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The Trendline - Fourth Quarter 2025



Smooth flying, stay buckled...

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Market Overview

Change remains the one constant in markets - and the past year has provided a fresh reminder. Global tech has surged, resources have powered a strong local recovery, while shifting interest rate and trade decisions continue to ensure investors remain alert. Notable investment market developments over the course of 2025 include:



- **Local Growth Assets:** The broad-based local equity market ended the quarter up +8.1% supported by broad-based gains across most sectors. The Financials sector led with gains of +19.0%, the Listed Property sector delivered +16.3%, followed by the Resources sectors +10.3% while the Industrials sector shed -1.2% for the quarter. Gold and Platinum counters gained triple digit returns over the year as the underlying commodity prices continued to run amidst sustained global demand.

  Over the year the Resources sector delivered a remarkable +144.2% on the back of a continued rally in precious metals pricing, with the listed Property sector up +30.6%, the Financials sector +27.1% and the Industrials sector up +18.1%. This pushed the broader equity market up +42.6% for the full year.

- **Local defensive assets:** Amidst interest rate cuts, and more importantly local yield compression, local cash returned a conventional +1.8% and +7.5% for the quarter and year respectively, well below local bonds, over the same periods. Bonds returned +9.0% and +24.2% over these perspective periods. The South African Reserve Bank (SARB) cut the repo rate by 100 basis points (1.0%) to 6.75% over the year. South Africa's removal from the Financial Action Task Force (FATF) 'grey list' lifted investor sentiment and supported foreign inflows over the past few months.

- **US policy uncertainty:** The Trump-led US administration's focus on an 'America First' policy, particularly the announcement and implementation, throughout 2025, of significant tariffs on goods from countries such as China, Mexico, and Canada, became a major source of global market uncertainty. The escalation of geological interference by the US on countries such as Venezuela, Greenland and Iran further stoked investor fears of slow economic growth and stagflation risks. US equities lagging peer developed equity markets by 14% USD on average over 2025.

- **Global rate cuts:** In contrast to the US FED, the European Central Bank (ECB) and the Bank of England (BoE) began cutting interest rates in the first quarter to support growth, as did several Emerging Market (EM) central banks. The ECB ended 2025 with interest rates at 2.0% amid a docile inflation rate. The US Federal Reserve had lowered interest rates by 75 basis points to 3.75%, over the course of the year, amidst US presidential pressure to lower rates further and faster .
- **Offshore Developed Equity Markets:** The MSCI World Index earned +3.1% USD for the quarter and +21.1% USD for the year. After factoring in the USD weakness, this return reverted to +9.0% in rands over the year. The US equity market delivered less than +6% ZAR for the year. The Developed Equity market index excluding the US market, outperformed the US equity market by some +14% USD over the year amid concentration and valuation concerns around US tech companies. The beneficiaries were stocks with a relatively better valuation, driving up stock prices of companies in counties such as Japan, Germany and France.
- **Offshore Emerging Equity Markets:** The MSCI Emerging Markets Index earned +4.7% USD for the quarter and +33.6% USD for the year, outperforming its developed market counterpart. This was largely driven by strong performance from Korea and Taiwan. The Korean equity market - the strongest performing Emerging Equity market - benefited from artificial intelligence (AI)-related technology demand, strength in industrials and the announcement of a new trade deal with the US. Taiwan continued to gain from ongoing investor demand for AI-related technology stocks. China's anti-involution policy which aims to restore profitability, improve product quality, and manage overcapacity positively impacted market sentiment as well.
- **Exchange rate and commodities:** The USD weakened -3.9% relative to the rand over the quarter to R16.56, and some -12% for the year amidst US specific risk factors. Gold continued its upward rally, gaining some +62.5% over the 12 months, closing the year at $4381/oz. Silver gained 133% for the year, closing 2025 at $70/oz.

Over this reporting period GTC's portfolios were well-positioned to capitalise on the recent robust performance of both local and international equity and bond markets. While always welcome, we suggest that this impressive 43% return from local equities over one year more likely represents a mean reversion from previous periods of market underperformance?

We caution that this return exceeds typical long-term expectations. Consequently, a phase of more subdued short-term returns could reasonably follow as part of normal market fluctuations. GTC is therefore maintaining a cautiously optimistic approach to portfolio positioning as we navigate the current market environment.

