





# South Africa in context: **Investing in a mighty minnow**

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A tense meeting in the Oval Office with US President Donald Trump will get the world's attention. South Africa's President Cyril Ramaphosa experienced this – with some unconventional participants for good measure. The world's richest person, Elon Musk, was in the room. Golf icons Ernie Els and Retief Goosen and luxury goods billionaire Johann Rupert also played roles. It is fair to assume that this was on nobody's bingo card for 2025.

The significance of this meeting has yet to play itself out fully. Among the many questions it raised is this: What is South Africa's place in the world economy and as an investment destination?

## Putting South Africa's GDP into a global context

South Africa's GDP for 2024 was \$403 billion. Considering that the total annual output of all countries is approximately \$106 trillion, we contribute a fraction of a percent to the total.

But then again, very few nations make up a significant portion of global output. South Africa's share is consistently among the top 40. And even a large economy like Japan, which contributed \$4.2 trillion to the world GDP in 2024, accounts for roughly 4% of output.

We can also look at it regionally. Sub-Saharan Africa's GDP is \$2 trillion. Here, South Africa vies with Egypt and Nigeria for the top spot.

South Africa also stands out for its mineral deposits, especially with gold and platinum becoming increasingly important. President Ramaphosa currently holds the chairmanship of the G20, as well. Factors like these enable a country to punch above its weight.

As the recent events at the White House demonstrate, world-beating athletes and businesspeople have a way of elevating a nation's status on the global stage. Messaging matters.





## What does this mean for investors?

As we know, South Africa is a small, open economy with highly liquid capital markets, and our currency is open to volatility. Our dependence on mining and resources also means that we are heavily impacted by trends in those markets.

All of that said, money flows to opportunities. That is especially true today, with financial products that make it relatively easy to invest in assets around the globe.

It follows that one does not have to be an influential player in global markets to succeed. In fact, there is very little mystery to creating buoyant markets. Investors like strong institutions, predictable policy environments, and liquidity.

Given South Africa's lack of growth in recent years, it is important that we interrogate those pillars that would enable growth. Our democracy is relatively young, and the coalition government is still finding its feet. We always seem to find solutions to our problems eventually, but one

might argue that we have spent too much time putting out internal fires when we should have been focusing on gearing the economy for prosperity.

As an investor, you may be asking yourself whether we are looking at a low base with some opportunities to profit.

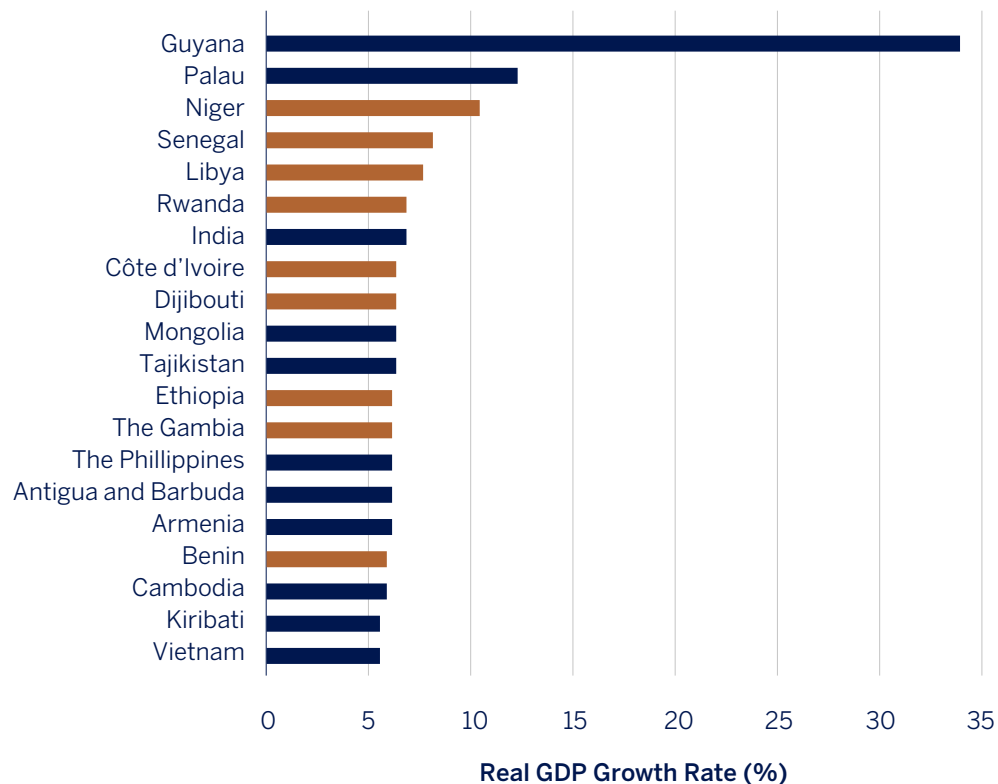
South Africa certainly has important structural positives. Many institutions, such as the judiciary, Reserve Bank, and revenue services, are sound and largely independent. Relations between the private sector and government are also improving.

