# Pensions World®

# SOUTH AFRICA

Edition 23 Q3 2025

## SPECIAL FEATURE: EVOLUTIONARY THINKING IN RETIREMENT

**Beyond returns: How pension funds can reshape South Africa's future**

**Crypto assets and retirement funds: Between caution and conviction**

**The true nature of risk in investing: Beyond numbers to human behaviour**

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Pensions World SA is published quarterly and distributed free of charge to clients (excluding courier costs) in the retirement industry. It is also available as a download on the Pensions World SA website, www.pensionsworldsa.co.za.

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# Editor's Comment

*David Weil, CEO ICTS Group of Companies*

The retirement and investment industry in South Africa is undergoing a transformative phase, propelled forward by regulatory reforms, economic shifts and the rise of innovative players like Evolutionaries, who are reshaping how South Africans approach investing, retirement planning and wealth management.

The introduction of the two-pot retirement system one year ago was a game changer and the speed and creativity with which the industry evolved was unlike anything I've seen before in my career, spawning a new generation of not only retirement fund members, but also industry influencers. You'll see our special feature for this edition of Pensions World SA is Evolutionaries, to inspire your thinking about where our industry is headed.

Through our EBnet platform's Evolutionary Awards, we acknowledge the thought leaders who challenge the status quo to improve outcomes for fund members and individual investors. They move the dial in a way that has meaningful impact for those they serve. And appreciate that even the most humble spark can be a detonator for growth, efficiency or upliftment.

In 2024, the winners, as voted by you, the industry, were:

- Alexforbes – for their Evolution in Investments with the AF Retirement Navigator portfolio.
- GTC – for the Evolution in Improving Member Outcomes with their Altertude fintech platform.
- Alexforbes: for their Evolution in Employee Benefits and Advice with their Retirement Fund of the Future.

These represent cutting-edge solutions that position retirement funds and members proactively towards emerging trends, ensuring that they remain ahead of the curve. The great success of last year's awards prompted us, ourselves, to evolve. For 2025's awards, we have expanded the scope to include not only the above three categories, but three new categories:

- Most promising new women-led initiatives
- Most promising new black-owned initiatives
- The Greatest Impact

We look forward to celebrating with this year's winners who again will be chosen by way of a peoples' vote at EBnet's 2025 Evolutionaries Conference from 6 – 10 October.

The two-pot claims experience has furthered the evidence of the ongoing challenge of long-term financial security for South Africans - 49% of South Africans live below the poverty line and lack confidence in retirement planning. These talk to an economic and political reality that we can no longer ignore. What role can we play in growth, inclusion, financial literacy and hyper-personalisation?

As always, I hope this issue sparks your thinking.

Please note that this publication has been approved by the FPI for CPD purposes

# EMPLOYEE BENEFITS

# Beyond returns: How pension funds can reshape South Africa's future

As South Africa continues to grapple with economic inequality, infrastructure backlogs, and retirement insecurity, the employee benefits industry stands at a pivotal crossroads. Pension funds - custodians of long term retirement savings - have a unique opportunity to drive not only better retirement outcomes for members, but also broader societal transformation. Two ideas gaining traction in this regard are infrastructure investment and collective defined contribution (CDC) schemes. Both offer compelling pathways to align financial returns with social impact.

## Infrastructure investment: A social compact in action

Infrastructure investment is no longer just a niche asset class - it is a national imperative. With the country's energy, transport, and water systems under strain, pension funds are increasingly being called upon to help close the infrastructure gap. Regulation 28 of the Pension Funds Act, recently amended to allow up to 45% of assets in infrastructure-related investments, has opened the door wider.

But this is not about charity. Infrastructure assets can offer stable, inflation-linked returns that match the long term liabilities of pension funds. More importantly, they can catalyse job creation, improve service delivery, and stimulate economic growth. Responsible investing frameworks like CRISA 2.0, and ESG integration into Regulation 28 are helping trustees navigate the risks while staying true to their fiduciary duties. The key is to build robust governance and risk management frameworks.

Our own studies on infrastructure investment trends indicate these specific focus points, with a strong focus on energy and transport infrastructure, probably reflecting the current South African (and broader African) reality and opportunity.

- **Rapid growth of pension assets:** African pension funds - especially in Nigeria, Kenya, and Namibia - have seen rapid growth. South Africa leads with over $500 billion in assets, representing 85% of the continent's pension market.
- **Infrastructure as a development lever:** Institutions like the Africa Infrastructure Fund advocate for pension funds to finance infrastructure as a means to drive economic growth, climate resilience, and post-COVID recovery.
- **Cross-border investment potential:** South African pension funds are now permitted to invest in infrastructure projects across Africa, which could help address the continent's estimated $130–$170 billion annual infrastructure gap.
- **Innovative financing models:** There's growing interest in pooled investment vehicles, credit-enhanced platforms, and blended finance to de-risk infrastructure projects and attract institutional capital.

**John Taylor**
YALA Consultants and Actuaries

## Collective DC schemes: Risk-sharing for a new era

While infrastructure investment addresses the "where" of capital deployment, CDC schemes tackle the "how" of benefit design. Traditional defined contribution models place all the risk - investment, longevity, inflation - on the individual member. In contrast, CDC schemes pool these risks across members and generations, offering more predictable outcomes without reverting to the potentially unsustainable guarantees of defined benefit plans.

Globally, CDC schemes are gaining momentum, particularly in the UK and the Netherlands. In South Africa, the concept remains nascent but promising, with some more recent discussion. The actuarial community has begun exploring hybrid models that blend individual account transparency with collective risk-sharing mechanisms.

For CDC to take root, regulatory clarity and industry collaboration will be essential. Trustees, consultants, and regulators must co-create frameworks that are fair, transparent, and adaptable to South Africa's unique demographic and economic realities.

## A broader vision: From retirement to resilience

Ultimately, the goal is not just to deliver a pension, but to build resilience - financial, social, and environmental. Pension funds can be powerful agents of change, but only if they embrace a broader vision of value. This means:

- Embedding ESG deeply into investment mandates, not as a tick-box exercise but as a lens for long term sustainability.
- Engaging members more meaningfully, helping them understand not just their fund balance but the impact of their savings.
- Collaborating across sectors, including government, asset managers, and civil society, to align incentives and unlock scale.

The employee benefits industry has always been about promises - of dignity in retirement, of security in uncertainty. In 2025 and going forward, those promises must expand to include a better future for all.

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# South Africa's path to compulsory preservation

The two-pot retirement system represents one of the biggest evolutions in the South African retirement industry landscape to date and aims to address two major challenges in retirement planning: leakage and access to emergency savings. Two seemingly conflicting issues.

**Andrea Bezuidenhout**
writes in her capacity as a member of the Actuarial Society's Retirement Matters Committee

The system's design was shaped by global research on pension systems and established precedents to enhance participants' financial outcomes. It has long been argued that early access to retirement savings increases poverty in retirement and undermines the aims of government tax subsidies that promote savings. However, limited access to retirement savings pre-retirement can help vulnerable participants to better smooth consumption and withstand unexpected shocks to income, health or marital status. The research therefore suggests that an optimally designed system combines both accessible and inaccessible savings accounts.

The two-pot system allows limited early access to manage shorter term financial needs, via the saving component which can be withdrawn once per tax year. To improve retirement outcomes, the system also mandates preservation of the retirement component on job separation pre-retirement. From 1 September 2024, contributions to funds are being allocated on a one third, two thirds basis between the savings and retirement components respectively. Historic rights are protected via the vested component, which houses any savings up to 31 August 2024, plus future growth thereon.

Historically, retirement outcomes from pension and provident funds, also known as occupational funds, were undermined by poor preservation rates and leakage (i.e. cash withdrawals) pre-retirement. Legislation allowed occupational fund members to cash in all their savings when changing jobs, relying on taxation to deter cash withdrawals and encourage preservation. This proved problematic and between 1964 and 2002, at least nine official commissions of enquiry into pension issues noted high rates of leakage despite the tax penalties.

Since 2012, several retirement reforms have been implemented to align the tax treatment of, and retirement benefits from, occupational and retirement annuity funds. However, before the two pot system, withdrawal rights from occupational funds were unchanged. Per the Alexforbes Member Insights Report, 2021, the percentage of occupational fund members preserving their savings on withdrawal decreased from 11.5% of members in 2012, to 9.6% of members in 2020.

An aim of the 2021 annuitisation legislation was to improve preservation rates by making transfers between pension, provident and retirement annuity funds entirely tax-free, but the situation was complicated by the potential forfeiture of vested rights and preservation rates only marginally improved to 14.4% of members by 2022, based on the similar data from Alexforbes. Preservation had to be better enforced.

Interestingly there were two attempts to introduce compulsory preservation before the two-pot system. In 1967, the Cilliers Committee recommended compulsory preservation on job separation, but despite further investigations in subsequent years, no legislative action followed. Then in March 1980, a report from an interdepartmental committee of inquiry into specific pension matters proposed mandatory preservation, with withdrawals allowed only on retirement, death, disability, sequestration or exit from the labour market due to marriage. This led to a bill in 1981 mandating full preservation, with some protection of vested rights, and phasing out of provident funds by closing them to new entrants. However, as workers relied on cash withdrawals on exit due to poor retrenchment and unemployment benefits, fierce opposition from organised labour led to the ultimate shelving of the bill.

Arguably, compulsory preservation was successfully introduced almost 60 years after it was first proposed because of the incremental approach taken to introduce the necessary reforms, coupled with the acknowledgment of different financial needs and extensive stakeholder engagement. Suffice to say, it has been a long journey to get here, but a necessary evolution of the system when considering early experience.

Ten and half months in and hundreds of thousands of members have claimed billions from their savings components. A recent analysis of the experience at Alexforbes, who administers retirement savings on behalf of roughly 1.2 million institutional fund members, show over 580 000 claims, totalling payouts of over R8.5 billion. The rush to submit claims was also notable, with almost half of the claims being submitted within days of the members being eligible to do so.

Pension fund administrators have consistently reported high claim volumes, despite marginal tax rates applying to withdrawals. The finding is not surprising, considering that tax disincentives were ineffective in the past, and globally its ineffectiveness is noted.

Although more research is needed to better understand spending and behavioural patterns of members accessing their retirement savings, early experience suggests that younger individuals, with lower balances and earning lower salaries, are more likely to claim. Also, that individuals are using the amounts withdrawn to meet immediate consumption needs, to service debt and as spending money. The experience again aligns with international experience.

In Australia, retirement savings are mainly housed in defined contribution Superannuation funds, or Supers. Policy mandates participation in Supers for all working Australians with prescribed minimum employer contribution rates on behalf of workers. Individuals can also make voluntary contribution top-ups and contributions are tax favoured, up to annual limits. Any withdrawals from Supers before retirement are tightly controlled, with only very specific hardship withdrawals allowed with the approval of their tax authorities.  An exception to strict early access came about in 2020 because of the COVID 19 pandemic and members were given the option withdraw up to $A20,000 in two tranches of $A10,000 each, without explicit tax penalty on such withdrawals. By the end of this concession, around 15% of all participants accessed their Supers early and around 40% of these withdrew in both rounds, representing 3.5 million individuals who made at least one application at an average payment of $A7,638.

Analysis indicated that younger, more financially fragile individuals, with lower income and lower levels of financial literacy, were more likely to opt for early access compared to older, wealthier individuals. The amounts withdrawn were mostly either at the limit, or the maximum available to the individual. Research exploring the motivations for individuals withdrawing indicated that around 58.7% of withdrawers reported using the funds to smooth consumption and pay immediate expenses or cover lost income, while 26.6% wanted accessible savings in case they needed it in the future. Furthermore, members who reduced high interest debt and boosted personal savings, may have increased their overall financial wellbeing.

Chile's pension system also mandates employer contributions on behalf of employed individuals, supplemented by voluntary savings. Withdrawals from the mandatory accounts before retirement are prohibited, but in response to COVID 19, the Chilean government also allowed small balances to be removed in full, and 10% of larger balances could be accessed early subject to an overall maximum withdrawal. The concession was initially introduced as a once-off withdrawal in the year, but was later expanded to allow two subsequent withdrawals, thus potentially allowing three withdrawals within 12 months.

During the first round, around 82–84% of eligible individuals applied, and of those, approximately 95% applied for the maximum amount available to them. The second and third rounds saw declining participation, as many had already withdrawn what they could. On average, members withdrew 37% of their balances and 19.1% emptied their accounts fully in the second round. The average proportion withdrawn continued to decline to 22.6% in the third round. The percentage withdrawn was higher for women and at younger ages, with a bias to smaller accounts.

The Australian and Chilean experience shows that when given the option to withdraw, many financially vulnerable participants did so, opting for the maximum amount possible and taking the benefits as soon as possible. Despite variations in pension systems, consistent patterns emerge among individuals most likely to withdraw their retirement savings - typically younger individuals with low savings balances, limited financial literacy, and financial vulnerability. Therefore, speculation remains whether members can weigh up the short term benefits of early access vs the longer term consequences to retirement outcomes. It is probable that most did not - or did not know how to - consider the impact of their decision to withdraw on their longer term retirement outcomes.

In South Africa, we should consider these, and other, international learnings as well as our own experience to better understand who are making withdrawals and why, and how to better pro-actively engage them to ultimately improve their financial wellbeing. As practical experience grows, it becomes increasingly important to identify and understand the factors driving early access to retirement savings and their impact on financial wellbeing. While these factors may appear straightforward, a nuanced approach is essential to fully grasp the complexities that are often deeply interconnected.

Furthermore, because vested components still represent big proportions of total savings and are still available in cash on withdrawal, it is likely to be many years before a meaningful effect on preservation is observed. There is also the possibility of members accumulating small retirement pots across various administration platforms and measures for effective consolidation and sustainable administration are key to ensure improved outcomes resulting from these preserved pots. It is important to bear in mind that objectives of the system are long term, and stakeholders should consider, and measure, the outcomes accordingly.

There are residual challenges, for example, access on retrenchment and wider coverage. These issues are complex and need to be considered in conjunction with wider social security benefits. Stakeholder alignment is important, and it will probably require combined efforts from the private and public sector to make any meaningful progress to address these issues.

Although there is much future work to be done, it is important to celebrate the progress. The implementation of the two pot system after two failed attempts at mandatory preservation was a positive evolution in the retirement fund industry. And it serves as testament of what is possible.

This article was written by Andrea Bezuidenhout, on behalf of the Retirement Matters Committee of South Africa. The content is based on the research paper, “Third time lucky? South Africa's path to mandatory pension preservation” co-authored by Megan Carswell, Andrea Bezuidenhout and Stephen Walker and presented at the International Actuarial Association Joint Colloquium held in São Paulo in May 2025.

# How to think about beneficiary nominations for retirement funds

Retirement funds provide financial security after the working years. If a retirement fund member dies, and a lump sum death benefit becomes payable, the trustees of the fund are responsible for distributing the death benefit fairly, in accordance with section 37C of the Pension Funds Act (section 37C). These death benefits do not form part of the deceased estate, and section 37C overrides any provision made in a will relating to them.

The primary aim of section 37C is to protect those who were financially dependent on the member. This includes legal dependants e.g. minor children, spouses with maintenance orders; factual dependants e.g. someone supported without legal obligation; and future dependants e.g. unborn children and other persons the member would have become legally liable to support had the member not died.

**Ian Barow**
Trustee
Allan Gray Retirement Funds

## The importance of providing written, clear nominations of beneficiaries

While trustees are not bound by beneficiary nominations, members should submit clear, written nominations of beneficiaries and keep them updated. These nominations help guide the trustees, who must conduct an investigation to identify all dependants and nominees, and establish various determining factors before equitably allocating the death benefit.

Providing complete and transparent information assists trustees reduce delays within the 12-month distribution window dictated by section 37C. It also helps to avoid legal complications: In the absence of written nominations and if no dependants are identified, the benefit may be paid into the estate, potentially triggering adverse tax implications and higher estate duty and executor fees.

## The death claims process: What dependants/beneficiaries need to do when a member passes away

Although death is a sensitive matter, it helps dependants immensely to have information about the death claims process before the retirement fund member passes away, as summarised below:

1. **Notification.** Dependants, a financial adviser or the executor must notify the retirement fund of the member's passing by submitting the relevant forms and documents.

2. **Await the trustees' decision.** Trustees must conduct a thorough investigation to identify all dependants and nominees. This may involve contacting family members, dependants, and other third parties, and can take up to 12-months from notification of the death.

3. **Submit objections and complaints.** Any party who disagrees with the trustees' decision can submit a complaint to the principal officer of the fund and, if unresolved, to the Pension Funds Adjudicator. Adjudicator decisions may be reviewed by the High Court.

4. **Choose a payment option.** Beneficiaries may take the benefit as a cash lump sum, purchase an annuity, or combine both. Trustees may also pay benefits into a nominated trust or beneficiary fund on behalf of a dependant or nominee, particularly for minors or vulnerable individuals.

## Case study: The importance of regularly updating beneficiary nominations

The below case study highlights the importance of regularly updating beneficiary nominations to reflect current family circumstances.

**Background:** A retirement fund member passed away suddenly without updating their written beneficiary nominations, which were submitted a decade earlier. The member had since divorced and remarried, with children from both marriages.  The original nomination listed only the first spouse and children to receive the death benefit.

**Conflict:** The trustees faced a complex situation. The member's first spouse and their children claimed a significant portion of the benefit, arguing not only that they were financially dependent on the member, but also that the member had nominated them to receive the full death benefit, i.e. they were relying heavily on the written nominations, arguing that the member never intended to allocate any of the benefit to the member's second spouse or children from that marriage. Meanwhile, the second spouse and children – who were not mentioned in the written nominations – also claimed dependency.

The outdated nomination led to disputes and delays in the distribution process, and frustration on the part of the member's first spouse and children from that marriage, who were under the impression that the written beneficiary nominations were all that mattered. This lack of clarity led to conflict with the member's second spouse and children.

**Outcome:** After a thorough investigation, the trustees distributed the benefit between both families, taking the nominations into account and considering the financial needs and dependency of all persons. This decision, while equitable, led to dissatisfaction among the beneficiaries, particularly the first spouse, who felt that their family's share was insufficient, especially when considering the member's nominations. The first spouse lodged a complaint with the Adjudicator, who upheld the trustee's decision as compliant with section 37C.

**Lesson:** Keeping nominations up-to-date could have gone a long way towards preventing, or reducing the frustration and conflict among loved ones.

# How the AI revolution is transforming the retirement industry

The retirement industry has been marked by innovation since its inception. But no change happens faster than the AI revolution. This transformation will lead to better member outcomes, more knowledgeable members, more knowledgeable trustees, and eventually a reduction in costs due to fewer man-hours needed to service and educate members.

This is not to say there aren't challenges at present. Member and trustee education on the safe use of AI, as well as an awareness of its risks, is essential. But can the industry really afford to be so cautious that it doesn't move forward? Can trustees afford to refuse AI simply because they don't know how to use it, or because they worry it might occasionally give an inaccurate response?

Where does the responsibility lie? Should individual trustees upskill themselves on AI use? Should service providers ensure trustees are equipped to leverage AI for more informed decision-making?

The answer is both: it's a shared responsibility that will determine how quickly our industry can harness AI's transformative potential.

## How AI can assist board members in making better decisions

AI can become a thought partner for board members in ways we've never seen before. It can compare financial statements with remarkable speed and accuracy. It possesses extensive knowledge of the South African retirement fund landscape, encompassing laws, accounting practices, the latest FSCA Joint Standards, and regulatory changes.

**Zeldeen Muller**
CEO inSite Connect
Creator of AgendaWorx
Board Portal with AI

Some of the ways in which AI can assist trustees include:

- Explaining and comparing outcomes of different investment strategies and portfolio options;
- Drafting clearer, more effective member communication;
- Explaining and summarising rules and rule amendments on the fly;
- Analysing financial statements and extracting the most critical information; and
- Doing complex calculations in seconds rather than hours.

But perhaps most importantly, AI can ask trustees the right questions. Board members and boards aren't often challenged with questions about their decisions or asked to consider alternative perspectives when they make important choices. AI can now prompt trustees with questions about crucial issues they might not have considered, which ensures more thorough decision-making processes.

'But perhaps most importantly, AI can ask trustees the right questions.'

## Should boards simply rely on AI-generated recommendations or proposals?

No, AI should not make decisions for boards. It serves as a powerful tool, delivering higher-quality information faster. It will help trustees access information faster, perform calculations more efficiently, and assist the board to become less dependent on certain service providers for basic analysis and guidance.

Ultimately, the board retains full responsibility for decisions.

## The reality of AI limitations

It's crucial to understand that an AI model thinks for itself. Even when guardrails are built into an AI system, it will still make decisions based on all the material it has been trained on. This raises an important question: Will we see independent AI trustees running funds and sitting on boards in the future?

In my opinion, this is highly unlikely. AI is designed to analyse, guide, prompt, calculate, and assist with better decision making, not to replace human judgement entirely. Trustees cannot and should not depend solely on AI decisions and proposals. The human element, with all its experience, intuition, and accountability, remains irreplaceable.

'The human element, with all its experience, intuition, and accountability, remains irreplaceable.'

## The path forward

The AI revolution in retirement funds isn't about replacing people; it's about augmenting human capability. When trustees can quickly analyse financial statements, understand complex legislation, and craft member communication that truly resonates, they're better equipped to serve their members' interests.

This transformation requires a mindset shift. We need trustees who are willing to learn, service providers who prioritise education, and an industry that embraces innovation while maintaining appropriate safeguards.

The retirement industry stands at a crossroads. We can either embrace this technology thoughtfully and strategically, or we can allow fear and hesitation to slow our progress while other industries race ahead. For the sake of our members, the people whose financial futures depend on our decisions, we must choose progress.

The AI revolution isn't coming to the retirement industry. It's already here. The question is: are we ready to harness its power responsibly?

# Crypto assets and retirement funds:
## Between caution and conviction

In the world of institutional investing, few topics have stirred as much curiosity and controversy as crypto assets. Once considered a niche interest, digital assets such as bitcoin and ethereum have evolved into a significant topic of discussion among institutional investors, including retirement funds. We have seen an emergence of a new dimension to the global financial landscape, but should these assets be considered by retirement funds?

Let's be clear: crypto assets are no longer fringe. They've gone from whitepapers to Wall Street, from Reddit threads to Reserve Banks. And yet, for South African retirement funds, the answer remains a firm “not yet”. While the crypto train is gaining speed globally, local regulatory frameworks are still evolving, and rightly so, given the need to balance innovation with fiduciary responsibility.

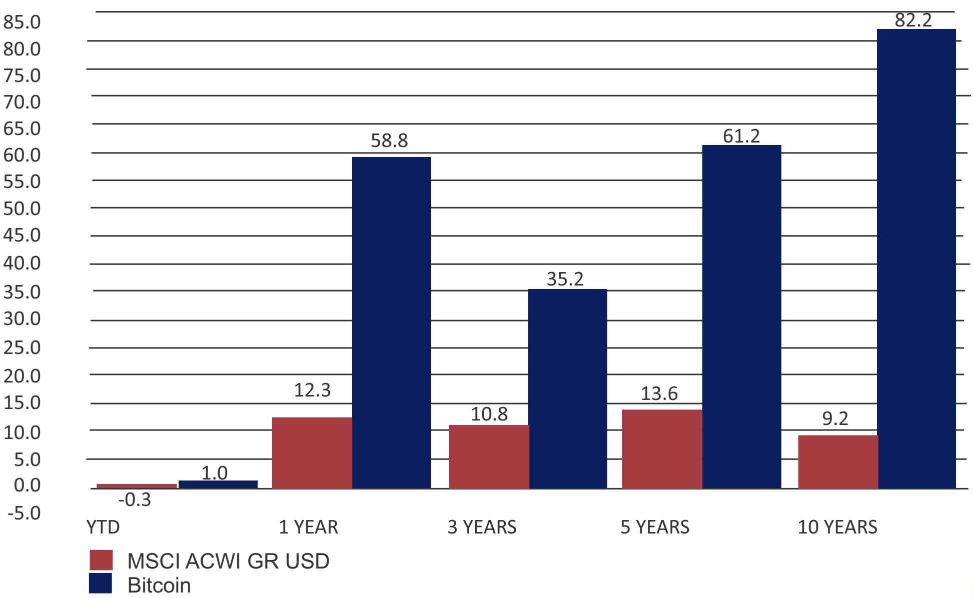
### The allure of the digital gold rush

Despite initial scepticism, global interest in crypto assets among institutional investors has grown. Bitcoin's meteoric rise, from a few cents to over USD100 000, has been nothing short of astonishing. Retirement funds in the United States, Japan and South Korea have begun exploring crypto exposure, primarily through regulated vehicles such as exchange-traded funds (ETFs). For instance, the Wisconsin Investment Board and the State of Michigan Retirement System have disclosed investments in bitcoin ETFs, signalling a shift in institutional sentiment.

The appeal lies in the potential for high returns and diversification benefits. Bitcoin, for example, has significantly outperformed traditional equity indices over the past decade.

