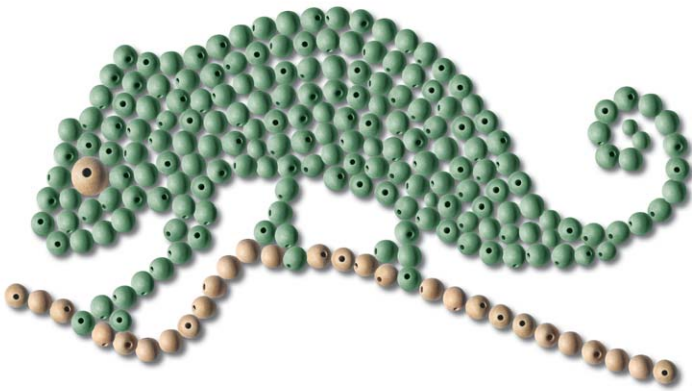




BEE.conomics

Transformation in South African asset management

Annual Survey **SEPTEMBER 2014**



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TRANSFORMATION IN SOUTH AFRICAN ASSET MANAGEMENT

A promising group of black-owned, managed and controlled asset management companies have emerged in the South African financial services sector. Currently, there are 32 of these firms that manage an estimated 4% of a total investment and savings pool of about R6.5trn. A subset of these firms have demonstrated sterling performance, consistently delivering returns ahead of their benchmarks and larger industry peers. With proper research, due diligence, and a focus on quality; we are confident that stand-alone retirement funds and their trustees, umbrella funds, asset and actuarial consultants, multi-managers, LISP platform providers and employee benefits service providers will find in this subset strong businesses and will willingly lend more support to this group of talented asset managers.

The group is a dynamic one with some firms in operation for more than 14 years. Many of these firms are owned and managed by experienced professionals who honed their skills in established financial outfits. Despite the strong performance amongst a subset of these firms, they still struggle to attract funds. Black-owned firms also argue that they require an additional R1bn of assets to employ an investment professional with strong skills to support robust investment performance.

Currently the firms tend to largely manage assets from institutional sources such as retirement funds. When one looks at some of the star performers within the broader industry who have risen despite the competition from large established players with entrenched brands and economies of scale, we note that these stars have successfully utilised the unit trust market and a differentiated product offering to develop their brand. For example, take note of the development of Coronation Fund Managers. They started operations in Cape Town in 1993, with 15 staff and no assets under management. As at 30 June 2014, assets under management totalled R576bn. Black-owned firms can learn from the successes of some of South Africa's leading brands to strategically develop and position their own brands. A market that black managed firms have not been able to penetrate is the unit trust market which is currently valued at over R1.6trn. There exists an opportunity to diversify away from the competitive institutional market and make an aggressive entry into the retail market capitalising on a growing black middle class with disposable income.

Also for the taking is generous regulatory reform that allows South African retirement funds to invest in Socially Responsible Investments, unlisted assets, hedge funds, offshore and African investments. The opportunity to diversify skill and create differentiated product is unlimited. Black firms argue that asset owners and allocators prefer to utilise established brands for non-traditional offerings and are therefore forced to manage traditional offerings to capture a client base. Regardless, these allocations are being filled and black owned firms must try and position their firms to capture these allocations and asset advisors and allocators must make an effort to consider the credibility of offerings in these asset classes and strategies being offered by this group of managers.

Some industry players are also calling for government intervention to put this group of firms onto a steeper incline so that they can go beyond the 4% of total investment and savings that they manage currently. Prescription some say is the only way for meaningful transformation within the industry.

Amongst the participants and signatories in the development of the Financial Sector Charter (FSC) were bodies representing retirement funds, asset managers and other financial services providers who have vowed to support the FSC's procurement and enterprise development initiatives. Through the solutions mentioned in the charter, the entities all have a clear mandate, to play an active role in addressing the challenges faced by the financial services sector. As we achieve our targets outlined in the FSC, we remain confident that this black asset management sector will grow by leaps and bounds to increase its assets under management to well beyond the 4% of total assets that it currently manages.

As seed investor representing asset owners, 27four Investment Managers have over the years developed significant insight into the challenges faced by this industry and have identified a number of initiatives that we believe will lend support to this growing industry to ensure its long term sustainability and success. Amongst the many initiatives under consideration are the following:

- Active participation by black owned firms within an industry body that will represent the views of this growing industry to ensure that our voices are being heard and that we are provided the opportunity to shape the national agenda and influence policy and reform.
- For some of the smaller managers to consider consolidation and benefit from skills pooling, resources and economies of scale.
- To engage the regulator to create a more enabling environment where a shortage of resources does not prejudice firms to compete on an equal footing relative to larger industry players. With specific reference to the resources required to establish unit trust management companies and life companies for the pooling of assets and platforms for distribution. Without the vehicles, black businesses will always be on the back foot, hence the requirement for government to adopt a developmental agenda and framework to assist.
- For asset managers to laterally position their brands to penetrate the retail market and differentiate their product offerings to become competitive and capture new sources of assets. This includes building skills in the management of offshore portfolios and alternatives.
- For sponsored umbrella funds to facilitate transformation. Participating employers and members must insist that these funds consider the inclusion of portfolios managed by black asset managers.
- For asset owners to insist that B-BBEE procurement levels be achieved from the entire supply chain of service providers including asset consultants, actuaries, employee benefits consultants, fund administrators, platforms etc. Transformation across the value chain is significantly lower than that within asset management. If the level of black participation across the value chain can be increased and existing establishments transform, the rest will follow.

With consistent effort on the part of industry players, we remain confident that this dynamic group of managers will propel and emerge victorious over time. We thank all the managers for making this study possible and for the many investors who make up the R283.1bn currently being managed by this group of managers.

Fatima Vawda

Managing Director, 27four Investment Managers (Pty) Ltd

CRITERIA FOR PARTICIPATION

The criteria for participation in the survey is based on the measurement of clear outcomes to assess the extent of transformation within the South African asset management industry. Investment managers are requested to complete a questionnaire, the results of which are collated and presented in a form that can be easily used by decision makers to guide policy making.

As such, 27four extended an invitation to fund managers that met the following minimum BEE 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.

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

All the information presented in this survey is as at **30 June 2014**.



SUMMARY OF FINDINGS



R283.1 BILLION

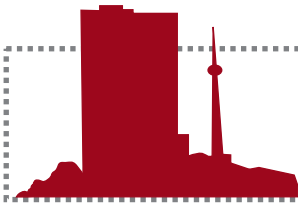


Represents the total industry assets managed by majority black-owned firms.

R6.5 TRILLION



Estimated size of the total South African investment and savings industry (long-term insurance + CIS + retirement funds).



Gauteng

takes over from Cape Town in 2014 as the dominant location for black firms. A total of 19 managers are based in Johannesburg.

02

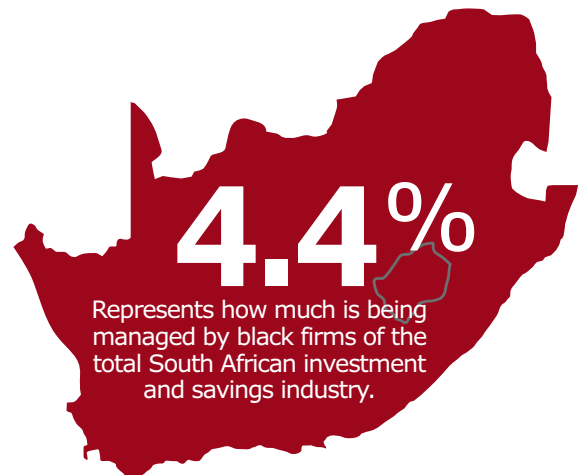
companies manage just over 50% of the total assets managed by black firms.

10

companies manage 94% of the total assets managed by black firms - out of a total of 32 firms.

18

black firms have been in operation for less than four years.



55%

Total assets managed within long-only domestic active equity mandates followed by money market mandates representing 26% of the total asset pool managed by black fund managers.

31%
of firms offer a single flagship product.



0.17%
of overall assets are invested offshore.

83.9%
of overall assets are sourced from institutional investors.



16.1%
of overall assets are sourced from retail investors.



8 OUT OF 32
firms have their GIPS compliance verified by a third-party.



20 OUT OF 32
firms outsource their Regulation 28 look through reporting to external service providers.



10 OUT OF 32
firms do not hold any insurance cover as required by the Financial Services Board.

13

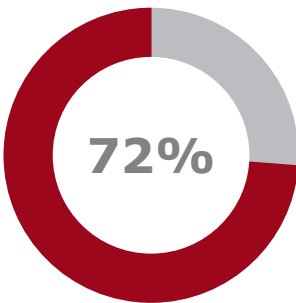
Number of firms that have unit trusts.

02

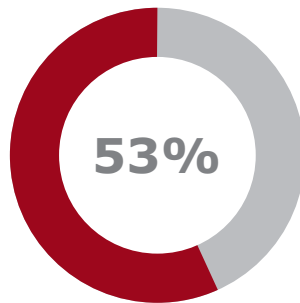
Number of firms that own unit trust management companies.

10

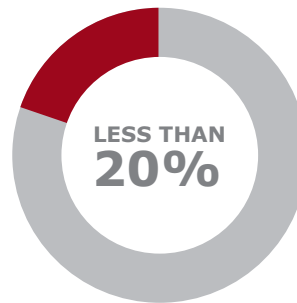
Number of firms that are signatories to the UN Principles for Responsible Investment.



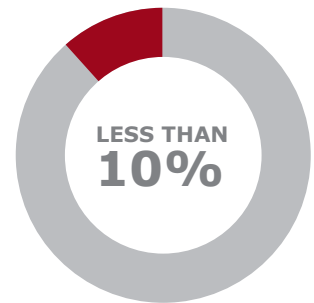
of companies have proxy voting policies in place.



of companies subscribe to the Code for Responsible Investing in South Africa (CRISA).



black female board representation in the majority of firms.



black female ownership in the majority of firms.



332

people employed in the industry.

048

black portfolio managers with 5 or more years experience in managing money.



B-BBEE CONTRIBUTOR LEVEL

- NO RATING: 3 out of 32
- LEVEL 1: 8 out of 32
- LEVEL 2: 3 out of 32
- LEVEL 3: 16 out of 32
- LEVEL 4: 2 out of 32



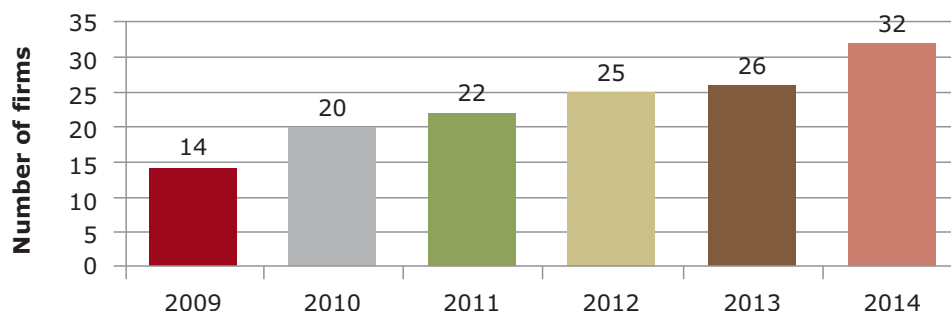
PARTICIPATION STATISTICS

"There is an excessively high reliance on the part of the trustees of asset owners on the views of asset allocators/consultants. Trustees do not push the transformation agenda hard enough".



Perpetua Investment Managers (Pty) Ltd

a. Number of participating firms



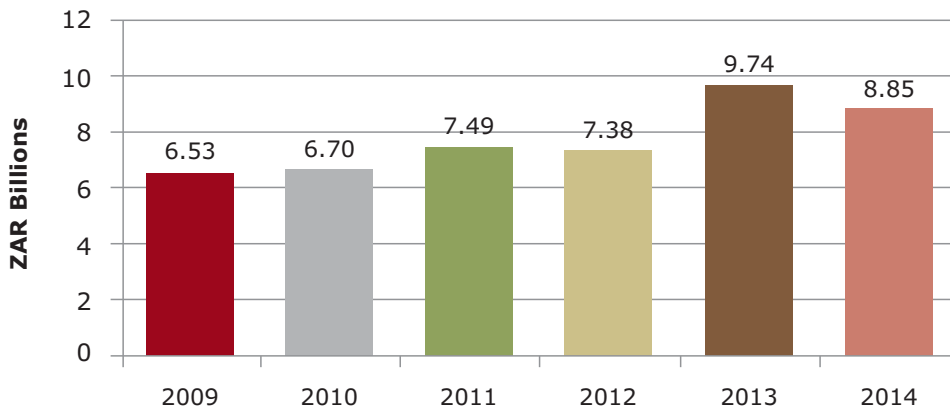
There has been a consistent increase in the number of black asset management companies emerging within the industry. The number of companies has increased by 23% since 2013 and since 2009 has grown by 129%.

b. List of participating firms

Fund Manager	Years In Operation	Assets Under Management (ZAR Millions)	Percentage of Total
1 Element Investment Managers	16.24	1 771	1%
2 Vunani Fund Managers	15.01	13 368	5%
3 Taquanta Asset Managers	14.76	90 175	32%
4 Kagiso Asset Management	12.59	71 008	25%
5 Mergence Investment Managers	9.92	15 134	5%
6 Meago Asset Managers	9.61	6 500	2%
7 Argon Asset Management	9.25	18 266	6%
8 Afena Capital	8.67	19 236	7%
9 Aeon Investment Managers	8.58	1 845	1%
10 Mazi Capital	8.07	18 782	7%
11 All Weather Capital	7.27	73	0%
12 Sentio Asset Managers	7.00	2 801	1%
13 First Avenue Investment Management	5.60	8 374	3%
14 Prowess Investment Managers	5.58	732	0%
15 Balondolozzi Investment Services	4.00	810	0%
16 Mianzo Asset Management	3.92	2 072	1%
17 Bataung Capital Advisors	3.92	40	0%
18 Sefikile Capital	3.58	5 272	2%
19 Mvunonala Asset Managers	3.33	2 885	1%
20 Cachalia Capital	2.92	207	0%
21 Buyambo Fund Managers	2.75	0	0%
22 P2 Asset Managers	2.66	2	0%
23 Ata Capital	2.41	375	0%
24 Perpetua Investment Managers	2.25	2 232	1%
25 MSM Property Fund	1.95	0	0%
26 Eminence Holdings	1.75	560	0%
27 Benguela Global Fund Managers	1.36	0	0%
28 Seriti Asset Management	1.25	0	0%
29 Maru Asset Managers	1.08	1	0%
30 Satori Fund Managers	0.97	0	0%
31 Legacy Africa Fund Managers	0.88	547	0%
32 Mavuso Capital	0.16	0	0%
Total		283 065	100%

The eight new entrants to the 2014 survey include Ata Capital, All Weather Capital, Benguela Global Fund Managers, Legacy Africa Fund Managers, Maru Asset Managers, Mavuso Capital, MSM Property Fund and Satori Fund Managers. While Legacy Africa Fund Managers manage just over R500m in assets, the remaining firms have yet to attract good seed investments. All new entrants were started by experienced investment professionals honing their skills at larger and more established firms where they worked as either portfolio managers or analysts. Two managers that participated in the 2013 survey dropped out of the 2014 survey.

