BEE.conomics

Transformation in South African asset management

Annual Survey **SEPTEMBER 2016**

27four
INVESTMENT MANAGERS

HARVESTING IN ABUNDANCE

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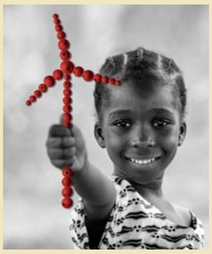
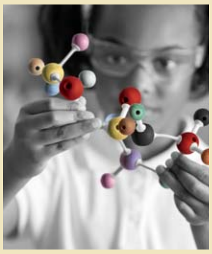

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Number of black asset managers

193%
Growth in the number of black asset managers since 2009

14
Number of firms greater than **10 years old**

Number of firms less than **five years old**
20

Aluwani Capital Partners
Largest new entrant at **R68.6 Billion**

R408.3 Billion
Total industry assets managed by black asset managers

Total size of South African investment and savings
R8.9 Trillion

4.6%
Managed by black firms

10
Firms manage **88%** of the industry's assets

26%
Percentage of total assets managed by **1 firm**

Mazi Asset Management
Grew assets the most since 2015

Gauteng
Remains the dominant location for black firms for the third year in a row
+ 157% Gauteng AuM increase
- 3.6% Cape Town AuM decrease

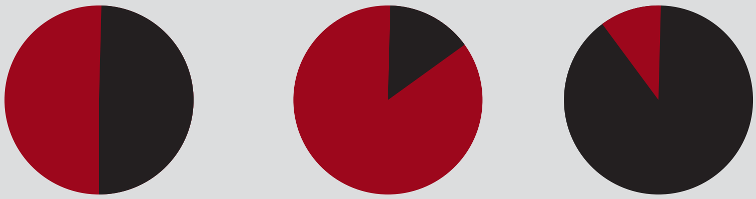
50%
Increase in money market assets since 2015

4.5%
Decline in active equity assets since 2015

379%
Increase in fixed income assets since 2015

78%
Increase in multi-asset class assets since 2015

<1%
Total industry assets managed globally



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Number of institutional clients serviced by **80%** of firms

51%

Firms with **5 or fewer clients** making up over **80%** of their AuM

80%

Industry assets managed on a **segregated** basis

15%

Total amount of **retail assets** under management

8

Number of co-naming CIS Mancos

Africa Collective Investments

Only black owned, managed and controlled co-naming CIS Manco

18

Firms offering unit trusts

Fixed fees

The most widely implemented fee structure

109

New **jobs created** in the industry over the past 12 months

54%

Of firms are **profitable**

17

Number of firms that have between 80 and 100% **employee ownership**

50%

Of firms spend more than **60%** of their procurement spend on black enterprises

59%

Of firms contributed to the fiscus through **paying tax** at their last financial year-end

7.5%

Of firms feel that they have very good brand visibility within the industry

12%

Of firms have **global institutional investors** among their client base

10

Number of firms that are **signatories** to the UN Principles for Responsible Investment

68%

Of firms subscribe to **CRISA**

63%

Of firms have a **proxy voting policy** in place

51%
Of firms are willing to make their **voting decisions public**

68%
Of firms have had **less than 5** company engagements in the last year

12%
Of firms manage **ESG** specific mandates

83%
Of firms use an **external** compliance officer

78%
Of employees invest in their own firms products

58%
Of firms outsource their **Regulation 28** look through reporting to external service providers

83%
Of firms use an **external** and independent fund administrator

68%
Of firms do not have their **GIPS compliance** verified by a 3rd-party

10%
Of firms do not hold any **insurance cover**

63%
Of firms believe that they have **benefitted** from social media campaigns

30%
Of firms have a **budget** for social media

Black ownership
Increased over the last year reversing the trend of the past two years

Males
Continue to **dominate** employee headcount

Black female
Representation on boards remains poor

5 YEARS

68
Number of black portfolio managers with more than **5 years of experience** in money management

466
Number of people **employed** by the industry

68%
Of firms hold a Level 1 or 2 **B-BBEE rating**

ENDORSEMENT

by the CEO of the Black Business Council, Mr Mohale Ralebitso

The Black Business Council attaches a high level of importance to surveys such as the Transformation in SA Asset Management Survey, as it serves to create awareness and provides an evidence-based context within which to debate the all-important and now ultra-urgent issue of transformation.

It is important to tackle the myths and excuses for the appallingly slow pace of transformation and a clear examination of the facts is an important enabler for driving change and removing artificial barriers to lasting change. As long as myths persist, transformation becomes difficult as resistance levels remain high. This makes for even slower transformation when added to the natural anxiety around change in societies. The financial sector is no different as the "science" is applied by humans who are, at the best of times, not solely rational but emotional beings - some with vested interest in maintaining the status quo.

The survey unquestionably adds value to the constituency in terms of progressing our case for a more inclusive South Africa - one that's better poised to play its part on the African continent. The value of the survey add is both huge and urgent as we need to accelerate change and use every available means to progress in a positive manner. A more inclusive South Africa cannot be held hostage to myths and ignorance and we'll be better served by debunking myths and growing informed dialogue amongst all stakeholders - that, and the odd bit of legislation. Legislation alone will, however, not deliver change.

Dialogue and information sharing will deliver more sustainable change and avert roll-backs in a context where enforcement remains weak and paradigms fixed. There are largely no consequences for players that have failed to transform or who have done so in a skewed manner, thus reducing compliance to a mechanical exercise, often with high levels of obfuscation in particular with regard to ownership and control structures in the financial sector. This is largely a function of a lack of buy-in and belief that there can be transformation and performance - with the latter an enabler, rather than a hindrance, to performance.

With the Transformation in SA Asset Management Survey we can positively shape change and make it last, and more purposefully deal with the remaining barriers.

The BBC remains hopeful that transformation will become a way of life in South Africa and that a normalcy will be achieved wherein the majority populations of the country have the same ability to participate in and drive economic value add, and with that, see more energy channelled to innovation rather than overcoming value destructive barriers.

The South African asset management industry has an important role to play in mobilising the finite capital in our system to better catalyse growth and thereby making South Africa attractive to much needed foreign capital.

This important transformative role can only be played fully once the sector itself is fully transformed with some urgency, for we dare not waste the opportunity to put paid to the broken promise of prosperity for all - and not for some - at the expense of the majority.

Likewise, we dare not let the opportunity to create value go begging whereas value and social impact can be converged and the spectre of revolution and broken dreams averted as we transform to perform.

INTRODUCTION

2016 marks our 8th year of publication. Each year provides a real opportunity to tangibly measure if vision, tenacity and policy are translating into meaningful impact. Equally important, our analysis allows us to identify trends and reflect seriously on the current themes driving industry behaviour. One such theme identified this year is the weak implementation of B-BBEE investment policy by asset owners. We have responded through the provision of a step by step guide to assist asset owners in coming up with a robust policy and how to successfully implement such a policy. The statistical outcomes presented here, coupled with our thematic research provide real guidance to empower asset owner decision making, provoke industry-wide discussion and help in driving national policy.

Over the years we have received overwhelming input from survey participants, asset owners, intermediaries, industry organisations, labour, government and the general public. These are often in the form of suggestions and comments, as well as criticism. We consider this step in the production phase to be most valuable as we place considerable emphasis on the open exchange of information and the scrutiny the survey is subjected to. As an example, the most common question asked by many non-participants of late, is why big business (who are making positive strides in transformation) do not participate in the survey. We have responded this year by including a discussion piece on this very topic. Each suggestion is carefully considered based on its merit and relevance. This is evidenced by the many visible improvements made to the survey over the years. Also evident is the evolving nature of the survey in response to a dynamically changing environment; one of the reasons why we included a section on social media this year.

What you will discover?

The survey provides the most comprehensive review of the industry, covers a wide range of subjects, includes expert commentary, key trends from recent years, historical statistics, league tables and results. The study offers exclusive insight into the latest developments affecting the industry. Our meticulous checks and balances ensure reliability and provide credibility and integrity to our findings. We urge that readers carefully analyse and contextualise our findings and apply sense and judgement when making reference to our results.

What is the purpose of the survey?

The survey is designed to meet a number of objectives:

- To provide unrivalled data and intelligence to measure the pace of transformation in South African asset management.
- Provide asset owners with up to date, comprehensive coverage to empower them to:
  - Design their B-BBEE investment policies.
  - Better understand where their areas of impact should be.
  - Get insight into areas of growth and areas of decline.
  - Make asset class and manager selection decisions.
  - Gain access to new entrants.
  - Monitor the economic impact of their individual efforts on the overall industry.
- Encourage industry-wide debate and discussion.
- Showcase new industry entrants.
- Drive national policy discussions.
- Monitor black industrialisation within the sector.

Criteria for participation

An invitation was extended to fund managers that meet the following minimum criteria:

a) minimum of 50% black ownership with accompanying voting rights and

b) minimum of 50% black representation at board level and

c) minimum of 50% black individuals in senior fund management positions where “black” is defined as per the dti Codes of Good Practice.

Where managers no longer meet any of the above criteria they will exit the survey. The universe of managers invited included conventional long-only managers (across all asset classes), hedge fund managers and private equity managers. There are managers who decline to participate.

Methodology used to present our findings

- Investment managers are invited to complete a questionnaire.
- The information provided is then collated and presented in a format that can be easily used by decision makers to guide policy making.
- Outcomes are presented per category. Participating firm profiles are provided in the last section of this report.
- Participation in the survey is entirely voluntary.

All the information presented in this survey is as at 30 June 2016.

What’s new this year?

The inclusion of two new sections:

1. ‘Black Industrialisation’. Evaluating the impact of the asset management industry on the overall South African economy.

2. ‘Social Media’. How are asset managers adapting to the use of this medium to grow their distribution.

Industry representatives speak their mind

- Black Business Council (BBC) CEO endorsement. The Black Business Council is the overarching collective of national organisations representing professional and business formations. The Association of Black Securities and Investment Professionals (ABSIP) is an affiliate of the BBC.
- An interview with the CEO of the Financial Sector Charter Council. Here we explore the role of the Financial Sector Code, its impact and the new Revised Financial Sector Code including the Voluntary Dispensation by the top 100 retirement funds.

What you should look out for?

We present 3 discussion pieces that we have identified as themes that characterise the current environment:

1. ‘What big business doesn’t get.’ We specifically deal with the issue surrounding B-BBEE ratings.

2. ‘For asset owners it all comes down to policy.’ We provide a step by step guide to assist asset owners in the drafting and implementation of their B-BBEE investment policies.

3. ‘What drives alpha and its consistency?’ We take a closer look at performance and how investment philosophy can impact the performance signatures of managers.

History of the survey

2009
Maiden survey launched.

2010
Increase in manager participation.

2011
Enhanced questionnaire.

2012
Introduce comparison to total industry size.

2013
Listing of Top 10 firms by AUM.

2014
Fund performance introduced.

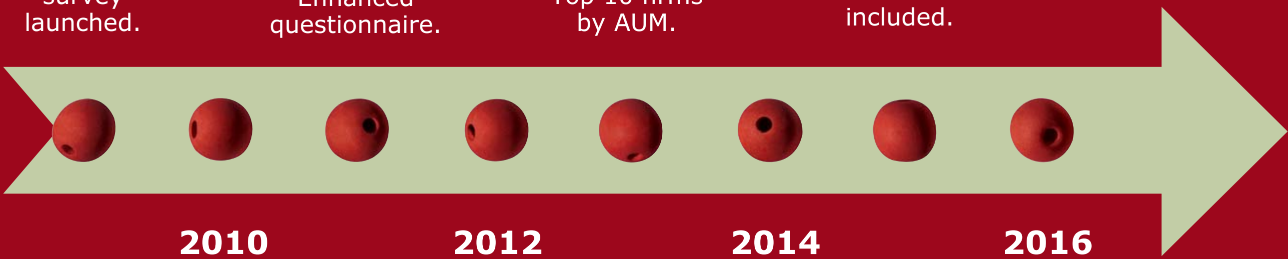
2015
Thematic research introduced.

Manager adverts and industry body endorsement included.

2016
Black Industrialisation and Social Media sections included.

Interview with the FSCC.

Endorsement by the BBC.



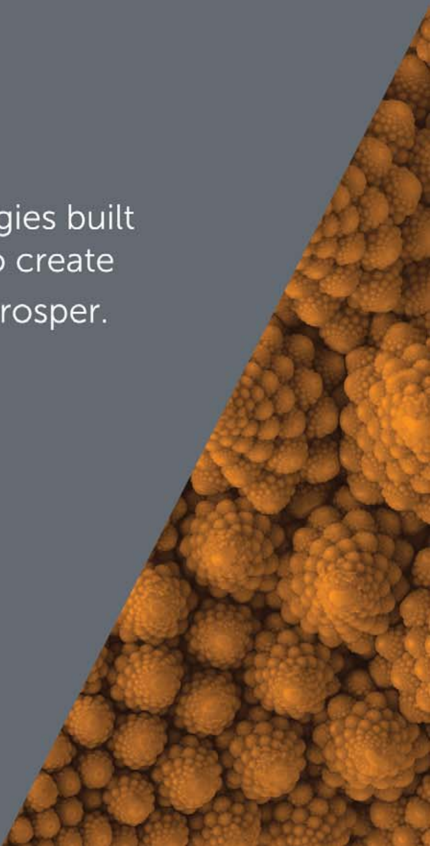
Conclusion

This survey is a constant reminder that there is still much work to be done. As a nation we have reached consensus that inequality is a sin that we must now overcome. If Thomas Piketty's grand narrative of capital in the 21st century is correct, then we as the custodians of the financial sector have an enormous duty. If we assume for now that Thomas Piketty is correct and that r > g (that wealth accumulated in the past grows more rapidly than output and wages if all else remains constant), then the big question "what is to be done?" becomes critical to all of us. Answering this question came easily to our team. Black asset managers have, through the years, demonstrated that commitment, technical skills, determination, knowledge and hard-work can influence productivity and more significantly that meritocracy fosters genuine development. So we salute all our participants.

To asset owners we challenge you not to allow us to regress to the gilded age and ask you to exercise your influence.

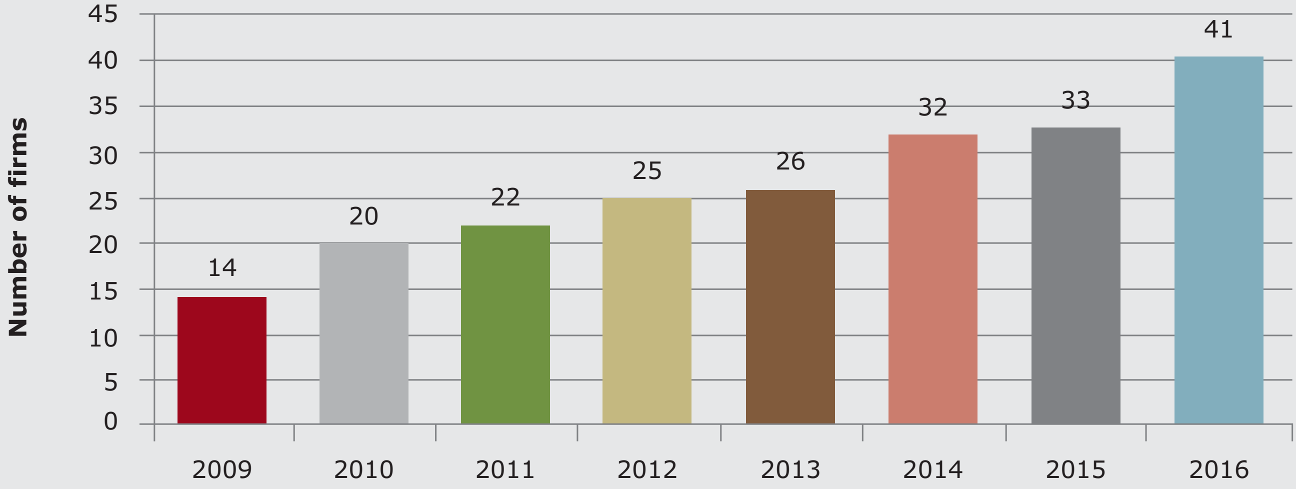
To our readers, we trust that you will find this year's publication as insightful as previous ones and look forward to our continued engagement. Your input is most welcome.

To the Transformation Policy and branding teams at 27four, your exceptionalism far outweighs your modesty.



PARTICIPATION STATISTICS

a. Number of participating firms



Once again the past year has seen the industry evolve and the number of participants in the 2016 survey has increased to 41 from 33. This is the biggest increase in participation that we have seen over the life of the survey. Not all of the 9 new survey participants are new entrants to the industry. We have however seen a significant increase in new firms with 5 firms being less than a year old. From its inception in 2009, the BEE.conomics survey has become the leading source of information on transformation within the asset management industry. Asset managers who previously declined to be included have now decided to participate.

Participated in 2015 and not in 2016

African Century Ventures

New additions in 2016

Acanthin

Aluwani Capital Partners

Effectus Capital Management

Excelsia Capital

Heritage Capital

Independent Alternatives Investment Managers

JM Busha Asset Managers

Lunar Capital

Regiments Fund Managers

Whilst the industry appears to be reaching saturation this has not held back black entrepreneurs from establishing new firms. Following a sustained bull market, it would appear that many more investment professionals have managed to build up or source sufficient capital to venture out on their own. Since the inception of the survey we have seen a 193% growth in the number of firms coming to market.

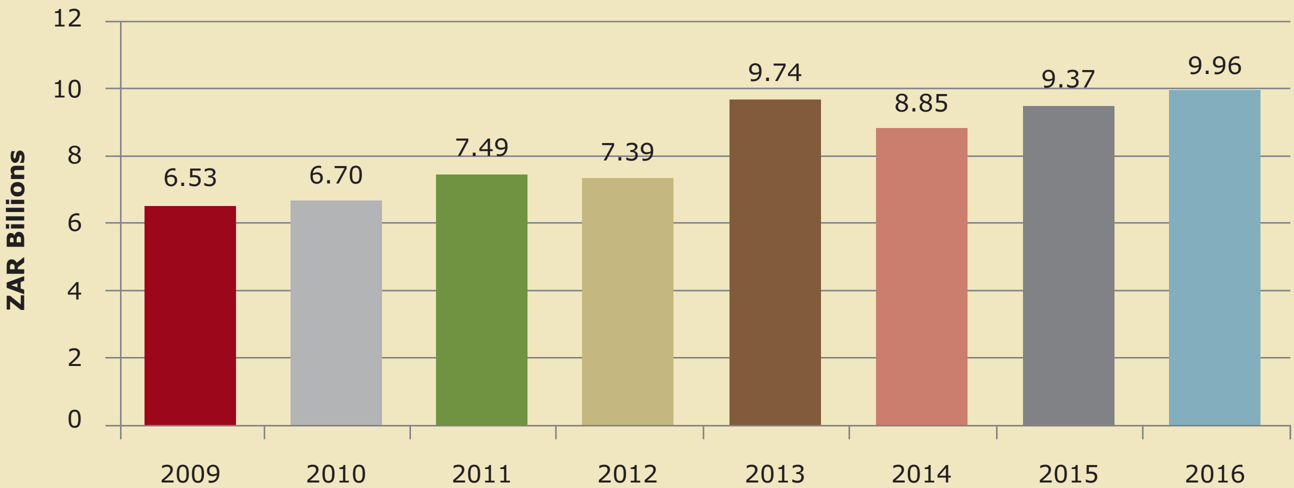
b. Participating firms

	Fund Manager	Years in Operation	Assets Under Management (ZAR Millions)	Percentage of Total
1	Pan-African Asset Management	20.01	3 168.43	0.78%
2	Vunani Fund Managers	16.95	15 254.22	3.74%
3	Taquanta Asset Managers	16.76	105 609.02	25.86%
4	Maestro Investment Management	15.63	1 158.79	0.28%
5	Kagiso Asset Management	14.59	42 505.13	10.41%
6	Mergence Investment Managers	11.92	21 178.46	5.19%
7	JM Busha Asset Managers	11.76	4 776.66	1.17%
8	Argon Asset Management	11.25	29 223.00	7.16%
9	Regiments Fund Managers	11.15	11 300.00	2.77%
10	Makalani Management Company	11.13	0.00	0.00%
11	Meago Asset Managers	10.75	10 528.82	2.58%
12	Afena Capital	10.67	4 593.38	1.12%
13	Aeon Investment Management	10.59	2 812.43	0.69%
14	Mazi Asset Management	10.09	39 495.60	9.67%
15	Sentio Capital Management	8.84	7 656.00	1.88%
16	All Weather Capital	8.17	1 155.71	0.28%
17	Prowess Investment Managers	7.58	1 270.00	0.31%
18	Balondolozi Investment Services	6.22	2 847.00	0.70%
19	Mvunonala Asset Managers	6.04	6 741.24	1.65%
20	Mianzo Asset Management	5.92	3 020.03	0.74%
21	Sesfikile Capital	5.58	15 717.91	3.85%
22	Cachalia Capital	4.90	900.00	0.22%
23	Ata Capital	4.41	780.00	0.19%
24	Perpetua Investment Managers	4.25	5 418.84	1.33%
25	MSM Property Fund	3.96	27.50	0.01%
26	Bopa Moruo Private Equity	3.61	300.00	0.07%
27	Benguela Global Fund Managers	3.36	411.00	0.10%
28	Maru Asset Managers	3.08	75.00	0.02%
29	Seriti Asset Management	3.08	0.00	0.00%
30	Legacy Africa Fund Managers	2.88	1 335.44	0.33%
31	Satori Investment Management	2.81	131.05	0.03%
32	Prescient Property Investment Management	2.42	3.64	0.00%
33	Mavuso Capital	2.08	0.25	0.00%
34	Lodestar Fund Managers	1.49	0.00	0.00%
35	Heritage Capital	1.42	0.00	0.00%
36	Lunar Capital	1.41	51.22	0.01%
37	Independent Alternatives Investment Managers	0.91	17.01	0.00%
38	Effectus Capital Management	0.89	10.60	0.00%
39	Acanthin	0.83	286.00	0.07%
40	Aluwani Capital Partners	0.58	68 552.85	16.79%
41	Excelsia Capital	0.16	2.40	0.00%
	Total		**408 314.63**	**100.00%**

The big change this year has been the establishment and inclusion of Aluwani Capital Partners. Having launched out of the Momentum stable, they come to the industry with an established asset base. This has increased the overall size of the industry as their current assets under management is almost 17% of the total and places them as the second biggest asset manager in this group.

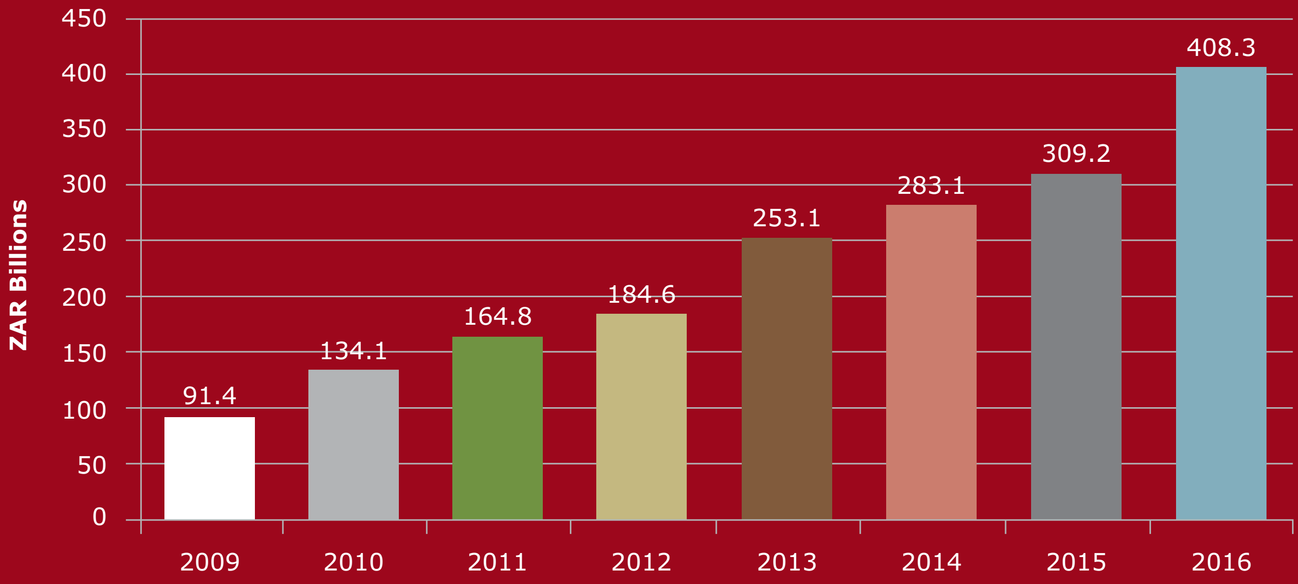
We have also seen an increase in the diversity of skills with 3 new hedge fund managers coming to market. Interestingly 8 of the new entrants already have assets under management, whereas there are 4 incumbents that do not have any assets under management.

c. Average assets under management (AUM) per firm



Average assets under management is slightly less than R10 billion and have grown by just more than 6% given the large injection of assets brought by Aluwani Capital Partners. Half of the firms are less than 5 years old and it can be expected that it will take time to gather assets but there is also little correlation between asset size and time in the industry with 6 out of the 14 firms that are older than 10 years, still having less than R5 billion in assets under management.

d. Total industry assets managed by black owned firms



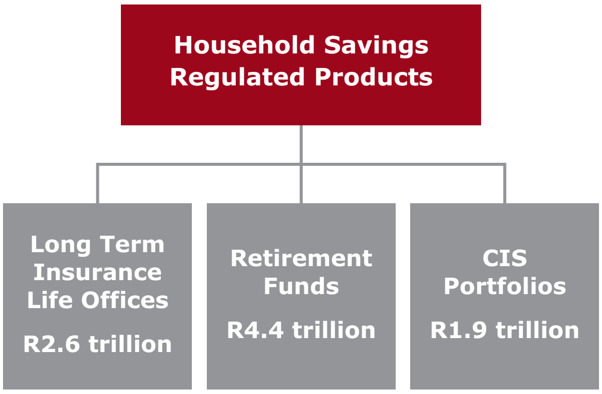
The industry experienced strong growth with an increase in total assets of R99 billion or 32% of which R68.6 billion can be attributed to the inclusion of Aluwani Capital Partners. This was well in excess of market growth as the equity market delivered anaemic growth over the last 12 months and the majority of mandates are clustered here. The last year's growth is attributable to both new entrants and the growth in assets of existing firms. Since the inception of BEE.conomics this represents industry growth of almost 350%.

It is important to take note of the following:

- Participation in the survey is entirely voluntary and there may be existing black asset managers that meet our criteria for participation but have chosen not to participate as the institutional investor may not be their target client base.
- The survey presents an accurate reflection of black representation.

Size of the overall savings and investments industry in South Africa

According to the Association for Savings and Investment South Africa (ASISA) the total size of the regulated savings pool in South Africa is R8.9 trillion:



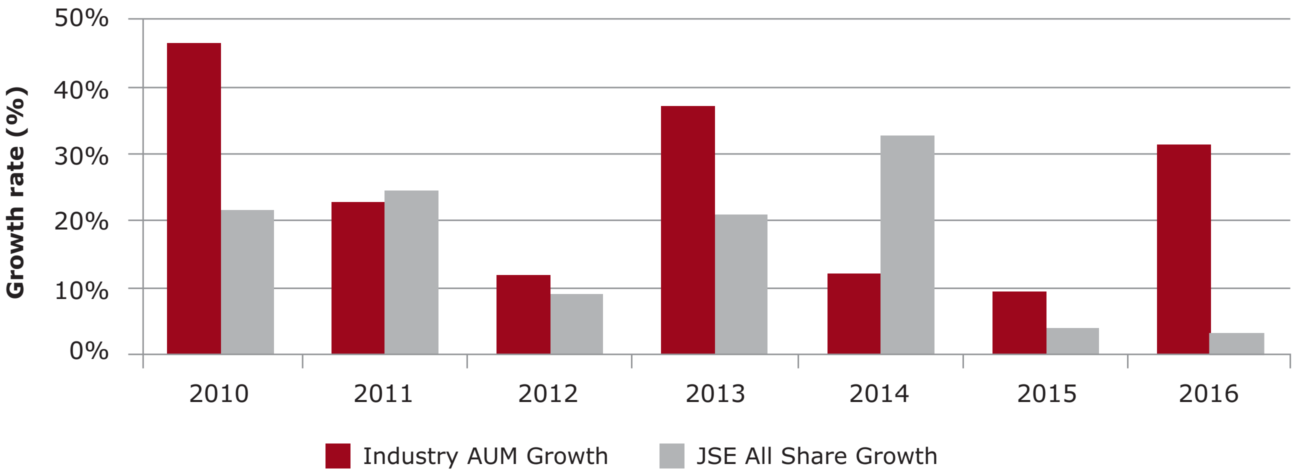
Source: ASISA, July 2016

Given a total industry size of R8.9 trillion there has scarcely been any increase in the market share of black asset managers who now manage 4.6% of the overall South African savings and investment industry compared to 4.4% a year ago. It is important to take note of the following when evaluating the overall size of the industry:

- A number of the larger retirement funds manage assets internally (such as the Public Investment Corporation) which is included in the total value.
- A portion of CIS assets can be attributable to retirement funds.
- Retirement funds utilise the services of non-South African asset managers for the management of their global exposure.

Big business in South Africa then manage the remainder of the assets. There are a number of big asset managers who do not meet our B-BBEE criteria that comfortably manage in excess of R408.3 billion as individual entities. Regardless of how you interpret the numbers, this result is not comforting and calls for urgent dialogue between all stakeholders to adopt a cohesive approach on how best to accelerate the pace of transformation in this industry.

e. Growth of industry relative to the JSE All Share Index



12-month growth to the end of June 2016 was much quicker for the industry at 32% than it was for the JSE at a meagre 3.8%. This indicates organic growth within the industry and that the increase in asset size is not just attributable to rising markets. The inclusion of Aluwani Capital Partners in this year's survey has had a large impact on assets under management as they have entered the industry with an already established book. We have also seen other managers enjoy significant inflows as subdued returns from equity markets have placed pressure on managers to grow their businesses and revenues through inflows.

