

# Cognizant

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BIG TECH CAPEX:  
STRENGTHENING THE  
COMPETITIVE MOAT

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IS ALPHABET  
OVERSPENDING ON AI?

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ASML HOLDINGS:  
THE FOUNDATION OF  
THE SEMICONDUCTOR  
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PAX AMERICANA,  
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FROM DOMICILE TO  
RESIDENCY: WHAT SA  
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ABOUT UK TAX CHANGES

Private Clients  
by  Old Mutual Wealth



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# Big Tech Capex: Strengthening Their Competitive Moat

TASNEEM SAMODIEN, RESEARCH ANALYST AT PRIVATE CLIENTS BY OLD MUTUAL WEALTH



Over the past year, news headlines have highlighted the billions of dollars flowing into cloud infrastructure and generative AI. Tech giants like Amazon, Google, Microsoft, Meta, and more recently, Oracle, have led the charge with substantial investments in data centre expansion. Combined capital expenditure (capex) across these companies surged over 50% in 2024, reaching nearly US\$200bn,

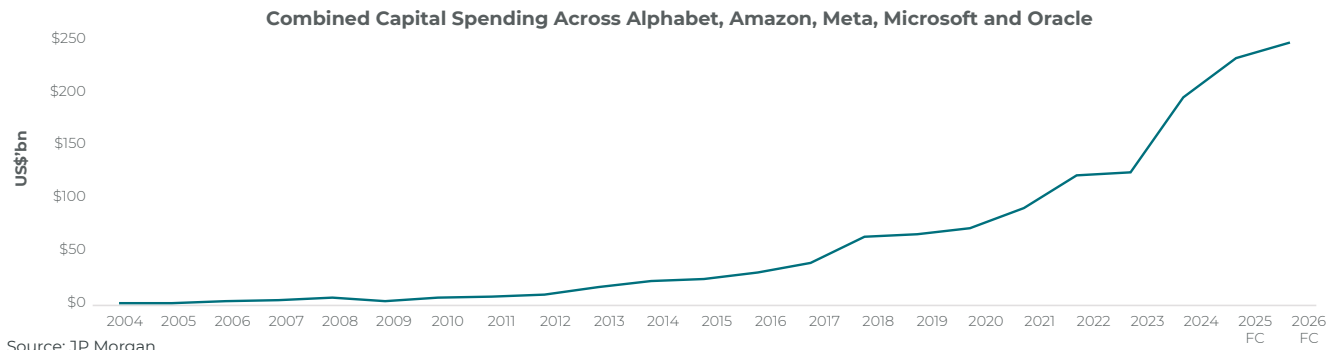
with projections pointing to nearly US\$250 billion by 2026. This bold investment has raised concerns among investors questioning the scale and commercial feasibility of such spending.

## LEARNING FROM THE PAST

Winston Churchill once remarked, “The farther back you look, the further forward you are likely to see.” History is rich with examples where major technological innovations were preceded by significant investments.

In the 1980s, the rise of the personal computer (PC) sparked a boom in PC hardware and microchip production. As PCs became central to business and social interaction, internet adoption took off, driving investments in fibre-optic cables and related infrastructure. The 2000s saw smartphones fuel a surge in semiconductor demand. Now, in the 2020s, we face an unprecedented increase in data generation and computing power demand.

Graph 1: Surge in Capital Expenditure as Big Tech Invests in Data Centres and Generative AI



In 2024 alone, 328.8 million terabytes of data were created daily, with total data generation expected to surpass 180 zettabytes in 2025. This explosion in data, driven by generative AI usage and video content platforms such as YouTube, TikTok and Netflix, requires a substantial increase in storage and computing power.

### THE BACKBONE OF THE DIGITAL ECONOMY

Think of the cloud as the world's largest library – but instead of books, it holds digital files, applications and computing power, all accessible with an internet connection. In the past, businesses had to build and maintain their own data centres, limiting growth to what they could afford.

Today, cloud computing offers on-demand access to virtually unlimited computing power, allowing companies to scale seamlessly. But the cloud is just the access point. The real foundation lies in hyperscale data centres – vast, high-tech facilities where data is stored, processed and transmitted at lightning speed.

The last major data centre boom came during the dot-com era of the late 1990s and early 2000s. Today's expansion is far larger – both in cost and complexity.

Constructing a hyperscale data centre today is akin to building a self-sustaining city:

- They cover an average of 100 000m<sup>2</sup>, requiring large plots of

land in prime locations with stable electricity supply and low natural disaster risk.

- They consume vast amounts of power – up to 100 megawatts, enough to power 100 000 households.
- They require a stable and an uninterrupted water supply to cool advanced equipment.

The infrastructure demands are just as high:

- High-speed fibre-optic connectivity for ultra-low latency for cloud computing and AI applications.
- Advanced cooling solutions, such as liquid and immersion cooling, to manage heat generated from thousands of GPUs and CPUs.
- Backup power systems, including on-site batteries and diesel generators, to ensure continuous operation during outages.
- Tight security, from biometric access controls and armed guards to AI-driven cyber-security to prevent hacking attempts.

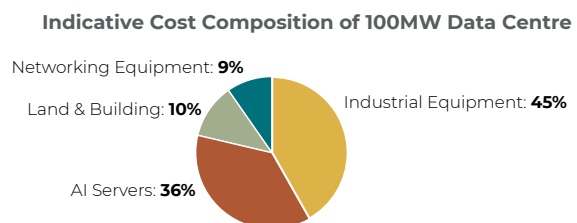
### THE COST OF COMPUTING POWER

Infrastructure accounts for only half the cost of building a hyperscale data centre – computing power makes up over a third.

The recent capex surge has been fuelled by generative AI, which requires complex computing iterations best handled by Graphics Processing Units (GPUs). Initially built for gaming, GPUs are now vital for AI training, scientific research and blockchain processing. As the world's primary GPU supplier, Nvidia dominates this market and its GPUs are a major cost driver, as hyperscale data centres require thousands. For example, OpenAI's GPT-4 was trained over 100 days in 2022 using 25 000 Nvidia A100 GPUs, each priced at around US\$25 000 at the time.

