

INSIGHTS 2025

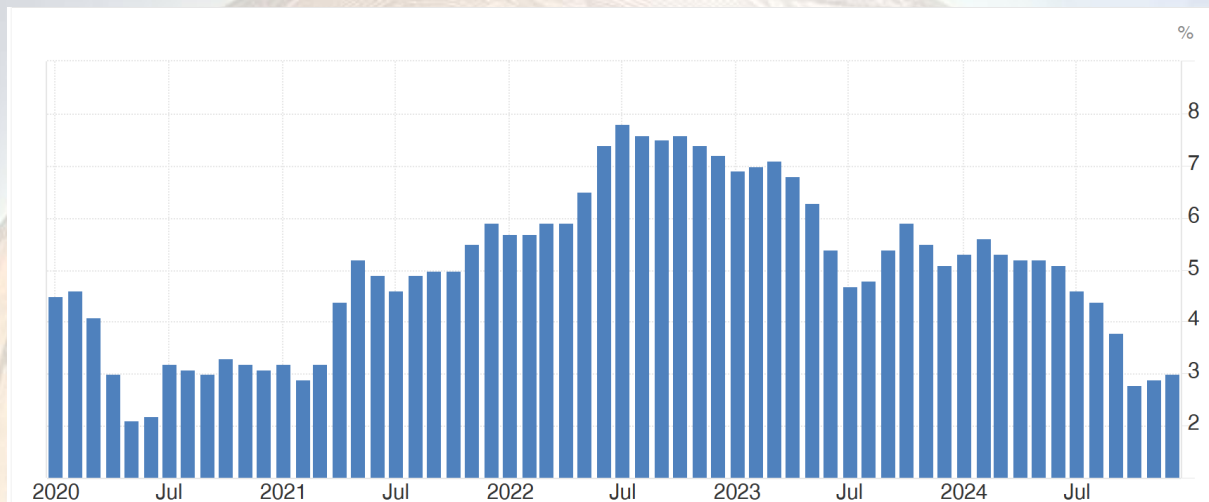
MARCH



**Menlyn Corporate Park Block C, Second Floor Cnr Garsfontein and Corobay Ave Waterkloof Glen,
Pretoria, South Africa.**

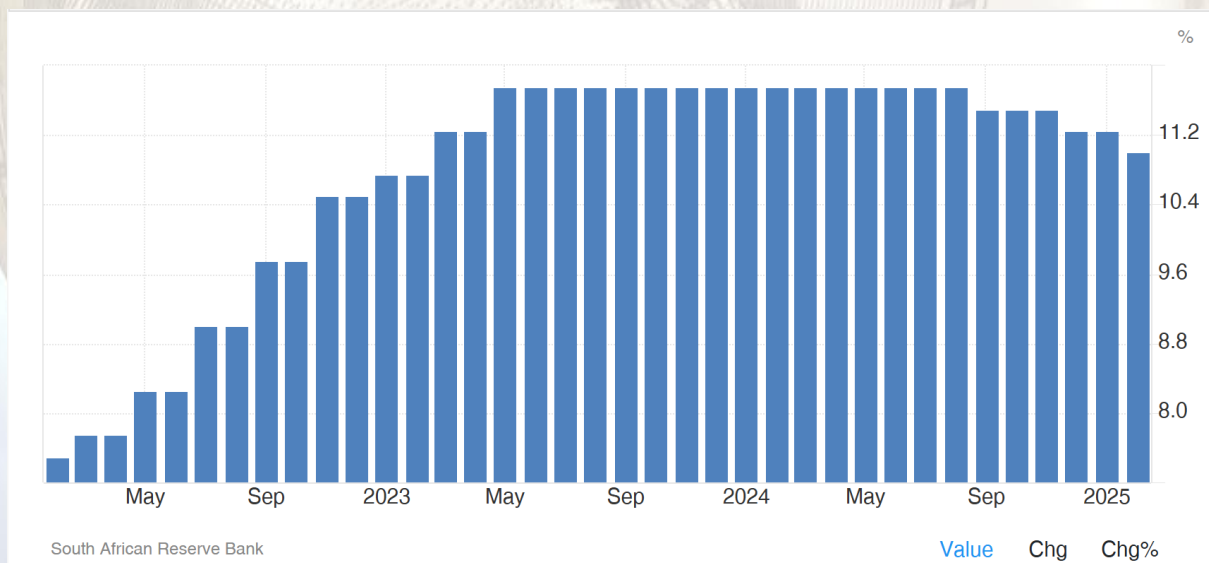
South Africa – Local

Inflation - low



Currently the inflation rate in South Africa is in line with the target rate of (3% - 6%), the ideal rate would be around 4.5%. We expect that this could lead to another repo rate reduction in the coming months.

