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HELL HATH NO FURY, PIET?

By MAGNUS HEYSTEK
Investment Strategist & Director of Brenthurst Wealth Management

Is it perhaps sour grapes that makes Piet Croucamp criticise him, wonders MAGNUS HEYSTEK, and explains his investment choices.

It seems to me that the *Vrye Weekblad* columnist, Piet Croucamp, has made it his life's work to dissect my writings, comments and statements in the finest detail and then to attack me with meaning and resentment, as I previously tried to point out in comments. His latest writings about me once again testifies to this campaign. It borders on a vendetta.

I only "met" Piet once before, in that in 2016 I participated in a kykNET discussion with him and Ryk van Niekerk from Moneyweb.

Piet did not say a word to me in the time leading up to the debate - he completely ignored my outstretched hand. During the program, which dealt with foreign investment, he was very outspoken about the fact that South Africa "is not going to become a Zimbabwe" and that South Africa would recover dramatically once we could get rid of former president Jacob Zuma. He was also particularly condescending towards me and other people like me who recommend foreign investments.

Since then, via Twitter and occasionally in articles in the *Vrye Weekblad,* Piet has aimed snide remarks at me, mostly with regards to my Twitter feed and specifically concerning a two-bedroom apartment in Val de Vie and my apartment in Mauritius.

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He has also made sarcastic remarks about my weight in a tweet, for example. These are the levels to which Piet will go down to in his attempts to "gun" me, as my sergeant major in the army always used to say. I am not prepared to publicly share my medical history with Piet or anyone else.

A FAILED STATE

With reference to investments, I tried to highlight that currently there are two demographic trends amongst wealthy people in South Africa - mostly white people, but also people of colour.

One is to the South – first South, then out! And the other is to countries abroad, including Mauritius. Barely a week ago New World Wealth wrote on how South Africa has approximately 8,000 less dollar-millionaires than 10 years ago, due to the decline in the value of their investments, and also since 4,200 millionaires have left the country over the past 10 years. But Piet will probably blame me for that too.

It's not just these two demographic trends that I've written about and often talked about at seminars. The other is the flow of capital from local and foreign investors out of South Africa to abroad.

The JSE, for example, has lost a whopping R800 billion or so since 2018, due to the withdrawal of investors.

Furthermore, the JSE lost more than 200 companies due to delistings and mergers.

Piet's friend, Mike Schüssler - who sadly has passed away earlier this week - also supplied statistics which indicates that South Africans have more money abroad than money which foreign investors have invested in South Africa.

But if people were to believe Piet (and others), then it is me, on my own, who is responsible for this capital outflow. The harsh reality is that the South African economy and the country are showing numerous signs of a failed state. We are referring to Eskom, Transnet, SAA, the Zondo Commission's findings, the police, unemployment, corruption, crime, road deaths, and so on.

And I'm not the only one warning against this failed state. The list of businessmen and commentators who make the same statements is long. These include Justice Malala, Peter Bruce (both colleagues of *Vrye Weekblad* at Arena Holdings), Mike Brown of Nedbank, Neil Froneman of Sibanye-Stillwater, and so forth.

After years of denial, the description of a "failed state" is being used increasingly in our economic and political discourse, and no one reacts as violently to it as was seen in the past. Barely three weeks ago there was an article by Claire Bisseker, financial editor of Financial Mail, in *Vrye Weekblad*, in which she wrote: "Slowly, but surely, we are slipping further and further downhill."

How does this differ from articles by me and many others suggesting the collapse of South Africa? By definition, they too are now all "economic epitaph writers".

When I wrote an article in Moneyweb in 2016 about the “financial tsunami” that was approaching South Africa and its middle class, unsurprisingly it was one of our sunshine economists, Dr. Roelof Botha, who took me on about it, remarking that something like this is absurd; that the economy would never be downgraded; that the economy would soon grow at 4% again and, best of all, that Pravin Gordhan (during whose term our government debt increased from 20% to 60% of gross domestic product) was our best finance minister to date.