**Marian Gordon**
Regional Head and Principal
Investment Consultant
Simeka Consultants and Actuaries

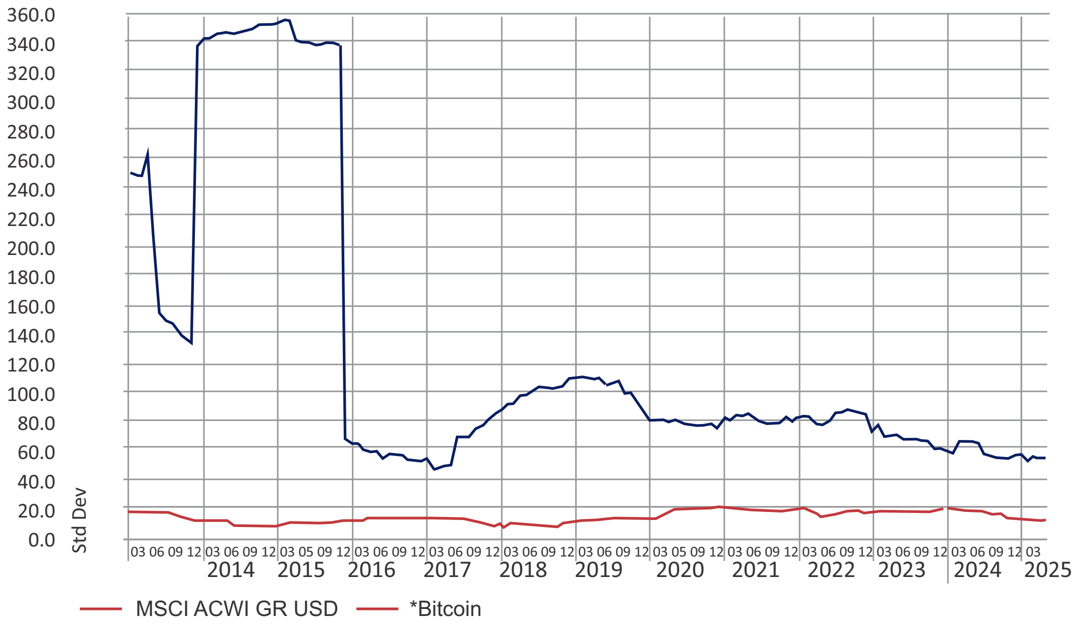
**Trailing Returns**
**As of Date: 30/04/2025 Currency: US Dollar**




*Source: Morningstar Direct*

However, this performance has come with substantial volatility, even exceeding 100% over a two-year rolling period. While volatility has moderated, it remains a key concern for long term investors, such as retirement funds, where even a small allocation could introduce disproportionate risk. Fiduciaries must carefully assess whether such volatility aligns with the retirement fund's investment objectives and the risk tolerance of its members.

**Rolling Volatility**
**Time Period: Since Common Inception (01/01/2011 to 30/04/2025**
**Rolling Window: 2 Years 1 Month shift**




*Source: Morningstar Direct*

## Regulation: The gatekeeper of innovation

Globally, regulators are racing to catch up. The US has taken an increasingly assertive approach, with the SEC, CFTC, IRS and Federal Reserve all asserting oversight. The UK is positioning itself as a crypto hub, while Japan and Australia have embraced innovation with guardrails. China, on the other hand, has slammed the door shut.

South Africa? We're cautiously optimistic. The Financial Sector Conduct Authority (FSCA) has declared crypto assets as financial products under the Financial Advisory and Intermediary Services Act. Crypto asset service providers (CASPs) must now register and comply with anti-money laundering and consumer protection rules. It's a start, but it's not yet a green light for retirement funds.

Regulation 28 of the Pension Funds Act is clear: retirement funds may not invest in crypto assets, neither directly nor indirectly. The “other” asset class bucket (capped at 2.5%) explicitly excludes crypto. The rationale? Protecting member savings from excessive risk and ensuring proper valuation, transparency and diversification.

## The paradox of progress

Here's the paradox: while South African retirement funds are barred from crypto, millions of South Africans aren't. According to the FSCA, in its crypto assets market study, over 5.8 million people (nearly 10% of the population) own crypto assets. That number is expected to quadruple by 2030. Monthly trading volumes have exceeded R8 billion. The market is here, and it's growing.

SARS has taken note, bringing crypto into the tax net. Gains and losses must be declared. The FSCA's upcoming Conduct of Financial Institutions Bill may further integrate crypto into the financial services framework. The direction of travel is clear, even if the pace is measured.

## What should retirement funds do now?

Stay informed. Stay engaged. And stay cautious.

Crypto assets are evolving rapidly, and so is the regulatory landscape. While direct investment is off the table for now, this could change. The development of stablecoins (digital currencies pegged to fiat) and the rise of regulated ETFs may offer safer, more palatable entry points for institutional investors.

In the meantime, retirement funds should monitor global trends, engage with their consultants, and educate trustees and members. The goal isn't to chase hype – it's to be ready should the rules change.

## Looking ahead

The future of crypto assets in retirement fund portfolios depends on several factors: regulatory clarity, market maturity, risk management frameworks, and alignment with investment objectives. While current regulations prioritise caution, they do not preclude future inclusion under a more robust and tailored regulatory regime.

As the market evolves, opportunities may emerge for responsible and regulated investment in crypto assets. This could include limited allocations to stablecoins or ETFs, subject to appropriate governance and oversight. However, any such inclusion must be approached with care, recognising that even small allocations can introduce significant volatility.

## Conclusion: Between risk and reward

Crypto assets are not a passing fad. They represent a new opportunity set, with all the associated complexity and controversy. It represents both a challenge and an opportunity for institutional investors. For South African retirement funds, the path forward requires a balanced approach – one that safeguards member interests while remaining open to innovation. The challenge to fiduciaries is to balance innovation with prudence, and opportunity with responsibility.

In the interim, retirement funds should remain vigilant, informed and compliant. The journey towards crypto integration is likely to be gradual, and any future inclusion must be earned through evidence, experience and sound governance. Even where global retirement funds have begun to invest in crypto, they remain early adopters, and their allocations are modest. Should South African regulations evolve, fiduciaries will need to assess whether crypto exposure, however small, aligns with the retirement fund's investment objectives and risk tolerance. It is a journey worth watching, but one that must be approached with care.

# Strengthening cybersecurity in pension funds: The impact of Joint Standard 2 of 2024

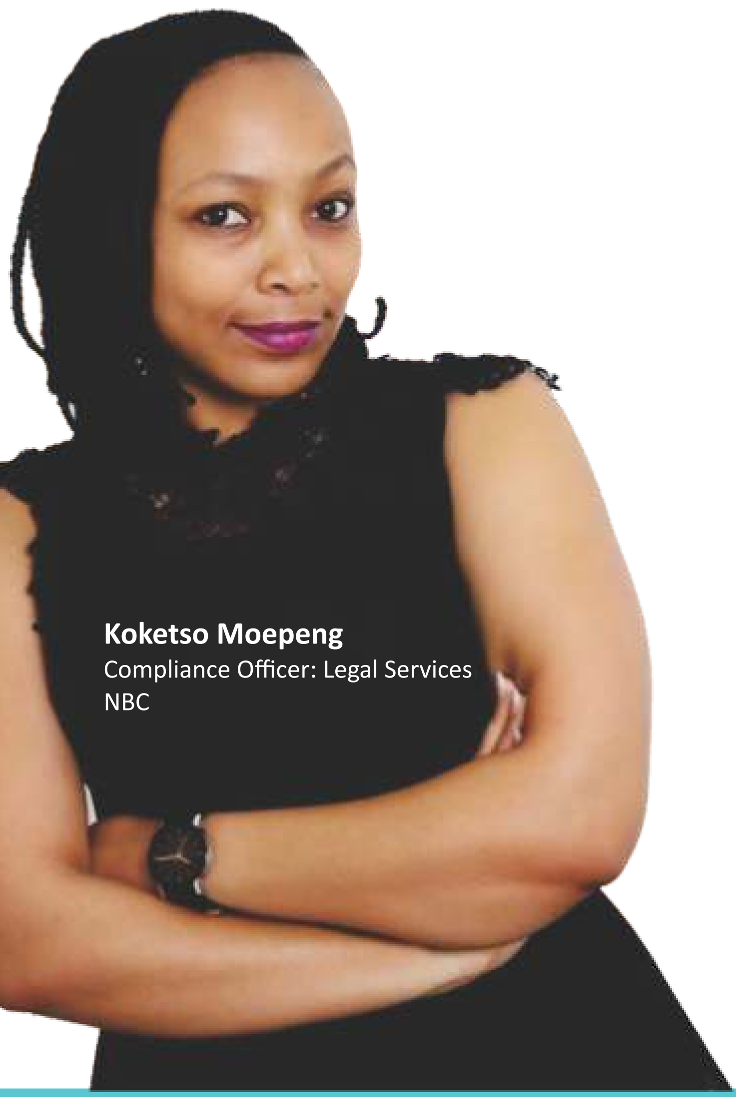
Cybersecurity has become a critical concern for financial institutions, particularly pension funds, which manage vast amounts of sensitive personal and financial data. Recognising the growing risks, South Africa's Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) introduced Joint Standard 2 of 2024: Cybersecurity and Cyber Resilience Requirements. This regulation sets out minimum cybersecurity standards to ensure financial institutions adopt robust security measures to protect assets and sensitive information.

## Why cybersecurity matters for pension funds

Pension funds are prime targets for cyberattacks due to the large sums of money they manage and the personal data they store. With the introduction of the two-pot system, which increases transaction flexibility, the risk exposure has grown significantly. Cyber threats such as data breaches, ransomware attacks, and phishing scams can compromise member data, disrupt operations, and erode trust in the financial system.

## Key requirements of Joint Standard 2 of 2024: Cybersecurity and cyber resilience

The Joint Standard outlines several essential cybersecurity measures that pension funds must implement:



**Koketso Moepeng**
Compliance Officer: Legal Services
NBC

- Cybersecurity strategy and framework: Institutions must establish a comprehensive cybersecurity strategy that adapts to evolving threats and ensures resilience.
- Risk assessments: Regular security risk assessments must be conducted to identify vulnerabilities in critical operations and information assets.
- Access controls: Strict access control policies must be enforced, limiting data access to authorised users and devices.
- Incident response protocols: Funds must develop robust incident management policies to detect, respond to, and recover from cyberattacks.
- Data protection measures: Institutions must implement data loss prevention policies and cryptographic key management strategies to safeguard sensitive information.
- Regulatory reporting: Financial institutions are required to notify authorities of material cyber incidents and comply with reporting guidelines.

## The role of pension fund trustees

Trustees of pension funds bear the ultimate responsibility for ensuring compliance with Joint Standard 2 of 2024. Even when cybersecurity functions are outsourced to administrators or service providers, trustees must oversee and enforce adherence to regulatory requirements. This includes reviewing privacy policies, securing agreements with service providers, and maintaining oversight of cybersecurity strategies.

## Preparing for the future

With the ongoing evolution of cyber threats, pension funds must, continue investing in cybersecurity awareness programs, conduct regular audits, and leverage advanced security technologies that are crucial in safeguarding retirement savings against cyber incidents.

Non-compliance with Joint Standard 2 of 2024 can have serious financial consequences for pension funds, affecting their stability, reputation, and regulatory standing. Here are the key financial implications:

**1. Regulatory fines and penalties**
Pension funds that fail to meet cybersecurity requirements may face substantial fines imposed by the FSCA and the PA. These penalties can be severe, particularly if negligence leads to a data breach or cyberattack.

**2. Personal liability for trustees**
Trustees of pension funds hold ultimate responsibility for cybersecurity compliance. If a fund experiences a cyber incident due to non-compliance, trustees could face personal liability for financial losses suffered by members. This could lead to legal action and reputational damage.

**3. Increased operational costs**
Failure to comply may result in higher costs due to reactive cybersecurity measures, legal fees, and remediation expenses following a cyberattack. Investing in cybersecurity proactively is far more cost effective than dealing with breaches after they occur.

**4. Reputational damage and loss of trust**
A cybersecurity breach caused by weak security frameworks can severely damage a pension fund's reputation. Members may lose confidence in the fund's ability to protect their assets, leading to withdrawals and reduced contributions, which can impact financial stability.

**5. Legal liabilities and lawsuits**
Non-compliance could expose pension funds to legal action from affected members or third parties. If personal data is compromised due to inadequate security measures, institutions may face lawsuits, settlements, and regulatory scrutiny.

**6. Business disruptions**
Cyber incidents caused by weak security frameworks can lead to operational downtime, affecting pension fund transactions, member services, and administrative functions. This disruption can result in financial losses and additional recovery costs.

**7. Increased regulatory oversight**
Institutions that fail to comply may be subject to heightened regulatory scrutiny, requiring them to submit additional reports, undergo audits, and implement corrective measures. This can divert resources from core operations and increase compliance costs.

To avoid these financial risks, pension funds must ensure full compliance with Joint Standard 2 of 2024, investing in cybersecurity infrastructure, training, and governance frameworks.

As cyber risks continue to develop, Joint Standard 2 of 2024 serves as a vital regulatory framework, ensuring that pension funds remain resilient in the face of digital challenges. By prioritising cybersecurity, trustees and administrators can protect members' financial futures while maintaining trust in the pension system.

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# SPECIAL FEATURE...

## EVOLUTIONARY THINKING IN RETIREMENT


Discovery
Corporate and Employee Benefits
We see the rain-maker and the home-maker
Discovery Corporate and Employee Benefits helps organisations to offer a comprehensive and unique value proposition to employees that enables a secure financial future, while improving their overall wellbeing.

# How the next evolution in employee pension benefits is about meaning

Fewer than 6% of South Africans can afford to retire comfortably, according to the National Treasury. At the same time, a 2024 PwC study found that 70% of employees experience financial stress, with nearly half saying it directly affects their productivity.

## The shift towards holistic employee wellbeing

When people are burnt out, anxious or disconnected, long term saving becomes an afterthought. Contributions shrink, engagement drops, and retirement readiness suffers. Globally, Gallup research shows that employee wellbeing - mental, physical and financial - is now one of the strongest predictors of performance, loyalty and long term resilience.

## Engaging employees holistically

If we care about better pension outcomes (and by extension better societal outcomes), we can't ignore the present. It's no longer enough to manage funds. We need to holistically support employees during their careers. Traditionally, benefits were built around a stable career path, a predictable retirement age and a one-size-fits-all approach to saving. But that no longer holds true. For the modern employee, many of whom are also juggling side hustles, short term contracts and rising living costs, retirement feels abstract. Immediate needs have taken precedence, and the future is becoming something to fear or ignore. This is where benefit providers must evolve not just in what they offer, but how they engage.

People don't engage with pensions through spreadsheets; they engage through life and small daily decisions. Do I pay off my credit card or top up my RA? Can I afford a therapy session this month, or should I skip it? These choices are emotional, not just rational, and that's where a more holistic approach to benefits can move the needle.

## The role of comprehensive benefits

Research from Momentum's 2024 Financial Wellness Index reveals that only 30% of working South Africans stick to a monthly budget, and fewer than 1 in 5 feel confident about their long term financial plans. Globally, Gallup reports that employees with high overall wellbeing are 41% less likely to miss work, 27% more likely to report “excellent” performance and are more than twice as likely to stay with their employer. Financial stress, by contrast, is one of the strongest predictors of absenteeism and presenteeism.

When employee benefits support everyday wellbeing with mental health resources, financial tools and even personalised nudges, members are more likely to stay engaged with their future. They feel seen, supported and less overwhelmed. Employee benefits providers that understand this will find themselves leading the line as the world of work changes.

**Jaco Oosthuizen**
Managing Director
YuLife

## Embracing defined purpose and flexibility

We're entering the age of defined purpose, where relevance, flexibility and meaning drives long term outcomes. Purpose creates participation. When members understand how their benefits fit into a bigger story, their health, their goals and their values, they show up. They contribute, they stay, and they're more productive.

Whether it's sustainability-linked investments, wellness-linked rewards, or just knowing their employer genuinely cares, people engage with benefits when those benefits engage with them. Technology is helping accelerate this shift. From AI-driven insights to gamified wellness journeys, we now have tools that can meet people where they are, not where we wish they'd be.

## Building ecosystems for resilience

The providers that thrive in this next chapter won't just be financial engineers. They'll be human enablers building ecosystems that support resilience. That means reframing benefits as part of a member's daily life and not just their retirement plan. Measuring success not only in fund growth, but also in wellbeing and engagement metrics and designing products built on trust and aligned with employee values.

# Why evolutionary thinking still matters in retirement investing

When it comes to investing, the experience matters just as much as the returns earned. That's why the idea of smoothing investment returns continues to resonate, especially in today's climate of elevated uncertainty and market volatility. While smoothing may sound like a technical concept, at its heart it's about helping investors stay the course by making the experience less turbulent.

This article explores the thinking behind smoothing and cross-subsidy, and why these ideas, though not new, remain relevant and even evolutionary in the current investment landscape.

## Why smoothing matters today

Markets are unpredictable. From the Asian crisis in 1997 to the global financial meltdown in 2008 and the Covid-19 shock in 2020, investors have repeatedly experienced volatility. But for retirement fund members, especially those nearing retirement, volatility isn't just uncomfortable, it can be destabilising.

Smoothing offers a way to manage this experience while delivering inflation-beating returns. Instead of exposing members to the full ups and downs of the market, smoothing distributes returns more evenly over time. This doesn't eliminate risk, but it reshapes how risk is felt. In a world where member behaviour is increasingly influenced by short term performance, smoothing helps people stay invested for the long haul.

## The theory behind the practice

At its core, smoothing is about helping investors get a better balance between risk and return. Instead of exposing them to the full ups and downs of the market, smoothing spreads out returns over time using a structured method called a bonus framework. This can reduce the bumps along the way without giving up the potential for long term growth - at least in theory.

**Warren Matthysen**
Principal Consultant, and
**Andrea Bezuidenhout**
Product Development Actuary
Alexforbes

The idea is based on a principle known as the efficient frontier, which simply means aiming for the best possible return for the level of risk you're willing to take. Smoothing shifts that balance by offering the same expected return with less volatility. That's especially useful in retirement investing, where both growth and stability are important.

But smoothing isn't just about theory and maths. It's also about trust. These products are complex, and their success depends on how well they're managed. Investors need to feel confident that the provider is focused on delivering fair outcomes for them and not making decisions to protect its financial position.

## The cross-subsidy question

One of the trickier parts of smoothing is how returns are shared across investors. Because returns are pooled and then distributed, there's a chance that some investors might end up getting more than their fair share, or less. Managing this balance is key to keeping things fair.

Several factors influence how well this works. These include how bonuses are calculated, whether guarantees are offered (and what they cost) and how solid the underlying growth portfolio is. If the solution is credible and performs strongly, smoothing can add real value. But if, for example, the cost of guarantees is too high or if the same company manages both the insurance and the investments, there's a risk that value may be eroded.

Several factors influence how well this works. These include how bonuses are calculated, whether guarantees are offered (and what they cost) and how solid the underlying growth portfolio is. If the solution is credible and performs strongly, smoothing can add real value. But if, for example, the cost of guarantees is too high or if the same company manages both the insurance and the investments, there's a risk that value may be eroded.

That's why transparency and good governance matter. Investors should be able to understand how bonuses are set, what guarantees cost and how their returns compare to the actual market value of the underlying investments.

## Evolution, not reinvention

Smoothing products have evolved over time. Bonus declarations are more frequent, guarantees are lower (and cheaper), and transparency has improved. Some newer models even allow for negative bonuses, reflecting a more realistic approach to market cycles.

What hasn't changed is the need for stability. In today's environment, the thinking behind smoothing remains as relevant as ever. It's not about selling a product; it's about solving a problem.

## A trust-based solution for a volatile world

Smoothing is not a silver bullet. It's a tool. One that requires careful management, clear communication, and a strong foundation of trust. But when done right, it offers a compelling way to help retirement fund members navigate uncertainty without losing sight of their long term goals.

In that sense, smoothing is more than a technical strategy. It's an evolutionary idea that continues to shape how we think about retirement investing in a market that rarely moves in a straight line.

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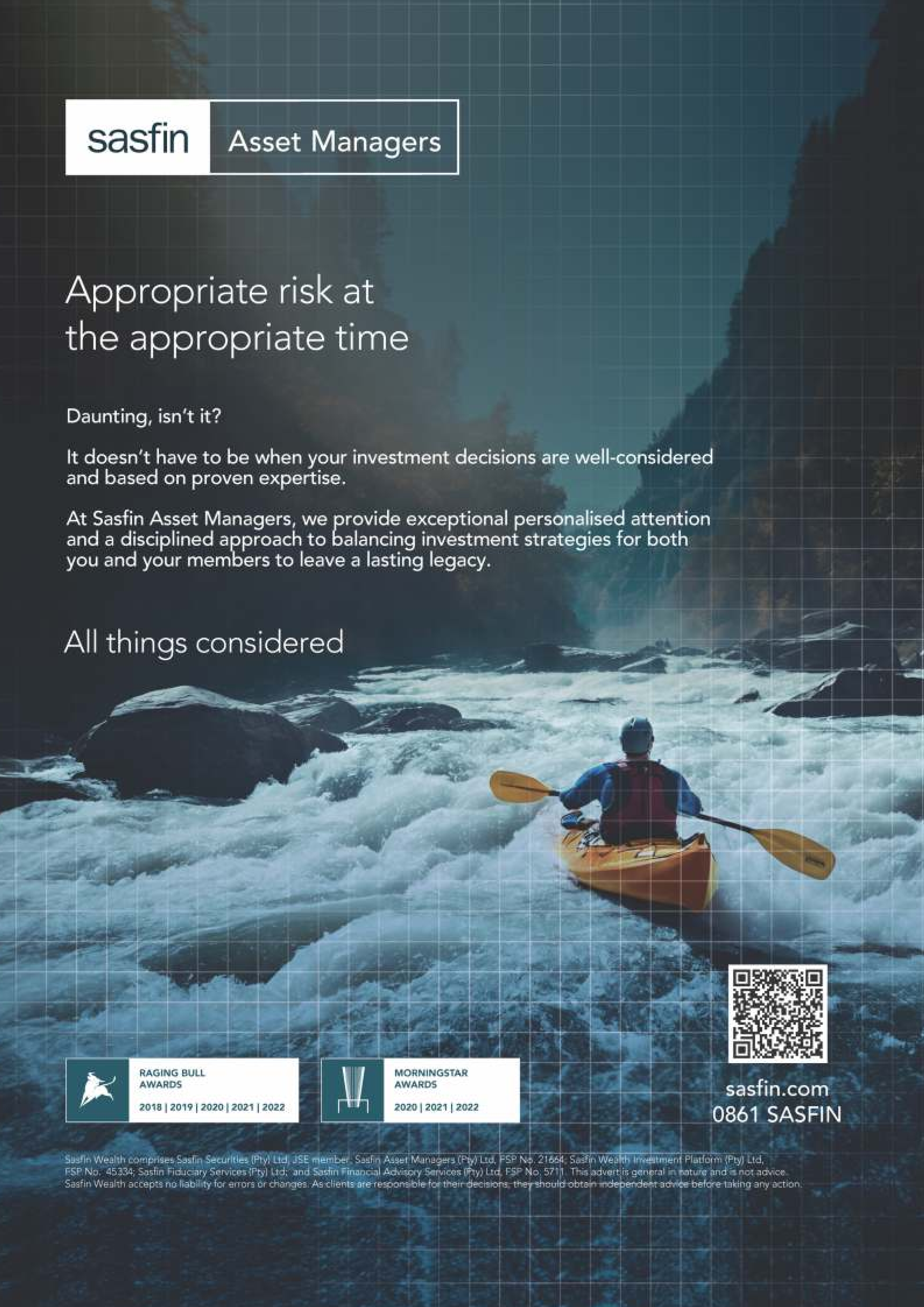
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# Be the evolution: A call to redesign South Africa's retirement industry

**Kgomotso Maponya**
Consultant
Sygnia Umbrella Retirement Fund

The South African retirement fund industry is on the edge of a precipice. Crumbling under low savings rates, disengaged members, rising inequality and complex reforms like the two-pot system, the time for gradual change is over. The time for evolutionaries – bold, tech-enabled changemakers who challenge outdated models – is now.

In a world rapidly reshaped by technology, innovation and human-centric thinking, the traditional approach to asset investment and benefits is no longer fit for purpose. Evolutionaries, trustees, asset managers, administrators and employers are reimagining this ecosystem to prioritise outcomes over processes and people over policies.
This is a call to action: Adapt or become irrelevant.

## Who are the evolutionaries?

The evolutionaries are those disrupting norms to build systems that work, for real people, in the real economy. These innovators:

- Digitise onboarding to reduce friction
- Embed AI in investment strategies
- Offer members real-time dashboards
- Prioritise digital governance and financial literacy

But being evolutionary isn't about flashy tech. It's about questioning assumptions and designing features that empower every South African to retire comfortable and with dignity.

## Why evolution is urgent

South Africa's retirement savings ecosystem faces deep-rooted challenges:

- 90% of members are likely to retire with inadequate savings.
- Financial literacy is patchy, especially among vulnerable populations.
- Retirement products are complex and often poorly understood.
- Engagement is weak and communication is generic.
- New two-pot system regulations add further layers of change, demanding smarter systems.

The old models won't survive this pressure. We need adaptive technology, data-led insights and deep human empathy to rebuild trust and relevance.

## Revolutionising the member journey

Evolutionaries are flipping the script. They're not waiting for mandates, they're redesigning benefit structures, investment defaults and engagement strategies.

Some of the most powerful shifts include:

- AI-driven personalisation: Chatbots, robo-advisors and behavioural nudges provide custom investment choices and withdrawal planning.
- Predictive analytics: Funds use salary, career stage and savings behaviour to guide members to better decisions.
- Flexible product design: From drawdowns to annuities, members are offered options that reflect income volatility and changing life stages.
- Mental wellness integration: Benefits now include financial counselling and mental health support, because holistic wellbeing matters.