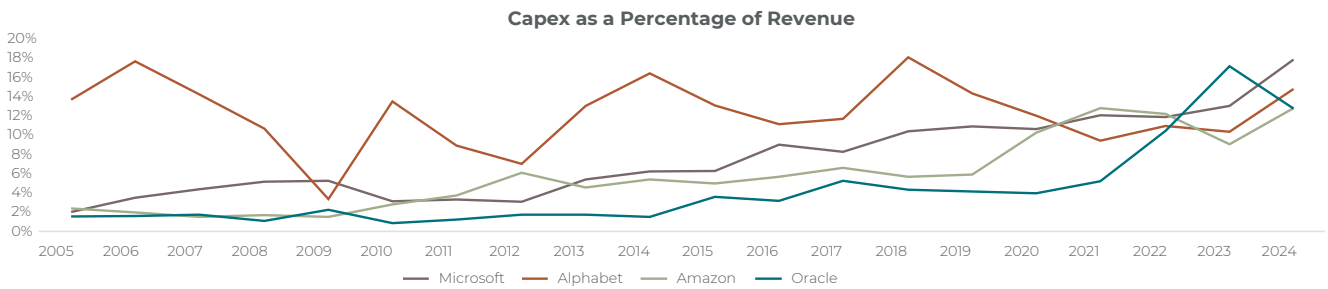
To manage costs and meet demand, tech giants are developing custom semiconductor chips to supplement GPUs. Amazon's Graviton, Microsoft's Maia 100 and Alphabet's Axion are recent examples, built to improve performance, reduce costs and meet the specific demands of AI workloads.

Graph 2: Breakdown of Capex for Hyperscale Data Centres



Source: Morningstar

Graph 3: Capex Cycles are a Normal and Necessary Part of the Corporate Life Cycle



Sources: Company reports; Private Clients Research

Given these expenses, Amazon Web Services' (AWS') US\$100 billion capex in 2025 is unsurprising. While this figure is significant, it aligns with previous investment peaks relative to company scale. As shown in Graph 3, capex as a percentage of revenue follows a clear cycle – part of the normal rhythm of corporate growth and innovation.

### THE INVESTMENT DEBATE: WHO BENEFITS?

Investors are increasingly questioning whether the tech giants can deliver strong investment returns amid the increase in capital spending.

Once again, history offers useful lessons. During the dot-com boom of the late 1990s, companies such as Cisco, Nortel and WorldCom spent aggressively on digital infrastructure. Yet, many failed to capture the long-term value they helped create. WorldCom collapsed under an accounting scandal, Nortel went bankrupt, and Cisco's valuation plummeted. Instead, the likes of Google, Amazon and Meta (among others) emerged as the true beneficiaries by

leveraging that infrastructure to build dominant platforms.

This time, however, is different. Today's cloud leaders – Amazon, Microsoft and Alphabet – are not just building the infrastructure, they are also its largest users. Unlike the dot-com era, where infrastructure builders enabled others to thrive, today's players benefit directly from their own investments. These companies continue to achieve double-digit earnings growth, driven by demand for cloud services, AI and digital transformation. Furthermore, they are seasoned operators with entrenched market positions.

Investor scepticism is not new. Amazon's early investment into AWS drew sharp criticism, as did Microsoft's Azure launch 15 years ago. What is notable now is the visible alignment between investment and immediate demand. Hyperscalers have consistently reported operating at full capacity, and with data centres taking up to three years to build, ongoing capex is critical to keep pace with growth and avoid bottlenecks that could slow innovation.

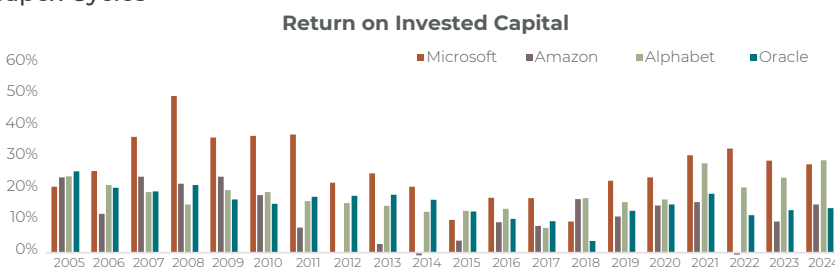
Periods of elevated capex naturally impact near-term returns. Data centres involve significant upfront costs and long payback periods – often more than five years – causing returns on invested capital (ROIC) to dip. But this is typical of major growth cycles, where ROIC tends to bottom out during peak investment and recover as those investments begin to deliver returns.

### FROM CAPEX TO COMPETITIVE EDGE

While large-scale capex can bring short-term uncertainty, it is critical to enabling the future of AI, automation and global connectivity. Just as roads, railways and power grids underpinned previous industrial revolutions, hyperscale data centres will power the next era of digital transformation.

In the industrial era, thriving cities had access to coal and steel. In the digital age, success will hinge on access to data centres – with “smart cities” growing around this infrastructure. For investors, this marks a compelling long-term opportunity. The companies leading the charge – Amazon, Microsoft and Alphabet – are not only funding the infrastructure, but they are also best positioned to capitalise on the innovation it unlocks. We hold all three in our Global Equity portfolio, confident in their role as both enablers and beneficiaries of this new digital era.

Graph 4: Big Tech Return on Invested Capital Fluctuates in Line With Capex Cycles



Sources: Company reports; Private Clients Research

# Is Alphabet Overspending on AI?

NADINE CHETTY-KHAN, RESEARCH ANALYST AT PRIVATE CLIENTS BY OLD MUTUAL WEALTH



A

lphabet, the parent company of Google, plans to spend around US\$75 billion in capital expenditure (capex) in 2025, most of it on AI and cloud infrastructure. The scale of this investment has sparked debate, especially when compared to leaner approaches by competitors like China's DeepSeek, which has achieved near-peer performance at a fraction of the cost.

However, in the context of Alphabet's history, this level of spending is not out of character. From early bets on Android and Google Maps to building custom data centre infrastructure, Alphabet has consistently committed resources to long-term foundational technologies. AI is simply the next platform shift, and Alphabet is aiming to shape it from the ground up. While returns may take years to fully materialise, history suggests that they could be meaningful.

## A LEANER, SMARTER AI RACE?

DeepSeek has drawn global attention by delivering a viable, competitive AI model that reportedly cost just under US\$6 million – pocket change for a company like Alphabet. Alongside DeepSeek, Europe's Mistral is proving that smart architecture, training efficiency and lean data strategies can deliver cutting-edge results at a fraction of the typical cost.