Prime lending Rate



Currently the prime lending rate in South Africa is 11.00%, there is a possibility that we can see a further reduction during the course of the year to reach the (10.75%-10.50%) range depending on inflation and the global financial situation.

The budget speech 2025

On March 12, 2025, Finance Minister Enoch Godongwana presented the eagerly awaited budget speech. He addressed the delay in its presentation, which had sparked significant discussions on prioritizing funding amidst limited resources.

The economic outlook for South Africa is cautiously optimistic. The GDP is expected to grow at an average rate of 1.8% over the next three years. Government debt is projected to stabilize at 76.2% of GDP in the 2025/26 fiscal year, and the budget deficit is anticipated to narrow to 3.5% by 2027/28, demonstrating the government's commitment to fiscal discipline.

A substantial portion of the budget is allocated to infrastructure investment, with over R1 trillion earmarked for public infrastructure projects over the next three years. The government plans to issue its first infrastructure bond in 2025/26, attracting diverse funding sources from financial institutions.

Social grants will see significant increases, benefiting recipients of old age, war veterans, disability, foster care, care dependency, child support, and grant-in-aid grants. Additionally, the COVID-19 Social Relief of Distress (SRD) grant has been extended by a year until March 31, 2026, providing ongoing support to vulnerable populations.

In the financial sector, South Africa is making progress towards meeting the Financial Action Task Force (FATF) requirements, with the aim of exiting the grey list by October 2025. The regulatory framework for crypto asset transactions is under review, and a market study on AI adoption in the financial sector is forthcoming. The government is also promoting the adoption of the South African Green Finance Taxonomy among key financial institutions to encourage sustainable finance practices. Discussions are ongoing regarding access to retirement funds upon retrenchment under strict conditions.

Tax changes are a prominent feature of this budget. The Value Added Tax (VAT) will increase from 15% to 15.5% effective May 1, 2025, and to 16% effective April 1, 2026. Excise duties on alcoholic beverages, cigars, pipe tobacco products, cigarettes, and other tobacco products have been raised. The carbon tax will increase from R190 to R236 per tonne of carbon dioxide equivalent, reflecting the government's commitment to environmental sustainability.

The National Health Insurance (NHI) initiative receives a significant boost with an allocation of R9.6 billion towards its development, underscoring the government's dedication to improving healthcare access for all South Africans.

In conclusion, the budget speech represents a crucial step in addressing South Africa's economic challenges and laying the groundwork for sustainable growth. The proposals now await Parliament's review and approval.