Investment market returns as at 31 December 2025

Investment market returns (%)	3M	1YR	3YR	5YR	7YR	10YR	20YR
Local Equity Market	8.92	42.61	20.56	19.28	16.08	12.40	12.64
Local Property Market	16.27	30.56	22.86	20.61	7.91	5.10	8.93
Local Cash	1.75	7.52	8.01	6.60	6.52	6.78	6.44
Local Bond Market	8.96	24.24	16.88	12.54	11.65	11.48	9.65
Offshore Developed Market USD	3.12	21.09	21.16	12.15	14.78	12.17	10.62
Offshore Emerging Market USD	4.73	33.57	16.39	4.20	8.06	8.42	3.82
Offshore World Bond Market USD	0.11	7.55	3.19	-3.53	-0.37	0.54	0.33
Gold (USD)	12.22	62.46	32.39	17.14	17.80	14.03	6.85
Brent Crude (USD)	-5.72	-6.79	0.36	18.86	11.93	10.38	0.21
USD / ZAR exchange rate	-3.86	-12.08	-0.73	2.51	2.05	0.66	6.28

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

CEO Editorial



Recent market outcomes have been strong, but this edition of Trendline is not about celebrating returns; it is about recognising that the environment in which those returns were generated is changing in important and increasingly visible ways.

Across global markets, assumptions that have shaped investment decisions for decades are being tested, not through isolated events but through a gradual shift in how power, resources, and economic influence are exercised. Access to critical inputs, the reliability of supply chains, and the growing willingness of major economies to prioritise national interest over established convention are no longer background considerations; they are becoming defining features of the investment landscape.

At the same time, markets continue to deliver outcomes that appear reassuring on the surface, with equity returns remaining strong and financial conditions broadly supportive. History suggests that these periods often demand the greatest discipline, not because risks are obvious, but because favourable performance can mask the early signals of change and encourage comfort where caution is more appropriate.

Several of the articles in this edition explore these dynamics from different perspectives, examining how scarcity, leverage, and shifting global priorities are reshaping the context in which investment decisions are made. While the angles differ, the underlying message is consistent: the challenge for investors is less about predicting what comes next and more about ensuring portfolios are structured to remain resilient as conditions evolve.

For South African investors, this perspective carries particular relevance. The country's strategic attributes, market depth, and institutional familiarity continue to matter in a world increasingly focused on reliability and access, even as recent local market performance serves as a reminder that strong returns should be understood in context rather than assumed to persist.

At GTC, our approach remains anchored in structure, diversification, and long-term perspective, recognising that when long-standing assumptions come under review, preparation matters more than prediction and discipline matters more than conviction.

We trust this edition of Trendline provides useful context as you consider the forces shaping markets beyond the immediate horizon.



Back to basics in a complex market

It's easy to feel bewildered by today's investment landscape - here's a 101 as to how to reboot if necessary

South African investors have lived through enough cycles to know that the world never stands still. Yet many sense that the current moment feels different - not because of any single event or crisis, but because the backdrop against which decisions are made is becoming less settled.



Global trade patterns are shifting. Capital appears more selective. Alliances feel more fluid. Terms like **'multipolar' 'fragmentation', and 'strategic resilience'** now sit alongside everyday market commentary.

For South Africans, this matters. Ours is not an economy insulated from global change. It is one that often feels those changes early, directly, and sometimes more sharply than others.

The question, then, is not whether the world is changing - it always is - but how South African investors should interpret those changes without trying to forecast the future or react emotionally to it.

What 'world order' means from a South African perspective

In practical terms, the post-World War II global order delivered three things that mattered deeply to South Africa: access to global trade, participation in international capital markets, and relative predictability in how money moved across borders.

For investors, this translated into:

- reliable access to foreign capital,
- sustained global demand for commodities,
- a stable framework for investing offshore and attracting investment locally.

That environment supported long-term planning. It allowed investors to assume that global integration, while imperfect, would broadly continue.

What is being questioned today is not whether global markets still exist, but whether they will operate with the same openness, uniformity, and predictability as before.



What appears to be changing, and why South Africa feels it

The most important shifts underway are are practical.



Countries are placing greater emphasis on resilience over efficiency. Supply chains are being shortened, duplicated, or aligned with trusted partners. Energy security, food security, and access to critical inputs have become more explicit priorities.

For South Africa, these shifts are felt in tangible ways. As a commodity producer, South Africa remains exposed to changes in global demand, sourcing strategies, and pricing dynamics.

As an emerging market, it is also sensitive as to how international investors associate price with risk - particularly during periods when these same investors become more selective.

This means that capital moves quickly. It doesn't necessarily leave permanently. It discriminates more sharply, and responds more readily to shifts in global sentiment.

The rand: A messenger, not a verdict

Few indicators reflect global conditions as visibly as the rand. South Africans are well accustomed to its volatility, and it is tempting to treat currency movements as a judgement on domestic conditions. The rand often acts as a messenger of global risk appetite rather than a verdict on South Africa itself.

In periods of global uncertainty, currencies like the rand tend to move more sharply - both up and down - as investors adjust exposure. These moves can feel unsettling, but they are often driven more by global positioning than by changes at home.

For investors, the lesson is to not ignore currency risk. They shouldn't obsess over it, though they need to recognise that volatility is an inherent part of participating in global markets from an emerging-market base.