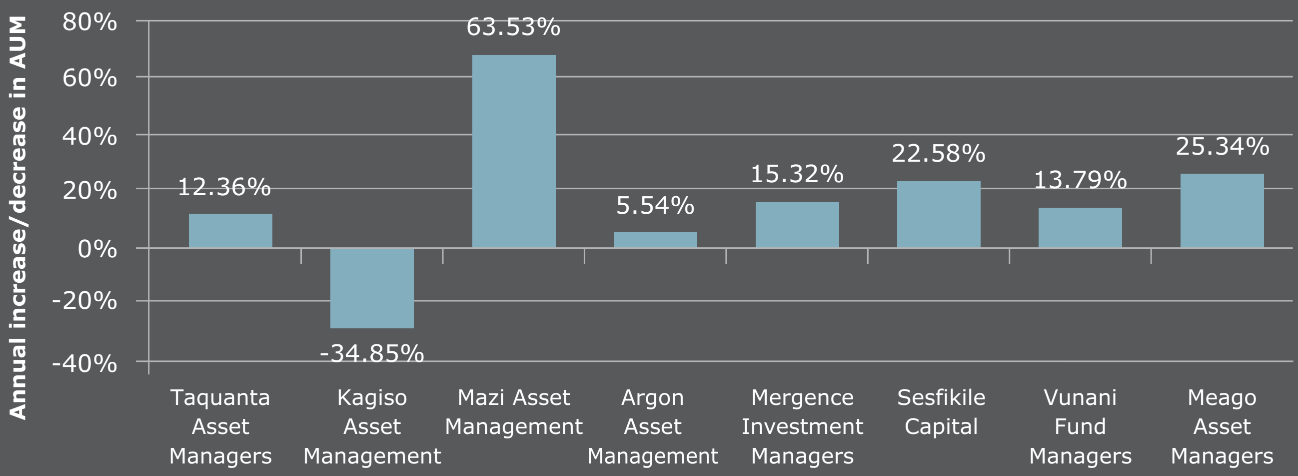
f. Top ten firms by AUM

Rank 2016 (2015) (2014)	Fund Manager	Years in Operation	AUM (ZAR Millions)	% of Total
1 (1) (1)	Taquanta Asset Managers	16.76	R105 609	25.86%
2 (*) (*)	Aluwani Capital Partners	0.58	R68 553	16.79%
3 (2) (2)	Kagiso Asset Management	14.59	R42 505	10.41%
4 (4) (4)	Mazi Asset Management	10.09	R39 496	9.67%
5 (3) (5)	Argon Asset Management	11.25	R29 223	7.16%
6 (5) (6)	Mergence Investment Managers	11.92	R21 178	5.19%
7 (7) (10)	Sesfikile Capital	5.58	R15 718	3.85%
8 (6) (7)	Vunani Fund Managers	16.95	R15 254	3.74%
9 (*) (*)	Regiments Fund Managers	11.15	R11 300	2.77%
10 (9) (9)	Meago Asset Managers	10.75	R10 529	2.58%
Total			**R359 365**	**88.01%**

**Indicates new entrants to the survey*

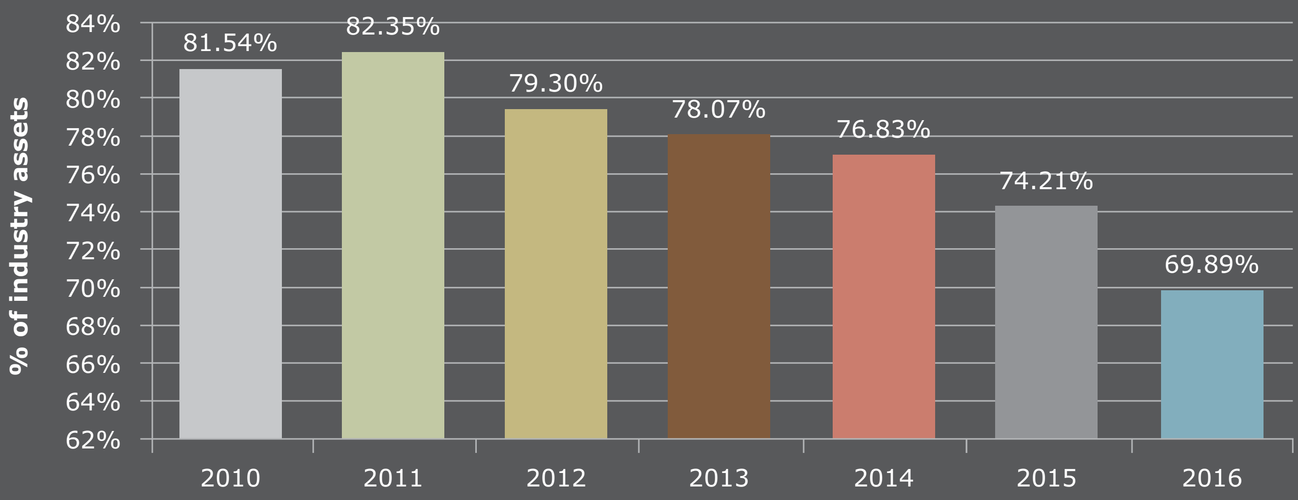
The top 10 managers by size still control the majority of assets in the industry (88%). Aluwani Capital Partners has entered the table in second position and this has created movement in the top 10. We also saw Regiments Fund Managers electing to participate in the survey this year which has meant further changes to the top 10. Afena Capital have fallen out of the top 10 as their assets under management has shrunk and Mvunonala Asset Managers have dropped out as they have not grown their assets enough to compete with the new entrants.

Only 2 of the top 10 managers have been in business for less than 10 years and Taquanta Asset Managers still dominates the group.



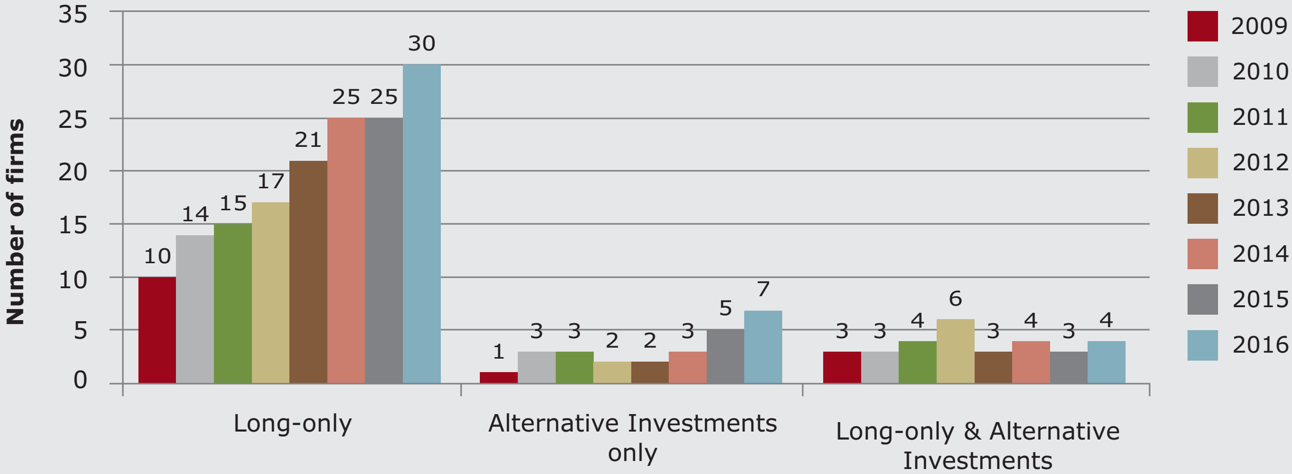
Mazi Asset Management grew their assets the most over the last 12 months with a recorded 64% growth. This is well in excess of the next fastest growers, Sesfikile Capital and Meago Asset Managers (both listed property managers) who grew at 23% and 25% respectively. Kagiso Asset Management was the only firm in the top 10 who experienced contraction in their business. Despite equity returns in the market being positive Kagiso Asset Management lost mandates and their business declined by 35%. As a value manager they have suffered from poor relative performance as the value cycle has been out of favour.

g. Top five firms AUM as a percentage of industry assets



The concentration of assets amongst the top 5 firms continues to decline which is satisfying to see. This is indicative of assets being spread out to more managers. As the smaller and newer managers continue to attract assets through consistent performance, and as they build their credibility, we should expect to see this number decline further.

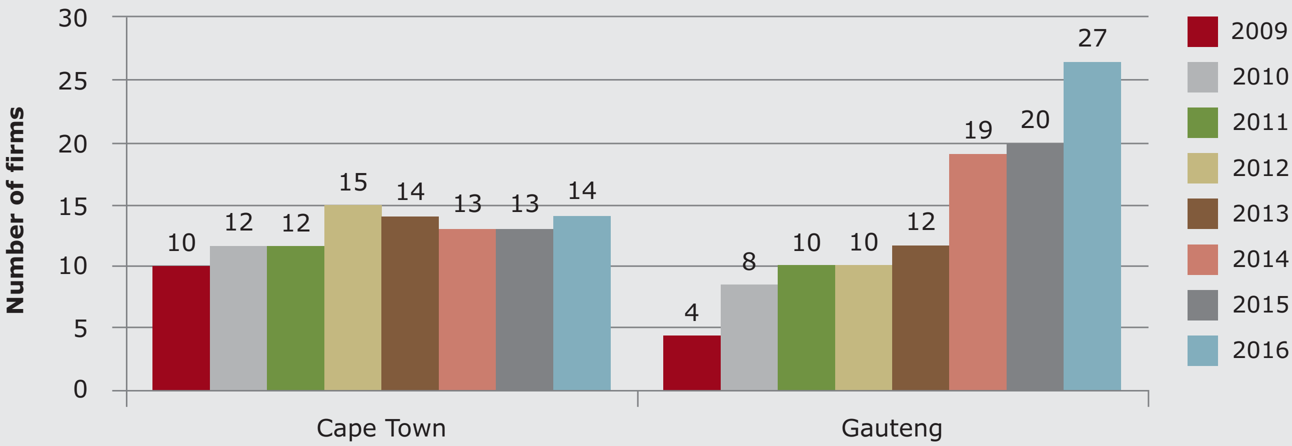
h. Participation by investment strategy



Despite the proliferation and concentration of products in this area, conventional long-only mandates have experienced the greatest increase over the last year. We have seen limited flows into hedge funds and this has made it a risky area for new businesses, especially given the cost of compliance in this sector. Most firms have preferred to compete for mandates that already exist in the long-only space as opposed to competing for new asset flows in alternatives. Also, it has become more difficult in recent times to justify the higher fees in alternatives given that performance has been largely sub-par. If we begin to see lower returns from long-only, this may well change if performance justifies it.

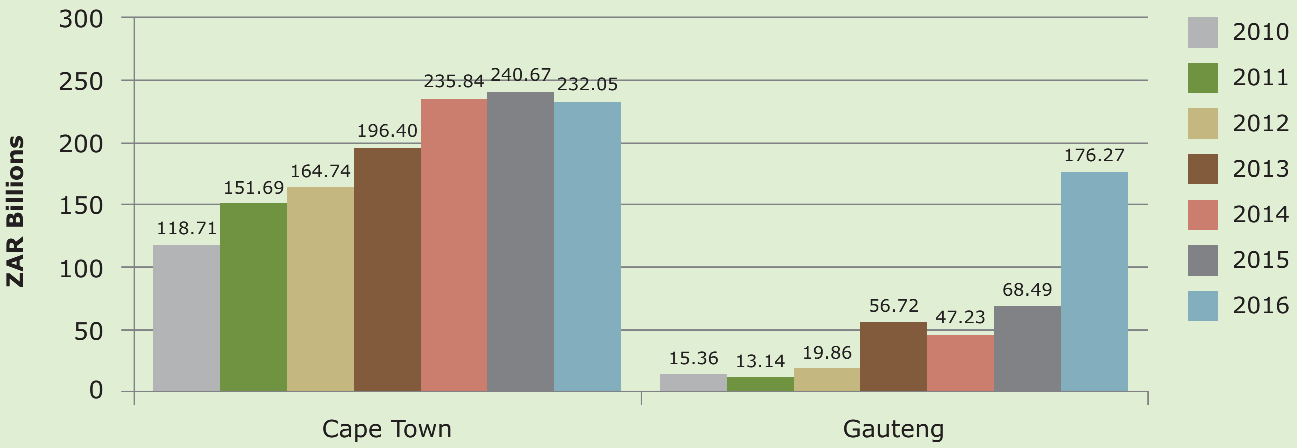
**Alternative investments include both hedge funds and private equity*

i. Participation by province



Cape Town has really stagnated in terms of attracting new asset management firms as the number of firms in Cape Town only increased by one in 2016. Gauteng continues to be the province of choice for black asset managers with almost twice as many firms now located in Gauteng compared to Cape Town. Proximity to the client base and a lower cost of living continue to give Gauteng the edge. Gauteng is also where the majority of black managers prefer to live. It is interesting to note that no new managers have elected to open businesses in any of the other major cities in South Africa and that the choice remains between Cape Town as the historical centre for asset management and Gauteng as the centre for the biggest client base.

j. AUM split by province



With the inclusion of Regiments Fund Managers and Aluwani Capital Partners in the survey who both have significant amounts of assets under management, coupled with the growth of Mazi Asset Management, Sesfikile Capital and Meago Asset Managers (who are all based in Johannesburg) and taking into account the decline in Afena Capital (who is based in Cape Town), assets under management in Gauteng escalated by a staggering 157% over the last year. Being home to the larger more established managers, Cape Town still has R55.78 billion more in assets under management but this has declined by 3.6% in 2016.

INVESTMENT MANDATES

Mandates managed by the managers fit within the following thirteen product categories:

1. South Africa Active Equity (a)
2. South Africa Passive/Index Equity (b)
3. South Africa Active Fixed Income (c)
4. South Africa Passive/Index Fixed Income (d)
5. South Africa Money Market (e)
6. South Africa Listed Property (f)
7. Shari'ah (Equity and Balanced) (g)
8. South Africa SRI (all) (h)
9. South Africa Hedge Funds (i)
10. Multi-Asset Class (Absolute Return and Balanced) (j)
11. Offshore (k)
12. Private Equity (all) (l)
13. Africa Listed Equity (m)
14. Other (n)

a. Firms managing multiple investment mandates

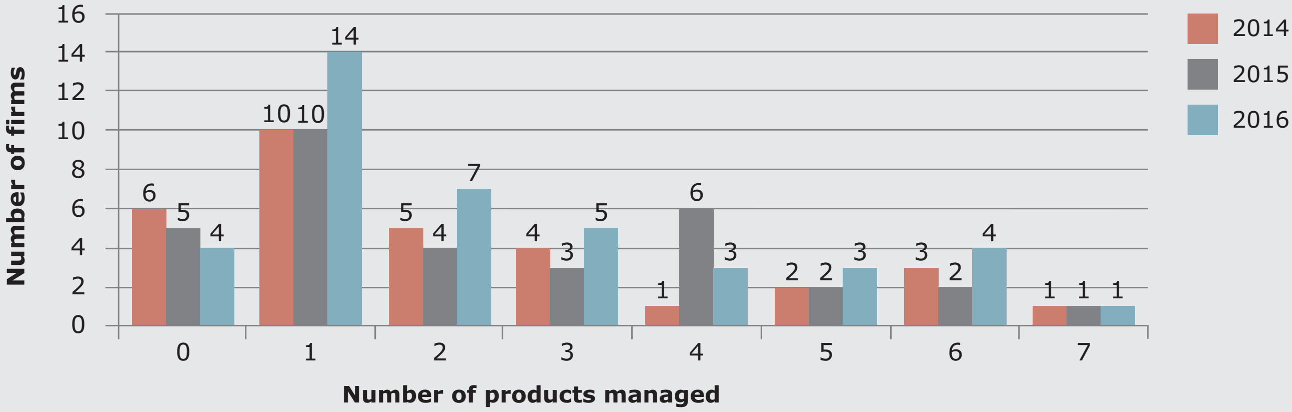
Fund Manager	Total number of products managed	Products managed
Acanthin	1	i
Aeon Investment Management	3	a,b,j
Afena Capital	2	a,j
All Weather Capital	3	a,f,i
Aluwani Capital Partners	6	a,c,e,j,m,n
Argon Asset Management	4	a,c,e,j
Ata Capital	1	l
Balondolozi Investment Services	6	a,b,c,d,e,j
Benguela Global Fund Managers	1	a
Bopa Moruo Private Equity	1	l
Cachalia Capital	1	a
Effectus Capital Management	1	i
Excelsia Capital	1	a
Heritage Capital	0	
Independent Alternatives Investment Managers	1	i
JM Busha Asset Managers	5	a,c,e,h,j
Kagiso Asset Management	6	a,b,c,e,g,j
Legacy Africa Fund Managers	2	a,m
Lodestar Fund Managers	0	
Lunar Capital	1	j
Maestro Investment Management	3	a,j,k
Makalani Management Company	0	
Maru Asset Managers	1	b
Mavuso Capital	2	a,b
Mazi Asset Management	6	a,e,f,i,j,m
Meago Asset Managers	1	f
Mergence Investment Managers	3	a,j,n
Mianzo Asset Management	3	a,b,j
MSM Property Fund	2	a,f
Mvunonala Asset Managers	4	a,c,e,j
Pan-African Asset Management	5	a,c,e,j,n
Perpetua Investment Managers	2	a,j
Prescient Property Investment Management	1	f
Prowess Investment Managers	2	c,h
Regiments Fund Managers	1	c
Satori Investment Management	1	k
Sentio Capital Management	4	a,g,i,j
Seriti Asset Management	0	
Sesfikile Capital	2	f,k
Taquanta Asset Managers	5	a,c,d,e,j
Vunani Fund Managers	7	a,b,c,f,j,k,n
Total	**101**	

Aluwani Capital Partners have introduced sizeable assets into asset classes and strategies other than South African equity, but by and large this asset class maintains its dominant positioning within the industry. We have seen growth in fixed income strategies especially money market. Listed property continues to grow steadily reflecting that asset owners treat listed property as a separate asset class and on average hold around 6% of this asset class in a balanced Regulation 28 compliant portfolio.

Despite the industry being under scrutiny for poor performance, this year has also seen an increase in hedge fund capabilities, albeit the asset size here is small.

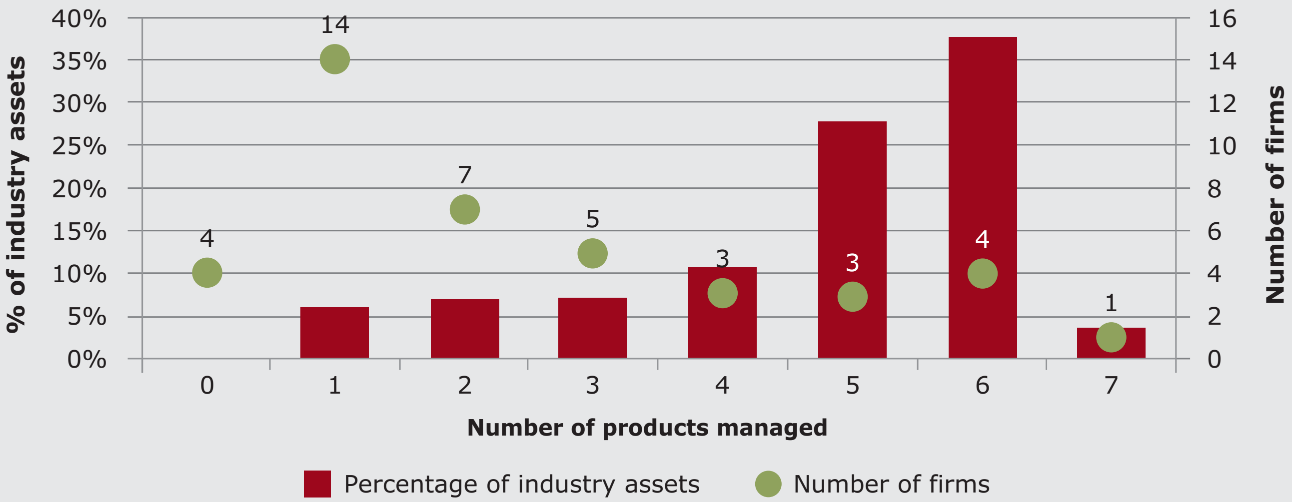
The narrative remains that most managers prefer to compete in strategies and asset classes that have performed well historically as opposed to identifying new opportunities for future success.

b. Number of products managed by the firms



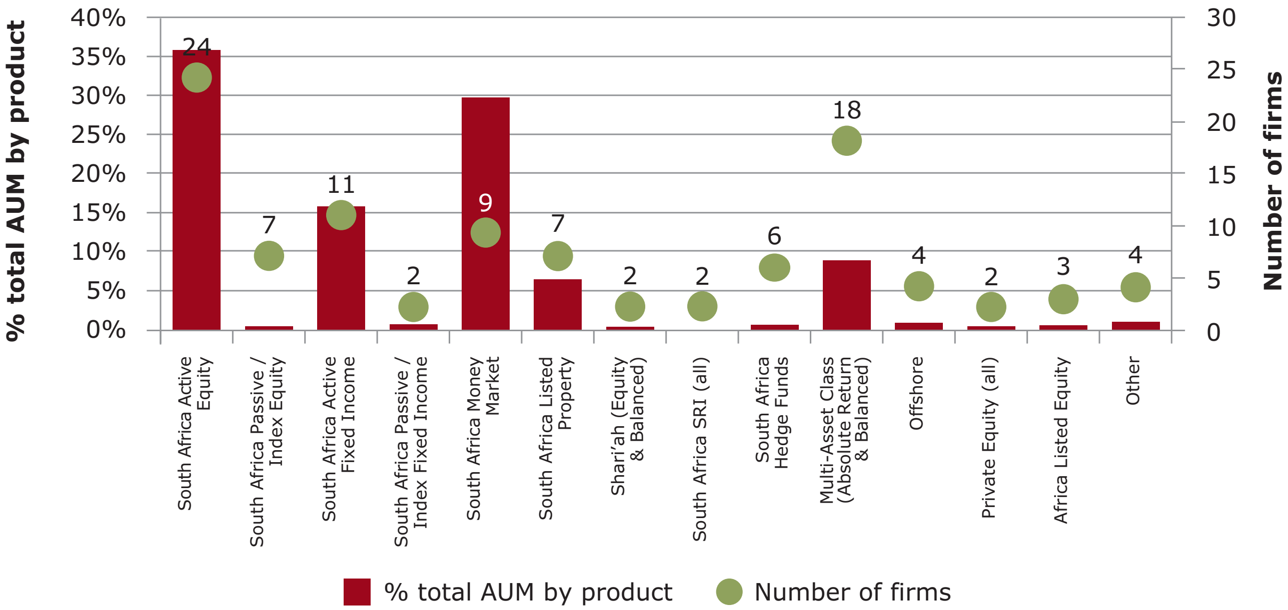
The number of firms not managing any assets has fallen to 4 in 2016 from 5 in 2015. This is motivating to see, given that 5 entrants are less than one year old. The majority of companies still manage only one product, preferring to build scale here before branching out into other offerings. This is also skill dependent. The addition of products is often client driven where existing clients ask for a new capability to be introduced as opportunities in the market develop and market circumstances may favour different strategies. The evolvement of the global environment is also instrumental in product development.

c. Percentage of industry assets versus number of products managed



The slow increase in product offerings is evidenced by the fact that the majority of assets in the industry are managed by firms who have 6 product offerings. This is one more than in 2015 when the majority of assets were managed by firms offering 5 products. So whilst the largest number of firms offer only a single product this evidence indicates that for managers to grow they need to diversify their product offering.

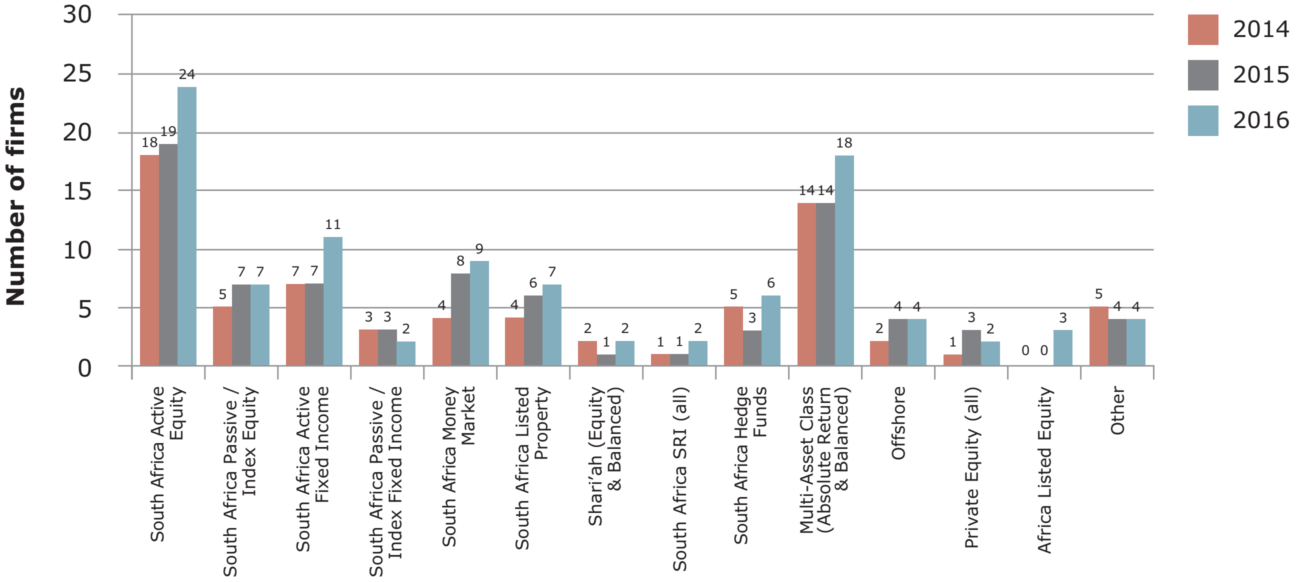
d. Products currently managed



Even though there are now more firms in 2016 (24) than in 2015 (19) managing South African Active Equity mandates, the percentage of overall assets managed within this category has fallen from just under 50% last year to just over 35% this year. Within equity investment style, differentiation has also become a critical factor for asset owners when blending managers together. Styles that are perceived to be out of favour will hurt those managers in a market that is not supportive of their philosophy. Short-term behaviour by asset owners place additional pressure on managers with philosophies that are out of favour which is often disastrous for early stage managers building a track record and credibility.

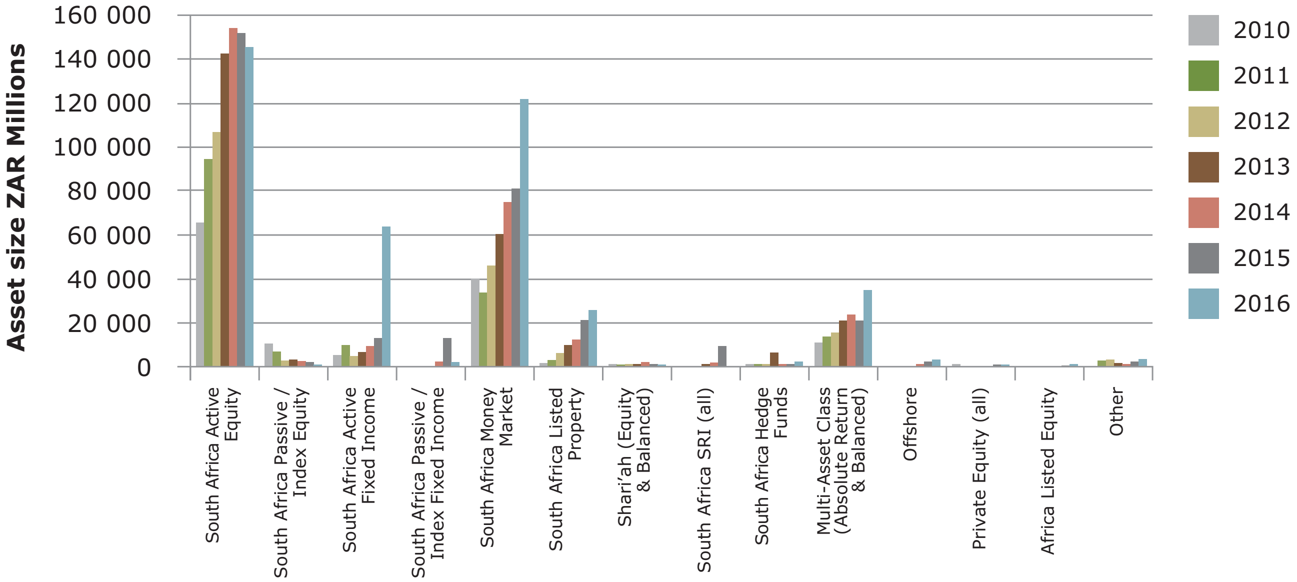
The establishment of Aluwani Capital Partners who have a very strong fixed income offering has resulted in an increase in assets in South African Active Fixed Income and South African Money Market. South African Listed Property continues to be an area for growth driven by the expansion of the listed sector and an increasing view of listed property as a separate asset class. Despite being strong growth areas globally, SRI and private equity do not feature strongly. Most disappointing is the lack of growth in global offerings as asset owners have not built sufficient confidence in the skill that black asset managers have to offer in this area.

e. Products managed over time



The notable increase in the number of products managed is correlated to the increase in the number of participants in the 2016 survey. In particular Aluwani Capital Partners and JM Busha Asset Managers, both new entrants to the survey, manage a total of 6 and 5 products respectively.

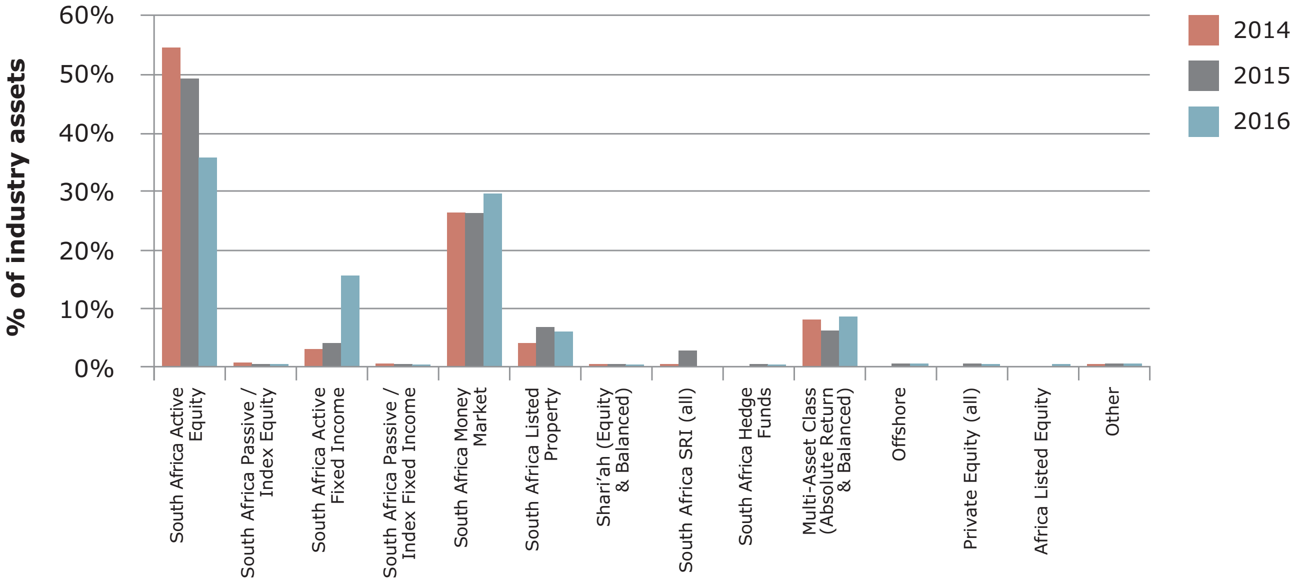
f. Product size



We saw a significant increase in fixed income, money market and multi-asset class because these areas are well supported within Aluwani Capital Partners. Once again there was a decrease in South African equity, despite the concentration of product providers in this asset class and a positive return from the equity markets. With increased uncertainty and volatility in the market, many asset owners have reduced equity exposure and few new allocations are being made. The steady increase in listed property is visible.