These aren't nice-to-haves. They are competitive necessities.

## The stokvel lesson: Real behaviour, real innovation

South Africa's informal saving structures, such as stokvels and burial societies, mobilise over R50 billion annually across 11 million members. That's not a statistic; that's a wake-up call. People are saving, but not always within formal channels. Why? Because traditional systems don't reflect their reality.

Evolutionaries use AI to understand these patterns. They design for real life, not boardroom theory.

## What needs to change, now

To operationalise this vision, five barriers must fall:

| Challenge | What's needed |
|---|---|
| Poor data quality | Clean, standardised member records |
| Disconnected systems | Integration across admin, payroll, asset platforms |
| Digital illiteracy | Education for trustees and employers |
| Limited access | Low-data, mobile-first engagement tools |
| Low AI adoption | Pressure on providers to innovate, not imitate |

This is a leadership issue. Technology is ready, the question is: Are we?

## Futureproofing with AI

Artificial intelligence is not a buzzword. It's a toolkit, already transforming:

- Fund administration – AI auto-validates contributions, flags data issues, speeds up claims.
- Member communication – Personalised nudges warn of under-saving or simulate two-pot withdrawals.
- Fraud detection – Algorithms detect irregularities and secure data using biometrics.
- Smart investment – Machine learning optimises portfolios, evaluates risk and screens ESG compliance.

This is not about automating people out. It's about freeing service providers to focus on what matters: the member.

## If you're not transforming, you're failing

One leading umbrella fund reduced claim turnaround by 30% by partnering with a fintech to digitise the member journey; member satisfaction soared. Another saw higher preservation rates after launching personalised education on the two-pot system.

The return on innovation is real. So is the risk of doing nothing.

If funds and employers fail to evolve, they will lose trust, relevance and membership.

### 10 traits of a future-ready fund

1. Tech-enabled, self-service member tools
2. Flexible investments tailored to life stages
3. Real-time, data-driven decision-making
4. Personalised digital engagement
5. Embedded, proactive financial literacy
6. Responsive design aligned to regulatory change
7. Digital-first claims and administration processes
8. Integrated healthcare and insurance benefits
9. ESG-aligned investment frameworks
10. Governance built for innovation

### This is the moment: Be the evolution

The retirement industry doesn't need more strategies. It needs leadership that dares to evolve.

**Trustees:** Stop approving generic proposals and start demanding intelligent solutions.

**Employers:** Invest in member education the way you invest in marketing.

**Service providers:** Build platforms for people, not just for compliance.

**The industry:** Collaborate, experiment, iterate.

We are no longer in a time of slow reform – we are in a time of radical redefinition. Those who step forward now will shape not just products, but the futures of millions.

The choice is simple: **Be the evolution or be left behind.**

# It's time to rethink, redesign and reconnect with members

Whether you are a Baby Boomer, belong to Generation Z, or are any age in between, you have become used to the convenience and immediacy that the internet has brought to our lives. From banking apps, to online shopping, to fast food deliveries, we have come to expect instant fulfilment from our service providers. Shoprite Checkers has taken that to the next level, delivering physical items to your doorstep within 60 minutes.

Yet, pension fund members – people with lifelong investments – often wait 24 hours or more just to get basic information about their retirement savings. In a world obsessed with immediate gratification, members are asking why it takes longer to get an answer about their life savings than it does to get a pizza!

## From passive savings to active engagement

For decades, pensions were seen as "set it and forget it" financial solutions. This perception was exacerbated by the fact that most people struggle to engage with long term decisions, especially when the benefits are decades away. Research has found that active decisions about pensions are hard for people to make because they feel like they are unable to affect the distant future, and most people find understanding the details of their scheme difficult, so they don't bother to read information sent to them. Some even reported completely ignoring their policies after they were implemented.

**Richard Firth**
CEO
MIP Holdings

This has left fund managers in a situation where they are suddenly faced with customers who want visibility, control, and the same immediacy they get from banking, shopping, and streaming – and who are unable to deliver. As schemes look to grow (and to provide the levels of customer service expected by customers), this is no longer good enough.

Historically, most fund administration processes were primarily set up to communicate with the employer as the contribution information, collection information and member information changes have traditionally been set up to interface with company payroll processes and the Human Resources department. If a company does not pay over a member's monthly contribution, the fund administrator would simply apply section 13A late payment penalties to the company, and likewise, if the fund administrator does not reconcile receipted contributions in time to make market investments, the member was always none-the-wiser. I highlight both these failings as the recent implementation of the "Two Pot" legislation proved that these anomalies were occurring in the South African pensions industry at scale! Yet, both these issues fundamentally impact the investment outcomes of the member.

To thrive, schemes must communicate like modern brands. That means they have to be personal, relevant, and instant. They must start talking to customers or members in ways that make sense to them, via platforms that they use. They should therefore start communicating using plain language rather than legalese, and they should provide real-time access to information, not monthly reports buried in emails and irrelevant data.

Fast, intuitive service communicates more than efficiency. It tells members they matter. It shows that their time is respected, their needs are a priority, and that their fund is reliable and modern. This isn't about gimmicks. It's about demonstrating that pension funds are as committed to their members today as they are to their futures. In an industry dealing with long term investments and deferred gratification, immediacy helps members feel in control of their future, reduces anxiety and uncertainty, and increases overall customer satisfaction.

## Tools at your fingertips

Personalised and interactive apps are everywhere. Spotify suggests music you might like based on your playlists. Uber offers personalised ride options and recommendations based on your location and travel history. Why aren't pension funds using the same technology?

The tools exist. The data exists. What's missing is the strategic shift toward user-first design and real-time engagement.

In Denmark, scenario modelling allows users to see how changing their retirement age affects their income. This, together with the fact the dashboard works alongside digital banking advisory tools, gives people convenient access to information and the opportunity to scenario-plan their retirement. The key here is that it is integrated into all your financial verticals, investments, banking, lending and insurance. It is the integration of services that is the new go-to strategy.

These aren't futuristic ideas. They're live, proven solutions that South African funds can adapt today.

## Building confidence

Modernising pension engagement isn't just good for members, it's a strategic win for administrators and trustees too. Over and above building brand trust in a sensitive, long term industry, providing immediate, personalised interactions improves efficiency in the long term. Using technology in this way will reduce repeat queries and complaints, freeing up service teams to focus on value-adding tasks. It also helps improve disclosure and benefit timelines and reduces the chance of ombudsman cases or regulatory penalties.

The industry has reached a tipping point. Either it continues to treat members like passive investors waiting 40 years for a payoff, or it embraces technology and psychology to create engaging, real-time financial journeys. If members can track a delivery on their phones, they should be able to track their retirement in real time. The future of pensions isn't just about income after 65. It's about engagement now, and funds that get this right will lead a new era of financial empowerment.


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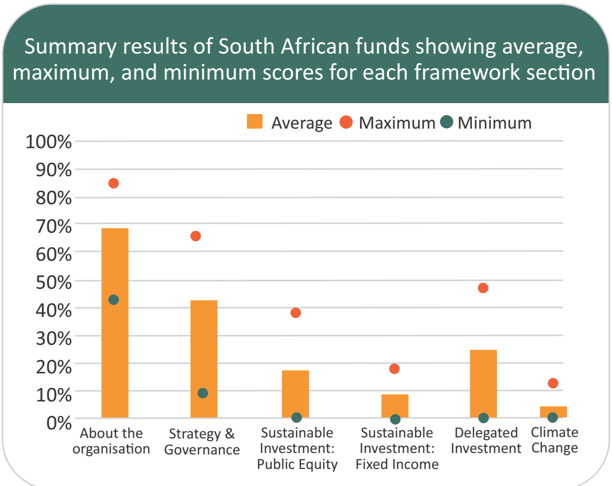
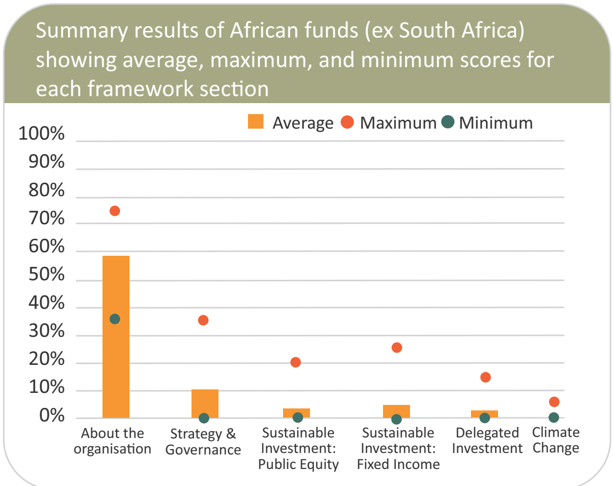
# Does your retirement fund have an integrated report, and if not, why not?

## The status of integrated reporting in retirement funds

Integrated reporting is not a new concept. It was introduced by the King Report on Corporate Governance for South Africa (King IV)™ in 2016 and King IV even has a specific supplement for retirement funds (Principle 17). For retirement funds, Principle 5 emphasises that the board of trustees should ensure reports issued enable stakeholders to make informed assessments of the fund's performance and its short, medium and long term prospects. Specifically recommending that a fund issues a report underpinned by integrated thinking, as well as one that includes the disclosure practices recommended in the Code for Responsible Investing (CRISA), now CRISA 2. Principle 5 in CRISA 2 deals with transparency and, amongst other things, also recommends the pursuit of integrated reporting. It further recommends that, in addition to applying statutory directives and the King IV practices, that globally accepted reporting standards are considered as good practice in relation to disclosures. While South Africa has been a global leader in integrated reporting, with significant advancements in integrated reporting and thinking within the corporate sector over the years, the retirement fund industry regrettably lags. This sentiment is supported by research.




**Carina Wessels**
Executive: Governance, Legal, Compliance and Sustainability
Alexforbes

The above graphs from World Bank research conducted in 2021 indicates that significant progress is still required by funds in South Africa, and the broader African continent, in embedding sustainability and reporting on impact in an integrated way. This view was supported by a more recent Actuarial Society research paper, further confirming that it is more than just an African problem.

## Integrated reporting and thinking

So how can trustees use integrated reporting and thinking to address these deficiencies and create a greater real world impact? Firstly, by understanding what these concepts mean and what they aim to achieve.

In simple terms, an integrated report presents information about the resources and relationships on which the fund relies, such as its strategy, governance, activities, outputs and outcomes, in an integrated way. It breaks down these silos to tell the story about how the fund will continue to create and sustain value in the short, medium and long term.

Importantly, annual financial statements, annual reports, newsletters or fact sheets are not an integrated report.

Integrated reporting requires and brings about integrated thinking, enabling a better understanding of the factors that materially affect a fund's ability to create value for its members over time. Integrated thinking is about understanding the interconnectedness and mutual dependencies among various elements within a fund, such as the fund's mission, its structure, its strategy, key risks and outlook, which are crucial in determining the fund's capacity to generate sustained value for its stakeholders.

By focusing on and unpacking the data and information required to produce a proper report, one naturally begins to think differently about the fund's value creation model, risks, operational data and the information required for proper decision making, as well as materiality and the interplay between different priorities or capitals at different times.

Additionally, it highlights the different information needs of different stakeholders, and how balancing all of these either contributes to or detracts from the fund's ability to create value.

With the number and maturity of global regulations growing exponentially, understanding sustainability and reporting, and how it impacts a fund's value creation model, is actually no longer a choice.

## Case studies

The Cbus superannuation fund in Australia (Cbus) was one of the first retirement funds globally to produce an integrated report. As they matured in their approach to integrated reporting, they also became one of the first funds globally to have their entire integrated report externally assured. Cbus has 906 270 members from 226 728 employers and assets under management (AuM) in excess of $94 billion.

Despite King IV having recommended it as best practice almost a decade ago in South Africa, only a handful of South African retirement funds have embraced integrated reporting. As a trustee, one is likely to believe that you have a deep knowledge and understanding of your fund, but integrated thinking and reporting invariably uncovers insights that are often not immediately evident.

Here are some of the insights that have been uncovered by retirement funds that have implemented integrated reporting:

- A deeper understanding of members, their behaviours and the impact of these behaviours on actual and projected retirement outcomes.
- Year-on-year deterioration in key (but possibly neglected) metrics highlights the need for deep dives into root causes and the identification of remedial steps earlier than would have been the case without integrated reporting.
- Insights into the positive impact of being a member of a particular fund.
- Trends in key metrics like replacement ratios.
- Improved disclosure about how the fund creates value and a better understanding of the fund's longer term impact, through the lens of the Sustainable Development Goals – adding additional insight to guide trustees in their future decision making.

All of these give members clear information and insight into the tangible benefits of being a member of that fund and the fund's real impact. This enables them to make informed assessments of the fund's performance and its short, medium and long term prospects.

## Lessons to be learned from early adopters

- Start early and work with the available information, then aim for progress rather than perfection. If necessary, start the process as an internal reporting initiative until you're comfortable disclosing externally.
- Understand the fund's stakeholders and the role the fund plays for each.
- Understand which issues are material. The best way to achieve this is through interrogating and really understanding the fund's mission, the levers of value creation, articulating the strategy and investing in understanding the long term view of the fund's prospects to continue creating value.
- Use the process of integrated reporting to identify silos and then use that information to improve integrated thinking. This will enable a holistic understanding of material issues and deepen the trustees' understanding of how these issues are interconnected, and how they need to be managed and overseen.
- Do not underestimate the value of the process. Seeing a fund through an integrated lens helps to view it from different perspectives, and the insights (both positive and negative) are valuable to the fund and its stakeholders.
- Importantly, it is an iterative process. Integrate the insights identified from reporting into the fund's culture and processes, to mature and entrench integrated thinking and understanding.

## What should your fund do next?

- Start somewhere and start soon. Have a plan to mature over time; but don't do nothing.
- Ensure the board of trustees is well educated on emerging regulations and properly understands how these may impact the fund. This should be done continuously, as the regulatory space is moving at pace and is likely to accelerate.
- Adapt your approach to resonate with different stakeholders. For example, different generations of members will require different communication strategies.
- Embrace the learnings from the early adopters and make them your own.

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# Two for the price of one:
## Innovative investing to get the most out of your retirement savings

For many South Africans, saving for retirement is a lifelong journey, one that involves steadily converting human capital (their ability to earn a salary) into financial capital (their pension savings). This delicate process, often unfolding over decades, ultimately determines the comfort and dignity of retirement. Pension fund trustees, as stewards of these savings, carry the enormous responsibility of making that financial capital work as hard as possible.

In this context, it becomes critical to not just ask what is held in a retirement portfolio, but also how that capital is used. It's the difference between portfolio holdings and effective exposure - a distinction that, once understood, can open the door to innovative investing through strategies like portable alpha.

**Seeiso Matlanyane**
Head of Equities
Prescient Investment Management

Before we unpack this idea in a practical and approachable way, let us consider the limitations of a traditional approach.

### The limitations of a traditional approach

Most retirement portfolios today are built using a "buy and hold" approach. This means pension funds allocate capital to a diversified set of assets - local equities, global bonds, property, and so on - with the goal of earning returns over time. This is simple, understandable, and for the most part, reliable.

But it's also capital-intensive. Every rand allocated to one asset class cannot be used elsewhere. For example, if you allocate R100 million to South African equities, that capital is "tied up" in that single exposure. There's no room to simultaneously gain exposure to another return source - say, a global equity strategy - without recalling the original investment.

In a world where every rand matters, particularly when retirement savings are being built slowly over time from hard-earned salaries, this can severely limit opportunities.

## Understanding effective exposure

Here's where the concept of effective exposure comes into play. While traditional portfolios are often thought of in terms of holdings (where is the capital physically sitting?), more advanced strategies ask: What am I actually exposed to? This subtle shift in thinking allows for much greater efficiency and greater opportunity sets.

By separating where the capital is held (for instance, in a low-risk local instrument) from where the return is being generated (through exposure to another return stream), it becomes possible to create portfolios with multiple return streams. These portfolios use capital more efficiently - unlocking “two-for-the-price-of-one” exposure.

This is the essence of portable alpha.

## Portable alpha: A smart way to stretch capital

Portable alpha is a strategy that allows pension funds to generate return (the “alpha”) from a source independent of where the capital is invested. This is typically achieved through the use of unfunded instruments or overlay structures that create exposure to an additional strategy without having to physically move the underlying capital. Think of it like renting out your backyard to a landscaper while still living in your house. You don't need to move out to earn extra income - your space is working double duty.

Applied to retirement portfolios, this allows trustees to keep capital invested in, say, low-risk domestic bonds or cash instruments (supporting the local economy, providing liquidity, and meeting duration needs), while simultaneously gaining exposure to global equity markets via these innovative overlays. The result: two sources of return from one pool of capital.
This approach doesn't just stretch return potential - it also creates opportunities to manage risk better through diversification, especially in a constrained or volatile investment environment.

## A real-world analogy

Let's say a pension fund member earns R20,000 per month and contributes diligently toward their retirement. That contribution is a slice of their hard-earned human capital, now transformed into financial capital. Wouldn't it make sense to ensure that each rand of that contribution is pulling double duty? Especially if the investment risk is adequately contained? Imagine going to a store and finding out that, for the same price, you could get two high-quality products instead of one. That's what portable alpha effectively does for retirement savings. It respects the sacrifice and effort behind each contribution by ensuring it's used in the most capital-efficient way possible.

## Additional benefits for trustees to consider

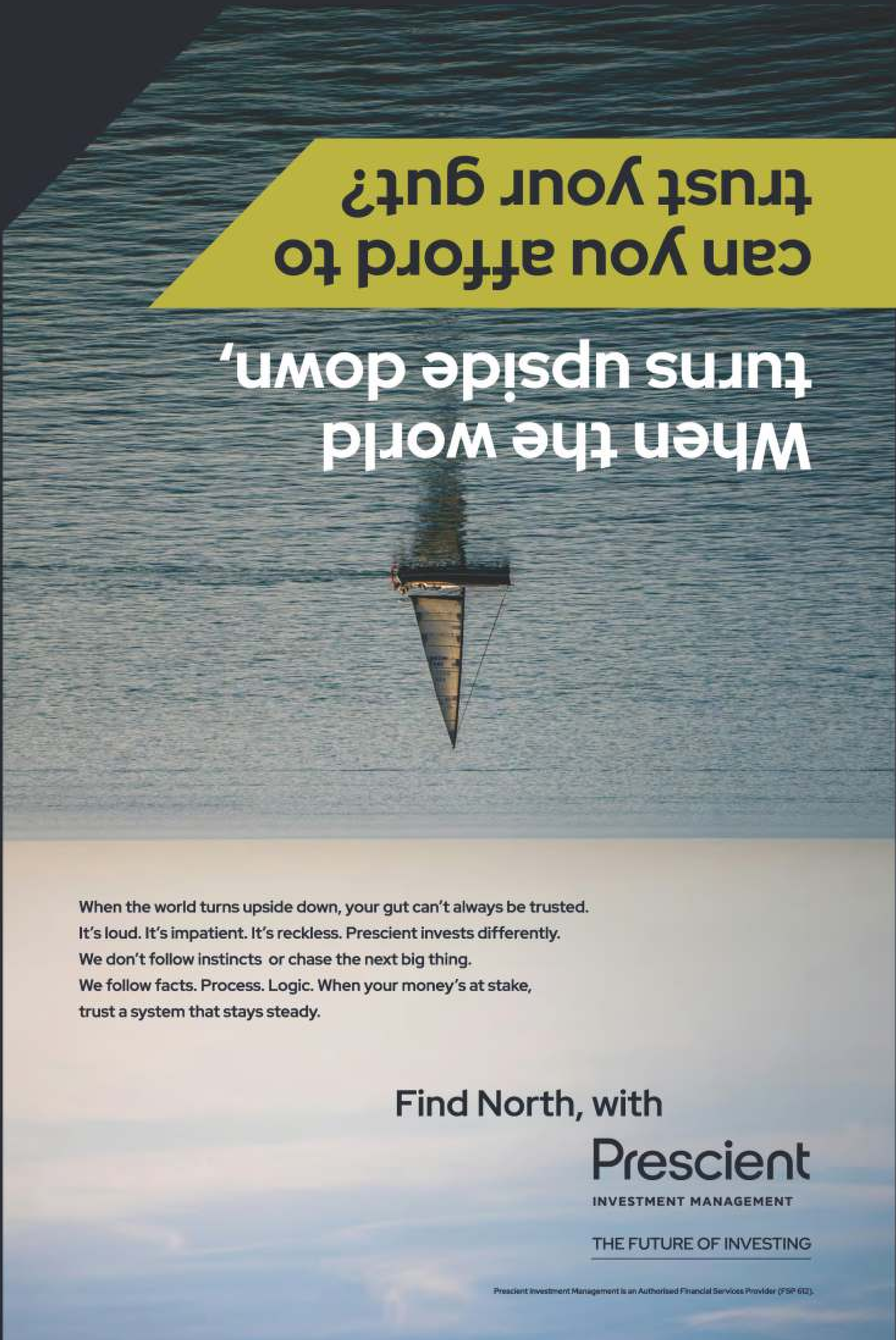
Portable alpha strategies don't just provide return enhancements - they come with a host of practical benefits, especially for pension funds operating under tight cost constraints and governance standards:

- Cost efficiency: Leveraging technology, systematic strategies, and overlays often comes at a fraction of the cost of traditional methods, allowing savings to be passed directly back to members.
- Local economic impact: By keeping the underlying capital in local, currency-hedged instruments, these strategies can avoid capital flight, support local capital markets, and promote financial sector stability.
- Diversification without complexity: Trustees get access to global strategies and alternative return sources without physically moving capital abroad or taking on unnecessary currency or liquidity risk.
- Scalability and transparency: Systematic portable alpha approaches often rely on rule-based models, offering greater predictability and governance clarity compared to subjective or discretionary methods.

## Why this matters now

As more pension funds embrace the flexibility allowed by increased offshore limits, the temptation is often to think in binary terms: “local vs offshore” or “risk vs safety.” Portable alpha shows that this need not be a trade-off. By shifting the focus from where capital is placed to what exposure is achieved, trustees can begin to rethink how to build resilient, diversified, and capital-efficient portfolios that serve members over the long term.

For pension fund members working for decades to build a comfortable retirement, this approach can be both practical and fair but ensuring that every rand they've converted from hours worked to capital saved is used as effectively as possible. And for trustees, adopting strategies like portable alpha represents a modern, responsible, and intelligent way to maximise outcomes without compromising prudence.


When the world
turns upside down,
can you afford to
trust your gut?
When the world turns upside down, your gut can't always be trusted.
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# Could securities lending be the growth sweetener your investment portfolio needs?

**Kari van Rensburg**
Head of Market Services
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**Hitesh Harduth**
Head of Securities Lending and Borrowing
Standard Bank Corporate and Investment Banking

**Lungelo Gcilitshana**
Head of Dealing
Eskom Pension and Provident Fund

Pressure is mounting on investors to find smarter ways to grow capital without exposing their clients to unnecessary risk. While asset managers and pension funds are well versed in traditional approaches to portfolio management, many still overlook the potential that securities lending offers to quietly and consistently boost long term portfolio returns.

Simply put, securities lending is a way for investors to temporarily loan out the shares or bonds they already hold in exchange for a fee. These loans are typically made to banks or brokers who put up collateral to cover the transaction and mitigate any risk. While the securities are on loan, the investor still benefits from dividends and interest payments. The only thing they forego is voting rights; but even those can be reclaimed by recalling the securities at any time should an important voting event take place.

Securities lending is a straightforward concept that can fit neatly into most long term investment strategies. Given that it enjoys strong regulatory oversight and can be set up with clearly defined contracts for optimum risk management, securities lending provides a highly practical way to increase returns without increasing exposure.

When you add securities lending to a portfolio, it's a bit like adding another type of return. Think of it as a sweetener on top of the income or price appreciation you'd hopefully already achieve just by holding the asset.

For defined benefit funds like the Eskom Pension and Provident Fund (EPPF), where liabilities can stretch over many decades, every opportunity to enhance returns counts. Yet, despite the simplicity and effectiveness of securities lending, participation in these structures remains muted in South Africa. Typically, there is less than R198 billion in assets out on loan at any given time, which is a small fraction of the roughly R54 trillion involved in securities lending globally.

Much of the hesitancy in the domestic market comes down to a misconception that securities lending is risky, despite it being carefully governed through global master securities lending agreements and managed by experienced intermediaries like banks. The risk is mitigated by the fact that the collateral banks hold is always more than the value of the securities lent out. In the unlikely event of a default, that collateral is readily available to put the lender back in the same position they were before entering into the securities lending contract.

Controls can also be put in place to protect investors from over-exposure to any potential risks. For instance, the EPPF limits lending to 50% of its portfolio, and no more than 25% of any share can be lent to a single counterparty.

Regulation 28 of the Pension Funds Act also provides clear guidance on allowable exposures by asset class and sector, which intermediaries monitor on behalf of the funds that participate in securities lending practices.

The risk and administrative burdens that are often a source of concern for investors can be further limited through outsourcing the lending function. For example, Standard Bank acts as a principal intermediary in many of the lending arrangements it facilitates. This means pension funds and asset managers deal with the bank itself, not the borrower, which significantly reduces their exposure to counterparty risk.

This arrangement has repeatedly proven resilient during times of extreme market stress, including the Covid-19 crisis. 20-hour days were undertaken over that difficult time - recalling stock, selling collateral, and settling trades very quickly to ultimately ensure that lenders came out unscathed.

