



INVEST BETTER
with **BRENTHURST**
BUILDING WEALTH SINCE 2004

IN THIS ISSUE

South African investors face disappointing local market and property returns as economic stagnation and structural challenges persist. Magnus Heystek argues that offshore investments offer stronger growth opportunities, reinforcing the importance of global diversification for long-term wealth creation.

INVESTING WITH SA'S

LEADING BOUTIQUE WEALTH MANAGER

WINNER 2020 & 2017 | RUNNER-UP 2023 & 2018
TOP 3 2022 & 2021 | TOP 4 2025 & 2019

RANKED AMONGST THE TOP WEALTH
MANAGERS FOR 9 CONSECUTIVE YEARS

JOHANNESBURG	+27 (0) 11 799 8100
SANDTON	+27 (0) 10 035 1391
PRETORIA	+27 (0) 12 347 8240
CPT GRANGER BAY	+27 (0) 21 418 1236
GEORGE	+27 (0) 44 050 6057
BELLVILLE	+27 (0) 21 914 9646
CLAREMONT	+27 (0) 21 100 3901
STELLENBOSCH	+27 (0) 21 882 8706
VAL DE VIE ESTATE	+27 (0) 21 100 3901
SOUTHERN PAARL	+27 (0) 21 141 4774
MAURITIUS NORTH	+230 260 1738
MAURITIUS SOUTH	+230 484 2175

THE TIDE'S GONE OUT ON THE JSE –

AND SA INC FORGOT ITS SWIMMING TRUNKS

MAGNUS HEYSTEK | INVESTMENT STRATEGIST & DIRECTOR, BRENTHURST

EDITOR, BIZNEWS:

In March, the JSE was up 40% and Magnus Heystek was eating humble pie on stage at our BizNews Conference in Hermanus. Would he bring money home? "Not one cent." Six months later, he looks right. Gold has pulled back, Naspers is down 46% from its peak, and the JSE is 13% off its high. Global markets are up between 15% and 20% over the same stretch. Even other emerging markets have left South Africa behind. Heystek argues the rally was never broad-based. Ten years of "local is lekker" has cost investors dearly. R1m put into the Top 40 a decade ago is worth R3,1m today. In the Nasdaq it would be R8,3m. So, what has patriotism cost us?

In March this year, I was fortunate to speak at the Biznews Conference in Hermanus.

At the time, the 12-month returns on the JSE were an astonishing 40%, far outperforming all major markets in the world and making my long-held view that "offshore is better" look quite silly.

You could say I was eating humble pie.

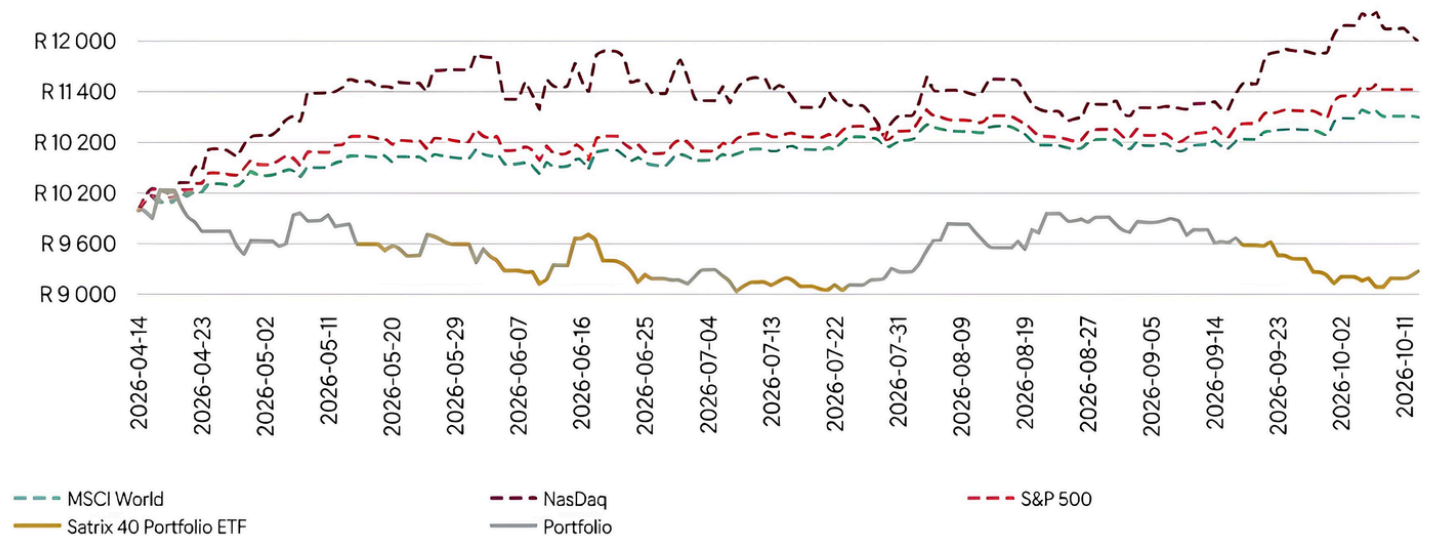
As can be expected, the first question from the audience was whether I was about to change my long-held view and "bring some money back".