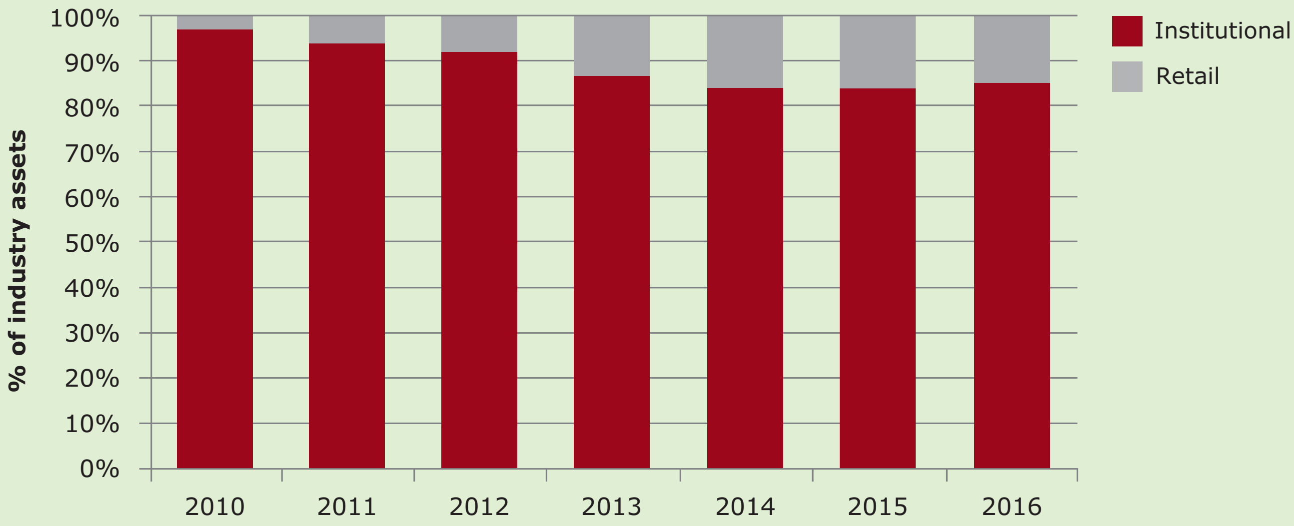
Returns from Africa (excluding South Africa) have been poor for the last few years and despite product offerings here, the flow of funds into Africa has been virtually non-existent. With the markets looking oversold it would be an opportune time for managers to start looking to their Africa products to generate returns that are going to be difficult to find in other markets. Black asset managers should also engage asset owners to make global mandates available to them in the same way as asset owners have made them available to large South African industry players. A capital investment into skills and resources to manage global mandates will only be made if asset owners begin to demonstrate their support through the provision of such mandates to black asset managers. Non-participation by black asset managers in this space continues to hold back and undermine progress.

g. Products as a percentage of industry assets



Despite an increased interest in multi-asset products locally and internationally as the trend has moved away from specialist mandates where asset owners do not need to do their own asset allocation, equity is still the dominant product. However, this exposure has been declining significantly over the past three years but not at the expense of more differentiated solutions such as alternatives or offshore. We know that asset owners have increased their allocation to offshore over the last few years, however black asset managers were not the recipients of this flow. It was largely big business and global players that benefitted from this flow to the detriment of black business. It has been fixed income and money market that have experienced the biggest growth for black managers and these are not high margin areas in terms of revenue. Also evident is the lack of interest in passive products in spite of an aggressive push by National Treasury towards this style of investing.

h. Investor base



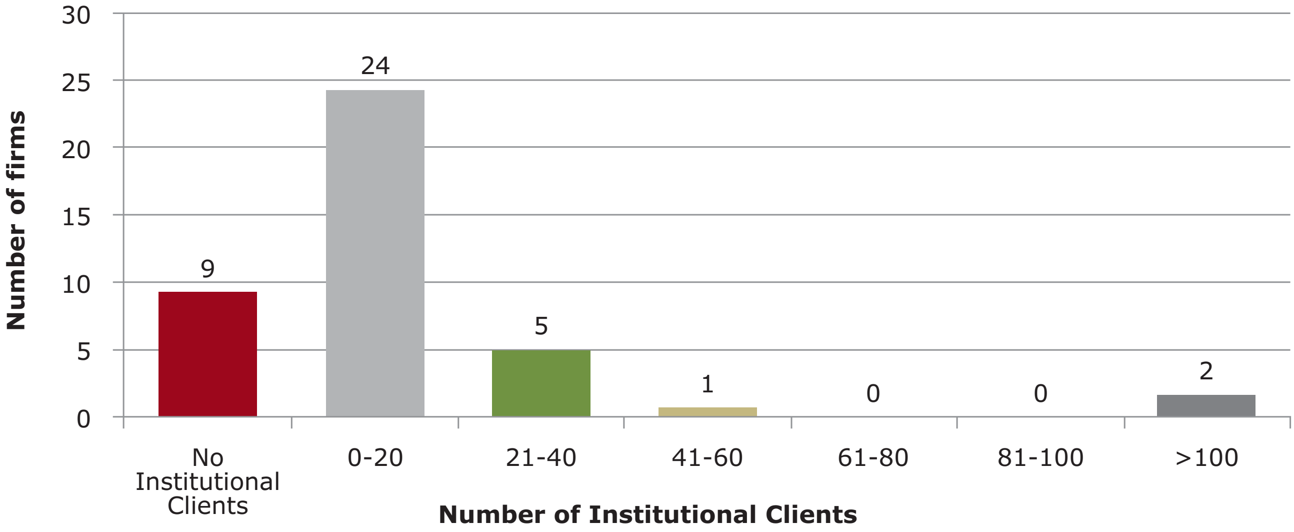
Institutional assets are still the source of over 80% of assets in the industry. Although retail assets have grown, the last three years has seen this growth stagnate. With the investment value chain having grown so long and there being a disintermediation between the members of retirement funds and the asset managers, black asset managers need to invest more resources in the retail market in order to establish demand from the broader population. Retail market penetration is expensive and takes time but the rewards in terms of client and revenue diversification and brand visibility is a strong contributor to long term sustainability. Margins in the retail sector are also a lot more handsome than in the institutional market.

i. Top five asset managers by institutional assets

Top 5 Asset Managers by Institutional Assets	Years in Operation	ZAR Millions
Aluwani Capital Partners	0.58	R67 625
Taquanta Asset Managers	16.76	R55 793
Kagiso Asset Management	14.59	R40 425
Mazi Asset Management	10.09	R37 916
Argon Asset Management	11.25	R28 486
Total		**R230 245**

Despite being a new company, Aluwani Capital Partners entered the market with a significant client base given their linkage to Momentum. All other managers in the top 5 have been in operation for more than 10 years. Taquanta Asset Managers with total assets under management of R105.6 billion is the only manager within this group that has achieved significant success in penetrating the retail market.

j. Number of institutional clients



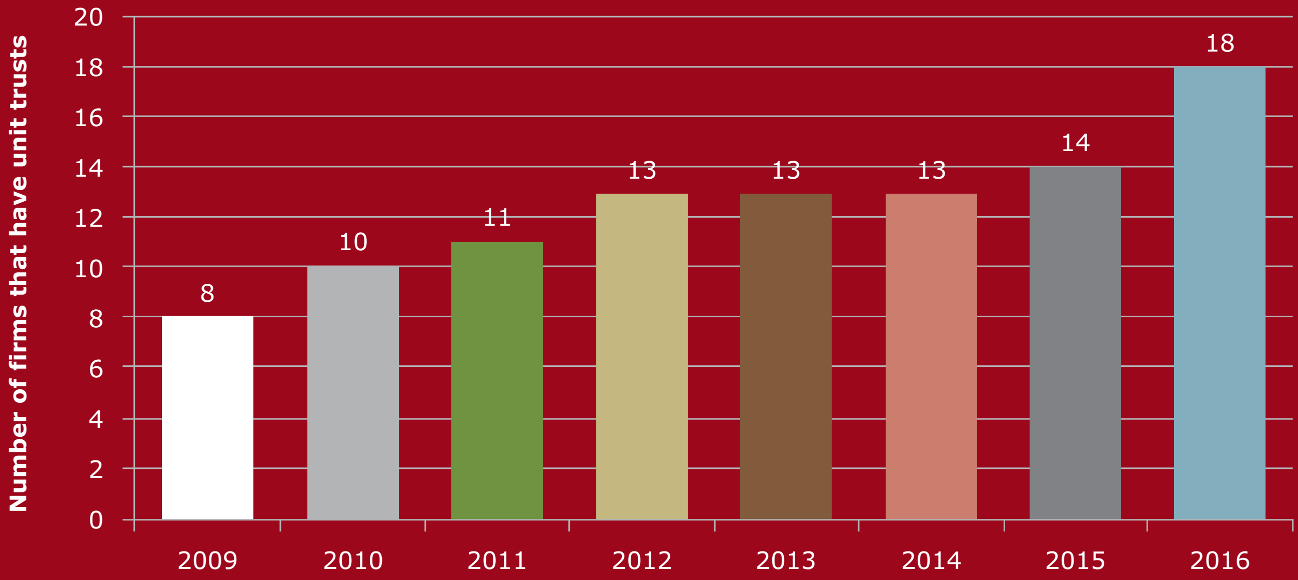
The majority of firms have less than 20 institutional clients. Only 3 managers have fully diversified client bases with in excess of 40 investors. Although institutional business is sought after and seen as the low hanging fruit by many managers, it remains difficult to reduce client risk and diversify revenue streams in this space. Many managers supported by the Public Investment Corporation also face client concentration risk to this asset owner.

k. Top five asset managers by retail assets

Top 5 Asset Managers by Retail Assets	Years in Operation	ZAR Millions
Taquanta Asset Managers	16.76	R49 816
Vunani Fund Managers	16.95	R2 858
Kagiso Asset Management	14.59	R2 080
Mazi Asset Management	10.09	R1 580
Sesfikile Capital	5.58	R1 072
Total		**R57 405**

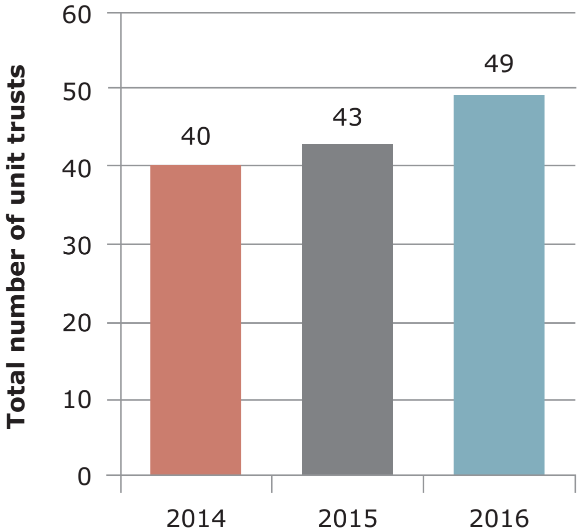
According to The Association for Savings and Investment South Africa (ASISA) as at 31 March 2016 there was R1.92 trillion invested in unit trusts. Taquanta Asset Managers as mentioned previously is the only manager who has garnered traction in the retail market. Collective Investment Schemes exist because of their efficiency in pooling and because they are highly regulated providing investors with protection. These vehicles can be used by black asset managers to pool smaller clients and move away from segregated mandates which from an administration and pricing perspective can be inefficient and also prevents scalability. Black asset managers should engage asset owners on permitting the use of unit trust vehicles as they allow managers to broaden their client base and publicly showcase their investment performance.

I. Unit trusts



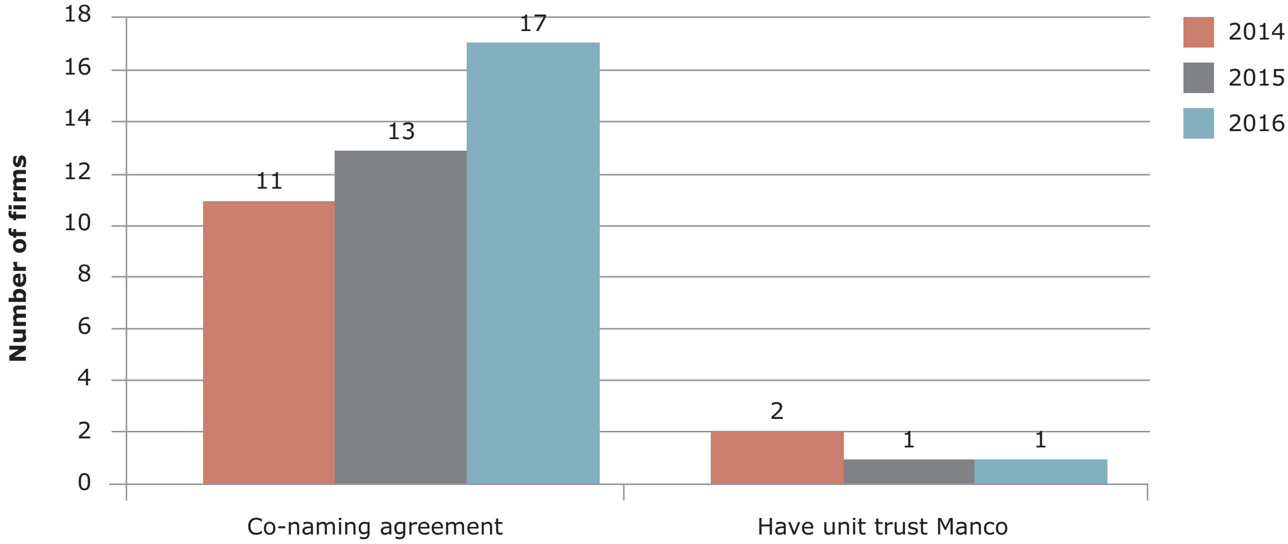
There has been an increase in the number of firms that have registered Collective Investment Schemes, but this is still less than half the firms in the industry. Despite this increase the asset size has not increased. With the transition of hedge funds to a regulated environment, we should begin to see unit trusts becoming a common option to pool both institutional and retail assets. Retail market brand building requires a large investment in capital, know-how, time and effort. Black asset managers who have achieved profitability and have an ambition to break through the retail market will need to make these commitments.

m. Total number of unit trusts managed



The number of unit trust funds managed has grown by 6 over the past year. Increased competition in the institutional market given the increase in the number of asset managers and more awareness of the benefits of a wider client base will see more entrants into this space. This is also a function of the maturity of some black firms who are now profitable and have the budget to invest in attracting a new and different client base. Also, as the number of Mancos offering co-naming agreements and distribution services increase this will help to make it easier for managers to launch unit trusts.

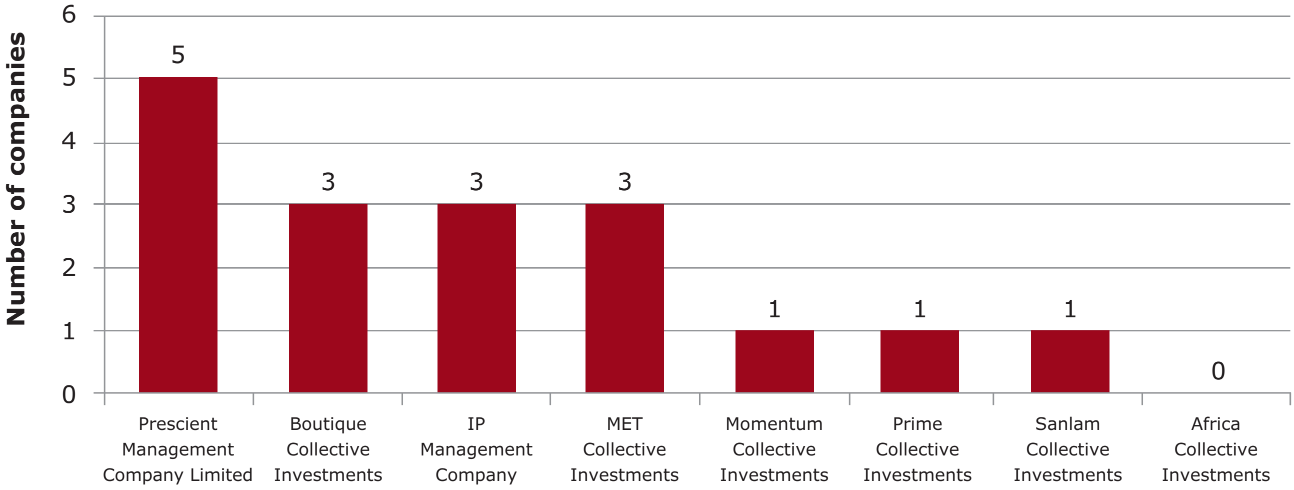
n. Collective Investment Scheme Management Companies (Mancos) used



Firms that have a Collective Investment Scheme Management Company
Kagiso Asset Management

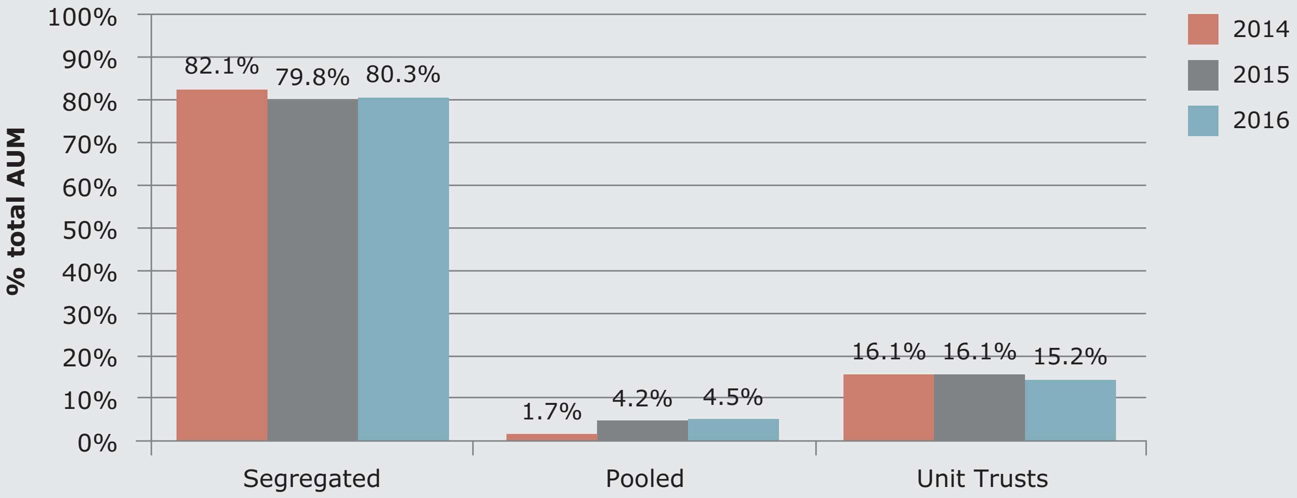
Only one asset manager has established its own Manco and that is Kagiso Asset Management. Co-naming continues to be the preferred way to access the unit trust industry with 17 firms using this type of arrangement. The requirements for establishing a Manco are onerous making co-naming arrangements attractive especially for early stage managers.

Co-naming partners of choice



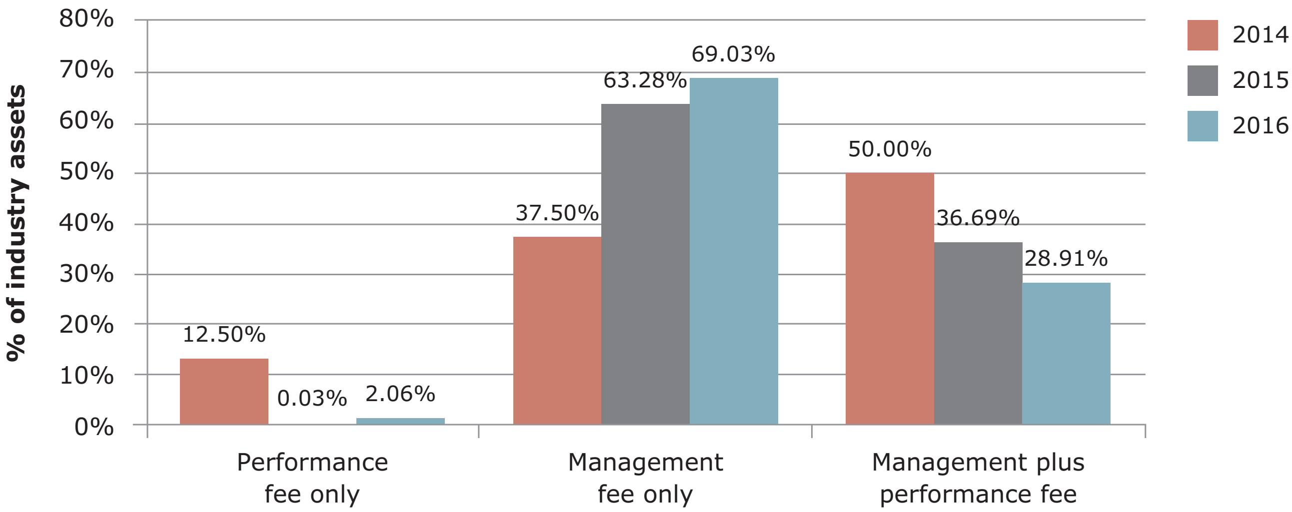
Under the new Revised Financial Sector Code (which is expected to be promulgated during 2016) a strong emphasis has been placed on procurement in the determination of an overall B-BBEE score. Managers therefore will be seeking to work with co-naming partners who understand the challenges faced by black managers and who have strong B-BBEE credentials. There are a number of service providers to choose from and to date the decision has largely been driven by distribution. Costing and service levels play an important determinant as well. In early 2016 a Manco with strong B-BBEE credentials and a real understanding of the plight of black asset managers was established called Africa Collective Investments (ACI). The core value proposition of ACI is to assist black asset managers establish unit trust products and to provide them with support when it comes to distribution. The entry of this B-BBEE Manco (which should begin to gain traction given that they were only recently established) will slowly begin reducing the obstacles faced, raised by many black managers as deterrents to entry into the unit trust environment.

o. Asset vehicles



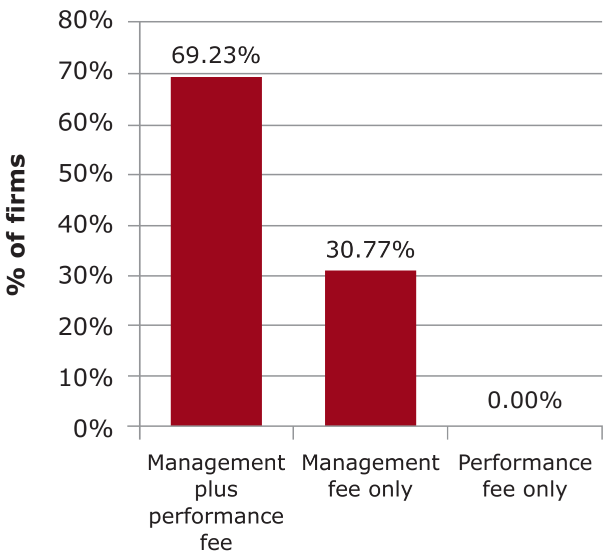
The continued use of segregated mandates which account for over 80% of assets in the industry is concerning. The larger institutional investors have had a historical preference for maintaining the assets on their books, however, this is not always the case. Asset managers can engage asset owners on this matter. The limited use of pooling vehicles also means that managers remain focused on capturing the highly competitive large asset owner as a client as opposed to gaining entry to the mid-tier and smaller asset owners. The majority of managers run single strategies so from an administration perspective a pooling vehicle would be more efficient and cost effective.

p. Fee structures



Management fees continue to be the most widely implemented fee structure. This can be attributed to the drop in equity assets and the increase in fixed income and money market assets which traditionally do not charge performance fees. Asset owners tend to have a preference for management fees so that they know during any given period how much they will be paying their manager and are willing to pay more for this certainty. Performance fee structures are also under scrutiny by the National Treasury who does not regard them favourably. Furthermore, performance fees are not permitted in the sale of tax free savings accounts which have become extremely popular amongst retail investors. Until there is policy certainty the popularity of performance based fee structures will continue to decline.

q. Fee preference



If given the choice then the majority of managers would be happy to charge performance fees coupled with a management fee which allows for a component of steady revenue and then the ability to earn profits with good levels of outperformance. This scenario aligns the interests of managers and clients. Bearing in mind that in recent times it has become increasingly difficult to beat the Shareholder Weighted Index (SWIX) given the index composition and momentum in the market. Management fees do allow for continuity and a more stable revenue stream which is especially important for an early stage business.

Perhaps his greatest fight was regaining his boxing licence unjustly revoked.

At this time Muhammed Ali lectured throughout America highlighting the plight of the disenfranchised.

During an address at Harvard University, an audience member hollered, "Give us a poem!".

Ali responded all of two words "Me. We."

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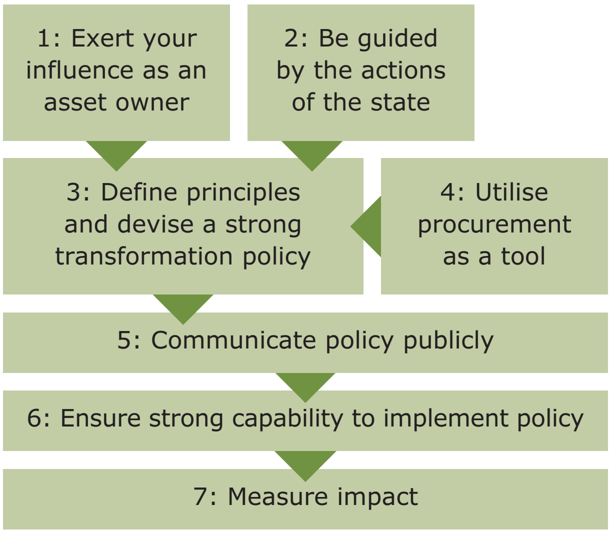
FOR ASSET OWNERS IT ALL COMES DOWN TO POLICY

South African asset owners recognise that Black Economic Empowerment is a necessary tool to redress the economic distortions created by apartheid. This includes factors such as income inequality caused by the marginalisation of the majority of people in formal participation within the economy. They acknowledge that such distortions, if not remedied, will result in an unstable and vulnerable economy that threatens their ability to generate sustainable investment returns on behalf of their members. An economy with high levels of unemployment, social unrest, low growth and high income inequality ultimately feeds into the financial markets leading to lower investment returns. As such, they understand that achieving good returns and investing sustainably are not mutually exclusive. Maintaining this balance is a fiduciary responsibility that many South African asset owners are taking very seriously.

Whilst many asset owners have achieved success, our research has identified that in many cases implementation is weak and is in fact having the opposite effect leading to countered outcomes. In far too many cases asset owners are experiencing:

- Piecemeal and ad-hoc implementation.
- No strong policy statement of the objectives they seek to achieve.
- No cohesive buy-in from all trustees and stake-holders.
- Conflicting views of fiduciary responsibilities.
- Do not have a proper understanding of B-BBEE legislation.
- Scepticism and polarised views on transformation.
- Have not leveraged their purchasing power.
- No measurement or monitoring of whether the desired impact is being achieved.

The consequence of such patchy signals create a negative feedback loop throughout the investment industry value chain, undermining the importance of transformation and suppressing progress. To assist asset owners in achieving more positive outcomes we recommend that asset owners follow the steps provided below. This will re-inforce transformation imperatives and have a multiplier effect in accelerating transformation throughout the investment value chain.



1 Exert your influence as an asset owner

- Being at the top of the value chain provides asset owners with the power to exert influence. It is important for asset owners to not be led by service providers but to lead service providers. As a client, asset owners can influence the behaviour of product and service providers.
- Asset owners need to change their mindset and be empowered. They know what they want and they need to communicate this to service providers as opposed to being told what it is that they need.
- Service providers will respond to client needs. This type of action will demonstrate seriousness and will be instrumental in driving change across the value chain.

2 Be guided by the actions of the state

- The Financial Sector Codes promulgated by the Department of Trade and Industry should provide guidance. It should also be noted that the Draft Amended Financial Services Sector Code (expected to be gazetted during 2016) includes under Schedule 1, the Voluntary Dispensation for the Top 100 Retirement Funds which requires voluntary disclosure by retirement funds on the Management Control and Preferential Procurement activities of the retire-ment fund.

3 Define principles and devise a strong transformation policy

- A strong set of principles will set the direction for policy and practice. The Board of Trustees must carefully debate (taking all factors into consideration) and make an informed decision as to what they seek to achieve.
- Buy-in must be obtained from all decision makers.
- This set of principles must then be well-articulated and hardcoded into a robust transformation policy that is precisely defined and unambiguous, clearly setting out goals and objectives.
- Asset owners may require practical guidance on the development and implementation of the policy. Ensure that your advisor has the skills, background, commitment and experience to play such a role.
- Once the policy is formalised, it will then serve as a roadmap and provide execution guidance to implementers.

4 Utilise procurement as a tool

- As a large buyer of services within the financial services industry, asset owners have the ability to leverage this purchasing power in support of their policy objectives.
- Asset owners must therefore put in place a preferential procurement policy that expands its supply chain. In so doing, asset owners will be sending a clear message that they prefer to do business with enterprises who share their values and who are prepared to contribute to meaningful transformation.
- When procuring services, the asset owner must assign a specific weight to transformation factors. All agreements and mandates between the asset owner and service providers must make provision for transformation goals.
- All service providers should be required to report on progress achieved relating to skills development, employment equity, enterprise development and ownership.
- Through a robust procurement policy, asset owners will play a role in avoiding anti-competitive processes in the value chain preventing excessive concentration of ownership and control of the economy.

5 Communicate policy publicly

- The transformation and procurement policies must be shared in an open and transparent way to all beneficiaries and service providers.
- The policies must be publicly available.

6 Ensure strong capability to implement policy

- The Board must ensure that the necessary resources, expertise and processes are in place to implement the strategy.
- Implementers within the Fund, executing the mandate of the Board, must be committed.
- Asset consultants assisting the Board must have experience and have previously displayed credibility in such a transformative role.
- Asset owners should also ensure that transformation is a standing item at investment committee and trustee meetings. This will allow for effective monitoring and re-enforcing commitment amongst decision makers.
- Asset owners should provide feedback to their service providers on how they are performing against the asset owner's policy and they should encourage service providers to continuously improve their transformation practices and processes.

