Institutional Managers' Digest

Issue 12

Enter

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The **December 2025** iteration of the Institutional Managers' Digest provides insights into the Q4 performance of survey constituents. It delves into changes in the asset management landscape, that took place during the quarter.

Alexforbes Head of Investment Platforms, Mercy Mpofu, features in our expert insights interview providing background on her journey within the investments industry and personal development. The survey in focus features an overview of the new categories included in the Bond and Shariah Survey, with some comparative statistics related to performance being provided.

Introduction

In Q4 2025, South African equities continued their positive run, delivering a strong return of 8.1% for the FTSE/JSE All Share Index (ALSI). South African bonds delivered a strong performance in Q4 2025, with the All Bond Index (ALBI) returning 9.0% for the quarter, extending their consistent upward trajectory observed throughout 2025. Domestic property markets delivered a very strong return for Q4 2025 with the FTSE/JSE SA Listed Property Index returning 16.3%, significantly outperforming earlier quarters. 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 7.6% and 4.7%, respectively.

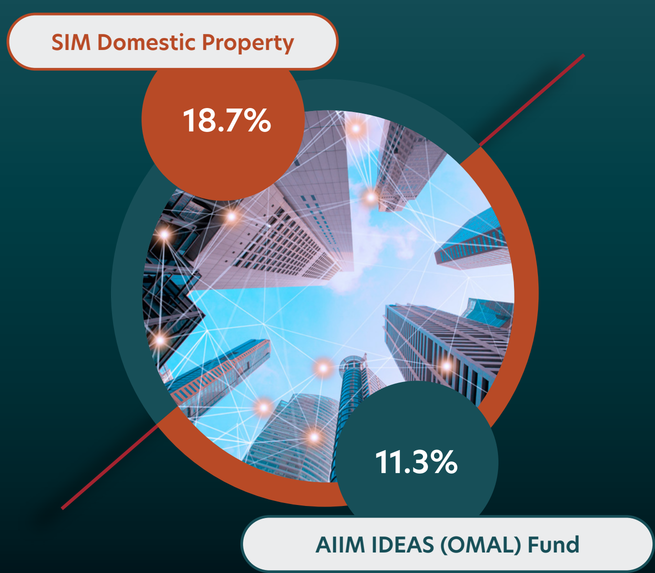
Globally, emerging markets performance declined in Q4 2025 compared to Q3 2025, with the MSCI EM recording a return of 0.6% for the quarter which is significantly lower than the 8.1% return recorded in September 2025. The S&P 500 TR delivered a Q4 2025 return of -1.5%, dropping from a strong return of 5.3% recorded in September 2025. Similarly, the MSCI EFM Africa showed strong performance, ending the quarter on 0.5%, outperforming MSCI EFM Africa ex SA, which had a quarterly return of -2.2%. Additionally, the MSCI World Index ended Q4 2025 on -1.0%, with declining performance in most regions over the quarter.