Securities lending has historically been the domain of large pension funds and institutional asset managers. However, there is plenty of scope for other types of investors to access the benefits, particularly family offices and collective investment schemes. While these investors haven't specifically been prevented from participating in securities lending, many have been put off by the perceived operational burden involved. However, outsourcing the transaction to an intermediary removes this barrier. This is precisely how EPPF has taken advantage of securities lending. Short of an internal team to run this aspect of the fund portfolio, it makes more sense to outsource this function to lenders like Standard Bank with the proven expertise and experience.

Importantly, securities lending doesn't just benefit individual funds; it's also an effective way of supporting broader market development. By allowing securities to be borrowed and traded, it deepens liquidity and strengthens the functioning of capital markets.

This liquidity facilitation is one of the main functions of securities lending and regulatory shifts on the continent are creating new opportunities for pension funds to participate and, as these markets develop, adequate liquidity becomes increasingly important for long term economic growth and development.

As global and domestic investment conditions continue to get tougher, it's not practical for strategies that can safely and simply improve portfolio performance to be left on the table.

Securities lending isn't flashy, nor does it dominate headlines. But it's a proven, conservative tool that can help long term investors achieve more with what they already have.

In a world where every basis point matters, that certainly makes securities lending worthy of careful consideration.

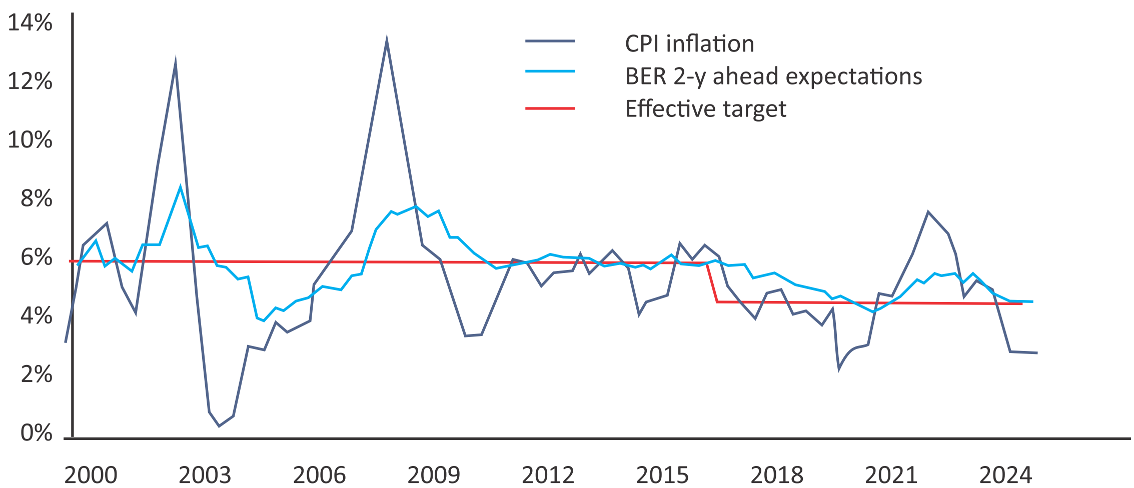
# A 3% inflation target: the panacea for all our woes?

**Carmen Nel**
Head of Multi-Asset
Terebinth Capital

The South African Reserve Bank (SARB) has, under the leadership of Governor Kganyago, significantly enhanced its inflation-targeting credibility over the past decade. With the adoption of an implicit point target of 4.5% in 2017, inflation moderated from 6.0% to 4.0%, with surveyed inflation expectations[1] falling from 6.0% to 4.8%. While this was not solely due to the SARB's actions, the tight monetary policy stance in the face of already constrained GDP growth amid serial attempts at fiscal consolidation ensured that demand-led inflation remained depressed.

South Africa was not spared the widespread supply disruptions in the wake of the Covid pandemic, with inflation surging to almost 8% in 2022. Yet the enhanced credibility of the SARB, alongside vigilant risk management by the Monetary Policy Committee (MPC) ensured that inflation expectations were well-behaved, rising to only 5.6%, below the prior effective target of 6.0%.

**Figure 1: South Africa inflation/target history**



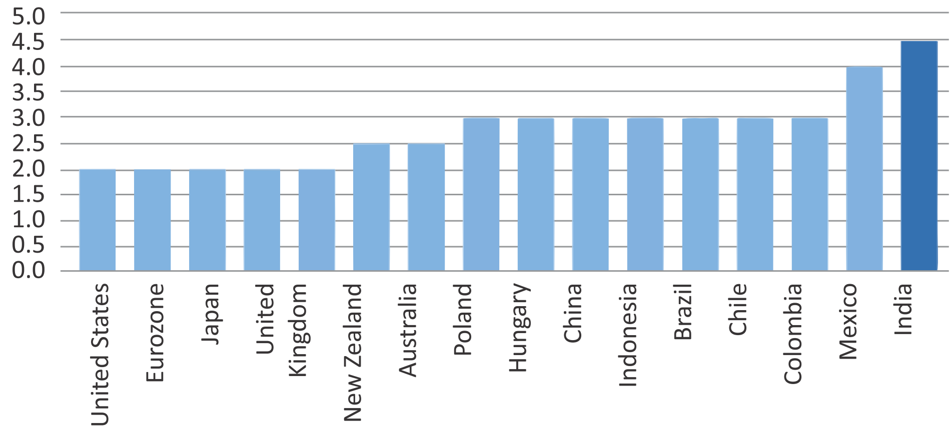

*Source: iress, Terebinth Capital*

The steady moderation in inflation over the past two years and notable undershoot in inflation prints relative to the bottom end of the 3% - 6% target range have prompted stronger rhetoric from the SARB that the time has come to explicitly lower the inflation target. The MPC introduced a 3% target projection at its May meeting as part of its scenario analysis.

The proposed level (which will most likely take the form of 3.0% ± 1.0% once it is officially confirmed by the Minister of Finance) is informed by the inflation rates and targets of our trading partners. A narrower inflation spread with these counterparts will reduce long term depreciation pressure on the exchange rate, based on the theory of purchasing power parity. This, in turn, will have a positive feedback loop to inflation via contained import prices, facilitating the SARB's task of fulfilling its mandate.

[1] BER 2-years ahead average inflation expectations

## Figure 2: Comparison of inflation targets/mid-points




*Source: Bloomber, Terebinth Capital*

Although investors had been anticipating more explicit communication of a lower target, this alternative scenario boosted domestic asset prices, with South African bonds and equities outperforming most of their EM counterparts during June. The questions investors now have to ask are whether this rally has more legs, how durable it will be, and if the SARB's assessment[2] of the low cost to the economy in lowering the target is correct.

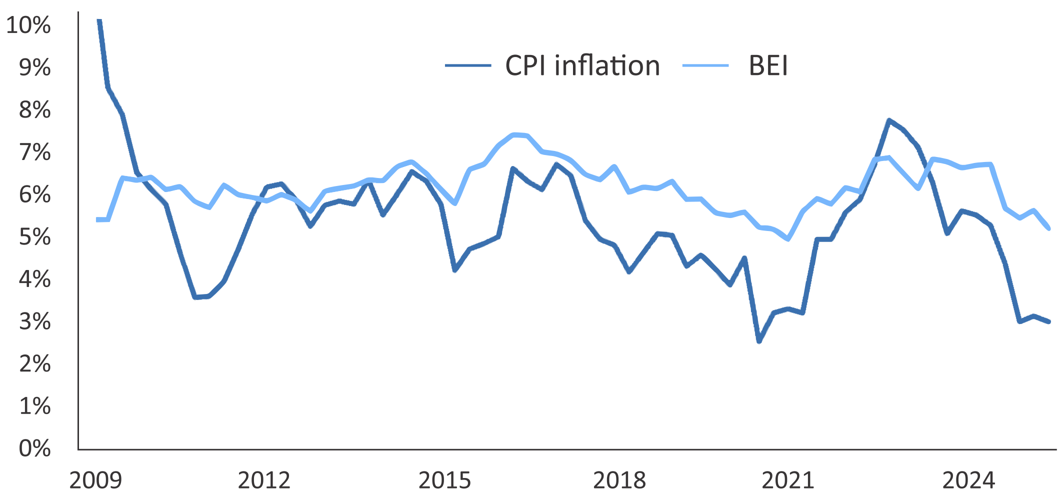
### Cyclical impact: Bond market partly discounting a lower target

The market expects inflation to average 4.8% over the long term, based on the spread between the 10-year nominal bond yield and the 10-year inflation bond yield – what bond investors refer to as the breakeven inflation rate (BEI). Under a 4.5% inflation target, this implies a 30bp premium, while under a 3.0% target, the risk premium is a wide 180bp.

Since 2009, the average difference between BEI and actual inflation has been 100bp. If we assume the long-run risk premium will change only slowly (being a combination of inflation and fiscal risk) and that inflation continues to oscillate around 3.0%, then BEI could compress to 4.0%. This implies 80bp downside to the nominal 10-year yield, or a new "fair value" close to 9.0%, the level that prevailed from 2016 – 2020.

On this basis there is justification for further cyclical optimism, but the structural spillovers will probably take longer to materialise.

## Figure 3: Headline inflation versus Breakeven inflation




*Source: iress, Terebinth Capital*

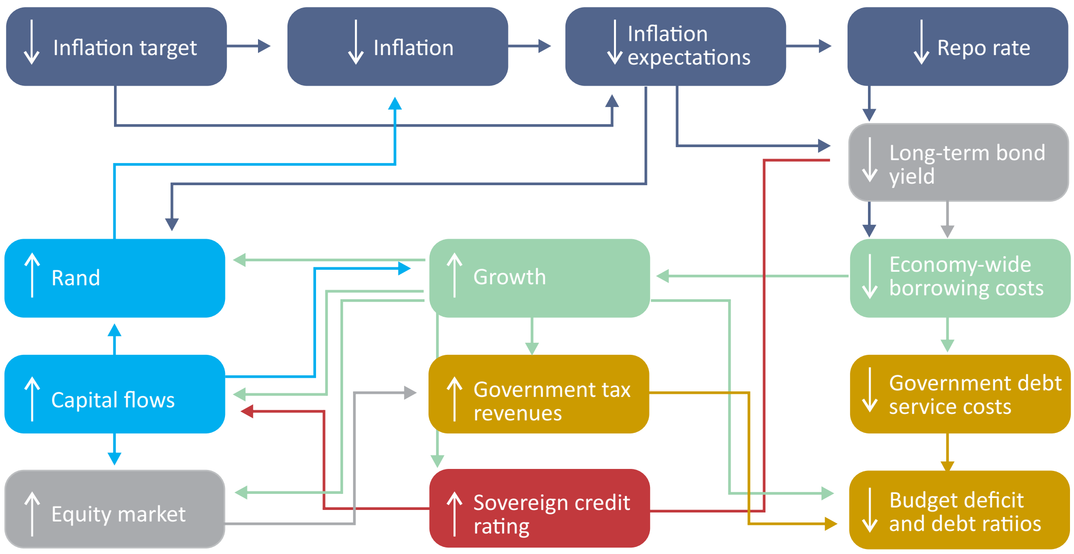
[2]Loewald, C, Steinbach, R and Rakgalakane, J. 2025. "Less risk and more reward: revising South Africa's inflation target". South African Reserve Bank Working Paper Series, WP/25/05.

## Structural impact: A series of benign reinforcements

A lower inflation target, combined with SARB credibility, should lead to a decline in inflation expectations and contained inflation outcomes. The SARB MPC will be able to cut the nominal policy rate on a more sustainable basis, which combined with lower inflation expectations, will lead to a fall in the nominal bond yield. A decline in overall borrowing costs for consumers, producers, and the government, will lift GDP growth. Lower government debt service costs and stronger growth will lead to narrower budget deficits and a reversal in the debt-to-GDP ratio.

The main constraints on the sovereign credit rating have been the decline in the GDP per capita and the rapid rise in the debt ratio. As such, improving growth and declining debt would lead to rating upgrades. A stronger sovereign credit rating would encourage inward portfolio and capital flows to support the rand and equity market, as well as raising fixed investment rates to further improve GDP growth. The combination of a structurally lower discount rate (via the bond yield) and stronger productivity growth (higher investment rates) should lead to a structural re-rating in SA equities.

Exchange rate appreciation will dampen import prices and assist in keeping inflation contained to further anchor expectations. A smaller inflation differential with the rest of the world and improving productivity differentials via stronger growth would lead to a more resilient and stable exchange rate. A more stable exchange rate and lower inflation volatility would foster lower interest rate volatility.




Easy, right. Not so fast.

Certain conditions need to be in place for a smooth transition: the SARB retains its independence and credibility, progress on structural reform accelerates to ensure that administered price inflation does not prevent the attainment of the lower target, National Treasury continues with fiscal consolidation, and the exogenous environment is less adversarial. All of these conditions will be heavily influenced by the domestic political economy and global geopolitics.

There may be no reason to doubt the SARB, but the MPC will face numerous exogenous uncertainties, as well as potential domestic political pressure should growth fail to accelerate. Crucially, the survival of the GNU is seen as a necessary condition to keep populism at bay, ensure faster reform, and ongoing fiscal consolidation.

Outside of the political risks, the market may be underappreciating the frictional costs of moving to a lower target.
With regard to equities, a nascent re-rating may be countered by slower earnings growth, as selling prices may be forced to adjust more rapidly than input costs. Moreover, the required tight monetary policy stance in the early phase of the transition is designed to ensure demand-led inflation is suppressed, in a bid to achieve the new lower target. This could limit the growth recovery, with the risk of earnings expectations being missed.

For the bond market, the risk lies in the near-term impact on the fiscus. Pedestrian real growth and persistently low inflation will depress nominal growth, posing downside risk to the National Treasury's forecast of 6.0% - 6.5%. We estimate that under a 3.0% inflation target, nominal GDP growth will oscillate around 5.0%. If we assume the same tax buoyancy rates as the Budget, then the revenue shortfall averages c. R30bn per year and the nominal GDP shortfall c. R100bn. The net effect is a 0.5 ppt wide budget deficit and a 1.0 ppt higher debt ratio.

According to the SARB, successfully achieving the 3.0% inflation target and altering the funding mix to optimise the cost savings associated with the lower target could lead to a 0.2 ppt decline per year in debt service costs relative to GDP, and a 0.3 ppt increase in annual GDP growth. However, this benefit will come through over time, with the front-loaded pain a cyclical risk for back-loaded gain.

While this first round effect is not alarming, it would require additional spending cuts and/or higher tax rates to ensure the budget metrics are met. Fiscal tightening will be negative for growth, with a negative feedback loop to tax revenues. Based on the 2025 Budget process, it is far from certain that the government has the stomach for even larger spending cuts. Given that we are set to enter the Local Government Election cycle, spending pressures will continue to percolate.

Ramaphoria in 2018 and the GNU in 2024 were not able to lift the structural path for South Africa, but maybe the SARB can.

Time will tell.

# AI and investing: connecting human insight and machine intelligence

Artificial Intelligence (AI) is no longer a futuristic concept - it's already reshaping how we live, work, and invest. So, it's fitting that this year's IRFA Conference places AI at the heart of the conversation around retirement, savings, and investment. The rapid acceleration of technological innovation and data capabilities is creating meaningful opportunities for the financial services industry - and, more importantly, for long term investors.

As AI transforms the investment landscape, investors are eager to understand how it is impacting the decision making process and reshaping the role of human investment professionals. In our experience, AI enhances how the fusion of human expertise and machine intelligence can deliver superior performance for clients, even amid the uncertainties of the global equity markets.

## Beyond the AI buzz

From self-driving cars to large language models like ChatGPT, AI has captured the public imagination - and headlines. But behind the hype lies a deeper evolution. In our view, AI isn't a revolution that replaces what came before. It's an evolution: a set of powerful tools that, when thoughtfully applied, can unlock differentiated insights and outcomes.

However, it's not a universal solution. Not every investment challenge is suited to AI and applying it without caution can lead to poor results. Success lies in understanding where AI adds value - and where human judgment still reigns.

## The ongoing evolution of AI in investment management

History shows that when new technologies emerge, the initial instinct is to apply them to existing problems. The real breakthroughs happen when we start solving problems that couldn't be addressed before.

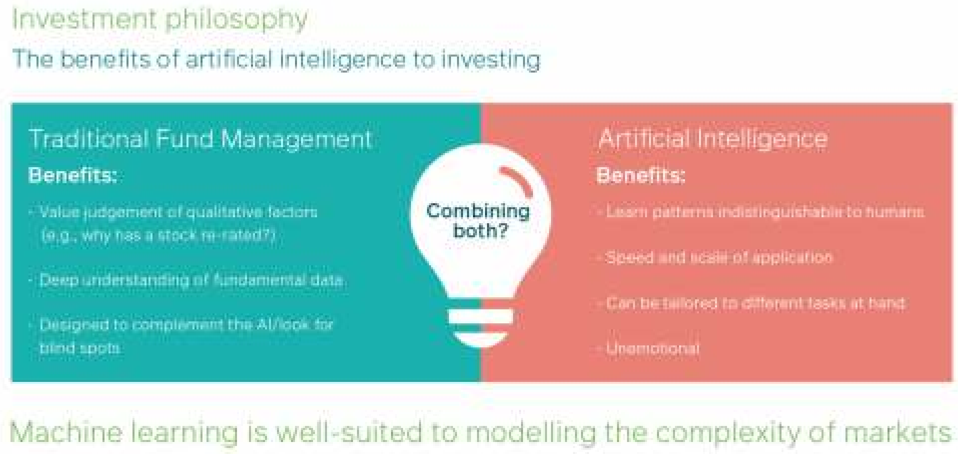
**Michael Cook and**
**Gautam Samarth***
Fund Managers
M&G Investments

Take the internet, for example. In its early stages, access to the internet simply replicated what you could do via fax. Then, email emerged, and later, Google indexed the internet's entire universe, becoming the gateway to information and knowledge, and creating entirely new opportunities.

Similarly, AI is still evolving, and its full potential will unfold over time. The AI landscape is vast, opening new avenues for processing data and extracting valuable insights. It can enable you to access useful information from text, images and sound, enhancing investment decision making. As AI techniques develop, we are continually exploring new methods to refine our models.

## AI models in practice

Using historically representative data from the investment landscape, AI models can be trained to learn underlying patterns and provide a rich view of the market. They can not only help you to predict investment outcomes but also deepen your understanding of how market factors interact.



Source: M&G Investments

At M&G Investments, in our Global Equity Fund, we primarily use supervised machine learning, selecting data we believe is relevant for predicting share price movements. This is crucial in complex, noisy environments where it's easy to capture spurious relationships in data that might not be relevant in the future. In a pre-filtering process, we identify data sources such as economic, fundamental, pricing and technical data. We also increasingly use natural language processing (NLP) techniques to extract sentiment data from sources such as company filings. The model learns how this data relates to future share price performance.

In our view, the real benefits of incorporating AI in the investment process come from blending the strengths of both humans and machines. This is the approach where we have seen real client benefit.

AI models can excel at identifying patterns and nuances in the data that are indistinguishable to human beings. They can also operate at a speed and scale that would be impossible for humans alone. AI models are also emotionless, which helps mitigate biases such as overconfidence or fear that can distort human decision making.

Yet AI isn't infallible. Human judgment is crucial for addressing areas where AI models can't always perform optimally. For example, humans can provide additional context to data, accounting for shifts in the market, and filling in the gaps where the AI might be blind to certain qualitative factors.

We believe that every stock selected should undergo a human check before being added. This to make sure that the things that have been accounted for are correct and consider any critical factors that may not be captured within the model. There are various techniques to manage large-scale data, to enable models to process nuances and outliers effectively. Not all outliers are errors, and models can be designed to distinguish between valid data and anomalies.

Risk management is another area where AI and human expertise intersect. Human oversight combined with robust quantitative risk management can ensure that balanced exposure is maintained at the portfolio construction level. For example, a fund manager can limit exposure to any single industry or country to within 5% of the benchmark to ensure diversification and stability across the portfolio.

## The future of AI in investment management

AI's role in investment decision making will continue to grow driven by three key factors: the evolution of modeling techniques, the growth in computational power, and the explosion of available data.

However, careful management and expertise are required to ensure optimal results. While AI presents great possibilities, the key to success lies in the processes used to apply it. The industry has the opportunity to harness its power as it evolves, ensuring that both technology and human expertise continue to work hand in hand to deliver exceptional outcomes for investors.

*As co-managers of the M&G Global Equity Fund, Michael, Gautam and team leverage advances in AI, data science, and computer processes to provide stock-picking recommendations.

# The investment case for gender equality: why inclusion drives returns

**Marisa Bester**
COO
STANLIB Infrastructure Investments

The investment industry stands at an inflection point. As traditional sources of alpha become increasingly scarce, gender-aware alternative investment strategies offer a genuine competitive advantage. They mitigate long-term risks, provide diversification, and access growing markets that conventional approaches miss.

Pension fund trustees can exert a powerful influence by taking deliberate investment decisions that will have positive consequences for women, by allocating capital towards the infrastructure asset class with its inherent high positive impact.

The case for gender equality is not just a moral imperative – it is a strategic investment. Nowhere is this more evident than in the infrastructure sector: the roads we drive on, the power plants that light our homes, the fibre that connects us, and the ports that move our goods. Yet too often, the economic value of including women in the planning, execution and benefits of these projects is overlooked.

## Gender equality: a multiplier for development

Traditional investment models systematically underestimate the risks associated with inequality such as reinforcing exclusion, creating long-term vulnerabilities that manifest as social instability, talent shortages, and market inefficiencies. The 2021 Global Gender Gap Report indicates it will take 135.6 years to close the gender gap worldwide at current rates. For investors, this represents a century of untapped market potential and accumulating systemic risk.

Investments into the infrastructure sector traditionally focus on economic metrics: GDP growth and job creation on a macro level; and financial returns through tools such as the internal rate of return and payback periods on an individual level for investors. However, the most transformative infrastructure projects are those that consider their differential impact on women and men.

In the infrastructure sector, gender inclusion is particularly powerful because these assets shape the backbone of our economies. When infrastructure is designed with women in mind – offering safe transport, access to energy, and digital connectivity – the ripple effects are far-reaching: girls stay in school longer, women are able to enter the workforce, and entire communities become more resilient.

## Evidence on the ground

As someone who represents institutional investors on the boards of infrastructure project companies, I have had a front-row seat to the shifts taking place in our industry. Over the past decade, I have seen meaningful progress in women's participation at board and senior management levels - particularly in the renewable energy sector.

The business case for gender diversity at this level is unambiguous. McKinsey & Company's research demonstrates that organisations in the top quartile for gender diversity on executive teams are 25% more likely to achieve above-average profitability. More striking still, companies with the most ethnically diverse executive teams outperform their peers by 36% in profitability.

What is even more compelling is what I have witnessed on the ground. Many of the projects we invest in embrace community development obligations - such as support for schools, clinics, or training centres in neighbouring communities. When these initiatives actively involve women, the outcomes are notably stronger, from increased health indicators in the area to enabling hundreds of women to start micro-enterprises online.

Electricity access is a prime example to illustrate this. In rural sub-Saharan Africa, women and girls spend hours each day collecting firewood. Electrification reduces this burden, freeing up time for education or income-generating activities. When infrastructure projects actively include women in planning and employment, the multiplier effects are remarkable.

India's rural roads programme shows that improved road construction lowers mobility restrictions for women and improves social norms, with positive impacts on education. Considering that 70% of Africa's rural population lacks access to all-season roads, investments into an upgraded road network will not only ensure safety, but it will also unlock untapped demand.
The return on investment in girls' education is extraordinary. According to the World Bank, at a macroeconomic level, countries lose $12-30 trillion in lifetime productivity and earnings when girls don't complete their education. The UNESCO Institute for Statistics notes that in sub-Saharan Africa, where 23% of girls of primary school age remain out of school, targeted educational investments can unlock massive economic potential.

## Conclusion: the power of infrastructural investment

By considering environmental, social, and governance factors in investment decisions, asset managers can create value while protecting capital and delivering risk-adjusted returns for clients. Investors who embrace this broader view are likely to see long-term gains. Projects that serve everyone, including women, tend to enjoy better community buy-in, lower operating risk, and improved development impact.

Infrastructure that empowers women does not just uplift individuals; it transforms economies. Investors who measure what truly matters, not just short-term returns but long-term, inclusive value, will lead the way in building resilient, high impact portfolios.

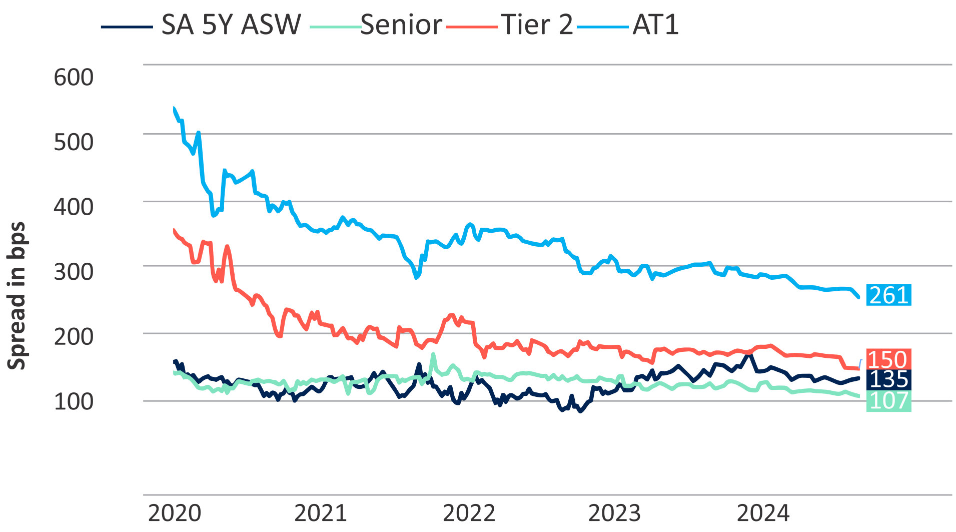
# Ready or Not? here it comes.