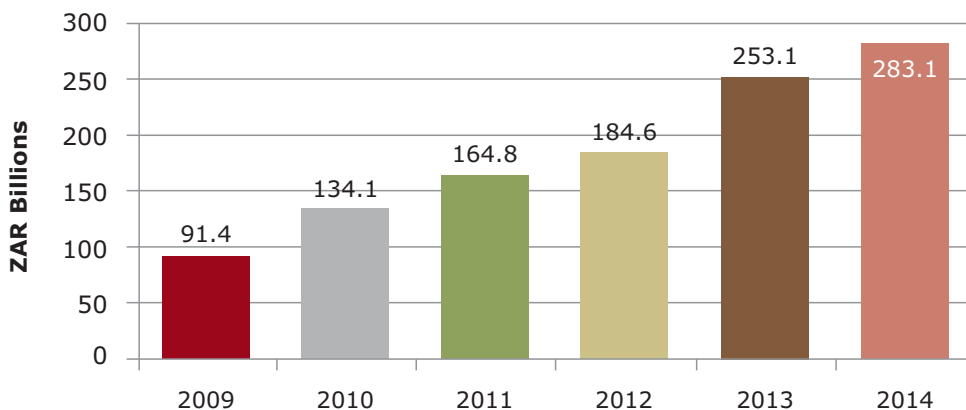
c. Average Assets Under Management (AUM) per firm



Despite the steady increase in industry size by number of firms, average AUM per firm has declined over the last year because of the number of new entrants not managing any assets. Since some new entrants are still building an asset base, we look at the growth in average AUM per firm over a 3 and 5 year period respectively. In the 3 years to date, the average AUM per firm has increased by 18%. In the 5 years to date the average AUM per firm increased by 36%.

Black firms indicate that they require an additional R1bn in AUM to add one top investment professional to their team. On average, AUM grew by R1bn and R2bn over the 3 and 5 year period respectively, making the addition of a professional member of staff likely for some of these firms.

d. Total industry assets managed by black owned firms



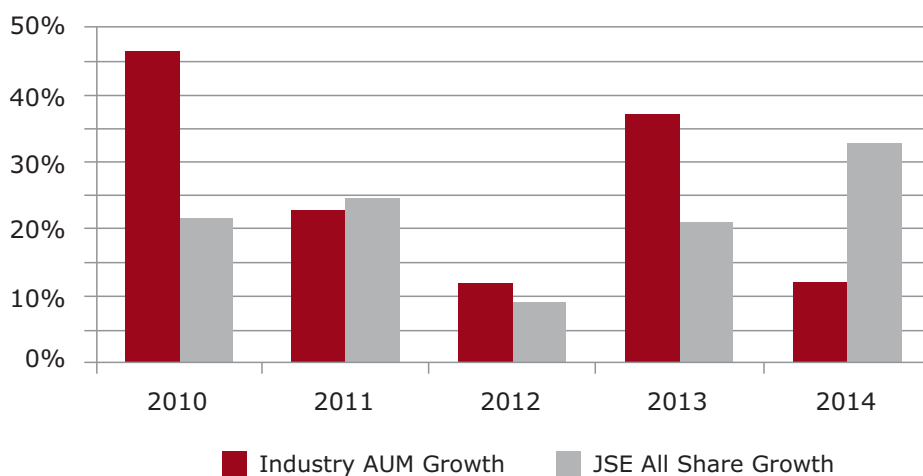
The industry grew by 12% in 2014 to R283.1bn and by 210% since 2009. As shown in graph e, a significant portion of this growth can be attributable to financial markets performance.

In order to evaluate the success of black firms in growing their asset base, we need to ascertain the size of the overall South African savings and investment market within which they operate. Obtaining this data at a specific point in time has been challenging. The table below provides a good indication of the overall size of this industry.

Category	ZAR Millions	Date	Source
Total long term insurance life offices	1 999 290	31-Dec-13	ASISA Statistics
CIS portfolios	1 641 863	30-Jun-14	ASISA Statistics
Retirement funds	3 472 262		
Privately administered funds	1 833 000	31-Dec-13	FSB Website
Underwritten funds	323 480	31-Dec-12	FSB Annual Report
GEPF	1 238 000	31-Mar-13	GEPF Website
SOE retirement funds	77 782	31-Dec-12	FSB Annual Report
Less potential double counting	(624 577)	30-Jun-14	ASISA Statistics
Total Investment & Savings Industry	6 488 838		

The black asset management industry at R283.1bn remains just 4.4% of the total investment and savings value of about R6.5trn.

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



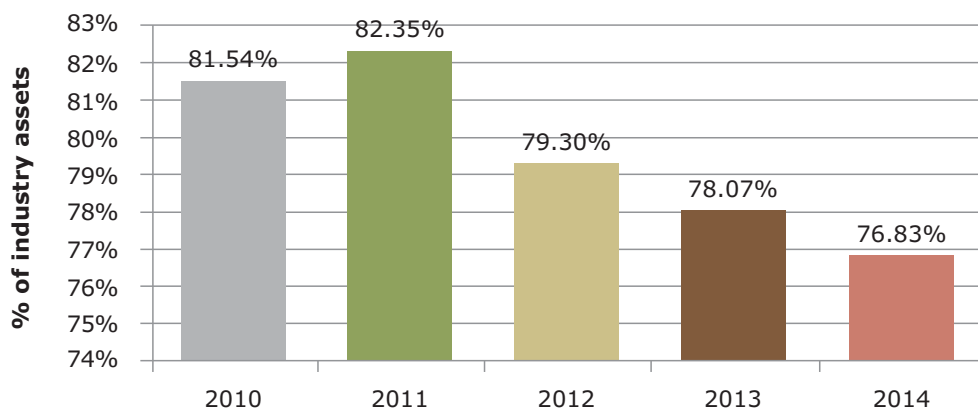
This graph displays one year returns ending 30 June. We measure the growth in total AUM of black firms relative to JSE market growth. What is evident from this graph is that within the period 1 July 2013 to 30 June 2014, the industry in fact lost assets against the robust growth of the JSE.

f. Top ten firms by AUM

Rank 2014 (2013)	Fund Manager	Years in Operation	AUM (ZAR Billions)	% of Total
1 (1)	Taquanta Asset Managers	14.76	90.17	32%
2 (2)	Kagiso Asset Management	12.59	71.01	25%
3 (4)	Afena Capital	8.67	19.24	7%
4 (3)	Mazi Capital	8.07	18.78	7%
5 (6)	Argon Asset Management	9.25	18.27	6%
6 (7)	Mergence Investment Managers	9.92	15.13	5%
7 (5)	Vunani Fund Managers	15.01	13.37	5%
8 (10)	First Avenue Investment Management	5.60	8.37	3%
9 (9)	Meago Asset Managers	9.61	6.50	2%
10 (>10)	Sesfikile Capital	3.58	5.27	2%
Total			266.12	94%

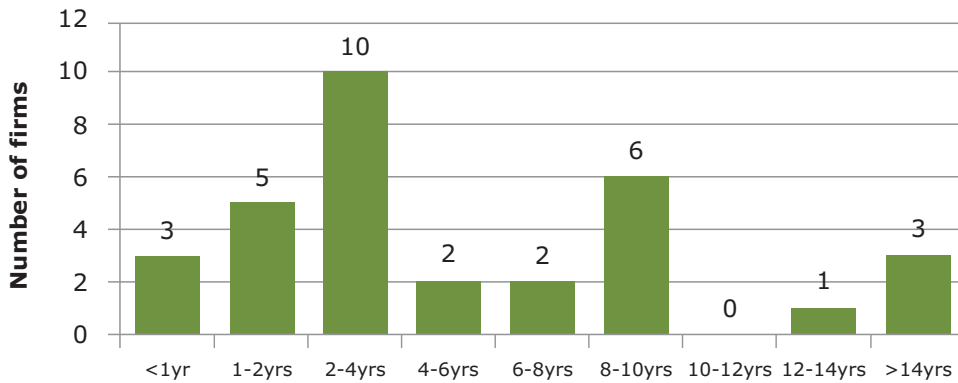
There has been some movement in the top 10 from the previous year with a large player dropping out of the list. These 10 out of the 32 firms manage 94% of the industry's assets. The two top firms, Taquanta Asset Managers and Kagiso Asset Management, have been in operation for over 10 years. With the exception of Sesfikile Capital, all top 10 firms have been in operation for at least 5 years as the established firms continue to dominate the industry.

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



It is encouraging to see that there is a decreasing trend in the AUM of the top 5 black-owned firms relative to the total AUM of black firms. Two firms, Taquanta Asset Managers and Kagiso Asset Management, continue to manage just over 50% of the total AUM.

h. Years in operation

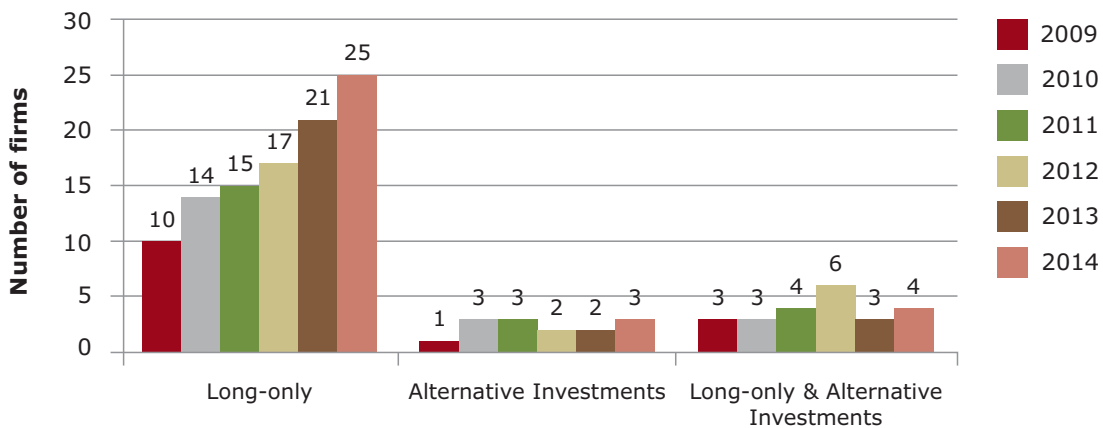


The largest concentration of firms is in the 2 to 4 year range. This is representative of a relatively young industry.

Earlier, we indicated that there are 8 new entrants, 3 of these have been in business for less than a year, 4 have been in business for between 1 and 3 years, and 1 who has been in business for >7 years qualified as a result of corporate activity. However, 5 of these 8 new entrants are yet to attract any assets.

12.5% of firms have been in business for over 10 years with 44% of firms operating for at least 5 years.

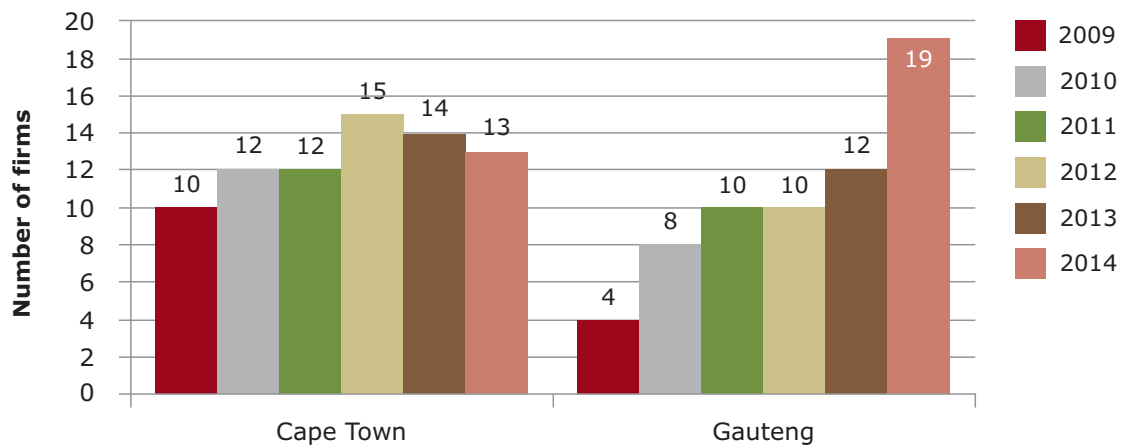
i. Participation by investment strategy



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

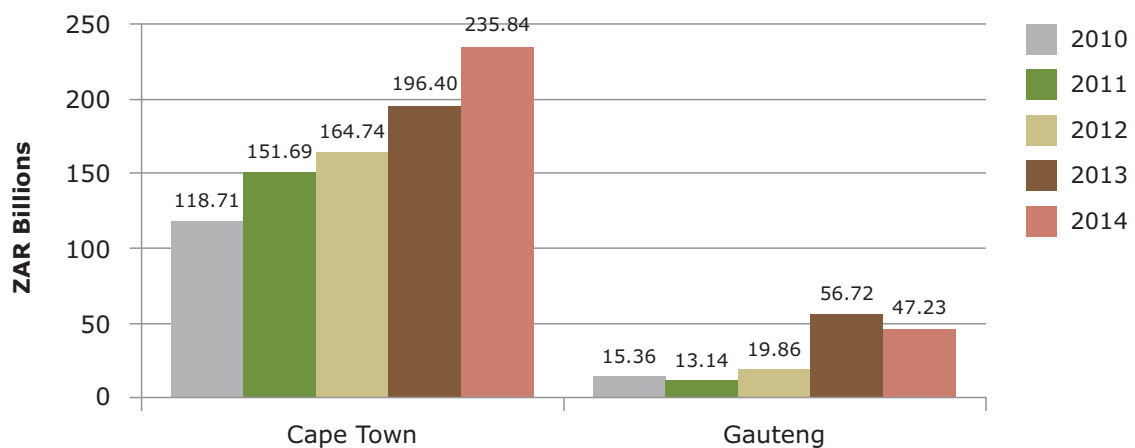
Conventional long-only mandates remain the order of the day. However, 2 new entrants have alternative investment mandates viz. Ata Capital (R375m) in the unlisted space and Eminence Holdings (R560m) who manage hedge funds.

j. Participation by province



In 2014, Gauteng overtakes Cape Town to house the larger number of black-owned asset management firms. Most of the large investors are located in Johannesburg and face-to-face contact remains important in this industry. For the new entrants in particular, being located in Johannesburg makes sense as less time and resources are spent on travelling.

k. AUM split by province



However, AUM paints a different picture with Cape Town still dominating as the larger more established firms are all based in this region.



