# Managers' Digest

Issue 5: March 2024

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# In this **edition**



Along with providing some insights into the Q1 performance of survey constituents, the March 2024 iteration of the Managers' Digest also delves into topics related to the sustainable investment considerations where we provide an overview of the key points on the country's transition towards a more sustainable and inclusive energy system.

Head of ESG Research, Premal Ranchod features in our expert insights interview providing background on his journey within the investments industry and personal development.

Alexforbes' Manager Watch Annual Retirement survey is featured in word on the street and investor education covers the power of retirement investing.

# Introduction

Q1 saw the overall performance of South African equity indexes realising negative returns for the quarter, with the FTSE/JSE All Share index at -2.25%. The domestic bond market also began Q1 2024 in negative territory, with the All Bond Index (ALBI) producing a quarterly return of -1.80%. Domestic property realised positive performance for the quarter, amidst volatile month-on-month performance, with the FTSE/JSE SA Listed Property Index producing a return of 3.85%. The Large Manager Watch (LMW) category of our flagship Manager WatchTM Survey saw its constituents reflecting quarterly peer group median performance for the SA and global LMW categories of -1.01% and 1.68% respectively.

Globally, emerging markets showed strong performance in Q1, with the MSCI EM recovering from negative performance in January 2024, resulting in a quarterly return of 6.07%. MSCI EFM Africa also showed similar performance, ending the quarter on 6%, outperforming MSCI EFM Africa ex SA, which had a negative YTD return of -9.06%. MSCI World and the S&P 500 maintained positive returns, with total quarterly returns of 12.87% and 14.62%, respectively.

From an interest rate perspective, the South African Reserve Bank has kept interest rates steady, with the repo rate at 8.25%, given the upward trend of inflation in the first two months of Q1 2024; 5.3% in January and 5.6% in February. Major central banks around the globe have kept the same tone amidst existing inflationary risks in the world economy.

## Sharpshooter

The Sharp Shooter (best absolute performer across all surveys) for the quarter is **OMIG African Frontiers**, participating in the **Africa Survey** with a return of **14.85%**.

The best relative performer for the quarter was the **Visio BCI Shari'ah Equity fund**, participating in the **Shariah Survey** outperforming its benchmark by **8.21%**.

**14.85%** OMIG African Frontiers

**8.21%** Visio BCI Shari'ah Equity fund

# Surveys in numbers

Some interesting facts generated over the first quarter of 2024 across all surveys, include:

**88** Asset managers participating across our surveys

**756** Participating strategies across our surveys

**49** BEE level 1 contributors

**R8 trillion** Total assets under management (AuM - December 2023) of all participating strategies

**60**

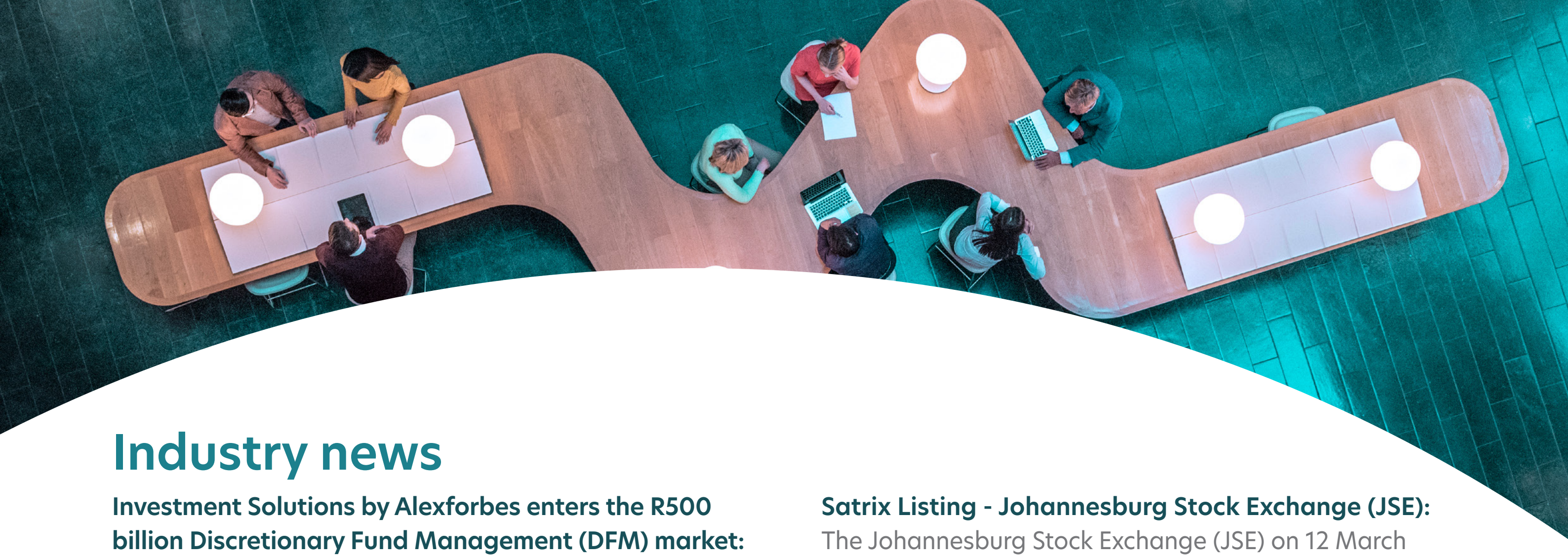
Signatories of the UN Principles for Responsible Investment (PRI)