On paper, the contrast is stark: DeepSeek launches AI models that compete with the best technology the tech giants have to offer at a fraction of the cost. Mistral’s compact, efficient models are already in commercial use, and Meta is pushing ahead with Llama 3, focused on lowering cost-per-token ratios (i.e. the cost of each individual unit of text processed). These players raise a valid question: Is Alphabet overspending?

### ALPHABET’S BIGGER BET

Alphabet’s AI investment is not just about building better models. Rather, it is about building a vertically integrated AI ecosystem – spanning custom chips, model development, product integration and global distribution. In short, it reflects a strategic ambition to embed AI across nearly every layer of its operations.

This includes a shift in Google Search with generative AI at its core, and the enhancement of YouTube through AI-powered summarisation and content discovery tools. Google Ads, still the company’s primary revenue generator, is being supercharged through AI-driven automation and personalisation. AI is also being integrated into Workspace, Android and the Pixel device ecosystem. In parallel, Google Cloud is delivering advanced AI infrastructure to enterprise clients, with Gemini positioned as a key competitive differentiator.

These initiatives are expensive, and while Alphabet is perceived to have been late to the generative AI race, its strategy is deliberate. The company is not just reacting to market trends, it is aiming to control the infrastructure and delivery mechanisms of the AI-powered internet.

Lean players like DeepSeek and Mistral will remain relevant – particularly for startups, developers and government-backed efforts seeking open-source flexibility and cost control. If their pace of innovation continues, they could commoditise parts of the model stack, much like Linux reshaped the software world. As the cost of AI continues to decrease, it is likely that the growing demand for AI across various use cases could drive the expansion of Alphabet’s services. By building a comprehensive ecosystem that commercialises AI, Alphabet will be well positioned to capitalise on this rising demand.

### HISTORY RHYMES

This is not the first time Alphabet has faced criticism for spending heavily on what seemed like non-core projects. In the late 2000s, the company’s forays into self-driving cars, a mobile operating system, and digital mapping raised concerns. At the time, investors questioned whether the company had lost focus. A decade later, those same projects have become central to Alphabet’s dominance.

The acquisition of Android in 2005 positioned Alphabet at the forefront

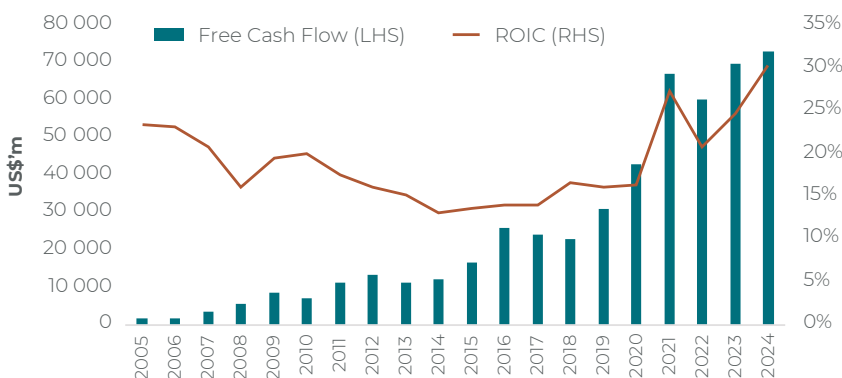
of the mobile revolution, leading to its dominance in the global smartphone market. YouTube, purchased in 2006 for US\$1.65 billion, now generates over US\$30 billion annually with over two billion users. Google Maps, once an experiment, became a core utility integrated across Alphabet’s products and monetised through advertising and services. These initiatives were not obviously profitable at the outset, but they reveal a consistent strategy: invest early in transformative technologies, even before their commercial value is fully apparent.

This approach is enabled by Alphabet’s financial strength. The company has consistently generated on average more than US\$40 billion in free cash flow in the last decade, giving it the ability to fund major initiatives without straining its balance sheet. Its return on invested capital (ROIC), which has averaged 19.3% since 2003, comfortably exceeds its cost of capital – signalling disciplined capital allocation and strong value creation. Alphabet is not only capable of investing at scale, but has also demonstrated a clear ability to convert early-stage bets into foundational business pillars.

### BETTING BIG ON THE FUTURE

Alphabet’s US\$75 billion capex plan is not reckless. It is a continuation of a long-term strategy that has historically delivered significant value. While challengers like DeepSeek and Mistral optimise for cost and speed, Alphabet is building the infrastructure and integration needed to shape the next version of the internet. The company’s track record of turning early investments into enduring products and services suggests that today’s AI spend may look prescient in hindsight. Alphabet is not just investing in models – it is investing in future relevance.

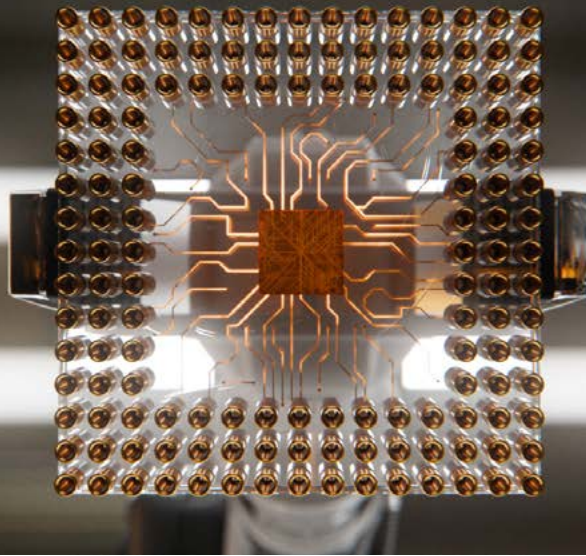
Graph 1: Alphabet’s Free Cash Flow and Return on Invested Capital



Sources: Company reports; Private Clients Research

# ASML Holdings: The Foundation of the Semiconductor Industry

VICTOR MUPUNGA: HEAD OF RESEARCH AT PRIVATE CLIENTS BY OLD MUTUAL WEALTH



## A

SML has long been at the core of the semiconductor industry, developing the sophisticated equipment needed to produce semiconductor chips. From its early days, the company has been a leader in innovation, shaping the future of semiconductor manufacturing with its cutting-edge lithography technology.