INVESTMENT MANDATES

"The biggest hurdle has been achieving critical mass in aum. This was literally the tipping point towards sustainability of the business. When this happened, we were able to attract more experienced talent and simultaneously invest in and nurture new talent".

Kagiso Asset Management (Pty) Ltd



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

South Africa Active Equity _____ South Africa Listed Property _____ Offshore
 South Africa Passive/Index Equity _____ Shari'ah (Equity and Balanced) _____ Private Equity (all)
 South Africa Active Fixed Income _____ South Africa SRI (all) _____ Africa Listed Equity
 South Africa Passive/Index Fixed Income _____ South Africa Hedge Funds _____ Other
 South Africa Money Market _____ Multi-asset Class (Absolute Return and Balanced)

a. Firms managing multiple investment products

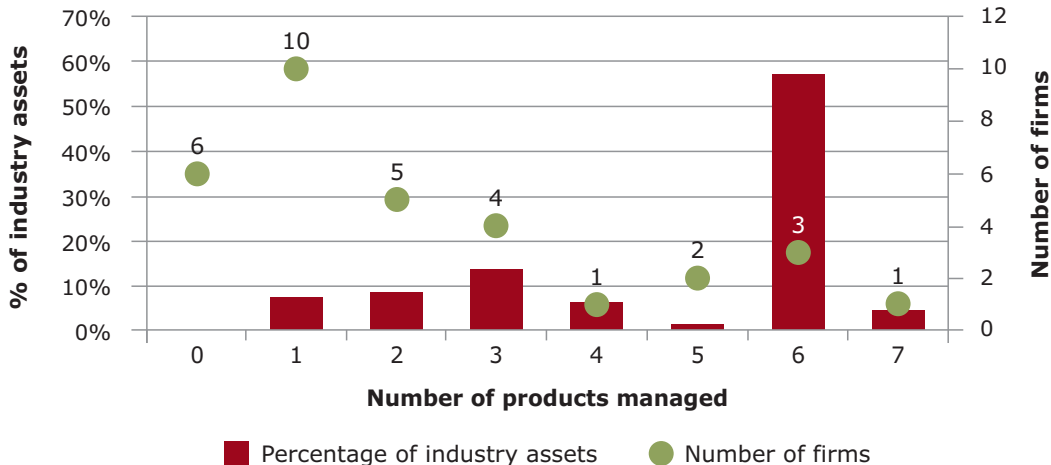
Fund Manager	SA Active Equity	SA Passive/Index Equity	SA Active Fixed Income	SA Passive/Index Fixed Income	SA Money Market	SA Listed Property	Shari'ah (Equity & Balanced)	SA SRI (all)	SA Hedge Funds	Multi-asset Class (Absolute Return and Balanced)	Offshore	Private Equity (all)	Africa Listed Equity	Other	Total number of products managed
Aeon Investment Managers	✓									✓					2
Afena Capital	✓									✓					2
All Weather Capital	✓								✓						2
Argon Asset Management	✓		✓		✓					✓					4
Ata Capital												✓			1
Balondolozzi Investment Services	✓	✓	✓	✓						✓				✓	6
Bataung Capital Advisors									✓						1
Benguela Global Fund Managers															0
Buyambo Fund Managers															0
Cachalia Capital	✓														1
Element Investment Managers	✓						✓			✓	✓			✓	5
Eminence Holdings														✓	1
First Avenue Investment Management	✓														1
Kagiso Asset Management	✓	✓	✓		✓		✓			✓					6
Legacy Africa Fund Managers	✓														1
Maru Asset Managers		✓													1
Mavuso Capital															0
Mazi Capital	✓					✓			✓						3
Meago Asset Managers						✓									1
Mergence Investment Managers	✓							✓		✓					3
Mianzo Asset Management	✓	✓								✓					3
MSM Property Fund															0
Mvunonala Asset Managers	✓		✓		✓					✓				✓	5
P2 Asset Managers										✓					1
Perpetua Investment Managers	✓									✓					2
Prowess Investment Managers			✓	✓											2
Satori Fund Managers															0
Sentio Asset Managers	✓								✓	✓					3
Seriti Asset Management															0
Sesfikile Capital						✓									1
Taquanta Asset Managers	✓		✓	✓	✓				✓	✓					6
Vunani Fund Managers	✓	✓	✓			✓				✓	✓			✓	7

b. Number of products managed by the firms



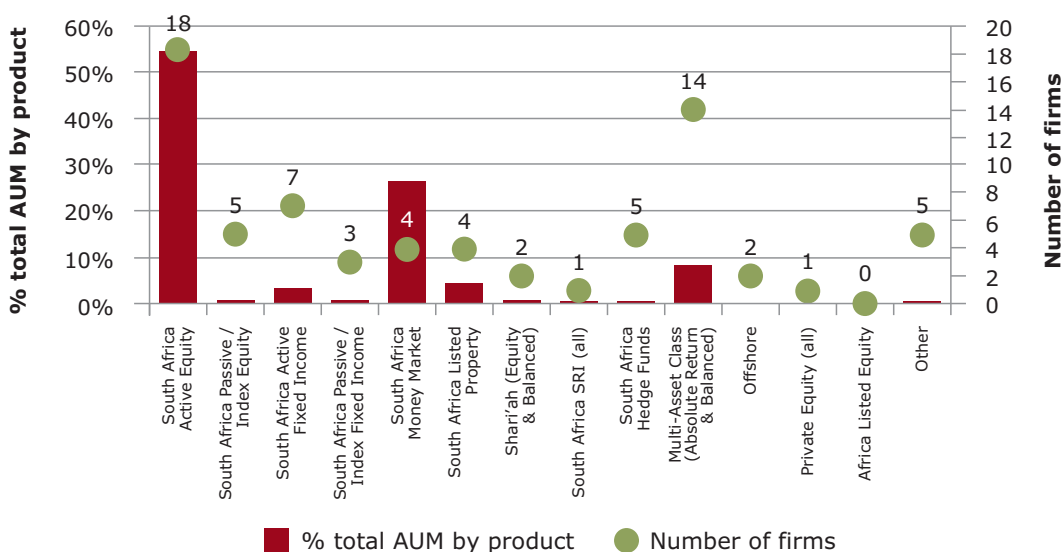
The above figure shows that 6 firms were not managing any assets by end June 2014. However, not all of these firms were new entrants. One firm, Seriti Asset Management, was on our list last year albeit still a young firm. Note that some firms are participating for the first time in our survey but have been in operation for longer than a year, for example, MSM Property Fund and Benguela Global Fund Managers. The majority of firms, some 31% offer a single flagship product. Some of the established firms have diversified to provide more than 3 products. Generally, new firms use a single product to build critical mass and then diversify. However, some firms are known to remain specialists who have also gained a reputation for being top performers in a chosen asset class or strategy.

c. Percentage of industry assets versus number of products managed



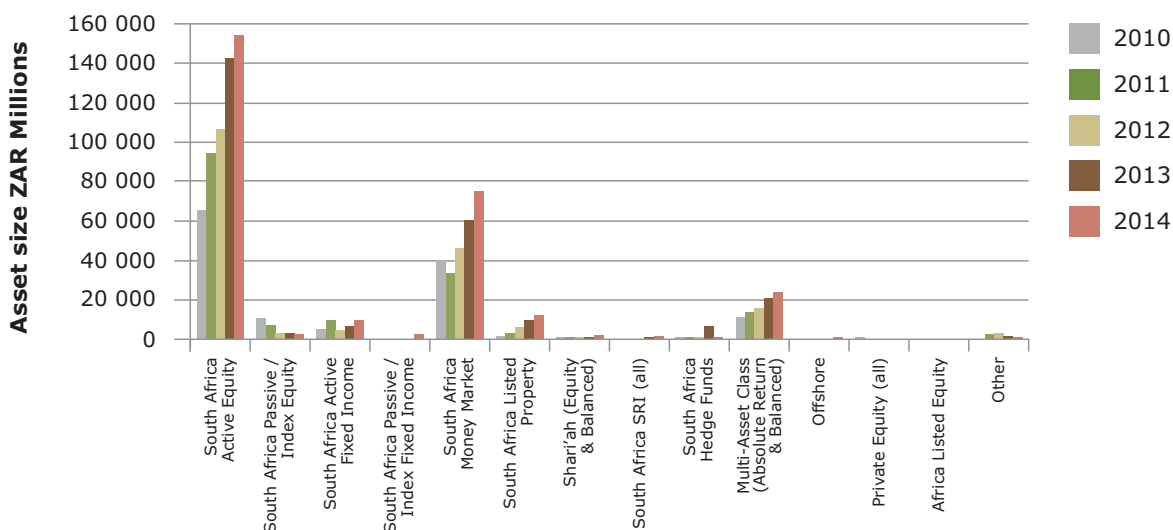
Whilst there is a concentration of firms managing only 1 product, the percentage of industry assets managed is the highest for firms managing 6 products. Some of the more established firms have diversified their revenue stream by offering multiple products.

d. Products currently managed



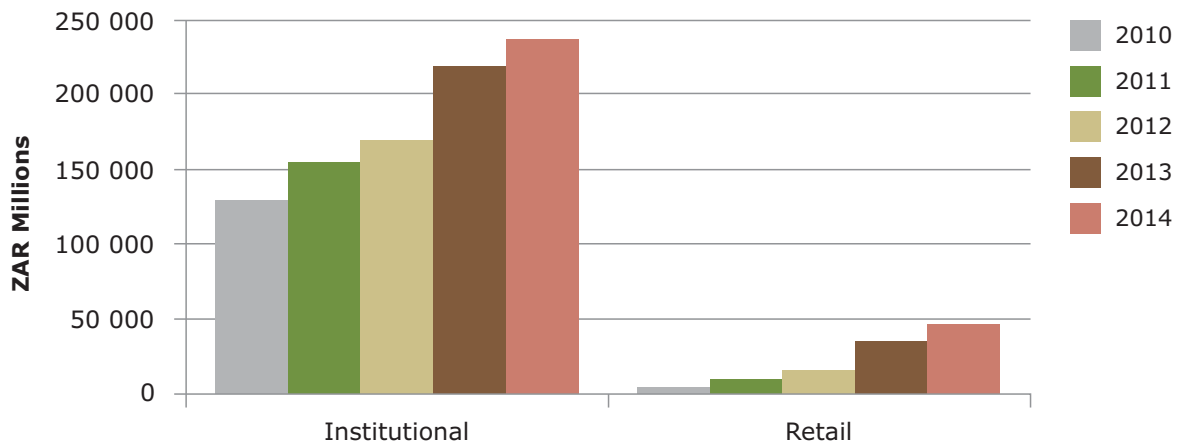
Almost 55% of total assets are managed within South African active long-only equity mandates followed by 26% in South African money market. A trending feature over the years is the lack of mandate differentiation amongst the managers. The concentration of skills in South African equity mandates makes this a very competitive space with managers aggressively competing against each other for a piece of the pie. What is also evidently missing is the lack of offshore asset management experience and skills. Black entities should use the opportunity to manage assets in offshore markets given that the South African Reserve Bank allows South African retirement funds to invest 25% in offshore markets and an additional 5% in Africa ex South Africa. This would also allow the managers to attract international investors and capitalise on the growing base of African asset owners.

e. Product size



South Africa equity assets grew from 2013 to 2014, however at a level that was less than that achieved by the JSE, indicative that the industry lost assets over this period. Surprisingly, passive equity inflows declined even though there is growing support for this strategy amongst South African investors. Money market funds enjoyed some inflows on the back of risk balancing by investors. Listed property and multi-asset class products also enjoyed an increase, albeit a relatively small one. Alternatives including private equity and hedge funds, SRI funds, offshore investments and Africa funds are areas that are provided for within the regulations, are less overcrowded and offer investors a genuine opportunity to diversify away risk, yet many of the firms do not opportunistically position themselves to capture this potential. Perhaps one could also argue that asset owners prefer to offer non-traditional mandates to established managers and therefore it would be difficult for emerging managers to attract assets outside of the traditional long-only domestic listed space.

f. Investor base



Black-owned asset managers largely source assets from retirement funds where Regulation 28 encourages funds to implement a B-BBEE policy. Such institutional assets continue to grow relative to retail. However, black-owned firms argue that although this source dominates their AUM, the portion that they manage is still a very small piece of the overall investment and savings value in South Africa.

