Institutional Managers' Digest

March 2025

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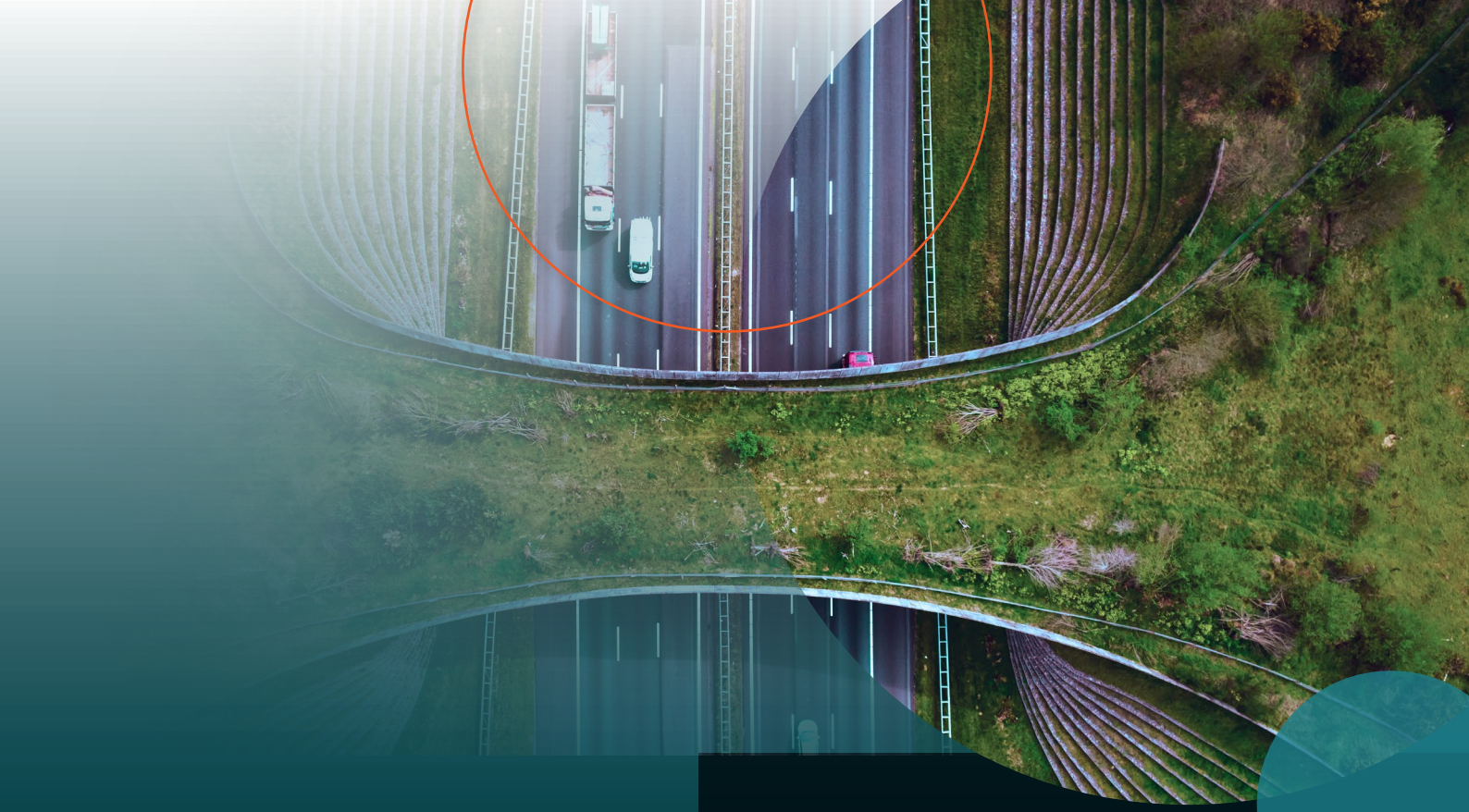

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In this edition

The **March 2025** edition of the Institutional Managers' Digest provides insights into the Q1 performance of survey strategies and delves into topics related to changes within the asset management landscape that took place within the quarter.

Alexforbes Investments, Portfolio Manager, Msizi Msomi, features in our expert insights interview, providing background on his journey within the investment industry and personal development.

The survey in focus features an overview of the newly published annual retirement fund survey, with some comparative statistics related to performance being provided.

Introduction

Q1 saw the quarterly performance of South African equity indices realising positive returns, with the FTSE/JSE All Share index at 5.9%. The domestic bond market ended Q1 2025 marginally in positive territory, with the All-Bond Index (ALBI) producing a quarterly return of 0.7%. On the other hand, domestic property realised negative performance for the quarter, derived from persistent month-on-month negative performance, with the FTSE/JSE SA Listed Property Index producing a quarterly return of -3.5%. The Large Manager Watch (LMW) category of our flagship Manager WatchTM Survey saw its constituents reflecting quarterly peer group median performance for the SA and Global LMW categories of 3.2% and 1.4% respectively.

