

THE **INTERACTIVE**

OFFSHORE INVESTMENT GUIDE

2025/26

BY PAUL ROPER, NICKY DEWAR & PETER O'HALLORAN



OLDMUTUAL

INTERNATIONAL

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Family Wealth: Key Adviser, Relationship Partner, Trustee to Ultra High Net Worth and High Net Worth families across the globe.

Paul brings over 30 years experience and a focus on South African wealth, tax, and structures for expatriated and currently resident families. In addition to vast experience of international structures, Paul has authored and co-authored over nine books covering offshore investments. These publications includes financial structures, and tax, as well as international financial centres, including financial and retirement planning. Paul was recognised at the 2022 Citywealth IFC Awards and awarded Silver for Trustee of the Year (Channel Islands & Isle of Man).

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Peter has many years of experience in cross-border tax consulting to SMEs. His estate planning skills have proved to be of value to High Net Worth individuals and business owners, as does his expertise in tax and civil litigation.

Nicky Dewar — nicky@theservicecafe.co.za

Nicky's extensive experience as a corporate executive, combined with her research into the psychodynamics of business systems and academic background, provided the foundation for the development of cutting-edge, customised and generic behaviour shift processes.



In addition, she has, conceptualised, developed and authored over 30 corporate training programmes and games for a wide range of industries and organisations. She maintains an ongoing search for greater clarity regarding rational thinking and mind development. Nicky has found confirmation of many of her own conclusions in the work of a variety of well-recognised researchers in the fields of psychology, psycho-cybernetics, and epigenetics among others.

It is this open-minded outlook and her ability to view a situation from an unexpected perspective that Nicky has successfully applied to various financial publications and organisations over the past two decades.

Greek, and conversational French, Christos is a trusted link between Southern Africa's wealth and Cyprus's international investment hub.

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Daniel Saksenberg

Daniel holds numerous qualifications:

- Bachelor of Economic Science (University of the Witwatersrand).
- Diploma in Actuarial Techniques (Faculty of Actuaries, Edinburgh).
- Certificate in Finance and Investment (Faculty of Actuaries, Edinburgh).

He is also a:

- Fellow of the Faculty of Actuaries (Edinburgh).
- Fellow of the Actuarial Society of South Africa.

Daniel's clients reap the benefit of nearly three decades of experience in the fields of finance, investments and asset management, actuarial science, international tax, and artificial intelligence. He has started and run several businesses and consulted to numerous businesses and governments.

Daniel has lectured on a range of topics for Stanford University, Yale University, Frankfurt School of Finance and Management, the University of Denver, and Singularity University.

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David Sass

David worked in International Tax at a Big Four Accounting, Tax and Advisory firm in South Africa, the Channel Islands and the Netherlands, followed by a trustee role as director of taxation at a major European bank. David acquired tax, corporate governance and compliance qualifications in South Africa, UK and Jersey respectively as part of on- the job learning.

Dinesh Goel

Dinesh serves as the Global Managing Director at LCR Capital Partners, where he leads the firm's global growth initiatives. Since joining LCR, he has been instrumental in establishing the firm's presence in India, Southeast Asia, and the Middle East and growth in Africa, focusing on building direct client relationships and fostering high-value partnerships.

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Erich Bell

Erich Bell is an award-winning director in Werksmans Attorneys' Tax Department,

specialising in offshore tax and estate planning for high-net-worth individuals. He advises on international and domestic corporate tax; and South African exchange control.

His areas of expertise include offshore trusts and investment products, offshore and domestic acquisitions and finance transactions and international structuring from both an inbound and outbound perspective.

Education: MCom (Taxation) (cum laude), University of Pretoria, 2016; Bcom (Hons) (Taxation) (cum laude), University of Pretoria, 2013; BCom, University of Pretoria, 2012.

Jason Carpenter

Jason holds a Bachelor's degree in Accounting and an MSc in Blockchain and Digital Currency.

He is the co-founder of Etherbridge and CIO at Lima Capital. Etherbridge is driven by a young, dynamic and experienced team, filled with intelligent enthusiasm.

With over six years of experience in investing, researching, and developing blockchain investment products, Jason applies his expertise to manage a liquid, long-only investment strategy at the Etherbridge fund. Jason made a very valuable conceptual contribution to this Guide.

Jason and his team have the ability to unpack the intricacies associated with blockchain and digital currency, in a way that enhances the potential investor's understanding.