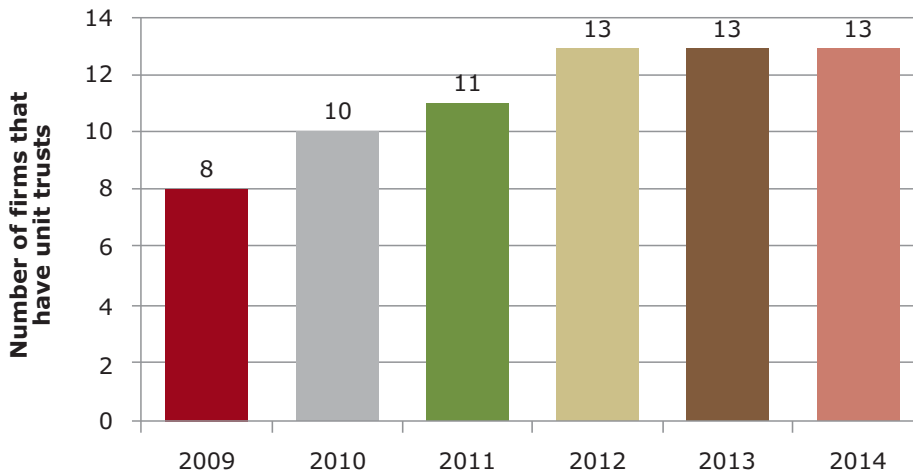
Some black-owned firms have argued that institutional investors prefer to use name brand asset managers who dominate and have successfully built their brand in the unit trust market. There is a small but steady increase in black asset managers sourcing assets from retail investors. So even though firms should continue targeting institutional investors, it might be opportune for black-owned firms to enter the retail market more aggressively. This would allow for brand building and recognition.

g. Top five asset managers by retail assets

Top 5 Asset Managers with Retail Assets	Years in Operation	ZAR Millions
Taquanta Asset Managers	14.76	R 35 619
Kagiso Asset Management	12.59	R 2 752
First Avenue Investment Management	5.60	R 2 512
Vunani Fund Managers	15.01	R 1 757
Element Investment Managers	16.24	R 1 676
Total		R 44 316

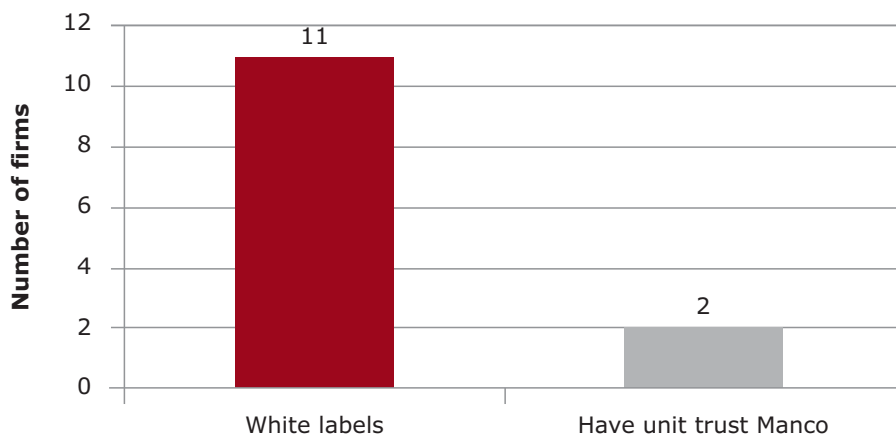


h. Unit trusts



Just 13 of the 32 firms utilise unit trusts to source assets. The mechanics of penetrating the retail market is different from that of the institutional market. Current skill sets among black-owned firms tend to suit the institutional market. A concerted effort has to be made either individually or collectively to grow the skill set for the retail market. The vast majority of mandates continue to be managed on a segregated basis or pooled through a life licence for the institutional investor.

i. Unit trust management companies



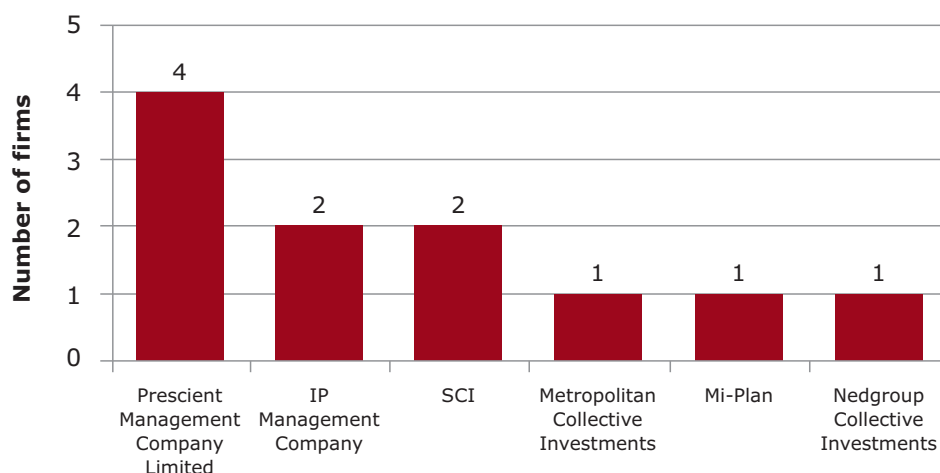
Companies that have Unit Trust Management Companies

Kagiso Asset Management

Element Investment Managers

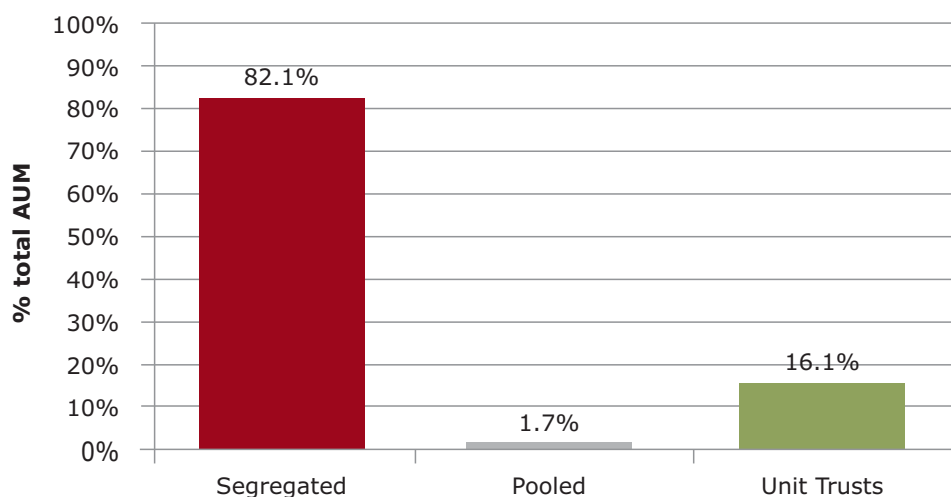
Only 2 of the 13 firms that have unit trust offerings have their own unit trust management companies. Emerging managers prefer to white label because of the resources (capital adequacy, compliance, technology etc) required to manage a unit trust management company. Black-owned asset managers should consider forming a collective unit trust management company. Firms can then share professional expertise, reduce costs, enjoy economies of scale in administration and afford clients a wider choice of pooled investments.

j. Management Companies used by firms to white label



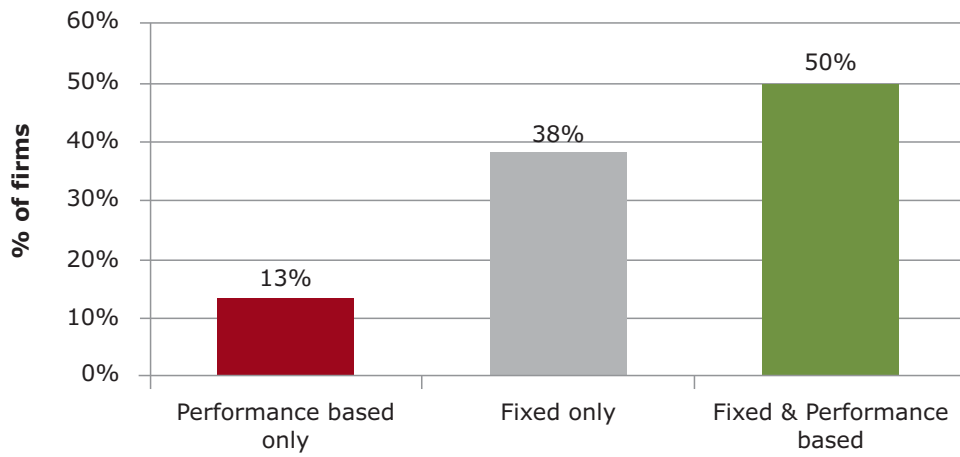
The choice of white label partner is largely dependent on levels of services, costs, systems and reputation. Increasingly some Mancos are offering distribution in an effort to increase their client base, which for a start-up manager can be luring given the challenges of building AUM.

k. Asset vehicles

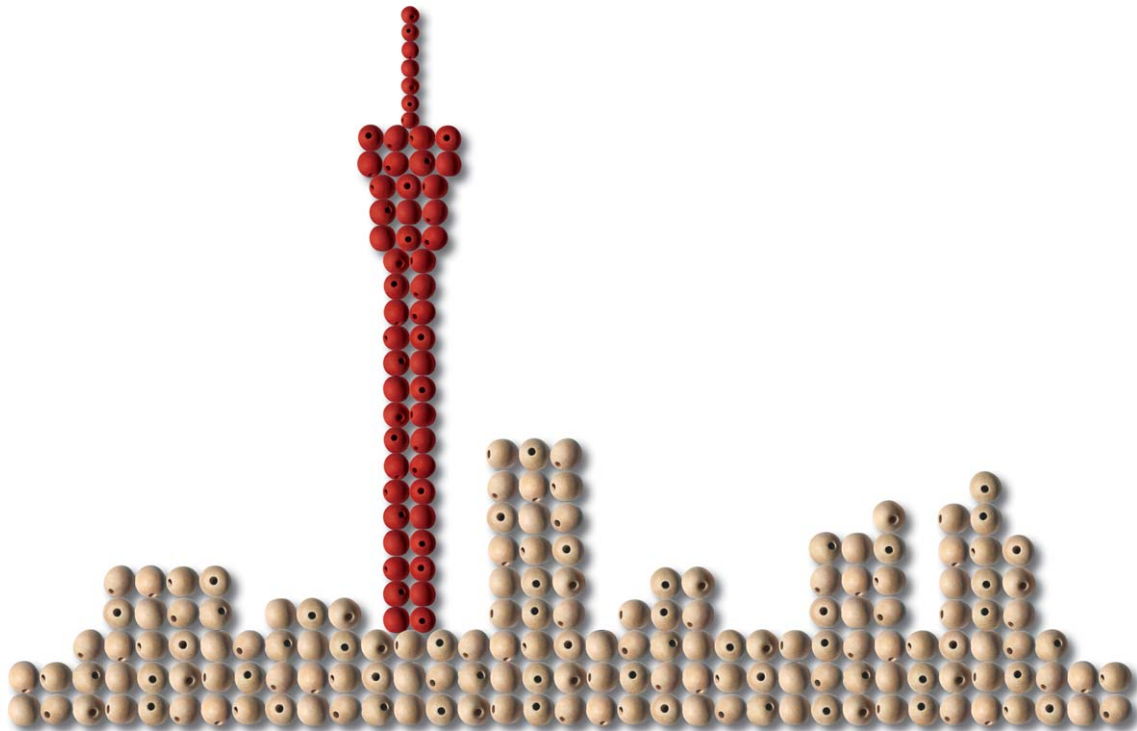


Black-owned firms largely source assets from the institutional sector and in particular the larger retirement funds where the preference is to invest via segregated mandates. Such mandates allow investors the flexibility to set the terms of the mandate according to their requirements. Moreover, in issuing a segregated mandate to a start-up or emerging business, the investor can retain assets in their name.

I. Fee structures



The majority of black-owned firms prefer fixed fees over performance based structures given the guaranteed nature of fixed fees. However, 50% of firms offer a combination of both fixed and performance based fee structures.



PERFORMANCE ANALYSIS TO 30 JUNE 2014

"As a black asset management business, it is not easy to grow our business given that in the South African context assets are not allocated based on merit and investment performance".

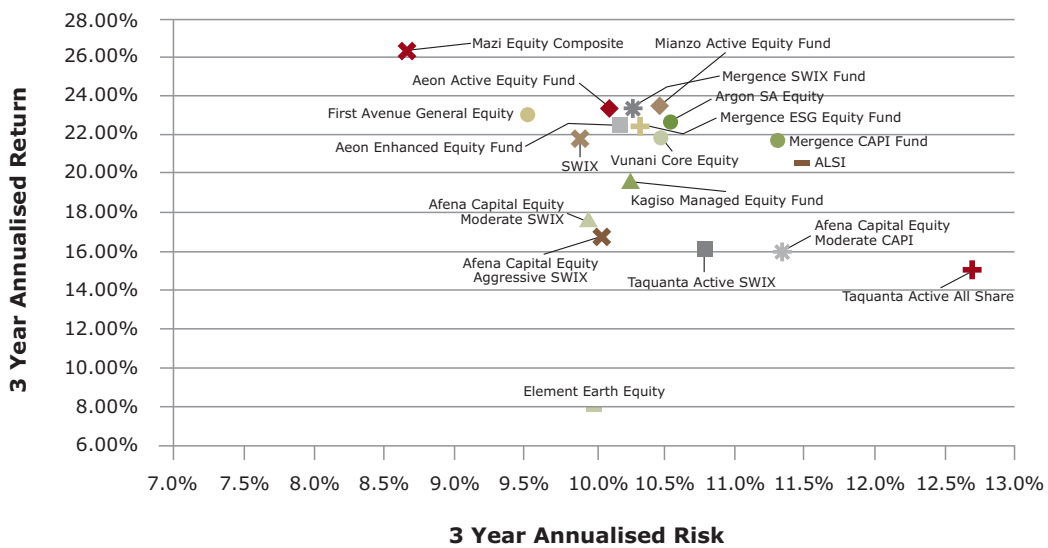


Mazi Capital (Pty) Ltd

Only funds that hold a 3-year track record were included in the graphs below. All returns are gross of fees.

