



AFRICAN CAPITAL FLOWS

DE-RISKING AFRICA:
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FINTECH

THE SILENT DIGITAL
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IN AFRICA

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Head of Investment Solutions,
AfrAsia Bank, Mauritius

**“A Strategic
Window in a
Volatile World”**



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“The key is to create a portfolio capable of weathering the next crisis”

Beyond data and forecasts, today’s markets are shaped by the questions investors are asking. Artificial Intelligence, through its ability to analyse millions of prompts globally, captures these concerns in real time. It offers a collective snapshot of sentiment across geographies and investor profiles. We therefore turned to AI to distil the key questions currently driving investor attention. The prompt we submitted was as follows:

We are mid-April, geopolitical tensions between the United States, Israel and Iran remain elevated, with the Strait of Hormuz emerging as a critical pressure point for global energy markets. Regional instability persists, with ongoing strikes between Israel and Lebanon. According to BBC reporting, whether or not a ceasefire is reached, the reshaping of the Middle East is far from complete.

While recent ceasefire discussions and tentative peace talks have provided some support to investor sentiment, markets remain cautious amid persistent uncertainty.

On the macroeconomic front, China has lowered its annual growth target to its weakest level since 1991, now projected between 4.5% and 5%. At the same time, oil prices continue to exhibit significant volatility, reflecting geopolitical risks and supply concerns. Notably, traditional safe-haven assets such as gold have not provided the expected protection, highlighting the complexity of current market dynamics.

With this context in mind, and considering the concerns currently expressed by investors, whether young, experienced, retired or even industry specialists, we asked AI to generate the top ten FAQs based on questions commonly raised on AI platforms:

1. Should I move my investments to cash right now or would that risk missing potential market rebounds?

Many investors fear a rapid market correction during geopolitical crises and ask whether temporarily holding cash is the safest strategy.

Well, most of the time when an investor asks himself this question it is already too late. Security prices have already fallen and you are mid-way between a rebound or a further drop. The purpose here is to remain pragmatic. In essence, an investor will gen-

erally sell the less performing assets and keep the best performing ones. However, the pragmatic approach is to trim the performing ones to build up a cash position available to re-invest in the less performing assets of the portfolio at some stage. This works as long as the initial analysis of the underlying security has been thoroughly done. The traditional sentence “Cash is King” only applies when there are no other options on the markets as by default, cash money will depreciate over time. However, building a cash position in view of investment to average down other holdings, makes sense.

2. Which assets perform best during war or geopolitical conflicts?

Investors frequently ask whether assets such as gold, oil, defence stocks, or the US dollar historically outperform during periods of conflict.

While the defensive sector and gold would typically be expected to outperform in times of conflict, the opposite tends to happen. The reason behind this is that institutional actors like Investment Managers trim the performing position to build up a cash position in view of reinvestment at attractive levels. It is to be noted that Gold had nearly doubled in the 15 months preceding the conflict. That pushes investors to take advantage of the situation and build the cash position. However, the US Dollar is key in difficult times or during periods of uncertainty. Markets generally move through two phases: an initial “flight to quality”, where dollars flow back into US markets, followed by “flight to safety” during more acute stress. In both scenarios, the US Dollar tends to benefit.

3. What explains gold’s muted performance amid persistent global tensions?

Given the traditional role of gold as a safe haven, investors are questioning why it may not be responding as expected in current market conditions.

Gold prices had nearly doubled before the conflict, reaching roughly USD5,500. The main reason behind this was the sustained diversification of Central Banks worldwide in



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The most important approach is to stay pragmatic and systematic

favour of Gold. The sentiment was quite defiant against the US Dollar after the tariff's episode back in April 2025. This sentiment has not changed and the current environment reflects a temporary reversal, with the USD strengthening and gold prices moderating. This also explains why gold reserves, for the first time since 1996, exceed the US Treasury in reserve allocation. Another factor is the post-conflict impact on inflation, leading to the rebuilding of oil stocks. This has prompted markets to shift expectations towards higher FED rates rather than cuts. In such an environment, gold becomes less attractive as it offers no yield.