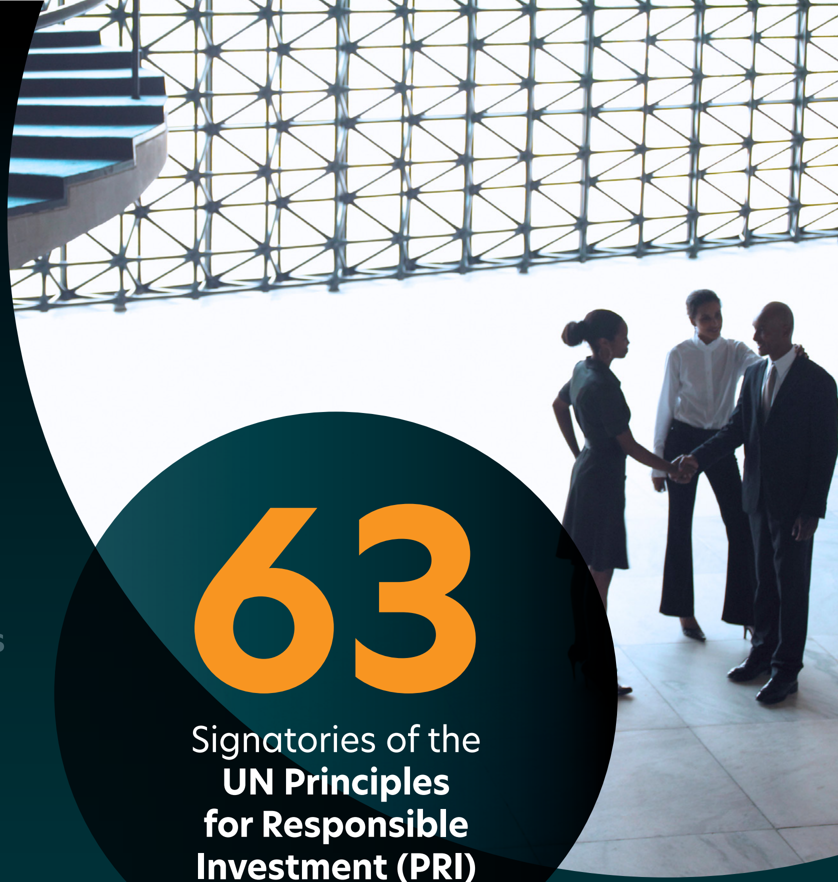
Following a revised increase of 0.9% in Q2 2025, real gross domestic product (GDP) for South Africa continued on its positive trajectory with a 0.5% expansion being realised in Q3 2025. Mining and quarrying along with agriculture, forestry and fishing were among the sectors that recorded the highest growth rates. Domestic inflation was recorded at the lowest level it's been in 21 years, even though CPI for December 2025 was 3.6% which is 0.1% higher than the November print. Average inflation for 2025 was 3.2% which is the lowest since 2004 which also comes as the South African Reserve Bank (SARB) adopted a new inflation point target of 3.0%, moving away from the previous 3.0 to 6.0% inflation band. The SARB cut the repo rate by 25 basis points after the November 2025 Monetary Policy Committee (MPC) meeting leaving the repo rate at 6.8% in 2025 with the prime lending rate dropping to 10.3% for the year.

Sharpshooter

The Sharp Shooter (best absolute performer across all surveys) for the quarter is **SIM Domestic Property**, participating in the **Property Survey** with a return of **18.7%**.

The best relative performer for the quarter was the **AIIM IDEAS (OMAL) Fund**, participating in the **Targeted Development Investment Survey** outperforming its benchmark by **11.3%**.





Surveys
in numbers

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

94
Asset managers participating across our surveys

1009
Participating strategies across our surveys

63
Signatories of the **UN Principles for Responsible Investment (PRI)**

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

77
Endorses the principals of CRISA.

57
BEE level 1 contributors

533
Portfolios outperformed their respective benchmarks (excluding International, Namibia, FoHF, Africa and LDI surveys)

637
Portfolios increased their market values (excluding international survey and LDI survey)

Read more

Industry news

Sanlam and Ninety One formalise long-term investment partnership:

Sanlam Investments has confirmed that its transaction with Ninety-One is now officially in place, marking the start of a long-term strategic partnership between two of South Africa's largest asset managers.

As part of the deal, nearly R400 billion in assets have been transferred to Ninety-One for investment management. In practical terms, this means Sanlam has chosen Ninety-One to help manage a significant portion of the money it invests on behalf of its clients.

Rather than managing all investments in-house, Sanlam believes partnering with Ninety-One gives it access to deeper specialist skills, global research and a broader investment platform. This, in turn, is expected to benefit clients through more robust and competitive investment solutions.

Click here to read more

Old Mutual Wealth Cleared to Buy 10X Investments for R2.2bn:

Old Mutual Wealth has received approval from the Competition Commission to acquire a majority stake in 10X Investments, with the Commission recommending that the Competition Tribunal approve the deal without conditions. The transaction is valued at R2.2 billion and involves Old Mutual Wealth buying out stakes held by Old Mutual Private Equity (OMPE), part of Old Mutual Alternative Investments and DiGAME Investments, while 10X's management will retain a significant shareholding. The deal is expected to close in Q2 2026.

