INVESTMENT REPORT

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BRENTHURST
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OFFSHORE INVESTING … LET'S GET PRACTICAL

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HOW DOES AN INVESTOR GO ABOUT TAKING MONEY OUT OF SOUTH AFRICA AND WHAT ARE THE INVESTMENT OPTIONS AVAILABLE?

With local markets providing historically low returns, there has been an increased interest in investing offshore. Many articles have been written over the last year or two about why protecting your wealth by investing offshore is a good idea, along with the potential for greater returns on investments.

What many articles fail to address is the practical side of investing offshore. How does an investor go about taking money out of South Africa, and what are the investment options available?

HERE WE UNPACK SOME OF THE PRACTICALITIES OF INVESTING OFFSHORE.

① OPENING A BANK ACCOUNT

Probably the most straightforward option is opening a bank account in a foreign country. It does not even need to be in an interest-bearing account. If, for example, you have a dollar-denominated bank account and you invest the equivalent of R100 in the account when the rand is at R10 to the dollar; if the rand weakens to R12 to the dollar, your R100 investment has increased to R120 effectively.

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“Invest in a local fund that invests in international assets.”

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

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When considering opening a bank account offshore it is very important to consult with a foreign exchange expert. There are several factors to take into consideration when opening a bank account offshore including minimum deposits, tax requirements (both in South Africa and offshore), which countries to consider and, of course, the fee structures that these accounts may incur. A foreign exchange expert will be able to assist you in navigating through the options.

If you are a South African working overseas then this would be an ideal starting point for you, especially if you are being paid in a foreign currency. Just keep in mind that foreign earnings above R1 million will no longer be tax-exempt for South African tax residents from next year (March 2020).

② INVESTING IN OFFSHORE INVESTMENTS

A second option is to invest directly in an investment product that is not rand denominated. These investments are typically housed offshore through offices in countries such as Mauritius or Bermuda.

BRENTHURST WEALTH ESTABLISHED ITS FUND, THE BRENTHURST GLOBAL EQUITY FUND FOR THIS PURPOSE, BUT THERE ARE OTHERS TO CONSIDER, FROM THE LIKES OF USD CASH FUNDS TO HIGH RISK, SECTOR-SPECIFIC THEMES.

The options offshore are endless and especially in comparison to the local JSE. This balance of investments needs to suit the investor's risk profile and a longer-term view needs to be taken.

With these investments, the investment is made in a foreign currency and the investment is housed offshore, which means that there may be exchange controls to consider should the investor want to bring the money back to South Africa.

These investments typically have larger minimum lump sums in dollars and are not very flexible when it comes to ongoing contributions unless the investor can meet a high enough monthly deposit amount.

In practice, this option is ideal for investors who have a large lump sum that they wish to move offshore, or another option is to save a monthly amount locally then take it offshore when it meets the minimum requirements.

③ BUYING PROPERTY

An often-overlooked option is to buy a property in a foreign country. Property can be a volatile asset, and it is advisable to consult with experts in the property industry in the area where you wish to purchase. While there has been an increasing trend of South Africans purchasing properties in countries such as Mauritius and Malta to acquire residency in those countries, others are considering it purely for diversification and attractive returns.

The SA property market has underperformed for several years while in countries like Portugal, Spain and other European countries investors receive good rentals and can also expect healthy gains in the capital value of the property.

A local property news service recently reported that Berlin's housing market was the fastest price growth market in the world in 2018 and that the city continues to enjoy double-digit growth year-on-year. "Property prices rose by 15% in 2018," according to the report.

Before making a property purchase investors should make sure that they understand property trends prevalent in the selected region as well as any local laws relating to property ownership.

For those hesitant to take the plunge due to the many unknown variables, it may be a good idea to consult with a South African company that has set up operations in other countries, such as **BRENTHURST WEALTH'S MAURITIUS OFFICE** for assistance.

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Also note, if you are still a South African tax resident, you need to be mindful of Capital Gains Tax and Estate Duty, so speaking to a person who specializes in tax and estate planning is recommended if you are looking at purchasing property offshore.

4 LOCAL FUNDS THAT INVEST OFFSHORE

Another option is to invest in a local fund that invests in international assets. The investment is still made by the investor in rands; however, the investment is made into offshore products. **These are called RAND-DENOMINATED OFFSHORE ASSET SWAPS FUNDS or one can also make use of an ETF, for example.** The major benefit here is that the investor is transferring risk offshore and removing local market risk from their investment.

These international funds typically have a global mandate, so speak to your financial advisor if this is something you would like to consider. This option is often not considered as many investors are under the impression that you must invest in foreign currencies in order to have offshore exposure. Investing offshore provides investors with an opportunity to reduce their exposure to local risk and allows investors to access the vast investment opportunities available globally.

We have touched on four ways in which South Africans can invest offshore, including investing in offshore investments, via local portfolios that then invest offshore, opening a bank account overseas, and purchasing property overseas. All these options have risks and require the knowledge and expertise of financial advisors with skills in foreign exchange, Capital Gains Tax, estate planning, and property.

SPEAK TO ANY OF BRENTHURST'S HIGHLY-QUALIFIED INVESTMENT ADVISORS WHO WILL ASSIST YOU WITH THE FOLLOWING:

- **YOUR OFFSHORE INVESTMENT**
- **FOREIGN EXCHANGE TRANSFERS AND TAX CLEARANCE**
- **OPENING OF MAURITIUS BANK ACCOUNTS**
- **COMPANY AND TRUST STRUCTURES**

At Brenthurst Wealth we pride ourselves with our in-house knowledge base and experience.
For more about investing offshore and forex services, visit here: Brenthurst Offshore Investing