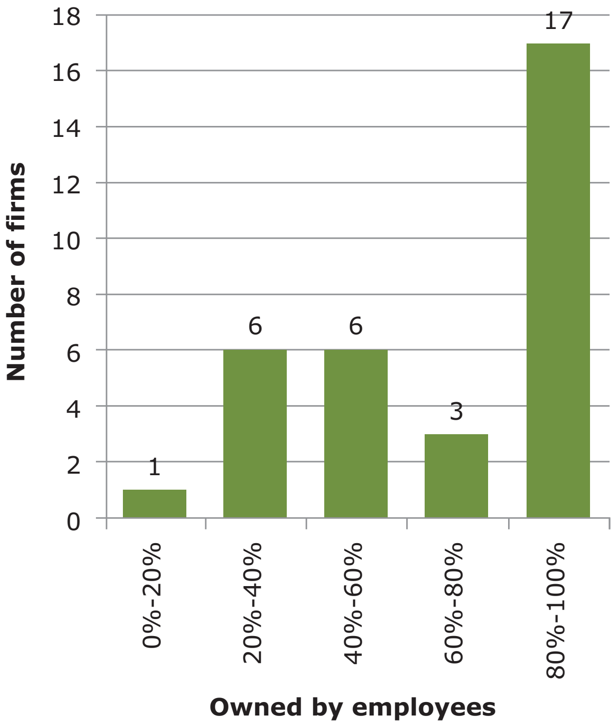
7 Measure impact

- The asset owner must continuously monitor the implementation of their transformation strategy.
- Through tangible data and statistics, asset owners can evaluate the success of their strategy and measure the socio-economic impact of their transformation efforts on the Fund and on the overall economy.
- All actions taken must be critically reviewed and lessons learned.

Asset owners play a central role in securing a stable and sustainable society thereby protecting the world into which their members retire. Through thoughtful policy making, efficient policy implementation and effective monitoring, asset owners can play a meaningful role in transforming the investment value chain and redressing inequality, promoting a better future for all South Africans.

BLACK INDUSTRIALISATION

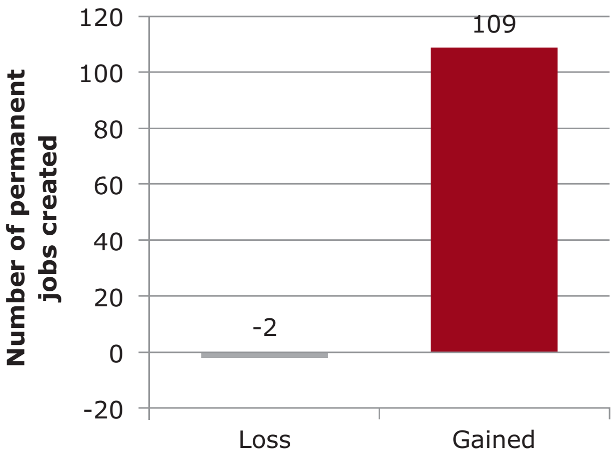
a. Percentage of business owned by employees



**33 of the 41 participants responded to this question*

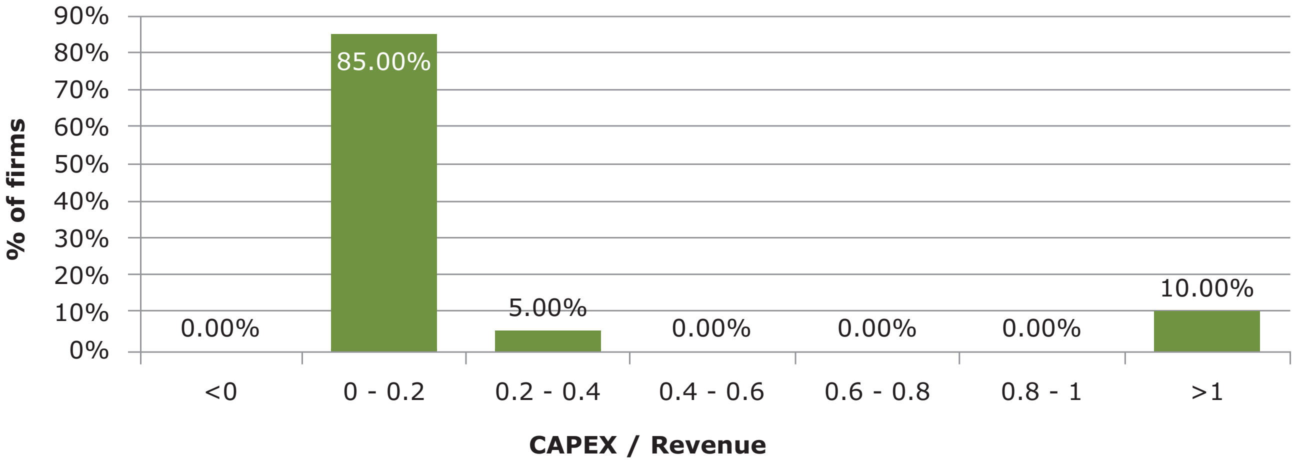
It is pleasing to note that most of the businesses in the industry have majority employee ownership. This is a real incentive to ensure that businesses are well managed and well run and long term strategy is driven by individuals that are active within the businesses. 51.5% of asset managers, 17 out of 33 that submitted information regarding their ownership structure, are owned between 80 and 100% by the employees of the firm. Within smaller businesses, majority ownership is in the hands of the founder who has taken personal risk of forgoing a steady salary at an alternative employer to launch their own venture. External shareholder participation is also evident largely motivated by capital and distribution needs. This is the case with Perpetua Investment Managers and Sentio Capital Management who in the last year diluted ownership to RMI Investment Services in exchange for the support of a large investor. Another such company, Cachalia Capital, who had diluted ownership to Old Mutual at establishment, has during the last year decided to terminate the relationship.

b. Number of new permanent jobs created



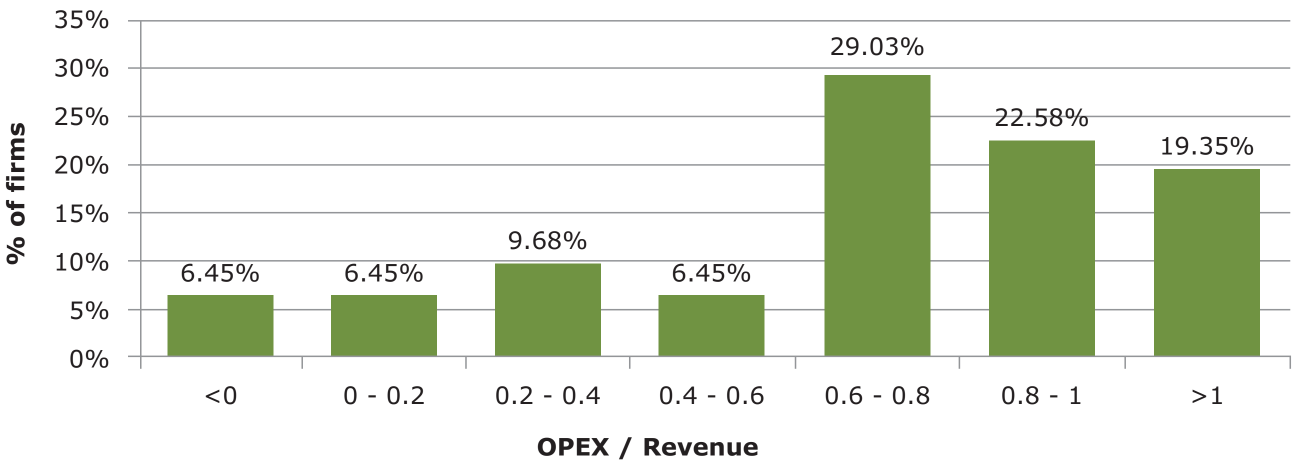
Over the past 12 months on a net basis 107 new permanent jobs were created. With unemployment a major hindrance to economic growth and social stability threatening the sustainability of our democracy, the industry is making a positive contribution through the creation of jobs. As asset management is a human resource endeavour these jobs will be largely skilled and well remunerated, motivating young people to pursue degrees in finance and analytical sciences. This also speaks to black industrialisation and that the creation of black business will be supportive of economic growth and inclusivity. Black business also tends to procure downstream services from black companies further enhancing inclusivity.

c. CAPEX to Revenue



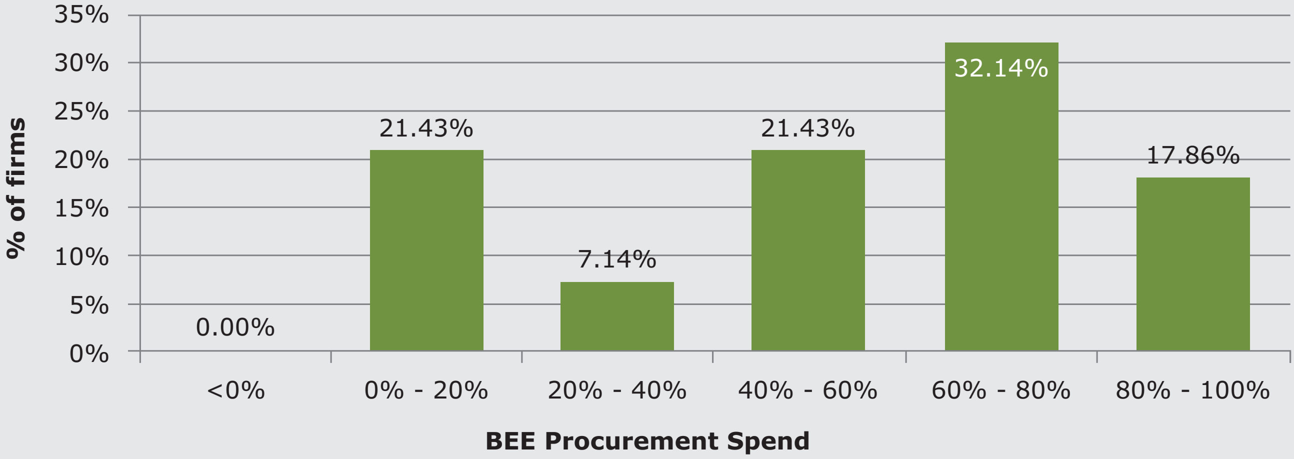
The majority of firms spend between 0 and 20% of their revenue on capital expenditure. This is not unexpected given the nature of the industry. The majority of capital expenditure will be in the form of technology to aid the business. Despite this not being a hugely capital intensive industry, all businesses need to continue to invest in their infrastructure to ensure future success.

d. OPEX to Revenue



Operating costs for an asset management company will generally comprise a higher percentage of overall expenses and 71% of firms spend more than 60% of their revenue on operating expenses, with 19% spending all of their revenue on the cost of operations. For some firms who are just at or are yet to reach breakeven, the costs of running the business will still exceed revenue. Human capital is often the largest expense given the requirement of highly skilled individuals. Turnover of key people is regarded as unfavourable within asset management and therefore retention costs are often quite high.

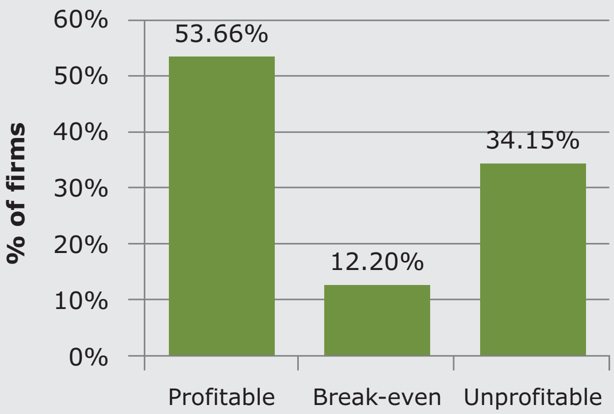
e. % of procured services of total procurement spend from black enterprises



Procurement is often a sizeable cost for an asset management company especially when the majority of non-core services (administration, compliance, legal etc.) are outsourced. Half of the firms currently allocate more than 60% of their procurement spend to other B-BBEE firms.

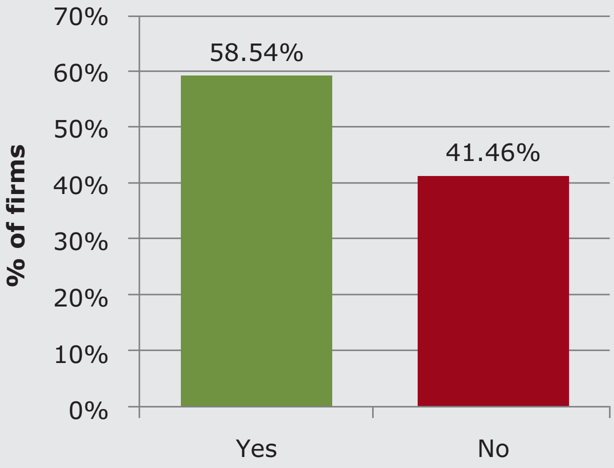
However there is still over 20% of firms who only allocate between 0 and 20% to B-BBEE firms. This may well be a function of firm size where the larger firms procure less from B-BBEE firms because they feel that the scale is not there or there are not enough service providers in a certain sector. The Revised Financial Sector Code which will come into play during 2016 will make it more onerous for companies to meet the current high levels they enjoy because of majority black ownership. The Revised Code is biased towards procurement and enterprise development and companies will be pushed to make more effort in identifying black service providers from which to procure services.

f. Profitable at last financial year-end



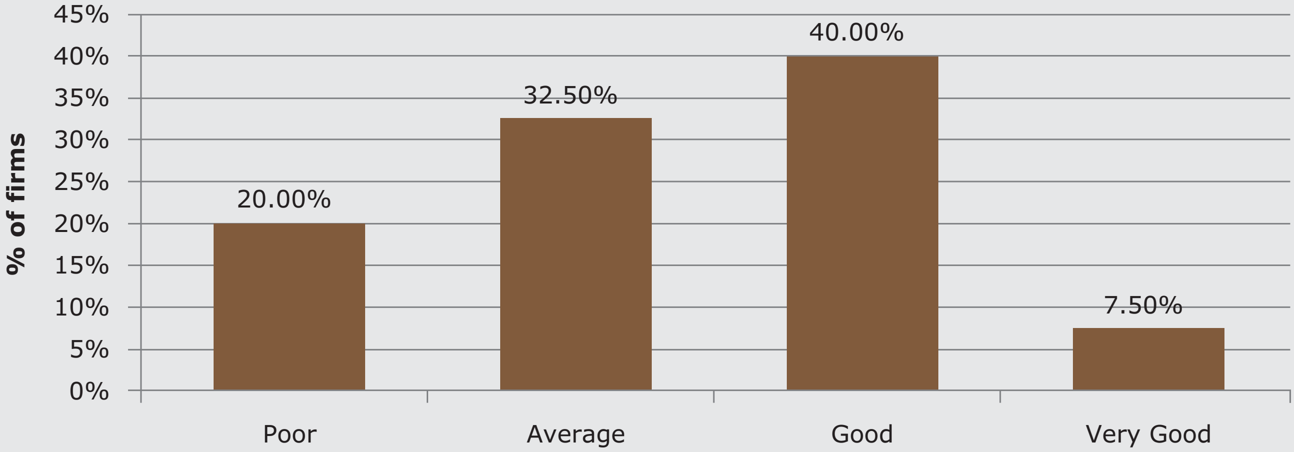
Over half the firms in the industry are profitable. With half the participants being less than 5 years old this is indicative of the hard road to travel and the commitment and tenacity needed to get a business established and profitable.

g. Income tax payment made to SARS in last financial year



Nearly 60% of firms are paying tax which is correlated to profitability. Contribution to the fiscus is an important determinant of economic growth and prosperity. As the number of black industrialist companies grow and reach sustainability they will provide the balancing effect to the economic distortions created by the marginalisation of the majority in full participation of the economy. Further growth of black business will also see balance in the control of business which is currently biased towards big legacy business within the financial services sector.

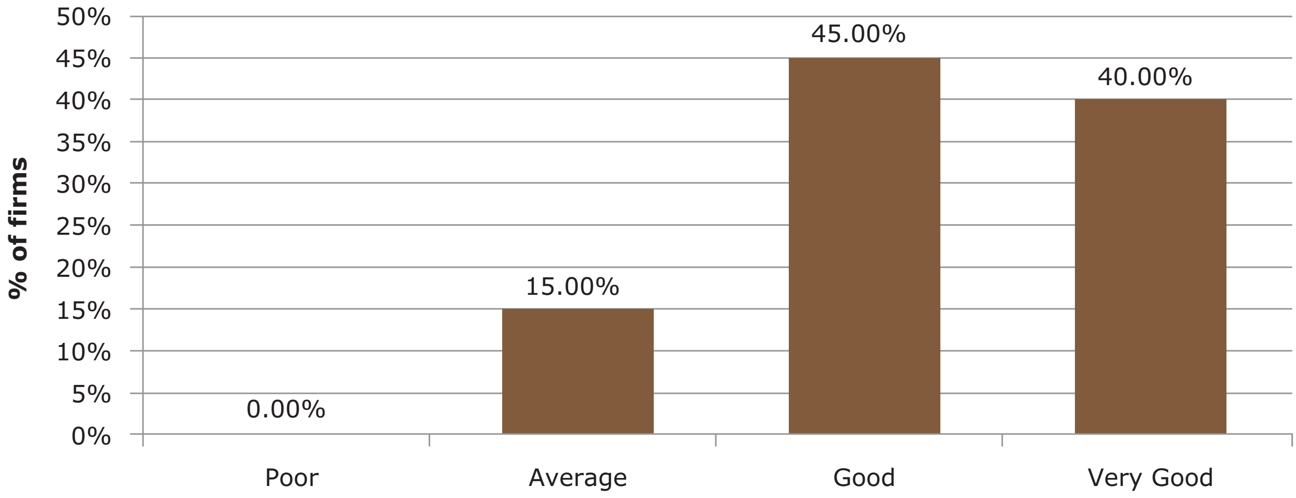
h. Brand visibility



**40 of the 41 participants responded to this question*

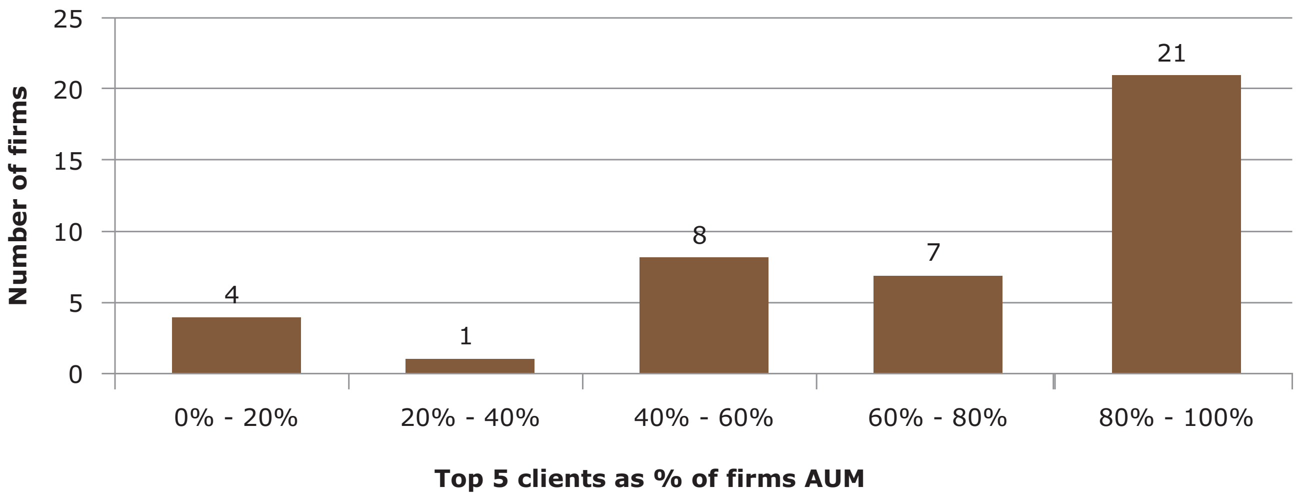
Building brand visibility in the market requires a concerted effort and a marketing budget. The incumbent large asset managers have had many years of building awareness and also have the ability to spend a large amount of high visibility advertising. 20% of firms feel that their brand visibility is poor but given that half of the firms are less than 5 years old this is not unexpected. Three of the firms in the survey feel that they have very good visibility.

i. Company's reputation



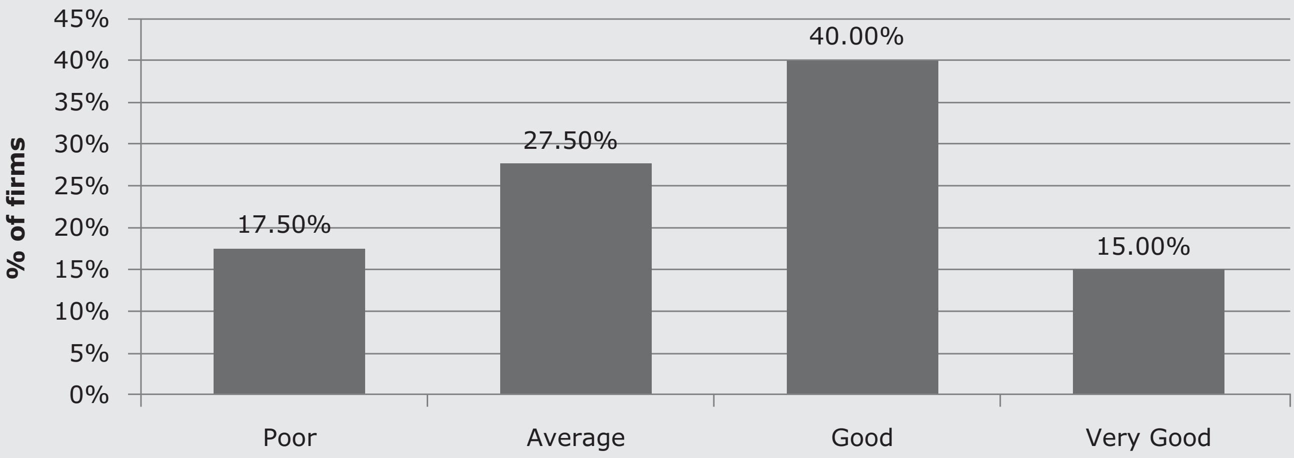
Trust is a vital ingredient within the financial services industry where asset managers are given the fiduciary task of looking after other investors' money. Having a poor reputation would hamper the ability of any firm to grow its assets. Companies need to work hard to build their reputation in the industry and to maintain it.

j. Top 5 clients as percentage of AUM



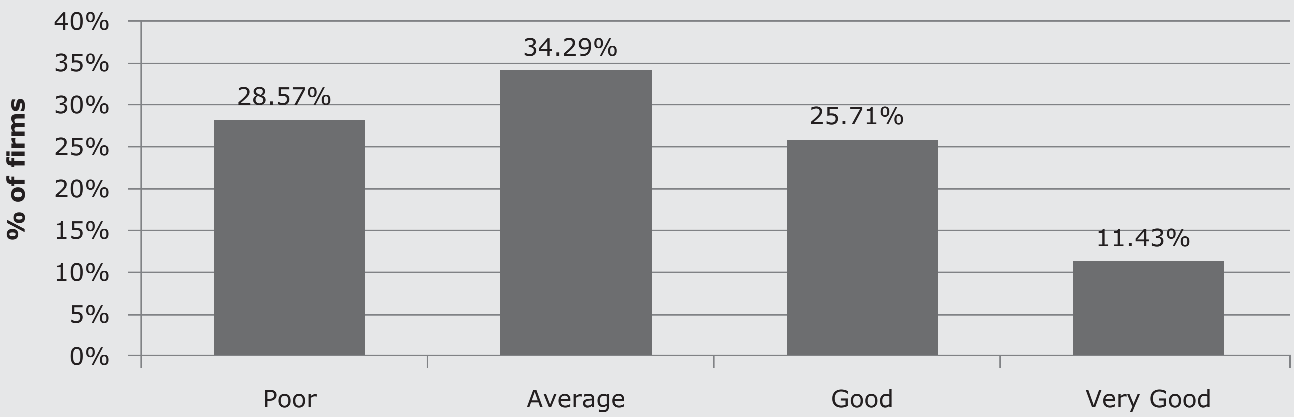
A diversified client base is essential to the long term sustainability of an asset management firm. Being in a situation where the loss of a single client can severely impact the ability of the firm to survive should be avoided. Client circumstances can change overnight leading to the need for them to disinvest for a variety of reasons. More than half of all firms have exceptionally concentrated client books with in excess of 80% of their assets under management coming from five or fewer clients. This presents a significant threat to the sustainability of the whole industry.

k. Success at penetrating the institutional market



**40 of the 41 participants responded to this question*

l. Success at penetrating the retail market

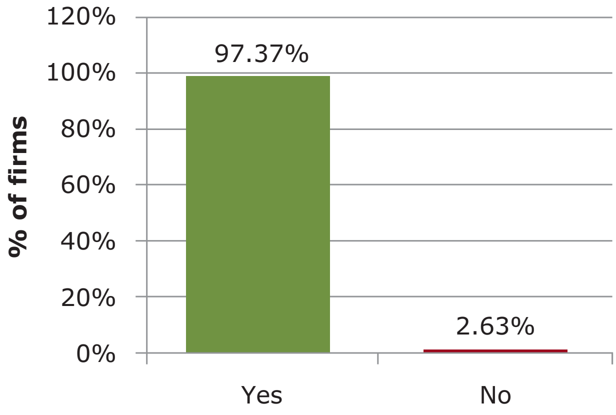


**35 of the 41 participants responded to this question*

While the majority of managers feel they have had above average success at penetrating the institutional market, there are few managers who feel they have succeeded well in the retail space. This is evident in the share of assets under management between retail and institutional clients.

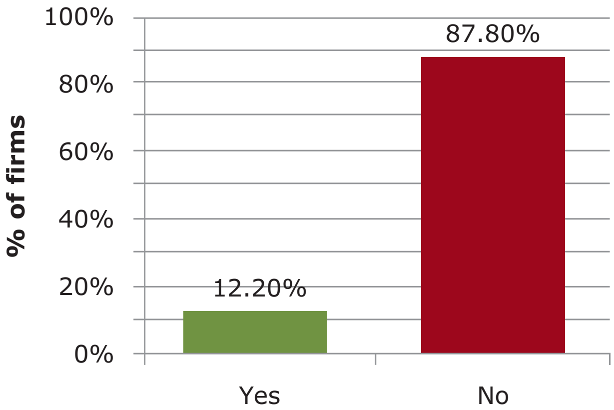
m. Delivered value to clients

No manager can be expected to outperform their benchmarks over every single period but to justify their existence, managers should be able to demonstrate that they are adding value to their clients. Value demonstration does not only come in the form of performance but also service quality. Managers who take good care of their clients tend to retain them for longer even in the face of poor performance.



**38 of the 41 participants responded to this question*

n. Global institutional investor



12% of managers have global institutional investors invested in their funds. This is fairly impressive given that there exists tens of thousands of investment products globally. It takes a unique offering to attract global investors and time and resources need to be spent on building a global brand. This is a step in the right direction.

WHAT BIG BUSINESS DOESN'T GET

Black business continue to raise their frustration and anger at the sole use of B-BBEE ratings by asset owners to score asset manager transformation levels. Their gripe is clear. Big business has successfully mobilised their machinery to achieve high B-BBEE ratings and therefore it is unfair to compare their ratings to that of organically grown, post-apartheid, black business in procurement exercises.

There is no doubt that big business benefitted from apartheid policies and some may even argue that many of them were complicit in their role and profiteered from unfair policies. B-BBEE legislation was put in place to redress the imbalances of the past to achieve an inclusive economy. But is it enough?

Let us explain:

- Big business has vast amounts of capital and resources at their disposal already accumulated when the laws of this country favoured a few.
- Anti-competitive practices still exist where excessive concentration of ownership and control lies in the hands of big business.
- The head-start provided to big business has created barriers to entry that are extremely difficult to break and cannot be ignored. Through their vast amounts of capital and networks, big business has secured the value chain by vertical integration. Many individual companies own the full distribution channel from Asset Consulting to Asset Management to Administration to Risk to Employee Benefits to Wealth Management to Umbrella Funds to Linked Investment Service Providers (LISPs) to Life Companies to Collective Investment Scheme Management Companies to Stockbrokers. This level of scale allows big business to cross subsidise and makes it impossible for small business to compete on price.
- Asset management is an industry driven by skill, compliance, product differentiation and distribution. Big business have extensive legal and compliance departments to set up sophisticated structures, as well as big budgets to hire the best talent and buy the best technology and a marketing budget second to none to successfully distribute their products and services.
- Regulatory capital adequacy requirements (which have been amended and increased over the years) are easy to meet for big business but hinder small business participation.

Playing catch-up under this scenario is an almost impossible task to achieve. Black business has to play by the same rules yet some players have an unfair advantage. How then do we all have an equal chance at success?

None of this serves to detract from the role that big business plays in turning the wheels of the economy but one can also appreciate that more needs to be done and in more being done we will all work towards increasing the size of the pie as opposed to debating who has the biggest slice of the pie. In establishing their B-BBEE credentials big business chose high profile empowerment transactions that allowed for a few black business leaders to benefit from passive shareholding with no real impact on the broader economy. The industrial base will only broaden through meaningful participation by all in the activities of our economy. Big business has a responsibility as custodians of the savings of the majority of people in South Africa to play a role in the acceleration of shared economic growth. So what can big business do?

Big business can play a catalytic role by:

- Integrating black business into their supply chain through preferential procurement policies. This allows emerging black enterprises to expand their output.
- Enabling black business to participate in their distribution channels such as LISPS, Umbrella Funds and other platforms. Black asset managers often raise this as a grievance that such platforms are reserved for big business and their friends only and that it is often tiresome to gain access to these distribution channels.
- Partnering and jointly contracting with black business in the delivery of solutions and services to clients.
- Including black business in the conversation. Black business also argues that industry organisations are largely driven by big business that has the power and resources to sway government on policy for the benefit of their enterprises.
- Providing discounted services to black business for the use of regulatory vehicles and services such as administration and technology.
- Supporting black business through partnerships and financing that allows for the expansion of black business. Systemic constraints such as funding we know undermine the growth and development of black business. Enterprise development can result in substantive opportunities.
- Not undermining black industrialisation through charitable efforts. Differentiate between corporate social investment and industrialisation which are two very different courses for action.

Compliance with a single policy instrument such as the B-BBEE scorecard is not the be-all and end-all of economic transformation. Achieving high B-BBEE ratings does not necessarily translate into contributing to changing the structure of an economic sector or ensuring genuine inclusive growth or creating a real competitive and efficient economy.