**Raihan Allie**
Fixed Income Portfolio Manager
Truffle Investment Management

## Banking on a squeeze

The South African credit market has evolved significantly over the last decade. In nominal terms, approximately R1.15 trillion in corporate-issued paper is currently outstanding, with a heavy skew toward financial institutions and banks. Recent years have seen strong inflows into income funds, while corporate issuance has remained lacklustre, resulting in a persistent demand-supply imbalance and sustained spread compression. Issuers have prioritised strengthening their balance sheets and have limited new issuance (fund raising via debt) due to subdued local growth prospects and macro-economic headwinds.

**Chart 1: Historic Credit Spreads in South Africa**



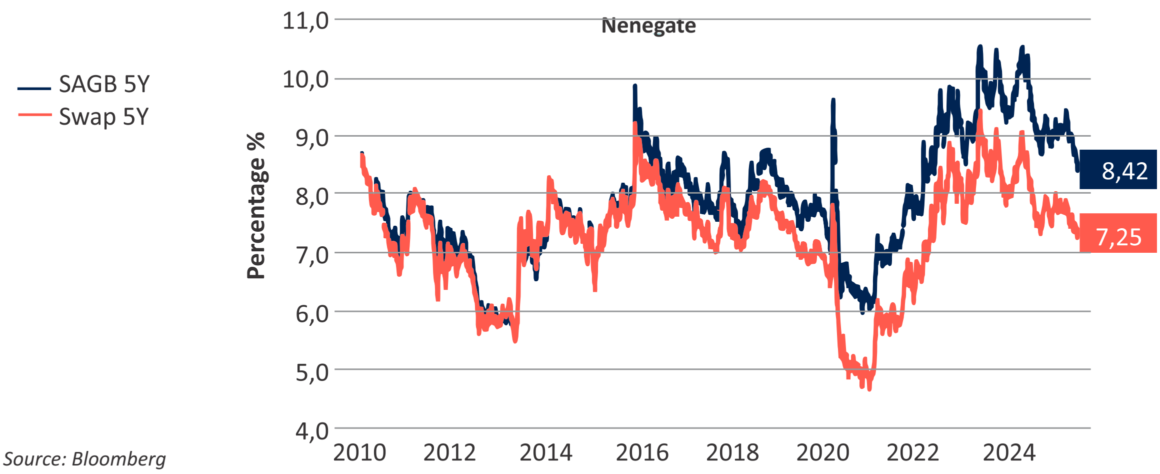

*Source: Bloomberg, Avior*

## Peril or parity?

One market segment currently catching a lot of flak is South African banks' Additional Tier 1 (AT1) instruments, which like senior unsecured debt, have compressed to their narrowest levels since issuance began. Compared to South African Government Bonds (SAGBs), the spread differential has narrowed, raising concerns among some investors that the compensation for holding AT1s may no longer justify the risk - especially versus the "risk-free rate" or versus offshore equivalents.

But is this a fair comparison?

**Chart 2: No longer risk-free**

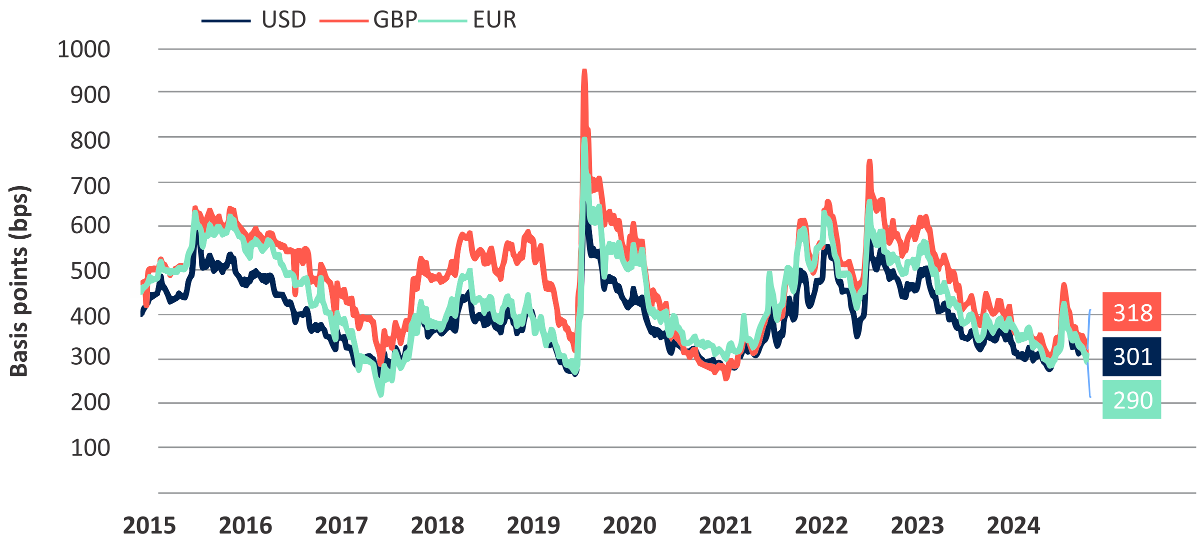



*Source: Bloomberg*

The asset swap (ASW) market suggests that SAGBs have not been risk-free since the days of "Nenegate" (December 2015). There has been growing divergence between SAGB yields and equivalent interest rate swaps as highlighted in chart 2. This difference or spread - interpreted as the compensation for credit risk (credit risk premium) - challenges the traditional definition of risk-free. As South Africa's fiscal outlook continues to deteriorate, the ASW spread continues to widen.

When evaluating potential returns on SAGBs, it is important to understand that investors are not only being rewarded for taking on interest rate risk and/or volatility. In my view this difference constitutes an overlapping risk with bank and corporate exposure as a sovereign default or restructuring would ripple across the broader credit market. Some investors may however see this as an additive risk. Either way, it complicates the picture when comparing the risk and rewards of investing in AT1s versus government bonds.

**Chart 3: Developed market AT1 spreads**




When benchmarked against developed market AT1 spreads, South African AT1s appear marginally expensive, at best. However, any direct comparison must adjust for the cross-currency basis, which narrows the differential between local and offshore yields.

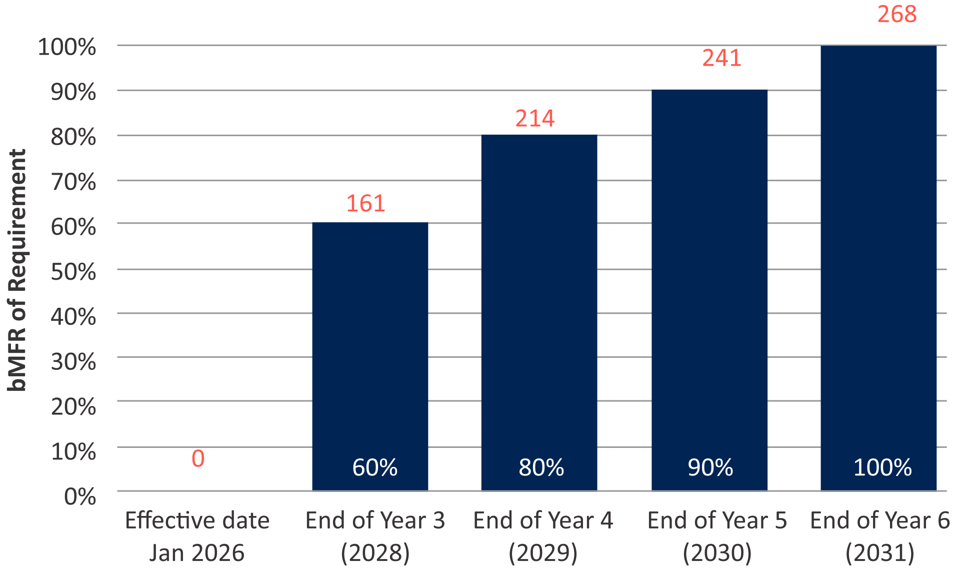
This is important because the valuation for regulatory capital instruments, like AT1s, must account not only for credit and liquidity risks but also for currency and structural considerations, particularly as South Africa prepares to introduce a new class of loss-absorbing instruments.

## A diminishing opportunity set

AT1 instruments represent a good example of a different type of debt becoming available to fixed income managers in recent years and requiring managers to evaluate the risk and reward of including these instruments into a diversified portfolio. The evolution of the fixed income market has not reached the finish line. South Africa's capital markets continue to mature amidst further regulatory developments. 2026 will mark another milestone with the introduction of FLAC (Financial Loss Absorbing Capacity) instruments. These are designed to strengthen the loss-absorbing and recapitalisation capacity of the banking system, enabling an orderly resolution that minimises financial stability risks, ensures continuity of critical functions, and reduces reliance on public funds. While the implementation has been delayed to 2026, the implications are already material. The requirement will likely reshape the investable universe for local fixed income managers, forcing a reassessment of strategy and risk.

At present, investment managers could broadly fall into two camps: those who seek safety (hide from risk) and those who are returns-focused. But avoiding risk will become increasingly difficult. According to the SARB's July 2024 Statement of Impact, to meet new base minimum FLAC requirement (bMFR) issuance targets, the 6 systemically important As shown in chart 4, South African banks will need to raise R268bn of FLAC instruments over a 6-year phase-in period, with the first requirement being 60% at year 3. This figure is based on the SARB's reference calculations and will scale with banking sector growth during implementation.

Unsurprisingly, many banks have already signalled that maturing senior debt will be replaced by FLAC instruments.
Chart 4: FLAC phase-in implementation plan (SARB)




The minimum FLAC requirement (MFR) includes an idiosyncratic component specific to each bank, in addition to the bMFR. Its inclusion could result in a total requirement of R360bn.

The maturity profile of existing senior debt paper over the coming years alone does not meet the requirements, resulting in a potential shortfall through the replacement of senior unsecured debt. The proportion of loss-absorbing instruments in South Africa's credit market (excluding government debt) could rise from 10% loss-absorbing instruments today to about 30%-40%. Ready or not? Here it comes.

The South African corporate credit market is on the cusp of fundamental change. Whether we are ready or not. As FLAC instruments become a larger share of the outstanding issuance, market participants will need to adapt their strategies, moving away from traditional comfort of senior debt and toward a more nuanced understanding of credit risk.

The shift will reward investors with the analytical capabilities to understand risks in capital structures and identify value in loss-absorbing layers. Those who prefer to invest in “senior-only” may find themselves increasingly constrained.

There remains an outside possibility that government-issued floating rate notes could partially fill the gap left by reduced senior bank issuance. However, this outcome is not guaranteed and would depend on fiscal policy decisions and market appetite for sovereign exposure.

The introduction of FLAC instruments represents more than a regulatory adjustment – it is a fundamental reconfiguration of South Africa's credit landscape. As the market shifts towards a higher proportion of loss-absorbing debt, investors will need to evolve.

# Rethinking EV projections and the implications for PGMs

**Tana Mongwe**
Head of Responsible Investment Research
Old Mutual Investment Group

It has been almost a decade since the Paris Accords were adopted by over 190 countries. The global agreement to a climate risk transition, to be actioned through various policies, including in some cases, bans on the sales of petrol and diesel fueled vehicles, earmarked the start of the end for industries such as the Platinum Group Metals (PGMs). However, the reality has been different. The rate of decline of vehicles powered by an internal combustion engine (ICE) has been slower than expected as people have opted for hybrid electric cars, which use both battery and ICE powertrains.

The recent growth in hybrid vehicle sales and rollbacks of vehicle emissions targets will have profound implications for electric vehicle (EV) uptake as well as for PGMs, a key component in the catalytic converters used to reduce emissions in ICE and hybrid vehicles.

And as the largest producer and exporter of PGMs, what happens to the sector matters to South Africa. This is more than just an existential ESG matter, but one of grassroots societal importance to a country that is built on mineral wealth and mining. In addition to the more than 181 000 direct jobs within the sector itself, which makes PGMs the biggest employer among South African mining sectors - the broader PGM impact is felt across support industries and within the countless small businesses that service mining towns.

## Why is the outlook shifting?

Thus far, the journey towards achieving these targets was zipping along at a steady rate. In the early 2010s, EVs accounted for 0% of total car production and by 2024, they, including hybrid cars, had a penetration rate of just over 20%. Pure battery EVs – which are 100% electric – comprised around 12% while ICE vehicles continued to dominate. Projections were that ICE vehicles would be rapidly put out to pasture as the new technology took over, pushing the demand for PGMs to the side in the process. The automotive industry accounts for over 60% of PGM demand.

With global car production peaking in 2017, the new growth markets were now emerging nations like China, India, the rest of Asia and Africa. While car sales per working capita in mature markets such as Europe, North America and Japan are slowing down, the emerging markets continue to show an upward trend in car production and sales. An expected trend, as a vehicle remains an aspirational asset in many of these emerging economies. Given the green transition, countries including Canada, the US, Mexico, Japan, the UK, China and continental Europe announced emission reduction commitments and targets which would see electric vehicles leading the way post 2030. Notably, China has a 60% new energy vehicle target by 2030 while Europe has committed to selling only battery electric vehicles from 2035.

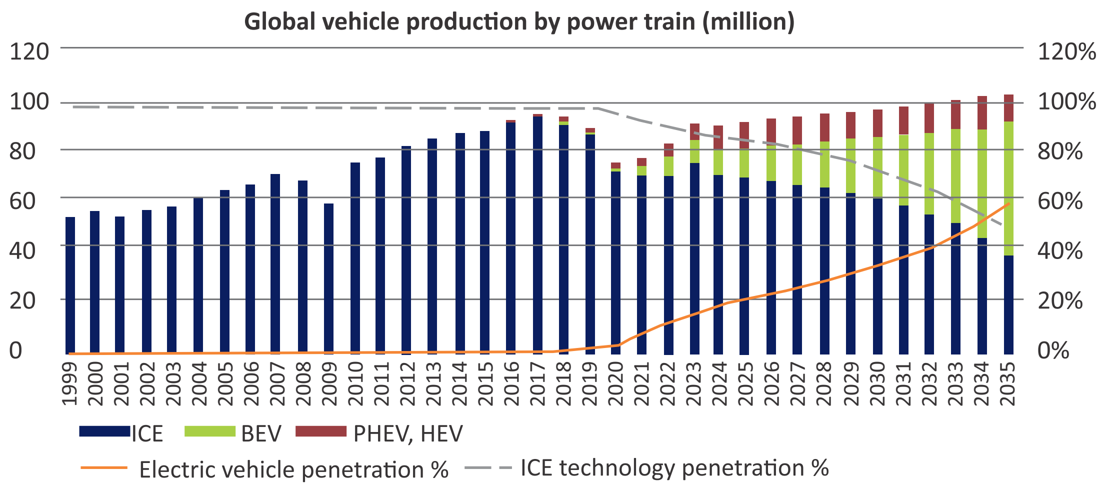
As a result of this demand and regulatory push, forecasters anticipated that the penetration J-curve for EVs would keep gaining momentum and accelerate swiftly over the next decade.

However, two factors lay at the heart of these projections. Firstly, that consumers in key markets like China and Europe would make the move from fossil-fuel powered cars to battery EVs and secondly, that automakers would be able to restructure their operations to produce EVs at a scale and price that would entice consumers to make the switch.

If China was to achieve its 60% new energy vehicle penetration rate by 2030, as planned, and Europe saw 100% battery EV penetration by 2035, sometime around 2034 EVs would overtake ICE technology – firmly establishing electric as the dominant technology and, in the process, causing PGM demand to steadily fall by around 5% year-on-year per annum to 2035. With the automotive sector making up about 60% of global PGM demand, this decline would be game-changing.

### Under the proposed targets, the outlook for car sales could look like this

Assuming China achieves 60% NEV penetration by 203 and Europe achieves 100% BEV penetration by 2035




Source: https://www.oica.net/category/production-statistics/2024-statistics/
https://www.lea.org/reports/global-ev-outlook-2025/trends-in-electric-car-markets-2
OMIG Forecasts

This was the picture and the inevitable future that was being painted for PGMs. Now, however, this widely held view is being challenged.

### Headwinds to EV dominance

While a country like Norway achieved an impressive 96.9% EV market share in January 2025, this came on the back of concerted policy alignment, EV infrastructure development and financial incentives to make it attractive for consumers to buy electric. Import duties were reduced, VAT exemptions were put in place, EV drivers paid reduced toll fees and secured preferential parking options. All palpable incentives to switch. However, Norway is the exception.

Elsewhere, the United Kingdom have pushed back its target date for banning new ICE vehicles from 2030 to 2035, and the European Union (EU) is under pressure to do the same as leading European automakers are being forced to restructure and some cases, close factories.

In the US, President Donald Trump has revoked his predecessor's target to achieve 50% EV sales by 2030 and has frozen funds reserved for building EV charging stations.

Looking at the two key challenges – affordability and consumer uptake – it's becoming increasingly evident that, outside of China, EVs are simply too expensive unless, like Norway, financial incentives and subsidies are put in place. In regions like the EU and the US, EVs cost 20%-60% more than the cost of a comparable ICE vehicle.

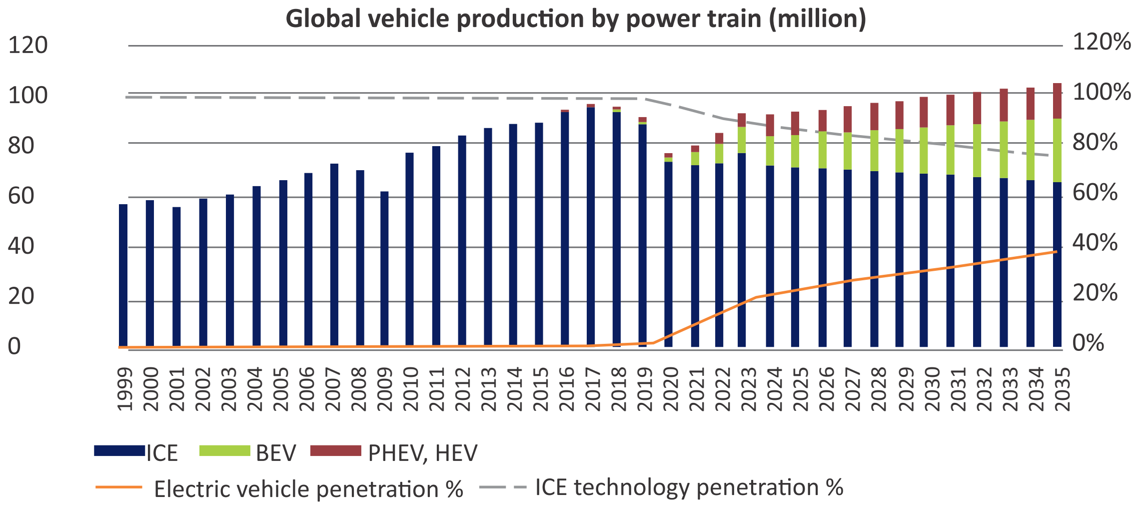
Governments are unlikely to be happy with Norway's level of involvement. After all, most had largely delegated responsibility for the EV shift to established car makers. However, this evolution has proved to be a capital intensive and expensive switch, and many of these manufacturers simply don't have the balance sheets to drive the transition. The likes of Polestar, and EV manufacturer, are actually in negative free cash-flow territory, while other car makers are caught between having to invest in different powertrains to continue manufacturing their bread-and-butter vehicles while simultaneously shifting to hybrids and EVs. With EVs not making the margins, this is impacting the balance sheets of already highly leveraged automakers which, in turn, is adding pressure to this transition.

There are other challenges too, like batteries. While there is a significant global push towards finding more sustainable, long-term solutions in the battery space - including hydrogen, sodium and even nuclear micro-batteries - right now mineral intensive lithium batteries are the main contender. However, even with improved recycling methods that can extract minerals from so-called black mass in an environmentally friendly way, current lithium supply will be unable to support Europe and China's 2035 targets.

As a result, a more realistic EV outlook is emerging.

### A more realistic outlook of the automotive market

EV penetration rates are closer to 40%, with BEVs accounting for 25% of all new cars produced and sold (vs. >50% in the targeted scenario). China will be the highest driver of EV growth




Source: https://www.oica.net/category/production-statistics/2024-statistics/
https://www.lea.org/reports/global-ev-outlook-2025/trends-in-electric-car-markets-2
OMIG Forecasts

Based on our own forecasts and research, we believe a 40% EV penetration rate by 2035 is more realistic than the previous 60% projection. Of this 40%, battery EVs are likely to account for 25%. This growth would be predominantly driven by China, as regions like Europe continue to face their own challenges including charging infrastructure development and battery recycling. With ICEs still accounting for a large chunk of the global market – alongside hybrid vehicles – there will still be demand for PGMs in this new scenario. In fact, we are likely to see demand for PGMs decline by just 1% year-on-year to 2035, rather than the previously anticipated 5%.

This poses another set of problems. With platinum miners having pulled away from bringing new capacity online, we are facing the possibility of a supply cliff towards the end of the decade, based on our forecast. This is good news for PGM prices but creates another headwind for the emerging EV sector.

For these reasons, we remain bullish on the PGM sector for now.

# STOCK-TAKE

# The discovery of fire

## I. The spark that lit the fire

Much like Apple's iconic iPhone revolutionised mobile computing by making sophisticated technology intuitive and easily accessible, the public unveiling of ChatGPT in November 2022 introduced the power of generative artificial intelligence (AI) to the world.

The key technology that enabled the creation of ChatGPT was a network architecture called the Transformer, proposed by researchers from Google and the University of Toronto. Before the Transformer, AI relied on statistical models and hard-coded rules, meaning they were not easily generalisable to different tasks. The Transformer overcame this hindrance and enabled AI to understand context and made it more scalable with compute (processing power).

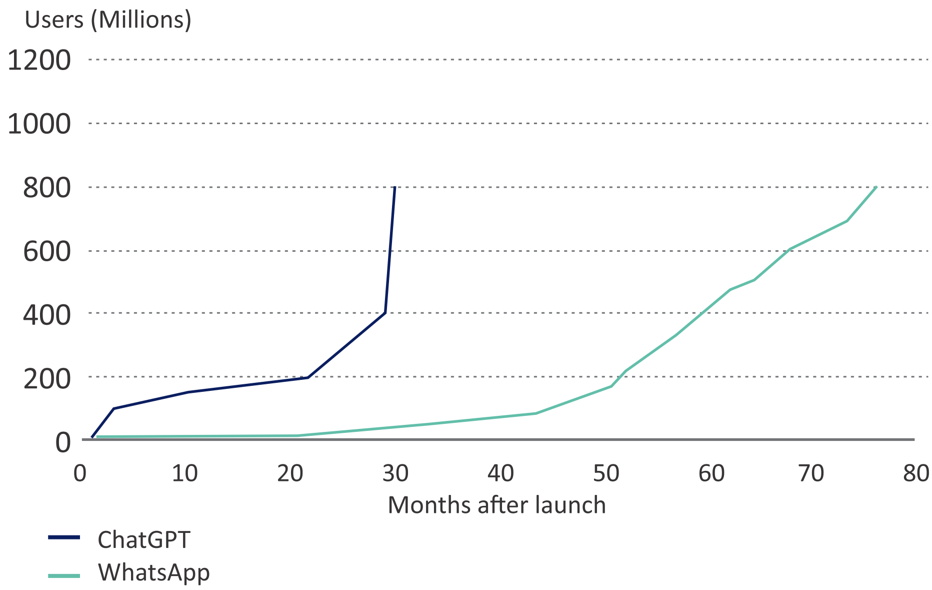
Its significant impact was made possible by two important foundations that were already in place. AI leverages the corpus of knowledge of the internet and the broad distribution enabled by widespread mobile availability.

ChatGPT took the Transformer and made it usable by non-technical consumers. It rendered complex AI capabilities accessible and tangible, sparking widespread curiosity and immediate application across myriad tasks, such as summarising, creative-writing, and learning.

Effectively, chatbots such as ChatGPT allow people to talk to computers in natural language and for the computer to understand and respond using an aggregation of the bulk of knowledge stored on the internet. It is like having a personal, knowledgeable assistant. A valuable right hand who can do preliminary research on an infinite number of topics for you and synthesise the information in your preferred style, instead of you having to trawl through dozens of websites and then spend time consolidating the information.

As illustrated by Figure 1, what truly sets this moment apart is the staggering rate of adoption. ChatGPT attracted its first million users in a mere five days and, astonishingly, reached 100 million users in just two months[1]. In contrast, WhatsApp, itself a benchmark for rapid technological uptake, took a significantly longer three and a half years to achieve the same 100 million user milestone[2].

**Figure 1**
**User Growth of ChatGPT and WhatsApp**




**Humaira Surve**
Equity Analyst Global Developed Markets
Coronation Fund Managers

Sundar Pichai, CEO of Google's parent-company, Alphabet, offers a crucial insight into why the AI wave is different to other technological shifts. He states that AI is "much more profound than the other platform shifts" because it is "capable of creating, self-improving, and so on[3]."

Generative AI is definitely impressive, but should we collectively rush in? Despite what seems like a broad array of applications today, it is wise to be cautious not to overestimate potential new market sizes, to be wary of possible disruption to business models, and to be on the lookout for emerging unforeseen risks. Elon Musk said, "AI is likely to be either the best or worst thing to happen to humanity."