4. Is the current rise in oil price volatility temporary or structural?

As the Middle East is central to global energy supply, investors want to understand how prolonged instability could affect oil markets, inflation, and global growth.

Well, most of the risk is priced in. At this stage, oil prices jumped from USD70 to above USD110 within the first five weeks of the conflict, representing roughly a 50% increase. If we compare this to other oil-related crises, such as Iraq in 2003 and Ukraine in 2022, the price reaction was quite similar, with a 50% jump at the early stage followed by a period of elevated prices for a few months before globally refluxing back to more normal levels. Looking at the Ukraine invasion, while the conflict is still ongoing, the Brent reached around USD120 at the onset and traded as low as USD60 last year. This suggests that even when conflicts persist, the oil market tends to somehow normalise over time.

The general fear related to higher oil prices is the incidence of inflation. However, we are in a much better situation nowadays than in 2022 for instance. Back at that time, inflation was sitting above 7% in the U.S., and above 5% in the Eurozone. The direct and indirect consequences of the oil price jump was about 1 – 2 percentage points. If we apply the same to the current situation, then the overall inflation would be around 3.5-4%, which remains relatively manageable.

5. Does this conflict have the capability to trigger a global recession?

Many investors seek clarity on whether geopolitical shocks, combined with slowing

growth signals such as China lowering its growth target, could push the global economy into recession.

There is a possibility of a recession. It is clearly not the base scenario, but one of the potential outcomes. Some investment banks have raised their probability of a recession to 30%, which eventually means that there is a 70% chance of no recession. The world growth for 2026, before the conflict started, was expected to be 3.3%, with the U.S. cruising at a 2.5% pace, and recent business activity indicators still pointing to expansion. However, if the conflict lasts a few months, with potential escalation and turmoil in the delivery of energy, it might lead to a recession. If a recession were to happen, it would likely be driven by additional factors, including the looming risks in private debt markets.



Investing must be consistent with the investor's profile: time horizon, risk tolerance, liquidity needs, and life goals

6. Should I reduce my exposure to equities right now?

Investors commonly ask whether they should rebalance portfolios away from equities toward defensive sectors or lower-risk assets.

An investor will have an allocation to equities which is part of his higher risk bucket. This implies a longer time horizon for this asset class, as equities are inherently more volatile. As such, investors would generally sell equities for only two main reasons: either their investment time horizon has shortened (retirement, unexpected need of cash, etc) or a massive systemic risk is anticipated (dot com bubble, global financial crisis, etc). In most cases, however, it is preferable to remain invested and keep investing in selected assets. The most important approach is to stay pragmatic and systematic. There is no need to try to time the market. Many

studies have shown that missing just the 30 best days over the past 30 years would reduce annualised return from 8.4% p.a to 2.1% p.a. While there are always reasons to feel cautious about investments, it is often more effective to maintain investments and implement some hedging strategies (through options or inversely correlated assets according to market conditions).

7. What advice would you offer to an investor?

The role of an Investment team is to ensure that emotion does not override sound investment logic.

Economic cycles, whether driven by endogenous or exogenous factors, are normal. By the end of 2025, the markets had already begun to correct following a cycle of high valuations, particularly in the technology sector, with a shift toward more value-oriented sectors. The war in the Middle-East and tensions around the Strait of Hormuz accelerated the shifting by reviving potential stagflation: sluggish growth combined with higher inflation should oil prices remain high for an extended period, along with the prospect of higher interest rates for a longer period of time, to fight inflation.

However, when we look at recent history, again coming back to the invasion of Ukraine in 2022, oil prices surged sharply over a few months, and stock markets corrected, sometimes by as much as 20–25%. Once the shock was absorbed, markets eventually re-adjusted. Today, we are not in the midst of a widespread collapse, but rather in a phase of reassessment regarding geopolitical risk.

In short, the fears are understandable, but not a sufficient reason to exit the markets. For a well-diversified and properly positioned investor, the challenge is to navigate the cycle without missing out on the entry points that volatility always eventually creates.

8. Is this the start of a broader global conflict involving major powers?

More advanced investors are increasingly asking about tail-risk scenarios, including potential escalation involving global powers and the systemic impact on financial markets.