**191** Portfolios outperformed their respective benchmarks (excluding International, Namibia, FoHF, Africa and LDI surveys)

**468** Portfolios increased their market values (excluding FoHF survey, international survey and LDI survey)

**70** Companies endorsing the principals of the Code for Responsible Investing in South Africa (CRISA)

Read more



# Industry news

**Investment Solutions by Alexforbes enters the R500 billion Discretionary Fund Management (DFM) market:**
South Africa's leading investments multi-manager, Alexforbes, has launched 'Investment Solutions by Alexforbes' to enter the R500 billion Discretionary Fund Management (DFM) market. The company will provide independent financial advisers (IFAs) with access to the same trusted investment advice and support capabilities used by prominent investment consultants, corporates, and retirement funds. The DFMs have gained prominence over the past decade, managing R500 billion in investments. Alexforbes' Investment Solutions by Alexforbes is a new unit within the company, separate from the investments multi-manager and internal adviser team, to preserve independence, objectivity, and confidence in the solutions provided to IFAs. The DFM offers access to previously inaccessible asset classes such as hedge funds, private markets, and infrastructure investments, offering diversification and performance opportunities. The company's extensive expertise and proven track record in optimising adviser capabilities will assist IFAs in achieving optimal outcomes for their clients.

**Satrix Listing - Johannesburg Stock Exchange (JSE):**
The Johannesburg Stock Exchange (JSE) on 12 March 2024 announced the listing of the Satrix JSE Global Equity Exchange Traded Fund (ETF) (STXJGE), which allows investors to participate in domestic equities with a strong global exposure. The Satrix JSE Global Equity ETF is meant to track the FTSE/JSE Global Investor Index, which is known for its emphasis on firms that get a significant amount of their revenues from offshore investments, acting as a strategic Rand hedge when contrasted to our local wide market index.
Satrix reported a total AuM for June 2023 of R 161.8 billion, ranking 15th in terms of size of managed assets among the other 79 participants.

**Alexforbes acquires 100% of OUTvest:**
Alexander Forbes Group Holdings Limited has finalised agreements with OUTsurance Holdings Limited to acquire the investment subsidiary, OUTvest. This acquisition is paved by the digital investment platform and fintech possessed by OUTvest which strategically aligns with Alexforbes in its digital transformation and strategies to provide impactful advice and solutions to members of retirement funds and clients.

# Quarterly index performance

## Best performing SA indices in the surveys

| Quarter | 1 year | 3 years | 5 years |
|---|---|---|---|
| **3.85%**<br>FTSE/JSE SA Listed Property Index | **20.47%**<br>FTSE/JSE SA Listed Property Index | **13.94%**<br>FTSE/JSE SA Listed Property Index | **10.19%**<br>FTSE/JSE Top 40 Index |

## Best-performing peer group benchmarks as featured in the surveys

| Quarter | 1 year | 3 years | 5 years |
|---|---|---|---|
| **3.32%**<br>Global LMW Median | **12.31%**<br>Global Dynamic Median | **10.96%**<br>Global Dynamic Median | **10.96%**<br>Global Dynamic Median |

# SA and Global Best Investment View (BIV) – asset allocation

This section explores how asset managers are adjusting their investment strategies in both the South African and Global BIV categories of the Manager WatchTM survey. These adjustments are influenced by changes of Regulation 28 of the Pensions Funds Act, in the rules governing offshore investments, particularly an increase in the limit to 45%.