There are three messages for the taking, one for each stakeholder:

1. Asset owners. B-BBEE ratings whilst intended to provide a level of fairness mean little on their own and should not be used in isolation when making allocation decisions. Exert your influence to facilitate change by exercising your purchasing power.
2. Big business. The magnitude of what took place in the past needs to be understood and not swept under the rug. More focused expansionary transformation policies are required.
3. Government. Listen to the voices of marginalised black business which if not attended to will derail black industrialisation efforts.

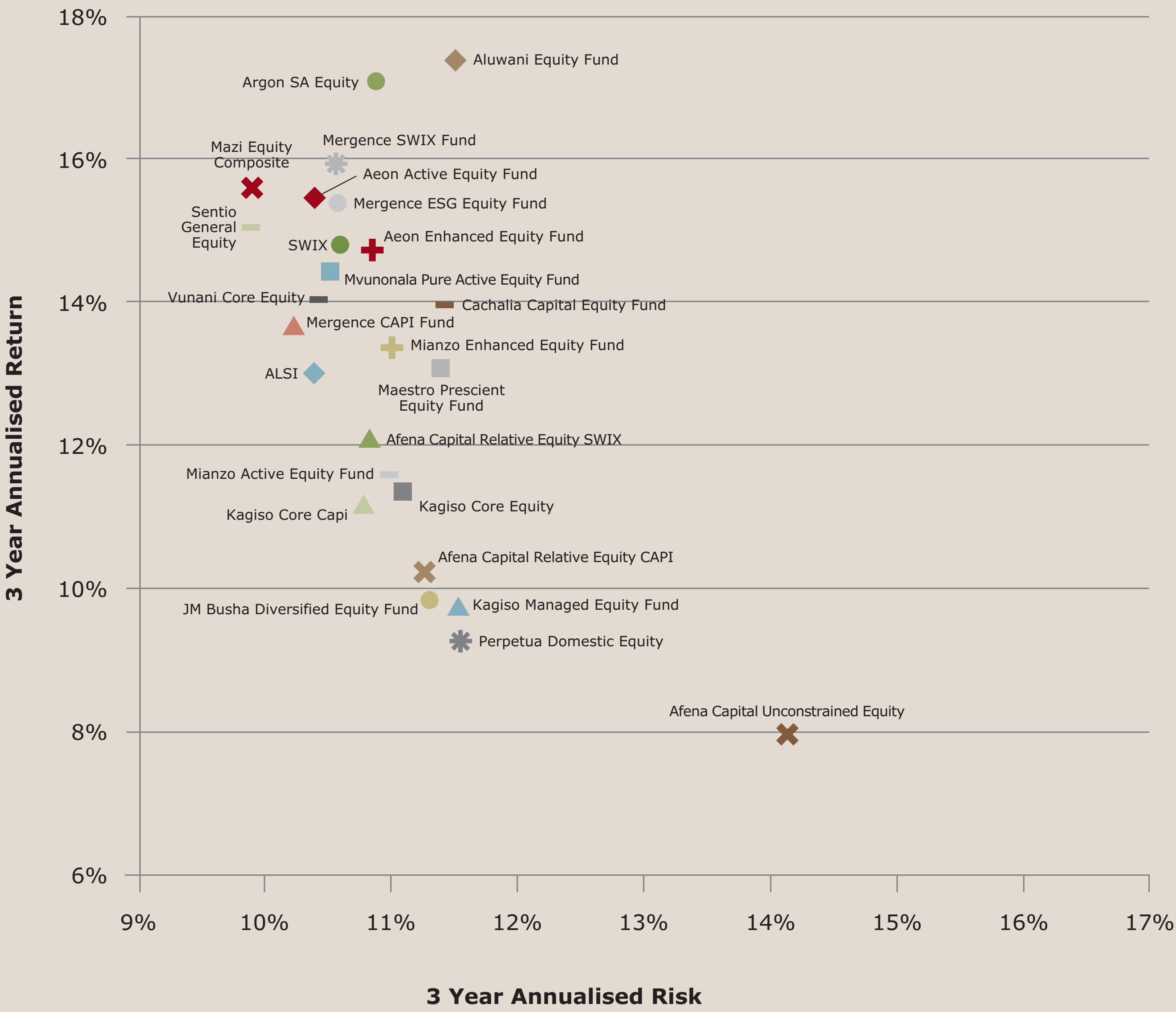
Controlled efforts to restrict full participation by all in the economy makes no business sense. It only entrenches inequality further and leads to predatory behaviour which threatens our stability and will reduce the ability of big business to achieve financial returns. What is required is cohesive collective action by all stakeholders who understand that economic growth, development and B-BBEE are complementary processes necessary for an equitable and prosperous society.

PERFORMANCE ANALYSIS
to 30 June 2016

Only funds that hold a 3-year track record were included in the graphs below.

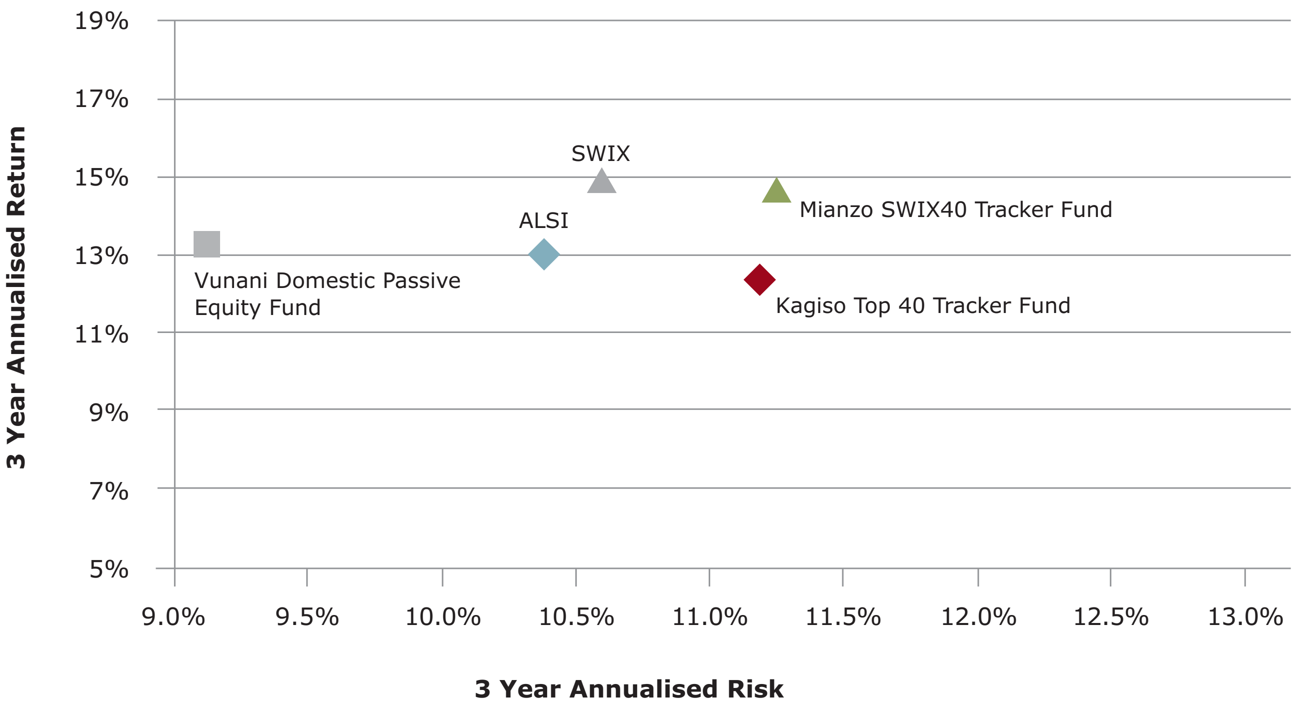
a. South Africa Active Equity

3 Year risk/return scatter



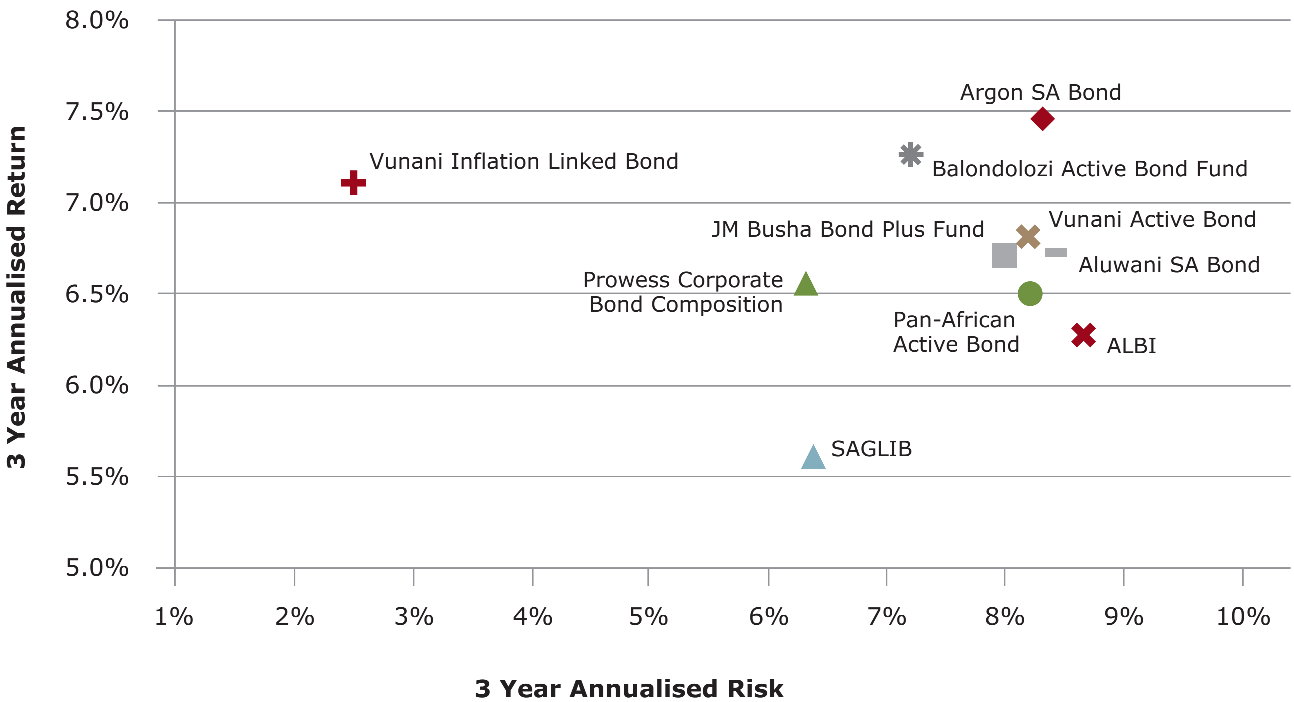
b. South Africa Passive/Index Equity

3 Year risk/return scatter



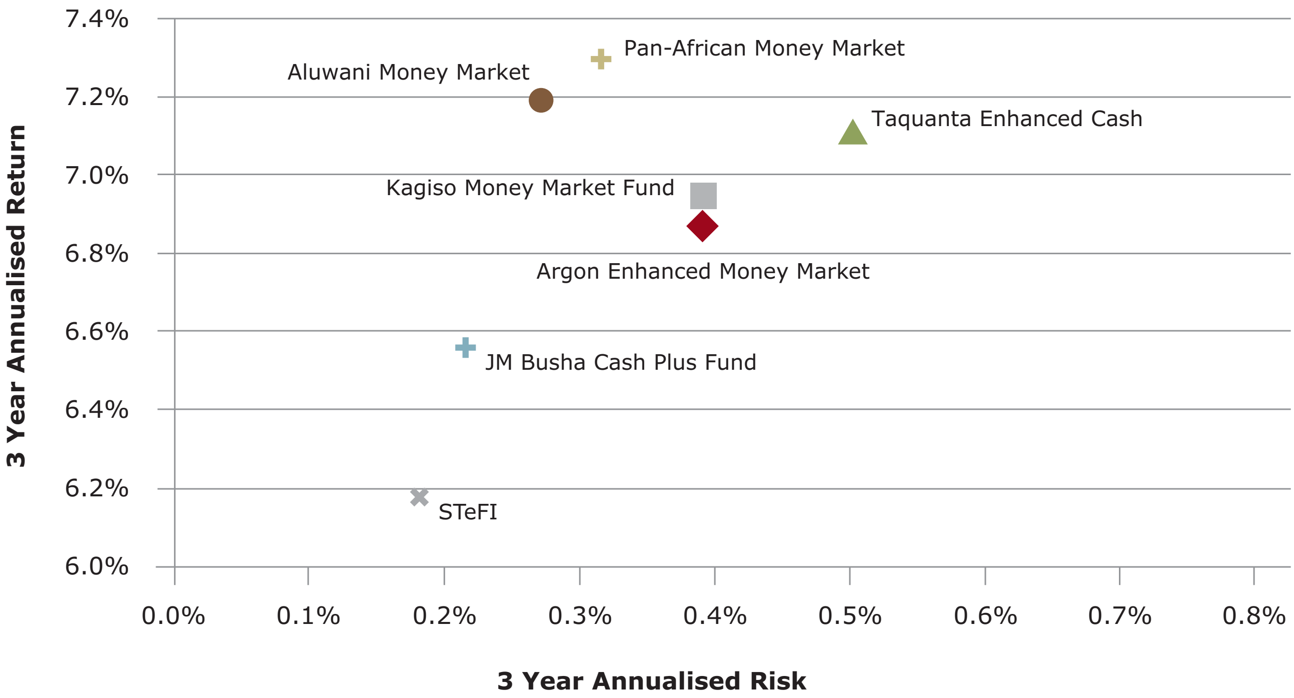
c. South Africa Active Fixed Income

3 Year risk/return scatter



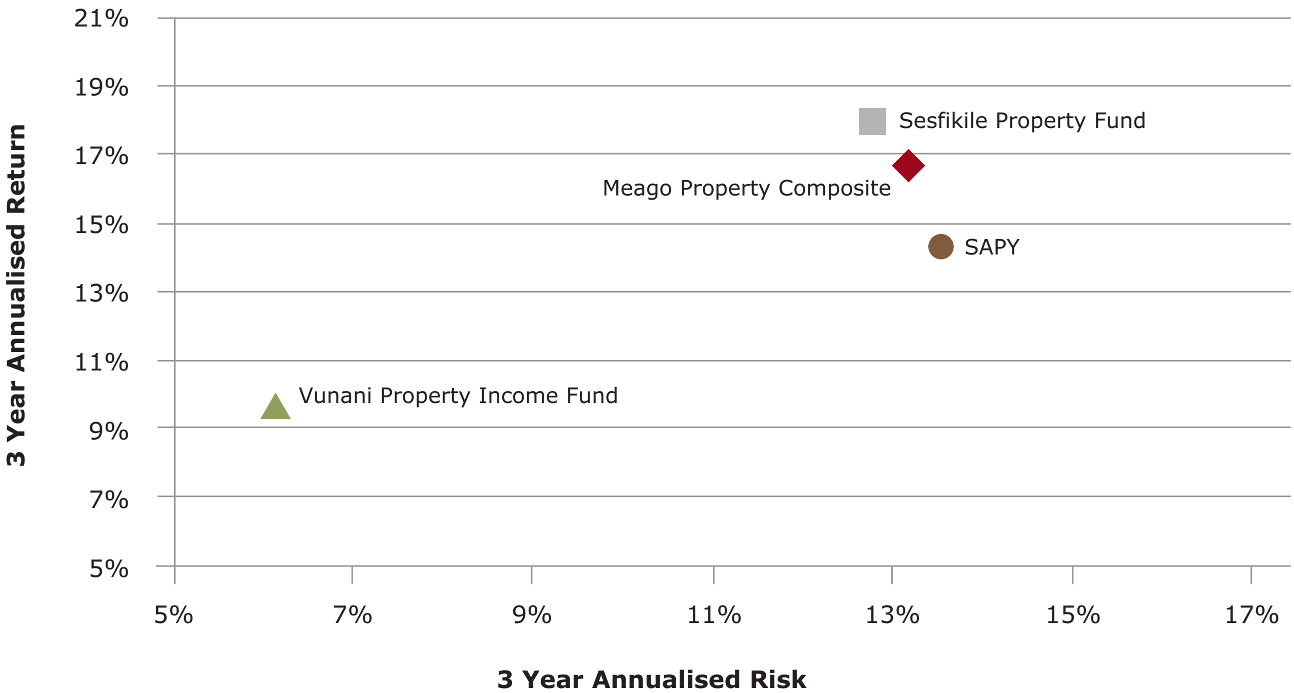
d. South Africa Money Market

3 Year risk/return scatter



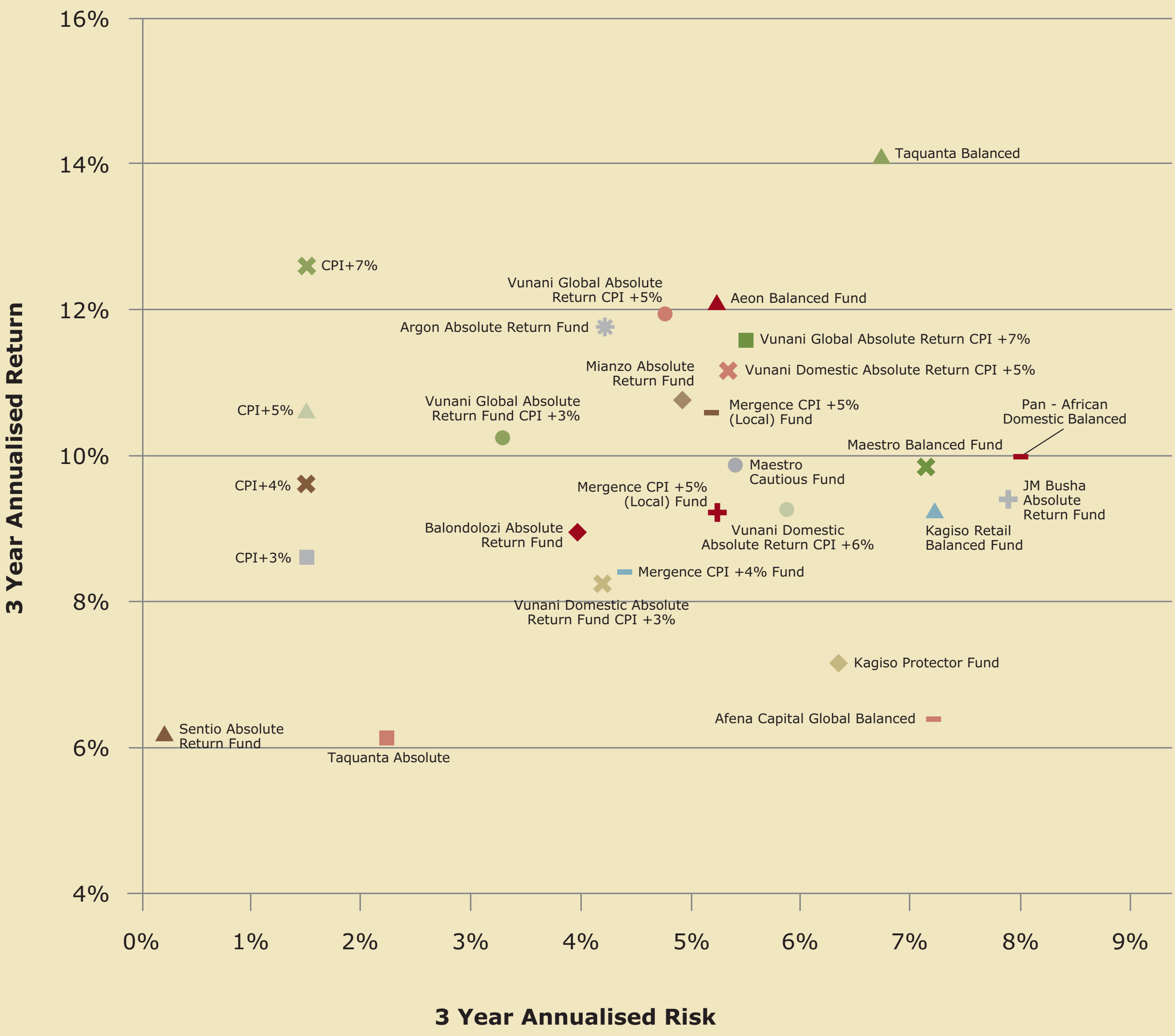
e. South Africa Listed Property

3 Year risk/return scatter



f. Multi-asset Class (Absolute Return and Balanced)

3 Year risk/return scatter



WHAT DRIVES ALPHA & ITS CONSISTENCY?

As financial markets move through various cycles, investment philosophies move in and out of vogue driven primarily by the following factors:

- **Investor sentiment:** This is generally reflected in the multiple that an individual stock and consequently the overall market will trade on. The more buoyant investor sentiment becomes, the higher the multiple investors are willing to attribute to the overall market as well as an individual stock.
- **Prospective earnings growth:** In an environment where earnings growth faces many headwinds, investors would place a premium on companies generating consistent and stable earnings growth.
- **Relative trading metrics:** In an environment where the equity market is trading at a discount to its history (both with regards to dividend yields as well as price to earnings multiples) investors are willing to increase the price they pay for equities as they believe there is an inherent margin of safety built into the current prevailing market prices. Conversely, should the equity market be trading at a premium relative to its history, investors will become more circumspect and search for perceived bargains with regards to trading metrics.

The most basic investment style distinctions in the equity market is that of Value and Growth. A Growth investment philosophy tends to perform well during market cycles where price to earnings multiples are expanding, investors place a premium on earnings growth and are generally more focused on the ability of companies to improve their earnings growth rate through either higher return on capital deployed or stronger support for top line sales or earnings growth. In such an environment less focus is placed on the relative price paid for companies exhibiting such growth qualities.

Since the end of the global financial crisis, a few investment styles have become somewhat synonymous with the broad categorisation of Growth. One has been Quality (investing in companies with deep moats and thus high return on equity and free cashflow generation translating into stronger earnings attributable to shareholders) and the other is Momentum (investing in companies with better returns over the recent past and selling those with poorer returns i.e. investing in companies with expanding price to earnings multiples). The correlation of such strategies to Growth was ultimately driven by a strong demand for earnings certainty and growth given the prevailing market backdrop of excess central bank liquidity and benign economic growth. Quality investing had thus become a favourable investment strategy given the earnings visibility as well as superior return on capital deployed which in turn attracted strong investment inflows resulting in such stocks exhibiting strong Momentum qualities as well.

Ever since the market trough subsequent to the global financial crisis in March 2009, the equity market has experienced very distinct periods of performance drivers, during which market trends were easily identifiable (however exceptionally difficult to accurately time or predict). While the composite SWIX has yielded a total return of 279.36% over this period to the end of June 2016, sectoral performance and style performance has been vastly different. This is immediately apparent when considering various sector returns over this time period. Total returns were ultimately driven by the Industrials and Financials indices (up 493.21% and 443.48% respectively) whilst Resources was the major laggard (up 10.39%).

As was the case with sectoral performances, investment styles in composite also delivered differing returns, being driven by the prevailing market backdrop. The table below provides a summary of the returns delivered by the JSE Value Index relative to the JSE Growth Index to the end of June 2016.

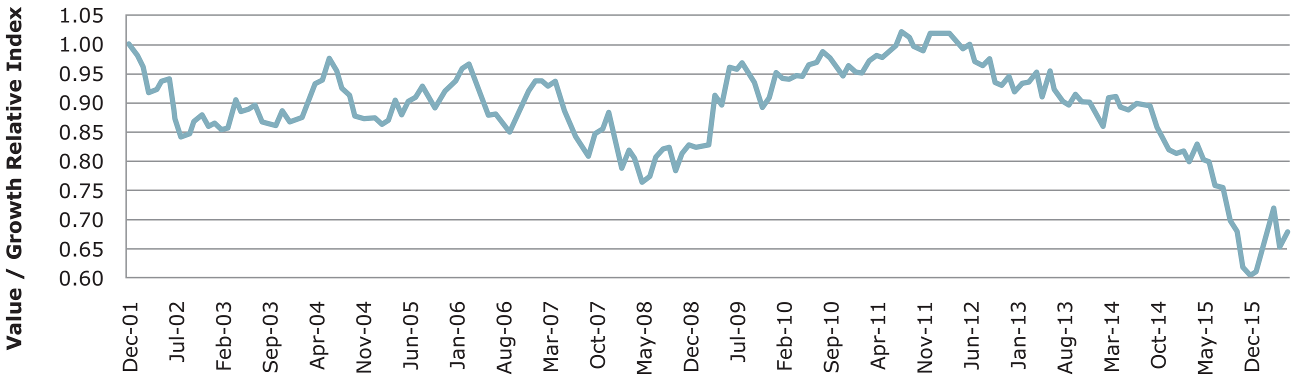
Period	JSE Value Index	JSE Growth Index
1 month	-0.02%	-4.22%
3 months	-0.37%	0.77%
6 months	13.26%	0.04%
1 year	-6.21%	10.41%
2 years (Ann.)	-3.94%	9.73%
3 years (Ann.)	5.22%	17.85%
4 years (Ann.)	8.24%	19.21%
5 years (Ann.)	8.62%	16.94%
10 years (Ann.)	10.58%	13.44%
Since the Global Financial Crisis (Ann.)	16.25%	19.38%

In aggregate Growth has outperformed Value ever since the end of the global financial crisis for the reasons mentioned above. If segmented, however, there have been 3 distinct periods of differing performance given the prevailing market sentiment at each respective time. These were as follows:

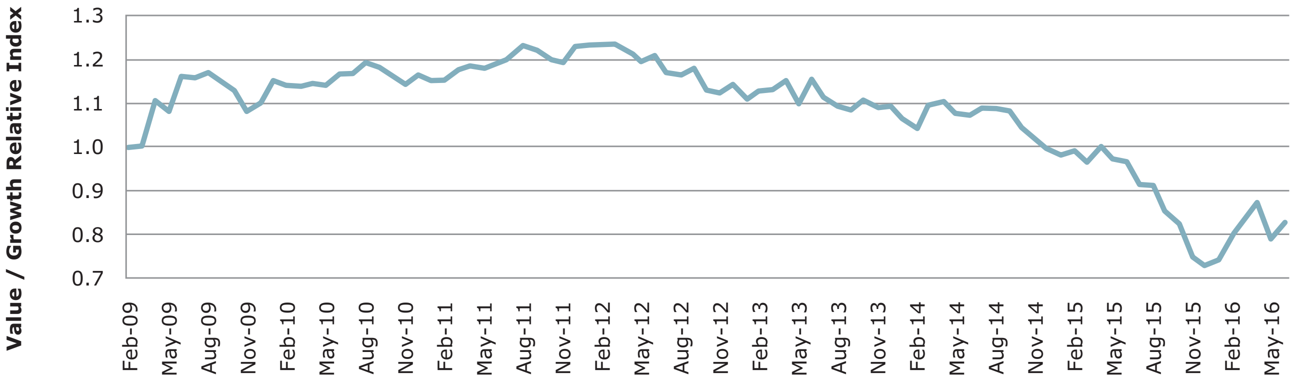
- **March 2009- April 2012:** During this period the JSE Value Index outperformed the JSE Growth Index by 7.80% annualised. The overall market was trading on a depressed multiple post the sell-off precipitated by the crisis. With the culmination of the global financial crisis, Value stocks (trading on the lowest price to earnings multiple) provided significant downside protection not selling off to the same extent as their peers and thus recovered the most vociferously having less ground to make up.
- **May 2012- December 2015:** This is the period during which Growth derived all its outperformance for the period subsequent to the global financial crisis. During this period, Growth outperformed Value by a staggering 15.84% annualised to give rise to the most severe period of underperformance of Value relative to Growth that we have seen in recent history. During this period, the easy equity market re-rating of lower quality stocks occurred. As global central banks embarked upon and continued to ramp up stimulus packages, the focus turned to high quality companies that could provide growth and yield in a low growth and low yield environment. This is the predominant reasoning for the market rally being led by Industrial stocks over this time given their highest degree of earnings visibility and superior growth characteristics. In such an environment, poorer quality companies (trading on low multiples and representing value) struggled to gain momentum and thus were the biggest laggards.
- **January 2016- June 2016:** During this period, Value investing once again returned to favour as the JSE Value Index outperformed its Growth counterpart by a cumulative 13.22%. As asset prices inflated far beyond historical average metrics by the end of 2015, the market became concerned with companies' ability to sustain the embedded earnings growth built into trading multiples. In such an environment, capital once again flowed into lower rated companies with a greater margin of safety with regards to trading metrics and a lower probability of earnings disappoints over the short to medium term.

The graphs below depict the extent of a Value strategy's underperformance and is indicative of the cyclical nature of markets. Where the line is increasing Value is outperforming Growth and where the line is decreasing Growth is outperforming Value. The absolute value of the index indicates the cumulative outperformance of Value versus Growth where an index value above one indicates a cumulative outperformance of Value over Growth over the measurement period to date.

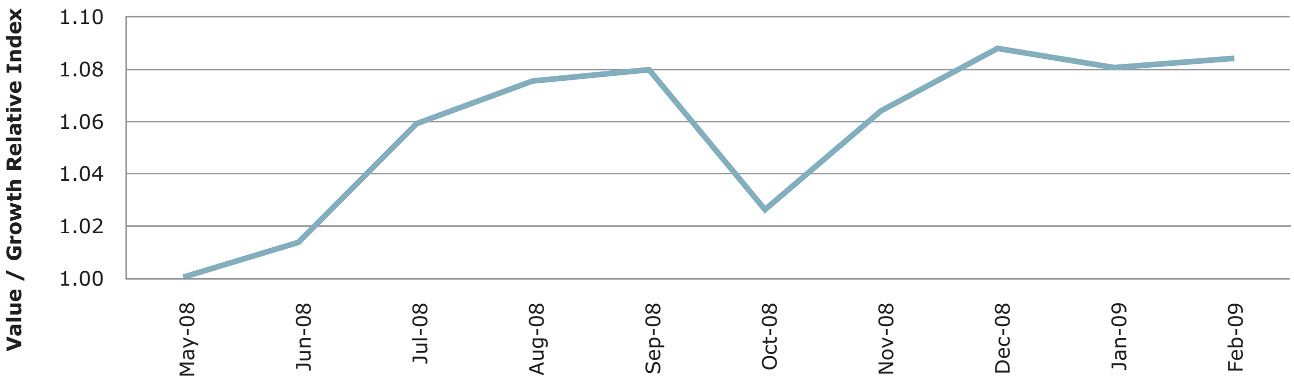
Performance of Value Relative to Growth on the JSE since December 2001



Performance of Value Relative to Growth on the JSE since the Global Financial Crisis



Performance of Value Relative to Growth on the JSE during the Global Financial Crisis



In line with the performance of composite indices, underlying fund manager performance was also reflective of the respective equity market backdrop. Afena Capital, a manager defining itself as Value has created a significant amount of alpha over the SWIX in the last 6 months during a strong Value cycle, having underperformed the SWIX over a rolling 1 year period to 31 December 2015, through a definitive Growth cycle. The opposite holds true for All Weather Capital, a manager which has defined itself as having a Growth bias.

