Managers' Digest

Issue 2 • 2023

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Content

In this **edition**

The South African investment landscape has recently witnessed remarkable performances and notable developments, underscoring the diverse dynamics shaping the industry. Among these standouts, the Old Mutual Global Islamic Equity Fund was the best absolute performer in the Shari'ah survey, achieving an impressive return of **13.29%** for the quarter. In parallel, the Visio BCI Shari'ah Equity Fund emerged as the best relative performer, exceeding its benchmark by a remarkable **8.20%** during the same period.

Navigating the dynamic landscape of the country's asset management sector in the second quarter of 2023 reveals two significant developments. The Financial Sector Conduct Authority (FSCA) is poised to bolster its role in overseeing transformation efforts, emphasising transparency and the actual ownership of financial institutions. Concurrently, the FTSE/JSE Africa Index Series' harmonisation proposal aims to streamline indices, reflecting ongoing endeavours to enhance market dynamics and transparency.

Examining the second quarter's investment landscape unveils a nuanced performance in South African SA) asset management. While the local equity market yielded a modest **0.66%** return, global equities demonstrated more robust results, highlighting the intricate interplay between local and global markets. Against the backdrop of global economic shifts, the MSCI World Index achieved a noteworthy **7%** return, contributing to a robust year-to-date growth of **15.43%** in US dollar terms.

The strategic evolution of asset allocation lies at the core of adapting to the shifting investment landscape. The recent relaxation of offshore limits to 45%, as stipulated by Regulation 28, has prompted asset managers to adjust their strategies. Embracing a multi-management philosophy, we capitalise on our expertise to optimise returns while meticulously managing risk. This underscores the industry's agility in a rapidly changing global environment.

The Shari'ah Manager Watch survey epitomises Alexforbes' commitment to providing impartial evaluations of performance and risk within balanced and equity mandates adhering to Islamic principles. This survey highlights the intersection of financial opportunity and moral responsibility in Shari'ah-compliant investments. With a substantial market value of R32 billion, the survey's significance in the investment landscape is undeniable, reflecting a commitment to responsible and ethical investing.

Introduction

The Alexforbes Manager Watch surveys highlight the performance and risk statistics of institutional fund managers in SA and have been published since 1994. Not only does Alexforbes pride itself in providing clients with a specialised range of analytical solutions, but we are also the only investment survey provider in SA that publishes a survey for all the major asset classes.

For the fourth consecutive year, the Alexforbes survey team was voted the winner in the Best Investment Survey Provider category at the 2022 New York-based Africa Global Funds (AGF) Service Providers Awards held on 31 October 2022.

Now in their seventh year, the AGF Service Providers Awards recognise and reward companies that excel at providing services to the African asset management industry.

Read more

Sharp Shooter

The sharpshooter (best absolute performer across all surveys) for the quarter is the **Old Mutual Global Islamic Equity Fund**, participating in the Shari'ah survey with a return of **13.29%**.

The best relative performer for the quarter was the **Visio BCI Shari'ah Equity Fund**, participating in the Shari'ah survey and outperforming its benchmark by **8.20%**.

13.29% **Old Mutual Global Islamic Equity**

8.20% **Visio BCI Shariáh Equity fund**

Surveys in numbers

Some interesting facts generated over the second quarter of 2023 across all surveys, state that we have:

83
Asset managers participating
across our surveys

712
Participating strategies
across our surveys

R8.1 trillion
Total assets under management (AuM)
as per the Dec 2022 AuM survey

48
BEE level 1 contributors

56

Signatories of the UN Principles for Responsible Investment (PRI)

256
Portfolios outperforming their respective benchmarks
(excluding global, Namibia, Africa and LDI surveys)

311
Portfolios increasing their market values
(excluding global, Namibia, Africa and LDI surveys)

68
Companies endorsing the principals of the Code for Responsible Investing in South Africa (CRISA)

Read more

Industry news

In the dynamic landscape of the SA asset management industry during the second quarter ending June 2023, two developments have emerged that bear considerable influence on both market perceptions and surveys. They are:

The Financial Sector Conduct Authority (FSCA)

The FSCA says it wants to get more involved in policing transformation by strictly verifying financial firms' B-BBEE certificates. However, there is still a complete lack of details on just what powers the regulator will have or what sanctions it could levy. It wants the industry to provide more detailed data on who owns big financial institutions as their large complex structures often hide true beneficial owners. The FSCA will also work much more closely with the Prudential Authority as it has the power to consider transformation at the licensing stage of insurance companies.

