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Editor's Comment

David Weil, CEO ICTS Group of Companies



EBnet.



Our fourth quarter issue offers an opportunity to reflect on the very busy year that 2025 has been. It started with Donald Trump's inauguration as the 47th president of the United States, sending economic and geopolitical ripples around the world. Tariffs, turbulence and trust remain key talking points.

Yet in this environment of uncertainty, markets have hit record highs, including our own bourse which broke the 100 000 points mark in July. In fact, as I write this, the South African equity investor has enjoyed bumper returns in 2025, with the FTSE/JSE up over 30% for the year. (This, of course, subject to change at any time.)

The markets aren't the only thing that have been on the boil this year. The Regulators have kept service providers and retirement funds busy with the implementation of cybersecurity and cyber resilience policies and practices in June, requiring us all to brush up on our knowledge and understanding of the digital revolution underway. In August, the FSCA published Conduct Standard 2 of 2025, providing a much needed update to the conduct requirements for pension benefit administrators. Introducing things like fit and proper requirements for administrators, as well as complaints and conflicts management frameworks and protocols, this Conduct Standard is the bridge between the old Board Notice 24 of 2002, and the impending Conduct of Financial Institutions (COFI) legislation – now anticipated in 2026. Another step towards greater financial inclusion came in the form of Conduct Standard 1 of 2025, setting the requirements for the provision of financial education, establishing the baseline requirements for consumer financial education initiatives, which will come into effect in March 2026.

Financial inclusion grows when economies grow. And that's why we've chosen to end the year with a special feature on impact investing. For trustees, management committees and individual investors, navigating the complexities of investment strategies, understanding what impact investing truly entails, and how it differs from ESG investing and socially responsible investing (SRI), is crucial. It enables informed decision making that align not only with your fiduciary duties (for decision makers and regulators) but also with the outcome expectations of retirement fund members and investors. After all, it's not just about the amount of money accumulated at retirement, but also the world that members retire into.

As always, I trust this issue's valuable insights will prompt your thinking and grow your confidence to navigate the rapidly evolving world around us.

Thank you for sharing another year with the team at Pensions World SA. We wish you a blessed holiday season of rest.



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ALLAN GRAY
LONG-TERM INVESTING

EMPLOYEE BENEFITS



How to best utilise your savings pot



Subedra Reddy

Executive Head: Actuarial Services assisted by
Thiroshen Naidoo, Senior Actuarial Manager
NBC Holdings (Pty) Ltd

Members of retirement funds face a decision every year regarding their savings pots – to use or not to use? The easy answer is: don't use your savings pot as it will diminish your retirement benefits. However, the majority of South Africans face real financial, and immediate, challenges on a daily basis. The idea of reducing retirement income in 20 years' time may seem to be their only option. And we have seen that since the inception of the two-pot system on 1 September 2024, the majority of retirement fund members have made at least one withdrawal from their savings pot.

In this article we'll look at different uses of the savings pot, from an overall financial position, not just looking at lower retirement income.



Assumptions for fund credit projections

In order to analyse the different uses of the savings pot we will make these assumptions:

Member's name	Sipho Gumede
Member's age	20 years
Retirement age	60 years
Starting fund credit	R0
Starting salary	R20 000 per month
Contribution rate	12% (Net to retirement)
Investment return (Inflation + 5%)	11% p.a.

Using your savings pot as a deposit to buy a house

Many South Africans do not own a house. It is very difficult for employed South Africans to gain access to finance for housing. Even if you pass an affordability test, first time buyers could easily have to put in a 20% deposit. Accumulating this deposit is difficult. What if you use your savings pot for this deposit? When you retire, you will need housing. Plus if you own your own house you would not need to pay rent. Is the benefit of not paying rent worth the reduction in your savings pot by making a deduction for your deposit?

Sipho builds up his savings pot diligently over time. When he is 50 years old he decides to buy a house worth R3 000 000 (The equivalent to a house worth R800 000 in today's money). He withdraws R1 000 000 from his savings pot as a deposit to buy this house. He has to pay tax at his relevant marginal rate of R362 000. Thus he gets R638 000 to use as a deposit.

The table below shows the result of this decision:

Scenario	Amount at Retirement (Savings Pot)	Savings Pot Monthly Pension (Current Money Terms)	Total Monthly Pension (Current Money Terms)
Full Savings Pot	R 10 505 309	R 5 096	R 15 288
Savings Pot + Deposit on House	R 9 365 947	R 4 543	R 14 736
Difference	-10.8%	-10.8%	-3.6%

If Sipho did not make any deductions from his savings pot he would have R10 505 309 available at retirement. This would allow him to purchase a pension of R5 096 a month in today's money. His overall pension (savings pot + retirement pot) would be R15 288 a month in today's money. Versus his salary of R20 000 a month, this would be a reasonable pension for him to retire on.

Let us now take into account the deduction from his savings pot for the deposit on his house. The deposit on the house has earned a return of the rent income plus growth on the capital value of the house. If I make a reasonable assumption on this return (7% rental yield and 4.5% capital growth) then Sipho has R9 365 947 in his savings pot at retirement. His overall financial position is 10.8% worse off than if he had not made a deduction from his savings pot. His total pension is only 3.6% lower. This is because his retirement pot cannot be touched; it has been preserved. So from an overall financial point of view Sipho's pension has dropped from R15 288 a month to R14 736 a month. However, he now owns his own home, which he may not have been able to afford has he not accessed his savings pot. Thus in the right circumstances it can be possible to access your savings pot without harming your future retirement income significantly.

The following table shows the above example but changed to allow for 0% tax on the savings pot withdrawal:

Scenario	Amount at Retirement (Savings Pot)	Savings Pot Monthly Pension (Current Money Terms)	Total Monthly Pension (Current Money Terms)
Full Savings Pot	R 10 505 309	R 5 096	R 15 288
Savings Pot + Deposit on House	R 10 328 956	R 5 011	R 15 203
Difference	-1.7%	-1.7%	-0.6%

In this case the overall pension has dropped only 0.6%. Thus the biggest detractor from making the withdrawal from your savings pot is tax. Is this reasonable for a deduction such as buying your own house? Should the tax you pay be less if you are making a legitimate withdrawal?

Using your savings pot to buy a car

Now let's look at an example of Sipho using his savings pot to buy a car. At 40 years old, Sipho decides to use his savings pot to buy a car. He withdraws R600 000. After tax this amounts to R400 000. This is equivalent to a car worth R125 000 in today's money.

The following table shows the results of this decision:

Scenario	Amount at Retirement (Savings Pot)	Savings Pot Monthly Pension (Current Money Terms)	Total Monthly Pension (Current Money Terms)
Full Savings Pot	R 10 505 309	R 5 096	R 15 288
Savings Pot + Deposit on House	R 5 707 922	R 2 769	R 12 961
Difference	-45.7%	-45.7%	-15.2%

His savings pot has dropped from R10 505 309 to R 5 707 922. He has lost 45.7% of his savings pot! He has given up on 12 cars at retirement because he decided to buy one car at age 60. Thus he has made a poor financial decision by using his savings pot to buy a car.

What have we learned?

The examples above show that the decision on how to use your savings pot can influence your future retirement position significantly. You can improve or destroy your future financial position. It is thus vital to consult a financial planner before you make a withdrawal from your savings pot. Employers and trustees can help members by making such financial planners available.

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Enhancing communication could drive true impact



Iva Madjarova

Head: Institutional Business
Sygnia

Imagine working for four decades only to discover that your retirement income barely covers the cost of your groceries. This is not a distant fear but the reality for most South Africans. The system must change.

Traditionally, discussions about impact have focused on how retirement funds invest – allocations to infrastructure, private equity or developmental projects. While these discussions are important, they do not reveal the full story. Real impact lies in addressing the basics: reducing costs, improving member understanding, ensuring adequate contributions and protecting savings from premature withdrawals.

The real lever of impact is communication. While retirement funds do communicate with members, their message seldom gets through: Members are still confused about fees, risk profiles and the significance of their current choices for the future. Without understanding, members are much more likely to fall prey to short term thinking and instant gratification.

True impact can only come when funds are able to shift from communicating to educating. With the right education, members can shift their mindset, recognising that small sacrifices today will translate into security and dignity tomorrow.

To achieve this, funds must rethink both the message and the medium. Written communication isn't enough, as fund members do not read all the documentation they receive. Short, engaging videos can break down complex ideas like compounding or tax into accessible stories, while interactive calculators allow members to test the impact of different contribution levels.

Beyond this, AI-powered assistants can provide personalised insights and simulate the long term effects of different savings and withdrawal decisions, helping members understand the tangible consequences of their actions. Gamification could turn financial education into interactive experiences that reward learning and reinforce positive behaviour, while virtual and augmented reality experiences could immerse members in potential retirement futures to experience the benefits of patience, higher contributions or deferred withdrawals.

Combining these advanced digital innovations with personal engagement such as workshops and face-to-face sessions will allow funds to evolve from simply transmitting information to genuinely transforming behaviour and understanding.

International examples provide lessons: In Australia, a combination of compulsory contributions, member education and fee transparency has created one of the strongest pension systems in the world. In Chile, regulators tightened communication standards so members could see the long term effects of their choices. Both show that changing outcomes requires more than policy – it requires changing member behaviour. South Africa's economy is far poorer than Australia's, however, and many households here cannot save anything beyond their day-to-day needs.

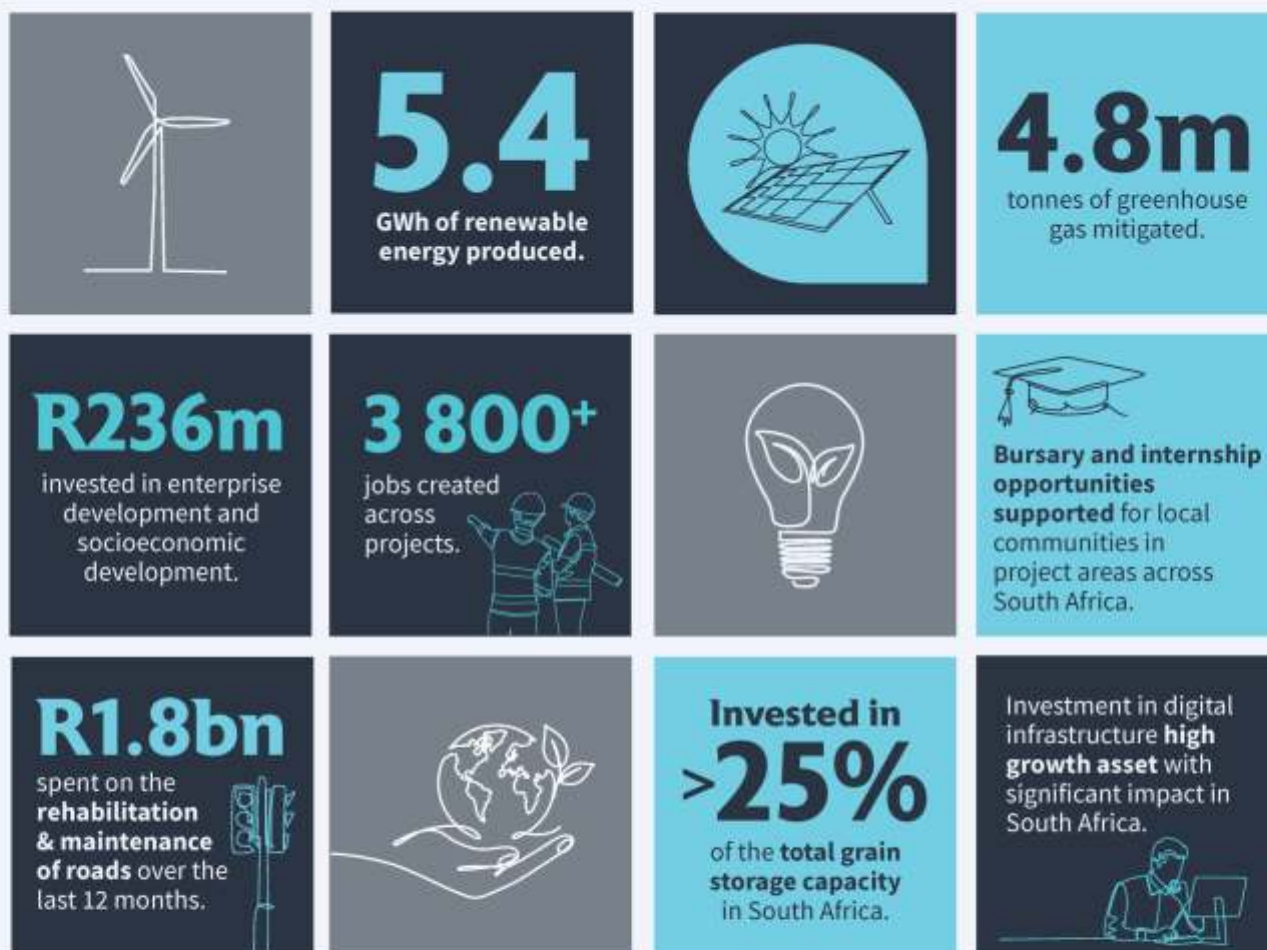
Recent developments are encouraging, though. The Financial Sector Conduct Authority (FSCA) has introduced new Conduct Standards for benefit administrators, requiring clearer protocols around communication, transparency and complaints. The regulator also insisted that funds explain the new two-pot retirement system to members in a simple, timely and comprehensive manner, and it may even request copies of member communications when reviewing rule changes. A national "Know Your Rights" campaign has been launched to improve public understanding of pensions, while draft standards linked to Regulation 28 promise greater disclosure on how funds invest.

While these are important steps forward, regulation alone will not guarantee member understanding. Too often, communication retains the form of dense documentation or one-off notices that have little effect on behaviour. The challenge now is for funds to transmute these regulatory requirements into real education that is engaging, accessible and consistent.

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Two-pot retirement system: The unfolding impact of a new era

1 September 2024 marked a turning point in South Africa's retirement landscape: the official launch of the two-pot retirement system. For those involved in the months of intense preparation leading up to this deadline, the efforts may now seem like a distant memory. More than a year on, we find ourselves reflecting on the early outcomes, lessons learnt and the early impact it's had for the future of retirement savings in our country.

A system designed for balance

By design, the two-pot retirement system aims to strike a delicate balance of providing access to a portion of retirement savings without needing to resign to do so, while enforcing preservation of a portion of savings for long term retirement needs. It is a solution to a critical issue in South Africa: poor preservation behaviour, where individuals often cash out their retirement savings when changing jobs, jeopardising long term retirement security.

However, members must not lose sight of the bigger picture: withdrawing from savings, even partially, still reduces the potential retirement outcome. The system ultimately relies on one crucial factor: member behaviour - that is, using accessible funds only in genuine emergencies.

What defines an emergency?

Theory and practice rarely align perfectly. Analysis from SARS indicates that the majority of savings withdrawals have gone toward short term debt, vehicle payments or home-related expenses. Moreover, a significant number of withdrawals in the 2025 tax year came from individuals making their second claim since September 2024.

In today's economic climate, marked by high inflation and mounting living costs, it's understandable that individuals seek financial relief. But it does raise a critical question: how do we define an "emergency"? What feels urgent to one person might seem avoidable to another. And while the system wasn't designed to be prescriptive, it was designed with the hope that early access would be the exception, not the norm.



Awareness and engagement: A double-edged sword

What the two-pot retirement system has certainly achieved is a surge in engagement. Members are now more aware of their retirement savings, asking deeper questions about whether they're on track for a secure retirement. For many, this is the first time they've meaningfully engaged with their retirement fund provider.

This shift has led to the development of new educational content and additional digital tools to support both employers and members. Liberty Corporate Benefits, for example, saw 75% of its savings withdrawal claims processed via digital channels, demonstrating an appetite for modern, accessible solutions.

Yet, even with these tools, some members remain dissatisfied with their net claim values, often unaware of the tax implications and costs involved in accessing savings - and that's despite the availability of online calculators, benefit counselling and other support tools. This highlights a challenge: information is available, but understanding of some elements may still be limited.

Darshana Kooverjee

Head: Umbrella Fund Solutions
Liberty Group

The rise of preservation: A win for retirement security

Encouragingly, data shows that 59% of active members in Liberty Corporate Benefits' umbrella funds have not touched their savings pot. This could be seen as a sign of success, that is members preserving their funds for retirement or keeping it available only for genuine emergencies.

But the other side of the story remains a reality. A significant proportion of members have already accessed their savings, potentially compromising their long term financial security, as this money could have otherwise contributed towards a greater accumulation of savings at retirement. While access provides relief today, it may leave members vulnerable tomorrow.

One encouraging outcome is the marked increase in the preservation of retirement fund benefits. Our statistics show that the number of members preserving their savings has grown tenfold under the new system. This shift means more individuals are now retaining some retirement savings instead of cashing out the full amount upon resignation - an important step toward greater long term financial security.

Looking ahead: Impact, education and evolution

We are still in the early stages of this journey. While initial withdrawal activity spiked after 1 September 2024, claims have declined in the 2025/2026 tax year. Whether this trend stabilises or resurges remains to be seen.

As we look forward, one thing is clear: the two-pot retirement system demands ongoing review, real time data analysis and continuous education. The system has made people think more critically about their retirement savings, and that in itself is a step forward. But we also know that early access, while helpful in the short term, could compromise long term outcomes.

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Shifting the savings curve: A behavioural blueprint for employers



Belinda Carbutt

Specialist in Group Savings and Investments
Allan Gray

Employers play a crucial role in retirement savings in South Africa. While it is not mandatory to offer a retirement savings benefit, many employers recognise the important role employer-arranged retirement investments, such as umbrella funds, can play in supporting employees' long term financial wellbeing and attracting and retaining talent.

While employers who offer a retirement fund benefit have a fiduciary responsibility to take steps to safeguard the financial interests of members, legislation gives little guidance on how to encourage and promote healthy, long term employee contribution rates. To address this gap, employers can turn to insights from behavioural finance, which offer practical strategies for improving employee saving habits.

Learning from the behavioural finance experts

Human beings aren't naturally wired to prioritise long term investing. The underlying behavioural issues which give rise to low savings rates have been studied extensively by Nobel Prize-winning economist Richard Thaler and behavioural finance expert Shlomo Benartzi. Their research led to the development of the Save More Tomorrow™ (SMT) strategy: a behavioural tool designed to overcome savings inertia and help people increase their retirement contributions gradually – without the immediate sting of reduced take home pay.

How the Save More Tomorrow™ strategy works

The SMT concept is built on three key behavioural insights:

1. **Present bias:** We naturally place greater value on immediate rewards than on future ones. SMT sidesteps this by encouraging employees to commit today to saving more later, typically timed with their next salary increase.
2. **Loss aversion:** People experience the pain of loss more intensely than the pleasure of a gain. By linking contribution increases to pay increases, SMT ensures that take home pay doesn't noticeably shrink, reducing the sense of loss.
3. **Inertia:** Once in place, most people are unlikely to opt out of a system. SMT uses this to its advantage by automating the increase in contributions, turning inertia into a mechanism for positive savings growth.

The outcome is a strategy that works with our natural instincts rather than against them, guiding individuals towards stronger financial outcomes.

From theory to practice: The glide path

Employers who offer an umbrella fund can consider incorporating a glide path. The glide path, like the SMT strategy, helps members gradually increase their retirement savings contributions over time, using their future salary increases. A glide path is tailored to the requirements of each employer. Below is an example of how this can play out:

- Minimum contribution of 7.5% of pre-tax salary
- Annual escalation of 1% takes place automatically, in line with the salary increase cycle
- The glide path is capped at 15%

The power of the glide path

Let's look at a real-world example:

- **Meet Thandi:** She earns R20 000 per month and currently contributes 7.5% of that (R1 500) to her retirement fund.
- Thandi opts in to the glide path, with her contribution rate increasing by 1% each year, aligned to a 5% annual salary increase, as shown in Table 1.

