Institutional Managers' Digest

Issue 11

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In this edition

In this **edition**

The **September 2025** iteration of the Institutional Managers' Digest provides insights into the Q3 performance of survey constituents while also delves into topics related to changes within the asset management landscape, that took place during the quarter.

Alexforbes Head of Multi-Asset Class Products, Ernest Mabaso, features in our expert insights interview providing background on his journey within the investments industry and personal development. Survey in focus features an overview of the Namibia Survey, with some comparative statistics related to performance being provided.

Introduction

Q3 2025 saw strong performance being realised by South African equities, with the FTSE/JSE All Share Index ending the quarter with a return of 12.9%. Domestic bond markets performed well within positive territory, with the All Bond Index (ALBI) producing a quarterly return of 6.9%. The FTSE/JSE SA Listed Property Index recorded a weaker performance over the Q3 2025 relative to the previous quarter's performance, with a return of 6.7%. 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 8.5% and 6.6%, respectively.

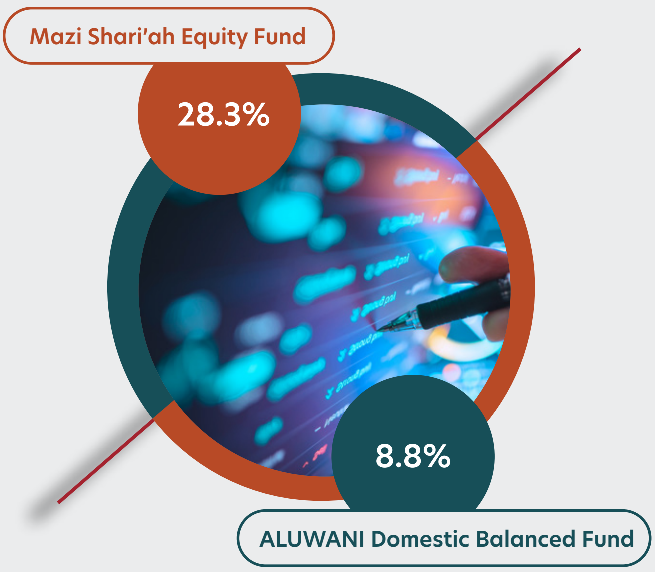
Globally, emerging markets performance declined in Q3 2025 compared to Q2 2025, with the MSCI EM recording a return of 8.1% for the quarter which is slightly lower than the 8.3% return recorded in June 2025. The S&P 500 TR delivered a Q3 2025 return of 5.3%, dropping from a strong return of 7.1% recorded in June 2025. Similarly, the MSCI EFM Africa showed strong performance, ending the quarter on 7.8%, outperforming MSCI EFM Africa ex SA, which had a quarterly return of 5.9%. Additionally, the MSCI World Index ended Q3 2025 on 4.6%, continuing the trend of strong performance in most regions over the quarter.

On the domestic economic front, Q3 unemployment stats showed a decline in South African unemployment rate by 1.3% to 31.9% with total employment rising by 248 000 jobs. Inflation for September 2025 rose to 3.3% increasing by 0.2% but remaining well within the targeted rage of 4.0 - 6.0%. This increase was mainly driven by higher utilities and food prices which increased by 0.1% to 4.5% respectively. The South African Reserve Bank (SARB) kept the interest rate steady at 7.0%, after a 25 basis points reduction in July 2025. Thus far the SARB has cut rates by 125 basis points since September 2024. Additionally, GDP for the second quarter rose by 0.8%, following 0.1% growth in the first quarter.

Sharpshooter

The Sharp Shooter (best absolute performer across all surveys) for the quarter is **Mazi Shari'ah Equity Fund,** participating in the **Shari'ah Survey** with a return of **28.3%.**

The best relative performer for the quarter was the **ALUWANI Domestic Balanced Fund,** participating in the **Manager Watch** and outperforming its benchmark by **8.8%.**



Surveys in numbers

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

94 Asset managers participating across our surveys

1008 Participating strategies across our surveys

R9.3 trillion Total assets under management (AuM – June 2025) of all participating strategies

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

76 Endorses the principals of CRISA.

55 **BEE level 1** contributors

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

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

Read more

Industry news

Ninety One wins conditional approval for Sanlam Investment deal in S.A:

The Competition Tribunal has approved Ninety One's acquisition and full control of Sanlam Investment Management (SIM), subject to strict public interest conditions. These include measures on confidentiality, business separation, retrenchment moratoriums, transformation support for small and HDP-owned firms, and enterprise and supplier development commitments.

