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Magnus Heystek argues the JSE's recent outperformance was driven by a handful of gold shares and Naspers/Prosus, making it misleading.

He maintains offshore investing remains the superior long-term strategy, citing South Africa's weak economic growth and structural challenges.

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WHY I DIDN'T BRING ONE CENT BACK FROM ABROAD

MAGNUS HEYSTEK | INVESTMENT STRATEGIST & DIRECTOR, BRENTHURST

Magnus Heystek argues that the JSE's recent gains were driven by gold shares, while offshore investing remains the stronger long-term strategy.

EDITOR, BIZNEWS:

Magnus Heystek defends his long-standing recommendation to keep client money offshore, despite the JSE's standout 2025's 53% vs the S&P 500's 17%. He argues that the rally was narrow and misleading, driven mainly by gold shares and Naspers/Prosus — with gold alone estimated to account for roughly 40% of the ALSI's five-year gains, despite representing only 5% - 8% of market cap. Since March, gold and Naspers have corrected, and the JSE is down nearly 10% while global markets are up 10%-20%, vindicating his stance. He ties this to broader themes: SA's collapsing property values, municipal decay, weak rule of law and 16 years of ~1% GDP growth, concluding offshore investment remains the rational choice regardless of criticism from local asset managers.

It's no secret that I have been recommending offshore equity investments over the past 10-15 years. And for most of that period it's been very easy to stand in front of a large crowd or present a webinar, as offshore returns have vastly outpaced the JSE over a majority of those periods.

However, in 2025 these clear trends suddenly reversed, and as I stood in front of the huge crowd at the BizNews conference in Hermanus in early March this year, I had to present against a backdrop of a runaway JSE which, for the 12-month period, was by far the best-performing market in the world.

For the year to end February, the JSE had returned 53% compared to the return of 17% for the S&P 500, even beating the returns of the Nasdaq at 22,5% over the same period.

Inevitably, after my talk, a hand shot up and asked the ticking-timebomb question: "Magnus, are you now bringing back all the money you took offshore for your clients?"

You could hear a pin drop as the audience waited for my mea culpa, recanting my strong offshore views.

Instead came my reply: "Not one cent!", saying that it would be a very stupid move to make, as it was my view that the JSE was driven by a very small number of shares, mostly gold shares, as well as a soaring Naspers and Prosus. This concealed a very weak underlying trend in the JSE, which could be exposed by a retraction in either gold shares or the Naspers/Prosus combo.

After more than 40 years in the investment business, my instincts and deep dive into the drivers of the JSE during that time clearly showed that this concentration of performance came with great risk.

Today, six months later, the situation has completely reversed, and due to a sharp correction of gold shares and Naspers, the JSE is down by almost 10%, while global markets are up by between 10% to 20%.

In fact, the relatively solid performance (when compared to the previous 10-year period) was largely due to soaring gold and platinum prices, aided by Naspers and Prosus.

What percentage of the growth in the JSE over the past five years was due to gold shares in the index?

This is a very good question because the answer is: surprisingly large. Looking at the period from roughly July 2021 to July 2026, the FTSE/JSE All Share Index (ALSI) produced a total return of around 105%–110%, depending on the exact month-end measurement.

Over the same period, South African gold shares experienced one of their strongest bull markets in decades, driven by a sharply higher US dollar gold price, and

- a weaker rand (for much of the period),
- expanding operating margins, and
- renewed investor interest in precious metals.

ESTIMATED CONTRIBUTION

Based on the index weights of the major gold producers – primarily Gold Fields, AngloGold Ashanti, Harmony and Pan African Resources, when included – and their cumulative returns, my estimate is that:

- Gold shares accounted for approximately 35%–45% of the total gain in the JSE All Share Index over the past five years.

Put differently:

- Total ALSI return: 105%–110%
- Contribution from gold sector: 38–48 percentage points
- Contribution from every other sector combined: 60–70 percentage points

This is remarkable considering gold shares generally represented only 5%–8% of the market's capitalisation for much of the period. Their exceptional performance allowed them to punch far above their weight.

WHY?

A handful of shares were responsible for much of this:

- Gold Fields
- Harmony Gold
- AngloGold Ashanti

Several of these companies produced returns of 200% - 500% over parts of the five-year period, while many financial, industrial and consumer shares generated much more modest gains.

AN INTERESTING COMPARISON

The concentration became even more obvious during the precious-metals rally in the second half of 2025.

Allan Gray calculated that 61% of the ALSI's total return during the six months from July to December 2025 came from precious-metal mining companies alone.