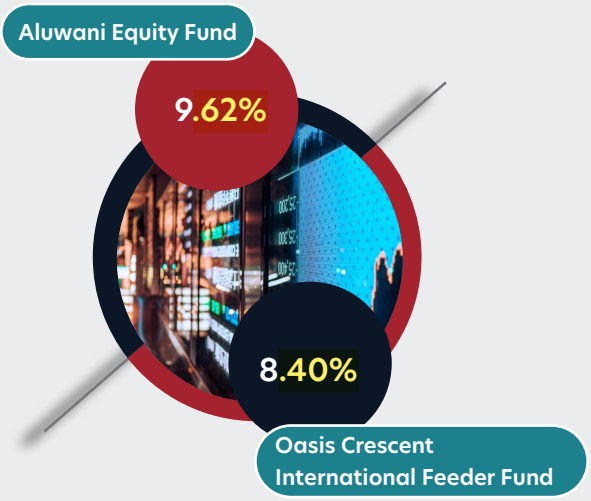
Globally, emerging markets underperformed in Q1 2025 compared to Q4 2024, with the MSCI EM declining from its strong performance in Q4. This resulted in a quarterly return of 0.4%, significantly lower than the 0.9% return recorded in December 2024. The S&P 500 TR declined from positive performance in Q4, delivering a low Q1 return of -7.00%, significantly lower than the 12.4% recorded in December 2024. MSCI EFM Africa ex SA showed strong performance, ending the quarter on 13.6%, outperforming MSCI EFM Africa, which had a quarterly return of 0.3%. MSCI World had fluctuating performance ending Q1 on -4.2%.

On the economic front, the headline inflation print for Q1 2025 showed a decrease from 3.0% in December 2024 to 2.7% in March 2025. Factors contributing to the lower inflation were the softening of fuel and food prices over the quarter, with the fuel index decreasing by 0,4%, accompanied by food and non-alcoholic beverages edging lower to 2.7%. The South African Reserve Bank (SARB) has continued cutting interest rates, with the third consecutive cut reducing the repo rate by 0.25% to 7.5% and the prime lending rate to 11%. On the global front, the Trump administration announced the implementation of reciprocal tariffs to be imposed on its trade partners. South Africa is expected to face a 60% tariff, however a 90-day pause was announced by the United States, increasing uncertainty among market participants. Global markets indicate high volatility with investors seeking protection, which reflected by safe haven assets reporting record price increases, with gold reaching all-time highs surpassing $3500 per ounce.

Sharpshooter

The sharp shooter (best absolute performer across all surveys) for the quarter is **Aluwani Equity Fund**, participating in the **SA equity survey** with a return of **9.62%**.

The best relative performer for the quarter was the **Oasis Crescent International Feeder Fund**, participating in the **targeted development investment survey** outperforming its benchmark by 8.40%.



Surveys in numbers

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

93 Asset managers participating across our surveys

53 BEE level 1 contributors

972 Participating strategies across our surveys

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

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

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

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

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

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Industry news

Sanlam partners with Ninety One in major asset management deal

Sanlam has transferred its active asset management strategies to Ninety One in exchange for a 12.5% equity stake in the company. This move sees approximately R400 billion in assets under management (AUM) migrate to Ninety One, effectively boosting its market share to nearly 20% of the South African asset management industry. The transaction reflects a growing trend toward consolidation as asset managers seek to build scale, cut costs and remain competitive in an increasingly complex and regulated financial environment.

Meanwhile, Sanlam will concentrate on its core capabilities, including index tracking, multi-management, and private markets, while leveraging Ninety One's strength in active investment. Analysts suggest the deal could pave the way for similar alliances across the sector, particularly as asset managers face pressure from lower fees, tougher regulatory requirements and shifting investor preferences.

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Alexforbes and GEPF drive industry transformation with new BEE Standards

Transformation within South Africa's asset management industry is gaining momentum, with Alexforbes taking a firm stance by requiring all asset managers it engages with from July 1, 2025, to meet specific transformation benchmarks. These include achieving at least a Level 3 B-BBEE (Broad-Based Black Economic Empowerment) certification and maintaining a minimum of 40% black and female representation in senior management and investment teams. This policy shift aims to accelerate meaningful diversity and inclusion within a sector often criticized for slow progress in this area.

The Government Employees Pension Fund (GEPF), which is the largest pension fund in Africa, has also adopted a new transformation framework, emphasising the need to support and grow black-owned and managed asset managers. This collective action marks a pivotal moment in South Africa's investment ecosystem, where asset allocators are using their capital influence to push for systemic change. The policies are expected to redefine relationships between asset owners and managers and may reshape the competitive landscape by elevating new entrants who were previously marginalized.

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J.P. Morgan downgrades South African Equities amid sluggish economic outlook

On March 11, 2025, J.P. Morgan downgraded its outlook on South African equities from "overweight" to "neutral" citing ongoing concerns about the country's economic slowdown and lacklustre policy execution. The report highlighted that despite efforts by the South African government to reform state-owned enterprises and boost infrastructure spending, investor confidence remains weak due to stagnant GDP growth and governance risks. J.P. Morgan projects growth to remain below 2% over the next two years, far from the levels required to address unemployment and inequality. Further weighing on the outlook is South Africa's complicated foreign policy positioning and tension with the United States, which could impact trade and investment flows. The downgrade has sparked debate in local financial circles about whether South African equities remain a viable investment in the current macroeconomic climate. Some fund managers argue that the market still holds pockets of value, particularly in resources and banking, but J.P. Morgan's cautious stance underscores broader concerns about the country's fiscal discipline and policy direction heading into a crucial national election cycle.

