

RAND**SWISS** 

JSE Power
Hour
Invest Offshore
with the JSE



Table of Contents



Why invest offshore?	4
The current state of SA investment markets	7
Some of the tax, exchange control and other regulations facing offshore investors	13
Pros and cons of investing offshore via the local exchange	17
The various “offshore” JSE listed products available to South African investors	19
Our favourite local “offshore” investment picks	21
Naspers and Prosus explained	27

JSE Power Hour: How to invest offshore with the JSE

South Africa makes up around 0.65% of the global GDP. It's a tiny fraction of the investment universe available to investors. At the same time, thanks to the practicalities of life, as well as regulation, most **South Africans have an exceptionally high local asset allocation.**

But, fortunately for you, our local exchange has been exceptionally innovative in responding to the growing local demand for offshore exposure. You'll be surprised to learn just how easy it is to get international exposure via our local exchange. Plus, **there are a number of benefits to gaining exposure locally, rather than going directly offshore.**

In this one-hour event we'll guide you through:

- The current state of the South African investment markets,
- The pros and cons of investing internationally via the local exchange,
- The various "offshore" JSE listed products available to South African investors,
- Some of the tax, exchange control and other regulation facing South African's investing abroad, and
- Our favourite local "offshore" investment picks!

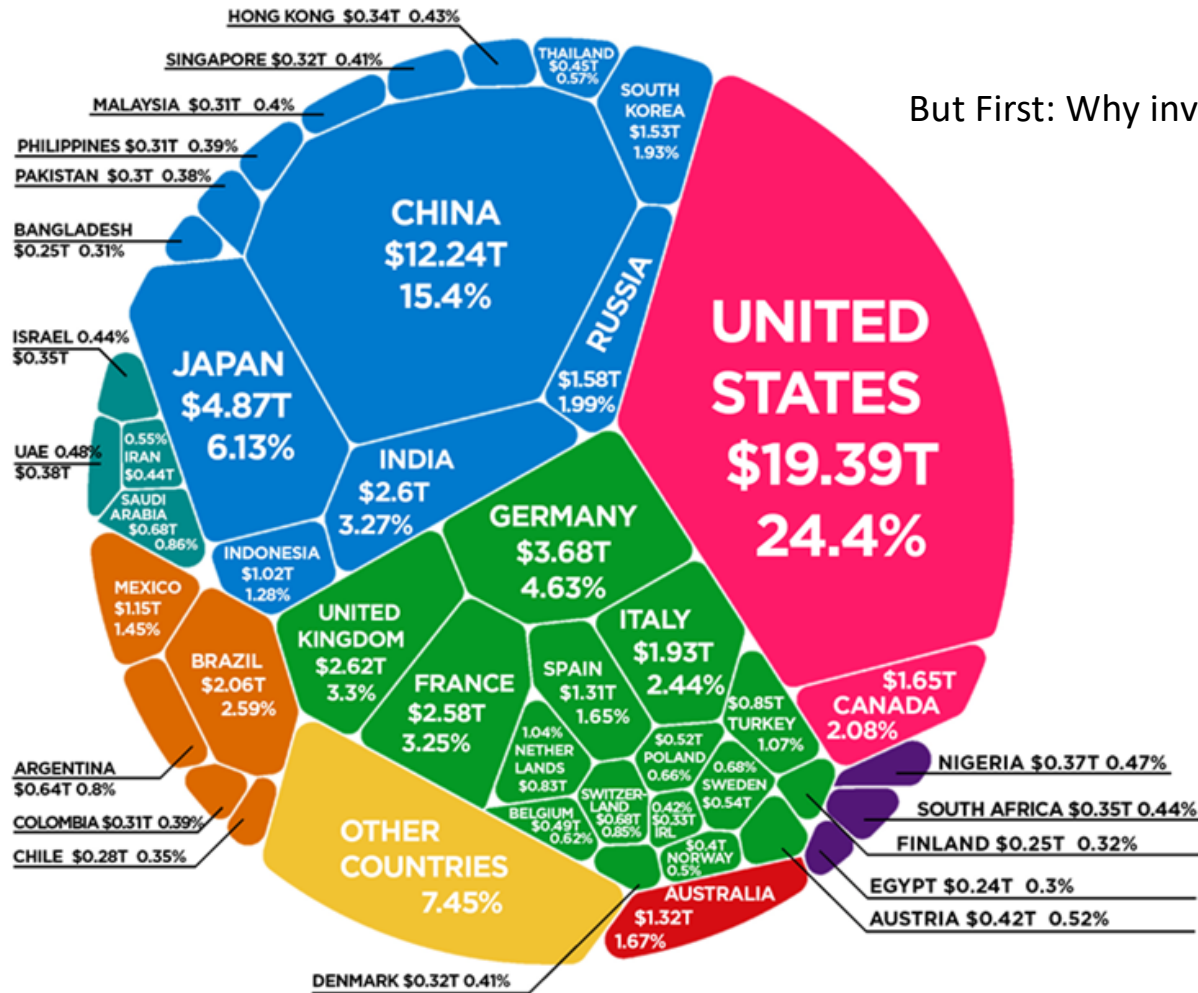
But first: Why invest offshore?

But first: Why invest offshore?

RAND**SWISS** 



Client offshore investment expectations can generally be divided into three “buckets”.



But First: Why invest offshore?