Through the deal, Ninety One will expand its presence across South African, European, and African markets, leveraging Sanlam's distribution networks to access new savings pools. In exchange, Sanlam will acquire a 12.3% stake in Ninety One, cementing a long-term partnership between the two asset managers.

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Vunani merges fund management with Sentio Capital:

Vunani Limited has announced the merger of its subsidiary, Vunani Fund Managers, with Sentio Capital Management, forming a combined entity managing over R60 billion in assets. The transaction became unconditional on 1 October, resulting in Vunani Fund Managers acquiring 100% of Sentio through a share exchange and cash payment, though the cash portion was undisclosed. After the merger, Vunani Capital, a wholly owned subsidiary of Vunani Limited, holds 63% of Vunani Fund Managers, Sentio management holds 22%, and Vunani Fund Managers retains 15%. Investment Managers Group, which previously owned 30.1% of Sentio, supported the merger but opted to exit, citing misalignment with its investment mandate.

Vunani chief executive Ethan Dube said the merger strengthens the group's position as a consolidator in South Africa's fund management industry, enhancing scale and competitiveness. He noted that many smaller firms struggle to grow beyond R20 billion in assets and that scale is crucial for expansion and industry relevance. The merger combines two established brands with complementary investment capabilities and little overlap, broadening Vunani's product offering across domestic and global equity, fixed-interest, multi-asset, and Shariah-compliant unit trusts. The new entity, Vunani Sentio Fund Managers, will focus on integrating teams, systems, and processes to align the combined business and drive future growth through further strategic acquisitions.

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SEI and Mentenova team up to bring global quant strategies to SA:

SEI Investments has partnered with Johannesburg-based Mentenova to launch a global equity building block for South African investors, combining SEI's factor-driven quantitative strategies with Mentenova's local portfolio design and manager selection. The move marks Mentenova's shift from pure indexation to active management, achieved with minimal fee increases. The collaboration aims to offer clients stronger inflation-beating returns and better retirement outcomes by blending global expertise with locally relevant portfolio construction.

SEI's quantitative approach focuses on cost-efficient alpha generation through systematic, factor-based investing that adapts to market cycles. Both firms emphasise that success will be measured by long-term results rather than theory, with diversification and disciplined factor management at the core. They see the partnership as a foundation for future expansion into areas such as fixed income and multi-asset investing, while maintaining a focus on delivering measurable value to South African investors.

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Quarterly index performance

Best-performing SA indices in the surveys

Quarter	1 year	3 years	5 years
14.7% FTSE/JSE SWIX 40 Index	**32.5%** FTSE/JSE Top 40 Index	**24.7%** FTSE/JSE Top 40 Index	**22.0%** FTSE/JSE All Property Index

Best-performing peer group benchmarks as featured in the surveys

Quarter	1 year	3 years	5 years
9.3% SA BIV Average	**20.7%** SA BIV Average	**18.3%** Global Dynamic Median	**17.3%** 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

	March 2025	June 2025	September 2025
SA equities	67.4%	69.0%	70.9%

Asset allocation data for participants in the SA BIV category for Q3 2025 reveals significant changes in managers exposure to domestic equities, which continues to increase, as in the previous quarters, going up by 1.9% from June 2025 to September 2025. The mentioned increase was accompanied by a Q3 decrease in allocation to domestic bonds of 1.2%, to an average exposure of 20.8%. Shifts towards domestic equities may be in response to the continued positive performance realised by FTSE/JSE All Share Index with a year-to-date (YTD) return of 31.7%. Allocation to domestic property and cash were recorded at an average of 3.5% and 3.4%, respectively. Changes in asset class exposure are sure to continue with managers gearing their portfolios to take advantage of volatile local markets and marginally improving inflationary conditions.

