

Retirement managers pivot

Fund managers are looking anew at allocations to secure better yield and some protection, writes **Pedro van Gaalen**

After the global rally that pushed multiple markets to record highs in 2025, retirement fund managers are navigating a decidedly different investment landscape in 2026.

Global macro conditions remain the primary headwind, as the Trump administration's aggressive tariff policies have disrupted trade and maintained upward pressure on US inflation, while a fluctuating dollar and shifting priorities from the Federal Reserve complicate the search for yield.

Challenging environment

"Many investment professionals agree that this is one of the most challenging market environments they have ever managed money in," says Warren Buys, senior wealth manager and investment committee member at Private Client Holdings.

In response, fund managers are re-examining allocations, shifting from the winners in 2025 to markets and assets that offer better upside potential and some protection.

While the magnificent seven tech stocks drove much of the performance in 2025, Allan Gray portfolio manager Jithen Pillay says there is uncertainty about how these companies will monetise and fund their ambitions, and which AI hyperscaler will



Warren Buys.

emerge as the winner in the shorter term.

"The five largest public AI hyperscalers also plan to collectively spend more than \$1.5-trillion over the next three years," says Pillay.

Outside the AI arms race, Sanan Pillay, portfolio manager and head of private markets at Sanlam Investments Multi-Manager, says many countries are reassessing critical supply chains and committing more money to defence spending.

"This is likely to increase global capex and infrastructure spending. Together with other infrastructure trends such as the green energy transition, this will likely result in significantly higher global capex over the next 10 years compared with the previous decade."

In this environment, he says resource-rich emerging market economies generally benefit, as South Africa did in the 2000s, making it a prudent focus for returns in the coming years.

However, given current valuations, Jithen Pillay is also concerned about the prospects for absolute returns, both globally and locally.

"Therefore, the Allan Gray Equity Fund is defensively positioned for the year ahead to protect capital."

Buys says Private Client Holdings has increased exposure to emerging markets. "They offer compelling valuations, stronger growth prospects, and economies that are well positioned to benefit from supportive commodity dynamics."

Among emerging markets, WealthStrat MD Victoria Reuvers says South Africa has moved from a higher risk category to a more neutral midpoint relative to its peers.

"While last year's strong return from the all share index can create the illusion of broad-based returns, local equity performance was heavily driven by a surge in gold, platinum and broader resource prices," says Reuvers.

"In South Africa, a slow reform agenda, anaemic capital investment and infrastructure concerns underpin our view that meaningful economic growth will remain elusive," says Jithen Pillay.

While precious metals should drive local returns again this year, Allan Gray expects short-term volatility in the gold price amid shifting geopolitical and macroeconomic conditions.

"As such, we have been selective about the precious metal miners included in the



Jithen Pillay.

fund, favouring companies more likely to return free cash flow to shareholders. Our local positioning is also skewed towards defensive rand hedges, such as British American Tobacco and AB InBev."

However, as South Africa represents only about 0.35% of global GDP and offers a relatively narrow investable universe across a handful of sectors, Reuvers says concentrating all savings locally increases exposure to cyclical and country-specific risk.

"A globally diversified allocation is essential for long-term investors, regardless of short-term currency moves. It provides exposure to a much broader opportunity set, including sectors often underrepresented on the JSE, such as technology, health care and industrials."

Cheaper geographies

Within its offshore component, Jithen Pillay says the fund is tilted away from the US in favour of cheaper geographies. "Where US exposure exists, it is in the less crowded names," he adds.

Outside equities, Sanan Pillay says investors should also consider including allocations to alternatives within retirement portfolios as diversifiers.

"However, they should do so alongside a knowledgeable partner, as the difference in outcomes between good and bad investments is typically much greater in the alternatives space. This requires a cautious and selective approach."

He highlights mezzanine debt and private equity secondaries as the asset classes that look most compelling today, from a risk-reward trade-off perspective. ●