Table 1: Glide path as a way to increase retirement fund contributions*

YEAR	MONTHLY SALARY	CONTRIBUTION %	MONTHLY CONTRIBUTION
1	R20 000	7.5%	R1 500
2	R21 000	8.5%	R1 785
3	R22 050	9.5%	R2 095
4	R23 153	10.5%	R2 431
5	R24 310	11.5%	R2 796

** For illustrative purposes only*
Source: Allan Gray

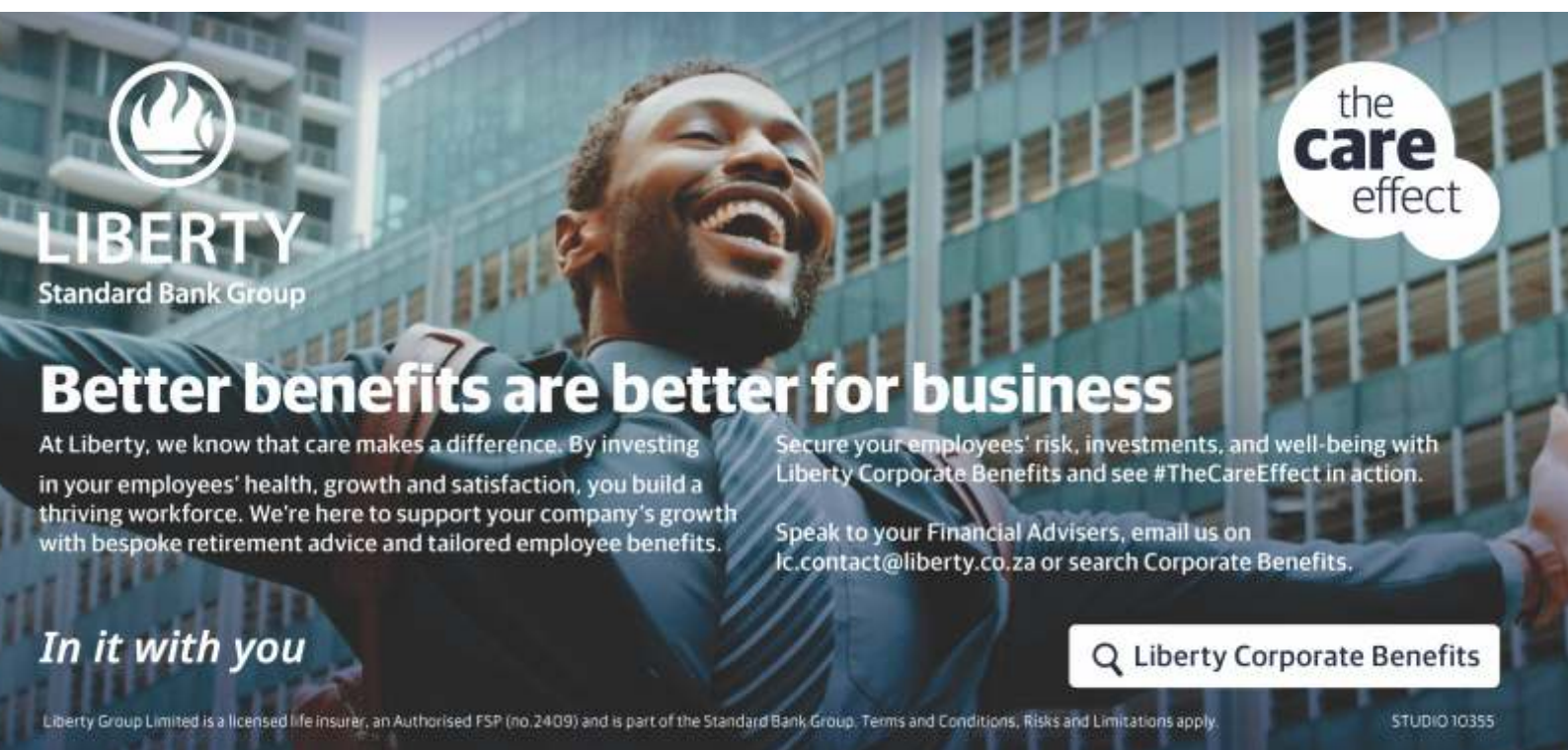
In just five years, Thandi almost doubles her monthly retirement contribution – from R1 500 to R2 796 – without ever seeing a drop in her take home pay. Over decades of employment, this steady increase has a compounding effect, significantly boosting the final value of her retirement savings.

This simple strategy builds long term financial security, while helping individuals overcome the mental hurdles that often make it hard to save more.

Turn inertia into momentum

When it comes to retirement savings, most people benefit from help to move from intention to action. By leveraging behavioural strategies like the glide path, employers can assist their employees to overcome inertia, avoid grappling with short term sacrifice and steadily build wealth.

What may start as a gentle nudge can lead to a profound shift – not just in contribution rates, but in financial outcomes. For employers, it is a powerful, practical way to foster a culture of saving and help more South Africans retire financially independent.





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STUDIO 10355

Beneficiary funds – not only for minors

Retirement fund trustees, in discerning how best to allocate section 37C death benefits to the financial dependants of deceased retirement fund members, rightly look principally at the needs of minors. If the trustees are of the opinion that the guardian or caregiver may not be ideally placed to accept, invest and manage a lump sum payment on behalf of the minor in their care, they may elect to place the benefit in a beneficiary fund. The advantages of this cost-effective and safe vehicle are well known in the industry by now.

However, we perceive that there may be a gap in that retirement fund trustees could be overlooking the potential benefits of using a beneficiary fund for majors, the disabled and the elderly.

Here's why this can happen and why it matters:

Historical reasons

Historically, beneficiary funds in South Africa were introduced under section 37C mainly to protect minor children who could not manage lump sum death benefits. As a result, trustees are used to seeing beneficiary funds as a “child-focused” solution, so they default to lump sum payments or trusts for adults.

Lack of awareness

Majors may be overlooked because trustees may not know that beneficiary funds are legally available for dependants of any age. A determination by the Pension Fund Adjudicator's determination in the case of *Vellem (obo Vellem) v Auto Workers Provident Fund and Another* [2014] 1 BPLR 134 (PFA) proves the point (Paragraph 5.6, my emphasis).

“In distributing death benefits the trustees may pay benefits allocated to a minor dependant to such a dependant's legal guardian, trust fund or a beneficiary fund. Their preference to pay such a benefit in any one of the methods set out above must be informed by the dependant's best interests. In the same manner, a major dependant's benefits may be paid to him in cash or into a beneficiary or trust fund. The preferred method of payment must be duly cognisant of the beneficiary's best interests. There must also be a link between the preferred method of payment and the rationale behind it, especially in instances where payment into a beneficiary or trust fund is elected by the trustees over cash payment to the dependant's legal guardian (in a minor dependant's case) or the dependant himself (in a major dependant's case)”.

A key principle in this is engagement with the dependant (or their guardian or caregiver). Our experience is that when the family is consulted during the process, there is a far greater understanding of the benefits of beneficiary funds, and as a consequence better use of the benefits and a better outcome for the dependants.

“Age 18”

Trustees may mistakenly assume that once a beneficiary is legally an adult, they can responsibly manage a large lump sum. This is not always the case. Fairheads has over many years advocated that the age at which lump sum death benefits are paid to beneficiaries be increased from age 18 to 21. This is because we have witnessed first-hand the impact of paying out a large lump sum to someone who has yet to finish school. There are very few 18-year-olds with the financial wisdom to handle a lump sum wisely – and there is often also pressure from extended family members to access the money for their own purposes.

David Hurford
CEO
Fairheads Benefit Services

There are other reasons for not paying a lump sum to a major. For example what about the case of a major dependant who displays clear signs of substance abuse. Would it be in the best interest of that person to receive a lump sum?

Overlooking the advantages

While trustees may have the perception that trusts or direct payments are more flexible solutions for adults, they should keep in mind that beneficiary funds are regulated and more cost effective than private trusts. Professionally managed, they ensure that funds are used for their intended purpose, like a monthly income for living expenses and ad hoc payments for capital expenses such as education and medical costs.

Beneficiary funds are registered under the Pension Funds Act and comply with FSCA oversight – and they offer significant tax advantages.

Elderly parents

In our experience, beneficiary funds can be particularly useful for elderly parents or dependants with limited financial skills or declining capacity. The beneficiary fund administrator can, for example, engage directly with a caregiver or the nursing home to ensure that elderly parents' financial needs are met.

Conclusion

Beneficiary funds are not just for minors. We encourage trustees to extend their investigations into s37C allocations and consider all dependants, including majors and elderly family members, and to use beneficiary funds where they can best protect and sustain long term financial security.



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- Arms-length investment by best-of-breed asset managers.

Retirement in transition:

Reflection on 90 years of change – and what comes next

This year, Alexforbes marks 90 years of service to South Africans. It's a milestone that invites reflection – not just on our own journey, but on the transformation of retirement savings across the country.

Over the decades, we've seen the retirement system shift in profound ways: from employer-controlled guarantees to personal accountability, from rigid fund structures to flexible options, from one-size-fits-all solutions to tailored financial planning.

From defined benefit to defined contribution

South Africa's formal retirement system began taking shape with the 1956 Pension Funds Act, which allowed for the creation of structured pension and provident funds. These funds were typically defined benefit (DB) in nature – guaranteeing a pension linked to years of service and final salary.

This approach made sense in an era of long service, stable employment and relatively low life expectancy. But as the world of work evolved, the limitations of pension funds became more evident. The DB model became increasingly difficult to sustain – especially during periods of high inflation, increased job mobility and longevity.

As a result, there was a shift from DB to defined contribution (DC) arrangements. Under DC, contributions are fixed, but the eventual outcome depends on investment performance and member behaviour. This model shifted risk from employer to employee – and with it, the responsibility to plan, contribute and manage savings wisely.

This was not just a technical change. It was a turning point in the responsibility individuals had for their retirement funds – and it laid the groundwork for the advisory, education and support-driven models we see today.

Expanding access through scale

The 1990s and early 2000s saw the introduction of umbrella funds, which pooled members and assets across multiple employers. This was a crucial innovation that opened up retirement saving to smaller employers who couldn't previously afford the administrative or compliance burden of running standalone funds.

As more employers joined umbrella structures, we also saw greater industry consolidation and the emergence of multi-manager investment platforms. These developments have helped drive down costs, improve governance and broaden the range of solutions available to members.



Dawie de Villiers
Chief Executive Officer
Alexforbes

But they also increased complexity. For the average member, understanding contribution levels, fund choices and long term implications has become more difficult. That is when the industry began shifting again. This time, the focus moved towards advice-led engagement, member education and digital tools. This supports informed decision-making and helps track the impact of these decisions throughout members' working lives.

Real reform, real consequences

In recent years, government has responded to gaps in the system with a series of reforms designed to strengthen preservation and improve financial flexibility.

The T-Day reforms of 2021 aligned the tax treatment of retirement vehicles, encouraging better preservation and harmonising rules across products.

And in September 2024, the two-pot retirement system marked one of the most significant structural changes in decades. This change reflects a growing understanding that long term saving cannot be viewed in isolation from short term financial pressures. Many members face income shocks, family obligations or emergency expenses that compel them to withdraw their entire fund when leaving a job – often erasing years of retirement savings.

The two-pot system aims to provide a more balanced alternative – one that preserves the long-term goal while offering much-needed access to liquidity along the way.

But with new flexibility comes added complexity. Members must now make more decisions, navigate new rules and weigh short term needs against long term wellbeing. That requires a support structure far beyond administration.

Advice is the system's anchor

Whether it's choosing contribution rates, selecting investment portfolios, understanding drawdown strategies or making tax-efficient decisions, most people need guidance. Not just once, but throughout their working lives.

The two-pot system has made this even more urgent. Members now need to understand when and how to access their savings pot, the tax implications of doing so and how to avoid compromising their retirement plan in the long run. Encouragingly, we see a clear behavioural shift. Members are engaging more actively with their benefits – asking questions, seeking clarity and showing more interest in the long term impact of their financial decisions.

We believe that digital tools must be used to scale advice, not replace it. Technology can streamline processes, provide dashboards and simplify information. But the emotional and financial weight of retirement decisions still calls for a human connection – someone who can explain, guide and build trust.

The role of employers is evolving

Employers continue to play a critical role in shaping financial outcomes. Today, retirement benefits are part of a broader employee value proposition, where financial wellbeing is increasingly recognised as a key driver of engagement, retention and productivity.

Progressive employers are integrating financial coaching, savings tools and personalised advice into their benefit structures. This helps employees make informed decisions that extend well beyond retirement funds.

Looking forward, with purpose

Ninety years ago, Alexforbes started as a commercial insurance firm. The retirement system in South Africa has come a long way – from guarantees to choice, from complexity to customisation. But the work is far from over. We are proud to be participating and collaborating in this dynamic industry as we see in our centenary.

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Motswedi Delta Bond Fund vs Benchmark: FTSE/JSE All Bond Index	-0.2%	-0.14%	0.44%

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Impact through collaboration: Lessons from 30 years of infrastructure investing



Jason Lightfoot
Senior Portfolio Manager
Futuregrowth Asset Management

South Africa faces an infrastructure challenge of historic proportions. Estimates point to a shortfall of more than R2 trillion over the next two decades, with electricity and water shortages just some of the symptoms of a gap that deeply affects every citizen. Government cannot fund this alone, and neither can the private sector. Success requires a coordinated partnership approach.

Retirement funds have increased their allocations to infrastructure over the years, reflecting growing sophistication about these investment opportunities. Beyond diversification and return enhancement,

infrastructure debt's long duration and predictable (often inflation linked) cash flows provide a natural hedge against liability risks. When structured well, these investments can reduce funding ratio volatility while contributing to real economic development.

Three decades of experience pays off

Futuregrowth launched its Infrastructure & Development Bond Fund in 1995. Since then, we have financed projects ranging from small-scale agri-businesses to large-scale energy and transport initiatives, to name a few – all while delivering benchmark-beating returns.

As an early investor in the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) we gained valuable experience in large-scale partnerships. Over three decades we have learned how structuring approaches, risk-mitigation techniques and partnership co-ordination contribute to positive results.

Bridging the gap between capital and need

The capital markets (pension funds and banks) have available capital. However, this can only be deployed via bankable deal opportunities such as the REIPPPP – with R250 billion lent to 123 projects with zero defaults – a striking outcome and blueprint for other infrastructure opportunities.

Four pillars of partnership success

Our experience has shown that four pillars underpin successful partnerships in infrastructure investing:

1. Relationship networks and early involvement: Getting close to programmes before contracts are signed allows investors to understand risks and shape projects to work for pension funds. Getting involved early ensures fiduciary responsibilities can be upheld and risks appropriately measured and priced.
2. Multi-stakeholder coordination: Everyone has a role to play. Government cuts through red tape, regulators create an enabling environment and communities benefit through job creation and sometimes ownership. Capital providers can add investment expertise.
3. Returns vs impact: Developmental outcomes are important but cannot come at the expense of returns. The right partnerships create opportunities to deliver both, proving that responsible investing and sound fiduciary duty can co-exist.
4. Lifecycle management: Infrastructure projects are long term (often 20 years or more) and problems can arise. Active, hands-on management is needed to resolve problems before defaults occur and to protect investors' interests over the life of the project.

These pillars are interdependent and create a systematic approach to deliver returns for investors while achieving on-the-ground impact.

Building resilient portfolios

Another lesson is the value of diversification. For example, a R20 billion fund concentrated in ten large deals creates very different risk and volatility dynamics from one across 100 diverse smaller deals. The latter produces a more resilient portfolio with better risk return characteristics and lower volatility.

Achieving optimal diversification isn't easy. It requires internal expertise across various sectors, each with different structural requirements and risk profiles, as well as external partners to source and structure viable opportunities. It is crucial to know who you're funding and whether you can work together if issues arise.

What funders are looking for

Funders need predictability, transparency and fairness. In infrastructure, this translates to:

- A predictable, stable legal and regulatory environment (so structuring solutions aren't built on shaky foundations);
- Commercially viable projects underpinned by transparent, competitive bidding and clear agreements between EPCs, O&M contractors, shareholders, the public sector and Treasury; and
- Allocating risks to the party best able to manage them. For example, in the case of a Public Private Partnership (PPP), the private sector takes construction, technology and operational risks; while government needs to take on political and payment risks.

The REIPPPP demonstrated how this works. Clear power purchase agreements, Treasury's backing of Eskom's obligations and aligned contracts combined to create a solid foundation for private capital to flow.

From theory to practice

Moving from theory to practice requires a robust investment process run by experienced investment professionals with deep sector knowledge and years of experience. Early engagement with bidders, thorough risk analysis, disciplined credit committee oversight and top-tier legal guidance all form part of the process. But process alone is not enough. It must be embedded in programmes that offer clear rules, appropriate risk sharing and stakeholder alignment.

The choice is clear

Well-structured partnerships pave the way for investors to deploy capital in risk adjusted opportunities while delivering the infrastructure South Africa so urgently needs. When retirement funds, government, communities and capital providers each play their part, infrastructure finance becomes more than just an alpha opportunity for investors - it becomes a mechanism for real economic progress and improved quality of life for citizens. If every stakeholder pulls in the same direction, South Africa can replicate proven successes, scale them across sectors, and build a more resilient country for all.

How pension fund trustees can back real assets without risking payouts

Trustees carry two responsibilities that can often feel at odds. They need to grow members' pensions prudently. And they also need to fund the assets that keep communities working. Power that stays on. Quality schools that teach well, affordable housing and clinics that serve real people. This is because they have a duty to ensure that their members retire comfortably financially and socially in a dignified environment where their pensions have made an impactful contribution. Private markets sit in the middle of that tension. They promise better long term, risk adjusted returns with real world outcomes. Yet allocations remain stubbornly low and the conversation is still crowded with unease about liquidity, the long term nature, management fees and the perceived risk.

Why the low allocation?

Most hesitation starts with unfamiliarity. With the asset class no longer the best kept secret and instead becoming more mainstream, when discussions jump to investment acronyms and jargon such as IRR, DPI and J-curves, trustees default to the traditional listed comfort zone. The fix is not a sleek PowerPoint presentation with complex graphs and difficult terminology. The strongest demand is for plain language explanations of how alternative assets translate into cash flows, strong valuations and member returns. That is the right place to begin.

One of the most persistent worries is, "Will we have enough cash when members retire?" It is true that many private market strategies are long dated, however, a retirement fund does not need every rand liquid at once. The ideal approach keeps the bulk of the portfolio liquid and commits a portion to long term assets that match liabilities and earn an illiquidity premium.

Many worry that value creation may come at the expense of jobs and broader community stability, raising concerns about the human impact behind the numbers. Those concerns are not imaginary. They reflect specific strategies and cycles. The way through is not to dismiss them but to make strategy choice and manager selection the centre of the conversation, supported by clear evidence of governance, transformation, job outcomes and value creation in the underlying businesses.

When it comes to allocation levels, regulation permits up to 15% and many global funds run north of 20%. Even a measured 5% allocation, paced over time, need not disrupt benefit payments if the rest of the portfolio is managed with cash flow in mind.

Private markets cost more to run than a passive listed allocation. They also require real work: sourcing, site visits, valuations, robust due diligence, legal structuring, active management and multi-year value plans. Management fees fund that engine; performance fees are paid only if value is delivered. The right question is not "Are fees higher?" but rather "Are we paying for skill and discipline that produces net, risk adjusted returns and measurable impact?"

Selina Nalane
Client Director
Old Mutual Alternative Investments



A retirement fund is a long horizon investor. Benefits are paid every month but liabilities stretch decades into the future. The new two-pot system strengthens this logic. With a preservation component that members cannot touch until retirement, funds have more legroom to deploy capital into longer dated assets that compound in the background. That does not remove the need for liquidity planning. It does mean the old “everything must be liquid” mindset is not aligned to how pensions work today.

Members care about returns. They also care about whether those returns show up in places they reside. In South Africa, infrastructure and social assets are not abstract. They are power, roads, schools, clinics and data networks that shape daily life. Many municipal and regional pension funds now push for sector and geographic exposure that mirrors member priorities. A fund in a province like KZN might ask, “what investments have you made in the province?” to ascertain what real world impact was made in their part of the world? When impact reporting is credible and granular, it strengthens the social licence to allocate to private markets without treating impact and returns as a trade-off. It is a dual mandate.

Private markets also behave differently to listed assets and add critical diversification to any portfolio. Valuations are driven by growth in enterprise value and realised exits, not daily sentiment. Return paths are smoother and less correlated to short term equity noise. That matters for members who need purchasing power in retirement, not just nominal growth.

Regulation 28 is supportive. There is room for prudent allocations within sensible limits and diversification rules. The bottleneck is not the rulebook. It is intention, education and execution. Too many boards still sit under 3% despite mandates that allow more.

The environment is conducive. Regulation allows it. The economy needs it. The evidence favours it. The missing ingredient is intent, followed by action that isn't dragged. We don't need to aim for 15% on day one. Aim for a disciplined first step. Move from 0% to 1% or 2% with a clear plan through robust engagements with asset consultants and regular engagements with asset managers to learn more on what this asset class really looks like in practice. A measured allocation towards alternatives will not derail liquidity. It can improve risk adjusted returns, add diversification, protect purchasing power and fund assets that matter to members' lives.

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Powering impact: Transmission infrastructure as the next chapter for pension fund investing

South Africa's pension funds collectively manage approximately R5.8 trillion in assets, representing one of the largest domestic pools of long term capital available for infrastructure investment. Trustees carry a dual responsibility: to deliver secure, long term returns for members and to allocate capital in ways that contribute to the country's sustainable growth.

The Independent Transmission Projects Procurement Programme (ITPPP) offers trustees a rare alignment of those responsibilities. For the first time, transmission - the backbone of the electricity system - is being opened to private capital through a carefully structured public-private partnership model. This shift creates a regulated asset class that combines stable, inflation linked cash flows with measurable development impact.

For decades, Eskom alone owned and operated South Africa's grid. Pension funds could invest in renewable generation through the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP), but transmission lines - the arteries of the system - remained out of reach. The ITPPP marks the first real opportunity for trustees to invest directly in this essential infrastructure.

A proven model, evolved

The ITPPP is not a complete experiment. Its design draws directly on the proven success of the REIPPPP, which since 2011 has:

- Mobilised more than R200 billion in private investment,
- Delivered over 6 GW of renewable capacity, and
- Established a transparent, competitive procurement framework that has consistently attracted global and local investors.

That programme demonstrated that well-structured partnerships between government, private sector and institutional investors can deliver financial stability and social impact. The ITPPP extends this framework from generation to transmission, where bottlenecks are now the binding constraint on South Africa's energy future.

The programme will also serve as the delivery vehicle for the National Transmission Company South Africa's Transmission development plan. This requires approximately 14,000 km of new transmission lines and 132,000 MVA of transformer capacity. When implemented, the plan could expand electricity access to nearly 97% of households, connecting around 1.6 million families and improving both affordability and reliability of supply.

Beyond household connections, the expanded grid will unlock stalled renewable projects, mobilise billions in new investment and strengthen South Africa's economic competitiveness.

The first Request for Qualifications was released on 30 July 2025, launching a two-phase process. Consortia must meet rigorous legal, financial, and technical thresholds, including at least 49% South African Entity Shareholding (SAEP), before advancing to the Request for Proposals stage, expected in Q1 2026.

