



INSPIRED BY CHANGE

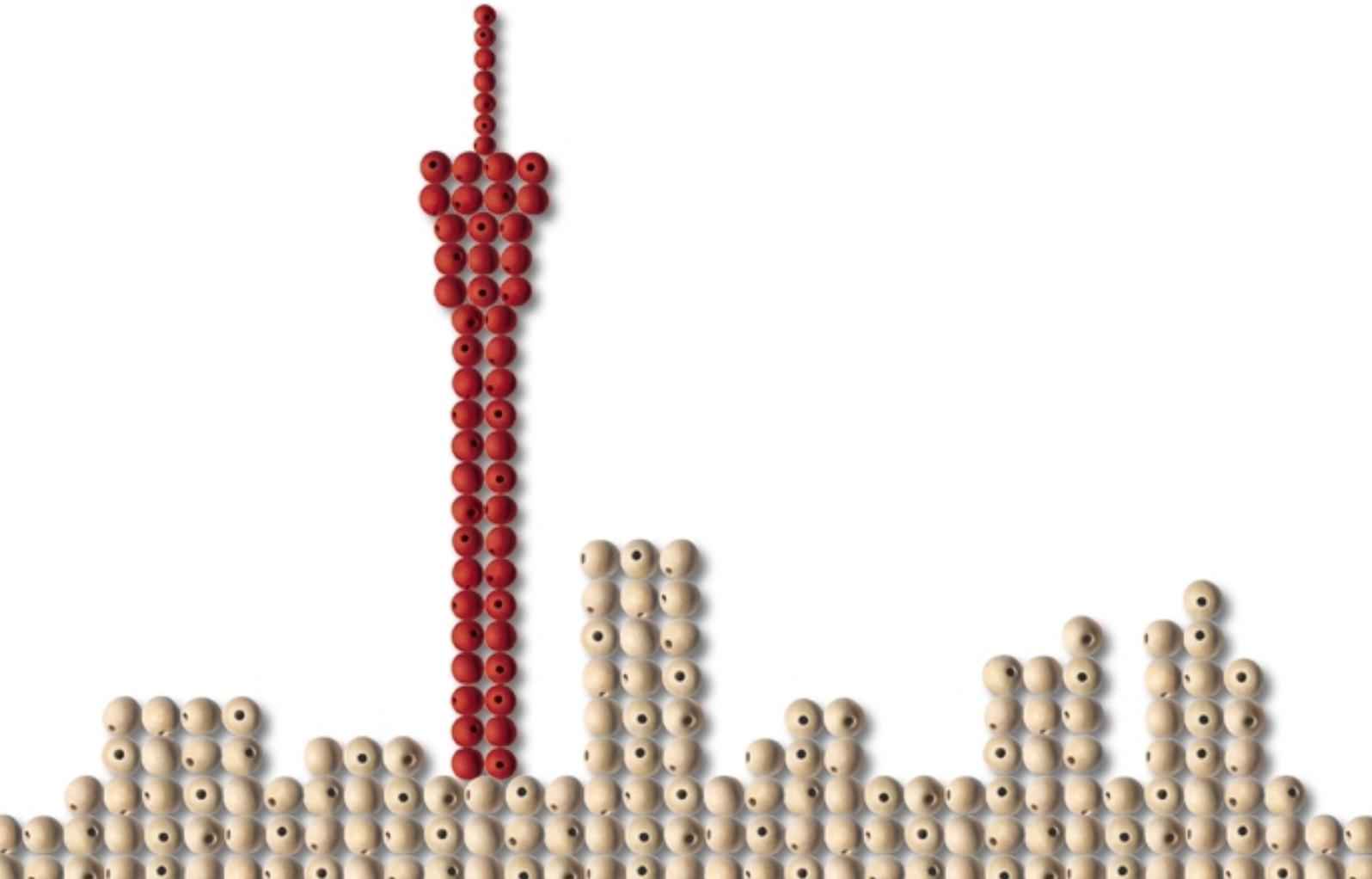
INVESTMENT MANAGERS

BEE.conomics

**MEASURING THE IMPACT OF TRANSFORMATIONAL
INITIATIVES IN THE SA FUND MANAGEMENT SECTOR**

SEPTEMBER 2010

Annual survey



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INVESTMENT MANAGERS

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PREAMBLE

Second year running

In 2009, 27four Investment Managers conducted the first industry-wide survey of black fund management firms in South Africa, to effectively measure the progress of transformation within the industry. The maiden survey achieved its objectives and successfully became a useful monitoring tool for policy makers and the investment community to ably evaluate and understand this sector through tangible data and statistics. It furthermore provided institutional investors access to emerging BEE investment firms that are typically excluded from mainstream consultant searches due to their relatively small asset sizes and short tenure in business.

For the 2010 survey we applied several improvements following useful feedback, engagement and the incorporation of additional factors impacting this fast changing industry. The universe of participating firms increased from 14 in 2009 to 20 in 2010, a direct result of corporate activity, new firms being established and participation by private equity firms. The criteria for participation and methodology used to present our findings did not change.

Criteria for participation

27four extended an invitation to fund managers that meet the following minimum BEE criteria:

- a. minimum of 50% black ownership; 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.

The universe of managers invited to participate, included traditional long-only managers (across all asset classes), hedge fund managers and private equity managers.

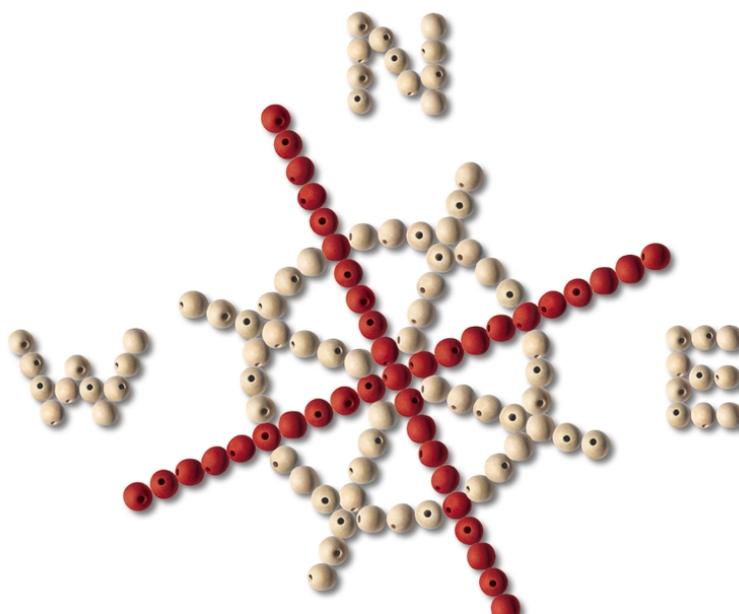
Methodology used to present our findings

- 25 BEE firms were invited to complete a simple questionnaire.
- Participation was voluntary.
- Managers were given a month to complete and submit their questionnaires.
- 20 completed submissions were received.

This research Report presents the outcome of our findings following the collation of data and information received. All information presented in this Report is as at 30 June 2010.

Outcomes are presented per category. Participating firm profiles are provided in the last section of this Report.

All feedback and comments are welcome and can be sent to: info@27four.com.



SUMMARY OF FINDINGS

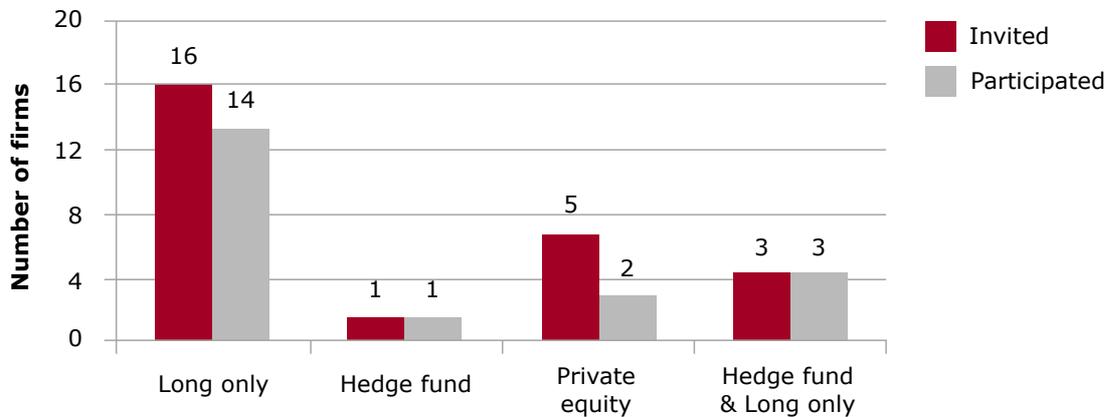
Of the 25 investment management firms (long-only, hedge fund and private equity) that were invited to participate, 20 responses were received.

