Institutional Managers' Digest

Issue 10

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In this edition

In this **edition**

The **June 2025** iteration of the Institutional Managers' Digest provides insights into the second quarter (Q2) performance of survey constituents while also delving into topics related to changes within the asset management landscape that took place within the quarter.

Alternatives Investment Specialist, Thandeka Gaba, features in our expert insights interview providing background on her journey within the investments industry and personal development. Survey in focus features an overview of the Medical Aid Survey, with some comparative statistics related to performance being provided.

Introduction

Q2 2025 saw strong performance being realised by South African equities, with the FTSE/JSE All Share Index ending the quarter with a return of 10.2%. Domestic bond markets performed well within positive territory, with the All Bond Index (ALBI) producing a quarterly return of 5.9%. The FTSE/JSE SA Listed Property Index delivered a strong overall performance for the quarter with a return of 9.1%.

This was achieved despite the Index realising a trend of decreasing performance from April, May and June, which were reported as 7.9%, 2.3% and -0.9% respectively. The Large Manager Watch (LMW) category of our flagship Manager Watch™ Survey saw its constituents reflecting quarterly peer group median performance for the SA and Global LMW categories of 8.1% and 7.3%, respectively.

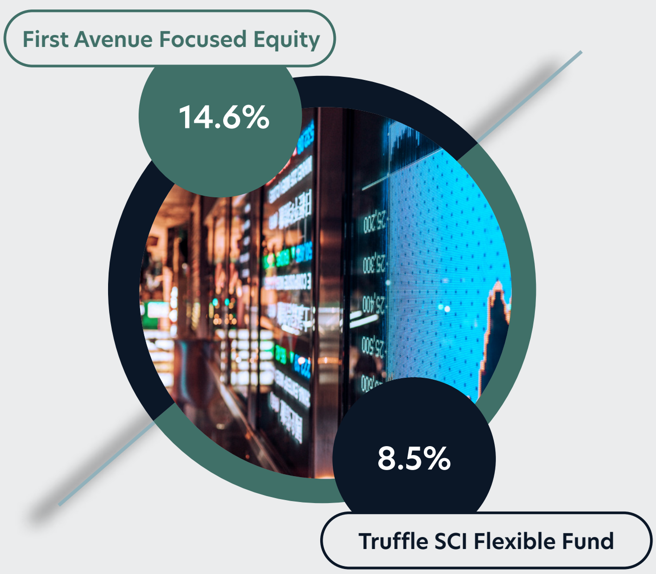
Globally, emerging markets showed strong performance in Q2 2025 compared to Q1 2025, with the MSCI EM increasing its realised return for the quarter of 8.3%, which is significantly higher than the 0.4% return recorded in March 2025. The S&P 500 TR delivered a high Q2 2025 return of 7.1%, significantly higher than the -7.0% recorded in March 2025. Similarly, the MSCI EFM Africa showed strong performance, ending the quarter on 8.1%, outperforming MSCI EFM Africa ex SA, which had a quarterly return of 6.3%. Additionally, the MSCI World Index ended Q2 2025 on 7.7%. On the domestic economic front, inflation for June 2025 rose by 0.3% after holding steady at 2.8% in the months of April and May 2025. This increase was mainly driven by higher food prices, with the annual rate for food and non-alcoholic beverages reaching a 15-month high of 5.1%.

Upward risks to domestic inflation include newly imposed US tariffs on South African exports, which continue to affect domestic goods prices, along with continued geopolitical tension in the Middle-East driving volatility in crude oil and other commodity prices. The South African Reserve Bank (SARB) continues its cutting cycle, with the Monetary Policy Committee voting for a 25 basis points reduction in the repo rate to 7.0% in July 2025. On the global end, US inflation rose by 0.3%, marking the largest increase in five months, which is up from 0.1% in May to a June 2025 level of 2.7%. Despite the rise in inflation, the US Fed held interest rates steady between 4.2% and 4.5% with the central bank maintaining a wait-and-see approach considering increasing concerns around the ongoing tariff war that could influence inflation upwards.

