

The Trendline

First quarter 2025



Patience. Planning. Progress

Investment overview

Over the quarter:

- Local equities ended the quarter up +5.9%, with the Resources sector leading the rally as it gained +33.7%. The Financials sector shed -1.7% on profit taking, while Industrials sector, driven by a run in Richemont and Prosus, added +3.1% over the quarter. The local property sector detracted -3.5%.
- South Africa's economy expanded 0.6% in the fourth quarter of last year, supported by a rebound in agricultural output. In March, the South African Reserve Bank kept the repo rate unchanged at 7.50% with a cautious outlook amid the current tumultuous global environment. SA inflation ended the quarter at 3.2%, within the Reserve Bank's target range. Subdued domestic demand coupled with a deteriorating global trade outlook, could see local inflation cool even further.
- Local Cash yielded a return of +1.9%, outperforming local Bonds which delivered a +0.7% gain. The risk-off sentiment stemming from global trade uncertainty and domestic political tension led to decreased demand for local bonds and a subsequent increase in yields.

- The MSCI Emerging Market equity index gained +2.9% USD, outperforming its developed market counterpart. The introduction of China's DeepSeek, a cost-effective open-source AI model, influenced market sentiment as investors reassessed the valuation of US-based AI companies. The Caixin China General Manufacturing PMI indicated improved conditions in the manufacturing sector, rising further above the 50-point mark.

This, coupled with optimism from additional Chinese government stimulus, bolstered market sentiment and contributed to a +9.2% USD return in the Chinese equity market over the quarter. India's equity market experienced a decline of -2.9% USD due to profit-taking and some concerns regarding economic growth, which prompted the first Indian repo rate cut since May 2020, bringing their rate to 6.25%. In Brazil, inflation remained above the central bank's target, resulting in three policy rate increases.

- The MSCI World equity Index declined -1.8% USD as US mega cap technology stocks turned negative. The US equity market declined -4.3% USD while global developed markets outside of the US expanded +6.2% USD over the quarter. Global risk appetite further diminished towards the end of the quarter amid anticipation of an escalation to the tariff war initiated by the US. The consequential market reaction to these tariffs have already been detailed in the GTC Market Update distributed on 10 April 2025.
- In their respective March meetings, both the US Federal Reserve and Bank of England kept interest rates unchanged at 4.5%, maintaining a wait-and-see approach amid persistent inflation and global economic uncertainty. Meanwhile, the European Central Bank (ECB) cut its three key interest rates by 25 basis points, bringing the deposit facility rate to 2.50%. The ECB President Christine Lagarde noted that the highly uncertain macro environment complicates monetary policy decisions, diverging from her past stance suggesting a that the path is to lower rates.
- The price of Gold concluded the quarter at \$3123 per ounce, representing a 19.0% increase. This appreciation was driven by sustained demand from central banks seeking to diversify away from the USD, as well as from investors seeking safe-haven assets. The USD weakened by 2.5% against the South African rand during the quarter.

Short term chaos is no stranger to investment markets, however, this remains white noise in the grander scheme of the normal market cycle. GTC continues its portfolio construction designed to hedge out investment risk while positioning the portfolios for stated investment objectives.

Investment market returns as at March 2025

Investment market returns (%)	3M	1YR	3YR	5YR	7YR	10YR	20YR
Local Equity Market	5.94	22.95	9.41	19.06	10.80	9.04	11.34
Local Property Market	-3.51	19.83	11.74	18.97	2.28	1.44	7.94
Local Cash	1.89	8.28	7.54	6.21	6.51	6.72	6.41
Local Bond Market	0.70	20.16	9.83	11.73	8.30	8.41	8.82
Offshore Developed Market USD	-1.79	7.04	7.58	16.13	10.16	9.50	9.67
Offshore Emerging Market USD	2.93	8.09	1.44	7.94	1.59	3.71	3.05
Offshore World Bond Market USD	2.57	2.10	-2.89	-2.97	-1.51	-0.05	0.44
Gold (USD)	19.00	39.88	17.25	14.73	13.03	10.19	7.12
Brent Crude (USD)	3.72	-1.84	3.55	32.81	10.24	6.01	1.42
USD / ZAR exchange rate	-2.49	-3.02	7.98	0.59	6.48	4.29	6.35

All returns greater than 1 year are annualised. All returns are gross of fees.