The opportunity for pension funds

Transmission infrastructure offers two categories of benefit to pension funds:

1. Financial returns

- Predictable, contracted revenues underpinned by regulatory oversight, driving capital preservation.
- Inflation-linked returns that match long-dated pension liabilities.
- Diversification away from listed equities, bonds and other traditional asset classes.

Mosa Molebatsi
Head: Private Debt
Mergence Investment Managers

2. Developmental impact

- Expansion of the grid to nearly universal access, with 1.6 million additional households connected.
- Thousands of jobs created in construction, operations and maintenance.
- Structured local ownership requirements ensuring that South African capital pools and communities benefit directly.
- Greater energy access will support industrialisation and the development of new industries, including green hydrogen, data centres and electric vehicle manufacturing.
- Positions South Africa as investable in a global capital market increasingly shaped by environmental, social, and governance (ESG) considerations.

Managing risks with discipline

Trustees are right to ask the hard questions:

- Will procurement and construction timelines be met?
- Will competitive pricing from Development Finance Institutions (DFIs) potentially crowd out local pension funds, private debt and equity financiers' participation? Are bankability issues, such as revenue model uncertainty, absence of direct sovereign guarantees, grid access rules, and many others going to be adequately addressed?
- Are liquidity risks appropriately matched to fund liability profiles?

These risks are real, but they are not reasons for inaction. Expected participation by DFIs, local financiers and institutional asset managers - combined with stringent qualification criteria and the governance framework of the National Transmission Company South Africa - are designed to mitigate them. The precedent of the REIPPPP also provides evidence that transparent procurement can attract credible players and deliver bankable projects.

Transmission lines may not capture headlines like wind farms or solar plants, but they are the hidden infrastructure that makes the energy transition possible. For trustees, the ITPPP is not just an investment opportunity - it is a fiduciary responsibility.


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Investing with intent: The quiet superpower of retirement funds

Let's face it – “asset allocation” sounds like something buried in a spreadsheet. But here's the twist: it's one of the most powerful tools retirement funds have to shape the future. Quietly, steadily, with billions behind it.

Every rand invested by a retirement fund is a vote for the kind of world we want to retire into: solar farms, township housing, early childhood education. These aren't just line items – they're legacies. And they happen by intent.

Impact isn't a buzzword – it's a blueprint

In a world rocked by climate shocks, housing shortages and widening inequality, capital allocation is no longer just about returns.

Trustees and asset owners aren't asking if environmental, social and governance (ESG) concerns matter – they're asking how to embed impact into strategy. And that journey starts with asset allocation.

Listed or unlisted – impacting lives everywhere

Impact isn't confined to private markets. Listed investments, like green bonds and sustainability linked equities, can be powerful levers for change.

Marian Gordon
Regional Head and Principal
Investment Consultant

However, for retirement funds seeking more targeted impact, unlisted investments open new doors. Private equity, infrastructure and developmental mandates allow direct funding of township housing, SME growth and renewable energy. These strategies may be less liquid – but they're transformative.

The rise of purpose-driven portfolios

Globally, retirement funds are evolving. The Thinking Ahead Institute's 2025 study, which analysed seven major pension markets representing USD53.5 trillion in assets, shows allocations to real estate and alternatives have jumped from 13% to 20% over two decades.

Impact investing is booming. The Global Impact Investing Network (GIIN) reports a USD1.571 trillion market, with pension funds holding 29% of global impact assets.

In sub-Saharan Africa, regulators in Kenya, Nigeria and South Africa are steering retirement allocations towards national development goals. Over USD774 million has been mobilised into infrastructure, clean energy and sustainable agriculture – 72% from African institutional asset owners.



Southern Africa is leading the charge. Of the USD64.3 billion invested in impact and sustainability-themed strategies across Africa, 83.8% has been allocated by Southern African investors, according to the 2022 African Investing for Impact Barometer. But challenges remain: fuzzy definitions, limited deal flow, and doubts about market returns.

South Africa's infrastructure moment

Through programmes like the Renewable Energy Independent Power Producer Procurement Programme (REIPPP), over R300 billion has been mobilised since 2011, contributing approximately 10 GW to South Africa's national grid, according to African Infrastructure Investment Managers (AIIM).

Developmental mandates are also gaining momentum, directing capital towards affordable housing, healthcare, education and SME financing – sectors that foster job creation and economic resilience. Municipalities and state-owned enterprises have begun issuing green bonds to support projects such as water treatment upgrades, infrastructure maintenance and low-carbon transport.

Regulation 28, with its higher allocation limits and alignment with ESG goals, gives retirement funds a framework to invest in long-term, stable projects that build the nation.

Mind the private market gap

Despite growing interest in impact investing, South African retirement funds still lag behind global peers in private market allocations. According to the SAVCA & FSD Africa Pension Fund 2022 Study, local funds with a combined asset base of USD138 billion allocate just 1% to 5% to private market assets. That's well below the 15% ceiling permitted under Regulation 28.

By comparison, Canada's Pension Plan Investment Board allocates 24.6% to private equity. The gap is clear – and so is the opportunity. South African retirement funds have significant room to diversify and deepen their impact through private market strategies.

Global signals: Infrastructure and social investment

The OECD's 2023 survey of 87 large retirement funds (including South Africa's GEPPF) shows USD9.8 trillion in assets. Of that, USD302.6 billion is in infrastructure – mostly through unlisted equity. Key sectors are transport, energy, IT and communications.

Social investments total USD44.1 billion, targeting education, healthcare and other social infrastructure. The message? More sophisticated retirement funds are leaning into long term sustainability.

Balancing purpose and prudence

Retirement funds must deliver secure retirement outcomes. Every investment must be weighed against future liabilities, inflation, demographics and market volatility.

South Africa needs nearly USD5.7 trillion to close its infrastructure gap by 2050. It's a massive opportunity – but trustees must balance ambition with caution. Long lock-up periods and lower liquidity mean unlisted impact allocations must be carefully calibrated.

Stewardship is the secret sauce

Asset managers have a unique opportunity to drive development by pooling resources, forming partnerships, and collaborating with governments and global agencies.

Impact isn't just about where the money goes – it's about how it's managed. Asset managers must be held accountable for ESG-aligned proxy voting, meaningful engagements and transparent reporting. Because capital without stewardship is just capital. And stewarded capital? That's influence.

The final word

Asset allocation isn't boring – it's bold. It's the quiet superpower behind every retirement fund's ability to drive change. Whether you're a trustee, consultant or fund manager, the question isn't whether impact fits into your strategy. The real opportunity lies in recognising the influence your strategy already holds, and in unlocking its potential to achieve even greater outcomes.



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The great diversification in Regulation 28: where financial returns meet transformational impact

In a world where time is often taken for granted and decimals in investment returns dominate the conversation, it's easy to forget that pensions are actually about people's futures. That's why the real story of investing is how capital becomes a bridge between today's choices and tomorrow's environmental, social and governance impact. Pension funds exist to close the gap between what people have today and what they'll need tomorrow. And in South Africa, those decisions don't happen in a vacuum - they are guided by the Regulation 28 framework.

Regulation 28 stems from the South African Pension Funds Act and, although it might initially evoke thoughts of dry legal text, it serves as a safeguard for investors by setting clear investment limits on asset class exposures. These limits promote diversification and aim to reduce the risk associated with over-concentration in a single asset class. Over time, these guardrails have widened, with the most pertinent limits currently being:

- Total equities: Up to 75%
- Property: Up to 25%
- Hedge funds: Up to 10%
- Private equity: Up to 15%
- Debt instruments: Up to 100% can be invested in debt instruments issued by or guaranteed by the South African government; otherwise, the limit for debt assets is up to 75%.
- Alternative investments: Up to 15%
- Infrastructure: Up to 45%

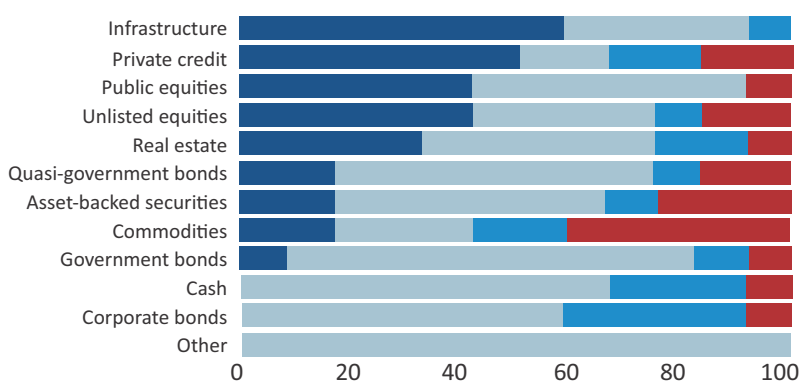
These limits are not handcuffs - they are guardrails, ensuring that retirement portfolios remain balanced and resilient. As Warren Buffett famously put it: "Do not put all your eggs in one basket." Regulation 28 is that principle, codified to protect futures.

Globally, this emphasis on balance has never been more relevant. Pension funds around the world are tilting a larger proportion of their investments towards private markets in search of yield, resilience, and diversification. A Financial Times study noted that several large US pension funds plan to expand allocations to private credit in 2025 and 2026, reflecting a growing recognition that traditional bonds and equities alone are no longer sufficient to deliver stable, inflation-beating returns. Alternatives such as private credit and infrastructure have become not just attractive, but essential.

Public funds tilt towards private markets

Expected asset allocation changes over the next 12 to 24 months (share of respondents %)

■ Increase ■ Maintain ■ Decrease ■ Do not invest



Source: "Public pension plans and wealth funds to invest more in private markets," by Mary McDougall and Sun Yu, Financial Times, December 12, 2024.

Zuzitzka Janz
Risk Analyst
Creation Capital



Private credit, in particular, has emerged as one of the fastest growing avenues for South African investors to work within Regulation 28 while still capturing yield and diversification. Listed notes, traded on regulated markets, offer liquidity, transparency, and ease of compliance. Unlisted notes, by contrast, are less liquid but provide yield premiums and direct exposure to niche sectors such as renewable energy, SMEs, and project finance. Within the 15% alternative allocation, these instruments give pension funds access to return streams that equities and government bonds simply cannot provide. Therefore, private credit allows investors to unlock value beyond the mainstream markets - and invest in the parts of the economy where growth and social impact can be unlocked.

But diversification today is not only financial; it is increasingly transformational. South Africa's realities are stark: insufficient transmission capacity, load curtailment, underfunded transport systems, and ongoing water supply challenges. According to the Africa Finance Corporation, the infrastructure funding gap across Africa exceeds US\$400 billion annually. For decades, governments carried the responsibility of fixing these problems alone. Now, Regulation 28 signals that the private sector - including pension savings - can and should play a role in filling the void.

For investors, infrastructure when done right, offers long term, inflation linked returns with the kind of stability pension funds crave. For society, it means lights that stay on, taps that don't run dry, and internet that connects classrooms in villages. We believe that when pension money builds power plants, it doesn't just earn interest — it earns trust.

This is the essence of the great diversification: moving beyond traditional allocations, beyond short term returns, and into investments that deliver both stability and impact. Regulation 28 ensures that retirement savings are safeguarded, but it also enables innovation, pointing the way toward alternatives like private credit and infrastructure. Circling back, we often assume there will always be more time to save, more time to plan, more time to prepare for retirement. But time is finite, and the need is urgent. The decisions we make today - about how and where we invest - will determine not just financial outcomes, but the quality of futures. Diversification matters: because where financial returns meet transformational impact, retirement is secured, dignity is preserved, and time - our most precious resource - is no longer taken for granted.

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ESG is not enough - embracing impact is the answer to creating a world worth retiring into

The business case for sustainability is clear: companies and retirement funds cannot thrive on a planet suffering from cascading crises and unmanageable risks. Yet, despite decades of corporate commitments, businesses continue to damage the planet. The environmental, social and governance (ESG) agenda has not delivered broad-based sustainable change and, in its current form, arguably it never will.

Is it time to confront the uncomfortable truth? ESG as it stands – grounded in input disclosures and voluntary market action – will not deliver the necessary change.

Is the solution a radical shift towards measurable impact?

Understanding the difference between ESG and impact

In an increasingly complex sustainability environment, we tend to use many concepts interchangeably. It is, however, important to distinguish between them to ensure informed decision making.

ESG is the environmental, social and governance factors, primarily the risks and opportunities that affect on a company's financial returns. Importantly, it focuses on inputs: for example, whether a company has a board diversity policy and reports against it, or whether it has net zero targets. It does not measure the actual outcomes or real-world impacts informed by implementation or effective execution. The other terms used in the context of ESG is single or financial materiality, also known as the outside-in perspective.

Impact, on the other hand, considers the outcomes of business activities, the real-world effects, whether positive or negative. In impact, tracking direct outcomes is key.

Carina Wessels

Chief GRC Officer and Executive: Impact Advisory
Alexforbes



Impact investing focuses on selecting projects or businesses that aim to make a positive difference in society or the environment, while also focusing on returns. Unlike traditional investing, it combines financial performance with meaningful change. Importantly, it goes beyond integrating ESG factors into the assessment of financial risk, but it enables positive change through investment decisions, whilst still delivering financial returns.

The last important concept in distinguishing between ESG and impact is that of double materiality. Double materiality provides a more holistic sustainability lens by focusing both on the traditional investor-centric perspective of how sustainability factors impact a company and its financial prospects (single or financial materiality), and on how the company itself impacts society and the environment (impact materiality).

ESG ratings tell us a positive story

The historic disproportionate attention to ESG alone has undoubtedly created a false sense of comfort - the belief that focusing on ESG automatically leads to a more sustainable world.

Arguably, ESG ratings have contributed to this perception. After all, if a company receives an AA or AAA rating, it must be sustainable and making a positive impact, right? Yet ratings do not measure effectiveness or impact at all, and they vary widely in methodology, which can mislead stakeholders about a company's true sustainability performance.

Younger generations prioritise impact

Research confirms that gen Zs and millennials are interested in the outcomes of their investments beyond financial returns. They believe they can enable positive change through their investments.

What's more, as employees, they want to work for organisations whose values and purpose align with their own.

The role of regulation

Various global regulations, frameworks and standards are increasingly requiring a double materiality lens.

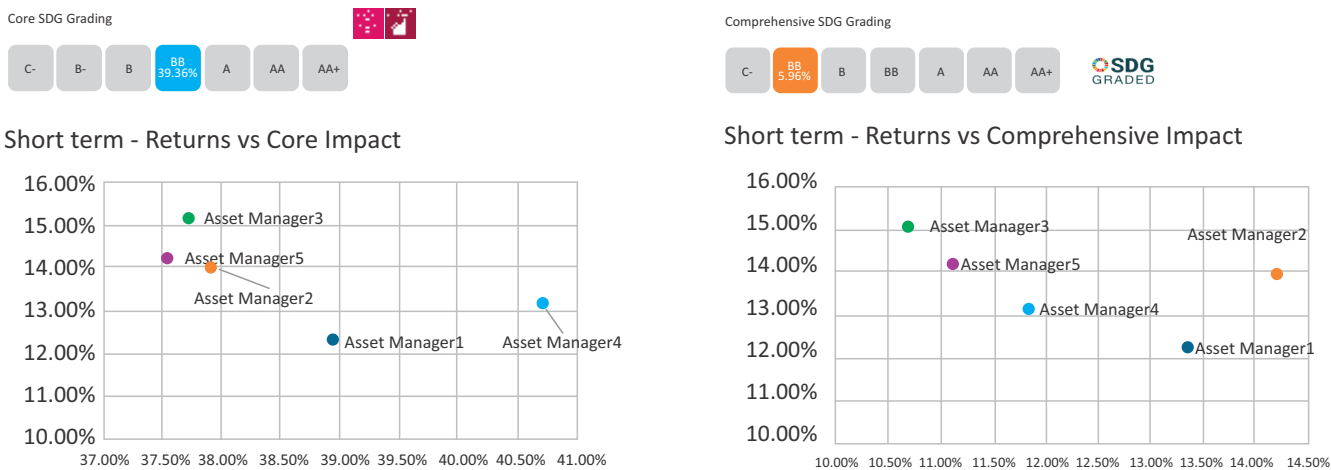
In South Africa, the King Codes (King III and IV) were inherently based on double materiality, but King V makes it explicit.

The JSE Sustainability Disclosure Guidance also adopts double materiality, emphasising both outcome and impact metrics, not just financial or input-based measures.

In the recent Alexforbes, CIPC and dtic national survey on sustainability reporting practices and sentiment in South Africa, several respondents confirmed that they already report against frameworks using a double materiality lens. There was also strong support for any mandatory sustainability reporting to be based on double materiality.

The survey also explored who should be subjected to mandatory sustainability reporting, and general sentiment suggested publicly accountable organisations or those of systemic importance, specifically including large retirement funds. It is likely that, in addition to current voluntary standards, future mandatory sustainability reporting requirements will play an increasingly prominent role in the transition from single to double materiality.

What does measuring impact look like for a retirement fund?



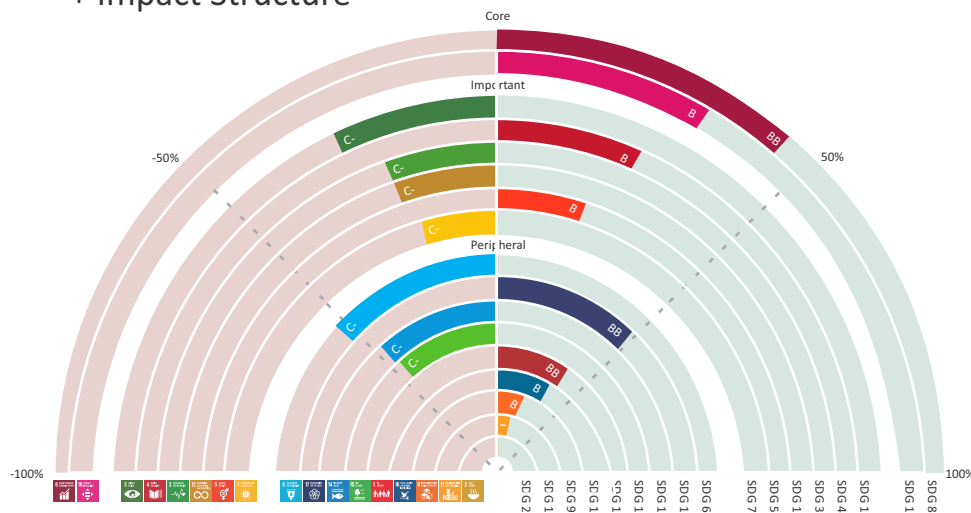
The graphs above show an example of impact reporting for a retirement fund. It is based on a real portfolio, illustrating the actual return and impact performance of the asset managers represented in the portfolio.

On the Y-axis, the graph denotes return over a one-year period, and on the X-axis, impact. And the United Nations Sustainable development goals (SDGs) are used as the impact lens.

The impact performance is shown based on core SDG and comprehensive SDG gradings: the core grading measures the fund's selected, prioritised SDGs, while the comprehensive grading measures against all 17 SDGs.

It is clear from the graphs that impact does not necessarily come at the expense of returns. Without this kind of data at one's fingertips, however, the wrong assumptions and decisions could easily be made.

+ Impact Structure



The impact rainbow is a powerful visual tool that showcases the net positive (on the right) and net negative (on the left) impacts of a portfolio. The most important SDGs are shown at the top (as core and important), with the less important ones shown as peripheral at the bottom. This allows comparisons against selected benchmarks or other portfolios as well.

What next?

As a trustee, do you understand the impact of your fund's investments?

Are you able to ask the right questions of consultants and asset managers, or are you merely receiving ESG input data?

ESG on its own has given us false comfort, ESG with impact gives meaning, depth, and the critical lens to assess whether we are closer to, or further from, creating a more sustainable world, a world worth retiring into.

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Private credit: From niche alternative to mainstream allocation

Private credit has long been considered a niche asset class within the alternative investment universe, overshadowed by the dominance of private equity. However, as market dynamics evolve and investors search for yield above that of traditional fixed income, private credit is finally gaining prominence. Its rising profile has been particularly notable in emerging markets, where structural growth drivers, resilient risk-return characteristics, and the ability to deliver real-world impact make it a compelling addition to institutional portfolios.

An untapped growth engine

The growth of private credit globally is undeniable. According to Preqin, a leading provider of financial data and information, private credit now represents approximately 10% of the alternative investment market, making it the second largest segment after private equity, with growth expected to surpass US\$2.6 trillion by 2029. While much of this momentum has been concentrated in developed markets, Africa and other emerging economies present compelling opportunities.

Demand is being fuelled by structural forces such as rapid urbanisation, rising infrastructure needs and the need to fund the global energy transition. Traditional lenders, constrained by regulatory requirements, are unable to meet these capital needs. This creates an opportunity for private credit providers to step in with flexible funding solutions for businesses and projects underserved by the banks. The result is an environment where institutional investors can capture attractive risk adjusted returns while directly funding long term development priorities, ideal for allocators seeking both performance and diversification.

Private credit as a portfolio building block

As a broad asset class, private credit encompasses diverse strategies and has matured into a strategic building block of diversified portfolios. Compared with private equity, characterised by higher risk reward dynamics and longer holding periods, private credit offers more predictable cash flows, lower volatility and shorter investment horizons. Direct lending strategies, such as senior secured loans, provide steady income and contractual protections, helping mitigate the illiquidity synonymous with private markets. Opportunistic and special situations credit strategies, by contrast, capture market dislocations and event driven opportunities, often delivering a yield premium. Together, these strategies balance stability with growth, positioning private credit as a compelling complement to private equity within institutional portfolios.