- 60% of respondents are based in Cape Town - down from 71% in 2009.
- The longest track record is 14 years and the shortest 1 month.
- Total respondent assets under management = R134 Billion - up from R91.4 Billion in 2009.
- 1 firm manages 37% of overall assets.
- 7 firms manage 91% of overall assets.
- Start-up and emerging firms tend to focus on a single investment discipline or mandate whereas more mature firms manage multiple investment mandates.
- Equity mandates comprise 50% of overall assets followed by cash (30%) with the balance in niche mandates (hedge funds, SRI, Shari'ah, listed property etc).
- Only 1 firm invests offshore.
- 96% of overall assets are sourced from institutional investors.
- 50% of respondents have unit trusts registered under The Collective Investment Schemes Control Act (CISCA).
- Majority of firms prefer performance based fee structures.
- 20% of respondents are signatories to the UN Principles for Responsible Investment (UNPRI).
- The incorporation of ESG factors into investment decision making varies amongst firms.
- 65% of respondents hold a 13B FSB license.
- Majority of respondents make use of external third-party fund administrators.
- 30% of respondents GIPS compliance is verified by an external third-party.
- 95% of firms have risk cover with 65% of overall firms holding risk cover of less than 1% of assets under management (AUM).
- 65% of firms are more than 90% black owned.
- The overall level of black female ownership remains poor.
- Only 1 firm is 100% owned by a single black female.
- Overall female board representation remains poor.
- Overall female participation in senior management roles remains poor.
- There is significant overlap between the roles of portfolio manager and investment analyst particularly amongst the small firms.
- The sampled firms employ a total of 216 people of which 158 are black.



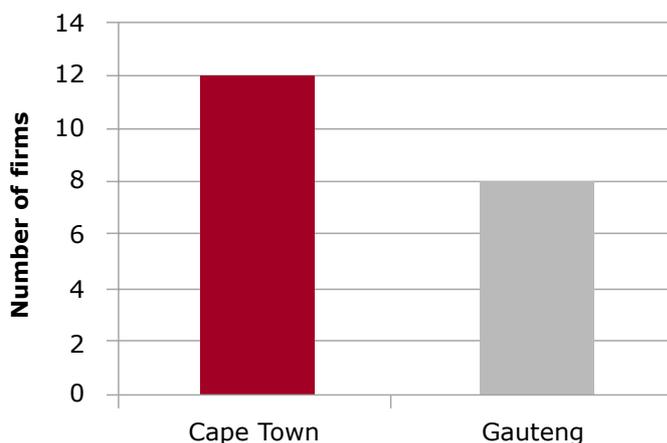
PARTICIPATION STATISTICS

a. Participation by investment strategy



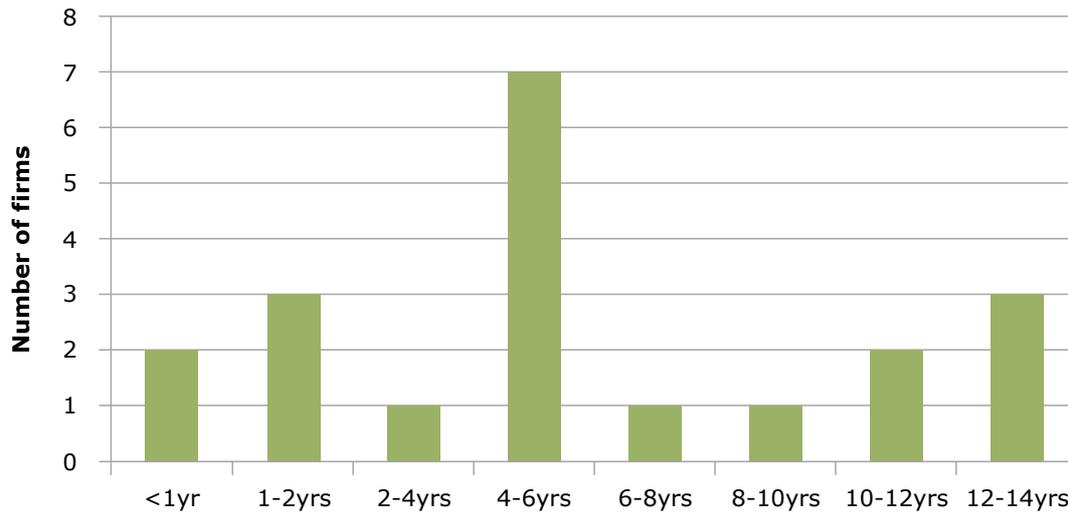
- 25 fund management firms, that fulfilled our BEE criteria for participation, were invited to participate in this year's survey, compared to the 21 firms that were invited to participate in 2009. The increase in the number of firms was as a result of corporate activity and new start-ups emerging during this period.
- 20 fund managers in total responded, of which 2 were private equity managers. This was pleasing as our 2009 response rate from private equity managers was very poor.
- The participation by long-only and hedge fund managers provided an accurate sample set from which to draw conclusive statistics on transformation within the fund management industry.

b. Participation by province



- Whilst Cape Town maintains its historic advantage as the home of fund management in South Africa, the gap has narrowed since 2009 with new BEE start-ups emerging in Gauteng.
- This result is representative of the demographics of the province (Gauteng).

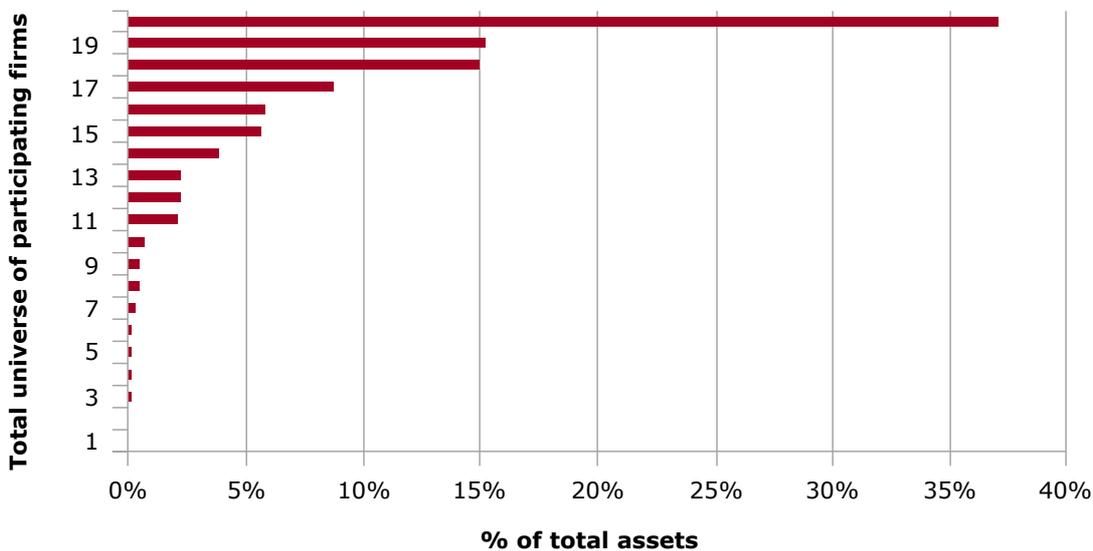
c. Years in operation



- BEE fund management firms only began emerging after South Africa's first democratic elections in 1994.
- Majority of equity and hedge fund managers were established during the last sustained bull market in 2005, when market conditions were favorable for fund managers.
- 4 out of the 20 participants in the survey are managers that acquired BEE credentials following BEE transactions.
- In 2010, 2 new long-only equity firms were established.

d. Assets under management

Total respondent AUM as at 30 June 2010: R134 Billion.