Every moment of momentum - whether in markets, emotions, or circumstances- can create a false sense of permanence. Experience shows us the truth: no trend lasts forever, no headline rules forever, and no environment remains static. That's why sound planning isn't about chasing moments of high or low; it's about being prepared to navigate what comes next.



These moments often stir strong emotions - anxiety for some, excitement for others - and while those feelings are natural, they should never dictate financial decisions.

The urge to act impulsively is strongest when uncertainty peaks. But reacting without a clear plan isn't strategy - it's impulse.

This quarter's message is simple: strategy should never be hostage to fleeting events. Short-term noise, however loud, shouldn't rewrite long-term goals. Financial plans need to be robust enough to absorb change and flexible enough to stay relevant - but only when they're regularly reviewed, revisited, and truly understood.

It's easy to leave the technical details - the spreadsheets, forecasts, and regulations - to others. But the thinking behind your plan and the ownership of it must always belong to you.

Having investment structures is only part of the story. These tools work for you when your intentions behind them are clear, updated, and documented. It's tempting to assume things are 'taken care of,' but the fine print waits until it matters most.

Planning with clear intention means resisting the urge to drift when things seem calm - and resisting panic when they don't. Markets will move. Politics will influence. Headlines will claim 'this time is different'. Sound planning isn't about predicting the next move, it's about positioning yourself so well that you don't have to.

At GTC, our job is to bring structure to your strategy: to ask the difficult questions, anticipate risks, apply the rules, and carefully navigate the grey areas. Thank you for trusting us on this journey. Our commitment remains the same - to provide advice that is informed, practical, and clear - and to remind you, when needed, to stay involved, stay informed, and above all, remember: it's your plan. Make sure you understand it.





Understanding the role of gold in your investment portfolio

Gold in focus: Safety, strategy, strength

The enduring appeal of gold as a tangible asset and a portfolio diversifier persists in today's dynamic financial landscape. Historically viewed as a safe haven and inflation hedge, gold offers a unique value proposition. However, the methods for gaining exposure - physical bullion, Exchange Traded Funds (ETFs), and gold-linked companies (stocks) - each present distinct characteristics, risks, and potential rewards. This article aims to provide a balanced perspective on these investment avenues, particularly in light of recent gold price rallies.



The allure and the caution: Understanding gold's role

Gold's intrinsic value, rooted in its scarcity and historical significance, sets it apart from fiat currencies. Its potential to act as a safe haven during economic uncertainty and a hedge against inflation contributes to its diversification benefits within a portfolio. However, it's crucial to recognise that investment decisions, especially in response to short-term price movements, require careful consideration. A recent surge in gold prices might tempt investors, but chasing rallies without understanding the underlying fundamentals and associated risks can be imprudent.

Navigating the investment landscape: Physical gold



The most direct way to own gold is by acquiring physical bullion, such as bars or coins. This method offers the tangible security of holding a physical asset. In times of systemic financial risk, physical gold is not subject to counterparty risk - the risk that a financial institution or intermediary might default on its obligations.

However, holding physical gold comes with its own set of challenges and risks, potentially amplified during a price rally.

Storage costs and security: Safely storing physical gold requires secure facilities, which often involve ongoing costs for storage and insurance. These costs detract from potential gains, especially if the price rally is short-lived.

Liquidity and transaction costs: Selling physical gold can be less liquid than other investment forms, and transaction costs, including dealer markups and assaying fees, can erode returns.

Divisibility and transportation: Dividing and transporting large quantities of physical gold can be cumbersome and costly.

No income generation: Physical gold does not generate any income, such as dividends or interest. Its return is solely dependent on price appreciation and offers no buffer against potential price corrections after a rally.

While physical gold can play a role in wealth preservation, its practical limitations and costs make it less suitable as a primary investment vehicle, especially for smaller investors.