## II. The AI space race

The rapid advancement of AI is unfolding against a backdrop of intense rivalry between the US and China. China's US$19 trillion GDP is second only to the US$30 trillion US GDP and is growing significantly faster. Militarily, China has been modernising its armed forces, expanding its presence in the South China Sea, and increasing its incursions into Taiwan's airspace. It is also increasing economic influence across Asia, Africa, Latin America, and Europe through its Belt and Road initiative. The US has countered by expanding defence co-operation with allies like Japan and Australia. It has also instituted export controls on advanced chips and technology to China and tariffs of approximately 30% on imports from China.

The global AI development landscape is the next frontier of the rivalry, frequently characterised as an "AI space race,". An emerging idea is that "AI leadership could beget geopolitical leadership – and not vice-versa[4]". Technological dominance in AI may become a primary driver of a nation's global standing and influence, potentially surpassing traditional geopolitical levers, such as military might or economic size alone.

China's AI approach: Beijing has made its intentions clear, aiming to establish China as the "world's primary AI innovation centre" by 2030[5]. This ambition is backed by a six-year plan that will see a massive US$1.4 trillion state-driven investment into its broader technology sector, with a significant focus on AI[6]. In its characteristic whole-of-nation approach, Chinese corporate strategies appear weighted towards the rapid and widespread deployment of open-source AI technologies. These models, such as DeepSeek and Alibaba's Qwen, offer cheap alternatives to proprietary systems and are quickly gaining traction among developers globally. Other key pillars of China's AI strategy include:

- leveraging its vast domestic data resources generated by over a billion tech-savvy Chinese - a critical ingredient for training AI models
- making substantial investments in science, technology, engineering and maths (STEM) talent – boasting c. four times more STEM graduates than the US, annually – in a push toward complete self-sufficiency in AI development.

Attempts by the US to stymie China's AI progress through advanced-chip bans have partially backfired. Instead of acting as a drag on Chinese innovation, the bans incentivised ingenuity as demonstrated by the release of the innovative and computationally efficient mixture-of-experts (MOE) DeepSeek model. An MOE model subdivides the AI neural network into smaller expert networks. A specialised subset of networks is activated to solve a problem, improving latency and power consumption. Necessity is indeed the mother of invention.

This suggests that attempts to control AI proliferation through hardware restrictions alone may be ineffective, and innovation is occurring through alternative pathways, including sophisticated model architectures.

The US's AI approach: The US has adopted more of a market-based approach to AI development, with companies taking individual responsibility for resource acquisition and innovation. Most leading AI firms in the US have taken a proprietary approach to their models, with end-users being charged a monthly fee to use applications or per-query charges to third-party software applications using the models. Fierce competition between private players like OpenAI, Alphabet, X, and Meta to win a perceived race to beyond-human intelligence is driving rapid iteration and innovation of advanced foundational models and applications. Much of the development in the US is funded by corporations and venture capital firms.

The government's strategy involves federal investment in AI research and development, a concerted effort to cultivate domestic talent, and the reduction of red tape to accelerate the build out of critical infrastructure required to run AI systems, such as power capacity.

The US-China AI rivalry is not simply about which nation develops the most advanced algorithms. It is fundamentally a competition to define the global operating system and the underlying principles (policy, privacy, regulation, ethics) that underpin AI.

## III. The AI value chain

This is composed of layers, each of which presents unique investment opportunities and challenges.

**1. Energy**

Sam Altman, co-founder of OpenAI, recently tweeted that a ChatGPT query consumed energy equivalent to "about 0.34 watt-hours, about what an oven would use in a little over one second, or a high-efficiency lightbulb would use in a couple of minutes". The immense computational demands of AI translate directly into a rapidly growing need for energy capacity. Global data centre electricity consumption was estimated at around 500 terawatt-hours (TWh) in 2023. Projections from organisations like OPEC suggest this figure could triple to 1 500 TWh by 2030[7] - a level of consumption comparable to the current total electricity usage of a major industrialised nation like India.

**2. Semiconductors**

The AI revolution is built upon a new generation of highly specialised semiconductor chips. These are, primarily, graphics processing units (GPUs), initially designed for gaming but found to be well-suited for the parallel processing demands of AI. These chips are essential for both "training" complex AI models on vast datasets, or teaching the models to think, and for "inference," which is the process of running these trained models to make predictions or generate outputs in real-world applications.

Nvidia currently holds a commanding market share of the AI accelerator market, estimated at 92%, with its H100 GPU now the de facto industry standard for training large language models. Advanced Micro Devices (AMD) is a distant challenger, with its MI300 series of accelerators.

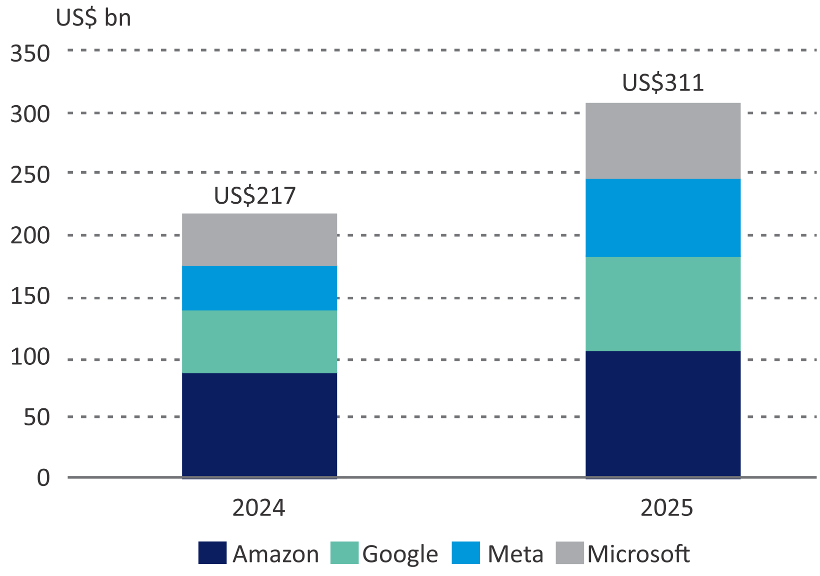
Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest dedicated semiconductor foundry, manufactures the most advanced chips for Nvidia, Advanced Micro Devices (AMD), and Apple. Most chip companies outsource manufacturing to a foundry, and TSMC has a two-thirds share of this market, due to its process expertise, scale benefits, and deep partnerships with key customers. It is a critical bottleneck in the industry that is likely to benefit from the proliferation of AI across industries.

**3. Data centres**

Data centres are effectively the factories of the AI age, housing the tens of thousands of GPUs and related infrastructure required to power complex AI workloads.

### Figure 2
### Hyperscale Capital Expenditure

AI demand is fuelling a colossal wave of capital expenditure. Figure 2 shows that technology giants like Amazon, Alphabet, Microsoft, and Meta poured over US$200 billion[8] into capital expenditure in 2024, most of which was allocated to AI infrastructure. This level of investment is projected to be even more aggressive in 2025, with some estimates at over US$300 billion. Monetisation has lagged spend, raising questions about whether fair returns will be generated and creating the risk that the returns may be spread unevenly amongst firms.




Sources: Coronation analysis; Alphasense

**4. Cloud Providers & Middleware: The software infrastructure**
The next layer of the value chain is the AI models (for example, Gemini, GPT o3, Llama) themselves as well as the platforms that enable their development and deployment.

The cloud platforms provide the scalable infrastructure (compute and storage) and host development platforms, along with an array of AI tools and pre-trained models. This enables businesses to develop, deploy, and manage sophisticated AI applications without the enormous upfront investment and complexity of building and maintaining their own massive data centres and AI research teams.

**5. Application layer: Enterprise and consumer applications**
The top-most layer contains the applications that consumers or employees interact with. ChatGPT, Gemini, WhatsApp, and Duolingo are examples of consumer-facing apps that use AI functionality in their products. Salesforce, Microsoft Copilot, and GitLab similarly allow enterprise users to take advantage of AI functionality in a work context. AI coding tools like Cursor and Windsurf have enabled developers to build applications much faster than before, increasing the risk of new applications disrupting this layer.

## IV. The price of intelligence: Plummeting inference costs

A critical catalyst of the widespread adoption of AI is the dramatically falling cost of inference—the computational process of running a trained AI model to generate outputs based on new input data. While training large AI models can be very expensive (a one-time or periodic cost), inference occurs every time the model is used, making its cost a crucial factor for scalability and economic viability.

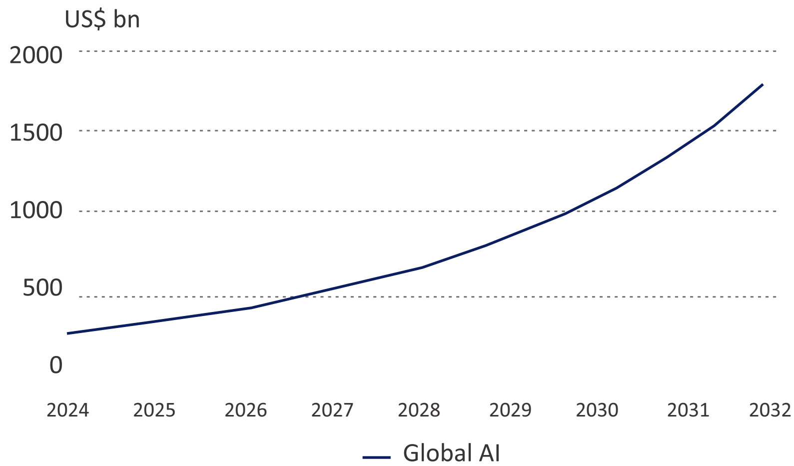
This cost reduction is driven by several converging factors: improving AI model optimisation techniques, the development of more energy-efficient and powerful accelerator hardware (like new generations of GPUs), and novel architectures such as the MOE architecture mentioned earlier. The inference cost for a system performing at the level of OpenAI's GPT-3.5 plummeted over 280-fold between November 2022 and October 2024[9]. At the hardware level, costs for AI computation have been declining by roughly 30% annually, while the energy efficiency of this hardware has been improving by about 40% each year[10].

## V. Transforming industries across the board

"I spent a fair bit of time thinking several years out. And while it may be hard for some to fathom a world where virtually every app has generative AI infused in it, with inference being a core building block just like compute, storage and database, and most companies having their own agents that accomplish various tasks and interact with one another, this is the world we're thinking about all the time.", Andy Jassy, Amazon Q4 2024

Market research indicates that the global AI market was valued at about US$230 billion in 2024. Projections (Figure 3) show this figure surging closer to US$1.8 trillion by 2032 (29% compound annual growth rate)[11].
The broad applicability of AI and the rapidly declining inference cost are making tangible impacts across a multitude of industries.

### Figure 3
### Global AI Market Size Estimate




Source: Fortune Business Insights

**Coding and software development:** One of the earliest and most pervasive AI use cases is in coding. Microsoft CEO Satya Nadella recently said that up to 30% of their code is written by AI, while developers using GitHub's Copilot have already achieved a 26% increase in productivity.

**Customer service:** There are many examples of companies using AI to automate tedious customer service tasks, from websites to the call centre. Salesforce, a leader in customer relationship management, uses Agentforce to handle hundreds of thousands of internal customer service use cases with a reported 80% plus resolution rate.

**Healthcare:** SandboxAQ and AlphaFold, both backed by Alphabet, are two early-stage companies using AI to analyse and predict protein structures, with the aim of dramatically fast-tracking drug discovery.

**Financial services:** Adyen's Uplift product uses AI to increase conversion for merchants by up to 6% and has allowed pilot customers to reduce the use of manual risk rules by 86%.

**Manufacturing & logistics:** AI is enabling more accurate demand forecasting and inventory optimisation, reducing waste and improving capital efficiency. Amazon states that AI helped them improve forecasting by 10% and regional predictions by 20%[12].

**Media & entertainment:** AI use cases with the potential to significantly lower costs in film, music, and gaming production are emerging. Acclaimed director James Cameron has noted that AI could reduce the cost of blockbuster films by up to 50%; China's Tencent Music has incorporated DeepSeek to enable users to produce music easily and cheaply, and Ubisoft's "Ghostwriter" tool helps game developers by generating dialogue for characters in video games[13].

**Consumer internet:** Meta uses AI tools in its Advantage+ suite of advertising tools. It includes image, video and text generation tools that can help advertisers maintain brand consistency and improve personalisation. The company cited that merchants that started using Advantage+ noted a 20% increase in return on ad spend.

## VI. Societal, ethical and regulatory headwinds

The AI revolution carries with it a host of complex societal, ethical, and regulatory considerations.

One of the most intensely debated aspects of AI's societal impact is its effect on the job market. Goldman Sachs, for instance, estimated that generative AI alone could expose approximately 300 million full-time jobs worldwide to some degree of automation[14].

Another challenge arises from the fact that many advanced AI models are trained on vast quantities of existing data, much of which may be copyrighted material scraped from the internet without explicit permission from creators. Algorithmic bias, frameworks for determining accountability for autonomous system actions, and the risk of misinformation from high-quality “deep fakes” are other issues that society is likely to have to grapple with in the near future.

The current AI regulatory landscape is often described as "piecemeal". Nevertheless, significant regulatory initiatives are beginning to take shape, e.g., the EU AI Act has created processes for monitoring AI systems, rules supporting transparency and user rights, and governance authorities to oversee AI system operation[15]. Governments will have to strike a balance between managing risks and user rights while not stifling innovation.

## VII. Conclusion

The rise of AI marks a transformative shift in technology and society. The speed and scale of AI adoption has surpassed most other recent technological revolutions. The impact is set to continue and possibly accelerate as these systems self-improve. Having witnessed many technological shifts over time and across geographies, we are applying learnings from prior shifts to today. While we are scouring our opportunity set for companies that will benefit from this wave, we are constantly assessing risks to existing and potential holdings from new AI-enabled entrants. Second, we are focusing our efforts on companies that will durably benefit from this new wave, given impenetrable or strengthening moats like entrenched distribution, unmatched process-capabilities or cost-structure advantages that will not be eroded by the diffusion of AI capabilities through industries and are ideally positioned at bottlenecks in the value chain.

[1] ChatGPT sets record for fastest-growing user base, Krystal Hu, 2 February 2023
[2] WhatsApp statistics 2025: Usage trends, demographics and more, Ram Shengale, WANotifier, 29 May 2025
[3] Google CEO Sundar Pichai on the future of search, AI agents, and selling Chrome, Nilay Patel, The Verge, https://www.theverge.com/decoder-podcast-with-nilay-patel/673638/google-ceo-sundar-pichai-interview-ai-search-web-future
[4] Trends, Artificial Intelligence, Bond, May 2025
[5] Intro: China's AI Dream, Macro Polo, Paulson Institute
[6] China's AI industry could see US$1.4 trillion in investment in 6 years, executive says, South China Morning Post, 9 September 2024
[7] AI Needs More Abundant Power Supplies to Keep Driving Economic Growth, Christian Bogmans, Patricia Gomez-Gonzalez, Giovanni Melina, Sneha Thube, 13 May 2025
[8] Meta to spend up to $65 billion this year to power AI goals, Zuckerberg says, Jaspreet Singh, 24 January 2025
[9] The 2025 AI index report, Stanford University
[10] The 2025 AI index report, Stanford University
[11] Artificial Intelligence Market Size and Future Outlook, Fortune Business Insights
[12] Amazon, Q4 2024 earnings call transcript
[13] The convergence of AI and Creativity: Introducing Ghostwriter, Roxane Barth, 21 March 2023
[14] Generative AI could raise global GDP by 7%, Joseph Briggs, Devesh Kodnani, Goldman Sachs, 5 April 2023
[15] KPMG Trusted AI and the regulatory landscape

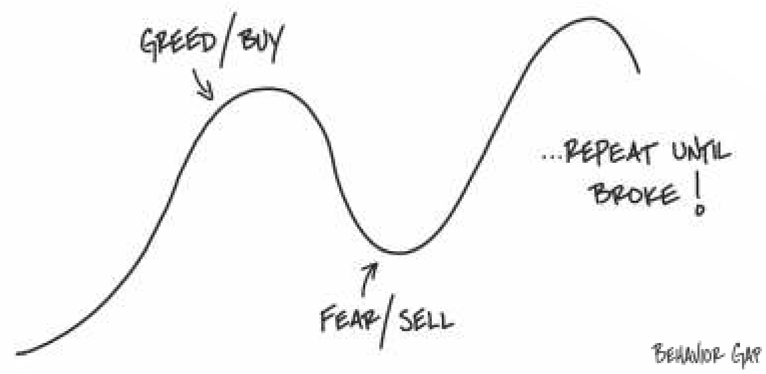
# PERSONAL FINANCIAL PLANNING

# The true nature of risk in investing: beyond numbers to human behaviour

**Leon Greyling**
COO and;
Investment Committee member
Motswedi Economic Transformation Specialists

In the world of finance, risk is often portrayed as a mathematical beast, tamed by sophisticated metrics like volatility, beta, or Value at Risk (VaR). These tools measure how much an investment's price swings or the potential for extreme losses in a portfolio. But for the average investor, true risk isn't found in spreadsheets or statistical models - it's lurking in the mind. Real risk emerges when poor performance triggers emotional reactions, leading investors to abandon sound strategies at precisely the wrong moments. It's not about the market's ups and downs; it's about how those fluctuations mess with our heads, prompting decisions driven by fear, greed, or regret rather than rational analysis.

This is best captured by Behavior Gap in the sketch below:

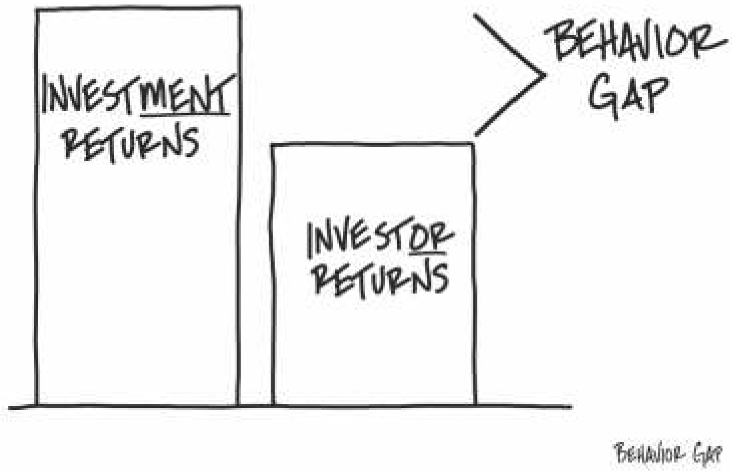



Consider volatility, the darling of modern portfolio theory. It quantifies price variability, assuming higher swings equal higher risk. Yet, for long-term investors, short-term volatility can be a friend, offering buying opportunities during dips. The real danger arises when a volatile period - say, a 20% market drop - instils panic. An investor who sells everything to "cut losses" misses the inevitable rebound, crystallising temporary paper losses into permanent ones. This isn't risk as defined by standard deviation; it's behavioural risk, where psychology amplifies market noise into self-inflicted wounds.

Value at Risk, another popular metric, estimates the worst case loss over a given period with a certain confidence level. For instance, a 5% VaR of R100,000 means there's a 5% chance of losing that much or more in a day. Sounds precise, right? But it fails to account for black swan events or, more critically, the human response to those losses. When VaR thresholds are breached, investors don't calmly reassess; they often overreact, switching to "safer" assets like cash during inflation or piling into trendy stocks during booms. History is littered with examples: the dot-com bust of 2000, where euphoria led to overbuying, followed by despair driven selling; or the 2008 financial crisis, when fear caused mass exits from equities just before a decade-long bull run.

At its core, this psychological risk stems from cognitive biases. Loss aversion, coined by psychologists Daniel Kahneman and Amos Tversky, shows we feel losses twice as painfully as equivalent gains. Recency bias makes us overweight recent events, ignoring long term trends. Herding instinct drives us to follow the crowd, buying high in manias and selling low in panics. These aren't abstract concepts - they manifest in real world behaviours that erode wealth. A study by DALBAR, analysing investor returns over 30 years, found that the average equity fund investor underperformed the S&P 500 by about 4% annually, largely due to poor timing decisions fuelled by emotions.

The result:




Thanks again to Behavior Gap for so neatly capturing the risk of psychological bias.

As an aside, in South Africa, despite this phenomenon, index tracking funds remain well under represented. One can argue that the South African market is different, but to such a degree? This is more advisor led in my opinion.

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## Motswedi Delta Equity Fund – continued outperformance versus its peers

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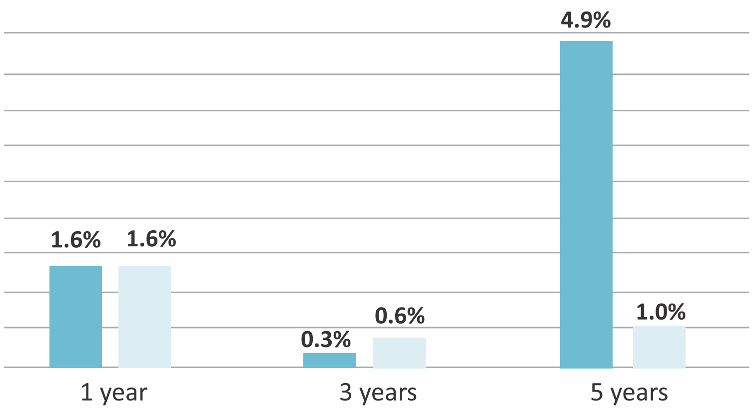


Periods to the month ending 30 June 2025

vs Alexforbes BEE Equity Manager Watch Survey Median™
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### Get in touch

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# Empowering South Africa's future: launching EBnet kids

**David Weil**
Chief Executive Officer
ICTS Group of Companies and Editor of Pensions World SA


As we celebrate Savings Month in South Africa this July 2025, I am thrilled to announce the launch of EBnet's innovative Kids Menu – a dedicated online resource designed to foster a culture of saving among families. This new initiative, accessible at https://www.ebnet.co.za/kids-menu/, serves as a vibrant hub for parents and children alike, profiling a range of savings vehicles to secure children's education and featuring age-appropriate, fun videos that make learning about money engaging and enjoyable. It's more than just a tool; it's a step toward building a financially resilient generation.

The Kids Menu is tailored to address the unique needs of families in today's economic landscape. For parents, it offers a comprehensive comparison of savings options, including Tax-Free Savings Accounts, Fixed Deposit Accounts, Unit Trust Investments, Education Endowment Plans, and specialised Savings Accounts for Kids. These vehicles are profiled with details on typical returns – ranging from 2-5% for kids' savings accounts to 8-12% for long term unit trusts – and their suitability for goals like funding tertiary education or preparing for life's milestones.

Also profiled are trusted providers and their education savings vehicles, such as Standard Bank, EasyEquities, Allan Gray, Capitec, and Old Mutual and other leading providers. For children, the hub includes "Money Matters Videos" that transform abstract concepts into relatable stories, inspired by the wisdom of Nelson Mandela: "Education is the most powerful weapon we can use to change the world."

This initiative couldn't come at a more critical time. Early stage education on money matters is paramount for cultivating lifelong habits of financial responsibility. Research shows that children who learn about saving and budgeting from a young age are more likely to make informed decisions as adults, avoiding common pitfalls like overspending or under-preparing for emergencies. By introducing these concepts through playful, interactive content, we empower kids to view saving not as a chore, but as an adventure. The fun EBnet savings mascots – Sammy, Penny, Kim, Kourtney, Flora, Benny, Christo, Natty, Phoenix, and Nonhlanhla – bring this to life. These whimsical characters, from the adventurous Sammy, who is making saving great again, to the wise Penny, star in our videos and stories, teaching lessons on budgeting, financial goal-setting, and the magic of compound interest in ways that resonate with young minds.

KIM AND KOURTNEY

**NATTY AND CHRISTO**


Yet, the urgency of this mission is underscored by sobering statistics on South Africa's savings landscape. Our nation grapples with one of the lowest savings rates globally, with the household saving rate dipping to a negative -1.2% in the first quarter of 2025, meaning households are spending more than they earn. The gross savings rate stands at a mere 13.7%, far below the global average of 36% and even Sub-Saharan Africa's 18%. This lack of a savings culture is exacerbated by high debt levels, with household debt reaching 40.7% of GDP in September 2024, and debt-to-income ratios projected to hit 63% by year's end – at times peaking as high as 77.1%. These figures paint a picture of financial vulnerability, where many families are one unexpected expense away from crisis.

**SAMMY**


Compounding this issue is the tendency among South Africans to prioritise material acquisitions over future security. Consumer spending on luxury items, particularly fancy cars and clothes, continues to surge despite economic pressures. Recent data shows households favouring durable goods like vehicles and electronics, often at the expense of savings, with luxury car sales trending upward in 2025 even as budget conscious buyers opt for prestige over practicality. Luxury shopping overall is booming, with high end retailers thriving amid a shaky economy, while essential savings for rainy days or retirement lag behind. This "live for today" mindset, fuelled by cultural and social factors, leaves little room for building emergency funds or investing in education – critical buffers against life's uncertainties.

Change starts with education and action. Through the Kids Menu, we're not just providing information; we're inspiring a shift toward proactive financial planning. The mascots embody this spirit: Sammy encourages small daily saves, Penny teaches the value of every cent, and the entire crew – from Kim and Kourtney's teamwork lessons to Nonhlanhla's focus on community wealth – reinforces that saving is a family affair. We've seen how initiatives like this can transform behaviours; for instance, early exposure to investment concepts has helped countless families break the cycle of debt.