Sharpshooter

The Sharp Shooter (best absolute performer across all surveys) for the quarter is **First Avenue Focused Equity**, participating in the SA Equity Survey with a return of **14.6%.**

The best relative performer for the quarter was the **Truffle SCI Flexible Fund,** participating in the Manager Watch and outperforming its benchmark by **8.5%.**



Surveys in numbers

Some interesting facts generated over the second quarter of 2025 across all surveys, include:

94 Asset managers participating across our surveys

993 Participating strategies across our surveys

R8.49 trillion Total assets under management (AuM – December 2024) of all participating strategies

61 Signatories of the **UN Principles for Responsible Investment (PRI)**

76 Endorses the principals of CRISA.

54 **BEE level 1** contributors

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

633 **Portfolios increased their market values** (excluding international survey and LDI survey)

Read more

Industry news

South Africa's biggest asset manager seals landmark deal

South Africa's Public Investment Corporation (PIC) and the British International Investment (BII) have signed a Memorandum of Understanding to collaborate on impactful investments across Africa. This partnership will enable the two institutions to share deal pipelines and explore co-investment opportunities in sectors like agriculture, infrastructure, climate initiatives and financial services. The aim is to drive sustainable economic growth by combining their expertise and leveraging blended funding models.

With PIC's focus on development-focused investments and BII's extensive experience investing in Africa, the collaboration is set to unlock new avenues for capital deployment. Leaders from both organisations emphasised the importance of cooperation to deliver on investment mandates and attract more commercial capital into Africa, marking a major step in strengthening the UK-South Africa Growth Partnership and supporting inclusive, long-term development across the continent.

Click here to read more

Schroders to merge underperforming EM funds, including one available in SA

Schroders will merge its QEP Global Emerging Markets fund into the €82 million QEP Emerging Markets Core fund on 9 July 2025 to improve cost efficiency and streamline its fund offerings. The decision follows the declining size of the Global Emerging Markets fund, which held just $37.7 million in assets by April, which is too small to operate effectively. Despite both funds having similar strategies focused on long-term growth in emerging markets, the Core fund also meets ESG standards under Article 8 of the European Union's Sustainable Finance Disclosures Regulation.
The merger is part of a broader cost-cutting initiative led by new CEO Richard Oldfield, including a €171 million transformation programme. Schroders expects the move to generate economies of scale and ensure better value for investors. The firm said the transition will be smooth, with minimal impact on the receiving fund's performance or holdings, and that it will cover all associated legal and administrative costs.
Investors may opt out by 8 July at no charge.

Click here to read more

FTSE/JSE All Share Index hits historic 100,000 points milestone

The FTSE/JSE All Share Index (ALSI) has reached a historic 100 000 points, marking a significant milestone in the 65-year journey of South Africa's equity markets. With an annualised return of over 11%, the ALSI reflects the strength, innovation and resilience of JSE-listed companies. In 2025, the JSE has emerged as one of the top-performing markets globally in both rand and dollar terms, underpinned by strong investor confidence, solid corporate earnings, and the JSE's role in enabling capital raising and economic growth.

Since its redefinition in 2002 through a partnership with FTSE, the ALSI has evolved into a trusted benchmark, now representing 125 companies with a combined market capitalisation of R21 trillion. It captures 99% of the eligible market cap on the JSE Main Board and reflects the daily performance of large, mid and small caps. The past five years have seen the index rise sharply from pandemic lows, supported by booming commodity sectors, strong banking and tech stocks, and improved sentiment.

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Quarterly index performance

Best-performing SA indices in the surveys

Quarter	1 year	3 years	5 years
10.8% FTSE/JSE All Property Index	25.9% FTSE/JSE All Property Index	20.0% FTSE/JSE All Property Index	17.2% FTSE/JSE Capped All Share Index

Best-performing peer group benchmarks as featured in the surveys

Quarter	1 year	3 years	5 years
8.7% SA BIV Average	22.1% SA BIV Average	15.9% Global Dynamic Median	15.5% SA BIV Average

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 Watch™ 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

	December 2024	March 2025	June 2025
SA Equities	68.2%	67.4%	69.0%

Asset allocation data for participants in the SA BIV category for the quarter ending June 2025 reveals significant changes in managers exposure to domestic equities has increased by 1.6% from March 2025 to June 2025. The mentioned increase was accompanied by a Q2 decrease in domestic bonds of 0.9%, to an average exposure of 22.0%. Shifts towards domestic equities may be in response to the continued positive performance realised by FTSE/JSE All Share Index, which produced a quarterly return of 10.2%. Allocation to domestic property and cash were recorded at an average of 3.6% for both mentioned asset classes. Changes in asset class exposure are sure to continue as a result of varying sentiment with regards to domestic markets, including the continued interest rate cuts by the South Africa Reserve Bank, with managers gearing their portfolios to take advantage of volatile local markets and marginally improving inflationary conditions.