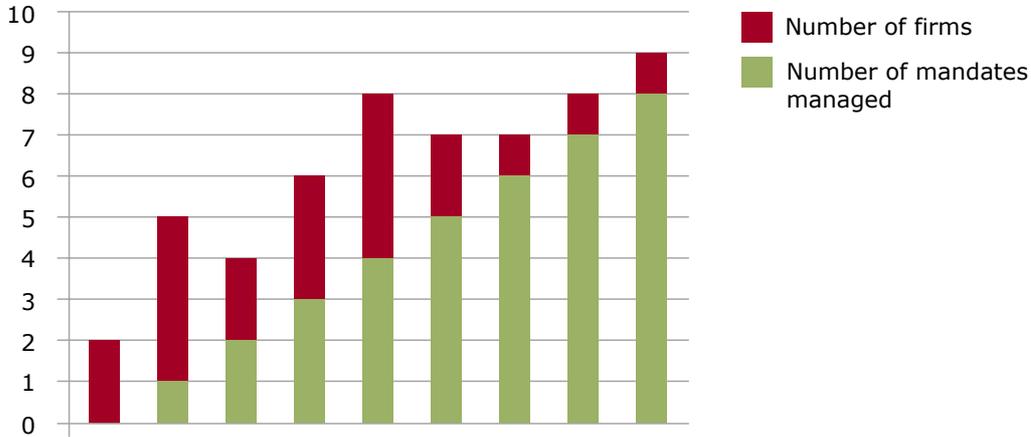


- Total AUM as at 30 June 2010 was R134 Billion representing a growth of 47% in AUM since 30 June 2009.
- The growth, despite volatile market conditions, is due to the addition of new managers in this year's survey.
- The split in AUM is skewed towards managers who have been in operation for more than 8 years with one manager holding a significant share of the total AUM.
- 10 of the firms each manage assets below 1% with 7 firms managing 91% of overall assets.
- 3 recent new entrants manage a total pool of assets less than R100m.

INVESTMENT MANDATES

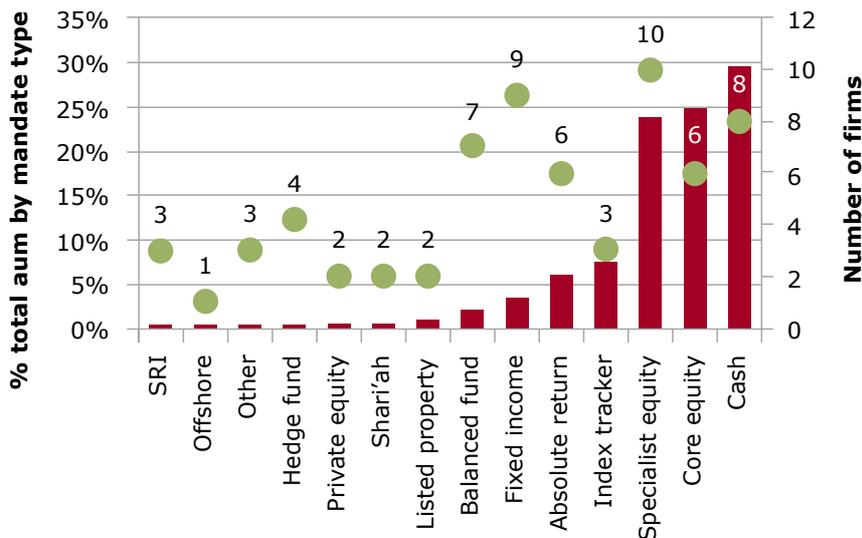
Some of the information presented in this section is based per manager as opposed to percentages. The universe comprises 20 fund managers in total.

a. Participants managing multiple mandates



- The data indicates that most BEE firms are founded by investment professionals with specific skills in certain investment strategies or asset classes. During the early stages of growth, these managers tend to only offer products that match their skill set. With growth, comes the opportunity to attract additional skills and the opportunity to offer other products and diversify investment offerings. The larger, more established managers in our data set are the managers that offer 5 or more differentiated mandates.
- There are 2 recently established managers who at the time of publication of this Report were not yet managing any assets.

b. Mandates currently managed

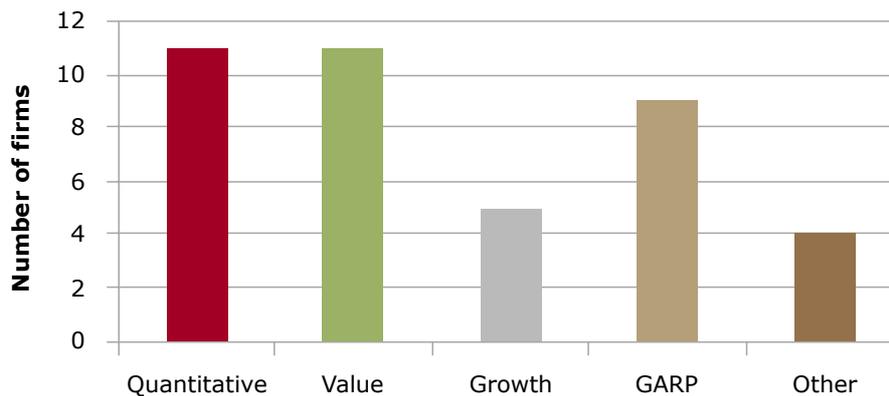


- A large proportion of firms manage multiple investment mandates, with the exception of niche firms such as private equity, hedge funds and listed property.
- The majority of the managers' primary value proposition and revenue generator is equity mandates. This currently equals just under 50% of the total asset size.

Please turn over

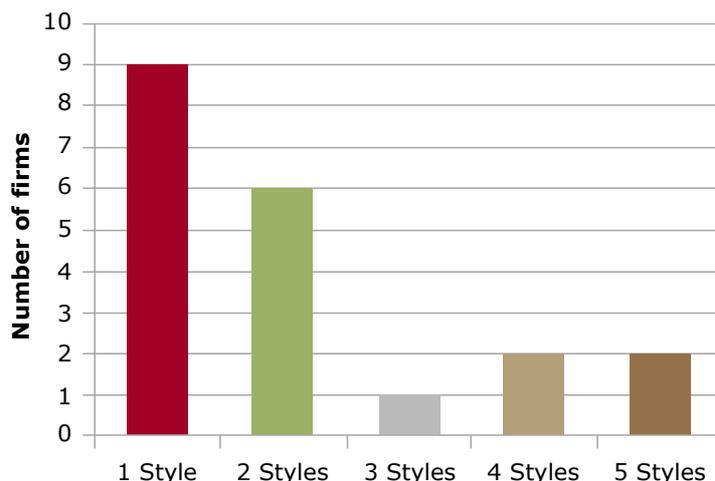
- It is disappointing to note that only one manager invests internationally. This equates to less than 0.1% of the total asset size.
- Fixed income skills are predominantly represented in balanced and absolute return mandates.
- It is pleasing to note the increase in SRI mandates since 2009 when only one manager managed such a mandate. However, the total value of these mandates is less than 0.1%.
- The number of managers managing niche mandates is small and the asset size within these mandates equates to less than 2% compared to traditional mandates.
- 99% of total cash managed is by 1 firm.

c. Investment philosophy employed



- The styles above represent the predominant investment styles employed by the universe of participating firms.
- Value remains the dominant style employed by equity fund managers.

Multiple philosophies employed:



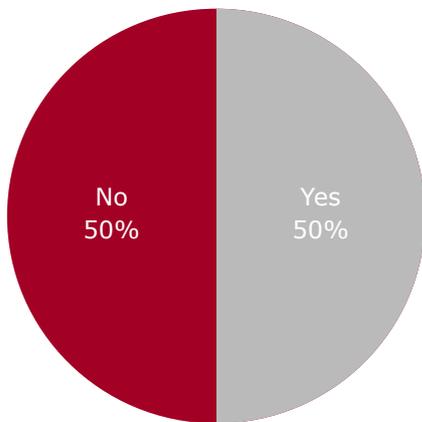
- Style is specific to asset class. The data indicates that firms managing multiple investment mandates across asset classes apply multiple investment philosophies.
- Majority of equity fund managers have specific style biases. Hybrid and additional philosophies are used to back their style calls.
- "Other" refers to alternative investment strategies (event driven, arbitrage, relative value), multi-strategy funds, pragmatic, price indifferent investing and tactical asset allocation.

d. Investor base



- 96% of assets managed within the industry is on behalf of institutional investors.
- Whilst some of the managers (12) have retail product offerings, the value of the retail asset size in total is 3%.
- BEE hedge fund managers in South Africa manage just below R500m out of a R25 Billion industry, representing 2% of the total industry value. They are largely dependent on fund of hedge funds for investment flows.

