Business Day

South African investors are abandoning discipline at the worst possible time



Philip Bradford

The pressure to react has never been higher. Each market cycle brings new themes, new tactical shifts, and claims that old rules no longer apply. When gold surges, the question becomes whether portfolios should tilt toward mining. When sentiment on South Africa improves, investors wonder if they should reduce offshore exposure and increase domestic holdings. When equities rally on political developments, the debate shifts to whether it's time to chase the move. The noise is constant.

The result is rarely better outcomes. More often, it leads to decisions made at exactly the wrong time.

What has changed is not the objective of investing. It remains about funding long-term goals. What has changed is the illusion that portfolios must constantly adapt to remain effective. In practice, this behaviour undermines the consistency that long-term financial plans depend on.

The answer is not innovation for its own sake. It is conventional investment management, applied with rigour. Conventional in the traditional sense: broad diversification, careful portfolio construction, and a clear long-term horizon. These principles remain the most reliable way to invest through uncertainty because they are designed around what actually matters, funding the goal, not reacting to the latest headline.

At the centre of this approach is a simple discipline. Investors should take only the risk required to meet their objective. Not more, chasing returns beyond what the goal demands. Not less, fearing drawdowns. The portfolio should be built to deliver the return needed, with the level of risk that allows the investor to stay invested when markets are uncomfortable.

Philip Bradford, PortfolioMetrix's Chief Investment Officer in South Africa, is direct: "The biggest mistake we see is investors changing their portfolio in response to market movements, when their actual goal hasn't changed at all. The real risk is not market volatility. It is discovering, too late, that the portfolio was taking risks that were never aligned to the goal."

This discipline matters across the investment landscape. Institutional investors benefit from clearer governance and fewer reactive changes. Retail investors gain portfolios they can hold through drawdowns without abandoning their plans. Financial advisers are able to focus on progress towards long-term objectives rather than defending short-term noise.

Bradford adds: "Uncertainty is unavoidable. Our responsibility is to build portfolios with enough discipline to keep investors composed and invested through different market cycles."

In a world increasingly driven by reaction, the advantage lies with those who stay conventional. Portfolios built for the goal, not the headline. Risk matched to what you're actually trying to achieve. Strategies designed to support consistency over time. That is what traditional investment management looks like when it is done properly.





Rethinking what works in modern markets



Edo Bräsecke

The past few years have presented one of the most complex investment environments in decades. Global inflation shocks, aggressive monetary tightening, geopolitical tensions, commodity super cycles, and shifting capital flows have driven rapid rotations between value, growth, defensives, and resources. Locally, political uncertainty and structural constraints added another layer of volatility.

Against this backdrop, we are proud to have been recognised with the Methodical BCI Global Dynamic Fund as the Best Fund in the Global-Multi Asset-Flexible sector, in the 3 Years Straight Performance category, an acknowledgement of the consistency, discipline, and transparency of our investment process during a period marked by sharp and unpredictable style shifts. For us, the award is not a celebration of a single moment, but of the long-term commitment we have made to a systematic, data-driven approach.

At Methodical, our philosophy is grounded in the "wisdom of crowds". Share prices reflect the aggregated views of thousands of market participants. Rather than attempting to predict macro outcomes, we systematically measure where capital is flowing and position accordingly.

"Our job is not to forecast the future, but to listen to what the market is telling us and align with the strongest trends."

Price momentum, what we refer to as the "chameleon factor", proved critical. When value led, we looked like a value fund. When growth dominated, we resembled a growth fund. More recently, strong commodity cycles resulted in meaningful exposure to basic materials. This dynamic adaptability, unconstrained by style labels or benchmark weights, enabled us to participate in sustained trends while exiting weakening positions. It is this consistency of process, rather than any single decision, that underpinned the performance recognised by the award.

Our differentiation lies in disciplined portfolio construction. We start with the 60 most liquid shares on the JSE and rank them by momentum, holding only those driving performance. We are benchmark agnostic and size positions based on opportunity, not index weight. When broad market conditions deteriorate, we deploy robust risk controls to manage downside risk. This clarity of framework and the transparency it provides to clients remains central to who we are.

Looking ahead, we believe systematic, data-driven processes will become increasingly important as markets accelerate and information flows intensify. Investors will continue to demand transparency, discipline, and repeatability. Our focus remains on refining our models, enhancing execution, and scaling responsibly, always guided by market signals rather than opinion.