Over the last two decades, ASML has thrived on the rising demand for semiconductors, cementing its near-monopoly in lithography systems essential for modern chip production. As the sole supplier of next-generation extreme ultraviolet (EUV) lithography technology, ASML's dominance is set to grow, making it the backbone of an increasingly vital industry.

### A LEGACY OF INNOVATION

Founded in the late 1980s as a joint venture between Philips and

Advanced Semiconductor Materials International, ASML initially focused on photolithography systems that print transistor patterns onto silicon wafers. In the 1990s, the company pioneered the shift to smaller, faster and more energy-efficient devices. By the mid-2010s, ASML's development of EUV systems revolutionised semiconductor manufacturing, solidifying its role as an industry leader. Today, 95% of ASML's equipment is still in use, highlighting the longevity and technological prowess of its products.

### TECHNOLOGICAL LEADERSHIP AND THE EUV REVOLUTION

ASML's dominance in semiconductor manufacturing is driven by its pioneering and unmatched expertise in EUV lithography technology. EUV is a breakthrough in precision engineering, combining advanced physics, electrical systems and mechanics. Each machine,

which takes 12 to 18 months to assemble and occupies vast space, is so complex that ASML engineers specialise in individual components rather than mastering the entire machine.

Once installed, EUV equipment enables semiconductor manufacturers to print 3D patterns for transistors that are 30 000 times thinner than human hair, allowing for greater transistor density and improved chip performance. ASML's EUV machines are also more productive, with output increasing 44% over the past decade, allowing the company to raise prices on newer models.

To date, none of ASML's competitors has matched this level of innovation. Nikon and Canon are largely focused on deep ultraviolet (DUV) systems and shifting to EUV systems would require significant time and capital – resources they are unlikely

to invest in over the near term. This is reflected in their research and development (R&D) budgets, with ASML recently spending €4.3 billion compared to Canon's €2.2 billion and Nikon's €450 million. This significant disparity not only widens the technology gap but also creates high barriers to entry for potential competitors.

### HIGH SWITCHING COSTS CREATE BARRIERS

The semiconductor industry is concentrated, with ASML's top three customers – TSMC, Samsung and Intel – accounting for 60% - 70% of total revenue. While this dependency creates risks, it also fosters a high degree of interdependence between ASML and its customers.

Lithography systems now make up about 30% of the cost of building a semiconductor manufacturing facility (also known as a foundry). ASML collaborates closely with its customers, often planning five to ten years in advance due to the long and complex process of building foundries. Given the

current global trade uncertainties, the capital-intensive nature of these projects and the time required, ASML's customers face substantial switching costs, which ultimately creates high barriers to entry for competitors.

### HIGH VISIBILITY MITIGATES CYCLICALITY CONCERNS

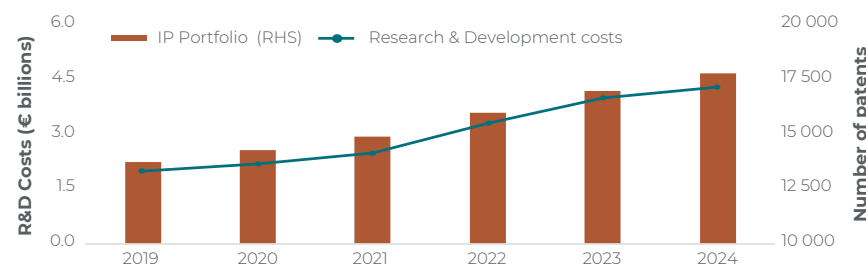
The semiconductor industry has historically been cyclical, driven by fluctuations in markets like personal computing and consumer electronics. However, this dynamic is changing. The growing integration of semiconductors across sectors such as automotive, healthcare, industrial automation and telecoms, along with the rise of AI and smart devices, has diversified demand and reduced reliance on any single market.

Over the next five years, the semiconductor industry is expected to grow at a 9% compound annual growth rate, up from 6% in the previous decade. While fluctuations

will still occur, the breadth of applications and industries now reliant on semiconductors should lessen the severity of the industry's cyclicality.

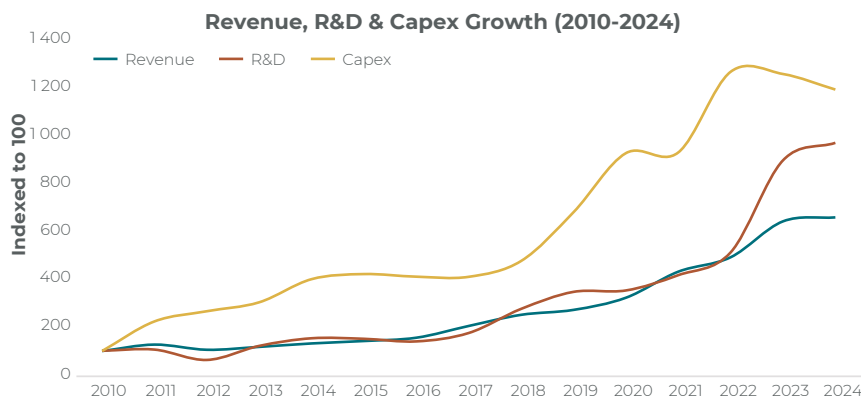
ASML stands out due to its long lead times, giving it visibility for the next 12 to 18 months. Furthermore, the company's close collaboration with customers allows it to provide revenue and margin guidance until 2030, a rare feat. Management expects annual revenue growth of around 11% over the next six years, with gross margins increasing by at least 1% each year. The growth in margins will be driven by higher equipment pricing and an increasing share of service revenue, which is currently 25%. Cash conversion is also expected to remain strong, supporting a robust balance sheet. Few companies across the world, particularly in cyclical industries, offer such long-term visibility, highlighting ASML's competitive advantage.

Graph 1: Patent Portfolio Trend



Sources: Company reports; Private Clients Research

Graph 2: Strong Growth in Investments



Sources: Company reports; Private Clients Research

### LEADING THE CHARGE IN SEMICONDUCTOR INNOVATION

ASML's legacy of continuous innovation has positioned it as a cornerstone of semiconductor manufacturing. Over the past two decades, rising capital expenditure in the sector has enabled ASML to develop unrivalled expertise in one of the most critical stages of semiconductor production. Few companies possess the combination of technological, capital and relational advantages that ASML does, and its near-monopoly market share continues to grow.