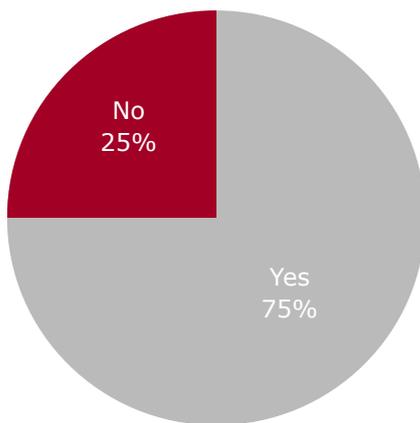
e. Unit trusts



- 50% of the 20 firms sampled utilise unit trusts as investment vehicles for the pooling of assets. This is an increase from last year where only 8 firms had unit trusts.
- Only 1 firm has its own Manco. The balance are white labelled funds.

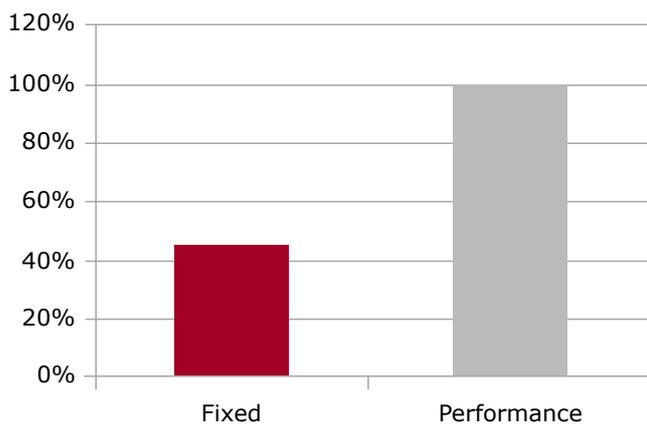


f. Investment by principals of the firm

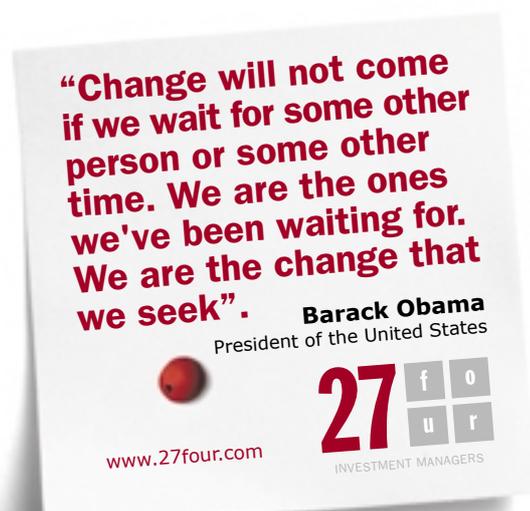


- 75% of respondents invest their own monies into their funds. This is particularly evident amongst hedge fund managers where it is traditionally the norm for principals to be invested in the funds they manage.

g. Fee structures

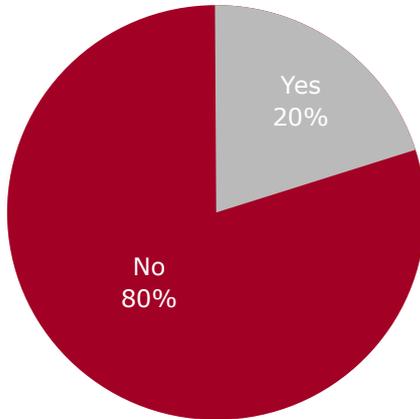


- 100% of respondents prefer a performance based fee structure. 45% of these respondents were open to a fixed management fee.



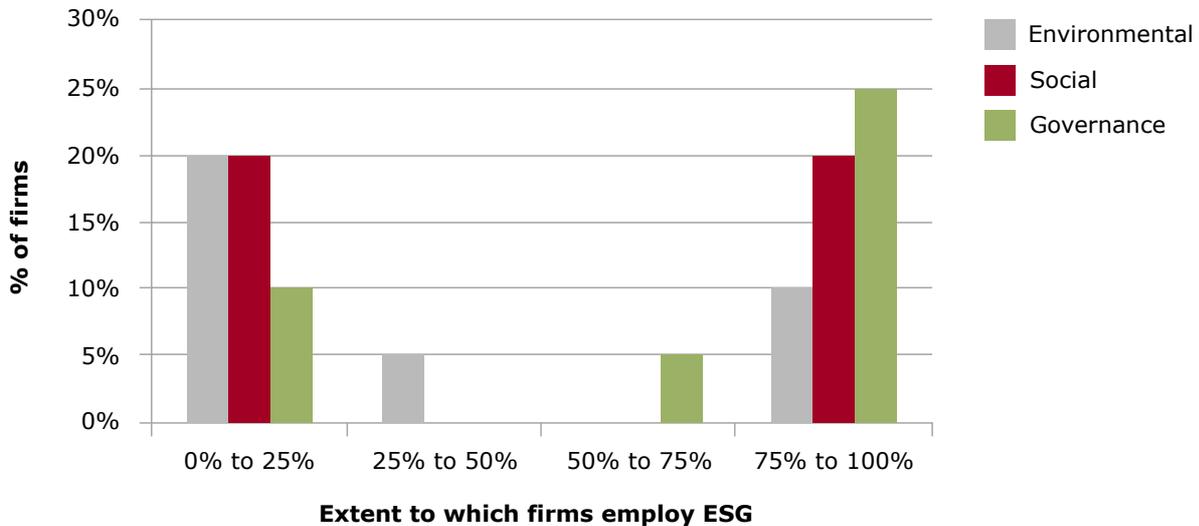
RESPONSIBLE INVESTMENT

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



- 20% of the respondents representing 4 firms are signatories to the UNPRI.

b. Extent to which firms employ ESG factors

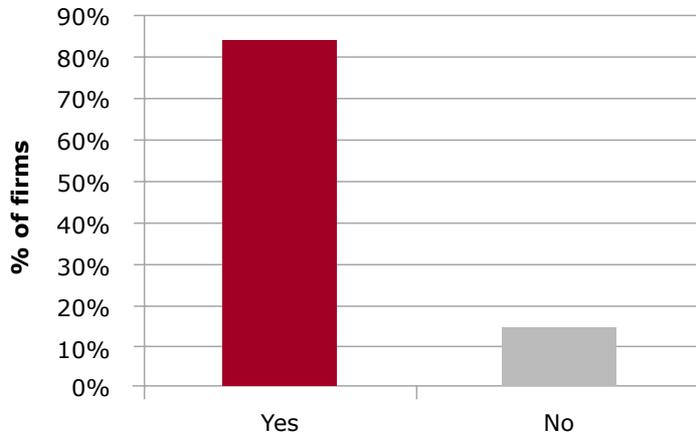


- 3 of the 4 firms that are signatories to the UNPRI offer SRI mandates.
- The incorporation of ESG factors into investment decision making varies amongst firms.
- The highest scoring factor is governance, which 25% of firms incorporate at between 75% and 100% into their investment decision making.
- It is interesting to note is that there is no middle level of participation. The managers either embrace responsible investment fully or are beginning to incorporate at a minimum level.