"Not one cent," I replied, then pointed out that the upward rush in the JSE was boosted by a small handful of shares, mostly gold shares and then Naspers/Prosus. Biznews and Daily Investor reported this.

In my view, there was no sign of a broad-based re-rating of SA Inc, and I remain convinced that offshore markets offered better long-term value – not only the USA, but also places like Japan, which has long been a favourite of mine.

It is now six months later, and the tide has well and truly gone out, with the JSE's fortunes turning around sharply compared to the rest of the world (see chart).

FUND PERFORMANCE GRAPH (ZAR)



As Warren Buffett often said, ***"It's when the tide goes out that one can see who is not wearing swimming trunks."***

In short, on the back of a sharp pullback in the price of gold and gold shares, aided by 45% decline in the price of Naspers, the JSE is now down about 13% from its peak, while global markets have roared ahead by between 15% and 20%. A very big swing, probably one of the largest I have experienced in many a year.

Superficially, many commentators and local fund managers last year and earlier this year were using the short run by the JSE as marketing material to drum up local business. A report on Bloomberg earlier this year also ascribed the good performance of the JSE during 2025 as "support for the GNU and the reform process underway".

Well, if that was the case last year, the same support had headed out the door during the past six months. I cannot count the many times I have listened to local fund managers trying to convince me that the JSE is like "a dripping roast".

I disagreed and said so in public and private. Strip out gold shares and Naspers and there was very limited earnings growth coming from the other main drivers of the JSE Top20, with the exception of some banks. Six months later, and one can now see the dramatic reversal of market fortunes of the JSE versus major global markets.

Gold shares have tumbled from their lofty valuations reached earlier this year while Naspers, too, has experienced a very deep and, thus far, a relentless decline in market capitalisation.

Naspers is down 46% from its peak in the latter part of last year and is no longer the largest shareholder on the JSE. Goldfields now takes top spot, with another gold counter, AngloGold Ashanti, third in terms of market capitalisation.

Admittedly, six months is not a long period of time, but without a sudden upsurge in the price of gold and hence gold shares, one can see the current trend reversing soon.

NASDAQ TAKING THE LEAD AGAIN

Over the six-month period, shares on the Nasdaq have once again taken the lead with a performance of +16% YTD, followed by the S&P500 up 13%, as well as emerging markets.

The last six months have produced a striking reversal from the market panic at the end of March. The JSE has lagged badly, while US technology and emerging markets have rebounded strongly.

THERE ARE THREE IMPORTANT NARRATIVES EXPLAINING THESE NUMBERS.

1

AI and US technology have reasserted themselves. Exceptionally strong corporate earnings and continued AI-infrastructure investment have powered the global equity recovery. Reuters notes that AI-related capital expenditure has become an unusually powerful contributor to US economic growth, while US corporate earnings growth has remained very strong.

2

Emerging markets have been exceptionally strong. MSCI Emerging Markets is up roughly 19% on the commonly quoted six-month measure and more than 21% YTD. This is important: the JSE's weakness cannot simply be explained by investors avoiding emerging markets. Other emerging markets have substantially outperformed South Africa.

3

The JSE has suffered from its composition and the Middle East oil shock. At the end of March, the Resource 20 Index had already been extremely volatile: resources fell 16.5% during March alone, while higher oil prices represented a particular threat to oil-importing South Africa.

My central argument remains that the destruction of the SA economy, heaped on hapless citizens and investors over the past 15 years, does not allow one to form a positive long-term view of the private sector's fortunes.

The late Dr Simon Marais, former chairman of Allan Gray, once said that the two prerequisites for a successful long-term investment in any country are rule of law and respect for property rights.

South Africa currently fails on both these grounds. Right now, SA is rightfully characterised as a failed state (in many parts), riven by crime and corruption (Madlanga/Zondo Commission), while the heroic private sector battles crime, collapsing infrastructure, and other legal/state obstacles unheard of in other countries.

ECONOMIC FORECASTS

Over the past 15 years, I have carefully tracked annual economic forecasts from our leading economists, mostly attached to asset management companies or banks. Their views on SA, the economy, exchange rates and markets have an almost built-in positive slant.

Earlier this year, former chief economist at Old Mutual Johann Els (now with PSG) was quick out of the starting blocks with his scenario of 2% - 2.5% growth this year, with the rand possibly at R13.50 to the USD. Chairman of Investec, Fani Titi, was also seeing the SA economy on "the runway to 3% growth, in the near future".

Six months later, and with the latest horrific numbers of a 4% decline in manufacturing in September, we probably are already in a recession.

These, and other rose-tinted forecasts made at the beginning of the year, now seem silly, if not contrived.