How investors tend to respond when the backdrop shifts

When the global environment feels less predictable, investor behaviour tends to follow familiar patterns. Some investors rush offshore in search of certainty whilst others retreat into cash or perceived safety. Some attempt to time large shifts based on strong convictions about where the world is heading. These responses are understandable - though they often confuse activity with control. More importantly they are more often wrong than right in their timing.

Large structural changes do not unfold cleanly. They play out unevenly, over time, and often in contradictory ways.

Attempting to position portfolios for a single outcome typically introduces more risk than it removes. South African investors are particularly susceptible to this dynamic, as global noise often feels local very quickly.



What is worth paying attention to - without trying to predict outcomes

In a world that feels less settled, the most constructive response is to prioritise foundantions over forecasts. This means paying attention to:

- diversification across geographies, currencies, and asset classes,
- liquidity, especially during periods of market stress,
- governance and discipline, rather than conviction-driven shifts, and
- time horizon, ensuring short-term uncertainty does not derail long-term objectives.

Volatility is not evidence that something is broken. It is a feature of markets adjusting to new information and changing conditions.

Trying to eliminate uncertainty is neither realistic nor necessary. Building portfolios and plans that can absorb it is far more effective.



What this means in practice for South African investors

In a global environment that feels less settled, the practical response for South African investors is to ensure their financial structures are built to cope with change. Avoiding interim shifts, this means understanding how much exposure portfolios have to global markets and currencies, ensuring diversification is intentional rather than accidental, and being comfortable with periods of volatility without feeling compelled to act. For many investors, the most valuable step is not repositioning, but reviewing - checking that time horizons, liquidity needs, and risk tolerance still align with current circumstances, and that decisions are guided by process rather than headlines.

Change is not new - only more visible

It is tempting to view the present moment as uniquely uncertain. Every generation experiences its own periods of disruption and adjustment. What has changed is the speed and visibility of information. Markets react faster. Narratives form more quickly. Noise is amplified. That visibility can create pressure to 'do something', even when restraint is the more disciplined response.

History suggests that South African investors who remained diversified, resisted panic, and stayed aligned to long-term principles through periods of discomfort were better rewarded than those who chased certainty (almost always a rainbow-end pursuit).

A grounded perspective in an evolving world

If the global order is evolving, it does not overturn long-standing investment principles - particularly for South Africans. It reinforces them. Diversification matters more, not less. Process matters more than prediction, and resilience matters more than precision.

For South African investors, the objective is to ensure that portfolios and plans are robust enough to function across a wide range of outcomes. The world will continue to change, and South Africa will continue to feel it keenly. Investors must remain anchored to disciplined structures that allow participation without dependence on any single global narrative.

Future uncertainty (which is certain) does not demand certainty in response, it demands preparation.

Editor's note

While not speaking specifically for our Investment Analytics or Asset Management teams, GTC walks its own talk.

Challenging the established world order - When scarcity usurps conventional ownership

Recent comments by US President Donald Trump regarding Greenland have drawn global attention, not because of their novelty, but because of what they reveal. His interest has been explicit: Greenland's strategic geographic positioning from a military and security perspective, and its abundance of critical mineral resources requires American ownership.



Whether or not such ambitions are realistic is almost beside the point. What matters is that they signal a shift in how major powers are thinking. Geography, resources, and control of critical inputs are once again being spoken about openly, and in transactional terms, by leaders of large economies.

What makes these developments notable is their visibility - their audacity, which is apparent long before we consider their legality or eventual outcome. They reflect a growing willingness by major powers to articulate strategic interest in assets and locations beyond their borders in ways that would have been unthinkable, perhaps for as long as the last century. For investors, this marks a meaningful shift from assumption to observation.

That alone raises an uncomfortable but reasonable question: should citizens of other countries, particularly those rich in resources or strategic attributes, be paying closer attention to how the world is changing?

A long-standing assumption under review

For much of the past century, global markets and investors have operated under a broad assumption of geographical stability. National borders, ownership of assets within those borders, and political and operational control over territory were regarded as sacrosanct. The era of colonisation, culminating in the scramble for Africa, was effectively closed by the First World War, and over the decades that followed, decolonisation replaced expansion as the dominant global narrative.

Recent actions suggest that this long-held status quo may be under strain. The United States' approach to Venezuela, including the effective commandeering of oil assets through sanctions and enforcement mechanisms, alongside open rhetoric regarding Greenland's strategic value, points to a world in which economic and strategic interests are being asserted more directly.

This is not a return to territorial conquest in the historical sense. It represents a shift in emphasis, where access to strategic assets is increasingly framed as a national priority rather than a shared global good.

From efficiency to leverage



For several decades, global economic relationships were shaped primarily by efficiency. Production followed cost advantages, supply chains stretched across continents, and access to inputs was largely taken for granted.