COMPLIANCE

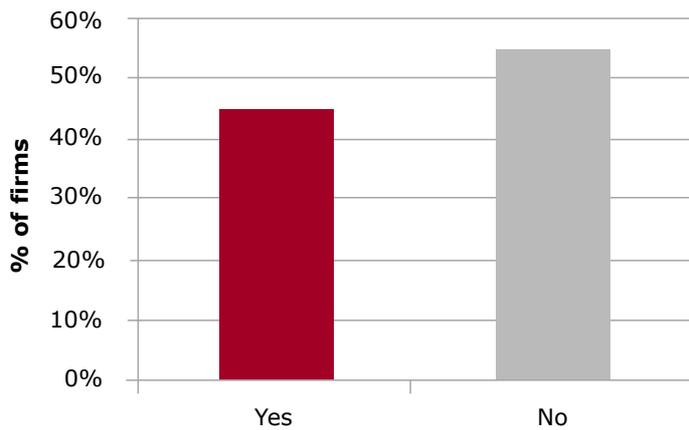
a. FSB compliance

i. Managers with Category II license



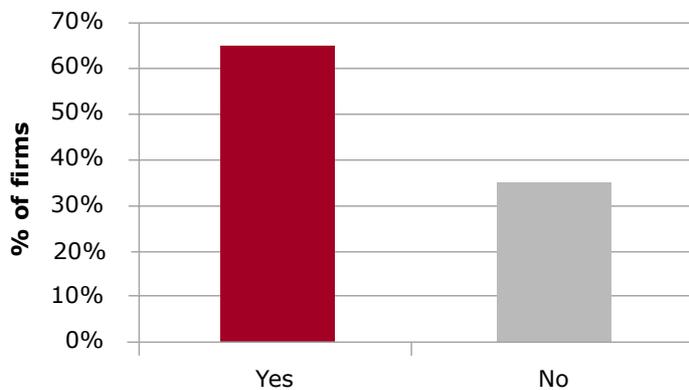
- The firms that do not have Category II licenses are the firms that were recently established and await approval from the regulator. These firms are not currently managing assets.

ii. Managers with Category IIA license



- All participating firms that manage hedge fund assets hold Category IIA licenses.

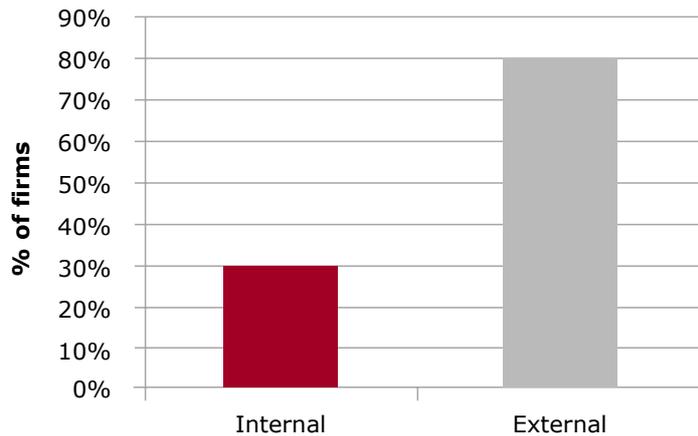
iii. Managers with 13B license



- 65% of the respondents hold an administrative license.

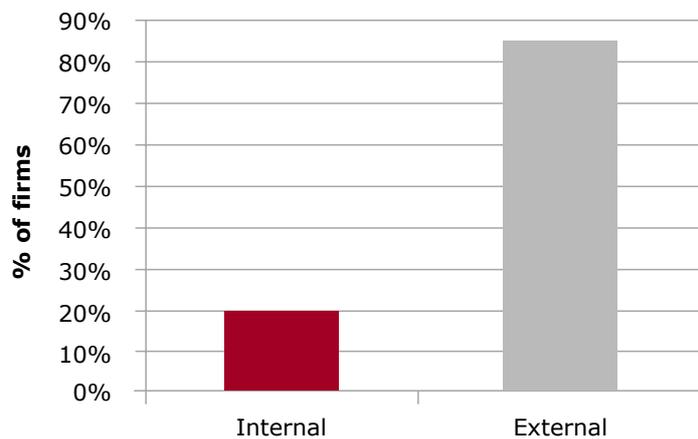


b. Compliance officer



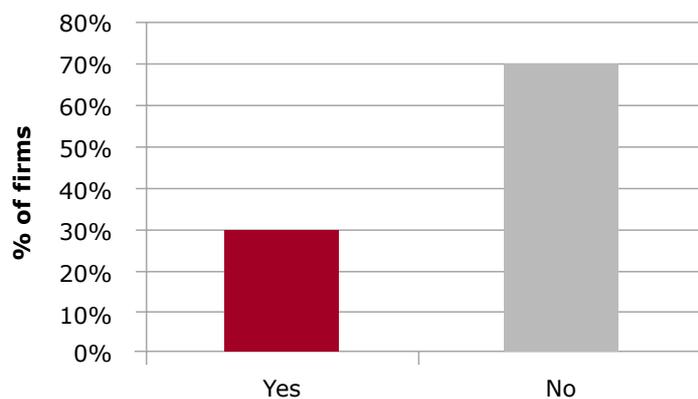
- The majority of the respondents make use of externally approved compliance officers.
- 2 of the firms make use of both an internal and external compliance officer.

c. Fund administration



- The majority of the respondents make use of third-party fund administrators.
- 4 of the firms administer their funds internally.
- Funds holding unit trusts are externally administered.

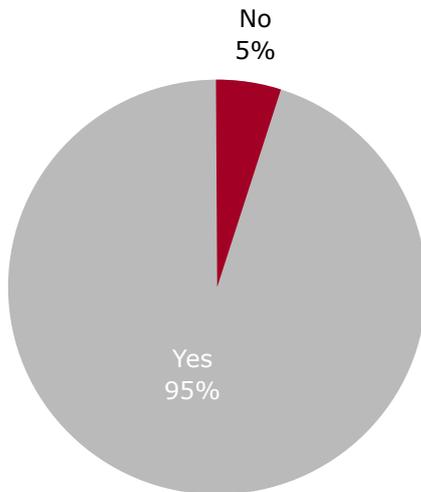
d. GIPS compliance verified by third-party



- 30% of the respondent firms GIPS compliance is verified by an external third-party.

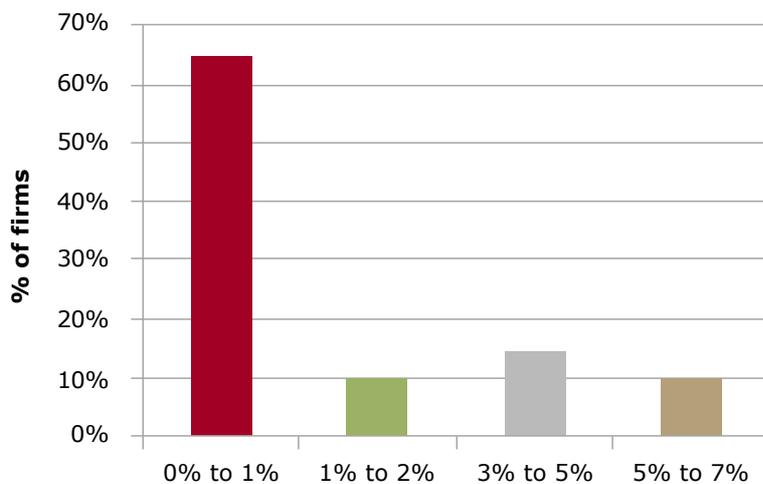
e. Insurance cover

Firms holding insurance cover:



- 95% of respondent firms hold some form of risk cover (Directors and Officers Liability, Professional Indemnity, Fidelity) as recommended by the FSB.
- Only 1 firm does not hold any risk cover.

Risk cover as a % of AUM:



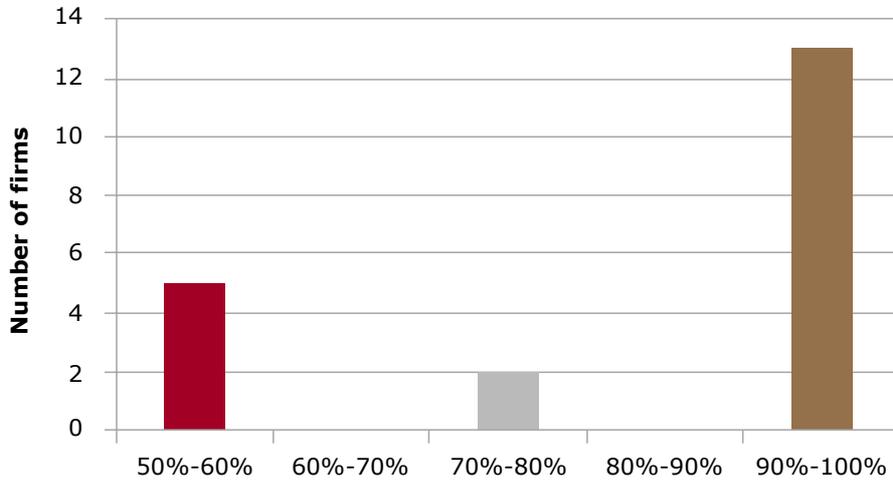
- 13 firms, representing 65% of total respondent firms, each hold risk cover of less than 1% of AUM.
- 2 firms hold cover of between 1% and 2% of AUM.
- 3 firms hold cover of between 3% and 5% of AUM.
- 2 firms hold cover of between 5% and 7% of AUM.
- No firms hold cover between 2% and 3% of AUM.



