Leading Insights: The Evolving Face of Asset Management in South Africa

IMG's Review of Industry Dynamics and Emerging Themes

Investment Managers Group

Introduction

In 2016, IMG (then RMI Investment Managers) conducted a landmark survey of the South African boutique asset management industry, identifying 126 firms collectively managing approximately R2.4 trillion in assets. That study analysed seven core dimensions, including size, strategy, ownership structure, and empowerment credentials, to profile the landscape at the time.

To access the 2016 report, please click here.

Since then, the industry has undergone notable shifts shaped by regulatory reform, consolidation, and mounting growth challenges. With nearly a decade having passed since our initial analysis, we felt it was both timely and necessary to reassess the market's state.

Rather than simply replicate the 2016 approach, we opted to broaden the scope and go directly to the source – asset managers themselves – for insights on a range of operational, structural, and strategic factors. Our objectives were twofold:

1. To build a current picture of industry dynamics.
2. To identify firms that have successfully grown over time and explore the common characteristics that may underpin their progress.

INTRODUCTION - CONTINUED

To achieve this, we distributed a detailed survey to managers across the industry. We received responses from 34 firms, enabling in-depth analysis across eight thematic areas:

1. **AUM and Client Trends** – including net flows and institutional client growth.
2. **Asset Class Focus and Allocation** – covering primary investment strategies.
3. **Team Structure and Ownership** – including equity participation and leadership profiles.
4. **Transformation** – looking beyond scorecards to actual black and female staff representation.
5. **Fund Ranges and Capabilities** – assessing growth in Collective Investment Schemes (CIS) offerings and segregated mandates.
6. **Regulatory and ESG Developments** – gauging responses to reforms like the "Two-Pot" system and increased offshore allowances.
7. **Operations, Technology, and Innovation** – exploring technology adoption across functions.
8. **Market Positioning and Competitive Edge** – revealing what managers believe gives them an advantage.

This document presents a synthesis of the insights gathered. While not exhaustive, we believe it offers a representative and valuable overview of the South African asset management landscape. Every effort was made to ensure all responses were treated with strict confidentiality; no individual or firm-specific data has been disclosed, shared or reported in an identifiable manner.

> Importantly, we were also able to identify a subset of managers who could be classified as "growing." By examining this group in greater detail, we've sought to highlight recurring themes that may provide insight into what supports success in the current market.

That said, two important limitations should be kept in mind:

- **Sample Scope**: Participation was voluntary. As such, the data reflects only those who responded and should not be viewed as fully representative of the entire market.
- **Data Precision**: In some instances, we requested responses within defined bands (e.g., staff size ranges), which restricts our ability to observe changes within bands, only shifts between them.

All the findings should be viewed with these caveats in mind.

SECTION 1

AUM & client data

SECTION 1: AUM & CLIENT DATA

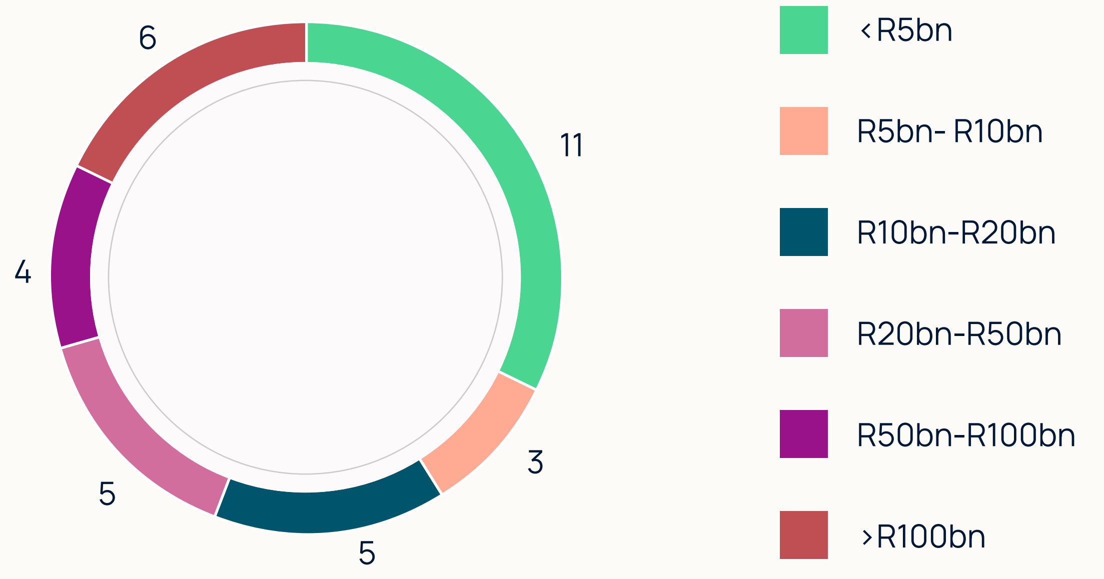
Overview

The 34 firms surveyed offer a valuable snapshot of the South African asset management landscape. They ranged significantly in size and maturity, with differing trajectories reported over the five-year period. Together, they provided a well-rounded, though not exhaustive, reflection of the broader industry.

32% of the sample comprised managers with less than R5 billion in assets under management (AUM). Many of these are arguably sub-scale, indicative of the proliferation of firms over the first two decades of the 2000s.

At the opposite end of the spectrum, 18% of respondents reported AUM exceeding R100 billion. This barbell-shaped distribution highlights a market where more than half of the participants fall into either the smallest or the largest size categories.

Chart 1: Distribution of asset managers by AUM Size
(As at 30 Sep 2024)



Key takeaways

1. Over a quarter of the managers surveyed met our criteria for being considered "growing".
2. The size of the firms surveyed is distributed, with 50% of respondents managing assets either less than R5 billion or over R100 billion.
3. "Growing" managers have a strong bias towards managing local assets.

SECTION 1: AUM & CLIENT DATA - CONTINUED

However, the data could be viewed differently, showing an almost equal distribution between large and small managers.

Nearly half of the firms in the sample (44%) manage more than R20 billion, while 56% manage less than R20 billion.

To understand how the industry is performing, we categorised the managers based on their business performance over the specified time periods. To do this, we looked at four factors:

1. Their total net flows.
2. Their institutional client base.
3. Their total staff complement.
4. The number of segregated mandates they manage.

We assigned equal scores to each factor. Managers received one point for growth, half a point for no change, and zero for a decline on each factor. Using this scoring system, we identified a cohort of "growing" managers (those achieving a total score between 3.5 and 4).

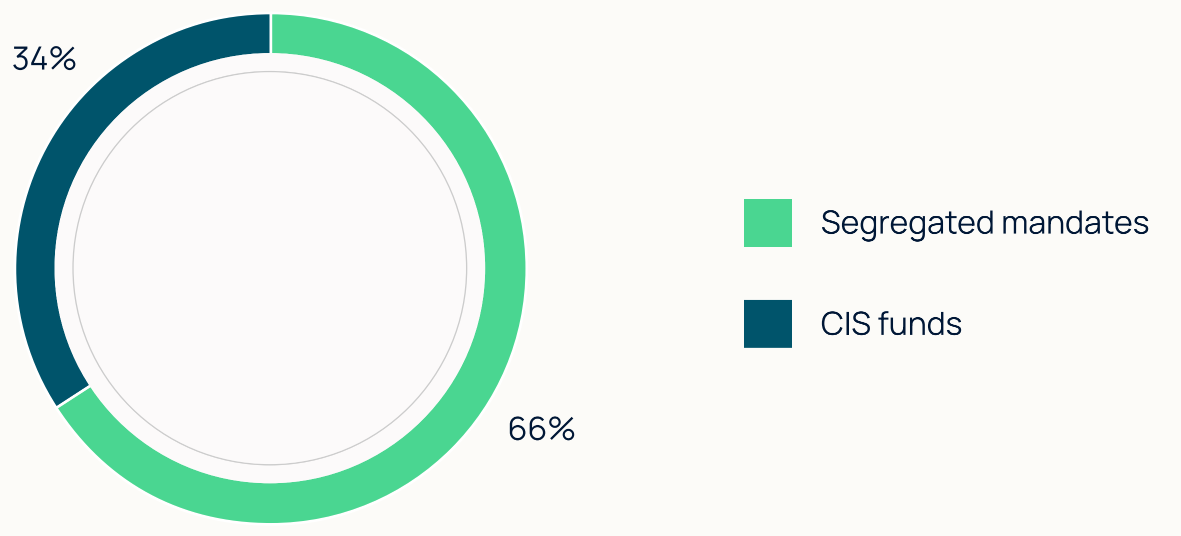
Of the 33 firms that submitted complete data, 9 met this threshold.

The remainder of this report draws particular attention to this high-performing segment, seeking to uncover the attributes and strategies that may have contributed to their success over the specified time period.

Fund structure

Across the sample, the majority of assets are managed through segregated mandates, reflecting the institutional focus of the surveyed managers. In aggregate, two-thirds of the AUM at these firms is held in these structures, while a third is housed in CISs.

Chart 2: AUM allocation
(As at 30 Sep 2024)



Notably, by our classification, the "growing" managers reported a slightly higher allocation to segregated mandates than the rest of the group, 68% vs 65%, respectively (see Table 1).

Table 1: Allocation of total assets between retail and institutional
(As at 30 Sep 2024)

Manager classification	Avg. total AUM allocated segregated mandates	Avg. total AUM allocated to CISs
Growing	68%	32%
The Rest	65%	35%

More notably, every manager in the "growing" category increased the number of segregated mandates they managed between 2019 and 2024 (see Table 2). In contrast, only 16% of the remaining sample managed more segregated mandates in 2024 than in 2019, while 12% saw a decline.

Table 2: Changes in the number of segregated mandates
(As from 30 Sep 2019 to 30 Sep 2024)

Manager classification	Increased seg mandates	Maintained seg mandates	Decreased seg mandates
Growing	100%	0%	0%
The Rest	16%	72%	12%

Further illustrating this point, in 2019, five of the nine "growing" managers were managing between one and three segregated mandates. By 2024, this entire cohort was running at least four, with nearly half managing 11 or more.

This shift in the proportion of AUM housed in segregated mandates and the increased number of such mandates suggests that a deliberate emphasis on tailored, client-specific solutions may be a key differentiator in attracting and retaining institutional clients.

SECTION 1: AUM & CLIENT DATA - CONTINUED

Net flows

To gauge growth, firms were asked to report their aggregate net inflows (inflows minus outflows) over the three years to 30 September 2024 (see Table 3).

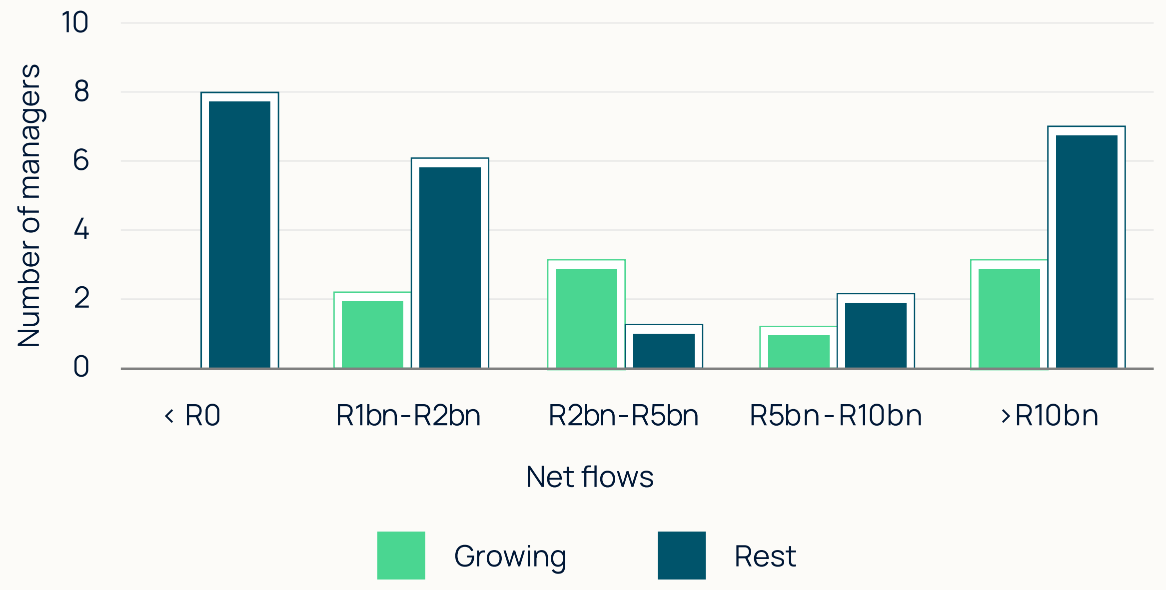
> The largest group (10 out of 33 respondents) reported net inflows exceeding R10 billion during this period. At the same time, nearly a quarter of the sample (8 of 33) experienced net outflows, with more capital exiting than entering their strategies.

This divergence underscores a structural bifurcation in the local industry: growth has primarily stemmed from shifts in market share rather than broad-based inflows. A concentrated group of managers attracted the lion's share of new assets, while a comparable number faced capital erosion.

Table 3: Net flows for the 3-year period ending 30 Sep 2024

Net flow range	Number of managers	Percentage
<R0 (outflows)	8	23.5%
R1bn – R2bn	8	23.5%
R2bn – R5bn	4	11.8%
R5bn – R10bn	3	8.8%
>R10bn	10	29.4%
No Data	1	2.9%

Chart 3: Net flows for the 3-year period ending 30 Sep 2024



Importantly, no managers classified as "growing" recorded net outflows (see chart 3). In fact, 78% of them reported net inflows exceeding R2 billion. In contrast, a third of the remaining managers experienced net outflows, and another quarter saw net inflows below R2 billion.

SECTION 1: AUM & CLIENT DATA - CONTINUED

Institutional client base

An important criterion in identifying "growing" managers was whether they had expanded their institutional client base. To assess this, we asked firms to indicate changes in the number of institutional clients over the five years to 30 September 2024.

> A majority (62%) reported having the same number of institutional clients at the end of this period as in 2019. While we did not ask whether these were the exact same clients, it is reasonable to infer a high degree of client retention over this relatively short horizon.

This is also borne out by the fact that only 12% of managers reported that their institutional client count had fallen over this period. More than twice as many – 27% – reported an increase.

This contrast becomes even more pronounced when looking at the "growing" cohort: over 75% of these managers reported an increase in institutional clients, compared to just 8% among the rest. This underscores the enduring importance of institutional relationships in driving business growth.

Table 4: Changes in institutional clients for the 5-year period ending 30 Sep 2024

Manager classification	Increase in institutional clients	Maintained their institutional clients	Decrease in institutional clients
Growing	78%	22%	0
The Rest	8%	75%	17%

It is also worth noting that transformation credentials are playing an increasingly critical role in securing institutional mandates. Several allocators now require specific empowerment criteria to be met as a precondition for consideration. We explore this trend in more depth later in the report, particularly as it relates to the "growing" managers.

Geographic asset allocation

Managers were asked to indicate the proportion of their AUM invested in South African versus international assets.

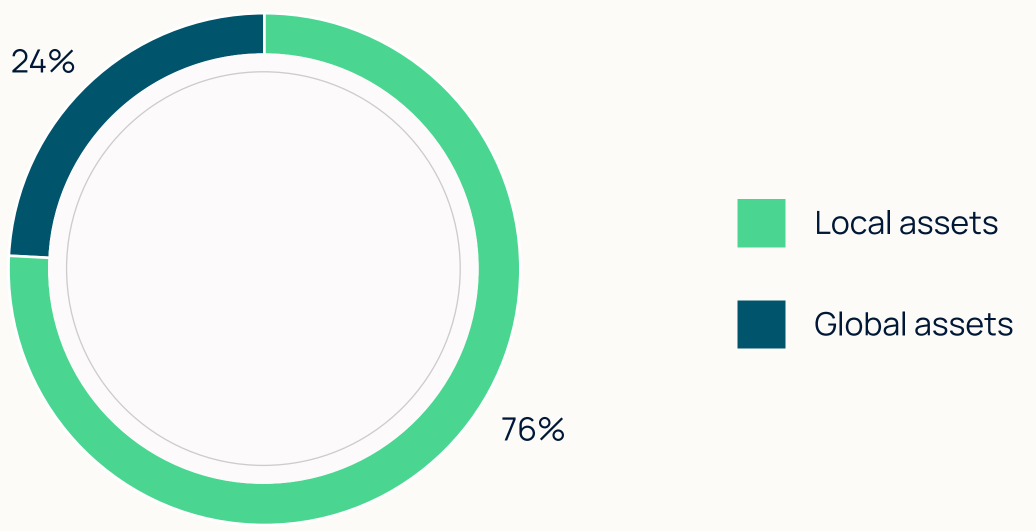
> The results revealed a pronounced home bias, with the average manager allocating more than 75% of their assets to the local market.