What happened shortly thereafter was the following: All the rating agencies downgraded South Africa to well below investment grade, the economic growth rate dropped to well below 2% and South Africa had to borrow money from the International Monetary Fund. Our unemployment is currently the highest in the world and the middle class is under enormous pressure due to all these factors and more.

Hardly a day goes by without an article appearing somewhere on a website on how bad things are in South Africa at the moment. Each and every one of Vrye Weekblad's readers will agree with what I am to say: There is simply no money in the system and there is no more talk of buying luxury goods, unless you have scored a tender or two somewhere.

LONG-TERM CAPITAL GROWTH

This has been one of the reasons why I and, therefore, clients of Brenthurst have predominantly been considering foreign investments for long-term capital growth since 2012. The balance of the capital entrusted to us is invested in a combination of local government bonds, equities and real estate funds. Since 2017 we have not put a penny into South African real estate funds, to the great relief of our clients.

Most of the capital that Brenthurst manages was invested domestically, largely in interest-bearing instruments that beat the average return on the JSE over a period of 10, 7, 5 and even 3 years.

Piet makes it sound as if we are recklessly moving everything offshore, regardless of the risk and personal circumstances of our clients.

That's simply not true. There are many of our clients who do not have a penny invested offshore, because they need the income in South Africa, whilst others have 100% offshore, based on their medium- and long-term goals.

I can understand that the local fund managers dislike this approach, because over the past 12, 10, 7, 5 and even 3 years, foreign investments have performed significantly better than pure local funds and asset classes. The reason for this is simply that foreign funds are cheaper and that there is a wider variety of choices for advisors, like Brenthurst, and their clients.

The difference in fees between mostly South African funds and similar foreign funds is significant. But no one wants to allude to that.

Piet also makes it sound as if one is disloyal and unpatriotic to recommend offshore investments. That is nonsense and does not play a role in the investment world.

On top of that, most of our big fund managers (Allan Gray, Foord, Ninety One, Prudential – now M&G) are either 100% or predominantly owned by foreign companies. The huge profits - and believe me, we're talking about massive profits – is all taken offshore. So where does loyalty come into play?

BIZNEWS INVESTMENT COMPETITION

Piet also has a lot to say about the investment competition between Piet Viljoen, who manages Counterpoint's Value Fund, and myself.

We were approached by Alec Hogg's BizNews in November last year to each invest R500,000 – Piet in his Counterpoint Value Fund and me in my foreign funds, which consist mainly of technology stocks.

For the first two months I was comfortably in the lead, but then came the slump on the Nasdaq, which still continues. And at the end of last year/beginning of this year, commodity shares rose sharply until about a month ago. And suddenly Piet's investment stood at R600,000. By the way, it's back down to R500,000, while my portfolio has increased by R50,000 plus since the end of April, and Piet is suddenly not that far in the lead anymore. But it's a five-year match and a lot of water has still to run into the sea…

Over a period of 12 years, foreign investment outperforms our local market by far. The same is true over 10, 7, 5 and even 3 years. It has only been in the past (one) year, due to the sharp strengthening of the rand and rise of commodity prices, that local investments fared slightly better. But for the past six months the same old story has been repeated.

THE GROWTH VALUE OF R10,000 INVESTED OVER VARIOUS PERIODS

	10 JAAR	5 JAAR	3 JAAR
NASDAQ-100	99,754	27,833	18,885
S&P 500	64,732	22,435	16,524
MSCI WORLD INDEX	48,000	19,540	15,136
MI PLAN	20,995	14,833	12,751
JSE FTSE ALL SHARE INDEX	24,913	16,011	13,285
MULTI-ASSET HIGH EQUITY FUNDS	20,319	13,218	12,410
CONSUMER PRICE INDEX (CPI) + 3	20,299	14,287	12,304

Please refer to the above table to see for yourself how the JSE compares to foreign markets over a period of 10, 5 and 3 years. The table compares the growth value of R10,000 invested in various indices over a period of time. As readers can see, the performance of the foreign indexes/funds were by far better than that of the local market.

