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SPECIAL FEATURE:
INVESTMENT PLATFORMS & LICENSING

The fee factor: The influence of different fee structures on retirement funds
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The evolving role of institutional investment platforms
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South African institutions play a key role in addressing water constraints
Page 43

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EDITOR'S COMMENT



David Weil
CEO ICTS Group of Companies

As we close out 2026, this issue of Pensions World SA arrives at a moment when retirement fund decision making feels anything but routine. Markets have delivered useful returns in parts of the year, but they have done so against an unsettled backdrop: shifting interest rate expectations, uneven growth, inflation concerns and a global geopolitical environment that has remained noisy and unpredictable.

The temptation may be to focus on short-term performance tables, yet for trustees and asset owners, the more important task is to remain clear about the long-term purpose of retirement capital: delivering sustainable, understandable and affordable outcomes for members. That needs patience in investment strategy, discipline in governance and a willingness to look beyond the latest market headline.

Our investment coverage this quarter explores several dimensions of that challenge. We consider the role of social infrastructure, water, affordable housing, infrastructure and responsible investment in institutional portfolios, alongside questions about local exposure, active management, equity-market uncertainty and a changing global risk environment. These are not separate conversations. They all come back to the same central issue: how retirement funds can seek resilient returns while contributing to the real economy on which our fund members depend.

Our special feature focuses on investment platforms and licensing. Platforms can make administration, reporting and access to investment options more efficient, but trustees need to understand the full chain behind the service. We hope that the articles and this quarter's Trustee Tutor on this grow your knowledge and awareness.

Many expected 2026 to bring a flurry of activity around the Conduct of Financial Institutions, or COFI, Bill. Instead, attention and energy have been pulled in several directions: one of the main conversations has been the rapid advance of artificial intelligence. AI is reshaping service providers and operational processes and cyber resilience is now a core fiduciary concern.

Closer to home, South Africa's local government elections on 4 November will be an important moment. For the retirement and investment industries, the outcome will matter less as a single market event than as a signal of whether municipalities can improve the operating environment for businesses, households and long-term capital.

We hope the articles in this issue give you a moment to pause and remember that good outcomes are built through many connected decisions, not one product, manager or policy intervention.

To all our readers, contributors and partners: thank you for your support during a demanding year. We wish you a safe, restful and restorative December holiday season, and renewed energy for the work ahead in 2027.

Allan Gray is an authorised FSP.

SINCE 1973

1922

Times change. *Time* doesn't.

ALLAN GRAY

LONG-TERM INVESTING

EMPLOYEE

BENEFITS



The fee factor: The influence of different fee structures on retirement funds

Fees are one of those things that we, as South Africans, hate to talk about. Have you ever noticed that whenever a service provider is pitching for business, the slide about fees ends up being the very last slide? It also gets the least time and the least attention. Everyone awkwardly looks down at their shoes, waiting for someone else to ask a question. This will hopefully be the first in a series of articles that pose some thought-provoking questions about fees.

Unfortunately, fee structures in the retirement fund industry tend to be very complicated. This means we need to ask questions. You actually need an Excel spreadsheet to work out what you are paying! Very often, trustees are not fully aware of what they are paying for various services. Furthermore, fees often increase according to a formula, which means trustees are often unaware of how much their fees increase over time.

Different fee methodologies

There are three main methods used to charge fees in the retirement fund industry:

- Rand amount per member per month
- Percentage of assets
- Percentage of salaries

Each one of these methods can result in very different costs in the long run.

Future cost projections

Let us use an example to illustrate the above.

Fast n Furious Provident Fund	
Total fund salary	R900 000 000
Total fund assets	R1 400 000 000
Membership	5 200
Total current fund expenses	R6 213 600
Fee method 1: Rand per member fee	R100 pm
Fee method 2: Percentage of assets fee	0.44%
Fee method 3: Percentage of salaries fee	0.69%

This fund has total annual expenses of R6.2 million. These costs can be charged using any of the three methods above. All three methods will give the same current costs. However, what can be significantly different is the future cost.

Each of the three methods of charging will result in different future increases.

- **Fee method 1:** Rand per member fee - The rand per member fee of R100 per month will usually increase with inflation. So, if inflation is 6%, then the total fees will increase by 6%.
- **Fee method 2:** Percentage of assets fee - The percentage of assets fee will increase by the investment return on the Fund. So, if the investment return on the Fund is 11%, then the fee will increase by 11%.
- **Fee method 3:** Percentage of salaries fee - The percentage of salaries fee will increase by the average salary increase across the Fund. So, if this is 7%, then the total fees will increase by 7%.

We can see that even in one year's time, the fees that started out the same at R6.2 million will already start to look quite different.

A retirement fund is a long-term vehicle. It is meant to last for many years. So, let's do a long-term, 40-year projection to see how different these fees will be in 40 years' time.

First, we will need to make some assumptions:

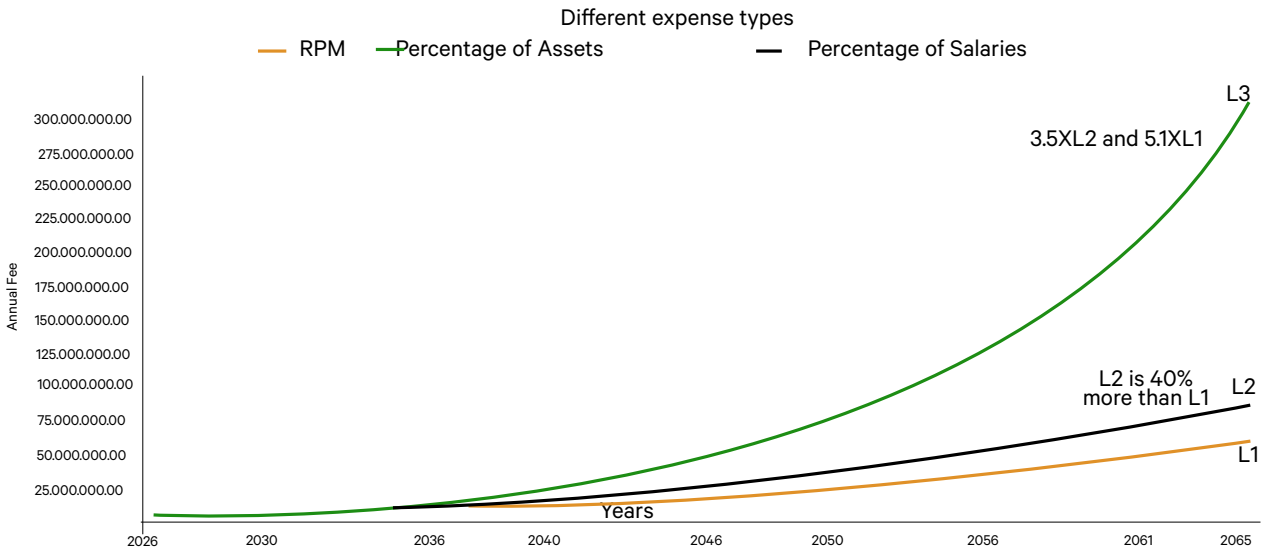
- Inflation of 6% p.a.
- Salary increases of 7% p.a.
- Investment return of inflation + 5% = 11% p.a.

This is what we expect over the long-term: salary increases slightly higher than inflation, and investment returns in line with a typical investment target.



Subedra Reddy, assisted by Thiroshen Naidoo & Taheer Govender
NBC Holdings (Pty) Ltd

The graph below shows how these fees increase over 40 years:



Our benchmark is inflationary increases, and these are shown as L1 in yellow in the graph. This is the rand per member fee.
The percentage of salary fee results in a fee that is 40% higher in year 40 than the rand per member fee.
The percentage of assets fee results in a fee that is 5.1 times higher than the rand per member fee. It also results in a fee that is 3.5 times higher than the percentage of salary fee.

This is a very big difference. Remember that all fees started at the same level. However, the percentage of assets fee grows to be 5.1 times the fee that grows with inflation.

We can therefore see that fees that start at the same level can grow to be very different in the future, depending on how those fees are charged.

Why is this important?

Let's say we are doing a cost rebroke across different service providers. What if one of the service providers came in a bit cheaper, at around R6 million, versus R6.2 million for the other service providers?

What if the "cheaper" fee was a percentage of assets fee? That would mean that the fee would be cheaper now, but much more expensive in the future.

So, it is very important to look not only at current costs but also how we expect those costs to increase in the future.

Does this mean that the percentage of assets fee is automatically wrong? No. I can do other projections for different funds where the percentage of assets fee could be cheaper. However, the point is this: no matter how your fees are charged, trustees need to see current costs, historic costs and projected future costs to understand whether fees are appropriate for a specific fund.

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How employee benefits consultants can help members understand how much is enough to contribute to retirement

Time in the market and investment growth do most of the heavy lifting required to secure a comfortable retirement. However, the level of contributions made throughout a member's working life is equally important for achieving the desired retirement outcomes.

Contributions benefit from compound growth and can accumulate into a reliable source of financial security for members. Conversely, under-prioritising them can create a significant gap between expected and achievable retirement outcomes, leading to budget constraints when members begin to draw an income.

How do we know if members are on track?

The replacement ratio is often used to assess retirement readiness. This measures the proportion of a member's final salary that can be sustained in retirement. A commonly referenced target is approximately 75%, yet relatively few South Africans achieve this level, highlighting the importance of considering contributions relative to the retirement income they are expected to generate.

What does a good contribution strategy look like?

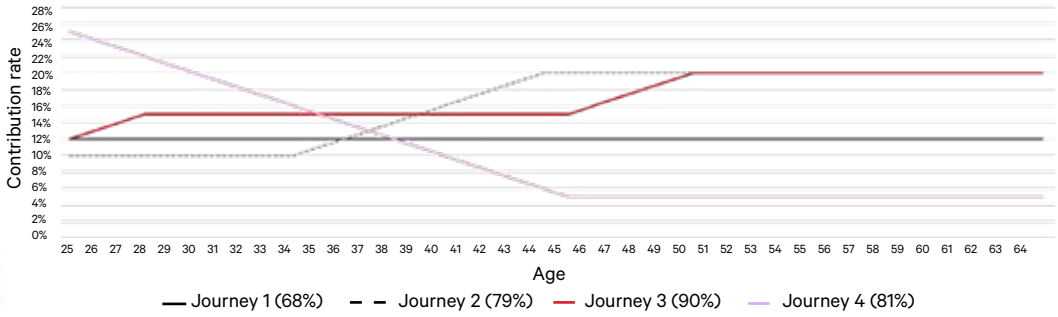
While there is no one-size-fits-all approach, a structured plan and discipline are key. Members need to have a clear budget and live within their means, as this makes it easier to identify how much income needs to be replaced when working is no longer an option.

Changing contribution levels throughout one's career can influence retirement outcomes in very different ways.

Graph 1 compares four contribution journeys for Individual X, and their respective replacement ratios achieved over time. Individual X starts their career at age 25, earns a gross monthly salary of R30 000 – adjusted for 5% inflation annually over a 40-year investment horizon – and has no accumulated retirement investments. The projected outcomes – in other words, the replacement ratio achieved as shown in the brackets on the graph – are based on an assumed nominal growth rate of 11% (inflation plus a real return of 6%), with no previous withdrawals, no additional contributions and a 4% drawdown rate in retirement, with the goal of achieving a 75% replacement ratio.



Graph 1: Comparing contribution strategies over time



Source: Allan Grey

- **Journey one (black): The steady contributor**
  This illustrates the projected replacement ratio achieved if Individual X contributes a flat 12% of their inflation-adjusted salary throughout their career.

Kyle Jeacocks
Specialist in Group Savings and Investments at Allan Gray

- **Journey two (grey): Starting small and increasing as the years pass**
  This illustrates the potential replacement ratio achieved if Individual X contributes 10% of their inflation-adjusted salary for the first 10 years of their career, then scales up the contribution amount to 20% in increments of 1% per year.
- **Journey three (red): A phased approach to investing more**
  This illustrates the replacement ratio that could be achieved if Individual X initially contributes 12% of their inflation-adjusted salary, before increasing contributions by 1% per year until reaching 15%. This rate is maintained until age 45, after which contributions increase by a further 1% per year until reaching 20%, which is then maintained until retirement.
- **Journey four (lilac): Front-loading retirement investing**
  This illustrates the projected replacement ratio that could be achieved if Individual X contributes 25% of their inflation-adjusted salary, before scaling contributions down by 1% per year until reaching 5%, then maintaining the 5% contribution rate until retirement.

So, members who contribute a higher percentage of their salary, and increase this percentage in the long run, generally achieve stronger retirement outcomes. While contributing around 10% to 12% is the current industry average, this isn't enough to achieve a 75% replacement ratio over a working lifetime, as illustrated by the black line (Journey one).

However, as shown by the grey and red lines (Journeys two and three), gradually increasing contribution percentages over the long-term has a positive impact, which is particularly pronounced where the investment manager outperforms the long-term industry return average of 11%. Meanwhile, the decision to make elevated contributions earlier – a less common scenario – allows compound growth more time to work, as shown by the lilac line (Journey four).

Employers and consultants should encourage members to think about what percentage of their salaries they should be investing now to fund their later years. There are tools that aim to give members a clear picture of what they will need to do to improve their outcomes – which could include delaying retirement where possible. Many umbrella fund providers, including Allan Gray, make them available on request for active schemes.

What happens when members access retirement investments early?

Two-pot legislation allows members to access the savings component of their retirement fund once per tax year.

Based on the modelling in Graph 1, Table 1 highlights the consequences of Individual X accessing their savings component through consistent annual withdrawals in varying percentages, and Table 2 highlights the potential outcomes of making a once-off withdrawal; and how these actions affect replacement ratios over time.

Table 1: The impact of consistent two-pot component withdrawals

Percentage of savings component accessed over investmenr horizon				
0%	68%	79%	90%	81%
25%	46%	54%	61%	55%
50%	46%	53%	60%	54%
75%	46%	53%	60%	54%
100%	46%	53%	60%	54%

Table 2: The impact of a single two-pot component withdrawal

Percentage of savings component accessed at age 40				
100%	55%	67%	73%	59%

Source: Allan Grey

The long-term effect of both scenarios is dramatically lower investment values and a reduced ability to replace income in retirement.

Making time count

Ultimately, sufficient contributions started early enough and made consistently, combined with prudent manager selection, appropriate asset allocation and sound investor behaviour, should lead to positive outcomes.

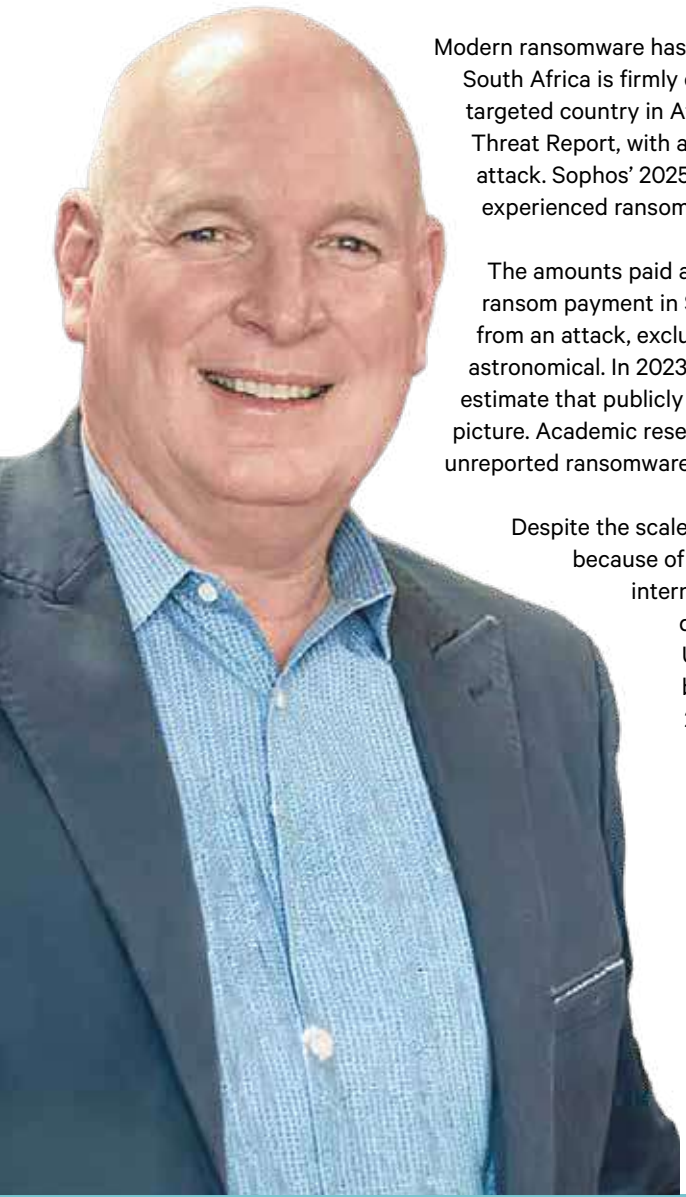
Financial freedom fuels cybercrime

For years, the debate around cryptocurrency has largely focused on innovation, decentralisation, financial inclusion and freedom from traditional banking systems. Supporters argue that blockchain technology represents the future of finance and that regulation should encourage innovation rather than restrict it.

That conversation needs to change. Once cryptocurrency is viewed through the lenses of financial crime, consumer protection, national security and cyber resilience, the narrative shifts dramatically. What has been celebrated as a revolutionary financial innovation becomes arguably the single biggest enabler of cybercrime, giving cybercriminals the means to demand and receive payments across borders.

There's no doubt that cryptocurrency has legitimate applications. Blockchain technology has enormous potential, and many businesses are building innovative products that solve genuine problems. However, you have to ask if criminals consistently demand payment in cryptocurrency because it provides the fastest, most practical and most difficult-to-recover means of transferring value across borders, shouldn't that fact fundamentally change how we think about the technology?

The business model behind cybercrime



Modern ransomware has become one of the world's fastest growing criminal industries, and South Africa is firmly on the radar of international cyber criminals. South Africa is the most targeted country in Africa for both ransomware and infostealer attacks, according to ESET's Threat Report, with around 78% of South African companies experiencing a ransomware attack. Sophos' 2025 South African ransomware survey found that 71% of organisations that experienced ransomware attacks paid the ransom, up from 43% the previous year.

The amounts paid aren't small, either. The same Sophos research found that the average ransom payment in South Africa was R17.9 million, while the average cost of recovering from an attack, excluding the ransom itself, was R19.44 million. Globally, the figures are astronomical. In 2023, ransomware payments reached a record US$1.1 billion. Researchers estimate that publicly identified ransomware payments represent only part of the total picture. Academic research published in 2024 identified nearly US$700 million in previously unreported ransomware payments.

Despite the scale of the problem, there is very little that law enforcement can do because of the nature of cryptocurrency payments. In 2023, the FBI and international partners infiltrated the Hive ransomware group, providing decryption keys to more than 1300 victims and preventing an estimated US$130 million in ransom payments. When you consider that US$1.25 billion was paid globally to ransomware groups in cryptocurrency in 2023, this is a drop in the ocean.

The shift towards regulation

Governments are paying attention. They are no longer asking if crypto should be regulated, but rather how much regulation is necessary to balance innovation with financial crime, consumer protection and national security.

Richard Firth
CEO of MIP Holdings

The European Union has introduced MiCA, one of the world's most comprehensive crypto frameworks, requiring authorisation and supervision of crypto-asset providers while strengthening consumer protection and controls against money laundering and financial crime. Other major financial centres are following suit. The UK has strengthened AML requirements for crypto firms and is working internationally to combat ransomware, while Singapore has tightened licensing, AML and consumer protection requirements despite its strong pro-innovation stance. In the US, regulatory scrutiny of exchanges, stablecoins and AML controls has also intensified.

South Africa is following the same trajectory. Earlier this year, the National Treasury and the South African Reserve Bank published draft rules requiring many cross-border cryptocurrency transfers to pass through authorised crypto providers and be reported to the Financial Surveillance Department. This is supposed to reduce illicit financial flows and prevent crypto assets from being used to circumvent existing financial controls

Where regulation meets reality

The proposed South African regulations have received criticism from companies invested in the growth of cryptocurrency, like the CEO of crypto exchange VALR.

He believes that barring South African companies from moving crypto assets across the country's borders will likely drive those transactions underground or offshore and reduce the very oversight National Treasury and the South African Reserve Bank are trying to achieve.

Criminals constantly evolve their methods, and exchanges and regulators face an incredibly difficult task. The debate shouldn't be whether governments are overregulating cryptocurrency, but whether regulation has kept pace with the realities of modern cybercrime. Wallets capable of receiving ransom payments from cybercriminals exist within an ecosystem where compliance checks have apparently been completed and have passed Anti-Money Laundering (AML) checks.

Every ransomware attack relies on two separate crimes: A cyber-attack that compromises an organisation, and a financial system capable of receiving and moving the ransom. The first is a cybersecurity problem, but the second is increasingly a cryptocurrency problem. Until we address both sides of that equation, we will continue treating the symptoms of cybercrime while leaving one of its most powerful enablers largely intact.

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B-BBEE LEVEL 1

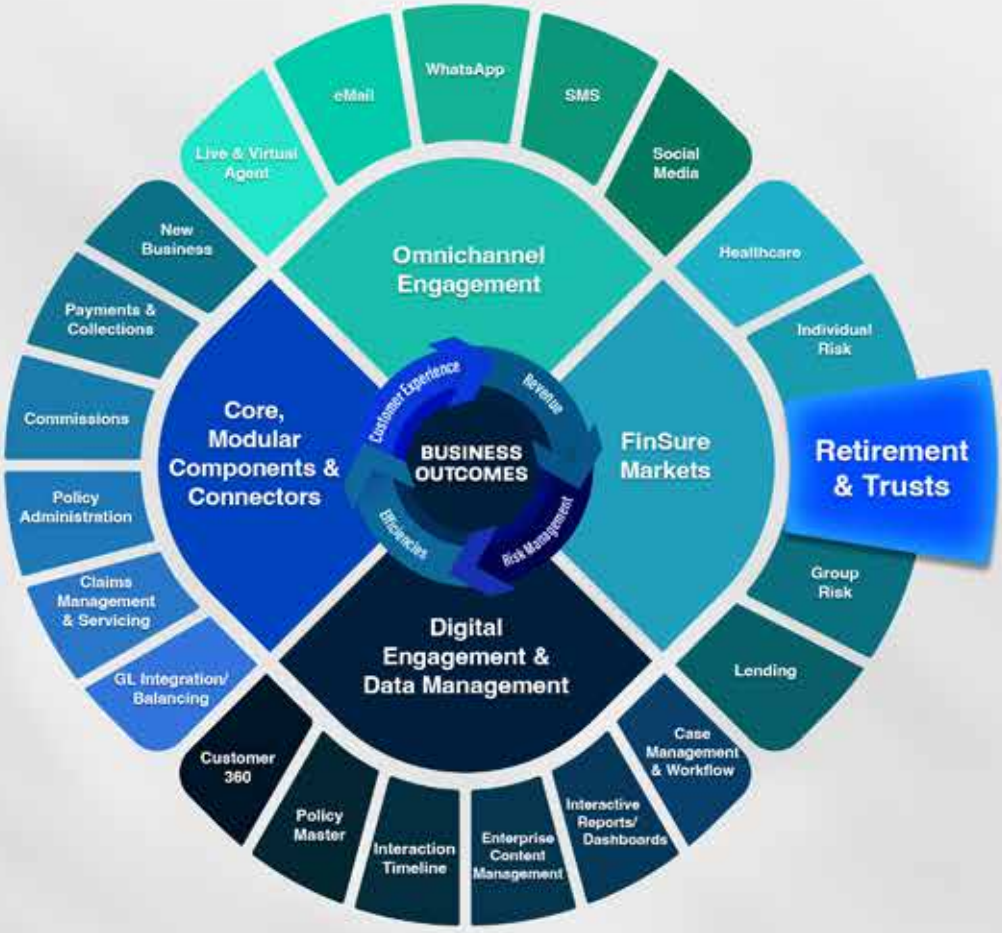
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The cyber breach that hits pension funds isn't a hack, it's an email

We picture a data breach as something cinematic. A hooded figure, green code scrolling down a black screen, a genius somewhere overseas cracking our firewall at three in the morning. It makes for good television. It also, quietly, lets us off the hook, because it suggests the danger is out there, sophisticated, and somebody else's problem to solve.