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Kerry Dimmer

Kerry Dimmer is an international and local South African award-winning independent feature journalist, who primarily concentrates on business in Africa, including finance, insurance, property, mining, and other industries.

Over the past three decades she has engaged and had conversations with innumerable CEOs, and a number of heads of State across the African continent.

Her portfolio is expansive, including the publications and online platforms: African Decisions (cover stories); Mining Decisions (also cover features); JSE magazine; Private Property; Property Professional; the annuals Business Day Empowerment and Business Day Earth; and written for other prestigious corporates.

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FOREWORD

Financial planning is, by definition, a multi-disciplinary process and involves the identification and analysis of complex needs, as well as the design of appropriate solutions with global consideration. A competent professional advisor needs to be equipped with a range of complementary skills and global knowledge in diverse fields such as:

- Tax.
- Risk.
- Investment.
- Retirement.
- Estate planning.
- Wealth and personal risk management.
- Employee benefits consulting.

The Financial Planning Institute of Southern Africa (FPI) is an affiliate of the Financial Planning Standard Board, which has the primary objective to establish the financial planning profession globally. In addition, the institute sets standards of ethical and technical competence for Certified Financial Planners (CFP®).

The FPI is, therefore, committed to the maintenance and application of stringent academic standards for Certification Assessment Pathway (CAP) examinations and continuous professional development (CPD) requirements. Part of the cornerstone of the FPI being able to deliver quality education includes the availability of suitable literature. The Interactive Offshore Investment Guide is, therefore, considered an invaluable resource for members of the Institute and the broader investment public.

Members may claim unverifiable CPD hours (professional reading) as per the FPI's CPD policy.

The Interactive Offshore Investment Guide, 2025 is the twelfth edition related to offshore investments. Once again, it offers individuals interested in operating in the offshore environment, a practical insight into this arena, and its key components.

Lelané Bezuidenhout, CFP®

Chief Executive Officer

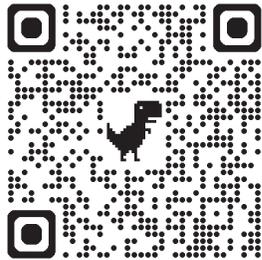
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*American Investment
TAX Perspectives*

INSIGHT 1

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Chapter 16

Introducing the
Black Box to:

**American
Investment
Perspectives**

Insight 1

Notwithstanding the recent financial and fiscal uncertainty introduced by political developments in the US, it remains a country traditionally considered a favourable investment destination for those outside the US, especially in relation to its publicly traded stocks, and certain real estate investments.

The stock price of US publicly traded stocks is tracked by a number of indices, the best known being the Dow Jones, S&P 500, and the Nasdaq.

Significantly, the companies whose stocks are publicly traded are subject to **Securities Exchange Commission (SEC)** reporting requirements, and are required to file statements of their financial performance on a quarterly basis. These statements are accessible via the SEC website.

Consequently, there is significant investment into the US by families and individuals residing outside of its borders, frequently by way of offshore trusts or other family trust structures.

There is also considerable business investment by non-US multinationals, to facilitate their US operations. This type of investment tends to have little or nothing to do with offshore jurisdictions and structures. Instead, these investment structures rely upon reductions in withholding tax and other tax benefits under treaties between the US and a number of other countries. Treaty relief is frequently a significant factor in determining the structure of this inbound investment.

It may be noted that offshore may have different meanings in the US, depending upon the context. In one such, offshore is referred to in the traditional sense. In another context, it sometimes refers to abroad, or outside the US.

1 Families, individuals and trusts residing outside the US

Investments into the US is frequently in the form of stocks and bonds.

Publicly-traded US stocks and bonds can be acquired and held directly by non-resident investors without restriction, without having to register with the Internal Revenue Service (IRS), and without having to file a tax return.

This type of investment is available through US stockbrokers, some of whom transact for non-residents.

Due to the relatively high risk of investing in specific securities, investment may, instead, be in the form of US-based mutual funds or **Exchange Traded Funds (ETFs)**, which allow for some degree of diversification in the underlying investments.

As an alternative to investing via brokers, investors can invest directly in US securities that are listed on the London Stock Exchange (LSE) or on another non-US stock exchange, via a broker in that country. Alternatively, if the diversification provided by mutual funds or ETFs is a factor, investment can be made into funds that hold US securities.

An advantage frequently associated with investment in publicly traded securities is their liquidity — although this is not always the case. For this and other reasons, investment in specific securities should be undertaken on a curated basis.