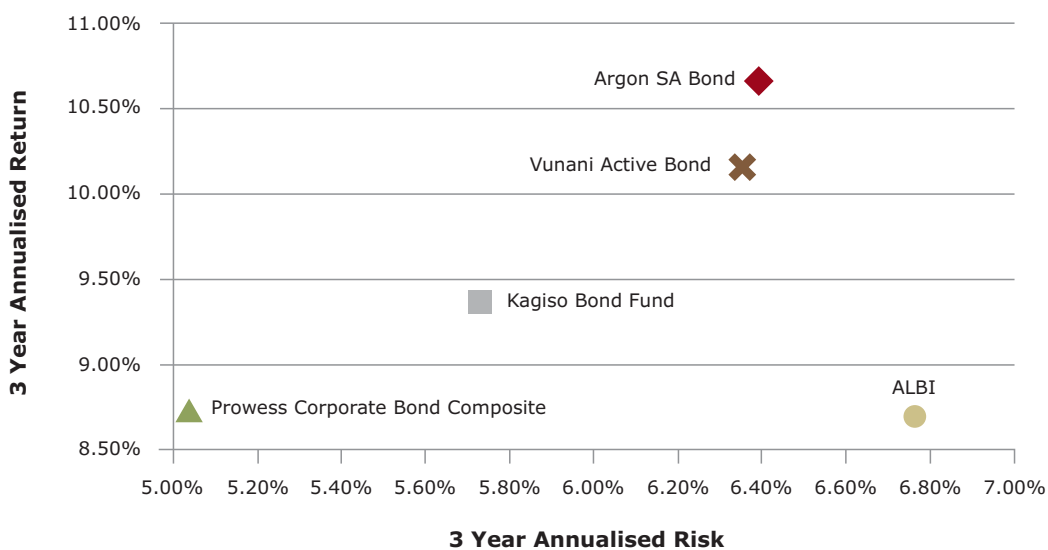
a. South Africa Active Equity

3 Year risk/return scatter



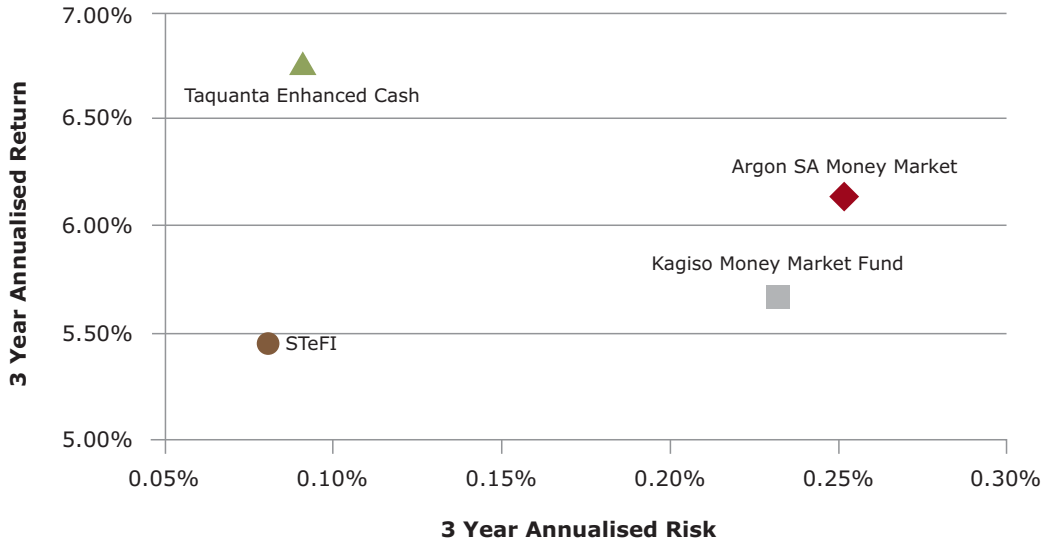
b. South Africa Active Fixed Income

3 Year risk/return scatter



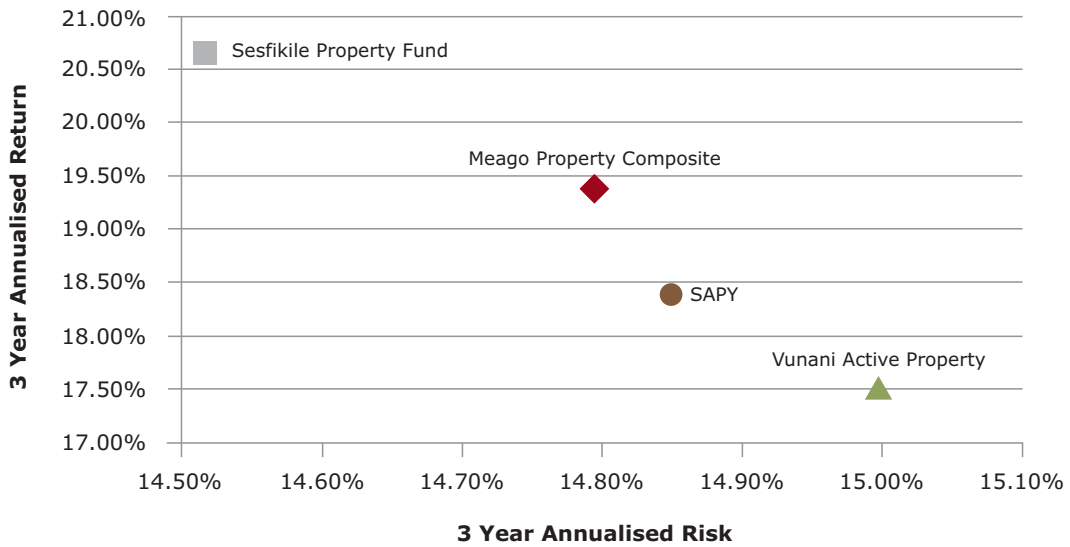
c. South Africa Money Market

3 Year risk/return scatter



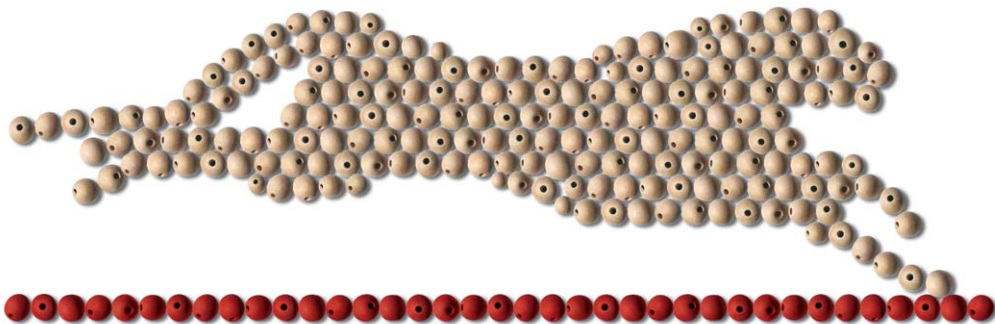
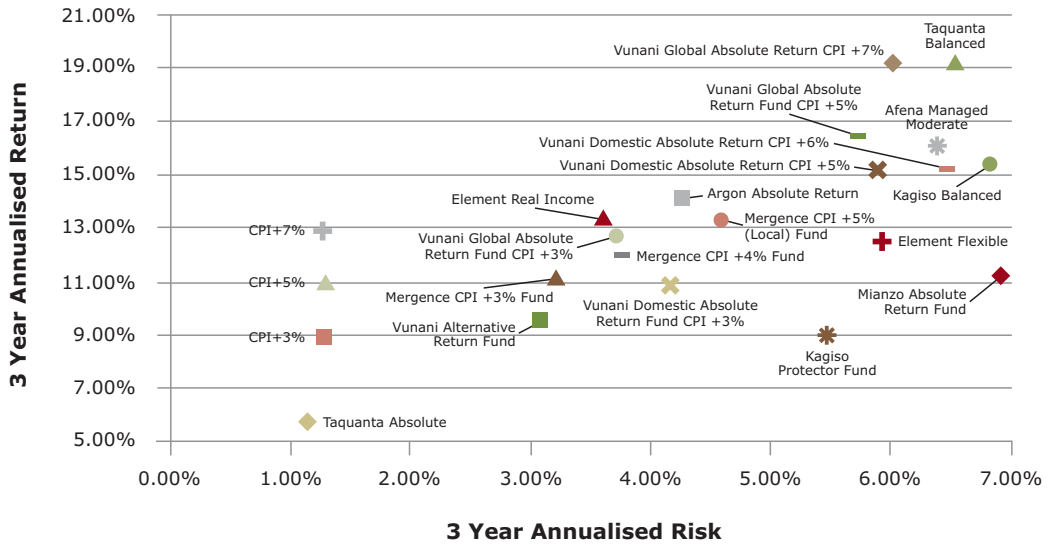
d. South Africa Listed Property

3 Year risk/return scatter



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

3 Year risk/return scatter



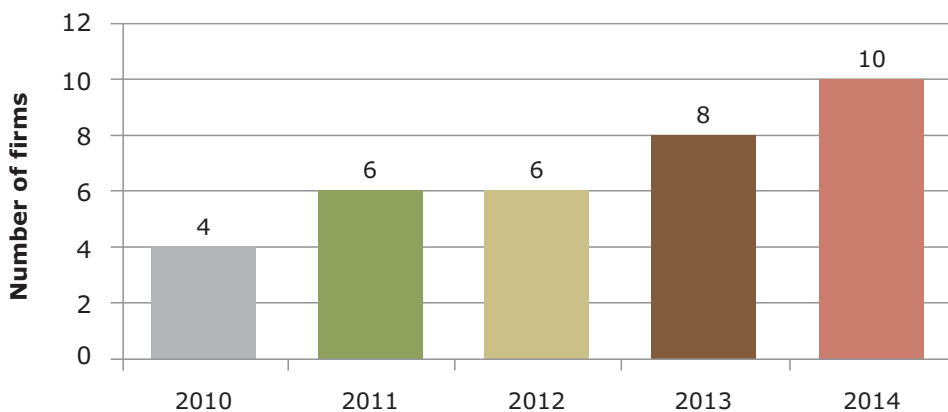
RESPONSIBLE INVESTMENT

"There is still a perception that bigger asset managers deserve a big allocation this is despite the small asset manager's good performance".

Meago Asset Managers (Pty) Ltd



a. Signatories to the United Nations Principles for Responsible Investment



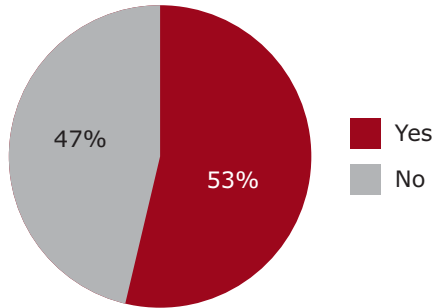
Two additional firms became signatories to the UN Principles for Responsible Investment in 2014. Retirement fund regulations require funds to take Environmental, Social and Governance (ESG) factors into consideration in the management of fund assets.

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

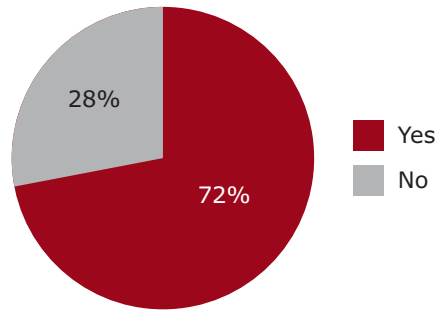
Aeon Investment Managers	Legacy Africa Fund Managers
Afena Capital	Mergence Investment Managers
Argon Asset Management	Mianzo Asset Management
Element Investment Managers	Sentio Asset Managers
Kagiso Asset Management	Mazi Capital

c. Extent to which firms employ ESG factors into investment decision making

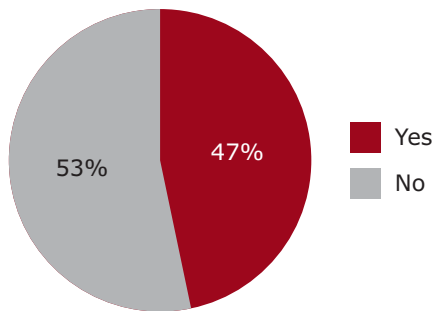
Subscribe to Code for Responsible Investing in South Africa (CRISA)



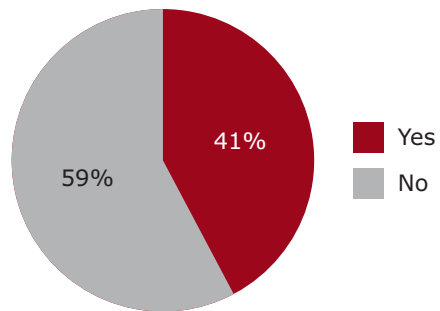
Proxy voting policy in place



Votes recorded and made public



Utilise external service provider for data on ESG factors



Except for having a proxy voting policy in place, the number of firms that do not subscribe relevance to analysing ESG factors is large. Skills can be scarce and potentially costly and therefore are a lower priority at smaller firms. With firms attempting to increase AUM, and with retirement funds subscribing to ESG values, this might become a constraint to attracting more AUM. The inclusion of ESG in investment decision making should form part of an accepted normal investment process and not an add-on.



