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The PIC's Isibaya portfolio

Long-run returns, loss concentration and
counterfactuals in the unlisted portfolio

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Executive summary

An analysis by the BER, using transaction data, shows that the GEPF's Isibaya allocation, which the Public Investment Corporation (PIC) manages and invests primarily in unlisted assets, delivered a long-run financial return of 4.25%. What if the same dated cash flows had instead been invested in the FTSE/JSE All Bond Index (ALBI)? Applying those cash flows to this listed-bond alternative produces a higher terminal value. The results support closer assessment of investment selection, financing structures and exposure management in delivering the GEPF's financial and developmental objectives.

The ALBI comparison provides the report's central measure of opportunity cost. The analysis of 11 390 dated transactions from 1 March 2006 to 30 September 2025 produce an annualised money-weighted return of 4.25%. Applying the same deployments and withdrawals to the ALBI produces a R135.1 billion terminal value and an implied return of 9.02%. Comparing this with Isibaya's recorded R65.4 billion closing value leaves a R69.7 billion difference in foregone return under a theoretical counterfactual, or net gap. Important to note, this is not an accounting loss. Why the ALBI? The GEPF's 2023 Developmental Investment Policy seeks a blended real return of at least 5% a year [6]. PIC reports have used different published comparators for Isibaya and unlisted-investment performance over the period, as Table 13 shows.

Investment outcomes include substantial gains as well as concentrated losses. AfriSam, Bayport/BML and Belelani/BVI account for 85.1% of the net ALBI gap. MTN, by contrast, generated a 21.28% return, or R30.1 billion. This return was alongside employee share ownership documented by the PIC. It was also noted that SA Home Loans combined a positive nominal gain with reported expansion of housing finance, although its return fell below the ALBI. These examples support assessing both financial performance and developmental outcomes at investment level.

The Mpati Commission highlighted the importance of monitoring cumulative exposure when investments underperform. Unlisted assets do not trade continuously and may be difficult to exit, which can delay loss recognition and restrict reallocation. Concentration can magnify these effects when capital remains tied to a small number of investments. The Commission recommended a cumulative limit on the funding available to a related business group, particularly when related companies are underperforming. It also recommended more meaningful engagement between the PIC and clients such as the GEPF. Information on cumulative exposure, the basis for follow-on funding, valuation changes and any instances of underperformance against benchmarks would increase transparency and help assess how developmental objectives were balanced against financial outcomes. More regular releases of dated transaction-level information, such as that used in this analysis, would be a step in the right direction.

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Reading the central estimate

The R69.7 billion ALBI gap compares Isibaya's recorded closing value with what the same dated cash flows would have produced in a liquid listed-bond alternative. It is an opportunity-cost estimate, not an accounting loss.

Overview

This note analyses the PIC's transaction-level Isibaya annexure, comprising 11 390 cash-flow records from 1 March 2006 to 30 September 2025 [1].¹ The central question is what those same dated cash flows would have produced had they instead been invested in the ALBI. On this basis, they would have generated a terminal value of R135.1 billion and a return of 9.02%, compared with Isibaya's R65.4 billion closing value and 4.25% return. An opportunity-cost gap of R69.7 billion. Because the annexure provides only a single closing valuation, it does not permit the reconstruction of historical exposure or the timing of accounting impairments.

It does however provide evidence that supports three findings.

First, the portfolio earned a reproducible annualised money-weighted return (XIRR) of 4.25% as reported. The records contain R238.2 billion of capital deployed, including the opening portfolio, and R272.9 billion of receipts and terminal values. The closing value is R65.4 billion.

Second, the FTSE/JSE All Bond Index (ALBI) provides a liquid market counterfactual. The same dated cash flows produce a R135.1 billion terminal value, an implied 9.02% return and a R69.7 billion gap against Isibaya. The comparison does not establish that a bond portfolio would have achieved the same developmental outcomes. It also excludes implementation costs and the possible market impact of reallocating capital at Isibaya's scale.

Third, the portfolio's overall performance masks a varied investment record, with losses concentrated in fewer families than gains. The five largest nominal loss families account for 62.5% of gross losses, compared with 43.5% of gross gains for the five largest nominal winners. Among the positive outcomes, the investment in MTN showed returns above the benchmark with reported employee share ownership, while SA Home Loans generated nominal gains alongside reported housing-finance activity (Table 5). A theoretical exercise that removes the largest loss families raises the return on the remaining cash flows to approximately the ALBI return, illustrating the sensitivity of the aggregate result to those investments (Table 9). This is a diagnostic rather than a counterfactual investment strategy. The exclusions are selected with hindsight, and the exercise does not specify how the released capital would otherwise have been deployed. The full portfolio snapshot in Table 1 summarises capital flows, closing value and returns relative to the ALBI and inflation as at 30 September 2025.

¹Available: <https://pmg.org.za/files/RNW1383-2026-06-01-Annexure.xlsx>

Table 1. Portfolio snapshot, 30 September 2025

Measure	Result
Observation period	1 March 2006 to 30 September 2025
Transactions	11 390
Security codes	569
Opening value	R12.41 billion
Capital deployed, including opening value	R238.18 billion
Receipts and terminal values	R272.93 billion
Closing value	R65.38 billion
Money-weighted return, XIRR	4.25%
ALBI benchmark terminal value	R135.05 billion
ALBI shortfall	R69.67 billion
ALBI counterfactual XIRR	9.02%
Average CPI inflation	5.53%
Inflation-adjusted XIRR	-0.93%
CPI-only terminal value	R76.62 billion
CPI-only shortfall	R11.24 billion
Non-zero closing positions	176

Note: Positive workbook flows are capital deployed. Negative flows are receipts and terminal values.

Source: Author's calculations from the PIC transaction annexure [1], the ALBI price history [3] and the supplied Statistics South Africa CPI series [10].

Data, scope and classification

The analysis consolidates known tranches, reclassifications and related codes into analytical investment families.²

The workbook does not contain a listed/unlisted indicator, sector, job count, approval record, transaction-type label, impairment date or periodic valuation. It therefore supports cash-flow analysis and a terminal-position snapshot, but not annual exposure or impairment dating. PIC reports describe Isibaya as operating in the unlisted space, although some historical structures financed holdings in listed underlying companies.³ Table 2 lists the twenty largest positions as at the end of period.