The FTSE/JSE Africa Index Series harmonisation proposal

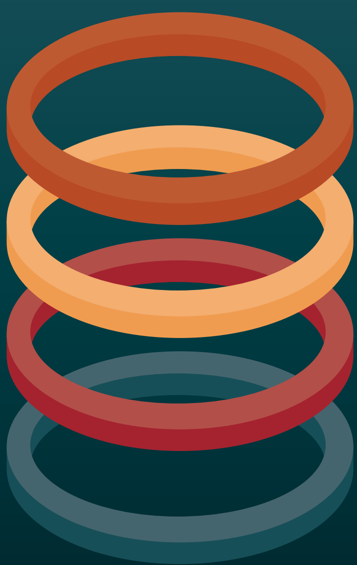
In September 2022, a market consultation was published to solicit feedback on the FTSE/JSE Africa Index Series harmonisation proposal detailed herein, and it closed on 31 October 2022.

On 5 December 2022, a notice was published to relay that the feedback, indicative timelines and proposals provided in the consultation document were under review.

Latest developments and consultation summary

The consultation responses and feedback were also discussed at the December 2022 FTSE/JSE Africa Index Series Advisory Committee meeting. It was noted that for phase one, which consists of a change to the SWIX methodology for the 'vanilla' indices, a large majority of the respondents were in favour of and understood the rationale for the harmonisation. This was largely due to the fact that the indices naturally converge as a result of the decrease in grandfathered companies. FTSE Russell and the Johannesburg Stock Exchange will communicate the implementation date for phase one changes in due course, and have confirmed that the methodology change for the vanilla indices will not be implemented in June 2023, but at a later review.

Quarterly investment update



- If investors were optimistic about financial markets following the asset class performance in the first quarter (Q1) of 2023, then local performance in Q2 would have cooled expectations to some extent. The shift in mood is reflective of uneven results for investors over the past quarter.
- Locally, the South African Reserve Bank stepped up its efforts to fight inflation, which has proven to be quite sticky throughout the first half of 2023.
- SA equities performed poorly in the last quarter, with a return of only 0.66% over the three-month period. This brought the year-to-date return to 5.86% in the local currency. In comparison, both emerging and developed market equities delivered much higher returns of 15.74% and 26.99% respectively, in the same period.
- Despite concerns about the sustainability of economic momentum and aggressive interest rate hikes globally, global growth assets performed well. The MSCI World Index delivered a return of 7% for the quarter, bringing the year-to-date return to 15.43% in US dollar terms.

Please follow the links below for insights from our Alexforbes experts.

Insights

We pioneer insights that are driven by our conviction that knowledge is power.

Update from the CIO
Market and economic insights
Asset class insights

Advice

Our ability to cut through complexity helps make your investment experience simpler, smoother and safer. Our leading multi-management approach is central to this.

Dealing with market uncertainty

How to remain invested

Best performing SA indices in the surveys

Quarter	1 year	3 years	5 years
1.92% Short Term Fixed Interest Rate Index	22.18% FTSE/JSE Top 40 Index	17.49% FTSE/JSE Capped All Share Index	10.33% FTSE/JSE Top 40 Index

Best performing peer group benchmarks as featured in the surveys

Quarter	1 year	3 years	5 years
4.12% Global Dynamic Median	16.67% Global Dynamic Median	14.80% SA Best Investment View Average	10.15% Global Dynamic Median

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

The recent relaxation of Regulation 28 of the Pensions Funds Act's offshore limits to 45% has sparked widespread debate but has, by and large, been welcomed. In response to the new limit, asset managers, to varying degrees, have gradually increased their offshore allocations over time. The relative attractiveness of SA equities, from a valuation perspective and the differing outlook on foreign assets that managers hold, have resulted in total offshore exposure dispersion. This is expected to remain elevated for some time and will drive performance dispersion across managers.