This preference may stem from several factors:

- Greater familiarity and comfort with domestic market dynamics.
- Regulatory and mandate constraints that favour local investments.
- Perceived or actual competitive advantages in managing South African assets.

This strong tilt toward domestic exposure highlights both the structural and strategic considerations shaping asset allocation decisions across the industry.

Chart 4: Geographical asset allocation



SECTION 1: AUM & CLIENT DATA - CONTINUED

While the overall trend favoured local exposure, asset allocation varied significantly across individual managers. Some firms reported 100% offshore exposure, while others were entirely invested in South Africa. Most, however, sat somewhere between these two extremes.

This dispersion reflects the diversity of investment philosophies and target client segments within the industry. It also underscores the breadth of choice available to investors, whether they seek local specialists, offshore expertise, or balanced mandates.

Broadly, this suggests the presence of two distinct strategic approaches: firms with fully local or offshore allocations likely position themselves as niche experts, while those with more diversified allocations appear to be marketing themselves as providers of balanced, multi-asset solutions.

> Interestingly, the "growing" managers in our sample reported the highest average allocation to South Africa at 80%. Nearly 78% of this group allocated at least 70% of their assets locally.

In contrast, the remainder of the sample averaged a lower local allocation of 74%, indicating that a strong domestic focus may be contributing to growth for some managers (see Table 5).

Table 5: Geographical split of total AUM
(As at 30 Sep 2024)

Manager classification	Avg. local allocation	Avg. global allocation
Growing	80%	20%
The Rest	74%	26%

SECTION 1: AUM & CLIENT DATA - CONTINUED

These findings suggest that an international capability is not necessarily a competitive advantage in today's environment. Rather, they may point to a growing trend among institutional clients unbundling their exposure, appointing local managers for domestic assets and international firms for offshore allocations.

This shift is evidenced by a rise in local-only mandates, with some allocators even requesting South African-only multi-asset strategies. The introduction of new domestic-only fund categories by the Association for Savings and Investments South Africa (ASISA) further reflects this demand, enabling allocators to retain greater control over offshore exposures.

> It's difficult to determine causality: Are managers with a local focus benefiting from this trend, or are allocators driving the shift by favouring domestic-only mandates? While we can't draw a definitive conclusion, the data suggests a strong correlation between a local asset focus and manager growth.

Local firms offering global capabilities face an uphill battle with increasing competition from international players. A recent NMG Consulting[1] study concluded that the majority of offshore mandates are still being awarded to global managers. That said, some allocators are aware of the long-term implications for the South African industry and are actively seeking ways to support local managers in securing global mandates.

[1] https://www.nmg-consulting.com/category/global-asset-management-study/

SECTION 1: AUM & CLIENT DATA - CONTINUED

Allocations by size

When assessing asset allocation by manager size, several interesting patterns emerged.

The sub-R5 billion AUM group was the most diverse in geographic positioning. While 27% of these managers allocated 95% or more of their AUM to South African assets, an equal proportion had a predominantly offshore focus, with between 60% and 100% invested abroad. The remaining 45% maintained balanced portfolios, demonstrating the strategic variation within this smaller manager cohort.

Mid-sized firms (R5 billion to R50 billion in AUM) showed a stronger tilt toward domestic assets. In the R10 billion to R20 billion range, all managers allocated over 70% to South Africa. In the R20 billion to R50 billion bracket, 80% were almost entirely local, with at least 95% of assets invested domestically.

Managers in the R50 billion to R100 billion category mirrored this pattern. All reported domestic allocations of 70% or more, and a quarter were exclusively local.

Interestingly, the largest managers – with over R100 billion in AUM – exhibited more geographic diversity than their mid-sized peers.

Within this group, one-third were fully local, one-third predominantly local, and one-third maintained balanced allocations. This suggests that scale may enable larger managers to serve broader client bases through more diversified offerings.

Chart 5: Local allocations per manager size
(As at 30 Sep 2024)

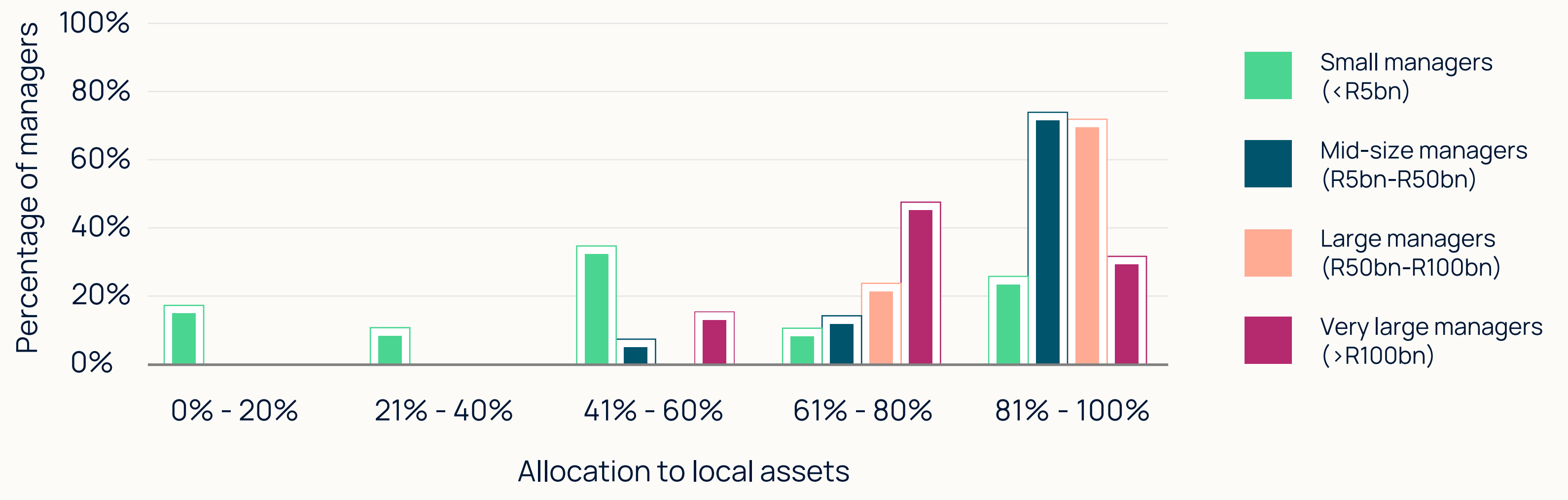
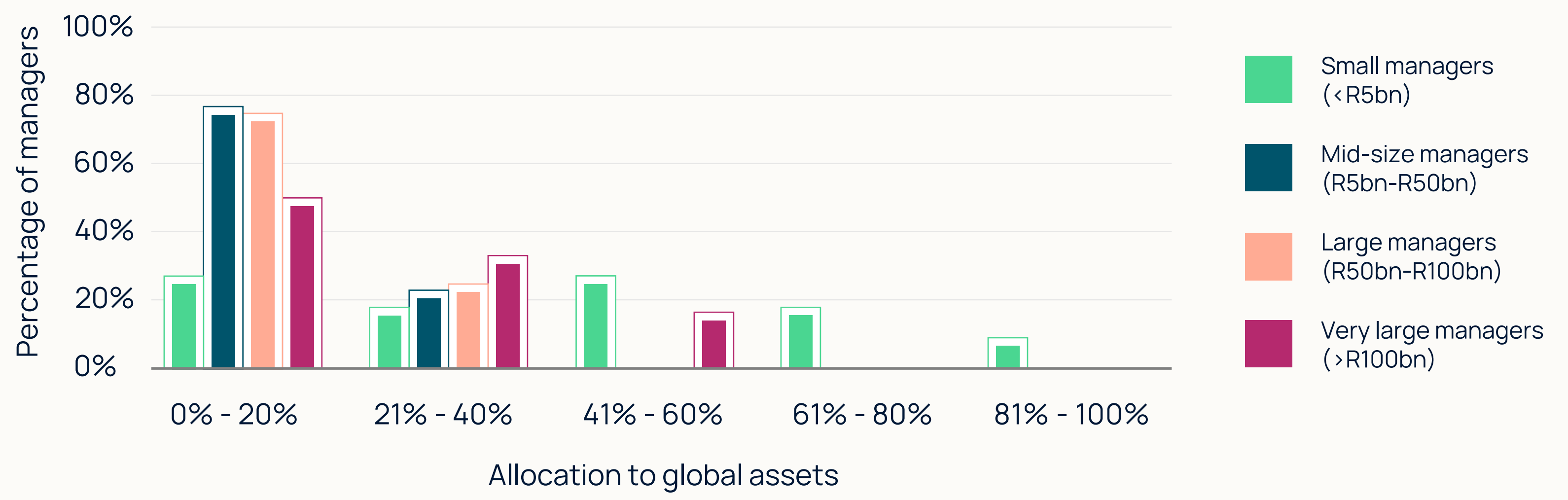


Chart 6: Global allocations per manager size
(As at 30 Sep 2024)



SECTION 1: AUM & CLIENT DATA - CONTINUED

Chart 7: Geographical asset split: Small manager (<R5bn)
(As at 30 Sep 2024)

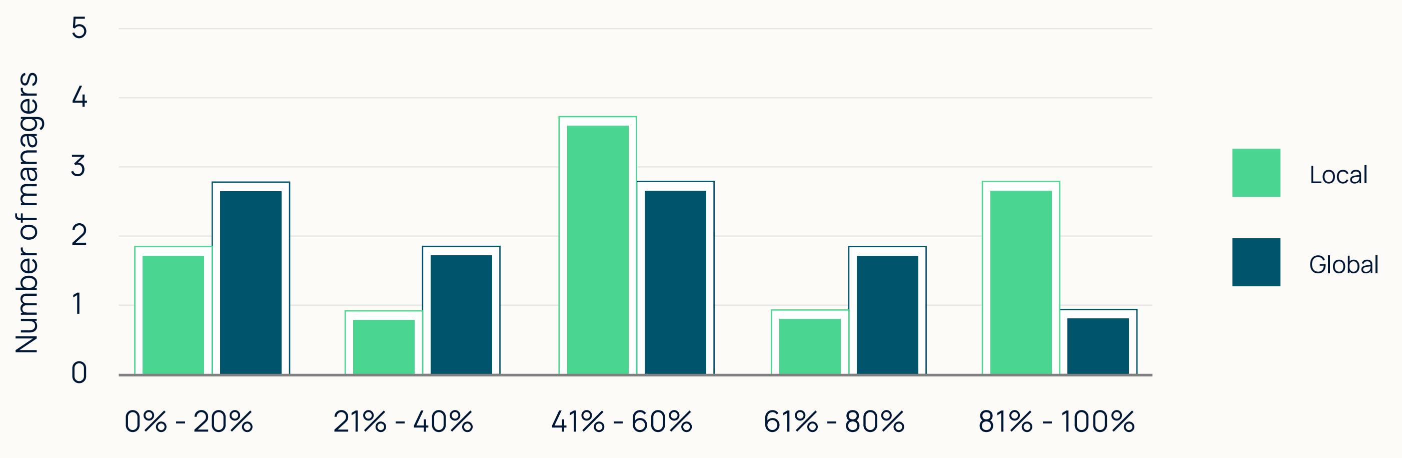


Chart 8: Geographical asset split: Mid-sized manager (R5bn-R50bn)
(As at 30 Sep 2024)

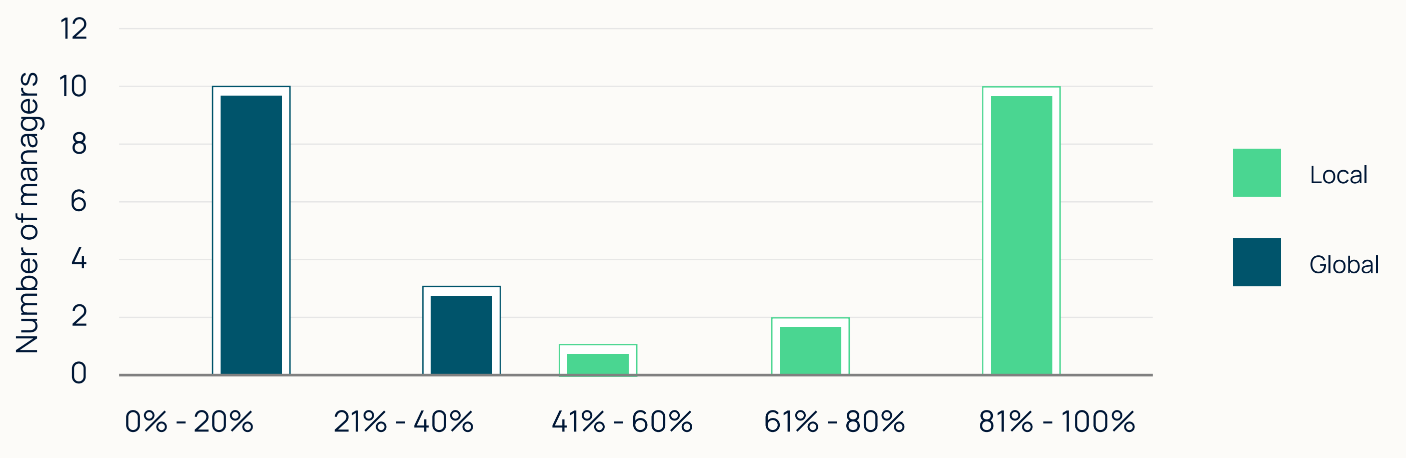


Chart 9: Geographical asset split: Large manager (R50bn-R100bn)
(As at 30 Sep 2024)

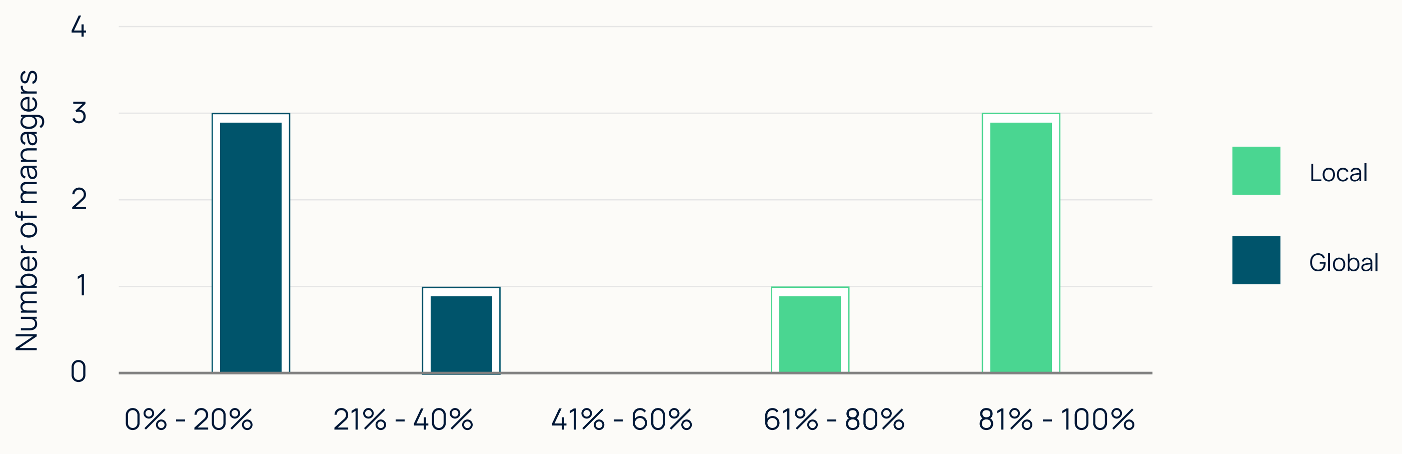
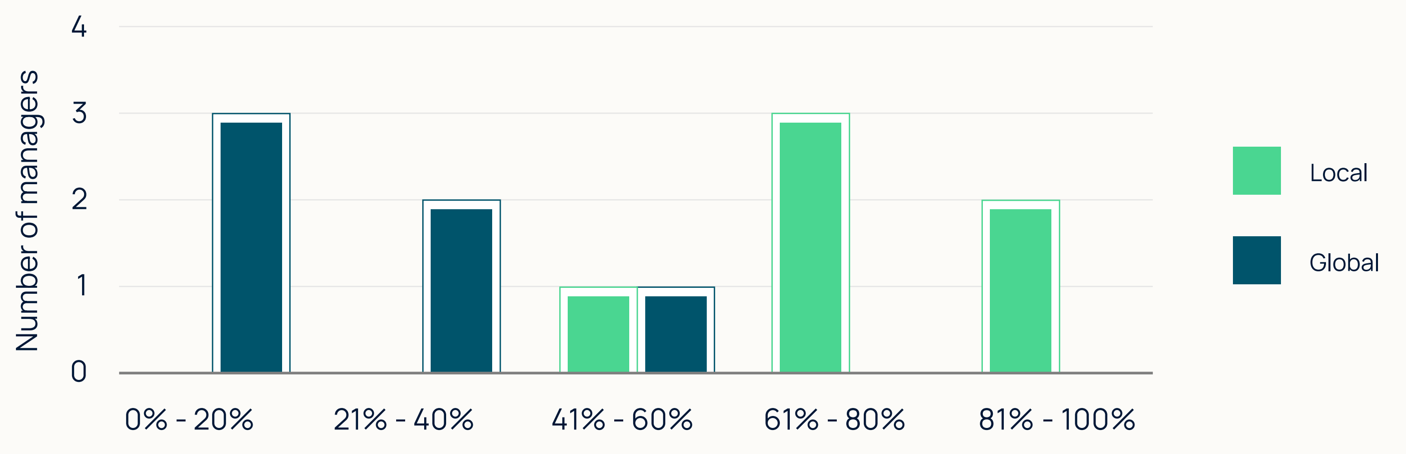


Chart 10: Geographical asset split: Very large manager (>R100bn)
(As at 30 Sep 2024)



Summary & Observations

1. Pockets of growth remain

Despite concerns over a stagnant local savings pool, the data points to a resilient industry. More than a quarter of surveyed managers met the criteria for being classified as "growing," demonstrating that differentiation and success remain possible.