Among the managers, the one with the highest allocation to domestic equities had an exposure of 74.3% delivering a quarterly return slightly below the upper quartile.

Global BIV - average asset allocation

	December 2024	March 2025	June 2025
SA Equities	40.3%	39.5%	38.4%
Total SA assets	**66.5%**	**65.0%**	**64.9%**

	December 2024	March 2025	June 2024
Global Equities	24.7%	26.0%	26.3%
Total international	**33.5%**	**35.0%**	**35.1%**

Constituents of the Global BIV category delivered an average performance of 7.2% for the quarter, which is 0.5% lower than the average performance generated by SA BIV constituents, in the same period.

Total average allocation to offshore investments increased during Q2 2025 by 0.1% which was accompanied by a 0.1% decrease in allocation to domestic assets for the quarter. The average allocation to domestic and offshore equities realised over the quarter shows a decrease of 1.1% for domestic equities and a 0.3% increase in offshore assets. Among the managers, the one with the highest allocation to global equity for the quarter had an exposure of 47.4%, delivering a quarterly return well above the upper quartile. Conversely, the manager with the highest allocation to local South African equities generated a return that was below the upper quartile.

Overall, the data indicates a slight increase in trend with respect to participating asset managers' offshore allocations. This suggests that asset managers are diversifying their portfolios to take advantage of a constantly changing global geopolitical landscape by considering the relative attractiveness of different asset classes in varying markets and also managing risk. Differences in offshore investments and performance across managers are likely to continue to vary, emphasising the importance of smart allocation decisions.

Survey in focus – Medical Aid Manager Watch™

The Medical Aid Manager Watch™ Survey continues to serve as an important benchmarking tool for trustees, consultants and asset managers operating within the medical schemes environment. As at June 2025, the survey covered portfolios managing a combined value of R70.5 billion, reflecting the significance of this space within the broader asset management universe.

Unlike traditional fund portfolios, medical scheme mandates must comply with the prudential limits set out in Regulation 30 of the Medical Schemes Act. For example, exposure to domestic equities is capped at 40% and domestic property is limited to 15%, based on the market value of the fund. Offshore allocations, private equity and unlisted instruments are also restricted to preserve liquidity and reduce volatility. These constraints require asset managers to adopt a more conservative and liquid portfolio construction approach.

Given these conditions, the Medical Aid survey provides valuable context by comparing performance and risk outcomes among peers facing similar regulatory pressures. It supports decision making by allowing for fair, risk-adjusted comparisons within the appropriate mandate constraints.

The survey is structured around **three main categories:**

Absolute Return Funds: Focused on generating positive returns over time, with an emphasis on capital preservation and managing downside risk.

Money Market Funds: Primarily used for liquidity and capital stability, these portfolios invest in low-risk, short-term instruments.

Balanced Funds: These portfolios offer diversified exposure across asset classes and are designed to balance growth with risk control, while fully adhering to Regulation 30 limits.

Quarterly Performance Comparison:
Absolute Return Funds

	Medical Aid Survey	Absolute Return Survey
Highest Performer	7.0%	8.9%
Lowest Performer	3.4%	1.4%
Median Return	5.2%	5.2%
Average Return	5.3%	5.2%

Despite the tighter Regulation 30 restrictions, the Medical Aid Absolute Return Funds delivered slightly higher average and median returns than their peers in the broader survey.

This highlights that even within constrained mandates, effective strategy and risk control can yield competitive results. The broader survey displayed greater performance dispersion, reflecting higher flexibility but also higher volatility.