## SA BIV - average asset allocation

| | September 2023 | December 2023 | March 2024 |
|---|---|---|---|
| **SA equities** | 62.91% | 64.61% | 66.36% |

There have been noticeable shifts in the quarterly asset allocation of the participants in the SA BIV category from September 2023 to March 2024. On average, allocation to domestic equities has increased by 3.45% with allocation to domestic bonds decreasing by 0.27%, to a quarterly average of 24.47%. The mentioned changes could be in response to market dynamics or a broader strategy for managing risk and returns with managers weighting their portfolios while taking into account the elevated interest rate and inflationary environment.

Among the managers, the one with the highest allocation to domestic equities had an exposure of 74.7% delivering a quarterly return above the upper quartile.

## Global BIV - average asset allocation

| | September 2023 | December 2023 | March 2024 |
|---|---|---|---|
| **SA equities** | 37.28% | 38.66% | 37.17% |
| **Total SA assets** | **66.46%** | **65.80%** | **62.80%** |

| | September 2023 | December 2023 | March 2024 |
|---|---|---|---|
| **Global equities** | 24.36% | 25.19% | 26.86% |
| **Total global** | **33.54%** | **34.20%** | **37.20%** |

The Global BIV category delivered an average performance of 1.16% for the quarter, possibly influenced by the shifts in asset allocation.

Average assets allocated to offshore investments increased over the quarter by 3.0%, with the constituents of the category indicating a slight shift away from domestic (SA) assets in favour of offshore which is seen by the decrease of 3.0% in average exposure to SA assets. Among the managers, the one with the highest allocation to global equity assets for the quarter ending March 2024 had an exposure of 43.6%, delivering a quarterly return just below the upper quartile.

Overall, the data indicates a significant trend of managers increasing their offshore allocations, particularly in offshore equities, in response to the amended regulation 28, which allows for higher offshore exposure. The trend suggests that asset managers are diversifying their portfolios to take advantage of global opportunities and manage risk, considering the relative attractiveness of different asset classes and markets. Differences in offshore investments and performance across managers are likely to continue, emphasising the importance of smart allocation decisions.

# Survey in focus -
# Retail Manager Watch™ survey

## Introduction of retail surveys to expand the survey universe and enhance Insights

We are excited to announce the introduction of our retail series of surveys to complement our renowned Institutional Manager Watch series of surveys. This addition aims to further enrich the insights available to the industry, focusing specifically on the performance assessment of collective investment products, with an emphasis on unit trust funds managed by various South African investment managers.

## Rise and importance of retail funds in South Africa

Retail funds, particularly unit trust funds, have witnessed a significant rise in prominence within the South African investment landscape. These funds cater to the diverse investment needs of individual investors, offering accessibility and professional management. With an increasing number of investors seeking avenues for wealth accumulation and diversification, the importance of retail funds cannot be overstated.

## Retail survey categories

Our retail surveys focus on class A unit trusts and will cover a diverse range of categories, including:

**Multi-Asset Class** (SA and Global Balanced)

**Equity:** Low, Medium, and High Equity

**Best Investment View (BIV)**

**SA Equity:** Benchmark Cognisant and Not-Benchmark Cognisant

**SA Bond:** Specialist Bonds – Low Yield (up to 8%) and High Yield (9% and upward), Flexible/Income Bonds, Inflation-Linked Bonds

**SA Money Market:** Portfolio duration of up to 90 days and between 91 - 180 days

**SA Property:** Funds must be invested at least 75% in property instruments listed on the JSE at all times.

By introducing these surveys, we aim to provide comprehensive insights into the performance of retail funds in South Africa, empowering investors and industry professionals with valuable information for informed decision-making.

# Risk statistics – Volatility and tracking error

## Lowest volatility

| | 1 quarter | 3 years | 5 years |
|---|---|---|---|
| **Total SA Equity** | **1.95%** Visio Absolute Equity Composite | **10.27%** Visio Absolute Equity Composite | **13.93%** Foord Domestic Equity |
| **Manager Watch SA Best Investment View** | **3.46%** Perpetua Domestic Balanced | **8.38%** Allan Gray Domestic Balanced | **10.08%** Foord Domestic Balanced |
| **Manager Watch Global Best Investment View** | **0.11%** Old Mutual Multi Managers Managed | **4.36%** Rezco Value Trend | **5.91%** Rezco Value Trend |

**Volatility** is a measure of investment price fluctuations over time. Higher volatility suggests larger price swings and potential gains or losses.