The convenience of ETFs: Tracking the price of gold

Gold Exchange Traded Funds (ETFs) offer a more liquid and accessible way to gain exposure to the price of gold without the complexities of physical ownership. These funds typically hold physical gold bullion and issue shares that track the spot price of gold.

The advantages of gold ETFs include:

Liquidity and ease of trading: ETF shares can be bought and sold on stock exchanges like any other stock, offering high liquidity and relatively low transaction costs.

Lower storage and insurance costs: Investors avoid the direct costs and logistical challenges of storing physical gold. The fund bears these costs, which are reflected in the ETF's expense ratio.

Divisibility: Investors can buy and sell small quantities of gold exposure through individual ETF shares.

Risks associated with gold ETFs:

Counterparty risk: While most gold ETFs hold physical gold, investors are still exposed to the counterparty risk of the financial institution managing the fund. Although regulations aim to mitigate this, it's not entirely eliminated.

Tracking error: The ETF's share price may not perfectly track the spot price of gold due to factors such as management fees and the costs of holding and managing the underlying gold.

No underlying earnings: Similar to physical gold, gold ETFs do not generate any income. Returns are solely based on the appreciation of the gold price and offers no buffer against potential price corrections after a rally.

Gold ETFs provide a convenient and cost-effective way to track the price of gold and can be a useful tool for portfolio diversification.

Unearthing opportunity: Investing in gold-linked companies (stocks)



Investing in companies involved in the exploration, mining, and refining of gold offers a different perspective on gold exposure. These companies, often referred to as gold miners, represent an equity investment in the gold industry.

The potential benefits of investing in gold-linked shares are compelling:

Leveraged returns: The profitability of gold mining companies is often leveraged to the price of gold. A relatively small increase in the gold price can lead to a more significant increase in the earnings and share price of a well-managed gold mining company. This offers the potential for higher returns compared to directly tracking the gold price. While a rising gold price boosts profitability, a correction can significantly impact earnings and share prices.

Income generation: Unlike physical gold or gold ETFs, gold mining companies can generate income and distribute it to shareholders in the form of dividends. This provides a potential stream of returns beyond price appreciation, but companies might reduce payouts if gold prices fall significantly after a rally.



Operational efficiency and growth: Gold mining companies are actively managed businesses that can improve efficiency, expand production, and discover new reserves, all of which can drive shareholder value.

Diversification within the gold sector: Investing in a portfolio of gold mining companies can provide diversification across different geographical regions, mining projects, and management teams, potentially mitigating company-specific risks.

Investing in gold-linked shares also carries specific risks:

Operational risks: Mining operations are subject to various risks, including geological challenges, production disruptions, cost overruns, and environmental regulations, which can impact profitability.

Management risk: The success of a gold mining company depends heavily on the quality and execution of its management team.

Broader market risk: Gold mining stocks, being equities, are also subject to broader market sentiment and economic conditions, which can influence their price movements even if the price of gold remains stable.

Specific company risk: Each gold mining company faces unique financial and operational risks that can affect its individual performance.

Strategic allocation with diversification in an investment portfolio

While a gold price rally might create short-term excitement, a prudent long-term strategy involves understanding the fundamental reasons for including gold in an investment portfolio. A strategic allocation to a diversified basket of well-researched gold mining companies can provide exposure to the gold sector's upside while offering the potential for returns beyond the metal's price appreciation. This approach requires a disciplined investment process that looks beyond short-term market noise.

Regardless of the allure of a gold price rally or the chosen investment vehicle, diversification remains the cornerstone of a resilient investment portfolio. Over-allocating to any single asset, especially based on a recent price surge, can significantly increase risk. A well-balanced portfolio comprising various asset classes (which can include a strategically chosen gold-linked investment), aligned with individual risk tolerance and long-term goals, is essential for navigating market volatility and achieving sustainable growth.

In conclusion, while a gold price rally might present opportunities, investment decisions should be grounded in a thorough understanding of the risks associated with each investment method. Chasing rallies without due diligence is a recipe for potential disappointment. A strategic and diversified approach remains the most prudent path for building a secure retirement.



