

## The More Things Change

South Africans are generally a pessimistic bunch. We love bad news, even if it's fake news, and it's always only the "realists" that see the "true picture". We are not the glass half empty type, we generally are more concerned with when the glass is going to disappear.

There have been a number of articles in recent months about how badly South African Investors have done over the last ten years. Below is a graph often shown where you can see that in US Dollar terms, an investment into America has outperformed investments into South Africa, and outperformed the rest of the world excluding America. It is important to note that a number of the articles talk about investing offshore, while failing to highlight the fact that you needed to get the country right. Whilst the MSCI, excluding the US has still outperformed South Africa, the outperformance is not nearly as large as US outperformance.

### Investment Growth

Time Period : 2010/01/01 to 2019/05/31

Currency : US Dollar



Source: Morningstar Direct (31 May 2019)

I started working as a Financial Advisor in 1997, and I can clearly remember the mass hysteria/panic in 2001 when everybody who was anybody and everyone "in the know" wanted to move all their capital offshore. This included some of the journalists/financial advisors who are now telling everybody that they told them to get their money out in 2010, forgetting that they gave the same advice in 2001. At the time, the Pound was around R18, South Africa was going down quickly, and you needed to get all of your money out by any means possible ASAP.

What saved a lot of people was that you could only take out R 750 000.00 per person. The R 750 000.00 cap however created a business opportunity for "caring individuals" who would help you get your money out, albeit through "grey" means, at a small fee of 10% of the amount you were taking out.

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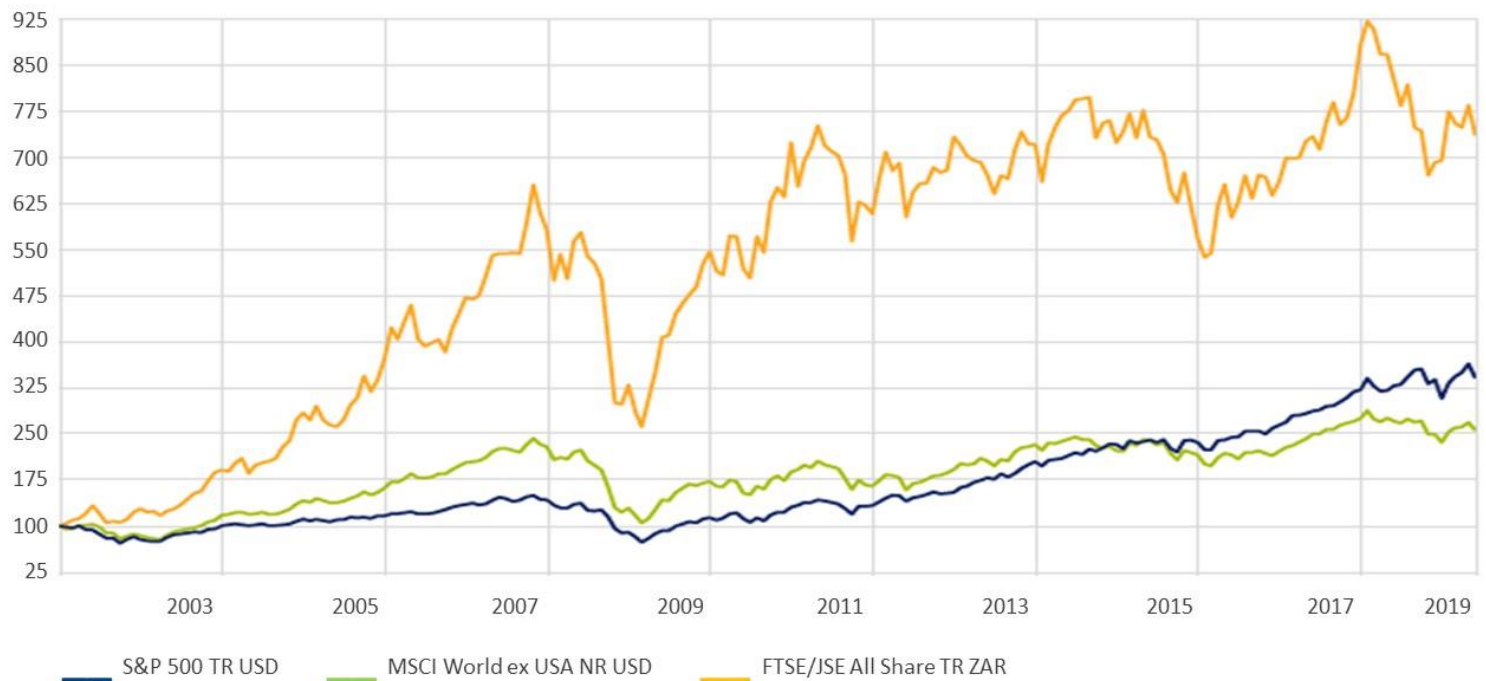
The individuals in the know, who made use of these opportunities, scorned those optimists who could not see the real picture of what was going to happen to South Africa.

The graph below illustrates in US Dollar terms how your investment would have done in South Africa, the USA and the rest of the world excluding the USA since 2002. While it was certainly a bumpy ride, your local investment far outperformed your offshore investments.

### Investment Growth

Time Period : 2002/01/01 to 2019/05/31

Currency : US Dollar



Source: Morningstar Direct (31 May 2019)

Now, I can already hear everybody jumping up and down and saying “but this time it is different”, and they may be right, but we need to also consider that they may be wrong (like they were in 2001 when offshore investing was a slam dunk). It is strange how difficult it was to persuade people to invest offshore in 2010 when the rand was under 7 to the US Dollar and under 11 to the Pound.

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I am in no way saying that offshore investments are a bad thing - I firmly believe that as a South African, who plans to retire in South Africa, you could have up to 40% of your investable assets offshore. I do, however, feel that it is not prudent now, just as it was not prudent in 2001, to externalise all your capital when your future liabilities (living expenses) are based in South African Rands.

Kind regards,



**Barry Hugo** CFP® CA(SA)

Wealth Manager - Hampshire Independent Advisors

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### ADDITIONAL INFORMATION (where applicable)

Performance has been calculated using net NAV to NAV numbers with income reinvested. Full performance calculations are available from the manager on request.

### DEFINITIONS (where applicable)

Annualised Return	Annualised return shows longer term performance rescaled to a 1-year period. Annualised return is the average return per year over the period. Actual annual figures are available to the investor on request.
Highest and Lowest Annual Return	The highest and lowest returns, since launch, for any rolling 1-year period have been shown.