Reabetswe Kungwane
Investment Specialist
Ninety One

Importantly, private credit's differentiated risk return profile enhances overall portfolio diversification. This diversification stems from its income generating nature and built in protections, which reduce reliance on public markets and counterbalance cyclical strategies. For institutions navigating the challenge of delivering steady returns in an uncertain macro environment, these qualities make private credit a particularly valuable allocation.

Navigating economic cycles

Economic cycles in emerging markets tend to be more volatile and rapid, rendering it difficult to time the market. One of private credit's defining features is its adaptability across these cycles. Senior debt lending is typically an all weather strategy, while credit opportunities and distressed debt offer the most attractive entry points in contractionary or early expansionary phases. Infrastructure debt, by contrast, provides defensive non-cyclical exposure tied to long term capital projects. By blending defensive strategies, such as senior and infrastructure debt, with more dynamic credit opportunities, allocators can build a resilient portfolio capable of performing across varying market conditions.

From capital to impact

Beyond its financial attributes, private credit enables investors to achieve tangible impact with their capital, particularly in emerging markets. By mobilising private capital for infrastructure, promoting financial inclusion and supporting industries and consumers, investors can contribute to sustainable economic growth while earning attractive returns. We're seeing excellent cases demonstrating how private credit can be mobilised to finance essential services and infrastructure, complementing traditional capital markets.

A structural shift in allocation thinking

Private credit is no longer a marginal player in institutional portfolios. Its expansion reflects not only the search for yield in a low rate environment but also a recognition of its unique attributes: a deep and growing opportunity set, resilience across cycles, complementarity with private equity and the potential for measurable impact in emerging markets. For professional investors, the question is no longer whether to allocate to private credit, but how to do so strategically. Those who embrace the asset class are well positioned to capture differentiated risk adjusted returns while creating lasting positive impact.



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ETF reforms driving real impact in South Africa's investment market



Ben Meyer
Managing Director
Prescient Capital Markets

The evolution of financial markets is often shaped by regulation, and few examples illustrate this better than the development of South Africa's Exchange-Traded Fund (ETF) market. While global ETF markets, such as those in the United States, have flourished over decades due to favourable tax and regulatory environments, South Africa's ETF sector has grown more gradually. Exchange control policies historically influenced investor behaviour, asset allocation, and the growth trajectory of ETFs, creating a unique landscape in which regulatory decisions can significantly accelerate or hinder market development.

South Africa's regulatory landscape for ETFs

Since 2005, ETFs in South Africa have benefited from a regulatory framework that differs from that of traditional Collective Investment Schemes (CIS). ETFs structured as CISs have been granted the ability to invest 100% of their assets offshore, while traditional CIS funds were historically capped at 45% of their retail assets for foreign investment. This distinction effectively gave ETFs a strategic advantage, allowing individual investors and family trusts to gain broader international exposure without the limitations faced by conventional mutual funds. The ETFs are still clarified as foreign investments for prudential regulation through.

The rationale for this preferential treatment was clear. National Treasury sought to expand market capitalisation, enhance liquidity on the Johannesburg Stock Exchange (JSE), and encourage foreign diversification via domestic investment channels. The South African Reserve Bank (SARB) supported these changes, recognising the benefits of daily reporting of ETF flows, which provides a more accurate picture of foreign investment activity than the quarterly reports required for traditional CIS funds.

Despite this structural advantage, ETF growth in South Africa was slower than expected. Several factors contributed: the dominance of active management in the local market, conservative adoption of index-tracking ETFs by asset managers and restrictive JSE listing rules that initially limited ETFs to passive strategies. As a result, the full potential of ETFs as a vehicle for investor diversification and market expansion remained untapped.

Breaking new ground with Actively Managed ETFs

A landmark change came at the end of 2022, when the JSE amended its listing rules to allow Actively Managed ETFs (AMETFs). For the first time, ETFs - whether actively managed or index-tracking - now operate on a level playing field. This shift opens the door for active fund managers to list portfolios that may include foreign assets, while still enjoying the favourable exchange control treatment historically reserved for ETFs.

This regulatory reform is significant for several reasons. First, it enhances investor choice, allowing retail and institutional investors access to a broader range of strategies that were previously unavailable. Second, it is expected to increase the number of ETF listings on the JSE, improving market liquidity and creating a more dynamic trading environment. Finally, it contributes to the financial ecosystem by generating onshore fee income from foreign investments, supporting local financial services while mitigating risks to South Africa's Balance of Payments.

The Impact on investors and markets

The introduction of AMETFs marks a turning point for South Africa's ETF market. Investors now have access to a wider variety of strategies, enabling better portfolio diversification and alignment with individual risk preferences. Retail investors, in particular, can participate in products that provide exposure to global markets without leaving the domestic financial system. For institutional investors, the availability of actively managed ETFs allows for greater flexibility in portfolio construction, risk management and performance optimisation.

From a market perspective, the expansion of ETFs supports increased capital inflows to the JSE, strengthens liquidity, and enhances the visibility of South Africa's financial markets to international investors. By fostering competition between passive and active products, the reform encourages innovation, drives efficiency and enhances the sophistication of the overall market.

Alignment with national objectives

These developments align closely with the original goals set by the National Treasury when it introduced preferential exchange control treatment for ETFs. By expanding access to foreign diversification through local investment vehicles, the reforms encourage higher savings rates and the accumulation of wealth within the South African economy. Crucially, this is achieved without negatively impacting the Balance of Payments, as all investments are denominated in rand and ultimately remain within the domestic financial system.

Looking ahead

As the market adapts to these changes, we can expect several positive outcomes:

- Broader adoption of ETFs across retail and institutional segments.
- Greater innovation in product offerings, with active strategies complementing existing index-tracking ETFs.
- Increased market participation, liquidity, and transparency on the JSE.
- Strengthened financial infrastructure that supports local fee generation and sustainable growth.

The growth of South Africa's ETF market demonstrates the power of well calibrated regulatory reforms to level the playing field, stimulate innovation, and create tangible benefits for investors. With exchange control barriers lifted and actively managed strategies now recognised alongside traditional index trackers, the market is poised to align more closely with global trends, offering investors new opportunities while reinforcing the strength and stability of South Africa's financial ecosystem.

The introduction of AMETFs and their favourable regulatory treatment is not just a technical adjustment; it is a catalyst for transformation. By enhancing investor choice, enabling access to foreign markets, and driving deeper market engagement, these reforms are helping to realise the full potential of South Africa's ETF market.

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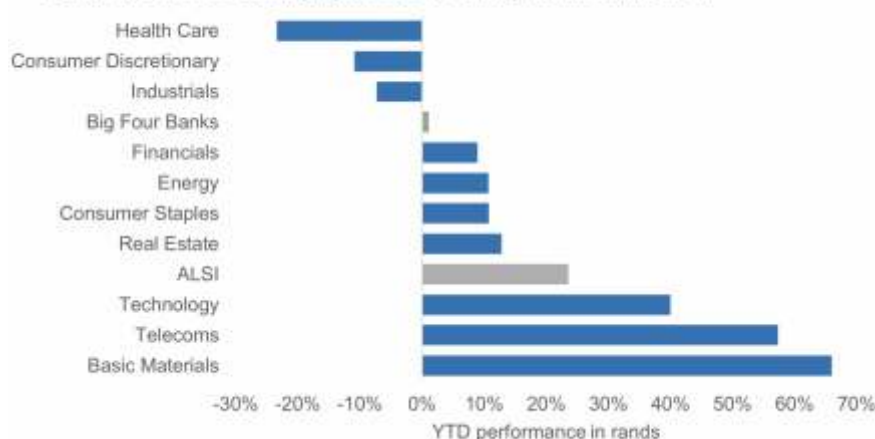
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Bargain hunting in SA equities

Emerging market (EM) portfolio inflows continue to recover, supported by a "Goldilocks" environment amid a shift in the Federal Reserve's policy stance. South African equities have benefited from improving risk appetite, recording a 24% increase year-to-date to outperform both EM (12%) and global (7%) equities when measured in rands. However, these strong returns have mostly been driven by companies in the resources sector. In contrast, the major South African banks, specifically the Big Four¹, have not kept pace with the market (Figure 1). Investor caution is evident, as reflected in the underweight of banking stocks² within domestic portfolios.

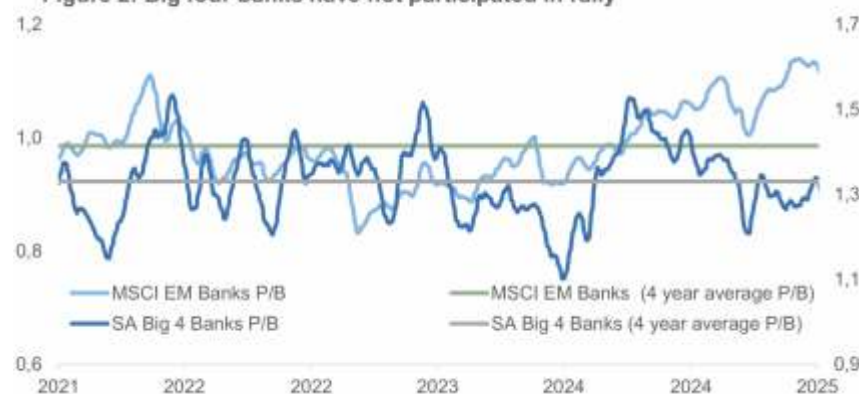
Figure 1: Leaders and laggards in SA equity market this year



Source: Factset, Terebinth Capital

The Big Four banks have also lagged the rally in bonds, with a 6% decline in the average price to book (P/B) ratio despite the 60bp fall in the 10-year bond yield and unchanged earnings expectations. The current average P/B ratios are similar to levels seen during the height of loadshedding and real wage pressures in 2023 (Figure 2). Furthermore, the Big Four banks have underperformed EM banks, with their P/B ratios at four-year lows, while EM banks' P/B ratios have risen by 7% this year. This divergence suggests that the Big Four banks are significantly undervalued.

Figure 2: Big four banks have not participated in rally



Source: Bloomberg, Terebinth Capital

Banking on growth, but disappointing so far

This derating has occurred alongside significant downgrades to SA's real GDP growth expectations (Figure 3). At the start of 2025, consensus expectations pointed to 1.7% growth, but this has since been revised downwards to only 1%. These downward revisions have amplified investor concerns about further downside risks to banks' earnings expectations.

¹ The Big Four banks in South Africa are Standard Bank, Absa, Nedbank, and FirstRand

² SBG Securities Unit Trust Review Q2 2025

Ann Sebastian
Head of Equities
Terebinth Capital

Figure 3: SA GDP Disappoints



Source: Bloomberg, Terebinth Capital

Despite a range of macroeconomic headwinds, including a stagnant job market, high credit costs, muted consumer sentiment and trade tariffs, the average earnings expectations for the Big Four banks have remained stable for 2025. Analysts continue to predict steady earnings per share (EPS) for the sector and have not lowered their expectations, although there may be some apprehension about potential upgrades due to previous disappointments in economic growth.

Encouragingly, insights from the recent reporting season point to a more positive bank earnings outlook. Management teams at the Big Four expect solid earnings growth for FY25, with average HEPS projected to increase by 8%. This points to stronger growth in the second half of FY25, underpinned by consumer resilience given monetary policy easing and limited loan defaults, reflecting a more favourable asset quality cycle. Another growth vector highlighted during the results season was revenue diversification across the rest of Africa, which contributed 34% and 41% to Absa's and Standard Bank's 1H25 earnings, respectively.

SA equities benefit from dollar unwind

Historically, a 5% decline in the US Dollar Index (DXY) has translated into a 20% boost in SA equity returns, on average, when measured dollars (Table 1), with all the major sectors (resources, financials, and industrials) benefiting. Given that the Big Four banks have significantly lagged the broader market, they could stand to gain more from the ongoing dollar unwind. From a positioning standpoint, many domestic asset allocators continue to prefer international assets, using their 45% offshore allowance³. A strengthening rand or a re-rating in local banks may force them to reconsider this strategy, which could further narrow the performance gap.

Table 1: SA equity market performance during prior US dollar down cycles

Start Date	End Date	# of Days	Broad USD			MSCI South Africa
			Start	End	Change	
21/03/03	13/06/03	82	101.4	95.5	-5.8%	9.2%
03/09/04	14/01/05	131	94.6	89.7	-5.2%	22.9%
17/08/07	23/11/07	96	85.6	81.1	-5.2%	26.7%
21/11/08	19/12/08	28	91.7	87.2	-5.0%	25.7%
06/03/09	12/06/09	96	93.3	85.9	-7.9%	57.4%
27/08/10	05/11/10	68	84.6	80.3	-5.2%	23.2%
17/12/10	29/04/11	132	82.2	77.2	-6.1%	8.3%
22/01/16	29/04/16	97	102	96.4	-5.5%	34.3%
05/05/17	08/09/17	123	101.7	95.5	-6.1%	8.2%
26/06/20	08/01/21	192	106.5	98.3	-7.7%	25.8%
Average		105			-6.0%	24.2%

Source: Bloomberg, Terebinth Capital

Balancing macro challenges with potential opportunity

It is fair to state that progress on domestic economic and policy reforms has not advanced as quickly as many had anticipated. However, there are some green shoots, particularly in the electricity and rail sectors, which are expected to deliver positive results in enhancing the overall economic environment. As these reforms advance, they may support the Big Four banks performance, potentially leading to a more favorable outlook for both investors and consumers alike.

Many investors remain cautious, preferring to wait for definitive evidence of a meaningful shift in growth, especially given numerous previous instances where such promises have failed to materialise. At the same time, several positive factors are at play including real wage growth, favorable terms of trade, and a weaker U.S. dollar. This adds to the optimism about an anticipated recovery. Given current valuations, the risk-reward balance appears attractive.

The evolving narrative around the Big Four banks highlights the delicate balance between macroeconomic challenges and emerging opportunities. This demonstrates the potential for growth if the right conditions are met and positions the banking sector as a focal point for investors watching the region.

³ SBG Securities South Africa Strategy Update Fund Manager Moves Q2 2025

Turning reclaims into returns: The fundamentals of cross-border withholding tax

As institutional investors increase exposure to global markets, withholding tax on cross-border income has become a material concern due to the magnitude of tax leakage. For pension funds, investment managers, and other asset owners, reclaiming this tax is a practical way to improve returns without altering investment strategy.

To navigate withholding tax on cross-border income effectively, institutional investors must understand the primary recovery mechanisms: double tax treaties, domestic exemptions, and legal precedent established in court cases ruled on by the European Court of Justice (ECJ).

Each offers a pathway to reduce tax leakage and improve investment returns, but a detailed technical understanding of these reclaim methodologies is essential to realise their full benefit.

What is withholding tax?

Withholding tax applies when an investor in one country earns dividend or interest income from a foreign entity and the source country withholds a portion of this income as a tax before payment. Since the investor's home country may also tax the same income, this often results in double taxation.

To recover overpaid tax, investors can generally follow one of three routes:

- Claiming relief under a double tax treaty
- Relying on domestic exemptions in the source country
- Using ECJ legal precedent to challenge discriminatory tax treatment

Each route has distinct criteria, time frames, and documentation requirements, often varying by jurisdiction. Pursuing recoveries are particularly important for South African pension funds due to their inability to obtain any relief from foreign withholding taxes through foreign tax credits on local returns.

Navigating double tax treaties

Double tax treaties are bilateral agreements that limit withholding tax on certain types of income. They are designed to prevent double taxation and promote cross-border investment by providing reduced rates for eligible investors.

For example, a South African investor receiving dividends from a Swiss company may face a 35% withholding tax. However, under the South Africa–Switzerland double tax treaty, the applicable rate may be reduced to 15%, allowing the investor to claim back the excess 20%.

Treaty-based reclaims are available to a wide range of investor types, including pension funds, asset managers, corporations, and non-profit organisations. A typical reclaim requires evidence of tax withheld and proof of eligibility, such as a certificate of tax residence.

While the principle behind double tax treaty relief is simple, execution is often not. Investors without the necessary expertise and processes may face delays, rejections, or missed reclaim opportunities.

Julia Bricker
Global Managing
Director
WTax

Accessing relief through domestic tax law

Many jurisdictions also provide withholding tax relief under their own laws, often targeting specific investor types such as pension funds or regulated funds.

For example:

- South African pension funds can take advantage of full exemption from Belgian withholding tax on dual listed securities
- These exemptions can offer significant financial benefit and are often based on the investor's legal status or public interest role, such as that of a pension fund. In many cases, pension funds are recognised in legislation as low-risk or tax-neutral entities and are therefore eligible for full or partial exemption.

Domestic exemptions are often more straightforward than treaty-based claims, as they follow statutory rules rather than bilateral agreements. As such, they can present a more predictable and efficient recovery route.

However, they still require detailed compliance with local documentation standards and tax authority processes. For pension funds, consistently leveraging domestic exemptions across jurisdictions can materially reduce tax leakage and improve fund returns on a recurring basis.

Leveraging European Court of Justice (ECJ) Rulings

Within the EU, investors may rely on ECJ case law where national tax treatment discriminates between resident and non-resident investors. The ECJ enforces EU law, including the principle of free movement of capital, and has ruled against several member states for withholding tax practices that violate this principle.

These legal precedents are often used to support reclaims where treaty or domestic exemptions are not applicable and can be relied upon by both EU and non-EU investors, provided the relevant conditions are met.

In some cases, they may also be applied in addition to a treaty-based claim, enabling investors to reduce withholding tax beyond the treaty rate — in some instances, down to 0%.

Incorporating tax recovery into long-term fund strategy

As cross-border allocations increase, recovering overpaid withholding tax is becoming a critical part of return optimisation. Institutional investors that fully leverage treaty benefits, domestic exemptions, and legal precedent are better positioned to minimise tax leakage and protect performance. Navigating these rules effectively can turn unrecovered tax into a consistent source of added value.



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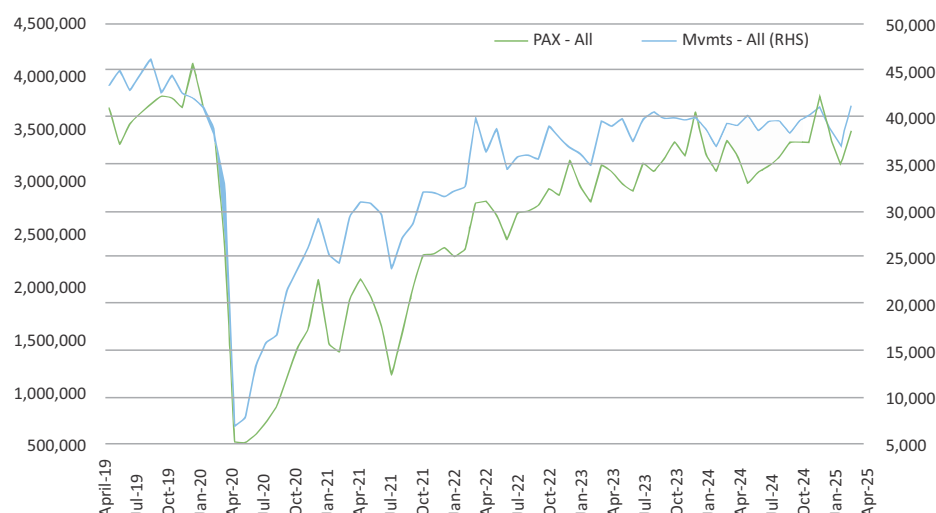
Turbulence ahead? Fasten your seat belts

In the state-owned enterprises (SOE) sector, it's hard to find entities that are financially sustainable and largely delivering on their service delivery mandate. The Airports Company South Africa SOC Limited (ACSA) is one candidate which has, in large part, been able to do that. It has not been a completely smooth ride though.

Going back to the late 2000s, ACSA, spurred on by the excitement surrounding the 2010 Soccer World Cup, embarked on an ambitious capital expenditure (capex) programme to upgrade airport infrastructure. This saw capex of R16.4bn being spent in the three year period ending March 2010, resulting in elevated debt levels to fund the spending. Borrowings peaked in the March 2013 financial year at just under R17bn – modest numbers compared to other larger problem SOEs but still resulting in a meaningful weakening of credit metrics for ACSA. Fortunately, a steady recovery followed as capex levels normalised, leading to borrowings declining to just over R6bn by March 2019. But then the Covid-19 pandemic arrived.

Covid-19 lockdowns bore a disproportionate impact on ACSA with traffic volumes declining by 78% in the first 12 months of the pandemic. The impact on ACSA was devastating, with the company recording a R2bn deficit in cash flows from operating activities. To shore up the finances, ACSA had to turn to borrowing, which resulted in increasing debt levels, peaking at R11bn in the March 2023 financial year. Although air traffic recovered swiftly as lockdowns were relaxed, there continues to be an under-performance compared to pre-Covid 19 volumes of around 5% (see figure 1).