Global BIV - average asset allocation

	March 2025	June 2025	September 2025
SA equities	39.5%	38.4%	39.5%
Total SA assets	**65.0%**	**64.9%**	**65.2%**

	March 2025	June 2025	September 2025
Global equities	26.0%	26.3%	26.3%
Total international	**35.0%**	**35.1%**	**34.8%**

Constituents of the Global BIV category delivered an average quarterly performance of 6.0%, which is 2.8% lower than the average performance generated by SA BIV constituents, in the same period.

Total average allocation to offshore investments decreased during Q3 2025 by 0.3% and was accompanied by a 0.3% increase in total allocation to domestic assets for the quarter. Allocation to domestic and offshore equities over the quarter shows an increase of 1.1% for domestic equities with a neglectable changes in allocation to global equities.

Overall, the data indicates a shift in favour of domestic assets by managers, with offshore allocation decreasing slightly over the quarter. This suggests that asset managers are diversifying their portfolios to take advantage of a constantly changing global and domestics developments which include the geopolitical landscape changes and volatile global markets.

Survey in focus – **Namibia Manager Watch™**

The Namibia Manager Watch™ Survey is a reference point for evaluating performance and positioning across the Namibian asset management fund industry. As part of the broader Manager Watch™ suite, the survey offers a comparative view of key fund categories which include, Combined Conservative, Unit Trusts, Fixed Income, Money Market, and Namibian Best Investment View (BIV): Multi-Asset Class, enabling investors to assess fund performance and manager skill across a range of investment objectives.

The Combined Conservative and broader Unit Trust categories represent the foundation of Namibia's low- to medium-risk investment universe, catering to investors seeking capital preservation, stable income, or balanced long-term growth depending on the mandate. Combined Conservative funds typically blend money-market instruments with short- to medium-term fixed-income securities along with modest allocations to equities, resulting in a defensive risk profile that targets returns modestly above inflation while maintaining tight volatility control. Within the broader Unit Trust universe, mandates span income-oriented funds, balanced strategies, and growth-focused equity offerings. over time, with an emphasis on capital preservation and managing downside risk.

The Fixed Income and Money Market categories focus on income generation and capital preservation through exposure to government bonds, State-Owned Enterprises (SOE) debt, corporate credit, bank paper and short-dated instruments. Fixed-income mandates differ by duration and credit risk, with some funds positioned on the shorter end of the yield curve and others adopting intermediate to longer-term exposures. Performance is largely driven by interest-rate views, credit research and yield-curve positioning. Money Market funds remain the most liquidity-focused segment, investing solely in high-quality, short-term securities such as Treasury bills, negotiable certificates of deposit, and bankers' acceptances.

The Namibia BIV category (a central feature of the survey) depicts participants' best investment views and assesses managers' ability to construct diversified portfolios across equities, fixed income, listed property, cash and offshore assets. These funds aim to deliver inflation-beating returns over multi-year periods by allocating across asset classes and adjusting exposures in response to evolving conditions.

Namibia BIV
Performance Results

	Quarter	Year-to-Date
Namibia BIV	9.8%	19.7%
South Africa BIV	10.3%	24.0%
Global BIV	10.1%	22.5%

Namibia BIV portfolios returned a strong average performance of 9.8% for the quarter and 19.7% year-to-date. When compared with the South Africa and Global BIV categories within the wider Manager Watch™ Survey, Namibian BIV category performance remained competitive despite operating in a smaller and more concentrated investment universe.

The given highlights on the Namibia survey show how managers are applying various styles of investment in the varying categories of the survey within the Namibian investment context. When viewed alongside South African and Global BIV results, Namibia's performance reflects increasing alignment with regional trends and demonstrates that managers that form part of the Namibian investment landscape, are capable of producing competitive, well-structured, and resilient portfolios.

Overall, the survey continues to provide investors and stakeholders with a clear, evidence-based view of fund performance, manager skill and strategic positioning within the Namibian market.