2. A strong home bias

Overall, the managers in this sample show a strong preference for South African assets. Notably, the "growing" cohort had an even higher allocation to local investments than their peers.

3. Net inflows as a key growth marker

Most "growing" managers attracted over R2 billion in net inflows between September 2021 and September 2024. In contrast, the majority of the remaining sample either saw outflows or modest inflows. Interestingly, significant net inflows among "growing" managers were not limited to large firms; they spanned all AUM bands. Among other managers, those seeing strong inflows tended to be more established.

4. A barbell industry structure

The sample reflects a barbell distribution: more than half of the firms surveyed fall into either the "small" (AUM ‹ R5 billion) or "very large" (AUM › R100 billion) categories. Does this suggest that allocators prefer either niche specialists or scale players? If so, mid-sized managers (R5–R50 billion) may face pressure to either scale up or sharpen their strategic edge.

5. Geographic strategy and growth trajectory

Smaller managers (AUM ‹ R5 billion) show significant diversity in geographic allocation, while those in the R5–R100 billion range tend to be heavily domestic. Could this indicate that the growth path has been paved through a local focus?

SECTION 2

Primary asset class focus

SECTION 2: PRIMARY ASSET CLASS FOCUS

Key takeaways

1. "Growing" managers tend to specialise in single-asset class portfolios.
2. A strong link between "growing" managers and increased ESG allocations was observed.
3. Shariah mandates remain niche but have compelling appeal for ethically driven investors.
4. Passive strategies are still underutilised but present notable growth potential.

Overview

To understand asset managers' portfolio focus, we asked respondents to indicate how their AUM is allocated by portfolio type.

Chart 11: Average distribution of AUM per portfolio type
(As at 30 Sep 2024)

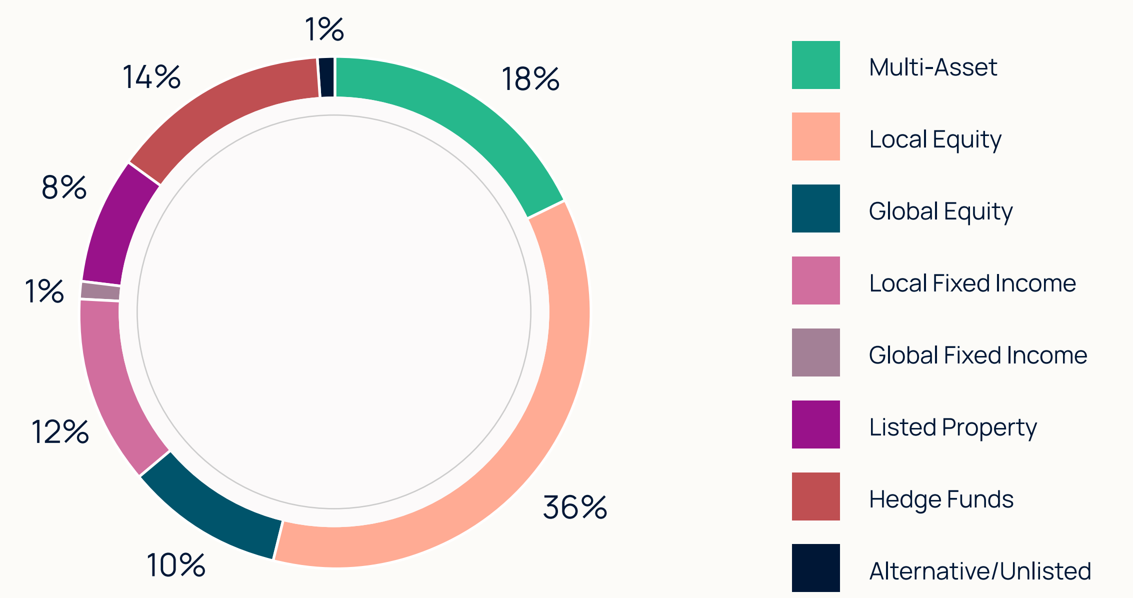


Chart 11 shows that equity strategies account for the largest share of AUM, while multi-asset portfolios represent around 18%. This contrasts sharply with the broader CIS industry, where multi-asset funds dominate, likely due to that market's retail orientation. In contrast, our sample is primarily focused on institutional clients, as outlined in Section 1.

SECTION 2: PRIMARY ASSET CLASS FOCUS - CONTINUED

DOMINANT ASSET CLASS

Local Equity

25 out of 34 managers (74%) have allocations to local equity, with an average allocation of 48%.

HIGHEST CONCENTRATION

100%

17% of the surveyed managers are fully concentrated in a single asset class.

MOST DIVERSIFIED

8 Asset Classes

Only 2 managers surveyed had assets across all 8 classes, with 1 allocating 10 - 30% to each asset class.

ALTERNATIVE INVESTMENT

Low adoption

Only 5 managers invest in alternatives or unlisted assets, totaling just 1.2% average.

Notably, hedge funds account for nearly as much AUM as multi-asset strategies in this sample. By comparison, ASISA reported that as of 31 December 2024, local hedge fund assets totalled R185 billion, dwarfed by the R1.58 trillion held in multi-asset CIS funds.

This highlights how allocation patterns in the CIS market differ markedly from those observed in our (institutionally focused) sample.

Chart 12: Manager participation by asset class
(As at 30 Sep 2024)

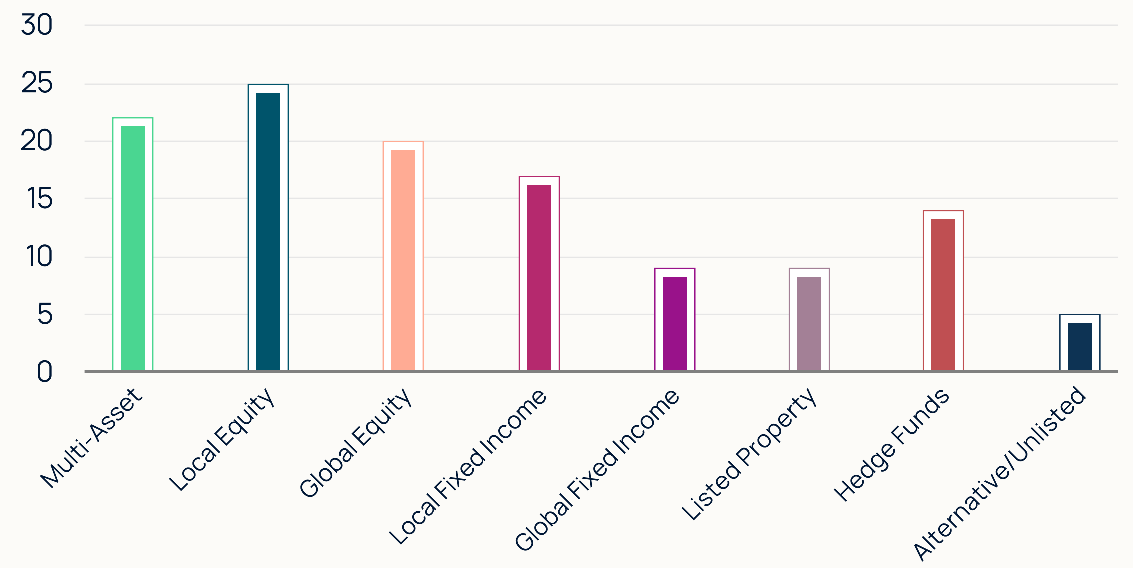
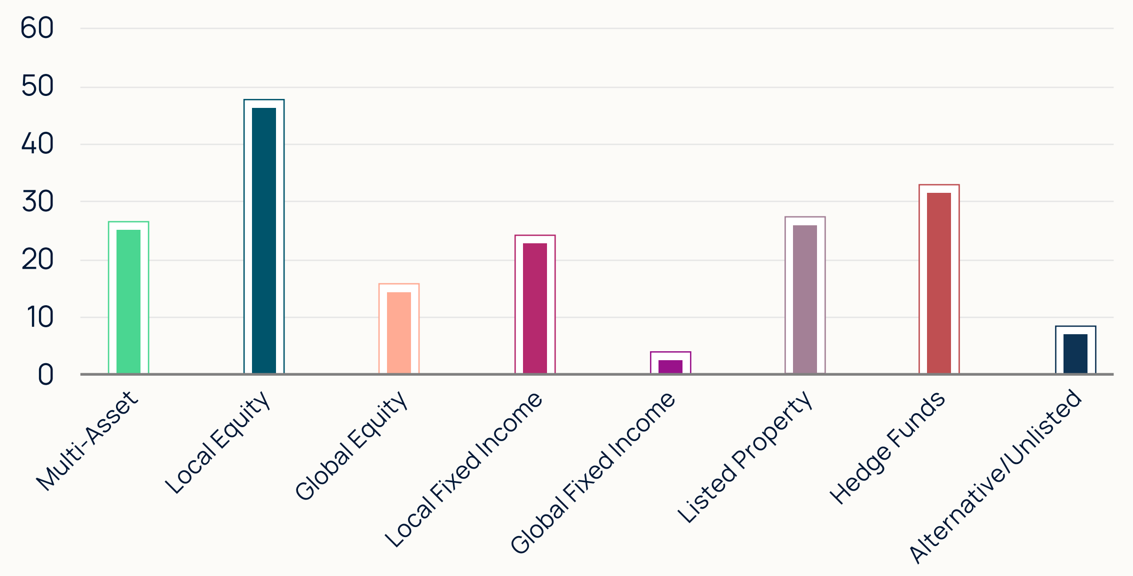


Chart 13: Average allocations among active managers
(As at 30 Sep 2024)



The sample's high representation of smaller managers likely contributes to the distinction in allocation patterns. These managers, on average, allocate a significantly larger share to hedge funds than the broader industry.

Overall, the sample reflects strong strategic intent and healthy specialisation. Local equity emerges as the core asset class, while boutique specialists offer niche expertise in hedge funds and listed property. Notably, the limited uptake of alternative investments stands out as a key opportunity for future portfolio enhancement and diversification.

Specialist mandates

Managers were asked to report their allocation levels to three specialist strategies:

1. ESG
2. Shariah
3. Passive

ESG mandates

Roughly two-thirds of managers reported having zero allocation to ESG mandates, indicating that ESG remains in the early adoption phase. However, "growing" managers are leading the charge: 33% of this cohort have increased ESG allocations, compared to just 20% of the rest who reported the same.

Whether this growth is driven by client demand or a proactive product strategy is unclear, but the link between growth and ESG is evident. Where ESG mandates are offered, they are typically fully invested in a single asset class, most commonly equity, property, hedge, or alternatives. Only one manager reported an equal split between local and global equity.

Shariah mandates

Allocations to Shariah strategies remain negligible. Only 11% of the surveyed managers offer them, and just one reported an increase since 2019.

This low uptake is understandable. Shariah portfolios require specialist expertise and rigorous compliance and operate within a shrinking universe of eligible JSE-listed stocks, making implementation complex and costly.

With Muslims comprising only 1.9% of South Africa's population, Shariah investing is often viewed as niche. Yet this perspective may overlook its broader appeal: Shariah-compliant funds apply ethical screens like excluding sectors deemed socially harmful, like alcohol, gambling, weapons, and tobacco, and avoid companies that are highly leveraged. As such, they closely align with ESG principles and offer differentiated risk-return profiles and diversification benefits.

Despite these overlaps, none of the "growing" managers who increased ESG allocations reported any Shariah exposure, revealing a potential blind spot. Reframing Shariah mandates as ethical alternatives and not solely religious offerings could unlock new interest from ethically- and values-driven investors and provide a unique point of differentiation in a competitive market.

Passive mandates

Most managers reported zero allocation to passive strategies. Among "growing" managers, only 11% had increased their passive exposure, while 4% of other managers reported the same. A quarter of the broader sample indicated no change in their passive allocation since 2019.

This highlights South Africa's slower adoption of passive investing compared to global peers. While local passive market share has grown from 3% in 2019 to around 9% now (Motswedi[1]), it still trails far behind the U.S., where passive accounts for roughly 50% of the market (Bloomberg Intelligence[2]).

South Africa's preference for active management stems from perceived inefficiencies in the local market that managers can exploit, particularly beyond the top-listed stocks, and is reinforced by a shrinking JSE universe. Still, growing fee pressure is making passive strategies more compelling. Despite a low starting base, passive investing offers significant room for growth in the local market.

[1] https://pensionsworldsa.co.za/articles/special-feature/is-passive-and-active-like-oil-and-water/
[2] https://citywire.com/za/news/us-passive-funds-are-closing-in-on-us-actives-market-share/a2431159

SECTION 2: PRIMARY ASSET CLASS FOCUS - CONTINUED

Summary & Observations

1. Single-asset focus and growth

"Growing" managers show a stronger focus on single-asset class strategies, particularly SA equity and fixed income, unlike their more diversified peers. Is this a structural advantage, or simply a function of aggregator demand for building blocks that may be cyclical and subject to reversal? The recent move by Stanlib Multi Manager to phase out building blocks in favour of multi-asset funds adds further relevance to this debate.

2. ESG as a strategic lever

ESG adoption remains limited overall, yet "growing" managers are leaning in more assertively. While motivations are unclear, this points to ESG as a potential driver of future growth.

3. Unlocking the Shariah opportunity

Shariah remains niche and specialist, but reframing it as a values-based, ethical investing alternative could broaden its appeal and unlock a largely untapped market.

4. Passive's growth potential

Active strategies still dominate locally, but international trends suggest meaningful headroom for passive investing to grow in South Africa, especially in a fee-conscious environment.