The table below shows the change in the average quarterly asset allocation for selected asset classes among the SA and Global BIV category of the Manager Watch survey.

SA BIV – average asset allocation

	December 2022	March 2023	June 2023
SA equities	64.75%	64.34%	64.50%

We observed a minor shift in the quarterly asset allocation of the participants in the SA BIV category from September 2022 to June 2023. On average, there was a modest increase of 0.8% in the allocation of assets to domestic equities. Among the managers, the one with the highest allocation to domestic equities had an exposure of 74.6%, delivering a quarterly return in the upper quartile.

Global BIV - average asset allocation

	December 2022	March 2023	June 2023
SA equities	41.75%	40.03%	38.62%
Total SA assets	70.12%	68.59%	66.97%

	December 2022	March 2023	June 2023
Global equities	20.96%	21.80%	23.20%
Total global	29.88%	31.41%	33.03%

The global BIV category delivered an average performance of 3% for the quarter. The average assets allocated to offshore investments have increased by 3.9% from September 2022 to June 2023. Among the managers, the one with the highest allocation to global assets had an exposure of 47.1%, delivering a quarterly return in the top three.

The average exposure to global assets of the participants in the peer group was 33%. Of the 42 managers, only 6 were lower than 30% by more than 5%.

Overall, the data indicates a significant trend of managers who are gradually increasing their offshore allocations in response to the amended Regulation 28, which allows for higher offshore exposure. The focus has shifted towards global markets, with higher allocations to global equities, while the allocation to SA assets has slightly decreased. The trend suggests that asset managers are diversifying their portfolios to take advantage of global opportunities and manage risk, considering the relative attractiveness of different asset classes and markets.

Survey in focus: **Shari'ah survey**

The purpose of the Shari'ah Manager Watch™ survey is to provide clients, trustees, consultants and asset managers with objective and meaningful performance and risk comparisons of portfolios or composites within balanced and equity mandates.

Shari'ah investments, also known as Islamic investments, are financial products and investment strategies that adhere to the principles of Islamic law (Shari'ah).

Key principles guiding Shari'ah investments include:

1. **Prohibition of Riba:** interest-based transactions are strictly avoided.
2. **Prohibition of Gharar:** investments involving excessive uncertainty or ambiguity are not allowed.
3. **Prohibition of Haram activities:** investments in businesses related to alcohol, gambling, pork and other forbidden activities are excluded.

Overall, Shari'ah investments aim to provide financial opportunities while adhering to ethical and moral principles as prescribed by Islamic teachings.

For the quarter ended June 2023, the survey had a total market value of R32 billion and included representation from 11 asset managers.

Below is a table highlighting the overall quarterly performance of funds participating in some categories of the Shari'ah survey, versus their counterparts in the BEE, SA Equity and Manager Watch surveys.

June 2023

	Median return	Highest return	Lowest return
Shari'ah - SA Equity	1.71%	3.54%	-2.37%
SA Equity	0.74%	3.93%	-4.93%
BEE Equity	0.44%	3.93%	-2.75%
Shari'ah - Global Balanced	2.37%	4.31%	0.64%
Manager Watch - Global BIV	3.03%	5.18%	0.08%
BEE - Global Balanced	2.68%	3.30%	2.09%

Risk statistics - Volatility and tracking error

Lowest volatility

	1 quarter	3 years	5 years
Total SA Equity	**11.81%** PortfolioMetrix BCI SA Equity Fund	**11.53%** Foord Domestic Equity	**13.76%** First Avenue Focused Equity
Manager Watch SA Best Investment View	**13.03%** Aeon Domestic Balanced Fund	**8.78%** Aeon Domestic Balanced Fund	**10.10%** Foord Domestic Balanced
Manager Watch Global Best Investment View	**1.38%** Aeon Balanced Fund (CPI + 5%)	**5.32%** Rezco Value Trend	**6.28%** Sasfin BCI Balanced fund

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

For example, the Rezco Value Trend portfolio gained **5.71%** over 3 years, showing positive performance. Its portfolio volatility of **5.32%** indicates a relatively moderate fluctuation in returns. This suggests a reasonable level of risk, aimed at achieving steadier returns.