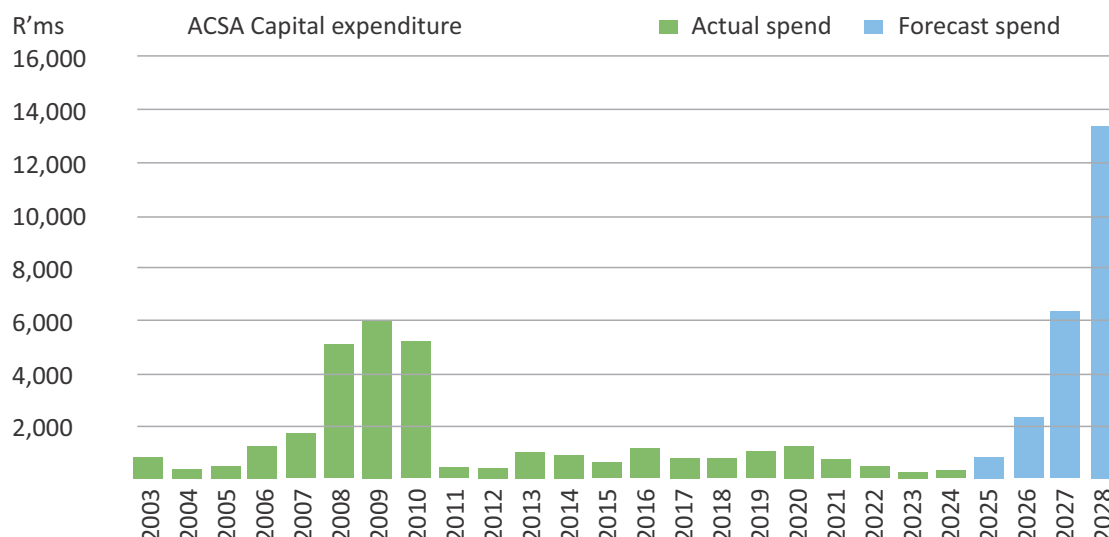
Despite this undershoot, ACSA has been able to recover to profitability, generating R1.45bn in profit before tax to March 2024, and R1.23bn in the nine months to December 2024. Debt levels have also reduced by R3bn, to R8bn. The debt maturity profile currently reflects manageable maturities in the next 3 years. However, just when things are looking good again, trouble lurks ahead.



Duncan Schwulst
Head of Credit Research
M&G Investments



ACSA is now looking to enter a new growth phase with significant capex projects in the pipeline. Capex, which has been in the order of R0.5bn per year in the last 3 years, is set to accelerate meaningfully, with R22bn to be spent over the next three years to March 2028 (see figure 2). Flagship projects will be focussed on the new R5.7bn Midfield Cargo Precinct phase 1 at OR Tambo International Airport (ORTIA), the R4.3bn redevelopment of Terminal 2 at Cape Town International Airport (CTIA), and the R1.5bn development of a new terminal in Gqeberha. Beyond this forecast period though, there is further capex to come. Major projects include the R15bn Midfield passenger terminal development at ORTIA with implementation between 2030 and 2034, and the new R6.1bn realigned runway project at CTIA to be implemented between 2028 and 2031.



As the capex ramps up, the spend will initially be funded from operating cash flow surpluses. However, in the 2028 financial year, the capex significantly exceeds the operating cash flow surpluses. As a result, ACSA will have to return to the debt markets to raise R10.5bn. This will see debt levels increasing significantly from R8bn to R18bn, exceeding the post-2010 Soccer World Cup peak. The impact of both additional depreciation on capex assets and interest on the additional borrowings will see a reduction in net profit levels forecast by ACSA of 33%. Balance sheet leverage levels is forecast by ACSA to deteriorate from 9% to 43% over the next three years ending March 2028. Earnings leverage levels is likewise expected by ACSA to deteriorate from 0.6x to 4.3x over the same period.

Our analysis suggests that ACSA's forecast credit metrics at March 2028 would indicate a material weakening of the standalone credit profile. Relative to the current profile, we see a 4-notch deterioration in the credit profile, with an indicative rating, based on March 2028 forecasts, of A+ (local scale). The further capex spend beyond March 2028, highlighted above, will put further downward pressure on the rating in the medium term.

Besides the significant capex spending and borrowing to come, we are also focussed on the pressure that the airline sector faces from the need to decarbonise. Airlines will have to navigate this in coming years, but it will also indirectly impact ACSA if airline volumes are affected. The largest emissions reductions are expected to come from the shift from kerosene-based jet fuel to Sustainable Aviation Fuels (SAF). As broader industrial adoption leads to increased SAF availability, ACSA will need to invest in additional infrastructure and storage facilities to cater for both SAF and traditional jet fuel. Amsterdam Schiphol, San Francisco International and Los Angeles International have already implemented blending programmes.

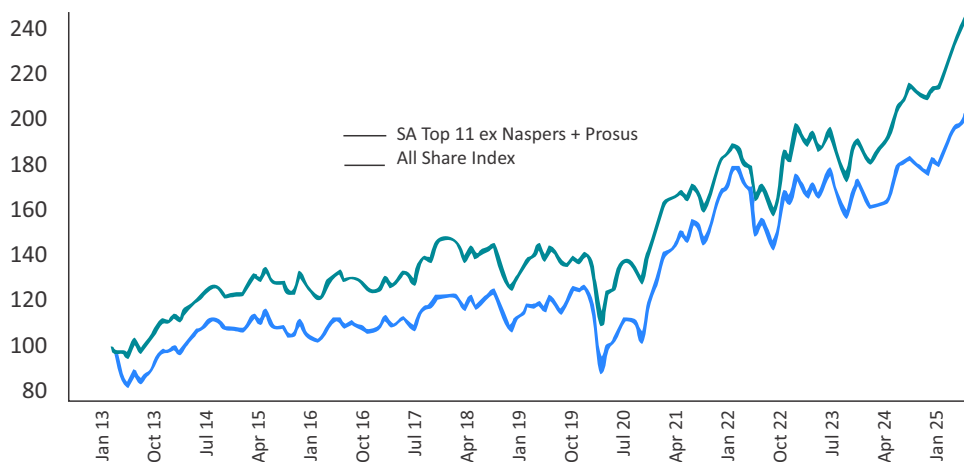
We have exposure to ACSA across our funds, the bulk of which is in the form of an inflation-linked bond (ILB), AIRL01, which matures in April 2028. The balance is a fixed rate bond maturing in May 2030. The AIRL01 represents the next significant debt maturity for ACSA, expected to amount to R2.5bn in April 2028. Although we do not see an imminent risk of a default for ACSA, given our concerns around the likely deteriorating credit profile, the refinance of the AIRL01 may prove challenging. We have thus taken the decision to reduce our credit limits for ACSA. Going forward, we will continue to monitor ACSA's traffic volume performance and the trajectory of capex in the short and medium term. For now, the captain has unfortunately turned on the 'fasten seat belts' sign.

Picking a winner: Prosus – a shortcut to the world's biggest Super-App



Nicole Agar
Portfolio Manager
Truffle

Over the past 12 years, Prosus has been a standout performer for South African investors. In fact, returns on the All-Share Index would be some 17% lower if Naspers and Prosus were excluded from the Index over this period. Despite its relatively complex corporate structure and limited local assets, Prosus has created immense value for South Africans by offering investors access to one of the most powerful technology ecosystems in the world: Tencent.



Source: IRESS, FactSet, SBG Securities Analysis. Data as at 31 July 2025.

From Tencent-Minus to Tencent-Plus

Prosus owns 23% of Tencent; however, the company's e-commerce portfolio - largely food delivery and classifieds - has been a drag on cash flows, relying on Tencent's profits and dividends to support loss-making businesses. Recently, a renewed focus on profitability and cash generation has shifted the narrative. With these e-commerce operations now free cash flow positive, Tencent's contribution is additive rather than subsidising, transforming Prosus from "Tencent-minus" to "Tencent-plus."

Tencent: The core growth engine

Tencent accounts for roughly 80% of Prosus' NAV. But, because Prosus trades at a 30% discount, investors can effectively access one of the world's top 20 largest companies by market cap and its unparalleled super-app ecosystem at a significant discount.

Tencent's reach is extraordinary. WeChat, developed by Tencent, is the world's largest Super-App, with 1.3 billion active daily users. What started out as an instant messaging platform (China's equivalent of WhatsApp) now underpins an ecosystem that spans messaging, social media, music, short-term video, payments, advertising, gaming, cloud and e-commerce. Given China's regulatory environment, this closed ecosystem effectively replicates the global suite of social media platforms within a single network, creating a moat of scale and exclusivity. Think WhatsApp, Instagram, Facebook, YouTube, Spotify, PayPal and little mini-Amazons, in one closed-loop ecosystem.

Additionally, Tencent is the world's leading games company in terms of revenue and the pioneer of mobile games. It owns many Blockbuster titles, either self-developed or through its global network of over 100 game studios. But the real reason for their gaming success is their enormous distribution platform in WeChat, where many of these mobile games are played.

Multiple levers of growth

Tencent's underlying business streams hold various growth levers which have the potential to drive sustainable profitability over the medium term. These include:

- **Under-monetisation:** Remarkably for its size, Tencent is under-monetised as it puts the user experience first. In gaming, its average revenue per paying user is 30% behind the industry level. In advertising, its ad loads on short-term video are one quarter of those of its Chinese competitors, whilst Moments (the Chinese equivalent of Instagram) has three adverts per day, as opposed to over 30 in the US!
- **The Chinese consumer:** Whilst the gaming business is relatively defensive, Tencent is cautiously expanding into e-commerce via mini-shops and leveraging Tenpay, its vast payments network, to compete with Alipay. A cyclical recovery in China's consumer sector could further accelerate this growth.
- **Artificial Intelligence:** Rather than spending heavy capex on data centres, Tencent is deploying AI internally to optimise advertising, enhance gaming experiences, and sharpen consumer insights across its 1.3 billion-user base. With China Tech holding its own with the likes of DeepSeek and rapid advancements in AI chip production, the ecosystem is well-positioned to scale innovation without dependency on Western suppliers.

A compelling investment case

Tencent, via Prosus, remains a compelling investment case offering:

- **A strong competitive moat:** 1.3 billion users within a closed ecosystem.
- **Earnings growth:** Forecast growth of ~15% per annum.
- **Compelling valuation:** Prosus trades at a 30% discount to NAV, and Tencent trades below many US tech valuations, with similar earnings growth.
- **Reduced risk:** Regulatory pressures in China have eased, and while US-China relations remain a risk, China is no longer alone in having to negotiate a new trade order with the US.

Prosus remains a high-conviction stock for South African investors. By owning Prosus, investors currently gain exposure to Tencent's vast, diversified ecosystem at a discount, underpinned by multiple under-monetised growth levers. From social media and gaming to payments and AI, Tencent's reach ensures Prosus is positioned to continue delivering long-term value.

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superior outcomes
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Again



and again



and again



and again.



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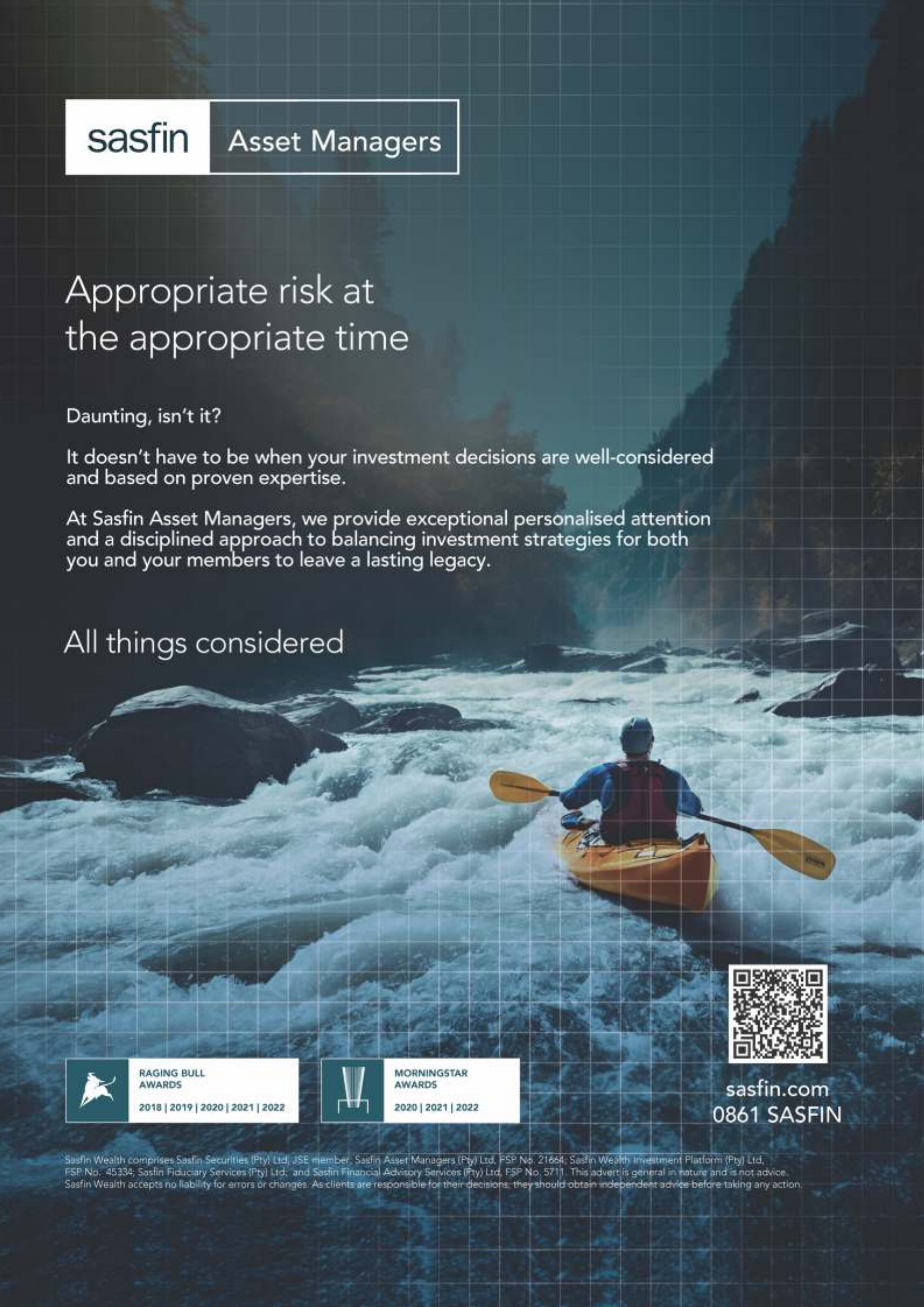
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A kayaker in a yellow kayak is seen from behind, navigating through white-water rapids in a river. The kayaker is wearing a blue helmet and a red life vest. The river is surrounded by dark, rocky cliffs. The overall tone is adventurous and challenging.

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Living annuities in divorce settlements: Actuaries provides guidance



Tommie Doubell

SNG ARGEN Actuarial Solutions
on behalf of the Retirement Matters Committee of the
Actuarial Society of South Africa

Living annuities have long posed a challenge in South African divorce proceedings. Unlike pension interests in retirement funds, which are clearly regulated under the Divorce Act and the Pension Funds Act, living annuities occupy a grey area - neither fully pension assets nor entirely personal investments.

Before delving into the modern context, it's crucial to understand the pre-existing issue: a living annuity is essentially an agreement with an insurer to pay an income stream (subject to drawdown limits) from an underlying investment portfolio. The capital underlying the living annuity policy legally vests in the insurer, not the annuitant, who only possesses the right to the future income stream.

Pre-Montanari: The legal ambiguity

Prior to the 2020 Supreme Court of Appeal (SCA) judgment in *Montanari v Montanari*, living annuities were generally excluded from the definition of “pension interest” under the Divorce Act. In 2016 the Johannesburg High Court ruled that living annuities should not be taken into account for the purposes of calculating the assets in divorce proceedings.

In this there was an obvious injustice that, during membership of a fund, the non-member spouse has a right to share in the pension interest. However, when a living annuity is purchased from an insurer at retirement, then that right ends. In this way assets could be hidden by purchasing a living annuity and then claiming that it does not form part of the accrual during marriage.

The Montanari Judgment: A turning point

The Montanari judgement fundamentally altered the landscape. The court held that although a living annuity is not a “pension interest” as defined in the Divorce Act, it is nonetheless an asset comprising the right of the annuitant to receive a future income stream generated by the investment, and forms part of their estate for accrual purposes.

Crucially, the judgment clarified that the value of the living annuity must be included in the calculation of the accrual, even though the annuitant does not own the underlying capital. The court reasoned that the annuitant has a contractual right to receive income from the annuity, and this right has a quantifiable value. This opened the door to treating living annuities as matrimonial assets, subject to division under the accrual system.

Valuation of living annuities

Unlike a retirement fund, which often has a clear fund value, a living annuity involves a stream of future income payments based on a notional capital held by the insurer. The annuitant cannot access the capital directly, nor can they transfer it. On death the remaining capital is distributed to the beneficiaries nominated by the annuitant, which will probably exclude the former spouse.

The valuation of a living annuity typically requires an actuarial calculation to determine the present value of the annuitant's right to receive the future annuity payments, taking into account the following:

- The current drawdown rate
- The underlying investment portfolio
- The annuitant's age and life expectancy
- Inflation assumptions
- Expected investment returns
- The tax rate of the annuitant

Stephen Walker, the Chair of the Retirement Matters Committee of the Actuarial Society of South Africa, stated that they are working with the Society's Damages Committee to provide guidelines to actuaries to perform such valuations. Actuaries have discretion to apply reasonable methods to perform such valuations.

Even though the future income stream is valued, the current value of the investment account should also be considered. It is advisable that the actuary show the sensitivity of the value to various drawdown rates which may be chosen by the annuitant, as well as the impact of tax.

While not legally mandated, actuarial input is highly advisable, especially in high-value divorces or where the living annuity is a significant portion of the estate.

Division at divorce

The valuation forms part of the annuitant's estate for accrual calculation, but the living annuity itself cannot be split directly. The non-member spouse's right to their portion of the accrual must be settled through the distribution of other assets in the estate (for example, cash, property or other investments).

Treatment on death

Living annuities also raise questions in the context of death. Upon the annuitant's death, the remaining capital is paid to nominated beneficiaries. If the divorce settlement includes a clause regarding the annuity, it's essential to update beneficiary nominations to reflect the agreement. Failure to do so can result in unintended consequences, such as an ex-spouse receiving benefits contrary to the divorce order.

In some cases, the divorce order may stipulate that the annuitant must nominate the former spouse as a beneficiary for a portion of the annuity. While legally permissible, this must be carefully drafted and coordinated with the insurer to ensure enforceability.

Conclusion

The Montanari judgment has brought much-needed clarity to the treatment of living annuities in divorce settlements, affirming their status as matrimonial assets in accrual calculations. However, their unique structure demands careful valuation and thoughtful legal drafting. Actuaries and financial advisors play a crucial role in ensuring fair and defensible outcomes. As living annuities become more prevalent in retirement planning, their treatment in divorce will remain a critical issue for practitioners across the pensions and legal industries.

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MIP

A SOCIAL SOLUTION IN A DIGITAL DIMENSION

AI is changing retirement planning as we speak:

Partner with those already leading the way

As a financial planner you can be certain that by the time your clients engage with you to structure their financial future, they have done the Artificial Intelligence (AI) platform round. Tools like ChatGPT, DeepSeek, Grok and Gemini would have been consulted to run accurate retirement calculations, compare fee structures and explore financial strategies. AI is fast transforming retirement planning in more ways than many realise. It is not only changing how clients access information, but also what they expect from financial planners or fund managers.

What clients are already doing and expecting

In today's digital age, clients no longer want to wait for information, complete endless forms, or navigate clunky processes.

Everything must happen at the click of a button: whether it is instant calculations on retirement sufficiency, checking fund balances or selecting options. Instant, intuitive and seamless is the norm.

AI is significantly impacting what financial planners can do. It enables real time access to data, smart digital forms and automated document certification, and even intelligent chatbots or virtual assistants.

There is no question that you must be ahead of the curve. In our practice, we have dedicated a team to AI innovation and using AI to enhance the overall value proposition.

Innovative ways to use AI in enhancing your retirement planning services

1. Train for consistency

You can't leave your individual team members to each learn AI their own way. We believe teams should run training sessions to get everyone on the same page on how to use AI platforms effectively. Suddenly you'll find AI examples will become the discussion point in the office, as natural learning, but in a structured manner.

Run this simple example:

A 42-year-old woman earning R500,000 annually and contributing a specific percentage towards retirement savings. How well off is she?

DeepSeek was the quickest with the most detailed

analysis: calculating the required growth rate based on key assumptions and expanding on the steps followed to reach different calculations such as the capital lump sum needed at retirement. It even "strongly recommended" the "client" books an appointment with a Certified Financial Planner as a next step.

Chantelle Pronk

RFP® Senior Independent Employee Benefit Specialist
Africorp Advisory

ChatGPT also provided a detailed answer but took 2 minutes and 3 seconds to respond. It shared information on the growth rate the “client” would need on her investment to compound and hit the required fund value at retirement.

2. Unregulated products in the highly regulated financial services environment

Currently AI is unregulated in South Africa – something both financial planners and clients need to understand. Organisations must operate under a strict set of rules and have an internal AI policy designed for efficient and ethical use.

The use of AI as an open source of information to all, comes with data security issues. No personal information should be fed into AI models. And we believe it important to have the highest security clearance possible from various of the large banks and other international groups. We do not see this as a burden – it is a necessity to know that your data is secure and survives penetration testing.

3. Our client consultation style is changing towards AI

During consultations we encourage clients to use AI models alongside our advice and to validate our calculations, for benchmarking and exploring different scenarios. They play around on their own anyway, so why not educate them and ensure they do not ask the wrong questions – which invariably gives the incorrect answers.

4. Build small usable AI applications

Our view is not to make a massive investment in technology where you do not know what it will achieve. Rather make many small investments creating a compounding effect - a concept any financial planner worth their salt can certainly relate to.

Technical foundations that matter

Regardless of your strategic belief about all these issues, AI is going to play a major role in all of them. And the value-add for planners and advisors lies in the way they go about conversing with it.