OMPE and DiGAME first invested in 10X in 2014, backing the company's goal of improving retirement outcomes through lower fees, simplified investment choices and scalable technology. Over the past decade, 10X has grown substantially, with assets under management reaching R68 billion and a client base exceeding 60,000. The firm holds a market-leading position in net inflows into passive products, ETFs and innovative beta solutions and expanded into the direct-to-consumer market through its acquisition of CoreShares in December 2022. Old Mutual said the acquisition strengthens its investment offering and positions the group as a major player in South Africa's rules-based passive investment market. 10X will continue to operate independently under its existing management and brand while working closely with Old Mutual Wealth to unlock immediate value through strategic collaboration.

Click here to read more

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 WatchTM survey. These adjustments are influenced by changes to 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

	June 2025	September 2025	December 2025
SA equities	69.0%	70.9%	70.7%

Asset allocation data for participants in the SA BIV category for Q4 2025 reveals minor changes in managers exposure to domestic equities, which decreased by 0.2% from the previous quarter. The mentioned decrease was accompanied by a Q4 decrease in allocation to domestic bonds of 0.7%, to an average exposure of 20.1%. Conversely, allocation to domestic property and commodities increased to an average of 4.9% and 1.0%, respectively. Changes in domestic asset class exposure continue to be implemented by managers in an effort to gear their portfolios to take advantage of strong performance in local markets and marginally improving inflationary conditions.

Global BIV - average asset allocation

	June 2025	September 2025	December 2025
SA equities	38.4%	39.5%	40.7%
Total SA assets	**64.9%**	**65.2%**	**66.5%**

	June 2025	September 2025	December 2025
Global equities	26.3%	26.3%	25.7%
Total international	**35.1%**	**34.8%**	**33.5%**

Constituents of the Global BIV category delivered an average quarterly performance of 5.1%, which is 3.3% lower than the average performance generated by SA BIV constituents in the same period.

Total average allocation to offshore investments continued to decrease with Q4 2025 international average allocation dropping by 1.3%. This was accompanied by a 1.3% increase in total allocation to domestic assets for the quarter. Allocation to domestic and offshore equities over the quarter shows an increase of 1.2% for domestic equities and a decrease of 0.6% in allocation to global equities.

Overall, the data indicate 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 – **SA Bond and Shari'ah Manager Watch™ Survey expansion.**

In the quarter ending December 2025, an addition of two new categories was made to the Bond and Shari'ah surveys, depicting the growth in the institutional Manager WatchTM Survey universe and asset class coverage. A new Domestic Income category in the Shari'ah survey has been introduced alongside the new Global Flexible Bonds/Income category in the Bond survey. Both surveys held a combined fund participation size of R49 billion in the Shari'ah survey and R372 billion in the Bond survey for the December 2025 reporting period.

For the Shari'ah survey, the Domestic Income category has been introduced alongside the three other categories already found in the survey which include; Balanced, Domestic Equity and Global Equity categories. The addition of the Domestic Income category means that the survey now provides users with a perspective of the relative performance and volatility for funds whose main objective is to maintain sustainable income generation and ensure capital preservation, while adhering to Shariah principles. Allocation of category constituents typically includes Sukuk, money market instruments, along with local and offshore equities.

Participates in the new Domestic Income category of the Shari'ah survey had a combined fund size of R5.5 billion in December 2025, with the largest portfolio among the new constituents accounting for R3.2 billion of the category's total fund size.

Looking briefly at data generated by the category in December 2025, the table below depicts the average performance of the Shari'ah Domestic Income category constituents over time, relative to the Domestic Specialist Bond funds category of the Bond survey and their common benchmark, the Short Term Fixed Interest Rate Index (STeFI).

Overall, even though the Shari'ah Domestic Income category falls short on performance when compared to the Domestic Specialist Bonds category of the Bond survey, the new category still managed to outperform its benchmark, STeFI, over the given periods.