Gains made by non-residents on the sale of US securities are not generally subject to US tax. Dividends and interest paid to non-resident holders of US securities are generally subject to a withholding tax of 30%, which may be reduced or occasionally eliminated where the investor resides in a country where the US has a comprehensive tax treaty.

The 30% withholding tax on interest is eliminated where the interest is seen as portfolio interest.

Publicly Traded Partnership (PTP) interests are also publicly listed and available on most US exchanges. Most PTPs are involved in businesses relating to minerals, natural resources and real estate.

Although PTPs typically offer good cash yields and some tax advantages to US investors, they are not generally suited to non-resident investors. This is due to their tax complexity, high withholding tax rates, and the need for the investor to file a US tax return.

Although the threshold for paying estate tax is substantial for US residents, assets owned by non-residents exceeding USD60,000 are subject to US estate tax. Non-residents can readily avoid this estate tax by ensuring that they do not hold US situs assets directly.

Where the US assets are held by an offshore trust or a non-US entity, it is usually sufficient to prevent the levy of US estate tax on these assets.

2 Investments other than in publicly traded securities

Occasionally non-resident families, individuals, or trusts may invest in US private equity or real estate.

Here the investment considerations are quite different. As US entities are not subject to SEC reporting or oversight, the result is that investments typically carry higher risk than those that are publicly listed. However, these investments may also be more lucrative than listed ones. Recent surveys have reported average annual US private equity returns as 20% or higher.

One needs to distinguish between private equity invested via an established fund, and investment made *directly* into a specific business or enterprise. With the former there is usually a verifiable track record of investment performance that is available. In the latter, evidence of past performance may not exist, or may not be verifiable.

While most businesses in the US have to provide a balance sheet and income statement to the IRS annually, audited financial statements are seldom prepared. Investments of this nature tend to be high risk and should be undertaken on a curated basis.

Where the business is conducted by an entity treated as a *corporation* for US tax purposes, a non-resident investor in the entity is not generally required to file US tax returns. Gains on sales of such investments are also not usually subject to US tax. Dividends received by non-residents are generally subject to 30% US withholding tax, or a lower rate where the investor resides in a treaty country.

While registering with the IRS is generally required for non-residents to claim treaty benefits, registering with the IRS is not required to claim reduced withholding tax on dividends and interest from marketable securities. Interest paid to non-resident investors can usually be structured to be tax-free.

A significant consideration with this type of investment may be the lack of liquidity or marketability. It may be difficult or impossible to dispose of the investment at short notice, especially where exit strategies have not been determined at the time of investing.

The term of the investment may be implicitly agreed with reference to a particular event, for example upon the listing of an Initial Public Offering (IPO), or explicitly agreed with reference to a number of years. For example, established funds may seek to regard the investment as 'five- or 10-year money.'

3 Investing in US real estate

Frequently, investment into US real estate is by way of an investment in Real Estate Investment Trust (REIT), many of which are publicly traded. Typically REITS distribute their net income to shareholders, resulting in tax not being payable by the REITS themselves but by their shareholders only.

As a result, investment in real estate via REITs is favoured as a means of avoiding the two-tier levy of tax, which would otherwise typically be the case.

Distributions of REIT dividends to non-resident investors are typically subject to a 30% US withholding tax, which may be reduced or eliminated where the investor is an individual residing in a country with which the US has a tax treaty.

Distribution of REIT capital gains to non-resident investors is generally subject to a 15% US withholding tax, which is not generally subject to treaty relief. However, this withholding tax does not apply where the non-resident holds less than 5% of a publicly traded REIT, or where the REIT is controlled by US taxpayers.

Investment in US real estate outside of a REIT may entail other considerations. Unless the investment comprises undeveloped land to be held for sale, most investments in US real estate entail appointing a US-based manager or agent to manage the investment, unless one already exists.

In the case of real estate development, a managing contractor may need to be appointed, and it may be prudent or necessary to partner with a suitable US-based party as a co-investor and manager.

With a view to limiting liability for real estate investments, and also for administrative and tax convenience, investments by non-residents are frequently in the form of one or more *Limited Liability Companies (LLCs)*. Investment via a LLC can be used as a mechanism to prevent the non-resident from having to file US tax returns for the investment.

Where a LLC is used to own real estate, and the LLC is held by a non-resident investor such as a foreign individual or trust, the LLC should generally be classified as a corporation for tax purposes.