The truth is far more ordinary, and far closer to home. The breach that exposes a South African retirement fund almost never arrives as a dramatic hack. It arrives as an email.

A trustee forwards the board pack to a personal Gmail so they can read it over the weekend. An administrator sends a member schedule (names, ID numbers, cell numbers) to the wrong "Sally" in the address book. The spreadsheet is password-protected, but the password is the same one everyone uses: the fund name plus the year. A service provider attaches an unencrypted file and hits send. Nobody broke in. We handed the data over ourselves.

Why this is a bigger deal than it feels like

POPIA, the Protection of Personal Information Act, is the law that governs how we look after people's personal information. In plain terms, it says the member data your fund holds isn't really yours. You are holding it on trust, and you are responsible for keeping it safe. A leak of member information isn't just embarrassing. It can carry real regulatory consequences, and it lands on the board's desk, not the hacker's.

Here's the uncomfortable part: most of the risks that lead to a POPIA problem are boring. *They don't look like threats. They look like Tuesday.*

The unglamorous risks boards keep underestimating

The board pack sitting on someone's laptop in an airport lounge, screen unlocked. The WhatsApp group where trustees "quickly" share a resolution. The retired trustee (often our most diligent reader) using an old device with no password and no anti-virus. The habit of emailing sensitive files back and forth between the fund and its administrators because "that's how we've always done it."

None of these feel dangerous in the moment. That's exactly why they persist. And each one is a door left open.

What actually helps

You don't need to become a cybersecurity expert. You need a few unglamorous habits, applied consistently.

Stop moving member data or sensitive files through email. If sensitive documents live in one secure, access-controlled place where trustees log in to view them rather than downloading copies, you remove the single most common way funds leak information.



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

Lock the devices. Insist that every laptop and phone touching fund material locks itself after a few minutes and needs a password to open. It takes two minutes to set up and closes a surprising number of doors.

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Lock the devices. Insist that every laptop and phone touching fund material locks itself after a few minutes and needs a password to open. It takes two minutes to set up and closes a surprising number of doors.

Treat “view only” as your default. If files can’t be downloaded, a lost or stolen laptop stops being a crisis. Or ensure that all downloaded files require a password every time they are opened.

Talk about phishing, out loud, regularly. Most breaches begin with someone clicking a link they shouldn’t. A fifteen-minute reminder now and then does more than any firewall.

The point

Good governance has always been about the boring things done well: the minutes kept, the conflicts declared, the questions asked. Data protection is no different. It is not glamorous, and it will never make headlines the way a hack would.

But when the day comes that a regulator asks how your fund protected members’ information, “we were careful with our email” is not an answer you want to be reaching for. The threat was never the genius overseas. It was the send button, and the habit of trusting it.



Beyond DB and DC: Can retirement design offer both security and flexibility?

For much of the past few decades, the retirement debate has been framed as a choice between two broad models:

1. Defined benefit (DB) funds offered members greater certainty and pooled many retirement risks but placed considerable financial risk on the sponsoring employer.
2. Defined contribution (DC) arrangements made contributions more predictable, benefits more portable, and gave individuals greater flexibility and choice.

But something else happened along the way. More of the risk moved to the member.

Today, a member of an individual DC arrangement may carry contribution, investment, inflation, sequencing, behavioural, longevity and retirement income risks. That raises an important question: have we become too comfortable with the idea that greater individual choice must mean greater individual risk?

At EPPF, we believe the answer deserves serious examination.

Members may want something between paternalism and complete individualisation. Choice matters because circumstances, financial needs and career paths differ. People change employers, experience interruptions to employment, support extended families and face financial shocks.

A modern retirement system therefore cannot simply recreate the rigid structures of the past. But neither should flexibility mean leaving individuals to manage risks that are inherently difficult to manage alone.

Our member research has been instructive. Members value flexibility but repeatedly express a desire for security and predictability. In EPPF's recent member research, 61% prioritised predictable income over flexibility and control and, in one income-versus-lump-sum exercise, 81% preferred an income-based solution. That suggests the industry may be asking the wrong question.

It may not be: "Do members want security or flexibility?" It may instead be: "How do we give members meaningful flexibility without asking them to carry risks that can be managed more effectively collectively?"

The power of the pool

Pooling is one of the oldest and most powerful ideas in pensions. None of us knows how long we will live. Collectively, however, longevity is more predictable.

An individual investor may retire immediately before a severe market downturn, while a collective arrangement may spread investment experience across a wider population and longer period.



Sonja Saunderson
Chief Investment Officer at EPPF

An individual may struggle to determine how much capital can safely be consumed each year over an uncertain lifetime. A collective arrangement can convert savings into income without requiring every member to solve the longevity equation personally.

Pooling does not eliminate risk. It changes where that risk sits and how it is shared.

That distinction matters. The future of retirement design may therefore lie less in choosing between DB and DC, and more in deciding which risks should remain individual, and which can be shared more efficiently.

CDC is one increasingly interesting answer

Collective Defined Contribution, or CDC, is attracting growing international interest because it occupies space between traditional DB and individual DC.

In a CDC arrangement, contributions are defined, rather than employers providing an open-ended guarantee of a fixed pension. But unlike individual DC, contributions and investments are managed collectively and retirement income is provided from the collective pool. Benefits are generally targeted rather than guaranteed and can be adjusted according to the financial health and experience of the arrangement.

In simple terms, CDC seeks to preserve some advantages of DC - particularly greater predictability of contributions - while retaining some advantages of collective pension provision, including longevity pooling and the ability to manage investment and retirement-income risk across a larger group.

The UK has moved from theory to implementation. The Royal Mail Collective Pension Plan is an authorised CDC arrangement, and the UK's regulatory framework has been extended to provide for multi-employer CDC schemes. But that does not mean South Africa should simply import the UK model.

International systems make different design choices reflecting their labour markets, regulatory systems and social contracts. South Africa can learn from them and design for its own circumstances.

EPPF starts from a unique position

For EPPF, this is not an entirely theoretical conversation. Although EPPF is not a formal CDC fund, aspects of its existing architecture contain characteristics associated with collective risk-sharing.

Assets are managed collectively. Longevity risk is pooled. Investment and benefit outcomes are managed within a common fund framework. Members receive pension income rather than being left to construct that income individually, while certain member choices and transfer options remain available.

In other words, EPPF's experience demonstrates that retirement design does not always fit neatly into a DB or DC box. The Fund has a long history of using collective mechanisms to help members manage difficult-to-manage risks.

That gives us an interesting starting point from which to ask what the next generation of pension design could look like. Could members have greater flexibility while retaining collective investment? Could some risks remain pooled while others become more individual? Could retirement-income security be strengthened without recreating an unlimited employer guarantee? Could collective structures improve portability, and digital tools give members greater agency without making them responsible for complex risks alone?

These are questions worth testing rather than assuming that the current architecture represents the end point of pension evolution.

CDC should not become another acronym in search of a problem

CDC involves difficult design questions. How should gains and losses be shared between generations? How much smoothing is appropriate? How should benefit adjustments work? What constitutes fairness between younger and older members? How much flexibility can be introduced before the value of collective pooling begins to erode? Will members understand what is promised, what is targeted and what can change?

International experience shows there is no single CDC design. Research and member testing should determine whether collective approaches can deliver a better balance of adequacy, security, flexibility and fairness for South African members.

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Retirement outcomes: Are we asking the wrong question?

For more than two decades, South Africa's retirement industry has been trying to solve the same problem: too few people retire with enough savings to maintain their standard of living.

Despite countless interventions, stronger governance, improved product design and, most recently, the introduction of the two-pot retirement system, the reality remains sobering. Only around 6% of South Africans are on track to retire comfortably. That statistic has become so familiar that many of us have almost stopped questioning it.

Perhaps the problem is not that we are failing to solve the retirement challenge. Perhaps it is that we are asking the wrong question.

Traditionally, the industry has focused on savings behaviour. How do we get people to contribute more, preserve their savings for longer and invest appropriately? These remain critically important questions. However, they overlook a more fundamental issue: what determines whether people are able to save in the first place?



Recent analysis of employee, salary, health and financial wellbeing data which has been drawn from Group Risk insights, Discovery Health Medical Scheme claims information and Discovery staff's own absenteeism and promotion data, highlights a reality that many South Africans experience every day. For most households, retirement outcomes are shaped long before retirement planning begins. They are shaped by income growth, personal financial habits, debt levels, health behaviours and broader financial resilience.

The challenge is becoming more complex.

While salaries have generally increased over time, many employees feel financially worse off than they did a decade ago. Rising costs for essentials such as education, healthcare and housing have eroded much of the perceived benefit of wage growth. The pressure becomes particularly acute during employees' forties and fifties, precisely the stage of life when retirement contributions should ideally accelerate.

At the same time, South Africans are entering formal employment later than previous generations. This means fewer years of earning, fewer years of contribution growth and less time for compound investment returns to work their magic.

These structural realities help explain why retirement adequacy remains stubbornly low, despite the industry's best efforts.

Yet amidst these challenges, some encouraging patterns emerge.

Guy Chennells
Chief Commercial Officer, Discovery Corporate and Employee Benefits

One of the most striking findings from our analysis is that behaviours often matter more than circumstances. Employees who exercise regularly are substantially more likely to be promoted and tend to take fewer sick days than those who do not exercise at all. While exercise is often viewed purely through a health lens, it may also influence career progression, earnings growth and, ultimately, retirement outcomes.

We observed a similar relationship when examining financial behaviour.

Employees who actively manage their finances, maintain healthy savings habits and demonstrate greater financial discipline consistently achieve better long-term outcomes, regardless of income level. In some cases, lower-income earners with strong financial habits were significantly less likely to access retirement savings under the two-pot system than higher-income earners with weaker financial behaviours.

The implication is important. While income matters, financial behaviour matters too, and it may be one of the few factors that individuals can meaningfully influence.

Perhaps nowhere is this more evident than in the growing debt crisis.

Debt has become one of the biggest obstacles to improved retirement outcomes. Nearly half of South Africans report that debt prevents them from saving more for retirement. For many households, debt repayments consume money that would otherwise be available for long-term savings.

From a purely financial perspective, it is difficult to build wealth when expensive short-term debt is growing faster than investment returns.

This creates a dilemma for retirement funds and employers. Asking financially stressed employees to save more is often unrealistic if they are struggling to meet their immediate obligations.

The retirement industry therefore faces an opportunity to broaden its thinking.

If we want to improve retirement outcomes, we need to focus not only on retirement products but also on the underlying drivers of financial wellbeing. That includes financial education, debt management, healthier financial habits and interventions that help employees become more financially resilient throughout their working lives.

Retirement saving remains essential. Preservation remains essential. Long-term investing remains essential.

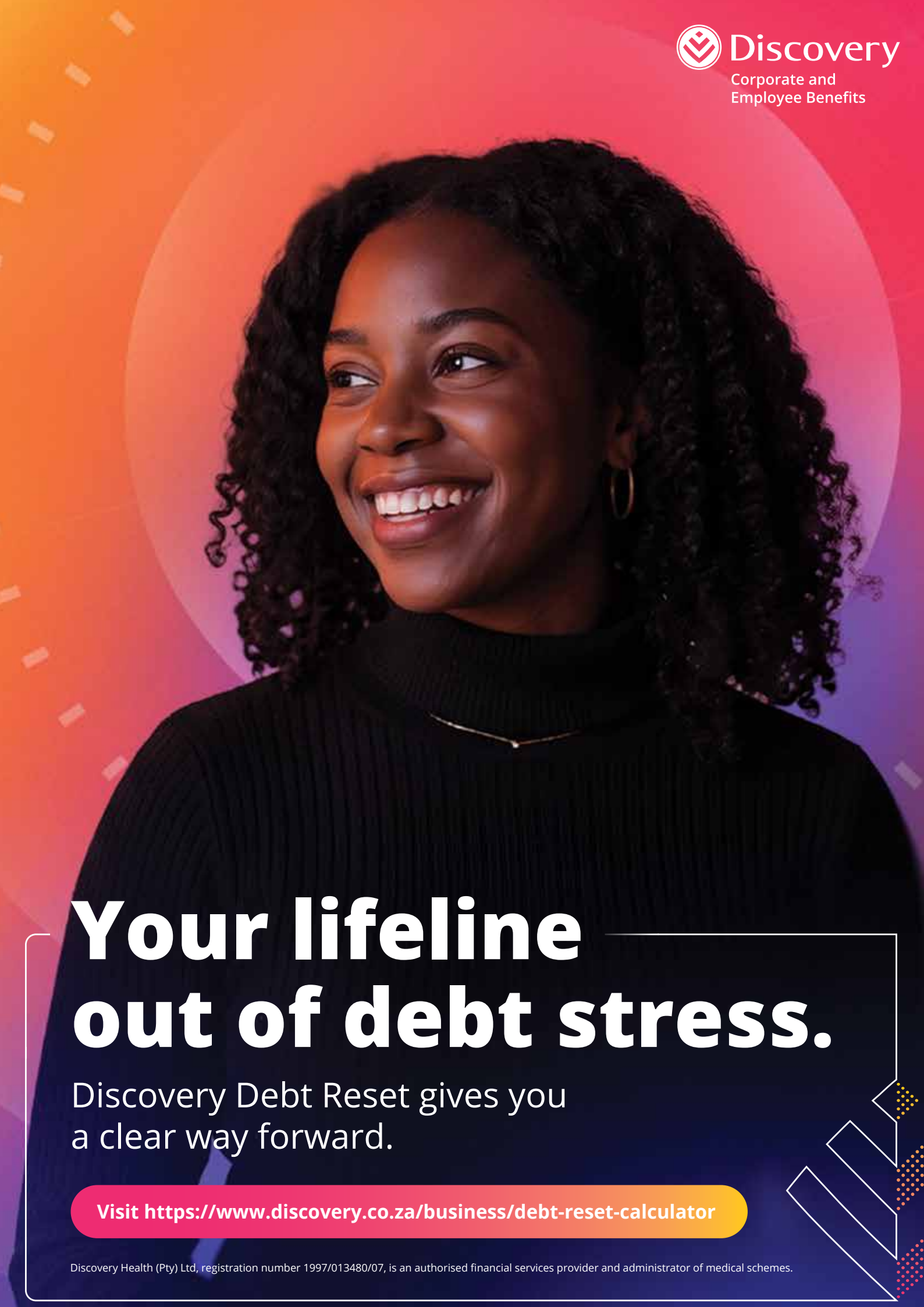
But retirement outcomes are not created at age 65. They are created every day through thousands of decisions about health, debt, spending, saving and financial behaviour.

The future of retirement may depend less on encouraging people to save more and more on helping them create the conditions that make saving possible.

If we want meaningfully better retirement outcomes over the next decade, we need to stop viewing retirement as a destination and start viewing it as the cumulative result of everyday financial wellbeing.

That is the conversation our industry should now be having.

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SPECIAL FEATURE...



Understanding investment platforms and licensing

Investors spend hours analysing a fund's track record yet rarely ask who's holding their investment or under what licence. Take three people who put money into the same equity strategy, run by the same manager. One through a unit trust, one through an endowment policy, and one through a segregated mandate. A year later, their costs and who's accountable if something goes wrong look nothing alike. How you hold an investment, matters almost as much as what you invest in.

Investment platforms come in four distinct shapes; each built on a different licence and suited to a different investor need.

- A LISP (Linked Investment Services Provider) is an administration platform that allows an investor to hold unit trusts, ETFs and other funds from different managers under one contract, one login and one statement, like a supermarket shelf for investments.
- A CIS (Collective Investment Scheme) Manco often operating as a white label platform, allows an asset manager to run their own co-named funds under the Manco's licence, handling the governance, compliance and trustee oversight, so the asset manager can focus on managing money without setting up a Manco of their own.
- An investment-linked insurance platform holds an investor's money inside a policy issued by a life company, not directly, like in a unit trust. Because it runs on a life licence rather than a CIS licence, the insurer can pool investors' money into portfolios that work much like unit trusts, but with more flexibility to hold illiquid assets such as private equity and infrastructure.
- A segregated mandate is a dedicated portfolio built just for one investor under a bespoke agreement, not pooled with anyone else's money, typically reserved for large institutions.



A licence is therefore more than a permission slip. It's a platform's entire risk and governance framework, covering oversight, accountability and supervision for as long as the licence exists. That's what really separates a LISP, an insurance platform, a CIS Manco and a segregated mandate. It's not just what they can hold, but who is checking, and how often.

In the SA financial services landscape, every FSP (Financial Services Provider) faces the same choice: apply to the FSCA directly for a licence, or partner with a platform that's already licensed. Building your own FSCA licence requires fit and proper key individuals, adequate capital reserves and months of process; whereas partnering with a platform, bundles all of that in from day one.

For trustees of retirement funds, who face the same choice as an FSP, the stakes are different. When members' money is on the line, trustees have a legal duty to act in members' best interests, so they must check the platform's governance too, not just the manager's track record.

Regulation 28 of the Pension Funds Act limits what SA retirement funds can hold, but since January 2023 it allows more room for private markets: up to 45% in infrastructure, 15% in private equity, including venture capital, alongside listed shares and up to 45% offshore. Meeting these limits well takes more than a manager alone, it takes a platform pulling its own weight too. An investment linked insurance licence is particularly well suited to this because the insurer isn't bound by a unit trust's liquidity rules, it can hold listed and private assets together in one policy.

For retirement funds, a platform earns its keep. Running on a licence means built in checks; a custodian watches the money, a regulator watches the platform, and trustees don't have to watch everything themselves. It also gives the fund one clear view of what it holds, plus access to managers and pricing it couldn't get alone. The trade off, however, is extra fees on top of what managers already charge, exits that can be administratively heavy and slower, and a narrower pool of managers to choose from.

Whatever its shape, a good platform brings economies of scale and oversight that would be hard to replicate alone. The real dividing line between a strong platform and a weak one is governance, and that's the test every adviser, trustee and asset manager should apply before trusting it with client money.

There are various platform services that brings both licences together under one roof, giving retirement funds and asset managers the flexibility and governance they need, turning two licences into one answer: the exposure the investor/retirement fund needs, backed by governance you can trust, delivered through a single partner.

Lameez Amlay
Managing Director of Platform Services at 27Four

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Built for peace of mind: Why policy-based investments deserve a place in modern retirement fund governance

In a complex investment landscape, retirement fund stakeholders face a difficult balancing act. Members want strong long-term returns, protection from market uncertainty, transparent governance and cost efficiency. Regulators expect prudent oversight. Employers seek sustainable outcomes. Yet one principle remains constant: investment structures should create financial confidence rather than concern.

This is where policy-based investments can play an important role.

Through life insurers' balance sheets, policy-based investments have formed part of South African retirement funds for decades. They offer a distinctive combination of governance, administration and risk management characteristics that can support what many trustees ultimately seek: peace of mind.

Looking beyond performance

Trustees are rightly focused on investment performance. However, retirement outcomes are influenced by far more than returns alone.

Investment governance, operational resilience, member behaviour, liquidity management, portfolio implementation and remaining invested through market stress all contribute to long-term success.

A policy-based investment structure combines investment management with an insurance policy wrapper. This allows retirement funds to access broader and deeper investment markets while benefiting from additional governance and operational mechanisms within a life licensed environment.



The result is often a more structured framework, with defined responsibilities, stronger oversight and long-term alignment between investment objectives and implementation.
This shifts the discussion from asking, "What return did we achieve?" to the important question, "How are we helping members achieve retirement security?"

Simplicity in a complex world

One of the greatest challenges facing retirement funds is complexity.

Global research continues to show that when investment choices become overwhelming, decision quality often deteriorates. Vanguard's 2026 analysis found that member behaviour increasingly favours simplified investment solutions rather than large menus of options. Simplicity often improves engagement.

For trustees, policy-based investments can support simplicity through:

- Consolidated investment reporting
- Streamlined governance
- Integrated implementation of investments
- Reduced operational complexity
- Monitoring of investment objectives

Simplicity should never be confused with oversimplification. Rather, it means creating investment structures that are understandable, transparent and easier to govern effectively.

Creating greater confidence

Investment markets will always be uncertain.
Interest rates move, geopolitical events occur and markets periodically experience significant volatility. Trustees cannot eliminate these risks, but they can seek structures that help manage them appropriately.

Policy-based investments can provide peace of mind through features such as:

- Contractual frameworks
- Formal governance
- Access to smoothing or capital protection where appropriate
- Strong oversight under insurance legislation
- Long-term asset-liability management

Louis Theron
Head: Investment and Annuity Products at Liberty Corporate Benefits

Research from a J.P. Morgan 2025 survey found that among plan sponsors expressing high confidence in asset allocation outcomes, 94% utilised a default investment arrangement based on structured investment solutions. The common theme is not the specific product, but the value of disciplined, policy-driven investment design. [1]

Certainty is not just about guarantees but rather creating confidence the investments will continue functioning as intended (and hence as expected by investors) across markets.

Bringing humanity back to investing

Members may experience retirement differently to how retirement funds portray it.

Members worry about whether they will have enough income at retirement. They worry about preserving purchasing power. They worry about becoming dependent on their families. Recent South African research highlights the scale of this challenge. Only around 10% of South Africans believe they will be able to retire comfortably at age 60, reflecting deep concerns about retirement readiness and financial security.[2]

This is why governance decisions should ultimately be measured against a human outcome:

Will this improve members' chances of achieving a dignified retirement?

Policy-based investments can contribute positively by helping trustees focus on consistent implementation, long-term discipline and improved member experience rather than short-term market noise.

Built for peace of mind

Retirement funds exist to help members achieve financial security after decades of work. Investment structures should therefore do more than provide access to markets. They should create confidence, support disciplined decision-making and help trustees discharge their fiduciary responsibilities effectively.

In a world characterised by uncertainty, the most valuable investment solution may not be the most complex.

It may simply be the one that delivers what members and trustees need most: humanity in design, simplicity in execution and certainty in governance.

Because ultimately, retirement investing should be built for peace of mind.

[1] J.P. Morgan Asset Management (2025), Defined Contribution Plan Sponsor Survey. [am.jpmorgan.com]

[2]Taylor, J. (2026), Retirement Planning: Restoring Humanity, Simplicity and Certainty (citing South African retirement readiness research showing only ~10% expect to retire comfortably). [Unpublished]



The hidden alpha in retirement funds

A retirement fund can appoint the right managers, make the right asset allocation decisions and generate strong investment returns. But if those decisions are implemented late, processed incorrectly or supported by fragmented systems, members may never experience their full value.

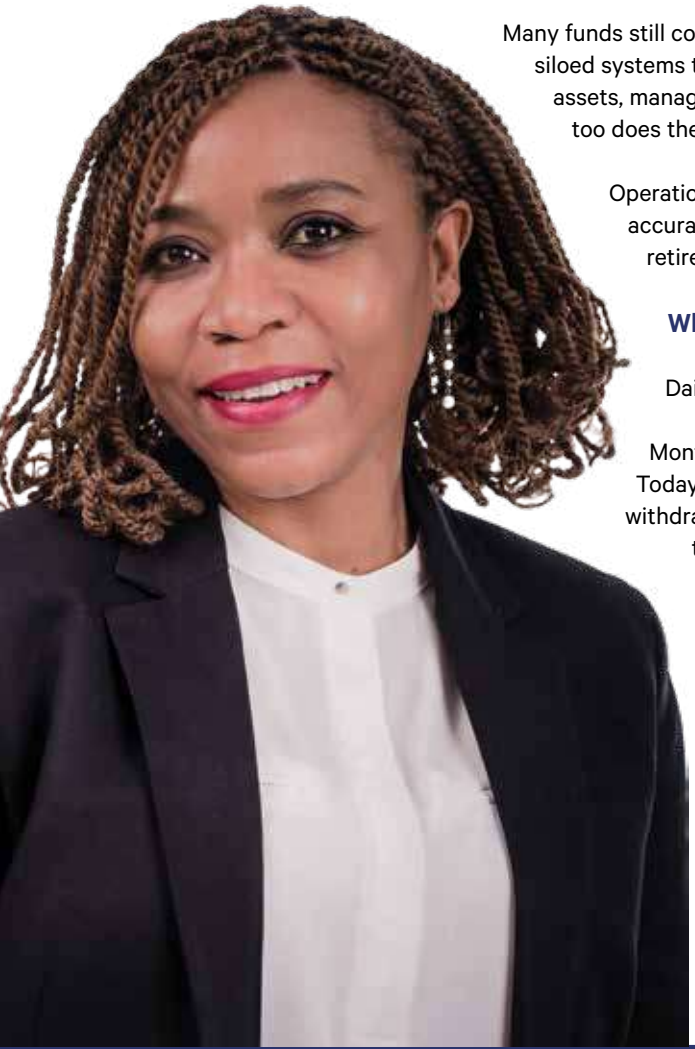
This is where operational alpha comes into play. It is the value created through accurate execution, efficient administration, reliable data, integrated processes and effective operational controls. Based on Alexforbes' experience in investment administration, these operational capabilities are playing an increasingly important role in how retirement funds implement investment decisions and serve their members.