Risk statistics
Volatility and tracking error

Lowest volatility

	1 quarter	3 years	5 years
Total SA Equity	**1.3%** ClucasGray Equity Prescient Fund	**9.8%** Rezco Equity	**10.6%** Foord Domestic Equity
Manager Watch SA Best Investment View	**1.5%** CGAM SA Balanced Prescient Fund	**7.8%** Allan Gray Domestic Balanced	**8.0%** Foord Domestic Balanced
Manager Watch Global Best Investment View	**0.3%** M&G Balanced	**4.1%** Mentenova Wealth Protector	**4.4%** 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 **ClucasGray Equity Prescient Fund** recorded a quarterly volatility of just **1.3%**, reflecting a relatively stable return profile over the period. In terms of performance, the fund returned **8.5%**, slightly underperforming its benchmark which returned **12.9%**. 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	**12.5%** Sentio General Equity Fund	**14.9%** Cachalia Capital C Value Fund	**14.9%** Momentum Investments Value Equity
Manager Watch SA Best Investment View	**9.1%** Camissa Balanced Fund	**12.3%** Camissa Balanced Fund	**11.2%** Camissa Balanced Fund
Manager Watch Global Best Investment View	**9.2%** Nedgroup Bravata Worldwide Flexible Fund (Aylett)	**10.2%** Camissa Global Balanced Fund	**11.6%** 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 **11.6%** compared to its peer group's average volatility of **8.0%**.

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	**0.4%** Balondolozi Active Equity Fund	**1.0%** Balondolozi Active Equity Fund	**1.6%** Mianzo Enhanced Equity Fund
Manager Watch SA Best Investment View	**0.3%** Alexander Forbes Investments Performer Local	**1.2%** Alexander Forbes Investments Performer Local	**1.5%** Alexander Forbes Investments Performer Local
Manager Watch Global Best Investment View	**0.4%** Nedgroup Investments Core Guarded Fund	**0.5%** Alexander Forbes Investments (Spectrum)	**0.5%** Alexander Forbes Investments (Spectrum)

Tracking error: Measures how closely an investment follows an 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 **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 **17.4%**, highlighting its effectiveness in capturing the momentum within the mark

Highest tracking error

	1 quarter	3 years	5 years
Total SA Equity	**15.9%** Ninety One Value Composite	**11.4%** Ninety One Value Composite	**10.7%** Rezco Equity
Manager Watch SA Best Investment View	**6.0%** ALUWANI Domestic Balanced Fund	**10.1%** ALUWANI Domestic Balanced Fund	**5.6%** Camissa Balanced Fund
Manager Watch Global Best Investment View	**10.4%** Rezco Value Trend	**14.3%** Rezco Value Trend	**14.5%** Rezco Value Trend

Tracking error: Measures how closely an investment follows an 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 index over the period. Despite this, it has delivered a respectable 5-year return of **6.6%**, showcasing its potential for returns despite the tracking discrepancies.

Survey asset distribution

	March 2025	June 2025	September 2025
Absolute Return	R284 billion	R289 billion	R308 billion
BEE	R974 billion	R1021 billion	R1057 billion
Manager Watch	R1773 billion	R1906 billion	R2040 billion
Medical-Aid	R71 billion	R70 billion	R68 billion
Multi-Manager	R615 billion	R654 billion	R708 billion
Namibia	R114 billion	R118 billion	R126 billion
Property	R70 billion	R76 billion	R78 billion
SA Bond	R287 billion	R311 billion	R316 billion
SA Equity	R564 billion	R592 billion	R655 billion
SA Money Market	R613 billion	R612 billion	R653 billion
Shari'ah	R36 billion	R38 billion	R41 billion
TDI	R86 billion	R90 billion	R92 billion
Total	**R5 487 billion**	**R5 784 billion**	**R6 148 billion**

The figures in the table above indicate that during Q3 2025, the surveys collectively recorded overall growth in assets under management. Viewed individually, the SA Equity and Multi-Manager surveys showed notable increases of approximately R62 billion and R54 billion, respectively. These gains were largely driven by higher market values across most participating portfolios, the substantial increase in the market value of one of the participating funds in the SA Equity survey as well as the addition of three new funds to the Multi-Manager survey. Similarly, the SA Money Market, BEE, and Absolute Return surveys experienced asset growth of over R40 billion, R39 billion, and R19 billion, respectively, mainly attributable to rising market values of the participating funds. The flagship Manager Watch survey recorded the largest increase, with assets growing by more than R133 billion, as 112 of its 122 participating funds reported higher market values, along with the inclusion of one new fund during Q3 2025.