That environment is changing

Large economies are rethinking what it means to be secure, not only in a military sense but in an economic one. The focus is shifting away from who can produce something most cheaply towards who can ensure access when conditions are strained. Energy, technology, food, and critical materials are no longer treated as ordinary inputs; they are increasingly viewed as strategic necessities.

Rather than political, is this shift structural?

When access to key resources feels abundant, markets optimise for cost and speed. When access feels less certain, priorities change. Energy systems are redesigned with redundancy in mind, manufacturing strategies are reassessed to reduce dependence on single suppliers, and vulnerabilities that were previously ignored are brought into sharper focus.

This is not about absolute scarcity. It is about leverage - who controls, influences, or can reliably supply what modern economies cannot function without.

Africa's renewed relevance

In a world increasingly focused on resilience rather than efficiency, attention naturally gravitates towards regions that combine scale, resource depth, and long-term potential. The continent holds a significant share of the world's untapped natural resources, alongside a young and growing population and strategic positioning between major trade routes.

As traditional supply chains narrow or become more contested, diversification becomes a necessity rather than a preference. Renewed global interest reflects constraint elsewhere rather than ideology or intent to dominate. Interest, in this context, follows necessity.

What South Africa brings to the table

When global attention turns to strategic resources, South Africa's relevance is not abstract. It is grounded in a combination of specific assets, scale, and systems that few emerging markets offer in the same package.



At a resource level, South Africa is globally significant in several inputs modern economies increasingly depend on. It holds the world's largest reserves of platinum group metals, critical for emissions-control technologies, fuel cells, and the development of a hydrogen economy.



It is also a major producer of manganese and chrome, both essential to steel making and advanced manufacturing, and has meaningful exposure to vanadium, which is gaining relevance in grid-scale energy storage. These are not future possibilities; they are established industrial inputs with sustained global demand.

Beyond the minerals themselves, South Africa differs from many resource-rich peers in how those resources are accessed and monetised. The country has deep, established mining and export infrastructure, including processing capacity, logistics networks, and ports that already operate at global scale. This reduces execution risk, which matters as much as ownership in a world increasingly focused on reliability.

South Africa also stands apart in its financial architecture. Its equity and bond markets are deep and liquid, its banking system sophisticated, and its regulatory frameworks familiar to global investors. Capital can be deployed, hedged, and exited with greater ease than in many other emerging markets, an important consideration as global capital becomes more selective.

Geography adds another layer. South Africa sits at the junction of the Atlantic and Indian Ocean trade routes, with time-zone alignment overlapping Europe and parts of Asia. In an environment where logistics resilience and route diversification are gaining importance, location becomes a practical advantage rather than a theoretical one.

There is also institutional memory. South Africa has decades of experience operating complex industrial systems, managing large-scale capital projects, and integrating into global supply chains. While governance challenges are real, the country continues to offer depth in skills, professional services, and legal frameworks that reduce uncertainty for international counterparties.

Taken together, these factors explain why global interest often focuses on South Africa specifically, rather than Africa in general. Many countries have resources; far fewer offer resources, infrastructure, capital markets, and institutional familiarity in the same place.

How strategic relevance translates into influence

Strategic relevance rarely expresses itself through single announcements or decisive moments. It tends to work through quieter channels over time. Countries that matter to global supply chains are more likely to feature consistently in long-term procurement decisions, capital-allocation frameworks, and investment mandates that prioritise reliability over short-term return.



They are also more likely to remain included in global benchmarks and investment universes, even as capital becomes more selective.

For South Africa, this influence is unlikely to appear as dramatic inflows or sudden shifts.

More realistically, it contributes to resilience - reducing the risk of exclusion, supporting continuity of investment relationships, and anchoring relevance during periods when global conditions tighten.

How global competition shows up in markets

Strategic competition rarely appears directly and is more often reflected through market movements. Capital flows become episodic rather than steady, currencies react more sharply to shifts in sentiment, and asset prices reflect not only fundamentals but narratives around access, alignment, and risk. For South African investors, these dynamics are most visible through market volatility and exchange-rate movement, which can feel domestic even when driven by forces far removed from local conditions. The risk lies not in volatility itself, but in mistaking volatility for direction.

What constructive outcomes could look like

If managed with consistency and credibility, South Africa's strategic relevance does not need to translate into dramatic change to be meaningful. More plausible outcomes include sustained inclusion in global capital-allocation decisions, deeper integration into diversified supply chains, and greater resilience during periods of global stress.

Rather than sharp gains or sudden shifts, the benefit is more likely to be incremental - steadier investment relevance, improved access to capital over time, and a clearer role within an increasingly selective global system.