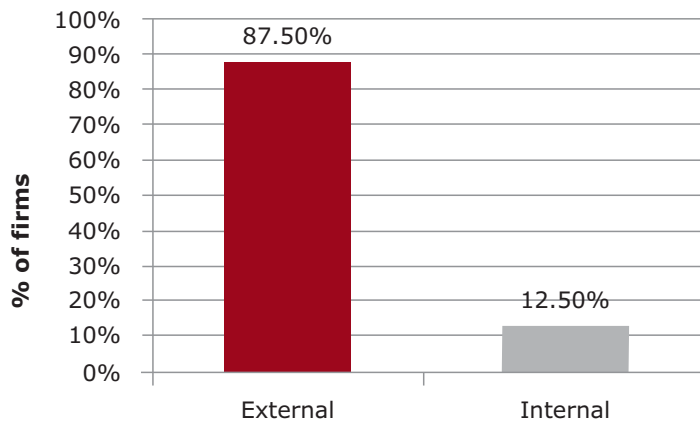
OPERATIONS

"It is emotionally draining dealing with the unfair practices of gatekeepers".

Aeon Investment Management (Pty) Ltd

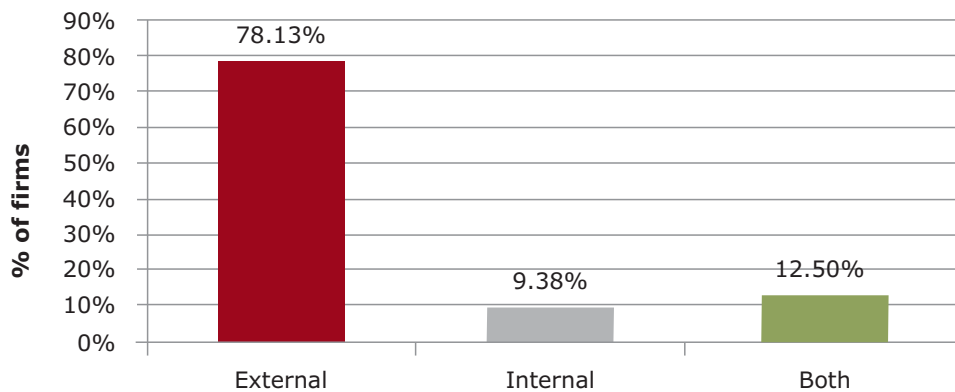


a. Compliance officer



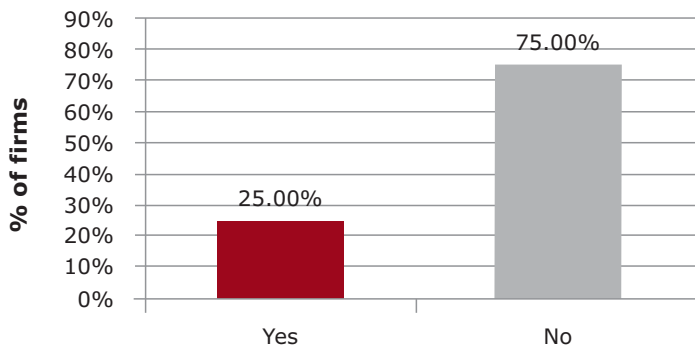
In keeping with a strategy of focusing on core investment competencies, emerging firms tend to utilise external compliance officers.

b. Fund administrator



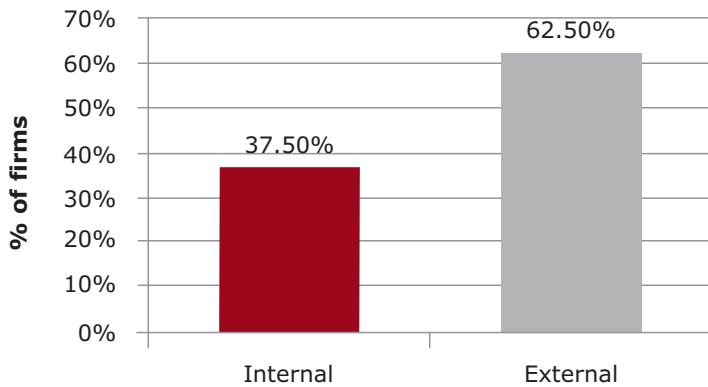
Increasingly there is a move towards supporting managers that utilise independent fund administrators. Also, internal fund administration is another area that is not a core competency which makes sense to outsource.

c. GIPS compliance verified by a 3rd-party



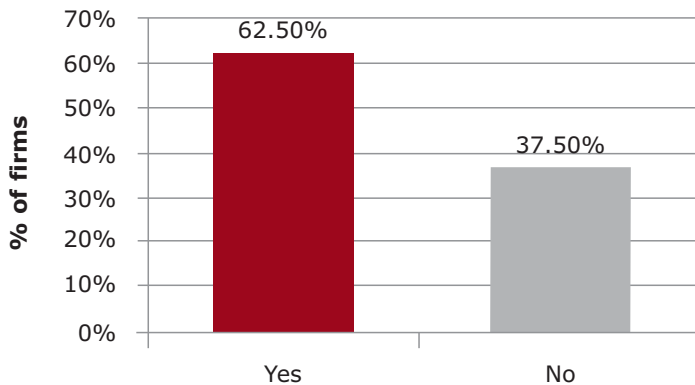
Only 8 of the 32 firms have their GIPS compliance verified by a 3rd party. GIPS is not widely required by local investors. Subscribing to GIPS tends to add to the costs of fund auditing.

d. Regulation 28 compliance



Majority of the managers utilise external service providers to meet the Regulation 28 portfolio look through requirements. This may be a function of lack of resources or capability of the systems employed. Regulatory compliance is less of an issue at single asset class level and given that most black-owned firms manage specialist mandates this ratio may balance out over time.

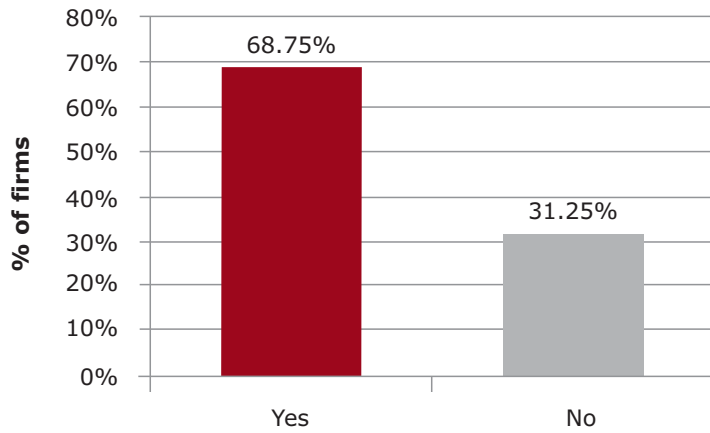
e. Employees invested in the firm's own products



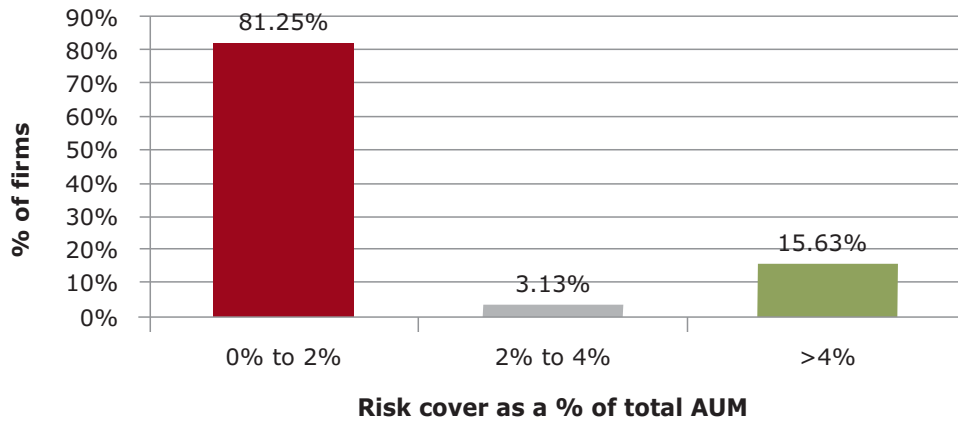
The high number of firms that have their own employees investing in the firm's products signifies confidence in the business, the investment team and the investment process.

f. Insurance cover

Firms holding insurance cover



Risk cover as a % of AUM:



It is compulsory for discretionary investment managers who hold a Category II licence and are managing assets to have insurance cover in place. The most recent start-up managers are yet to obtain cover.



BEE CREDENTIALS

"We do not have challenges internally regarding transformation - we embrace transformation fully. The biggest challenge in driving transformation in the industry is structural; legislation is inadequate to provide meaningful support to transformation".

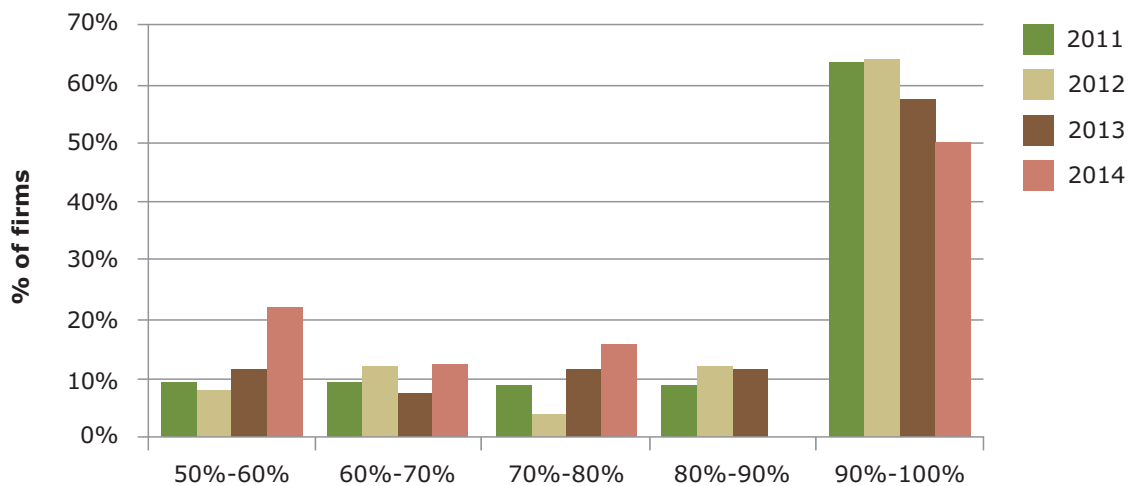
Legacy Africa Fund Managers (Pty) Ltd



Black is defined as African, Indian and Coloured across both male and female.

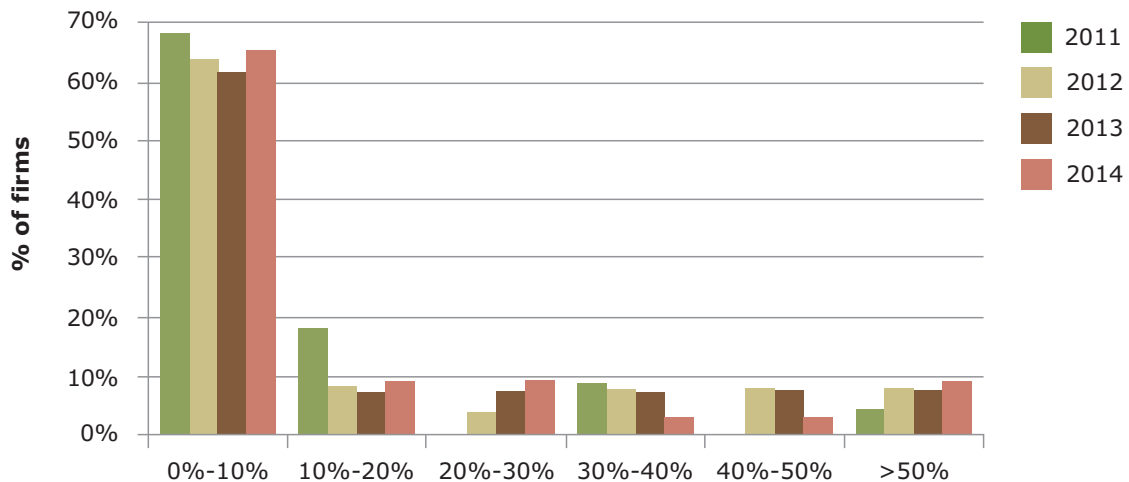
a. Ownership

i. Overall black



There has been some notable dilution in black equity ownership at the top end. There may be various factors at play including corporate activity, mixed investment teams where senior members are equity holders, share incentive plans and capital sourcing.

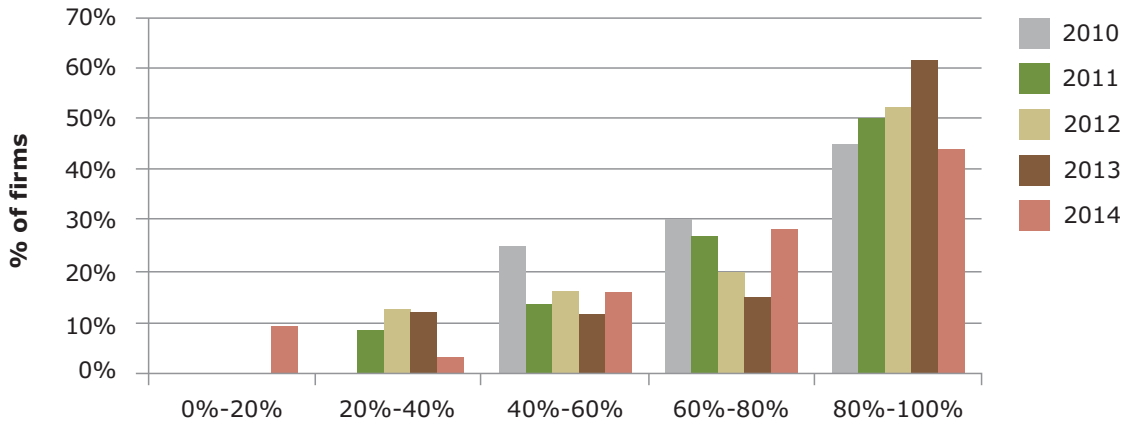
ii. Black female



The majority of firms have only between 0% and 10% black female ownership. Less than 10% of firms have greater than 50% black female ownership. This trend has not improved over the last 3 years.