RANDSWISS



Article and Sources:

<https://howmuch.net/articles/the-world-economy-2017>
<http://databank.worldbank.org/data/download/GDP.pdf>

<https://howmuch.net/articles/putting-companies-into-perspective>
 International Monetary Fund - <https://imf.org>
 Yahoo Finance - <https://finance.yahoo.com>

The current state of South African investment markets

The current state of the South African investment markets



Business Confidence: 28

GDP Growth: -3.2%

Debt-to-GDP: 55.8

Scary Statistics Pages

This shouldn't come as a shock to anyone

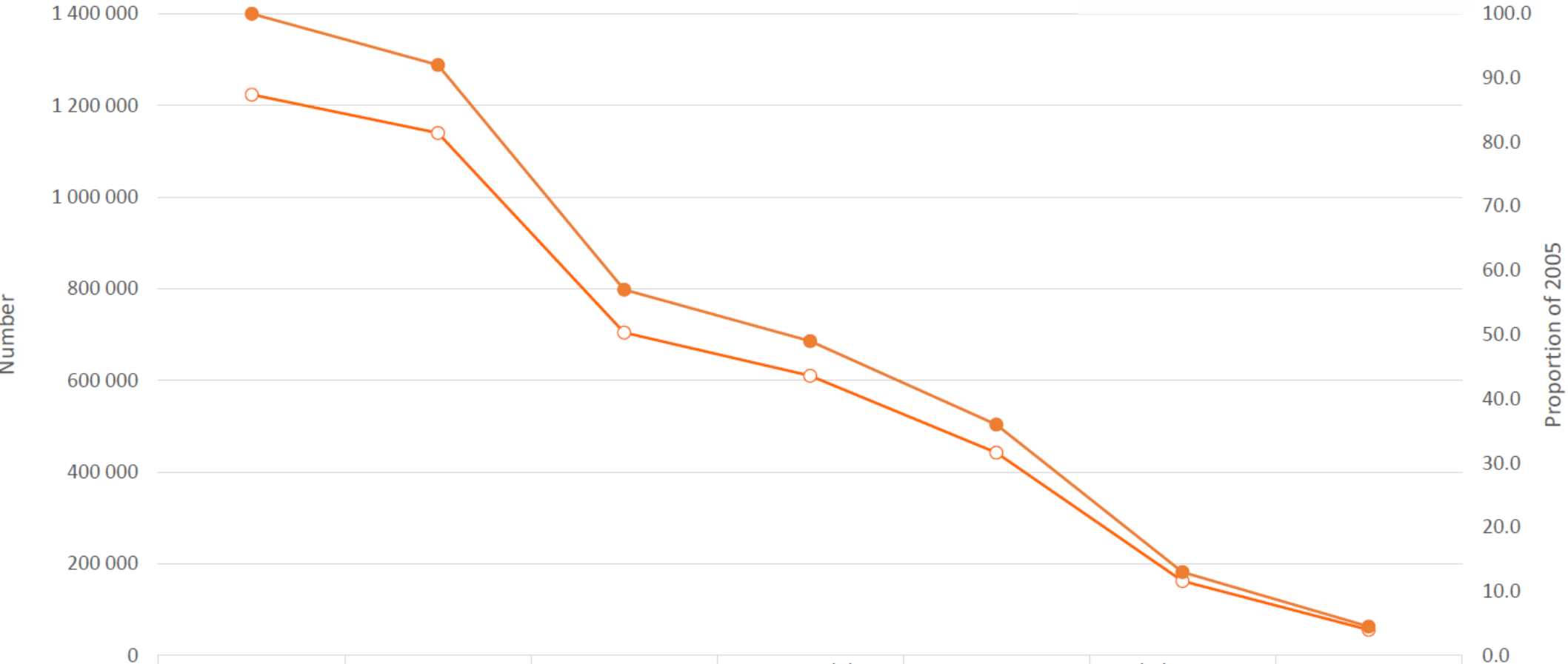
Inflation: 4.5%

Unemployment: +27.6%

Manufacturing PMI: 46.2

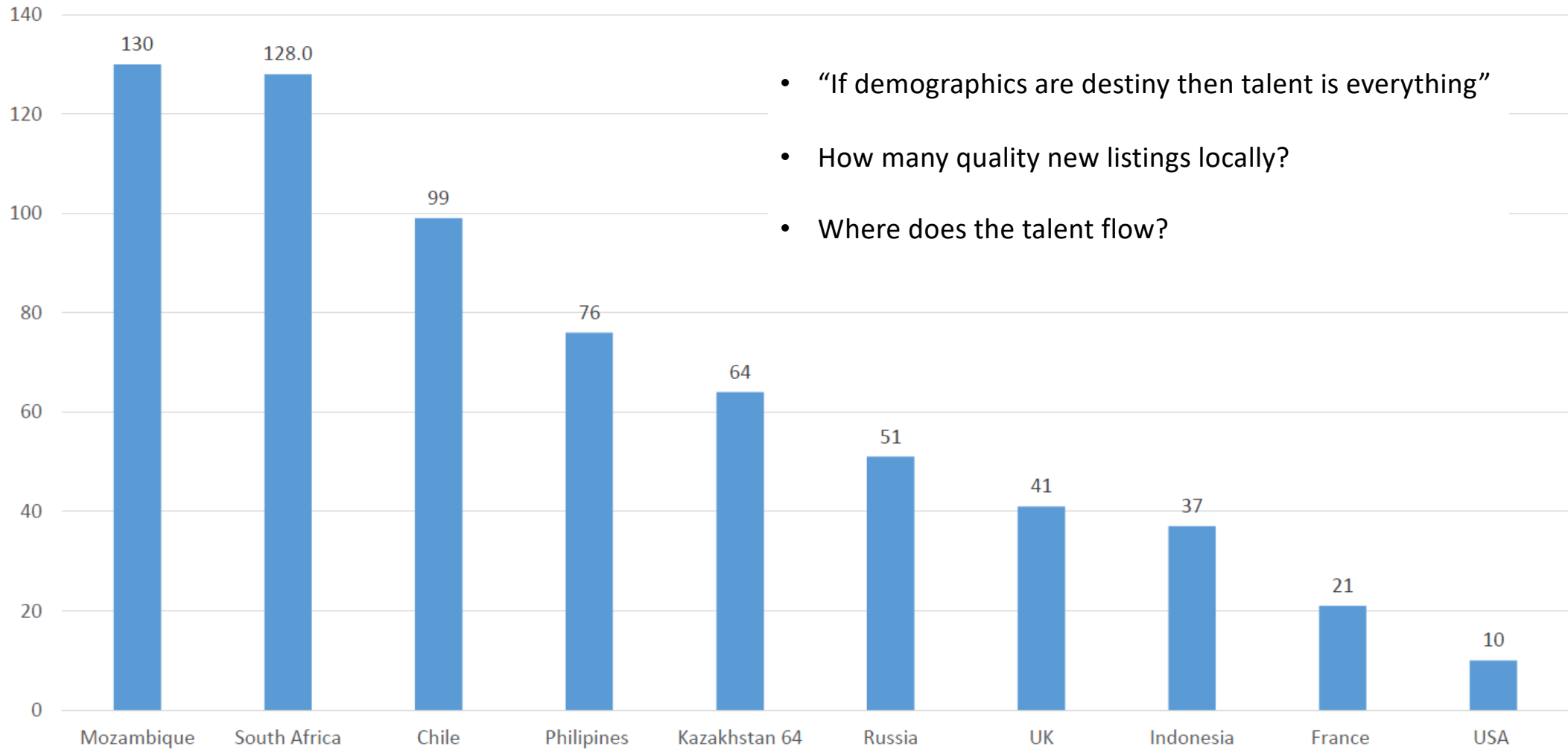
Date: 17-July-2019

High school throughput



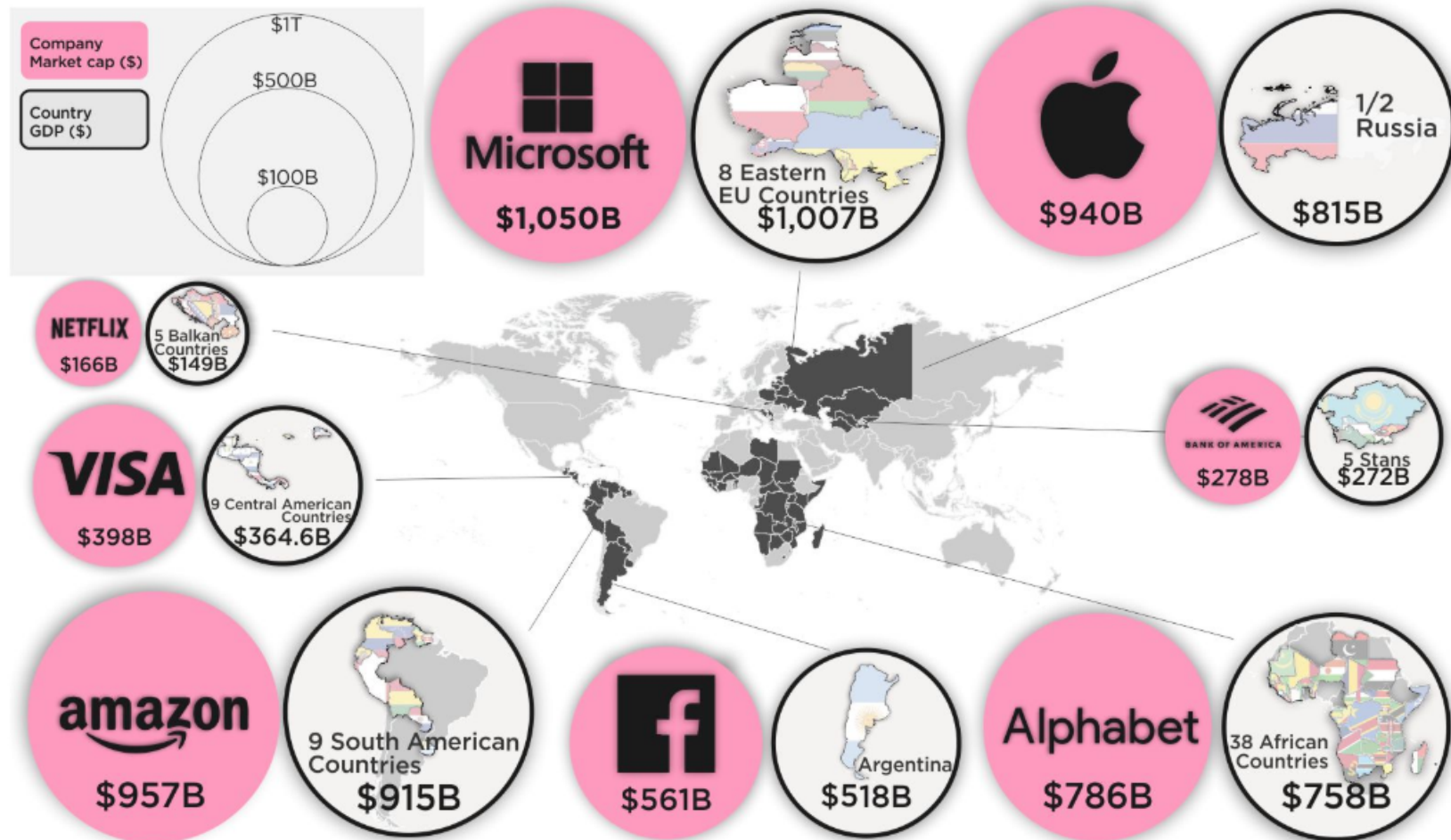
	Grade-1 2005	Grade -10 2014	Matric-2016	Matric candidates 2016	Matric passes 2016	Bachelors passes 2016	Maths pass 50%+
○ Number	1223581.0	1139872	704533	610178	442672	162374	55820
● Percentage	100.0	92	57	49	36	13	4.5

Quality of maths and science education ranked out of 140 countries



Putting American Companies' Economic Power Into Perspective

Comparing Companies' Market Cap vs. Countries' GDP



Note: A breakdown of countries are listed in our article & sources.
Article & Sources:
<https://howmuch.net/articles/putting-companies-into-perspective>
 International Monetary Fund - <https://imf.org>
 Yahoo Finance - <https://finance.yahoo.com>

RANDSWISS



Some of the tax, exchange control and other regulations facing offshore investors

Some of the tax, exchange control and other regulations facing offshore investors

RANDSWISS 

How do clients usually go offshore?