SECTION 3

Team size and ownership

SECTION 3: TEAM SIZE & OWNERSHIP

Overview

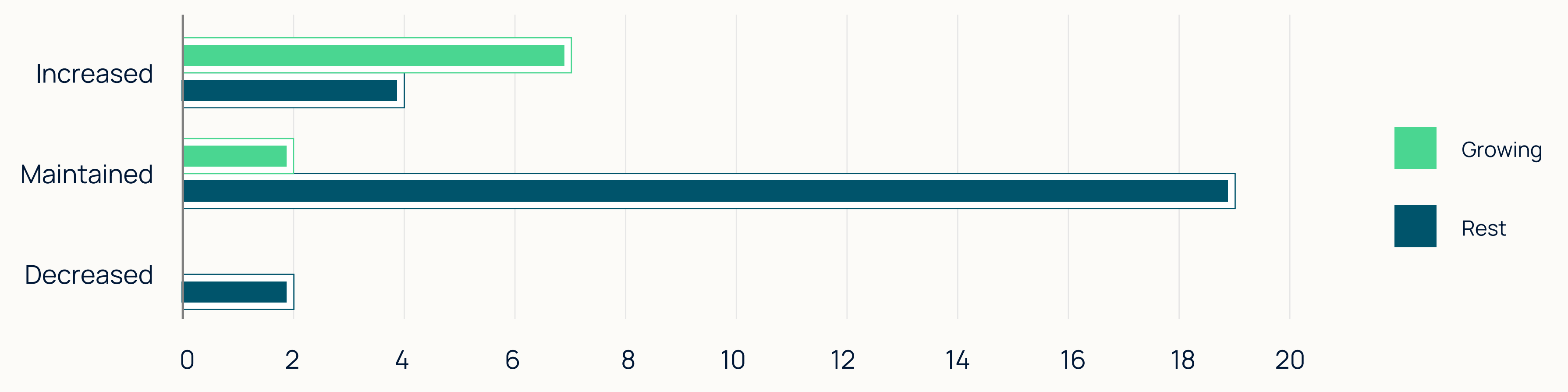
To better understand the composition and ownership of asset management teams, we asked participating firms detailed questions regarding staff structures and equity ownership.

A majority (60%) reported having 20 or fewer employees in 2019. Interestingly, this proportion remained unchanged in 2024, although the composition of firms within that category shifted. While some firms grew beyond 20 employees, others reduced headcount and moved into the smaller bracket, keeping the overall percentage stable.

However, as expected, notable shifts were observed among the firms identified as "growing." In 2019, seven of these nine managers employed between 1 and 10 people. By 2024, five of them had expanded their teams to between 11 and 20 employees, with only two remaining in the smallest band.

In total, 78% of "growing" managers increased their headcount into a higher size bracket compared to just 16% of the rest of the sample, highlighting their more dynamic expansion. Charts 14, 15, and 16 illustrate this trend.

Chart 14: Total staff complement change direction
(Sep 2019 - Sept 2024)



Key takeaways

1. "Growing" managers employ a higher proportion of investment professionals relative to total staff than their peers, pointing to an investment-centric approach.
2. "Growing" managers also exhibit greater levels of equity ownership among their investment teams highlighting that "skin in the game" may be critical in building high-performance businesses.
3. Levels of black ownership are significantly higher among "growing" managers.

SECTION 3: TEAM SIZE & OWNERSHIP - CONTINUED

Chart 15: Total staff complement size distribution 2019
(As at 30 Sep 2019)

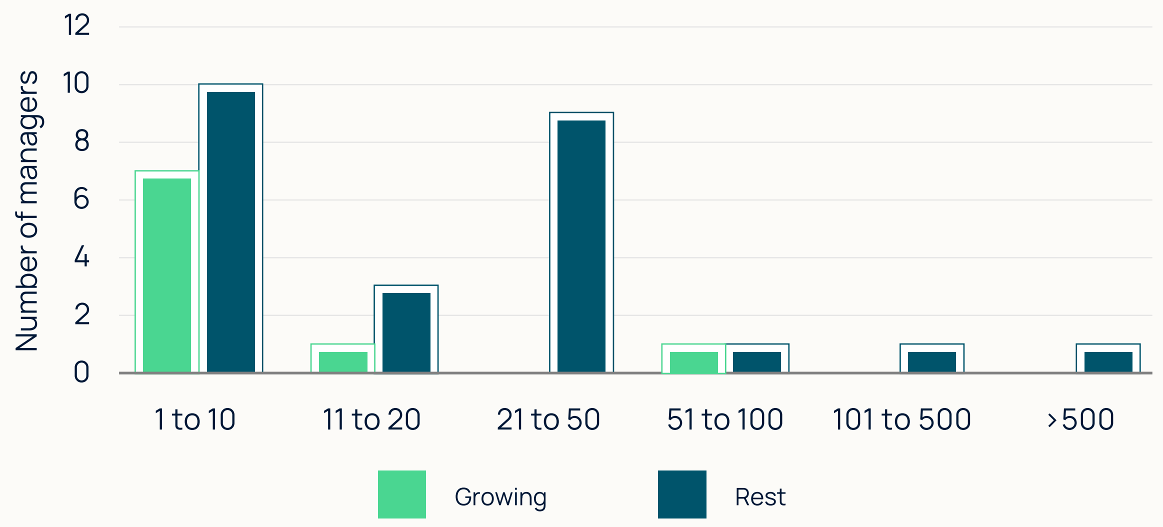
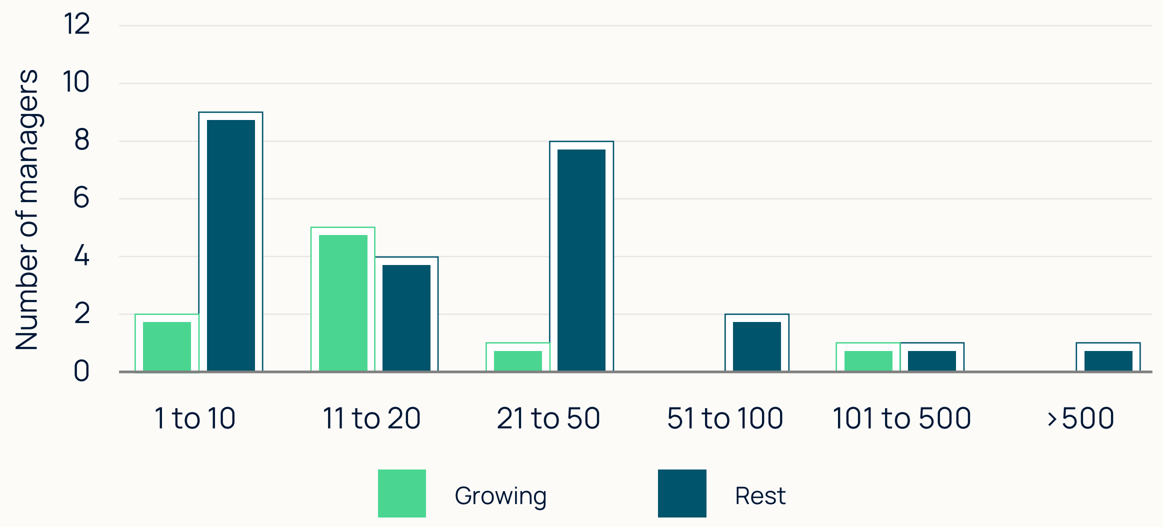


Chart 16: Total staff complement size distribution 2024
(As at 30 Sep 2024)



Investment team size

An analysis of the "growing" managers in this survey revealed that their investment teams consistently represented a larger share of total staff compared to the broader sample.

> In September 2019, eight "growing" managers (89%) reported that investment professionals comprised more than 50% of their workforce.

The remaining firm reported an investment team size of between 31% and 40% of total staff. By 2024, this composition had changed slightly; one manager's investment team dropped into the 41%-50% range, while the others reported no change.

In contrast, the broader sample showed a more mixed and declining trend. In 2019, 63% of respondents indicated that investment professionals comprised more than half of their staff. By 2024, that figure had dropped to 42%.

Table 6: Investment team greater than 50% of total staff complement
(2019 vs 2024)

	Growing	Rest
30 Sep 2019	89%	63%
30 Sep 2024	78%	42%

This persistent investment-heavy staffing model among "growing" managers may indicate a link between investment-centric operations and firm growth. Businesses that prioritise investment management, as reflected in their team composition, appear more likely to demonstrate sustained growth.

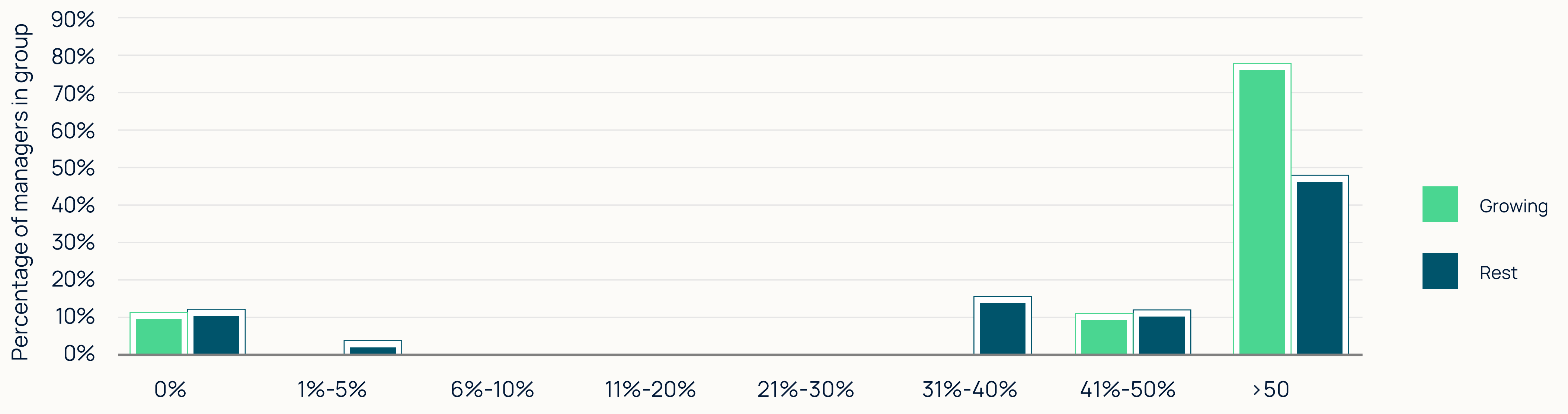
SECTION 3: TEAM SIZE & OWNERSHIP - CONTINUED

Investment team ownership

Findings on equity ownership further supported the link between investment focus and growth. When asked what percentage of their firm was owned by investment team members, "growing" managers reported significantly higher ownership levels than the rest of the sample.

> In fact, 78% of "growing" managers reported that their investment teams owned more than 50% of the firm, compared to just 48% among the rest of the managers surveyed.

Chart 17: Investment team ownership distribution
(As at 30 Sep 2024)



This marked difference suggests that investment team ownership could be a key growth driver. Firms where investment professionals have a meaningful equity stake and are deeply invested in the outcomes appear more likely to experience sustained success. In short, "skin in the game" may be a critical ingredient in building high-performing asset management businesses.

SECTION 3: TEAM SIZE & OWNERSHIP - CONTINUED

Diversity in ownership

The data shows that "growing" managers are more likely to exhibit higher levels of both black and female ownership compared to their peers (see Charts 18 and 19). Specifically, 44% of "growing" managers reported majority black ownership, while only 20% of the sample did. Similarly, 11% of "growing" managers are majority female-owned, compared to 4% in the broader group.

However, the distribution within the "growing" group reveals a notable "barbell" effect: just as many managers report 0% black ownership as those that report over 50%. Likewise, 44% of "growing" managers' report no female ownership at all.

Black female ownership remains low across the sample. Over 50% of all managers indicated 0% black female ownership, and fewer than 10% reported majority black female ownership (See chart 20). In both groups, the vast majority of respondents report less than 10% black female ownership.

Chart 18: Black team member ownership distribution
(As at 30 Sep 2024)

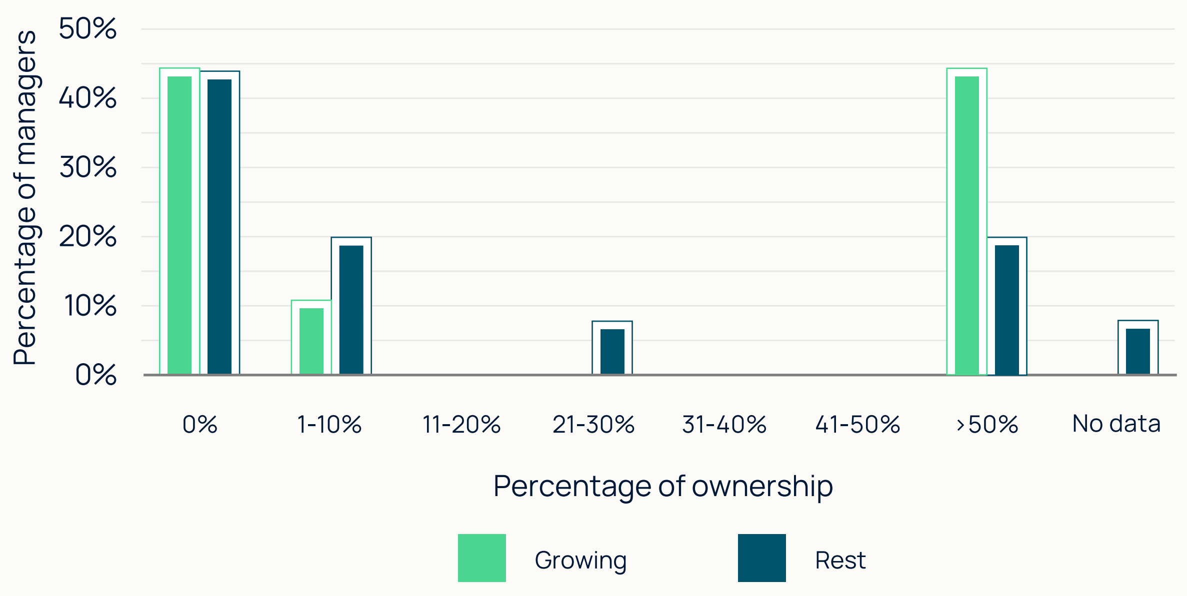


Chart 19: Female team member ownership distribution
(As at 30 Sep 2024)

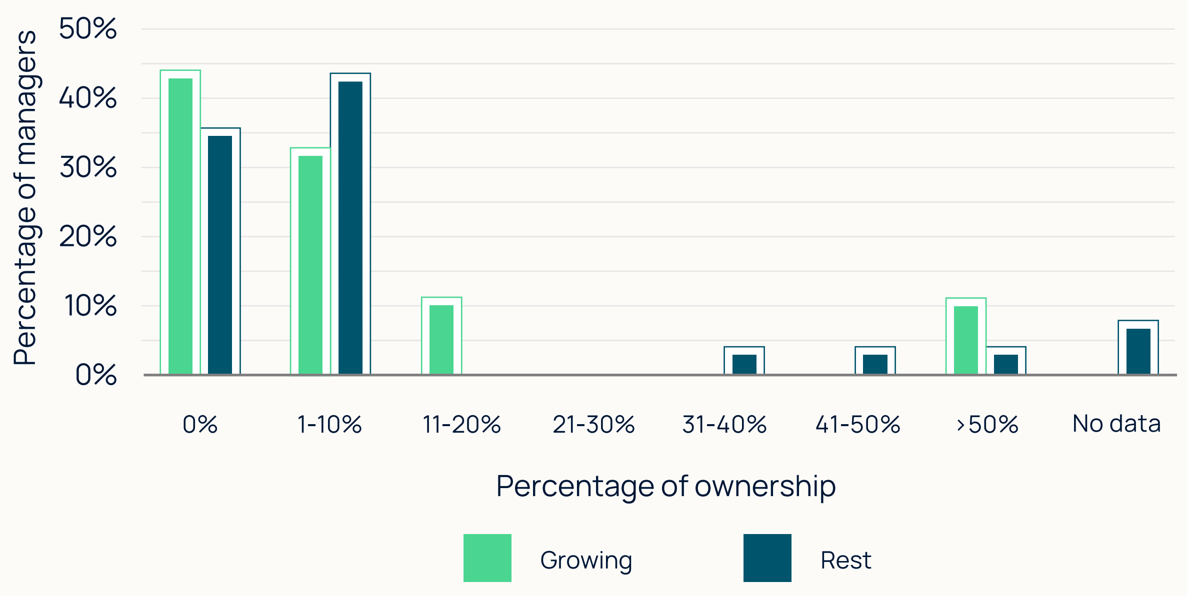
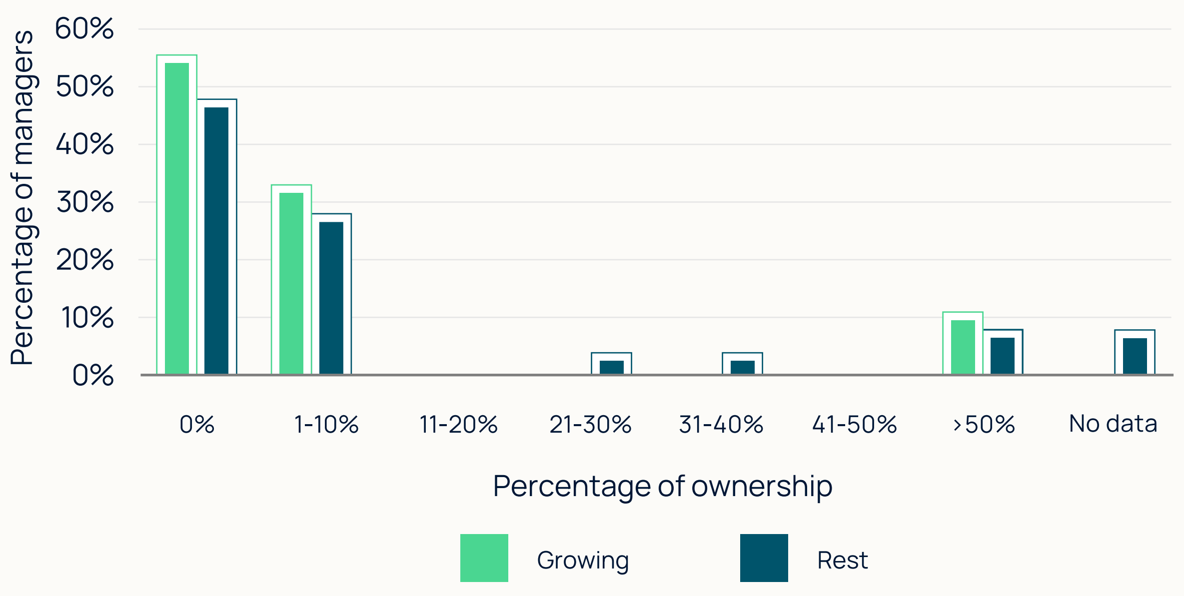