What this means for South African investors

For South African investors, the implication is not to react to headlines or speculate about geopolitical intentions. It is to recognise that global competition can amplify both opportunity and risk, often in unpredictable ways. This reinforces the importance of disciplined diversification, robust portfolio construction, and governance-led decision-making. In an environment where long-standing assumptions may be tested, preparation matters more than prediction, and structure matters more than conviction.

A grounded conclusion

South Africa's relevance in a more competitive world is neither theoretical nor guaranteed. It rests on tangible assets - critical minerals, infrastructure, financial depth, geographic position, and institutional familiarity - that are increasingly scarce elsewhere. These assets attract attention, but attention alone does not determine outcomes.

Perhaps there was some other long-term rationale in Mr Trump's provocation of South Africa in his allegations of genocide and refugees…?



The retirement choices I didn't know I was making

This article is about an average employee in an average business, receiving conventional communications about a conventional (and perceived boring by them) retirement fund.

In this scenario the HR department sends out and invitation: 'You're invited to a member information session where our retirement fund benefit consultants will explain everything you need to know about your retirement fund.' In the same scenario this employee declines the meeting in the belief that the benefit consultants can't actually change anything anyway and that this person as a member doesn't have any real latitude anyway, and in any event it's about hypothetical outcomes that are still decades away, and none of this contributes to the KPI's against which the member is measured in their real-world environment.



Most employees don't skip these sessions because they don't care, they skip them because work is busy, life is full, and the retirement fund feels like something that's largely taken care of in the background. And on average, these assumptions are both reasonable and true.

What average doesn't consider however is how important the little nuances and individual choices are. Almost without exception, this is noticed only after the fact. The day that the 'sometime in the future' event actually takes place.

Perhaps even the name 'retirement fund' is misleading? How can an average employee see this as being currently relevant?

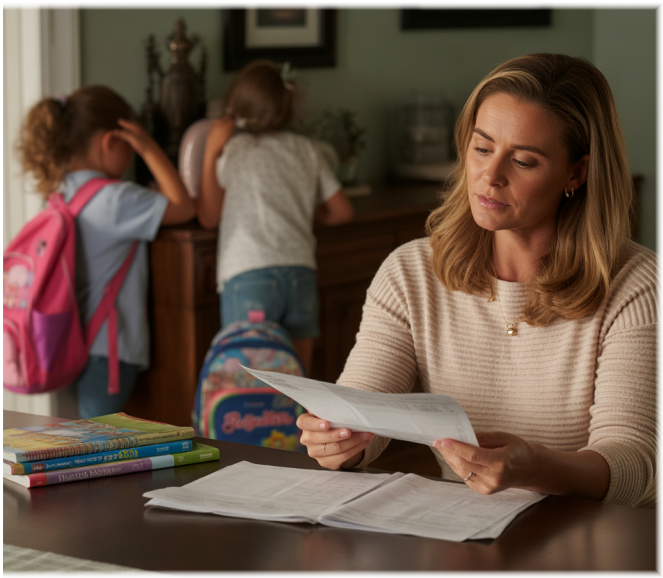
But of course, a conventional retirement fund does cater for situations and events long before retirement. When reading the brochure, the section entitled 'Group life cover' is easily ignored or overlooked. Why tempt fate by planning for premature death or disability? If you ignore this it's less likely to happen.

It's never in the staff presentations but did you know that collectively South African life companies pay out almost R1 trillion every year in life cover claims? Few of these payments were actively planned to pay out by any retirement fund member or private investor. The unexpected happened. These payouts didn't apply to the average employee - only those who lost their lives unexpectedly - without planning and long before they intended starting their golden years of retirement.

If these employees had attended (and concentrated) during these sessions, they would have been informed of the difference between approved or unapproved group life cover. Understanding this tax related technical term may have made a 200% difference. Approved group life cover involves the premium being deductible, with the member's benefit being fully taxed. Unapproved group life is the opposite. Either way, a significantly important fact that directly affects a member's family for their lifetime, if impacted.

Non-average fund members (those who attended the presentation and actually listened) would also have understood the benefits that they are enjoying if the fund's group life cover was subject to free-cover limits. Or not. Free cover limit is not just an ignorable industry term. It's the difference between whether a person - suffering one of many medical conditions - can receive cover regardless of this known fact. Another significantly important factor in ones personal financial planning. This considerable advantage is only available to members on a group scheme, and usually the larger the scheme the better the free-cover limits. Perhaps attending that short session would have been worth the effort?

When good intentions overlap



A common mistake made by many retirement fund members is to personally purchase education insurance for their school going children. This mistake occurs when this same cover is provided as an integral benefit (without their knowledge) by their fund's group benefits, usually manifesting itself only when the person doing the financial planning has died and their executors and family find out that only one of the insurances is allowed to pay (there always has to be legal insurable interest).

Years of futile contributions could have been avoided if that same person had spent the hour at the presentation. Redirecting those premiums into retirement savings would have not incurred any additional cost, though would have strengthen future income without reducing protection. It's not a dramatic change - just a more informed one.