- R1 million SDA
- R10 million FIA
- R10+ million special SARB approval

But is it that simple?

Yes and no...



RANDSWISS 

Your bank

For more visit: <https://www.randswiss.com/offshore-transfers/>

A few terms to understand before investing offshore

Custody - *A service in which a brokerage or other financial institution holds securities on behalf of the client. This reduces the risk of the client losing his/her assets or having them stolen. Assets in custody are not fungible for the brokerage because they remain on the client's name. For this reason, these institutions normally charge custodial fees for safekeeping services.*

Probate - *A probate is a legal process in which a will is reviewed to determine whether it is valid and authentic. Probate also refers to the general administering of a deceased person's will or the estate of a deceased person without a will.*

Situs - *In law, the situs (pronounced /'saiʈəs/) (Latin for position or site) of property is where the property is treated as being located for legal purposes. This may be important when determining which laws apply to the property, since the situs of an object determines the lex situs, that is, the law applicable in the jurisdiction where the object is located, which may differ from the lex fori, the law applicable in the jurisdiction where a legal action is brought. For example, real estate in England is subject to English law, real estate in Scotland is subject to Scottish law, and real estate in France is subject to French law.*

Some of the tax, exchange control and other regulations facing offshore investors



South Africa has a residency based tax system. So moving your assets offshore doesn't mean you get to avoid all SA taxes.

Estate duty in South Africa is 20% on assets under R30 million.

A few tax considerations for direct offshore investors

The table below illustrates the estate duty or death tax implications for a SA resident, who lives in SA and with assets situated in SA, the United Kingdom (UK) and United States of America (USA).

<i>Jurisdiction:</i>	South Africa	UK	USA
<i>Individual tax exempt threshold</i>	R3,500,000	£325,000 (NRB)	\$60,000
<i>Tax rate</i>	20%	40%	Sliding scale between 18% to 40%

Pros and cons of investing offshore via the local exchange

The pros and cons of investing internationally via the local exchange:



Pros

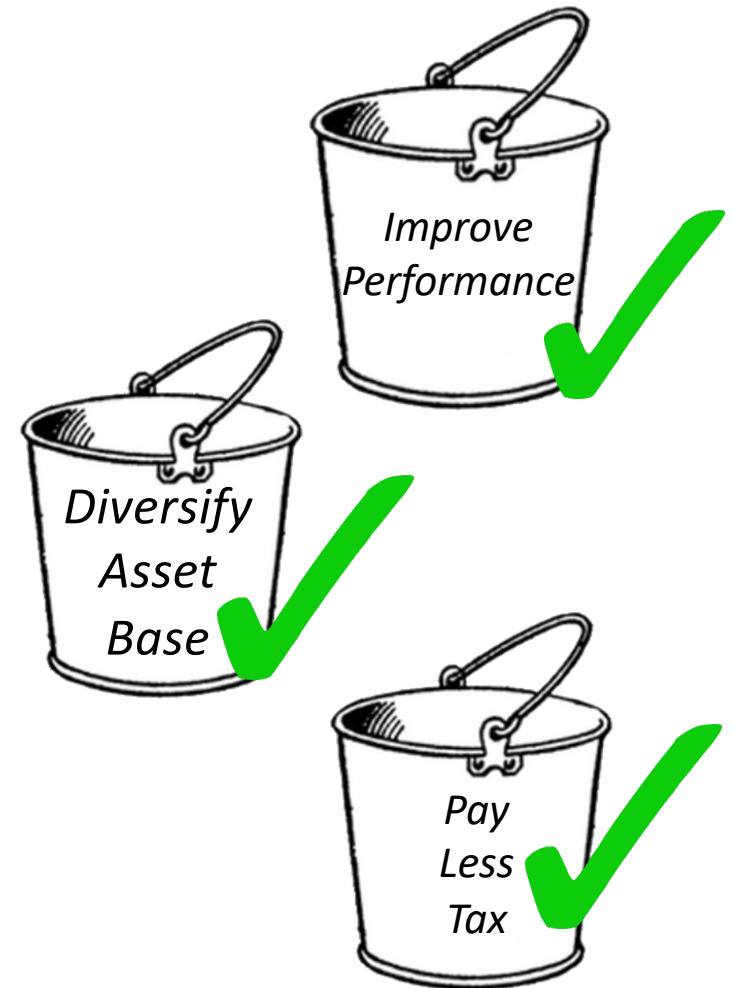
- Simpler tax administration
- No need to pay for wrappers
- No need to use offshore limits
- Lower administrative costs but higher direct asset costs
- TFSA-friendly