Chart 20: Black female team member ownership distribution
(As at 30 Sep 2024)



SECTION 3: TEAM SIZE & OWNERSHIP - CONTINUED

This inconsistency in ownership patterns, particularly among female and black female shareholders, makes it difficult to draw firm conclusions about the role of ownership diversity in driving business growth. There is no clear or consistent difference between "growing" managers and the rest regarding these specific metrics.

That said, the presence of a high number of majority black-owned managers among the "growing" group, despite an equally high number with no black ownership, hints at a more complex relationship. When viewed in the broader context (as will be explored in the next section), there appears to be a correlation between a proactive transformation agenda and business growth.

> Importantly, correlation should not be mistaken for causation. It may be that firms committed to transformation are more likely to grow, or conversely, that successful managers are under greater pressure from clients to transform.

External ownership

The data on external shareholders reveals a more apparent distinction between "growing" managers and the rest of the sample.

Among "growing" managers, one-third reported 0% external ownership, and none reported external shareholders holding more than 40% of the business. This contrasts with the broader sample, where only one-fifth reported no external ownership and nearly a quarter indicated that external parties hold more than 40% of their equity.

> This points to a consistent trend: "growing" managers tend to retain greater internal control over their businesses. The absence of external shareholding above 40% suggests a strategic intent to limit external influence, potentially enabling greater agility, alignment of interests, and long-term focus.

SECTION 3: TEAM SIZE & OWNERSHIP - CONTINUED

Summary & Observations

1. Higher investment focus

"Growing" managers employ a higher proportion of investment professionals relative to total staff. Does this suggest that firms with a focused, investment-led business model are more likely to achieve sustained success?

2. Greater investment team ownership

These firms also report higher equity ownership levels by their investment teams, indicating stronger alignment of incentives, which may contribute to improved business performance. This does highlight an important question around succession planning, which is how firms maintain significant equity ownership amongst the investment team once founders and senior investment professionals retire.

3. Gender diversity lag

Female ownership remains low across the industry, highlighting a broad opportunity for greater gender diversity at the shareholder level.

4. Ownership diversity and transformation

While conclusive links between diversity and performance are difficult to draw, it is notable that a much larger proportion of "growing" managers are majority black-owned. Combined with insights in the next section on transformation, this may point to a competitive edge for managers who are further along in their transformation journeys.

5. Internal control vs liquidity

None of the "growing" managers have external shareholders holding more than 40% equity. While this high level of internal control appears correlated with growth, it prompts a question: What happens when a significant internal shareholder wants to exit? Maintaining tight ownership restrictions could limit the pool of eligible buyers and raise concerns around liquidity and value realisation for existing owners, whilst potentially creating succession challenges.

SECTION 4

Transformation

SECTION 4: TRANSFORMATION

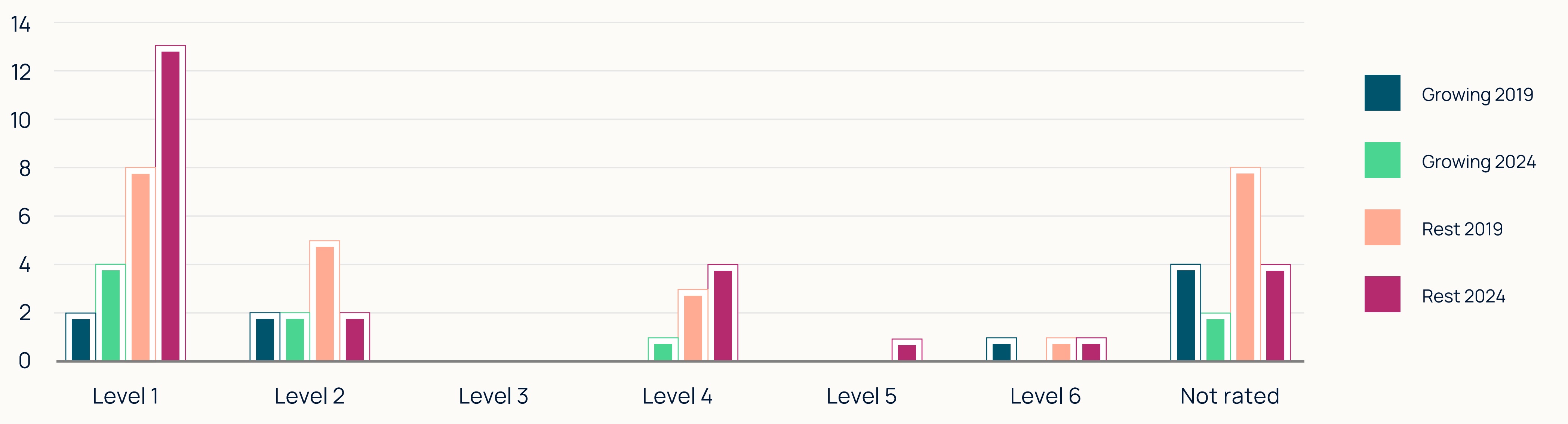
Overview

The pace of transformation in South African asset management has faced increasing scrutiny, with perceptions that the industry has been slow to build a workforce reflective of the country's demographics.

This section summarises the progress that the asset managers in our sample have made and explores any potential links between transformation and their business success.

Encouragingly, the industry seems to be making positive strides. While fewer than a third of the managers in our sample had achieved Level 1 B-BBEE status in September 2019, this figure had risen to over half by September 2024. Notably, more managers improved their B-BBEE status over this period than those who regressed.

Chart 21: B-BBEE level distribution
(2019 vs 2024)



Key takeaways

1. Positive progress has been made in improving black ownership and overall staff diversity within asset management firms.
2. Greater strides have been achieved in diversifying general staff profiles than in investment teams specifically.
3. Female representation in senior investment roles remains significantly low, requiring targeted intervention.
4. Increasing the representation of black females within firms continues to be the most challenging area.

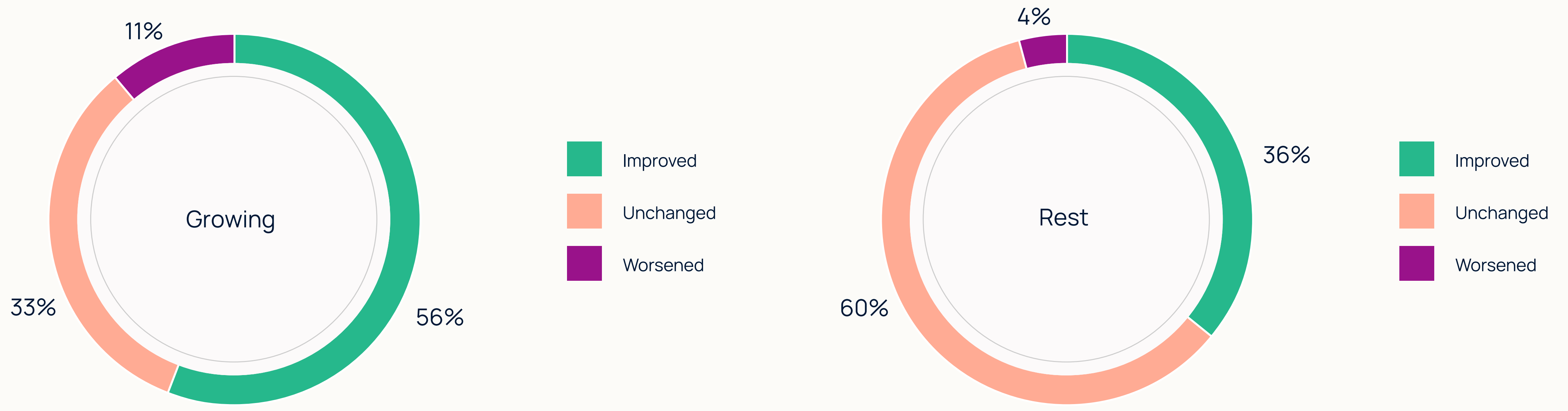
SECTION 4: TRANSFORMATION - CONTINUED

"Growing" managers made notably more substantial progress in improving their B-BBEE levels than their peers.

Between 2019 and 2024, 56% of growing managers advanced their B-BBEE status, compared to only 36% of other managers in the sample.

Chart 22: Changes in B-BBEE level (2019 to 2024)

(2019 vs 2024)

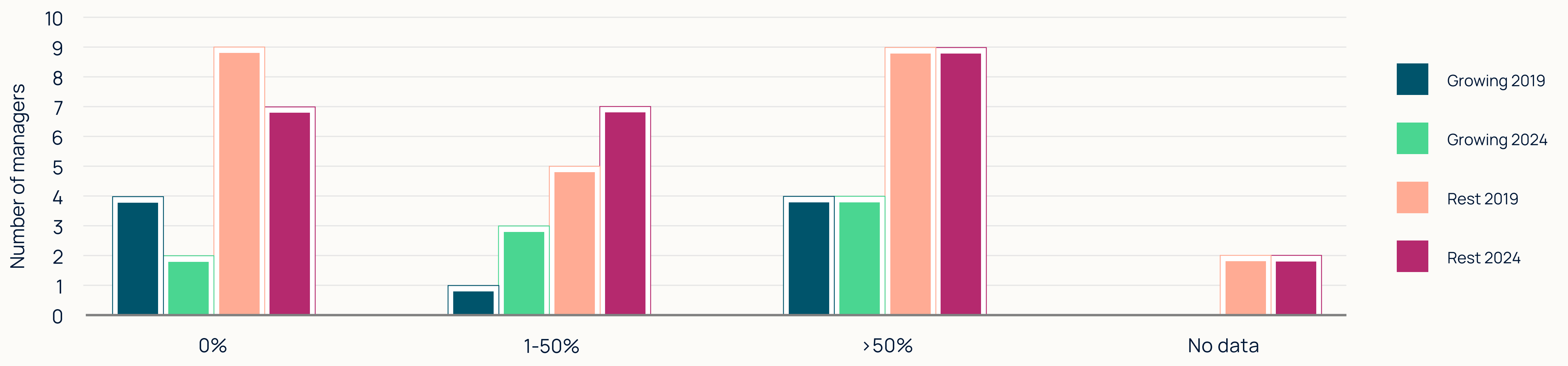


SECTION 4: TRANSFORMATION - CONTINUED

Black shareholding

To provide additional context to current black ownership levels, managers were asked to report on changes in black ownership between September 2019 and September 2024, as seen in Chart 23.

Chart 23: Black shareholding distribution
(2019 vs 2024)



Key observations:

- The number of firms with 0% black shareholding declined, but the number with majority black ownership remained unchanged.
- Among "growing" managers, there was a 50% reduction in firms with no black shareholding. Among the rest of the sample, this reduction was 22%.
- Both groups showed increases in firms with black shareholding between 1% and 50%.
- No managers reported a decline in their percentage of black ownership.

The data highlights a continued barbell distribution, with firms clustering at either 0% or majority black-owned. However, some movement has been away from zero towards more meaningful ownership levels within the middle ranges.

Note: This data reflects only movements between ownership bands; minor changes within these bands may not be captured.

SECTION 4: TRANSFORMATION - CONTINUED

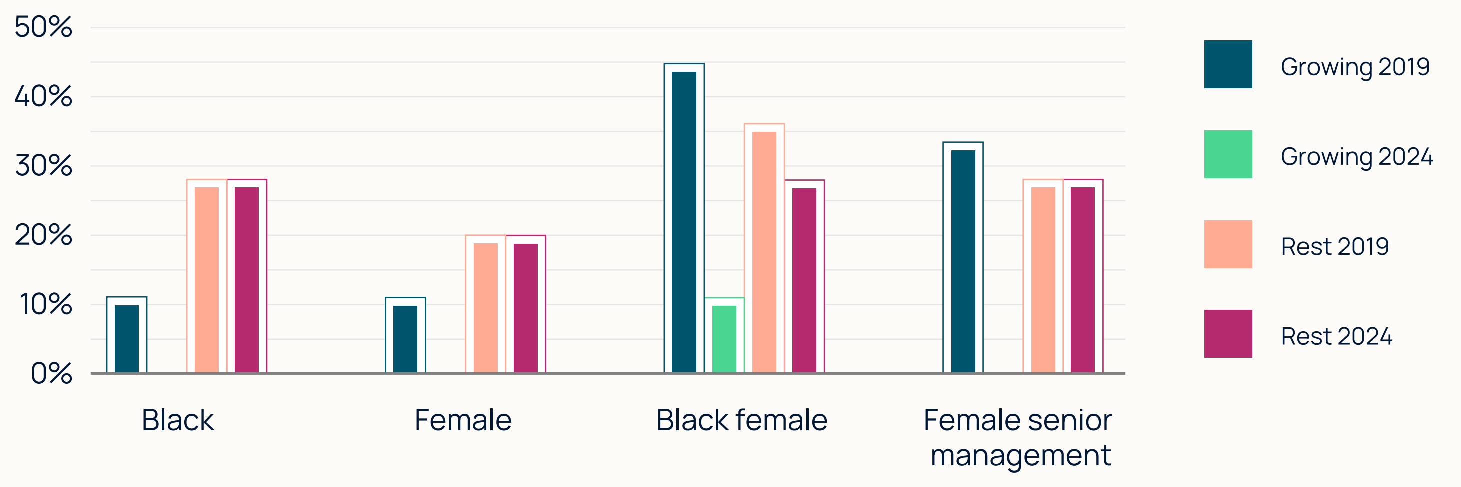
Overall staff diversity

To better understand how firms are transforming internally, we gathered data on diversity across four key measures:

- Percentage of black staff
- Percentage of female staff
- Percentage of black female staff
- Percentage of female representation at a senior management level

We analysed the two extremes for simplicity and clarity: firms reporting **0% representation** and those reporting **greater than 50% representation** across these categories.