Sustainable investment considerations

Sustainability insights

G20 2025: What the Sustainability Agenda means for South Africa's investment prospects

In November 2025, global leaders will converge in Johannesburg for the G20 Summit, the first ever to be hosted by an African nation[1]. The South African presidency's theme, "Solidarity, Equality and Sustainability," captures an ambition to reshape global economic governance and climate action through a developing-market lens[2]. The summit's agenda positions sustainability not as an isolated climate issue but as an economic framework linking fair finance, social stability, and green industrialisation. For investors, the focus areas of the 2025 G20 signal potential shifts in capital flows, risk premiums, and opportunity sets across emerging markets, particularly in Africa.

At the heart of South Africa's G20 priorities is climate and development finance reform. The country is leading calls for a more equitable financial architecture that expands concessional capital, debt-restructuring mechanisms, and blended-finance tools to support developing nations[3]. The goal is to unlock both public and private capital for just energy transitions, climate resilience, and infrastructure investment. Closely tied to this is the emphasis on a just energy transition investment plan (JET IP), recognising that decarbonisation must be accompanied by social protection, job creation, and retraining to maintain political and economic stability[6].

Another major pillar of the summit's sustainability agenda is nature and adaptation. The G20 Environment and Climate Sustainability Working Group hosted in South Africa throughout the year[4] has broadened the sustainability agenda to include biodiversity protection, water security, and climate adaptation, all of which are central to agricultural productivity and long-term regional resilience[5]. Civil-society groups have also pushed for stronger recognition of environmental justice, food security, and equitable growth as core metrics of sustainability rather than secondary outcomes.

1. https://g20.org/news/ramaphosa-sets-bold-agenda-for-south-africas-g20-presidency/
2. https://g20.org/news/ramaphosa-sets-bold-agenda-for-south-africas-g20-presidency/
3. https://www.gov.za/news/media-statements/treasury-south-african-presidency-g20-finance-track-17-oct-2025
4. https://g20.org/g20-media/minister-george-leads-the-g20-environment-and-climate-sustainability-working-group/
5. https://g20.org/g20-media/minister-george-leads-the-g20-environment-and-climate-sustainability-working-group/
6. https://www.gov.za/news/speeches/minister-dion-george-opening-remarks-g20-environment-and-climate-sustainability

For South Africa, these discussions carry direct investment implications. Should the summit yield meaningful commitments on climate and development finance, the country could attract substantial capital inflows into renewable energy, grid modernisation, and green hydrogen projects addressing both its energy deficit and structural growth challenges. Reforms that reduce borrowing costs or improve sovereign credit treatment could also ease fiscal constraints, enabling greater public-sector investment in infrastructure and social development. Furthermore, with global momentum behind secure and ethical supply chains, South Africa's critical minerals, such as platinum, manganese, and vanadium, stand to benefit from rising demand linked to the clean-energy transition. Increased investment in beneficiation and processing could stimulate domestic manufacturing, deepen industrial capacity, and enhance export competitiveness.

Yet the path from policy commitments to tangible investment outcomes remains uncertain. Geopolitical tensions within the G20 including boycotts and divisions over climate ambition, risk limiting the strength of the summit's outcomes[7]. Even when funding pledges are made, the persistent gap between announcements and implementable projects remains a challenge. South Africa's ability to absorb new capital will depend on improvements in project-pipeline transparency, regulatory certainty, and governance factors that remain central to institutional investors assessing risk-adjusted returns.

Ultimately, the Johannesburg G20 Summit offers South Africa a rare opportunity to align global sustainability ambitions with domestic economic priorities. For investors, it could become an inflection point. If the country succeeds in translating its diplomatic leadership into credible, investible green and infrastructure pipelines, the payoff could be substantial from enhanced energy security to industrial diversification and long-term sustainable growth.