Quarterly Performance Comparison:
Money Market Funds

	Medical Aid Survey	Money Market Survey
Highest Performer	2.3%	2.5%
Lowest Performer	2.0%	2.0%
Median Return	2.0%	2.2%
Average Return	2.1%	2.2%

Medical Aid Money Market Funds delivered slightly more conservative returns, as expected, given their stricter liquidity and capital protection requirements. The broader survey included enhanced strategies, which nudged the average and top-end returns higher, but possibly with more risk than permitted under Regulation 30.

In a climate where healthcare funding pressures are increasing and governance standards are tightening, the Medical Aid Manager Watch™ Survey is more relevant than ever. It provides a clear lens through which stakeholders can assess how well managers are navigating the unique challenges of medical aid investing. It also supports trustees and boards in fulfilling their fiduciary responsibilities, offering a reliable reference point for performance monitoring, strategy evaluation and manager selection. Ultimately, the survey not only adds transparency and rigour to the investment process but also contributes to the long-term financial health and sustainability of medical schemes and the members they serve.

Risk statistics
Volatility and tracking error

Lowest volatility

	1 quarter	3 years	5 years
Total SA Equity	**0.6%** Differential SA Equity Fund	**10.3%** Allan Gray Domestic Specialist Equity	**10.7%** Foord Domestic Equity
Manager Watch SA Best Investment View	**0.5%** M&G Domestic Balanced	**7.9%** Allan Gray Domestic Balanced	**8.0%** Foord Domestic Balanced
Manager Watch Global Best Investment View	**0.2%** Alexander Forbes Investments (Performer)	**4.3%** Mentenova Wealth Protector	**4.5%** Mentenova Wealth Protector

Volatility: A measure of investment price fluctuations over time. Higher volatility suggests larger price swings and potential gains or losses.

For example, the **Differential SA Equity Fund** recorded a quarterly volatility of just **0.6%,** reflecting a relatively stable return profile over the period. In terms of performance, the fund returned **8.4%,** slightly underperforming its benchmark which gained **9.7%.** While the return lagged, the fund's lower volatility may be seen as a positive for investors who favour reduced fluctuations in local equity exposure.

Highest volatility

	1 quarter	3 years	5 years
Total SA Equity	**12%** Camissa Managed Equity Fund	**14.8%** Cachalia Capital C Value Fund	**15.0%** Fairtree SA Equity Prescient Fund
Manager Watch SA Best Investment View	**10.5%** Camissa Balanced Fund	**12.3%** Camissa Balanced Fund	**11.0%** Camissa Balanced Fund
Manager Watch Global Best Investment View	**9.6%** Camissa Global Balanced Fund	**10.8%** Camissa Global Balanced Fund	**11.8%** PSG Balanced Fund

Volatility: A measure of investment price fluctuations over time. Higher volatility suggests larger price swings and potential gains or losses.

For example, the **PSG Balanced Fund** exhibited a notably higher 5-year volatility of **11.8%** compared to its peer group's average volatility of **8.1%.**

This elevated volatility indicates that the fund's returns are more susceptible to significant fluctuations over time. Investors in the PSG Balanced Fund may experience larger swings in the value of their investments, which can be attributed to the fund's asset allocation strategies, underlying investments or market conditions.

Lowest tracking error

	1 quarter	3 years	5 years
Total SA Equity	**0.2%** Terebinth Capped SWIX Composite	**1.3%** Aluwani Capped SWIX Equity Composite	**1.5%** Mianzo Enhanced Equity Fund
Manager Watch SA Best Investment View	**0.4%** Laurium Domestic Balanced Fund	**1.3%** Alexander Forbes Investments Performer Local	**1.5%** Alexander Forbes Investments Performer Local
Manager Watch Global Best Investment View	**0.3%** SIM Global Unique	**0.5%** Alexander Forbes Investments (Spectrum)	**0.5%** Alexander Forbes Investments (Spectrum)

Tracking error: Measures how closely an investment follows a benchmark. 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 **Alexander Forbes Investments (Spectrum) fund** has shown a low 3-year tracking error of **0.5%,** 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 **14.8%,** highlighting its effectiveness in capturing the momentum within the mark.