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Quarterly index performance

Best-performing SA indices in the surveys

Quarter	1 year	3 years	5 years
8.49% FTSE/JSE Top 40 Index	22.95% FTSE/JSE SWIX All Share Index	11.74% FTSE/JSE SA Listed Property Index	19.85% FTSE/JSE Capped All Share Index

Best-performing peer group benchmarks as featured in the surveys

Quarter	1 year	3 years	5 years
3.16% SA LMW Median	20.78% SA BIV Average	11.56% Global Dynamic Median	16.79% SA LMW 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

	September 2024	December 2024	March 2025
SA equities	68.19%	67.36%	67.43%

Changes in average asset allocation for participants in the SA BIV category over Q1 2025 showed a slight increase in domestic equity assets of 0.07%, with domestic bonds decreasing by 2.51% to an average of 20.21%. The mentioned decrease in domestic bonds was accompanied by slight increases in managers cash and property allocations. These changes could be in response to the positive performance of domestic equities over the quarter, with the FTSE/JSE All Share Index producing a quarterly return of 5.94%. Additionally, varying sentiment with regards to domestic markets and impending US tariffs, including the continued interest rate cuts by the South African Reserve Bank (SARB) may have managers gearing their portfolios to take advantage of volatile local markets, under improving inflationary conditions.

Among the managers, the one with the highest allocation to domestic equities had an exposure of 73.89% delivering a quarterly return well above the upper quartile.

Global BIV - average asset allocation

	September 2024	December 2024	March 2025
SA equities	40.30%	39.08%	39.52%
Total SA assets	66.47%	64.82%	65.03%

	September 2024	September 2024	December 2024
Global equities	24.71%	26.82%	26.04%
Total global	33.53%	35.18%	34.97%

Constituents of the Global BIV category delivered an average performance of 1.23% for the quarter, which is 1.55% lower than the average performance generated by SA BIV constituents in the same period.

The manager's total average allocation to offshore investments decreased during Q1 with the March 2025 allocation being lower by 0.25%. Allocation to domestic assets has increased over the quarter, with domestic equities marginally increasing by 0.44%, accompanied by a 0.21% increase in total domestic assets allocation. Among the managers, the one with the highest allocation to global equity for the quarter was 49.08%, delivering a quarterly return marginally below the upper quartile. Conversely, the manager with the highest allocation to domestic equity generated a return that was well above the upper quartile.

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

Survey in focus – **Manager Watch™ Survey of retirement funds investment managers**

The December 2024 edition of the Manager Watch™ Survey of retirement funds investment managers marks a momentous milestone in the South African investment industry, 30 years of continuous data collection, performance tracking, and strategic insight. As one of the most comprehensive and widely used resources in the retirement fund sector, this survey continues to guide trustees, consultants and asset managers in making informed, forward-looking decisions.

This anniversary edition encompasses 30 detailed surveys, comprising 15 balanced, 14 specialist and one multi-manager survey and offers an in-depth view of current industry trends. It highlights developments across asset growth, B-BBEE transformation, responsible investing, strategic shift and fee transparency, painting a dynamic picture of an industry that has matured and evolved over three decades.

Multi-managers gaining ground

One of the standout trends in the 2024 survey is the increased prominence of multi-managers. According to the June 2024 Alexforbes assets under management (AuM) survey, multi-managers have nearly doubled their market share over the past five years. In 2019, they managed just 15 cents for every R1 managed by single managers; by 2024, this had grown to 29 cents, underscoring the value placed on diversification, governance and manager blending.

Alexander Forbes Investments, South Africa's leading multi-manager, reported a 10% increase in assets, elevating its position to sixth overall in the national ranking and overtaking OMIG, a signal of sustained confidence in the multi-manager model.

Shifts among top single managers

Single manager rankings also saw notable changes. Ninety-One remained the largest asset manager in South Africa, reporting a 4% increase in AuM. STANLIB asset management followed with a 10% asset growth, while Sanlam investment managers climbed to third place after achieving an impressive 20% rise in assets, overtaking both Coronation and Allan Gray. These movements reflect healthy competition and shifting client preferences in an increasingly complex investment environment.

Commitment to transformation

Transformation continues to be a driving force in the South African asset management industry. The 2024 AuM survey shows that 52 out of 79 managers attained Level 1 B-BBEE contributor status, up from 51 the previous year. Impressively, all the top 10 and 19 of the top 20 asset managers achieved Level 1 status, underscoring the industry's broad-based commitment to inclusive growth and economic empowerment.

Positive returns and global exposure

The survey highlights another strong year for investment performance across the board. In the SA best investment view (BIV) category, all managers recorded positive returns, with 8 of the 13 outperforming the category's 15.1% median return. In the Global BIV category, the median return stood at 14.8%, with more than 80% of managers holding over 30% of their portfolios offshore. Ten managers exceeded the 40% global allocation mark, reinforcing the trend toward increased global diversification in response to broader market opportunities.

Property rebounds and responsible investing on the rise

The South African listed property sector rebounded strongly in 2024, delivering a return of 28.96%, up from 10.1% in 2023. The **SA Property Manager Watch™ Survey** showed that managers in the 75-100% listed property category achieved an average return of 28.43%, with the top fund delivering 33.96%, a clear signal of investor interest returning to the property space.

At the same time, responsible investment practices continued to gain momentum. The number of signatories to the code for responsible investing in South Africa (CRISA) rose from 56 in 2021 to 74 in 2024, a 32% increase. Signatories to the UN Principles for Responsible Investment (PRI) also grew significantly, from 43 to 64 over the same period, a 49% increase, reflecting the growing alignment of local managers with global sustainability standards.

Fee trends and benchmarking consistency

The FTSE/JSE capped SWIX ALSI maintained its status as the most-used benchmark in SA equity strategies, increasing from 53.1% in 2023 to 56.6% in 2024. The survey also highlighted a continued focus on fee competitiveness and transparency across pooled funds. The average base fee for domestic equity pooled funds stood at 0.68%, while global BIV pooled funds averaged 0.83%. domestic money market pooled funds remained the most cost-effective, with an average fee of just 0.21%.