7. https://www.treasury.gov.za/comm_media/speeches/2025/2025022701%20G20%20Finance%20Ministers%20and%20Central%20Bank%20Governors%20%28FMCBG%29%20Meeting%20-%20Final%20Chair%20Summary.pdf

Expert insights –
An interview with …

Ernest Mabaso
Head of Multi-Asset Class Products

Please introduce yourself: name, designation and company name.

Ernest Mabaso, Head of Multi-Asset Class Products, at AF Investments

What motivated you to become an investment professional?

I enjoy the challenging nature of the industry and how fast paced it is. I enjoy problem solving and interpreting financial data, but I realise that finance is not just about numbers, it is about people too and meeting their goals.

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

I always believe that if I can buy an asset for a client portfolio below its true value I have a high degree of confidence that the client will be rewarded in the future as long as he or she remain patient. If the same asset grows in value beyond what is deemed its fair value, I am happy to sell and bank the profits and look for other cheaper opportunities in the market.

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

I see volatility as an opportunity to buy assets cheaply when investors out there begin to panic. Importantly if one has a longer-term view in the market you stand to benefit when things correct.

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

Buying the flavour of the month stocks can be common among novices due to the fear of missing out. An important question to always ask is why am I buying and is there value in the asset.

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

AI will help bring solutions to investors and clients in real time via the provision of more data driven insights and analysis. AI can also contribute towards portfolio optimisation by analysing large volumes of data and aid decision making a lot quicker

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

Managing client expectations all the time is a key challenge as markets keep changing. It is important to always look ahead and take a longer-term view. It is hard to predict where markets can go over the short term due to market volatility. In addition, high interest rates tend to be negative for markets as they affect investor sentiment. It becomes important to look ahead and beyond the cycle, and take advantage of opportunities that avail in the market and buy them cheaply.

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

Be patient and take a long-term view.

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

The way I think about risk is different. Everyone in the crowded field wants to deliver the highest return without much recognition of how much risk is taken to deliver such return. For me it's all about avoiding the major speed bumps along the road and aim to deliver steady and consistent performance which accumulates over time.

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

Think long term. If markets go down its no cause for panic and rather see that, as opportunity to buy assets cheaply and be patient for the reward will come in time.

Word on the street

South Africa officially exits the FATF Greylist

On 24 October 2025, the Financial Action Task Force (FATF) officially announced that South Africa has been removed from its greylist formally known as the list of "Jurisdictions under Increased Monitoring."[1] This development ends a more than two-year period of heightened international scrutiny that began in February 2023, when the FATF flagged "strategic deficiencies" in South Africa's anti-money laundering (AML) and counter-financing of terrorism (CFT) frameworks.[2]

The decision followed a successful on-site assessment earlier in 2025. During the visit, FATF reviewers confirmed that all 22 action items laid out in South Africa's reform plan had been addressed, and that the country was demonstrating sustained implementation of its AML/CFT reforms.[3] The FATF praised South Africa's "strong political commitment," noting close coordination between the National Treasury, the Financial Intelligence Centre (FIC), the South African Reserve Bank, and law-enforcement institutions.[4]

Being on the FATF greylist can affect a country's financial reputation. While it doesn't trigger formal sanctions, greylisting raises a country's risk profile in global finance, subjecting its institutions to heightened scrutiny. For South Africa, this translated into higher compliance costs, more rigorous due diligence by foreign banks, and a drag on investment sentiment.[5]

1. https://www.gov.za/news/media-statements/treasury-south-africa-south-africa-exiting-fatf-greylist-24-october-2025-24 Government of South Africa
2. https://www.gov.za/news/media-statements/treasury-fatf-greylisting-progress-13-jun-2025 Government of South Africa
3. https://www.treasury.gov.za/comm_media/press/2025/2025061301%20Media%20Statement%20-%20FATF%20Greylisting%20Progress%20Update%20for%20South%20Africa%20June%22025.pdf National Treasury of South Africa
4. https://www.treasury.gov.za/comm_media/press/2025/2025073101%20Media%20Statement%20-%20FATF%20Joint%20Group%20onsite%20visit.pdf National Treasury of South Africa
5. https://www.businessday.co.za/news/2025-10-24-sa-exits-fatf-greylist/ Business Day

Now that the greylist status has been lifted, South Africa can make a stronger case for being viewed as a credible, well-regulated financial jurisdiction.