Highest tracking error

	1 quarter	3 years	5 years
Total SA Equity	**14.9%** Camissa Managed Equity Fund	**10.6%** Ninety One Value Composite	**10.5%** Rezco Equity
Manager Watch SA Best Investment View	**10.7%** Camissa Balanced Fund	**10.3%** Aluwani Domestic Balanced Fund	**5.6%** Camissa Balanced Fund
Manager Watch Global Best Investment View	**10.2%** Camissa Global Balanced Fund	**14.5%** Rezco Value Trend	**14.3%** Rezco Value Trend

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 **14.5%** suggests significant deviation from its benchmark index over the period. Despite this, it has delivered a respectable 5-year return of **6.2%,** showcasing its potential for returns despite the tracking discrepancies.

Survey asset distribution

	December 2024	March 2025	June 2025
Absolute Return	R264 billion	R284 billion	R289 billion
BEE	R814 billion	R974 billion	R1021 billion
Manager Watch	R1 744 billion	R1773 billion	R1906 billion
Medical-Aid	R69 billion	R71 billion	R70 billion
Multi-Manager	R622 billion	R615 billion	R654 billion
Namibia	R109 billion	R114 billion	R118 billion
Property	R72 billion	R70 billion	R76 billion
SA Bond	R298 billion	R287 billion	R311 billion
SA Equity	R551 billion	R564 billion	R592 billion
SA Money Market	R592 billion	R613 billion	R612 billion
Shari'ah	R35 billion	R36 billion	R38 billion
TDI	R85 billion	R86 billion	R90 billion
Total	**R5 263 billion**	**R5 487 billion**	**R5 784 billion**

The figures in the table above suggest that over Q2 2025, the surveys realised an overall growth in assets managed by its constituents. When viewed individually, the BEE survey recorded an increase of over R47 billion in assets, largely driven by the addition of one new fund as well as a large increase in the market values of most of the participating portfolios. Meanwhile, the Multi-Manager, SA Bond, and SA Equity surveys experienced asset increases of more than R39 billion, R24 billion and R28 billion, respectively. The described increases were primarily due to growth in the market values of the participating funds. Our flagship Manager Watch survey saw the largest increase of over R133 billion in assets, as 115 out of its 121 participating funds increased in their market values paired with the entry of six new funds within Q2 2025.

Sustainable investment considerations
Sustainability insights

We're excited to share the 2025 Alexforbes Stewardship Report, a behind-the-scenes look at how we help make responsible investing a reality for you and thousands of other investors.

The report outlines how we evaluate and guide the asset managers we invest with, holding them accountable to high standards of performance, transparency and responsibility. It's part of how we align your investment outcomes with broader goals like sustainability, inclusive growth and risk management.

Engagement statistics

- **R6 trillion**
- **25 managers**
- **30 strategies**
- **8 asset classes**

In our latest stewardship report, we demonstrate how our influence as long-term investors continues to drive better outcomes, both financially and sustainably.

Here are just a few of the highlights:

342 formal engagements
held with asset managers.
Majority focused on accountability, performance and ESG issues.

Proxy voting: 23 501 resolutions voted.
Top issues: remuneration, governance and climate change.

Private markets: real-world impact
Our stewardship extends beyond public markets. Through our private markets platform, we've helped drive:

- 30 000+ SMMEs funded or supported
- 29 700+ women employed
- 6 200+ employees of colour in senior roles
- 9 SDGs and 6 NDP targets addressed
- 3.5 million+ households powered by renewable energy

ESG insights
Key themes raised included climate change, fair labour practice and remuneration. Engagement efforts focused on remuneration and water security, with ESG risks tabled as follows:

Environmental (E): 22%	Social (S): 19%	Governance (G): 59%

Strong PRI results
across strategies, most receiving above-median ratings.

Enhanced ESG reporting:
Reporting on ESG integration, carbon intensity (WACI) and diversity remains a focus across local and offshore allocations within our core portfolios.

To view the full report, **click here.**

To view the video, **click here.**

Expert insights -
An interview with ...

Thandeka Gaba

Investment Specialist: Alternatives, Alexander Forbes Investments

Please introduce yourself: name, designation and company name.

Thandeka Gaba, Investment Specialist: Alternatives, Alexander Forbes Investments.