Successful AI use requires as a minimum, clever algorithms and a seamless connection between the user interface and the technology powering it:

- **Front-end development** defines how members and trustees interact with and experience the system. Dashboards, calculation tools and digital forecasting must be intuitive and useful.
- **Back-end architecture** refers to the underlying systems that run behind the scenes, responsible for securely storing, processing and retrieving data to ensure the smooth operation of the application.
- **AI engineering** is important for how decisions flow from data insights and turns it into actionable intelligence.

Over and above this, you need a product owner or full-stack engineer with a broad understanding of the entire technology stack, and works to design, test and implement software applications with the ease of the user's journey in mind.

Don't reinvent the AI wheel, start partnering for the future

The future of financial planning is being shaped today by the evolution of AI and smartly applying it to integrate everything from Employee Benefits and Wellness to Financial Planning.

It is a new way of thinking. As a firm, we have been on this road for some time. Yes, in a fast-changing world, we continue to learn every day, but we refuse to be complacent or settle for a limited understanding.

If you do not want to miss the opportunities AI offers, there is no need to reinvent the wheel. Partner with firms that are already ahead on the journey and ready to help you move forward.



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months of being away.

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Equities and endurance: The cornerstones for unlocking long-term investment success

Kim Deane
Investment Specialist
Coronation Fund Managers



The first half of 2025 was one of the more volatile periods in recent market history, reminding investors just how uncomfortable it can be to be invested in equity markets. And ironically, even rising markets don't always equate to rising investor confidence.

As a result, the discomfort associated with equity investing this past year may have kept some on the sidelines, seeking safety in bonds or cash. Another contributing factor may have been doubt in equities' ability to outperform the more conservative asset classes (called the equity risk premium).

From a financial planning perspective, the concern is that investors' long-term portfolios may be too conservatively positioned – an approach that is likely to result in future disappointment.

IF YOU WANT TO CREATE LONG-TERM WEALTH, YOU NEED TO BE A LONG-TERM PARTICIPANT IN THE EQUITY MARKET

Dipping into equities only when headlines calm down and retreating at the first signs of volatility is a problematic approach, resulting in value destruction over time. Ultimately, you end up buying high and selling low, the exact opposite of what investing intends to achieve.

Long-term real returns are more easily earned by disciplined, long term investors. This is because equity markets reward those who stay the course, rather than those who try to time the market or doubt its ability to outperform other asset classes in the long run.

The power of compounding through equities

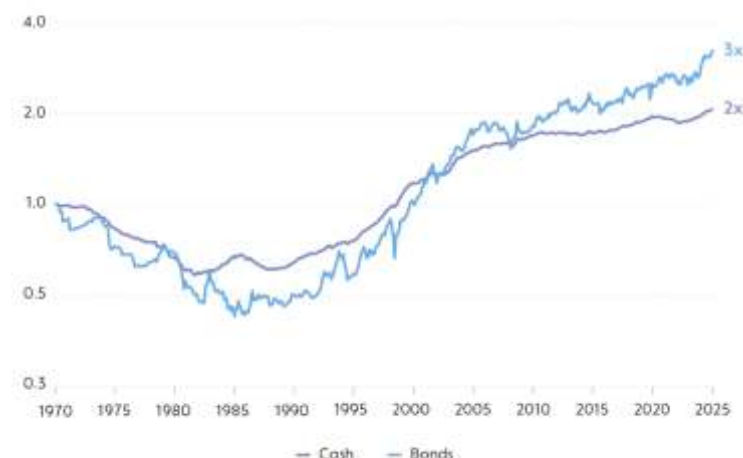
Consider the real returns delivered by bonds and cash since 1970 as illustrated in Figure 1 below. (While this may sound like a very long period, remember that it is not too different from the multi-decade horizon of the average investor who starts investing for his/her retirement at the age of 25 or 30 years.)

As is clear from the graph, bonds and cash managed to preserve and protect capital from inflation over the stipulated horizon. For every R1 invested in cash in 1970, your money is now worth R2 in real terms, whilst every R1 invested in bonds in 1970 is now worth R3 in real terms.

Figure 1

BONDS AND CASH PRESERVE AND PROTECT CAPITAL

Real returns since 1970



However, for those who want to meaningfully grow their real capital over time, the most efficient asset class is equities, both local and foreign. Higher average returns coupled with the power of compounding allowed equities to deliver 45 and 46 times the original capital invested (Figure 2), respectively – an extraordinary, retirement-changing outcome reserved only for those willing and able to remain invested.

Figure 2

EQUITIES ARE THE FOUNDATION FOR GROWING REAL CAPITAL

Real returns since 1970



BUT OUR BEHAVIOURAL BIASES MAKE IT HARD TO REMAIN INVESTED IN EQUITIES

The harsh reality is that investors often miss out on this wealth-creation opportunity shown above because of behavioural biases, including but not limited to:

- anchoring to past performance (of a fund or asset class or region),
- loss aversion, or
- preferring asset classes that produce stable returns (think of the lower volatility associated with cash and bonds) over asset classes with lumpy returns (think equities).

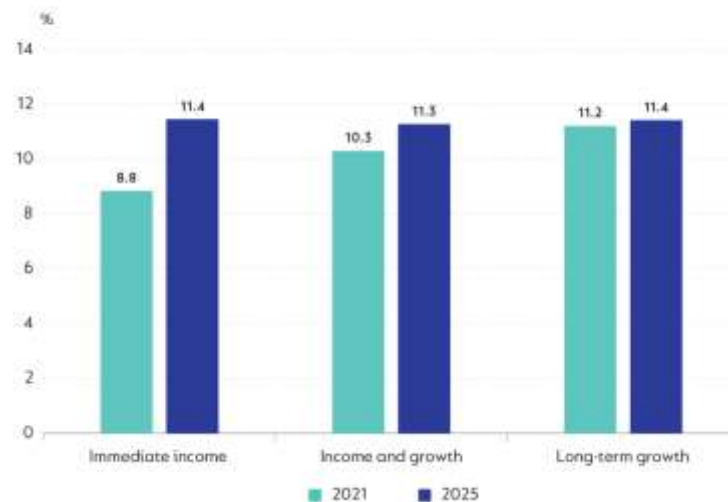
In the long run, this results in dire investment outcomes. And our 2025 investor survey once again showed a reversal in retail investors' belief in the equity risk premium (mentioned at the start). This year, survey participants expected, on average, only a

0.3% annual return premium from a long-term growth-oriented unit trust fund such as Coronation Balanced Plus (that can invest up to 75% in equities) when compared to an immediate income unit trust fund such as Coronation Strategic Income (where growth exposure is limited to 10%). This is a significant reduction in expectations when compared to the previous year's survey, where participants expected, on average, an annual return premium of 2%. This is a concerning signal if these projections are informing long-term investment decisions.

Figure 3

INVESTORS NO LONGER BELIEVE IN THE EQUITY RISK PREMIUM

Survey participants, on average, expect similar outcomes across all three needs categories in 2025 vs expecting a meaningful risk premium in 2021



Source: Coronation Annual Investor Survey 2025

A SHARED COMMITMENT TO BEING PATIENT

We understand the discomfort associated with investing in equities as an individual investor. But harnessing this force in wealth creation requires investors to have adequate exposure to equities throughout their investment journeys (both before and after retirement), and to give these assets enough time for the exponential power of compounding to take effect.

And there is certainly merit in supporting the equities of businesses that grow shareholder wealth over time, demonstrated by the exceptional value uplift produced by our long-term growth-oriented funds (those with an equity bias or holding only equities) with multi-decade track records.

PATIENT YET READY TO ACT

The most recent tariff-induced sell-off in April created another compelling opportunity for us to invest in what we believe to be high-quality, winning businesses: those with attractive economics, large addressable profit pools, excellent management teams that are not only good operators but also very good capital allocators, and importantly, businesses that are on the right side of technological change. As such, we remain constructive on the outlook for our domestic and global growth oriented funds.

However, investing with a long-term mindset does not imply complacency toward the elevated risks shaping the landscape for the second half of 2025. Volatility is expected to remain high, and as always, uncertainty is likely to cloud the global outlook.

That is precisely why we remain anchored in our clear, valuation-driven approach – guided by deep research resulting in fundamental conviction, rather than market sentiment – and our commitment to building portfolios on your behalf that are well diversified and invest in appropriate levels of equity needed to meet your respective long-term needs. In a world full of immense uncertainty, staying the course can be incredibly difficult. But our track record proves that consistent, long-term investment in equities through various cycles reward those who are willing to partner with us and invest for the long haul.



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LEGAL

ROUND-UP





The 30th Annual Pension Lawyers Association Conference Celebrating Three Decades of Legal Excellence

Dates:

Welcome Cocktail Party: Monday, 23 March 2026

Conference: Tuesday & Wednesday, 24 to 25 March 2026

Where: Sandton Convention Centre, Johannesburg

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In 2026, the Pension Lawyers Association proudly marks its 30th anniversary, a milestone that calls for reflection and forward-thinking dialogue. Join us for a landmark conference that promises to be:

- Thought-provoking and challenging
- Packed with expert legal insight and practical analysis from leading professionals
- Focused on pressing issues in the retirement fund industry

Confirmed Plenary Speakers

- Justice Leona Theron – Justice of the Constitutional Court
- Mr Unathi Kamlana – Commissioner, Financial Sector Conduct Authority (FSCA)

Full programme and speaker line-up to be announced soon.

Who should attend?

- Pension lawyers
- Attorneys & advocates
- Retirement fund board members
- Fund officers & consultants
- Actuaries & administrators
- All professionals with an interest in retirement law and governance

Enquiries

Kiméra Ramlall | Tel: 031 303 9852 | Email: kimera@confco.co.za

For more details visit: www.pensionlawyers.co.za

**Registration Opens
October 2025**

Retirement funds legal update

As the final quarter of 2025 unfolds, South Africa's retirement fund sector finds itself at a pivotal moment, shaped by sweeping legislative and regulatory reforms. In August, National Treasury released 2025 Draft Taxation Laws Amendment Bill (TLAB), for public comments which were due by 12 September 2025. At the same time, the Standing Committee on Finance in the National Assembly released the 2025 Draft Revenue Laws Amendment Bill (RLAB), for a last round of public comments.

Taxation Laws Amendment Bill 2025 (TLAB)

The key proposals affecting retirement funds:

1. Clarifying tax treatment of death benefits

To address inconsistencies in the 2024 Tax Laws, the draft bill confirms that lump sum death benefits from any retirement fund component will be taxed as retirement fund lump sums, not as ordinary income. This approach ensures that beneficiaries retain the flexibility to choose between receiving a lump sum or an annuity, while still benefiting from the preferential tax rates applicable under the retirement and death lump sum tax tables.

2. Savings withdrawal on membership termination

Members will now be allowed to withdraw their savings component balance upon termination of membership, even if:

- The amount is less than R2,000, or
- A savings withdrawal was already made in the same tax year.

This change enhances membership and simplifies fund administration.

3. Divorce awards under religious tenets

Following changes to the Pension Funds Act in 2024, the draft TLAB proposes aligning the Income Tax Act to accommodate religious divorce orders (for example, Muslim marriages). This will ensure consistent tax treatment for amounts allocated to former spouses under religious tenets.

4. Exemption for child maintenance payments

The TLAB seeks to reinstate the exemption for child maintenance payments made from after tax income, which was inadvertently removed in 2008. These payments will no longer be taxed in the hands of the recipient. Note: This does not affect maintenance payments made by retirement funds.

5. Cross-border retirement income

The draft proposes removing the exemption for foreign retirement income received by South African residents. Unless a double taxation agreement (DTA) applies, such income will now be taxable in South Africa, ensuring alignment with the residence-based tax system and preventing revenue loss.



Nancy Andrews
General Legal Counsel, Head of Legal
Discovery Corporate & Employee
Benefits and Discovery Invest

On 23 September, National Treasury held public consultations on the proposed retirement fund reforms. Most of the changes were well received by the industry. However, one proposal, the removal of the tax exemption for foreign retirement income received by South African residents sparked strong debate. Stakeholders raised concerns about the possible impact on the economy.

South Africa is a popular retirement destination for many expatriates who return with foreign pensions and spend them locally, contributing to the economy through everyday purchases and VAT. Removing the exemption could make South Africa less attractive for retirement, leading some expats to leave. This could reduce local spending and weaken the economic benefits the proposal is meant to support.

The effective dates for the proposed amendments vary, with some changes set to apply retrospectively from 1 September 2024 to align with the implementation of the two-pot retirement system.

Draft Revenue Laws Amendment Bill 2025 (RLAB)

The 2025 RLAB introduces targeted amendments to the Income Tax Act (ITA) and the Revenue Laws Amendment Act (RLAA) of 2024, primarily to support the implementation and refinement of the two-pot retirement system.

Key proposals include:

1. Seeding date clarification for provident funds

The Bill clarifies the calculation of the seeding amount for members of provident and provident preservation funds who were 55 or older on 1 March 2021. It introduces flexibility by allowing the seeding date to be either 31 August 2024 or the last day of the election month, as per fund rules. This aims to ensure consistency and certainty for both members and administrators.

2. Maintenance deductions alignment

Amendments to the definition of “member's interest” ensure that section 37D maintenance claims are applied proportionally across all three components of the two-pot system. This provides clarity and consistency in how maintenance deductions are handled alongside other statutory deductions.

3. Definition of retirement annuity fund

The Bill corrects the definition of “retirement annuity fund” to explicitly refer to the total member's interest, aligning the terminology with the objectives of the retirement reform and ensuring uniform application across fund types.

The Select Committee on Finance, having considered and examined the Revenue Laws Amendment Bill 2025, accepted the Bill. This means that we should see the RLAB 2025 promulgated very soon.

Conduct Standard 2 of 2025: For pension fund benefit administrators

The FSCA Conduct Standard 2 of 2025, which replaces Board Notice 24 of 2002, was officially published on 6 August 2025. While the Standard came into effect immediately upon publication, the FSCA has adopted a staggered implementation approach to ease the transition for pension fund benefit administrators. The Standard aims to enhance member protection and improve service delivery through:

- Fit and proper requirements for administrators and key personnel.
- Mandatory complaints management frameworks aligned with Treating Customers Fairly (TCF) principles.
- Stricter oversight of service level agreements and outsourcing arrangements.

Key transitional provisions:

- **Immediate effect:** Certain provisions, including governance obligations and complaints management frameworks, became effective on 6 August 2025.
- **Phased implementation:** Other requirements will be phased in over a 6 to 12-month period, allowing administrators time to adjust systems, policies, and procedures.
- **Repeal timeline:**
 - Paragraphs 5 to 13 of Board Notice 24 of 2002 were repealed immediately.
 - Paragraphs 1 to 4 and 14 are scheduled for repeal in August 2026, completing the full transition.

Relaxations to support transition:

To reduce the compliance burden, the FSCA has:

- Removed the R 3 million capital adequacy threshold.
- Relaxed certain auditing and assurance requirements.

These transitional arrangements reflect the FSCA's recognition of the operational and financial impact of the new Conduct Standard and its commitment to a fair and practical rollout.

Governance & cybersecurity update for retirement funds - Issued by the FSCA & Prudential Authority

The FSCA and Prudential Authority have issued Joint Communication 3 of 2025, outlining how financial institutions must report material IT and cyber incidents under Joint Standard 1 of 2023 and Joint Standard 2 of 2024. Retirement funds and benefit administrators are included in the list of financial institutions, who must report material IT and cyber incidents.

Included in the communication are the following:

- Draft Joint Notice: Sets out the form, manner and timelines for incident reporting.
- Reporting template (Excel):
 - Initial Notification – within 24 hours of identifying a material incident.
 - Follow-up Report – within 14 days with detailed impact analysis.
 - Final Report – submitted after full investigation (timing agreed with regulator).
- Comment template: For submitting feedback on the draft documents, which were due on 5 October 2025.

These standards aim to improve incident response, governance and resilience across the financial sector. Institutions must ensure internal systems are ready to comply with the new reporting framework.

Q4 2025 marks a transformative phase for South Africa's retirement fund industry with regulatory reforms gaining momentum and tax policy shifts on the horizon. Trustees, administrators and members must remain agile, informed and proactive. This update serves as a guide to navigating the evolving landscape and preparing for the challenges and opportunities ahead.



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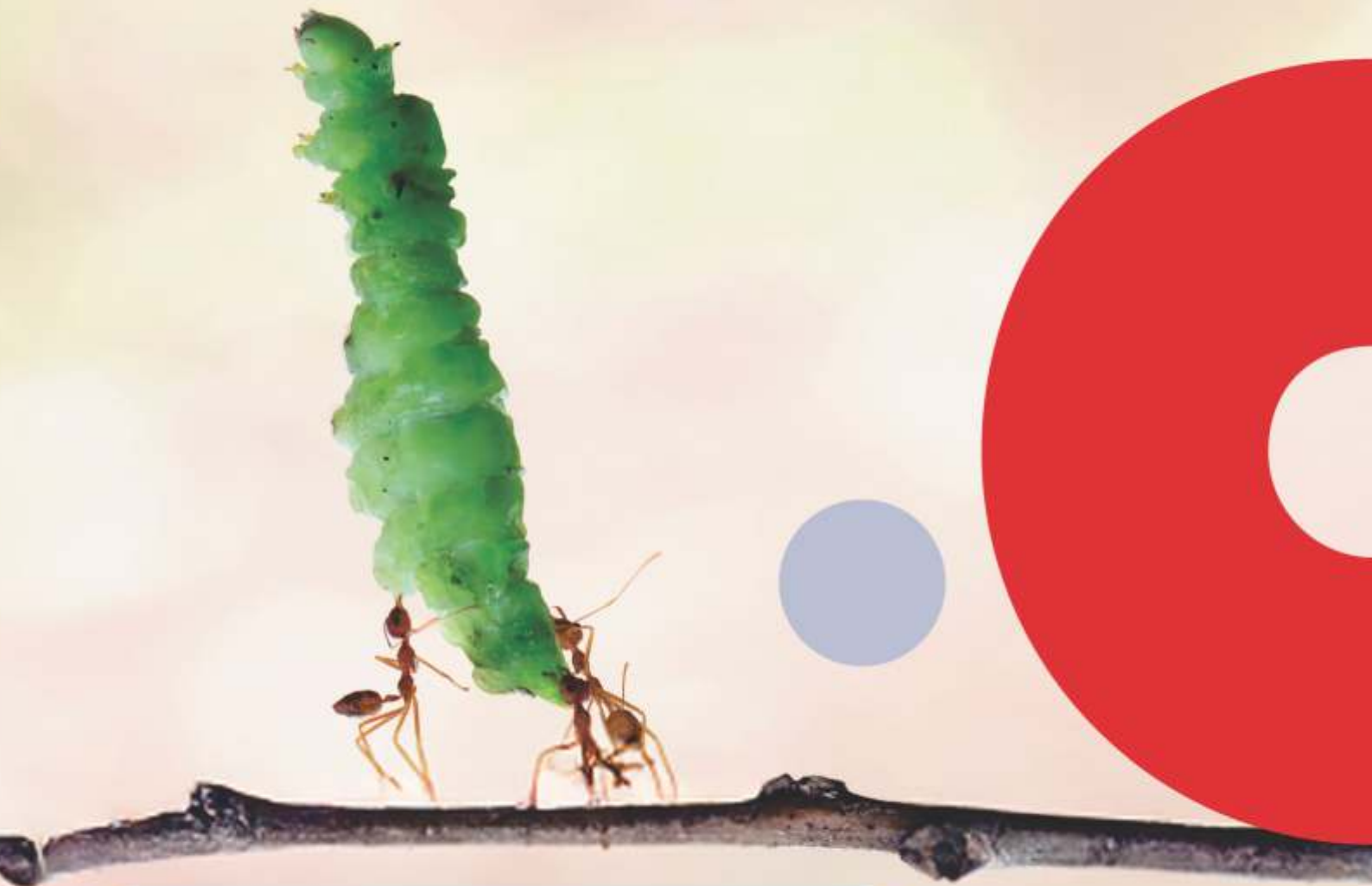
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UPDATE



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Advice meets your context

IRFA after 2025: From conference to continental impact



Geraldine Fowler
President
Institute of Retirement Funds Africa (IRFA)

The 2025 IRFA Annual Conference in August was a resounding success. Under the theme “Building Resilience: Leading Change for a Lasting and Positive Impact,” it brought together more than a thousand delegates from across Africa - trustees, regulators, fund managers, academics and practitioners - to reflect, exchange and chart a path forward in a period of intense change.

As we look back on that milestone gathering, it is timely to explore not only what was achieved, but how IRFA intends to translate momentum into action across Africa, anchored in South Africa's evolving retirement landscape.

A conference that cemented IRFA's continental role

From the outset, the conference intended to deliver more than sessions. It was a platform for shared purpose fostering collaboration across borders and equipping stakeholders with tools for resilience in the face of shifting member expectations, technological disruption and regulatory transformation.

Programmes covered three core pillars:

- Investing for economic and social impact, with case studies from Ghana, South Africa and other jurisdictions showing how retirement capital can support infrastructure and community development.
- Operational resilience, focusing on risk, business continuity, member communication and adapting to regulatory change.
- Institutional collaboration and governance, emphasising shared learning between African jurisdictions, policy alignment and strengthened governance across fund boards.

Speakers also tackled the implementation of the two-pot retirement system - sharing early lessons, administrative challenges, member behaviour and investment implications.

IRFA's strategic impact: From ideas to implementation

It is one thing to convene ideas; it is another to convert them into sustained impact. IRFA's contribution rests on several interlocking strands:

1. Policy advocacy and regulatory collaboration

IRFA continues to represent industry interests to regulators, governments and oversight bodies - in South Africa and increasingly across Africa. Through submissions, consultations and alignment dialogues, IRFA helps ensure that reforms are shaped by practice.