Put simply, investment alpha influences what a fund decides to do. Operational alpha influences whether that decision is implemented correctly and whether members realise its intended value.

Why operations are moving into the foreground

Investment administration has traditionally been regarded as a supporting function, receiving attention mainly when something goes wrong.

That view is becoming harder to sustain. Investment structures are more complex, regulatory requirements continue to evolve and expectations for accurate reporting have increased. Investment administration plays a key role in how investment outcomes are delivered.



Many funds still contend with manual processes, spreadsheet-based workflows and siloed systems that require significant manual intervention to maintain alignment. As assets, manager structures and reporting requirements become more complex, so too does the potential for errors, delays and duplication.

Operational alpha is created by removing this friction. It improves the accuracy, consistency and reliability of the operating framework supporting a retirement fund's investment strategy.

When timing affects fairness

Daily unitisation provides a practical illustration.

Monthly valuation cycles were sufficient for retirement funds historically. Today, members may contribute, switch investment portfolios, retire or withdraw benefits at different points during the month. In volatile markets, the timing and accuracy of valuations can influence whether investment returns are allocated fairly among members who transact on different days.

Daily unitisation provides a more current reflection of portfolio values. It supports the consistent processing of member transactions and helps align investment administration with member records. In this case, the operational process helps protect fairness between members.

Mercy Mpofu
Head of Platforms at Alexforbes Investments

Consider two members switching investment portfolios during a period of market volatility. Under a monthly valuation process, both transactions may be based on information that is several days old, creating differences between the value expected and the value applied. Daily unitisation supports more current valuations and more consistent outcomes for members.

Operational alpha does not necessarily appear as an additional percentage point on an investment report. Its value may lie in avoiding inaccurate allocations, reducing delays and ensuring transactions reflect the correct information at the correct time. Closing the gap between assets and obligations

A retirement fund holds assets so that it can meet its obligations to members. The administration of those assets and the administration of member records are therefore two sides of the same equation.

When these functions operate in separate systems, inconsistencies can emerge. Transactions may be reflected differently across environments, requiring manual investigation and reconciliation.

When these functions operate in separate systems, inconsistencies can emerge. Transactions may be reflected differently across environments, requiring manual investigation and reconciliation.

No individual discrepancy necessarily signals a major failure. The concern lies in their cumulative effect. Repeated delays, manual corrections and unresolved differences consume time, make oversight more difficult and increase the possibility that a problem will not be identified quickly.

In practice, operational complexity rarely stems from a single major breakdown. More often, it develops through the accumulation of small inefficiencies that are accepted over time. Individually, they may seem insignificant. Collectively, they can hinder visibility, delay decision making and place unnecessary strain on operating structures.

An integrated operating framework creates a clearer view of assets, liabilities, transactions and member activity. It also shifts attention away from repeatedly reconciling disconnected information and towards investigating genuine exceptions.

Automation is not the objective

Automation is often presented as the answer to operational complexity. It is more useful to see it as a means rather than an end. Trade processing, cash management, reconciliations, valuations, compliance monitoring and reporting can all be supported by automated workflows. The benefit is that skilled teams can spend less time repeating routine tasks and more time investigating exceptions, applying judgement and strengthening control.

Poorly designed processes do not become good processes simply because they are automated. Operational alpha comes from combining appropriate technology with clear accountability, reliable data and effective oversight.

A different way to think about performance

Investment performance will remain central to retirement fund outcomes. Operational alpha does not compete with investment alpha or replace investment expertise. It helps preserve the value of good investment decisions by ensuring that they are executed, recorded and administered as intended.

This gives fund leaders a useful additional test when assessing an operating model. The operating framework should support fair member treatment, reliable information, effective control and the consistent implementation of investment strategy.

The hidden alpha in a retirement fund may not come from making a different investment decision. It may come from ensuring that the right decision reaches every member accurately.

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The evolving role of institutional investment platforms

For many years, investment platforms were seen primarily as administration vehicles. A place where trades were processed, reports were produced and portfolios were administered.

Those responsibilities remain important, but the role of an institutional platform has evolved far beyond administration.

In our experience of working closely with trustees, consultants, investment managers, administrators and other service providers across the institutional landscape, one thing has become increasingly clear: as investment solutions become more sophisticated, the platform's role becomes increasingly critical. The challenge is not only to support greater complexity, but to do so in a way that improves efficiency, enhances governance and keeps the impact of fees on investors to a minimum.

Retirement funds work with multiple managers, specialist mandates, alternative assets and increasingly bespoke investment solutions. Bringing all of these components together in a way that is efficient, well governed and scalable requires more than administration. It requires coordination, expertise and a well-designed operating model.
This is where the platform's role is changing.

Today, platforms need to operate as ecosystems.

At an institutional level, no organisation can be an expert in everything, nor should they try to be. Investment managers are experts at managing money. Consultants are experts at providing strategic advice. Administrators play a critical role in servicing funds and their members.

Our role is to create the environment that allows all these participants to perform at their best.

That means providing the governance framework, operational infrastructure, reporting capabilities, technology and specialist expertise that underpin the investment solution. It means connecting the various participants in the investment value chain and ensuring they can operate effectively within a single framework.

Ultimately, it is about enablement.

When the operational foundations are strong, investment managers can focus on investment outcomes. Consultants can focus on advice. Trustees can focus on governance and member interests. The platform provides confidence that the middle-office and back-office functions are being managed by specialists.

This philosophy has shaped much of the work we have done within our platform business.

Any platform provider should continue to invest in operational capabilities, reporting, governance processes, technology and specialist skills. The objective should not be to build a bigger administration function, but rather to build a stronger ecosystem and a better partnership model.



Teodor Nel
Head of Institutional Investment Platform at
Momentum Investments

A significant focus for us today is the continued development of what we call the *Platform of the Future*.

A key enabler of the Platform of the Future is technology.

As investment solutions become more sophisticated and reporting, governance and operational requirements continue to increase, scalable technology and automation become essential. Not only to improve efficiency, but to create better experiences, improve transparency, reduce operational risk and provide stakeholders with faster access to information.

Technology should not replace expertise. It should enable specialists to spend less time on manual processes and more time applying their expertise where it creates the greatest value.

Partnership is a word that is often used in our industry, but to me, it means something very specific.

A good partnership is not about trying to do everything for everyone.

It is about understanding where your expertise creates value and ensuring that expertise complements the strengths of others.

The platform's role is not to replace investment managers, consultants or administrators. It is to support them through a governance and operating framework that enables each participant to focus on their strengths.

This becomes particularly important as investment arrangements become more complex.

Licensing structures are a good example.

They are often viewed primarily through a regulatory lens, but they also establish the framework for governance, accountability and oversight. They help define responsibilities and create the structure within which investment solutions operate.

For trustees and other stakeholders, understanding the structure supporting an investment solution is just as important as understanding the investment strategy itself. The right framework provides flexibility while ensuring appropriate governance and controls are in place.

More organisations are recognising the value of bringing together specialist capabilities across governance, administration, reporting, technology, compliance and operations. Rather than trying to build every capability internally, they are looking to create operating models that leverage the strengths of trusted partners.

In many respects, this is where the institutional platform creates its greatest value.

Not as an administrator. Not as another service provider.

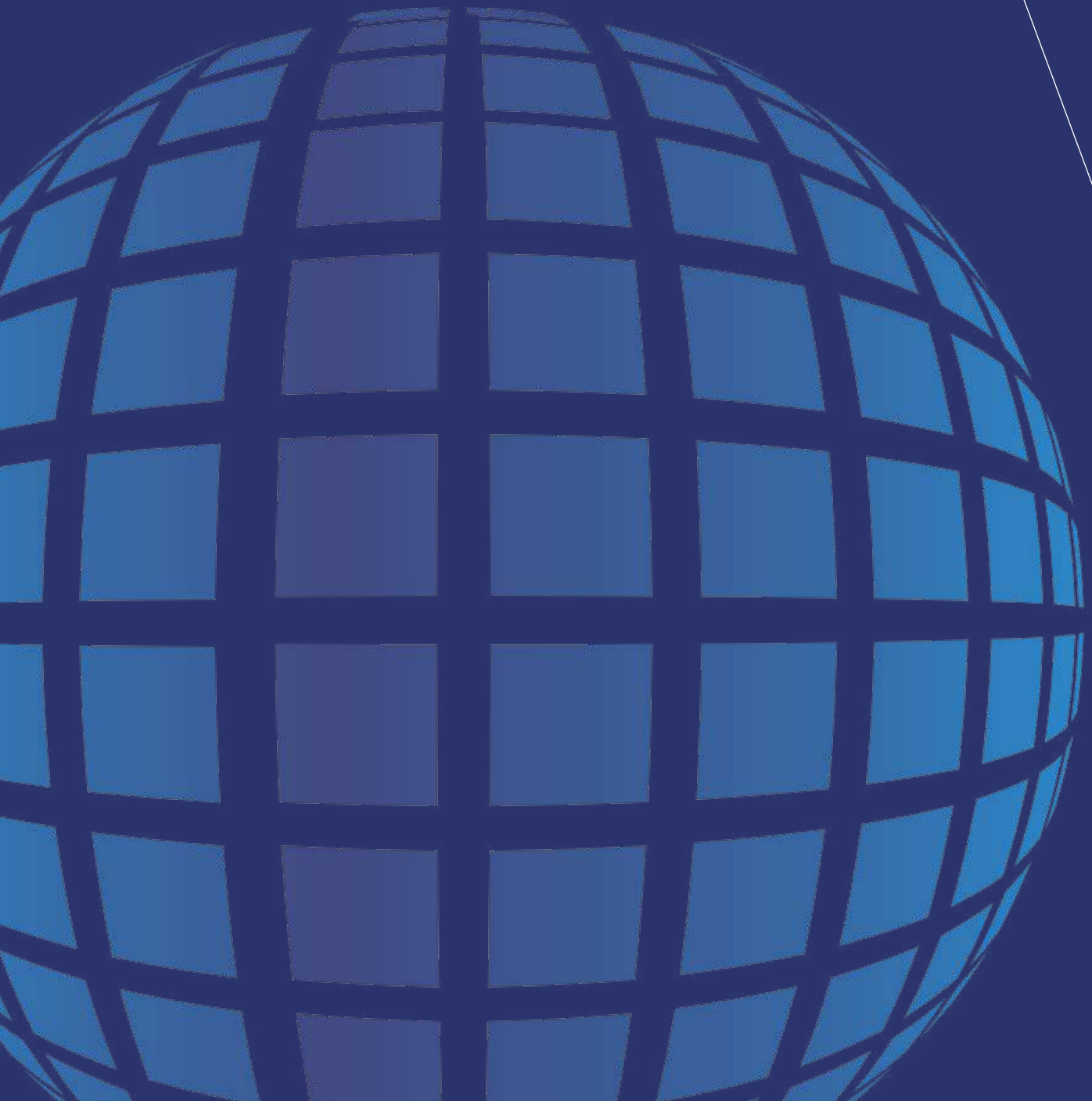
But as the ecosystem that brings together people, processes, governance and technology in support of a common objective.

The investment industry will always be focused on performance, and rightly so. But successful outcomes depend on more than selecting the right managers or investment strategies.

This is the evolving role of the institutional investment platform.

Because ultimately, when our partners succeed, so do we.

INVESTMENTS



Why social infrastructure belongs in institutional portfolios

Social infrastructure is still too often treated as an investment category in which financial return and social purpose sit on opposite sides of the equation. The assumption is that if capital is directed towards affordable housing, schools or other assets that cater to underserved communities, investors must accept a lower return in exchange for the impact created. Our experience over close to two decades suggests that this framing is increasingly outdated.

Affordable housing, schools and other forms of social infrastructure often serve markets that have historically been overlooked by either the state or conventional private capital. In South Africa, affordable housing provides a clear example. There is a significant market between fully subsidised housing and higher priced private accommodation, comprising households that earn enough to pay for housing but struggle to access quality, well located accommodation at prices they can sustain. The same principle applies in education, where families may have both the need and the ability to pay for quality schooling even where supply has not kept pace. In both cases, the investment opportunity begins with a genuine and durable demand base rather than with the social objective alone.

For an institutional investor, this means approaching social infrastructure with the same discipline applied to any other asset class. The first question is whether there is identifiable demand that can support sustainable revenues over time.

Maitland Metro in Cape Town shows what a bankable social infrastructure investment can look like when the fundamentals are right. The Cube is a 241-unit affordable rental development within the wider Maitland Metro precinct, designed to provide quality, well located housing at institutional scale. It sits within a broader precinct-led regeneration strategy in a well-connected urban infill area about 5 km from the CBD, with direct access to rail, bus and taxi routes as well as nearby employment nodes. Importantly, the investment was not underwritten on aspiration alone. The Prime, the first building in the precinct, had already been delivered on time and on budget and reached practical full occupancy within six months, giving us real evidence of tenant demand, achievable rentals and operating performance.

The result is a good example of how affordable housing can be structured as a commercially robust investment, with location, proven demand, experienced partners and disciplined execution doing the heavy lifting, while the social impact follows through better access to quality housing, jobs and more inclusive urban growth.



Strong demand, however, does not on its own make a social infrastructure project bankable. The structure still has to work. Developers need an economic incentive to continue delivering projects, operators need to be rewarded for maintaining performance, investors need an appropriate risk-adjusted return and the end user must be able to afford the product or service. When one of those interests becomes disconnected from the others, the economics of the investment are unlikely to remain sustainable over the long-term.

For that reason, governance and alignment should be central to how investments are structured. Capital should be deployed against realistic assumptions and measurable performance rather than optimism. Future phases must be linked to operating milestones, while governance rights and appropriate exit mechanisms will help ensure that the interests of investors and operating partners remain aligned over the life of the investment.

Importantly, many of the factors that improve the social outcome also strengthen the commercial performance of the asset. In affordable housing, rents that tenants can sustainably afford support collections and occupancy. Good management improves retention.

Greg Coe
Senior Investment Professional at
Old Mutual Alternative Investments

Safe, clean and well-maintained buildings support demand. Well located housing gives people better access to employment and transport while making the property more attractive to prospective tenants. Social value and investment performance can therefore reinforce one another when they are designed into the investment from the beginning.

Private capital can add particular value where it brings capabilities that are difficult to sustain through public funding alone, including rigorous underwriting, specialist operating expertise, long-term governance and the ability to support platforms through multiple phases of growth. Government still has an important enabling role through zoning, access to land, infrastructure provision and policy certainty, but an investment becomes more resilient when its fundamental economics are based on sustainable demand rather than being entirely dependent on a subsidy or policy intervention continuing indefinitely.

Our experience in affordable education shows that the same model can work beyond housing. The investment case rests on the same fundamentals we look for elsewhere in social infrastructure: sustainable demand, a capable operator, disciplined structuring and the ability to scale. None of this removes the risks associated with social infrastructure. Poorly selected locations, weak counterparties, development overruns, unsustainable pricing and uncontrolled operating costs can all undermine returns. In affordable housing, operating expenses are particularly important because increases in costs that cannot be recovered through rental income place direct pressure on the investment case. Long-term maintenance also has to be properly understood and provided for, while the quality of property management can materially influence collections, occupancy and asset performance.

The answer is therefore not to treat social infrastructure as inherently concessionary, but to apply the same level of commercial discipline expected elsewhere in institutional portfolios. Pension funds and other long-term investors still require appropriate financial outcomes and social purpose should never be used to justify unsustainable business models.

The opportunity is that, when these investments are structured and managed well, the financial return is achieved in addition to the provision of tangible social infrastructure assets; including dignified and affordable housing, operational schools and well-planned precincts that serve the people who live and work in the area for years to come. That outcome is created through financially sustainable assets, capable operators and investment structures designed to endure over time.



Retirement investing: Why local doesn't mean trapped

Over the past few years, local investors and commentators have called for the offshore limit on retirement funds to be raised or scrapped altogether. Much of the case rests on access to better investment opportunities and sidestepping the South African economy which has grown at a pedestrian pace for more than a decade - just 0.7% a year over the past ten years ending 2025. That argument presupposes that pension fund members are trapped in South Africa. We do not think that is the case.

Members already have offshore exposure

We would argue that retirement fund members are far less trapped in South Africa than the debate suggests. Retirement fund members already have a meaningful offshore exposure before a single Rand of the 45% offshore limit that applies under regulation 28 of the Pension Funds Act is used. Many of the JSE's largest companies are multinationals, duel listed groups or commodity exporters that earn their income in foreign currencies. Estimates of how much of the JSE All Share's revenue or earnings coming from outside of South Africa vary with methodology over time but generally, the range clusters around 60%. This share is not fixed. It moves with exchange rates – a stronger Rand reduces the Rand value of offshore earnings while a weaker Rand does the opposite.

Given the acceptable knowledge of a large offshore exposure, raising the cap or removing it, with investors following suit and allocating more to offshore, this could shrink member's genuine Rand earnings base quite considerably. This matters because members' liabilities are in Rands. Most will spend their entire retirement in South Africa paying for food, medical care and rent in Rands. So, a heavy offshore allocation creates a mismatch between currency of their assets and that of their liabilities. As a risk sensitive currency, the Rand tends to weaken when global markets sell off, which can cushion offshore holdings in Rand terms. The flip side however is that a Rand rally erodes offshore returns. In 2025, the Rand gained 13% against the US Dollar, the biggest annual gain in 16 years.

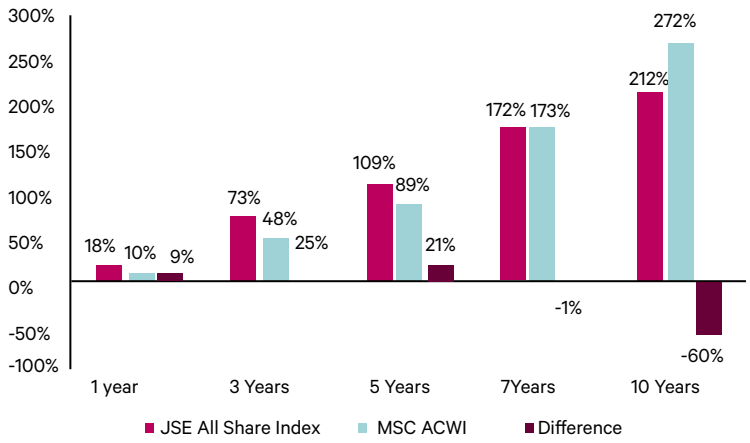
Weak growth has not meant weak returns



South Africa's weak macroeconomic backdrop might suggest that local equities cannot deliver strong returns, pointing investors offshore. The numbers, however, didn't necessarily say so.

Figure 1 compares the total returns of the FTSE/JSE All Share Index with those of the MSCI All Country World Index (ACWI) which covers developed and emerging market equities, in Rand terms.

Figure 1 compares the total returns of the FTSE/JSE Al Share Index with those of the MSCI ACWI in Rand terms to the end of August 2026



Siphesihle Siswana
Investment Strategist at Otto1890

Over ten years, the JSE All Share has lagged the ACWI in Rand terms. Over seven years and shorter periods, however, the picture reverses – the local market has outperformed.

The point is, in search of opportunities abroad, we should be careful not to throw the baby out with the bathwater - good returns can still be made from the local bourse. Despite the country's weak growth, the local market has delivered strong returns from time to time. In 2025, the JSE All Share delivered a total return of 42.4%, its best calendar year since 2005, even though real GDP grew by only 1.1%, well below the 3.3% IMF estimates the global economy grew. Part of the explanation lies in the point made earlier: the JSE is not the South African economy. The MSCI ACWI on the other hand delivered 22.3% in US Dollars and considerably less in Rands once you take account of the currency strength.

Diversification is not a free lunch

There are other reasons to be cautious when pushing offshore allocations much higher. Offshore investing is not a free lunch, and its diversification benefits are much harder to capture than once were. Globalisation has increased the extent to which markets move together. The 2026 UBS Yearbook notes that by the end of 2025, US equity market concentration was at its highest level in at least 100 years, while correlations between developed and developing markets and between equities and bonds had also risen. With the US accounting for 62% of the world equity market value, essentially, a global index allocation heavily leans on a relatively small group of very large US companies.

A more considered debate

To be clear, we are not arguing against investing offshore. On the contrary, in our view offshore assets have an important place in a well-diversified portfolio. We are simply advocating for a more considered approach rather than being narrowly focused on chasing returns. The offshore exposure members already hold through JSE listed companies, the currency in which their liabilities are held, depth and liquidity of the local market, amongst other considerations, should also be weighed.



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Affordable housing and convenience retail: Friends or foes in the development of South Africa's townships and rural areas?

For too long, development in South Africa's townships and rural communities has been approached in silos. We build houses in one place, shopping centres somewhere else, schools and clinics when budgets permit, and expect transport networks to somehow connect everything together.

Instead of debating whether scarce land and capital should be allocated to affordable housing or convenience retail, we should ask: what combination of uses enables a community to thrive?

The answer starts with recognising that affordable housing and convenience retail are not foes. Properly planned, they are natural partners.

Housing creates community; retail creates economic gravity

Affordable housing addresses one of South Africa's most pressing social needs: providing people with secure, dignified places to live. But housing alone does not create a functioning community.

People need access to food, banking, healthcare, education, transport, employment and social spaces. When these are located far from where people live, households pay the price through transport costs and lost time.

A well-positioned neighbourhood or township retail centre brings groceries, pharmacies, banking services, restaurants and essential services closer to communities. It also creates employment, attracts investment and provides infrastructure around which other economic activity can develop.

South Africa's Integrated Urban Development Framework recognises the importance of bringing housing, transport, jobs and services together to create more compact and connected settlements.

But a shopping centre is not an economic-development strategy

We should nevertheless resist another mistake: assuming that bringing national retailers into a township or rural community automatically constitutes development. Retail investment can produce unintended consequences if it merely redirects local spending towards large national businesses without strengthening the local economy.

This is particularly relevant today. Government's 2026 Rural and Township Economy Report highlighted obstacles facing informal and township businesses, including access to procurement and distribution networks, high rentals, infrastructure constraints and barriers to formalisation. The opportunity, therefore, is to design retail developments that deliberately accommodate local enterprise.

A successful township retail development should include affordable space for local traders, restaurants, service providers and entrepreneurs alongside national anchor tenants. Local businesses should participate in construction, maintenance, security, cleaning and other procurement opportunities. The objective should be to circulate more of the community's spending within the community.



Ben Kodisang CA(SA)
Founder and CEO of ALT Capital Partners

What completes the ecosystem?

First is healthcare. Primary healthcare facilities, pharmacies, doctors, dentists and diagnostic services located close to communities materially improve quality of life.

Second is education and skills development. Early-childhood development facilities, schools, vocational training and digital learning centres should increasingly form part of integrated developments.

Third is transport and mobility. Taxi ranks, bus facilities, pedestrian routes and safe connections between homes, shops and workplaces are essential.

Fourth is digital infrastructure. Affordable broadband and reliable connectivity are becoming as fundamental to economic participation as electricity and roads.

Fifth is small-business infrastructure. Markets, trading spaces, shared kitchens, workshops, logistics facilities and flexible commercial premises can enable entrepreneurs to move progressively from informal activity towards sustainable enterprises.

Sixth is social and recreational infrastructure: parks, sports facilities, community halls, libraries and safe public spaces. Communities require places to interact, not merely places to consume.

And finally, there must be reliable basic infrastructure - water, sanitation, electricity, waste management and increasingly renewable-energy and water-resilience solutions.

From property development to community infrastructure

We should stop thinking about residential, retail and social infrastructure as separate asset classes that happen to occupy neighbouring pieces of land. They form an interconnected economic and social system.

Imagine a development where affordable housing surrounds a convenience retail precinct; the retail centre incorporates local entrepreneurs; a taxi facility provides regional connectivity; healthcare and educational facilities are within walking distance; children have safe recreational areas; residents have broadband connectivity; and renewable energy reduces dependence on an increasingly constrained grid.