I urge all parents to visit the hub today, explore the savings options, watch the videos with your children, and enter the competition. Let's harness Savings Month to instil habits that will secure brighter futures. Together, we can pave the way for a South Africa where financial wellness is the norm, not the exception. Your child's tomorrow begins with a save today.

**BENNY**



**FLORA**

**PHOENIX AND NONHLANHLA**


**PENNY**

# LEGAL ROUND-UP

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# Legal and regulatory updates for retirement funds

We have recently seen a series of impactful legal and regulatory developments that reflect a continued shift toward greater accountability, legal clarity, and modernised regulatory oversight. This update outlines several of the most significant changes introduced during the quarter.

## Clarification on late payment interest - FSCA Communication 6 of 2025 (RF), 7 April 2025

The Financial Sector Conduct Authority ("the FSCA") definitively confirmed that interest on late contributions in terms of section 13A must accrue from the first day of the month following the contribution month, not from the 8th day, as had previously been interpreted in FSCA Communication 15 of 2023 (now withdrawn).

### *Why this matters*

Knowing the correct start date for calculating late payment interest ("LPI") is critical to ensuring that funds demand the full amount legally owed by a non-compliant employer. It directly affects the quantum of the outstanding debt and the fund's ability to enforce contribution recovery.

**Miranda Mkhumbuzi-Rasehala**
Legal Advisor
FirstRand Life Assurance Limited

This interpretation is now the FSCA's official position and will be applied going forward. The FSCA has asked National Treasury to consider amending section 13A to explicitly reflect this calculation method. Funds should ensure contribution recovery systems and employer notices reflect the revised interpretation.

### *The revival of the in duplum rule in pension fund LPI claims*

(Blue Crane Route Municipality v Municipal Workers Retirement Fund and Another (1827/2024) [2025] ZAECMKHC 28, decided 18 March 2025)

The Eastern Cape Division of the High Court handed down a judgment ruling that the common law in duplum rule applies to LPI claimed by a pension fund under section 13A(7) of the Pension Funds Act ("the PFA"). This decision represents a marked departure from the Umzimkhulu judgment of 2023, which had held that in duplum does not apply to LPI.

### *Background*

The Municipality had failed to remit pension contributions between 2007 and 2013, resulting in a default judgment being granted against it on 26 November 2019. The judgment ordered the Municipality to pay R3.8 million in outstanding contributions (capital) plus LPI under section 13A(7) of the PFA until date of payment.

On 15 January 2024, the fund issued a Warrant of Execution for over R30 million, reflecting the capital plus accumulated LPI. The Municipality paid the full capital and tendered R8.45 million in interest, calculated by an Actuary applying the in duplum cap. The fund rejected this, prompting the Municipality to obtain an urgent stay of execution and challenge the interest claim.

### *The legal issue*

At the heart of the dispute was whether in duplum, the rule that unpaid interest may not exceed the outstanding capital, applies to interest levied under section 13A(7). The fund argued that statutory interest was exempt from the rule. The Municipality contended that even statutory debts are subject to common law protections.

***The court's findings***
The Full Bench unanimously held that:

The in duplum rule forms part of South African common law and applies to all debts, including those arising by statute, unless expressly excluded. There is no indication, express or implied, in the PFA that the legislature intended to override the rule. Interest under section 13A(7) is a statutory debt and thus subject to the rule once it accrues.

The fact that the original 2019 judgment did not reference in duplum is irrelevant, courts are not required to expressly mention common law limits unless they intend to deviate from them. Execution for interest beyond the in duplum cap was impermissible.

The Court therefore declared the interest enforceable under the 2019 judgment to be limited by the in duplum rule and set aside the Warrant of Execution.

## Ruling clarifies that Section 7B exemptions remain valid until withdrawn

(Bokamoso Retirement fund v Financial Sector Conduct Authority, Financial Services Tribunal Case No. A26/2024 Decision: 19 May 2025)

On 19 May 2025, the Financial Services Tribunal ("the Tribunal") issued a pivotal ruling finding that the FSCA had acted outside its statutory powers in treating time-limited exemptions under section 7B of the PFA as lapsing automatically.

***Background***
The fund, an umbrella fund, had been granted an exemption by the former Registrar of Pension funds on 7 August 2017 in terms of section 7B(1)(b)(i) of the PFA. This allowed the fund to deviate from section 7A(1), which requires that at least 50% of trustees be member-elected. The exemption was granted for three years, ostensibly expiring on 31 August 2020.

During the COVID-19 pandemic, in January 2022, the fund applied for a further exemption and also submitted several related administrative applications. The FSCA refused to process these applications, asserting that the fund's exemption had lapsed and that the board elected in November 2021 was irregular.

***The Tribunal's findings***
The Tribunal squarely rejected the FSCA's reasoning and set aside its refusal to process the fund's applications. It held that:

- The FSCA has no power under section 7B(1)(b)(i) to impose time limits on exemptions.
- The time limit in the 2017 exemption was not valid from the outset and did not invalidate the exemption itself, which remains valid until lawfully withdrawn under section 7B(2).
- The FSCA had misapplied the law and wrongly assumed the exemption had lapsed, resulting in a flawed administrative response to the fund's ongoing governance.

The Tribunal confirmed that the FSCA acted outside its statutory authority in treating the fund's section 7B exemption as having lapsed after three years. It found that the time limit imposed on the exemption was legally invalid and that the exemption remained in force unless properly withdrawn under section 7B(2). In reaching its decision, the Tribunal applied the Full Bench judgment in FSCA v Municipal Workers' Retirement Fund ([2023] 2 All SA 131 (GP)), which it regarded as settling the legal position on the duration of section 7B exemptions. This judgment confirms that exemptions granted under section 7B are not subject to automatic expiry.

## Exemption granted for retail fund transfers: FSCA Notice 8 of 2025 (RF) and FSCA Communication 14 of 2025 (RF), 14 July 2025

The FSCA has, effective 14 July 2025, exempted certain "retail funds" from the requirement to comply with section 14(1) of the PFA, when effecting specified types of amalgamations and transfers. This exemption was granted under section 14(9) of the PFA and section 281(3) of the Financial Sector Regulation Act, 2017 and is detailed in FSCA RF Notice 8 of 2025.

***What's new?***
Section 14(1) of the PFA generally requires the FSCA's prior approval for the amalgamation or transfer of business between retirement funds. This process is often administratively intensive and time-consuming. Under the new exemption, the FSCA has waived this requirement for the following types of transfers:

- Transfers between retirement annuity funds;
- Transfers between preservation funds; and
- Transfers from a preservation fund to a retirement annuity fund.

These transactions may now be effected without the need to obtain section 14(1) approval, provided that certain conditions are met.

*Conditions of the exemption*
Retail funds making use of the exemption must:

- Maintain proper records of the transaction and provide these to the FSCA upon request.
- Ensure the transaction is authorised by and conducted in accordance with the rules of both funds.
- Complete and retain the prescribed FSCA forms and documentation.
- Provide evidence that the transfer was communicated to affected members and that any objections were addressed.
- Where surplus is involved, comply with section 15B of the PFA (if applicable).
- Ensure the transfer of assets and liabilities is completed within 180 days of the effective date; and
- Apply fund return on transferred assets from the effective date to final settlement.

## Planning, reform and system modernisation

Several FSCA publications indicate a clear shift toward modernising regulatory architecture.

## FSCA Regulation Plan 2025–2028

The FSCA's updated Regulation Plan outlines its legislative and regulatory priorities for the 2025–2028 cycle. Key focus areas include:

- Finalising the framework for the two-component retirement system.
- Publishing the long-awaited Conduct Standard for pension fund benefit administrators.
- Drafting a Conduct Standard on lost accounts and unclaimed assets.
- Reviewing PFA regulations, including governance and sustainability provisions.
- Enhancing digital reporting and system integration for retirement funds.

The Plan provides early visibility into regulatory direction, allowing stakeholders to prepare for incoming obligations. The FSCA's agenda reflects a more agile, transparent and risk-responsive supervisory model.

FSCA report on two-pot retirement system costs and fees
The FSCA conducted a baseline analysis of cost and fee implications for implementing the two-component retirement system.

Key findings:

- The total once-off implementation cost across the industry is estimated at R1.63 billion (an average of R252 per member).
- Per-member withdrawal fees range between R50 and R750, with an average of R278.
- 31 administrators absorbed the cost, while others applied fee increases, once-off charges, or transaction-based recovery models.
- Concerns were raised about transparency, fee justification, and potential cross-subsidisation between member cohorts.

The FSCA is expected to engage outliers and improve fee transparency. Trustees and administrators must ensure that cost recovery practices are fair, justifiable, and disclosed in a manner aligned with fiduciary duties under section 7C(2)(a) of the PFA.

## OMNI-CBR replaced by new Integrated Regulatory Solution

Following industry concerns over the complexity of the proposed OMNI-CBR data reporting framework, the FSCA has confirmed a shift toward a more modern approach.

The Integrated Regulatory Solution (IRS) will serve as a streamlined, tech-enabled platform for regulatory submissions. It will leverage automation to enhance risk assessment and regulatory efficiency. Pilot testing is expected to commence in Q3 2025.

The shift marks a move toward smarter, more targeted supervision. While no immediate action is required, funds should prepare for increased digital readiness and engage meaningfully during the pilot phase to influence usability and reporting design.

# INDUSTRY

UPDATE

# The evolutionary: shaping the future of financial planning

We are living through great transformation in the financial planning profession. Technology, once a back-office tool, has now moved to the forefront, reshaping how financial planners communicate, analyse, and serve their clients. From AI advice engines to the rise of decentralised finance (DeFi), change is happening at a rapid pace. With this innovation comes both opportunity and a clear message: evolve or risk being left behind.

At the Financial Planning Institute, we have witnessed remarkable evolution in our profession. Yet amid all the disruption, one truth remains constant: the enduring value of human connection. Clients seek more than just technical solutions - they want guidance from someone who listens, understands, and brings wisdom to their journey. Here, the "Evolutionaries" lead the way: not just advancing through tools or trends, but by championing the human side of innovation.

## From handwritten notes to hybrid models

In its early days, financial planning was a personal craft. Planners relied on handwritten notes, phone conversations, and the trust built over years to help clients navigate life's key decisions. Their expertise extended beyond numbers to emotional intelligence and empathy.

As the industry matured, regulations tightened and technology assumed a bigger role. This brought greater efficiency and scale, but it raised an essential question: Can we innovate without losing the soul of the profession?

## Forces driving change

Today, several powerful forces are accelerating the profession's evolution:

- **Fintech disruption:** Robo-advisors and AI-driven platforms deliver basic services at scale, but lack the human nuance needed for complex decisions.
- **Rising client expectations:** Clients demand digital convenience alongside authentic, trusting relationships - expecting transparency, speed, and personalisation.
- **Compliance and complexity:** New regulations require stronger systems, faster documentation, and a deeper focus on ethics.
- **Generational wealth transfer:** Millennials and Gen Z are set to inherit a lot (Generational Wealth Transfer), prioritising collaboration, digital access, and shared values over old hierarchies.
- **Data and AI:** Predictive analytics and real-time dashboards enable highly personalised advice but also require planners to become more tech-savvy.

These forces are not merely pressures—they are invitations to evolve. The professionals who embrace this role are the Evolutionaries.

## Who are the Evolutionaries?

Evolutionaries are not just early adopters. They are forward-thinking professionals who blend innovation with empathy. They are curious, adaptable, and hold ethical standards at the core of their practice.

**Lelané Bezuidenhout** CFP®
CEO
The Financial Planning Institute of Southern Africa

Key traits include:

- **Curiosity:** Always seeking better solutions, asking “what's next?”
- **Empathy:** Placing client needs and emotions at the centre.
- **Adaptability:** Updating skills and tools to keep pace with change.
- **Integrity:** Upholding ethical practices, no matter the setting.
- **Collaboration:** Viewing technology as a partner, not a threat.

An Evolutionary may leverage AI for scenario planning but dedicates most time to understanding a client's goals, values, and dreams. Technology augments their advice, but it's the human element that gives meaning.

## Human + Machine: The Augmented Adviser

The future isn't “human or machine”—it's a partnership. The Augmented Adviser uses digital tools to automate routine tasks, freeing up time for deeper client relationships.

Imagine an adviser who instantly models retirement pathways using digital platforms, then spends the session helping clients discuss their life goals. This blend of precision and personal presence defines the next era of planning.

Conversely, ignoring technology or evolving client expectations risks obsolescence. Evolution is not optional - it's essential.

## Reimagining the client experience

Clients now compare planners to digital giants like Amazon. They expect intuitive platforms, personalised communication, and immediate service. Evolutionaries are redesigning the client journey, using digital onboarding, 24/7 dashboards, proactive alerts, and flexible consultations. Yet, they also prioritise meaningful conversations, relationship-building, and tailored guidance.

The client experience is becoming hybrid: high-tech, high touch.

## A call to lifelong learning

The shelf life of financial knowledge is shrinking. Today's professionals must be in a constant cycle of learning, unlearning, and relearning. Beyond technical CPD, planners must develop soft skills, emotional intelligence, digital literacy, and ethical judgment. Professional bodies like the Financial Planning Institute (FPI) must lead the way - equipping professionals not just to adapt to change, but to drive it.

To support this evolution, FPI offers Training Tuesdays - weekly sessions designed to help members transition into the new world of work. These sessions focus on building future-ready skills that combine human insight with technological fluency. Mentorship will also play a key role. The wisdom of seasoned professionals, combined with the digital fluency of younger generations, can build a stronger, more resilient profession.

## The future is a choice

Two futures lie before us:

- One, where planners evolve - leveraging technology, building deep trust, and serving clients in more meaningful ways.
- The other, where resistance leads to shrinking client bases and commoditised, stagnant services.

The choice is clear, and the opportunity immense. We are not at the end of financial planning's journey - we stand at the threshold of its most impactful chapter.

Let us evolve - together. Let us be the Evolutionaries who shape a future that is not only digitally advanced, but profoundly human.

Thank you for taking the time to read this. If you'd like to discuss the future of the profession, feel free to give me a call or email me at CEO@fpi.co.za.

# Building on a legacy: the planned IRFA evolution

The Institute of Retirement Funds Africa (IRFA) has accomplished a great deal over its years of service to the retirement sector, through extensive strategy and operational development fully aligned with the South African (and to some extent the continental) retirement ecosystem. This statement is borne out by member and industry research where satisfaction levels with the Institute's service offering remain high.

Particularly noteworthy, says Wayne Hiller van Rensburg, Executive Officer of IRFA, has been knowledge transfer and member education through well attended conferences, webinars and awards programmes aligned with macro and micro-environmental, legislative and research driven sectorial needs.

He continues, "we are consulted extensively in both the legislative and sectorial spaces and have built strong relationships where it matters. We have also been well represented at conferences and symposia held within the continent and on the global stage, showcasing our thought leadership."

Hiller van Rensburg is confident that IRFA is positioned at the forefront of industry bodies and in the public eye. In addition he notes, "we are in a good financial position and our membership base has grown."

## So what is next for the industry body?

Hiller van Rensburg says that "building on this strong foundation it is now time for IRFA to evolve and expand its sphere of operations."

Some of the options to consider he says are:

- Adding to the benefits obtained through serving on the IRFA board by volunteer leaders and the executive through sound and structured induction processes and developmental opportunities aligned with sectorial needs and world class practices. For example, providing additional portable skills and knowledge in addition to the current benefits obtained in terms of profiling, networking, learning and peer group interaction.
- Encouraging volunteer service on the board and the various committees by additional industry specialists and thought leaders.
- Policy review and enhancement in terms of legislative requirements and global best practices.
- Building IRFAs ecosystem into a universe by looking at including different categories of membership, notably employers and the human resource practitioners responsible for member liaison in terms of legislation, best practices and member education but also expand the membership base considerably. Most importantly it could ensure the education and financial literacy of retirement fund members (and broader society) in the workplace.
- Expanded continental and global outreach through increased engagement, knowledge sharing and joint information sharing platforms. Affiliation with global industry bodies could also be considered.
- Hiller van Rensburg concludes, "the time for evolution is now. In addition to building on our strong legacy, we are in a strong position to raise the bar in terms of our contribution not just to our members and the sector, but to society as a whole".

**Wayne Hiller van Rensburg**
The Executive Officer
The Institute of Retirement Funds Africa (IRFA)


IRFA
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Better Together
Building Resilience
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24-26 August 2025
Cape Town International Convention Centre
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# Final ruling where funeral claim was wrongly declined

## Background

The case concerned a funeral policy with Liberty Life ("the insurer"). The complainant was the beneficiary and premium payer. Ms R was both the policyholder and the life assured. Ms R ("the deceased") died some 12 months after the policy was issued whereupon the complainant lodged a claim. However, the insurer declined the claim on the grounds that there was no insurable interest between the deceased and the complainant.

The insurer relied on the following clause in the contract: "Third party policies:
A policy issued in the name of the Policyholder and monthly premiums are paid from another person's account. Third party policies are limited to a maximum Sum Assured of R10 000 per life assured, per policy. Third party policies are limited to a maximum of five policies debited from the premium payer's transactional account. The relationship of the Life Assured to the Policyholder/Premium Payer must be proven at claims stage (to indicate insurable interest)".

**Reana Steyn**
Head Ombud and CEO
National Financial Ombud Scheme
South Africa (NFO)

The insurer had contacted the deceased's family members, including her mother who said she did not know the claimant (the complainant). While it appeared that the deceased and the complainant were related by blood, possibly cousins, there was a dispute of fact among the family members as to whether the deceased and the complainant were known to each other.

The insurer argued that the intention of the claimant and the purpose of taking out the policy on the life of the deceased was "purely for self-enrichment" as there was no proof of any financial dependence or financial loss (insurable interest) that would affect the claimant.

The matter was discussed at an adjudicators' meeting, whereafter a provisional ruling against the insurer was made.

The meeting noted that from the application form it was clear that Ms R was the life assured as well as the policyholder. The above clause required proof at claims stage of the relationship between life assured and policyholder or premium payer. In this case the life assured and policyholder were the same person, thus the requisite relationship was proved. In any event, insurable interest need only be established between the policyholder and the lives he/she wished to insure. In this instance the policyholder insured her own life. Insurable interest was thus present.

As the policyholder, the life assured was entitled to nominate whoever she wished as beneficiary, as confirmed by the contractual terms. There need not be any insurable interest between the policyholder and the nominated beneficiary. Furthermore, while the complainant may have been the premium payer on the policy, there was nothing in the policy to the effect that he could not be nominated as a beneficiary. The provisional ruling held that the insurer could not decline the claim on the basis that there was no insurable interest.

The insurer responded to the provisional ruling stating: "After further investigation we established the premium payer misrepresented the facts by alleging there was an existing relationship between him and the deceased to mislead the insurer into believing a valid contract existed. The policy was therefore taken purely for financial benefit and not for the wishes of the policyholder".

## Final ruling

The matter was referred back to an adjudicators' meeting. The meeting was of the view that there was no evidence that the complainant had misrepresented a relationship between himself and the deceased policyholder. The application form noted the relationship between policyholder and beneficiary as "other" and that between policyholder and premium payer as "aunt". Despite this the insurer accepted these relationships and issued the policy.

In any event, as stated in the provisional ruling, the relationship between policyholder and beneficiary, and that between policyholder and premium payer, was irrelevant.

The meeting was of the view that the insurer's notion that the funeral policy was taken for financial benefit, and not pursuant to the wishes of the policyholder, was disingenuous. The application form did not actually request the signature of the policyholder, only that of the premium payer. Despite this the policyholder signed the application form, indicating her consent to the policy being taken out with her as life assured and policyholder. The policyholder's signature on the application form as well as the premium payer's signature on the authority to debit, both of the same date, constitute prima facie evidence that all three parties (policyholder, premium payer and insurer) knew about the policy application and consented thereto.

The final ruling held that the insurer could not rely on misrepresentation, lack of consensus or lack of insurable interest to decline the claim. The insurer was directed to pay the sum assured to the complainant.

# TRUSTEE TUTOR

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# Trustee Tutor 23:
## The evolution of retirement funds in South Africa

The evolution of retirement funds in South Africa over the past 3 decades reflects the profound social, economic and legislative transformations shaped by the country's politics, economic environment, digital innovation and regulatory reforms. What's more, our local industry forms a substantial portion of the country's wealth, and thus, is also impacted by changes in the global environment.

As our country and the world advances, so too must our thinking.

This issue of Trustee Tutor explores the major shifts that retirement funds have experienced in their:

- Benefits and legislation
- Investment products and strategies

Looking back at how the retirement industry has changed from a paternalistic, employer-controlled system to a member-centric, transparent and diversified financial environment, gives us pause to reflect and anticipate the future opportunities that may present themselves to better serve fund members.

## Evolution in the benefits and legislation

Since the late 1980s, the benefits provided by retirement funds in South Africa have changed significantly.
These advances have been driven by changes in:

- Global experience and advancements,
- Social demands, the collective priority and societal expectations,
- Economic and commercial conditions,
- Legislative and regulatory frameworks, and
- Innovations in technology.

### Shift in focus to simplicity & transparency

**The employee benefit funding model – the start of major changes**
In the late 1980s, South African retirement funds were largely dominated by defined benefit (DB) schemes, where retirement benefits were calculated based on an employee's final salary and years of service.

#### DB funds in action …

An employee who retired earning a salary of R50 000per month, after working for a company for 30 years, might receive a pension of 2% of their final salary per year of service. In other words, they would receive a monthly pension of R30,000 (30 years × 2% × R50,000) in their retirement.

This pension referenced in the example was guaranteed by the fund, regardless of investment performance. So while DB funds gave pensioners a predictable income in their retirement, they placed considerable financial risk on the employer. Employers were responsible for funding any shortfalls between the benefits promised in the fund's rules and the fund's assets needed to pay those benefits.

These DB pension funds were set up by the employer for their employees only, were mostly employer-managed and provided security with little risk for employees. But they also offered very limited flexibility and severely restricted the amount an employee would receive when they resigned before retirement. The benefits were often described as “paternalistic” because employees had little choice in managing their funds.

By the early 1990s, South Africa's political landscape was changing, ushering in a new era of inclusion, opportunity and self-direction.

Retirement funds responded by providing more transparency and simplicity through a move to defined contribution (DC) funds, and offering accessibility and portability through the advent of provident funds. This transition was partly driven by trade unions advocating for better resignation and withdrawal benefits, and the inclusion of previously excluded employees.

### DC funds in action ...

In a defined contribution fund, the member is entitled to their full fund value when they leave the fund. And their fund value is made up of all the contributions paid for and by that member, less the fund expenses and insurance premiums (if any), plus investment return.

While the move to DC provident funds provided very simple, flexible and attractive benefits, it also shifted the investment risk onto the member – a feature of retirement funds that we still have today.

Portability is the ability to take something with you when you move or change jobs. In the context of retirement funds, portability means you can transfer your retirement savings from one fund to another without losing your benefits.

**INTERESTING FACT**

**Currently it is estimated that more than 90% of all retirement funds registered in South Africa are DC funds.**

## Fostering inclusion

**1996 – member elected trustees becomes mandatory**
The Pension Funds Amendment Act 11 of 1996 introduced the requirement for member representation on retirement fund boards, giving member a voice in the running of their funds.

## Retail products offer retirement fund members tax efficient options

The late 1990s saw the introduction of preservation funds to enhance portability and flexibility, by giving members the option to transfer their retirement fund values tax free when they left employment.

Similarly, retirement annuities (RAs) gave individuals, particularly those who were self-employed, a personal pension plan with tax incentives.

The introduction of living annuities in the 2000s marked a significant innovation in post-retirement benefits.

## Enhancing fairness & real-time transparency

Daily unitisation is the practice of allocating the underlying daily investment returns to retirement fund member values every day.

**Then came surplus apportionment**
Amendments to the Pension Funds Act in 2001 introduced surplus apportionment – which mandated the fair and equitable sharing of any surplus assets in a retirement fund between employers and members/pensioners. The surplus legislation made sure that fund members receive the full allocation of retirement savings contributions plus the investment returns earned thereon when they leave a fund.

**Daily unitisation – tech needs to keep up with retirement fund administration**
The surplus legislation made it very difficult for funds to build up any form of surplus or excess assets, necessitating funds to update members' values with investment returns as regularly as possible. Daily unitisation emerged as part of broader financial market modernisation and technological advancement.

Daily unitisation paved the way for today's retirement fund member and investor who wants real-time insights into their savings, especially in volatile markets.

## Focus on cost management

As the understanding of DC funds as well as the compliance burden of retirement funds grew, members and trustees soon realised that one of the levers to maximising their retirement benefits was minimising costs. In other words, the less spent on fees, the more would go towards their individual fund value.

**The move to umbrella funds**
In response to the call for effective cost management, umbrella funds started to grow in popularity from the later 2000s. As an alternative to standalone retirement funds, which serve only one employer, umbrella funds provide a retirement fund solution for many employers.

While standalone funds have a dedicated board of trustees and are independently managed, umbrella funds pool many different employers into a single, larger fund established by a professional sponsor, often a financial services provider.

This has allowed for considerable cost efficiencies, improved governance and better regulatory compliance, especially benefiting small to medium-sized employers that lack the resources to manage their own funds effectively. Umbrella funds offer participating employers flexibility with sub-funds, economies of scale and professional administration, leading to better value for both employers and employees.