For example, the Rezco Value Trend fund has demonstrated a relatively low 3-year volatility of **4.36%**, indicating stability in its performance over the period. Despite this, it has delivered a modest 3-year return of **6.36%**, suggesting a steady but not particularly high growth trajectory.

## Highest volatility

| | 1 quarter | 3 years | 5 years |
|---|---|---|---|
| **Total SA Equity** | **16.27%** Satrix Value Composite | **17.19%** Prescient Core Top 40 Equity Composite | **19.83%** STANLIB Enhanced Multi Style Equity |
| **Manager Watch SA Best Investment View** | **6.34%** Laurium Domestic Balanced Fund | **11.42%** Coronation Domestic Managed | **14.64%** M&G Domestic Balanced |
| **Manager Watch Global Best Investment View** | **6.39%** Foord Global Balanced | **11.67%** Merchant West SCI Managed P&G Fund | **16.34%** PSG Balanced Fund |

**Volatility** is a measure of investment price fluctuations over time. Higher volatility suggests larger price swings and potential gains or losses.

For example, the 5 year STANLIB Enhanced Multi Style Equity fund volatility of **19.83%** was much higher than the average volatility of **10.96%** in the peer group. This indicates that the STANLIB Enhanced Multi Style Equity fund experienced larger price movements compared to its peers over the past five years, making it relatively riskier to its peers.

## Lowest tracking error

| | 1 quarter | 3 years | 5 years |
|---|---|---|---|
| **Total SA Equity** | **0.34%** Legacy Africa FM Capped SWIX Composite | **0.16%** Satrix Momentum Index Composite | **0.17%** Satrix Momentum Index Composite |
| **Manager Watch SA Best Investment View** | **0.24%** Alexander Forbes Investments Performer Local | **1.62%** Alexander Forbes Investments Performer Local | **1.94%** Alexander Forbes Investments Performer Local |
| **Manager Watch Global Best Investment View** | **0.30%** Sanlam Wealth Creation | **0.49%** Alexander Forbes Investments (Spectrum) | **0.62%** Alexander Forbes Investments (Spectrum) |

The **tracking error** measures how closely an investment follows a benchmark index. It reflects the divergence between the investment's returns and the index's returns, indicating the effectiveness of replicating the benchmark's performance.

For example, the Satrix Momentum Index Composite has shown an impressively low 3-year tracking error of 0.16%, indicating its ability to closely mirror the performance of its underlying index. Over the same period, it has achieved a solid 3-year return of 6.94%, highlighting its effectiveness in capturing the momentum within the market.

## Highest tracking error

| | 1 quarter | 3 years | 5 years |
|---|---|---|---|
| **Total SA Equity** | **31.89%** Satrix Value Composite | **10.44%** Rezco Equity | **11.21%** Fairtree Asset Management Equity fund |
| **Manager Watch SA Best Investment View** | **4.23%** Nedgroup Investments (Truffle) Managed Fund | **8.93%** Aeon Domestic Balanced Fund | **12.35%** Aeon Domestic Balanced Fund |
| **Manager Watch Global Best Investment View** | **13.36%** Rezco Value Trend | **15.73%** Rezco Value Trend | **16.70%** Rezco Value Trend |

The **tracking error** measures how closely an investment follows a benchmark index. It reflects the divergence between the investment's returns and the index's returns, indicating the effectiveness of replicating the benchmark's performance.

For example, the Rezco Value Trend fund's 5-year tracking error of **16.70%** suggests significant deviation from its benchmark index over the period. Despite this, it has delivered a respectable 5-year return of **8.46%**, showcasing its potential for returns despite the tracking discrepancies.

# Survey asset distribution

| | September 2023 | December 2023 | March 2024 |
|---|---|---|---|
| **Absolute Return** | R217 billion | R216 billion | R219 billion |
| **BEE** | R466 billion | R712 billion | R717 billion |
| **Manager Watch** | R1456 billion | R1549 billion | R1522 billion |
| **Medical Aid** | R90 billion | R64 billion | R63 billion |
| **Multi-Manager** | R408 billion | R534 billion | R548 billion |
| **Namibia** | R91 billion | R96 billion | R97 billion |
| **Property** | R54 billion | R60 billion | R62 billion |
| **SA Bond** | R218 billion | R230 billion | R229 billion |
| **SA Equity** | R474 billion | R499 billion | R497 billion |
| **SA Money Market** | R552 billion | R529 billion | R547 billion |
| **Shari'ah** | R31 billion | R33 billion | R33 billion |
| **TDI** | R69 billion | R73 billion | R74 billion |
| **Total** | **R4 126 billion** | **R4 595 billion** | **R4 615 billion** |