Why your private investments require more paperwork than a space launch (well almost)

So, you've decided to make a new investment. Forget the leisurely stroll through the park; this is more like navigating a bureaucratic jungle, armed with a machete made of paperwork. You'll soon find yourself drowning in requests for documents you didn't even know existed: proof of address, identity documents, source of funds, and if you're investing through a company or trust, the ever-mysterious 'ultimate beneficial owners'.

And just when you thought you were done, they ask for updated versions of everything. Yes, the paperwork never ends.



Why, you might ask, does investing your hard-earned cash require you to provide what feels like your entire life story, financial history, and DNA sequence? Are they expecting you to fund a secret moon base or perhaps purchase a small island to declare your own micronation? And why the constant updates? Do they think you change your identity or address that often?

The answer, while less exciting than a Bond villain's plot, is crucial in the fight against some very real and very unglamorous activities: money laundering, terrorist financing, and other financial shenanigans.

The Financial Action Task Force (FATF) - The global rule-maker you've never heard of (but should know)



This intergovernmental organisation, established in 1989, is essentially the global watchdog for dirty money. Think of them as the financial world's equivalent of an international superhero league, dedicated to preventing bad guys (and sometimes, let's face it, seemingly ordinary people doing very unwise things) from using the financial system to their nefarious ends.

The FATF develops standards and promotes policies to combat money laundering and terrorist financing. It's their job to make sure that money isn't being used to fund illegal activities, from drug cartels and human trafficking rings to terrorist activity. They set the rules, and countries around the world are expected to implement them.

Why the paperwork pile-up?

Here's where you, the investor, come in. Financial institutions, investment firms, and anyone handling your money are required to follow these rules. This means they have to 'know your customer' (KYC, in industry jargon). It's not that they don't trust you; it's that they have to prove they've done their due diligence.

Let's break down the common requests:

Proof of address: This seems simple enough, but even this can be a headache. A utility bill? A bank statement? What if you've just moved, live on a boat, or are a digital nomad with a complicated mailing situation? The goal is to verify that you are who you say you are and that you live where you say you live. It's a basic step, but a crucial one.

Identity document: Your passport, or national ID card is to confirm that you're not an international super-spy with multiple identities (unless, of course, you are, in which case, good luck with all this paperwork).

Source of funds: This is where things get interesting. Where did this money come from? Your salary? Inheritance? A lucky lottery win? (If so, congratulations, and please be prepared to prove it!). They want to ensure the money isn't the proceeds of crime.

Ultimate Beneficial Ownership (UBO): The paperwork intensifies if you're investing through a company, trust, or other legal entity. They don't just want to know who the company is; they want to know who owns the company, and who ultimately benefits from the investments. This can lead to a chain of disclosures, especially with complex ownership structures. It's like peeling an onion, except instead of tears, you get more paperwork. The reason for this deep dive? To prevent criminals from hiding their ill-gotten gains behind layers of corporate secrecy.

The absurdity (and necessity) of it all

It can all feel a bit absurd. You're just trying to invest some money, not overthrow a government. Now imagine a world where no one asked these questions. Money could flow freely from drug cartels to terrorist organisations, and no one would be the wiser. The financial system would be a Wild West, where the only rule is 'anything goes'.



The reality is that these regulations, while sometimes cumbersome, are a necessary evil. They're designed to protect the integrity of the financial system and prevent it from being used for nefarious purposes.

The FATF's grand plan

So, what is the FATF trying to establish? In essence, they're pushing for a global framework where financial transactions are conducted with integrity, and where criminals and terrorists can't easily use the system to fund their activities. It's a lofty goal, and the paperwork might seem excessive at times, but it's a crucial part of a global effort to keep the financial system clean/ish.

The never-ending paper trail: Why updates are required

Now, let's address the burning question: why the constant requests for updated documents? The answer lies in the dynamic nature of financial crime. Money laundering and terrorist financing techniques are constantly evolving, becoming more sophisticated and harder to detect. To keep pace, money laundering and counter-terrorist regulations must also evolve. This means that financial institutions need to update their KYC procedures and keep their customer information current.

