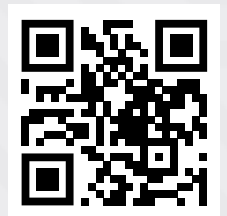




NATIONAL TERTIARY RETIREMENT FUND



# Navigating the stormy investment world



[www.ntrf.co.za](http://www.ntrf.co.za)

***Imagine you're planning a long road trip. You can check the weather report every day, but you can't control what the skies will do. What you can do is check your windscreen wipers and spare tyre, pack an umbrella, and ensure you have a full tank of fuel. That's what Warren Buffett means by his "Noah Rule". It's less about being right about the future and more about being ready if things don't go smoothly.***

Right now, the world is watching the conflict involving Israel, U.S.A. and Iran. Like most life-changing events, it's hard to say how long it will last or how it will end. In fact, things can change so quickly that what we write today can feel out of date tomorrow. That's exactly why the Fund focuses on building resilient investment portfolios: so members are not relying on "perfect predictions" to be protected.

Unlike what one might expect, global equity markets have remained relatively resilient despite the conflict involving Iran. Major share markets are still near recent highs, and the South African market has recovered strongly from its March 2026 sell-off. Oil markets, however, have become noticeably more volatile. Brent crude has traded close to \$100 per barrel in recent weeks as investors worry about supply disruptions and instability around the Strait of Hormuz. While futures markets still imply some easing in prices over the next year, investors are demanding a much larger geopolitical risk premium than they were a month ago.

Like weather forecasters, markets don't always get it right. Investors may be underestimating the chance of a longer conflict. Yes, there are strong economic reasons for both the U.S. and Iran to want an end sooner rather than later, but peace negotiations can be complicated by historical factors and matters such as religious fundamentalism in Iran and the inflammatory rhetoric and ego of President Trump. History shows that when these kinds of forces are at play, conflicts can last longer than "rational thinking" would suggest.

If the war drags on, the pressure is likely to show in everyday essentials. Energy security and even food security could become major concerns. In practical terms, that can mean higher fuel and transport costs, higher input costs for farmers and prices rising faster than expected (also called a spike in inflation), while economic growth slows.

South Africa is more exposed than people may realise. We import about 60% to 70% of our oil requirements, and around 80% of the country's fertiliser is imported. Because road haulage (rather than rail) plays such a big role in moving goods around the country, higher fuel prices filter through the entire supply chain.

Things may still work out well and we hope they do. But the Fund's responsibility is to make sure the investment strategy withstands the pressure even if conditions remain difficult for longer than expected. The Fund does this by having three investment portfolios:





### Long Term Capital Portfolio

This portfolio is built for the long journey. It invests close to 45% of assets offshore, which gives access to a wider range of opportunities including the growing artificial intelligence sector, which has been largely unaffected by the conflict. Holding developed-market currency also provides some insurance if local conditions deteriorate. In addition, the portfolio invests in local and global infrastructure assets that provide essential services. These types of assets can be more resilient when the economy is under pressure. Importantly, the earnings from many infrastructure assets are closely linked to inflation, which help protect members when prices rise.



### Stable Portfolio

This portfolio is designed to be fairly conservative. It holds a high proportion of enhanced cash instruments and invests close to 30% offshore. It also includes a small allocation to local and global infrastructure assets, adding an element of protection in tougher economic conditions.



### Pensioner Portfolio

This portfolio is positioned with day-to-day stability in mind. It has a very high exposure to inflation-linked bonds, with around 25% invested in global assets. It also includes exposure to local and global infrastructure.

So, where does that leave you as an NTRF member? The situation in the Middle East is uncertain. No investor can confidently predict when (or how) it will end or how the markets will continue to react until it ends. Rather than trying to guess the next headline, the Fund focuses on the bigger job: making sure members' portfolios are sturdy enough to handle a range of outcomes, including a "fragile ceasefire" that doesn't hold, or a Strait of Hormuz that stays disrupted for longer than the market expects. In other words: although we do not control the weather, we keep strengthening the ark.

“Predicting rain doesn’t count;  
building arks does.”

– Warren Buffett