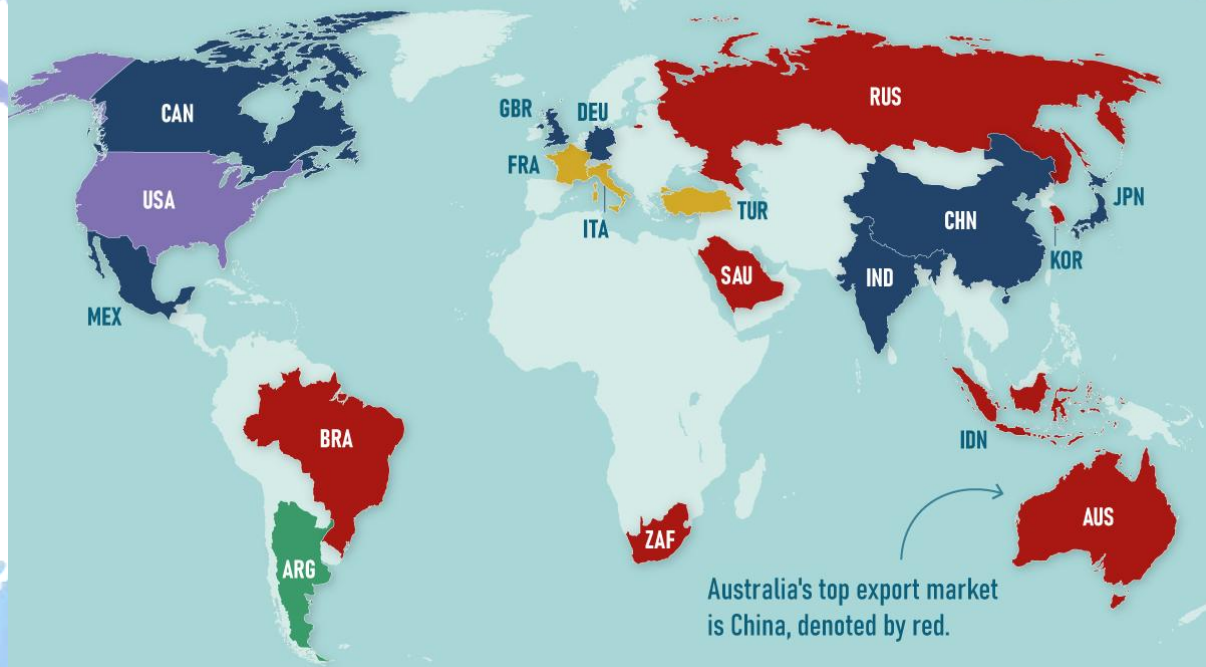
Globally

South Africa Takes the G20 Helm: A Historic Presidency in 2025

For the first time in its 25-year history, the G20 is being led by an African nation. As of February 24, 2025, South Africa has stepped into the presidency of this influential group of the world's major economies, marking a pivotal moment for the continent and the Global South.

TOP EXPORT PARTNER

OF G20 COUNTRIES



% OF TOTAL EXPORTS

AUSTRALIA	29%	MEXICO	77%	FRANCE	13%
BRAZIL	26%	CANADA	74%	ITALY	12%
INDONESIA	21%	JAPAN	19%	TÜRKİYE	8%
RUSSIA	21%	INDIA	18%	U.S.	16%
SOUTH KOREA	21%	CHINA	15%	ARGENTINA	15%
SAUDI ARABIA	19%	UK	13%		
SOUTH AFRICA	16%	GERMANY	10%		



voronoi
BY VISUAL CAPITALIST

Where Data Tells the Story

EU and African Union not included. Figures rounded.
Source: The Observatory of Economic Complexity (2022)



Trump presidency:

As of January 20, 2025, Donald Trump's second term as president, has been marked by a flurry of activity, bold policy moves, and a mix of public reactions. Trump has wasted no time pushing forward an ambitious agenda, drawing both praise from supporters and concern from critics. Here's a look at how his presidency has unfolded so far.

Trump hit the ground running, signing a series of executive orders on his first day. These actions aimed to undo much of his predecessor's legacy, including reversing dozens of Biden-era policies, freezing new federal regulations, and withdrawing from the Paris Climate Agreement. He also mandated a return to in-person work for federal employees and set the tone for an "America First" approach by prioritizing border security, energy independence, and cost-cutting measures.

Economically, Trump inherited a robust economy but one facing challenges like rising interest rates and lingering inflation fears. He's leaned heavily on tariffs, targeting steel and aluminium imports, and has pushed for a sovereign wealth fund to bolster American financial power. His partnership with Elon Musk has been a focal point, with Musk leading efforts to slash federal spending, though public opinion on these cuts is divided—many Americans worry about the impact on government services. Inflation remains a sore. Ascendant inflation remains a big concern for Americans. A steep price rise in January, the biggest in 16 months, has complicated Trump's pledge to lower costs, despite his attempts to pin the blame on the previous administration.

Domestically, Trump has delivered on campaign promises like pardoning January 6 rioters—over 1,500 have been released—calling them “political prisoners,” a move that's energized his base but alarmed others. He's also banned men from women's sports via executive order, a popular move among conservatives, and Army recruitment has reportedly hit a 15-year high, possibly reflecting his “peace through strength” rhetoric.

Public reception is mixed. Polls show his approval rating hovering in the mid-40s, better than his first term but slipping as economic worries grow. Americans give him middling marks on the economy, with only about a third approving of his handling of prices, though most say he's meeting expectations.

DID YOU KNOW?

Alaska is the largest state in the US and used to belong to the Russian Empire before the US purchased it.