This recognition affirms the value of our approach, but it does not change our philosophy. If anything, it strengthens our commitment to remain disciplined, adaptive, and aligned with the evidence the market provides; it's Investing with Evidence, not Opinions.

Selective risk, consistent process



Raihan Allie

The past few years have delivered no shortage of complexity – post-Covid inflation, aggressive global rate hikes, the uncertainty of a domestic GNU, and Trump's return bringing tariff risk and dollar uncertainty back into the picture. Each episode was different, but our response was consistent – assess the environment carefully, identify where risk is being mispriced, and stress-test the downside. While duration occasionally looked attractive in isolation, funding it by reducing our high-quality bank credit exposure never made sense on a risk-adjusted basis. More recently, as domestic credit spreads have tightened and opportunities diminished, we have selectively introduced offshore exposure – hedging out the currency risk – to ensure our clients continue to be adequately rewarded while avoiding undue risk.

Superior long-term returns are built on avoiding losses as much as finding winners – a belief that sits at the heart of all our strategies. Our process demands that we spend equal time stress-testing the downside of every investment decision as we do building the upside case. By identifying securities with return distributions skewed to the upside – and steering clear of those with fat negative tails – we protect capital without sacrificing return potential. In practice, this is reflected in our portfolio positioning. Most of our holdings are in South African bank credit – institutions with strong, well-capitalised balance sheets that have continued to strengthen – a deliberate expression of our conviction in the underlying credit quality of our issuers.

Three things define Truffle's edge: our size, our agility, and the depth of our integrated investment team. Being a smaller manager in the South African market is a structural advantage. We can be selective in a way that larger peers simply cannot. Our flat team structure eliminates committee-driven inertia. Decisions are well-researched and honestly debated but executed with speed when opportunity arises. Finally, our fixed income team operates shoulder-to-shoulder with Truffle's equity analysts daily. That cross-pollination of insight enriches every investment decision we make.

Value in the years ahead will be delivered by navigating the increasing divergence between local and global risks. We are witnessing a historic role reversal: South Africa is entering a virtuous cycle of lower inflation, fiscal consolidation, and political friction, while developed markets face a vicious cycle of unsustainable debt, political instability and lower growth. As the quality gap between EM and DM debt blurs, the ability to capitalise on South Africa's improving fundamentals through active, high-conviction selection while shielding portfolios from global instability will be the most prominent theme for fixed-income investors.



A disciplined approach to investing through market turbulence

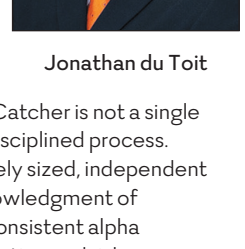
The past year has tested investors on multiple fronts. South African markets navigated a volatile global backdrop of elevated interest rates, slowing growth, and persistent geopolitical tension, alongside a rising gold price as investors sought safe-haven assets. Markets also contended with election uncertainty, fragile consumer confidence, and the after-effects of years of load-shedding. Although operational conditions began to stabilise in 2024 as energy constraints eased, sentiment remained highly reactive, with sharp style rotations, commodity price volatility, and pronounced dispersion between sectors.



Against this backdrop, the central challenge was separating temporary noise from permanent impairment. Election risk, fiscal concerns, and global rate uncertainty often triggered exaggerated market reactions, particularly among domestically exposed stocks and SA-listed multinationals. These conditions reinforced the importance of maintaining perspective and applying discipline, rather than responding to sentiment-driven volatility.

"Volatility is not the enemy of long-term investors. It is the source of opportunity."

Oyster Catcher's valuation-based philosophy proved critical during this period. Our bottom-up approach to establishing intrinsic value allowed us to normalise earnings through the cycle, identify businesses facing temporary headwinds, and avoid those where fundamentals were genuinely deteriorating. A real-time ranking table ensured that all opportunities were consistently assessed on expected risk-adjusted return, while our proprietary momentum indicator guided the timing and sizing of positions. This combination enabled us to remain invested when valuations were compelling, while exercising caution where returns were driven primarily by rating expansion rather than earnings growth.



Jonathan du Toit

What differentiates Oyster Catcher is not a single insight, but a repeatable and disciplined process. Our focus on many appropriately sized, independent positions reflects a clear acknowledgment of uncertainty and a belief that consistent alpha is generated through diversification and risk management, not concentrated bets. Looking ahead, as inflation moderates and rate expectations evolve, dispersion will continue to create opportunity. In an environment shaped by complexity, discipline remains the most durable edge.

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