Category	Average return		
	Quarter	1 Year	3 Year
Domestic Income Category - Shari'ah survey	2.6%	9.2%	9.2%
Domestic Specialist bonds category - Bond survey	9.2%	25.0%	17.6%
Short Term Fixed Interest Rate Index (STeFI)	1.8%	7.5%	8.0%

The Bond survey has also been expanded to include a Global Flexible Bonds/Income category, alongside the three other categories namely, Specialist bonds, Domestic Flexible Bonds/Income and Inflation Linked Bonds. This addition means that readers can now view the relative performance of Global Flexible/ Income bonds, which have a 10% limit to offshore bond exposure, alongside other key performance statistics.

Participants in the new category had a combined fund size of R40 billion with the largest portfolio accounting for R25.6 billion of the total category fund size. Additionally, in terms of percentage exposure to AAA rated instruments, the fund with the highest overall exposure was 93.3% with the lowest fund being at 49.2%

Inspecting the quarterly asset allocation within the Global Flexible Bond/Income category for December 2025 reveals that on average, funds in the new bond category are favouring shorter period bonds over those with longer maturity with allocation to instruments with a 1 to 7 year maturity being 47.8%. Constituents also held a significant cash component with an average allocation being 21.9%.

Global Flexible Bond/Income Average Asset Allocation - December 2025						
Namibia BIV	1-3 Years	3-7 Years	7-12 Years	12+ Years	Other	Cash
Average Allocation	13.4%	34.4%	13.7%	7.7%	9.0%	21.9%

Overall, the introduction of the two new categories in the Bond and Shari'ah survey is evidence of the growing product offering that is being covered by the Manager WatchTM Surveys. With relative performance and volatility data providing users the opportunity to assess new spheres of domestic asset management.

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

	June 2025	September 2025	December 2025
Absolute Return	R289 billion	R308 billion	R314 billion
BEE	R1021 billion	R1057 billion	R1129 billion
Manager Watch	R1906 billion	R2040 billion	R2120 billion
Medical-Aid	R70 billion	R68 billion	R67 billion
Multi-Manager	R654 billion	R708 billion	R759 billion
Namibia	R118 billion	R126 billion	R133 billion
Property	R76 billion	R78 billion	R91 billion
SA Bond	R311 billion	R316 billion	R372 billion
SA Equity	R592 billion	R655 billion	R720 billion
SA Money Market	R612 billion	R653 billion	R653 billion
Shari'ah	R38 billion	R41 billion	R48 billion
TDI	R90 billion	R92 billion	R97 billion
Total	**R5 784 billion**	**R6 148 billion**	**R6 508 billion**

The figures in the table above show that the surveys collectively recorded an increase in assets under management during Q4 2025. The flagship Manager Watch survey recorded the largest increase, with assets rising by over R79 billion. This was supported by the addition of four new funds and the fact that 112 of the 126 participating funds reported higher market values during the quarter. Other surveys which had notable increases include the BEE, SA Equity and Multi-Manager Watch surveys which recorded increases of approximately R72 billion, R65 billion and R51 billion, respectively. This growth was primarily driven by higher market values across most participating portfolios, with the BEE survey experiencing movements related to four new funds and three exits, accompanied by the inclusion of one new fund in the Multi-Manager Watch survey. The SA Bond survey also experienced strong asset growth of more than R56 billion, mainly due to the addition of three new funds and rising market values among participating portfolios.

Sustainable investment considerations

African Insurers Linking R832 billion in Assets to ESG Targets.

A newly released industry report signals a growing shift toward sustainability among African insurers, with important implications for institutional investors and asset managers monitoring environmental, social and governance (ESG) integration across financial sectors. According to the 'Current State Report 2025' published by the Nairobi Declaration on Sustainable Insurance (NDSI), African insurers have linked approximately US $52 billion in assets under management to explicit ESG targets, equivalent to roughly R832 billion [1]. This represents just over 15.0% of the roughly US $342 billion (approximately R5.5 trillion) in total assets managed by surveyed member institutions across 38 African countries [2]. The findings were presented at the Africa Sustainable Insurance Summit II in Cape Town in February 2026 and provide one of the clearest quantitative baselines to date for sustainable insurance activity on the continent.