That is more than a housing development. It is more than a shopping centre. It is community infrastructure.



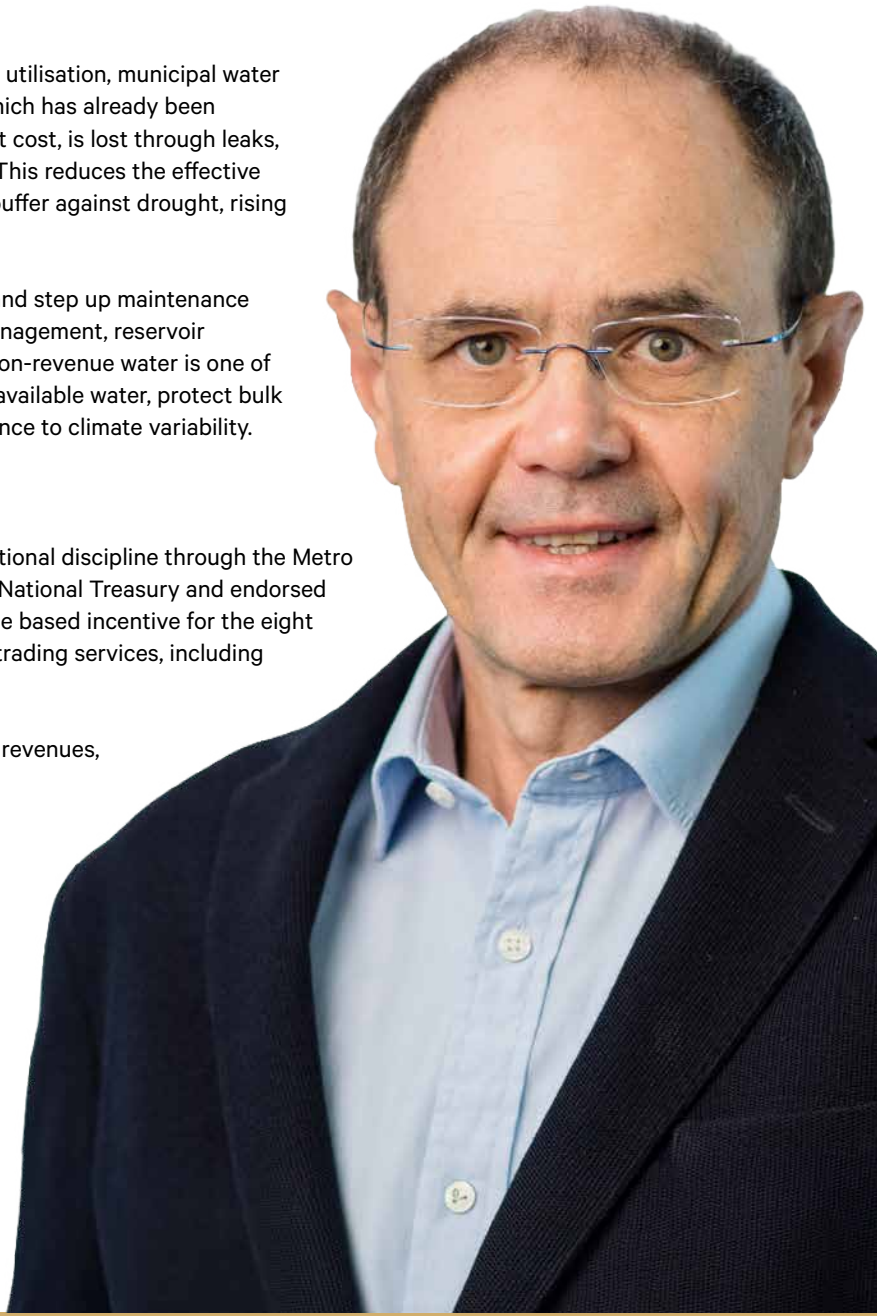
South African institutions play a key role in addressing water constraints

Water security is not an abstract environmental theme. It is a system level risk for long-term investors that touches on inflation, growth, social stability, municipal credit metrics and the reliability of the infrastructure on which the economy depends.

The asset management industry can help to address water security in two ways: by directing capital towards credible water and sanitation projects and utilities; and by strengthening the governance, financial discipline and transparency required to make these projects investable and scalable.

The weakest link

Municipal distribution and sanitation represent the weakest and most critical parts of the water system. They are also the most plausible entry point for institutional capital, particularly in metropolitan areas where scale and revenue potential are higher.



As available surface water yields are approaching full utilisation, municipal water losses are a material resilience risk. Treated water, which has already been abstracted, stored, purified and pumped at significant cost, is lost through leaks, poor metering, unauthorised use and billing failures. This reduces the effective capacity of existing infrastructure and weakens the buffer against drought, rising temperatures and erratic rainfall.

Municipalities need to urgently reduce water losses and step up maintenance capex: pipe renewal, meter replacement, pressure management, reservoir maintenance and billing system integrity. Reducing non-revenue water is one of the fastest and most cost effective ways to increase available water, protect bulk systems, improve municipal finances and build resilience to climate variability.

Policy reform and institutional support

Government is seeking to restore financial and operational discipline through the Metro Trading Services Reform (MTSR) programme, led by National Treasury and endorsed by Cabinet. The programme introduces a performance based incentive for the eight metropolitan municipalities to turn around declining trading services, including water, wastewater, electricity and solid waste.

For water services, the reform focuses on ringfenced revenues, separate accounts, cost reflective tariffs, transparent subsidies, stronger management accountability and reinvestment into infrastructure. The objective is to ensure that revenues generated from water services are retained in the system and used to maintain and upgrade infrastructure.

Theo Botha CFA
Analyst at STANLIB Asset Management

The reform is also intended to make municipal water and sanitation projects more bankable. Institutional investors, including asset managers and pension funds, have an appetite for infrastructure investment, but water projects need credible governance, identifiable and sustainable revenue streams, clear risk allocation, measurable performance outcomes and properly structured contracts. The MTSR can help to create these conditions. This aligns with the role of the Water Partnerships Office, established by the Department of Water and Sanitation, the South African Local Government Association and the Development Bank of SA. The office supports municipalities in preparing bankable water and sanitation projects and developing standardised partnership models, including performance based contracts for reducing non-revenue water.

Progress to date

The MTSR has moved into implementation, with guidance issued to metropolitan municipalities. National Treasury's timeline envisages foundational reforms in the first year, increased investment from around year three and service improvements over a three- to five-year horizon.

The programme is being implemented within existing municipal finance frameworks, supported by grant conditions and performance linked incentives. Complementary legislative reform is under way through the Water Services Amendment Bill, which seeks to strengthen regulation and enforcement across the sector.

The main constraints are implementation related. It is politically and institutionally difficult to make the necessary changes because municipalities have constitutional autonomy, trading service revenues have historically helped to fund broader municipal budgets, and infrastructure backlogs are large. If it is successful, MTSR can become the governance bridge between municipal service reform and long-term institutional capital; if not, it risks remaining a well designed incentive programme that fails to overcome weak municipal execution.

The road ahead

Institutional investors are willing to support a pipeline of water and sanitation projects that will reduce non-revenue water, improve service delivery, renew aging infrastructure and strengthen overall water security resilience. But they require a clearly defined and accountable delivery entity, ringfenced and predictable revenue streams, enforceable commercial arrangements with appropriate risk allocation, decision grade data and consistent reporting, transparent performance metrics and independent verification, and replicable structures that allow for scale.

With appropriate reforms, municipal water services can evolve into sustainable infrastructure assets capable of attracting long-term institutional capital.

The priority now is to translate a well understood problem into investable execution. If metropolitan municipalities can re-establish water services as functioning utility style businesses under the MTSR, the sector can shift from crisis management towards consistent delivery. This would create a pathway for institutional capital to play a constructive and scalable role.

In practical terms, the asset management industry contributes by combining capital with discipline. This means being explicit about the conditions required for investment, engaging constructively to support reform and allocating capital when those conditions are met.

For long-term investors, water security illustrates how stewardship can extend beyond individual companies to address systemic risks. By combining engagement, advocacy and capital allocation, asset managers can help to improve the conditions needed for sustainable infrastructure investment and long-term economic resilience.

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South African equities at a crossroads: Navigating uncertainty

South African equities face an increasingly complex macroeconomic backdrop heading into 2027. A potentially powerful El Niño cycle, elevated energy prices and persistent geopolitical disruption create renewed upside risk to inflation while domestic economic growth remains subdued. For equity investors, the key issue is how the interaction between inflation, real GDP growth and monetary policy affects earnings across the JSE.

The impact on equities depends largely on how much higher inflation and geopolitical uncertainty weaken real GDP growth. Nominal GDP may remain resilient as prices rise even as volumes fall, making margins and cash generation increasingly important.

The difference between real GDP growth of 1.0% and 2.0% is particularly significant for domestically exposed cyclical companies. When growth is at or below 1.0%, domestic equities and listed property tend to lag the other major asset classes such as cash and bonds. When growth exceeds 1.5%, South African equities and listed property tend to outperform, as shown below.



Asset class returns by SA real GDP growth band



Source: Bloomberg, Terebinth Capital, Investec Securities Calculations, Data from 2008 to August 2026

South Africa's recovery remains vulnerable to weak domestic momentum and external shocks, including conflict in the Middle East and extreme weather, which could push inflation higher and keep monetary policy tighter. Consensus forecasts suggest that real GDP growth could settle at around 1.2% in 2026, with risks skewed to the downside. Fixed investment is expected to recover only modestly, while household consumption may slow as confidence weakens.

El Niño could compound these pressures through weaker rainfall and lower agricultural yields. Together with shipping and supply disruptions, food, energy and transport costs could remain elevated, reducing household purchasing power and limiting the South African Reserve Bank's scope to lower interest rates. By contrast, a more stable growth environment of at least 1.5%, accompanied by contained inflation and gradual interest rate cuts, would support real incomes, reduce debt servicing costs and improve the outlook for domestically focused companies. In this environment, SA equities and property should outperform cash and bonds.

Athenkosi Mjebeza
Equity Analyst at Terebinth Capital

Implications for consumer facing companies

The outlook is not uniformly negative for consumer equities. Food retailers are better positioned than discretionary retailers and food producers because they have historically been able to pass higher food inflation on to customers, although often with a delay. This can support nominal sales growth when grocery volumes remain resilient. Food producers face greater pressure, as higher input costs may be incurred before they can be recovered. This can squeeze margins, particularly when consumers are price sensitive and retailers resist large supplier price increases. Inflation may therefore lift nominal revenue while reducing profitability.

Discretionary retailers are likely to face the greatest pressure, as spending on apparel, household goods, vehicles, restaurants and leisure competes directly with essential expenditure. As food, fuel and electricity absorb more of household budgets, discretionary volumes are likely to weaken. Higher interest rates add to the pressure by increasing debt servicing costs and delaying a recovery in credit sensitive consumption.

Banks are also sensitive to the relationship between real GDP growth and interest rates. In a stronger growth environment, lower rates improve debt affordability and credit demand while moderating credit losses. Stronger loan growth and fee income can also offset pressure on net interest margins. On a year-to-date basis, food producers and retailers have struggled significantly as resources, healthcare and telecoms have led the way.

Resources can continue to provide a defensive refuge

Commodities can provide a useful hedge in a structurally higher inflation environment. Unlike domestically exposed companies, whose margins can be squeezed as input costs rise and household demand weakens, commodity producers often benefit directly from the higher prices driving inflation. This is particularly relevant where supply is constrained: higher energy, freight and operating costs can lift commodity cost curves and establish a higher price floor, as we are currently seeing.

The opportunity is also increasingly structural rather than purely cyclical. Copper, for example, is moving from a property led demand cycle towards an electricity led infrastructure cycle, supported by grid investment, electrification and AI-related power infrastructure. At the same time, mine supply remains constrained and increasingly dependent on fewer, larger and more complex projects, supporting higher incentive prices (the level required for a new mine to cover its costs and generate an adequate return on capital) over the medium term. This combination of inflation sensitivity, constrained supply and structural demand means selected commodities can offer both earnings resilience and diversification when persistently high inflation places pressure on domestic consumption and interest-rate-sensitive sectors.

The bottom line

Taken together, these trends point to selective but genuine opportunities for SA equities, despite an uneven macro backdrop.



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The battlefield has changed. Has your portfolio?

An asset manager's flexibility matters as the environment can change quickly and significantly. And right now, our investment team believe three structural shifts are busy reshaping the investment landscape:

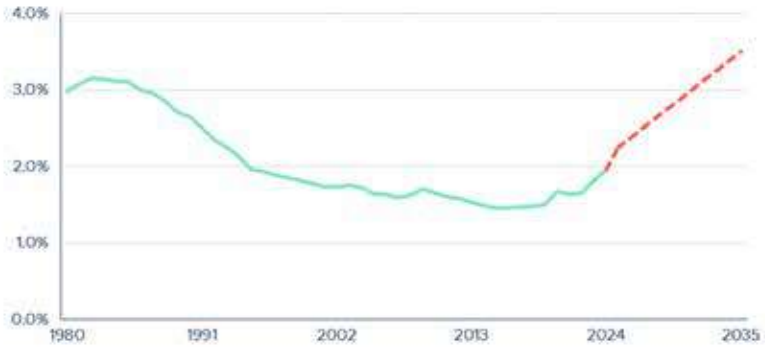
1. A historic rebuild of European defence spending,
2. A change in what is driving demand for industrial metals, and
3. The unwinding of three decades of globalisation.

Defence spending

For most of the post-Cold War era, European governments treated defence spending as discretionary, comfortable under the NATO security umbrella. Russia's 2022 invasion of Ukraine, combined with renewed uncertainty over Washington's long-term NATO commitment, shattered that assumption. We expect European defence spending to keep rising toward 3.5% of GDP by 2035. A new "Buy European" drive also aims to lift the share of defence procurement sourced within Europe from around 25% in 2022 to 50% by 2030 and 60% by 2035, supporting government spending growth of more than 10% a year for a decade. Modern warfare also centres on air and missile defence, surveillance, drones, sensors and cybersecurity rather than tanks and artillery, a distinction that matters for positioning, whether through primes like Airbus and Leonardo or specialists such as Dassault.



Chart: European defence spend as a % of GDP Safran and Indra.



Source: SIPRI Military Expenditure Database, 2026–35 illustrative straight-line path to the NATO 3.5%-by-2035 core target

Metal demand

The story behind metal demand is also changing. For decades, it was largely about Chinese urbanisation and construction. The next chapter is different: electric vehicles use roughly three times more copper than petrol vehicles, renewables require far more cabling, and data centres consume enormous volumes of copper and cooling infrastructure. Supply is struggling to keep up, ore grades are declining, costs are rising, discoveries have slowed sharply, and the largest producing countries (Peru, Chile, the DRC) carry real operational risk. New mines take a decade or more to build, pointing toward widening deficits ahead. A structurally weaker US Dollar, driven by large fiscal deficits, adds further support for real assets including copper and gold.

Etienne Roux
Equity Analyst at Truffle Asset Management

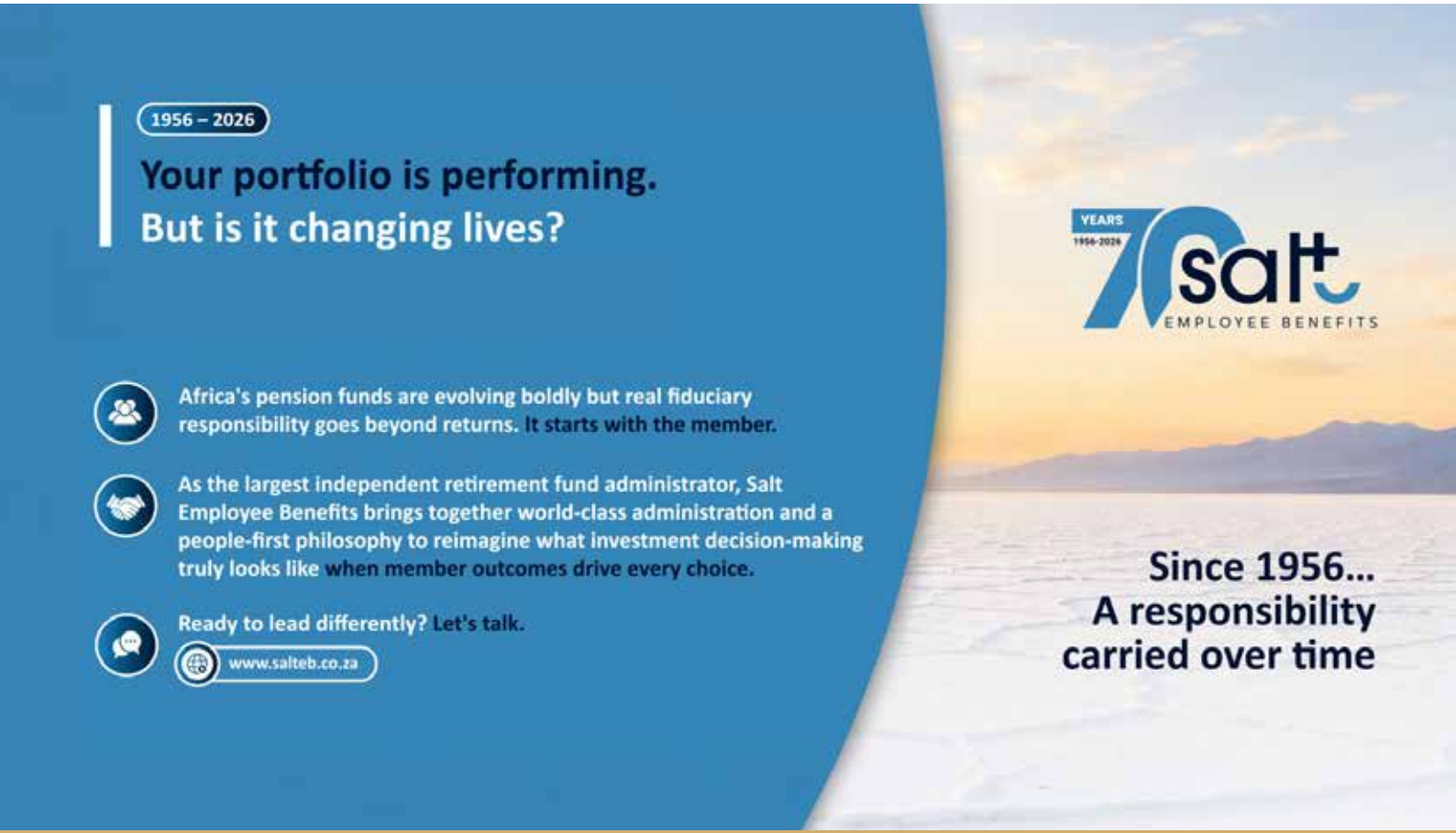
Deglobalisation

Thirty years of globalisation delivered cheap goods, low inflation, low rates and rising asset prices, underpinned by a stable, US-led world order. That environment is reversing: countries now prioritise security of supply over efficiency, tariffs and onshoring are back in favour, government deficits sit at record highs even as defence and infrastructure spending needs grow, and the world is shifting toward a more fragmented, multipolar order. Yesterday's assumptions can no longer safely guide tomorrow's decisions.

In this environment, we believe genuine diversification and downside protection matter more than ever. One of our portfolios has historically captured about 70% of market upside while capturing only around 28% of the downside. This performance was built through diversified, fundamentals-driven stock selection rather than large macro bets.

Being prepared

There is a useful precedent for this kind of flexibility. In December 1944, General George Patton was advancing east toward Germany, a logical plan, when he recognised that events unfolding in the Ardennes required a change of course. Within 48 hours he had turned his army 90 degrees north and, a week later, relieved the besieged town of Bastogne. His success did not result from predicting the future perfectly, but from staying alert and acting decisively once the facts changed. Similarly, in managing portfolios, Truffle recognises that while we cannot be certain of what lies ahead, we can apply the same philosophy while changing our positioning to ensure portfolios deliver consistent performance over time. Investment landscapes evolve and we need to think and act differently.



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10% p.a. since inception*.

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	Inception	1 year	3 years	5 years	10 years
Truffle SCI Income Plus Fund (A-class)	21 Sep 2016	10.4%	10.9%	10.0%	10.0%
Benchmark (STeFI Composite Index)	21 Sep 2016	7.0%	7.8%	7.1%	6.8%
Highest annual return					11.5%
Lowest annual return					6.7%

Source: Morningstar Direct, 21 Sep 2026

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Truffle Asset Management

Fund Performance

Annualised return is the weighted average compound growth rate over the performance period measured. Investment performance is calculated by taking the fees into account and income is reinvestment on the reinvestment date. ASISA Category: SA - Interest Bearing - Short Term. Truffle Asset Management Proprietary Limited ("Truffle") is an authorised Category I and II financial services provider (No. 36584) and is the investment manager of the Truffle SCI Income Plus Fund. Sanlam Collective Investments (RF) (Pty) Ltd is a registered and approved Manager in terms of the Collective Investment Schemes in Securities. The Manager retains full responsibility for the third-party portfolio. Portfolio performance depends on the underlying assets and variable market factors. Performance is based on NAV-to-NAV calculations with income reinvestments on the ex-dividend date. Collective investments are calculated on a net asset value basis, being the total market value of all assets in the portfolio, including income accruals and less deductible expenses such as audit fees, brokerage and service fees. Maximum annual advice fee: 1.15%, annual management fee: 0.58% and maximum Inital advice fee: 1.15%. A full schedule of fees is available from the manager on request. Actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, the date of reinvestment of income, and dividend withholding tax. Past performance is not indicative of future performance, and the value of investments may go down as well as up. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The Manager has the right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate.

Infrastructure investment in South Africa

What is the need?

The National Development Plan (NDP) set a target for South African Gross Fixed Capital Formation (GFCF) to reach 30% of GDP by 2030, with public sector investment contributing about 10%. In 2024, however, total fixed investment was approximately 14.1% of GDP. Private sector investment accounted for 10.1% and public sector investment for the balance. Kevin Lings, economist at Stanlib noted in a presentation given during August 2026 that with total fixed investment at 13,2% of GDP, South Africa could be a failed state. “Even if we get to 20%, we will grow at 4%”, he observed.

Global context

A global infrastructure fund will typically own shares in companies operating electricity transmission networks, utilities, airports, ports, railways, toll roads, pipelines, communications towers and data centres.

The investor is buying exposure to a diversified collection of long-life assets, revenue streams, jurisdictions, counterparties and infrastructure subsectors. The diversification is one of the reasons why the asset class has historically attracted institutional investors – it is not simply a collection of project-finance transactions.

Retirement funds



Pension assets globally exceed USD 56 trillion, making pension funds among the largest pools of capital in international markets. Yet infrastructure allocations remain modest. OECD analysis of approximately USD 10.6 trillion held by large public and private pension funds found that infrastructure investments represented about 2% of assets under management. Even in developed markets, this is a relatively small portfolio allocation.

The Boston Consulting Group published “Infrastructure strategy 2026: A year of increasing scale and diversification” earlier this year. The survey notes that private infrastructure Assets Under Management (AUM) reached $1.6 trillion in 2025.

Other observations include: Infrastructure now represents 10% of private market assets. And the largest 50 infrastructure funds dominate, attracting nearly three-quarters of capital raised. Public pension fund infrastructure allocations have risen from approximately 3% to 6% over the past decade.

McKinsey’s Global Private Markets Report 2026 adds to the analysis that 51% of surveyed Limited Partners expect to increase infrastructure allocations over the next three years.

Both reports noted a significant increase in allocations to the asset class, following two challenging years.

The reform is also intended to make municipal water and sanitation projects more bankable. Institutional investors, including asset managers and pension funds, have an appetite for infrastructure investment, but water projects need credible governance, identifiable and sustainable revenue streams, clear risk allocation, measurable performance outcomes and properly structured contracts. The MTSR can help to create these conditions.

Bev Bouwer
on behalf of the Retirement Matters Committee of the Actuarial Society of South Africa, and an actuary at Independent Actuaries and Consultants

This aligns with the role of the Water Partnerships Office, established by the Department of Water and Sanitation, the South African Local Government Association and the Development Bank of SA. The office supports municipalities in preparing bankable water and sanitation projects and developing standardised partnership models, including performance based contracts for reducing non-revenue water.

A natural fit?