That illustrates how dependent the index became on one relatively small sector. And the ANC and GNU had absolutely nothing to do with this turnaround.

In fact, if SA's mining sector had not been severely damaged by the ANC's policies of BEE and confiscation of mining rights, SA could have experienced an unprecedented boom during this period. Alas, we will never know what could have been.

MY CONCLUSION

I would say that around 40% (±5%) of the JSE's total growth over the past five years can reasonably be attributed to gold shares.

This also explains why many South African general equity managers who were underweight gold miners significantly underperformed the ALSI during this period.

It also makes a mockery of the oft-repeated claim that the JSE is being rerated due to Ramaphosa and the ANC's steps to turn the economy around. If that were the case, one would have noticed it in the price movement of industrial shares. For years now I've been listening to local fund managers describing the JSE as "cheap and a dripping roast".

I don't see it that way.

I think the destruction of the spending power of the middle and upper classes is slowly working its way through the economy. Furthermore, our country is beset by criminality and corruption, from top to bottom in almost all spheres of government. We see this criminality and corruption being shown every day on our TVs, and the Madlanga Commission winds its way towards conclusion.

Meanwhile, most of our towns and cities have effectively collapsed, destroying assets worth trillions of rands of value in the process, with the exception of the Western Cape. No one is prepared to put a number to the true financial cost of this destruction.

Perhaps my judgment has been clouded by my personal experiences. I grew up during the 70's and 80's as an early adult living, working, playing port and jolling in the formerly vibrant suburbs of Hillbrow/ Berea/Yeovile in Johannesburg.

What was once a very desirable area with beautiful buildings, shops, hotels and a sophisticated lifestyle that attracted people from all over the world has, over time, been smashed, looted and gutted into a worthless piece of real estate. For years now the SA Police have admitted that they are too scared to enter the area to investigate crime.

Think Sea Point/Bantry Bay today (and the value it represents to each and every individual owner). And then imagine that 20-30 years later it looks like the worst an African country can deliver. Worthless!

I have spoken about the Trillion Rand Property collapse several times over the past years on Biznews and other media outlets. For my reward, I was, as usual, branded as being "negative" and "unpatriotic".

After one of my previous warnings, I found myself on Enews defending my views, opposing an estate agent who tried to convince the audience my fears were unfounded, and that residential property is still a good investment.

Well...*kyk hoe lyk hulle nou.*

Residential property, with the exception of the Western Cape, has lost on average 20% of its real value over the past 16 years. That's not the whole picture. What this statistic cannot measure is the value of properties that cannot be sold. Across untold towns and cities, many properties have no value as they cannot be sold. Hence, the collapse is even worse...

Dr Simon Marais, late chairman of Allan Gray, also always said that there are two factors to look at when making global investment decisions: rule of law and protection of property rights. By simply applying these two considerations, the JSE, and wider SA, are uninvestable.

I also have to laugh when I hear forecasts of higher growth, year after year. At the beginning of the year, eternal optimist Johan Els, at the time chief economist of Old Mutual (now at PSG), boldly forecast growth of 2,5% to 3% for this year. Oh, and the rand at R13,50 against the US Dollar, for good measure. Likewise, Fani Titi, chair of Investec, recently spoke about the "runway of growth of 3% soon."

STUCK IN ECONOMIC RUT

SA's GDP growth has now been stuck at an average 1% rut for almost 16 years. Mauritius, Morocco and other African countries now have higher income per capita than SA.

I am also aware that I am not the most popular chappie amongst locally-focused asset managers, who have seen very little growth in their businesses over the past 10 years, or so.

One prominent manager has taken it upon himself to continuously bash me about my views, implying I am single-handedly responsible for more than R1,3 trillion moving offshore over the past decade (source: Ninety One).

This does not refer to pension money, but discretionary capital from private citizens which probably would have been invested on the JSE via local asset managers.

It would be nice to think I have that kind of influence over SA investors. The short answer is, I don't.

Thousands of private individuals have taken these collective decisions to move their capital out of harm's way, aided by almost every serious investment adviser or local investment company in SA.

Taking money offshore has been the best way to ANC-proof your financial future!

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Magnus Heystek is a well-known investment strategist and wealth manager.

He is the co-founder and director of Brenthurst Wealth, where he oversees investment strategies, research and client communication. Heystek is also a published author, having written several books on investments and retirement planning. His expertise in offshore investing has made him a respected thought leader in the financial industry.

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