The figures in the table above suggest that over Q1, the surveys realised an overall growth in assets managed by its constituents. When viewing the various surveys in isolation, there is a substantial increase to the value of over R5 billion in assets within the BEE survey which comes as a result of 8 new fund entries in the survey and a further decrease of more than R1 billion in Medical Aid assets as a result of 10 out of the 16 portfolios in the survey decreasing in their market values from Q4 2023 to Q1 2024. Our flagship Manager Watch survey saw a decrease of over R27 billion in assets as 61 of its participating funds decreased in their market values within this quarter. The survey whose assets increased the most is the Money Market survey which showed an increase in assets of over R18 billion. In conclusion, the overall increase of market values across all surveys in this year's first quarter is more than R20 billion.

## Sustainable investment considerations

## **Navigating a tight-rope: South Africa's proposed answer to climate action and its impact on society.**

In response to a world facing an existential climate crisis, nations have a responsibility to take bold actions to overcome what scientists describe as an imminent threat to modern civilisation.

South Africa has responded via its nationally determined contribution to the global effort through its "Just Energy Transition Investment Plan" (JET IP), which outlines a comprehensive strategy aimed at navigating the country's transition towards a more sustainable and inclusive energy system, funded by a credible investment strategy. At its core, this plan seeks to address the urgent need to reduce carbon emissions while ensuring that the transition to clean energy is fair and equitable, particularly for vulnerable communities and those employed in fossil fuel industries.

## Job creation and skills development

The transition presents opportunities for job creation in renewable energy sectors, with the plan including measures to ensure that these opportunities are accessible to all South Africans, particularly those in historically disadvantaged communities, through skills training and employment programs. Regions such as Mpumalanga which houses the majority of coal powered stations in South Africa (12 of 15), have been allocated an estimated investment of R60.4 billion (comission, 2022) in order to facilitate and support the local inhabitants through the process of transitioning away from fossil fuels.

The above also indicates a recognition of the disproportionate impact that climate action will have on marginalised communities. Migration away from energy produced utilising fossil fuels may contribute to higher short to medium term unemployment levels, while those previously employed by coal powered stations are upskilled, as outlined in the JET IP, in order to remain relevant and employable in South Africa's version of a greener energy production landscape.

JET IP outlines mechanisms for mobilising investment from both public and private sources to finance the transition. This includes incentives for renewable energy projects, innovative financing models and partnerships with international organizations and investors. A supportive policy and regulatory environment is crucial for the successful implementation of the transition. The plan includes reforms to energy policies, regulations and institutional frameworks to facilitate the deployment of renewable energy and promote sustainable development.

A review of the JET Implementation Plan 2023-2027 suggests a very well thought out action plan, which goes to the heart of the problem and provides a detailed roadmap. Overall,  represents a holistic approach to addressing the challenges of climate change, energy security, and socio-economic development. By promoting renewable energy, energy efficiency, and social equity, the plan aims to create a more sustainable and resilient energy system that benefits all South Africans.

**In conversation with Premal Ranchod, Head of ESG research at Alexforbes, we debated the merits of the above roadmap to which he responded:**

"The scale and scope of such a project is significant and will define future generations. The burning question in the minds of most South Africans is whether great ideas are implementable? Perhaps the dread of "load-shedding" has a silver lining in that a failing Eskom becomes the catalyst for driving an integrated energy plan, and creating more support for the JET IP".

For more detail on the JET-IP, access the link **here**

Source: comission, P. c. (2022, November 22). SOUTH AFRICA'S JUST ENERGY TRANSITION INVESTMENT PLAN. Retrieved from climatecomission.org: www.climatecommission.org.za. (n.d.). Presidential Climate Commission. [online] Available at: https://www.climatecommission.org.za/publications/sa-jet-ip.

# Expert insights -
# An interview with ...

**Premal Ranchod**
Head of ESG Research at Alexander Forbes Investments

### Please introduce yourself: name, designation and company name.

I'm Premal Ranchod, the Head of ESG Research at Alexander Forbes Investments

### What motivated you to become an investment professional?

As a student, numbers, financial statements, company valuations within the financial market construct fascinated me. Naturally, I found a home in the investment profession.