Here are a few key reasons for the period updates:

Changing circumstances: People move, change jobs, and their financial situations change. Updated documents ensure that the information on file is still accurate.

New risks: As new money laundering and terrorist financing risks emerge, financial institutions need to reassess their customer profiles and identify any potential red flags.



Regulatory requirements: Regulators regularly update rules, requiring financial institutions to refresh their KYC data to comply with the latest requirements.

Enhanced due diligence: In some cases, enhanced due diligence may be required for certain customers or transactions, necessitating more frequent updates.

In short, the periodic updates are not a reflection of distrust, but a proactive measure to maintain the integrity of the financial system in the face of ever-changing threats.

South Africa's FATF saga: A nation in the grey zone

South Africa, a major player on the African economic stage, knows this all too well. In 2023, the country found itself on the FATF's 'grey list', a list of countries under increased monitoring due to deficiencies in their anti-money laundering and counter-terrorist financing (AML/CFT) measures. This was a significant blow, with potential repercussions for the nation's economy and international standing.

The FATF's decision stemmed from concerns that South Africa's systems were not robust enough to prevent and prosecute financial crimes effectively.



Key areas of concern included:

- Weaknesses in the prosecution of money laundering offenses.
- Insufficient measures to ensure that financial institutions and designated non-financial businesses and professions (DNFBPs) comply with their obligations.
- Challenges in identifying and seizing the proceeds of crime.

The ramifications of grey listing

Being on the grey list is more than just a slap on the wrist. It can have several negative consequences:

Increased scrutiny: South African transactions face increased scrutiny from international financial institutions, leading to delays and higher costs.

Reduced investment: Foreign investors may become more cautious, reducing capital inflows and hindering economic growth.

Cost of finance: Seen as an increased risk, the South African Government will find interest rates higher, whilst being grey listed.

Reputational damage: The country's reputation as a safe and reliable investment destination takes a hit.

South Africa's Race to Get Off the Grey List



The South African Government, spearheaded by the National Treasury, is working hard to address the identified deficiencies and get the country off the grey list. This involves a multi-pronged approach including legislative reforms, increased enforcement and improved supervision.

The South African Government has made progress in addressing many of the FATF's concerns, and is aiming to be removed from the list as soon as possible. The consequences of remaining on the list for an extended period could be severe, impacting the country's ability to participate fully in the global financial system.

Why South African banks and financial institutions get fined

You might have heard about banks and other financial institutions in South Africa (and around the world) being hit with hefty fines for non-compliance with AML/CFT regulations. These fines serve as a stark reminder of the importance of these rules and the consequences of failing to adhere to them.

Financial institutions are the first line of defence against money laundering and terrorist financing. They are required to:

- Implement robust KYC and risk management procedures.
- Monitor transactions for suspicious activity.
- Report suspicious transactions to the relevant authorities.
- Maintain adequate records.

The authorities have adopted a zero-tolerance approach where, for example an institution was fined for having an ID document of a client that hadn't been certified as true. The message is clear: lax controls will not be tolerated, and financial institutions must take their AML/CFT responsibilities seriously (and so should their clients!).



So, the next time you're providing yet another document for your private investment, remember that you're not just jumping through hoops for the sake of bureaucracy – and not just because GTC is asking. You're playing a small but important role in a global effort to combat financial crime and protect the integrity of the financial system.

The periodic updates are a necessary part of this effort, ensuring that the financial system remains resilient in the face of evolving threats. For countries like South Africa, getting off the FATF grey list is a national priority, crucial for maintaining economic stability and international standing. For financial institutions, compliance is not just a regulatory burden; it's a fundamental responsibility.



Buy or rent?

Navigating property decision in South Africa's high-interest climate

In the unpredictable theatre of South Africa's economy, the age-old question resurfaces with fresh urgency: *'Is now the time to buy a home, or does renting offer a smarter play?'*

The appeal of homeownership is enduring - equity, stability, pride of place. But when interest rates flirt with 12% and the broader macroeconomic outlook feels like a game of political Jenga, even seasoned investors are pausing to reassess. The answer isn't as binary as it once was.