²These investment families are analytical groupings rather than an official classification supplied by the PIC. [section](#) explains its limits.

³Examples include MTN, Telkom and Vodacom. The report therefore uses *positions recorded in the Isibaya transaction annexure* rather than claiming that every underlying exposure was itself an unlisted company. There are 292 closing-date entries. Of these, 176 have non-zero closing values and 116 are marked at zero. The five largest positions represent 30.2% of closing value, the ten largest 46.8% and the twenty largest 61.7%.

Table 2. Twenty largest non-zero closing positions

Security name	Code	Closing value (Rbn)
IDCo1U IDC o81126	IDCo1U	5.18
uNewco	UNEWCO	5.09
ETCG	IPETCHEQ	3.47
SAHL Fund RF senior loan	IDSMFRSL	3.05
Tosaco senior loan	IDTOSASL	2.96
Afrexim Bank equity	IPAFRSEQ	2.77
Africa Finance Corporation	IPAFCEQ	2.40
African Export-Import	IPAFXMEQ	2.25
African Bank unlisted equity	IPABI	1.84
Siyanda Resources	IPSIYAEQ	1.57
UCVH	UCVH	1.16
SAHL Fund 1 senior loan	IDSMF1SL	1.14
SAHL Fund 1 traditional loan	IDSMF1TL	1.14
Kuseni Group mezzanine loan	IPKUG2TL	1.06
AP Ventures Fund II	IFAPVFII	0.97
SAHL equity	IPSAHLEQ	0.95
Karoshhoek CPI-B loan	IDKHCPIB	0.88
MOGS GEPP senior loan	IDMOGGL2	0.87
AP Ventures Fund I	IFAPVFI	0.81
African Capitalworks A shares	IPACWAS	0.80

Note: Values reproduce the security names and codes in the annexure, with minor expansion of abbreviations for readability. The annexure does not provide a listed/unlisted flag.

Source: Author's calculations from the PIC transaction annexure [1].

Return and counterfactual

What if the money had been invested in the ALBI?

The portfolio XIRR, or Extended Internal Rate of Return, is the annual rate that equates the present value of all 11,390 dated cash flows to zero. Applying the workbook's transaction and sign conventions gives a portfolio return of 4.25%. The central counterfactual asks what the same dated investments and withdrawals would have produced had they instead been invested in the FTSE/JSE All Bond Index (ALBI). The ALBI comprises twenty conventional listed vanilla bonds selected on the basis of liquidity and market capitalisation. Eligible bonds pay fixed semi-annual coupons and have more than one year to maturity. The index is divided into government and other-bond sub-indices [2].⁴

The counterfactual applies Isibaya's actual dated deployments and withdrawals to the ALBI total-return index. Each deployment buys index units and each receipt sells the number of units needed to match the Isibaya cash flow.⁵ This calculation produces a terminal value of R135.05 billion and an implied money-weighted return of 9.02%. When compared to Isibaya's R65.38 billion closing value, the gap is estimated at R69.67 billion.

⁴Private-sector tracker funds are small relative to Isibaya. At 30 June 2026, the 1invest ALBI (NON TR) Index Tracker STANLIB Fund reported net assets of R16.83 billion and the Satrix Bond Index Fund had assets of about R7.3 billion [4, 5]. Together, their R24.1 billion of assets were about 37% of Isibaya's R65.38 billion closing value.

⁵The remaining holding is valued on 30 September 2025. Monthly index values from the supplied LSEG Data & Analytics history are log-linearly interpolated to the transaction dates [3].

Table 3. Terminal value under alternative return paths

Comparator	Terminal value	Gap against actual
Actual Isibaya	R65.38 billion	—
ALBI counterfactual	R135.05 billion	R69.67 billion
CPI-only counterfactual	R76.62 billion	R11.24 billion

Note: The ALBI calculation uses log-linear interpolation between monthly observations. Using the same calendar month's closing level gives a R67.78 billion gap. Using the preceding month-end gives R70.82 billion. The CPI-only row asks whether the dated cash flows preserved purchasing power.

Source: Author's calculations from the PIC transaction annexure [1], the ALBI price history [3] and the supplied Statistics South Africa CPI series [10].

In addition, the CPI series provides a separate test of purchasing-power preservation. Average monthly year-on-year inflation was 5.53% over the 20 year sample. After adjusting each cash flow for inflation, Isibaya's XIRR falls to approximately -0.93%. A portfolio that merely kept pace with CPI would have ended at R76.62 billion, which is R11.24 billion more than Isibaya's recorded closing value.

The GEPP's 2023 Developmental Investment Policy seeks a blended real return of at least 5% a year, but the policy became effective only on 1 October 2023 [6]. PIC reports have used different published comparators for Isibaya and unlisted-investment performance over the sample, as the non-comparable history in Table 13 shows.⁶

The ALBI comparison does not imply that the GEPP should have placed the entire allocation in bonds. The index carries less liquidity risk and valuation uncertainty than an unlisted developmental portfolio, but ignores the development policy. The calculation also excludes fees, taxes, transaction costs and market impact. It asks a narrower question: what a liquid, directly investable domestic bond alternative would have produced from the same cash-flow pattern. On that comparison, foregone terminal value is close to R70 billion. section gives the equations and full calculation.

Composition of the largest losses

The aggregate shortfall raises a further question. Is the underperformance broad-based, or is it concentrated in a small number of poor investments?

A *nominal loss* is capital deployed less receipts and closing value, without adjusting for timing or inflation. The net gap indicator instead measures foregone terminal value by compounding each cash flow to the closing date. An investment can therefore generate a nominal gain while still contributing substantially to the opportunity-cost gap. The recovery ratio provides a complementary measure, showing receipts plus terminal value as a share of capital deployed.

Across the analytical families, gross nominal losses total R29.35 billion before gains from successful families are netted against them. These losses are highly concentrated. AfriSam alone accounts for 32.7% of the total. The three largest loss-making families account for 56.5%, the five largest for 62.5%, the ten largest for 73.4% and the twenty largest for 84.2%.

⁶Applying the policy's 5% real-return target to the full cash-flow history produces an estimated R169.76 billion terminal value and a R104.38 billion gap. This is a secondary policy counterfactual, not evidence that one formal benchmark applied from 2006.