Cons



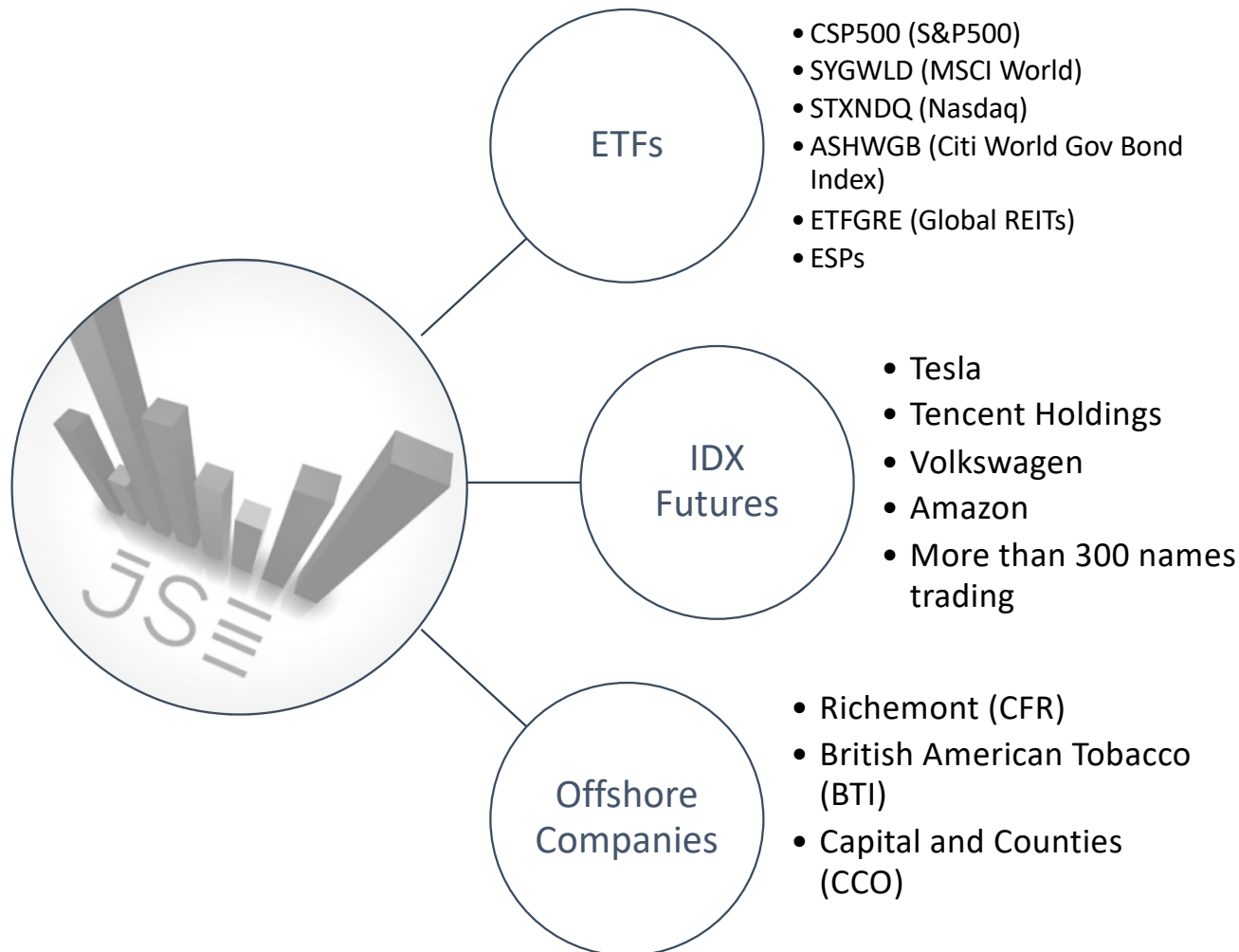
- Systemic risks
- Need to pay for wrappers
- Need structuring
- Less control off the FX conversion
- Less variety
- Higher asset costs but lower administrative costs

RAND**SWISS** 



The various “offshore” JSE listed products available to South African investors

The various “offshore” JSE listed products available to South African investors



Benefits of Trading IDX

- Provides the holder with exposure to underlying international shares, indices or ETFs.
- IDX futures are listed, regulated and settled through SAFEX (South African Futures Exchange) which enhances transparency and liquidity.
- No exchange control restrictions or counterparty risk associated with OTC trading.
- Allows the holder to engage in cost efficient trading in internationally recognised stocks.
- Cash settled.

Our favourite local “offshore” investment picks!



Our favourite local “offshore” investment picks

Offshore local pick #1: S&P500 ETF



The Sygnia Itrix S&P 500 ETF is a high risk, passively managed index tracking fund, registered as a Collective Investments Scheme, and is listed on the Johannesburg Stock Exchange as an Exchange Traded Fund. The objective of this portfolio is to provide simple access to investors who wish to track the movements of the S&P 500 Index through investing in the physical index securities.

The S&P 500® is **widely regarded as the best single gauge of large-cap U.S. equities**, includes 500 leading companies and captures approximately 80% coverage of available market capitalisation.

The investment policy of the portfolio is to track the Index as closely as practically and feasibly possible by buying securities included in the Index at similar weighting as they are included in the Index.



- Diversified investment linked to the **Index.**
- **Warren Buffett's selection.**
- **Minimum investment R500 per month or R10,000 lump sum.**
- Lowest cost and transparent aims.

Offshore local pick #1: S&P500 ETF SYG500



TOP 10 HOLDINGS

INSTRUMENT	PERCENT
Microsoft Corp	4.2%
Apple Inc	3.5%
Amazon.com Inc	3.2%
Facebook Inc	1.9%
Berkshire Hathaway Inc	1.7%
Johnson & Johnson	1.5%
JPMorgan Chase & Co	1.5%
Alphabet Inc Cl C	1.3%
Exxon Mobil Corp	1.3%
Alphabet Inc Cl A	1.3%

PORTFOLIO PERFORMANCE ANALYSIS

PERIOD	SYGNIA ITRIX S&P 500	S&P 500 INDEX (ZAR)	USD/ZAR*	S&P 500 INDEX (USD)
1 Month	3.6%	3.5%	-3.1%	6.9%
3 Months	1.5%	1.5%	-2.2%	3.8%
6 Months	15.0%	15.0%	-2.0%	17.3%
Year to Date	15.0%	15.0%	-2.0%	17.3%
1 Year	11.3%	11.3%	2.9%	8.2%
Since Inception	9.2%	9.2%	0.6%	8.3%

RAND**SWISS**

- Ticker: SYG500
- ISIN: ZAE000251377
- Sygnia Asset Management
- **Inception: 30 October 2017**
- **Fund Size: R950 million**
- TER: 0.16%

Offshore local pick #2: S&P 500 Digital Plus ESP



The Investec S&P 500 Digital Plus is a JSE listed structured product is designed to provide investors exposure to the S&P 500 index with both uncapped upside and a high level of capital protection.