For many years, we had indirect exposure to ASML through our holding in the broader semiconductor ETF within our Global Equity portfolio. However, recognising the evolving dynamics of the sector, we have recently taken a more direct stake in ASML. This positions us to better capitalise on its long-term growth potential and further strengthens our portfolio.

# Pax Americana, Prosperity and Portfolios

IZAK ODENDAAL, CHIEF INVESTMENT STRATEGIST AT OLD MUTUAL WEALTH



“When someone says, ‘Let’s impose tariffs on foreign imports’ it looks like they’re doing the patriotic thing... But what eventually occurs is: First, homegrown industries start relying on government protection. They stop competing and stop making innovative changes... Then, high tariffs inevitably lead to retaliation by foreign countries and fierce trade wars... Markets shrink and collapse; businesses and industries shut down; and millions of people lose their jobs.” – **Ronald Reagan in 1987**

“I believe very strongly in tariffs... America is being ripped off. We’re a debtor nation, and we have to tax, we have to tariff, we have to protect this country.” – **Donald Trump in 1988**

**D**onald Trump has clearly been fixated on trade deficits for almost 40 years, well before his political career began. In the late 1980s, while best known as a flamboyant real estate developer, he famously took out full-page ads demanding that US allies like Japan and Europe pay for US military protection. The quotes above reflect America’s long-standing tension between free trade and

protectionism – and how divisive the politics of trade have always been.

## PAX AMERICANA

The post-World War II global order was not inevitable. In 1945, the US was unmatched in military and economic strength. It could have chosen to disengage from the rest of the world, as it did after WWI, or it could have exerted imperial dominance. Instead, it chose a different path – one of international cooperation.

The US supported the recovery of war-torn nations, including Japan and Germany. It guaranteed European security through NATO, promoted peace via the creation of the United Nations (headquartered in New York), and laid the foundation for global economic institutions like the International Monetary Fund, the World Bank and the General Agreement on Trade and Tariffs (later the World Trade Organisation).

These weren't purely altruistic acts. The US benefited significantly from the rules-based global order it helped create. While those rules were not always applied fairly or consistently – and the US itself often ignored them – it still abided by them more than any previous dominant power. The result? Eight decades of relative peace, prosperity, innovation and unprecedented global integration.

This was supercharged when formerly isolated economies like China, India and the ex-Soviet bloc joined the global economy in the early 1990s. In 1994, the US, Canada and Mexico signed the North American Free Trade Agreement (NAFTA). While hundreds of millions were lifted out of poverty in developing countries, job losses mounted in the US industrial heartland and in other developed countries. Western workers were simply too expensive relative to their developing world counterparts (they still are) and US manufacturing jobs fell from 17 million in 1994 to around 12 million today.

As production moved offshore, the US trade deficit ballooned, reflecting both offshoring and the insatiable demand of US consumers. Trump is focused on the former, but fixing the deficit would also require Americans to save more and spend less, and tariffs alone will not achieve this.

While trade makes countries wealthier overall, not everyone benefits equally. Western countries failed to support those displaced by globalisation, leaving communities vulnerable. This fuelled the recent rise of populism, compounded by rapid technological change, social media and the erosion of community institutions. But it is

in the politics of trade where these issues collide with financial markets.

## TRADE WAR 2.0

In his second term, Trump has caused considerable uncertainty by imposing steep tariffs, even on long-standing allies. While some tariffs have been postponed or withdrawn and others may or may not be implemented, the net effect is growing doubt over the credibility of US policymaking.

For example, during his first term, Trump renegotiated NAFTA as the US-Mexico-Canada Agreement (with the US name intentionally first), only to renege on this agreement early in his second term. Very few countries will now believe that a deal with the US is as good as gold.

But trust has also been broken in the realm of security. Trump has revived his 1980s refrain that Europe must spend more on defence and buy more US goods. He also cozied up to Vladimir Putin and threatened to annex Greenland and the Panama Canal.

This raises a bigger question: Can the world continue to trust the US-led financial system?

The numbers show just how dominant the US remains. It makes up just 5% of the global population, accounts for 10% of global exports, but generates 20% of global GDP. Yet, US-listed companies represent around two-thirds of global equity market value. US bonds make up around 40% of leading global bond indices and US Treasuries are the main form of collateral in the global financial system. The US dollar is one half of 88% of currency pairs (like rand-dollar, euro-dollar or yen-dollar)

in foreign exchange markets, while it accounts for 60% of global reserve assets. The US short-term interest rate, set by the Federal Reserve, is the "risk free" rate for all global markets, with our own Reserve Bank closely tracking its movements.

## OVER-RELIANT?

Markets are cyclical, so if US equities underperform global peers in the short term, it might simply reflect shifting return expectations, not necessarily a collapse in trust. However, a structural retreat by global investors from US assets would be another matter entirely. In recent years, international exposure to the US has surged. The world has grown overly dependent on three US pillars: its security umbrella, its consumer-driven economy, and its stock market as the main source of returns. On all three fronts, a rethink is underway.

The US can still maintain trust in its markets, but this hinges on sensible economic policies, including a responsible approach to government finances and continued independence of the Federal Reserve.

The rule of law is also crucial. Global capital has long flowed into US markets not only because they are large and liquid, but because investors trust that they will be treated fairly by courts and regulators, and on an equal basis with domestic investors, including the rich and powerful. This trust rests on strong institutions, democratic norms and effective checks and balances. These traditions run deep in the US, and they should not be underestimated.