This allows LLC profits to be taxed at the corporate rate (currently 21%), without the investor having to file US tax returns. Net profit after-tax is only taxed on distribution, generally at 30% or less where the investor resides in a treaty country.

Sales of US real estate held by non-residents (including non-US trusts) are generally subject to a withholding tax on the sale proceeds per the ***Foreign Investment in Real Property Tax Act (FIRPTA)***. This withholding tax is 15% of the sale proceeds, or 21% on distributions of real estate gains. It may be possible to avoid FIRPTA or obtain a refund of FIRPTA under various scenarios.

4 Anti-money laundering due diligence

Under Anti-money Laundering (AML) regulations, US banks and stockbrokers are generally required to do due diligence in relation to ***non-resident investors***. This typically includes verifying the identity of the investor, and the beneficial owner of the investment, which in the case of a trust, is generally regarded to be the trustee.

Due diligence may include verification of the source of the investment funds, and may require the investor to apply to the IRS for a US tax number.

In summary...

The US offers a wide variety of investment types, investment entities, and investment structures. While most of these are open to non-resident investors, they may not be well-suited to non-residents generally, or to their specific requirements.

This wideness of variety, together with the related differences in risk, return, tax, and administrative burden, provide good reason for non-residents to seek relevant advice prior to investing.



We are all visitors to this time, this place.
We are just passing through.
Our purpose here is to observe,
to learn, to grow, to love...
and then to return home.

Australian Aboriginal proverb

For more information on:

American Investment

The EB-5 Visa

INSIGHT 2

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Insight 2 ...

The EB-5 Visa:

A Pathway to U.S. Residency
for South African Families,
Professionals, and Students

For South African families, professionals, and students seeking a secure, prosperous future, the U.S. Green Cards by Investment Program, also known as the **EB-5 Immigrant Investor Program**, presents an unparalleled opportunity. With a history of substantial investment in the U.S. economy and a clear, reliable path to permanent U.S. residency, the EB-5 program is an attractive option.

Key Data Points:

- ❑ Since its inception in 1990, the EB-5 Program has channelled \$55.2 billion into the United States, contributing to economic growth and job creation.
- ❑ In 2024, the program saw significant growth, with 3,700 investors applying for EB-5 visas, a 47% increase from the 2,502 applications in 2023.
- ❑ The total investment through the EB-5 Program in 2024 reached \$3.878 billion, marking an 85% increase compared to the \$2.092 billion invested in 2023.
- ❑ As of 2024, 136,400 qualified investors and their families have obtained U.S. permanent residency through the EB-5 visa regional centre projects, similar to those offered by LCR Capital Partners.

Source: <https://iiusa.org/eb5-visa-data-dashboard/>, <https://iiusa.org/i526data/> **and** <https://travel.state.gov/content/travel/en/legal/visa-law0/visa-statistics.html>

Why the EB-5 Visa is Gaining Popularity Among South Africans

In recent years, global uncertainty has driven many South African families to seek stable residency options abroad. Traditional routes to U.S. residency, such as employer sponsorship or family-based petitions, can be complex, lengthy, and uncertain.

The EB-5 program, however, offers a more streamlined and predictable alternative.

Designed to stimulate the U.S. economy, the EB-5 program requires an investment of \$800,000 in a qualifying project located in a Targeted Employment Area (TEA). In return, investors and their immediate families—including spouses and unmarried children under 21—receive U.S. Green Cards, granting them the right to live, work, and study anywhere in the country. Unlike other visa

categories, EB-5 investors are not tied to a specific employer or location, providing considerable freedom and flexibility.

South African Participation in the EB-5 Program

South Africa has consistently been among the top countries participating in the EB-5 program.

- ❑ According to the data, South Africa has been one of the top 10 countries receiving EB-5 visas five times since 2009 (in 2009, 2010, 2018, 2019, and 2023).
- ❑ Since 2020, 692 South African investors have received their EB-5 visas.
- ❑ From 1990 to 2020, 512 South African investors applied for the EB-5 visa, contributing approximately \$256 million to the U.S. economy.
- ❑ Notably, between the 2019 and 2020 fiscal years, the number of South African applicants increased by 47.87%, from 96 to 141 investors.

This data underscores the growing interest among South African investors in the EB-5 program.