The JSE code will be SPIB32 but interested investors must make their applications before the 2nd of September 2019 to secure a space.

Liquidity post listing will be on a willing buyer willing seller basis.

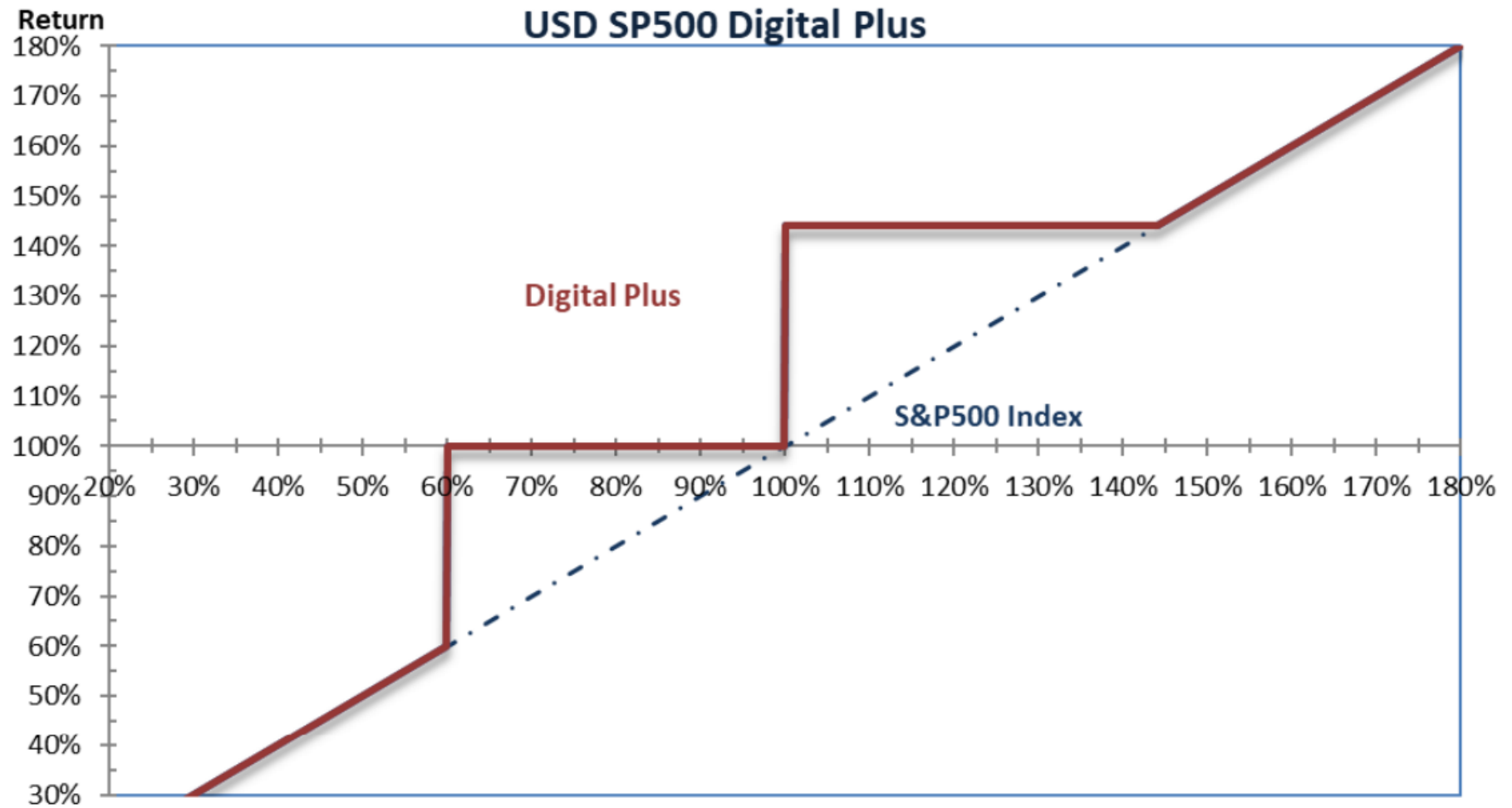


Share Name	Investec S&P 500 Digital Plus
JSE code	SPIB32
Listing	Johannesburg Stock Exchange
Trade Date	6 September 2019
Issuer	Investec Bank Limited
Credit reference entity	Standard Chartered plc
Index	S&P 500 Index
Term	3.5 years
Minimum Investment size	R100 000