South Africa's retirement fund industry holds close to R5.8 trillion in assets plus a further R2.7 trillion in the Government Employees Pension Fund managed through the Public Investment Corporation. These are patient pools of capital, contractually committed over decades, matched to liabilities that are themselves long dated.

The characteristics of infrastructure assets match well with the typical investment objectives of a retirement fund. Cash flows are typically long-dated, often contractually or regulatorily linked to inflation, and relatively uncorrelated with listed equity and bond markets. Infrastructure assets have demonstrated these stable, low volatility returns.

The World Bank estimates that South African institutional investors, including retirement funds, currently allocate only about 5–7% of total assets to domestic infrastructure, despite holding assets equivalent to roughly 160% of GDP.

Recent policy changes encouraging investment in infrastructure within the private sector include:

- In 2021, when the cap for private power generation without a licence was lifted, it provoked the private sector to produce 18 000 megawatts within 18 months, which eased the pressure on the national grid, and assisted South Africa's emergence from rolling blackouts.
- The Minister of Transport has been actively involved in initiatives collaborating with the private sector to enhance the rail and port infrastructure, with 11 private train operating companies approved in the national freight rail network.
- The PRASA exploration of satellite-based signalling as an alternative to physical infrastructure could reduce dependence on physical infrastructure, ensuring uninterrupted operations, enhancing safety, and improving overall efficiency.
- The Transnet National Ports Authority has awarded and continues to invite tenders for significant development at Durban port, increasing private sector involvement, and modernisation of facilities.

Financial initiatives

The World Bank's Credit Guarantee Vehicle (issued in March 2026) is intended to use capital guarantees to de-risk infrastructure investment and crowd in institutional capital with an eventual programme target of R160bn over ten years.

The Infrastructure Fund, initially established in 2020 through cooperation between National Treasury, Infrastructure South Africa and the DBSA, is intended to blend public and private resources and crowd private capital into infrastructure projects. By 2025, it had helped package and finance 26 blended finance projects and programmes with a capital value of R101.6 billion.

In December 2025 National Treasury launched an Infrastructure and Development Finance Bond which successfully raised R11.8 billion and was over two times subscribed.

In 2025 the Public Investment Corporation hosted PIC Perspectives: G20 Dialogues. Research papers covering topics like Using Listed and Unlisted Financial Instruments to Fund Infrastructure on the Continent and Accelerating Infrastructure Development in Africa initiated debates and discussions with the asset management industry and culminated in the "Melrose Agreement", a signed declaration that commits institutional investors to unlock capital for accelerated investments in infrastructure, industrialisation, the green economy, and new and emerging industries on the African continent.

The future – wary confidence?

The gap between South Africa's 30% GFCF ambition and its current reality is a big ask from both the public and the private sector. How capital finds its way into the roads, power stations, and transmission lines the country needs depend critically on whether government can consistently deliver policy that is sustainable and projects worth investing in.

Infrastructure is a sector that over the last few decades has been slow to deliver on outcomes that are vitally important to a sustainable future for South Africa. Recent developments and the potential patient capital may be cause for a healthy dose of disciplined optimism.

Responsible investment's next challenge

Responsible investment in South Africa has reached an important point in its development. The principles are familiar, the policies are largely in place, and environmental, social and governance (ESG) considerations has entered investment mandates and boardroom discussions. For many years, progress could be measured by adoption. Today, the more difficult question is whether investors can demonstrate how those commitments influence decisions, stewardship activities, and capital allocation in practice.

The recently published Responsible Investment in South Africa: Realities, Gaps and the Road Ahead report suggests the industry has reached the next stage of its evolution. Among surveyed respondents, 91% described themselves as responsible investors; 74% reported having a standalone responsible investment policy and 83% said ESG integration and active ownership were incorporated into manager mandates.

Who should we hold accountable?

While the report's findings point to significant progress, they also reveal a persistent gap between commitment and implementation. Among respondents who answered questions relating to manager oversight, 43% had no independent mechanism for evaluating whether managers were delivering on ESG mandates. Only 35% required climate-related reporting from managers, and 58% did not report on ESG metrics to beneficiaries.

These findings do not suggest a lack of intent but rather, they point to the challenge of accountability.

Delegation is an essential part of institutional investing, but accountability cannot be delegated. Asset owners may appoint specialist managers, but they remain responsible for understanding what they expect managers to do; how sustainability risks are assessed, how stewardship commitments are implemented, and how outcomes are evaluated.

That does not mean every sustainability objective can be reduced to a single metric. Investment outcomes are influenced by multiple factors, and causality is often difficult to establish. It does, however, require a clear chain of reasoning.

What material risk or opportunity was identified? How did it influence the investment assessment? What action was sought from a company or borrower? What changed as a result? Where outcomes are still emerging, what evidence would indicate progress?

These are not simply reporting questions but questions of investment discipline.

Developmental investment illustrates the challenge

The same tension emerges in the report's findings on developmental investment.

While two-thirds of respondents reported some form of developmental orientation, only 20% had an explicit developmental mandate. Good intentions therefore did not always translate into clear allocation targets or accountability mechanisms.



Angelique Kalam
Head of Sustainable Investment Practices at
Futuregrowth Asset Management

The report's roundtable discussions suggest that developmental intent alone is rarely sufficient to unlock capital. Participants pointed to sectors such as water infrastructure, logistics and social housing as examples where governance concerns, project structures and implementation challenges can undermine investor confidence.

South Africa's renewable energy programme demonstrates what is possible when those constraints are addressed. Institutional capital flowed because investors were presented with opportunities supported by clear procurement frameworks, transparent governance arrangements, and well-defined risk allocation.

The report describes the barrier in many sectors as one of institutional trust.

That observation extends beyond developmental investing. Investors cannot commit capital to opportunities they are unable to assess, monitor, or hold accountable. Trust underpins allocation decisions. Without it, neither investment nor the outcomes it is intended to support will materialise at scale.

The discipline of transparency

If trust is the foundation for capital allocation, transparency is how that trust is earned and maintained.

Investors should be able to clearly distinguish between intention, activity and outcomes. They should explain where their influence is direct, where it is shared, and where the connection remains uncertain. They should be able to demonstrate how sustainability considerations influence investment decisions and stewardship activities and be transparent when evidence is incomplete or outcomes are still emerging.

This is where the report identifies a practical challenge for the industry. Better disclosure is necessary, but volume should not be confused with quality. More data will not close the implementation gap if it is disconnected from investment decisions or impossible for beneficiaries to interpret. Respondents identified reporting, data management, technology and skills development as important areas requiring further support. No responsible investment resource considered in the survey scored higher than 6.7 out of 10 for usefulness among respondents familiar with it. Participants asked for more localised guidance, common templates, comparable data and tools suited to South African portfolios and the resource constraints of smaller funds.

Smaller funds may require standardised due diligence tools, shared infrastructure, stronger consultant capabilities and access to peer learning while larger asset managers may be able to maintain specialist teams, obtain independent datasets and undertake detailed manager assessments. The approach may vary, but the underlying expectation should remain: a fund should clearly explain what responsible investment means for its portfolio, what it expects from its managers, and how it evaluates how these expectations are being met.

Beneficiary communication is part of that responsibility. If 58% of respondents report no ESG metrics to beneficiaries, then members have limited visibility into how their savings are being managed beyond conventional performance reporting. This does not mean overwhelming beneficiaries with technical information or indicators. It means connecting material sustainability issues to the financial interests and lived realities of the people whose capital is being invested.

That transparency is part of the discipline required to move responsible investment beyond aspiration.

South Africa has already established a strong foundation. The report reveals substantial commitment, meaningful capital, and examples of established practice. It also reveals uneven implementation, limited capacity, and significant gaps in how responsible investment is verified and communicated.

The industry's next task is not simply to produce more policies or find more expansive language for its commitments. It is to establish a clearer connection between what investors say, what they do, and what can reasonably be shown to have changed as a result.

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/ ASSET MANAGEMENT

30 Years
OF RETURNS THAT MATTER



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30 years of **outperforming** on purpose

Thirty years ago, we saw the potential for infrastructure to strengthen a country while creating long-term value for investors. Today, the Infrastructure Development Bond Fund, manages R27 billion in assets.

A MEMBER OF OLDMUTUAL INVESTMENTS

Futuregrowth Asset Management is a licensed financial services provider.

Active investing in a shifting world

Global investors have had no shortage of challenges to contend with in recent years. Inflation shocks, geopolitical tensions, supply chain disruptions and rising interest rates have repeatedly tested confidence. Despite these headwinds, economies and markets have proved remarkably resilient, but this masks a more complex reality.

Global growth is increasingly being driven by a narrower set of forces. In the United States, investment in AI-related technologies has become a powerful engine of economic activity. In China, growth has become increasingly reliant on external trade and industrial activity, while domestic demand remains subdued. At the same time, governments around the world are grappling with rising debt burdens, ageing populations and questions about how artificial intelligence will reshape economies and labour markets.

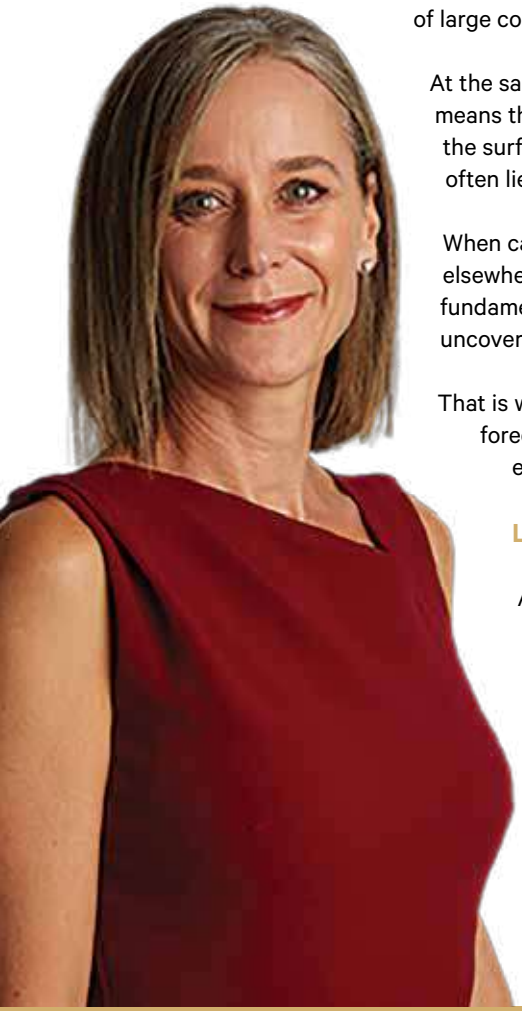
For investors, the obvious question is whether uncertainty should lead to greater caution. If markets have already delivered strong returns and risks remain elevated, does it still make sense to maintain meaningful exposure to equities?

We believe the answer is yes.

Uncertainty doesn't eliminate opportunity

Periods of uncertainty are often uncomfortable for investors, but they are rarely devoid of opportunity.

One of the defining characteristics of today's market environment is that headlines and market performance do not always tell the same story. While major equity indices have delivered impressive returns, a relatively small group of large companies has driven a disproportionate share of that performance.



At the same time, fewer companies than usual are outperforming the broader market. This means that investors looking only at headline index levels may miss what is happening beneath the surface. For active investors willing to look beyond the index, this is where the opportunity often lies.

When capital flows concentrate around a narrow set of popular stocks, quality businesses elsewhere in the market can become overlooked. Share prices can diverge from underlying fundamentals, creating attractive opportunities for investors willing to do the work required to uncover them.

That is why our constructive view on equities does not depend on a single macroeconomic forecast. It is grounded in the opportunities we continue to find in individual businesses, even against a more uncertain backdrop.

Looking beyond the market's biggest winners

Artificial intelligence is one of the most significant technological developments of our time, and it is already influencing how businesses operate, compete and grow. It is also shaping investment opportunities.

Marie Antelme
Economist & Pallavi Ambekar, Head of Absolute Return, at Coronation Fund Managers

Much of the attention around AI has focused on the companies directly benefiting from the substantial infrastructure spend taking place globally. While these businesses have undoubtedly been major beneficiaries, the investment opportunity is broader than the obvious winners.

At Coronation, we assess how our holdings are exposed to AI by categorising companies as 'AI winners', 'AI resilient' or 'AI at risk'. This framework helps us understand which businesses may benefit from the technology, which may be vulnerable to disruption, and where markets may be overestimating that risk.

This selectivity is particularly important in an environment where market leadership has become increasingly narrow. Investors who focus only on what has already performed well risk missing where future value may emerge. Our role is to identify those opportunities and ensure portfolios are positioned to benefit from them.

The biggest risk may not be volatility

When investors think about risk, they often think about market volatility.

Sharp market declines are uncomfortable. They attract headlines, test conviction and can make even experienced investors question their decisions. Yet volatility is not necessarily synonymous with risk.

A more meaningful definition of risk is the permanent loss of capital, or the failure to meet long-term investment objectives. History shows that strong long-term equity returns are rarely delivered in a smooth, predictable fashion. Periods of market strength are often interrupted by corrections, drawdowns and bouts of uncertainty. Those who benefit from long-term wealth creation are typically those who remain invested through volatile periods, rather than those who attempt to avoid them altogether.

Successfully timing markets requires not only knowing when to reduce exposure, but also when to increase it again. While investors may occasionally succeed in avoiding part of a market decline, identifying the right moment to re-enter is often far more challenging. Unfortunately, some of the strongest market gains frequently occur during the early stages of a recovery, when confidence remains fragile and uncertainty is still high.

The cost of missing even a small number of those important days can have a profound impact on long-term returns.
For this reason, we believe that patience and discipline remain among an investor's most valuable assets. Volatility is often simply the price of admission for participating in the long-term wealth creation that equities have historically provided.

Staying focused on what matters

Debt levels are rising. Demographics are shifting. Artificial intelligence is reshaping industries. Interest rates are likely to remain higher than investors became accustomed to over the previous decade. These forces will continue to influence economic outcomes and investment markets for years to come.

While the backdrop may change, the principles of successful investing remain remarkably consistent.
A disciplined investment process, a focus on valuation, diversification across opportunities, and the patience to remain invested through periods of uncertainty continue to be the foundations of long-term wealth creation.

In an environment where the range of possible outcomes has widened, investors may be tempted to focus on what could go wrong. We believe equal attention should be paid to the opportunities that uncertainty creates.

Uncertainty may be inevitable, but abandoning a long-term investment approach is often the greater risk.

Headlines move markets.
Trust builds wealth.

News breaks, sentiment shifts, and markets respond. But real wealth is built differently. It comes from holding conviction through uncertainty.

For more than 30 years, we have stayed true to one investment philosophy, grounded in rigorous research and independent judgement. It's how we focus on delivering superior long-term outcomes for all the South Africans who trust us with their savings.

CORONATION

TRUST IS EARNED™

Coronation is an authorised financial services provider.

STOCK-TAKE



Optasia: Powering digital credit in Africa

The infrastructure behind digital lending

Optasia is a fintech company at the centre of the digital lending ecosystem across Africa and parts of the Middle East and Asia. The company reaches more than 400 million users across 38 countries and processes over a billion credit applications annually. While consumers see the trusted brands of telecom operators like MTN or Vodacom when they borrow, Optasia powers the lending processes behind the scenes.

The telecom partner provides customer access, wallet infrastructure, KYC data and distribution, while financial institutions provide the lending capital. Optasia contributes the technology, credit underwriting models, analytics and operational capabilities that enable digital lending.

Customers access the service directly from their mobile phones, requesting loans through SMS, USSD menus, mobile apps or wallet interfaces. This is very accessible and convenient to use: a user dials a short code and requests a small advance, the loan is approved and the customer receives airtime or funds in a mobile wallet within seconds, allowing them to use mobile services or transact almost immediately.

Customers repay outstanding loan balances at any one of thousands of easily accessible informal mobile money agents. The mobile network operator partners provide Optasia with massive existing client bases and decentralised access to them, while the use of smart technology creates a scalable platform with low incremental costs. This makes small-ticket, short-term lending commercially viable in a way traditional banking cannot match.



Competition in this microcredit market in Africa is currently limited, with Optasia and Jumo the main players. Optasia benefits from significantly greater scale given its wider geographic footprint, more diversified partner base and an estimated disbursed loan value around three times that of Jumo. Optasia asserts that their credit scoring capabilities are unmatched.

A high return model

The company has delivered strong revenue and profit growth over the past few years, driven primarily by two products: airtime credit and microcredit solutions.

Airtime credit is the older and more established business. It provides very small airtime advances (US$0.25 on average per transaction) when users run out before their next recharge. Repayment occurs automatically when the customer next buys airtime.

Microcredit is the newer and faster-growing business, representing the company's largest expansion opportunity. These loans average around US$5, with repayment periods of approximately one month. The segment has scaled rapidly, delivering annual revenue growth of more than 100% over the past three years, yet remains in its infancy, having launched only five years ago.

As loan durations are short, Optasia receives repayment feedback quickly and can continually recalibrate lending decisions. If credit conditions deteriorate in a market, the company can rapidly tighten approvals or reduce loan sizes. If conditions improve, it can increase lending just as quickly. This dynamism substantially reduces the risk of large losses related to default or unforeseen credit events and has seen Optasia maintain a default rate of around 1% of disbursed value.

Aslam Dalvi
Portfolio Manager at Camissa Asset Management

The business model is capital efficient due to the small loan sizes and short repayment periods, which allows capital to be recycled several times a year. This high capital velocity enables the company to serve millions of customers while generating material returns on capital.

Why Optasia has an edge

Optasia's competitive advantage rests on three reinforcing strengths: proprietary data, sophisticated underwriting models and scale.

Traditional credit bureaus often have little or no usable data on the customers Optasia services as most of these borrowers are informally employed and lack established credit histories. Instead, the company draws on data obtained via its telecom partners and other alternative sources, using machine-learning models that assess credit risk in real time.

The platform analyses unique behavioural signals from the end customer, such as location data, the types of transactions made, the creditworthiness of the people paid, calling patterns and the frequency of SIM card or mobile phone changes. These data points, among many others, may appear unconventional, but taken together and processed by sophisticated AI models, they reveal patterns strongly correlated with repayment behaviour.

Optasia has access to one of the deepest alternative-credit datasets in developing countries, including the vast amount of customer and repayment data accumulated over the past decade. The business is continually refining and improving its credit models and thereby its underwriting accuracy. This creates a powerful feedback loop: more loans generate more repayment data, which improves model and credit scoring accuracy, allowing the company to further grow the number and size of loans.

A substantial growth runway

While airtime credit revenue growth is likely to moderate going forward, the opportunity in microcredit solutions is significant due to favourable demographics, rising incomes causing greater demand for credit, increasing mobile penetration and growing mobile wallet adoption.

We estimate that the size of Optasia's addressable customer opportunity across its existing markets will nearly double over the next five years, as mobile subscribers grow, mobile wallet penetration rises and existing wallet users make more use of the service.

The launch of services into new markets and through new mobile network partners provides substantial additional growth opportunities. The company has a pipeline of over 30 new country deployments, representing a future revenue opportunity comparable to its current revenue base.

As income levels rise and Optasia gains deeper insights into customer behaviour, there is also an opportunity to increase average loan sizes. Additionally, product expansion offers another growth lever as Optasia's infrastructure could support adjacent product offerings such as overdrafts, merchant financing, buy-now-pay-later services and even financing for utilities (eg prepaid electricity).

Concerns clouding the outlook

Digital credit regulation across many developing countries is relatively immature and likely to evolve as the credit industry formalises. Future policy changes could compel the introduction of competitors, cap lending rates, tighten compliance requirements or increase operating costs. While stricter regulation may weigh on future industry profitability and perhaps dampen potential growth, it could also raise barriers to entry, reinforcing the competitive position of established and profitable operators such as Optasia.

Another concern is Optasia's dependence on large telecom operators who control customer access and distribution. Over time, these partners may seek a greater share of the economics or attempt to bring parts of the lending process in-house. We expect such insourcing to be limited as, to date, Optasia's moats have proven very difficult to replicate.

A rare opportunity

Optasia has successfully built a differentiated digital credit lending platform that connects mobile operators, funding partners and customers. This has become a critical enabler of financial services in markets historically underserved by traditional banks. Its scale, proprietary underwriting models and low-cost distribution network create meaningful competitive advantages.

Despite regulatory uncertainty and reliance on telecom partners, Optasia operates in a large and rapidly expanding market. Structural tailwinds, including rising mobile wallet adoption, favourable demographics and growing demand for small-ticket digital credit, present a significant long-term growth runway.

MOTSWEDI
Economic Transformation Specialists

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MOAGI FUND

Portfolio composition and focus areas

The portfolio invests across a wide range of private-market assets - including infrastructure, private credit, unlisted equity and property - with underlying exposure to social and environmental impact themes such as:

- Renewable energy, power & gas, and the energy transition
- Transport, logistics and toll-road infrastructure
- Digital infrastructure & communications (fibre) Water & sanitation, waste management
- Healthcare, education and student accommodation
- Agriculture, commercial property and SMME development

The Motswedi Moagi Fund highlights

- Access to leading private-markets managers
- Attractive target returns with reduced volatility
- Strong focus on impact and sustainable development
- Regulation 28 compatible
- Experienced investment teams and governance
- 12-months' notice on redemption

THE MOTSWEDI MOAGI FUND AT A GLANCE	
Launch date	**1 May 2026**
Return objective	**CPI + 6% p.a.**
Fund structure	**Life assurance policy**
Domicile	**South Africa**
Lock-in period	**None, 12-months' notice**
Regulation 28	**Compatible**
Underlying managers	**4 (growing over time)**
Minimum investment	**None**

Impacting lives. Building a better South Africa.

Our investments drive meaningful and measurable impact

47 000+
JOBS CREATED
Direct & indirect jobs supported

2 500+ MW
RENEWABLE ENERGY
Renewable energy capacity enables

2.4 million +
HEALTHCARE
People with improved access to healthcare

97 000 +
EDUCATION
Students benefitting from education infrastructure

18 000+
AFFORDABLE HOUSING
Homes delivered or supported

1.5 million +
WATER & SANITATION
People with improved access to clean water

3.2 million +
LOGISTICS & TRADE
Tonnes of cargo handled and transported

TRANSFORMING ECONOMIES | **INVESTING RESPONSIBLY** | **CREATING SUSTAINABLE VALUE** | **DELIVERING LASTING IMPACT**

PERSONAL

FINANCIAL

PLANNING



The retirement trifecta: Three key decisions

In retirement planning, one proverb holds the ultimate truth: "The best time to plant a tree was 20 years ago. The second-best time is today." A sustainable retirement is not luck; it's the result of three key decisions.

1. When: The cost of delay

Time is your greatest multiplier. Consider two investors targeting a 10% p.a. return with a R7,500 monthly contribution:

- Early starter (age 25): Reaches age 65 with approximately R43,9 million.
- Late starter (age 35): Reaches age 65 with approximately R16,4 million.

By delaying one decade, the second investor loses nearly two-thirds of their potential wealth. In the world of compounding, "waiting for the right time" is the most expensive decision you can make.

2. How much: The 15% benchmark

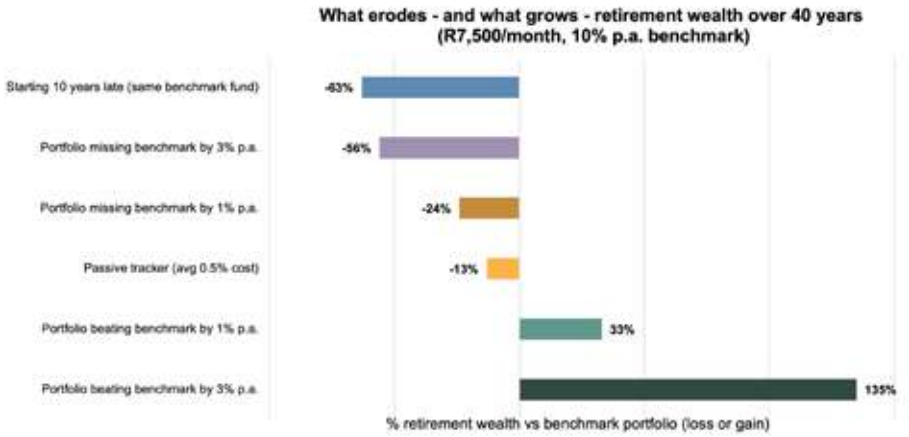
The gold standard for a comfortable retirement is contributing 15% of your gross income. While investment growth is vital, it cannot rescue a portfolio that is fundamentally underfunded. If you have started late, your primary recourse is to aggressively increase this percentage now.