BEE CREDENTIALS

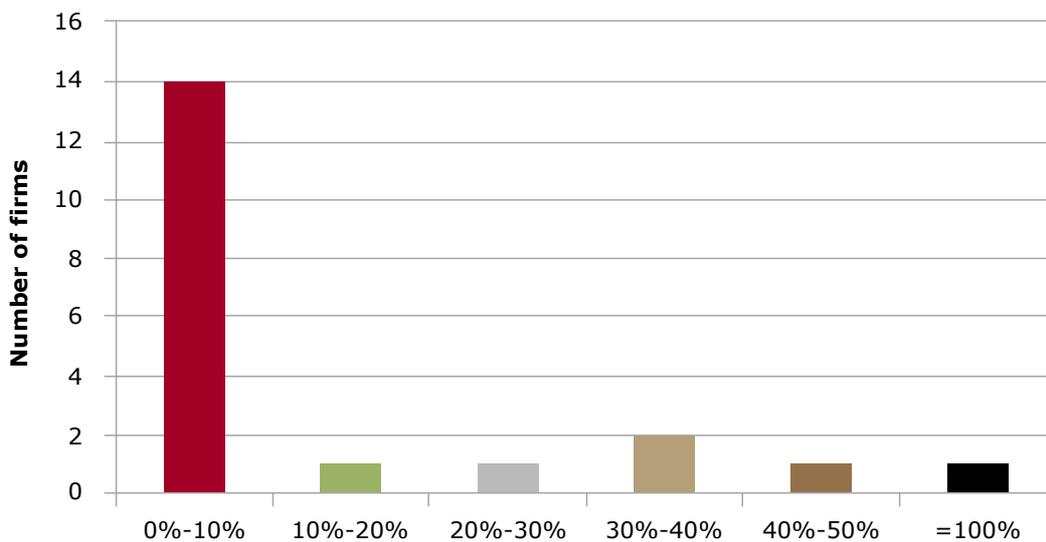
a. Ownership

i. Black



- The level of direct black ownership with voting rights amongst respondent firms is high - all greater than 50%.
- 13 firms have black ownership of greater than 90%.
- Firms that recently acquired BEE credentials as a result of corporate activity, saw their black ownership increase to 51%.

ii. Black female



- The level of black female ownership amongst all firms is very poor.
- 11 firms (55%) have 0 black female ownership.
- 1 firm is 100% owned by a single black female.

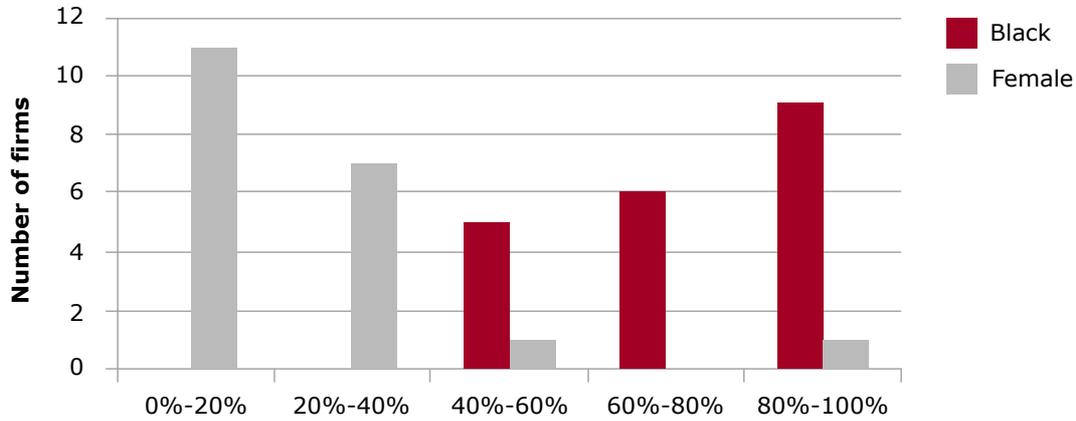
b. Management

For this section we define black and female as follows:

Black - African, Indian and coloured across both male and female

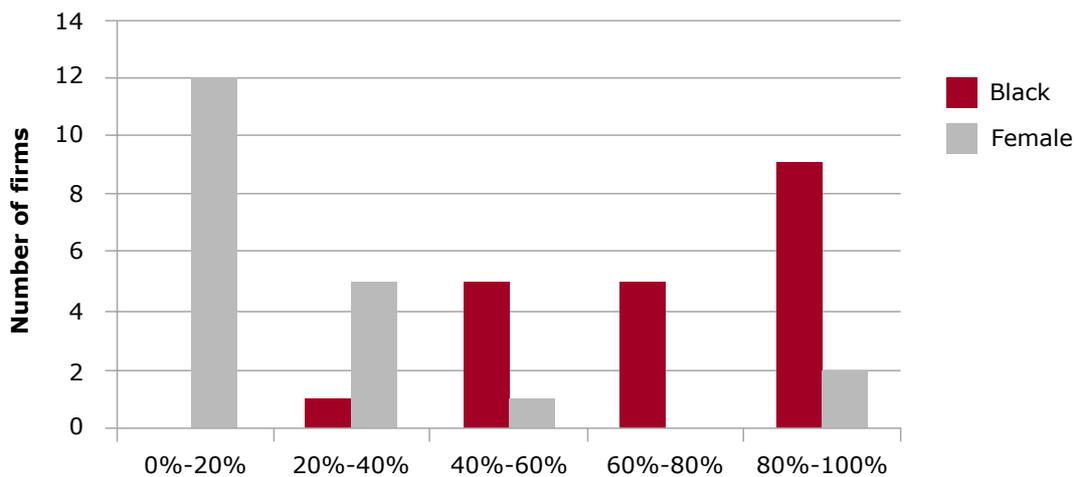
Female - All black and white females.

i. Board representation



- 10 of the 11 firms that fall within the 0%-20% category have no female board representation. 1 of the 11 firms in this category has 20% female board representation.
- 1 firm has 50% female board representation.
- 1 firm has 100% female board representation.
- All 9 firms, within the 80%-100% category, have 100% black board representation.
- Overall female board representation is poor.

ii. Senior management



- 10 of the 12 firms, in the 0%-20% category, have no females in senior management roles.
- All 9 firms, in the 80%-100% category, have 100% black representation in senior management roles.
- Overall female participation in senior management roles is very poor.