Labour is relatively cheap, and our time zone allows us to collaborate with the rest of Africa and much of Europe, while our base of English speakers is strong. This matters in a globalised world where many jobs can be done remotely.

We can also benefit from high-growth economies on our continent, which houses roughly half of the world's fastest-growing economies.



## THE WORLD'S 20 FASTEST-GROWING ECONOMIES



The prospect of South Africa becoming the gateway to Africa has largely faded, but the opportunity is not lost. Our advanced financial markets, relatively sound institutions for dispute resolution, and stable (if strained) democracy provide the platform for this. The opportunity will also grow as Africa's rich resources become more critical to global growth, advanced economies decelerate relative to emerging markets, and technology unleashes opportunities for rapid development.

There is also a pool of globally competitive companies in South Africa, which matters in the context of emerging economies. For investors accustomed to the profile of an emerging market, South Africa offers top-quality assets, if you know how to evaluate them.



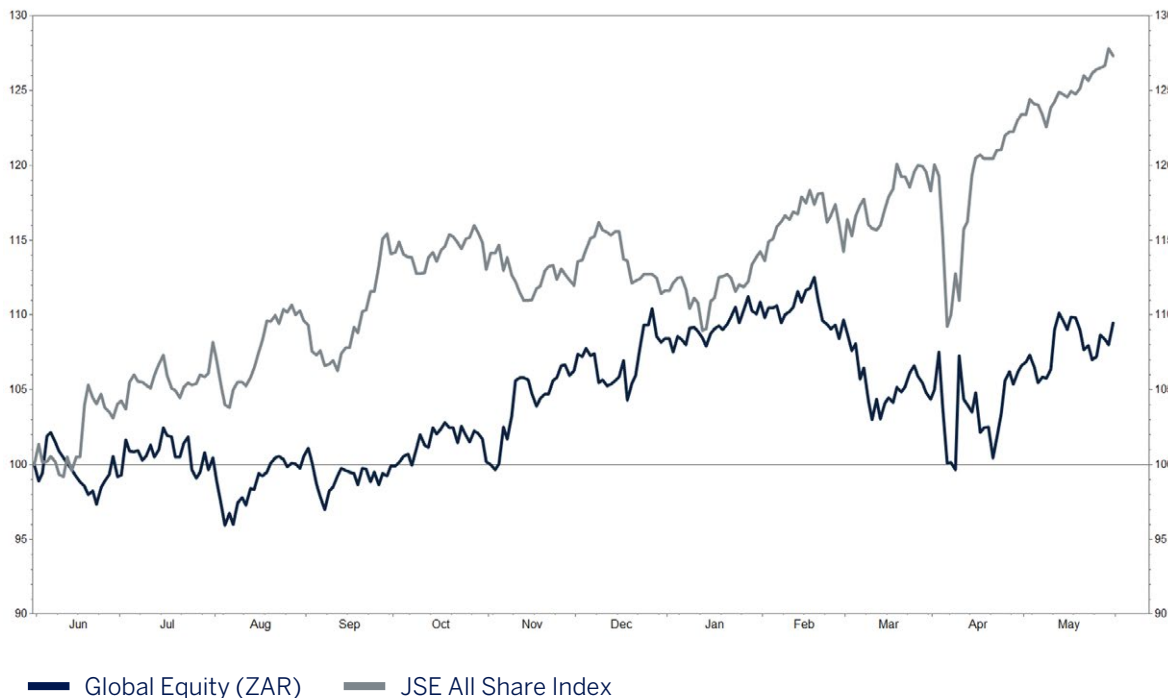
## Building a strong investment portfolio in this environment

At Melville Douglas, we are fundamental investors. We build robust portfolios with quality companies, strong balance sheets, and a competitive edge. How does that translate into a position on South Africa?

For some time, we have been overweight on South African assets. Our analysis suggested that equity prices were attractive on a risk-return basis. This patience has paid off with the JSE All Share Index returning 27% over the past 12 months, outperforming global equities by 18%.



### JSE ALSI VS MSCI ACWI (ZAR): TOTAL RETURN OVER 12 MONTHS



Source: FactSet

Of course, investing is not about a single asset, asset class or region. A diversified portfolio with smart exposure to different geographies and industries provides the vantage point to analyse individual countries.

In short, investing is about finding a way to marry your strategy to a changing environment. South Africa in 2025 represents a volatile market in a highly changeable world. Our economy does not make us a major player on the international scene, but our voice matters. Regardless, there are always opportunities for your strategy to succeed, whatever the environment.

In a time of heightened change and uncertainty, appreciation of a nation's place in the world is a keystone of understanding the investment landscape. I invite clients to reach out to us or your Melville Douglas portfolio manager to discuss your strategy against this backdrop.



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