Table 4. Largest nominal loss families

Family	Nominal loss (Rbn)	Closing value (Rbn)	Recovery ratio	Family XIRR	ALBI gap (Rbn)
AfriSam	9.60	0.00	63.1%	-43.28%	42.32
Bayport / BML	3.82	0.48	32.6%	-22.19%	9.80
Belelani / BVI	3.17	0.00	46.9%	-21.07%	7.16
Independent Media (INMSA)	0.92	0.00	24.4%	n/a	2.69
Smile Telecoms	0.82	0.00	50.7%	-18.95%	2.30
Daybreak / Afgri Poultry	0.81	0.00	0.0%	n/a	1.44
Allied	0.77	0.00	1.2%	n/a	1.95
Concor	0.60	0.20	33.3%	-97.81%	0.68
African Bank unlisted equity	0.58	1.84	77.0%	-2.74%	4.51
MUSA Capital debt	0.45	0.00	2.7%	n/a	1.09
VBS	0.42	0.00	30.9%	-47.07%	1.04

Note: The recovery ratio is total receipts plus terminal value divided by capital deployed. It ignores cash-flow timing and is not an annual return. An XIRR is reported as n/a when no finite annual rate balances the discounted cash flows. Daybreak has no returned cash flow. Independent Media, Allied and MUSA have some receipts, but their discounted cash-flow equations do not cross zero for a rate above -100%. A zero closing mark does not identify the date or cause of an impairment.

Source: Author's calculations from the PIC transaction annexure [1].

AfriSam is the largest contributor under both measures. Its family records R26.0 billion of capital deployed, R16.4 billion returned and no closing value. The nominal loss is R9.6 billion, while the dated ALBI gap is R42.3 billion. The 2010 PIC report states that the investment was made in 2008, that the leveraged structure became severely constrained after the economy slowed and that the investment was already materially impaired by March 2010 [11]. Later PIC reports continued to show that reported Isibaya performance depended heavily on whether AfriSam was included [13, 14].

The opportunity-cost ranking is broader than the nominal loss ranking. AfriSam, Bayport/BML and Belelani/BVI account for a combined R59.3 billion, or 85.1% of the net ALBI gap. Vodacom/uNewco/UCVH generated a nominal gain of R1.1 billion and retained R6.3 billion of closing value, but its family XIRR was only 0.92%. It therefore contributed a further R16.6 billion to the ALBI gap. Gross shortfalls exceed the net gap because outperforming families offset part of the total.

Several families recorded positive outcomes. The MTN BEE family generated a nominal gain of R9.1 billion, a 21.28% XIRR and R30.1 billion of ALBI outperformance. The Capitec BEE family generated a R1.3 billion nominal gain, a 30.03% XIRR and R2.7 billion of ALBI outperformance. Lancaster/Steinhoff BEE generated a R6.4 billion nominal gain, a 10.09% XIRR and R2.0 billion of ALBI outperformance. These cases illustrate the variation in investment outcomes.

Evidence on the five largest nominal winner families

Table 5 puts the five largest recorded nominal gains in the context of the underlying investments. MTN combined returns above the benchmark with employee share ownership, while SA Home Loans generated a nominal gain alongside reported housing-finance activity.

Table 5. Evidence on the five largest nominal winner families

Family	Recorded financial outcome	Investment context
MTN BEE structures	Nominal gain R9.14bn. Receipts R54.61bn, closing value zero. XIRR 21.28%.	The BEE structure enabled more than 3 200 employees to become MTN shareholders and was unwound profitably. The transaction began in 2002, so the profit and IRR reported by the PIC cover a different period from the annexure [11, pp. 31 to 32].
Lancaster / Steinhoff BEE	Nominal gain R6.35bn. Receipts R15.95bn, closing value zero. XIRR 10.09%.	The funding supported Lancaster's acquisition of a black ownership stake in Steinhoff. The arrangement envisaged greater participation by black suppliers and support for black entrepreneurs in the retail sector [16, p. 77].
SA Home Loans	Nominal gain R5.27bn. Receipts R9.96bn, closing value R6.58bn. XIRR 8.35%.	The funding lines supported lending to government employees and the affordable-housing market. In 2018, the PIC reported more than 6 249 government-employee loans and 4 113 affordable-housing loans. Some refinanced loans from other lenders [17, p. 86].
IDC (IDCo1U)	Nominal gain R4.55bn. Receipts R4.50bn, closing value R5.18bn. XIRR 9.00%.	The PIC approved participation in an IDC-led R5bn private bond to finance renewable-energy investment. The available records do not confirm whether IDCo1U is the instrument associated with that programme [14, p. 55].
Africa Finance Corporation (IPAFCEQ)	Recorded nominal gain R2.58bn. Receipts R0.18bn, closing value R2.40bn. XIRR not reported.	The GEPF acquired a minority equity stake in AFC, which finances infrastructure across Africa. The annexure records only R310 500 of deployment against a R2.40bn closing value, so the investment history needs reconciliation before the reported gain can be interpreted reliably [24, p. 85].

Note: Families are ranked by recorded nominal gain in the annexure for 1 March 2006 to 30 September 2025, using the existing analytical grouping. Rbn denotes billion rand. Nominal gain equals receipts plus closing value less recorded deployment. Receipts exclude closing valuations. XIRR uses dated cash flows and the terminal valuation. The PIC reports describe investment objectives and activities over reporting periods that differ from the annexure sample.

Source: Author's calculations from the PIC transaction annexure [1], with investment context drawn from the PIC reports cited in each row.

Concentration of positive outcomes

The degree of concentration depends on how a positive outcome is defined. Nominal gains were less concentrated than nominal losses. The five largest nominal winners generated 43.5% of gross nominal gains, compared with 62.5% for the five largest nominal losses. The twenty largest generated 69.4% of nominal gains and 84.2% of nominal losses. Nominal gains were therefore distributed across more families when measured without regard to timing.

Benchmark outperformance was more concentrated. MTN generated R30.15 billion, or 50.0%, of the R60.27 billion gross ALBI outperformance recorded across 175 families. The largest five outperformers generated 65.1% and the largest twenty generated 83.0%. The concentration of benchmark outperformance therefore resembles the concentration of benchmark shortfalls, with greater dependence on the single largest family.

