INVESTMENT REPORT

July 2019 • ISSUE 322

BRENTHURST
THE HOME OF WEALTH

THE POWER
OF INDEPENDENT ADVICE

NAVIGATING THE WORLD OF OFFSHORE INVESTMENTS

By Renee Eagar, Certified Financial Planner® Brenthurst Wealth Management

POTENTIAL INVESTORS MUST CONSIDER WHERE THEY ARE IN THEIR LIFE STAGE, THEIR FINANCIAL GOALS AND THEIR APPETITE FOR RISK.

Investing offshore has a certain romance to it. It is something that is often talked about as if it is not within the reach of normal South Africans. This mystique leads to many questions that we are asked by investors, such as the correct timing of the investment, the long-term objective, and how it fits the investor's risk profile are just a few issues to consider.

The best time to take money offshore is dependent largely on currency volatility. The South African rand is one of the more volatile currencies and currency fluctuations can hit investors hard. The rand versus the US Dollar is currently trading around R14.10, in February 2016 it was at R15.87.

If inflation is entirely disregarded, the rand has shown a deterioration of 5.81% per annum against the USD over a 5 year period, 7.35% per annum over a period of 7 years and 6.92% per annum over the last 10 years.

As long as you are not caught up in the extremes of currency volatility it is an appropriate time to invest offshore. You want a fair value for your rand. The view going forward is that this trend is likely to continue.

When constructing an offshore strategy, it is very important to take long-term view, 5 to 7 years and more. The reason for this is that exchange controls and red tape need to be navigated. Offshore investing can also be lumpy and more volatile, hence a long term view is critical.

In South Africa, if you are investing locally, chances are your unit trust will have exposure to Naspers, as well as other well-known companies such as MTN, Sasol, FirstRand. If local funds are all investing in these companies, then surely that means that there are opportunities in not investing in these companies?

**Exchange rate indicated as on 26 / 07 / 2019*

IN THIS ISSUE

“Taking money offshore offers access to a multitude of diverse industries, listed stocks, geographies and themes not available in South Africa”

FOR MORE INFO CONTACT US
www.brenthurstwealth.co.za

BRENTHURST RANKED BEST BOUTIQUE WEALTH MANAGER IN SA 2017, RUNNER-UP IN 2018 & IN THE TOP 4 IN 2019 AT INTELLIDEX WEALTH MANAGER AND PRIVATE BANKS AWARD

intellidex
Top Private Banks & Wealth Managers

JHB (HQ)	+27 (0) 11 799 8100
JHB (SANDTON)	+27 (0) 10 035 1391
PTA	+27 (0) 12 347 8240
NEWLANDS	+27 (0) 21 418 1236
BELLVILLE	+27 (0) 21 914 9646
STELLENBOSCH	+27 (0) 21 882 8706
MAURITIUS	+ 230 5843 5215

By investing offshore, you are opening your portfolio to the tens of thousands of companies that may have absolutely zero contact with South Africa. The opportunities that are available in many ways dwarf the somewhat limited options locally. Keep in mind the South Africa's GDP is less than 1% of Global GDP, so by not considering overseas options you are limiting your investments to less than 1% of what the world is producing.

It does need to be said that the desire to invest offshore should not be the deciding factor in taking money overseas. Potential investors need to look at where they are in their life stage, what their financial goals are, and what their appetite for risk is. Everyone is unique, and as such, every investment plan needs to be unique. Offshore investing needs to be structured and diverse and needs to be structured into a long-term view.

If you look at the underlying asset allocation of portfolios that make up your retirement annuity or your pension fund, you may see that there is an amount allocated to offshore, or global assets. It is advisable to take full advantage of this. According to Regulation 28, which governs such funds, you may only have 30% exposed offshore and this should be taken full advantage of in full.

OTHER ADVANTAGES TO INVESTING OFFSHORE ARE:

- ✓ **It protects local purchasing power (in SA 1/3rd of goods are imported, so cars, technology, clothes etc. are overpriced to rand users).**
- ✓ **Gaining more exposure to themes and geographies not available to SA investors.**
- ✓ **Investing in joint names can reduce Estate Duty.**
- ✓ **Direct offshore investors have access to accumulation funds that roll up your dividend, therefore more tax effective.**
- ✓ **Offshore investing cannot be excluded from diversification point of view and it would be unwise to exclude it from your investment portfolio, regardless of what happens locally in SA.**

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

CONSULT ANY OF BRENTHURST'S FOURTEEN HIGHLY-QUALIFIED INVESTMENT ADVISORS WHO CAN ASSIST YOU IN CREATING A TRULY GLOBAL INVESTMENT PORTFOLIO

ADVISOR PROFILE: **RENEE EAGAR, CERTIFIED FINANCIAL PLANNER®**

RENEE is head of the Newlands office. She 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.

Renee has been in the financial services industry for 21 years since 1998 and has worked for institutions namely TMA and Investec Asset Management.

Renee obtained her Higher Certificate in Financial Markets in 2004 and was awarded the CERTIFIED FINANCIAL PLANNER® designation in 2006.

renee@brenthurstwealth.co.za **Phone:** + 27 21 418 1236 | **Mobile:** + 27 83 233 9373

JOHANNESBURG	PRETORIA	CAPE TOWN	BELLVILLE	STELLENBOSCH	MAURITIUS
(FOURWAYS) **Tel:** +27 (0) 11 799 8100 (SANDTON) **Tel:** +27 (0) 10 035 1391	(ERASMUSKLOOF) **Tel:** +27 (0) 12 347 8240	(NEWLANDS) **Tel:** +27 (0) 21 418 1236	(TYGERVALLEY) **Tel:** +27 (0) 21 914 9646	(CENTRAL) **Tel:** +27 (0) 21 882 8706	(BAMBOUS) **Tel:** + 230 5843 5215

BRENTHURST RANKED BEST BOUTIQUE WEALTH MANAGER IN SA 2017, RUNNER-UP 2018 AND IN THE TOP 4 IN 2019 INTELLIDEX WEALTH MANAGER & PRIVATE BANKS AWARD