Highest volatility

	1 quarter	3 years	5 years
Total SA Equity	**21.81%** Momentum Investments Value Equity	**17.31%** Momentum Investments Value Equity	**23.42%** Fairtree Asset Management Equity
Manager Watch SA Best Investment View	**19.78%** Merchant West SCI Managed P&G Fund	**11.98%** Coronation Domestic Mandate	**14.92%** Merchant West SCI Managed P&G Fund
Manager Watch Global Best Investment View	**12.59%** ClucasGray Equilibrium Prescient	**13.99%** PSG Balanced Fund	**16.23%** PSG Balanced Fund

The 3-year PSG Balanced Fund's volatility of **13.99%** was much higher than the average volatility of **8.69%** in the peer group. This indicates that the PSG Balanced Fund experienced larger price movements compared to its peers over the past three years, making it relatively riskier to its peers.

Lowest tracking error

	1 quarter	3 years	5 years
Total SA Equity	**0.08%** Camissa Core Equity Capped SWIX Fund	**1.52%** Mianzo Enhanced Equity Fund	**1.77%** Alexander Forbes Investments Pure Equity Local
Manager Watch SA Best Investment View	**0.42%** Ninety One Segregated Domestic Mandate	**1.70%** Alexander Forbes Investments Performer Local	**1.89%** Alexander Forbes Investments Performer Local
Manager Watch Global Best Investment View	**0.12%** Alexander Forbes Investments (Spectrum)	**0.50%** Alexander Forbes Investments (Spectrum)	**0.61%** Alexander Forbes Investments (Spectrum)

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

For example, the Spectrum portfolio achieved a solid 3-year return of **12.98%** per annum, indicating strong performance. With a low tracking error of **0.50%**, it closely followed its intended strategy or benchmark. This suggests relatively lower risk and more consistent returns.

Highest Tracking Error

	1 quarter	3 years	5 years
Total SA Equity	**10.63%** Foord Domestic Equity	**11.06%** Rezco Equity	**11.56%** Ninety One Value Composite
Manager Watch SA Best Investment View	**19.96%** Merchant West SCI Managed P&G Fund	**12.07%** Merchant West SCI Managed P&G Fund	**15.07%** Merchant West SCI Managed P&G Fund
Manager Watch Global Best Investment View	**14.99%** Rezco Value Trend	**15.45%** Rezco Value Trend	**16.48%** Rezco Value Trend

The Rezco Value Trend portfolio achieved a 3-year return of **5.71%** per annum, showing a positive performance. However, its tracking error of **15.45%** indicates that the portfolio's actual results deviated from its intended strategy or benchmark. This suggests higher risk and the potential for more unpredictable returns.

Quarterly survey asset distribution

	December 2022	March 2023	June 2023
Absolute Return	R213 billion	R224 billion	R228 billion
BEE	R388 billion	R408 billion	R481 billion
Manager Watch™	R1 354 billion	R1 413 billion	R1 432 billion
Medical-Aid	R82 billion	R89 billion	R90 billion
Multi-Manager	R473 billion	R488 billion	R498 billion
Namibia	R90 billion	R86 billion	R84 billion
Property	R61 billion	R59 billion	R56 billion
SA Bond	R221 billion	R228 billion	R230 billion
SA Equities	R478 billion	R488 billion	R477 billion
SA Money Markets	R471 billion	R487 billion	R490 billion
Shari'ah	R29 billion	R31 billion	R32 billion
TDI	R70 billion	R69 billion	R66 billion
Total	**R3 930 billion**	**R4 070 billion**	**R4 164 billion**

The figures in the table above suggest a mixed trend with regards to the growth and decline in the assets, when viewing the various surveys in isolation. Aggregated asset distribution across the surveys shows an overall upward trend. The growth in asset values across most surveys indicates increased investor confidence. The growth of the assets in the Manager Watch series of surveys is positive.