While we've mentioned two examples of specific member choice, the same can be said for several other insurance subtleties and member choices that are conventionally associated with a group retirement fund.

What tends to sit quietly in the background

A company-sponsored retirement fund is designed to work quietly and efficiently. Contributions happen automatically. Benefits are built in. Investments are governed within sensible limits.

That's a strength. It also means it's easy not to notice how many decisions are being made by default - or how much flexibility exists if-and-when a review becomes relevant.

Disability: Planning for interruption, not theory

Disability benefits are often assumed to be in place and working as intended.

If disability occurred unexpectedly, it would help to understand:

- what income would be provided (together with tax consequences),
- whether the income would be sufficient until retirement,
- whether it increases over time, and
- whether there are conditions or features that haven't been reviewed.

GTC, being one of South Africa's leading benefit consultancies understands that a member's uncertainty doesn't imply inadequacy - it is usually just a consequence of a very busy employee choosing their priorities, which at that time doesn't include their retirement fund. A short conversation at the right time can replace uncertainty with clarity for when it matters most.

Investment choices that quietly shape outcomes



Most company funds offer a range of investment options, with default portfolios designed to be appropriate for the majority of average members.

Defaults are not 'wrong' but over time, personal circumstances change - age, income, family responsibilities, and time to retirement all matter.

Remaining overly conservative for too long (an inherent shortcoming of virtually every retirement fund, based on the risk mitigation that trustees almost always seek to cover) can quietly affect outcomes.

Lower growth today (a guaranteed consequence of a lower risk choice) compounds into less capital later, ultimately influencing retirement income.

Investors need the non-sugar coated reality check that contributing some 10% of their salary will not provide 100% of their required income during their anticipated thirty years of their retirement. Even the most appropriate investment choice cannot compensate for contributions that are simply too low, particularly when members rely only on default contribution rates.

Actively enabled by prevailing Two-pot legislation, many members also do irreparable long-term damage by drawing from their retirement savings either whilst working or each time they change employment. The consequences of this outweigh even multiple years of poor investment choices.

Why annual fund presentations matter

Annual fund presentations aren't about compliance, technical detail, or testing financial knowledge. They exist to share relevant updates, clarify benefits that may need review, highlight choices that have shifted over time, and remind members of the support available.

These sessions give members the opportunity to check that what's in place still makes sense for their current circumstances.

A more realistic view of engagement

Your retirement fund supports you at different stages of your working life - while you're employed, if you become disabled, when you retire, and if your family ever needs it.



Engagement doesn't require constant attention or financial expertise. It simply means checking in from time-to-time to confirm that what's in place remains aligned with your current personal circumstances.

Durable outcomes are rarely driven by big moments, often shaped more by measured adjustments made over time.

Divorce and retirement benefits: The story behind the rules

Divorce is never just a legal process. It is emotional, logistical, and often exhausting. Money always enters the conversation and the outcome. Retirement Savings then arrives like an extra character in a play: important, expensive, and frequently misunderstood.



At divorce many spouses instinctively treat retirement money like they do the bank account: 'It's ours, so we'll split it.' In South Africa, it does not work that way. Not because the law is trying to be difficult, but because retirement funds sit inside a protective framework designed to preserve long-term savings from being casually attached, raided, or redirected.

Understanding one's retirement fund and how pension interest works in South Africa is important. So too is the appreciation of why wording and structure matters and how the introduction of the Two-pot System functions. Recent court developments are also noteworthy.

Why retirement savings don't behave like 'normal money'

Retirement funds exist to do one job well: convert decades of saving into income later in life. That is why the law generally shields them from creditors and informal claims. Divorce is one of the few exceptions. Even then, access is only possible if the process follows a strict statutory route.

That route relies on the concept of pension interest, supported by sections 7(7) and 7(8) of the Divorce Act, together with section 37D of the Pension Funds Act (and these seemingly boring references are specifically important to anyone about to go through with the already painful and complex process of a divorce). These regulations allow a fund to deduct and pay where a competent court order exists. South African practice also developed the 'clean break' approach, enabling the non-member spouse, in many cases, to receive their portion soon after divorce rather than waiting for retirement.

The three things that usually determine the outcome

1. How you're married is the most important

The marital regime sets the default position. It does not dictate every outcome, but it strongly shapes the negotiation. You will be married either in community of property, or out of community of property - with or without accrual.

1.1 In community of property

This is the simplest regime to explain, even if not the simplest to live through. If you did not sign an Antenuptial Contract (ANC) before marriage this is the default legal basis of your union. A joint estate is generally divided, and retirement savings commonly form part of that discussion. Even here, however, the fund will only pay once it receives a properly drafted court order that complies with the legislation.