The report shows that 53.0% of surveyed insurers have integrated ESG considerations into their investment decision making processes, indicating that sustainability factors are increasingly influencing capital allocation and portfolio construction [1]. Similarly, 55.0% have embedded ESG principles into product development and pricing strategies, reflecting a broader recognition that climate and social risks are financially material to underwriting models and long-term balance sheet resilience [1]. However, the data also reveals that 45.0% of respondents do not yet incorporate ESG factors, underscoring the uneven pace of adoption and the scope for further institutionalisation of sustainable investment frameworks across African insurance markets [2].

Within underwriting portfolios, ESG linked business accounts for an average of 6.4%, while only 5.6% of activity targets vulnerable groups, including low-income households [2]. On the investment side, approximately US $1.2 billion (around R19.2 billion) has been allocated toward environmental risks, and US $2.9 billion (roughly R46.4 billion) toward low-income and vulnerable populations [1].

The broader risk context reinforces the financial relevance of these developments. The report notes that Africa experienced more than US $14 billion (approximately R224 billion) in natural catastrophe losses in 2022, while an estimated 97% of farmers in sub-Saharan Africa remain uninsured, highlighting a substantial protection gap [1]. From an asset management perspective, these dynamics point to both systemic risk exposure and long-term growth opportunities in climate-resilient financial products.

Governance and institutional capacity remain areas requiring further development. Only 4% of surveyed insurers have embedded sustainability considerations into board level decision making structures, and nearly half have trained fewer than five staff members in sustainability competencies [1]. This suggests that while ESG linked assets are beginning to scale, deeper integration into governance, risk oversight and internal capability frameworks is necessary for sustainability to transition from reporting exercise to strategic driver.

For South African asset managers and institutional investors, the findings offer two key signals. First, ESG aligned capital pools within the insurance sector are becoming increasingly measurable and transparent. Second, the scale of climate and social risk exposure across the continent implies significant headroom for sustainable capital deployment. While approximately R832 billion in ESG linked insurance assets marks meaningful progress, it also illustrates how early the transition remains relative to total balance sheet exposure and long term systemic risk considerations.

Credit: Nairobi Declaration on Sustainable Insurance.

[1] Moonstone Information Refinery (2026). African insurers link US$52bn in assets to ESG targets, report finds. Available at: https://www.moonstone.co.za/african-insurers-link-us52bn-in-assets-to-esg-targets-report-finds/

[2] Access the NDSI Current State Report 2025: https://sustainableinsurancedeclaration.org/wp-content/uploads/2025/12/NDSI_Current_State_Report_2025.pdf

Expert insights -

An interview with ...

Mercy Mpofu

Head: Platform, Alexforbes

Please introduce yourself: name, designation and company name.

Mercy Mpofu. Head: Platform, Alexforbes

What initially drew you to a career in the investment industry, and how did you find your way into your current role?

I have a passion for servicing clients, and I have always been fascinated by finance and investments area of study. My path to my career has evolved over time as I gained exposure to the different areas of investments' value chain.

Markets and client needs are constantly changing. How do you stay focused and level-headed when things become pressured or complex?

My thoughts are always focused on doing right by the client. I make sure am clear on the priorities. I focus on solving complex problems by breaking them down into small manageable pieces that I can resolve in a structured manner and to the client's satisfaction. I have an open mind to learning from my colleagues and exploring different ways to finding solutions.

What is one misconception people often have about roles behind the scenes in the investment industry, and what would you like them to better understand?

The myth that the work behind the scenes is purely administrative and therefore not as impactful as client facing roles. To the contrary, there is no client facing work without the work done behind the scenes. Work done behind the scenes is often the foundation of any organization's ability to operate effectively and deliver strong client outcomes. These roles require expertise and really the strength of an investment business rests on the quality of its back-office people 's expertise and systems.

How have changes in technology and ways of working influenced your role, and what skills do you think are becoming increasingly important?

Technology has provided new opportunities for us to streamline our process and enhance efficiencies and enable us to be scalable. The evolving ways of work and technology advancements have significantly influenced my role in investments administration, given the nature of bespoke clients we serve, we require flexibility, precision and the ability to deliver customised solutions to our clients. Technology is a critical enabler of this process.

What do you believe differentiates a good investment professional from a great one, regardless of role or title?