Since the greylisting, the country has enacted sweeping reforms. It established a national register to disclose the beneficial owners of companies and trusts, expanded the FIC's data-gathering and oversight powers, stepped up prosecutions and asset recovery, and tightened regulation of non-financial sectors, including imposing stricter sanctions for non-compliance.[6] These measures were not just technical fixes for the FATF; they also reflect a deeper commitment to transparency, governance, and long-term institutional strength.

The implications of delisting are meaningful. For international investors, the move signals renewed confidence in South Africa's financial system, potentially easing cross-border deal-making, reducing transactional friction, and strengthening correspondent-banking relationships.[7] Wealth managers and asset managers, especially those onboarding offshore clients, may now face fewer structural barriers, and South Africa's market proposition is likely to become more attractive as a trusted destination for global capital.

However, delisting is by no means the end of the journey. The FATF has made clear that sustained reform depends on consistent enforcement, increased investigative capacity, and continued inter-agency cooperation.[8] The National Treasury has underscored this too, framing the exit as a "collective achievement" involving government, regulators, and the private sector.[9] Looking ahead, the next major test will be the FATF mutual evaluation, scheduled to begin in 2026, which will assess whether the gains are durable and embedded in institutional practice.[10]

In short: South Africa's exit from the greylist restores a critical layer of international financial credibility. It underscores that having robust AML/CFT systems, not just policies on paper, matters deeply for global trust. Delisting is a major milestone, but the real work lies ahead: ensuring that reform momentum continues, and that strengthened governance translates into deeper, sustained investor confidence.

6. https://www.businessday.co.za/news/2025-10-24-sa-exits-fatf-greylist/ Business Day
7. https://www.saica.org.za/news/south-africas-removal-from-the-fatf-greylist-marks-a-milestone-in-strengthening-financial-integrity-saicas-role-in-the-process Saica
8. https://www.gov.za/news/media-statements/treasury-south-africa-south-africa-exiting-fatf-greylist-24-october-2025-24 Government of South Africa
9. https://www.gov.za/news/media-statements/treasury-south-africa-south-africa-exiting-fatf-greylist-24-october-2025-24 Government of South Africa
10. https://www.gov.za/news/media-statements/treasury-south-africa-south-africa-exiting-fatf-greylist-24-october-2025-24 Government of South Africa

Investor education

Understanding debt instruments for South African retail investors

Debt instruments are a cornerstone of diversified investing, especially for South African retail investors seeking predictable income and stability when equity markets are volatile. These fixed-income options range from government debt to corporate bonds and money-market funds, and understanding how they work can help investors align income needs, time horizons and risk tolerance more effectively.

One of the safest categories is **government bonds and Treasury bills**. South African government bonds (SAGBs) are long-term debt securities, issued by National Treasury, that pay semi-annual interest and mature over periods ranging from two to thirty years. These bonds are listed on the JSE Debt Market, allowing investors to liquidate positions when needed.[1] Meanwhile, Treasury bills are short-term instruments, typically with maturities of up to 12 months, sold at a discount and redeemed at face value, making them a core component of money-market and liquidity-focused portfolios.[2]

Corporate bonds or listed debt are another avenue for retail participation. These instruments are issued by companies, banks, and other institutions, and they tend to offer higher yields than government securities due to added credit risk. The JSE's Interest Rate Market hosts a variety of corporate debt instruments including fixed-rate, floating-rate, inflation-linked bonds, commercial paper, and even asset-backed debt.[4] Although liquidity can be lower than government bonds, retail investors can gain exposure through fixed-income unit trusts, multi-asset income funds, or through discretionary portfolios on digital platforms. Credit quality, issuer reputation, and duration risk are critical factors to evaluate before investing.

