BRENTHURST GLOBAL WEALTH

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BUILDING WEALTH SINCE 2004

IN THIS ISSUE

South Africa offers attractive investment opportunities, but relying too heavily on its concentrated market exposes investors to local economic, political and currency risks. Global diversification can broaden opportunities, reduce concentration and provide greater resilience while retaining meaningful local assets.

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WHY NOT JUST INVEST IN SOUTH AFRICA

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IT'S ONE OF THE QUESTIONS I HEAR MOST OFTEN, AND A FAIR ONE: Why invest offshore when you live in South Africa, earn in rands, and understand the local companies well?

I'll admit it, the JSE has served investors well recently. Over the past 10 years it has returned close to 12% a year in rand, comfortably ahead of local inflation. This performance means that R100,000 invested a decade ago in a JSE tracker is worth roughly R308,000 today.

So, yes, local assets remain essential, for the simplest of reasons: your everyday expenses are in rands and local investments are the natural match for them.

So, the real question isn't whether South Africa has good investments – it clearly does. The question is whether one relatively small, concentrated market should carry such responsibility for funding your retirement, protecting your buying power and supporting your dependants.

For most people, the honest answer is: not on its own.

South Africa may be home, but your portfolio doesn't have to mirror your passport. Global diversification can reduce concentration, broaden opportunity and protect your wealth from relying too heavily on one country, currency and market.

Brenthurst Wealth Management (PTY) LTD FSP No. 7833

YOUR PORTFOLIO SHOULD NOT MIRROR YOUR PASSPORT

Most South Africans already hold a significant bet on South Africa before they open an investment statement. Your income is earned here. Your home is here. Most of your retirement capital falls within local rules and institutions, and most of your future spending is priced in rands.

Adding more local assets to your portfolio does not lower your concentration risk; it adds to it.

Offshore assets act as a counterweight by investing in companies that earn across an array of regions, in multiple currencies, at different stages in the economic cycle.

The risk in having a strong home bias isn't that South Africa might struggle, it's simply that too large a portion of your financial life can rise or fall as a result.

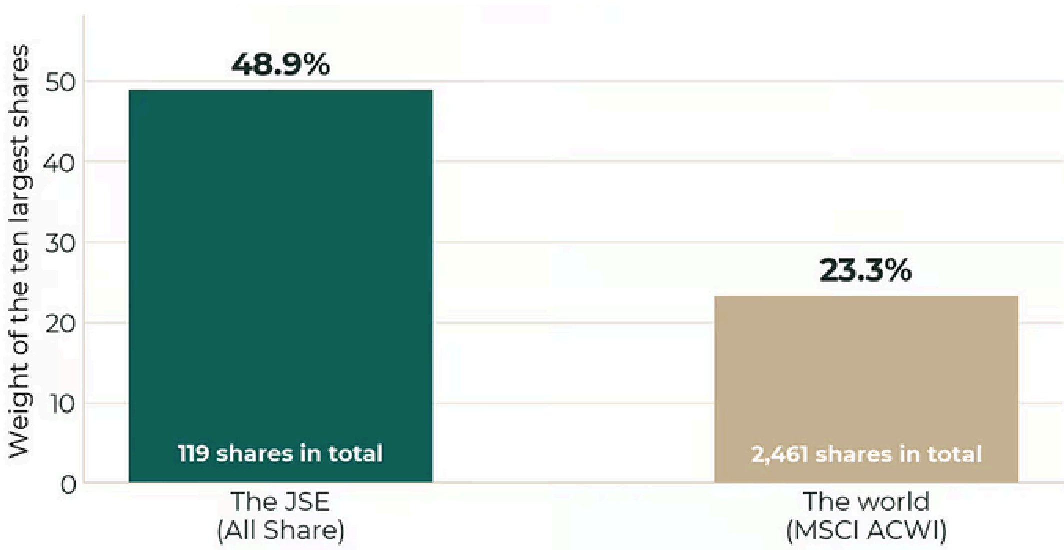
A BIG FISH IN A SMALL POND

Size is the first issue. The FTSE/JSE All Share Index holds around 119 shares. The MSCI ACWI, a broad global index, holds close to 2,461 stocks and still captures only about 85% of the world's investable market.

It’s a well-known fact that South Africa makes up well under 1% of global listed equity.

Concentration is the second issue. The 10 largest JSE shares constitutes close to half the entire local market. Financials and basic materials alone account for close to 60% of the JSE, which leaves a local-only investor heavily exposed to a handful of banks and miners, the gold price and the rand.

HOW MUCH RESTS ON JUST TEN SHARES



Weight of the ten largest shares. Sources: FTSE Russell (FTSE/JSE All Share) and MSCI (ACWI), 30 June 2026.

The pond is shrinking too. The number of companies listed in South Africa has dropped from around 740 in 1990 to roughly 212 today.

Fewer listings mean fewer choices, and a greater chance that local portfolios crowd into the same handful of large shares, missing out entirely on the software, healthcare, semiconductor and global consumer businesses which barely feature on the JSE.

This is not a stance against South Africa, it is a realistic view of concentration. South Africa is one country and one currency with a limited stock market, and your future is far too important to depend on a single economic and political outcome, however familiar it feels. Invest locally because the opportunity is attractive, and the expense is in rands. Invest globally because your wealth deserves more than one route to success.