Table 6. Concentration of gross gains and shortfalls

Measure	Families	Gross amount (Rbn)	Largest one	Largest three	Largest five	Largest ten	Largest twenty
Nominal losses	177	29.35	32.7%	56.5%	62.5%	73.4%	84.2%
Nominal gains	264	64.10	14.3%	32.4%	43.5%	58.0%	69.4%
ALBI shortfalls	274	129.95	32.6%	52.9%	61.9%	70.3%	79.0%
ALBI outperformance	175	60.27	50.0%	58.8%	65.1%	74.3%	83.0%

Note: Gross amounts sum positive contributions within each row before opposing outcomes are netted. A nominal gain means receipts plus terminal value exceed recorded capital deployed. ALBI outperformance means the dated family cash flows exceed the ALBI counterfactual. Concentration shares report the cumulative contribution of the ranked families.

Source: Author's calculations from the PIC transaction annexure [1].

Concentration controls and the observed outcomes

Institutional asset management cannot prevent every large loss. Concentration controls are generally intended to make related exposures visible, limit their size and define the response when risk accumulates. Their operation would normally involve aggregating related instruments and legal vehicles, updating fair values, testing issuer, sector and counterparty exposures against mandate limits and documenting breaches or exceptions. The relevant question is therefore whether the applicable controls identified and addressed exposures that came to account for a large share of the portfolio's long-run result.

The relevant asset-management issue is whether aggregation, limits and escalation processes adequately captured the scale and persistence of related exposures before they became a large influence on the portfolio's long-run result.

The Herfindahl–Hirschman Index (HHI) summarises how strongly a portfolio or outcome depends on a small number of constituents.⁷

Figure 1 provides a useful listed-market comparison. The BER holdings history, derived from LSEG Data and Analytics, shows that the PIC's listed portfolio was itself concentrated at times; concentration was therefore not unique to the unlisted portfolio [9]. Among observations assessed as near-complete, its reported-security HHI peaked at 1 039 in March 2021, equivalent to 9.6 equally weighted holdings. It fell to 396 by September 2025. The two Isibaya markers are shown only at September 2025 because the annexure does not contain earlier investee fair values.

Table 7. Terminal exposure concentration is similar to the listed comparator

Exposure, 30 September 2025	HHI	Effective positions	Largest one	Largest five
Isibaya securities	294	34.0	7.9%	30.2%
Isibaya analytical families	399	25.1	10.1%	37.4%
PIC listed reported securities	396	25.3	13.8%	32.6%

Note: The PIC listed calculation covers 130 securities and 98.87% of the portfolio reported in the BER source. It is normalised across reported values. The comparison is descriptive because the Isibaya family mapping consolidates related instruments while the listed series is at security level.

Source: Author's calculations from the PIC transaction annexure [1] and the BER data story [9].

⁷The index is $10\,000 \sum_i s_i^2$, where s_i is constituent i 's share. Dividing 10 000 by the HHI gives the equivalent number of equally weighted constituents. Competition-law thresholds are not used because they assess market power, not portfolio risk.

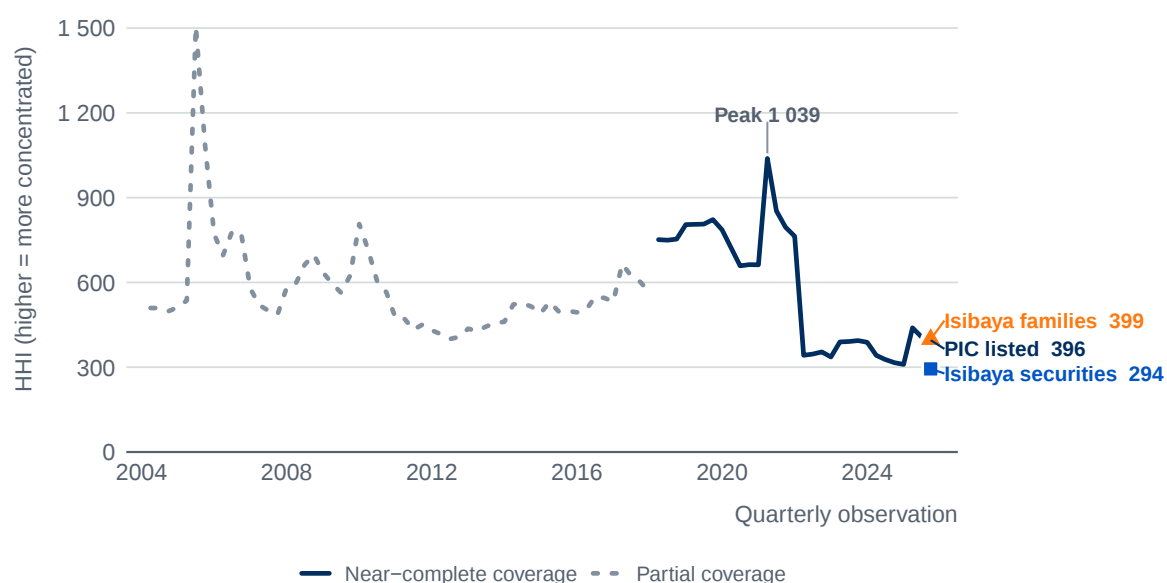


Figure 1. Listed-portfolio concentration over time and the Isibaya terminal snapshot

Note: The listed series normalises each observation's reported security values to 100%. The dashed grey line denotes partial coverage and the solid navy line denotes near-complete coverage. The September 2025 markers compare the listed portfolio with Isibaya at security and analytical-family level. Neither Isibaya marker is a historical series.

Source: Author's calculations from the PIC transaction annexure [1] and the BER data story's LSEG Data and Analytics holdings series [9].

The endpoint comparison does not show unusually high Isibaya investee concentration. At security level, Isibaya is less concentrated than the listed comparator. After related Isibaya instruments are consolidated into families, the two HHIs are almost identical. Determining whether investee concentration was unusually high earlier in the period requires the historical fair values that are missing from the annexure.

Sector concentration was higher than investee concentration at the endpoint. The GEPF's March 2025 Isibaya allocation placed 33.44% in energy and 32.82% in telecommunications [8]. Those two sectors accounted for 66.26% of the portfolio. The sector HHI was 2 496, equivalent to 4.0 equally weighted sectors. This is a distinct concentration measure and cannot be compared directly with the security HHIs in Table 7. It shows that a portfolio containing many legal positions can remain dependent on a smaller number of economic sectors.