To commemorate the 30th anniversary, Alexforbes has published a special feature article titled The Alexforbes Manager Watch™ Series of Surveys: 30 Years of Insights. This retrospective piece looks at how the local investment industry has changed over time, while Celebrating 30 Years with Perspectives from three industry leaders shares reflections from Asief Mohamed, Natalie Phillips and Errol Shear, bringing invaluable personal perspective to this collective journey.

With its unique ability to blend historical context with real-time insight, the Manager Watch™ Survey remains a vital barometer for asset managers, consultants and institutional investors alike. As the industry continues to face evolving client needs, regulatory shifts and global uncertainty, the survey offers clear direction to those committed to building resilient, high-performing investment strategies.

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Risk statistics - Volatility and tracking error

Lowest volatility

	1 quarter	3 years	5 years
SA Equity	**1.06%** 36ONE SA Equity Composite	**10.84%** Allan Gray Domestic Specialist Equity	**11.43%** Foord Domestic Equity
Manager Watch SA Best Investment View	**1.01%** CGAM SA Balanced Prescient Fund	**8.38%** Allan Gray Domestic Balanced	**8.70%** Foord Domestic Balanced
Manager Watch Global Best Investment View	**0.55%** Nedgroup Investments XS Diversified Fund of Funds	**5.19%** Rezco Value Trend	**5.54%** Sasfin BCI 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 36ONE SA equity composite experienced a quarterly volatility of 1.06%, reflecting relatively stable performance despite market fluctuations. The composite delivered a quarterly return of 5.82%, which outperformed the equity funds category average. This indicates a degree of resilience in challenging market conditions, suggesting effective risk management or sector positioning that mitigated downside pressures relative to peers.

Highest volatility

	1 quarter	3 years	5 years
SA Equity	**14.06%** Camissa Managed Equity Fund	**15.59%** Cachalia Capital C Value Fund	**19.74%** Fairtree Asset Management Equity Fund
Manager Watch SA Best Investment View	**10.79%** Camissa Balanced Fund	**12.09%** Camissa Balanced Fund	**11.68%** Coronation Domestic Managed
Manager Watch Global Best Investment View	**7.64%** Aeon Balanced Fund (CPI + 5%)	**11.38%** Merchant West SCI Managed P&G Fund	**12.64%** 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 12.64% compared to its peer group's average volatility of 9.05%.

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
SA Equity	**0.09%** Perpetua Domestic Core Equity Fund (Capped SWIX)	**1.26%** Aluwani Capped SWIX Equity Composite	**1.70%** Mianzo Enhanced Equity Fund
Manager Watch SA Best Investment View	**0.76%** Alexander Forbes Investments Performer Local	**1.26%** Alexander Forbes Investments Performer Local	**1.57%** Alexander Forbes Investments Performer Local
Manager Watch Global Best Investment View	**0.26%** OMIG Balanced Portfolio	**0.53%** Alexander Forbes Investments Spectrum	**0.53%** Alexander Forbes Investments Spectrum

Tracking error: Measures how closely an investment follows a benchmark. It reflects the divergence between the investment's returns and the index's returns, indicating the effectiveness of replicating the benchmark's performance.

For example, the Alexander Forbes Investments (Spectrum) fund has shown a low 3-year tracking error of **0.53%**, 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 **10.24%**, highlighting its effectiveness in capturing the momentum within the mark

Highest tracking error

	1 quarter	3 years	5 years
SA Equity	**12.99%** Rezco Equity	**10.61%** Ninety One Value Composite	**10.52%** Fairtree Asset Management Equity Fund
Manager Watch SA Best Investment View	**7.90%** Camissa Balanced Fund	**11.34%** Aluwani Domestic Balanced Fund	**5.96%** Camissa Balanced Fund
Manager Watch Global Best Investment View	**9.41%** Rezco Value Trend	**15.91%** Rezco Value Trend	**14.97%** Rezco Value Trend

Tracking error: Measures how closely an investment follows a benchmark index. It reflects the divergence between the investment's returns and the index's returns, indicating the effectiveness of replicating the benchmark's performance.

For example, the Rezco value trend fund's 5-year tracking error of **14.97%** suggests significant deviation from its benchmark index over the period. Despite this, it has delivered a respectable 5-year return of **8.41%**, showcasing its potential for returns despite the tracking discrepancies.

Survey asset distribution

	September 2024	December 2024	March 2025
Absolute return	R262 billion	R262 billion	R284 billion
BEE	R782 billion	R782 billion	R974 billion
Manager watch	R1 699 billion	R1 699 billion	R1773 billion
Medical-aid	R68 billion	R68 billion	R71 billion
Multi-mmanager	R614 billion	R614 billion	R615 billion
Namibia	R105 billion	R105 billion	R114 billion
Property	R73 billion	R73 billion	R70 billion
SA Bond	R249 billion	R249 billion	R287 billion
SA Equity	R577 billion	R577 billion	R564 billion
SA Money market	R551 billion	R551 billion	R613 billion
Shari'ah	R35 billion	R35 billion	R36 billion
TDI	R82 billion	R82 billion	R86 billion
Total	R5 103 billion	R5 263 billion	R5 487 billion

The figures in the table above suggest that over Q1, the surveys realised an overall growth in assets managed by its constituents. When viewed individually, the various surveys show notable asset growth with the BEE Survey reflecting an increase of over R120 billion in assets, largely driven by the addition of 20 new funds to the survey over the quarter. Additionally, the SA Money Market and Absolute Return surveys experienced asset increases of more than R21 billion and R20 billion, respectively, primarily driven by growth in the market values of the participating strategies. Our flagship Manager Watch survey also saw an increase of over R29 billion in assets as 83 of its participating funds increased in their market values within this quarter. Overall institutional surveys realised R224 billion in asset growth in the first quarter of 2025.