While these figures provide insight into the asset distribution of the surveys, it is important to note that additional analysis and context would be necessary to fully understand the implications of these trends. Factors such as market conditions, economic indicators and investor behaviour would need to be considered to gain a comprehensive understanding of the observed changes.

Environmental, social and governance (ESG) considerations

Responsible investing impact

At Alexforbes, we recognise our responsibility as a corporate citizen and as an active participant in the investment markets and, therefore, are progressively incorporating an ESG overlay into our investment process.

We seek to play a leadership role in driving transformative change across the investment management industry. We achieve this by focusing on impact investing, creating employment and generating competitive long-term, risk-adjusted returns for our clients.

Our multi-management approach is central to our investment philosophy. It provides clients with the benefits of excellent product selection, strategically positioning our portfolios in these volatile markets to continue to achieve enhanced returns on a risk-adjusted basis. We will continue to embed ESG principles in how our portfolios are managed and focus on improvements in monitoring and reporting.

The power of responsible investing goes beyond just helping our clients reach their investment goals. Deploying investments responsibly and sustainably can also help promote a better quality of life for our citizens.

Our decade-long track record of championing sustainable investing

2012
- Released our responsible investing manifesto
- Endorsed CRISA

2013
- Endorsed UN PRI
- Created and implemented proxy voting policy
- Adopted CRISA

2015
- Started responsible investments due diligence duties

2017
- Established South Africa private markets programme
- Incorporated Mercer's global responsible investing approach

2019
- Enhanced focus on social and environmental impact in responsible investing approach
- Started private market engagements

2021
- Signed up as signatory to the UNGC
- Established our responsible investing framework

2022
- Launched the transformation policy for asset managers
- Published inaugural private markets ESG report
- Corodination and alignment with group
- Transformed investments-focused client communication into holistic client communication aligned with group-wide sustainability coordination

2023
- Published inaugural stewardship report
- Issued updated proxy voting policy
- Represented on the SAICA sustainability technical committee
- Alexforbes impact centre of excellence established to further enhance integration of sustainability and ESG best practices and advice across the group

Alexforbes has recently released their inaugural stewardship report, highlighting the importance of active stewardship and engagement in creating and protecting sustainable value as an asset owner and fiduciary. The report offers insights into ESG integration in SA that were gathered from Alexforbes' engagements with a range of asset managers and includes an overview of our responsible investing framework.

Access our stewardship report here

Access the executive summary here

Expert insights:
An interview with…

Ernest Mabaso

Head of Multi-Asset Class Products • AF Investments

Please introduce yourself: name, designation and company name.

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

What motivated you to become an investment professional?

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

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

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

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

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

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

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

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

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

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

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

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

Be patient and take a long-term view.

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

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

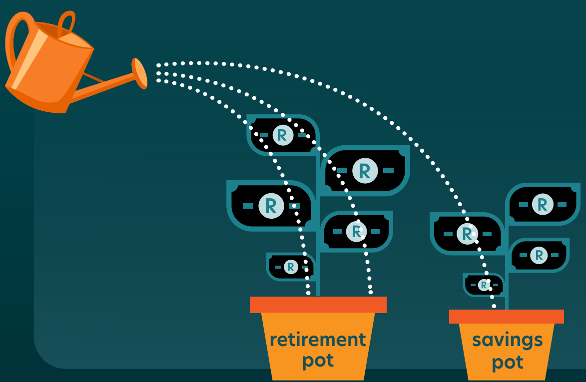
Finally, what advice would you give to someone who is just starting to invest their money and looking to build a diversified portfolio?

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

Word on the street

What is the two-pot system and how will it affect me going forward?

The two-pot retirement system is a new way the government plans to help people manage their retirement savings. Under this system, your retirement fund will be split into two separate pots:



The savings pot: This is where you can make a limited withdrawal, typically up to a third of your retirement fund, once in a 12-month period. This pot is designed to assist you during challenging financial situations or emergencies.

The retirement pot: This is the portion of your retirement fund that you leave untouched. It continues to grow over time, usually through investments and the benefits of compounding, which means that it can grow faster, the longer you leave it invested.