In South Africa, IRFA played a pivotal role in preparing the industry for the two-pot system, liaising with regulators and helping members anticipate the transition.

2. Strengthening governance and trustee capability

If confidence is to endure, boards and trustees must be equipped to act decisively and transparently. IRFA's continuous education programmes reinforce good practice - promoting ethical decision making, member communication and risk oversight.

The IRFA aims to deepen southern-to-northern peer mentorship: seasoned South African trustees supporting counterparts in other African nations, and vice versa, in governance challenges unique to local contexts.

3. Facilitating cross-jurisdiction learning and innovation

The 2025 conference programme intentionally included comparative case studies - from Ghana's infrastructure fund to UK auto-enrolment models - so that fund managers and trustees could reflect on what might translate locally.

Post-conference, the work continues: IRFA will host regional forums and webinars to allow deeper dives in country groups, enabling adaptation of ideas rather than mere adoption.

4. Recognising excellence and spreading role models

Through IRFA's Best Practices Awards, excellence is showcased and encouraged.

South Africa as both anchor and launchpad

South Africa remains a core laboratory for IRFA's ambitions. The country's regulatory evolution, the two-pot system's rollout and strong institutional infrastructure provide fertile ground for experimentation and learning. IRFA is committed to monitoring outcomes in this space and ensuring lessons are documented and adapted for others.

Moreover, with its advanced capital markets and innovative capacity, South Africa can incubate ESG, infrastructure and blended finance applications that, with adaptation, can scale regionally. IRFA will help broker those pipelines by connecting funds, governments and project sponsors across borders.

Vision: IRFA's next frontier of impact

As we build on the success of the 2025 conference, IRFA's ambition must deepen. Our focus will sharpen on:

- Impact metrics beyond returns: Introducing standardised metrics to measure social, environmental and inclusion outcomes in retirement funds.
- Micropensions and informal sector inclusion: Working with national authorities, fintechs and community institutions to scale retirement access in gig economies and informal sectors.
- Green and just transition investing: Helping funds channel capital toward climate resilience, sustainable infrastructure and just energy projects.
- Pan-African institutional partnerships: Strengthening cooperation with pension associations in East, West, Central Africa - and with multilateral institutions.
- Leadership development across Africa: Fostering a pipeline of diverse trustees and industry leaders who can lead with purpose in their home jurisdictions.

From conference to collective momentum

The 2025 conference was a catalyst. The ideas and connections generated must now be translated into sustained programs across national boundaries.

IRFA stands ready to lead and to partner. But real impact will depend on action by funds, regulators, trustees and members in every country. Let's commit to turning the promise of resilience into tangible progress - so that the retirement systems of Africa not only endure, but uplift.



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The Mutsila Judgment and its impact on trustees' duties when allocating death benefits

Section 37C investigations remain one of the onerous duties for trustees to navigate. The Constitutional Court's ruling in *Mutsila v Municipal Gratuity Fund and Others* [2025] ZACC 17 provides much needed guidance and clarity on the application of section 37C and highlights the responsibilities trustees must fulfill when allocating death benefits.

Background

Ms Mutsila, who was married to the deceased and the mother of five of his children, approached the Constitutional Court to challenge the Supreme Court of Appeal's decision to uphold the inclusion of Ms Masete and her two children in the allocation of the death benefit by the fund. Ms Masete claimed to be a customary spouse of the deceased and that she and her children were financially dependent on him. She was a beneficiary on the deceased's funeral policy and indicated that the deceased made regular payments into her bank account.

Ms Mutsila objected to the fund's decision and commissioned a private investigator, who uncovered that Ms Masete was customarily married to another man, with whom she shared the two children; there were ongoing custody proceedings in that regard, which cast doubt on Ms Masete's claims of the children being dependent on the deceased.

At the stage when Ms Mutsila's complaint was with the Adjudicator, the fund requested permission to file a response after the conclusion of the custody proceedings. However, the Adjudicator issued a determination setting aside the fund's decision and held that the fund had failed to conduct a proper investigation before allocating the death benefit. The fund, dissatisfied with the Adjudicator's ruling, applied to the High Court in terms of section 30P. The High Court upheld the decision, prompting the fund to approach the Full Court, which found that the fund had allocated the death benefits without properly identifying dependants.

On appeal to the Supreme Court of Appeal, the fund argued that it was denied the right to respond, which violated the audi alteram partem principle (hear the other side). The SCA upheld the appeal and found that the Adjudicator had failed to observe procedural fairness.

In its judgment, the Constitutional Court addressed several questions and examined key legal principles.

Did the fund properly exercise its discretion?

The Court clarified that in terms of section 37C, the fund's discretion is limited to identifying factual dependants (legal dependency is by operation of law) and to allocating and distributing benefits accordingly.



Nondumiso Ntshangase
Senior Legal Advisor
Office of the Pension Funds Adjudicator

It outlined three key stages in this process:

- The board must “actively” trace and assess potential dependants' degree of dependency.
- Make an equitable allocation of the death benefit. Dependants are entitled only to consideration, not automatic benefit.
- Decide how to effect payment. (For example, the fund could decide to pay a minor beneficiary's benefit to a beneficiary fund instead of the child's guardian.)

The Court held that while the fund's discretion is wide, it is heavily dependent on the factual circumstances of each case. This discretion must be exercised in a judicially compliant manner. Furthermore, the board's decision may only be reviewed if the discretion was exercised unreasonably or improperly.

In this case, the fund relied solely on Ms Masete's assertions without verifying her claims. No evidence was provided to show that the deceased supported her children. The fund initially treated her and the children as legal dependants, and they were only reclassified as factual dependants after doubts emerged about the marriage and paternity.

This highlights trustees' duty to independently verify claims and not passively accept information from beneficiaries. Classification as a factual dependant must be backed by proof of actual dependency. If the fund accepts information without verification, it is unlikely to meet the standard of judicial compliance envisaged in the judgment.

At which stage must dependency be determined?

The Court stated that this question must be considered in light of the purpose of section 37C, to protect dependants and ensure that no dependants are left without support. The objective facts in respect of determining who was factually dependent must have existed at the time of the member's death.

The Court set a twofold test for factual dependants: the person must have needed support from the member, and the member must have regularly provided it. However, this does not apply to the spouse and children, whose dependency is presumed by law.

The Court held that a change in circumstances after the member's death does not affect a person's status as a dependant, although it may influence the equitable distribution of benefits. The Supreme Court of Appeal's interpretation in *Fundsatwork Umbrella Pension Fund v Guarnieri* could result in an untenable situation where new dependants are introduced, individuals who were neither legally nor factually dependent on the deceased at the time of death.

Dependency must be proven based on historical support, not at the time of distribution.

As dependants are required to produce proof of dependency, trustees must note that any delay in initiating investigations can jeopardise the dependant's ability to provide proof. If investigations are delayed, crucial evidence that existed at the time of the member's death may be lost, which may place factual dependants at a serious disadvantage.

When must the person be a “beneficiary”?

The Court held that there is no basis to conclude that someone must still be a beneficiary at the time the distribution is made, as indicated in “*Guarnieri*”. A dependant's status is fixed at the time of death and does not change. While circumstances may shift, such as financial gains or death, these affect the allocation, not the status.

In practice, such individuals remain dependants, though their share may be reduced or nil.

An order of substitution

The Court held that it can only grant an order for substitution in exceptional circumstances. The matter was referred to the fund to avoid further delays and costs.

In conclusion

The judgment does not change the law but clarifies how it should be applied.



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A Trust for transformation: Advancing FPI's vision through impactful action

In today's financial planning profession, transformation is essential. The FPI Education & Training Fund Trust is positioned as a catalyst for meaningful change.

The Trust, launched on 4 September 2025 in Johannesburg, exemplifies the Financial Planning Institute's ongoing dedication to inclusion, accessibility and professional standards. While its long term impact continues to develop, the Trust's purpose is clear: expanding pathways into financial planning and empowering future professionals across South Africa.

Structured approach to transformation

Addressing ongoing calls for transformation within the financial planning profession, the Trust bridges aspiration and implementation. As an independent legal entity governed by external trustees, the FPI Education & Training Fund Trust is dedicated to broadening access to education and professional credentialing opportunities.

Its scope encompasses:

- Bursaries and internships for eligible students
- Support for work-integrated learning (WIL)
- Assistance for mid-career professionals who require financial support to pursue designations such as the CFP®
- Development programmes targeting structural inequalities

Donors benefit from Section 18A tax certificates, offering both social and fiscal incentives for supporting the Trust.

Foundation and leadership

The inception of the Trust was informed by the strategic vision of former FPI leaders, including Prem Govender, Sankie Morata, Navin Ramparsad and Kirsty Scully, each recognising that sustainable transformation requires more than commitments; it demands robust, long term infrastructure.

Guided by its independent trustees, the Trust has moved beyond conceptualisation to become an active agent for change. While it operates independently from the FPI Board, the Board remains a strong advocate of its mission, with the Trust's establishment forming an integral component of FPI's approved Diversity and Inclusion strategy. According to FPI Board Chairperson Olwethu Masanabo, CFP®, the Trust represents “a promise to the next generation of financial planners and to the communities they will one day serve.”

Evaluating Impact

Although awarding bursaries is significant, FPI adopts a comprehensive approach to assessing impact. Key metrics include:

- Completion rates of educational programmes
- Attainment of designations such as the CFP® professional designation
- Placement and community engagement outcomes for beneficiaries
- Documented cases of personal and professional development

Plans are in place for regular public reporting to uphold transparency and accountability while maintaining a focus on meaningful progress.



Lelané Bezuidenhout CFP®
CEO
Financial Planning Institute of
Southern Africa (FPI)

Momentum and sector engagement

Following its launch, the Trust has received positive feedback from corporate stakeholders and members, many of whom have expressed interest in long term collaboration. Media coverage on platforms such as Blue Chip, FAnews and Citywire has further raised awareness of sector challenges and solutions.

The Trust's objectives align with broader national priorities for transformation in financial services, promoting professional development grounded in principles of equity and sustainability.

Addressing challenges

Despite a well-defined mandate, the Trust encounters practical challenges:

- Sustaining funding beyond initial launch phases
- Creating equitable and unbiased selection processes
- Reaching underrepresented rural and township communities
- Providing comprehensive support, including mentorship, training, and career integration

FPI regards these challenges as integral to the Trust's mission. Proactive efforts to address them will ensure the Trust's enduring impact.

Invitation to collaborate

For professionals in retirement, pensions and financial services, the Trust offers a unique opportunity to contribute to shaping the future of the profession. It serves to democratise access to financial planning

education and cultivate a workforce reflective of South Africa's diversity.

All stakeholders - corporate entities, advisory practices, individual professionals, and training providers - are encouraged to participate. Donations can be made online at www.fpi.co.za with all contributions acknowledged via 18A tax certificates or by scanning the QR code below:



Progress in motion

The process of transformation is underway. True impact extends beyond symbolic achievements; it entails altering the demographic composition of the profession, replacing exclusion with opportunity, and fostering a sector where every capable South African can pursue a career in financial planning.

With collective support, the FPI Education & Training Fund Trust is poised to drive lasting and effective change.

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Trustee Tutor 24:

Impact investing

Everyone is talking about impact investing right now and the opportunity it represents for institutional investors like retirement funds. This issue of Trustee Tutor explores what impact investing is, what it isn't and what the difference is between impact investing, ESG investing and responsible investing.

Let's start at the beginning: What is impact investing?

Impact investing is an investment approach aimed at generating positive, measurable social or environmental impact alongside a financial return. It intentionally targets sectors or companies that address specific societal challenges, such as clean energy, affordable housing, healthcare and education, while delivering competitive financial returns.

Impact investing is a way of putting money into companies or projects with the goal of making a positive difference in the world (improving society or protecting the environment) while also aiming to earn financial returns. It is about using investments to create both good social or environmental outcomes and financial gain at the same time, rather than just focusing on profits alone.

This approach intentionally supports businesses or causes that help communities, promote sustainability or solve important challenges, all while expecting some level of financial reward from the investment.

Unlike traditional investing, which primarily focuses on financial gain, or philanthropy that donates funds without expecting returns, impact investing seeks a dual objective of impact plus profit.

What is the difference between impact investing and ESG investing?

While impact investing and ESG (Environmental, Social and Governance) investing are related and often conflated, they differ fundamentally in approach and intent:



- **Impact investing** prioritises investments deliberately made with measurable, positive social or environmental outcomes alongside financial returns. It requires active measurement and reporting of impact metrics, targeting sectors or initiatives that address clear societal problems.



- **ESG investing** integrates environmental, social and governance factors into traditional financial analysis to identify risks and opportunities. Its primary aim is to improve risk-adjusted financial performance by investing in companies with strong ESG practices, rather than directly targeting impact.

ESG investing functions as an overlay within investment analysis ensuring companies have sustainable business practices, whereas impact investing drives capital toward specific impact goals with intentionality and accountability for those outcomes.

Both strategies align with responsible investing values and long term sustainability but differ in methodology and emphasis: ESG focuses on risk mitigation and responsible governance; impact investing on creating demonstrable positive change.

And while we're clarifying the definitions, **Socially Responsible Investing (SRI)** primarily involves choosing investments based on ethical criteria, and avoiding companies or industries that cause harm (negative screening). It is more about aligning investments with personal or societal values by excluding harmful sectors, for example alcohol, tobacco and weapons, while still aiming for competitive financial returns.



Impact investing ... What's happening globally?

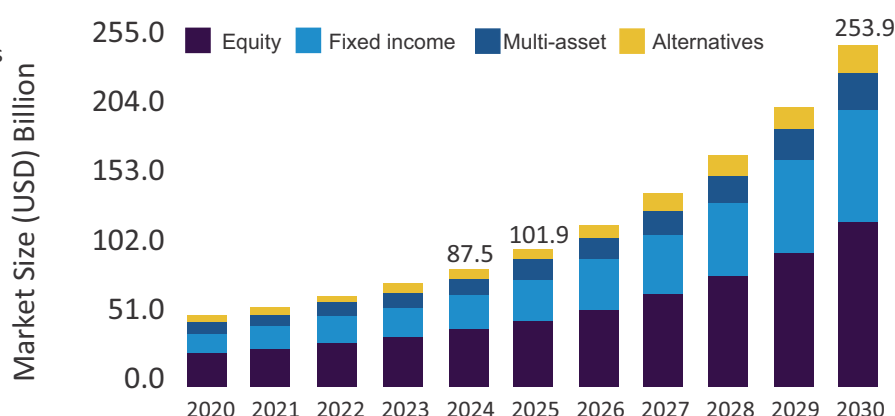
Globally, impact investing has grown rapidly, stimulated by growing awareness of social and environmental crises, such as climate change, poverty and inequality. Institutional investors, including retirement funds, are increasingly allocating capital to impact opportunities in both emerging and developed markets. The Global Impact Investing Network (GIIN) reports a rising trend toward risk adjusted market rate returns within impact strategies, highlighting investor confidence that impact does not require financial sacrifice.

Examples include funds investing in renewable energy infrastructure, social enterprises improving healthcare access or microfinance ventures empowering low income entrepreneurs. The sector's growth aligns with global agendas like the United Nations Sustainable Development Goals (SDGs), which provide a shared blueprint for impact priorities worldwide.

The global impact investing market size was estimated at USD 87.53 billion in 2024 and is projected to reach USD 253.95 billion by 2030, growing at a compound annual growth rate (CAGR) of 20.0% from 2025 to 2030.

Impact Investing Market

Size, by Asset Class, 2020 - 2030 (USD Billion)



Source: Grand View Research

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One of the main drivers is the increasing demand from investors to align their investments with their values and positively impact society and the environment. Investors are becoming more aware of our social and environmental challenges, and seeking investment opportunities to address these issues while generating financial returns.

Another driver for the growth of the impact investing industry is the growing recognition of the potential for financial returns from investments that create positive social and environmental outcomes. Impact investments are no longer seen as a trade-off between financial returns and impact but rather as an opportunity to achieve both. More evidence emerges of successful impact investment strategies and the financial performance of impact funds. As a result, investors are becoming more confident in allocating their capital to these opportunities.

So we know that globally the impact investing market will grow by around 20% per year over the next 5 years. What about locally, in South Africa?

Impact investing in South Africa – the opportunity

Locally, impact investing has gained momentum as a way to tackle entrenched socio-economic challenges such as poverty, unemployment, inequality and environmental concerns.

South Africa's key impact needs reflect its socio-economic realities:

Poverty alleviation and economic empowerment: High unemployment and inequality drive the need for initiatives that create jobs, support entrepreneurship and improve skills development.

Access to quality healthcare and education: Addressing disparities in service delivery is critical for social inclusion and improved human capital.

Affordable and sustainable housing: Many South Africans lack safe, affordable homes, creating demand for innovative housing finance and development solutions.

Clean and renewable energy: Energy access and sustainability are urgent for environmental protection and economic participation.

Environmental conservation: Biodiversity, land restoration and climate change mitigation require investment to preserve natural resources and livelihoods.

Support for marginalised groups: Women, youth and rural communities need targeted programs to overcome historic exclusion and fuel broader social progress.

And the country's well established retirement fund industry, managing assets of nearly R6 trillion, represents a significant untapped opportunity to channel capital toward sustainable development and social upliftment.

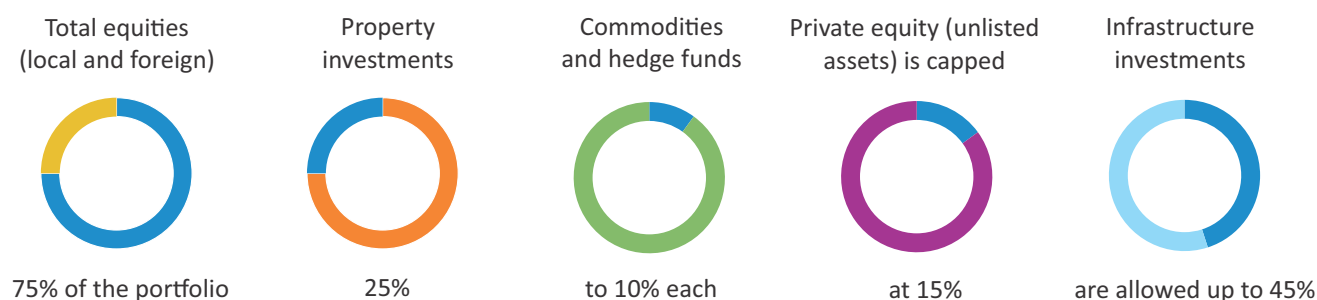
The need

South Africa needs substantial infrastructure investments to close its development gap and support economic growth. The country aims to increase its Gross Fixed Capital Formation (GFCF) from the current 15.6% to 30% of GDP by 2030. This translates to an additional investment need of approximately \$85.2 billion over the next six years, on top of the private sector's current investment of around \$27.6 billion (2023 figures). The government is also committed to investing more than R940 billion over the next three years in infrastructure projects, focusing on energy, transport, water, sanitation, digital infrastructure and social facilities, with strong emphasis on public-private partnerships to mobilise private capital.

What does the law allow? Regulation 28 limits on impact investing in South Africa

South African retirement funds are governed by Regulation 28 of the Pension Funds Act, which prescribes prudent asset allocation limits to protect members' interests by ensuring diversified, risk appropriate investment portfolios.

Regulation 28 currently limits allocations such as:



Regulation 28 does not impose a specific limit on "impact investments". These are typically accommodated within the broader asset classes of alternatives, infrastructure and unlisted assets (provided they meet the criteria for those asset classes).

That's not to say that you can't find impact investments in the listed space. There are emerging opportunities to integrate impact within listed equities - sectors like infrastructure, energy, technology and advanced manufacturing are particularly attractive for impact driven investments.

Regulation 28 treats ESG integration and explicit impact mandates as distinct but complementary approaches within retirement fund investment decision making:

- Regulation 28 requires retirement funds to incorporate environmental, social and governance (ESG) factors systematically into their investment analysis and decisions. This means considering ESG risks and opportunities as part of prudent investing to protect the long term sustainable performance of the fund's assets. ESG integration is seen as part of good risk management and as a fiduciary duty, ensuring factors like climate risk, governance and social impacts are factored into the decision process without necessarily targeting explicit social/environmental outcomes.
- Explicit impact mandates, on the other hand, involve actively seeking investments with intentional and measurable social or environmental impact objectives alongside financial returns. This is more focused on funding projects or businesses that directly contribute to sustainability goals or positive societal change, such as infrastructure or private equity investments aligned with impact investing principles. Regulation 28 allows for such impact-focused investments within prescribed asset class limits, offering trustees the ability to pursue explicit impact within a regulated framework.

In summary, Regulation 28 mandates ESG integration as a risk and value consideration embedded in all investment decisions, while explicit impact mandates are more targeted investments designed to create intentional social/environmental benefits and are governed by specific asset allocation rules.

Why would retirement fund trustees want to invest in impact investments?

There are many compelling reasons for retirement fund trustees to incorporate impact investments into their fund's investment strategy:

- **Alignment with trustee fiduciary duties:** Modern fiduciary standards increasingly recognise that generating sustainable financial returns includes considering long term environmental and social factors that affect economic stability.
- **Dual value creation:** Impact investments satisfy the mandate to generate competitive returns while addressing pressing societal problems affecting beneficiaries and broader communities.

- **Risk mitigation:** Many impact investments focus on sectors crucial to future economic resilience (like, renewable energy, healthcare), reducing portfolio vulnerability to environmental or social shocks.
- **Member demand:** Retirement fund members increasingly value responsible investing and desire their retirement savings to contribute to sustainable development and social justice.
- **Regulatory and market trends:** Global standards and frameworks incentivise incorporating impact, positioning funds for future regulatory compliance and enhancing reputation.
- **Economic development:** By investing in South African impact projects, funds help create jobs, enhance economic inclusion and contribute to social stability, all conducive to long term national growth that underpins retirement security.