I believe it's all in the values they hold. While technical competence is valuable, a great professional displays levels of consistency and integrity. The impact that they have across the value chain and the understanding that ultimately it's about client experience and that they take ownership and accountability of that.

Finally, what advice would you give to someone considering a career in the investment industry, particularly in roles that support portfolio management and clients?

It is to remain relevant and committed to delivering excellence. Continuous learning and adaptability will sustain you. Embrace change and be resilient in this ever-changing environment and evolving client needs. Collaboration in this industry brings success.

Word on the street

SARB adopts new inflation point target of 3.0%, dropping the previous 3.0 – 6.0% band target.

Since 2000, the South African Reserve Bank (SARB) operated within a target range of 3.0% to 6.0%, while informally aiming for the midpoint of 4.5%. Although this framework provided flexibility, policymakers increasingly argued that a lower and clearer target would better anchor inflation expectations and strengthen long-term economic stability [2]. The move to a 3.0% point target signals a decisive shift toward tighter price discipline and enhanced credibility.

The announcement, delivered during the November 2025 Medium Term Budget Policy Statement (MTBPS), represents the most significant change to South Africa's inflation-targeting regime in more than two decades.

According to National Treasury, the decision followed extensive technical work and consultation between fiscal and monetary authorities [2]. The primary objective is to anchor inflation expectations at a lower level, which should reduce the risk of persistently elevated inflation becoming embedded in wage and price setting behaviour.

The new 3.0% inflation target will have a tolerance range around that point, allowing for temporary deviations in response to supply-side shocks or unforeseen global developments [3]. However, the central focus of policy will now be keeping inflation as close to 3.0% as possible over the medium term. Governor Lesetja Kganyago

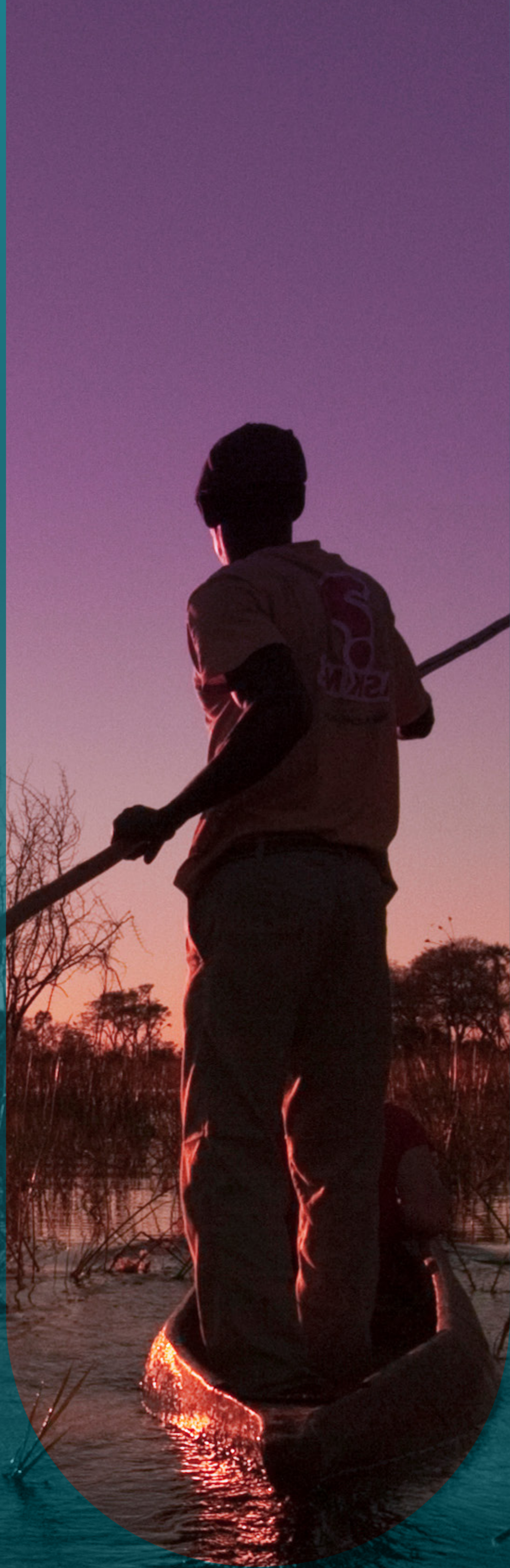
Sources:
[1] IOL Business Report (2025). "MTBPS: South Africa reduces inflation target to 3% to combat rising cost of living."
[2] SAnews.gov.za (2025). "New inflation target decision followed consultation."
[3] South African Reserve Bank. Monetary Policy Framework Overview.
[4] IOL Business Report (2025). "SARB defends lower inflation target as key to boosting real incomes and spending power."