Outcome HHIs provide a separate view of concentration. Table 8 shows that nominal losses were equivalent to 7.1 equally weighted loss families and ALBI shortfalls to 7.4 families. Benchmark outperformance was more concentrated because MTN supplied half of the total. These results do not establish that an exposure limit was breached. They show that a small number of economic families accounted for much of both the downside and benchmark outperformance.

Table 8. Investment outcomes depend on a small number of families

Outcome	HHI	Effective families	Largest family
Gross nominal losses	1 416	7.1	32.7%
Gross nominal gains	504	19.8	14.3%
Gross ALBI shortfalls	1 352	7.4	32.6%
Gross ALBI outperformance	2 593	3.9	50.0%

Note: Each HHI is calculated within the gross outcome named in the row. Outcome HHIs measure dependence on the families that generated gains, losses, shortfalls or outperformance. They are not portfolio-weight HHIs and should not be compared mechanically with Table 7.

Source: Author's calculations from the PIC transaction annexure [1].

These results identify the records needed to assess exposure management. AfriSam's one-third share of gross nominal losses and the additional funding provided to several stressed investment families would ordinarily be reflected in aggregate exposure and valuation reports. The GEPF's investment policy gives managers discretion subject to portfolio mandates, benchmarks and risk parameters, while its developmental investment policy requires diversification and quarterly manager reporting [7, 6]. The PIC also reported as early as 2007 that unlisted investments were valued quarterly [12]. The applicable limits, exposure usage, valuation changes, escalation decisions and mitigation responses would allow the PIC's and GEPF's processes to be assessed. The transaction outcomes alone cannot establish whether those controls were absent or how they operated.

The largest nominal winners were MTN at R9.14 billion, Lancaster/Steinhoff at R6.35 billion, SA Home Loans at R5.27 billion and IDCo1U at R4.55 billion. Nominal gain does not necessarily imply benchmark success. SA Home Loans contributed R1.07 billion to the ALBI shortfall, while IDCo1U was approximately at the benchmark. Lancaster/Steinhoff outperformed the ALBI by R1.99 billion. Capitec was only the tenth-largest nominal winner, but it was among the largest ALBI outperformers because its cash flows arrived quickly.

Sensitivity to excluding the five largest nominal loss families

The five largest nominal loss families are AfriSam, Bayport/BML, Belelani/BVI, Independent Media and Smile Telecoms. Together they account for R18.34 billion, or 62.5%, of gross nominal losses. Removing their entire cash-flow histories raises the XIRR on the residual cash flows from 4.25% to 8.13%. The size of this change shows that the aggregate return is sensitive to a small group of investments. The result is diagnostic rather than investable.⁸

Table 9. Residual XIRR after excluding nominal loss families

Families excluded	Residual XIRR	Interpretation
0	4.25%	Full portfolio
1	6.43%	Excludes AfriSam
3	7.72%	Excludes AfriSam, Bayport/BML and Belelani/BVI
5	8.13%	Excludes five largest nominal loss families
10	8.88%	Excludes ten largest nominal loss families
20	9.68%	Excludes twenty largest nominal loss families
177	11.33%	Excludes every family with a positive nominal loss

Note: These are returns on residual cash flows, not counterfactual portfolio returns. The calculation assumes that excluded investments and their cash flows never existed. It does not reinvest excluded capital and it selects losers with hindsight.

Source: Author's calculations from the PIC transaction annexure [1].

Documented factors affecting the five largest loss families

The evidence does not support one explanation across all five investments. The official sources identify adverse economic conditions, leveraged or refinancing structures, investment assumptions that were not realised and investee-level governance concerns. The transaction outcomes alone cannot establish misconduct or inadequate due diligence.

⁸It removes losers with hindsight, leaves their capital uninvested and does not imply that the residual portfolio met the ALBI. A realistic counterfactual would need an ex ante selection rule and a specified reinvestment benchmark.

Table 10. Evidence on the five largest nominal loss families

Family	Documented factors affecting the outcome	Evidence and interpretation
AfriSam	The PIC provided R6 billion of bridge finance in a 2008 debt refinancing. Lower-than-expected growth depressed cement demand. Oversupply, competition and rising electricity and input costs reduced margins.	The PIC describes the investment as a leveraged transaction undertaken at a high price on continued-growth assumptions. The evidence is consistent with an economic shock amplified by leverage and those assumptions. The official sources reviewed do not make a finding of impropriety.
Bayport / BML	The exposure combined equity in a cross-border consumer lender with later loans supporting a BEE acquisition structure. In May 2024 Bayport announced a creditor standstill intended to address its capital structure, cash interest burden and debt maturities.	The documented mechanism is balance-sheet, liquidity and refinancing stress. The official sources reviewed do not make a finding that the original PIC approval was improper. The public record is insufficient to determine whether the risks were adequately priced when the investments were made.
Belelani / BVI	The PIC facilitated Belelani's acquisition of 24% of Pareto and BVI by providing credit enhancement against third-party debt. The GEPR recorded a R2.33 billion impairment in 2020 and a R1.63 billion reversal in 2022. Pareto and BVI had been reported profitable in 2018.	The available evidence is more consistent with stress in the acquisition-financing or borrower structure than with collapse of the underlying shopping-centre assets. This is an inference. Public reporting does not disclose enough to identify the precise default trigger or assess the original due diligence.
Independent Media	The original thesis relied on the strength of newspaper titles, vernacular expansion and future online growth. The PIC later reported that key assumptions were not realised, that the price was high relative to the risks and that available security could not meaningfully support repayment.	The Mpati Commission expressly did not investigate the initial 2013 investment and made no finding on that approval. It did find impropriety, ineffective governance and disregard of process in the later proposed INMSA/Sagarmatha restructuring. That finding applies to the later proposed restructuring, not the initial transaction.
Smile Telecoms	The PIC's 2017 investment schedule attributed underperformance to economic headwinds, local-currency devaluation, particularly in Nigeria, and strong competition. It also recorded weaknesses in owner-managed governance and the need for clearer authority, succession and risk frameworks.	The evidence points to a combination of operating conditions, currency exposure and investee-level governance weakness. The official sources reviewed do not make a finding that the PIC's original approval was improper.