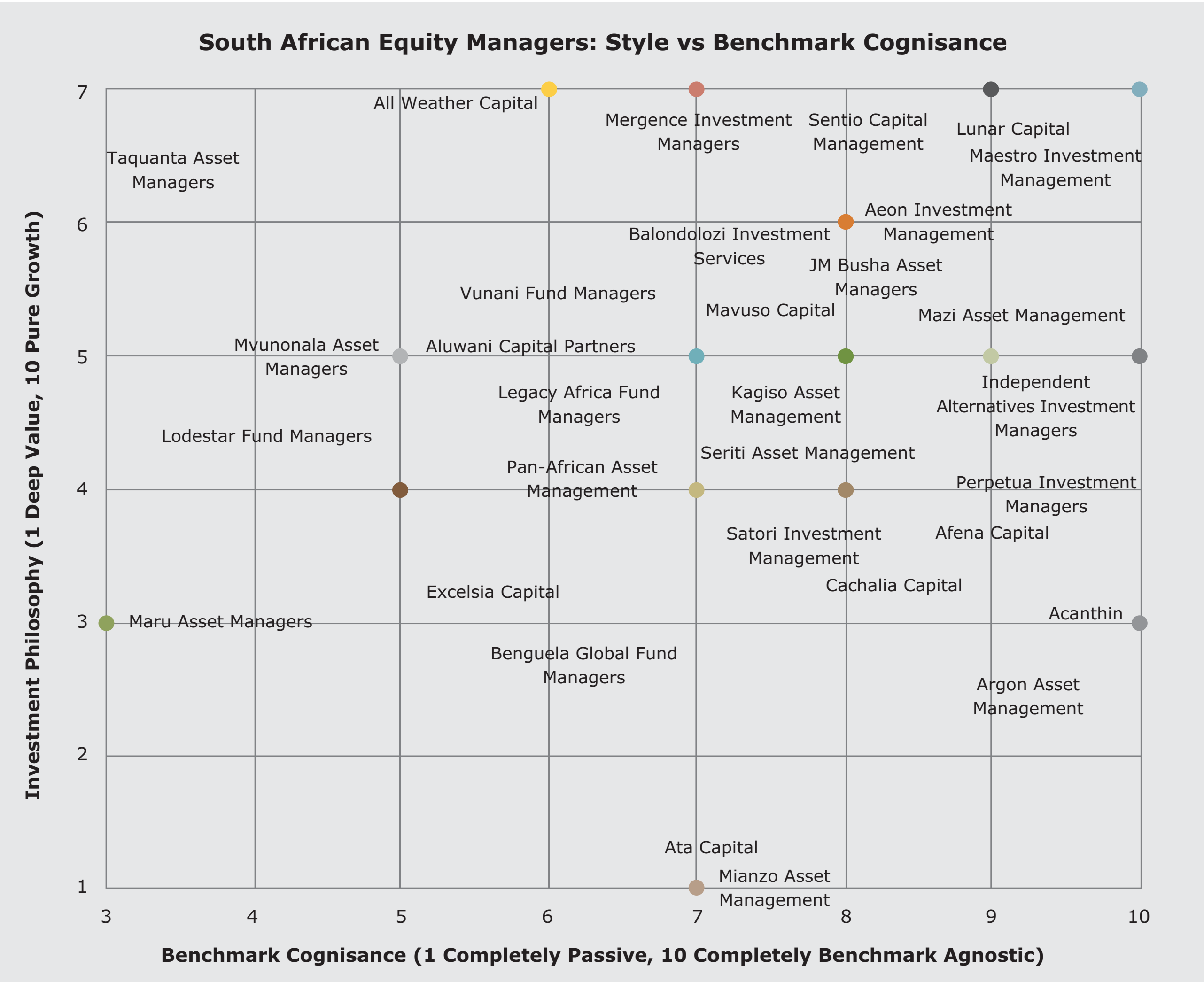
The table below summarises such relative performance during the distinct market cycles:

	Afena Capital Un-constrained Equity	All Weather Capital Long Only	SWIX	Favoured Style
Year to Date (June 2016)	20.96%	5.29%	7.26%	Value
Calendar Year 2015	-16.27%	14.46%	3.91%	Growth

It is important to note how South African active equity managers participating in the 2016 survey chose to classify their investment styles. Managers were asked to rate themselves on a scale of 1 to 10 with 1 being strongly Value orientated and 10 being focused only on earnings growth above the level of the market. Of the 31 participating equity managers, a total of 13 managers classified themselves as 5, completely style neutral between Value and Growth.

Whilst being potentially an unfair question to ask given the concentration of our market and the definition being open to interpretation, the performance characteristics of managers over the recent market cycles tells an interesting picture. Given the evidence presented of alpha delivery largely being a function of the style in vogue, this may be an indication of a lack of willingness from asset managers to commit to a particular investment style given the perceived performance profile of such an investment style.

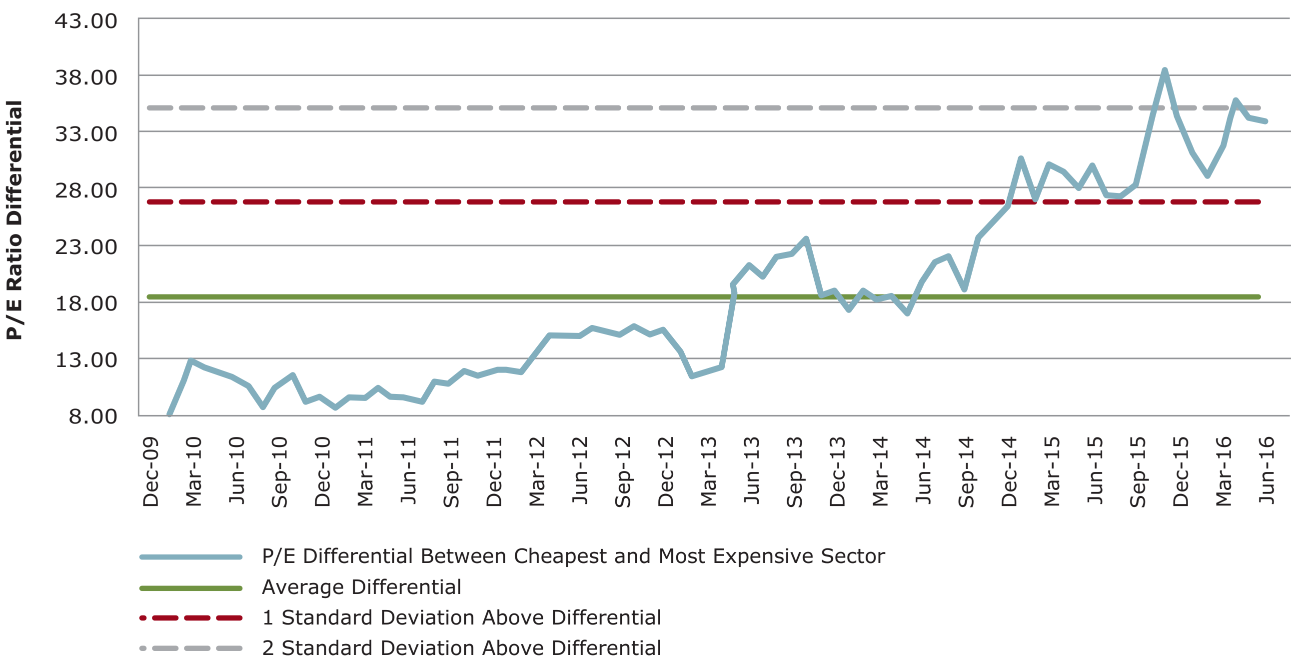
In addition to the question on investment philosophy, South African equity managers were also asked to rank how important the benchmark is as a consideration in constructing their portfolios where a score of 1 is completely passive and a score of 10 completely benchmark agnostic. The responses as submitted by the managers were as follows:



The prevailing market backdrop is the greatest determinant of the source of investment alpha. In the South African context there is ample evidence that getting your equity sector selection correct is a bigger determinant of performance in a multi-asset portfolio than the asset allocation between equities and bonds. The greatest challenge is to accurately time such cycles with a significant amount of foresight. Perhaps one determinant of such a cycle is an analysis of trading metric differentials within various sectors and relative to their long term averages.

The graph below simply measures the absolute differential of the most expensive JSE subsector to the cheapest JSE subsector both in absolute terms and relative to long term average expectations of such a differential. The logic is each time subsectors become increasingly disconnected from a pricing perspective relative to each other on a historical basis, such trading differentials should narrow over time. In such trading differentials narrowing, the lower price to earnings rated sectors (i.e. the Value end of the market) must either re-rate to a higher price or the higher price to earnings rated sectors (i.e. the area of the market with the greater implied earnings growth) must de-rate to a lower price. In either of these scenarios, Value would outperform Growth as a style and hence create some sort of a forward looking alpha forecast. The converse holds true for when trading differentials are below long term averages.

PE Multiple Differentials on the JSE



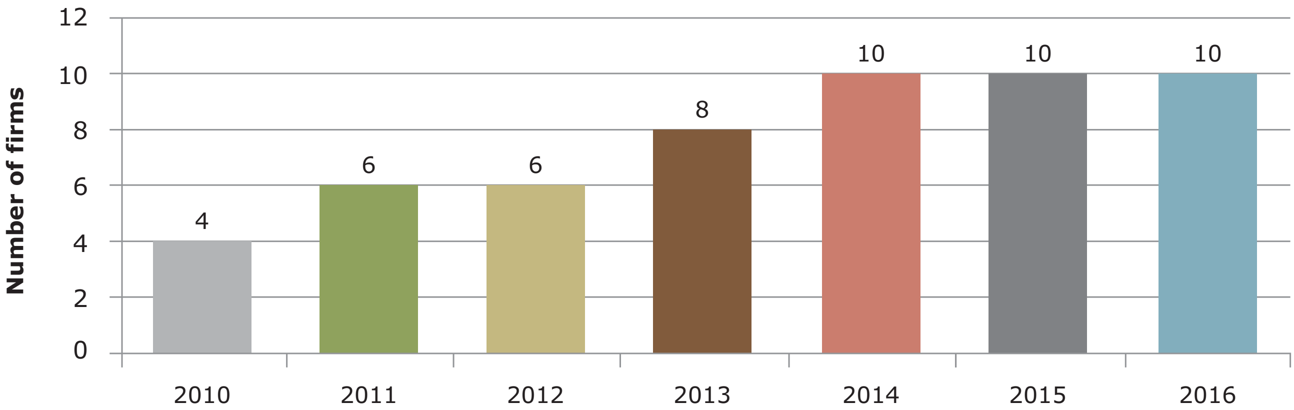
As indicated in the above graph, the price to earnings differential narrowed substantially into 2016 after reaching exceptionally stretched territory into the end of 2015. This differential narrowing corresponded with a strong re-rating in Value stocks and an outperformance from Value. The reverse held true at the end of 2009 where differentials were well below historic averages and thus investors were better off in Growth stocks which offered superior earnings growth whilst not trading on significantly higher multiples when compared to stocks not generating the same level of earnings growth.

The above graph seems to indicate that investors can continue to be well served in Value strategies on a forward looking basis given the ongoing elevated differential relative to history. When implementing a qualitative overlay, however, it is prudent to note that such Value businesses typically comprise the segment of the market most severely influenced by sentiment which remains erratic with a negative bias particularly over the short term. The numbers alone will never provide a full proof or even sound investment strategy.

Judgement and stock picking by the managers will always have a place but who is the manager who can confidently say that they favour one style over another despite continuity being all important to clients and style drift a big no-no?

RESPONSIBLE INVESTMENT

a. Signatories to the United Nations Principles for Responsible Investment (UNPRI)



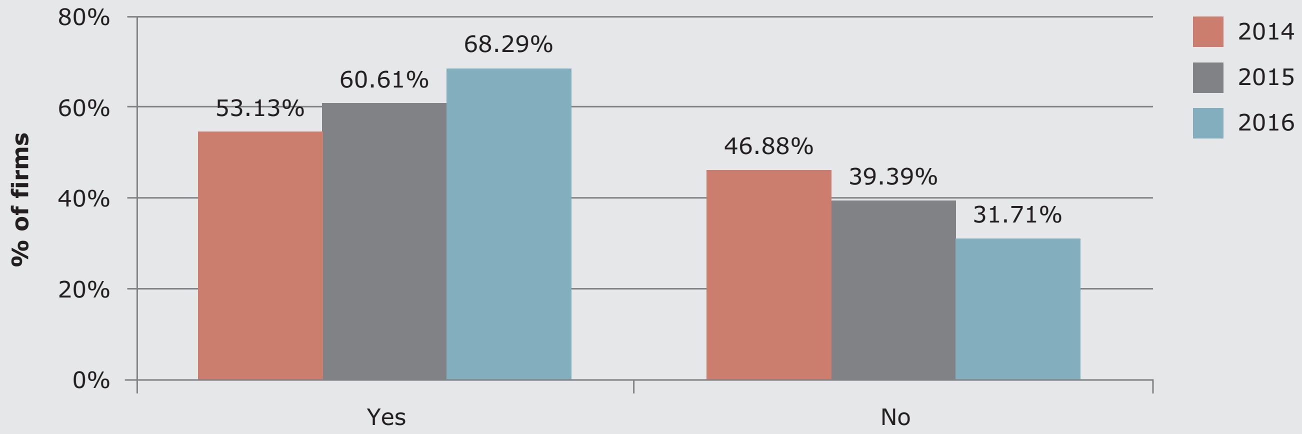
There has been no new signatories to the Principles for Responsible Investment. The number of signatories has remained static over the last 3 years. The annual signatory fee is 1 550 Pound Sterling. Outside of this cost being a signatory also requires a commitment of time. One manager that has successfully utilised their signatory status is Aeon Investment Management who received a high score in their annual UNPRI assessment. Asset owner allocations do not appear to be dependent on whether or not a manager is a signatory. More effort is required on the part of asset owners to send a strong and clear message to consultants and asset managers on the importance of responsible investment. Without this message implementation will remain weak and fragmented and little progress will be achieved.

b. Current signatories to the United Nations Principles for Responsible Investment

Aeon Investment Management	Mazi Asset Management
Afena Capital	Meago Asset Managers
All Weather Capital	Mergence Investment Managers
Argon Asset Management	Mianzo Asset Management
Kagiso Asset Management	Mvunonala Asset Managers

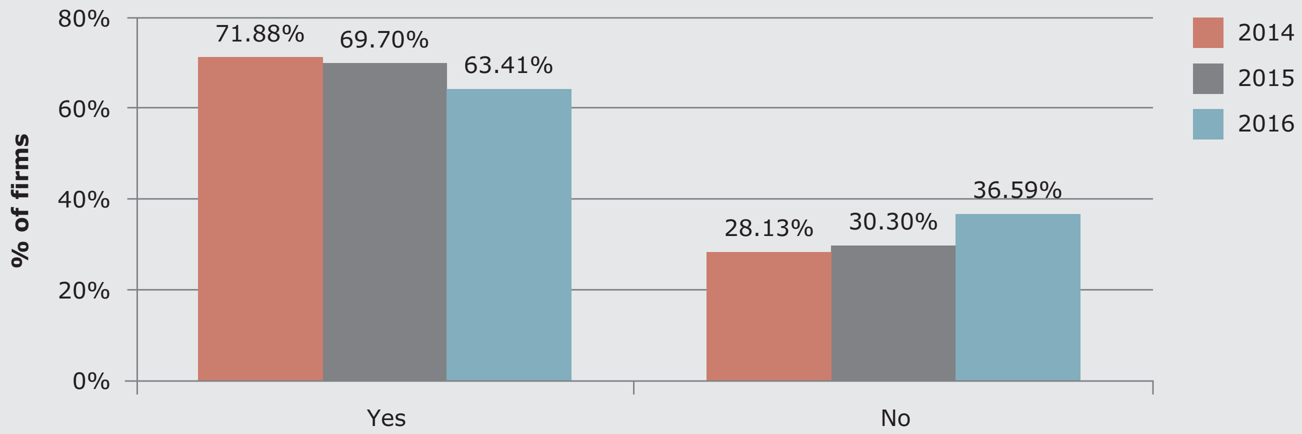
c. Extent to which firms employ Environmental, Social and Governance (ESG) factors into investment decision making

Subscribe to Code for Responsible Investing in South Africa (CRISA)

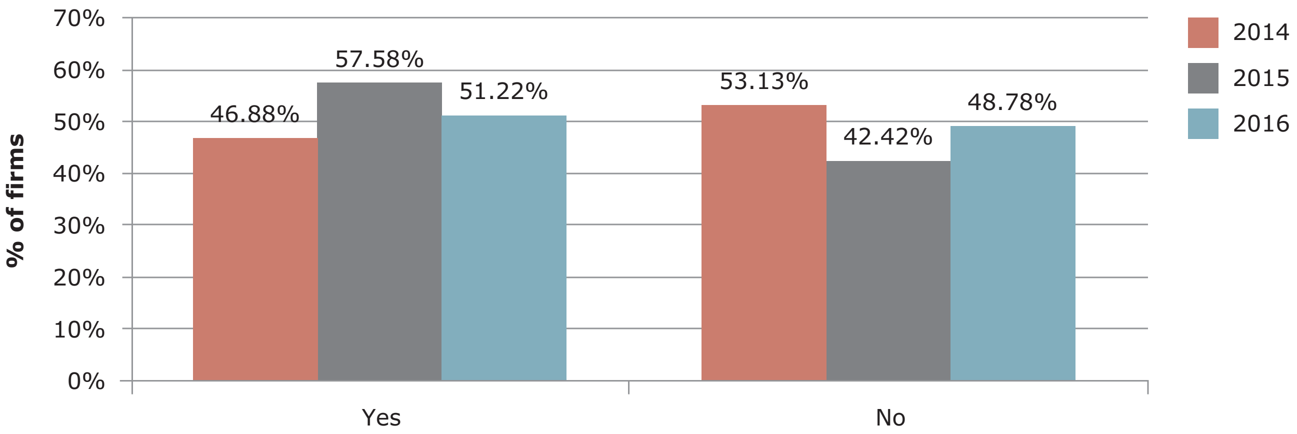


Over two thirds of managers subscribe to CRISA where there are no costs involved and no explicit reporting requirements mandated.

Proxy voting policy in place

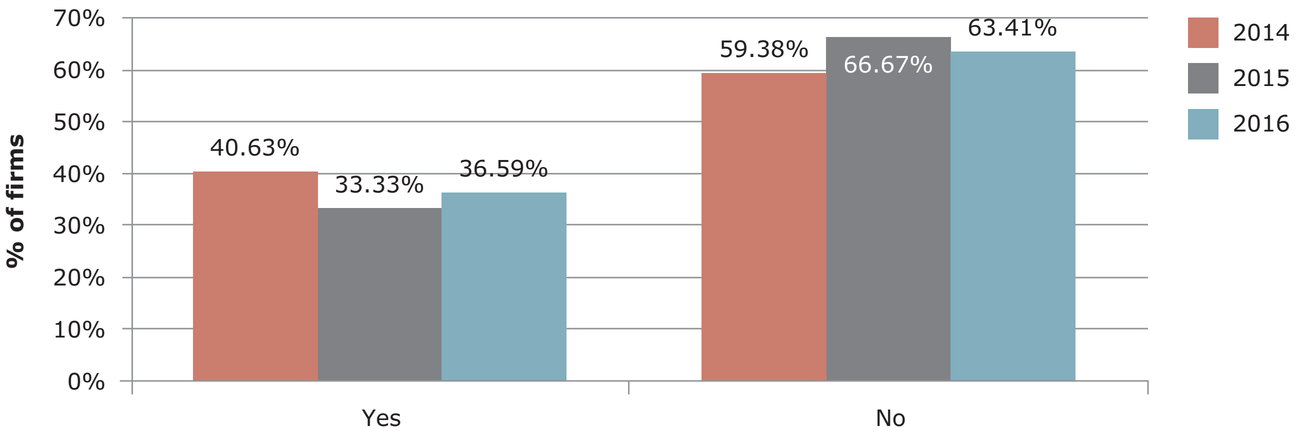


Votes recorded and made public



The number of firms who have proxy voting policies in place has declined over the last year. This is not necessarily that fewer managers are implementing policies but also speaks to the fact that there are more managers in the fixed income and unlisted space. Asset owners can be more assertive in their responsible investment requirements by integrating them into investment mandates and proactively engaging with managers on ESG matters. Where managers do have policies in place, they are not all willing to publicly disclose their votes and have these open for scrutiny.

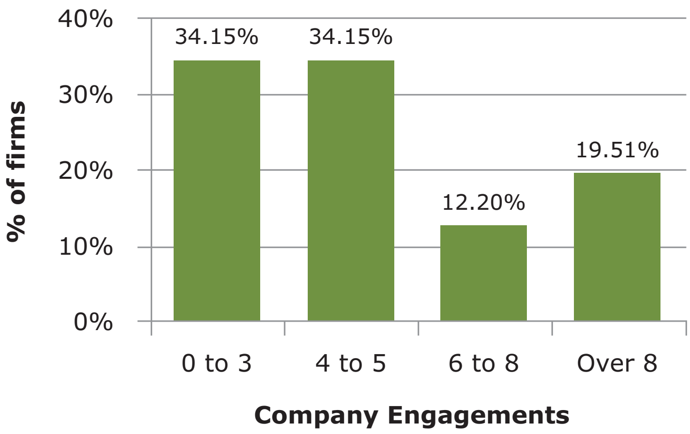
Utilise external service providers for data on ESG factors



ESG data is specialised and comes at a cost. The cost implications of using an external service provider for data can often outweigh the benefits for a smaller firm. Increasingly more South African stockbrokers are focusing on ESG research to support their asset manager clients on ESG integration and best practice. One such provider is B-BBEE stockbroker Legae Securities who specialise in the provision of ESG research.

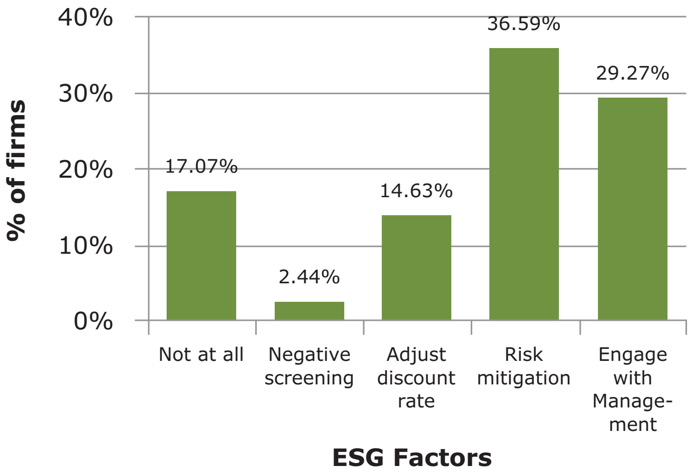
Average number of engagements with company management over the last 12 months

Building a strong reputation within the industry also involves building relationships with the management of companies. Access to management can be a key determinant in facilitating change and unlocking shareholder value within companies for the benefit of investors. The current level of engagement is low with the majority of firms having less than 5 company engagements a year. Engagements can however be intensive in terms of time and resources so the trade-off always needs to be evaluated against the value it may unlock for shareholders relative to other opportunities in the market.



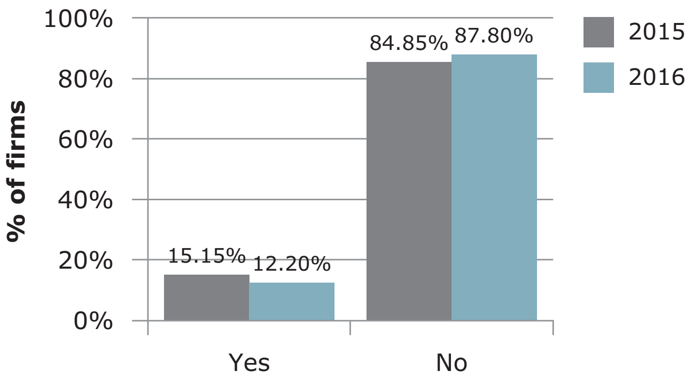
ESG factors incorporated into investment processes

17% of asset management companies in the industry do not incorporate ESG factors into their analysis in any form. For the majority of managers it serves to help mitigate risk within the portfolio identifying factors that could impact valuations and reducing exposure to these factors. Almost 30% of managers identify ESG factors to engage with management on but the number of engagements are low. Only a very small percentage of firms use ESG factors as a screening tool.



Manage ESG specific mandates

The number of ESG specific mandates has declined with only 12% of firms running specific product offerings in this area. This is a function both of demand from the market and having the skill set that allows managers to put themselves out to the market as specialists in this area. One such manager that has built credibility in this area is Mergence Investment Managers.

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ASSET MANAGERS
Enhanced Solutions for your long-term capital growth
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info@maru-am.co.za
www.maru-am.co.za
Address: Lancaster Gate
Hyde Park Business Park
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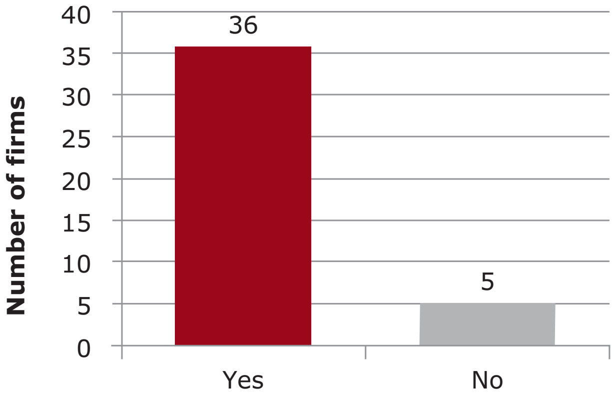
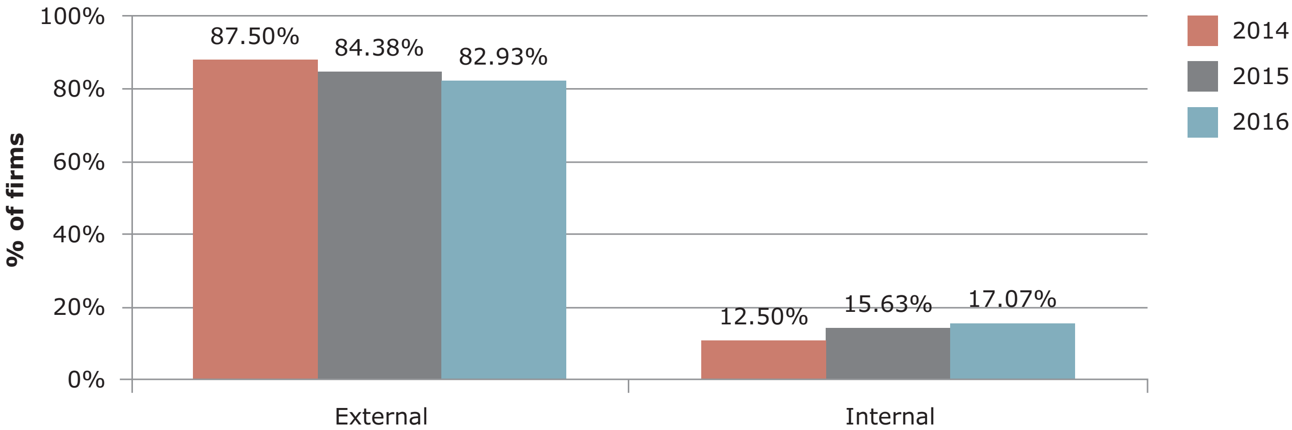
OPERATIONS

a. FSB licenses



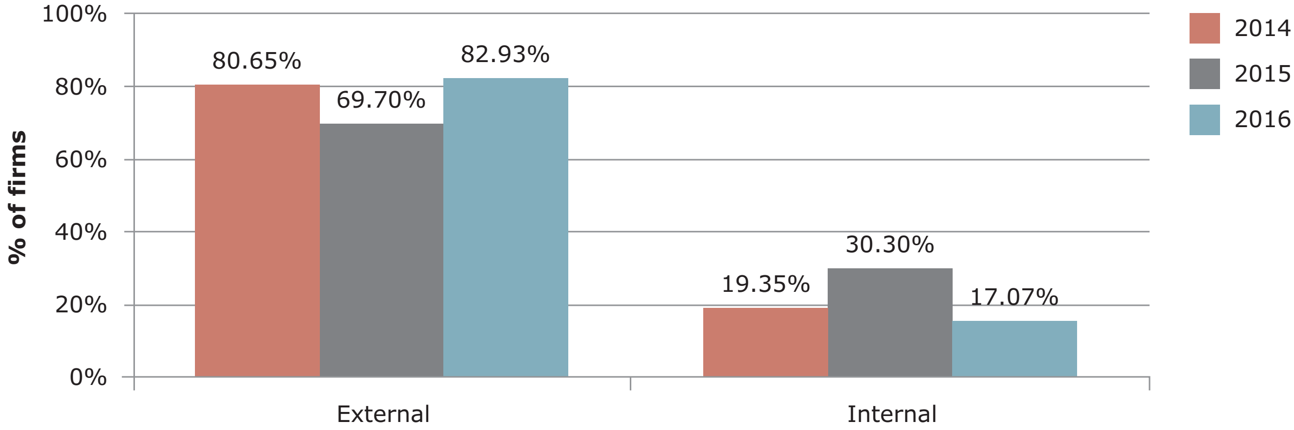
New fund managers often act as juristic representatives of more established firms until they can build up the resources and experience to apply for their own FSB licences. 5 of the firms are yet to obtain their own FSB licences.

b. Compliance officer



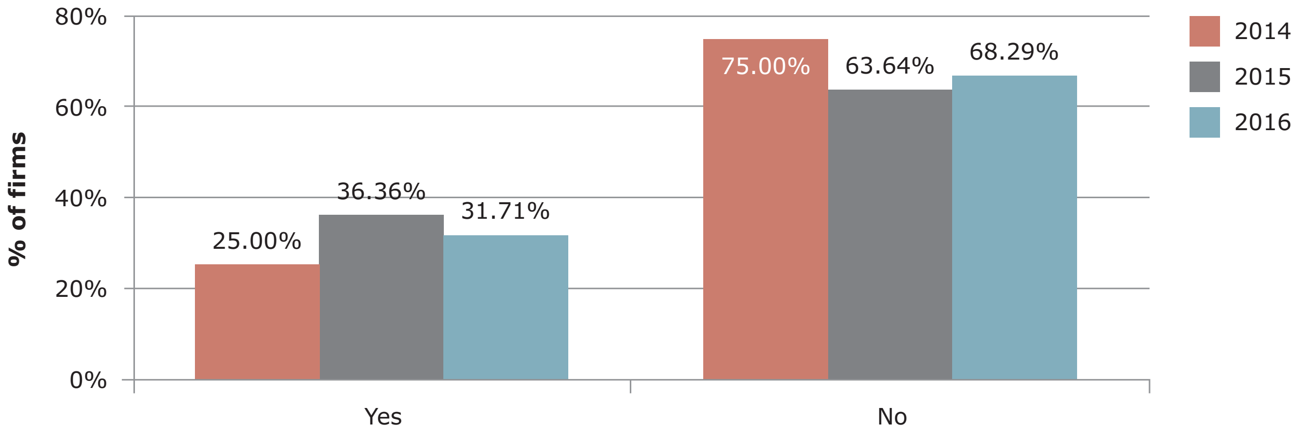
Although the percentage has decreased slightly, there is still a definite preference for outsourcing all non-core functions to external service providers. Compliance is one of these areas where experience and specialist skills are important attributes and these are best obtained through an external service provider as opposed to in house.