1.2 Out of community of property - with or without accrual

With accrual



This can only happen if you signed an ANC before marriage. Each spouse maintains a separate estate, but the growth during the marriage is shared. Retirement savings often feature prominently because they can represent a large portion of accumulated wealth. This regime tends to involve more calculation and more room for error, particularly if retirement assets are treated casually.

Without accrual

This is where many unexpected outcomes arise. Historically, the default position was separate estates and no automatic sharing, unless a specific legal remedy applied. Many couples assume fairness will override the marital contract. Often it does not - unless the law gives the court a basis to intervene. That assumption matters less than it once did, following recent Constitutional Court developments.

2. What you and your spouse agree (if you agree)

Many divorces settle, and settlement is often the most practical path.

However, agreement alone is not enough. The settlement usually must be made an order of court and drafted in a way the retirement fund can implement. If it is not, the non-member spouse may be forced to pursue payment from the member spouse personally rather than receiving it directly from the fund.

This is where many 'but we agreed' stories begin - and where they tend to end.

3. How the divorce order is drafted and enforced

Even where there is agreement, the wording of the order matters.

Retirement funds are not discretionary participants. They can only pay if the law permits it and the order clearly instructs them to do so. At a minimum, the order typically needs to identify the fund, specify the portion assigned, and reflect that the assignment is made under the Divorce Act framework. If these requirements are not met, the fund may be unable to pay, regardless of intent.

A brief but important distinction: Defined contribution vs. defined benefit

Not all retirement funds work in the same way.

Most modern workplace funds are defined contribution funds. In simple terms, there is an identifiable account value linked to contributions and investment returns. In these funds, pension interest and post-divorce calculations tend to align more closely with an actual monetary value at a specific point in time.

Some older arrangements are defined benefit funds, where the benefit is calculated using a formula based on salary and years of service rather than an explicit account balance. In these cases, pension interest can be less intuitive, and valuation at divorce may require specialist input.

The distinction does not change the legal principles discussed above, but it does affect how pension interest is calculated and why professional advice is particularly important in defined benefit cases.

What changed recently, and why it matters

Two-pot and the structure of savings (effective 1 September 2024)

From 1 September 2024, retirement savings are split into components under the Two-pot System. While designed to improve flexibility during working life, this change also affects how divorce orders interact with retirement funds. Savings are no longer experienced as one monolithic pot. This has practical implications for valuation, assignment, and implementation.

A revised approach to pension interest

Linked to the Two-pot System, changes introduced through the Pension Funds Amendment Act 31 of 2024 shifted how pension interest is understood for fund purposes. Commentary points to a move toward using the member's actual benefit value in the fund at the date of the divorce order, rather than technical membership status. In practice, this aligns outcomes more closely with what many divorcing spouses assume is happening anyway - but it does not remove the need for careful drafting and specialist advice.

A second major shift: Greater court discretion in certain marriages

In 2023, the Constitutional Court expanded the availability of redistribution remedies in certain marriages out of community of property without accrual. This does not mean automatic sharing. It does mean that the assumption 'without accrual equals no claim' is no longer universally safe. In some cases, the focus shifts from pension interest mechanics to whether a redistribution order is required to achieve equity.

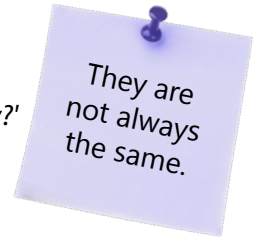
That change alters negotiation dynamics and increases the importance of understanding legal context.



A practical checklist

If you are divorcing - or want to understand your position before circumstances force the issue - these questions matter:

- What is my marital regime, and what does it imply by default?
- Which retirement funds are involved, exactly?
- Will any settlement be made an order of court?
- Is the order drafted so the fund can implement it?
- Is a clean break available, and what are the tax and planning implications?
- Post-1 September 2024, what valuation basis will apply?
- In a 'without accrual' marriage, could redistribution be relevant?
- And there's a question worth asking early: *'Are we solving for fairness, or for liquidity?'*



A necessary word on tax

Any amount paid to a non-member spouse as a result of a divorce order is subject to the applicable tax rules at that level, with the retirement fund typically responsible for withholding tax where required. This does not change the legal entitlement, but it can materially affect the net outcome and should be considered before finalising a settlement.

What this means for retirement fund members

Retirement savings are often a family's largest long-term asset, but divorce forces long-term planning into a short-term reality.

The technical rules matter, but structure matters more. Understanding what is claimable, what is implementable, and what trade-offs are being made reduces the risk of costly surprises. From a planning perspective, this is also why clean portfolio structures and good documentation matter long before life becomes complicated.

A divorce settlement can feel emotionally final while remaining financially unfinished. Avoiding that outcome is less about hindsight, and more about getting the structure right upfront. The rules around divorce and retirement savings are technical for a reason - but with the right questions asked early, they do not need to become traps later

Editors note

As always, this article is for educational benefits rather than being financial, legal, or tax advice. Divorce outcomes depend heavily on wording, timing, and structure.