3. Where: Portfolio returns

Where you "plant" your capital determines its resilience. A 3% underperformance, driven by high fees or poor fund performance, can destroy as much wealth over 40 years as starting a decade late.

While most active funds trail their benchmarks*, passive funds also underperform their benchmarks due to fund costs. The goal is to build a portfolio that outperforms its benchmark after all fees. This complexity is where financial advisers and discretionary fund managers earn their keep - building the right portfolio to ensure your retirement tree thrives.





Source: Fairtree. R7,500/month (15% of a R50,000 salary) invested in a retirement annuity for 40 years. Negative bars show wealth lost vs. the benchmark; positive bars show wealth gained.

A retirement tree grows slowly, almost invisibly at first. But for those who plant early and nurture consistently, its shade can last decades. Start today, save sufficiently and build a robust portfolio to ensure a comfortable retirement.

*https://www.spglobal.com/spdji/en/spiva/article/spiva-south-africa/

Herman Sandrock
Fairtree Group Head: Distribution

FAIRTREE

Values-driven Investing

20 YEAR ANNIVERSARY

Brent crude oil price dips below US$50 a barrel
US consumer confidence climbs to highest level since 2007
DeepSeek sparks AI stock selloff; Nvidia posts record market-cap loss
Too juicy to ignore: Asset managers bullish on SA bonds despite election risks
Off to the races for South African assets as Ramaphosa steps in
GNU: A new era for SA
President Ramaphosa announces a nationwide lockdown
ECB will do 'whatever it takes' to preserve the euro
Wall Street slips as bank earnings disappoint
South Africa's Eskom ramps up power cuts to 'Stage 6'
July unrest left two million jobless and wiped R50bn from the economy
Pfizer vaccine trial success signals breakthrough in pandemic battle
The world economy's inflation problem is easing
Biden signs debt limit bill, avoiding US default
Investors' love of tech drives booming market rally
Fed cuts interest rates for first time since 2008 financial crisis
Rand crashes to lowest level ever as Zuma sacks finance minister
More trick than treat. Financial markets are jumpy. With good reason.
Trump issues tariff threat and China considers pulling out of talks
S&P downgrades South Africa's credit rating to 'junk'
Wall Street soars 11% on bank rescue, Morgan deal
Tech leads share gains as Musk buys Twitter stock
Global stock markets plunge on coronavirus fears
Bear Stearns saved by rock-bottom JP Morgan bid
Global stocks near peaks, euro/yen at record high
Global stocks rally to record highs; gold gains
S&P downgrades US credit rating
Resources lift JSE
Bad news for middle-class South Africa
Pound plunges after Brexit vote
Stocks rebound ahead of tech earnings week
Emerging markets currency crisis spreads to SA
Peace in Europe 'shattered' as Russia invades Ukraine
China's 'Black Monday' sends markets reeling across the globe
Dow and S&P 500 off to their best start to a year in about three decades
Financial crime watchdog adds South Africa to 'grey list'
S&P 500 can't see enough money to feed stocks' rally
Signs of fatigue in the commodities 'supercycle'
Nvidia Sales Triple as AI Boom Continues
Big win for Big Crypto
Platinum, gold price surge to new highs

Led by signal. Not by noise.

In a world full of noise, finding the signal is important.

At Fairtree, our investment teams combine rigorous bottom-up research with a top-down perspective to identify what truly matters.

Independent in thought and agile in action, our investment decisions are guided by insight, not distraction.

Fairtree Asset Management is an authorised financial services provider.

fairtree.com

Generation X approaching retirement

Generation X, currently aged 46 – 61, are fast approaching retirement. The key question is: Are they ready for this important milestone? This generation is often overlooked in the media, which tends to focus on younger generations such as Millennials. Yet, Gen X are unique in many ways.

They are currently in their prime earning years but find themselves "sandwiched" between competing responsibilities – supporting dependent children while also caring for ageing parents. As a result, many face significant financial, physical and emotional pressure, often prioritising others' needs ahead of their own retirement savings.

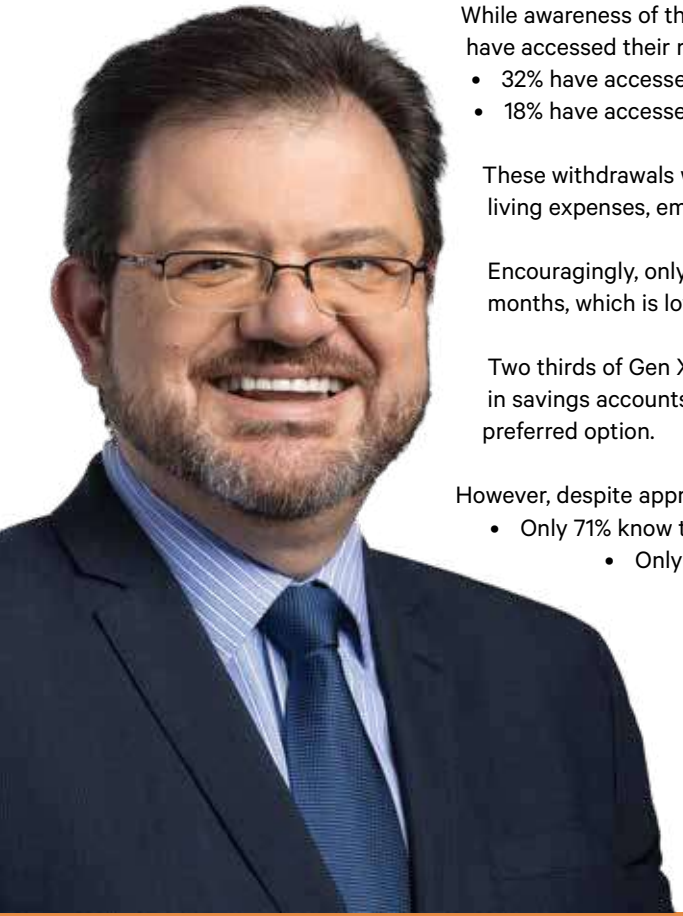
In addition, Gen X's journey to retirement differs significantly from that of previous generations. When they entered the workforce, traditional defined-benefit pension funds were being replaced by defined-contribution retirement funds. This shift makes Gen X, particularly in South Africa, a real-world test of how effectively defined-contribution systems can deliver on retirement outcomes. In this environment, the responsibility, and risk, of funding retirement rests squarely with the individual.

Current snapshot

Focusing on those Gen X-ers who have not yet retired, the Sanlam BenchmarkTM Survey paints a concerning picture. Many are struggling to keep their retirement plans on track.

- Only 41% believe they are on track to accumulate sufficient retirement capital
- Just 48% believe they will be able to maintain their current standard of living in retirement.

Respondents identified their top three short-term financial stressors as medical expenses, monthly living costs, and saving for retirement.



While awareness of the two-pot system introduced in 2024 is high (90%), fewer Gen X-ers have accessed their retirement savings compared to younger cohorts:

- 32% have accessed their savings pot once; and
- 18% have accessed it more than once.

These withdrawals were mainly used for debt servicing, family support, and household and living expenses, emphasising the financial pressure they face.

Encouragingly, only 13% reported spending on gambling or the lottery in the past three months, which is lower than that of younger generations.

Two thirds of Gen X respondents indicated they have an emergency fund, primarily held in savings accounts or Tax-Free Savings Accounts, with Kruger Rands being the least preferred option.

However, despite approaching retirement there are signs of disengagement:

- Only 71% know the value of their retirement savings.
- Only 67% understand how their savings are invested.

Danie van Zyl
Head: Smooth Bonus Centre of Excellence at Sanlam

Looking ahead to retirement

Six in ten Gen X-ers would prefer the option to work beyond their employer's normal retirement age (typically around 61), reflecting an implicit recognition that many are behind in their retirement journey.

When asked how they define their retirement targets:
- 37% aim for a percentage of salary (replacement ratio);
- 26% aim for a multiple of salary; and
- 18% target a fixed rand amount.

Despite approaching retirement, awareness remains limited:
- Only 55% are aware of their fund's trustee-endorsed annuity strategy.
- A similar proportion understands the annuity options available at retirement.

Views on when retirement education should begin vary widely:
- From age 35 onwards: 35%
- When members fall off track: 23%
- From age 45 onwards: 22%
- Only 10 years before retirement: 19%

However, taken together, the above reveals an engagement and education gap and gives a clear signal to retirement funds that Gen X-ers and younger cohorts need earlier and more targeted interventions to ensure they reach their retirement goals.

How Gen X-ers can get back on track

Younger members of Gen X still have a limited but meaningful window to improve their retirement outcomes.

1. Increase contributions

Many individuals reduce retirement savings in their 30s and 40s due to cost-of-living pressures, particularly when raising children. As financial pressure eases, there is an opportunity to increase contributions. Recent budget changes, including an increase in the tax-deductible cap on retirement contributions to R430 000 per year, provide further incentive.

2. Reconsider retirement timing

Early retirement may be appealing, but it comes at a significant cost: Fewer years of contributions, less time for investment growth, and longer retirement period to fund. Delaying retirement can materially improve outcomes.

3. Seek professional advice

Retirement planning is complex. Engaging with a financial advisor can help individuals assess their current position, develop a realistic plan, and make informed decisions on savings and income strategies even when emergencies arise.

Redefining retirement

Despite the pressures they face, Gen X-ers have the opportunity to redefine what retirement means.

Retirement should not be viewed as a fixed age but rather reframed as financial independence – the ability to generate a sustainable income from their own accumulated savings rather than having to rely on an employer to pay their monthly salary.

This shift enables a more flexible transition, where individuals phase out of full-time employment, and continue with part-time or contract work while maintaining both an income and sense of purpose.

Is this realistic? Encouragingly, younger Gen X-ers still have enough time to plan for, and achieve, a more flexible and financially secure retirement.

CONFIDENCE THROUGH THE AGES

Understanding the decisions that shape our financial futures

SANLAM BENCHMARK 2026

35 **The age most South Africans think retirement planning should start.**

A confident retirement is shaped long before retirement.

It takes decades.

Planning ahead today builds greater financial resilience tomorrow.

Scan to access the latest
Sanlam Benchmark 2026 insights



Smoothing the sequence

Retirement planning has traditionally focused on expected long-term returns. That measure is useful during accumulation, when contributions continue and a long horizon gives a portfolio time to recover from a bad year. It is less reliable once a retiree starts drawing income from the same capital. At that point, sequence-of-returns risk becomes a central consideration: the order in which returns occur can materially influence how long retirement savings lasts.

A market fall in the first few years of drawdown can leave a retiree with less capital to participate in the recovery. Two retirees may therefore earn the same long-run average return but experience very different outcomes because those returns arrive in a different order.

Why decumulation changes the risk

During accumulation, volatility is mainly a timing issue. During decumulation, withdrawals turn it into a capital risk. A significant early decline reduces the base supporting future withdrawals, and that damage can persist after markets recover. Average or median return assumptions do not show this clearly.

What a smoothed bonus fund changes

A smoothed bonus fund does not eliminate market risk. Its underlying assets remain market-linked but gains and losses are credited to the member more gradually. This can moderate the immediate effect of a sharp market fall on the capital value used to determine future income.

For this illustration, we used a simplified mechanism rather than modelling any insurer's bonus declarations, reserves or market value adjustments. The smoothed return is the average of the preceding 24 months' realised market-linked returns, less a smoothing fee. It isolates the effect of changing the timing and volatility of credited returns, not the underlying investment exposure.

Smoothing does not guarantee a better long-term result. It may, however, reduce the impact of adverse sequencing when income is periodically reset with reference to fund value.

How the illustration was constructed

Illustrative Monte Carlo design

10,000 simulations of monthly returns over 27 years. Each year, the retiree draws 5% of the opening fund value in equal monthly instalments; income is recalibrated annually and is not fixed in real or nominal terms.

Market-linked proxy: the median return profile of a representative peer group of market-linked multi-asset funds. It is product- and provider-agnostic.
Smoothed portfolio: the same return stream, credited as a rolling 24-month average of realised monthly returns, net of a smoothing fee.

All outputs are hypothetical and i*llustrate the mechanism. They are not forecasts, named-product comparisons or investment advice.*



Dennis Murray
Divisional Head & Principal Investment Consultant at Old Mutual Corporate Consultants

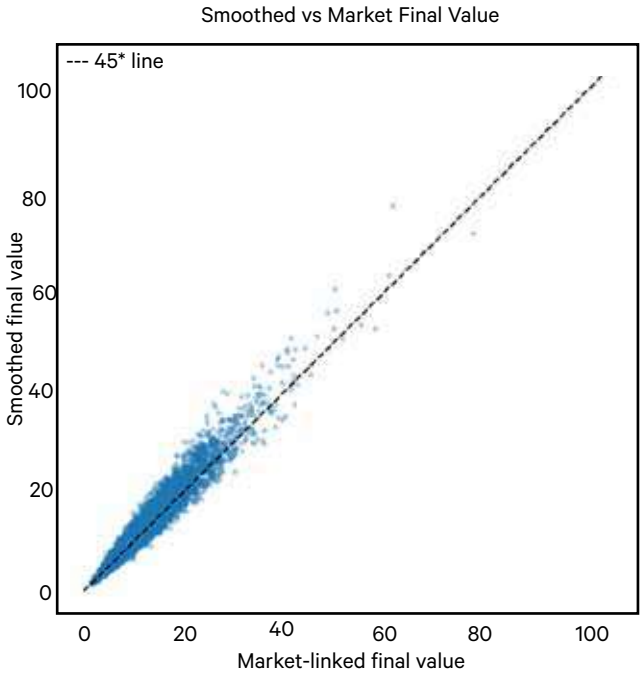
What the illustration shows

The chart below compares the final retirement savings outcomes of the market-linked and smoothed investment strategies across many different simulated retirement journeys.

Each dot represents one possible retirement outcome after drawing a regular income over a 27-year retirement period. The dotted line shows where both strategies produce the same outcome. Dots above the line indicate outcomes where the smoothed strategy ended with a higher final value, while dots below the line indicate outcomes where the market-linked strategy ended with a higher final value.

The chart helps illustrate how the two strategies compare across a wide range of possible market conditions. The illustration is hypothetical and is provided for explanatory purposes only.

Figure 1 Illustrative final outcomes: market-linked vs smoothed strategies



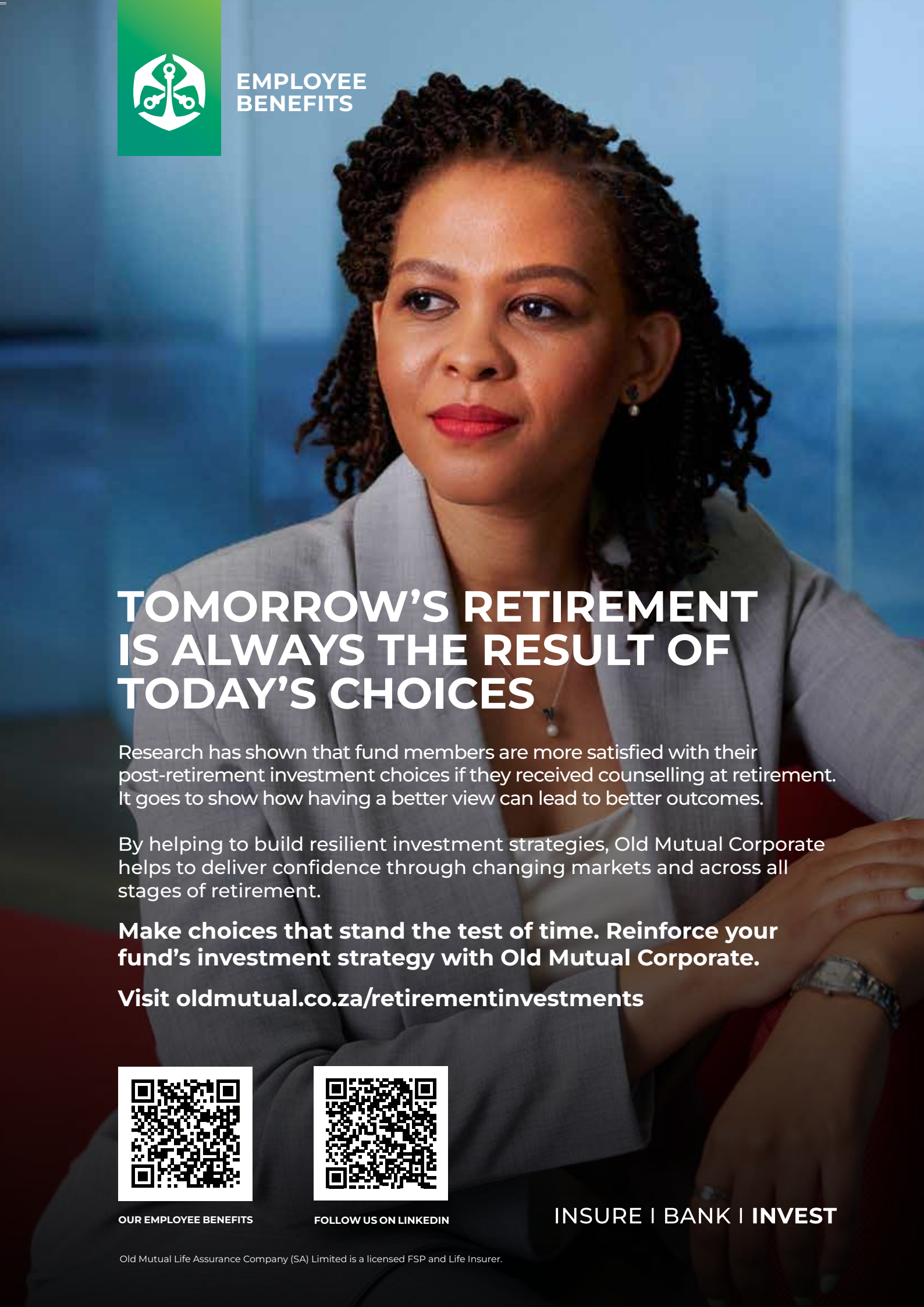
The limits of smoothing

- Smoothing dampens volatility but does not remove market risk. A sustained market decline will still affect credited returns, although with a lag.
- Product design matters. Averaging periods, bonus declarations, fees and market value adjustments on early exit differ. Advisers must assess the mechanics of the specific product rather than infer them from this illustration.

Implications for advice and product design

Sequence risk should be a first-order consideration, alongside expected return, when advisers compare market linked and smoothed options for the drawdown phase. Providers should also explain their smoothing mechanics, fees and early exit adjustments clearly so that clients understand the trade-off between a steadier income path and potentially forgone upside.

Neither approach is universally preferable. Suitability depends on the retiree's objectives, risk tolerance, income needs, investment horizon and the features of the products being considered. The decision is not only about expected return. It is also about how much sequencing risk a retiree can absorb while drawing an income. Scenario analysis can make that risk visible before the choice is made.


EMPLOYEE
BENEFITS
TOMORROW'S RETIREMENT IS ALWAYS THE RESULT OF TODAY'S CHOICES
Research has shown that fund members are more satisfied with their post-retirement investment choices if they received counselling at retirement. It goes to show how having a better view can lead to better outcomes.
By helping to build resilient investment strategies, Old Mutual Corporate helps to deliver confidence through changing markets and across all stages of retirement.
Make choices that stand the test of time. Reinforce your fund's investment strategy with Old Mutual Corporate.
Visit oldmutual.co.za/retirementinvestments
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INSURE I BANK I INVEST
Old Mutual Life Assurance Company (SA) Limited is a licensed FSP and Life Insurer.

LEGAL

ROUND-UP



What retirement fund boards need to know this quarter: A legal update

This quarter's update covers recent developments and issues to watch: Treasury's proposals for unclaimed assets, the new 24-hour cyber-reporting regime, an important ruling on dependency, and the end of the transition period for administration agreements. And looking ahead, the Supreme Court of Appeal's hearing in Blue Crane may resolve conflicting judgments on whether the in duplum rule limits interest on arrear contributions.

A possible new home for unclaimed benefits

National Treasury's August discussion paper proposes a central administrator for South Africa's unclaimed financial assets, estimated at more than R80 billion. The first phase would focus on unclaimed benefits in retirement funds. Qualifying assets would be transferred through the administrator to the Corporation for Public Deposits, while the administrator would keep records, coordinate tracing and operate a single public claims portal.

A single place for members to search for forgotten benefits has obvious appeal. Treasury has also linked the project to a digital retirement dashboard, which could help prevent benefits from becoming unclaimed.

The harder questions sit beneath that convenience. The paper asks whether claims should eventually expire, either when the owner reaches, or would have reached, age 110, or 45 years after the asset became unclaimed. The final framework must also preserve members' legal protections, deal fairly with investment returns and charges, and allocate responsibility for poor historic or legacy data.



The 24-hour cyber clock is now running

Joint Communication 5 of 2026 and Joint Notice 2 of 2026 introduced the prescribed process for reporting material IT and cyber incidents from 1 September 2026. Once a fund classifies an incident as material, it must notify the FSCA within 24 hours, submit an update within 14 calendar days and provide a final report within a period agreed with the FSCA.

The fund determines materiality with reference to its nature, size, complexity and risk profile. For trustees, the key point is that outsourcing services does not outsource accountability. An administrator's notification cannot replace the fund's own report. Administration and service provider agreements should therefore give the fund rapid access to the facts needed to classify and report an incident. Separate duties under the Protection of Personal Information Act 4 of 2013 (POPIA) and other laws continue to apply.

Jessentha Magan
Pensions Legal Expert at ICTS Legal Services

Family support rarely comes with receipts

In Illovo Sugar Provident Fund v Pension Funds Adjudicator and Others, the Financial Services Tribunal restored a board's allocation of 10% of a death benefit to the member's elderly mother. The Adjudicator had rejected the allocation three times, despite affidavits, household accounts, an income-and-expenditure analysis and an independent investigator's report.

The Tribunal held that insisting on commercial-style proof ignored the reality of informal family support. The real enquiry was whether the mother needed maintenance and whether her son regularly provided it, including whether future dependence was probable. Serious allegations against a witness also had to be investigated, not simply accepted.

For boards, this does not lower the evidentiary standard; it makes the standard realistic. Record the story behind the numbers, test it against the documents that exist, and explain why the evidence is sufficient. The case also reminds boards to verify administrators' payment calculations. The dependency issue was settled, but the amount still due had to be remitted for investigation.

Blue Crane heads to the Supreme Court of Appeals: Set down for appeal hearing on 19 November 2026

The SCA appeal in Blue Crane Route *Municipality v Municipal Workers Retirement Fund* may settle a direct conflict between High Court judgments on arrear contribution interest. The Eastern Cape High Court held that the common law in *duplum* rule caps unpaid section 13A interest at the amount of the outstanding capital. The KwaZulu-Natal High Court reached the opposite conclusion in Municipal Workers Retirement Fund v *Umzimkhulu* Local Municipality and Others.

The question is narrow, but the consequences are significant. Section 13A interest compensates funds for late payment and deters employers from using members' contributions as working capital or for any other purpose. When the appeal is heard in November 2026, the SCA will have an opportunity to resolve the conflicting High Court judgments. Until then, the industry remains uncertain about an issue that directly affects the value of historic arrear contribution claims.

Administrator contracts are no longer in transition

Retirement funds had until 6 August 2026 to align existing administration arrangements with paragraphs 11 to 14 of Conduct Standard 2 of 2025. The requirements for administration agreements, administrator handovers and outsourced administration functions now apply in full. Boards should confirm that their contracts have been updated and that the required processes work in practice.

These developments leave funds with a practical agenda: prepare for the new cyber-reporting timelines, confirm that administration agreements are compliant, and ensure that benefit and contribution decisions are properly investigated and calculated. The proposed unclaimed assets framework and the Blue Crane appeal will be important developments to watch in the months ahead.

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Greatest areas requiring improvement:

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2. **INDEPENDENT REVIEWS & AUDITS**
3. **INCIDENT RESPONSE & RECOVERY**

These are precisely the gaps that leave funds exposed - and exactly where independent, specialised support delivers the most value.

Protect your members. Demonstrate independent oversight. Close the gaps that matter.

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INDUSTRY

UPDATE



Longevity risk: Why trustees and members need CFP® professionals

Retirement success should not be measured only by the amount a member has saved up until their last working day. We must also ask whether those savings can support a dignified life for as long as that person lives.