Note: "No finding" means that no such conclusion appears in the official sources cited here. It does not support a conclusion either way and does not replace access to the investment memoranda, committee minutes, legal reviews or full due-diligence files.

Source: PIC annual reports and investment schedule, GEPR annual reports, the Mpati Commission report and Bayport's market announcement [17, 18, 19, 20, 21, 22, 23].

The reviewed evidence points to different explanations across the five investments. The official sources associate AfriSam and Smile with macroeconomic and sector conditions. Bayport and Belelani illustrate the role of leverage, guarantees and refinancing structures in the financial outcome. The sources on AfriSam and Independent Media also identify investment assumptions that were not realised. Independent Media is the only one of the five for which the cited official inquiry made a finding of impropriety, and that finding concerns the later proposed restructuring. Overall, the losses were concentrated in a small group of exposures with different combinations of economic, financing and governance factors.

When did the losses occur?

The workbook cannot produce a literal impairment time series. It has one terminal valuation at 30 September 2025 and does not report annual fair values by investment. A graph that dated a loss whenever the final zero value appears would incorrectly place most impairments in 2025. [section](#) therefore reports the running transaction-date attribution separately and makes clear that it is not a contemporaneous loss series.

The more informative decomposition groups each analytical family by the year in which its first positive flow is observed. For positions already in the opening portfolio, 2006 is only the first observed year and may not be the true origination year. [Figure 2](#) compares the net benchmark gap and gross nominal losses by vintage.

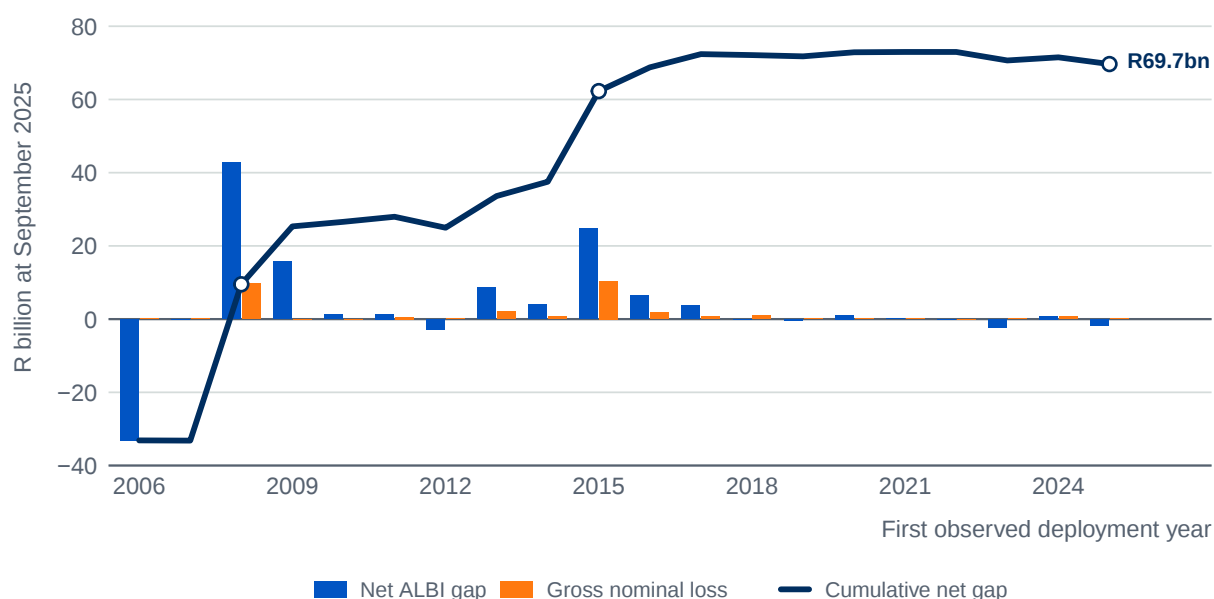


Figure 2. Final shortfall attributed to first observed investment vintage

Note: Blue bars show the net ALBI gap and orange bars show gross nominal loss. The navy line shows the cumulative net ALBI gap. Negative blue bars are vintages that outperformed the ALBI in aggregate. Vintage means the first positive flow observed in the workbook, not necessarily the original investment date for opening positions.

Source: Author's calculations from the PIC transaction annexure [1] and the ALBI price history [3].

Table 11. Returns improve for more recent first-observed cohorts

Investment cohort	ALBI gap	XIRR	Average CPI inflation
Full sample	R69.67bn	4.25%	5.53%
First observed from 1 October 2015	R9.67bn	7.57%	4.89%
First observed from 1 October 2020	-R3.30bn	36.02%	4.98%

Note: Negative gaps denote ALBI outperformance. The latter two rows are recent-vintage cohorts, not trailing portfolio returns: investee fair values at the ten- and five-year cut-offs are unavailable. Cohort gaps are additive attribution components and do not represent independently investable ALBI portfolios. The five-year result is affected by the incomplete Africa Finance Corporation history. Excluding that family gives a 21.95% XIRR and R0.68 billion of ALBI outperformance. Average CPI is the arithmetic mean of monthly year-on-year inflation observations within each period.

Source: Author's calculations from the PIC transaction annexure [1], the ALBI price history [3] and the supplied Statistics South Africa CPI series [10].

The vintage evidence gives the clearest answer to the timing question. The 2008 vintage generated R9.69 billion of gross nominal losses, almost entirely due to AfriSam. The 2015 vintage generated R10.44 billion, led by Bayport/BML, Belelani/BVI, Smile Telecoms, Allied and Daybreak/Afgri Poultry. Together, the 2008 and 2015 vintages account for 68.6% of gross nominal family losses.

The ALBI attribution has an additional 2009 spike. The 2008, 2009 and 2015 vintages contribute R83.3 billion, or 119.5% of the final net gap. Their contribution exceeds 100% because other vintages outperformed the ALBI and offset part of the shortfall. The 2009 contribution is mainly due to Vodacom/uNewco/UCVH, which was not a nominal loss. The evidence therefore points to two loss-heavy origination periods, 2008 and 2015, plus a 2009 low-return structure that materially affects the opportunity-cost estimate.