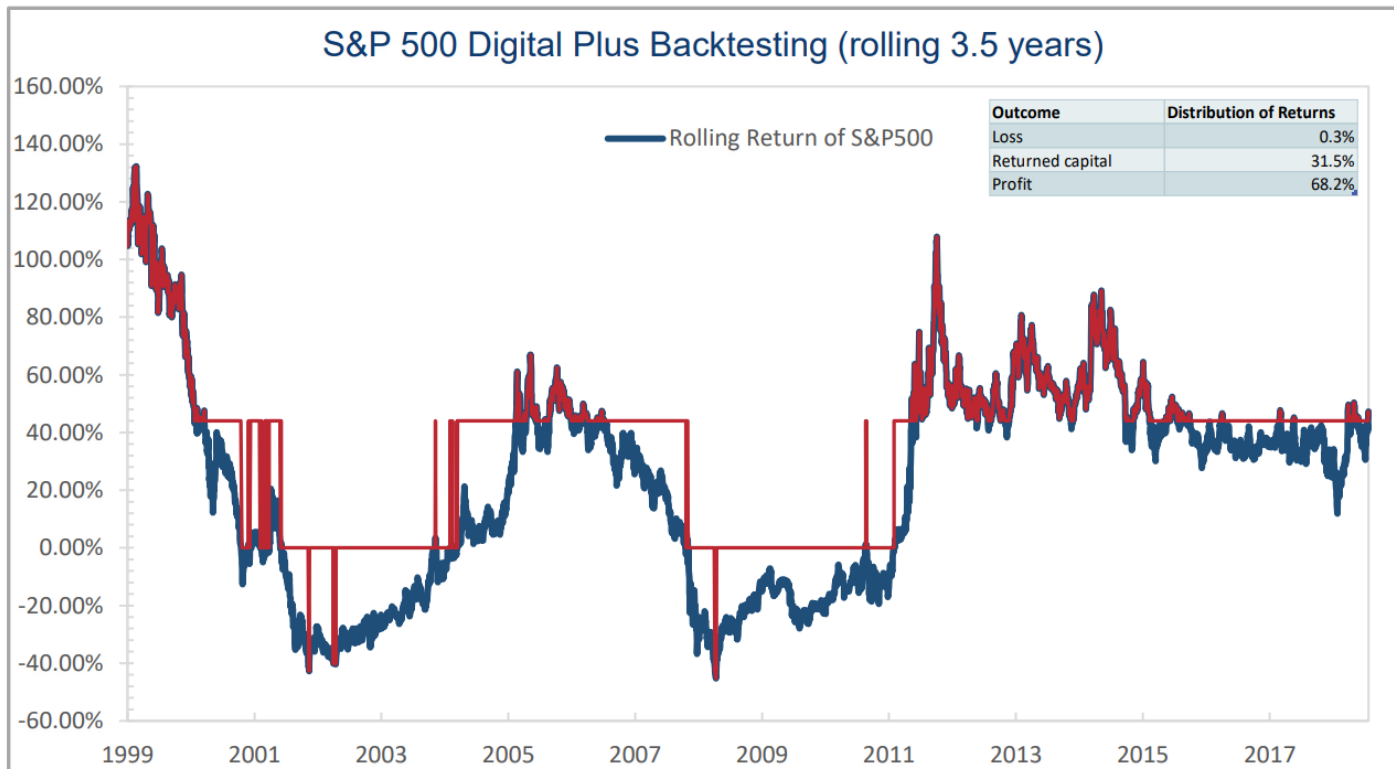
- 3.5-year investment linked to **S&P500 Index**.
- **44% return in rand** should the index return be zero or positive **plus 100% of the upside on any further growth**.
- **100% capital protected** in rand at maturity if index is down less than 40% on the expiry date.
- **Minimum investment: R100,000.**

How does it work?

RAND**SWISS** 



How does the protection work?



At expiry if the Index has fallen from the Initial Index Level, the investors **will receive their initial investment in full**, provided the index does not end down more than 40% on the maturity date, and that there is no credit event in respect of **Investec Bank Ltd or Standard Chartered plc** as the Credit Reference Entity.

If, however, the **index closes below 60% the principal protection falls away**, and the investor is exposed to the full downside from the initial index level.

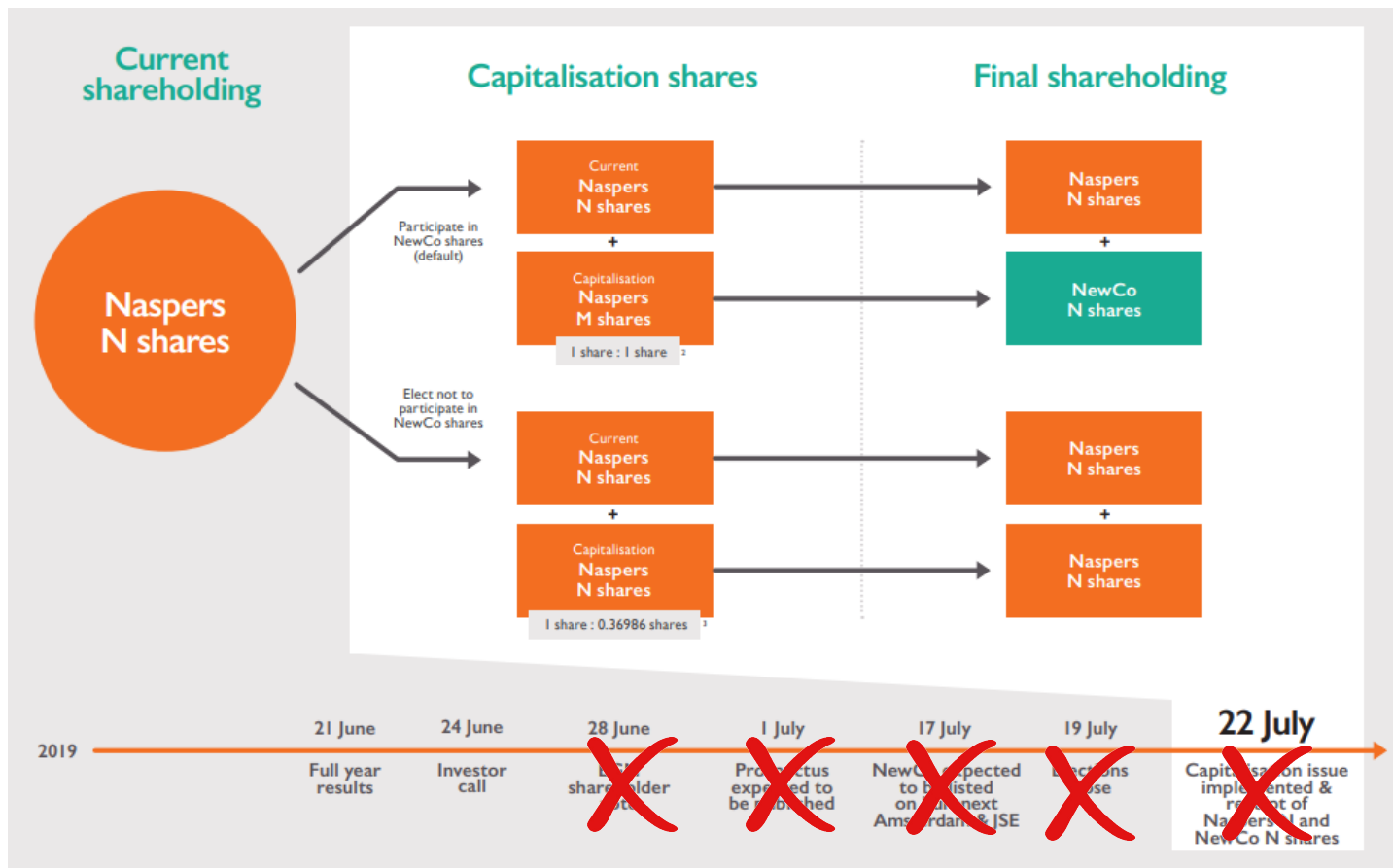
Offshore Local Pick #3: Naspers and Prosus