Living longer is something to celebrate. Running short of money while we are still alive is not. This is why longevity risk must be central to retirement planning, and why both fund members and trustees should consider the role CFP® professionals can play.

A longer life needs a personal plan

Longevity risk is the possibility that our financial resources will not support us for as long as we live. The problem can emerge before the money runs out: income may become insufficient to cover essential expenses, particularly as inflation erodes purchasing power.

The question is not simply, "How much can I withdraw this year?" It is, "What can my household afford today without placing our future security at unacceptable risk?"

A CFP® professional helps members consider that question alongside their expenses, debts, other assets, healthcare needs, dependants and provision for a surviving spouse or partner. Retirement is not an isolated product decision. It is a household planning decision.

CFP® certification is grounded in education, examination, experience and ethics, supported by continuing professional development. That foundation matters when advice must connect income decisions with a household's wider financial circumstances.

An in-fund option is not a personal recommendation

A well-designed fund annuity strategy provides a valuable starting point. However, a strategy selected for a group of members cannot account for every household's circumstances. Members must actively opt into the fund's annuity strategy; they are not automatically placed into an annuity simply because they have made no other choice.

Two members may retire at the same age with identical fund balances yet face very different realities. One may own a debt free home and have a spouse with a pension. The other may pay rent and support a dependent partner. The same starting balance does not mean the same income needs or capacity to carry risk.

Retirement benefits counselling helps members understand available options, but it is not personalised financial advice. Understanding an annuity and deciding whether it suits your life are two different conversations.

Importantly, professional advice should not begin with the assumption that money must leave the fund. Where an in-fund option is appropriate, recommending it may be the right advice. The value lies in the assessment, not in a transfer or product sale.



Lelané Bezuidenhout, CFP®
CEO of the Financial Planning Institute of Southern Africa

Know who carries the risk

Neither “in-fund” nor “default” means guaranteed income for life. A conventional living annuity leaves the retiree exposed to investment and longevity risks. Withdrawals, investment outcomes, costs and the length of retirement all affect sustainability. Trustee oversight does not remove those risks.

A guaranteed life annuity provides payments for life under its terms, but lifetime income is not necessarily lifetime purchasing power. Inflation protection and provision for a surviving partner remain important.

A CFP® professional can help members understand these trade-offs and assess suitable alternatives or combinations. Projections should inform decisions, not be presented as promises.

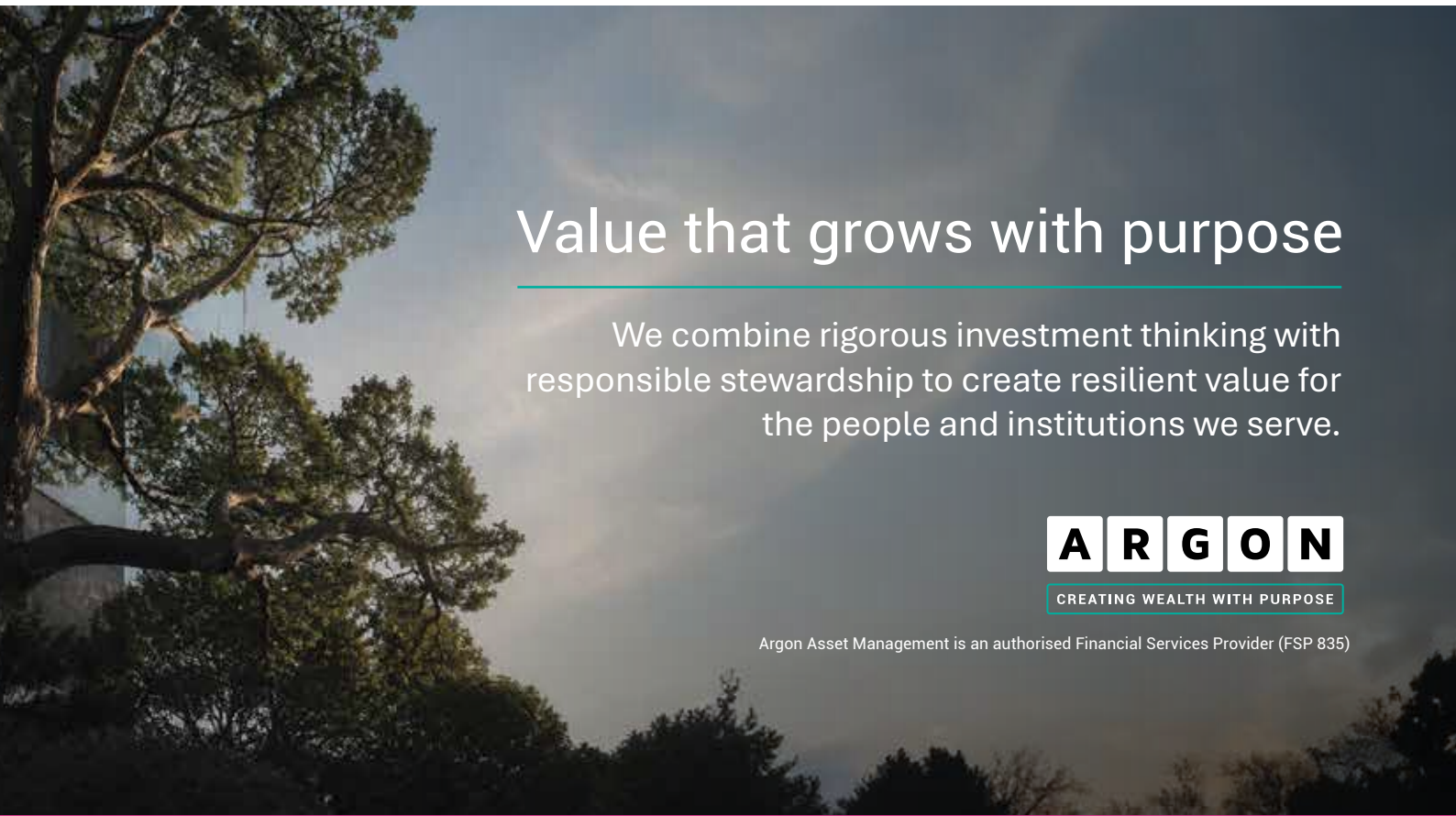
Trustees and CFP® professionals: Complementary responsibilities

For trustees, the practical implication is clear: work with CFP® professionals to make competent, affordable financial planning accessible before retirement and throughout the income drawing years. Advice should not become an afterthought once election forms have been completed.

For living annuities paid directly by the fund or through a fund owned policy, Regulation 39 requires funds to monitor income sustainability and alert members when drawdown rates are considered unsustainable. An adviser’s involvement does not replace that obligation.
But a warning letter should not be the end of the conversation. Members need help understanding what adjustments are realistic and what those changes mean for their households. CFP® professionals can turn that warning into a practical planning discussion.

Trustees should support clear pathways to advice, with transparent fees, managed conflicts and respect for members’ choice of professional. Access should not depend solely on the size of a retirement balance. Members should understand the scope and cost of any ongoing advice and when reviews will take place.

The message is simple: trustees must oversee the retirement arrangements and members need a plan for the lives those arrangements must support. Working with CFP® professionals connects the two. The goal is not merely to choose an annuity. It is to make informed decisions about an income that needs to last a lifetime.





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A New World, A New Normal: Leadership for better retirement outcomes

When I opened the IRFA Conference 2026 in Cape Town earlier in September, I did so with a profound sense of responsibility. It was my first official engagement as Chairperson of the Institute of Retirement Funds Africa, and a reminder that leadership in our sector is never an individual undertaking. It is shared: strengthened by experience, a willingness to listen and a common commitment to doing the right thing.

The conference theme, **"A New World – A New Normal,"** captures the reality facing retirement funds today. Funds stand at the meeting point of people's hopes for a secure future and the economic, social and policy realities of the present. Markets are shifting, regulation is evolving, technology is changing how work and communication happens, and members' expectations are rising. These forces make our work more demanding - but they also give us an opportunity to renew our focus on what matters most: sound judgement, responsible stewardship and better retirement outcomes.

Better decisions in a changing environment

The central task for trustees, principal officers, administrators, service providers and all those involved in the retirement fund ecosystem is not to find one simple answer to a complex environment. Rather, it is to ask the right questions, weigh evidence carefully and act with members' long-term interests in mind.

The future of our industry will be shaped by the conversations we have today and the actions we take tomorrow. Uncertainty can tempt us to react to the latest development or to focus only on immediate pressures, but good stewardship requires a long terms perspective. By challenging our assumptions and staying focused on member outcomes, we can make sound decisions in governance, investments and operations that safeguard the savings entrusted to us and help shape a stronger future for our industry.

Robust processes matter, but process alone is not enough. Sound decisions depend on capable people exercising judgement with integrity and accountability. They depend on governance that does more than comply with requirements: governance that creates the conditions for informed debate, constructive challenge and clear responsibility for the consequences of our choices.

That is why industry forums such as the IRFA Conference remain so valuable. They create space to learn from experience, challenge our thinking and build the confidence needed to lead well.

Keeping members at the centre



Keeping members at the centre means ensuring that the member experience remains firmly in view as we respond to change. Technology, service and communication are reshaping how easily people can understand their choices and engage with their retirement savings.

Technology may change how we serve members, but it should never change why we serve them. This question is relevant whether we are considering a new digital service, reviewing member communications, designing governance practices or assessing the way in which benefits are administered. Technical sophistication is valuable only when it helps people make more informed decisions, improves access or strengthens trust.

This calls on us to communicate clearly. Retirement saving can feel remote or difficult to navigate, particularly when members are trying to balance present-day financial pressures with their long-term needs.

Nancy Andrews
Chairperson of the Institute of Retirement Funds Africa (IRFA)

An African industry voice

The African perspective is central to this conversation. Countries across our continent face different circumstances, but we share an ambition to build retirement systems that inspire confidence and extend opportunity. There is significant value in connecting ideas and experience across borders, exchanging practical knowledge and ensuring that the industry's voice is heard in the discussions that shape its future.

The IRFA has an important role to play in that work. As an association that represents and promotes the interests of the retirement industry in South Africa and across the continent, the Institute can help bring stakeholders together around the issues that matter most to funds and their members.

The principles I bring to the role of Chairperson are advocacy, education and service. Advocacy means representing the industry thoughtfully and speaking up for approaches that serve members' best interests. Education means helping to build the capability of trustees and others entrusted with significant responsibilities, while also supporting members to understand the choices that affect their futures. Service means leading with integrity and accountability, while remembering that the expertise we hold carries a responsibility to those who place their trust in us.

These principles will guide the IRFA as we continue to create opportunities for dialogue, learning and collaboration.

Confidence for the future

The measure of our success will not be the quality of our discussions alone. It will be whether those discussions help us to make better decisions, improve the way we serve members and build greater confidence in the future.

The challenges ahead are real. But so too is the collective capability within our industry. By acting with sound judgement, embracing constructive challenges and keeping members at the centre of every decision, we can meet a new world and a new normal in a way that honours the trust placed in us.

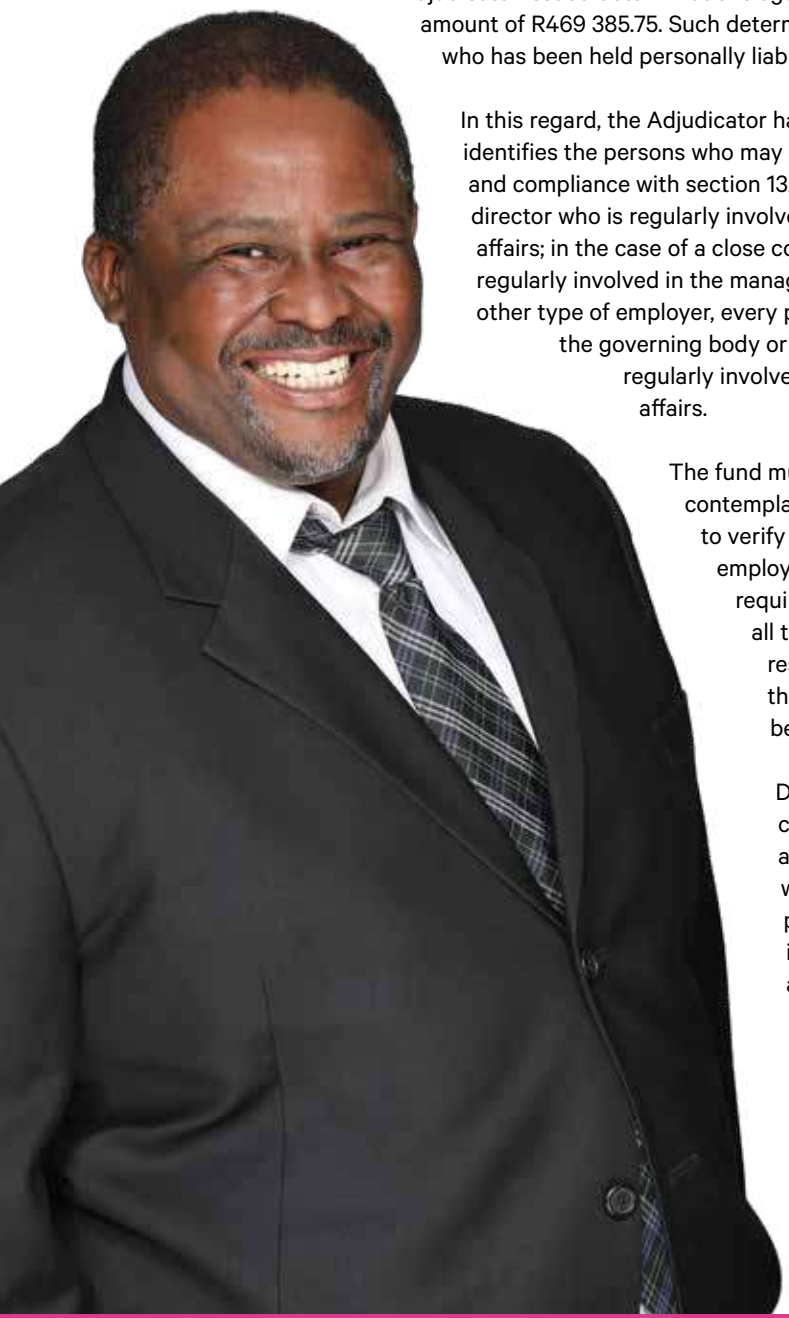


Employer's personal liability for unpaid contributions: The Application of Sections 13A(8) and 30G(d) of the Pension Funds Act

The OPFA is a statutory body established in terms of section 30B of the Pension Funds Act, to ensure a procedurally fair, economical and expeditious resolution of complaints. The office has inter alia jurisdiction to investigate complaints received against an employer who participates in a fund and has not fulfilled its duties in terms of the rules of the fund.

One of the greatest challenges in the pension funds industry is employers failing to register employees as fund members and remit contributions on their behalf, in terms of the fund rules. In most instances, employees only discover the contravention upon their exit. In cases where the employer is still in business, the Adjudicator has issued orders requiring employers to pay outstanding contributions and late payment interest to the complainants. However, employers sometimes escape liability by closing up shop and reopening under a different corporate entity to continue operating business.

The Pension Funds Adjudicator has repeatedly advised the industry that certain persons may be joined in their personal capacities and, where the statutory requirements are established, held jointly and severally liable with the employer for the payment of outstanding contributions and late payment interest. During the past two months, the Adjudicator issued determinations against employers and responsible persons involving a total amount of R469 385.75. Such determinations may be enforced against the assets of a person who has been held personally liable, subject to the applicable enforcement process.



In this regard, the Adjudicator has invoked the provisions of section 13A(8) of the Act, which identifies the persons who may be held personally liable for the payment of contributions and compliance with section 13A. In the case of a company, the provision applies to every director who is regularly involved in the management of the company's overall financial affairs; in the case of a close corporation, it applies to every member who controls or is regularly involved in the management of its overall financial affairs; and, in the case of any other type of employer, every person in accordance with whose directions or instructions the governing body or structure of the employer acts or who controls or who is regularly involved in the management of the employer's overall financial affairs.

The fund must request an employer to identify the responsible person/s contemplated in section 13A(8) and it should take reasonable steps to verify the identities of such person/s and their status within the employer. Should the employer fail to provide the fund with the required information or provides inaccurate information, then all the directors (in respect of a company), all the members (in respect of a closed corporation), or all the persons comprising the governing body of the employer, as the case maybe, shall be personally liable.

During an investigation, a person whom the Adjudicator considers potentially liable will be joined as a party and afforded a proper opportunity to respond. Personal liability will be imposed where the submissions establish that the person falls within the applicable category in section 13A(8); it does not arise merely because the person was named on an employer registration form or appears as a director or member in a CIPC record.

Lehlohonolo Rabotapi
Senior Assistant Adjudicator: Team Leader, at the Office of the Pension Funds Adjudicator

Section 30G(d) complements the investigation by permitting the Adjudicator to join any other person whom the Adjudicator believes has a sufficient interest in the matter as a party to the complaint. Once joined and afforded an opportunity to respond, that person may be held personally liable.

Arrear contributions may also result in a lapse of the risk cover provided by a fund in respect of death and disability benefits. These benefits often amount to hundreds of thousands of rands, with potentially severe consequences for affected members or their dependants. Where the statutory requirements are established, the responsible persons may be held jointly and severally liable with the employer for the value of the lost benefit, together with applicable interest.

As a general principle, a company or close corporation has a legal personality separate from that of its directors, shareholders or members. Those individuals are therefore not ordinarily liable for the entity's debts merely because of their office or interest in it. Section 13A(8), however, creates a specific statutory form of personal liability for the persons described in that subsection where the requirements of the provision are met.

This approach strengthens accountability for the payment of pension fund contributions while preserving procedural fairness. Section 13A(8) therefore provides an important statutory mechanism for addressing contribution defaults where reliance on the employer's separate legal personality would otherwise impede effective redress.



TRUSTEE

TUTOR



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Trustee Tutor 28: Investment platforms and licensing

Retirement funds don't usually manage shares, run trading systems, value investment portfolios, calculate investment performance or operate investment platforms themselves. Instead, they appoint specialist service providers to do this work.

These providers can include discretionary investment managers, hedge fund managers, collective investment schemes, investment administrators, custodians, linked investment service providers (LISPs), insurers, stockbrokers and investment consultants.

For trustees, the key issue is that every provider must be properly authorised to do the work they do. A well-known name, good past investment performance or a long relationship with the fund is not enough.

The fund should be able to identify:

- What service the provider performs
- Which licence or authorisation it has
- Which regulator oversees it
- Whether its licence covers the service it provides
- Who is legally responsible if something goes wrong
- Which assets, records and member data the provider controls
- Which other businesses or subcontractors support the provider

Licensing is an important form of investor protection. It is a public check that takes place before a provider can offer regulated financial services. It requires firms and individuals to meet standards of honesty, skill, operational ability and financial soundness.

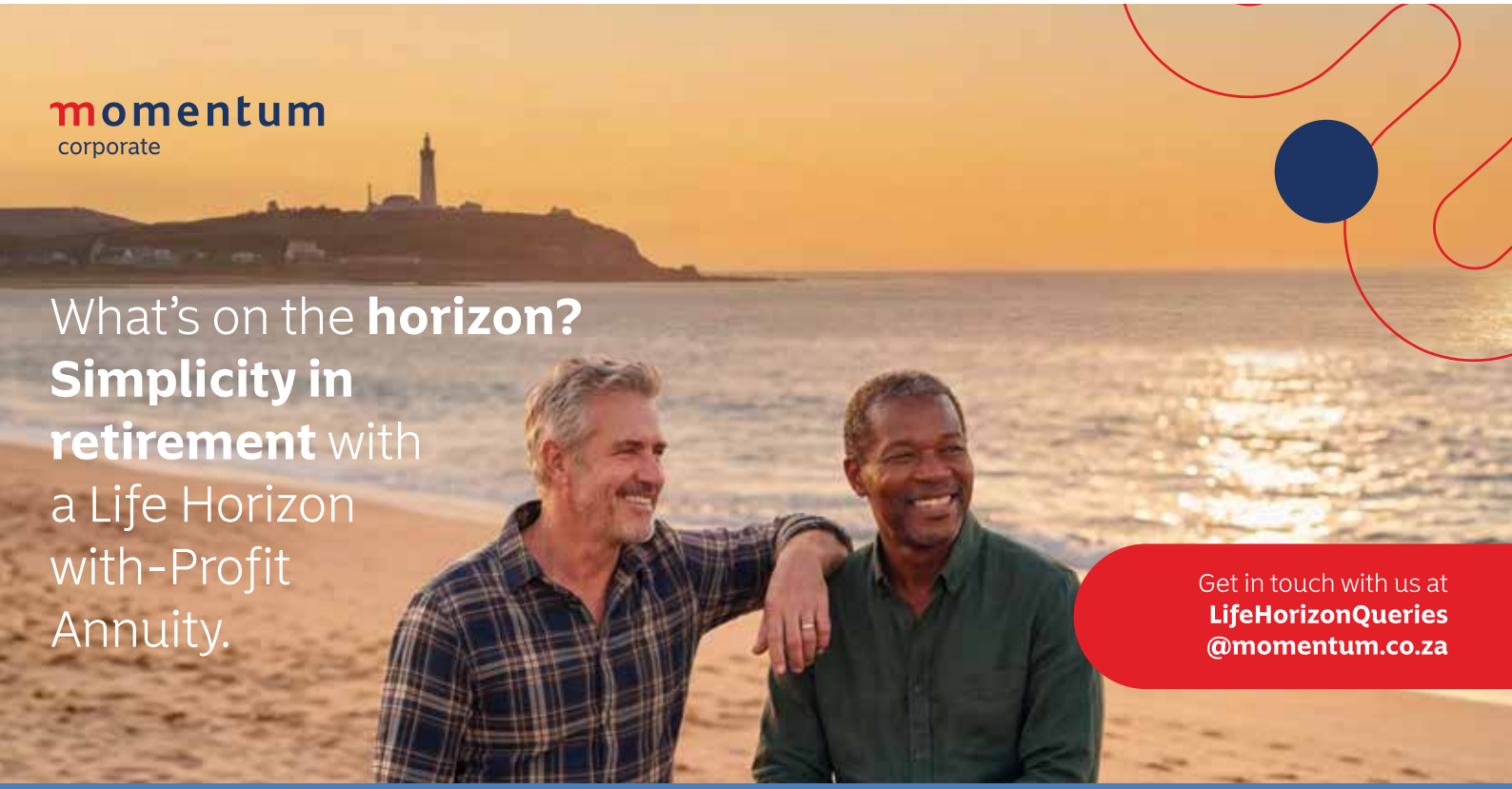
Licensing also means providers are monitored and supervised. A provider or individual can be inspected, fined, restricted, suspended or removed from the market if they don't meet regulatory standards.

This matters because trustees are usually part-time fiduciaries. They must govern the fund responsibly, but they are not expected to run a trading desk, price complicated investments, check international trades or manage cybersecurity systems.

The fund's role is therefore twofold:

1. **Appoint the right regulated provider for each job.**
2. **Monitor whether the provider's legal, contractual and operational protections are working properly.**

A licence does not guarantee good investment returns or stop market losses. But it does create accountability. It reduces the risk that retirement savings are handled by providers that are unqualified, poorly supervised or financially weak.



The regulatory framework

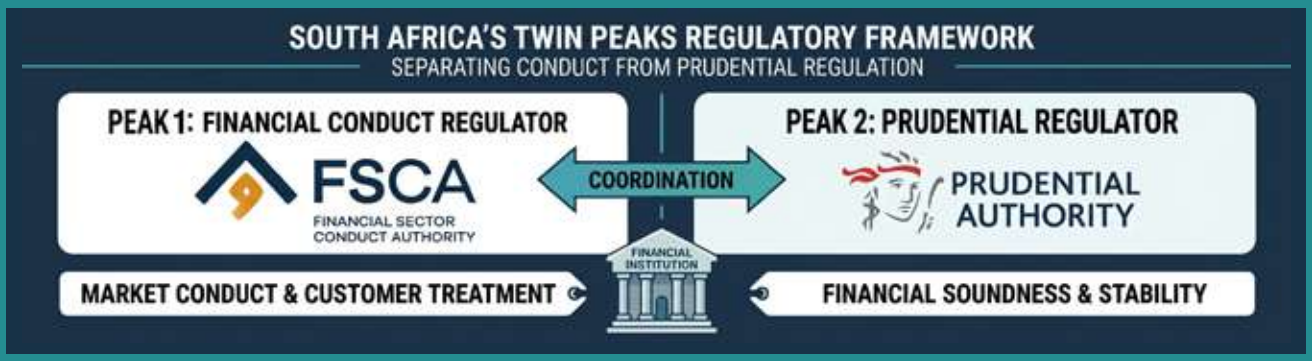
South Africa's financial sector regulation follows the Twin Peaks model. This separates regulation of financial conduct from regulation of financial strength and stability.