Source: <https://iiusa.org/eb5-visa-data-dashboard/>, <https://iiusa.org/i526data/> **and** <https://travel.state.gov/content/travel/en/legal/visa-law0/visa-statistics.html>

A Gateway to Elite U.S. Education

For families prioritizing their children's education, the EB-5 visa opens doors to America's best schools and universities. International students often pay significantly higher tuition rates and face difficulties obtaining long-term work authorization after graduation. With a Green Card, however, EB-5 investors' children are classified as domestic students, unlocking in-state tuition discounts at top public universities and avoiding the hurdles of restrictive student and work visas.

From Ivy League institutions like Harvard and Stanford to renowned public universities such as UCLA and the University of Michigan, students can access world-class education while seamlessly transitioning into the U.S. job market post-graduation. This advantage is particularly significant for families seeking a lasting generational impact, ensuring their children have the best possible opportunities to thrive in a competitive global economy.

Financial and Lifestyle Benefits

Beyond education, the EB-5 visa offers substantial financial and lifestyle advantages. The ability to reside in the U.S. provides access to a strong, stable economy with numerous business and employment prospects. Green Card holders can start businesses, purchase property, and enjoy unrestricted travel within and outside of the U.S.

Many South African families also value the security and quality of life the U.S. provides. With access to world-class healthcare, safe neighbourhoods, and a robust legal system, EB-5 investors can establish a comfortable, secure home for themselves and their children. Moreover, the U.S. offers diverse cultural and professional opportunities, allowing investors to integrate seamlessly into society while maintaining their South African heritage.

The Role of Regional Centers: A Hassle-Free Investment Approach

While EB-5 investors have the option to establish and manage their own businesses to secure a Green Card, the vast majority (91.5%) choose to invest through designated Regional Centers. These government-approved entities pool investor funds into large-scale development projects, ensuring compliance with EB-5 job creation requirements while minimizing the administrative burden on investors.

For South African applicants, investing through a reputable Regional Center is the most efficient and low-risk approach. These projects, which often include infrastructure, commercial developments, and multi-family residential buildings, are structured to meet U.S. Citizenship and Immigration Services (USCIS) requirements while providing investors with a passive investment experience.

Choosing the Right EB-5 Partner: The LCR Capital Difference

Navigating the EB-5 process requires expertise and a deep understanding of U.S. immigration policies. This is where selecting the right investment partner is crucial. LCR Capital Partners is distinguished by the deep experience of its leadership, which includes alumni of Harvard Business School and McKinsey & Company, with prior distinguished service in demanding roles. This pedigree underpins LCR's client-first philosophy and commitment to building multi-generational relationships.

LCR operates a platform of financial services, alternative asset investment offerings, and wealth management services for global high-net-worth families. The firm has served over 1,000 clients from 30+ countries, including close to a 100 South African clients, and has over \$350 million in assets under management. As a registered Investment Advisor regulated by the U.S. Securities and Exchange Commission (SEC), LCR acts as the General Partner for its EB-5 investment projects.

Key aspects of LCR's approach include:

- ❑ **Stringent Investment Discipline:** LCR employs a rigorous review process, with a combined 75 years of investment and business experience in its Investment Committee. It conducts detailed due diligence and works with external experts to mitigate risks. Projects are structured with strong investor protection clauses.
- ❑ **Robust Risk Mitigation:** LCR focuses on capital return, partnering with deeply experienced, high-credit developers. Projects have a significant job creation buffer, and LCR adopts a conservative approach to capitalization, typically structuring investors' capital as a five-year loan with extension options. LCR seeks projects with committed senior debt from reputable institutional lenders and provides source of funds (SOF) consultations. LCR avoids conflicts of interest by appointing third-party escrow agents and fund administrators.
- ❑ **Post-Investment Monitoring:** LCR has a dedicated project team for ongoing monitoring, with senior leadership involvement in risk resolution. Investors access a customized portal to track project progress, and a global client services team provides continuous support.

By working with LCR Capital Partners, investors can navigate the process with confidence, ensuring they maximize the benefits of their investment while securing a prosperous future for themselves and their loved ones.

A Life-Changing Opportunity for South African Investors

For families looking to secure a better future abroad, the EB-5 visa stands out as one of the most straightforward, reliable, and rewarding options available. With a strong track record, increasing investment, and numerous benefits for families, professionals, and students, this program offers a unique pathway to long-term success in the United States.

By working with a reputable partner like LCR Capital Partners, investors can navigate the process with confidence, ensuring they maximize the benefits of their investment while securing a prosperous future for themselves and their loved ones.