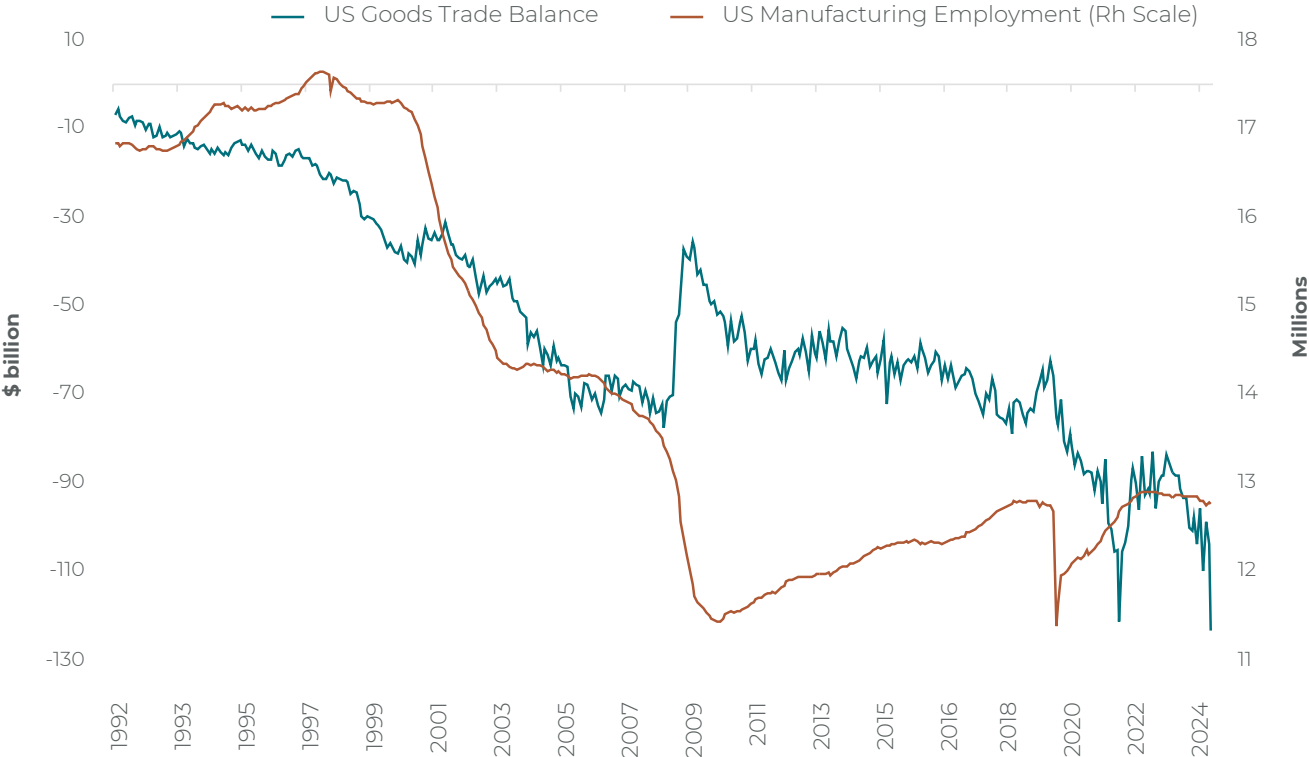
While the world order is shifting – driven by the rise of new powers and changing economic dynamics – there

is still no viable alternative to the US dollar in global trade and finance. That said, Trump's policies could accelerate this evolution. After 80 years of US-led stability, growth

and integration, the world is at an inflection point. Where this leads remains uncertain. But one thing is clear: investors will need cool heads and clear thinking.

With change comes volatility, but also opportunity.

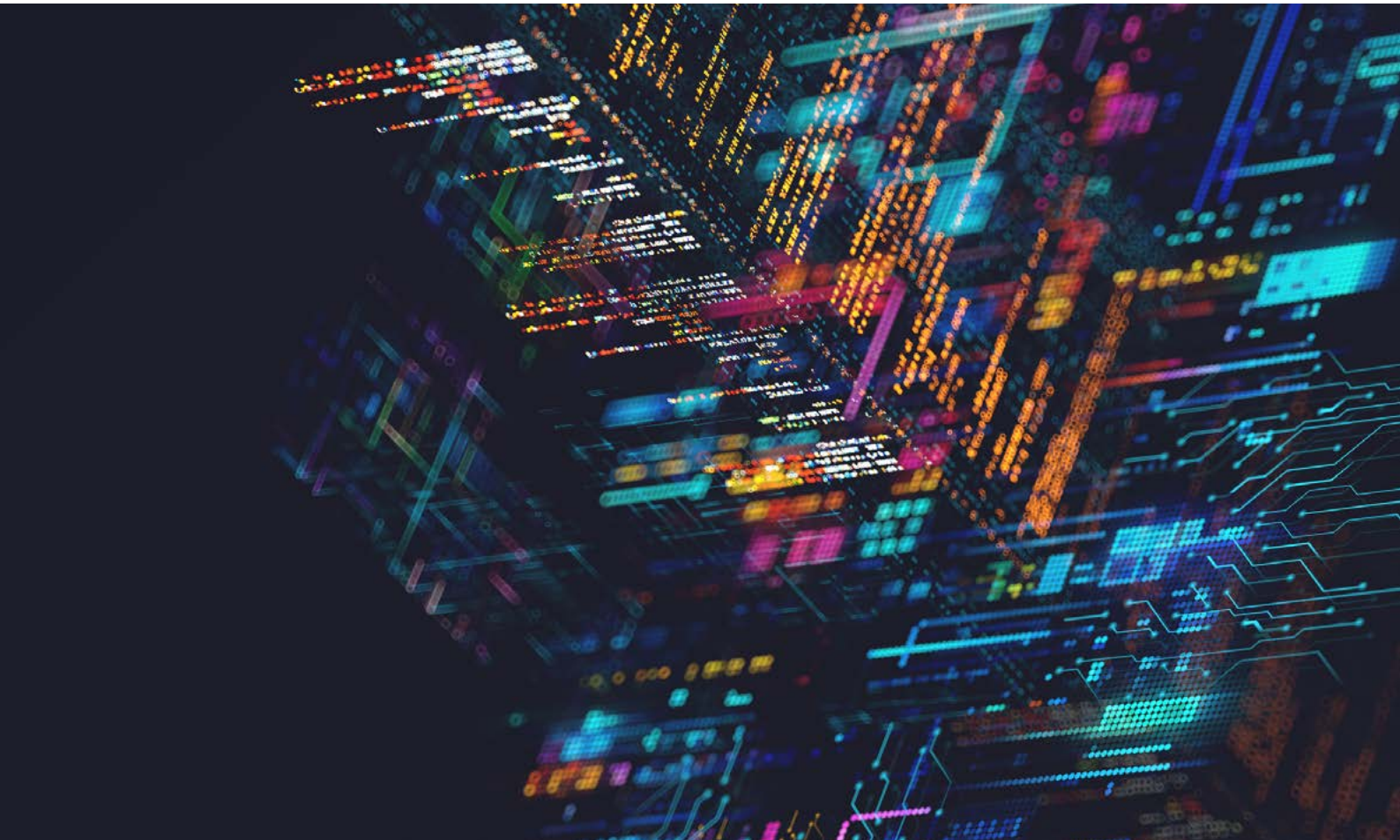
Graph 1: US Trade Balance and Manufacturing Employment