The cohort results in Table 11 provide qualified evidence of improvement. Families first observed from October 2015 returned 7.57%, while those first observed from October 2020 recorded aggregate ALBI outperformance. The latter estimate is unusually high and partly reflects the incomplete transaction history for the Africa Finance Corporation position. It should therefore be read alongside the sensitivity excluding that family, rather than as a trailing return for the whole portfolio.

Published reports are consistent with losses being recognised over an extended period rather than in a single event. AfriSam was described as materially impaired in 2010 [11]. The 2011 and 2012 results remained highly sensitive to its inclusion [13, 14]. The 2024 and 2025 reports attributed below-hurdle unlisted returns to impairments of non-performing assets [25, 26]. Annual investee-level fair values, write-offs and cash-flow classifications would be required to date the impairments precisely.

Developmental outcomes and measurement limits

Financial return is not the only relevant outcome of developmental investment. The PIC reports substantial employment, housing, enterprise, infrastructure and social outcomes at 31 March 2025 (Table 5).

Table 12. Selected developmental outcomes reported by the PIC at 31 March 2025

Reported outcome	Reported amount
Jobs facilitated	200 556
Housing opportunities financed	64 935
Small and medium enterprises supported	3 353
Renewable-energy generation	2 420 MW
Student beds	11 964
Hospital beds	2 097

Note: These PIC-reported indicators cover differing portfolios, periods and definitions. They cannot be matched to the transaction annexure or attributed specifically to GEPP Isibaya. They are gross reported outputs rather than estimates of net additional impact and do not support a calculation of financial cost per job, housing opportunity or beneficiary.

Source: Public Investment Corporation Annual Report 2024/25 [26].

A fuller blended assessment would retain financial and developmental ledgers side by side. For each investment it would report the return and ALBI gap alongside consistently defined development outcomes, their duration and an estimate of additional impact. The present workbook cannot support that assessment. The aggregate indicators in [Table 12](#) therefore provide evidence of developmental activity, but cannot be used to offset or explain the financial shortfall quantitatively.

Conclusion

This report answers a simple question: What did Isibaya's long-run investments deliver financially, and what might the same cash flows have produced in a liquid market alternative? Using over 11 000 transactional data over two decades, the results show that the portfolio earned an annualised money-weighted return of 4.25%. Applying the same dated cash flows to the FTSE/JSE All Bond Index (ALBI) produces a return of 9.02% and a terminal value of R135.1 billion, more than double Isibaya's R65.4 billion closing value, and an opportunity-cost gap of R69.7 billion. That said, there is nuance in this number.

The ALBI comparison does not establish what a different portfolio could have delivered while meeting the same development needs. It also excludes costs and the possible effect on prices of reallocating capital at Isibaya's scale. It nevertheless provides a transparent reference point for judging the financial return on the risks taken, in comparison with a perceived low risk liquid listed-bond alternative.

The aggregate result masks substantial differences between investments. AfriSam, Bayport/BML and Belelani/BVI account for 85.1% of the net gap, while an example such as MTN shows that half of gross ALBI overperformance was also associated with employee share ownership. The evidence therefore directs attention to investment selection, financing structures and the management of related exposures, rather than to the developmental allocation alone.

There are also indications that more recent cohorts performed better. Families first observed from October 2015 onwards had a 7.57% XIRR, and those first observed from October 2020 outperformed the ALBI in aggregate. These are vintage cohorts rather than trailing portfolio returns, and the five-year estimate is affected by incomplete Africa Finance Corporation history. Even so, they suggest that the long-run average should not be read as a complete description of current performance.

Finally, the PIC reports some developmental outputs, including jobs, housing, enterprise support and infrastructure. Those indicators cover differing portfolios and cannot be matched to GEPP Isibaya transactions, so no financial cost per outcome can be inferred. Linking transaction records to periodic valuations, investment approvals and consistently measured developmental outcomes would allow the PIC and GEPP to assess the combined financial and developmental record more directly.

Isibaya's history makes these results difficult to separate from the controversy that has surrounded parts of the PIC's unlisted investment programme. But the long-run record is more complicated than a story of failure. Some investments generated substantial financial returns alongside reported developmental outcomes, and the more recent investment cohorts show signs of stronger performance. At the same time, the historical shortfall cannot merely be recovered by subsequent improvement. Capital committed to poorly performing investments remained unavailable for more productive uses and the same dated cash flows would have produced substantially more in the ALBI. The R69.7 billion gap is not an accounting loss, nor does it measure the value of Isibaya's developmental contribution. It is the estimated opportunity cost of the financial performance recorded over the period.

The lesson from Isibaya's history is therefore not that developmental investment and financial performance are incompatible. It is that achieving both requires stronger investment selection, careful control of concentrated and repeated exposures and transparent measurement of what the developmental mandate delivers in return for the financial risks taken.

Return and counterfactual calculation

Let C_i denote cash flow i on date t_i . Under the workbook convention, capital deployed is positive and money returned is negative. The annualised money-weighted return r solves

$$\sum_{i=1}^N \frac{C_i}{(1+r)^{(t_i-t_0)/365}} = 0, \quad (1)$$

where t_0 is the first transaction date and N is the number of transactions. Applying Equation 1 to all 11 390 records gives $r = 4.25\%$.

The ALBI counterfactual converts each non-terminal Isibaya cash flow into units of the total-return index. Let A_T denote the ALBI level on 30 September 2025 and let $\tilde{A}(t_i)$ denote the estimated index level on transaction date t_i . The counterfactual terminal value is

$$V_T^{\text{ALBI}} = A_T \sum_{i:t_i < T} \frac{C_i}{\tilde{A}(t_i)}. \quad (2)$$

Positive C_i buys index units and negative C_i represents a matched withdrawal. The observed terminal valuation is excluded from the sum and replaced by V_T^{ALBI} . Applying Equation 1 to that counterfactual terminal cash flow gives the 9.02% money-weighted return.

The supplied ALBI workbook reports month-end total-return index levels [3]. The main calculation estimates $\tilde{A}(t_i)$ by log-linear interpolation between the surrounding observations. The resulting ALBI holding remains positive after every dated net withdrawal. Mapping each flow to the same calendar month's closing level instead produces a R133.16 billion terminal value and a R67.78 billion gap. Mapping it to the preceding month-end produces R136.20 billion and a R70.82 billion gap. The main R135.05 billion estimate lies between these alternatives.

