

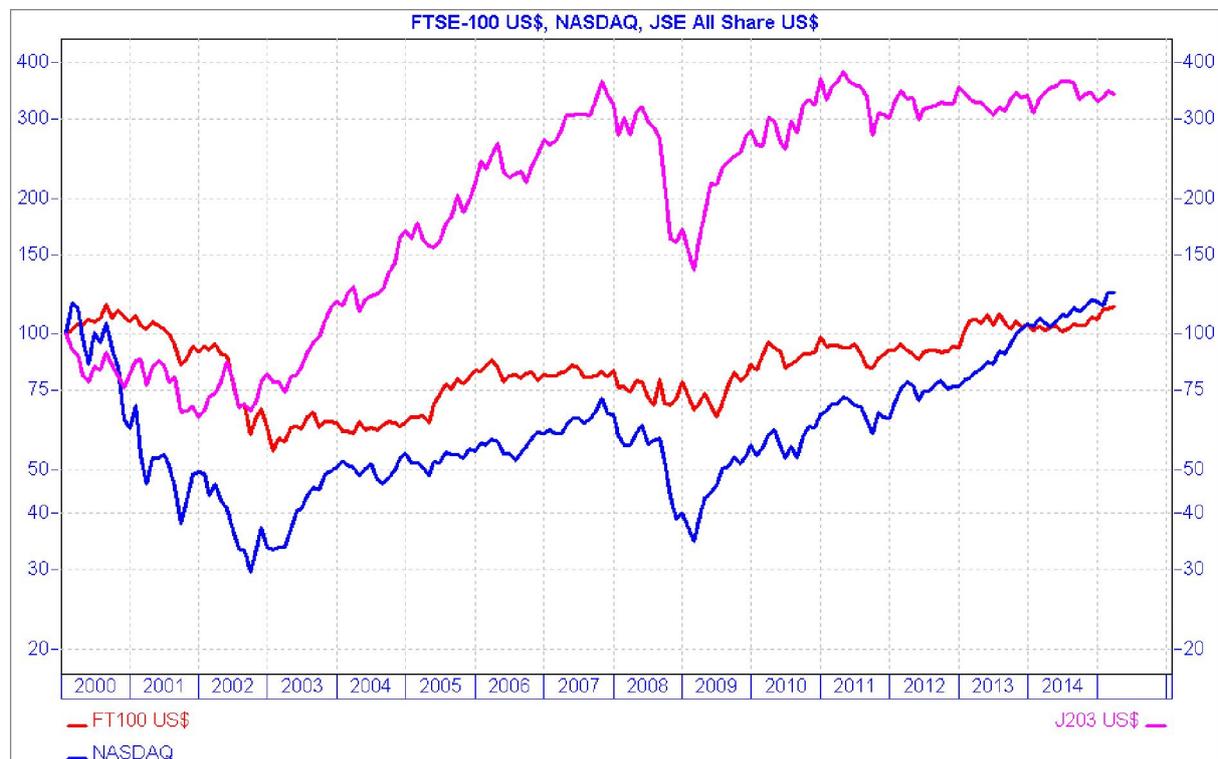
SO YOU THINK OFFSHORE IS BEST?

Many South African investors are moving their money out of the country as quickly as they can in the belief that the rand is on a slide to oblivion. This behaviour is partly rational as the actions of government, the hostile labour environment and the raft of proposed anti-business legislation is certainly frightening to investors who might conclude that their capital would be more appreciated and rewarded elsewhere.

However some investors are operating under the mistaken belief that their capital growth would be better elsewhere. Over the last 15 years, this has not proven to be true. When you judge the performance of the JSE in US Dollars (as if you were an American investor) you will find that our market has performed very well despite the weak rand.

The graph below shows the JSE in comparison with the NASDAQ (America) and the FTSE 100 (UK) all based in US Dollars. I like using the NASDAQ as it reflects the new economy in the US i.e. companies such as Apple, Google and Facebook which are all market favourites.

Graph: Comparison in US\$ of JSE, NASDAQ AND FTSE 100



It is clear that South African investors have been very well rewarded for remaining invested in SA, despite our well-publicised economic woes. For those who are mathematically inclined, you will note that I have been a bit selective in my dates, the start of 2000 was also when the IT bubble burst but it still illustrates the point that offshore is not always better.

IT IS NOT ALWAYS ABOUT THE ECONOMY

I view the JSE as comparable to the Hong Kong stock exchange. When you buy shares in Hong Kong, you are not only buying companies that operate solely in that small economy. You are buying companies that operate in China, Asia and globally. These companies happen to be listed in Hong Kong for historical reasons and because it is a liquid and well-regulated market – just like the JSE. If

you consider many of the largest companies on the JSE, it would be wrong to think of them as South African. Naspers, British American Tobacco, SAB, Steinhoff are some of the companies that earn more of their money overseas than they do in SA. To a large extent, they are so globally diversified that SA now makes up a small part of their revenues and therefore the domestic economy will not determine their long-term prosperity.

INVEST OFFSHORE FOR THE RIGHT REASONS

I am certainly not recommending that you keep all your money in SA. It makes sense to have a geographical spread with your investments however you need to be rational in your approach. It is really dangerous to get caught up in the hysteria created by market commentators who are telling you that SA is on a terminal decline. Very often these market commentators are the same ones who have a range of offshore investment products that they are promoting and so their only interest is to create fear so that they can provide you with their very expensive solution. This is a very old trick by unscrupulous operators who work on fear and greed to manipulate investors into bad decisions.