While the Middle-East conflict remains an immediate concern, investors should also closely monitor developments in the private



■ AfrAsia Investment Solutions Team

credit market. This sector has grown rapidly over the last 5 years and is now worth more than USD 2 trillion, attracting investors with the promise of higher returns. However, since the beginning of the year, some Fund Managers, including BlackRock, have limited redemptions due to concerns around the mispricing of underlying loan values. This reminds us of events witnessed in 2007 when Bear Stearns did the same with Hedge Funds, and that was the premise of the great financial crisis that spread over banks globally. That said, when compared to global listed equity and bond markets, the private credit market remains relatively small. In addition, banks are significantly better capitalised today than they were in 2008. However, this is an area that requires close monitoring, particularly regarding developments such as

fund restrictions or closures, in order to better assess potential tail risk scenarios.

9. What are the plausible paths forward for the situation in the Middle East?

Scenario 1: If tensions ease following ceasefire discussions, the assets that have been hit the hardest such as emerging market stocks (especially Asia), European equities, and high-quality cyclical sectors could stand out as compelling buys. Much of the risk is priced in and these segments would likely benefit from a progressive return to normalcy.

Scenario 2: A prolonged conflict could lead to the emergence of moderate inflation if oil lingers above \$100 for months. If we make a comparison with the Ukraine invasion and similar patterns in 2022, inflation will

pick up by just 1–2 percentage points, not a runaway spiral. Then, the investor should shift to defensive plays: US Dollar via cash and very short-term US government bills, energy stocks, gold, and short-maturity investment-grade bonds to hedge rate risks.

Scenario 3: In the event of a deep stalemate triggering a real recession, investors should prioritise capital preservation in case global confidence and activity crater. Long-term sovereign bonds (US Treasuries foremost) regain safe-haven status amid rate cuts; and gold anchors portfolios as the ultimate buffer against financial and geopolitical shocks. Volatility will offer opportunities in structured products: higher guaranteed coupons and robust protections with attractive strike prices.

As of today, inflation has eased to 2–3% ►



in major economies alongside oil's backwardation structure, tilting toward a blend of Scenarios 1 and 2. Markets may not have bottomed, yet these dips are opportunities for selective reallocation and position-building, not outright exits.

10. Why would Investment Managers perform better than personal investors?

There is no magic formula, but there are principles that have consistently proven their worth. The key is not so much to predict the next crisis as it is to build a portfolio capable of weathering it.

First principle: the memory of crises. Since the start of the century, every major shock, whether it was the 2008 financial crisis, the European debt crisis, COVID, or the invasion of Ukraine, has created opportunities for disciplined investors. In 2022, for example, “metaverse”-related stocks plummeted: Meta Platforms fell from around USD 400 at the end of 2021 to under USD100 in 2022, before

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These dips are opportunities for selective reallocation and position-building

rebounding to well above USD 500 today. Those who remained composed and relied on solid fundamental analysis were able to turn a sector-wide crash into a long-term gain.

Second principle: true diversification. The traditional 60/40 portfolio (60% stocks, 40% bonds) again showed its limitations in 2022, when stocks and bonds fell at the same time. This doesn't mean we should abandon this principle, but it just implies that it needs to be supplemented. True diversification would take the form of cash and very short-term investments to seize opportuni-

ties, real assets and commodities to hedge against inflation, and diverse currencies and geographic regions to avoid relying on a single driver as well as adequately designed structured products to enhance performance.

Third principle: discipline in execution. Instead of trying to perfectly time the market bottoming out, it is more effective to reinvest in stages, taking advantage of downturns to lower the average purchase price and gradually increase the number of quality stocks held. This is the principle of “dollar-cost averaging,” which works particularly well when the investor has identified solid companies in advance, with robust balance sheets and a sustainable competitive advantage.

Finally, the most important point is consistency with the investor's profile: time horizon, risk tolerance, liquidity needs, and life goals. At AfrAsia Bank, our expertise in Investment Management consists precisely of translating these macro principles into concrete asset allocations, tailored to each client, so that crises shape up as opportunities.