What motivated you to become an investment professional?

I have always had a passion for numbers and a deep understanding of how the world operates. Additionally, I have always wanted to apply and harness the power of finance to create value while positively impacting the lives of others. Being an investment professional enables me to achieve that goal.

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

Novice investors often make common mistakes, such as panicking and making short-term investment decisions that will ultimately affect their long-term outcomes. Investors should be cautious of market noise and learn to tune out the noise. It is essential to maintain high conviction and stay invested for the long term, even when faced with uncertainties that often accompany investing. As is widely recognised, the true power of compound investing is realised only through staying invested over time

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

New trends often emerge that may seem appealing, but it is essential to conduct thorough due diligence before making any investment decisions. A solid understanding of the markets, risks and their complexities is crucial for effectively navigating these challenges

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

Having an analytical, adaptable and strategic mindset is essential for every investment professional. It is crucial to understand both what you know and what you do not know. What sets me apart is the unique perspective and outlook I have developed, which influences how I assess and evaluate investment opportunities. This distinctive viewpoint also informs my approach to other aspects of life, making me truly unique

Word
on the street

South Africa is one step away from grey list exit

South Africa is on the cusp of a key financial milestone. In June 2025, the Financial Action Task Force (FATF) announced that South Africa has 'substantially completed' its action plan to combat money laundering and the financing of terrorism.

This comes more than two years after the country was added to the FATF grey list, a designation that brought increased international scrutiny and risk monitoring.

Understanding the lists: White, grey and black

The FATF monitors global compliance with anti-money laundering (AML) and counter-financing of terrorism (CFT) standards. Countries that meet these standards are on the white list. Those that fall short, but are actively working to resolve weaknesses, are grey listed. Countries with severe and strategic deficiencies that pose a high risk to the financial system are black listed.

Grey listing doesn't come with direct sanctions, but it does signal to investors and global institutions that enhanced due diligence is required. This often leads to higher compliance costs, slower financial transactions and reputational risks that can influence capital flows. Since being grey listed in February 2023, South Africa has taken wide-ranging steps to plug regulatory gaps. This includes strengthening laws on beneficial ownership transparency, improving enforcement and boosting inter-agency cooperation.

In its June 2025 Plenary, the FATF stated that South Africa has made 'substantial' progress and now qualifies for an onsite visit. According to National Treasury, this visit will verify whether reforms are being implemented and sustained, and whether the political will exists to maintain these improvements. If the assessment is successful, South Africa will be officially delisted from the grey list at the next FATF Plenary in October 2025.

An exit from the grey list would be more than just a technical achievement. It would help restore investor confidence, smoothen cross-border transactions and boost the credibility of South Africa's financial regulatory environment. For local asset managers and institutional investors, this could mean easier onboarding of international clients, reduced compliance hurdles and a more competitive edge in global markets.

Preparations for the FATF's onsite visit are already under way. All eyes will now be on the October Plenary, where the final decision will be made. If positive, South Africa will rejoin the ranks of FATF-compliant jurisdictions, reinforcing the message that it remains open, trustworthy and serious about financial integrity.

Investor education

Money market investments (part 2)

Valuation methodology:
Accrual, mark-to-market and time-weighted methods

Previously, we gave a description of the key role that money market funds play in South African investment portfolios, offering short-term, low-risk exposure through instruments such as treasury bills, negotiable certificates of deposit (NCDs) and commercial paper. Behind the perceived stability of these funds lies a sophisticated framework used to measure performance and value.

For both seasoned professionals and curious investors, understanding the different valuation methodologies, which are the accrual, mark-to-market and time-weighted valuation methods, can offer deeper insight into how returns are tracked and interpreted.

Accrual methodology: A steady approach

The accrual method is the most common approach used in valuing short-term instruments (typically those under 90 days). Here, the value of an instrument grows linearly over time, based on the interest it is expected to earn. It assumes the instrument will be held to maturity, smoothing out daily price fluctuations. This method gives investors a consistent return profile and is ideal for portraying income certainty. However, it may not reflect sudden market shifts, which can affect the underlying value of instruments if sold early.