The manner in which the two-pot system affects you will depend on how you manage your withdrawals and

- **Benefits of the savings pot:** The ability to make limited withdrawals can be helpful during emergencies or during stressful financial periods. It will provide a safety net to cover unexpected expenses.
- **Impact on long-term savings:** Withdrawing from the savings pot too often can have a negative impact on your long-term savings growth. Regular withdrawals reduce the amount left in the retirement pot, which means you miss out on the potential benefits of compounding over time.

Overall, while the two-pot system can be helpful in providing financial flexibility, it's crucial to understand the long-term implications of withdrawals. We recommend that you seek guidance from a financial adviser to make informed decisions about your retirement planning. By doing so, you can secure a more stable financial future for your retirement years.

Read more here

Investor **education**

Multi-management for the win

Multi-management is an investment approach that consists of combining several asset managers, across different markets, asset classes, investment philosophies and styles of money management to help reduce risk and enhance investment returns. Put simply, it allows investors to invest in a blend of the smartest strategies and most talented asset managers from one single portfolio solution.

For more information about Alexander Forbes Investments and their multi-management approach, please visit the following website link provided: connect.alexanderforbes.co.za

The basis of this approach is that no single asset manager can be an expert in every field nor consistently outperform, all the time.

"A jack of all trades is a master of none, but oftentimes better than a master of one."

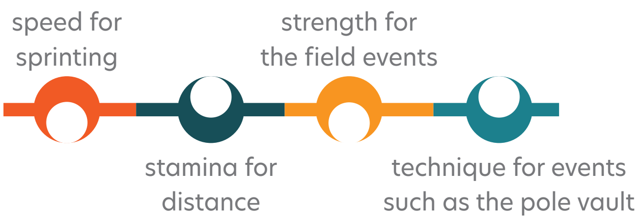
The value of a multi-manager lies in extensively researching the vast investment landscape to find solid investment opportunities.

Good asset manager strategies are distilled from bad ones to find the most talented asset managers, and skilfully blending their complementary strengths across all market conditions to produce superior risk-adjusted returns over the long term.

2020 Tokyo Olympics: an analogy

A useful way to explain the benefits of a multi-manager investment approach is to compare the difference in performance between two athletes, a decathlon champion and an individual champion, competing in the same events at the 2020 Tokyo Olympics.

The individual champion or specialist, is skilled in his or her specific event. The decathlete is a generalist who must be skilled in all 10 of the different events that they participate in. They require:



While the decathlete has all-round capability, they are frequently beaten by the specialists in each of the 10 events that they compete in.

As illustrated below, the difference in performance between the gold medal winning individual specialist and the decathlon champion in each event is quite evident:

Event	100m	Long jump	Shot put	High jump	400m	110m hurdles	Discus	Pole vault	Javelin	1500m
Individual specialist	9.80s	8.41m	22.30m	2.37m	48.85s	13.04s	68.90m	6.02m	87.58m	3.28:32
Decathlon champion	10.12s	8.24m	14.8m	2.02m	47.48s	13.46s	48.67m	4.90m	63.44m	4.31:08

Source: www.olympics.com

Performance at a glance

It is clear from the '% outperformance' displayed above that the individual specialist performed far better in each event, compared to the decathlete. In fact, it is fair to say that the specialist was far superior in each of its respective categories. Understandably, however, it is also fair to say that while the specialists produced gold medal winning performances at the 2020 Tokyo Olympics, replicating those performances consistently year after year, tournament after tournament, would be extremely difficult.

The world of investing is no different. While an asset manager may provide general coverage over many different asset classes and markets, they cannot be skilled or excel in all of them. A generalist asset manager may give you a good return but finding the best individual performer in each of those markets, consistently, is what ultimately rewards. For the mere fact that an asset manager is skilled at managing SA equities, for example, you would not expect them to be as successful at managing Chinese or UK equities.

Equally so, an asset manager cannot invariably be ranked number one in terms of performance in its category, year after year. We must also appreciate that asset managers may specialise in a certain style of investing, and these styles move in and out of favour according to economic and other factors. They will therefore produce impressive results in certain conditions, but below average ones in others.