Current Status of EB-5 and Protections in Place

Legality:

The EB-5 program is established U.S. law and cannot be dismantled by executive order; any major changes require new legislation and Congressional approval. This ensures that changes are thoroughly debated and considered, providing stability and predictability for current and prospective investors.

Grandfathering Protections:

Under the 2022 EB-5 Reform and Integrity Act (RIA), applicants filing before September 30, 2026, can enjoy protections under the current rules, safeguarding them from sudden shifts in policy.

This means that investors who have filed their petitions before this date are protected, even if future legislative changes occur. Your path to permanent residency remains intact, and your investment is safeguarded under the existing legal framework. If challenges arise, there's strong legal support to protect your rights.

The EB-5 program remains operational and well-structured. Applying before September 2026 can secure the benefits of existing "grandfathering" legal protections amidst future policy uncertainties. We anticipate a surge in EB-5 filings as this deadline approaches, so initiating your application sooner rather than later is advisable to secure your position within the program.

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US Green Cards by Investment (EB-5 Program) Creditworthy Investment of \$800,000 for 3-5 Years

Benefits of a Green Card in the United States:



About LCR:

- Trusted Partner and Fiduciary to 1000+ Clients from 36+ Countries
- Regional Center and General Partner for EB-5 Investment
- USCIS-Approved Investment Options With Strong Experience and Track Record
- LCR Wealth: Registered Investment Advisor with US SEC
- Dedicated Team & Global Leadership Serving Existing Clients



For a personalized discussion please contact us at info@lccrcapital.com or www.lccrcapital.com

This communication is not an offer to sell a security. Any offer shall be made solely pursuant to a confidential private placement memorandum.

For more information on:

American Investment

US Dollar Diversification

INSIGHT 3

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Insight 3 ...

Key to Success for
South African Investors:

**US Dollar
Diversification**

As a South African investor, you've likely experienced the difficulty of navigating an economy marked by uncertainty and rising costs. In a world where your hard-earned rand seems to stretch less every year, protecting your wealth has never been more critical. By understanding the global solutions available to you, you can take proactive steps to preserve and grow your wealth in the face of these challenges.

As an example, there's an investment that is accessible to essentially all South Africans which had a 140% return over a 14-year period, with very low risk.

The US dollar.

In 2010, a South African investor could have purchased 1 US dollar (USD) for 7.5 rand (ZAR). By the end of 2023, that 1 USD could have been sold for 18 ZAR. A 140% total return.

Diversification

Most investors understand that they shouldn't "put all their eggs in one basket". It's common practice to invest in various types of assets (stocks, bonds, real estate, etc.) to mitigate the risk of any one asset underperforming. What happens when all those assets are denominated in same currency? You end up with a lot of eggs in the same currency basket.

One solution is to get exposure to USD. *Why did we choose the USD instead of the Euro, Yen, or Renminbi; and why does it matter?*

Why USD?

South Africa imports a lot of good and services priced in USD, such as energy (oil & gas). According to the World Bank, South Africa generally imports good and services worth \$90 billion USD to \$100 billion USD annually. World Bank

When the USD becomes more valuable in ZAR, it causes import prices to rise. That price bump is passed down to the consumer, raising the cost of living for all South Africans. If your investment returns aren't keeping pace, then you're losing spending power over time.

ZAR to USD: A Historical Analysis

To understand the dynamics at play, it helps if you start with a historical view. The ZAR has been in a trend of depreciation against the USD for more than 2 decades. See Figures 17.1 and 17.2