Mark-to-market methodology: Capturing market reality

Unlike the accrual method, the mark-to-market (MTM) approach recalculates the value of an instrument daily based on prevailing market rates. This method is often applied to instruments with longer maturities (91 to 180 days) or funds aiming to reflect real-time value. MTM provides a more transparent view of current market conditions, allowing investors to see how rate changes impact their portfolio's value. While more volatile, it offers a truer picture of actual fund performance, especially in times of interest rate movements or liquidity shifts.

Time-weighted methodology: Evaluating manager skill

The time-weighted return (TWR) isn't a valuation technique in the typical sense, but a performance measurement tool. It isolates the effect of investment decisions by eliminating the impact of cash flows like client deposits or withdrawals. This makes it ideal for comparing fund managers' effectiveness over time, as it reflects the returns generated solely from investment strategy, not from investor behaviour. In the context of money market funds, TWR is used to assess how consistently a manager adds value, especially across fluctuating interest rate environments.

Together, these three methodologies form a robust framework for assessing money market funds in South Africa, which span both short-dated (0-90 days) and longer-dated funds (91-180 days). The accrual offers a steady lens while mark-to-market reveals market responsiveness, with the time-weighted returns highlighting manager skill. A combination of the mentioned methodologies gives investors a wholistic view of fund performance, which is depicted in our monthly institutional surveys and can be found on the link below.

Click here for survey

Financial food for thought:

Weakness or strength?

“Little things affect little minds” –Benjamin Disraeli.

A frail old man went to live with his son, daughter in-law and four-year-old grandson. The old man’s hands trembled, his eyesight was blurred and his step faltered. The family ate meals together at the big family table. The elderly grandfather’s shaky hands and failing sight made eating difficult. Peas rolled off his spoon onto the floor. When he grasped the glass, milk spilled on the tablecloth.

The son and daughter-in-law usually became irritated with the mess. “We must do something about Grandfather,” said the son. “I’ve had enough of his spilled milk, noisy eating and food on the floor.” So the husband and wife set a small table in the corner. There, Grandfather ate alone, while the rest of the family enjoyed dinner at the big table. Since Grandfather had broken a dish or two, his food was served in a wooden bowl. When the family glanced in Grandfather’s direction, sometimes he had a tear in his eye as he sat alone.

Still, the only words the couple had for him were sharp admonitions when he dropped a fork or spilled food. The four-year old watched it all in silence. One evening before supper, the father noticed his son playing with wood scraps on the floor.

He asked the child sweetly, “What are you making?” Just as sweetly, the boy responded, “Oh, I am making a little bowl for you and Mama to eat your food in when I grow up.” The four-year old smiled and went back to work.

The words so struck the parents that they were speechless. Then tears started to stream down their cheeks. Though no word was spoken, both knew what must be done.

That evening the husband took Grandfather’s hand and gently led him back to the family table. For the remainder of his days he ate every meal with the family. In addition, for some reason, neither husband nor wife seemed to care any longer when a fork was dropped, milk spilled or the tablecloth soiled. Children are remarkably perceptive. With their eyes they observe, with their ears they listen and with their minds they process the messages they have absorbed. If they see us patiently provide a happy home atmosphere for family members, they will imitate that attitude for the rest of their lives. The wise parent realises that every day the building blocks are being laid for the child’s future. Let us be wise builders and role models.

The moral of the story...

As a parent, you want the best for your children. You want to lay a foundation that they can build upon to do well in life. If you want your children to develop good spending and saving habits, they need to see you making smart spending and saving choices. In short, practice what you preach and preach with consistency. People who receive financial advice can make the most of what they have, understand the importance of committing to an investment strategy that is appropriate for them and have the best chance of reaching their goals.

* 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. We also covered prominent industry news with key points based on quarterly economic performance.

Furthermore, we presented data on asset class performance and covered responsible investing in our sustainable considerations section. We also included an insightful interview with a field expert, discussed risk-adjusted measures and shared a brief story as financial food for thought.

Lastly, we closed off with a ‘word on the street’ section where we presented key insights related to South Africa’s overcoming grey listing.