Chart 24: Managers with 0% representation (% of total managers)
(Sep 2019 vs Sep 2024)

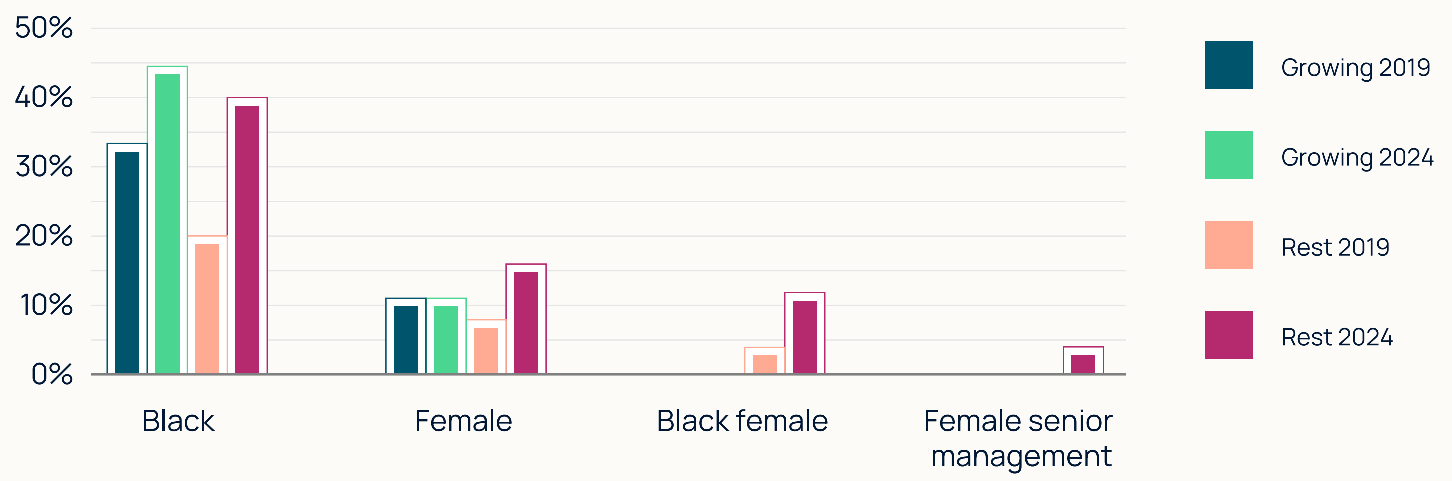


SECTION 4: TRANSFORMATION - CONTINUED

Key observations:

- The cohort of growing managers has made significantly better progress in eliminating instances of zero representation than their peers in the rest of the sample.
- By September 2024, no growing manager reported 0% representation in three of the four categories.
- In contrast, the rest showed only marginal progress, with a notable number of firms still reflecting 0% representation across all four areas.

Chart 25: Managers with >50% representation (% of total managers)
(Sep 2019 vs Sep 2024)



A different picture emerges when assessing representation at the other extreme: firms with more than 50% representation (see Chart 25). Here, growing managers have lagged slightly behind the rest and have shown less progress in achieving majority representation across these diversity categories.

> The most significant gains were in the **percentage of firms employing more than 50% black staff members.** Growing managers increased by 11% while the rest doubled.

SECTION 4: TRANSFORMATION - CONTINUED

Table 6: Percentage of firms employing more than 50% black staff members
(2019 vs 2024)

	Growing	Rest
30 Sep 2019	33%	20%
30 Sep 2024	44%	40%

When examining female representation, a somewhat different picture emerges. None of the growing managers reported a majority representation of females within their black staff or senior management roles. While there has been some movement among the rest, these levels remain marginal.

Chart 26: Improvement patterns - Growing managers
(Sep 2019 vs Sep 2024)

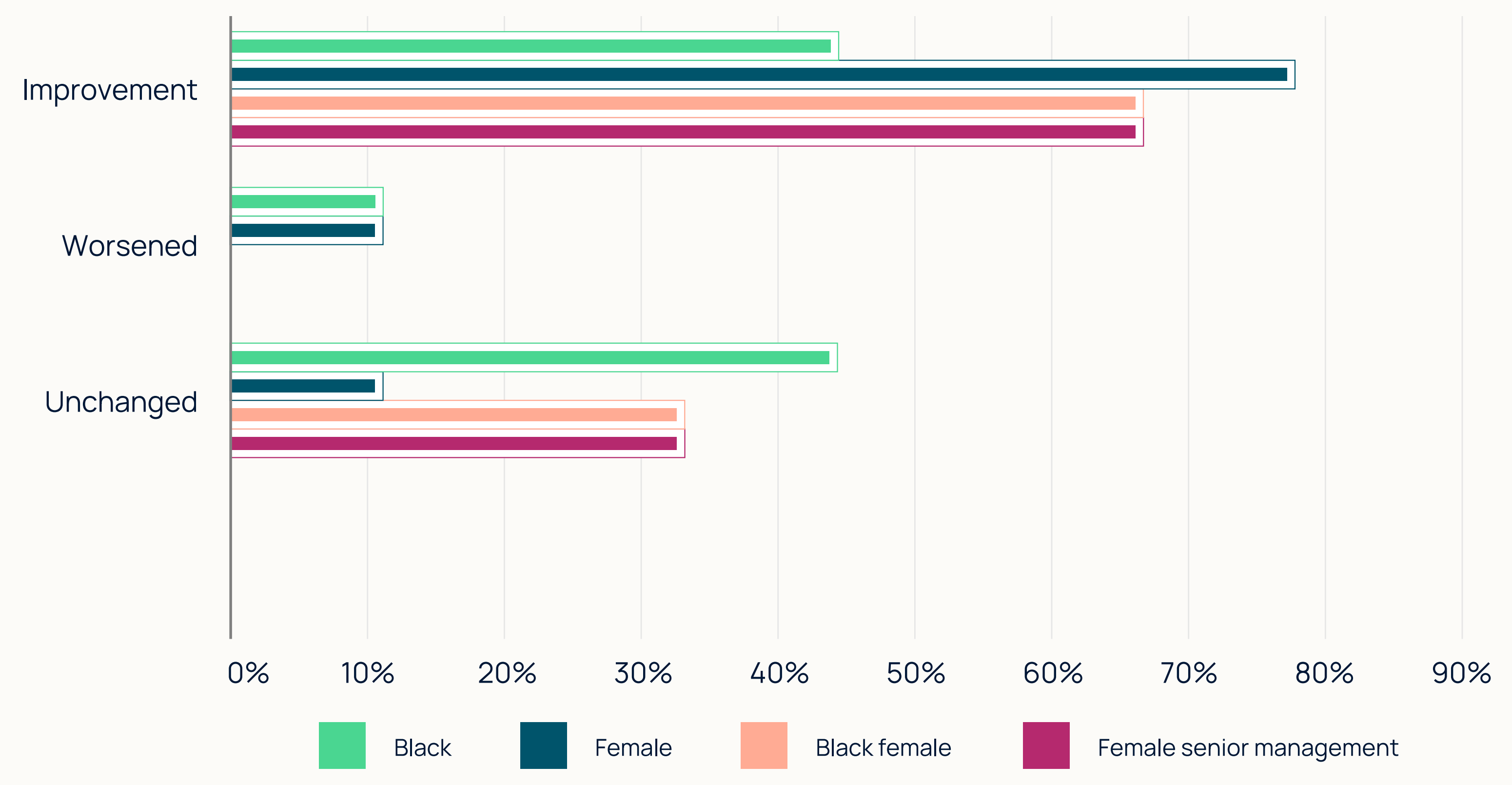
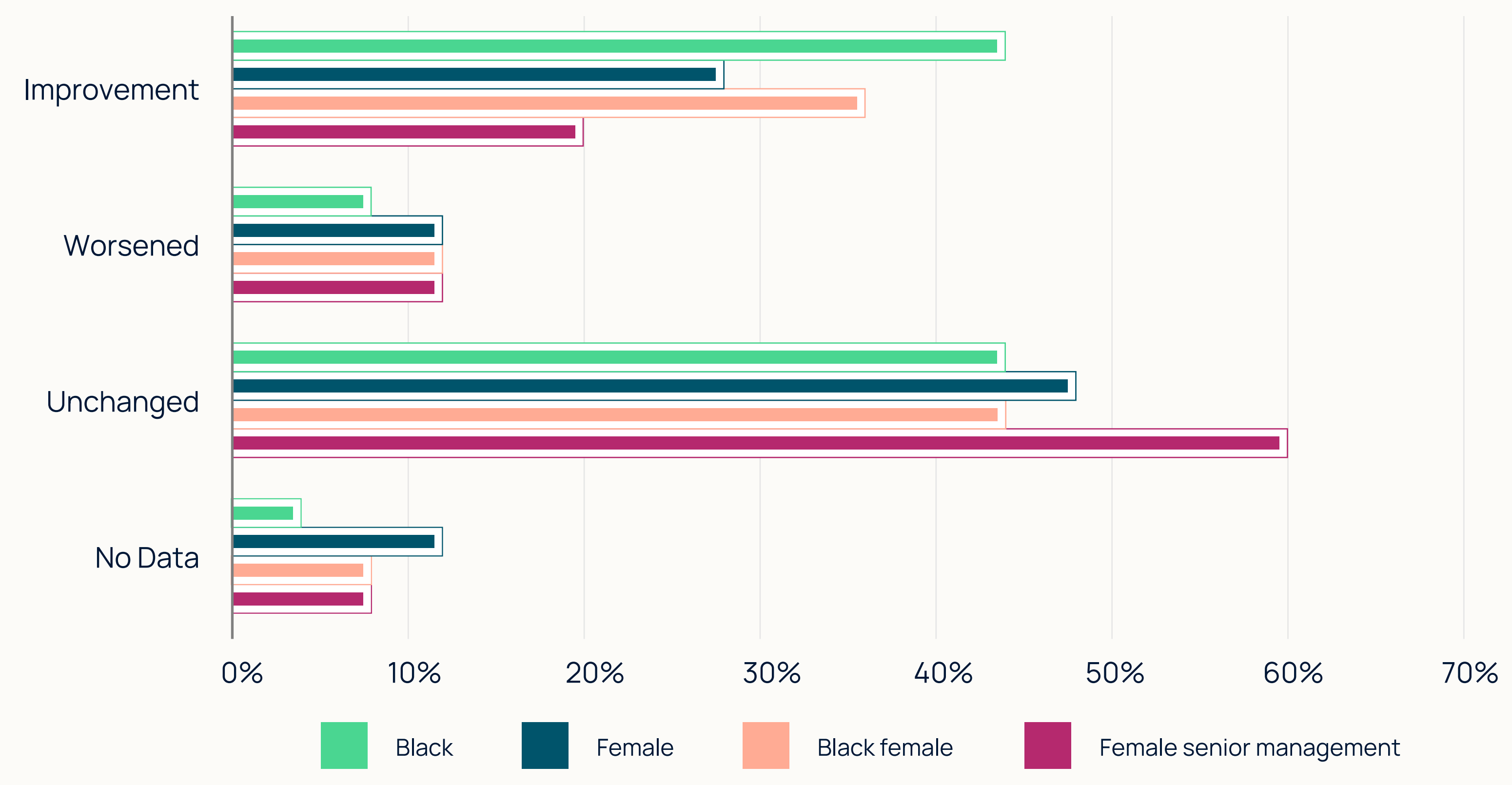


Chart 27: Improvement patterns - Rest managers
(Sep 2019 vs Sep 2024)



The data revealed clear patterns in where progress has been made across the four diversity metrics. While the charts provide the details, a few key trends stand out.

Among **growing managers**, the most meaningful improvements were in increasing female representation, both across the overall staff and at senior management levels. This cohort also made consistent progress in enhancing the representation of black female staff, with no reported declines in any of these areas (see chart 26).

In contrast, progress among **the rest** was more modest and uneven. Gains were primarily concentrated in improving black staff representation, while improvements in female representation were far less pronounced and, in some instances, even reversed (see chart 27).

> Overall, the data suggests a gradual decline in firms reporting zero representation across these categories. Growing managers have been materially more successful in driving this progress. The most notable gains across the industry have been in black staff representation, whereas advancements in gender diversity, particularly achieving majority representation, remain limited.

Investment team diversity

To assess progress within investment teams specifically, firms were asked to report on:

- Black representation
- Female representation
- Black female representation
- Female representation at portfolio manager level

SECTION 4: TRANSFORMATION - CONTINUED

As with overall staff diversity, we focused on two extremes: those reporting 0% representation and those with over 50% representation in these categories. Progress has been notably more muted within investment teams compared to broader staff demographics.

> The most encouraging movement was among growing managers, where the proportion with no black representation in investment teams fell to zero by 2024.

However, progress on female representation, particularly black female staff and female portfolio managers, remains extremely low. Across the sample, most managers still report no black female investment staff or female portfolio managers.

These findings reflect a broader global trend, as highlighted by the Citywire Alpha Female report[1], which has documented only marginal gains in female portfolio management representation over nearly a decade.

Chart 28: Managers with 0% representation in investment team
(Sep 2019 vs Sep 2024)

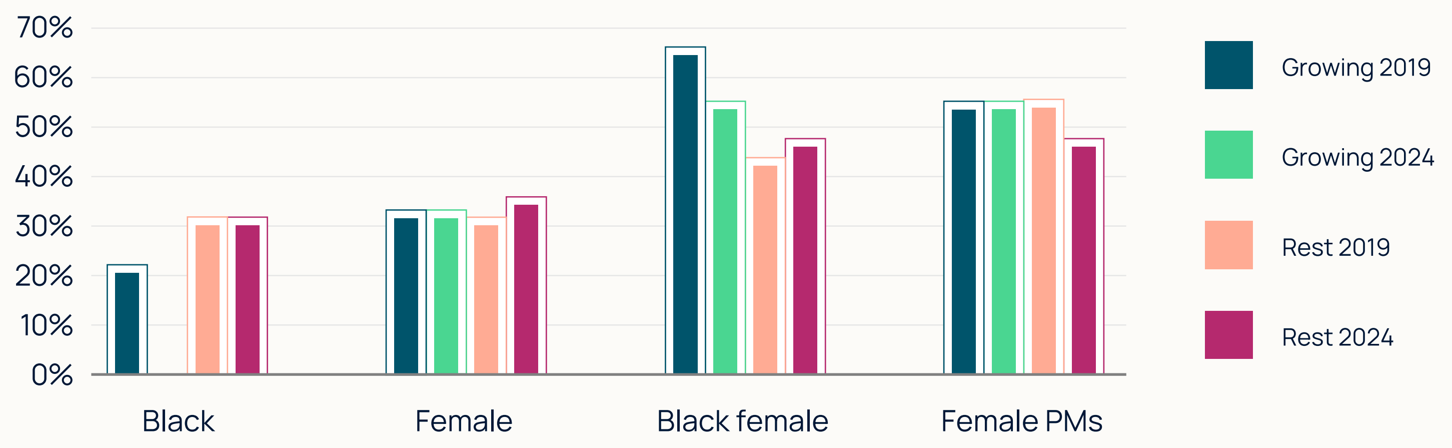
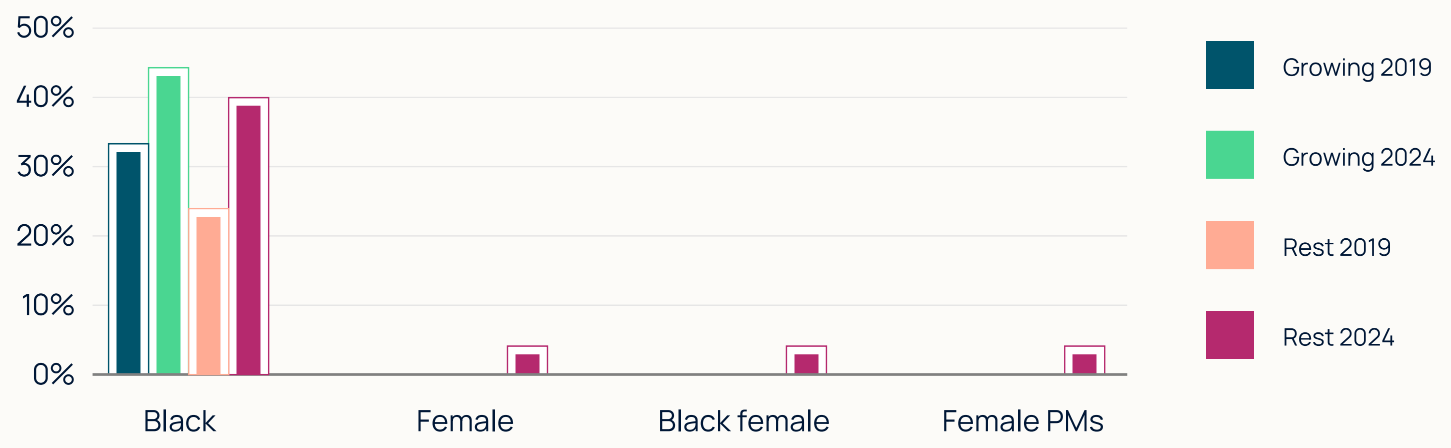


Chart 29: Managers with >50% representation in investment team
(Sep 2019 vs Sep 2024)



[1] https://citywire.com/Publications/WEB_Resources/alpha-female/alpha-female-2024-sterling.pdf

SECTION 4: TRANSFORMATION - CONTINUED

At the other extreme, there was some progress in the number of firms reporting majority black representation within investment teams:

- Among growing managers, this increased from 33% to 44%.
- Among the rest, it rose from 24% to 40%.