has consistently argued that lower and more stable inflation supports stronger, more sustainable growth. By reducing uncertainty around future price levels, businesses can plan investment with greater confidence, households can preserve purchasing power, and financial markets can price risk more efficiently [4].

The move also aligns South Africa more closely with advanced and emerging market peers that operate with lower inflation targets. Many inflation-targeting central banks aim for rates around 2.0% to 3.0%, reflecting a global consensus that low and stable inflation is a prerequisite for sustained economic growth and financial stability.

Adoption of a 3.0% inflation target marks a structural evolution in South Africa's monetary policy framework. The decision gives rise to the expectation that the SARB will put its weight behind keeping inflation at the new point target, which may impact expected salary and wage increases received by employees.

Moving away from the broader 3.0% to 6.0% band underscores a renewed commitment to price stability, improved expectation anchoring and long-term macroeconomic resilience. While the transition may require careful policy calibration, the shift positions South Africa within global best practice and signals a firm commitment to safeguarding the purchasing power of the rand [4].



Sources:
[1] IOL Business Report (2025). "MTBPS: South Africa reduces inflation target to 3% to combat rising cost of living."
[2] SAnews.gov.za (2025). "New inflation target decision followed consultation."
[3] South African Reserve Bank. Monetary Policy Framework Overview.
[4] IOL Business Report (2025). "SARB defends lower inflation target as key to boosting real incomes and spending power."

Investor education

Infrastructure investments and Regulation 28.

Infrastructure investment is a critical component of South Africa's long-term economic growth strategy and an increasingly important focus area for institutional investors and asset managers. Infrastructure assets generally include energy generation and transmission systems, transport and logistics networks, water and sanitation facilities, and digital telecommunications infrastructure. These assets are particularly attractive to pension funds because they typically generate long-duration, inflation-linked cash flows that align well with retirement fund liabilities. However, South Africa faces a significant infrastructure deficit that continues to constrain productivity, economic expansion and employment creation.

South Africa's infrastructure challenges are largely driven by prolonged periods of underinvestment and deterioration in public infrastructure networks. According to National Treasury and infrastructure policy research, the country requires hundreds of billions of rand in annual infrastructure investment to maintain existing assets and build new capacity to support economic growth [1]. This investment requirement spans multiple sectors, including energy generation, municipal water systems, rail logistics and social infrastructure development. Without sufficient infrastructure renewal, economic efficiency declines and operational costs increase across industries.

Energy infrastructure represents one of the most pressing constraints on South Africa's economy. Persistent electricity shortages and load shedding have imposed substantial economic losses. The Council for Scientific and Industrial Research (CSIR) estimates that electricity outages in 2023 resulted in approximately R1 trillion to R1.3 trillion in lost GDP output, reflecting reduced industrial productivity, disrupted supply chains and lost business activity [2]. Energy availability challenges are primarily linked to declining performance at aging coal-fired generation plants, maintenance backlogs and slow rollout of new generation capacity. These constraints highlight why infrastructure investment has become a strategic economic priority rather than only a developmental policy objective.

Transport and logistics infrastructure also remains a structural bottleneck. Inefficiencies in rail and port operations have reduced export competitiveness, particularly in the mining and manufacturing sectors. The Minerals Council South Africa has reported that rail and port constraints cost the export economy billions of rand annually through delayed shipments and reduced commodity throughput [3]. These logistics inefficiencies directly reduce South Africa's global trade competitiveness and weaken investment sentiment. Improving transport infrastructure performance is therefore essential for supporting export-led growth and industrial development.