Sustainable investment considerations

Powering the future: A deep dive into South Africa's REIPPPP

South Africa's renewable energy independent power producer procurement programme (REIPPPP) stands as a significant and, in many ways, pioneering initiative in the global transition towards a cleaner energy future. Launched in 2011, REIPPPP was conceived as a mechanism to attract private sector investment into renewable energy generation, diversify the country's coal-dependent energy mix, reduce greenhouse gas emissions and stimulate economic development. Over the past decade and a half, it has evolved into a cornerstone of South Africa's energy policy alongside the just energy transition plan (JET-IP), demonstrating both remarkable successes and persistent challenges.

At its core, REIPPPP operates through a competitive bidding process. The Department of Mineral Resources and Energy (DMRE) issues requests for proposals (RFPs) outlining the government's needs for renewable energy capacity. Independent power producers (IPPs) then submit bids detailing their proposed projects, including technology (wind, solar PV, concentrated solar power, hydro, biomass), tariff, local content commitments, job creation projections and community benefit schemes. An independent evaluation panel assesses these bids based on a predefined set of criteria, with price being a significant but not sole determinant. Successful bidders are awarded power purchase agreements (PPAs) with Eskom, the state-owned utility, for 20 years.

The programme has yielded impressive results. Multiple bid windows have been successfully concluded, attracting billions of rands in foreign and domestic investment. South Africa has witnessed a significant increase in its installed renewable energy capacity, contributing substantially to the national grid. The tariffs achieved through REIPPPP have also seen a dramatic decline over the various bid windows, making renewable energy increasingly cost-competitive with traditional fossil fuels. This cost reduction is a testament to technological advancements, economies of scale, and the competitive nature of the procurement process.

Beyond simply adding megawatts to the grid, REIPPPP has had broader socio-economic impacts. The programme mandates local content requirements, fostering the development of local manufacturing and service industries within the renewable energy sector. Furthermore, successful IPPs are required to implement community benefit schemes, contributing to local economic development through job creation, skills development, enterprise development and social infrastructure projects in the vicinity of their operations. These initiatives aim to ensure that the transition to renewable energy benefits not just the national energy system but also the communities where these projects are located.

However, REIPPPP has not been without its hurdles. Delays in the signing of PPAs between Eskom and IPPs in certain bid windows have created uncertainty and stalled project development, impacting investor confidence and the pace of renewable energy deployment. These delays have often been attributed to Eskom's financial constraints and concerns about the intermittency of renewable energy sources and their impact on grid stability. Grid infrastructure limitations in certain parts of the country have also posed a challenge, requiring significant investment in transmission lines and substations to connect new renewable energy projects to the national grid.

Looking ahead, REIPPPP remains a crucial instrument for South Africa to achieve its energy transition goals and meet its international climate change commitments. The focus is now on accelerating the pace of deployment, addressing the grid infrastructure bottlenecks, and ensuring a just transition that supports affected communities and industries. Future iterations of the programme will likely need to emphasise greater grid integration solutions, energy storage technologies, and potentially explore hybrid renewable energy projects to enhance grid stability and reliability. Furthermore, streamlining the regulatory processes and ensuring consistent policy signals will be vital to maintain investor confidence and attract the necessary capital for a sustainable energy future.

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Expert insights -
An interview with ...

Msizi Msomi

Portfolio manager at Alexforbes Investments

Please introduce yourself: name, designation and company name.

Msizi Msomi, portfolio manager, Alexforbes Investments

What motivated you to become an investment professional?

From a young age, I've been fascinated by how things work, particularly in the financial markets. Each movement in the market tells a story, and I am driven to understand the underlying reasons. This curiosity has shaped my approach to investing, enabling me to see the bigger picture behind each decision. Growing up playing sports taught me valuable lessons about teamwork, strategy and adaptability. I view client relationships as collaborative efforts, where we work together to create tailored strategies that align with their goals. I aim to empower clients to turn their financial goals into reality, using my insights to guide and walk with them through the journey. I believe that in investing, much like in sports, you have a limited amount of time, whether it's 80 or 90 minutes, plus extra time, to make a difference. This perspective highlights the importance of delivering on client objectives within their specific time horizons, whether for retirement, personal savings, or investments. It's crucial to make that time count and truly make a difference.

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

My investment philosophy focuses on seeing the big picture, setting clear goals, and making small tweaks to reduce risks while seizing opportunities. Think of it like a well-played game of rugby or soccer—it's all about being disciplined, strategic, and keeping your eyes on the long haul. Just like top athletes who read the field and adjust on the fly, I apply that same quick thinking to managing portfolios. Staying flexible is key and so is having a vision for success. In both sports and investing, finding the right balance is essential. I believe in diversification, striking a blend between chasing growth and managing risks, much like having a mix of speedy forwards and solid defenders on a team. My curiosity about how things work drives me to dig deep into the fundamentals of each investment. This helps me create strong, goal-centred portfolios for my clients that can handle whatever the market throws our way. After all, the best teams, whether on the field or in investing, are the ones that play smart, adapt quickly, and keep their goals in focus.