The economic landscape: Debt is no longer cheap

As of 2025, the South African Reserve Bank is holding the line on elevated interest rates in a prolonged bid to manage inflation and stabilise a battered currency. Prime lending rates hover around 11.75% to 12.25%. That makes debt expensive - and long-term debt like a home loan, even more so.

Take a modest R1.5 million property. A 20-year bond at 12% pushes monthly repayments above R16,000. That figure is not only hefty - it often exceeds comparable rent in major metros. Suddenly, the romanticism of 'owning your own' is met with the cold arithmetic of borrowing costs.

Buying property: The case for long-term thinking

- ✓ **Equity and ownership:** Every bond payment, though inflated by interest, chips away at eventual ownership. Over time - and especially in inflationary environments - property can serve as a hedge, preserving value as the rand loses purchasing power.
- ✓ **Control and permanence:** Buyers gain control over their living space - renovations, subletting, selling - and avoid the vagaries of lease agreements and rental escalations. For families or anyone seeking permanence, this control is meaningful.
- ✓ **Inflation hedge and 'forced saving':** Locking in a bond (even partially) offers predictability in a world where rent can climb unreasonably. And unlike rent, bond repayments (eventually) lead to asset ownership - a long-term win for retirement planning.
- ✗ **The costs aren't just monthly:** Homeownership in South Africa carries significant upfront costs: deposits, transfer duties (unless you're a first-time buyer under R1.1 million), legal and registration fees - and that's before a single coat of paint or monthly levy is paid.
- ✗ **Interest eats equity - at first:** The early years of a home loan are primarily interest payments. If you sell within 5-10 years, the equity you've built may be marginal at best.
- ✗ **Politics, power, and property values:** Municipal dysfunction, load shedding, crime, and continued uncertainty around land expropriation have introduced a layer of risk to the long-term property outlook. Location is everything - and in 2025, it may be the thing.
- ✗ **Mobility in a mobile world:** Owning ties you down. In a market slump, selling takes time. In contrast, a tenant can give notice and be gone - ideal in a fluid job market or for those toying with emigration.

Renting: The case for flexibility and liquidity

- ✓ **Affordability (for now):** Monthly rent on a R1.5 million-equivalent property may land around R10,000 - R12,000 - far less than a new bond repayment. That gap can be redirected into savings, investment portfolios, or building a cash reserve.
- ✓ **Geographic and financial flexibility:** Tenants move when it suits them. They aren't locked into debt or rooted to a single post code. In a world that increasingly values mobility, this matters.



- ✓ **Minimal maintenance and admin:** Your geyser bursts? That's the landlord's problem. Aging infrastructure, unreliable service delivery - they're less your burden when you rent.
- ✓ **Shielded from rate shocks:** Renters aren't exposed to the same interest rate risks as bondholders. They're also more agile in escaping declining neighbourhoods - owners, unfortunately, can't move as quickly as their walls depreciate.
- ✗ **No wealth creation:** Twenty years of rent - and not a cent of equity to show for it. That reality can be sobering, particularly if property values in your area soared while you sat on the sidelines.
- ✗ **Zero control:** From lease terms to pet restrictions, renters operate within someone else's rules. And landlords can raise rent, sell the property, or terminate leases - often with little notice.
- ✗ **Vulnerable to rent hikes:** In inflationary cycles, rent tends to rise sharply. Without rental controls in most South African markets, tenants are exposed to painful annual increases.
- ✗ **Lost opportunity in growth nodes:** Missed the Cape Town boom? Rented through Sandton's resurgence? Some urban zones have outpaced inflation - handsomely. Tenants in these areas funded their landlords' wealth creation, not their own.

The political overlay: When policy trumps property

In South Africa, political realities blur the clean lines of property economics.

Failing municipalities (see Johannesburg, eThekweni), load shedding, and unclear land reform policy all introduce volatility. A property in the wrong location - once seen as 'aspirational' - can become a liability as services crumble and residents flee.