Applying lessons we probably learned in pre-primary school



Distinctly remembering being a little 5-year-old playing in the sandpit under the Cyprus trees in my pre-school creche, I recall being evicted from the pit by a much bigger 5-year-old. Perhaps more importantly I remember my dad impressing upon me that the only way to halt a bully was to stand up to him.

Mark Carney's speech at Davos and its lessons for South Africa

Canadian Prime Minister Mark Carney's speech at Davis in January 2026 is being hailed as a landmark address. It surely has profound implications for developing countries, and hopefully South African policy makers and leaders have **watched** or **read it**.

Carney stated that the last year has seen 'a rupture in the world order' and further proposed that the idea of a fair global system was always somewhat false, in that larger and wealthier powers often exempted themselves from the rules when it was convenient. It echoed what some in the 'Global South' have been saying for decades: that international law and trade rules have often been applied asymmetrically by larger developed countries and blocs to benefit themselves.

While he didn't name anyone or any country specifically, Carney's criticism was primarily aimed at the two world powers that have repeatedly applied coercive tactics, not only to rivals, but also to neighbours and allies: Trump's United States and Putin's Russia. He didn't spare Western nations either, accusing them of hypocrisy and bias, where they continued to adhere to the supposed rules-based order out of convenience, habit, or a lack of courage or credible alternatives.

Carney noted that the Superpowers present the 'law of the strongest' as an inevitable, where the weak must suffer and submit. Addressing Europe and other middle powers directly, he proposed that they have the resources to overturn this pattern if they build 'coalitions that work'.

The quote from that speech that is now being repeated around the world is '*If you're not at the table, you're on the menu…*'

By this he meant that second tier and smaller nations are being treated as tools or targets, subjected to tariffs as leverage. Supply chains and finance are being used as a mechanism of coercion. As South Africa has found to its cost, negotiating bilaterally with the US, instead of as a member of a stronger coalition has not produced any desired results.



So, what is Carney's proposal and how should South Africa react to it?



Firstly, he noted that nations need to accept that the old-world order has changed profoundly. 'Nostalgia is not a strategy', he wryly commented. He implored world leaders to move beyond reactive damage control and start shaping a more co-operative and resilient world order.

He noted that '*the multilateral institutions on which the middle powers have relied - the WTO, the UN, and the COP - the very architectures of collective problem solving are themselves under threat.*'

He proposed a new system of rules and practices based on shared values - honesty, human rights, sustainable development and territorial integrity, suggesting that middle powers form flexible, ad hoc coalitions to balance and steer superpowers towards more reasonable behaviour. He further noted that this would require acting consistently and 'applying the same standards to allies and rivals'.

As a prudent, and successful ex-Governor of the Bank of England, Carney suggested that each nation needs to both build a strong domestic economy and diversify their economic and political relationships - resulting in them becoming more resilient and better able to resist coercive tactics.

South Africa sees itself as an important geopolitical actor on the world stage through its membership of both BRICS and the G20, though it is questionable as to how much benefit has been derived from being a junior member of these groupings.

South Africa needs to embrace Carney's vision of 'Variable Geometry'. Instead of depending on rigid alliances such as BRICS, South Africa should enter coalitions that form around specific issues (climate, digital standards, and health), allowing both South Africa and other developing countries to join forces with 'middle powers' (Canada, Brazil, France, and Australia) to gain collective bargaining power. China and Russia (as primary BRICS nations) view themselves as superpowers and often act only in their own interests.

With reference to China, the US, and to Europe, Carney's speech suggests that South Africa (and other developing countries) should move away from being extractors and instead enhance their own domestic industrial bases. Nine of the twelve fastest growing countries in the world forecast for 2026 are in Africa. South Africa should be looking to establish regional hubs for manufacturing, trade, finance and energy, instead of leaving it to China and the West to develop partnerships and trade in Africa.

Our country has reaped an extraordinary windfall in the last year through high precious metal prices. It is hoped that our government uses this windfall to take Carney's advice and invest in the South African economy and diversify our sources of income and trading partners. Carney spoke of Canada 'fast tracking investments in energy, AI, critical minerals, new trade corridors and beyond… in ways that build domestic industries'. We need to do likewise.

South Africa also needs to move away from the nostalgia of blindly supporting nations it perceived to be allies in the struggle against apartheid (Russia). Part of subscribing to a new co-operative middle power world order means having a principled and consistent foreign policy.

In essence, the leadership of our country needs to engage with a multiplicity of countries, both in Africa and worldwide and start building a novel, more pragmatic coalition based on shared interests and shared values. This engagement presents an opportunity for South Africa to move from being 'policy takers' to 'policy makers'. A visit to Carney's office would be a good place to start.

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