

# Opportunities In South Africa

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Our investment group is based on three continents, with Mikael Liefferink in South Africa, Clement Vautrin in France, and me in Canada. This deliberate design contributes to the generation of insights because we can better reality check our observations of opportunities in South Africa with that of Mikael and the rest of our team operating on the ground.

We were able to discern important changes between early 2025 and my most recent visit in November-December 2025. I offer three key takeaways:

## **1. Positive Mood Shift**

I was in South Africa for three months from November 2024 to January 2025, and it was about as *negative* as I had ever experienced my fellow citizens. Generally speaking, people seemed to have lost hope in the country's future. Early disappointment following high hopes placed on the newly formed government of national unity in mid 2024 likely contributed to this.

Fast forward to November-December 2025, when I observed a dramatic difference. Generally speaking, there was a *positive* shift in the mood; from resignation to somewhere between neutral to cautiously positive. A steely resistance is gaining momentum in response to the twin horrors of gross incompetence and total corruption perpetrated against all our citizens. The government of national unity managed to survive its initial wobbles and there are clear signs of tangible service delivery emerging in important areas.

An increasing number of influential people and social media influencers across our communities are openly pointing out the abject failure of over 30 years of the country's key policy choices – benefiting the politically connected at the expense of *everyone* else. Our people have had it, and they are voting with their feet and at the ballot boxes.

Fortunately, private business owners continue ignoring the noise, keeping their heads down and their chins up, figuring things out, making lots of money, paying their taxes, and investing for growth.

All of the above points to increasing confidence – albeit coming off rock bottom lows.

## 2. Construction Everywhere

Primary construction activity is a leading indicator for economic broadening.

South Africa is starting to look like it is turning into a giant construction site, be it public or private infrastructure; and it is not just in the Western Cape. There is even a new gold mine having already opened, shockingly the first one to open in over 15 years. We see this not just with our own eyes, but also in the financial results and management commentaries of businesses we own and follow that are directly involved in the primary construction value chain - such as **Wilson Bayly Holmes-Ovcon**, **Afrimat**, and **Bell Equipment**, and other listed and private businesses.

## 3. Local & Global Investment Interest Returning

With one notable exception [**Mr Price**] we are seeing businesses such as **Tiger Brands**, **Spar**, and **Remgro** divesting from their far-flung offshore assets and strategically refocusing their organisational resources on their core South African assets and local growth opportunities. Interestingly, the recent negative share price reaction of **Mr Price** to their disclosed offshore acquisition is a strong market signal that directors of listed companies and their corporate advisors pay close attention to.

We also continue seeing global corporates opportunistically acquiring South African businesses outright, for example Canal+ buying **Multichoice**, Zahid buying **Barloworld**, Henkel buying **Nordbak**, Coca Cola buying **Coca Cola Beverages Africa**, BHP Billiton trying to buy **Anglo American**, and it then

merging with Teck, and Natco Pharma buying out **Adcock Ingram** minorities.

Following the significant strengthening of anti-corruption measures and recent removal of South Africa from the international FATCA grey list, and ratings agencies shifting back towards an investment-grade rating, we have also started seeing the first signs of renewed interest from global institutional investors in the South African markets, including in-country research visits.

Finally, the property market, commodity prices, stock market, bond market, and the currency have all been relatively strong.

### **The South African Investment Opportunity & Thesis Remains Intact**

Sensible investors pose the question – *how* do we achieve investment returns? At Perspective, we begin this process by identifying terrific long-term growth businesses led by trustworthy people, and by insisting on paying a low price for them in relation to their intrinsic real world business value. Once our funds own them, their future long-term investment returns can only come from three places: One, from dividends received from them over time. Two, from long-term growth in their business fundamentals [*revenues and profits per share*]. Three, from a positive rerating of said business fundamentals by all market participants collectively.

**Informed by our own independent research on a business by business basis, we find that each of these three future long-term return sources remain intact today. *Our selected JSE listed businesses are paying us a high starting dividend yield; they continue growing their per share fundamentals; and they have not yet been rerated.***

I acknowledge it is early days, and I am mindful not to naively confuse my sincere hopes for and love of South Africa with objective reality. The reason we are paying attention to the shifting mood is because it can influence the confidence and willingness of businesses, individuals, and offshore investors

to invest – be it in capital projects or the investment markets. In turn, these capital and investment flows, should they occur, will enhance growth in business fundamentals as well as a markedly positive rerating.

Our work continues...

**Daniel Malan, CFA**

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