Sources:
1. National Treasury Infrastructure Investment Documentation – https://www.treasury.gov.za
2. CSIR Electricity Supply Impact Reports – https://www.csir.co.za
3. Minerals Council South Africa Logistics and Export Studies – https://www.mineralscouncil.org.za
4. National Treasury Regulation 28 Amendments – https://www.treasury.gov.za/comm_media/press/2022/Regulation%2028%20Second%20Draft%20Comments%20Matrix.Final.pdf

To address these challenges, government has increasingly sought to mobilise private and institutional capital for infrastructure development. One of the most important regulatory mechanisms enabling this shift is Regulation 28 of the Pension Funds Act. The most recent amendments, implemented in 2023, allow retirement funds to allocate up to 45.0% of total assets to infrastructure-related investments across permissible asset classes [4]. Infrastructure is not treated as a standalone asset class under the regulation; instead, exposures must be classified within traditional categories such as equities, fixed income, property and alternative investments [4]. This structure provides flexibility while maintaining prudential oversight to protect retirement savings.

Regulation 28 also imposes additional risk management limits. Private equity investments, which are often used to finance unlisted infrastructure projects, are capped at 15.0% of fund assets, while hedge fund exposure is limited to 10.0% [4]. Furthermore, a 25.0% single-issuer concentration limit applies across most asset classes to prevent excessive exposure to individual projects or counterparties [4]. These limits reflect a risk-based regulatory philosophy that seeks to balance economic development objectives with member protection.

Looking forward, infrastructure investment is expected to remain a core theme for South African institutional investors. Closing the infrastructure financing gap will require continued regulatory support, improved project preparation capacity and stronger collaboration between the public and private sectors. If successfully implemented, infrastructure investment could help improve economic productivity, support job creation and enhance long-term portfolio returns for retirement fund members.

Sources:

1. National Treasury Infrastructure Investment Documentation – https://www.treasury.gov.za
2. CSIR Electricity Supply Impact Reports – https://www.csir.co.za
3. Minerals Council South Africa Logistics and Export Studies – https://www.mineralscouncil.org.za
4. National Treasury Regulation 28 Amendments – https://www.treasury.gov.za/comm_media/press/2022/Regulation%2028%20Second%20Draft%20Comments%20Matrix.Final.pdf

Financial food for thought:

Weakness or strength?

Once upon a time, in a busy coastal town, there lived a young merchant named Lila who sold handmade seashell jewellery. Every day, she watched her neighbours rush to spend their earnings on shiny new goods and fast pleasures. Lila, however, saved a small portion of her earnings in a wooden box beneath her bed. She did not have many customers, but she believed that slow and steady growth was better than quick riches that disappeared just as quickly as they came.

One season, a traveling trader arrived in town with a promise of quick profits. He told the townspeople that if they invested their money with him, he would double it within a week. Many people rushed to give him their savings, imagining new clothes, new boats, and bigger homes. Lila felt uneasy. She decided to keep selling her jewellery and only invested a tiny portion of her savings just to see what would happen. As days passed, the trader seemed friendly and confident, but he never showed how he actually generated the profits he promised.

When the week ended, the trader disappeared with most of the townspeople's money. The villagers were upset and worried about how they would pay for food and repairs to their homes. Lila, who had only risked a small amount, still had her savings box and her business income. She used part of her savings to buy materials at lower prices while others were forced to sell their belongings to survive. Slowly, her business grew because people trusted her reliability and honesty more than risky promises of fast wealth.

The moral of the story...

Does wealth grows best through patience, caution, and consistency rather than chasing quick and risky opportunities? In finance, high returns are often linked to higher risks, and schemes that promise unusually fast or guaranteed profits should be approached carefully. Building long-term financial security often requires discipline, diversification, and a focus on sustainable growth rather than short-term gains. Like Lila, wise investors focus on steady accumulation and protecting what they already have before seeking bigger rewards.

To find out more about your options and to get help when you need it, contact our **My Money Matters centre** on 086 000 0381 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 SARB inflation target revisions. 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

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..

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.

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.

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.

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.

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.

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.
- **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).
- **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.
- **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.