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HOW CAN YOU INVEST OFFSHORE?

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IN THIS ISSUE

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Before investing offshore, it is important to understand the different options available to you and the risks involved.

It is well known that for more than a decade Brenthurst Wealth has been advocating investing in the offshore market. Even though this strategy has received a lot of opposition in the industry, it has added value to long-term investments.

With this long-standing view, investors often ask the question, "**How can I invest offshore?"** Firstly, you don't need millions to be able to access the offshore market, but you need to be aware of what your needs are and what your investment term is before you decide on your offshore allocation within your portfolio.

HOW MUCH DO YOU INVEST OFFSHORE?

When choosing offshore investment options, it is important to consider your risk tolerance, investment goals and time horizon. We advise a minimum term of seven years. Once your financial plan is set out, anything that is not required to be liquid for the first seven years can be allocated to high-risk assets such as offshore equities.

Direct offshore investment involves physically moving your money out of the country and into an offshore bank account or investment fund.

This can be a complex and expensive process and it is important to comply with all applicable laws and regulations, something that Brenthurst assists our clients with in-house.

INVESTMENT OPTIONS AVAILABLE TO SOUTH AFRICAN INVESTORS

Many South Africans think that the only way they can invest in the offshore market is by physically taking their money out of the country through their **Single Discretionary Allowance (R1 million per annum**) or by applying for **Approval for International Transfer (R10 million per annum).** This, however, is not the case.

RAND-DENOMINATED OFFSHORE INVESTMENTS

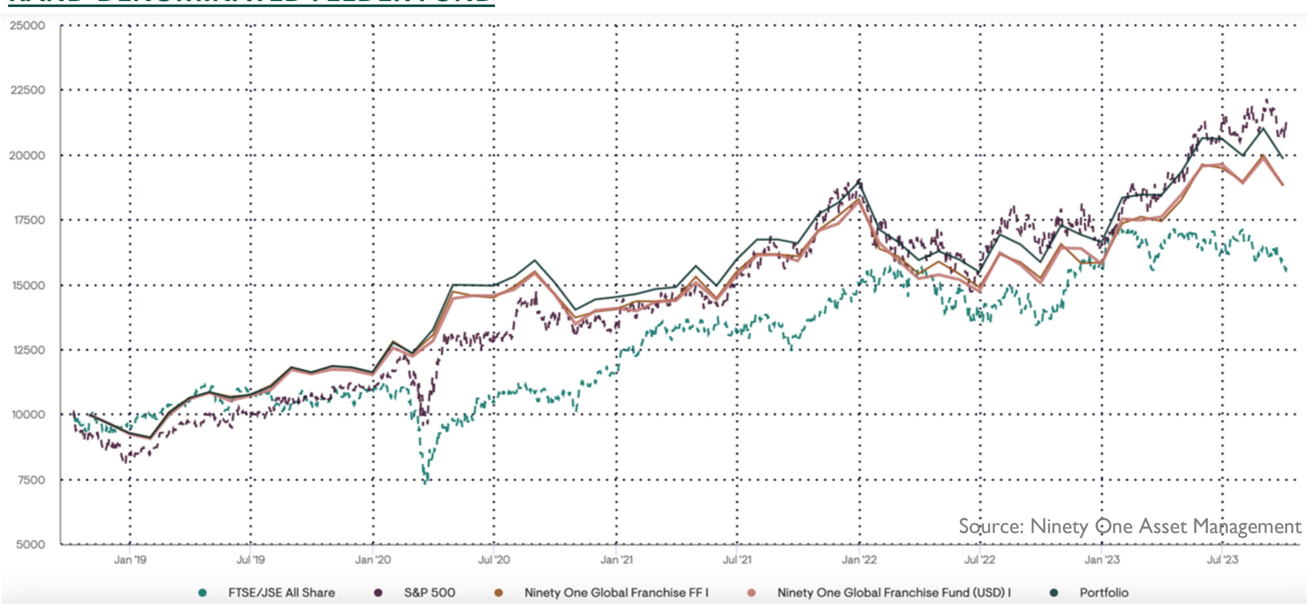
For those clients who do not have a lot of money, offshore allocation can be included by investing in feeder funds. **THESE ARE RAND-DENOMINATED UNIT TRUST FUNDS OR EXCHANGE-TRADED FUNDS (ETFS)**. Indirectly you invest in offshore funds, but do not physically invest in a foreign currency. Your investment will, however, still benefit from offshore market growth and the weakening rand.

DIRECT OFFSHORE INVESTMENT

DIRECT OFFSHORE INVESTMENT INVOLVES PHYSICALLY MOVING YOUR MONEY OUT OF THE COUNTRY AND INTO AN OFFSHORE BANK ACCOUNT OR INVESTMENT FUND. This can be a complex and expensive process and it is important to comply with all applicable laws and regulations, something that Brenthurst assists our clients with in-house.

Below is a comparison of the same fund – one is the rand-denominated feeder fund and the other is a direct US dollar fund. Returns are shown in rands:

RAND-DENOMINATED FEEDER FUND



DIRECT US DOLLAR FUND

Fund	Percentage allocation	6 Months	1 Year	3 Years	5 Years
Ninety One Global Franchise FF I	50.00%	7.03%	22.57%	9.97%	13.11%
Ninety One Global Franchise Fund (USD) I	50.00%	8.20%	27.39%	10.02%	13.55%
Total weighted average	--	**7.80%**	**25.87%**	**10.84%**	**14.56%**
FTSE/JSE All Share	--	-5.30%	13.07%	13.80%	9.57%
S&P 500	--	12.59%	29.28%	15.49%	16.47%

RISKS OF OFFSHORE INVESTING

Offshore investing offers a number of potential benefits, but it is important to be aware of the risks involved. These risks include:

- **CURRENCY RISK:** The value of your offshore investments can be affected by changes in currency exchange rates. As South African investors, this is one of the main reasons we advise offshore diversification. Our currency is weakening rapidly against major international currencies. Our buying power is diminishing. At present you need R204 to purchase the same things you bought for R100 a couple of years ago.
- **POLITICAL RISK:** Offshore investments can be affected by political instability in the country where those investments are held. We have seen the effect the Russian-Ukrainian war had on various investment sectors.
- **REGULATORY RISK:** Offshore investments can be subjected to different regulations to investments in your home country. Portugal, for instance, does not allow its tax residents to invest in funds domiciled

CONCLUSION

Offshore investing can be a superb way to diversify your portfolio and protect your assets. However, before investing offshore, it is important to understand the different options available to you and the risks involved. You should also consult with a financial advisor before making any investment decisions.

SUZEAN HAUMANN | CERTIFIED FINANCIAL PLANNER®

SUZEAN is head of the Tyger Valley office as well as one of the company's key individuals. She is a CERTIFIED FINANCIAL PLANNER® and a registered member of the Financial Planning Institute of South Africa.

She has experience in various aspects of financial planning, focusing on investment and retirement planning. Suzean is also a qualified Foreign Exchange Consultant for the company, with a wealth of knowledge in offshore investments.

Suzean joined Brenthurst Wealth in 2010 and is fully qualified to give advice on all investment matters.

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CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR 9 OFFICES COUNTRYWIDE TO DISCUSS YOUR INVESTMENT STRATEGY

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