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

- **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.
- **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.
- **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.
- **COFI bill:** is a bill proposed into law in South Africa that will regulate private equity funds and other financial institutions. It essentially proposes to regulate providers of participatory interests in alternative investment funds, which includes private equity funds structured as limited liability partnerships, companies, trusts, or other legal forms.
- **Correlation matrix:** A correlation matrix is a table that shows how different variables are related to each other. Each cell in the table reveals the strength and direction of the relationship between two specific variables. A score of 1.0 implies perfect correlation.
- **Credit Impulse Index:** measures the change in new credit issued to the non-financial private sector expressed as a percentage of GDP. The non-financial private sector includes households and non-financial firms and corporations primarily producing/manufacturing goods and services.
- **Distressed Private Equity:** specialise in lending to companies in financial crises. When the funds invest in companies, their purpose is to take control of the business during the bankruptcy or restructuring processes so they can buy the company at a lower purchase price. Then, they'll work to turn the companies around and, eventually, sell them.
- **DFM (Discretionary Fund Manager):** is a professional who manages an investment portfolio on behalf of a client, making decisions on asset allocation and trades without needing prior approval for each action, based on a predefined investment strategy and the client's financial goals.
- **ECB:** European Central Bank.
- **Exit strategy:** are methods for investors to realise their returns on investments in a portfolio of companies. The goal is to receive a return that's higher than the initial investment. Some common examples include Trade sale and IPOs.
- **FED:** Federal Reserve System.
- **Fund of Funds:** raises capital from investors but doesn't invest in private companies or assets. Instead, it acts as an investor and buys into a portfolio of other private equity funds.
- **Futures:** are standardised contracts to buy or sell an asset at a predetermined price and date in the future.
- **General Partner (GP):** these are individuals or entities that manage and makes the investment decisions for a private equity fund on behalf of the Limited Partners.
- **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.
- **Growth equity funds:** inject investments into mature, established companies that still need significant funding to grow. These companies usually have good cash flow and established business models but lack the financial boost for scalability or expansion regionally or globally.
- **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.
- **IPO (Initial Public Offering):** is the process by which a private company offers its shares to the public for the first time, thus becoming a publicly traded company. Through an IPO, a company can raise capital by selling its stock to investors. This transition allows the company to access public markets for funding, which can be used for expansion, paying off debt, or other corporate purposes.

- **Infrastructure works:** works similarly to real estate equity. Firms raise capital from private equity investors. Then, they use that capital to buy assets, operate them, and eventually sell them for profit. The difference with infrastructure funds is that they invest in assets that provide essential utilities or services. This includes sectors like utilities (e.g., gas, electricity, water) and transportation (e.g., airports, roads, bridges, rail transit).
- **Limited Partner (LP):** These are the investors such as high net worth individuals, Institutional investors as well as pension funds who invest into private equity funds which are managed by a General Partner (GP).
- **Median return:** The middle value of a set of returns or performance of a group of investments.
- **Mezzanine Capital:** is a hybrid form of financing that combines elements of debt and equity. It is typically used by companies to finance growth, acquisitions, or buyouts. This type of capital ranks between senior debt (like bank loans) and equity in terms of risk and repayment priority.
- **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.
- **Principles for Responsible Investment (PRI):** A global initiative promoting sustainable investing. It encourages investors to incorporate ESG factors for long-term sustainable returns.
- **Private Equity:** refers to a form of investment made into companies that are not publicly traded on a stock exchange. These investments typically come from private equity firms, venture capital firms, or wealthy individuals.
- **Real Estate Private Equity (REPE):** are simply funds that raise capital to acquire, develop, operate, improve, and sell buildings in order to generate returns for their investors. They generally invest in properties using different strategies.
- **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 organisations. 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.
- **SARB:** South African Reserve Bank
- **Secondaries:** is an investment vehicle that focuses on acquiring existing limited partnership interests in private market funds from other investors. These funds provide an avenue for investors to gain exposure to a diversified portfolio of companies or assets that are already established.
- **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.
- **Venture Capital (VC):** is a form of private equity financing provided by investors to start-ups and small businesses that are believed to have long-term growth potential. It plays a critical role in fostering innovation and business growth, particularly in technology and high-growth sectors.
- **Warrants:** are options issued by financial institutions, granting the holder the right to buy or sell an underlying asset at a predetermined price.