | 5 YEAR<br>ANNULIZED<br>(%) | 6 YEAR<br>ANNULIZED<br>(%) |
|-----------------------------------------------------|----------------|----------------|---------------|---------------|----------------------------|----------------------------|----------------------------|
| MI- PLAN IP<br>ENHANCED<br>INCOME FUND - A1         | 1.35           | 3.41           | 12.27         | 33.87         | 10.23                      | 52.01                      | 8.75                       |
| COUNTERPOINT<br>SCI<br>ENHANCED<br>INCOME FUND - A1 | 0.82           | 2.37           | 9.16          | 29.88         | 9.12                       | 46.50                      | 7.95                       |
| FTSE/JSE<br>ALL SHARE INDEX TR                      | 3.59           | 6.71           | 4.36          | 20.98         | 6.57                       | 34.98                      | 6.19                       |





# SPEAK TO ANY BRENTHURST ADVISORS ABOUT THE NEW BRENTHURST GLOBAL EQUITY FUND

This investment offers local investors exposure to global top index trackers and ETFs, including Vanguard and Black Rock.

**THE FUND DELIVERED A STELLAR 17% YEAR-TO-DATE RETURN, WITH ASSETS UNDER MANAGEMENT IN EXCESS OF \$18 MILLION AND GAINING TRACTION.**

This fund is used as part of our core portfolio together with other passive- and actively-managed funds to construct bespoke international investment strategies. This investment offers local investors exposure to the top index trackers and ETFs in the world, including Vanguard, Black Rock and other global giants.

It not only offers investors exposure to global stock markets but as far as we can determine, it is the only FSCA-approved international fund investing entirely in ETFs and trackers. The fund is the latest addition to our range of funds giving exposure to leading companies, regions, currencies and countries at a fraction of the cost. This combination of both passive and active strategies complements one another and potentially offers superior long-term outcomes, as opposed to either investment strategy in isolation.

**Any investment strategy however should always be carefully considered in consultation with an advisor, who can address the risks and assess suitability to individual circumstances.**

## CONSISTENT EXCELLENCE SETS US APART

We are exceptionally proud to announce Sonia Du Plessis, head of our Stellenbosch office, was voted **TOP FINANCIAL ADVISOR IN SA, 2019**. Sonia has been with Brenthurst for 15 years and is a Certified Financial Planner. Brenthurst Wealth ranked as the **TOP BOUTIQUE WEALTH MANAGER** in SA 2017, runner up in 2018 and in the **TOP 4** in the 2019 Intellidex Private Bank & Wealth Manager award.

### ADVISOR PROFILE: BRIAN BUTCHART, MANAGING DIRECTOR



**BRIAN is a co-founder and Managing Director of Brenthurst Wealth and head of financial planning in Cape Town.** Brian is also responsible for compliance and operations nationally across all six offices.

He has been in the financial services industry since 1998, and has previously worked at Citadel and Magnus Heystek International.

**Brian is a CERTIFIED FINANCIAL PLANNER® professional, a member of the Financial Planning Institute of South Africa and is fully qualified to give advice on all investment matters.**

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