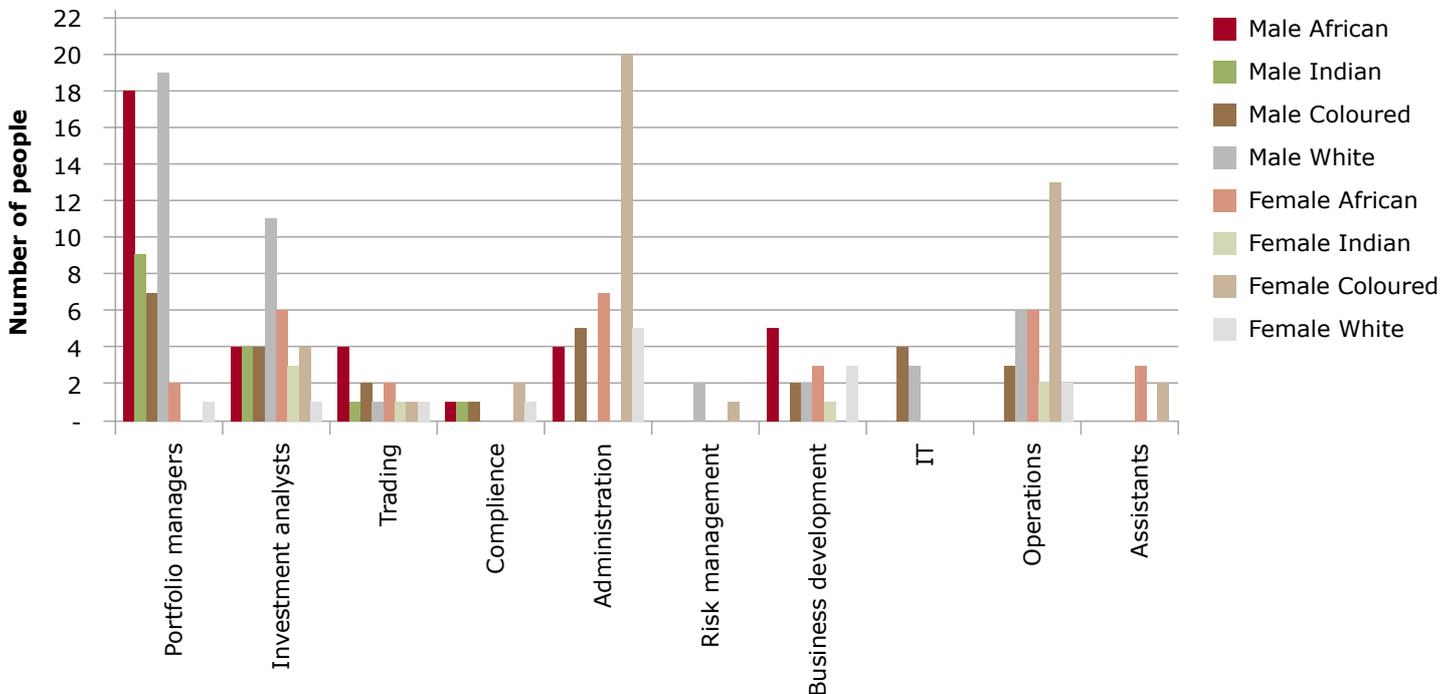
c. Employment equity

i. Total number of employees

	African	Indian	Coloured	White	Total
Male	36	15	28	44	123
Female	29	7	43	14	93
Permanent Employees	65	22	71	58	216

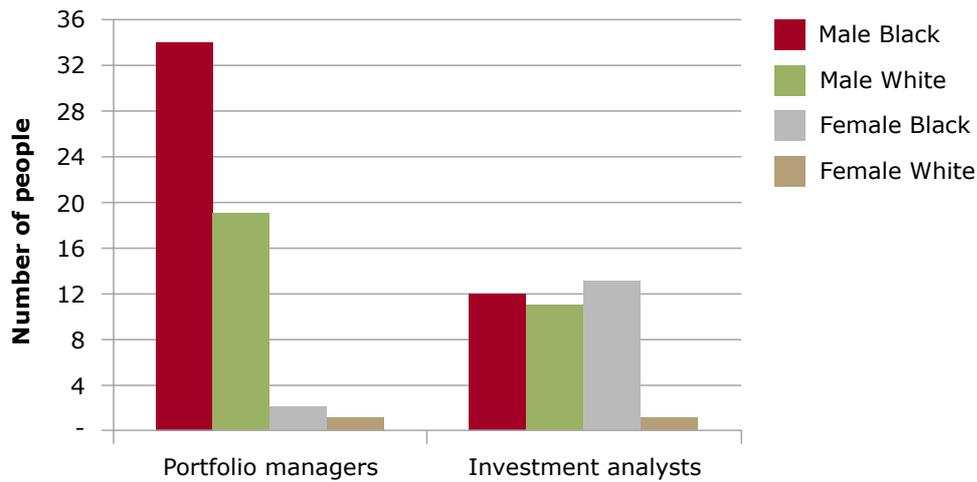
- The total number of permanent employees, employed by the 20 respondent firms, is 216. This is significantly up from 2009 (152). The increase is attributed to managers hiring additional resources and new firms participating in this year's survey.
- The high percentage of coloured employees is representative of the demographics of Cape Town.

ii. Employee breakdown by occupational level

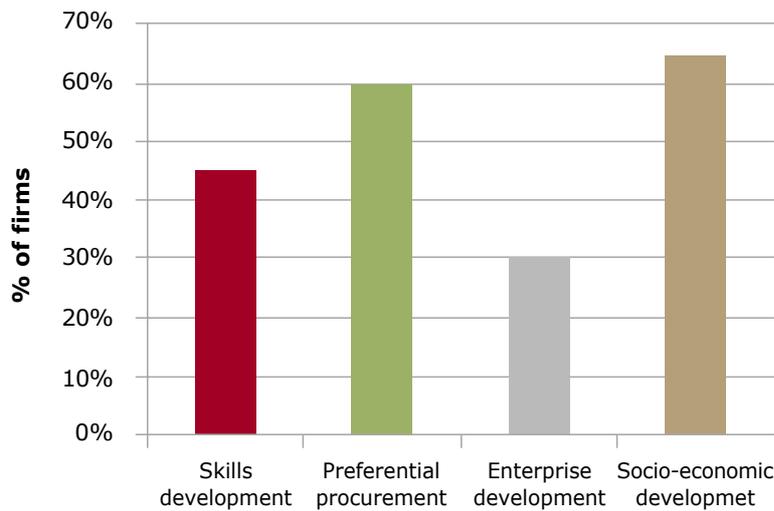


- White males, followed by black African males, dominate the role of Portfolio Managers. Collectively, the number of black Portfolio Managers is higher than the number of white Portfolio Managers. See graph on next page.
- Within the smaller firms there is significant overlap between the role of Portfolio Manager and Investment Analyst.
- It is pleasing to note that the number of black female Analysts is slightly higher than the number of black male Analysts, however, this number is lower if males are considered collectively (black and white). See graph on next page.
- The role of administration is dominated by women, predominantly coloured women.

iii. Portfolio manager and investment analyst



d. Minimum dti targets for skills development, preferential procurement, enterprise development and socio-economic development



- It is impressive to note that all the firms, even the smaller, newer firms, contribute towards skills development, preferential procurement, enterprise development and socio-economic development.
- With growing firms, managers generally fulfill socio-economic targets first, followed by procurement and skills development and finally, enterprise development. The majority of the managers are QSE managers with revenues below R35m and hence are only required to fulfill 4 out of the 7 elements of the Codes.



FIRM PROFILES OF PARTICIPATING FUND MANAGERS

Name of company:	Aeon Investment Management (Pty) Ltd
Date of inception:	Dec-05
Website:	www.aeonim.co.za
Address:	4th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont, 7708, Cape Town, South Africa
Telephone:	+27 21 670 5297/8
Email:	asief.mohamed@aeonim.co.za or rashaad.tayob@aeonim.co.za
Contact person:	Asief Mohamed or Rashaad Tayob
Title of contact person:	Asief - CIO & Director, Rashaad - Portfolio Manager & Director

Name of company:	Afena Capital (Pty) Ltd
Date of inception:	Nov-05
Website:	www.afenacapital.com
Address:	5th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont, 7708, Cape Town, South Africa
Telephone:	+27 21 657 6240
Email:	info@afenacapital.com
Contact person:	Sandile Sokhela
Title of contact person:	Head of Institutional Business

Name of company:	Argon Asset Management (Pty) Ltd
Date of inception:	Apr-05
Website:	www.argonassetmanagement.com
Address:	1st floor Colinton House, The Oval Avenue, 1 Oakdale Road, Newlands, 7700
Telephone:	+ 27 21 670 6570
Email:	Letshego@argonasset.co.za
Contact person:	Letshego Keikelame
Title of contact person:	Business Development Manager

Name of company:	Balondolozzi Investment Services (Pty) Ltd
Date of inception:	Jul-10
Website:	www.balondolozzi.co.za
Address:	6th Floor, Anglo Ashanti Building, 11 Diagonal Street, Johannesburg
Telephone:	+27 086 126 2270
Email:	pedro@balondolozzi.co.za
Contact person:	Pedro Samuel
Title of contact person:	Managing Director



Name of company:	Element Investment Managers (Pty) Ltd
Date of inception:	Jun-98
Website:	www.elementim.co.za
Address:	8th Floor, 125 Buitengracht Street, Cape Town, 8001, South Africa
Telephone:	+27 21 426 1313
Email:	info@elementim.co.za
Contact person:	Ian Jones
Title of contact person:	Chief Operating Officer