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

Imagine this: it's the 80th minute of a Rugby World Cup match. A single kick for a goal or a fierce defensive stand can secure victory for your team while the world watches in anticipation. If you've prepared and planned for this moment, the challenge now is to stay calm; the hard work is done, and it's all about sticking to the plan. The odds may be against you; the stadium could erupt with distracting noise. Yet, it's your commitment to the strategy that will carry you through. I draw inspiration from rugby and soccer during times of market volatility, where keeping a cool head under pressure is essential. Just as in sports, where the game can shift in an instant, I rely on preparation and strategy instead of impulsive reactions. Focusing on long-term goals, I remind myself that volatility is part of the journey, much like the unexpected twists in a match. By staying grounded in fundamentals and regularly revisiting client objectives, I can steer clear of emotional decisions.

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

You can't be Warren Buffett or Peter Lynch, these legendary investors thrived in unique market and geopolitical conditions that were very different from those we face today. A common pitfall for new investors is attempting to time the market, believing they can pinpoint the perfect moments to buy or sell. This often leads to impulsive decisions driven by the latest market headlines rather than following a solid long-term plan that can withstand fluctuations. Another challenge is letting emotions influence investment decisions. The fear of missing out (FOMO) may tempt individuals to invest at market highs, while panic can drive them to sell when the market declines. To navigate these emotional challenges, new investors should focus on cultivating patience and rational thinking. Establishing clear investment goals and regularly reviewing their portfolios can serve as a guide, helping them stay grounded and less reactive to market volatility. After all, investing is a marathon, not a sprint and maintaining a level head can make all the difference in successfully reaching the finish line

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

AI is here to stay. If you don't embrace it or at least familiarize yourself with it, you risk falling behind. Advancements in technology, especially AI, are revolutionizing the investment industry by enhancing data analysis, improving decision-making processes, and automating various trading strategies. AI algorithms can analyse vast amounts of market data and identify patterns much faster than human analysts, enabling more informed investment choices and better risk management. Additionally, robo-advisors are making investing more accessible to all types of investors by offering tailored portfolio management services based on individual goals and risk tolerance. To adapt to these changes, we need to engage in continuous learning about emerging technologies and their applications in finance. This involves staying updated on AI developments and integrating relevant tools into our investment strategies. By embracing technology while maintaining a focus on fundamental analysis, we can ensure that our investment approach remains both innovative and grounded in sound principles.

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

Navigating market volatility can be one of the most challenging aspects of investing. Economic shifts, geopolitical tensions, and unexpected events often lead to rapid fluctuations that test even the most experienced investors. To address this, I focus on maintaining a diversified portfolio and implementing thoughtful risk management strategies. By balancing different asset classes and sectors, I aim to minimize potential losses while remaining open to the opportunities that turbulent times may present. I also recognize how overwhelming the ever-changing regulatory landscape can be. New regulations can significantly impact investment strategies and compliance requirements, adding complexity to decision-making. To tackle this challenge, I prioritize ongoing education and nurture strong relationships with compliance experts.

This approach ensures that our practices align with current regulations. By staying informed about industry trends and participating in professional networks, I strive to anticipate changes and adapt our strategies accordingly. My goal is to navigate these challenges with care, ensuring compliance while compassionately pursuing our investment objectives.

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

One of the biggest lessons I've picked up about investing is how important it is to be patient. Warren Buffett nailed it when he said, "The stock market is a device for transferring money from the impatient to the patient." The market can be unpredictable, and it's easy to get caught up in the short-term ups and downs. But I've noticed that keeping a long-term view usually leads to better results. Sticking to a solid investment strategy and resisting the urge to make quick moves based on market chatter has been key to handling the rollercoaster of investing.

Another crucial takeaway is the need for continuous learning and being adaptable. The investment world is always changing, thanks to new technology, shifts in the economy, and evolving market trends. Embracing a mindset of lifelong learning, whether that means reading, attending seminars, or connecting with others in the industry, has helped me stay in the loop and be flexible. By being open to new ideas and strategies, I can position myself and my clients for success in this fast-changing market.

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

What makes me different from other investment pros is my well-rounded approach to investing. I blend quantitative analysis with qualitative insights. While some people might only look at the numbers, I believe it's crucial to grasp the bigger economic picture and the human behaviours that influence market trends. This way, I can create investment strategies that go beyond just figures. I believe in building strong, trusting relationships. These relationships can carry us through turbulent times when facing economic and market headwinds. It's important to take the time to understand clients' goals, risk tolerances, and values, ensuring our investment strategies align with their objectives. This personal touch fosters deeper connections, which is essential in a market where many offers similar products.

"Investors play a vital role, but they do not control the market or the economy; their influence over the product is limited. Remember, the product thrives as a reflection of broader market conditions." - Msizi Msomi

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

If you're new to investing, one key piece of advice is to focus on learning before you jump into the markets. Understanding the basics like risk, returns and why diversification is important can make a big difference. Think about it like a sports team: having a mix of players helps you succeed, just like spreading your investments across stocks, bonds and real estate can lower risk. It's also important to set clear financial goals, whether it's saving for retirement or buying your dream house. Your goals will guide your investment strategy, kind of like drafting a game plan in sports. When starting out, investigate low-cost index funds or exchange-traded funds (ETFs) that offer instant diversification. Remember to check your portfolio regularly and be ready to make small tweaks as you go, just like athletes adjust their game based on how things are unfolding. And above all, be patient! The market can be unpredictable, and it's easy to get caught up in the day-to-day ups and downs. Remember, investing is more of a marathon than a sprint. Stick to your strategy, don't jump at every bit of news, and keep your focus on the long game. With a curious mind, a willingness to learn, and a dedicated approach to your goals, you'll be setting yourself up for a solid investment journey.