I personally think our economists face career-ending consequences if they openly criticise the ANC or the country's policy trajectory. Independent economists are few and far between, with perhaps Dawie Roodt and Rob Hersov mostly warning of our economic demise. Sakeliga's Russel Lamberti is also not afraid to air his views.

Where is the late Mike Schussler, who wasn't afraid to speak his economic mind in public?

LOCAL IS NOT LEKKER

If you slavishly followed the mainstream advice – local is lekker – you would have seen your personal fortunes grow very slowly, and in some cases dissipate in real terms. Take the stock market, for instance.

R1m invested in the JSE Top 40 ten years ago is worth R3.1m today, roughly 9% per annum. Mmm, you might think, not too bad. But world stock markets have been in a roaring bull market over the same period — Covid and the war in Iran notwithstanding — with the same amount invested in the World Index at R4.1m, the S&P500 at R5.01m and the Nasdaq at R8.3m, today. Over a fifteen-year period, the differences are even bigger. In short: SA equity investors, via their portfolios, pension funds and collective investments, have paid a substantial price by being underexposed to world markets.

Residential property, too, tells a similar story.

I have long advised investors to sell their properties in Gauteng and reinvest the funds in the Western Cape, with the Paarl/Franschhoek/Stellenbosch area as my preferred choice.

The difference in returns has also been astounding.

The recent sale of Killarney Mall – an upmarket shopping centre in Killarney, Johannesburg – is a case in point of just how badly Gauteng properties have done over the past 15-20 years.

The mall has just been sold for R397m. I personally knew the mall's previous owner, who sold it barely weeks before his untimely death in 2000 for R210m. A simple calculation shows the mall's annual investment growth over the next 25 years was a mere 2.2% per annum.

I suspect most property owners in the greater Johannesburg area had similar returns, perhaps even less if one's building had been hijacked or illegally occupied.

I live in Dainfern, a golfing estate north of Johannesburg. My own calculations show my property hasn't grown much in NOMINAL terms over the past 10 years. That means, I won't get much more in rands than it was worth a decade ago.

It's a wonderful estate, with a golf course, clubhouse and a great community on the Jukskei River, but it's when you leave the estate that you run into the non-working traffic lights, potholes, crumbling infrastructure and general neglect and decay.

Compare this to a property I purchased in the Val de Vie Estate for R2.7m 10 years ago. Excluding the rental income over the years, the property is now worth about R6.5m - R7m.

These things matter to personal households over time. The really important point is that without a meaningful offshore asset exposure, either via equities or property, your global wealth has deteriorated substantially.

Any advice to globalise personal wealth is almost immediately slammed as negative, unpatriotic and based on scaremongering.

I have often been labelled all of the above, with the Financial Mail once describing me as Mr Doom in 2016 for recommending offshore investments above local ones.

My recommendations obviously do not sit well with local asset managers, who make their fortunes off managing local money, and have seen their funds shrink as a result of the massive outflow of capital – R1.3 trillion over the past 10 years, as I previously wrote on Biznews.

I have recently been joined by esteemed socio-political commentator Dr Frans Cronjé, who, on his Common Sense website, now openly advocates a Plan B approach to high-net-worth families, very much what I have been suggesting for some time. But most HNWI's have worked this out for themselves a long time ago.

MAGNUS HEYSTEK | INVESTMENT STRATEGIST & DIRECTOR, BRENTHURST WEALTH

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.

Phone: +27 (0) 11 799 8100 | **Email:** magnush@brenthurstwealth.co.za

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

EMAIL US:
invest@brenthurstwealth.co.za

BRENTHURST OFFICES

Johannesburg	+27 (0) 11 799 8100	Claremont	+27 (0) 21 100 3901
Sandton	+27 (0) 10 035 1391	Stellenbosch	+27 (0) 21 882 8706
Pretoria	+27 (0) 12 347 8240	Val de Vie Estate	+27 (0) 21 100 3901
CPT Granger Bay	+27 (0) 21 418 1236	Southern Paarl	+27 (0) 21 141 4774
George	+27 (0) 44 050 6057	Mauritius North	+230 260 1738
Bellville	+27 (0) 21 914 9646	Mauritius South	+230 484 2175

SATELLITE OFFICES

LIMPOPO:	Ruan Breed +27 82 551 3299
FREE STATE:	Iniel Van Zyl +27 72 298 3212
NORTH WEST:	Maria Smit +27 79 696 6860
MPUMALANGA:	Marise Reinach +27 72 795 3604
KWAZULU-NATAL:	Arin Ruttenberg +27 84 582 8581

Brenthurst Wealth Management is an authorised financial services provider (Reg No: 2004/012998/07) FSP No.7833. This e-mail and any file attachments transmitted with it are intended solely for the addressee(s) and may be legally privileged and/or confidential. If you have received this e-mail in error please destroy it. If you are not the addressee you may not disclose, copy, distribute or take any action based on the contents hereof. Any unauthorised use or disclosure is prohibited and may be unlawful. The view and opinions expressed in this e-mail message may not necessarily be those of the management of Brenthurst Wealth Management (Pty) Limited.