Name of company:	First Avenue Investment Management (Pty) Ltd
Date of inception:	Jul-10
Website:	Under construction
Address:	Lower Ground Floor, Block B, Grayston Ridge, 144 Katherine Street, Sandton
Telephone:	+27 11 019 5405
Email:	mamellow@myway.com
Contact person:	Hlelo Nc. Giyose
Title of contact person:	Chief Investment Officer

Name of company:	Forte Alternative Strategies (Pty) Ltd
Date of inception:	Jan-09
Website:	www.forte-alts.co.za
Address:	The Place, 1 Sandton Drive, Sandton
Telephone:	+27 11 722 0246
Email:	Imtiaz@forte-alts.co.za
Contact person:	Imtiaz Ahmed
Title of contact person:	Chief Executive Officer

Name of company:	H1 Capital (Pty) Ltd
Date of inception:	Nov-08
Website:	www.H1capital.com
Address:	1st Floor, The Hudson, 28 Hudson Street, De Waterkant, 8051
Telephone:	+27 21 405 2500
Email:	info@H1capital.com
Contact person:	Neil Horne
Title of contact person:	Director

Name of company:	Kagiso Asset Management (Pty) Ltd
Date of inception:	Jun-01
Website:	www.kagisoam.com
Address:	5th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont, Cape Town, 7708
Telephone:	+27 21 673 6306
Email:	mismay@kagisoam.com
Contact person:	Michelle Parkinson-Ismay
Title of contact person:	Business Development Manager

Name of company:	Lion of Africa Fund Managers (Pty) Ltd
Date of inception:	Dec-05
Website:	www.lionfunds.co.za
Address:	14 College Road, Rondebosch, Cape Town
Telephone:	+27 21 685 0214
Email:	Sidney.mckinnon@.lionfunds.co.za
Contact person:	Sidney McKinnon
Title of contact person:	Senior Portfolio Manager

Name of company:	Mazi Capital (Pty) Ltd
Date of inception:	Mar-06
Website:	www.mazicapital.co.za
Address:	The Place, 1 Sandton Drive, Ground Floor, South Wing, Sandton, 2146
Telephone:	+27 11 245 8900
Email:	Malungelo@mazicapital.co.za
Contact person:	Malungelo Zilimbola
Title of contact person:	Managing Director

Name of company:	Meago (Pty) Ltd
Date of inception:	Jul-05
Website:	www.meago.co.za
Address:	3 3rd Avenue, Parkton North, 2193
Telephone:	+27 11 447 3658
Email:	thabor@meago.co.za
Contact person:	Thabo Ramushu
Title of contact person:	Director

Name of company:	Mergence Africa Investments (Pty) Ltd
Date of inception:	Aug-04
Website:	www.mergence.co.za
Address:	6th Floor, The Equinox, c/o Main and Milton Road, Sea Point, 8060
Telephone:	+27 21 433 2960
Email:	info@mergence.co.za
Contact person:	Ronel Bantjes
Title of contact person:	Business Development Manager

Name of company:	Pan-African Asset Management (Pty) Ltd
Date of inception:	Jul-97
Website:	www.pam-asset.co.za
Address:	Sands of Thyme, 6 Blackpool Road, Bryanston, 2157
Telephone:	+27 11 463 0381
Email:	marga@pam-asset.co.za
Contact person:	Marga van Deventer
Title of contact person:	Trader

Name of company:	Prowess Investment Managers (Pty) Ltd
Date of inception:	Dec-08
Website:	Under construction
Address:	21A Arcadia Road, Fresnaye, 8005
Telephone:	+27 21 439 9782
Email:	kelebogile@prowessinvestments.com
Contact person:	Kelebogile Moloko
Title of contact person:	Chief Executive Officer

Name of company:	Sentio Capital Management (Pty) Ltd
Date of inception:	Aug-07
Website:	www.sentio-capital.com
Address:	1st Floor Hyde Gate, Hyde Park Lane, Hyde Park
Telephone:	+27 11 325 1994
Email:	rjoosub@sentio-capital.com
Contact person:	Rayhaan Joosub
Title of contact person:	Director



Name of company:	Sphere Private Equity (Pty) Ltd
Date of inception:	Oct-05
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Telephone:	+27 11 944 7800
Email:	m.denalane@sphereholdings.co.za
Contact person:	Marang Denalane
Title of contact person:	Director

Name of company:	Taquanta Asset Managers (Pty) Ltd
Date of inception:	Sep-99
Website:	www.taquanta.com
Address:	7th Floor, Newlands Terraces, Boundary Road, Newlands, Cape Town, 7700
Telephone:	+27 21 681 5100
Email:	CPM@taquanta.com
Contact person:	Ray Wallace
Title of contact person:	Head: Asset Structuring

Name of company:	Trilinear Investment Managers (Pty) Ltd
Date of inception:	Dec-96
Website:	www.trilinear.co.za
Address:	2 Long Street, 16 Floor, Cape Town, 8001
Telephone:	+27 21 410 1300
Email:	bruce@trilinear.co.za
Contact person:	Bruce Anderson
Title of contact person:	Chief Investment Officer

Name of company:	Vunani Fund Managers (Pty) Ltd
Date of inception:	Jan-99
Website:	www.pq.co.za
Address:	6th Floor, Letterstedt House, Newlands-on-Main, Newlands, 7700
Telephone:	+27 21 670 4900
Email:	info@pq.co.za
Contact person:	Azola Zuma
Title of contact person:	Director: Business Development

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INVESTMENT MANAGERS

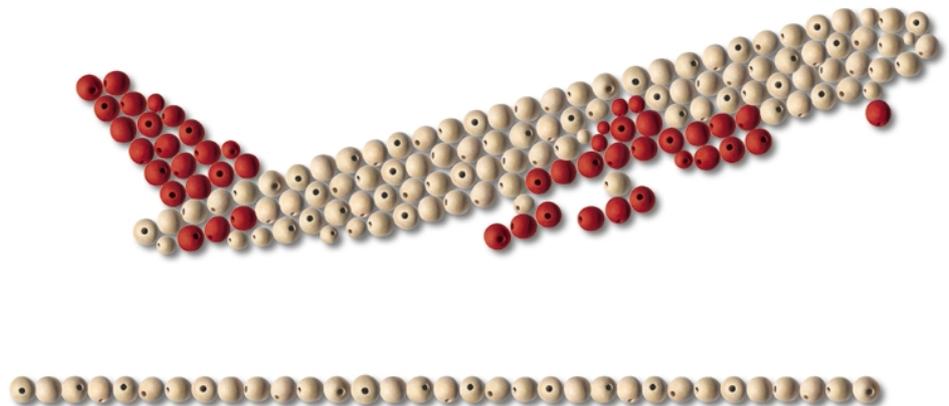
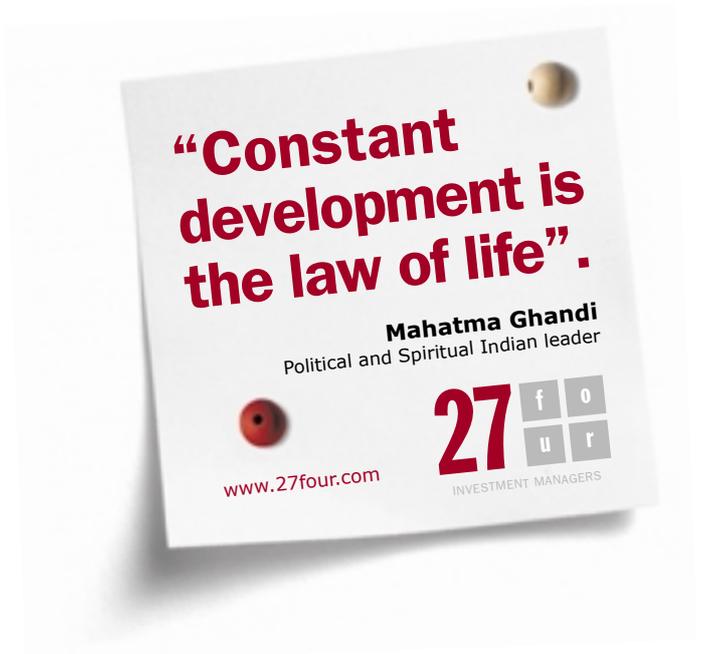
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