Word on the street

Understanding tariffs and their impact on supply chains: A South African perspective

A tariff is a tax levied by a government on imported goods and services. In South Africa, as in many other countries, tariffs are used to protect local industries, raise revenue, or correct trade imbalances. However, while tariffs may benefit certain domestic producers, they can also disrupt supply chains and increase prices for consumers and businesses. Their effects are not limited to the point of import and have a ripple effect that spreads across economies both locally and globally.

In South Africa, tariffs have been strategically applied in several key sectors. For example, the poultry industry has long received tariff protection to guard against cheap imports from countries like Brazil and the European Union. The steel and aluminium industries have also benefitted from protective tariffs, particularly in response to global overcapacity and dumping practices. In the automotive sector, tariffs on imported vehicles and parts support the local assembly and manufacturing industry under the Automotive Production and Development Programme (APDP). Additionally, agricultural products such as wheat, sugar and dairy often face import tariffs designed to support local farmers and ensure national food security. While these measures aim to nurture domestic capacity, they can also lead to higher input costs and reduced competitiveness in downstream sectors that rely on these goods.

Tariffs also have a direct impact on supply chains, which face increasing globalisation and interdependence. When tariffs are introduced, they raise the cost of imported goods and raw materials, which can cascade through various production stages. For instance, if a South African manufacturer relies on imported steel for making mining equipment, higher steel prices due to tariffs can reduce margins or force price increases, affecting both the manufacturer and the mining firms that purchase the equipment. These kinds of disruptions can deter foreign investment, shift trade flows,

and in some cases, lead to job losses in industries that depend on affordable imported inputs.

Internationally, a more aggressive use of tariffs can escalate into a tariff war, where countries impose retaliatory duties in succession. The most well-known recent case is the U.S.-China trade war that began in 2018. The United States raised tariffs on hundreds of billions of dollars' worth of Chinese goods, prompting China to respond in kind. This battle caused massive supply chain disruptions, led companies to rethink sourcing strategies and triggered price increases across many sectors. Global trade growth slowed, and ripple effects were felt in countries far removed from the dispute, including South Africa.

Sources:
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For South Africa, the effects of a major tariff war like that between the U.S. and China are indirect but significant. As a country that exports raw materials such as iron ore, coal and agricultural goods primarily to Asia, a decline in Chinese manufacturing or consumption can lower demand for South African exports. Additionally, shifts in global supply chains may divert trade routes or cause currency volatility, making it harder for South African exporters to compete. Even domestic policy decisions on tariffs must consider these global dynamics, as retaliation or trade diversion could impact everything from job creation to food prices.

Tariffs are a powerful but double-edged policy tool. While they can protect key sectors of the South African economy and support industrial development, they also pose risks to consumers, manufacturers, and exporters. As global supply chains become more intricate and trade tensions rise, it is vital that South Africa balances domestic protection with long-term competitiveness and open trade relationships. Learning from global examples like the U.S.-China tariff war can help inform more resilient, inclusive trade policies.

Investor education

The difference between 0-90 day and 91-180 day money market instruments

In the South African investment landscape, money market instruments play a crucial role in preserving capital, maintaining liquidity and offering modest income. However, not all money market instruments are the same. A key distinction lies in the maturity period, specifically, between instruments that mature within 0-90 days and those that mature between 91-180 days.

Instruments with maturities of 0-90 days are typically favoured for their high liquidity and low-interest rate risk. These include short-term treasury bills, overnight deposits and 1-month negotiable certificates of deposit (NCDs). Because they mature quickly, they allow asset managers to adapt portfolios easily to changes in the interest rate environment. This flexibility makes them ideal for traditional money market funds, which prioritise capital stability and immediate access to cash. In South Africa, regulations like Board Notice 90 also encourage the use of these shorter-dated instruments, as they help keep the weighted average duration of funds under the 90-day limit.

On the other hand, 91-180 day instruments offer slightly higher yields. These include 3 to 6-month treasury bills and commercial paper issued by corporations. While they carry a bit more interest rate sensitivity and are less liquid than ultra-short-term instruments, they are still considered low-risk. These instruments are typically used in enhanced yield or short-term income funds, where the goal is to improve return potential without venturing into the more volatile territory of bonds or longer-term debt.

Understanding the maturity profile of money market instruments is particularly useful when selecting between different cash or income-focused investment vehicles. Investors seeking liquidity and safety will generally prefer funds that concentrate on 0-90 day holdings. Those willing to accept slightly more risk for better yields might consider funds that incorporate more 91-180 day instruments.

In a rising or falling interest rate environment such as South Africa has seen in recent years, this difference can also affect how quickly your fund responds to market changes. Shorter-dated funds adjust faster, while funds holding longer-dated instruments may benefit from locking in higher rates for a bit longer.

Ultimately, this distinction is subtle but important. By understanding the difference between short- and medium-dated money market instruments, investors can better align their cash strategies with their broader financial goals.

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

The obstacle in our path.

In ancient times, a king had a boulder placed on a roadway. Then he hid himself and watched to see if anyone would remove the huge rock. Some of the king's wealthiest traders and dignitaries came by and simply walked around it.

Many loudly blamed the king for not keeping the roads clear, but none did anything about getting the big stone out of the way. Then a peasant came along carrying a load of vegetables. On approaching the boulder, the peasant laid down his burden and tried to move the stone to the side of the road. After much pushing and straining, he finally succeeded. As the peasant picked up his load of vegetables, he noticed a purse lying in the road where the boulder had been.

The purse contained many gold coins and a note from the king indicating that the gold was for the person who removed the boulder from the roadway. The peasant learned what many others never understood.