### How does your investment style and philosophy influence your approach to managing client portfolios?

Our approach to managing our client portfolios stems from our Multi-manager DNA. We don't deploy a specific style but rather adopt purposeful diversification. The approach begins with asset allocation, followed by construction of portfolios using by disciplined manager selection.

### How do you stay disciplined and avoid making emotional decisions during market volatility?

I ensure that I fully understand the investment goals, the plan to achieve the objectives and then ensure we have adopted suitable investable managers. By monitoring this approach and the role of each manager continuously against objectives, we stay focused and do not react to performance volatility.

### What are one or two of the most common mistakes you see novice investors make, and how can they avoid them?

1. They react to performance by investing when markets are rallying, and selling when markets are down.
2. Thinking that your first "win" is evidence enough of your skill.

By using the approach detailed in point 4 above & understanding market cycles, you avoid being reactionary.

### How do you think advancements in technology such as AI is changing the investment industry, and how are you adapting to these changes?

On a personal note, I think AI assists with research aspects of investment decisions. Its ability to synthesize volumes of information is helpful. I don't however believe it can replace the gut feel and experience of seasoned investment professionals.

### How do you think advancements in technology such as AI is changing the investment industry, and how are you adapting to these changes?

On a personal note, I think AI assists with research aspects of investment decisions. Its ability to synthesize volumes of information is helpful. I don't however believe it can replace the gut feel and experience of seasoned investment professionals.

### What are one or two of the biggest challenges you face as an investment professional, and how do you address them?

Having to constantly explain/convince hard-nosed investors that ESG has a risk management and forward looking role in investment management. That it is not some marketing/political fad as seen in the US market. I overcome it by staying to true to facts of the investment proposition, without taking an ideological/biased stance on ESG.

### What are one or two of the most important lessons you have learned about investing over the course of your career?

Markets can humble you. Key investment professionals and there performance signatures have a lifespan.

### What sets you apart from other investment professionals, and how do you differentiate yourself in a crowded field?

I read and consume content in disciplines other than investments as well. I think, it affords me access to views/data, which compliments my investment skillset.

### Finally, what advice would you give to someone who is just starting to invest their money and looking to build a diversified portfolio?

Start as early as possible. Find a good financial advisor and spend your disposable income investing in active funds or tracker funds. No substitute for compounded annual growth.

# Word
## on the street

**Our Alexforbes Manager Watch™ Survey of Retirement Fund Investment Managers 2023 has arrived!**

In this year's publication, we investigate South Africa's financial wellbeing, focusing on enhancing retirement outcomes through data analytics, and integrating artificial intelligence (AI) in asset management in South Africa, alongside the important foundation of investor and financial education.

- **The integration of AI in investment decisions:**
A survey examining the adoption of AI by South African asset managers, aiming to enhance investment strategies.
- **The importance of financial education:**
An exploration of the roles asset managers and academia play in promoting financial literacy among clients and students, offering insights for improving financial understanding.
- **Harnessing data analytics for improved retirement outcomes:**
Outlines the transformative potential of data analytics in revolutionising retirement planning.

According to the Alexforbes asset under management (AuM) survey, the assets of South African multi-managers have grown consistently. From an **86%:14% single-to-multi-manager ratio of AuM in 2016 to 77%:23% in 2023**.

## Insights

In the Global BIV category of the Manager Watch™ Survey, **nearly 76% of managers invested over 30% in global assets, with 24% surpassing 40%, averaging a 34.2% global asset exposure in December 2023.**

Our survey found **31.8% of the 24 South African asset managers who responded use AI,** hinting at a cautious stance but significant growth potential in investment and operational strategies.

**Get your hands on insights that matter. Ready?**

**Start reading or download** your own copy today.

# Investor education
## The power of retirement investing: securing your future

Retirement represents the end of a journey for any working individual. It's also the beginning of a new life where we reap the fruits of our labour and seek a more comfortable day to day, with the stressors brought forth by work, making way for leisure and the pursuit of other self-interests.

Attaining this level of comfort in retirement is heavily dependent on one's ability to replace the income they earned while working. This is where the importance of a retirement fund comes into play.

A retirement fund is one in which you can save while working in order to generate an income when you reach retirement age. It has a plethora of benefits that help you as the investor, namely:

### Time and compound interest

Retirement plans offer a long investment period which permits your money to benefit from compound interest, increasing your earnings over time. The earlier you begin, the longer compound interest will accumulate your investment.