Source: LSEG Datastream

# From Domicile to Residency: What SA Expats Must Know About UK Tax Changes

MANDY DIX-PEEK, HEAD OF FIDUCIARY AT PRIVATE CLIENTS BY OLD MUTUAL WEALTH



**T**his April 2025, the UK government made significant changes to its tax system, abolishing the remittance basis of taxation and shifting to a residency-based system. This means that SA expats in the UK who previously

benefited from the non-domiciled (non-dom) tax regime will now be taxed on their worldwide income and gains once they have been UK tax residents for more than four years.

For clients in the UK – or clients planning to relocate there – these changes introduce new complexities.

Understanding how these shifts affect income tax, capital gains and inheritance tax is crucial. More importantly, clients and their advisers must work closely with fiduciary specialists to help clients navigate these changes, minimise tax exposure and structure their affairs efficiently.

## A MOVE TO RESIDENCY-BASED TAXATION

Previously, non-domiciled individuals in the UK were only taxed on their UK income and any foreign income they brought into the UK. This system allowed many SA expats to keep offshore investments largely tax free. However, from April 2025, individuals who have been UK tax residents for more than four years will be taxed on their global income and gains, regardless of their domicile.

For those new to the UK, there is some relief. Expats who have been non-UK residents for the past 10 years can apply for a four-year exemption from UK tax on foreign income and gains. While this provides a temporary buffer, it requires careful planning to ensure long-term tax efficiency.

## HIGHER CGT AND CHANGES TO TRUST TAXATION

The UK has also increased capital gains tax (CGT) rates, which are now:

- 18% for basic rate taxpayers (up from 10%)
- 24% for higher-rate taxpayers (up from 20%).

Trusts also face stricter taxation. Previously, non-dom individuals with settlor-interested trusts could avoid UK tax on foreign income and gains within the trust. From April 2025, this protection has been removed, and foreign income and gains generated within these trusts will be taxed similarly to UK residents. This change impacts SA expats who have trust structures holding offshore investments.

## EXPANDED INHERITANCE TAX LIABILITY

Another major shift is in inheritance tax. Previously, this was based on domicile status, meaning many SA expats only paid inheritance tax on UK-based assets. From April 2025, individuals who have been UK tax residents for 10 or more of the last 20 years will now be subject to inheritance tax on their worldwide assets.

This means that long-term UK-based South Africans may now have exposure to 40% UK inheritance tax on their entire global estate. Those who do not meet this residency threshold will still be liable for inheritance tax on UK-situated assets, but not worldwide holdings.

## TRANSITIONAL RELIEF FOR NON-DOMS

To help non-dom individuals adjust, the UK is offering two transitional reliefs:

- 1. Capital Gains Rebase** – Non-doms can rebase foreign assets to their 5 April 2013 value for CGT purposes, reducing the taxable gain on future disposals.
- 2. Reduced Tax on Previously Unremitted Income** – Non-doms who have unremitted foreign income and gains can bring this into the UK at a reduced rate of 12% for two years and 15% in the final year.

## NAVIGATING THESE CHANGES WITH A FIDUCIARY SPECIALIST

For financial advisers, these changes mean that clients with financial interests in both SA and the UK must

rethink their tax planning strategies. Expats must understand how these new rules impact:

- SA assets and tax obligations, particularly where double taxation relief applies.
- UK tax residency status and whether they can terminate their UK tax residency without triggering significant tax consequences.
- Financial structures, including trusts and offshore investments, that may now be exposed to UK tax.

For advisers working with South Africans moving to the UK, structuring assets before they become tax residents is critical. For those advising clients returning to SA, understanding the tax implications of exiting the UK system is equally important.

As more South Africans emigrate to the UK – or have family already there – understanding these tax shifts is critical. By proactively working with fiduciary specialists, advisers can ensure that their clients remain tax-efficient and protect their global wealth amid these regulatory changes.

# Stronger Together

ARTICLE ORIGINALLY PUBLISHED IN STELLENBOSCH VISIO



**I**t takes a collaboration of several experts, each contributing their specialist skills, to curate a wealth management strategy that matures and flourishes over time.

Just as crafting an exceptional wine requires the expertise of multiple specialists – from the vigneron who understands the soil and microclimate to the winemaker blending grape varieties for the perfect outcome – managing the

wealth of high-net-worth individuals is no different. A single recipe or formula won't do; it's the synergy of diverse professionals working together that creates a vintage of enduring financial success.

“Similar to the art of creating a great wine blend, constructing an outstanding investment portfolio involves carefully selecting components with the expertise of various specialists. These experts have to work together seamlessly, aligning with a shared goal. Just as the failure of one can lead to overall failure, their harmonious interaction creates a balanced outcome,” says Jean Minnaar, CEO of Private Clients by Old Mutual Wealth.

While Private Clients has all the skills and experience necessary to provide a seamless service to high-net-worth clients, they also collaborate with financial advisers and consultants to best serve client needs. “We believe in a round-table concept where the client is surrounded by a team of people with different skills who share a common vision: to build a great wealth management plan or investment portfolio for the client. It’s not about whether all the experts are from one company – what matters is that they trust one another and stay focused on the client’s goals while filtering out the noise. A healthy partnership challenges and drives everyone to do better for the client.”

Building meaningful partnerships is not just about convenience, it’s about managing enduring wealth for the client. “At Private Clients, we take the time to understand not only the assets held with us, but also our clients’ lifestyle needs, business journeys and future ambitions. By gaining this complete picture, we craft bespoke solutions tailored to fit each client’s individual journey – a perspective that complements the specialised focus of other experts,” says Jean.