c. Fund administrator



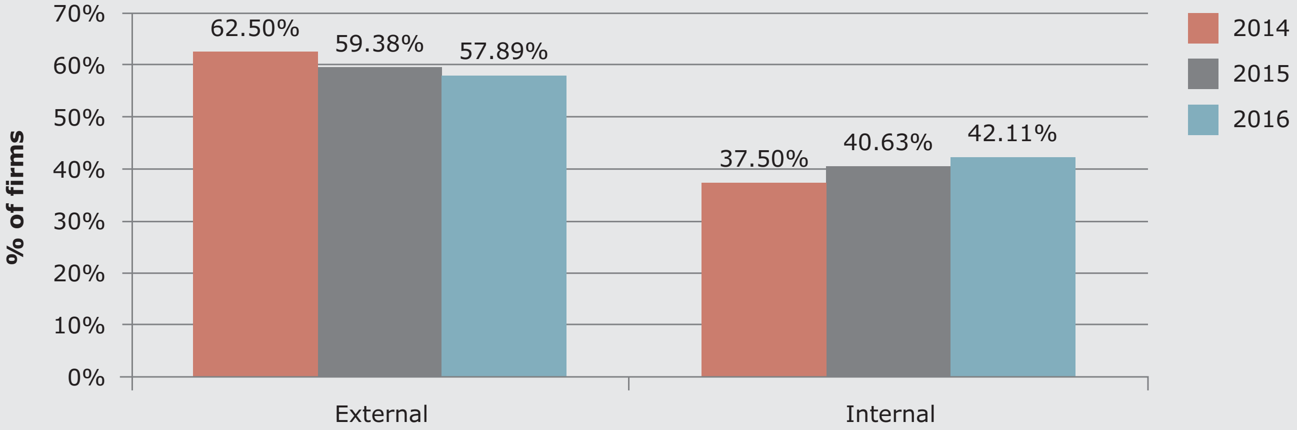
Despite an increase in internally administered funds in 2015, this year we have seen that again asset managers prefer to outsource this function with 83% of firms using external administration services. Fund administration requires costly technology and know-how. Internal fund administration can also prove to be a distraction from the core focus of money management. The global trend is that managers are increasingly making use of external administrators because of their independence.

d. GIPS compliance verified by a 3rd-party



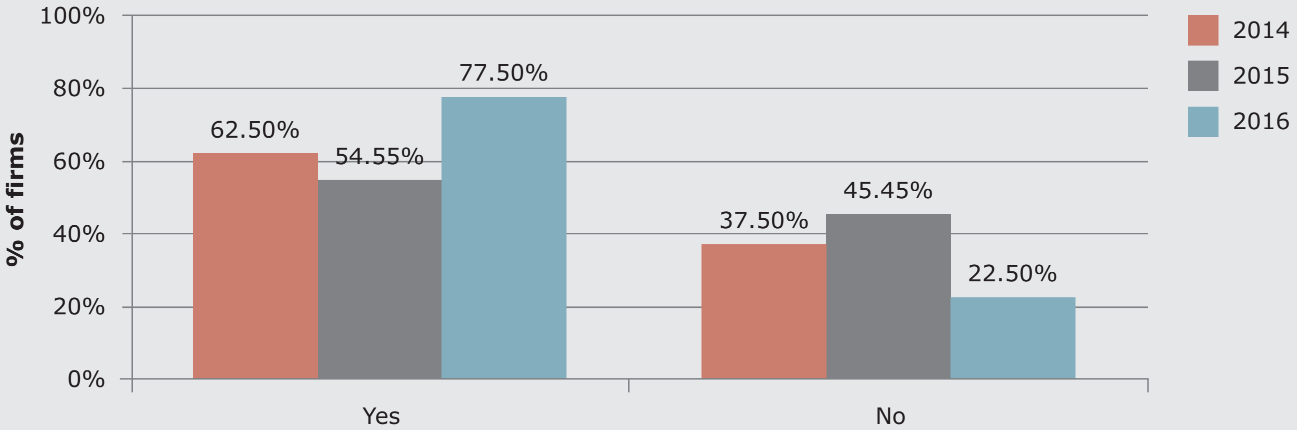
More than two thirds of asset managers in the industry do not have their GIPS compliance verified by an independent third party. While GIPS is widely accepted as best practice within the industry the costs of a third party audit are extensive. Third party audits do contribute to the reputation of the firm and further trust with asset owners.

e. Regulation 28 compliance



More asset managers have built internal capability to report on their Regulation 28 compliance commitments. 58% of firms are still outsourcing this service. We expect this number to drop further in the future.

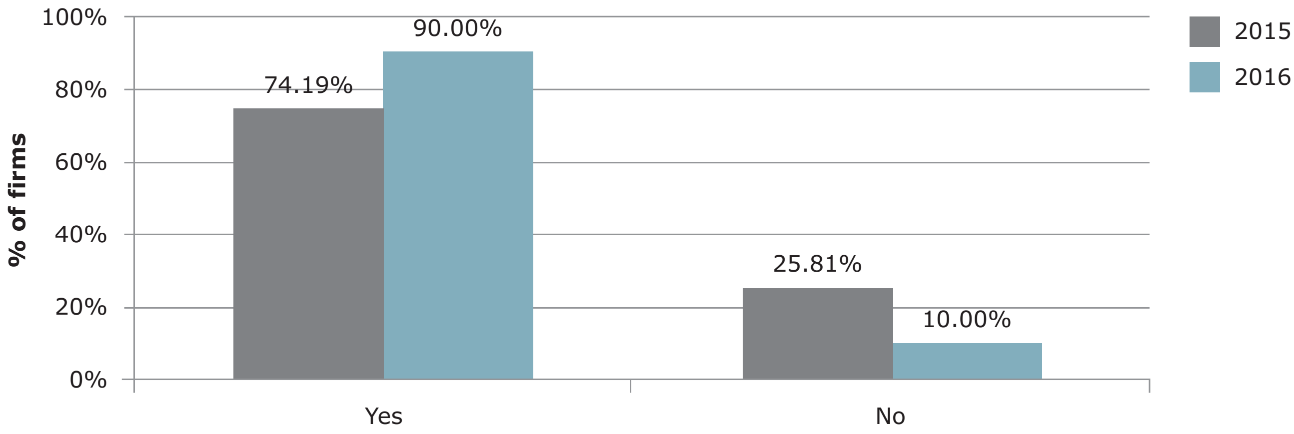
f. Employees invested in the firm’s own products



Over three quarters of employees utilise their firm’s investment products to invest their own money. This number has increased by over 20%, indicative of an alignment of interests between asset manager and client.

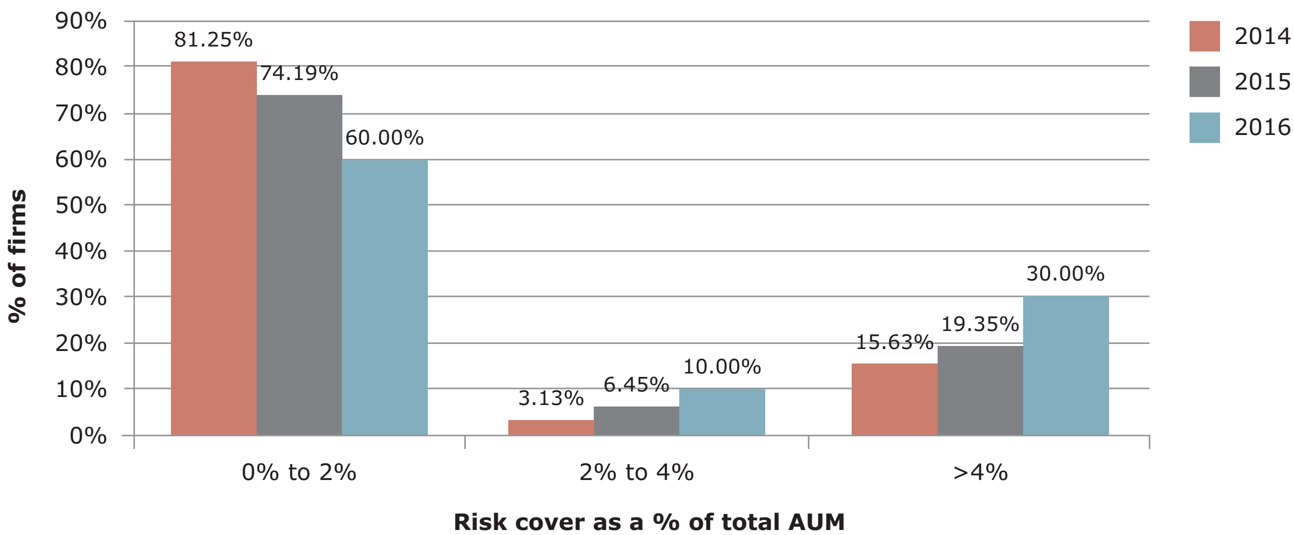
g. Insurance cover

Firms holding insurance cover:



It is a compulsory requirement for discretionary investment managers to have insurance cover in place. Those managers who are unlicensed and have not yet gathered assets do not have cover in place.

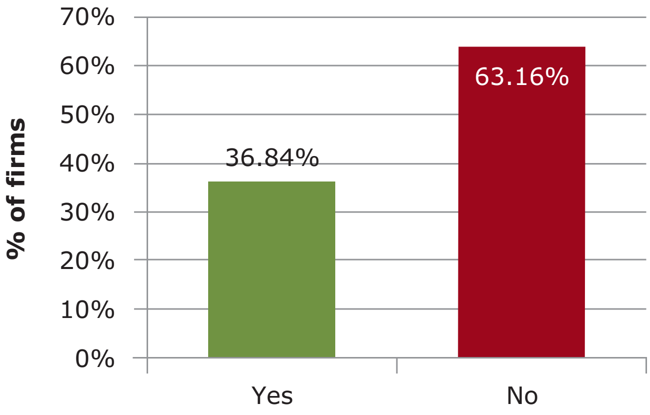
Risk cover as a % of AUM:



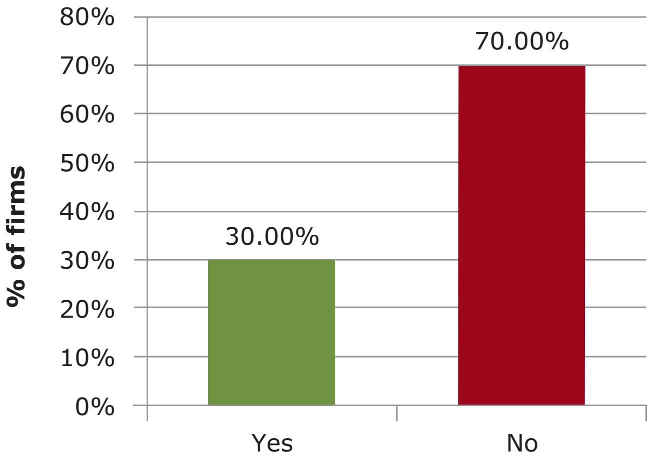
With no statutory limits set on cover and insurance companies offering varying minimum amounts on their policies, the level of cover for various asset managers can vary quite extensively. The majority of managers have cover of between 0% and 2% but 30% of managers have cover in excess of 4% of assets under management. The Financial Services Board is currently conducting an exercise to determine the size of cover required based on assets under management. The outcome of this exercise will provide asset managers and asset owners with guidance on the level of cover required.

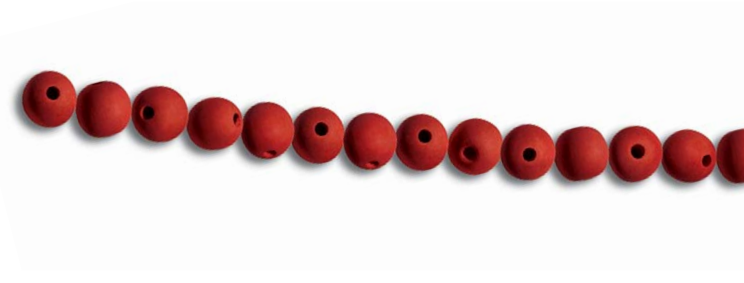
SOCIAL MEDIA

a. Benefitted from social media



b. Social media budget in place





Just over one third of asset managers feel that they have benefitted from using social media but this is highly correlated to the firms that have a dedicated social media budget in place. Digital marketing and social media are emerging channels for brand building and require the necessary budget and specialised advice to achieve success in these areas. The ability to focus on avenues for business growth in the future is important for sustainability and relevance, and more managers need to think about how they target the next generation and not about what has worked in the past.

AN INTERVIEW ON THE FINANCIAL SECTOR CODE

with Mr Isaac Ramputa, CEO: Financial Sector Charter Council

Isaac Ramputa is the CEO of the Financial Sector Charter Council, which is a transformation body for the finance industry in SA. He has served as president of the Batseta Retirement Fund of South Africa since its launch in 2014. He is the Chairperson of the ASISA Foundation and a trustee of pension funds. Previously he served as the retirement funds coordinator for labour unions in South Africa and played a role in the Sustainability Steering Committee.

27four: What is the real purpose of the Financial Sector Code and is it achieving the desired impact?

IR: The Financial Sector Code has been very effective since its implementation in 2003. There is, of course, always a challenge in terms of transformation, as its goals are not achieved in equal measure in the different areas of the financial sector.

If, for argument's sake, one looks at financial exclusion at the time the charter came into being in 2003, financial inclusion was estimated at around a mere 20-25%. Since then inclusion levels have improved to today's 70-80%, showing that the codes are indeed having the desired effect.

The Financial Sector Code provides the financial sector with a clear roadmap on how to build on existing achievements in black economic empowerment to the benefit of all stakeholders. With the financial sector as South Africa's biggest contributor to the national GDP, the code serves as a framework against which the empowerment progress of the financial sector is measured.

The code must ensure transformation in the financial sector, to advance the transformation process at a faster pace, and across the broader economy. The Financial Sector Charter Council's purpose is to monitor and report on whether the transformation is effective, particularly in the larger sectors like banking and insurance.

As far as asset managers are concerned, the large corporates and retirement funds still present a challenge in terms of small black firms. Small black asset management firms are simply not viewed as in the same league as the large, white-managed asset managers. This challenge remains even after it has been proven that black asset managers are producing what's required. They still get a smaller piece of the pie.

Small asset managers mostly rely on larger asset owners for funds to manage. We need to get asset consultants on board who will actually advise the trustee boards of the larger players to place funds with smaller, black-owned firms who have proven themselves in the industry and who should be given support – we must transform the value chain.

27four: Tell us about the Revised Financial Sector Code. Has the focus changed from the current Code?

IR: The Revised Financial Sector Code has brought some positive changes that should increase the pace of transformation. It includes the Empowerment Financing and Access to Financial Services provisions from the old Financial Sector Charter in the scorecard, but with increased targets, in addition to the seven standard elements that form part of the generic Department of Trade and Industry Codes.

27four: The Revised Code includes a new Voluntary Dispensation for Retirement Funds. How do you plan to monitor its impact on the industry?

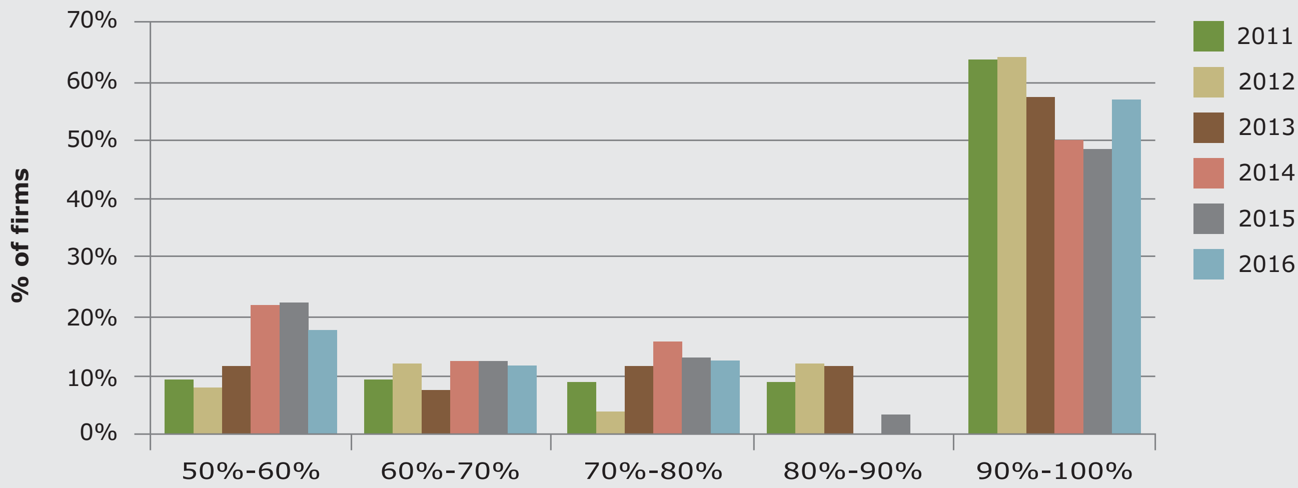
IR: The Revised Code includes a new voluntary procurement disclosure dispensation for retirement funds. This should lead to improved procurement from black-owned companies. Although voluntary at this stage, the Financial Sector Charter Council believes that asset owners will comply.

Since retirement funds do not report to the Financial Sector Charter Council directly we will engage the Financial Services Board to monitor progress and engage with retirement funds to report on their procurement processes. The focus will be on the top 100 retirement funds that must move away from ticking boxes, and make real transformation a reality.

BEE CREDENTIALS

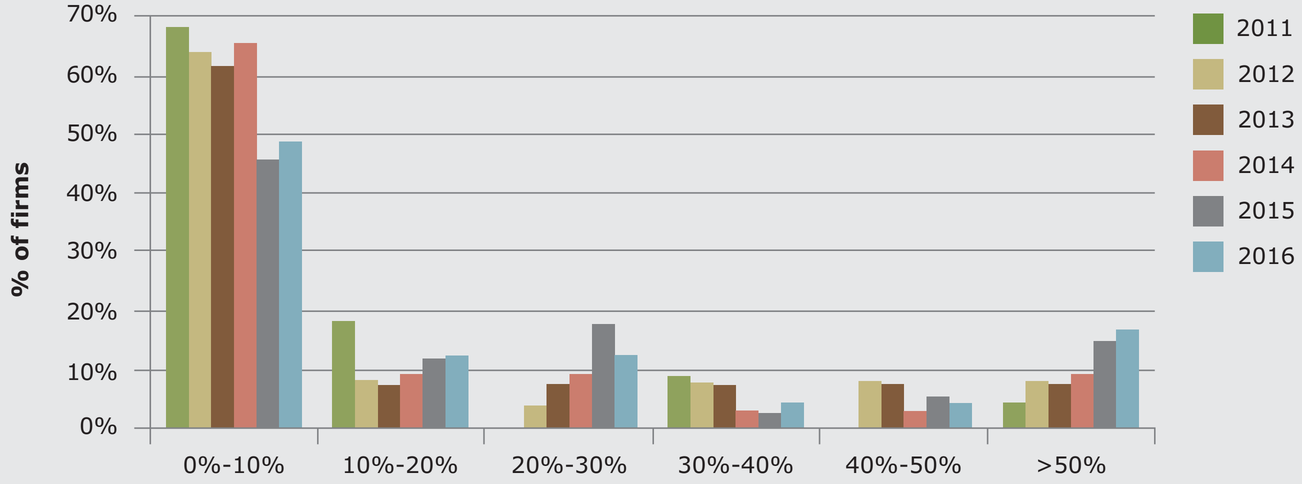
a. Ownership

i. Overall black



The dilution in black equity ownership we have seen over previous years has started to reverse and this year 58% of firms had black ownership that was between 90 and 100% with the number of firms having between 50 and 60% black ownership decreasing to 18%. It is critical to get ownership structures right to ensure the long term sustainability of businesses and ensure that the owners in the business are active and adding value. This often takes a few years to bed down.

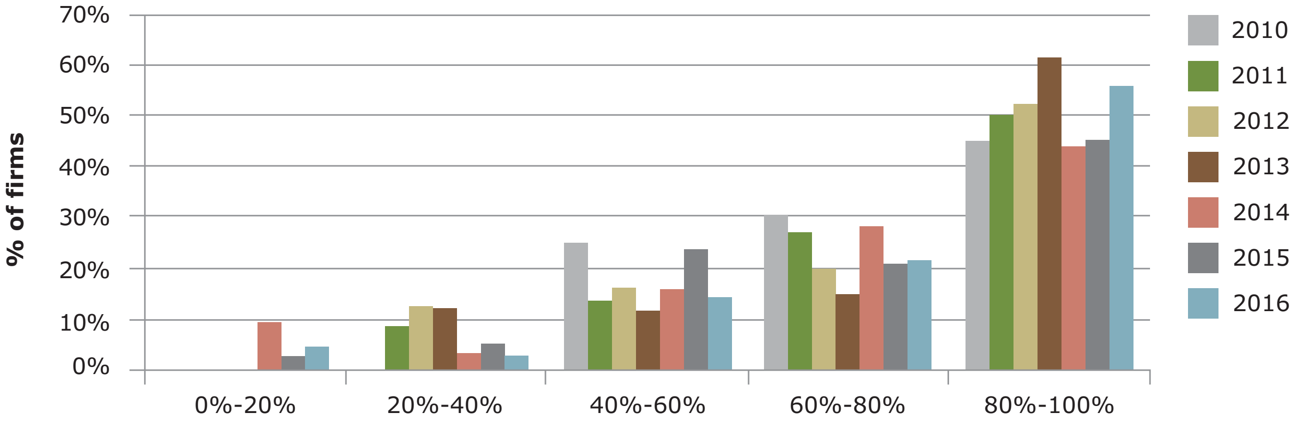
ii. Black female



We continue to see small improvements in the ownership of black women in the industry. The area is one that continues to lag and with only 17% of firms having black women ownership in excess of 50%, gender equality still has a long way to go.

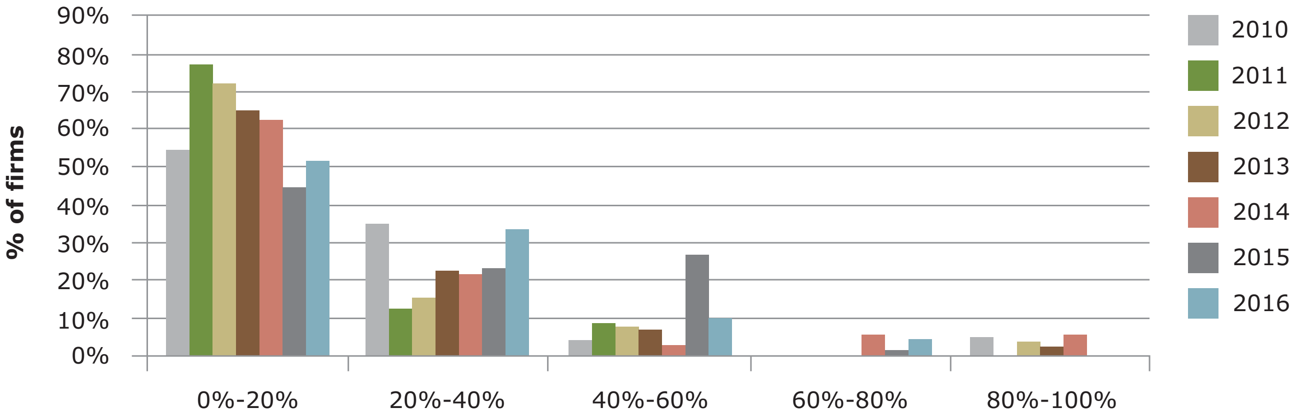
b. Board representation

i. Overall black



In line with the pick-up in black ownership in 2016, board representation has also increased with more than half the firms having black board representation of between 80 and 100%. There has been a notable drop in the number of firms with between 40 and 60% black board representation, from 24% to 15%.

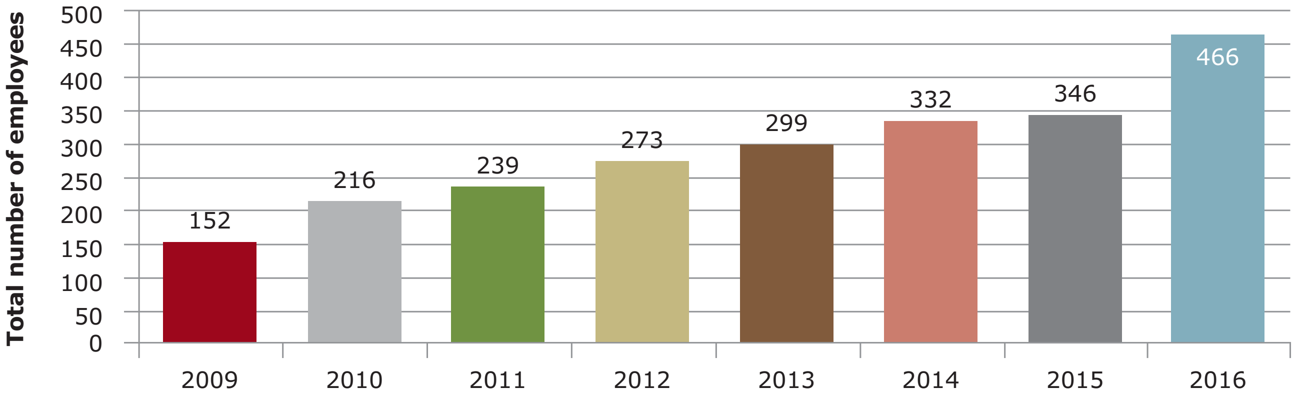
ii. Black female



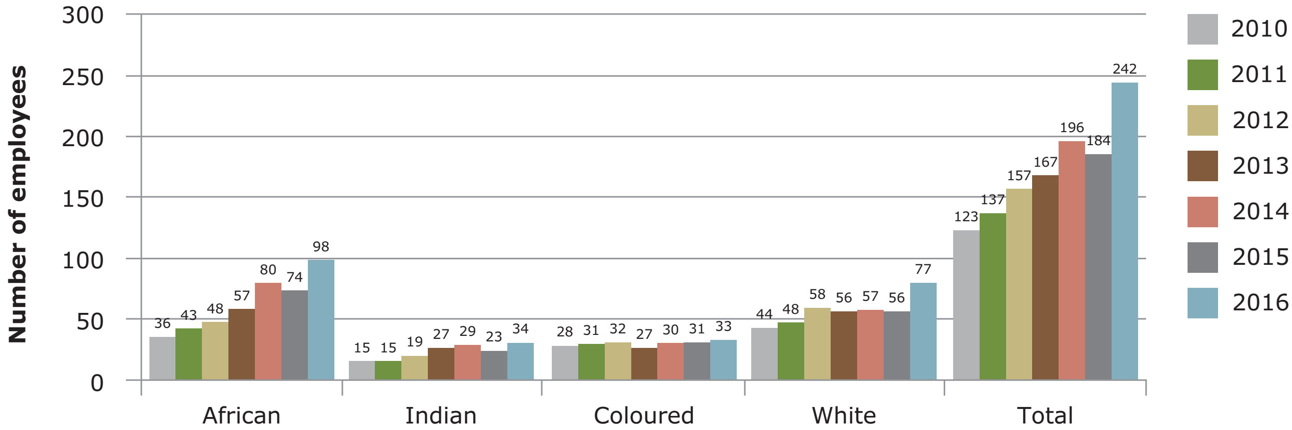
34% of firms now have between 20 and 40% black women representation on boards, an increase of 10% in this category. The majority of firms however still only have between 0 and 20% black female representation. Efforts must be accelerated to improve the representation and participation of black women in the industry.

c. Employment equity

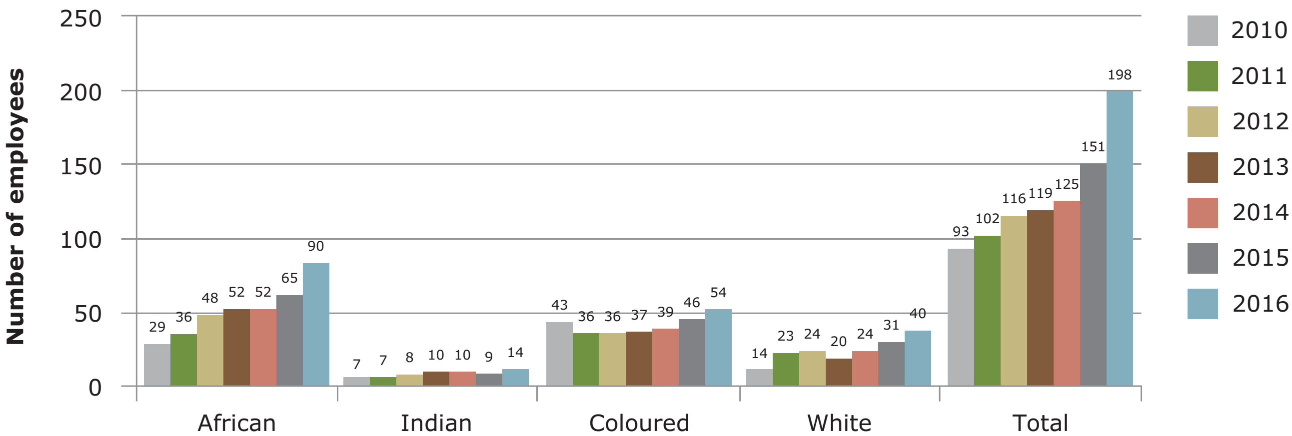
i. Total number of employees



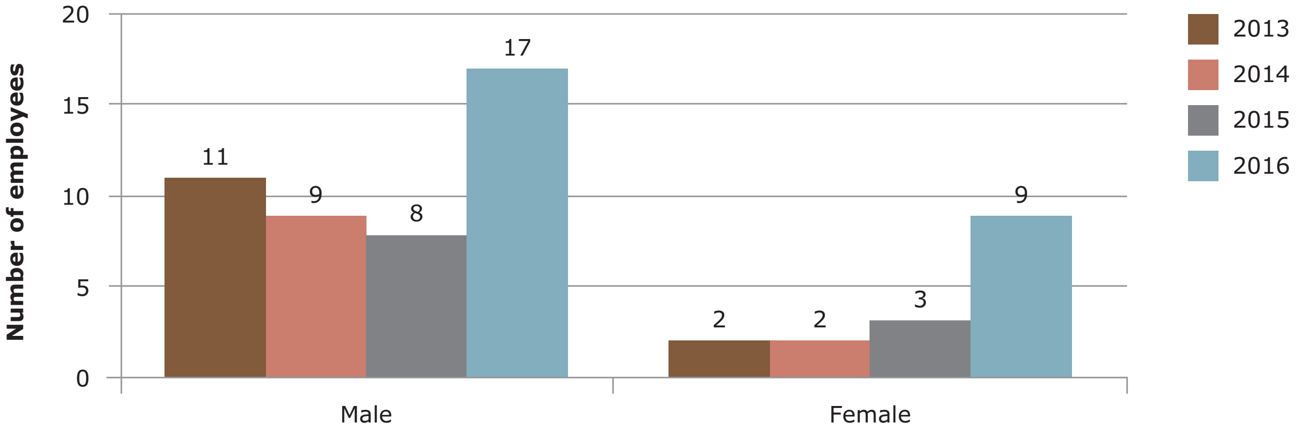
Male - South African



Female - South African



Non-South African



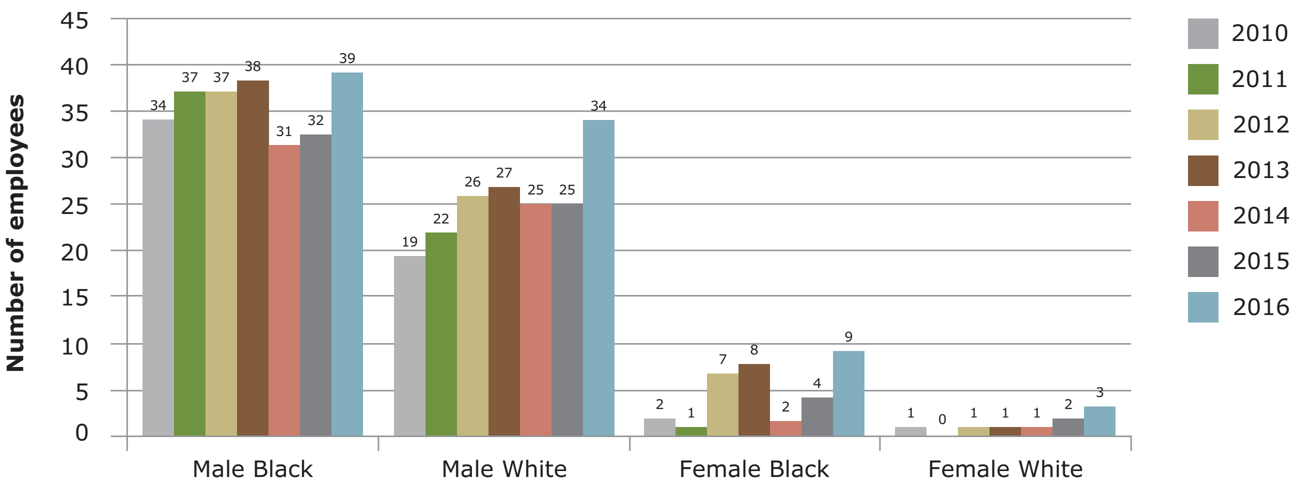
There has been a significant increase in the number of employees within the industry. With a total of 466 jobs, this represents an increase of 35% from the previous year. The establishment of Aluwani Capital Partners is a large contributor to this total. Men and women have benefitted equally while non-South African females was the grouping that showed the greatest percentage increase at 200% albeit off a low base.