For investors prioritising liquidity and capital preservation, **money-market instruments** offer compelling utility. Money-market funds typically invest in very short-term debt including Treasury bills, negotiable certificates of deposit, and commercial paper allowing for quick access to cash (often within one or two business days) while still earning a return. These funds are especially useful as a cash-parking tool or emergency reserve. **Inflation-linked bonds** provide inflation protection by adjusting both the principal and interest payments in line with consumer price changes. These are particularly useful in times of rising inflation or uncertain interest rates, offering a "real" return that preserves purchasing power.[5]

In today's environment of elevated interest rates and economic uncertainty, debt instruments offer retail investors in South Africa a balanced way to generate income, preserve capital, and diversify away from equities. By understanding the mechanics and risks associated with these instruments, from Treasury bills and government or corporate bonds, to inflation-linked securities investors can better tailor their portfolios to both their financial goals and the evolving dynamics of the local market.

1. https://www.jse.co.za/trade/debt-market/bonds/government-bonds JSE
2. https://www.resbank.co.za/content/dam/sarb/publications/fact-sheet/fact-sheet/2012/5010/Fact-Sheet-7.pdf South African Reserve Bank
3. https://www.gov.za/about-government/rsa-retail-savings-bonds Government of South Africa
4. https://www.jse.co.za/trade/debt-market/bonds/corporate-bonds JSE
5. https://myapi.alexanderforbes.co.za/content/download/afinvestments/fundfactsheets?path=AF_InflationIncomeTarget.pdf

Financial food for thought:

Weakness or strength?

"The Grasshopper and the Ant"

One summer, a carefree grasshopper spent his days singing and basking in the sun, while the ants toiled away gathering food and fortifying their nest. "Why work so hard?" the grasshopper laughed. "There's plenty now!" But when winter arrived, the fields turned bare, and the grasshopper found himself hungry and cold while the ants, prepared and disciplined, thrived on their stored provisions.

It's an old fable, but its wisdom still rings true in the world of investing. The grasshopper represents the short-term thinker which is someone who spends freely when times are good, assumes prosperity will last forever, and sees little urgency in preparing for the future. Many investors fall into this mindset when markets rally. They live for the "now," driven by optimism and often lulled into a false sense of security by rising prices or booming returns.

The ant, however, embodies the disciplined investor. Instead of reacting to the moment, the ant plans ahead, consistently saving, diversifying, and building reserves. The ant doesn't know exactly when winter will come, only that it eventually will. Similarly, prudent investors acknowledge that market cycles are inevitable, that downturns, inflation spikes, and economic slowdowns are part of the landscape. By maintaining steady contributions, rebalancing portfolios, and avoiding unnecessary debt, they ensure they're ready not just for the summer of prosperity, but for the winter that follows.

The moral of the story...

The key lesson is not about fear, but foresight. Markets, like seasons, will always change but preparation determines how you weather them. As retail investors, we can all take a page from the ants' book: save a little more during good times, stay disciplined when others are distracted, and let patience compound your efforts.

When the next "financial winter" arrives, whether it's a market correction, recession, or personal setback, those who've planned like the ant will find themselves not scrambling, but stable. Because in investing, as in nature, it's not just how much you earn that matters but it's how wisely you prepare for what comes next.

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 responsible investing in our sustainable considerations section. We also included an insightful interview with a field expert, discussed debt instruments 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 greylisting. 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.

South African aint-money laundering (SAAML): is a structured set of laws, policies, controls, and processes that organisations use to detect, prevent, and report money laundering activities. It forms part of a broader financial crime-prevention system and is often paired with CFT (Counter-Financing of Terrorism) measures.

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.

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.

Counter-financing of terrorism (CFT): refers to the laws, regulations, systems, and processes that countries put in place to prevent, detect, and disrupt the flow of money used to support terrorist activities.

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.

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.

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.

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.

Financial Action Task Force (FATF): is an international organisation that sets global standards to prevent money laundering, terrorist financing, and the financing of weapons of mass destruction.

FED: Federal Reserve System.

Financial Intelligence Centre (FIC): is the national hub for collecting and analysing financial data, established under the FIC Act (38 of 2001) to combat financial crimes such as money laundering, tax evasion, and terrorist financing.

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.

- **Greylisting:** is when the FATF places a country under increased monitoring due to weaknesses in combating financial crimes. It signals to the world that the country has committed to reforms but still poses some risk. This can lead to tougher scrutiny, slower investment, and higher financial transaction costs.
- **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.
- **Initial Public Offering (IPO):** 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 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.