Not to alarm you but ...

There has been a global rise in legal actions against pension funds regarding their handling of ESG and impact investing. In the United States, several lawsuits have challenged funds for either overly focusing on ESG goals at the expense of financial returns or failing to clearly disclose their ESG and sustainability policies. Meanwhile, in Europe and Australia, litigation often targets pension funds for lack of transparency or insufficient ambition in ESG investing. This trend reflects increasing pressure from members, regulators and activists demanding accountability in how retirement funds address sustainable and impact investing.

How, then, can retirement funds access these impact investments?

South African impact investing spans unlisted assets like private equity and infrastructure focused on energy, healthcare, education and affordable housing projects, as well.

Impact investments can be accessed through different portfolio structures, including:

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- **Direct investments:** Trustees or funds invest directly into impact enterprises, projects or funds, often unlisted private equity or infrastructure deals requiring hands-on management.
- **Impact funds:** Specialised pooled funds targeting sectors like renewable energy, affordable housing or social enterprises providing diversified exposure and professional oversight.
- **Listed impact equities:** Investments in public companies committed to measurable positive impact, increasingly available through ESG-integrated equity funds.
- **Fixed income impact bonds:** Instruments such as green bonds or social bonds funding specific sustainable projects with fixed returns.
- **Blended finance portfolios:** Structures combining philanthropic grants, concessional capital and commercial investment to mitigate risk and amplify impact.
- **Thematic portfolios:** Focus on key SDG-aligned themes for targeted impact (like climate resilience or gender equity).

The 2030 Agenda for Sustainable Development, adopted by all United Nations members in 2015, created 17 world Sustainable Development Goals (SDGs). The aim of these global goals is "peace and prosperity for people and the planet" – while tackling climate change and working to preserve oceans and forests.

South African trustees typically have greater access to unlisted funds and direct deals within regulation constraints, but as already mentioned, listed impact opportunities are growing.

Why would retirement fund trustees want to invest in impact investments?

There are many compelling reasons for retirement fund trustees to incorporate impact investments into their fund's investment strategy:

It's not just about having enough saved to retire comfortably. It's also about the kind of world members want to retire into.

- **Alignment with trustee fiduciary duties:** Modern fiduciary standards increasingly recognise that generating sustainable financial returns includes considering long term environmental and social factors that affect economic stability.
- **Dual value creation:** Impact investments satisfy the mandate to generate competitive returns while addressing

Criteria for making impact investments

When evaluating impact investments, trustees and investors should consider these criteria:

- **Intentionality:** Clear, explicit intent to generate positive social or environmental impact alongside financial return.
- **Measurability:** Ability to identify and track relevant metrics that demonstrate the investment's impact outcomes using standardised frameworks.
- **Additionality:** The investment should produce benefits that would not occur without the capital deployed.
- **Financial viability:** A sound investment proposition that balances risk and return in line with fiduciary obligations.
- **Alignment with fund objectives:** Correspondence with the fund's values, mission and member expectations.
- **Transparency and reporting:** Frequent, reliable impact and financial reporting to ensure accountability.
- **Scalability and sustainability:** Potential for impact to grow and endure over time, promoting systemic change.
- **Stakeholder engagement:** Inclusion of affected communities or beneficiaries in decision making and assessment.

These criteria help ensure that impact investments truly contribute to development goals without sacrificing financial stewardship.

Measuring impact investments – what gets measured, gets managed

Measuring the impact of investments is crucial for accountability and effectiveness. Common practices include:

- **Impact metrics and KPIs:** Using quantitative and qualitative indicators aligned with the investment's goals (for example, carbon emissions reduced, number of affordable homes built, jobs created).
- **Global frameworks:** Employing standards such as the Impact Reporting and Investment Standards (IRIS+), the GIIN's Impact Measurement and the Sustainable Development Goals (SDGs) mapping.
- **Third-party verification:** Engaging independent evaluations or audits to validate claimed impacts.
- **Continuous monitoring:** Regular collection of data to assess progress and identify improvements.
- **Financial and impact integration:** Combining impact data with financial performance metrics to provide a holistic view of investment success.

Robust impact measurement enhances trustee confidence, enables transparent communication with members and informs adaptive management for increased impact.

Obstacles and challenges - Why does impact investing still feel so difficult?

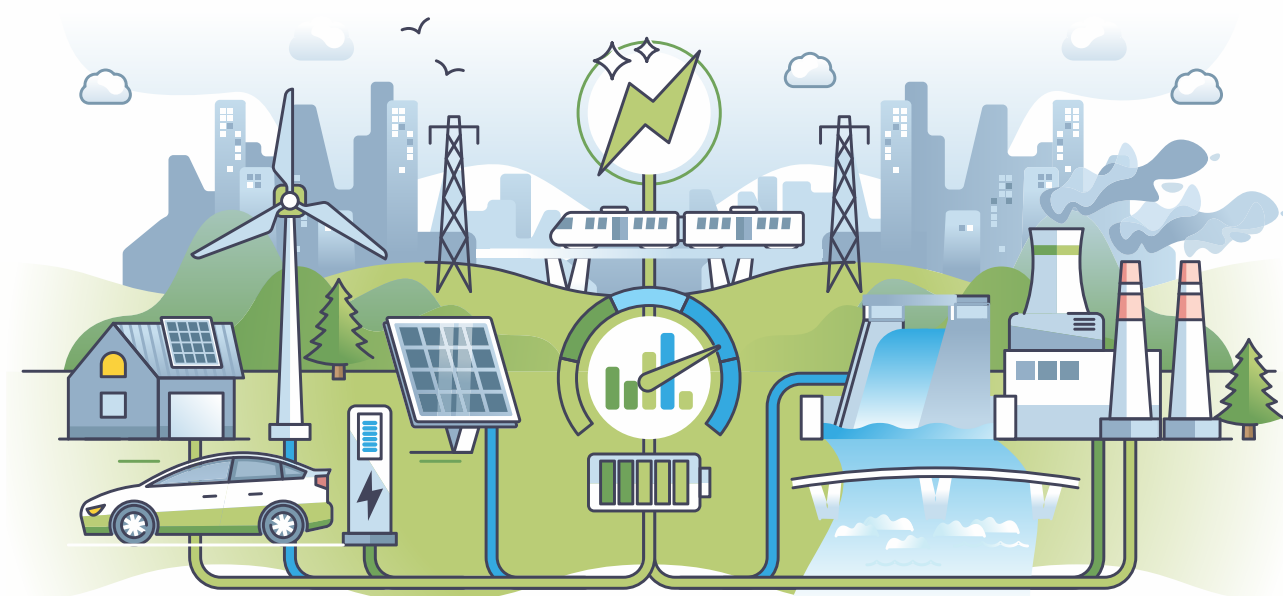
Despite its promise and importance to the future of South Africa, impact investing faces several obstacles:

- **Limited awareness and expertise:** Many trustees and fiduciaries lack understanding of impact investment opportunities, criteria and measurement demands.
- **Data gaps and standardisation:** Impact data can be inconsistent or difficult to compare, complicating assessment and reporting.



- **Regulatory constraints:** Regulation 28 imposes caps on unlisted and less liquid assets where impact investments often reside, limiting allocation flexibility.
- **Perceived financial risk:** Concerns about return volatility and risk in certain impact sectors may deter conservative institutional investors.
- **Market development:** South Africa's impact investment ecosystem is still maturing with fewer scalable funds and fewer exit opportunities relative to traditional markets.
- **Measurement complexity:** Capturing and attributing social/environmental outcomes reliably is resource intensive and complex.
- **Balancing dual goals:** Tension exists between financial returns and impact outcomes, requiring skilled management to align interests.

Overcoming these challenges requires education, regulatory adaptations, data innovation and growing market infrastructure for impact.



Conclusion

Impact investing worldwide and in South Africa represents a transformative approach to capital allocation, blending financial returns with concrete societal benefit. While related to but distinct from ESG investing, impact investing demands intentionality, measurement and accountability. Regulation 28 in South Africa guides prudent asset allocation, requiring trustees to balance impact ambitions with risk management.

Retirement fund trustees invest in impact to fulfil fiduciary duties, respond to member interests and contribute to inclusive, sustainable growth addressing the country's urgent development needs. Careful criteria, diversified portfolios and robust impact measurement frameworks enable effective investing, though obstacles remain around regulation, expertise and data. With growing global momentum and a vibrant South African ecosystem, impact investing holds promise as a lever for positive change and retirement security.

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Trustee Tutor 24:

Impact investing

How to?

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1. What is the primary goal of impact investing?
 - a) To maximise financial returns without regard to social or environmental outcomes. ☐
 - b) To invest exclusively in government bonds and treasury bills. ☐
 - c) To generate positive social and environmental impact alongside a financial return. ☐
 - d) To direct all investment capital to emerging markets. ☐
2. What is the key difference between impact investing and ESG investing?
 - a) Impact investing focuses only on financial returns, while ESG investing ignores financial performance. ☐
 - b) Impact investing aims to generate measurable social or environmental impact alongside financial returns, whereas ESG investing integrates environmental, social and governance factors to manage risk and improve returns. ☐
 - c) ESG investing funds only fossil fuel companies, while impact investing supports renewable energy exclusively. ☐
 - d) ESG investing is short term and impact investing is only for longer dated government projects. ☐
3. What is the main driver for the predicted growth in impact investing over the next five years?
 - a) Increasing interest from investors to align their investments with social and environmental values. ☐
 - b) Declining regulatory requirements and reporting standards for impact measurement. ☐
 - c) Preference for short term financial gains over long-term societal benefits. ☐
 - d) Reduction in government policies supporting sustainable investments. ☐
4. How much capital is estimated that South Africa needs to meet its infrastructure plan?
 - a) Approximately R112 billion ☐
 - b) Around \$27.6 billion with no additional requirements ☐
 - c) Less than R500 billion for the next decade ☐
 - d) Over R1 trillion over the medium term ☐
5. Regulation 28 imposes specific limits on impact investments.
 - a. True ☐
 - b. False ☐
6. Choose the incorrect statement. Why would South African retirement funds invest in impact investments?
 - a) To achieve measurable social and environmental benefits alongside financial returns. ☐
 - b) To diversify investment portfolios with alternative assets like private equity and infrastructure. ☐
 - c) To focus on short term gains. ☐
 - d) To align investments with the National Development Plan goals and improve societal outcomes. ☐
7. Three key things trustees should look for when choosing impact investments are:
 - a) Financial returns, social and environmental impact and alignment with members' best interests. ☐
 - b) A balance of short term profits and long term returns, high liquidity and social responsibility. ☐
 - c) Social impact focus, no risky assets and no politically connected persons. ☐
 - d) Speculative investments, ignoring regulatory guidelines and an acceptable balance of risk and return. ☐

Trustee Tutor 24: Impact investing

8. How can trustees measure their impact investments?
- a) By tracking financial returns, without considering social or environmental outcomes. ☐
 - b) By relying on anecdotal evidence from the beneficiaries of these investments. ☐
 - c) By using formal impact measurement frameworks like the GIIN's impact measurement, IRIS and aligning with the SDGs. ☐
 - d) By focusing exclusively on short term metrics, like the number of houses built, or percentage carbon emissions reduced, with no external validation. ☐
9. Impact investing still feels so difficult in South Africa because:
- a) There is a lack of standardised measurement frameworks and clear impact definitions. ☐
 - b) There are a shortage of investment-ready deals that meet impact criteria. ☐
 - c) Tension exists between financial returns and impact outcomes, requiring skilled management to align interests. ☐
 - d) All of the above ☐
10. There has been a global rise in legal actions against pension funds regarding their handling of ESG and impact investing.
- a) True ☐
 - b) False ☐



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IN THE NEWS

Mentenova and SEI partner for global equity investments

SEI, a leading global provider of investment, technology, and operations solutions, and Mentenova, a South African investment management and advisory firm, announced a strategic partnership that aims to deliver innovative, global investment solutions tailored to the needs of South African investors.

The strategic partnership combines SEI's actively managed, global, quantitative strategies with Mentenova's goals-driven portfolio construction and manager selection expertise to deliver enhanced outcomes. Driven by data and overseen by expert portfolio managers, SEI's Quantitative Investment Management (QIM) team will implement a global active factor equity strategy, comprised of value, momentum, quality, and dynamic tilting sub-portfolios. This core offering will be complemented by active satellite managers and passive indexation components selected by Mentenova.

27four lists Global Shariah Equity AMETF on the JSE

On 8 October 2025, the Johannesburg Stock Exchange (JSE) announced the listing of the 27four Global Shariah Equity Actively Managed Exchange Traded Fund (AMETF), coming amid robust growth in Shariah-compliant investing, as more investors seek value-driven opportunities that align with religious and responsible principles.

The 27four Global Shariah Equity AMETF offers diversified exposure to global equities that comply with Islamic finance principles. Shariah investments exclude conventional banking, alcohol, gambling, and pork-related sectors, investing only in companies listed on exchanges recognised by the World Federation of Exchanges.



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IN THE NEWS

Discovery Green and Glencore sign a landmark 20-year renewable energy deal to power South African coal operations

To support South Africa's transition to clean energy, Discovery Green, the renewable energy business of Discovery Limited, and Glencore Operations South Africa (Pty) Ltd, part of a global diversified natural resources company, have signed a 20-year renewable energy supply agreement. The deal will replace the majority of the electricity consumption at four of Glencore's major mining operations with renewable energy.

Starting in 2027, Discovery Green will supply renewable energy to the Goedgevonden, Tweefontein, and iMpunzi mine complexes near eMalahleni, in the Nkangala District. The electricity consumption across these operations is estimated to exceed 290 gigawatt-hours (GWh) per year.

This long term agreement is expected to substantially reduce the operation's direct carbon emissions, while providing Glencore with stable, predictable electricity costs.

Graviton acquires a majority stake in Portfolio Analytics

Graviton has acquired a majority stake in Portfolio Analytics – a market-leading discretionary fund manager (DFM) – bringing Portfolio Analytics into the Graviton stable.

Graviton is an advice network and discretionary fund manager that currently supports independent financial advisers across the country. Graviton provides advisers with the tools, market insights, operational support and balance sheet required to enable and grow their advice businesses. Graviton is a majority black-owned entity within the Sanlam Investment Holdings structure, reflecting its commitment to transformation and inclusive growth in South Africa's financial services industry.

Portfolio Analytics was one of the first companies to enter the South African DFM market, originating from a management buyout of the Investec Analytics business in 2004. With expanded capabilities and reach, this acquisition further enables Graviton to support independent financial advisers in growing their practices and meeting their evolving client needs.

The transaction is subject to all the required approvals having been received.

Symmetry partners with Russell Investments to bring powerful investment research and implementation to clients

Symmetry, one of South Africa's leading investment solutions businesses with over R440 billion in assets under management and advice, announced a landmark strategic partnership with Russell Investments, the Seattle-headquartered global investment solutions provider managing \$355 billion in assets worldwide.

Through this collaboration, Symmetry gains access to Russell Investments' open-architecture research platform, one of the most extensive globally, which evaluates more than 16 000 investment strategies, across local and global markets. This scale makes Russell Investments one of the most prolific investment research houses worldwide and gives Symmetry a powerful edge.

IN THE NEWS

Old Mutual Private Equity successfully exits Medhold to Sanlam Private Equity

Old Mutual Private Equity (OMPE), part of Old Mutual Alternative Investments, has signed an agreement to exit Medhold, a leading supplier of world-class medical devices in Southern Africa, from OMPE Fund IV's portfolio, to Sanlam Private Equity - the private equity division of Sanlam Investments. The transaction is subject to customary regulatory approvals, with completion expected in the fourth quarter of 2025.

Since OMPE's initial investment in Medhold in 2018, the company's earnings have grown by 2.6 times, highlighting the quality of Medhold's management team and its ability to successfully execute the agreed strategic vision of building a world-class medical devices business in Southern Africa.

ICTS Legal Services and S M Equity Holdings Announce Strategic Partnership to propel service delivery in pensions legal consulting

ICTS Legal Service, a leading independent legal consulting firm specialising in pensions law, is excited to announce a strategic partnership with S M Equity Holdings, effective 10 September 2025. This collaboration aims to effectively manage and implement the co-ownership vision for ICTS Legal Services, paving the way for significant expansion and enhanced service delivery in the pensions legal consulting space.

This partnership is set to strengthen ICTS Legal Services, enabling the firm to scale its operations while maintaining its commitment to providing expert, competitive, independent and focused legal services tailored specifically for retirement funds and their advisors. Our vision is to emerge as a premier black owned pensions legal consulting business, recognised for delivering cost effective and high quality services.



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Lukhaimane signs off after 12 years of guarding against pension funds abuse

After 12 years of overseeing thousands of determinations that put back millions of rands into the hands of aggrieved retirement funds beneficiaries, Pension Funds Adjudicator Muvhango Lukhaimane will conclude a remarkable journey of service.

Lukhaimane took over as South Africa's fifth Pension Funds Adjudicator on 1 July 2013 and developed the tribunal into a formidable dispute resolution body, renowned for its efficiency, impartiality, and jurisprudential integrity in adjudicating complex pension-related matters. She will leave the Office of the Pension Funds Adjudicator at the end of the year.

She served as Deputy Pension Funds Adjudicator since 1 June 2012, during which time she kept her promise to eliminate the backlog of complaints going as far back as 2007.

Possessed with a wealth of experience as a seasoned lawyer who had also been employed within the pension funds industry and public sector as a senior manager, she brought to her appointment as Pension Funds Adjudicator the skills acquired throughout her working life.

She obtained a B.luris degree from the University of Venda and LLB degree from the University of Pretoria. Through part-time studies she obtained the Master of Laws degree, with emphasis on human rights law, constitutional interpretation, labour law and medical jurisprudence. Ms Lukhaimane also obtained a Postgraduate Diploma in Financial Planning from the University of Free State and completed an MBA through Wits Business School.

During her tenure as Pension Funds Adjudicator, she worked hard at improving stakeholder interaction so that the dispute resolution forum became more visible to the public. She always maintained that pension funds played an important role in the national economy.

"Pension funds, smartly invested, provide a mechanism for unlocking savings, stimulating economic growth and ensuring that pensioners are provided for in retirement.

"By regulating them appropriately, the elderly can be protected against poverty, investment can be facilitated and systemic risk reduced, she said.

Lukhaimane said she was leaving as Pension Funds Adjudicator with immense gratitude and pride in what the office has been able to achieve, from good governance to efficient, timeous service delivery.

"It has been an extra-ordinary privilege to serve in this role - championing fairness, promoting accountability, and striving to protect the rights and dignity of retirement fund members. Over the years, I have witnessed the retirement fund system evolve and I have had the honour of being in the midst of implementing key legislative reforms. I am encouraged by the collective progress we have made and appreciate that there is still more to be done.

"I wish to take this opportunity to thank the dedicated teams I have had the privilege of working with, the various stakeholders who supported our mandate, and the public who entrusted us with their queries.

"As I step off at my station, I remain confident in the capacity, integrity, and the continued role of the office in protecting consumers," said Lukhaimane.

Ed's note: From the team at Pensions World SA and EBnet, thank you Lukhaimane for always being approachable and willing to share your thoughts with us. We wish you well.





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



Janice Johnston
CE Edge Growth Ventures
SAVCA

The SA Venture Capital and Private Equity Association (SAVCA) is pleased to announce the appointment of Janice Johnston, Chief Executive of Edge Growth Ventures, to its Board of Directors. Johnston brings over 25 years of investment and leadership experience across debt, venture capital, and private equity, with a career spanning top-tier financial institutions in South Africa and the United Kingdom. She spent a decade with Prudential Capital plc in London, served as a senior leader at Edge Growth, contributed to Identity Partners Group, and was part of the Presidential Climate Finance Task Team, which led the negotiation of South Africa's Just Energy Transition Investment Plan.



Paula Mokwena
CEO Fireball Capital
SAVCA

The SA Venture Capital and Private Equity Association (SAVCA) is pleased to announce the appointment of Paula Mokwena, CEO of Fireball Capital (a subsidiary of Ke Nako Capital), to its Board of Directors.

Mokwena's career spans investment banking, development finance, private equity, and venture capital. During her tenure at the Industrial Development Corporation (IDC), she helped establish the pioneering Technology Venture Capital Fund, supporting the commercialisation of South African innovations. After more than six years in private equity, Mokwena co-founded Fireball Capital, which has successfully raised close to R1 billion from institutional investors.



Surette Drew
Head of Equity Trading
Prescient Securities

Local stockbroking firm, Prescient Securities is excited to announce the promotion of Surette Drew to Head of Equity Trading, effective 1 October 2025.

Surette joined Prescient Securities as a Senior Equity Trader in January this year and has already made a significant impact on the firm's trading desk. With nearly two decades of experience, she is highly regarded for her market knowledge, client service, and dedication to mentoring young talent in an industry where women remain underrepresented.

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



Abdur Amod
Head of Technology
Prescient Securities

Abdur has been instrumental in maintaining and enhancing the firm's investment systems, developing data feeds with S&P, JSE, IRESS, and Swordfish, and architecting scalable software solutions. With over a decade of experience in software development and technology leadership within financial services, Abdur has held senior roles at Futuregrowth Asset Management, Old Mutual Investment Group, and Sage Alchemex. He brings extensive experience in data engineering, AI, quantitative modelling, and investment software development.



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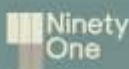
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