Within South African men, the biggest growth was in the employment of white and African males while within South African females we saw African women being the biggest beneficiary.

Overall it is pleasing to note that the sector created jobs during a period when the overall economy lost jobs due to poor economic growth.

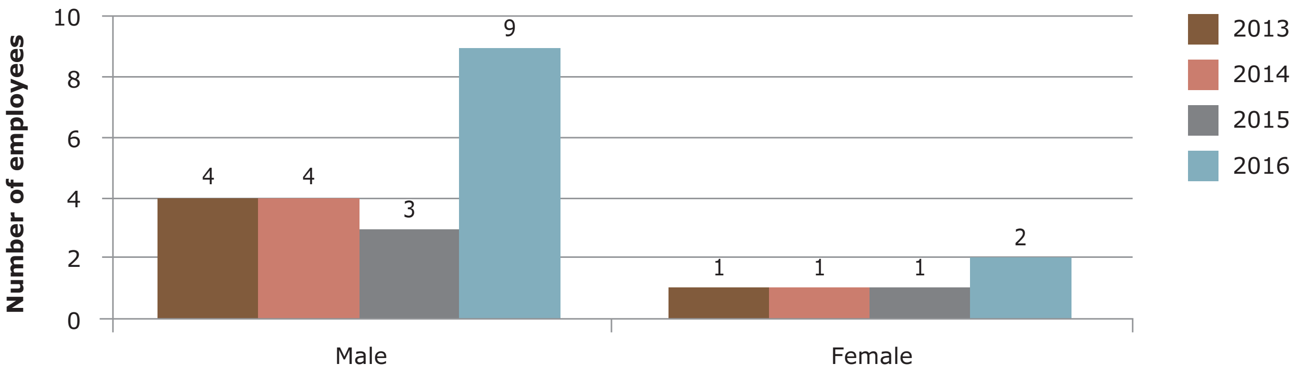
ii. Portfolio managers

South African



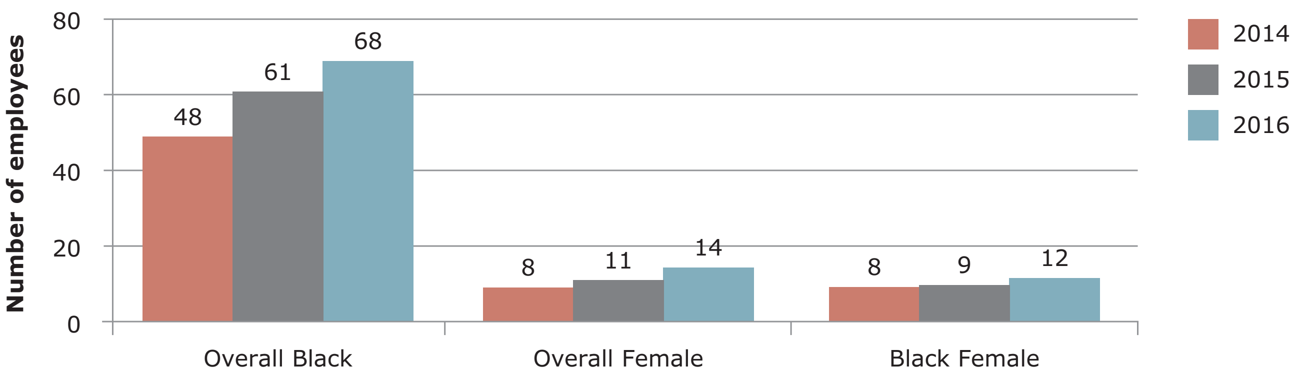
Black male portfolio managers are still the largest grouping at 39, having grown from the previous year. There are an additional 9 white male portfolio managers and pleasingly the number of black female portfolio managers has increased by 125% to 9.

Non-South African



The participation by non-South Africans within the sector has increased. This may be indicative of a skills gap being filled as well as the introduction of products that are not South Africa centric requiring differentiated expertise.

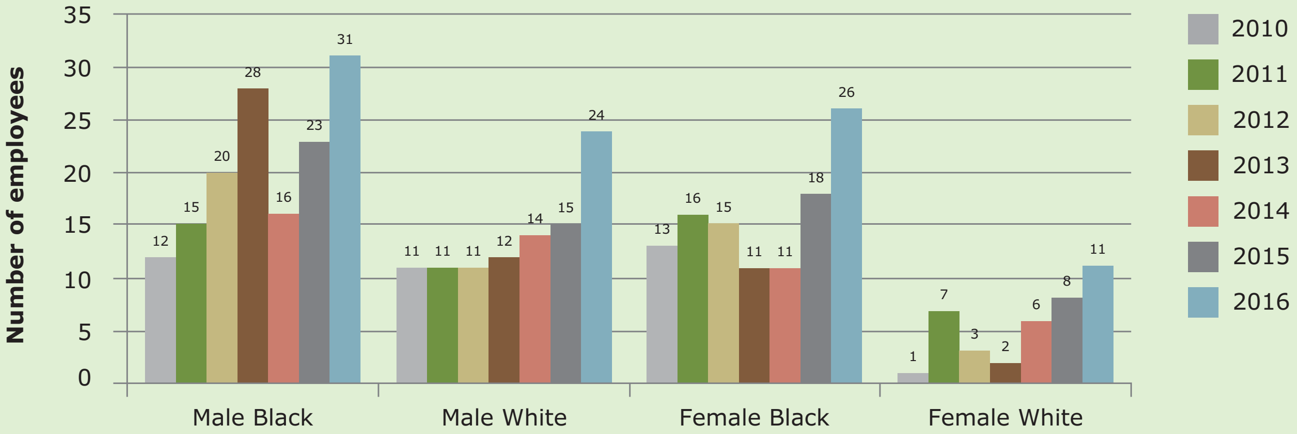
Portfolio managers with 5 years or more experience in managing money



The level of experience within the industry is high. Given that 14 of the participanting firms are older than 10 years with some in the mature phase of their business lifecycle, many investment analysts have graduated to portfolio manager positions. Furthermore, the industry continues to gain recognition and credibility and therefore is well positioned to attract the best talent.

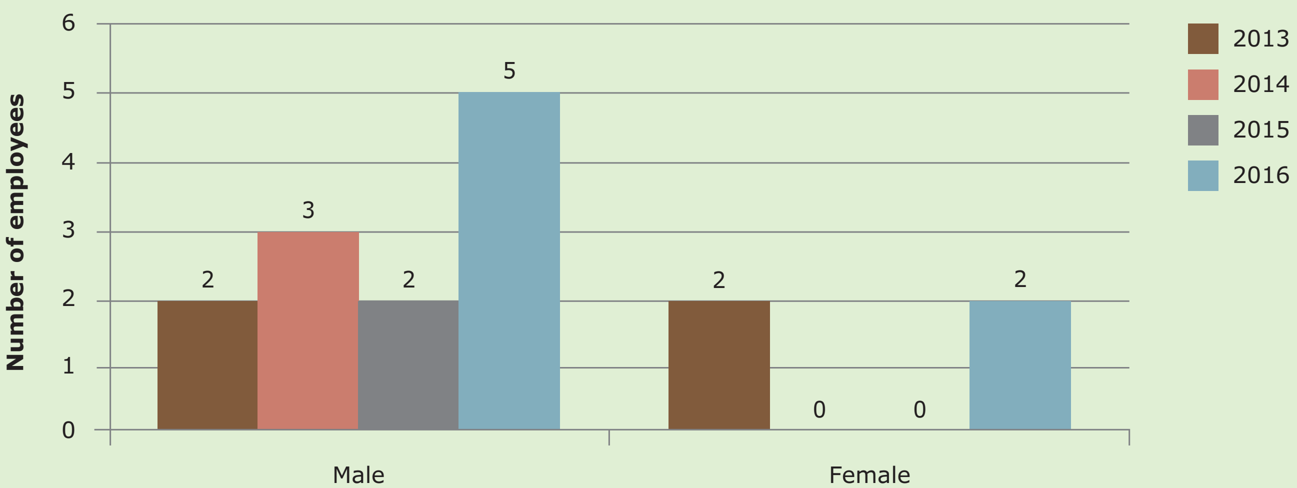
iii. Investment analysts

South African

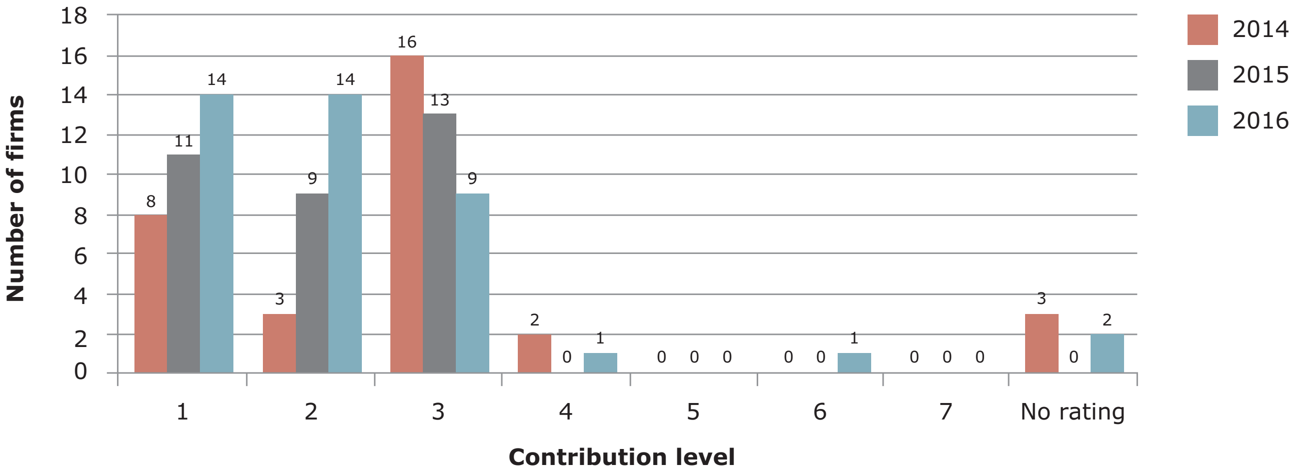


Once again, this year we witness a significant increase in the number of analysts across the different categories. This is largely a result of new managers having entered the industry with teams of analysts and existing managers expanding their businesses through the hiring of analysts. Over time, these analysts may move into portfolio manager roles. Historically, asset managers were dependent for most of their security research from stockbrokers. This trend is changing globally as asset managers increase their analyst teams and depend less on stockbrokers for research. The pool of talent for black females continues to grow which will hopefully foster improvement in the number of black female portfolio managers in the future.

Non-South African



d. Managers Broad Based BEE status level



Rating levels are revenue dependent. Early stage managers whose revenue is low receive automatic recognition levels based on ownership. The number of Level 1 and Level 2 firms has increased with 28 firms now rated with a Level 1 or a Level 2. Managers are currently rated according to the Financial Sector Code of 2012. The new Revised Financial Sector Code is expected to come into effect during 2016. Once the Revised Code is gazetted, managers will be scored in terms of the new scorecard. We expect that large enterprises will struggle to maintain their current high ratings and smaller firms will benefit under the new codes. Black asset managers have raised their dissatisfaction to asset owners who place too much emphasis on B-BBEE ratings in the selection of service providers as many legacy large enterprises have good ratings under the current codes.

PROFILES OF PARTICIPATING FUND MANAGERS

Name of company:	**Acanthin** (Pty) Ltd
Date of inception:	Sep-15
Website:	www.acanthin.com
Address:	4 Adrienne Street, Sandown, Sandton, 2196
Telephone:	+27 11 883 1580
Email:	harry@acanthin.com
Contact person:	Harry Singh
Title of contact:	Chief Executive Officer

Name of company:	**Aeon Investment Management** (Pty) Ltd
Date of inception:	Dec-05
Website:	www.aeonim.co.za
Address:	4th Floor, 15 Cavendish Street, Claremont, 7708
Telephone:	+27 21 670 5297/6; +27 82 888 1050
Email:	asief.mohamed@aeonim.co.za; funds@aeonim.co.za
Contact person:	Asief Mohamed or Uwais Asmal
Title of contact:	Senior Portfolio Manager, CIO and Director; COO and Head of Business Development

Name of company:	**Afena Capital** (Pty) Ltd
Date of inception:	Nov-05
Website:	www.afenacapital.com
Address:	5th Floor, MontClare Place, Cnr Campground & Main Roads, Claremont, 7708
Telephone:	+27 21 657 6240
Email:	info@afenacapital.com
Contact person:	Grant Cloete
Title of contact:	Head of Client Management

Name of company:	**All Weather Capital** (Pty) Ltd
Date of inception:	May-08
Website:	www.allweather.co.za
Address:	Peregrine Building, 1st Floor, 6A Sandown Valley Crescent, Sandton, 2196
Telephone:	+27 11 722 7382
Email:	mark@allweather.co.za
Contact person:	Mark Scholefield
Title of contact:	Operations Manager, Fund Accountant

Name of company:	**ALUWANI Capital Partners** (Pty) Ltd
Date of inception:	Dec-15
Website:	www.aluwanicapital.co.za
Address:	EPPF Office Park, 24 Georgian Crescent East, Bryanston East, 2152
Telephone:	+27 21 204 3800
Email:	aluwani@aluwanicapital.co.za
Contact person:	Lonwabo Dambuza
Title of contact:	Chief Client Officer

Name of company:	**Argon Asset Management** (Pty) Ltd
Date of inception:	Apr-05
Website:	www.argonassetmanagement.co.za
Address:	2nd Floor, Colinton House, The Oval, 1 Oakdale Road, Newlands, 7700
Telephone:	+27 21 670 6570
Email:	jeremy@argonasset.co.za
Contact person:	Jeremy Jutzen
Title of contact:	Client Relationship Officer

Name of company:	**Ata Capital** (Pty) Ltd
Date of inception:	Feb-12
Website:	www.atacapital.co.za
Address:	9th Floor, 90 Grayston Drive, Sandton, 2196
Telephone:	+27 11 321 1636
Email:	info@atacapital.co.za
Contact person:	Lelo Rantloane
Title of contact:	Chief Executive Officer

Name of company:	**Balondolozi Investment Services** (Pty) Ltd
Date of inception:	Apr-10
Website:	www.balondolozi.co.za
Address:	3rd Floor, Old Trafford 1, Isle of Houghton, 11 Boundary Road, Houghton, 2198
Telephone:	+27 86 126 2270
Email:	admin@balondolozi.co.za
Contact person:	Pedro Samuel
Title of contact:	Managing Director

Name of company:	**Benguela Global Fund Managers** (Pty) Ltd
Date of inception:	Feb-13
Website:	www.benguelaglobal.com
Address:	6 Mellis Road, The Avenues North, Rivonia, 2191
Telephone:	+27 10 596 8500
Email:	info@benguelaglobal.com
Contact person:	Zwelakhe Mnguni
Title of contact:	Chief Investment Officer

Name of company:	**Bopa Moruo Private Equity** (Pty) Ltd
Date of inception:	Nov-12
Website:	www.bopamoruo.co.za
Address:	3 Exchange Square, 87 Maude Street, Sandton, 2196
Telephone:	+27 11 784 1740
Email:	nkhoele@bopamoruo.co.za
Contact person:	Nthime Khoele
Title of contact:	Director and Principal

Name of company:	**Cachalia Capital** (Pty) Ltd
Date of inception:	Aug-11
Website:	www.cachaliacapital.com *(under construction)*
Address:	159 Rivonia Road, 12th Floor Sinosteel Plaza, Morningside Extension, Sandton, 2000
Telephone:	+27 11 326 6598
Email:	shelley@cachaliacapital.com
Contact person:	Shelley Cartwright
Title of contact:	Office Administrator

Name of company:	**Effectus Capital Management** (Pty) Ltd
Date of inception:	Aug-15
Website:	www.effectuscapital.co.za
Address:	5th Floor, Green Park Corner, 3 Lower Road, Morningside, Sandton, 2191
Telephone:	+27 11 883 0292
Email:	aviraag@effectuscapital.co.za
Contact person:	Aviraag Ramdhani
Title of contact:	Director

Name of company:	**Excelsia Capital** (Pty) Ltd
Date of inception:	May-16
Website:	www.excelsia.co.za *(under construction)*
Address:	3rd Floor, Sunclare Building, 21 Dreyer Street, Claremont, Cape Town, 7708
Telephone:	+27 21 276 1741
Email:	rambekar@excelsia.co.za
Contact person:	Rajay Ambekar
Title of contact:	Chief Executive Officer, Chief Investment Officer

Name of company:	**Heritage Capital** (Pty) Ltd
Date of inception:	Jan-15
Website:	www.heritagecapital.co.za
Address:	The Place, 1 Sandton Drive, Sandton, Johannesburg, 2146
Telephone:	+27 10 5944708
Email:	kedibone@heritagecapital.co.za
Contact person:	Kedibone Imathiu
Title of contact:	Director

Name of company:	**Independent Alternatives Investment Managers** (Pty) Ltd
Date of inception:	Aug-15
Website:	www.independentalternatives.co.za
Address:	Office 5c, 5th Floor, GreenPark Corner, Corner West Road South and Lower Road, Sandton, 2196
Telephone:	+27 10 593 3232
Email:	grant@independentalternatives.co.za
Contact person:	Grant Hogan
Title of contact:	Chief Executive

Name of company:	**JM Busha Asset Managers** (Pty) Ltd
Date of inception:	Sep-04
Website:	www.jmbusha.com
Address:	28 Bompas Road, Dunkeld West, 2198
Telephone:	+27 11 325 2027
Email:	invest@jmbusha.com
Contact person:	Joseph Busha
Title of contact:	Managing Director

Name of company:	**Kagiso Asset Management** (Pty) Ltd
Date of inception:	Dec-01
Website:	www.kagisoam.com
Address:	5th Floor, MontClare Place, Corner of Main & Campground Roads, Claremont, 7708
Telephone:	+27 21 673 6300
Email:	info@kagisoam.com
Contact person:	Kelly-Maree de Kock
Title of contact:	Head of Institutional Business Development

Name of company:	**Legacy Africa Fund Managers** (Pty) Ltd
Date of inception:	Aug-13
Website:	www.legacyafrica.co.za
Address:	The Firs, 4th Floor, Cnr. Biermann & Cradock, Rosebank, 2196
Telephone:	+27 11 759 4012
Email:	info@legacyafrica.co.za
Contact person:	Lentswe Gopane
Title of contact:	Executive Director: Marketing & Distribution

Name of company:	**Lodestar Fund Managers** (Pty) Ltd
Date of inception:	Jan-15
Website:	www.lodestarfunds.com
Address:	The Terrraces, 2nd Floor, 25 Protea Road, Claremont, 7735
Telephone:	+27 21 673 7812
Email:	reza@lodestarfunds.com
Contact person:	Reza Khan
Title of contact:	Chief Executive Officer

Name of company:	**Lunar Capital** (Pty) Ltd
Date of inception:	Feb-15
Website:	www.lunarcapital.co.za
Address:	29 Seventh St, Houghton Estate, 2198
Telephone:	+27 83 305 7860
Email:	sabir@lunarcapital.co.za
Contact person:	Sabir Munshi
Title of contact:	Director

Name of company:	**Maestro Investment Management** (Pty) Ltd
Date of inception:	Nov-00
Website:	www.maestroinvestment.co.za
Address:	3rd Floor, Letterstedt House, Newlands on Main, Cnr of Main and Campground Roads, Newlands, 7708
Telephone:	+27 21 674 9220
Email:	info@maestroinvestment.co.za
Contact person:	Ronny Miyambo
Title of contact:	Director

Name of company:	**Makalani Management Company** (Pty) Ltd
Date of inception:	May-05
Website:	www.makalani.co.za
Address:	18 Hurlingham Road, Illovo, 2196
Telephone:	+27 11 428 0680
Email:	keshan.pillay@makalani.co.za
Contact person:	Keshan Pillay
Title of contact:	CEO

Name of company:	**Maru Asset Managers** (Pty) Ltd
Date of inception:	Jun-13
Website:	www.maru-am.co.za
Address:	Ground Floor, Lancaster Gate, Hyde Lane, Hyde Park Business Park, Cnr. Jan Smuts & William Nicol, Hyde Park, 2196
Telephone:	+27 11 325 0026
Email:	info@maru-am.co.za; william@maru-am.co.za; palvi@maru-am.co.za
Contact person:	William Moutloatse, Palvi Kala
Title of contact:	CEO, Portfolio Manager

Name of company:	**Mavuso Capital** (Pty) Ltd
Date of inception:	Jun-14
Website:	www.mavusocapital.co.za
Address:	4th Floor, The Firs, Rosebank, 2196
Telephone:	+27 78 360 5885
Email:	lethum@mavusocapital.co.za
Contact person:	Lethu Malimela
Title of contact:	Managing Director

Name of company:	**Mazi Asset Management** (Pty) Ltd
Date of inception:	Jun-06
Website:	www.mazi.co.za
Address:	4th Floor North Wing, 90 Rivonia Road, Sandton, 2196
Telephone:	+27 10 001 8306
Email:	siviwe@mazi.co.za
Contact person:	Siviwe Mazwana
Title of contact:	Business Development

Name of company:	**Meago Asset Managers** (Pty) Ltd
Date of inception:	Oct-05
Website:	www.meago.co.za
Address:	73 Oxford Road, Saxonwold, 2193
Telephone:	+27 11 646 2944
Email:	thabor@meago.co.za
Contact person:	Thabo Ramushu
Title of contact:	Executive Director

Name of company:	**Mergence Investment Managers** (Pty) Ltd
Date of inception:	Aug-04
Website:	www.mergence.co.za
Address:	6th Floor, The Equinox, Cnr. Milton & Main Road, Sea Point, 8005
Telephone:	+27 21 433 2960
Email:	ronel@mergence.co.za
Contact person:	Ronel Bantjes
Title of contact:	Head: Marketing and Public Relations

Name of company:	**Mianzo Asset Management** (Pty) Ltd
Date of inception:	Aug-10
Website:	www.mianzo.co.za
Address:	Unit GG01 Rostra House, The Forum, North Bank Lane, Century City, 7441
Telephone:	+27 21 552 3555
Email:	info@mianzo.co.za
Contact person:	Zukile Nchukana
Title of contact:	Business Development Manager

Name of company:	**MSM Property Fund** (Pty) Ltd
Date of inception:	Jul-12
Website:	www.msmpropertyfund.com
Address:	3 Exchange Square, 87 Maude Street, Sandton, 2146
Telephone:	+27 11 326 8214
Email:	musi.skosana@msmproperty.co.za
Contact person:	Musi Skosana
Title of contact:	Director

Name of company:	**Mvunonala Asset Managers** (Pty) Ltd
Date of inception:	Jun-10
Website:	www.mvunoam.co.za
Address:	5th Floor Oxford Corner, 32A Jellicoe Avenue West, Rosebank, Johannesburg, 2196
Telephone:	+27 11 772 1000
Email:	sifiso.nvumalo@mvunonala.co.za
Contact person:	Sifiso Nxumalo
Title of contact:	Managing Director

PAM
PAN-AFRICAN
ASSET MANAGEMENT

Name of company: **Pan-African Asset Management** (Pty) Ltd
Date of inception: Jul-96
Website: www.pam-asset.co.za
Address: 6 Blackpool Road, Bryanston, 2021
Telephone: +27 11 463 0300
Email: insight@pam-asset.co.za; miranda@pam-asset.co.za
Contact person: Miranda Scheepers
Title of contact: Executive Director

PERPETUA
INVESTMENT MANAGERS

Name of company: **Perpetua Investment Managers** (Pty) Ltd
Date of inception: Apr-12
Website: www.perpetua.co.za
Address: 5th Floor Sunclare Building, 21 Dreyer St, Claremont, 7708
Telephone: +27 21 674 4274
Email: logan@perpetua.co.za
Contact person: Logan Govender
Title of contact: Chief Operating Officer

PRESCIENT
PROPERTY INVESTMENT MANAGEMENT

Name of company: **Prescient Property Investment Management** (Pty) Ltd
Date of inception: Jan-14
Address: Prescient House, Otto Close, Westlake Business Park, 7945
Telephone: +27 21 700 5398
Email: thabo.motloung@prescient.co.za
Contact person: Thabo Motloung
Title of contact: Executive Director and Portfolio Manager

PROWESS
INVESTMENT MANAGERS

Name of company: **Prowess Investment Managers** (Pty) Ltd
Date of inception: Dec-08
Website: www.prowessinvestments.com *(under construction)*
Address: 20th floor, Thibault Square, 1 Long St, Cape Town, 8001
Telephone: +27 21 565 0065
Email: kelebogile@prowessinvestments.com
Contact person: Kelebogile Moloko
Title of contact: Managing Director, Chief Investment Officer

FUND MANAGERS
REGIMENTS
Enabling Progress

Name of company: **Regiments Fund Managers** (Pty) Ltd
Date of inception: May-05
Website: www.regiments.co.za
Address: 1st Floor, 35 Ferguson Road, Illovo, Johannesburg, 2116
Telephone: +27 11 595 0700
Email: naseemas@regiments.co.za
Contact person: Naseema Sayed
Title of contact: Head: Business Development for Funds

SATORI
investment management

Name of company: **Satori Investment Management**
division of Satori Advisory (Pty) Ltd
Date of inception: Sep-13
Website: www.satoriadvisory.co.za
Address: First Floor, Building 4, Albury Office Park, Magalieszight Avenue, Dunkeld West, 2196
Telephone: +27 11 593 3260
Email: emic@satoriadvisory.co.za
Contact person: Emic Sham
Title of contact: Portfolio Manager

Name of company: **Sentio Capital Management** (Pty) Ltd
Date of inception: Sep-07
Website: www.sentio-capital.com
Address: 3rd Floor, Global House, No 28 Sturdee Ave, Cnr Jellicoe Ave, Rosebank, Johannesburg, 2196
Telephone: +27 11 880 1994
Email: lsithole@sentio-capital.com
Contact person: Lerato Privat de Garilhe
Title of contact: Business Development

Name of company: **Seriti Asset Management** (Pty) Ltd
Date of inception: Jun-13
Website: www.seritiassets.co.za
Address: 5 Jellicoe Avenue, Rosebank, Johannesburg, 2196
Telephone: +27 10 035 0780
Email: solly@seritiassets.co.za
Contact person: Solly Tsie
Title of contact: Chief Operating Officer

Name of company: **Sesfikile Capital** (Pty) Ltd
Date of inception: Dec-10
Website: www.sesfikilecapital.com
Address: 1st Floor, 30 Melrose Boulevard, Melrose Arch, 2076
Telephone: +27 11 684 2681
Email: sescap@sesfikilcapital.co.za
Contact person: Nalika Pema
Title of contact: Operations Manager

Name of company: **Taquanta Asset Managers** (Pty) Ltd
Date of inception: Sep-99
Website: www.taquanta.co.za
Address: 7th Floor, Newlands Terraces, Boundry Rd, Newlands, 7700
Telephone: +27 21 681 5100
Email: crm@taquanta.com
Contact person: Nicky Corker
Title of contact: Client Relationship Manager

Name of company: **Vunani Fund Managers** (Pty) Ltd
Date of inception: Jul-99
Website: www.vunanifm.co.za
Address: 6th Floor Letterstedt House, Newlands on Main, Cnr. of Main & Campground Roads, Newlands, 7700
Telephone: +27 21 670 4900
Email: info@vunanifm.co.za
Contact person: Letshego Rankin
Title of contact: Executive Director and Head: Business Development

CONTACT US

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