The difference is significant, and for many of Brenthurst's clients it means an honourable and stress-free retirement. The assets of many local investors who did not buy into the offshore investment story, are in a considerably worse-off state today.

The average retirement fund in South Africa, which largely consists of a combination of local and foreign assets – until recently a maximum allocation of 30% in foreign assets, now increased to 45% – has shown no real growth, after inflation and investment costs, over a 10-year or shorter period.

And if one then adds the collapse of the local listed real estate sector – a decline of 60% over the past 5 years – one can understand the actual impoverishment of middle-class South Africa.

Residential properties, with the exception of certain areas in the Cape Town/Stellenbosch/Paarl triangle, have shown a significant decline in real values over the past 10 years.

In dollar terms, average property prices are currently around 50% - 60% lower than 5 years ago, because property prices showed no increase. In contrast, properties in the US, Canada, New Zealand and Australia rose by more than 100% in dollar terms.

I regularly sit in front of clients who believed in the real estate retirement dream. Properties that were worth R10 million 5 years ago, struggle to reach R6 million today. The FNB/Lighthouse statistics further show that rental income has not shown a real increase over the past 5-6 years.

Add up all these factors and it is clear that the average middle class and even higher income groups have undergone a significant impoverishment over the past 10 years. Economists talk about per capita income and Schüssler's research shared with Brenthurst points to a collapse in per capita income.

My mandate is to conduct research on medium to longer term trends in South Africa, as well as across the world. For this task we make use of extremely competent economists such as Mike Schüssler, as well as various other sources such as Bank Credit Analyst, the Goldman Sachs Group, the Julius Baer Group and many others. We do not suck anything out of our thumbs and every recommendation we make to clients can be statistically supported.

That may also be why Brenthurst is one of the fastest growing consulting companies in the country, with nine offices countrywide, which includes an office in Mauritius.

Brenthurst has twice – in 2017 and 2020 – been the winner of the Top Boutique Consulting Company as determined by Intellidex, was the runner-up in 2018 and placed third and fourth in 2021 and 2019, respectively. We are the only consulting company to receive recognition for five consecutive years for the quality of our advice and the methodology of fund and asset choices.

Intellidex is an independent research company that presents this competition annually in consultation with Financial Mail, which is part of the Arena Group (which is also *Vrye Weekblad's* holding company).

I think Piet should also be honest and transparent with the editor of *Vrye Weekblad* regarding certain matters.

Through the course of last year I received an email from Piet asking me to participate in a webinar which he was going to host on behalf of the North West University involving investments. In addition, he asked me to extend the invite to businesswoman, Magda Wierzycka, as he was struggling to contact her. We both declined his invitation.
What is the English saying?... "Hell hath no fury…"

MAGNUS HEYSTEK

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Magnus is a director of Brenthurst Wealth Management and is in charge of investment strategies and research as well as client communication.

He obtained a BA (Hons) degree from RAU and started his career as an investment journalist with Beeld in 1976, becoming the Business and Investment Editor of The Star in 1986. During his career as an investment journalist, he attended countless international investment conferences across the world, including meetings of the International Monetary Fund and World Bank.

He was founder of The Star Investors Club, which he ran for ten years until 1998 when he sold his investment business to Citadel. He wrote his popular column Money Matters in The Star and other newspapers across the country for more than fourteen years.

Magnus initiated the first phone-in programme on personal finance on Radio 702, which he ran for 11 years. He has frequently appeared on local television including the 52-part series, 'The World of Money', which was based on the book with the same title.

Magnus is the author of several books on investments and retirement planning including 'Making Money Made Simple', The World of Money', 'Don't Say You Haven't Been Warned', 'Retirement: The Amazing and Scary Truth' and numerous other books. Magnus is also regular commentator on various radio stations, such as Pretoria FM and Strictly Business|It's My Money.

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