### Tax advantages

Many retirement plans provide tax breaks that can exponentially increase your savings. Contributions are frequently tax-deductible, which means you reduce your taxable income today. And depending on the withdrawal strategy, your retirement income may also be taxed at a lower rate.

### Professional management

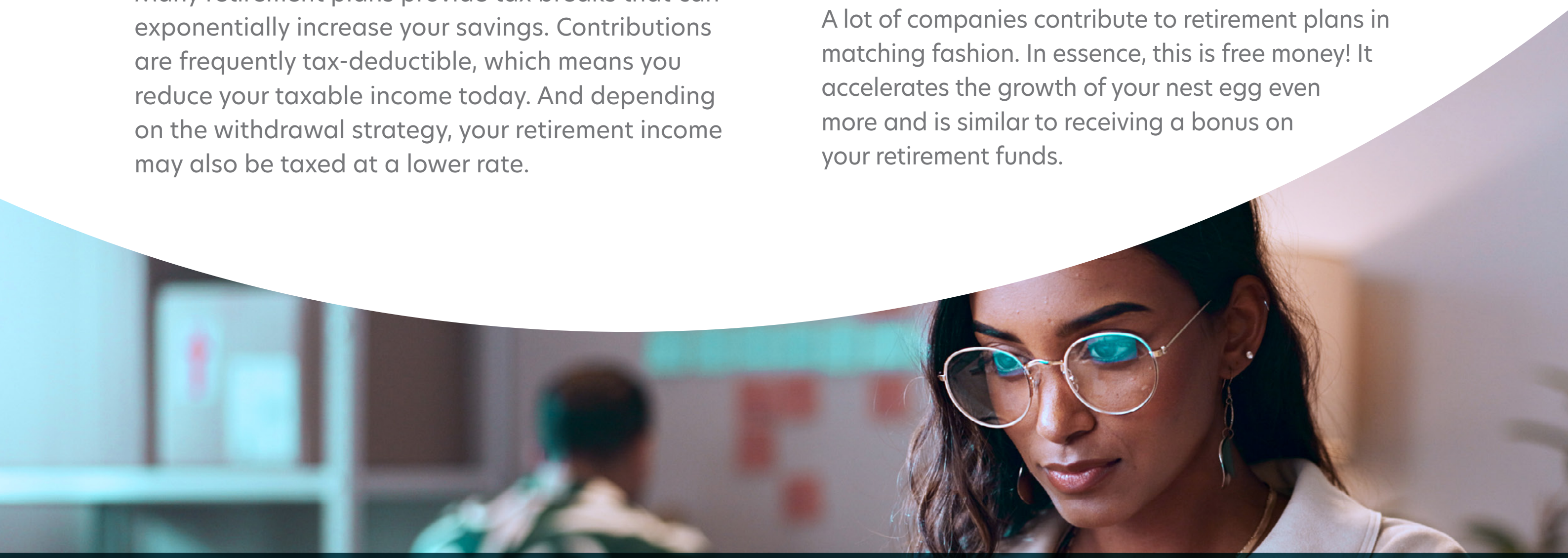
Professionals often manage retirement accounts, diversifying investments across asset types based on the Retirement fund regulations which requires your savings to be diversified. This means your savings are invested in different types of investments and the amount in each investment is limited to protect your savings. Diversification reduces risk and aims for long-term growth.

### Forced savings

Making contributions to a retirement fund can be considered "forced savings." Setting up automatic payments ensures that you continuously save for your future, even if you wouldn't do so on your own.

### Prospective employer matching

A lot of companies contribute to retirement plans in matching fashion. In essence, this is free money! It accelerates the growth of your nest egg even more and is similar to receiving a bonus on your retirement funds.



To sum up, retirement fund investing is effective because it combines the advantages of expert management, tax advantages, compounding, and time. It can also potentially receive additional contributions from your employer.

**It's a calculated approach to securing your financial future.**

# Financial food for thought: **Weakness or strength?**

### The fox and the stork

A selfish fox once invited a stork to dinner at his home in a hollow tree. That evening, the stork flew to the fox's home and knocked on the door with her long beak. The fox opened the door and said, "Please come in and share my food."

The stork was invited to sit down at the table. She was very hungry and the food smelled delicious! The fox served soup in shallow bowls and he licked up all his soup very quickly. However, the stork could not have any of it as the bowl was too shallow for her long beak. The poor stork just smiled politely and stayed hungry.

The selfish fox asked, "Stork, why haven't you taken your soup? Don't you like it?" The stork replied, "It was very kind of you to invite me for dinner. Tomorrow evening, please join me for dinner at my home."