NASPERS

- Naspers announced its intention to list the international internet assets (Prosus) on Euronext Amsterdam, likely creating Europe's largest listed consumer internet group by asset value.
- Prosus will be a strategic investor and operator, and focus on long-term value creation by building leading technology companies that improve people's daily lives in high-growth markets.
- Shareholder approval to be sought at EGM on 23 August 2019.
- Subject to the valid adoption of the resolution required, Naspers expects the proposed transaction to be implemented in September 2019.

Pre-envelope debacle timeline and election details



Reason for delay

An administrative error by an external service provider has resulted in certain of the copies of the circular delivered to shareholders being incorrectly labelled. The service provider concerned has advised Naspers that the error occurred in pairing the names and addresses of some shareholders for purposes of printing labels on the envelopes in which the physical copies of the circular were delivered to certain shareholders. This meant that some circulars were sent to the correct addresses of the affected shareholders, but that incorrect names appeared on these envelopes (i.e. the name and address did not match). This could in some cases lead to confusion.

The portfolio

Naspers' unique and attractive international internet portfolio comprising interests in some of the world's leading and fastest-growing internet companies, such as Tencent, OLX, Avito, Delivery Hero, Swiggy, MakeMyTrip, PayU plus many more.

The scale

These companies play an increasingly important role in helping hundreds of millions of people improve their daily lives. Their products are used regularly by around a fifth of the world's population in some of the most exciting markets on the planet.

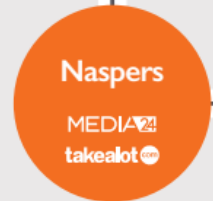
The investment opportunity

Direct access to what is likely to be Europe's largest listed global consumer internet company by asset value, covering sectors that address big societal needs in the high-growth internet markets of China, India, Russia, Brazil and many more.



Creating Europe's largest listed consumer internet group²

JSE
Primary listing
on JSE



Naspers retains its primary listing on the JSE in South Africa.

EURONEXT*
~25% free float

Holds ~75%
of NewCo



*With a secondary, inward listing on the JSE in South Africa.

• A platform for future growth

A Euronext Amsterdam listing is expected to attract incremental tech investor capital which is well-aligned growth ambitions.

• Addressing market dynamics

The new listing should also help reduce Naspers' outsized weighting on the JSE which has been caused by the group's rapid growth.

• More accurate price discovery

The reduction in weighting on the JSE as well as the opening up the investment to a broader category of investors should improve future pricing.

Thank you for attending

Questions

www.randswiss.com

+27 11 781 4454

Who we are and what we do?

- We are a private boutique broker.
- Registered Financial Services Provider FSP 45837.
- Network and partnership with major local and international banks.
- Philosophy to displace the middle man and give direct market access locally and offshore.
- Stockbroking, research, bespoke portfolios, online trading.

JS

 Investec

VELOCITY
TRADE



KIPS
KNOWLEDGE INNOVATION PROGRESSION SOLUTION

BD TV

RAND**SWISS** 

SAXO
CAPITAL
MARKETS



 NEDBANK

Disclaimer

All information and opinions provided are of a general nature and are not intended to address the circumstances of any particular individual or entity. We are not acting and do not purport to act in any way as an advisor or in a fiduciary capacity. No one should act upon such information or opinion without appropriate professional advice after a thorough examination of a particular situation. Any representation or opinion is provided for information purposes only.

The views, opinions, recommendations and articles are thoroughly researched but we disclaim all liability for any inaccuracies or omissions found or for losses made. We endeavour to provide accurate and timely information but make no representation or warranty, express or implied, with respect to the correctness, accuracy or completeness of the information and opinions. We do not undertake to update, modify or amend the information on a frequent basis or to advise any person if such information subsequently becomes inaccurate. No guarantee is given as to the accuracy, completeness or reasonableness thereof, it being understood that we are not your financial adviser or fiduciary.

You are cautioned to ensure that you have made an independent decision in accordance with your own objectives, experience, operational and financial resources and any other appropriate factors including independent professional advice. Remember: Never invest more than you can afford to spare. The value of any investment and the income derived from it can go down as well as up.

Any views or opinions presented within this presentation are solely those of the author and do not necessarily represent those of RAND SWISS(PTY) LTD, unless otherwise specifically stated. The content of this message does not constitute Investment Advice. This document is for information purposes only and does not constitute advice or a recommendation towards any services or strategies.

RISK WARNING: Our service include products that are traded on margin and carry a high degree of risk to your capital. It is possible to incur losses that exceed your initial investment. You should ensure you fully understand the risks involved and seek independent advice if necessary. To read our full risk disclosure statement please [click here](#).

RAND SWISS (PTY) LTD is an authorised financial services provider and is regulated by the South African Financial Service Board under license number 45837.

Authorised Financial Services Provider (FSP 45837)