**INTERESTING FACT**

TFSAs remain a popular investment vehicle for South African investors and research shows that the majority of people who have TFSAs also have financial advisors.

Over time, the Financial Sector Conduct Authority (FSCA) has supported the shift toward umbrella funds to streamline their supervision efforts and make these more effective. Consequently, South Africa has seen a steady reduction in standalone funds as consolidation into umbrella funds increases.

## Reforms to support the national savings imperative

Since 2010, National Treasury has driven retirement reform to enhance financial security, promote equality and address economic challenges. In reality, South Africa's household savings rate is dire - a consequence of high unemployment, rising living costs and stagnant wages.

**Tax-free savings accounts: 1 March 2015 – encouraging tax efficient savings**
In their 2024 Budget, National Treasury announced the introduction of tax-free savings accounts (TFSAs) from the 1 March 2025 fax year. The intention of TFSAs is to encourage household savings by providing tax-exempt investments to certain limits. TFSAs allow South Africans to contribute up to R36 000 annually and R500 000 over their lifetime, with no tax on interest, dividends or capital gains. Withdrawals are also tax-free.

**T-Day: 1 March 2016 – all funds are made the same**
The Taxation Laws Amendment Act (TLAA) harmonised the tax treatment of pension, provident and retirement annuity funds by standardising:

- Contribution deductions (27.5% for all funds, capped at R350 000) and
- Retirement benefits (maximum of ⅓ in cash, the balance of ⅔ used to buy a pension)

These reforms encouraged preservation of long-term savings for retirement rather than lump-sum withdrawals.

**Default Regulations: 1 March 2019 – reducing the impact of poor financial literacy**
In March 2019, retirement funds were required to put default strategies in place for members who don't:

1. Make a choice of which portfolio to invest their retirement savings in (default investment strategy),
2. Indicate what to do with their fund value when they left their job (default preservation strategy),
3. Understand what annuity to invest their savings in when they reached retirement (trustees' endorsed annuity strategy – note: this is not a default)
4. Know how to prepare for their retirement (retirement benefit counselling)

By setting out guidelines on how trustees should structure and communicate their defaults, these regulations help safeguard members' retirement outcomes and reduce the risk of poor financial literacy undermining retirement benefits.

**Two-pot system: 1 September 2024 – short-term emergencies meets long-term planning**
Building on T-day reforms, the two-pot system now provides retirement fund members with:

- A savings pot: ⅓ of monthly contributions go into a savings pot, which a retirement fund member can access annually.
- A retirement pot: ⅔ of monthly contributions go into a retirement pot, which members are forced to preserve until retirement. (In other words, members no longer have access to their full benefit as a lump sum when they leave employment.)

It is expected that the two-pot retirement system will grow retirement savings over the long term, as retirement fund members are no longer able to receive their benefits as a cash lump sum on withdrawal.

## Keeping information safe


The evolution of big data and digital innovation around the world has ushered in the new age where personal information and data are valuable assets.

**Data is the new oil: Joint Standard 2 of 2024 on cybersecurity and resilience – 1 June 2025**
Retirement funds are rich in both personal information and assets, making them very attractive to cybercriminals who may wish to use the data for ill purposes or hold the fund or its administrators to ransom. Joint Standard 2 of 2024 on cybersecurity and resilience sets the standards for today's retirement funds to protect these valuable assets. This firmly puts us in a world where trustees need to not only understand retirement fund law, but also the tech and security in place to manage and protect their funds and their investments.

## Evolution in industry supervision

A look at the evolution of benefits and regulation would not be complete without a mention of the developments in the supervision or regulatory bodies in place to monitor financial practices and behavioural conduct.

The Financial Sector Regulation Act of 2017, birthed the twin-peaks model of financial supervision in South Africa by separating regulatory oversight into two pillars:

1. Prudential regulation: Prudential Authority, overseen by the South African Reserve Bank
   Ensures the financial stability and soundness of financial institutions by regulating their solvency, risk management and governance practices.
2. Market conduct: Financial Sector Conduct Authority (FSCA)
   Responsible for ensuring financial institutions treat customers fairly, promoting transparency, market integrity and financial education, while maintaining the stability and efficiency of the country's financial markets.

This model which came into effect in 2018, enhances accountability and aligns with global standards. For retirement funds, it strengthens governance and transparency.

## Evolutions in Investment Products and Strategies

The changes in the macro environment and the benefits provided by retirement funds, have influenced the types of investment products available and the strategies implemented by retirement fund trustees, their asset consultants and asset managers/multi-managers to optimise returns while managing risk.

**Economic context and market volatility**
The transition to democracy in 1994 opened the economy to global markets, increasing opportunities for offshore investments but also exposing funds to currency volatility and global market fluctuations.

As you know, at the same time, we saw employers move to defined contribution funds, meaning that members take on the investment risk in their retirement savings.

**INTERESTING FACT**

According to the 2025 Sanlam Benchmark Survey™, 60% of retirement funds use multi-managers for their default investment strategies.

## Risk management through diversification

Volatile markets means risk for investors. And as members started taking on the investment risk in their retirement funds, diversification became an essential mitigation strategy.

**Meaningful investment manager diversification – the rise of the multi-manager**
Multi-managers became popular in South Africa from the late 1990s and early 2000s as retirement funds and investors sought diversified investment approaches that reduce risk and enhance returns by combining different asset managers' expertise and strategies. Instead of trustees or management committees having to choose single asset managers, they are now able to set an investment objective and then choose an investment portfolio that meaningfully combines a number of asset managers best positioned to meet that objective.

**Geographic diversification – offshore investment limits increase over time**
The relaxation of exchange controls and the increase in Regulation 28's offshore investment limits over the last 20 years, to 45% in 2022 have enabled funds to diversify globally. This shift allows access to more stable currencies, advanced technologies and industries not represented in South Africa's concentrated market. Asset managers have increasingly allocated funds to global equities, bonds and other asset classes to enhance returns and reduce risk.

Regulation 28 of the Pension Funds Act limits how retirement funds in South Africa can invest by setting maximum exposure limits to different asset classes. The intention is to ensure diversified portfolios and protect members' retirement savings from too much risk.

**Asset class diversification – increasing popularity of alternative investments**
Alternative investments, like private equity and hedge funds, have grown in popularity from 2011, when Regulation 28 was amended to allow up to 15% in private equity and 10% in hedge funds.

## The desire to do good with our investments

In 2004 the term ESG was born in a United Nations initiative called "Who cares wins". Since then, the necessity of investing with motives other than seeking the best returns, has gained momentum. In September 2015, the United Nations officially adopted the Sustainable Development Goals (SDGs) as a global framework for addressing environmental, social and economic challenges through 17 universal goals.

ESG stands for Environmental, Social and Governance and is a set of standards used to measure how responsibly and sustainably a company operates.

**Protecting our world**
By incorporating ESG factors into their investment strategies, retirement funds are able to meaningfully impact the world around them. This includes supporting environmental issues by not investing in companies that damage the environment, or by penalising poor governance practices that are unfair or unethical by disinvesting from businesses that are not well run.

**INTERESTING FACT**

Since the 2011 amendments, Regulation 28 explicitly requires retirement funds to consider ESG factors as part of their investment decisions.

## Reporting on ESG efforts

In 2022, the Johannesburg Stock Exchange (JSE) released its Sustainability Disclosure Guidance and Climate Change Disclosure Guidance to promote transparency and good governance among listed companies. The JSE is currently reviewing this guidance to align with the International Sustainability Standards Board's (ISSB) IFRS S1 and IFRS S2 standards, published in June 2023.

Shareholder activism is when shareholders use their ownership rights in a company to influence its management, strategy or policies. Activist shareholders can push for changes by engaging with the company's board, submitting shareholder resolutions, running proxy battles to elect new directors, using media campaigns or even pursuing legal action to hold executives accountable. Their goals can include improving financial performance, enhancing corporate governance, promoting social or environmental responsibility, or pushing for greater transparency. Although shareholder activism has been around since the late 1980s, it is still growing support in South Africa's retirement fund industry.

**Building our country - Infrastructure investing**
Infrastructure investments, particularly in renewable energy and transport, have gained traction as South Africa addresses its infrastructure deficit. These investments offer long-term returns aligned with retirement funds' horizons while supporting economic development.

In the 2025 Budget Speech, the Minister of Finance announced a major commitment to infrastructure investing, with over R1 trillion allocated over the next three years towards renewing and expanding roads, ports, rail, energy and water systems. This investment aims to drive economic growth, job creation and improved service delivery.

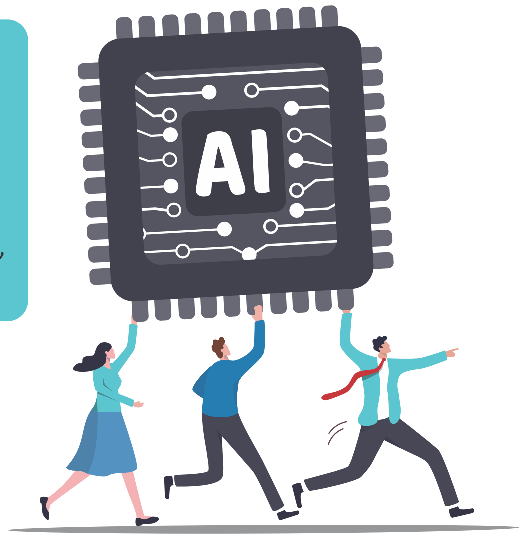
The 2023 amendments to Regulation 28 incorporated a definition of infrastructure in the regulations, as any asset that has or operates with a primary objective of developing, constructing and/or maintaining physical assets and technology structures and systems for the provision of utilities, services or facilities for the economy, businesses or the public.

It is important to note that Regulation 28 doesn't categorise infrastructure as a separate or new asset class. In other words, the main asset classes for retirement funds remain cash, bonds, equities, property, hedge funds and private equity. Through these asset classes, funds may invest up to 45% of their assets in infrastructure investments.

## So where are we now?

As we reflect on the changes over the last three decades, we find ourselves as an industry where retirement benefits and investments:

- Must encourage financial inclusion.
- Require high levels of governance, compliance and ethical management.
- Operate in a digitally advanced world – where AI promises enormous efficiencies.
- Need to offer value for money and easy access to information.
- Demand flexibility and hyper-personalisation of benefits to meet members' actual needs.
- Gives members the satisfaction of knowing their investments are used for more than simply financial returns, but also to do good in the world.
- Need to integrate with the rest of an individual's financial planning, as part of a holistic package of health, wellness, debt management, insurance, tax and estate planning.




This presents the industry with infinite opportunities for innovation.

# Trustee Tutor 23:
## The evolution of retirement funds in South Africa

**How to?**

The assessment for this issue of Trustee Tutor follows for information and/or training purposes. If you would like to earn verified CPD hours for reading this issue, please go to www.pensionsworldsa.co.za/cpd-portal/ and complete the assessment electronically to receive your certificate immediately on meeting the competency requirements.

1. When compared to defined benefit funds, defined contribution funds provide members with benefits that are:
a. Transparent ☐
b. Simple ☐
c. Flexible ☐
d. All of the above ☐

2. The requirement for boards of trustees to include member trustees came into effect in:
a. 1994 ☐
b. 1996 ☐
c. 1998 ☐
d. 2000 ☐

3. Portability means you can transfer your retirement savings from one fund to another without losing your benefits.
a. True ☐
b. False ☐

4. TFSAs allow South Africans to contribute up to R_____ annually and R_______ over their lifetime, with no tax on interest, dividends or capital gains.
a. R24 000; R400 000 ☐
b. R30 000; R500 000 ☐
c. R36 000; R500 000 ☐
d. R36 000; R600 000 ☐

5. On 1 March 2016, the Taxation Laws Amendment Act (TLAA) harmonised the tax treatment of pension, provident and retirement annuity funds by standardising:
a. Contribution deductions at 27,5%, and R350 000 pa, for all funds ☐
b. That all funds needed an investment default strategy for members who didn't make investment choices ☐
c. Retirement benefits as ⅓ can be taken in cash and ⅔ must be used to provide a pension ☐
d. a and c ☐

6. Choose the incorrect answer. In March 2019, retirement funds were required to put default strategies in place for members who don't:
a. Make a choice of which portfolio to invest their retirement savings in (default investment strategy), ☐
b. Indicate what to do with their fund value when they left their job (default preservation strategy), ☐
c. Understand what annuity to invest their savings in when they reached retirement (default annuity strategy) ☐
d. Know how to prepare for their retirement (retirement benefit counselling) ☐

7. 2017 saw the inception of the twin peaks regulatory model in South Africa, where:
a. The PFA supervises the conduct of financial institutions and the FSCA ensures their stability and soundness. ☐
b. The FSCA supervises the conduct of financial institutions and the FSB ensures their stability and soundness. ☐
c. The FSCA supervises the conduct of financial institutions and the PA ensures their stability and soundness. ☐
d. The PA supervises the conduct of financial institutions and the FSCA ensures their stability and soundness. ☐

# Trustee Tutor 23:
## The evolution of retirement funds in South Africa

8. According to the 2025 Sanlam Benchmark Survey™, __% of retirement funds use multi-managers for their default investment strategies.
   a. 60
   b. 50
   c. 40
   d. 30

9. In 2022, Regulation 28 was amended to allow retirement funds to diversify their investments by investing up to __% offshore.
   a. 25
   b. 35
   c. 45
   d. 55

10. Infrastructure investments, particularly in renewable energy and transport, have gained traction as South Africa addresses its infrastructure deficit. These investments offer short-term returns aligned with retirement funds' horizons while supporting economic development.
   a. True
   b. False

# IN THE NEWS

## BrightRock and Henley Business School Debut Advanced Change Science Institute

In a powerful and timely collaboration, BrightRock, the needs-matched life insurer, with academic partner Henley Business School Africa, officially launched the Change Science Institute on 18 June 2025 at Henley's Johannesburg campus, ushering in a world-first multidisciplinary platform focused on equipping individuals with the tools and insights to navigate change.

The Change Science Institute is a first-of-its-kind South African platform that aims to draw together different strands of behavioural science, psychology, neuroscience, and leadership theory, translating academic insight into practical tools people can use to navigate change in everyday life. Its purpose is clear: to help individuals become more resilient, self-aware, and change-fit through the usable, credible, and empowering application of change science.

From designing tools to help you understand your change personality and level of change-readiness, to offering expert-led learning opportunities , the Institute's aim is to bridge the gap between science and people's lived experience.

**BrightRock's purpose**
Speaking at the launch, Suzanne Stevens, CEO of BrightRock, shared the company's long-term vision for the Change Science Institute and how it connects to BrightRock's broader mission:

“At BrightRock, we've always believed life insurance should evolve with people's needs, because in life, change is inevitable. Our purpose is to help people navigate change in their lives and the Change Science Institute is a natural extension of that thinking. It's about giving people agency and confidence as they face life's transitions, whether personal, professional, or societal. We're proud to bring together academic excellence, behavioural science, and our deep community insight to help individuals navigate transformation not with fear, but with resilience and optimism.”

**What's Next**
The Change Science Institute aims to develop tools, learning programmes, and resources. Users can already engage with a range of self-directed learning tools on its website. These tools are designed to support individuals at all stages of life to deepen self-knowledge and equip people to tackle change more confidently.

# IN THE NEWS

## African Infrastructure Investments Managers successfully exits renewable energy investments worth over R750 million

African Infrastructure Investments Managers successfully exits renewable energy investments worth over R750 million
As South Africa grapples with ongoing electricity shortages and a heavy reliance on aging coal-fired power plants, renewable energy remains critical to ensuring long-term energy security and economic stability. With a strong secondary market emerging for renewable energy assets, strategic investment and successful exits are becoming increasingly important in shaping the future of the country's energy landscape.

In a significant milestone highlighting this trend, African Infrastructure Investment Managers (AIIM) a subsidiary of Old Mutual Alternative Investments, through its IDEAS Fund, has successfully exited stakes in three prominent renewable energy assets, in a transaction valued at over R750 million. The assets include two solar photovoltaic (PV) projects and one wind project, all developed under South Africa's Renewable Energy Independent Power Producers Procurement Programme (REIPPPP).

Zaahid Ganey, Investment Director at AIIM said: “AIIM has been a committed investor in these high-quality renewable energy assets since their financial close more than 12 years ago and they have delivered strong returns while contributing significantly to the sector's growth. This successful exit reinforces AIIM's strong track record in renewable energy, aligns with our strategic focus on majority-controlled investments and ensures value realisation for our investors.”

Renewable energy investments have seen significant growth in South Africa over the last decade, driven largely by the government's commitment to diversifying its energy mix and reducing carbon emissions. This growing market has created opportunities not only for initial investors but also for secondary buyers looking to enter established projects with proven performance.

The IDEAS Fund has been instrumental in pioneering renewable energy investment in the region, setting benchmarks for financial returns and operational excellence. By facilitating a successful exit of these assets, the fund is continuing its role in creating investor confidence and supporting the sustainable development of critical infrastructure through investment into new greenfield projects.

## Ensimini Financial Services' Strategic Partnership with Prolan Investment Holdings

Ensimini Financial Services (Pty) Ltd (“Ensimini”) is delighted to announce a significant milestone in its ongoing journey to deliver exceptional employee benefit solutions, investment consulting, and administration services.

Prolan Investment Holdings (Pty) Ltd (“Prolan”), a dynamic 100% Black Owned investment holding firm focused on building a vertically integrated financial services ecosystem, has acquired a 51% stake in Ensimini, marking an exciting new chapter for the company and its clients.

“We are thrilled to partner with Prolan and welcome its founder Jacky Mathekga to our Board of Directors,” said Jaco Pretorius, CEO of Ensimini Financial Services. “This collaboration strengthens our mission to deliver exceptional, client-centric financial solutions.

This strategic partnership brings together Ensimini's tailored financial solutions and Prolan's forward-thinking vision. Mathekga brings extensive expertise from senior roles at Ernst & Young South Africa, Discovery Health Medical Scheme (where he served as Principal Officer), and as CEO of NMG Benefits until 2022. His leadership and Prolan's strategic relationships and resources will enhance Ensimini's ability to innovate and expand its offerings, delivering even greater value to clients.

## Old Mutual Multi-Managers now going to market as Symmetry

Economic policymaking is now as unpredictable as the markets themselves. In this environment, investment professionals play a heightened role in striking a balance between portfolio diversification and returns. Investing successfully in today's turbulent markets and meeting clients' shifting expectations requires more than smart asset allocation.

“Over time, we have realised that to deliver on client needs, we needed to enhance our multi-manager offering into an investment solutions business. The business evolved to reflect our growth in services and expertise, built on over 25 years of investment experience and market insights. As a result, we have revisited how we take our business to market, as the current naming protocol contains the word 'multi-manager'. To signal change and continuity in our business, we are now going to market as Symmetry, a name that is part of the DNA of our investment business,” says Kieyam Gamieldien, Managing Director at Symmetry.

He continues: “The name Symmetry also accurately captures what we do, balancing both sides of the investment equation, and the ambition of being a full-service investment solutions business. Importantly, our operational framework is unchanged, as Symmetry remains wholly owned by the Old Mutual Group and operates as a distinct, independently managed entity with its own leadership and mandates”.

Gamieldien says the overarching goal for the business is to continue enhancing the offering and remain relevant to meet investor needs and demands. The investment business will include the existing retail and institutional multi-managed funds, Discretionary Fund Management (currently called Tailored Fund Portfolios), and incubate a Best-in-Class proposition, in addition to expanding the investment product range.

He adds that the plan is to offer bold thinking and consistent delivery of positive client outcomes, balancing risk and return anchored in agility and discipline to plan for the long term.

“We will do so by deepening relationships with advisers and clients while growing alongside them. Accessing new markets and bringing innovative investment solutions to market is a key opportunity we are exploring,” he says.

# IN THE NEWS

## Standard Bank Group extends R400 million facility to fintech, Paymenow to accelerate Earned Wage Access across South Africa

Standard Bank Group (Standard Bank) has extended a R400 million Working Capital Facility structured in a Sustainable Finance format to leading South African earned wage access (EWA) provider Paymenow. This marks a significant commitment to financial inclusion and the expansion of innovative employee financial wellness solutions across Africa.

The facility represents a significant endorsement of the EWA model, which allows employees to access a portion of their earned wages before traditional payday, providing South African employees with a healthier alternative to unethical lending, while driving financial literacy training through incentivised gamification. This innovative financial solution has proven particularly valuable in addressing cash-flow challenges faced by millions of workers across Africa, enabling them to meet immediate needs while encouraging better financial habits and building their ability to save.

This milestone transaction underscores Standard Bank's support for fintech solutions and new business models. In line with our commitment to consistently provide clients with innovative financial solutions, Standard Bank has enabled Paymenow with the faster payment solution called PayShap. This faster payment capability ensures that Paymenow is competitive and ahead of the curve with the ever-evolving payments landscape.

Deon Nobrega, CEO of Paymenow Group, said, "This substantial facility from Standard Bank Group demonstrates that leading financial institutions recognise the transformative potential of earned wage access and are willing to invest significantly in its growth. The funding will enable us to accelerate our expansion across Africa, bringing financial dignity and flexibility to millions more workers who currently struggle with the constraints of monthly pay cycles and resort to expensive credit to bridge gaps in their cash flow."

For employers, EWA has emerged as a powerful tool for employee retention and productivity, reducing financial stress-related absenteeism and improving overall workforce wellbeing. The solution requires no changes to existing payroll systems and carries no cost or risk to employers, while delivering measurable improvements in employee satisfaction and engagement.

# MOVING UP

Stay updated and in the know about who is moving up the corporate ladder in the pension fund industry.

**Horatius Maluleka**
**CIO South Africa**
**Niney One**

Ninety One is pleased to announce the appointment of Horatius Maluleka as Chief Investment Officer for South Africa.

Maluleka will join Ninety One from the Public Investment Corporation (PIC), where he was the Executive Head of Listed Investments. In this role, he oversaw the PIC's extensive portfolio of public market equities, fixed income and multi-management assets, aligning investment strategies with their mandate to deliver long-term value for public sector clients. Before joining the PIC, Maluleka worked as an Equity Research Analyst at Merrill Lynch South Africa (a subsidiary of Bank of America) from 2010 to 2013.

**David Knee**
Head of Multi-Asset
Ninety One

Ninety One is pleased to announce the appointment of David Knee as Head of Multi-Asset. Knee, who will take up the role towards the end of 2025, will draw upon his more than 30 years of experience to oversee Ninety One's Multi-Asset teams.

He has held senior investment leadership positions and managed multi-asset and fixed income portfolios across South Africa and the UK, and most recently held the position of co-Deputy CIO for Fixed Income at M&G Investments in London. Prior to that, he was the Chief Investment Officer at M&G Investments Southern Africa from 2016.

**Rehana Khan**
**co-Head of South Africa Equity and Multi-Asset**
**Ninety One**

Ninety One also announced the promotion of Rehana Khan to co-Head of South Africa Equity and Multi-Asset, alongside Hannes van den Berg. As part of the increased collaboration with the Multi-Asset team, she will also join the Global Strategic Managed portfolio management team, to which she will bring her considerable specialist equity expertise.

Khan formerly worked with Knee at M&G Investments Southern Africa, prior to joining Ninety One in 2020.

# MOVING UP

Stay updated and in the know about who is moving up the corporate ladder in the pension fund industry.

**Rieva Fredericks**
Head of Finance
Sanlam Investments Multi-Manager

Fredericks joined the multi-manager business in 2017 and has played a key role in executing the firm's financial strategy. She brings over 18 years of experience in the corporate sector, including a decade at British American Tobacco, where she built a strong foundation in finance and operations. She holds a BCom in Accounting from the University of the Western Cape and will now serve as a member of the Sanlam Investments Multi-Manager Exco.

**Carl Chetty**
Senior Portfolio Manager and Head of Proposition
Equilibrium Investment Management

Carl brings a wealth of experience in asset allocation, strategy research, fund manager research, portfolio construction, and portfolio management. His career includes senior roles at Citadel Asset Management, STANLIB Multi-Manager, Momentum Investment Consulting (which later became Equilibrium Investment Management) and Hollard Investments.

Carl holds a Business Science degree in finance and accounting and is a Chartered Financial Analyst (CFA). His passion for client service and ability to support new business flows make him a powerful addition to our team.

**Robin McLaurie**
Business Development Manager
Equilibrium Investment Management

With over 19 years of experience in the investment industry, Robin brings strategic thinking, financial insight, and a deep understanding of client needs. He holds a Bachelor of Commerce degree in economics and a postgraduate diploma in financial planning.

Robin's energy and vision will be instrumental in strengthening Equilibrium's client relationships in Cape Town and beyond.

# MOVING UP

Stay updated and in the know about who is moving up the corporate ladder in the pension fund industry.

**Clinton Bosch**
Chief Technology Officer
Prescient Fund Services

Clinton brings more than 15 years of experience in leading-edge technology strategy, digital transformation, and cloud-first architecture across industries including media, e-commerce, and international sports technology. He joins Prescient from Afrozaar and PT SportSuite, where he served as Chief Technology Officer and co-founder. In these roles, he led the development of enterprise-grade SaaS platforms and delivered high-performance cloud-native solutions to clients such as the South African Football Association, English Football League clubs, and Six Nations Rugby.

A three-time AWS Certified Associate and an award-winning technologist, Clinton was named Best CTO at the 2019 Bookmark Awards and shortlisted for Innovation in Sports Tech at the 2021 Sports Technology Awards. Clinton is a graduate of Stellenbosch University with a BEng in Electrical Engineering and is a regular guest lecturer at both UCT and Stellenbosch University.

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