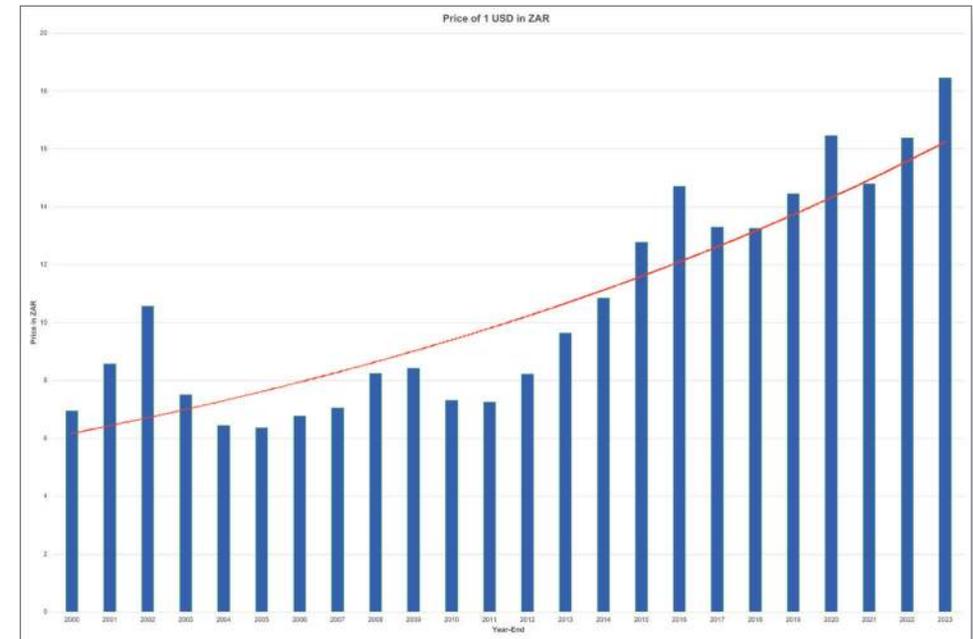


Figure 17.1

The red trendline shows how consistently the ZAR has depreciated relative to USD over the last 24 years. With that in mind, it's easy to see why cost of living in South Africa increases so substantially, even over a one-year period.

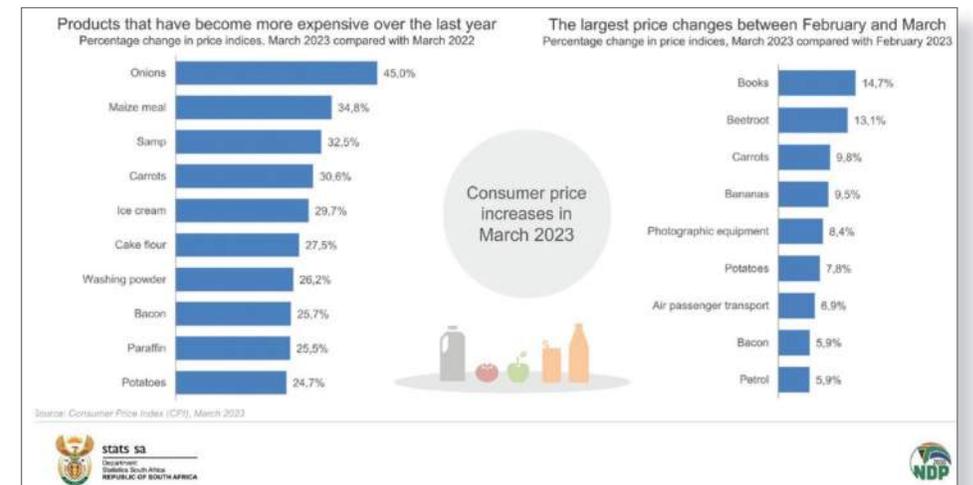


Figure 17.2

Inflation eats away at a currency's spending power. When inflation is higher in one currency relative to another, it tends to depreciate. The ZAR has had a much higher average inflation rate than the USD. See *Figure 17.3*.

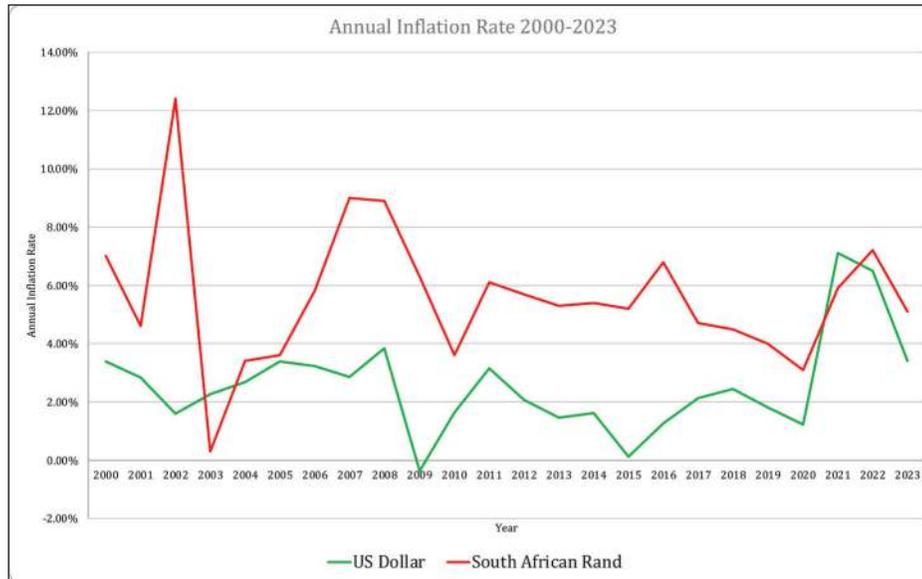


Figure 17.3

Each year, inflation erodes more of the ZAR's spending power than the USD. If you expect this to continue, it makes sense to assume that the ZAR will continue to depreciate against the USD going forward.