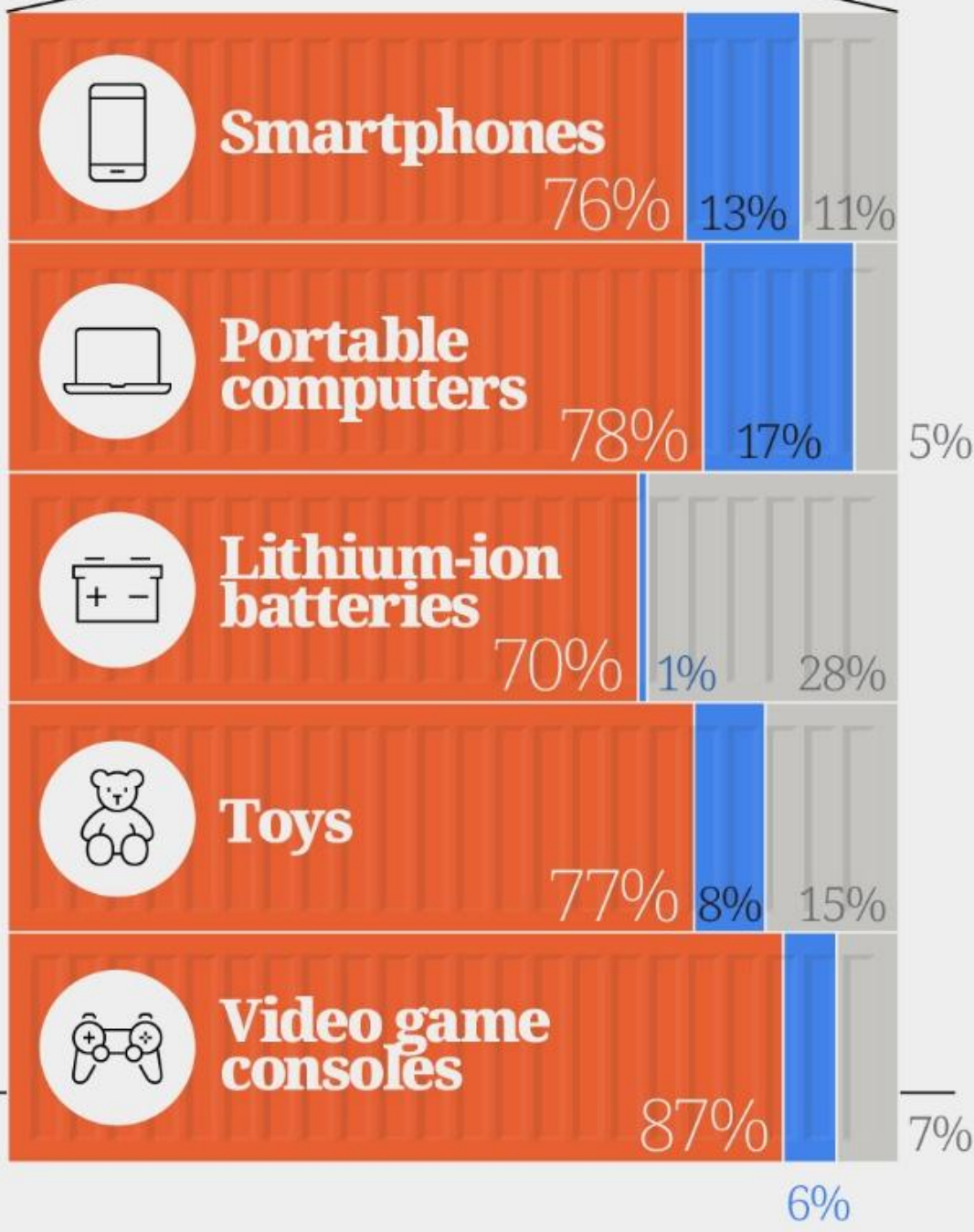
AMERICA'S TOP IMPORTS

from China



- China
- Vietnam
- Others

These 5 goods made up 27% of all Chinese imports in 2023.



Source Comtrade, International Trade Center. Data is as of 2023.



Where Data Tells the Story



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Investing for a
world of change



Paul Hutchinson
Sales Manager

Mistakes made, lessons learnt

I have worked in the financial services industry for more than 30 years. During this time, I have made any number of investment mistakes, some more costly than others. In this article I will briefly highlight my worst investment decisions and the lessons learnt, in the hope that you learn from my errors and avoid making the same mistakes.

1 Not contributing sufficiently to my retirement fund

If you take nothing else from this article, remember (and teach your children) these three simple rules:

| To accumulate sufficient capital for a secure retirement, you must save 15% of your salary for 40 years.

| You must invest your monthly retirement contributions into growth assets (equity and property) to maximise your return outcomes i.e., you need to be targeting a real return (above inflation) of 6% per annum over the long term.

| When changing employers, you must preserve your accumulated retirement savings.