The complexity of modern wealth management makes collaboration essential. “Sometimes advisers find

it difficult to keep up with the latest trends and developments in the investment and wealth management world. One adviser cannot be an expert in local and global markets, tax issues, legal questions, fiduciary services, trusts, property, and much more,” Jean says. “That’s where we add value – by partnering with advisers and bringing a range of expertise to help them better serve their clients to build portfolios that stand the test of time, even beyond the client’s death.”

Importantly, Private Clients doesn’t seek to replace trusted relationships clients may already have with advisers or consultants. “We deeply value the insight that comes from someone who knows a client’s personal circumstances, business operations and unique ambitions,” says Jean. “Rather than displacing these trusted connections, this collaborative approach strengthens the client’s overall strategy. We add complementary expertise, broadening the adviser’s offering and delivering richer, more well-rounded solutions. It’s about providing optionality and fresh perspectives,” Jean explains.

## CHOOSING THE RIGHT WEALTH PARTNER

Wealth planning often extends beyond a single lifetime, making it one of the longest and most important relationships clients will ever embark on. “Many times, you’re planning for outcomes that go beyond your lifetime,” he explains. “When setting up a trust meant to last for 150 years, wouldn’t you prefer a partner that’s already proven their longevity? You need a trusted companion who will stand the test of time. It’s essential to trust not just the adviser you work with, but also the institution they represent. Look at their history and ask whether their legacy is likely to

endure. Private Clients combines specialist expertise with the stability of Old Mutual – a brand that’s been growing South Africans’ wealth for over a century.”

He believes a wealth partner’s true value lies in navigating complexity across generations. “You need someone who understands both local and global needs. We think like global citizens and help clients manage challenges such as tax emigration, international beneficiaries, and assets across multiple jurisdictions. It’s about building resilience into your financial plan, much like curating an exceptional vintage of wine – it takes expertise, insight and care.”

Clients’ needs have evolved alongside a more complex and connected world. Private Clients has the expertise and experience to meet the challenges of South African high-net-worth individuals who may have children, property, investments, trusts, and businesses in multiple countries. “Our solutions are designed to help them navigate these complexities seamlessly, while remaining true to their African roots.”

This approach, Jean explains, benefits not only clients but also the advisers who collaborate with Private Clients. “We believe in partnerships that strengthen the adviser’s proposition. There’s tremendous value in bringing complementary expertise to the table. We can’t be everyone’s adviser, but we can play a significant role in empowering others to offer their clients more. So, if you want to go fast, go alone, but if you want to go far, let’s go together!” Jean concludes.

# The Authors



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Head of Research  
at Private Clients by  
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Victor joined Private Clients in 2016 and is responsible for conducting research relating to all aspects of our investment portfolios, including top-down, bottom-up, idea generation, macro and asset allocation research. He also serves as Portfolio Manager of the Private Clients Equity Income Model Portfolio. Victor was previously employed as an Investment Analyst at Maestro Investment Management, where in addition to equity research, he was responsible for managing a number of private client equity portfolios. Prior to that, he was a Fund Accountant at Investment Data Services where he prepared and reviewed valuations and accounting records of hedge funds. Victor graduated with an MBA from Stellenbosch Business School as well as a Business Science Finance (Hons) degree from the University of Cape Town. He is also a CFA Charterholder.



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Nadine joined Private Clients in March 2024 and was previously employed as an Equity Analyst at Investment Managers Laurium Capital, Mazi Global and Old Mutual Titan. Prior to that, she was an Old Mutual Chartered Accountant Trainee and worked with various departments within the business, including Private Clients' Finance team. Nadine qualified as a Chartered Accountant at the end of 2017 and has also completed CFA Level 2. She also completed a Marketing and Entrepreneurship course with StartUp School.



**Tasneem Samodien**  
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After graduating with a Postgraduate Diploma in Accounting in 2015, Tasneem joined the Old Mutual Chartered Accountant Training Programme in 2016. During the subsequent three years, she worked within various businesses in the Old Mutual Group, gaining valuable experience in functional areas such as internal audit, risk management, finance, group planning and investment analysis. In 2018, she was placed within Private Clients, first in the Finance team to assist with the annual financial statements and then in the Research & Investment team to assist with investment portfolio reviews. Tasneem successfully completed her articles at the end of 2018 and is a qualified Chartered Accountant (SA).



**Izak Odendaal**  
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Izak started his career at Old Mutual in Cape Town as an intern in the Strategy team, before joining Old Mutual Corporate's business intelligence unit. He later became an investment analyst for Fairbairn Capital and when that business was absorbed into Old Mutual Wealth in 2013, he joined Old Mutual Multi-Managers as Investment Strategist. In this role, he was responsible for economic research and investment analysis that feed into the tactical asset allocation process. He was appointed as Chief Investment Strategist in 2023 expanding his responsibilities across the broader Wealth business. Izak holds an MPhil in Politics, Philosophy and Economics from the University of Cape Town. He writes regular commentary on investment-related matters for clients and advisers and is frequently quoted in the media.



**Mandy Dix-Peek**  
Head of Fiduciary  
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Mandy has over 25 years' experience in the fiduciary field and is passionate about helping clients successfully navigate and manage the complexities of inter-generational succession, which includes acting as a professional trustee and executor. Following a brief stint in a private legal practice, Mandy joined Fairheads International Trust Company in 1997 and was appointed as Director of Fairheads five years later. In 2015, Fairheads was acquired by Old Mutual Wealth and Mandy was appointed as a Director and Head of Fiduciary at Private Clients by Old Mutual Wealth. Mandy holds a Law degree and a Postgraduate Diploma in Tax Law (HDip Tax).



**Jean Minnaar**  
Managing Director  
at Private Clients by  
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Jean has had an expansive career within Old Mutual where he held various senior positions focused on creating and successfully delivering new capabilities across the group. He joined Old Mutual Wealth as Managing Director of Old Mutual Wealth Trust Company in 2021 from Customer Solutions, where he was General Manager of Retail Investments and New Ventures for Old Mutual Limited. Old Mutual Rewards, Tax Free Savings, the Max portfolio of investment solutions and the secured lending offering are some of the projects he spearheaded. In 2019, Jean completed the Harvard Business School's General Management Programme and he is a Fellow of the Institute of Actuaries. He has a keen interest in finance, fintech and investment management and has held directorships at Old Mutual Unit Trusts, Old Mutual Investment Services and 22seven Digital.





# Private Clients

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