The next day, when the fox arrived at the stork's home, he saw that they were also having soup for dinner. This time the soup was served in tall jugs. The stork drank the soup easily but the fox could not reach inside the tall jug. This time it was his turn to go hungry.

### The moral of the story ...

The story of the selfish fox and the stork teaches us an important lesson about fair dealings. The fox invited the stork to dinner but served soup in shallow bowls that only he could eat from, while the stork could not. The next day, when it was the stork's turn to invite the fox, she served soup in tall jugs, making it impossible for the fox to eat.

As investors, we must ensure that we deal with companies and individuals who follow ethical practices and treat all stakeholders fairly. Companies that prioritise fairness in their dealings are likely to be more successful in the long run.

* To find out more about your options and to get help when you need it, contact our My Money Matters centre on 0860 000 381 or **mymoneymatters@alexforbes.com**.

# Conclusion

We addressed several different financial and investment-related subjects in the newsletter, giving an outline of some intriguing survey findings and covered prominent industry news with key points based on quarterly economic performance.

Furthermore, we presented data on asset class performance and covered the South African JET IP which provides insights into the transition to renewable energy sources and while facilitating job creation and skills development. We also included an insightful interview with a field expert, discussed the concept of retirement investing and financially securing your future in the investor education section and shared a brief story as financial food for thought.

Lastly, we closed off with a "word on the street" section where we presented the newly released 2023 Manager Watch Annual Retirement survey. We hope you found this newsletter to be stimulating and educational and eagerly await your comments and ideas. Please feel free to share any comments, questions or suggestions by sending an email to **managerwatch@alexforbes.com**.

# Glossary

⊕ **Asset allocation**: Dividing an investment portfolio among different types of assets (like equities, bonds, and cash) to achieve the desired risk and return, based on goals, risk tolerance, and time horizon.

⊕ **Active return** also known as relative return, represents the difference between the actual return of the portfolio and the return of a specified benchmark over a given period of time.

⊕ **Best Investment View (BIV):** The portfolio/composites included in this -survey represent the asset managers' best unconstrained investment view, appropriate to Regulation 28 compliant retirement funds.

⊕ **Code for Responsible Investing in South Africa (CRISA):** Guidelines in South Africa that promote responsible investing practices. It encourages considering environmental, social, and governance (ESG) factors in investment decisions.

⊕ **Futures** are standardized contracts to buy or sell an asset at a predetermined price and date in the future.

⊕ **Geopolitical tensions:** Conflicts or disputes between nations that impact financial markets. They can cause trade disruptions, policy changes or increased market volatility.

⊕ **Gharar** refers to excessive uncertainty or ambiguity in Islamic finance. It pertains to transactions that involve an element of risk or speculation that is considered excessive and is not allowed according to Islamic principles.

⊕ **Haram** means forbidden or prohibited in Islamic law. It refers to actions, behaviours, or practices that are considered sinful or unethical and are not allowed according to Islamic teachings.

⊕ **Median return:** The middle value of a set of returns or performance of a group of investments.

⊕ **Principles for Responsible Investment (PRI):** A global initiative promoting sustainable investing. It encourages investors to incorporate ESG factors for long-term sustainable returns.

⊕ **Regulation 28:** South African regulation for retirement funds, setting investment limits and guidelines. It ensures diversification and risk management by specifying exposure to different asset classes, sectors, and regions.

⊕ **Retail investing** involves individuals directly buying and selling securities like stocks and bonds through brokerage firms or online platforms, using their own money rather than managing funds for organizations. It's accessible to ordinary people, who make investment decisions based on personal research and goals.

⊕ **Riba** means interest. It refers to the prohibition of charging or earning interest in Islamic finance, as it is considered unethical and against Islamic principles.

⊕ **Options contracts** provide the buyer the right, but not the obligation, to buy (call option) or sell (put option) an underlying asset at a predetermined price within a specified period.

⊕ **Shari'ah:** Islamic principles and guidelines for financial activities, including investments. It prohibits interest-based transactions and investments in sectors like alcohol, gambling, or pork.

⊕ **Swaps** involve the exchange of cash flows or other financial instruments between two parties.

⊕ **Targeted Development Investment (TDI):** These investment portfolios aim to maximise investor returns while paying attention to socially responsible investing and issues relating to the development and upliftment of previously disadvantaged communities

⊕ **Warrants** are options issued by financial institutions, granting the holder the right to buy or sell an underlying asset at a predetermined price.