That said, pockets of stability do exist. Many in the Western Cape, for instance, enjoy better governance, safer streets, and rising asset values - albeit at premium prices. The divergence between well-run metros and struggling ones continues to widen.

It's not just about the money

There's also life to consider:

- Young professionals, remote workers, and digital nomads often value freedom over fixed walls.
- Families may prioritise schooling, routine, and community - and thus lean toward ownership.
- Older investors might explore hybrid models like rent-to-own or buy-to-let arrangements to balance liquidity and capital growth.



Don't just choose - calculate

Buy if:

- You plan to stay in one place for 7–10+ years.
- You can handle a large deposit and still afford bond repayments.
- You're buying in a growth node with stable governance.
- You value control over your living space and want to build equity.

Rent if:

- You're not ready to settle, or plan to emigrate.
- You want to preserve liquidity and avoid interest-heavy debt.
- You prefer mobility and minimal maintenance.
- You're wary of political or economic risks tied to property markets.

Agility may be the new asset class

In a high-cost, high-risk, high-uncertainty environment, flexibility is financial strategy. Renting may be the more prudent choice - for now. But for those who play the long game, buying in the right location, with the right time horizon, can still yield solid returns.

In the end, the best decision in 2025 isn't about bricks or leases. It's about understanding your goals, reading the market, and staying agile enough to pivot when reality changes - because it almost certainly will.





Active vs. passive investing What really matters?

The perennial debate – which is better - active asset management or should you use passive asset management?

As your dedicated asset manager, GTC wants to provide a clearer understanding of two primary approaches to investment fund management: active and passive. While both strategies aim to grow your capital, they differ significantly in their methodology, risk exposure and potential outcomes. Our primary objective at GTC and as a multi-manager, is to optimise your portfolio's growth and navigate market complexities effectively. To that end, we have provided a focused perspective on the strategic rationale behind our emphasis on optimal investment management rather than purely active or purely passive management.

Passively managed funds: Following the market

Imagine a boat simply going with the flow of the ocean. That's essentially how passively managed funds, often called index funds or exchange-traded funds (ETFs), operate. They aim to replicate the performance of a specific market index, such as the S&P 500 (offshore equity index) or the FTSE/JSE All Share Index (local equity index) or a blended combination of various indices.

Their inherent design focuses on achieving market-level returns by holding constituents in proportion to the index. In other words, they hold the same securities in the same proportions as the index, consequently experiencing every sell-off of the underlying index. Because the fund's composition is largely predetermined, the management fees associated with passive funds are typically lower. When some passive funds do include a degree of enhancements, they charge additional fees for these services.

Actively managed funds: Seeking to outperform

Now, picture a skilled captain navigating their boat, actively adjusting course to find the fastest currents and avoid obstacles. This analogy represents actively managed funds. These funds have a dedicated team of investment professionals - the fund manager and their analysts - who conduct in-depth research and analysis to identify securities they believe will outperform the broader market.

The goal of active management is not just to match the market's returns, but to exceed them (i.e. alpha generation). Fund managers make strategic decisions about which securities to buy, sell, and when, based on their market outlook and individual company analysis. This active decision-making process is where the potential for generating superior returns lies. This too comes with risk of the selected positions underperforming by more than the broad market index.

Strategic rationale for the combined approach

GTC, as a multi-manager adopts an approach centered on optimal fund management. This involves the application of rigorous fundamental and quantitative analysis to identify the investment opportunities with the potential to outperform relevant targets. Through diligent research, proprietary insights, and dynamic portfolio adjustments, we employ a combination of active and passive management as we aim to generate alpha while carefully managing risk.





We believe that in the current market landscape, characterised by both opportunities and complexities.

Actively selecting the most suitable strategy based on the prevailing market condition provides distinct advantages that are crucial for achieving the funds' objectives:

Capitalising on market inefficiencies: Financial markets are not always perfectly efficient. Where efficient, passive management often makes more sense and where not, skilled active managers can exploit these inefficiencies – arising from factors like informational advantages, behavioural patterns, and overlooked catalysts – to identify undervalued assets and generate returns beyond passive benchmarks.