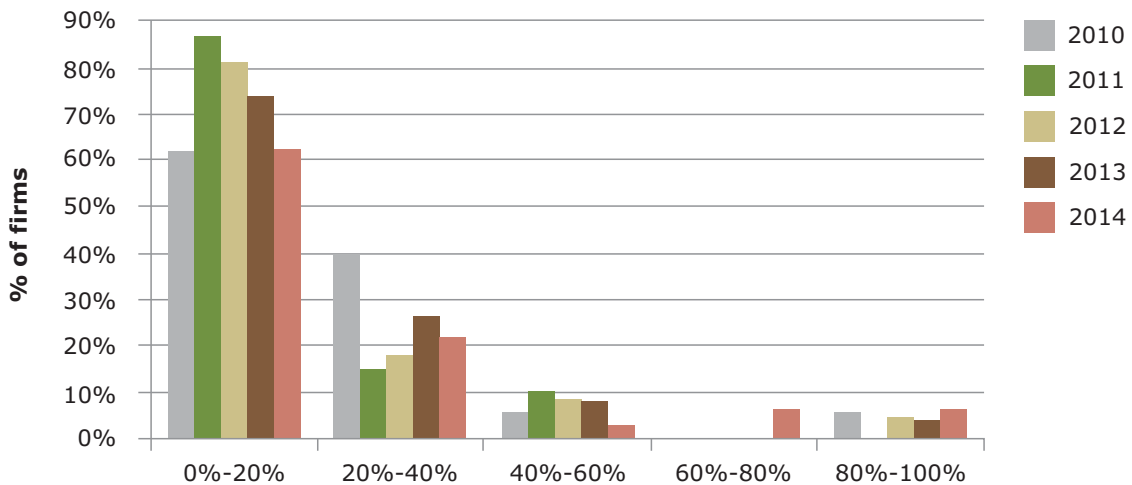
b. Board representation

i. Overall black



The number of firms with over 80% black board representation has dropped over the last year. This is aligned to the drop in black ownership at the top end.

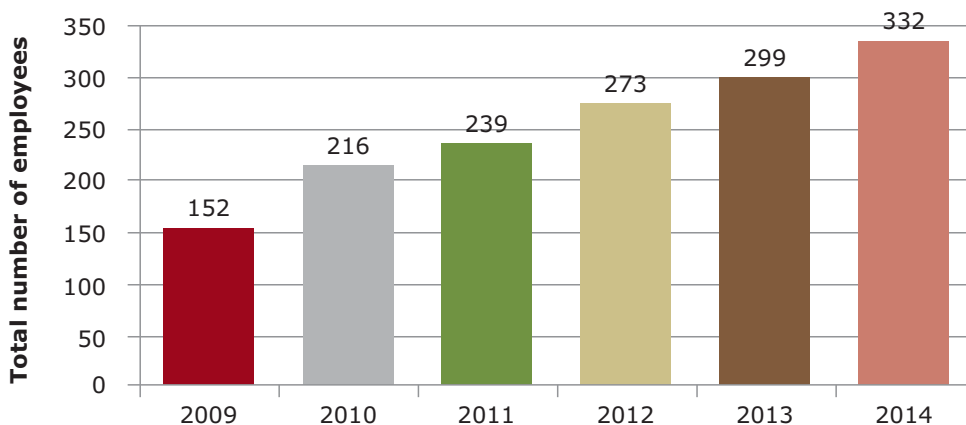
ii. Black female



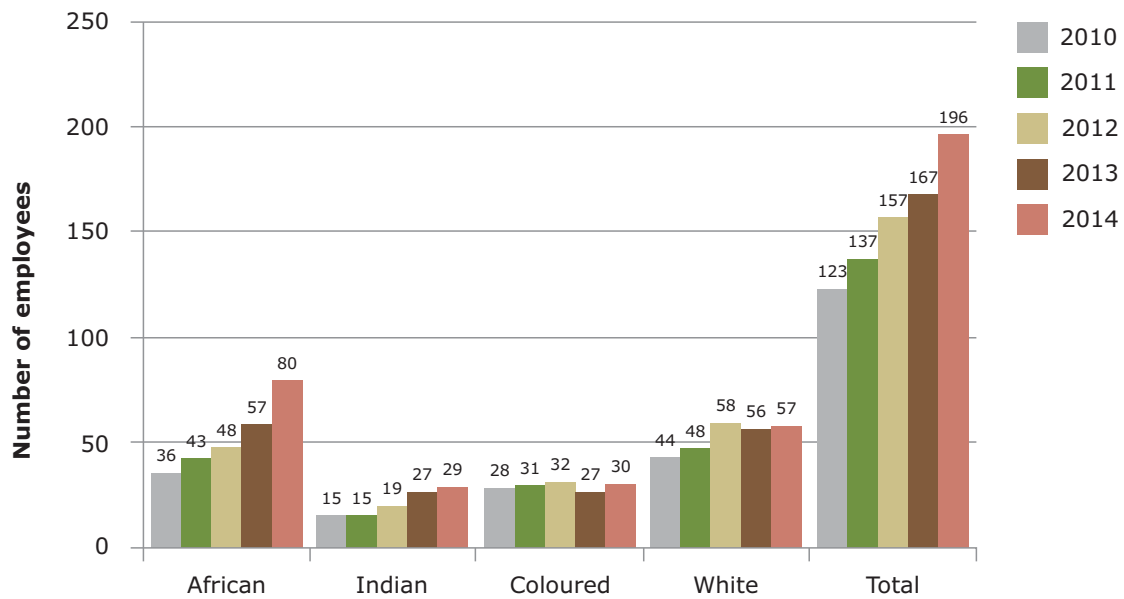
Black female board representation remains below 20% in the majority of firms. This trend has not shown any improvement.

c. Employment equity

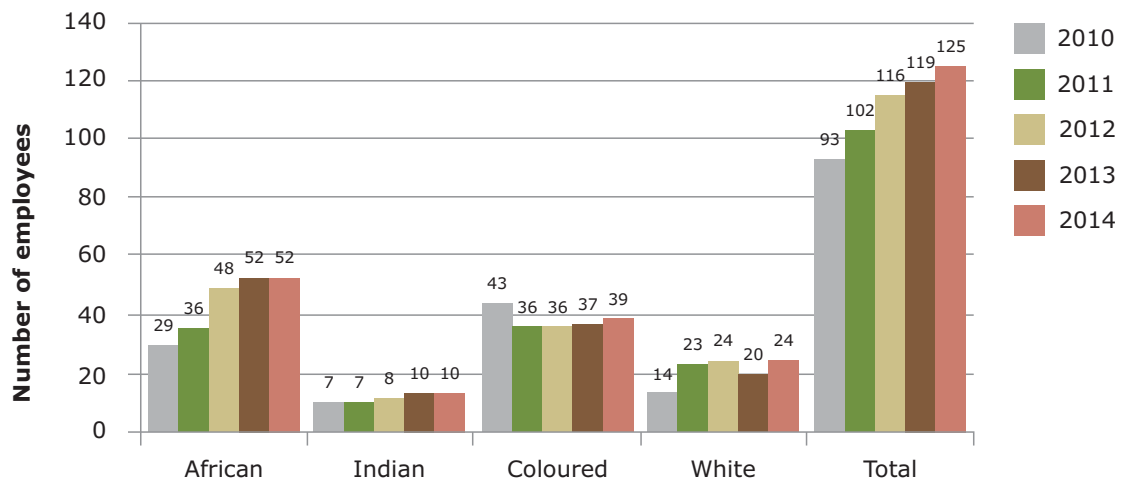
i. Total number of employees



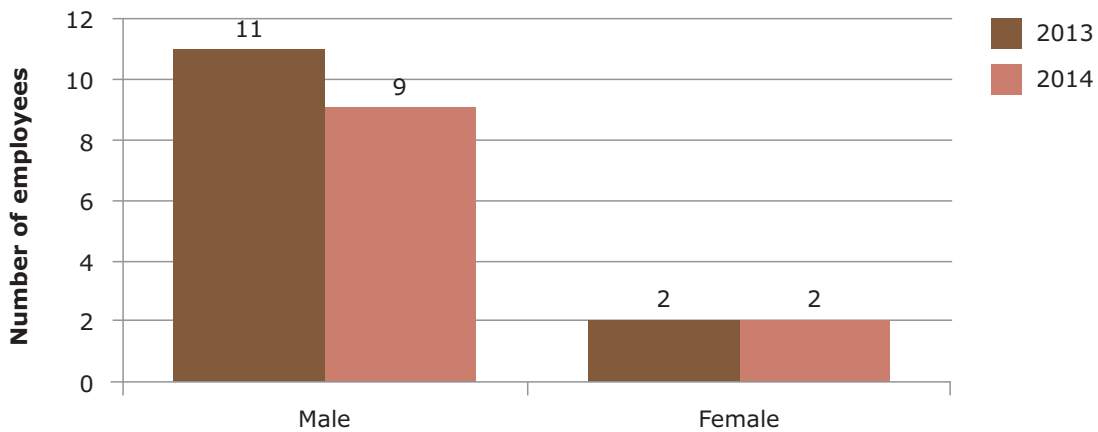
Male - South African



Female - South African



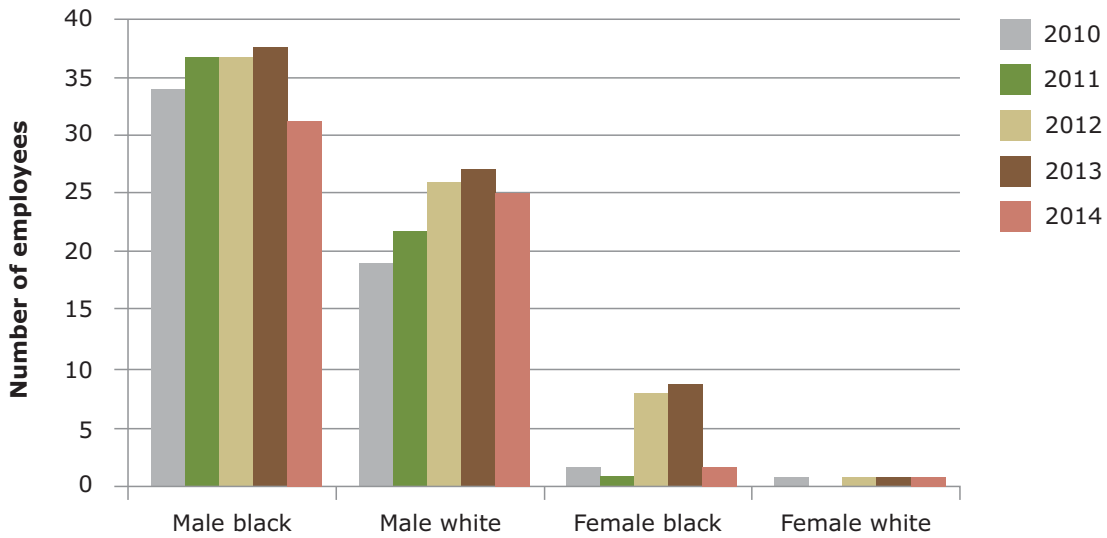
Non-South African



Overall the industry grew by 11% with 33 new jobs created. More males than females entered the industry.

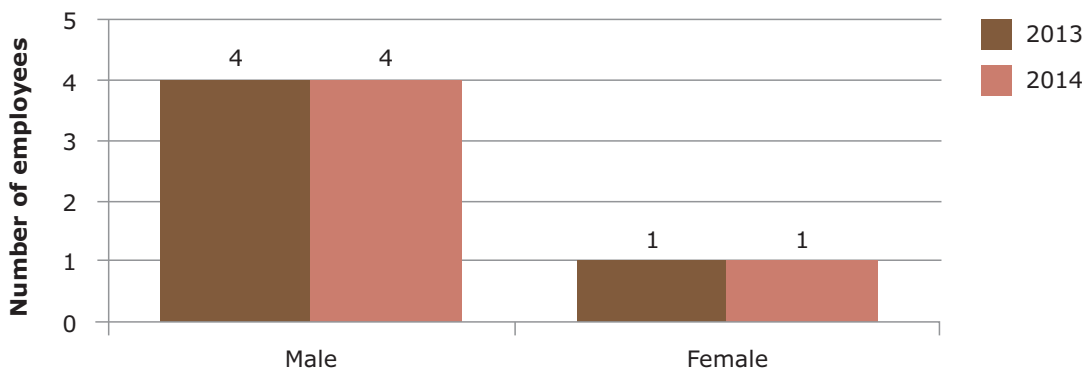
ii. Portfolio managers

South African



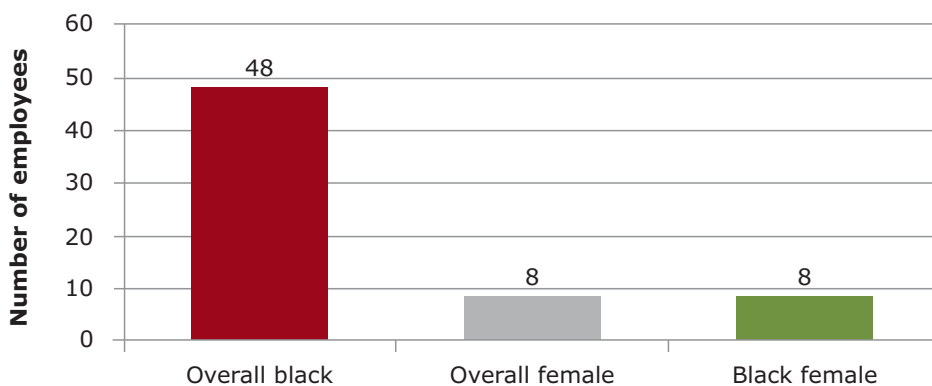
Overall, the industry saw a decline in black portfolio managers over the last year, particularly amongst black males and females. This reflects the general industry demand for black portfolio managers who are generally a scarce resource.

Non-South African



The number of foreign portfolio managers has not changed.