There are other factors that also support the trend, such as the USD's status as the global reserve currency as well as the level of economic growth in South Africa.

USD Reserve Currency Status

The USD is the primary reserve currency across the globe. Central banks, global financial institutions, and other major players in the currency markets store their cash in USD more than any other currency.

According to the International Monetary Fund, US dollars make up 58.4% of the world's foreign exchange reserves.

The USD became the global reserve currency because of the historical strength of the US economy, as well as the USD's role in global trade. Major commodity markets, such as oil and grain, are priced in USD. To trade these commodities on the global markets, investors must sell their local currency and buy dollars.

This widespread demand for dollars increases the overall buying pressure on the dollar, which makes it more valuable relative to all other currencies.

Where Are We Today?

When a country has a low rate of economic growth, it reduces the attractiveness of the currency. South Africa's GDP growth has been less than 2% in 9 out of the last 10 years.

If economic growth is low, bonds and stocks are expected to underperform. This leads to lower levels of foreign investment, because people see better investment opportunities elsewhere. Less foreign investment means less demand for ZAR.

Okay... What Do I Do About It?

The ZAR is depreciating against the USD, which is raising the cost of living for South Africans. The depreciation is caused by higher inflation, lower economic growth, as well as the USD's status as the global reserve currency. The solution for South African investors is to diversify their currency risk by investing in assets denominated in USD.

Here's an example:

An investment in the JSE index (adjusted for inflation and changes in exchange rates) from the start of 2000 to the end of 2023 would have returned 94.9%. The standard deviation of returns (the risk) over that period was 25.4%.

If the investor allocated just 20% of their investment to the S&P 500, the return increases to 110.8% and the risk decreases to 23.2%.

How Will I Know What to Invest In?

Foreign markets can be difficult to navigate. If investing in the US, a US-based financial advisor can help align your investments with your risk tolerance and long-term goals. When investing in areas where you have little experience, relying on a professional is sound practice.

LCR Capital Partners invested in having an in-house US-based Registered Investment Advisory practice, LCR Wealth Management, because we wanted to

be able to provide solutions for our clients seeking to create, and understand, a USD-denominated investment allocation. They also assist their clients with financial planning, tax efficiency, and more.

What If I Don't Want to Invest? Can I Hold Cash?

Yes, absolutely. As we discussed, the return for simply holding US dollars was substantial over the last 14 years. A pool of USD cash also gives you the ability to prepare for taking advantage of global mobility options, such as visa programs like the US EB-5 Immigrant Investor Program.

Regardless of what the future holds, having a USD cash reserve provides more optionality and overall stability, compared with having no USD exposure.

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Independent. Transparent. Client-First.



Your Financial Legacy. Our Independent Strategy.

LCR Wealth Management delivers independent financial advice tailored to your unique goals, with customized strategies built for complex financial scenarios.

Based in Westport, Connecticut, our experienced advisors collaborate with **both U.S.-based and global investors seeking to build and protect wealth through U.S. investment opportunities.** We listen closely, apply advanced technology, and design long-term plans that align with your values and vision.

As a **Registered Investment Advisor (RIA)**, we are bound by law to the fiduciary standard—which means we are legally obligated to prioritize your best interests. Unlike brokers, who may earn commissions or promote institutional products, our advice is transparent, unbiased, and fully aligned with your success.

What We Value

- **Transparency:** Clear advice, no hidden agendas
- **Personalization:** Strategies built around your goals
- **Integrity:** Fiduciary duty is our foundation
- **Legacy:** Long-term relationships, not transactions
- **Global Perspective:** Experienced in serving international families and cross-border planning.

Great advice can only come from understanding the individual needs of each person and their beneficiaries and dependents. Every client is different and a good partner takes the time to listen to each person's story.

Let's build a future around your values and your vision for wealth.

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