Progress on female representation remains negligible.

Not a single growing manager reported more than 50% representation of female, black female, or female portfolio managers in either 2019 or 2024. The picture was much the same among the rest, where representation remained negligible, with only marginal movement from 0% in 2019.

Chart 30: Investment team diversity improvement patterns - Growing managers (Sep 2019 vs Sep 2024)

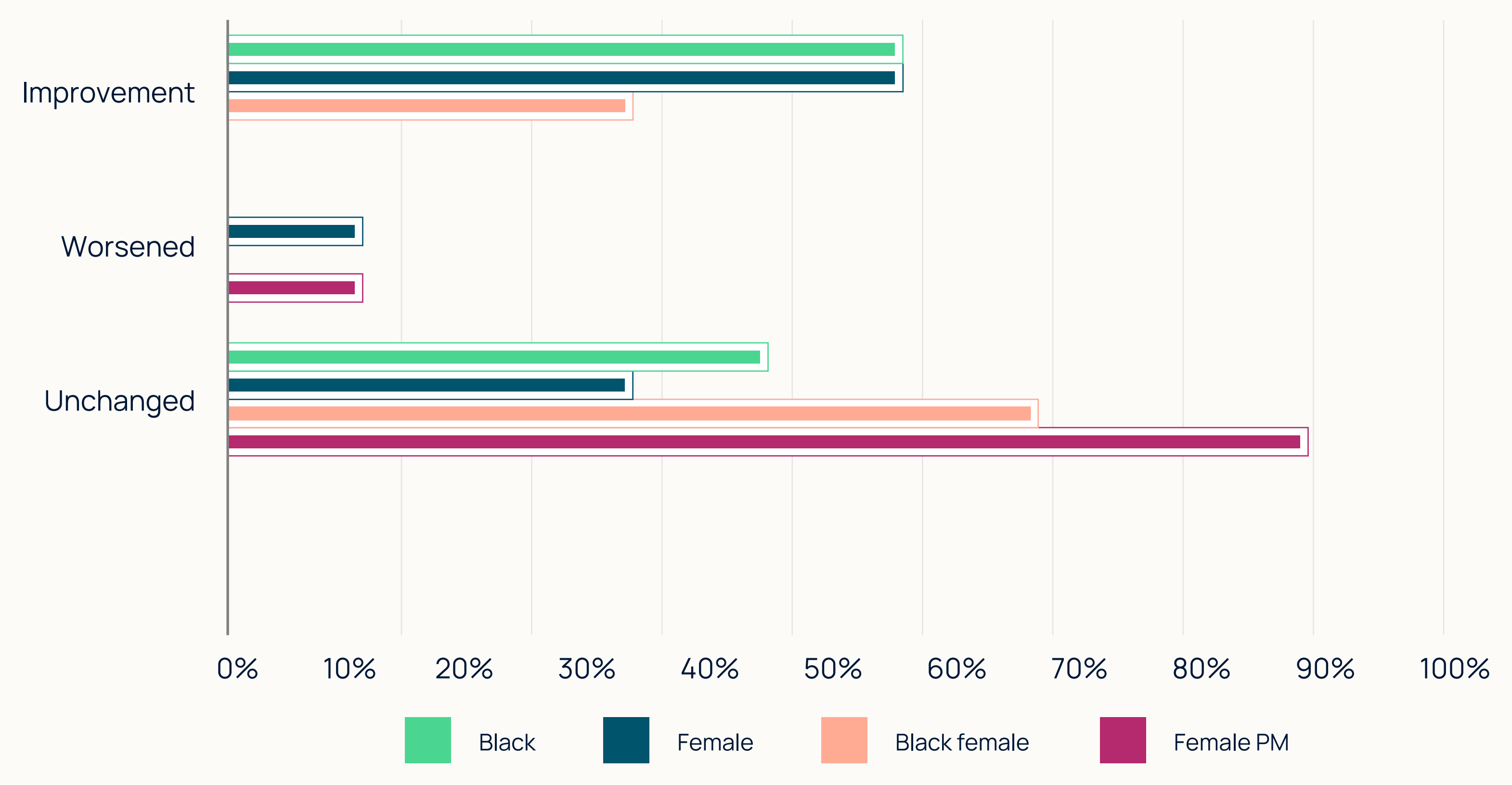
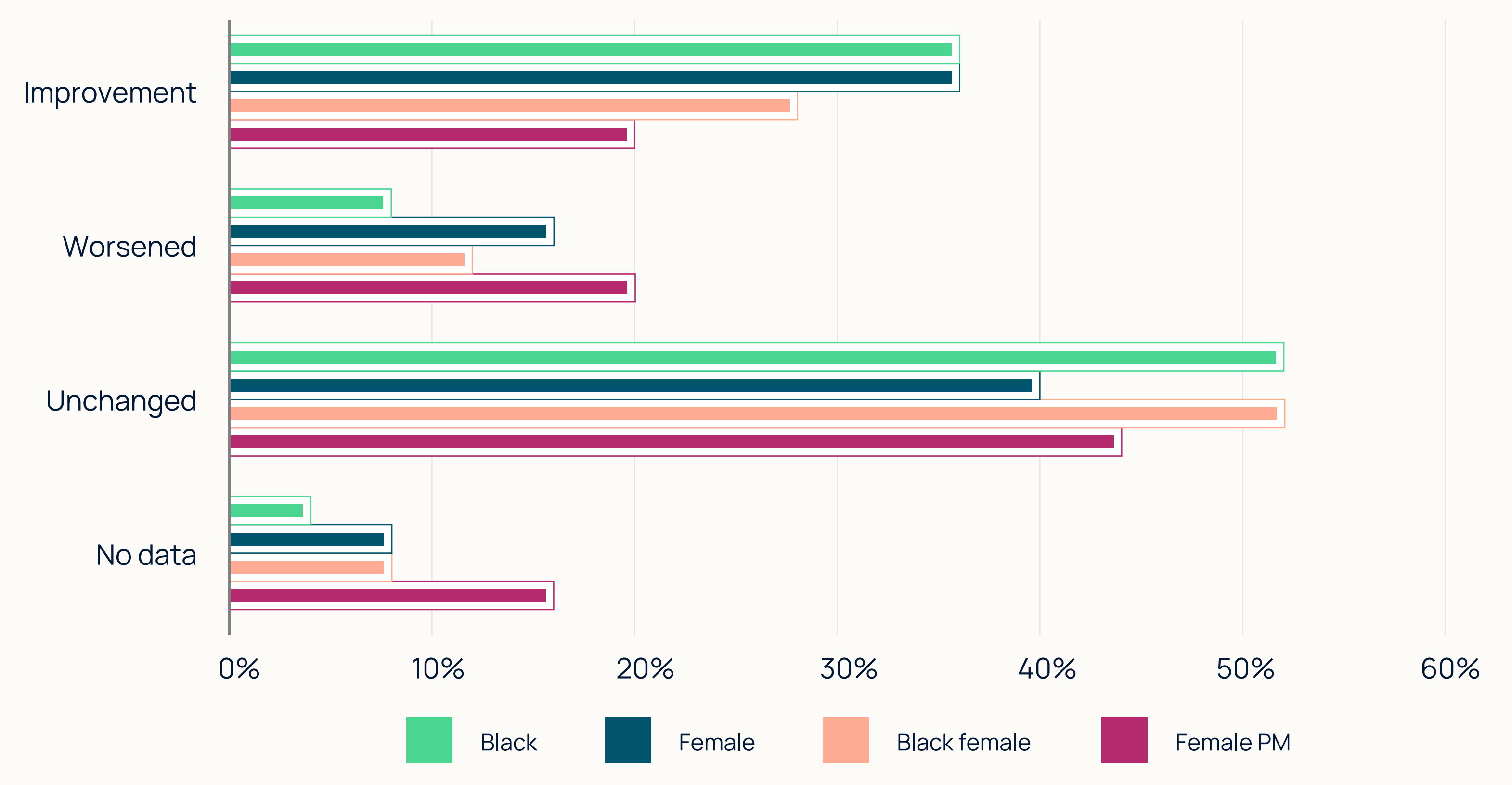


Chart 31: Investment team diversity improvement patterns - Rest managers (Sep 2019 vs Sep 2024)



Managers across the industry are struggling to improve female representation within investment teams, with the challenge most acute for black female investment professionals and female portfolio managers. The persistence of 0% representation across much of the industry underscores how far there is still to go to achieve meaningful gender diversity at an investment decision-making level.

Summary & Observations

1. A stark contrast between overall staff diversity and investment team diversity

Female representation remains particularly disparate. By September 2024, two-thirds of managers reported at least 30% female representation across total staff. Yet only one-third reported the same within their investment teams, and just 6% had more than 30% female portfolio managers. Could this suggest a problem in the development of female investment professionals, where diversity at the entry level is not translating into those same levels of diversity in front-office investment roles?

2. Strongest progress has been in black staff representation

Firms have made the most meaningful strides in increasing black representation across both overall staff and investment teams. However, with 20% of firms still reporting no black employees, significant room remains for further progress.

3. A “two-speed” industry is emerging

While the “growing” managers generally showed more consistent improvements across most metrics, the performance of the rest of the sample is bifurcated. While some have made significant strides, even reporting a majority black female investment team, others have shown zero progress or even regression.

4. A gap remains between women in senior management and female portfolio managers

By 2024, only 20% of firms had no female representation in senior management. However, the vast majority still had no female portfolio managers. This suggests women are advancing into leadership roles in support functions but remain under-represented in investment decision making. This appears to be a challenge that requires targeted intervention.

SECTION 4: TRANSFORMATION - CONTINUED

5. The biggest challenge is improving black female representation

Most firms reported no black females within their investment teams, and one-third had no black females anywhere in the business. This is particularly stark given the overall progress on black representation. Clearly, progress on black or female representation alone does not automatically extend to black females.

6. Growing managers are driving change

Growing managers have been far more successful at eliminating areas of zero representation. This raises important questions: Are growth-oriented firms more intentional about diversity? Or is diversity itself driving growth by fostering broader perspectives and innovation?

7. Different patterns of progress are emerging

Growing managers appear focused on eliminating gaps in representation, while some firms in the rest cohort are achieving standout results at higher levels of representation. These differences suggest varied strategies at play. However, both groups share a common struggle: diversifying their investment teams, which may point to sector-wide challenges in attracting, retaining, and advancing diverse front-office talent.

SECTION 5

Fund ranges & capabilities

SECTION 5: FUND RANGES AND CAPABILITIES

Key takeaways

1. Managers continue to expand both CIS and segregated mandate offerings, with "growing" managers doing so more actively.
2. Increase in segregated mandates has been a consistent feature among the "growing" cohort.
3. Offering dedicated accounts appears increasingly important for managers looking for meaningful growth.

Overview

Asset managers typically offer clients access to their investment strategies through two primary channels: collective investment schemes (including unit trusts, ETFs, and hedge funds) and segregated mandates managed on behalf of individual clients.

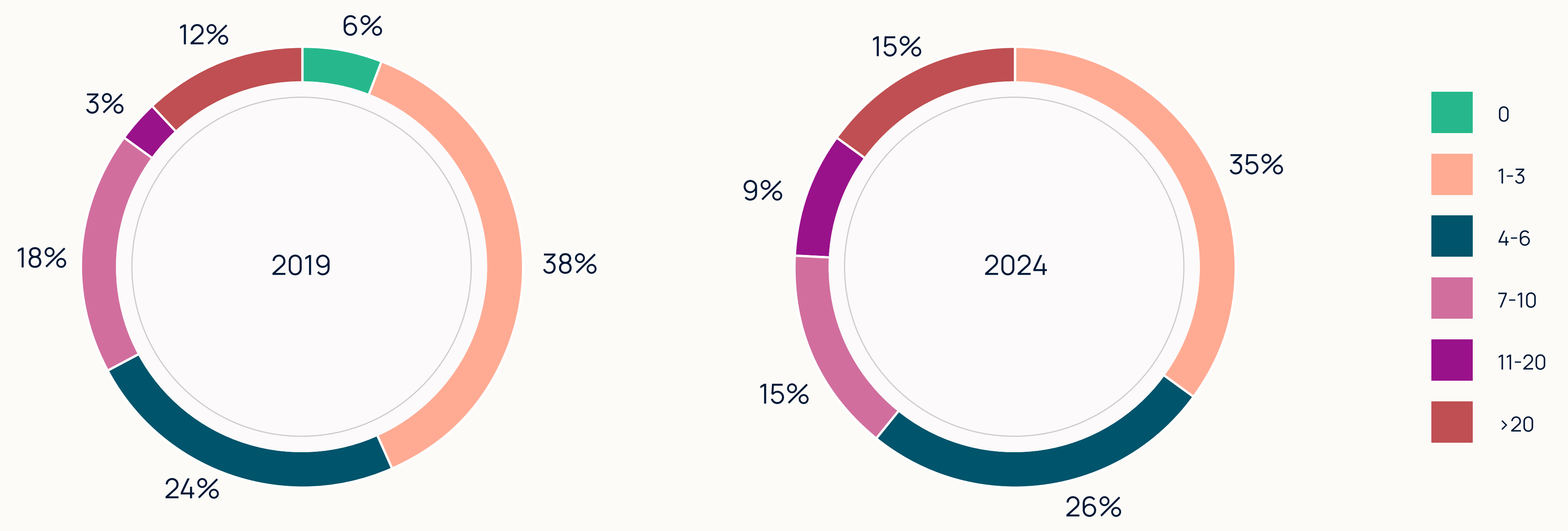
To gain a broad perspective on the composition of these product ranges, and how they have evolved between September 2019 and September 2024, we asked firms to report the number of CIS funds and segregated mandates they managed at the start and end of this period.

Collective Investment Schemes

Across the sample, there has been a small but noticeable shift among managers towards offering a broader range of CISs. At the end of September 2019, 68% of firms managed six or fewer CISs, while only 15% managed more than 10. Five years later, the proportion managing six or fewer had declined to 61%, and those managing more than 10 had increased to 24%.

SECTION 5: FUND RANGES AND CAPABILITIES - CONTINUED

Chart 32 and 33: Number of CIS funds offered
(Sep 2019 vs Sep 2024)



This reflects the ongoing proliferation of funds in South Africa. ASISA data shows that the number of unit trusts in South Africa rose from 1,120 at the end of September 2014 to 1,592 by September 2019, and further to 1,856 by September 2024.