Blending asset managers, and providing solutions that are oftentimes better than a 'master of one', is where multi-management adds value for investors. It is similar to blending the best specialists together to produce an outcome that is better than a generalist approach and more consistent than a specialist approach.

Why you should choose multi-management

While multi-management sounds like a simple concept, the reality is that a lot of hard work goes on behind the scenes to build a well-diversified, multi-managed portfolio. To realise the full benefits of the multi-manager approach, choosing a provider with a well-thought-out process for identifying the right asset managers and a demonstrable capability of blending them together is key.

Reverting back to the 2020 Tokyo Olympics analogy and the world of athletics, individual champions can easily change from year to year, and the same can happen with asset managers. Alexforbes' manager research team is designed to find the next champions. They constantly monitor the portfolios so that managers can be changed as and when necessary to improve performance for our clients.

Multi-manager investing is not designed to attempt to win a gold medal in just one particular season. Rather, it aims to produce consistent, superior risk-adjusted results, season after season, over the long term.

Financial food for thought: **A short story**

The boy's biggest weakness had become his biggest strength.

Sometimes your biggest weakness can become your biggest strength. Take, for example, the story of one 10-year-old boy who decided to study judo despite the fact that he had lost his left arm in a devastating car accident.

The boy began taking lessons with an old Japanese judo master Sensei. The boy was doing well, so he couldn't understand why, after three months of training the master had taught him only one move.

"Sensei," the boy finally said, "Shouldn't I be learning more moves?"

"This is the only move you know, but this is the only move you'll ever need to know," the Sensei replied.

Not quite understanding, but believing in his teacher, the boy kept training.

Several months later, the Sensei took the boy to his first tournament. Surprising himself, the boy easily won his first two matches. The third match proved to be more difficult, but after some time, his opponent became impatient and charged the boy. The boy deftly used his one move to win the match. Still amazed by his success, the boy was now in the finals.

This time, his opponent was bigger, stronger and more experienced. For a while, the boy appeared to be overmatched. Concerned that the boy might get hurt, the referee called a timeout.

He was about to stop the match when the Sensei intervened. “No, let him continue.”

Soon after the match resumed, the boy’s opponent made a critical mistake. He dropped his guard. Instantly, the boy used his move to pin him. The boy had won the match and the tournament. He was the champion.

On the way home, the boy and Sensei reviewed every move in each and every match. Then the boy summoned the courage to ask what was really on his mind.

“Sensei, how did I win the tournament with only one move?”

“You won for two reasons,” the Sensei answered. “Firstly, you’ve almost mastered one of the most difficult throws in all of judo. And secondly, the only known defence for that move is for your opponent to grab your left arm.”

The moral of the story...

The story of the boy who learned judo with only one move teaches us the value of mastering one skill and using it to our advantage. In the same way, in the world of finance, it is important to focus on building one’s financial strengths and using them to achieve financial success. By identifying and developing our strengths in areas such as investing, budgeting and saving, we can create a solid financial foundation and achieve our financial goals. It’s not about trying to be good at everything, but rather about leveraging our strengths to overcome obstacles and achieve financial success.

Conclusion

In this newsletter, we covered a diverse range of topics related to investments and finance. We shared some interesting survey results related to investments, followed by industry news and quarterly economic highlights.

In addition, we provided statistics on asset class performance and highlighted the importance of considering environmental, social and governance factors in investments.

We included an insightful interview with an expert in the field, discussed the concept of the two-pot retirement system in the investor education section and shared a short story for financial food for thought.

Lastly, we wrapped up with a “word on the street” section. We hope you found this newsletter informative and insightful, and we look forward to hearing your thoughts and feedback. Please feel free to share any comments, questions or suggestions by sending an email to managerwatch@alexforbes.com.

Glossary

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

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

Code for Responsible Investing in South Africa (CRISA): Guidelines in South Africa that promote responsible investing practices. It encourages considering ESG factors in investment decisions.

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

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

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

Median return: The middle value of a set of returns of a group of portfolios or strategies.

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

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

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.

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.

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.

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