

A CASE FOR INFRASTRUCTURE INVESTMENTS

Retirement Funds

MICRO and MACRO Perspectives



CASE FOR INFRASTRUCTURE

RETIREMENT FUND / MICRO LEVEL



PORTFOLIO CONSTRUCTION

- Diversification (different risk/return profile – asset classes)
- Correlation of asset classes
- Limited Investment universe – JSE and Government bonds
- Purpose – Impact



RETURNS

- Source of returns – Moribund market environment
- NFMW Alternatives portfolio - composite delivered 12.6% p.a. net of fees over the last 5
- JSE capped Swix – 6.16% (5 years to end of August 2023)
- Bond market (ALBI) – 7.72% , Cash (STeFI) – 5.86% (5 years to end of August 2023)
- Listed Property - -3.25% (5 years to end of August 2023)



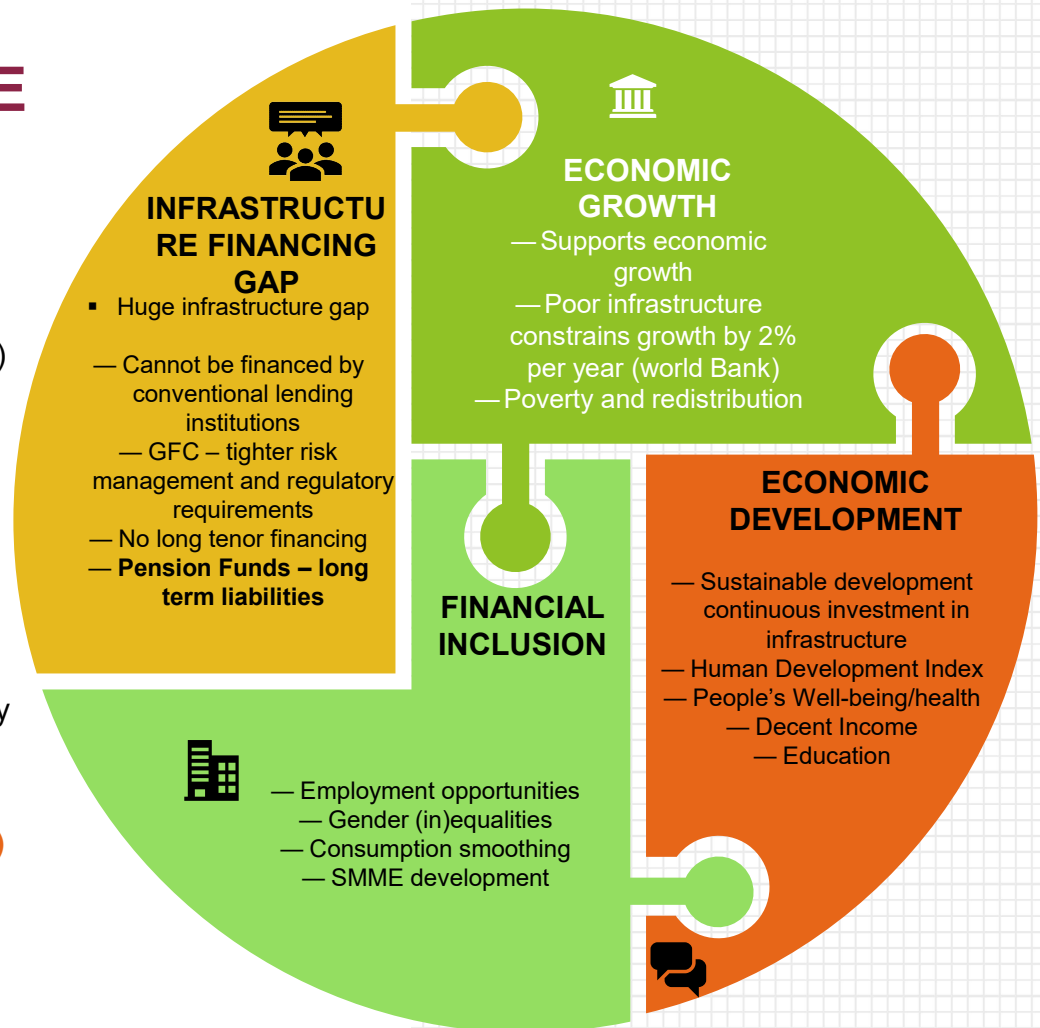
RISK MANAGEMENT

- Governance – seat on Advisory boards of PE Funds or of Boards of investee companies
- Choose sectors , assets
- Risk sharing mechanisms
- Due diligence

CASE FOR INFRASTRUCTURE RETIREMENT FUNDS (MACRO PERSPECTIVE)

Retirement Funds Assets – 5,6 trillion (recent FSCA communique)

- **Huge Financing Gap** – \$170billion dollars needed by 2025 to overhaul African infrastructure (ADB) , 1/3 for maintenance
- **Increasing Debt to GDP ratio** – takes away capacity by government to spend (sovereign spending) on infrastructure going forward.
- Closing the infrastructure deficit is vital for economic prosperity and sustainable development (ADB)
- **South African Pension Funds – R5,6 Trillion**
- **(disclaimer – assumptions made for illustration purposes)**
- **R5,6trillion (40% Pres , RA etc) = R3,36trillion**
- **R3,36trillion (10% alternatives) = R336Billion**
- **R336 (50% already invested & those no appetite) = R168billion**
- **Possible available funds towards = >R160Billion**



MACRO EFFECT AND IMPACT OF INFRASTRUCTURE INVESTMENTS – RETIREMENT FUNDS



CONSTRAINS IN INFRASTRUCTURE INVESTMENTS RETIREMENT FUNDS