The Financial Sector Conduct Authority, or FSCA, is the main conduct regulator. It licenses Financial Services Providers under the Financial Advisory and Intermediary Services Act, known as FAIS. It also authorises collective investment scheme managers under the Collective Investment Schemes Control Act, or CISCA.

The FSCA oversees conduct, disclosure, conflicts of interest, customer treatment, market behaviour and certain operational standards.

The Prudential Authority, which sits within the South African Reserve Bank, oversees the financial strength of insurers, banks and some other financial institutions.

This is especially important when a retirement fund invests through an insurance policy, a smoothed-bonus product or another product issued by an insurer. In these cases, the fund's legal claim is against the insurer. The insurer's capital, solvency and governance requirements therefore become an important protection.



This table gives you the full picture of the supervisory bodies that monitor a fund's investment managers, and the role they play, creating several layers of protection around retirement assets.

Authority	Relevance for investment suppliers and funds
FSCA	Licences and supervises FSPs, including Category I, II, IIA and III providers; authorises CIS managers; enforces financial conduct standards
Prudential Authority	Licences insurers and regulates their capital, governance, outsourcing and financial resilience
Financial Intelligence Centre	Enforces anti-money-laundering duties under FICA, including due diligence, sanctions screening and suspicious transaction reporting
Information Regulator	Enforces POPIA, including controls over member and beneficiary data handled by managers, platforms, consultants and investment administrators
FAIS Ombud	Resolves qualifying complaints about financial advice and intermediary services
Pension Funds Adjudicator	Resolves complaints relating to retirement funds and can issue determinations with the force of civil judgments
National Treasury and SARS	Shape tax, exchange control and offshore investment structures

Investment manager licences

Here are some practical examples you might have experienced of regulation and licensing in action:

A discretionary manager is regulated for how it manages an investment mandate.

A CIS manager is regulated for how it runs a unit trust.

A custodian may provide independent safekeeping of assets.

A platform may be licensed to provide financial-services administration.

An insurer must meet prudential requirements.

Trustees should not assume that one licence covers every service in the investment chain.

Category II: Discretionary financial services

A discretionary investment manager that makes investment decisions for a retirement fund will generally need a Category II Financial Services Provider licence.

Discretionary management means that the fund gives the manager authority to make investment decisions within an agreed mandate.

For example, a fund may approve a balanced portfolio mandate. The mandate may set limits for shares, bonds, offshore assets, property and alternative investments. The manager can then choose individual shares, unit trusts or other investments, as long as it stays within those limits.

The investment manager does not have unlimited freedom. It must follow:

The investment mandate

Regulation 28 limits and other relevant laws

The conditions attached to its licence

The FAIS General Code of Conduct



For local discretionary managers, the FSCA generally expects a real South African operating presence. It also expects investment decisions to be made from South African offices. This helps make regulatory oversight meaningful.

A manager should not have only a marketing office in South Africa while important investment decisions are really being made elsewhere, without the right arrangements and disclosure.

The FAIS General Code requires managers to act honestly, fairly and with proper skill, care and diligence. They must manage conflicts of interest, keep proper records, separate client assets from their own assets, deal correctly with client money and have professional indemnity and fidelity insurance where required.

These duties apply even if the investment management agreement does not mention them. A strong contract is still important, but a manager cannot escape its regulatory duties because a contract is silent on a particular issue.

Trustee Tutor 28: Investment platforms and licensing

Category IIA: Hedge Fund Management

Hedge fund managers generally need a Category IIA licence.

Hedge funds may use more complicated investment strategies, including derivatives, borrowing or leverage, short selling, relative-value trades and other non-traditional investments.

A hedge fund investment can help diversify a portfolio or provide returns that are different from traditional shares and bonds. But it also brings more complex risks that trustees and investors should be aware of, for example, liquidity, valuation and operational risks, to name a few. Investors in hedge funds also have greater reliance on the manager's skill and controls. Because of this, Regulation 28 limits a retirement fund's investment in hedge funds to 10%.



Category I: Investment advice and consulting

A provider that gives investment advice or intermediary services will need Category I authorisation under FAIS.

Investment consultants, employee benefit advisers and financial planners may fall into this category when they recommend asset allocation, investment managers, default portfolios, life products, retail retirement products or investment platforms.

The difference between Category I and Category II is important:

- A Category I provider may recommend an investment solution.
- A Category II provider may make investment decisions for the fund within an agreed mandate.

A consultant should not quietly move from giving advice to making investment decisions without the correct licence and mandate.



Trustees should be clear about whether a provider is recommending, implementing, monitoring or actually making decisions.

FAIS requires advisers to manage conflicts of interest, give suitable information and keep records showing the basis for their advice. This helps trustees make better decisions and creates a record of why an investment manager, platform, product or strategy was recommended.

Trustees should ask:

- Is the consultant authorised for the relevant product category?
- Does it receive fees from investment managers, insurers or platforms?
- Does it recommend products from related companies?
- Is its manager-selection process documented?
- Does it assess fees, risk, performance, service quality and governance?
- Can it explain why a recommended manager suits the retirement fund?
- Does it clearly separate advice from discretionary management?



Investment platforms and legal structures

An investment platform is not simply a technology system. It forms part of a regulated financial services structure.

A platform may give access to several investment products, combine reporting, process transactions, allocate cash, keep records and support member investment choice.

The structure a fund uses affects:

- How easily assets can be sold
- How well investors are protected
- Who legally owns the assets
- How clear the information and fees are
- Which risks the fund still carries

Vehicle or structure	Regulatory architecture	Main advantages	Main limitations
Segregated mandate	Category II manager, usually with independent custody or nominee arrangements	Bespoke mandate, strong transparency, fund level control	Requires scale and governance capability
Unit trust / CIS	CISCA-authorised manager and independent trustee or custodian	Diversification, liquidity, ring fenced scheme assets	Less customisation and need for Regulation 28 look-through
ETF / index fund	CIS manager or issuer plus exchange and authorised user infrastructure	Low cost, transparent holdings, efficient market access	Tracking difference, trading costs and index concentration
Life policy or smoothed-bonus product	Prudential Authority-licensed insurer	Pooling, smoothing, possible guarantees	Insurer credit and product complexity risks
LISP / wrap platform – more for retail investors	Typically Category III administrative FSP, possibly with Category I advice functions	Consolidated reporting and investment menu	Fee stacking, restricted choice and operational dependency
Private equity, hedge funds, infrastructure	Category II or IIA manager, with complex underlying structures	Potential diversification and long-term return opportunity	Illiquidity, difficult valuation and higher governance burden

Segregated mandates

A segregated mandate is a portfolio managed specifically for a retirement fund. The fund appoints a Category II manager and agrees an investment mandate designed for that fund only.

The fund has complete flexibility to set the investment limits, benchmark, risk controls, reporting requirements, responsible-investment principles, proxy-voting expectations, liquidity rules and fee structure. This makes segregated mandates attractive for larger funds with strong governance resources.

The underlying assets are normally held for the fund through a custodian or nominee. This creates an important separation between the investment manager and the assets.

The main benefits are customisation, transparency and control. The fund can see what it owns and negotiate the mandate directly.

The main drawbacks are the need for scale, higher governance demands, the risk involved in changing managers and the need to monitor the mandate closely.

Collective investment schemes

A collective investment scheme, commonly known as a unit trust, pools money from many investors into a portfolio managed by a CIS manager.

A key protection is that the scheme's assets are ring-fenced from the manager's own balance sheet. An independent trustee or custodian has an oversight role. This separation is valuable if the manager experiences financial problems.

Unit trusts are often useful building blocks for diversified portfolios. They can be accessible to smaller funds and umbrella fund arrangements. They usually offer regular pricing, liquidity and standardised reporting. Trustees must still look through the unit trust's underlying investments for Regulation 28 purposes.

The trade-off is that the fund owns units in the scheme rather than a portfolio designed specifically for it.



ETFs and index funds

ETFs and index funds provide relatively low-cost access to specific markets or indices. Their benefits can include transparent holdings, broad diversification and lower stated management fees than many actively managed strategies.

They may work well as a core part of a portfolio. But trustees should not choose an ETF only because it has a low total expense ratio.

An ETF that tracks a highly concentrated index may be cheap, but it can still create significant concentration risk. Low cost is useful only if the investment exposure suits the fund's strategy.

Life policies and smoothed-bonus products

Life insurers can issue investment policies, pooled products and smoothed-bonus portfolios. In these structures, the retirement fund usually has a contractual claim against the insurer. It does not directly own the underlying assets.

Potential benefits include pooling, smoother returns and certain guarantees. These features may be useful for older members, defined benefit liabilities or funds trying to smooth out investment performance volatility.

But the fund must understand what it gives up. It may have less transparency, less flexibility and less ability to see underlying charges. Trustees should also consider any product terms that include market-value adjustments, insurer discretion over bonus allocations, limits on exiting the product or conditions attached to guarantees.

The insurer's capital and solvency rules offer protection. But the product is not risk-free. The fund may reduce visible market volatility while taking on insurer credit risk, product complexity and lower expected long-term returns.

Linked investment platforms

A LISP, or wrap platform, is often used to give access to several unit trusts, life funds or other investment products through one administrative system. It can combine statements, process investment switches, provide online tools and simplify recordkeeping.

The platform may be licensed as a Category III administrative FSP. If related parties provide investment advice, Category I licensing may also be needed.

Platforms can be useful where a fund or financial planner needs efficient administration across several underlying products. However, trustees should look carefully at the total fees, which may include:

- A platform fee
- Underlying fund-management fees
- Transaction costs
- Advice fees
- Possible insurance-wrapper charges
- Switching costs or exit charges in some cases

A platform may also limit the range of available funds or direct users towards products from related businesses.



Investor protection and trustee responsibilities

The regulatory system protects members and investors through several layers.

1. **Fit-and-proper requirements aim to keep unsuitable firms and individuals out of the market.**

2. **Conduct rules require investment managers and advisers to act fairly, disclose conflicts and keep proper records.**

3. **Client assets should be protected through segregation, custody, nominee arrangements and the ring-fencing of CIS assets.**

4. **Insurers are subject to prudential rules, including capital and governance requirements.**

5. **FICA helps reduce the risk that investment products and financial systems are used for money laundering, sanctions evasion or other illegal activity.**

6. **POPIA and cybersecurity standards protect member and beneficiary information. Investment managers, platforms, consultants and administrators often handle sensitive personal and financial data. They need suitable safeguards, incident-response plans, access controls and data-processing arrangements.**

Regulators can impose serious penalties for misconduct. These can include administrative fines, licence suspension, licence withdrawal, debarment and, in some cases, criminal penalties.

However, regulatory enforcement does not mean trustees can sit back and do nothing. The board remains responsible for appointing suitable providers, responding to warning signs and monitoring service quality.

Conclusion

Investment managers and investment administrators are central to the retirement fund system. Their licences, regulatory duties, operational controls and contracts are meant to protect members' money and information.

A Category II licence is key for discretionary investment management. Category IIA applies to hedge-fund management. Category I is generally relevant for investment advice and consulting. Category III is important for administrative platform activities, including certain LISP and investment administration functions.

CIS managers, insurers, custodians and stockbrokers also operate under their own additional legal frameworks.

Trustees do not need to become investment professionals, technology specialists or lawyers. But they do need to understand the regulated chain behind every investment decision and every investment record.

That means knowing:

- Who makes investment decisions
- Who holds the assets
- Who values the assets
- Who reconciles the records
- Who calculates the fees
- Who provides the platform
- Which licence applies to each activity
- What rights the fund has if the relationship fails

The best protection is not a licence on its own. It is the combination of the right licence, a clear mandate, independent custody, reliable investment administration, transparent fees, strong cyber controls, proper contracts and active trustee oversight.

Trustee Tutor 28:
Investment platforms and licensing
Assessment questions

How to?

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

1. What is the main purpose of licensing investment service providers?

a. To guarantee that providers will outperform their investment benchmarks ☐
b. To confirm that providers meet regulatory standards before offering services ☐
c. To allow trustees to delegate all responsibility for fund investments ☐
d. To ensure every provider uses the same investment strategy ☐

2. Which regulator is mainly responsible for conduct regulation and FAIS licensing?

a. The Financial Sector Conduct Authority ☐
b. The Prudential Authority at the Reserve Bank ☐
c. The Pension Funds Adjudicator ☐
d. The Financial Intelligence Centre ☐

3. What type of FAIS licence would a discretionary investment manager generally need?

a. Category I, for investment advice and intermediary services ☐
b. Category II, for discretionary financial services ☐
c. Category IIA, for hedge-fund management services ☐
d. Category III, for administrative platform services ☐

4. What distinguishes a Category II manager from a Category I investment consultant?

a. A Category II manager may only recommend investment managers ☐
b. A Category I consultant may trade assets without instructions ☐
c. A Category I consultant must provide custody of fund assets ☐
d. A Category II manager may make decisions within an agreed mandate ☐

5. Why must trustees look through a unit trust's underlying investments?

a. To calculate the investment manager's annual performance fee ☐
b. To assess the fund's compliance with Regulation 28 limits ☐
c. To determine whether the unit trust is listed on an exchange ☐
d. To confirm the identity of each unit trust investor ☐

Trustee Tutor 28:
Investment platforms and licensing
Assessment questions

6. Which licence category generally applies to hedge-fund management?

a. Category I, because hedge funds mainly provide investment advice ☐
b. Category II, because hedge funds only hold client assets ☐
c. Category IIA, because hedge funds use more complex strategies ☐
d. Category III, because hedge funds mainly perform administration ☐

7. What is a key protection offered by a collective investment scheme?

a. The manager guarantees investors a minimum annual return ☐
b. Investors can dictate every individual investment purchase or sale ☐
c. The scheme is exempt from Regulation 28 investment limits ☐
d. Scheme assets are ring-fenced from the manager's own balance sheet ☐

8. In a life policy investment structure, what does the retirement fund usually hold?

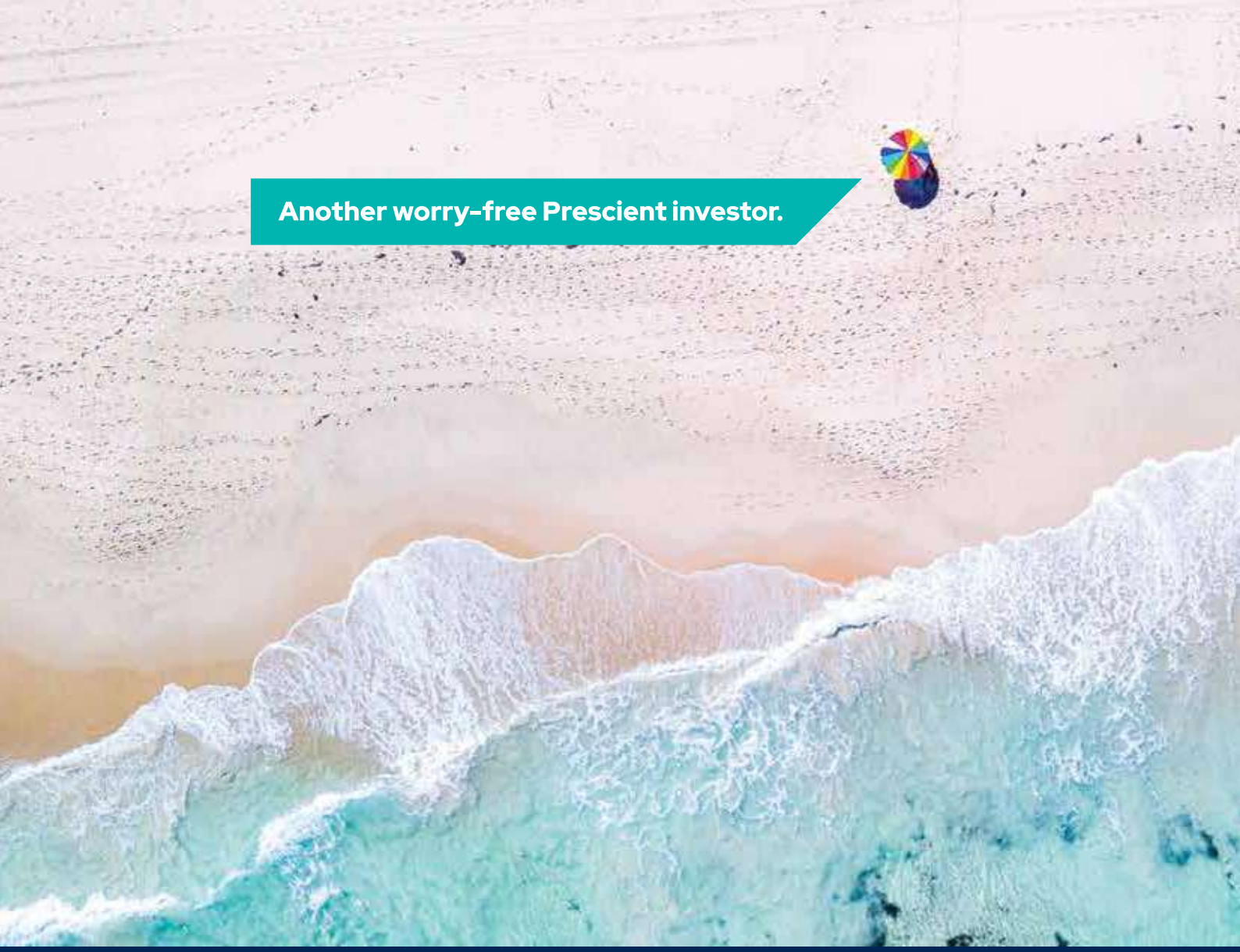
a. Direct legal ownership of every underlying investment asset ☐
b. A contractual claim against the insurer that issued the policy ☐
c. A membership interest in the investment manager's business ☐
d. A shareholding in the custodian that holds the assets ☐
e.

9. Which risk should trustees consider when using a linked investment platform?

a. The platform may create fee stacking across several service layers ☐
b. The platform automatically removes all investment concentration risk ☐
c. The platform guarantees unrestricted access to every available fund ☐
d. The platform replaces the need for investment governance oversight ☐

10. Which combination best describes effective protection for retirement fund assets?

a. A well-known provider, strong past returns and low investment fees ☐
b. A licence alone, supported by annual trustee meeting attendance ☐
c. The right licence, clear mandate, custody and active oversight ☐
d. A single platform, a broad investment menu and market guarantees ☐



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MOVING UP



Old Mutual Alternative Investments (OMAI) has appointed Gareth McElhone as Partner in its Hybrid Capital team

Strengthening the team as it continues to grow its Hybrid Capital strategy across South Africa and the rest of Africa.

Gareth brings more than 20 years of investment banking and private capital experience and joins OMAI from Nedbank Corporate and Investment Banking, where he most recently served as Head of Alternative Equity.

His experience spans mezzanine finance, private capital, equity investing and the structuring of flexible capital solutions for businesses and investors.





Momentum Asset Management appoints Slawomir Soroczynski as Global CIO for Fixed Income and Nicolette Plaatjies as Head of Credit Research

Momentum Asset Management is entering a new phase of growth, strengthening its global investment capabilities while maintaining its strong local expertise.

The latest leadership and research enhancements include the appointment of Slawomir Soroczynski as Global CIO for Fixed Income and Nicolette Plaatjies as Head of Credit Research. The changes are designed to bring greater collaboration, deeper research insights and stronger global alignment, without changing the accountability of existing portfolio managers in South Africa and London.



Terebinth Capital has appointed Beverley Moore as its Chief Operations Officer

Terebinth Capital has appointed Beverley Moore as its Chief Operations Officer, strengthening the alternative investment manager's operational leadership. Moore brings extensive experience in investment operations, execution, governance and business continuity, including previous senior roles at Khumo Capital and Absa Alternative Asset Management. Her appointment is expected to support Terebinth's focus on robust operational oversight, stakeholder management and high-quality client service as the firm continues to deliver disciplined, research-driven investment solutions.

MOVING UP

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



Shirley Mashaba has been appointed Chief Operations Officer at Sanlam Collective Investments

Shirley Mashaba has been appointed Chief Operations Officer at Sanlam Collective Investments, following her leadership role in client enablement. With more than a decade of experience in management and client strategy, Mashaba has helped shape the business's co-branding approach and client-servicing proposition. Her appointment places operational delivery, partner support and client experience at the centre of SCI's growth agenda, reinforcing its positioning as a trusted investment platform for asset managers and their clients.



Thato Moitsemang has joined Symmetry as Head of Manager Research

Thato Moitsemang has joined Symmetry as Head of Manager Research, bringing more than 11 years' experience in the investment industry. She joins from Sanlam Investments, where she held portfolio management and senior manager research roles. At Symmetry, Moitsemang will lead research into underlying investment managers, strengthening the firm's ability to select, monitor and combine specialist capabilities within its investment solutions. The appointment underscores Symmetry's focus on rigorous due diligence and research led portfolio construction.





The Institute of Retirement Funds Africa (IRFA) has elected Nalandri "Nancy" Andrews as Chairperson of its board, with Cedrick Pila appointed Vice-Chairperson.

The appointments followed IRFA's annual general meeting on 27 August 2026 and the board's election of office bearers the following day. Andrews succeeds Geraldine Fowler after previously serving as Vice-Chairperson, while Pila continues as a board member. Together, they will guide the institute's governance, stewardship and strategic direction for the retirement fund industry.

WHAT'S UP

Momentum Corporate

Momentum Corporate, a division of Momentum Group, has acquired all shares in Verso Group Proprietary Limited (Verso), effective 1 September 2026.

The acquisition brings Verso's retirement fund administration and consulting expertise into Momentum Corporate, strengthening its employee benefits offering and supporting its long-term growth strategy.



Prescient Investment Management and Schroders



Prescient Investment Management and Schroders have announced their partnership for the distribution of Schroders' locally-approved product suite to the institutional market in South Africa. The partnership will see Schroders remain the investment manager of these products while Prescient will lead the institutional distribution and client engagement locally.



Health Funders Association

Health Funders Association launched its inaugural State of Medical Schemes report in September. Modelling suggested mandatory membership above the tax threshold plus risk equalisation could cut contribution costs by 10–30% by bringing younger lives into the pool.



SAVCA

SAVCA membership exceeds 230 managers and capital providers, collectively managing more than R237 billion across PE, VC and private debt. Research found 87% of investee businesses grew faster after private-capital investment. SAVCA held their annual Venture Capital Conference in September, where the message was clear: South African venture capital is no longer simply making the case for its existence. It is now grappling with the harder, more consequential work of building a deeper capital base, improving liquidity, making regulation more workable, commercialising intellectual property and helping founders scale companies that can compete globally.



WTW

WTW has completed the sale of its South African investment, actuarial and retirement benefits business to a consortium owned by Tando Bikitsha and Gontse Sekhitla. The business will be rebranded as Catenate Advisory, with existing client contracts unchanged and WTW investment research support secured for at least five years.

WHAT'S UP

Discovery Health



Discovery Health introduces of a new medical scheme option called Active Core, due to launch on 1 January 2027 (subject to Council for Medical Schemes approval).

Salt Employee Benefits



Salt Employee Benefits marked its 70th anniversary with industry debate on member outcomes, governance, employer/union contribution cuts, and treating customers fairly.

IRFA



The Institute of Retirement Funds Africa (IRFA) held its annual conference for 2026 in the first week of September, under the theme "A New World – A New Normal". Day one covered geopolitics, investment risk, governance and fees. Day two unpacked value for money, unpaid contributions (R8.3 billion), unclaimed benefits, inclusion and future supervision.

Sanlam



Sanlam has announced that it plans to buy out Santam's minority shareholders for R505 a share in cash and delist the insurer. The deal is proposed, not completed, with implementation targeted for the first quarter of 2027.

EBnet hosts their 2026 Evolutionaries Conference



EBnet hosts their 2026 Evolutionaries Conference in an online virtual venue open for the week of 26 – 30 October. The theme this year is Benefits Activated supporting the industry's current dialogue around holistic benefits and integrated advice.

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