The CPI calculation uses the supplied monthly price-level and year-on-year series sourced to Statistics South Africa [10]. Let P_i denote the CPI level associated with transaction i and P_T its terminal level. The CPI-only counterfactual is

$$V_T^{\text{CPI}} = P_T \sum_{i:t_i < T} \frac{C_i}{P_i}. \quad (3)$$

It produces a R76.62 billion terminal value and a R11.24 billion gap. The inflation-adjusted XIRR is calculated separately by expressing each dated flow in terminal-date prices using $C_i P_T / P_i$ and solving Equation 1; the result is -0.93%. Average inflation is the arithmetic mean of the monthly year-on-year observations in the stated period.

For reference, the policy's 5% real-return target can be applied by multiplying each CPI accumulation factor by $(1.05)^{(T-t_i)/365}$. This calculation is retained as a policy sensitivity only because the policy took effect in October 2023 and PIC reports used different published comparators during the sample.

Table 13. Selected published Isibaya or unlisted-return comparisons

Report	Published result	Benchmark comparison
2010	Isibaya reported a 25% IRR to date, despite a material AfriSam impairment	SA ten-year government bond plus 500 basis points
2011	17.4% for the year excluding AfriSam	334 basis points above benchmark excluding AfriSam, 0.3 percentage points below including it
2012	10.47% for the year excluding AfriSam	2.89 percentage points below benchmark excluding AfriSam, 6.17 points below including it
2014	3.38%	6.90% benchmark
2024	6.07% over 36 months	9.99% hurdle rate
2025	3.92% over 36 months	9.45% weighted hurdle rate

Note: The rows are not a homogeneous return series. They use different dates, reporting windows, exclusions and benchmark formulations. Their purpose is to show that the applicable comparison was not fixed over the full sample.

Source: PIC annual reports [11, 13, 14, 15, 25, 26].

Cash-flow-date attribution

This decomposition attributes the final ALBI gap to the dates of the underlying cash flows. For each transaction, the contribution is the dated flow multiplied by $A_T/\tilde{A}(t_i)$. Figure 3 sums those contributions by year. Positive bars represent net deployments that raised the counterfactual terminal value. Negative bars represent receipts that reduced it. The 2025 closing valuation reduces the accumulated benchmark claim by R65.4 billion to the final R69.7 billion gap.

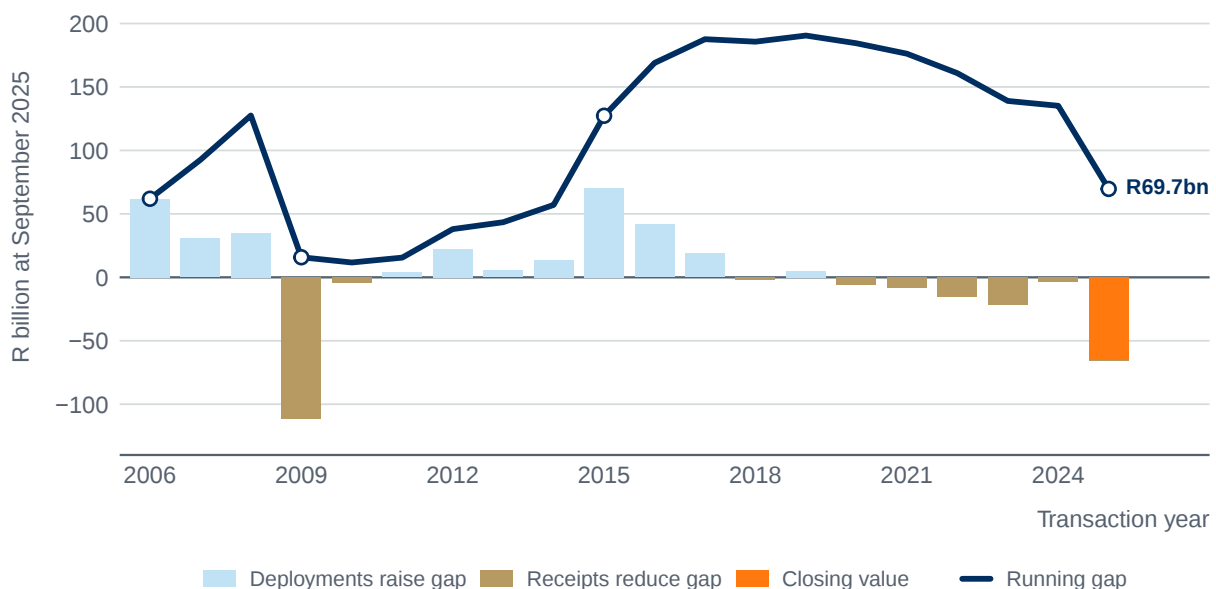


Figure 3. Cash-flow-date decomposition of the final ALBI gap

Note: Pale-blue bars show deployments that raise the final gap, gold bars show receipts that reduce it and the orange bar shows the 2025 closing-value adjustment. The navy line is the running gap. This is an additive attribution of the final shortfall, not a contemporaneous measure of portfolio performance or accounting impairment.

Source: Author's calculations from the PIC transaction annexure [1] and the ALBI price history [3].

The transaction-date view identifies large net deployment years, especially 2015 and 2016, and a large receipt year in 2009. It does not say that losses economically occurred in those years. The cumulative line is best read as a running attribution of the final gap using information known at the end of the

sample.

Limits of the family analysis

Related security codes must be grouped to avoid treating a refinancing, transfer or new tranche as an independent investment. The implemented family mapping consolidates identifiable AfriSam, MTN, Vodacom, Telkom, Capitec, Bayport, Belelani, VBS, Daybreak, African Bank, Independent Media, Lancaster, ETG, Concor, Smile, Allied, MOGS, Texton, RTT, Afrigroupe, the SA Housing Development Fund and SA Home Loans codes. Other securities remain separate unless their relationship is evident from the supplied labels.

Reconciliation with the PIC's official instrument master data would be needed to validate these analytical groupings. The largest estimates are driven primarily by well-identified families and may therefore be less sensitive to the mapping, while smaller rankings and the count of 177 nominal loss families remain sensitive to grouping.

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