While I have always contributed to a retirement fund and preserved my retirement savings whenever I changed jobs, my mistake was that for a lengthy period I did not do so at the required contribution rate of 15%. Because the benefit of compounding returns only really plays out over decades, I did not immediately appreciate the financial impact of my error. Now, even though I have increased my contribution rate to above 20%, this one mistake has added years to how long I will need to work to be able to retire comfortably.

2 Not fully appreciating the erosive effect of annual fees on total returns

When I changed jobs for the first time, I was persuaded to preserve my retirement savings in an 'old-school' retirement annuity offered by a life company. Fast forward 27 years and I suspect the additional costs associated with this product reduced my outcome by half. Costs matter. While you need to be prepared to pay a higher fee for a superior outcome, make sure that you fully understand the cost/benefit profile of the investment that you are making.

At the same time, read the small print. By the time I had worked out just how punitive the ongoing fees associated with the retirement annuity were, I was trapped. The early surrender penalties that would be payable would be impossible to recover in the time remaining.

3 Chasing the rand

In the early 2000s, the rand blew out from around R6 to the dollar to over R12. Investor sentiment was terribly negative, and friends and family were talking the rand 'to the moon'! Sound familiar? What do they say about history rhyming? At the time, the authorities were gradually allowing South Africans to invest increasing amounts offshore, subject to approval from the South African Reserve Bank. I jumped on the opportunity, only then to watch in dismay as the rand appreciated materially. It took many years before the rand saw R12 to the dollar again!

The lesson I learnt is that while the rand has depreciated by roughly 6% per annum over time, it is not a one-way bet. We have been learning this lesson again of late. The rand goes through lengthy periods of being relatively cheap or expensive, and importantly, is subject to both South African and global forces, which determine its relative value.

This lesson is true not just for the rand, but for most things. Don't go chasing equities, short-term performance, Bitcoin, specific stocks, in fact anything where the payoff appears too good to be true. In short, and to quote the philosopher American girl group, TLC, "Don't go chasing waterfalls," which is a 'metaphorical warning against pursuing self-destructive behaviour. Waterfalls appear beautiful and mesmerising, but their currents run strong and lead to extreme and violent ends.'

4

Not looking past short-term underperformance

There have been times when my investments underperformed their benchmarks and peers over the short and medium term. And the longer the underperformance continued, the more anxious I became. During these tough times I started to think that doing something, anything, was better than doing nothing. The little voice in my head telling me to act immediately and cauterise the discomfort was often echoed by family and friends. The few times I did act, I lived to regret it, as invariably it felt like my disinvestment initiated the recovery! The most difficult (and rewarding) thing to do is often exactly that: nothing.

The lesson is that you should not alter your investment strategy or its execution unless it was incorrect at the outset, or your personal or financial circumstances changed. At crucial points, such as when you get married, have children, get retrenched or retire, it is advisable to consult again with a qualified financial advisor and revisit your financial plan and your journey to financial security. Absent such change, the basic rule is, “Do not let shorter-term market fluctuations and negative market commentary sway your commitment to your long-term financial goals.”

5

Holding on too long

Having just told you to do nothing, I am now going to give you an example of when I was simply too lazy to act. Years ago, I invested directly into an offshore unit trust fund and over the years its performance was, well meh – nothing to write home about, but also not cause for real concern. So, there was no driving anxiety to act immediately, but there was always a nagging doubt that I should be doing something. However, just the thought of the administration challenges of disinvesting and having the proceeds paid into another offshore investment caused my blood pressure to spike. And therefore, I did nothing.

I estimate that this lack of action on my part has cost me 3–4% per annum over the past 10 years. Another significant opportunity cost. Another lesson learnt. Sometimes you simply should not put off until tomorrow.

6 Falling for the allure of private markets

In the late 1990s I was presented with a unique opportunity to invest in a private equity fund that was targeting outsized returns. The manager was targeting these returns through a single investment opportunity to which it had access. In addition to no liquidity for the term of the investment, the manager was charging an eye-watering annual management fee. I was convinced to invest due to the manager's previous success. In hindsight, I suspect their prior success was due more to luck than skill – they had benefited from the JSE's small-cap boom in the late 1990s.

To date this has been the only investment I have made that went to zero. A humbling and expensive experience. Lesson learnt. Diversification is key to mitigating risk.

In conclusion

I have learnt the hard way that there are no short cuts to building wealth. Every time I have tried, I have lost. In the process I have learnt that there are three ways to build wealth. One, inherit it. Two, steal it. Three, work really, really hard, and then, most importantly, invest this money to work really, really hard for you.

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