Proactive risk mitigation: Active management allows for dynamic adjustments to portfolio allocations in response to evolving macroeconomic factors, geopolitical events, and specific security risks. This agility enables us to proactively manage downside exposure in a way that is not inherent in static, index-replicating strategies.

Navigating market volatility: Market fluctuations and periods of uncertainty often create tactical opportunities for active managers with a well-defined investment process and a long-term horizon. Our ability to strategically rebalance portfolios during such times can be a significant driver of enhanced returns.

Fundamental research and due diligence: Our investment process is underpinned by in-depth fundamental research, rigorous due diligence, and a comprehensive understanding of the competitive landscape. This intensive analysis aims to identify sustainable growth drivers and potential risks that may not be readily apparent in off the shelf pure market index linked funds.

Alpha generation: GTC's central goal is to generate consistent alpha – risk-adjusted returns that demonstrably exceed the performance of relevant target. We believe that our focused on identifying and capitalising on compelling investment opportunities across the entire investable universe, provides the optimal pathway to achieving this.

While active management entails higher management fees to compensate for the extensive research capabilities, expertise, and active decision-making involved, we firmly believe that the potential for significant outperformance and sophisticated risk management justifies this cost.

Our portfolio construction methodology prioritises the selection of strategies with proven track records, clearly articulated investment philosophies, and demonstrable expertise within their respective asset classes.

We are confident that this approach offers the greatest potential for superior long-term investment outcomes.



Contact us

Director - Asset Management

Manty Seligman

T +27 (0) 10 597-6800

E mseligman@gtc.co.za

Head - Multi Managed Portfolios

Clive Eggers

T +27 (0) 21 713-8500

E ceggers@gtc.co.za

Portfolio Manager

Samir Narotam

T +27 (0) 10 597-6826

E snarotam@gtc.co.za

Head - Healthcare Consulting

Jillian Larkan

T +27 (0) 83 453 3344

E jlarkan@gtc.co.za

Senior Servicing Consultant

Jenny Williams

T +27 (0) 10 597-6840

E jwilliams@gtc.co.za

Senior Benefit Consultant

Sabir Bacus

T +27 (0) 10 597-6836

E sbacus@gtc.co.za

Head - Risk Solutions

Roy Wright

T +27 (0) 21 286-0037

E rwright@gtc.co.za

Group Chief Operating Officer

Farhadh Dildar

T +27 (0) 10 597-6830

E fdildar@gtc.co.za

Group Chief Executive Officer

Gary Mockler

T +27 (0) 10 597-6831

E gmockler@gtc.co.za

Head - Finance

Andrea Diamond

T +27 (0) 10 597-6877

E andread@gtc.co.za

External Compliance Officer

Dale Nussey

E dnussey@gtc.co.za

Employee Benefits Administration

T +27 (0) 21 713-8500

E clientservicing@gtc.co.za

Wealth Management Administration

T +27 (0) 10 597-6876

E wealthmanagement@gtc.co.za

Fiduciary Services

T +27 (0) 10 597-6800

E fiduciaryservices@gtc.co.za

formerly Grant Thornton Capital

a GTC, The Wanderers Office Park
52 Corlett Drive, Illovo, 2196
p P O Box 55118, Illovo, 2116

t +27 (0) 10 597 6800
f +27 (0) 10 597 6801
w www.gtc.co.za

GTC Holdings (Pty) Ltd.
reg. no. 1996/015043/07
directors: G.K. Mockler, F. Dildar, M. Seligman, A. Diamond.
FSP no. 731

GTC is nationally represented in Johannesburg, Cape Town and Durban.

The GTC Privacy Policy can be viewed on the GTC website at <https://gtc.click/Group-Privacy-Policy>

GTC Group of products and services include: Employee Benefits Consulting • Employee Benefits Administration • Private Client Wealth Management • Healthcare Consulting • Short-term Risk Solutions • Stockbroking • Derivatives Trading • Unit Trust Management • Asset Management • Fiduciary Services