THE RAND IS A RISK, AND A DIVERSIFIER

Currency isn't the whole offshore story, but it can't be ignored. In 2011, around R6.70 bought a US dollar. Today a US dollar costs roughly R16.50, a decline of close to 60% over 15 years, or around 6% a year.

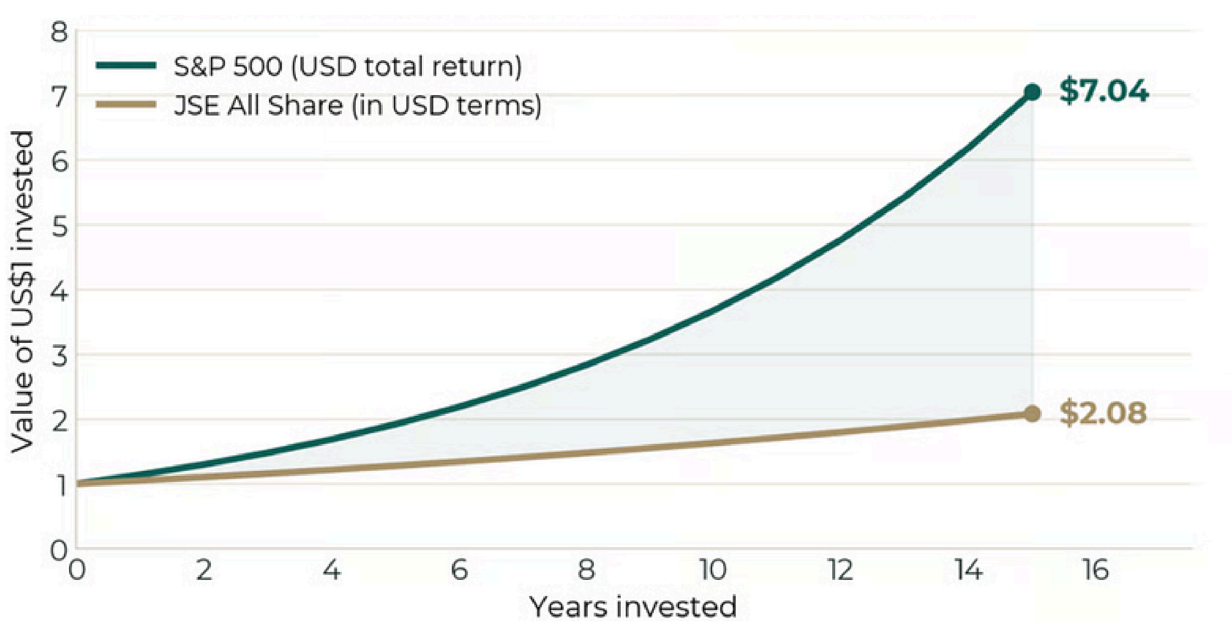
This matters because what you spend on international travel, imported goods, medical technology and children studying abroad is priced in hard currency.

As we all know, the rand can strengthen as well as weaken, and a stronger rand reduces offshore returns in the short term. So, the aim isn't to gamble on the exchange rate, it's to avoid having every asset and every future expense depend on a single currency.

Phasing money offshore over time is a far more sensible approach than trying to time the perfect moment.

When you translate returns into a hard currency, the local picture shifts. Over the past 15 years the S&P 500 compounded at close to 14% a year in US dollar (USD) terms. Measured in the same USD terms, the JSE delivered far less, because much of its rand return was offset by the weaker currency. A few percentage points a year, compounded over 15 years, becomes a sizable difference in the end.

MEASURED IN DOLLARS, THE GAP BECOMES HARD TO IGNORE



Illustrative growth of USD 1 over 15 years. S&P 500 shown as USD total return.
JSE All Share converted to USD. Start and end dates materially affect these figures.

FOUR QUESTIONS INVESTORS ASK ABOUT GOING GLOBAL

A more balanced way to think about offshore diversification.

01 — "THE RAND LOOKS TOO WEAK TO SEND MONEY OUT NOW."

THE PERSPECTIVE

It may weaken further, or it may strengthen. Phase money offshore over time and anchor the decision to a long-term target, not a guess about the exchange rate.

02 — "THE JSE LOOKS CHEAPER THAN GLOBAL MARKETS."

THE PERSPECTIVE

Valuation matters, but cheap markets can stay cheap for years. Hold local value opportunities alongside global quality and growth, rather than forcing an all-or-nothing choice.

03 — "GLOBAL MARKETS ARE JUST A HANDFUL OF US TECH SHARES."

THE PERSPECTIVE

That concentration is real and worth managing. Even so, global investing opens up far more regions, sectors and investment styles than a single local market can.

04 — "BUT MY EXPENSES ARE IN RANDS."

THE PERSPECTIVE

Exactly. Keep meaningful local assets for local needs. But that doesn't mean your long-term growth capital needs to remain tied to one economy and one currency.

A MORE GENEROUS OFFSHORE ALLOWANCE

In the 2026 Budget, the single discretionary allowance doubled from R1 million to R2 million per adult per calendar year, effective from April 2026. The foreign capital allowance remains R10 million per adult per year, subject to tax clearance.

Why this matters is that structure is as important as your decision to go offshore. A rand-denominated global fund isn't the same as money physically externalised, even when the underlying investments look similar.

Tax, estate planning, offshore situs exposure, platform costs, and access to capital all need to be weighed properly, and that's exactly where I can help you choose the right route.

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