Every obstacle presents an opportunity to improve one's condition. In finance, every challenge is a chance to create value. Much like the peasant who removed the boulder and found gold, tackling financial obstacles head-on can uncover unexpected opportunities. Start your journey to financial success by embracing challenges and transforming them into opportunities.

Call to Action: Begin today by reviewing your investment strategy for potential hurdles and discover the hidden potential in overcoming them. Schedule a consultation with our financial advisors to turn obstacles into opportunities.

* 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 covering prominent industry news with key points based on quarterly economic performance.

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

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

Glossary

- **Active return:** Also known as relative return, represents the difference between the actual return of the portfolio and the return of a specified benchmark over a given period of time.
- **Asset allocation**: Dividing an investment portfolio among different types of assets (like equities, bonds, and cash) to achieve the desired risk and return, based on goals, risk tolerance, and time horizon.
- **Best Investment View (BIV):** The portfolio/ composites included in this survey represent the asset managers' best unconstrained investment view, appropriate to Regulation 28 compliant retirement funds.
- **Code for Responsible Investing in South Africa (CRISA):** Guidelines in South Africa that promote responsible investing practices. It encourages considering environmental, social and governance (ESG) factors in investment decisions.
- **COFI bill** is a bill proposed into law in South Africa that will regulate private equity funds and other financial institutions. It essentially proposes to regulate providers of participatory interests in alternative investment funds, which includes private equity funds structured as limited liability partnerships, companies, trusts, or other legal forms.
- **Correlation matrix:** A correlation matrix is a table that shows how different variables are related to each other. Each cell in the table reveals the strength and direction of the relationship between two specific variables. A score of 1.0 implies perfect correlation.
- **Credit Impulse Index** measures the change in new credit issued to the non-financial private sector expressed as a percentage of GDP. The non-financial private sector includes households and non-financial firms and corporations primarily producing/ manufacturing goods and services.
- **Distressed Private Equity** specialise in lending to companies in financial crises. When the funds invest in companies, their purpose is to take control of the business during the bankruptcy or restructuring processes so they can buy the company at a lower purchase price. Then, they'll work to turn the companies around and, eventually, sell them.
- **DFM (Discretionary Fund Manager)** is a professional who manages an investment portfolio on behalf of a client, making decisions on asset allocation and trades without needing prior approval for each action, based on a predefined investment strategy and the client's financial goals.
- **ECB:** European Central Bank.
- **Exit strategy** are methods for investors to realise their returns on investments in a portfolio of companies. The goal is to receive a return that's higher than the initial investment. Some common examples include Trade sale and IPOs.
- **FED:** Federal Reserve System.
- **Fund of Funds** raises capital from investors but doesn't invest in private companies or assets. Instead, it acts as an investor and buys into a portfolio of other private equity funds.
- **Futures** are standardised contracts to buy or sell an asset at a predetermined price and date in the future.
- **General Partner (GP)** these are individuals or entities that manage and makes the investment decisions for a private equity fund on behalf of the Limited Partners.
- **Geopolitical tensions:** Conflicts or disputes between nations that impact financial markets. They can cause trade disruptions, policy changes, or increased market volatility.
- **Gharar** refers to excessive uncertainty or ambiguity in Islamic finance. It pertains to transactions that involve an element of risk or speculation that is considered excessive and is not allowed according to Islamic principles.
- **Growth equity funds** inject investments into mature, established companies that still need significant funding to grow. These companies usually have good cash flow and established business models but lack the financial boost for scalability or expansion regionally or globally.
- **Haram** means forbidden or prohibited in Islamic law. It refers to actions, behaviours, or practices that are considered sinful or unethical and are not allowed according to Islamic teachings.
- **IPO (Initial Public Offering)** is the process by which a private company offers its shares to the public for the first time, thus becoming a publicly traded company. Through an IPO, a company can raise capital by selling its stock to investors. This transition allows the company to access public markets for funding, which can be used for expansion, paying off debt, or other corporate purposes.

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- **Infrastructure works** works similarly to real estate equity. Firms raise capital from private equity investors. Then, they use that capital to buy assets, operate them, and eventually sell them for profit. The difference with infrastructure funds is that they invest in assets that provide essential utilities or services. This includes sectors like utilities (e.g., gas, electricity, water) and transportation (e.g., airports, roads, bridges, rail transit).
- **Limited Partner (LP):** These are the investors such as high net worth individuals, Institutional investors as well as pension funds who invest into private equity funds which are managed by a General Partner (GP).
- **Median return:** The middle value of a set of returns or performance of a group of investments.
- **Mezzanine Capital** is a hybrid form of financing that combines elements of debt and equity. It is typically used by companies to finance growth, acquisitions, or buyouts. This type of capital ranks between senior debt (like bank loans) and equity in terms of risk and repayment priority.
- **Options contracts** provide the buyer the right, but not the obligation, to buy (call option) or sell (put option) an underlying asset at a predetermined price within a specified period.
- **Principles for Responsible Investment (PRI):** A global initiative promoting sustainable investing. It encourages investors to incorporate ESG factors for long-term sustainable returns.
- **Private Equity** refers to a form of investment made into companies that are not publicly traded on a stock exchange. These investments typically come from private equity firms, venture capital firms, or wealthy individuals.
- **Real Estate Private Equity (REPE)** are simply funds that raise capital to acquire, develop, operate, improve, and sell buildings in order to generate returns for their investors. They generally invest in properties using different strategies.
- **Regulation 28:** South African regulation for retirement funds, setting investment limits and guidelines. It ensures diversification and risk management by specifying exposure to different asset classes, sectors, and regions.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.