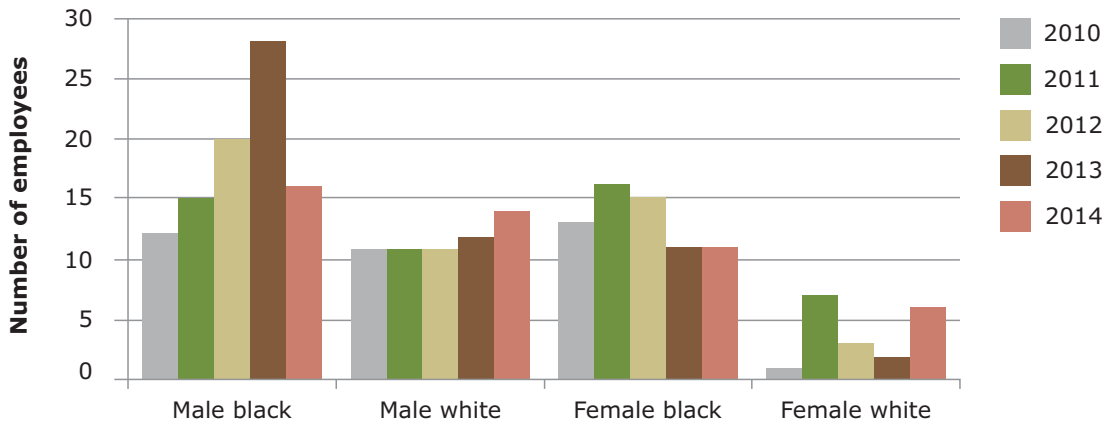
Portfolio managers with 5 years or more experience in managing money



It is encouraging to note the relatively large number of black portfolio managers with more than 5 years of experience. However female participation remains low.

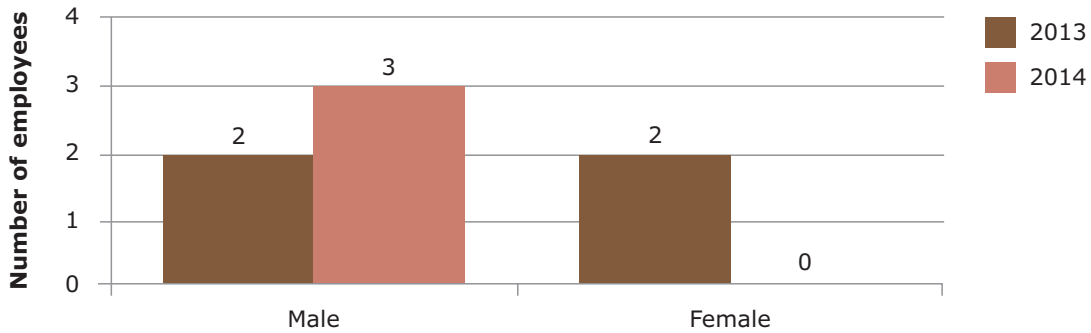
iii. Investment analysts

South African



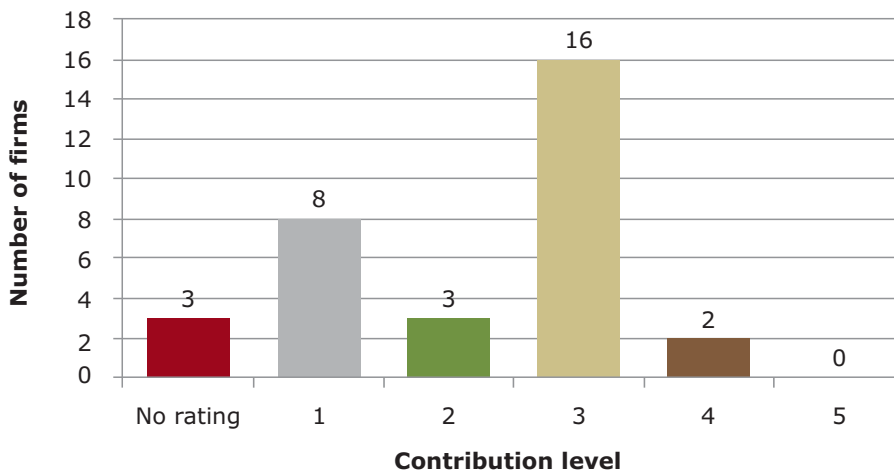
The industry has seen a significant decline in black investment analysts over the last year. This might reflect a graduation to portfolio manager role or migration to asset management houses outside of this universe.

Non-South African



While the number of foreign female investment analysts declined to 0, the number of males increased by one.

d. Managers Broad Based BEE status level



The size of the enterprise in terms of annual revenue dictates the type of rating and scorecard applied. Majority of the firms hold a Level 3 rating.

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 & Main Roads, Claremont, 7708
Telephone: +27 21 670 5297/6
Email: asief.mohamed@aeonim.co.za, funds@aeonim.co.za
Contact person: Asief Mohamed or Jay Vomacka
Title of contact person: Portfolio Manager, CIO and Director

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: Sinenhlanhla Dlamini
Title of contact person: Business Development Manager

Name of company: **All Weather Capital (Pty) Ltd**
Date of inception: Mar-07
Website: www.allweather.co.za
Address: Peregrine building, 6A Sandown Valley Crescent, Sandton, 2196
Telephone: +27 11 722 7375
Email: harry@allweather.co.za
Contact person: Harry Singh
Title of contact person: Chief Executive Officer

Name of company: **Argon Asset Management (Pty) Ltd**
Date of inception: Apr-05
Website: www.argonassetmanagement.co.za
Address: 1st Floor, Colington 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 person: Client Relationship Officer

Name of company: **Ata Capital (Pty) Ltd**
Date of inception: Feb-12
Website: www.atacapital.co.za
Address: 1st Floor, 6A Sandown Valley Crescent, Sandton, 2196
Telephone: +27 11 722 7317
Email: info@atacapital.co.za
Contact person: Lelo Rantloane
Title of contact person: Chief Executive Officer

Name of company: **Balondolozzi Investment Services (Pty) Ltd**
Date of inception: Jul-10
Website: www.balondolozzi.co.za
Address: 3rd Floor, Old Trafford 1, Isle of Houghton, 11 Boundary Rd, Houghton, 2193
Telephone: +27 86 126 2270
Email: admin@balondolozzi.co.za
Contact person: Pedro Samuel
Title of contact person: Managing Director

Name of company: **Bataung Capital Advisors (Pty) Ltd**
Date of inception: Aug-10
Website: www.bataungcapital.com
Address: 3 Exchange Square, 87 Maude Street, Sandton, 2196
Telephone: +27 11 784 5977
Email: tota@bataungcapital.co.za
Contact person: Tota Tsotsotso
Title of contact person: Managing Director

Name of company: **Benguela Global Fund Managers (Pty) Ltd**
Date of inception: Feb-13
Website: www.benguelaglobal.com
Address: Unit 1 The Avenues North Office Park, 6 Mellis Road, Rivonia, 2191
Telephone: +27 10 596 8500, +27 82 408 5106
Email: zwelakhe@benguelaglobal.com
Contact person: Zwelakhe Mnguni
Title of contact person: Chief Investment Officer

Name of company: **Buyambo Fund Managers (Pty) Ltd**
Date of inception: Oct-11
Website: www.buyambofundmanagers.com
Address: 21 Van Reenen Street, Newlands, Cape Town, 7700
Telephone: +27 079 838 6988
Email: wilfred@buyambofundmanagers.com
Contact person: Wilfred Tshuma
Title of contact person: Chief Executive Officer

Name of company: **Cachalia Capital (Pty) Ltd**
Date of inception: Aug-11
Website: www.cachaliacapital.com
Address: 3rd Floor, Mnotho Building, 92 Grayston Drive, Mutual Square
Telephone: +27 11 217 1434
Email: mashudac@cachaliacapital.com
Contact person: Mashuda Cassim
Title of contact person: Managing Director, Fund Manager

Name of company: **Element Investment Managers (Pty) Ltd**
Date of inception: Apr-98
Website: www.elementim.co.za
Address: 25th Floor, Atterbury House, 9 Riebeek Street, Cape Town, 8001
Telephone: +27 21 426 1313
Email: muhsin@elementim.co.za
Contact person: Mushin Jeena
Title of contact person: Business Development Manager

Name of company: **Eminence Holdings (Pty) Ltd**
Date of inception: Oct-12
Website: www.eminencepartners.co.za
Address: 6-10 Riviera Rd, Riviera Office Park, Killarney, Johannesburg
Telephone: +27 11 646 4044
Email: zaakir@eminencepartners.co.za
Contact person: Zaakir Mia
Title of contact person: Fund Manager, Director

Name of company: **First Avenue Investment Management (Pty) Ltd**
Date of inception: Sep-10
Website: www.firstavenue.co.za
Address: 21 Fricker Road, Illovo, 2196
Telephone: +27 11 772 2480
Email: info@firstavenue.co.za
Contact person: Jorge Haynes
Title of contact person: Business Operations Manager

Name of company: **Kagiso Asset Management (Pty) Ltd**
Date of inception: Dec-01
Website: www.kagisoam.com
Address: 5th Floor, MontClare Place, Cnr Campground & Main Roads, Claremont, 7708
Telephone: +27 21 673 6300
Email: info@kagisoam.com
Contact person: Kelly de Kock
Title of contact person: 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, Cn Craddock Ave & Bierman Ln, Rosebank, 2196
Telephone: +27 11 759 4014
Email: lentswe.gopane@legacyafrica.co.za
Contact person: Lentswe Gopane
Title of contact person: Executive Director - Marketing & Distribution

Name of company: **Maru Asset Mangers (Pty) Ltd**
Date of inception: Jul-13
Website: www.maru-am.co.za
Address: Lancaster Gate Building, Hyde Park Lane Business Park, 1 Hyde Lane, Hyde Park
Telephone: +27 11 325 0026/30
Email: info@maru-am.co.za
Contact person: Oupa Madonsela
Title of contact person: Executive Director: Operations & Marketing

Name of company: **Mavuso Capital (Pty) Ltd**
Date of inception: May-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 person: Owner

Name of company: **Mazi Capital (Pty) Ltd**
Date of inception: Jun-06
Website: www.mazi.co.za
Address: 11th Floor, The Sandton Eye, 126 West Street, Sandton, 2196
Telephone: +27 10 001 8300
Email: info@mazi.co.za
Contact person: Siviwe Mazwana
Title of contact person: Client Service Manager

Name of company: **Meago Asset Managers (Pty) Ltd**
Date of inception: Jul-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 person: 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 Main and Milton Roads, Sea Point, 8005
Telephone: +27 21 433 2960
Email: ronel@mergence.co.za
Contact person: Ronel Bantjes
Title of contact person: Business Development Manager

Name of company: **Mianzo Asset Management (Pty) Ltd**
Date of inception: Nov-09
Website: www.mianzo.co.za
Address: Unit G G01, Rostra House, The Forum, North Bank Lane, Century City, 7441
Telephone: +27 21 552 3555
Email: info@mianzo.co.za, zukile@mianzo.co.za
Contact person: Zukile Nchukane
Title of contact person: Business Development Manager

Name of company: **MSM Property Fund**
Date of inception: Jul-12
Website: -
Address: 21 Crawford Drive, Norscot Manor, Sandton, Gauteng, 2194
Telephone: +27 83 540 3064
Email: muzi.skosana@gmail.com
Contact person: Musi Skosana
Title of contact person: Chief Executive Officer

Name of company: **Mvunonala Asset Managers (Pty) Ltd**
Date of inception: Mar-11
Website: www.mvunoam.co.za
Address: 5th Floor, Oxford Corner, 32a Jellicoe Avenue West, Rosebank, 2196
Telephone: +27 11 722 1000
Email: info@mvunoam.co.za, clientservice@mvunonala.co.za
Contact person: Sifiso Nxumalo
Title of contact person: Managing Director

Name of company: **Aequalis Asset Managers** (Currently P2 Asset Managers)
Date of inception: Nov-12
Website: www.Aequalisam.com
Address: ICR House, Alphen Park, Main Road, Constantia, 7806
Telephone: +27 76 858 7549, +27 83 252 4665
Email: wicliff@aequalisam.com, bruce@aequalisam.com
Contact person: Wicliff Damaseb
Title of contact person: Chief Investment Officer

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 Street, Claremont, 7708
Telephone: +27 21 674 4274
Email: logan@perpetua.co.za
Contact person: Logan Govender
Title of contact person: Chief Operating Officer

Name of company: **Prowess Investment Managers (Pty) Ltd**
Date of inception: Dec-08
Website: www.prowessinvestments.com
Address: Unit 2, 6th Floor, Elkay House, 186 Loop Street, 8001
Telephone: +27 21 565 0065
Email: kelebogile@prowessinvestments.com, info@prowessinvestments.com
Contact person: Kelebogile Moloko
Title of contact person: Chief Investment Officer

Name of company: **Satori Fund Managers (Pty) Ltd**
Date of inception: Jul-13
Website: www.satorifundmanagers.co.za
Address: 89 Bute Lane, Sandton, 2196
Telephone: +27 11 305 2380
Email: allim@satorifundmanagers.co.za
Contact person: Allim Milazi
Title of contact person: Business Manager

Name of company: **Sentio Capital Management (Pty) Ltd**
Date of inception: Sep-07
Website: www.sentio-capital.com
Address: 3rd Floor, 28 Sturdee Avenue, Rosebank, 2196
Telephone: +27 11 880 1994
Email: tc@sentio-capital.com
Contact person: TC von Czettritz
Title of contact person: Business Development and Strategy

Name of company: **Seriti Asset Management (Pty) Ltd**
Date of inception: Apr-13
Website: www.seritiassets.co.za (Under Construction)
Address: 85 Central Street, Houghton Estate, Johannesburg
Telephone: +27 11 242 8020
Email: solly@seritiassets.co.za
Contact person: Solomon Tsie
Title of contact person: Chief Operating Officer

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

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, 7700

Telephone: +27 21 681 5100

Email: crm@taquanta.com

Contact person: Nicky Corker

Title of contact person: Client Relationship Manager

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