Table 7: Number of unit trusts in South Africa

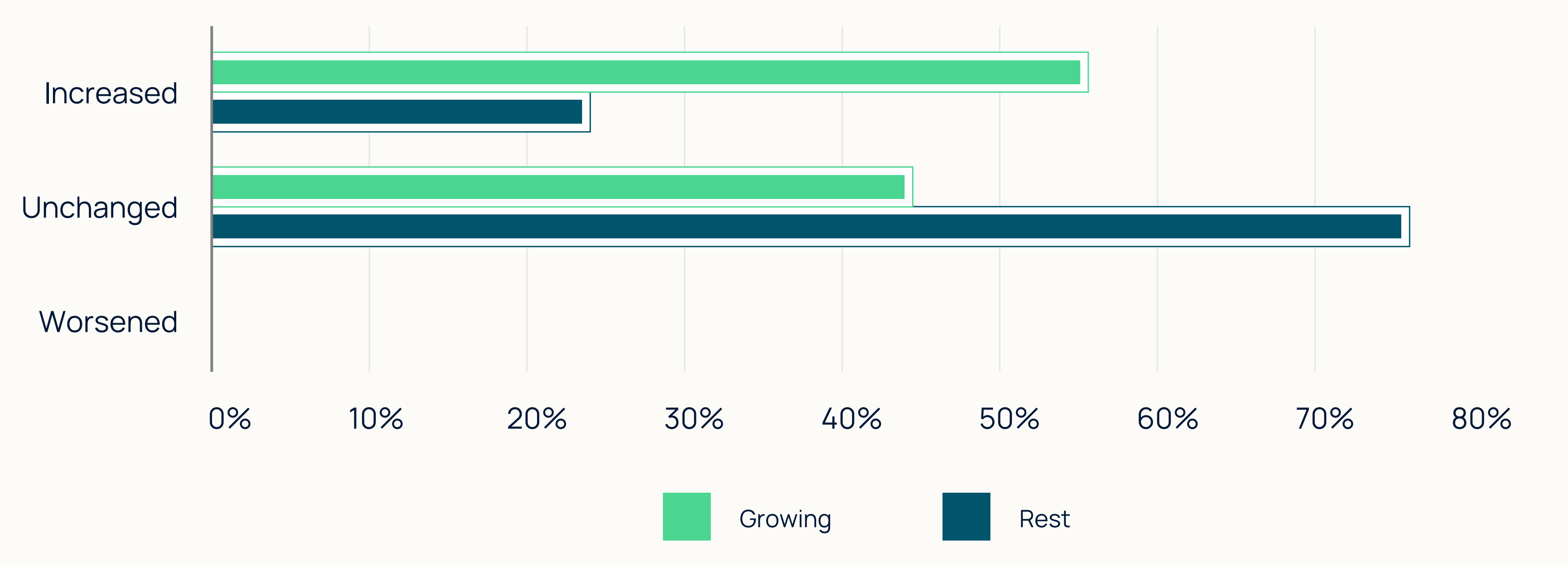
Sep 2014	Sep 2019	Sep 2024
1120	1592	1856

While various industry-level factors are driving this growth, they also prompt interesting questions at the firm level. Very few managers in South Africa succeed by focusing solely on a single capability. Although there are exceptions, the prevailing trend for managers who establish a foothold in one area – whether hedge funds, fixed income or equities – is to expand their offering into other areas.

This points to an industry where overall growth remains too muted to sustain a broad field of specialist managers. For firms seeking to grow, expanding their product range often becomes the logical path.

This is particularly evident when comparing the "growing" cohort of managers to the rest of the sample. Among the "growing" managers, 56% reported an increase in the number of CISs they managed between September 2019 and September 2024. In contrast, only 24% of the remaining managers reported such an increase.

Chart 34: Changes in number of CIS funds
(From Sep 2019 to Sep 2024)



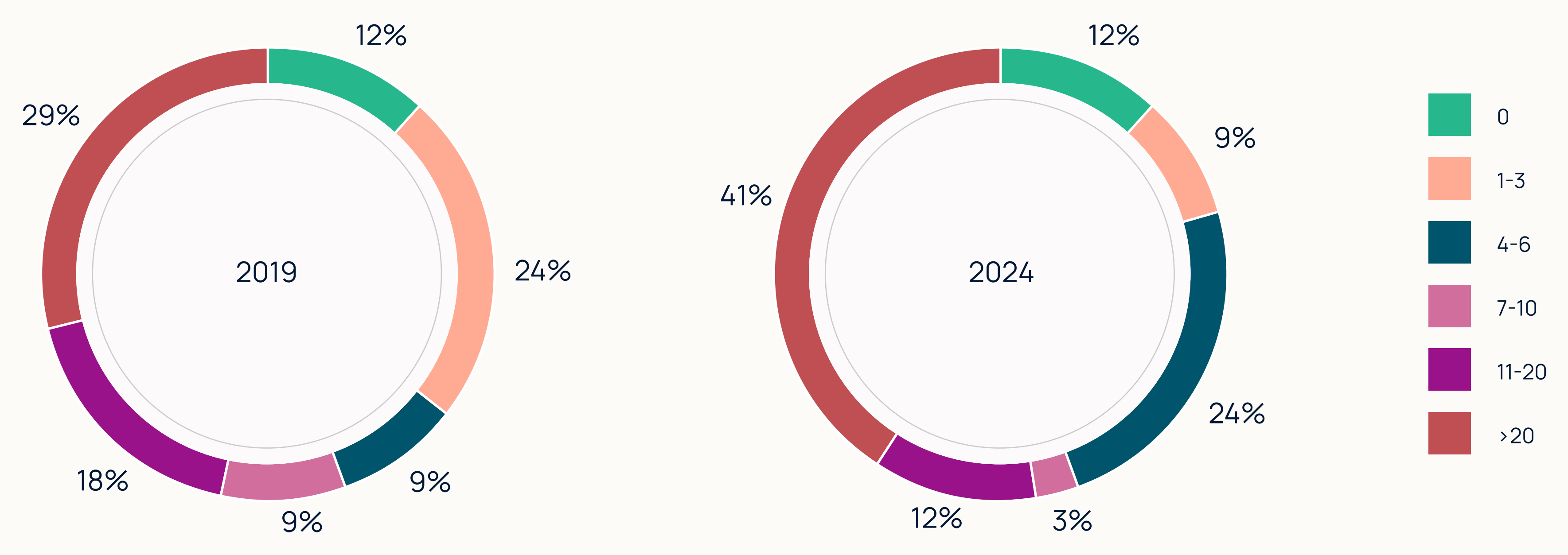
(**Note:** Managers reported changes based on the provided bands, so any movements within those bands may not have been captured.)

Segregated Mandates

Similar trends emerged when examining the number of segregated mandates managed by firms. At the end of September 2019, 36% of firms managed three segregated mandates or fewer. By September 2024, this figure had fallen to 21%.

Conversely, the proportion of firms managing more than 20 segregated mandates rose from 29% in 2019 to 41% by 2024.

Chart 35 and 36: Number of segregated mandates offered
(Sep 2019 vs Sep 2024)

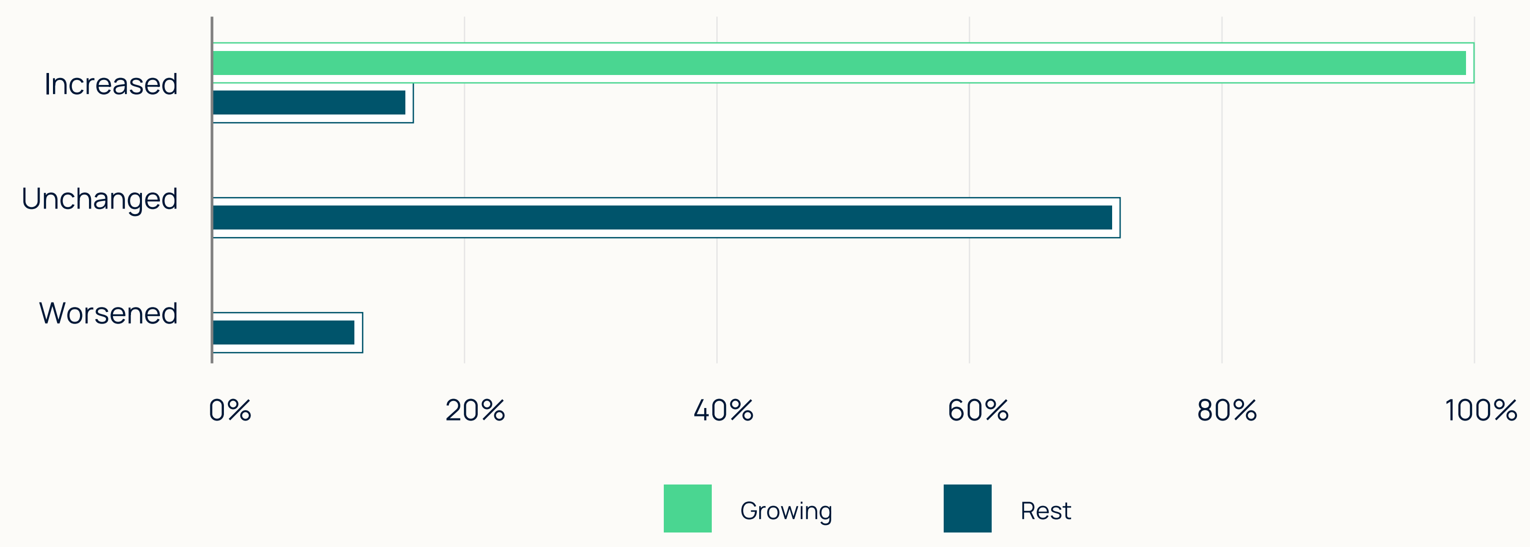


It is worth noting that four firms did not manage any segregated mandates in 2019, and these same firms continued to operate without any segregated mandates five years later. This highlights that a small number of managers continue to offer their strategies exclusively through CISs.

The broader trend, however, points to managers increasingly offering segregated mandates to larger clients. For the "growing" cohort, this has been a particularly important element of their business strategy over the past five years.

SECTION 5: FUND RANGES AND CAPABILITIES - CONTINUED

Chart 37: Changes in number of seg mandates
(From Sep 2019 to Sep 2024)



All nine of the "growing" managers reported managing more segregated mandates at the end of September 2024 than they did in 2019.

Notably, by 2024, all were managing at least four segregated accounts, a meaningful shift from 2019, when 56% of these firms managed three or fewer.

Summary & Observations

1. Broader product ranges across the industry

Across the sample, there was a clear trend towards firms expanding their offering of both CISs and segregated mandates over the five-year period. In both instances, a higher proportion of "growing" managers expanded their product ranges compared to the rest of the sample.

2. Segregated mandates as a key growth driver

Among the "growing" managers, the increase in segregated mandates was particularly pronounced. While this was one of the factors used to define the "growing" cohort, it is notable that this, alongside net inflows, were the only two areas where all members of this group reported gains.

3. A question for consideration

Does this suggest that the ability to offer dedicated segregated accounts to institutional clients is becoming an increasingly important requirement for managers seeking to grow in this market?

SECTION 6

Regulatory environment & ESG

SECTION 6: REGULATORY ENVIRONMENT & ESG

Overview

The local asset management industry has navigated two major regulatory shifts in recent years.

The first was the amendment to Regulation 28 (Reg-28), effective from January 2023, which raised the offshore investment limit to 45% and introduced a 45% allocation allowance for infrastructure investments. These changes significantly reshaped the playing field, particularly for multi-asset strategies.

The second major development came in September 2024 with the rollout of the "Two-Pot" retirement system. This reform enables pension fund members to access a portion of their savings, likely prompting managers to consider strategies that accommodate greater liquidity needs.

These regulatory changes have unfolded alongside a growing focus on ESG considerations. Asset owners and allocators are increasingly seeking assurance that managers are acting as responsible stewards of capital.

To explore the impact of these changes, we asked managers to share their perspectives on how these developments have influenced their businesses and what adjustments they have made in response.

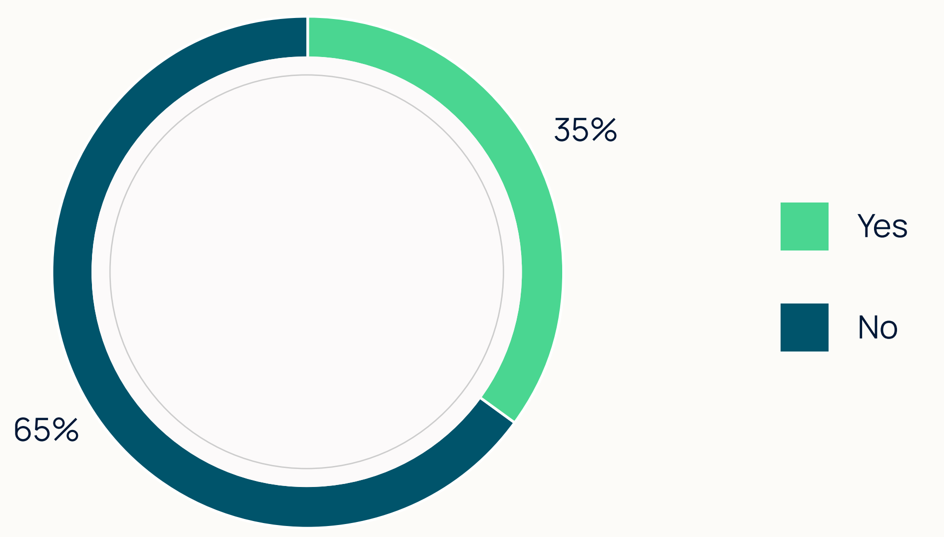
Key takeaways

1. The increase in the offshore allowance under Regulation 28 has had the most significant operational impact on managers.
2. A small minority of firms view ESG as having no investment value.
3. ESG integration is more prevalent among "growing" managers than the rest of the sample.

Increase in offshore allocations

Across the sample, only 35% of firms reported that the regulatory amendments to Reg-28, specifically the increased offshore allocation limit to 45%, had affected their business operationally. The majority indicated there was no meaningful operational impact.

Chart 38: Has the Reg-28 offshore allocation change impacted your company operationally?*
(Sep 2019 to Sep 2024)



*Reg-28 Offshore allocations up to 45%

While operational disruption was limited, the changes prompted a more substantial shift in how managers approach global investing. Of the 34 firms surveyed, 30 reported changes in their global investment strategy between September 2019 and September 2024:

29% expanded their investment teams by adding global capabilities, most of whom had not previously covered offshore markets.

9% outsourced global exposure to external providers.

6% incorporated passive global strategies into their offering.

SECTION 6: REGULATORY ENVIRONMENT & ESG - CONTINUED

Chart 39: How has your global investment approach changed*
(Sep 2019 to Sep 2024)

Value	Percent
Our existing SA team now also cover global stocks	18%
We have expanded our team by hiring new global skills	29%
"We have outsourced our global capability to an external provider"	9%
We have incorporated passive global strategies	6%
Our team was already covering global	50%
There has been no change	12%

*Managers could select all options that applied

When segmented by cohort, none of the "growing" managers reported outsourcing or using passive strategies. Instead:

22% said they were already covering global stocks in 2019.

33% reported that their existing South African teams now also cover global stocks.

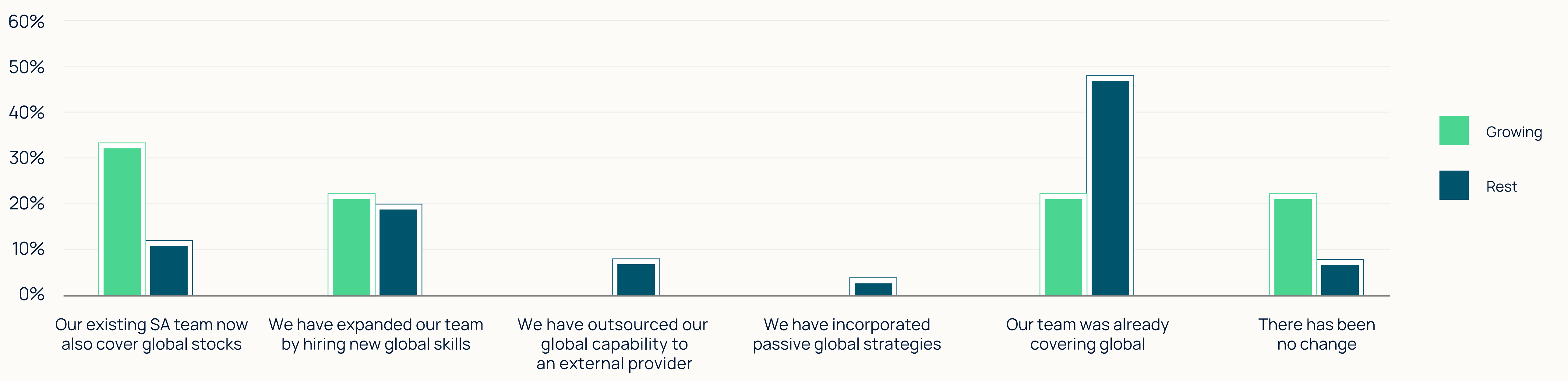
This contrasts with the rest of the sample:

50% were already covering global stocks by 2019.

20% responded by hiring new global expertise during the five years

SECTION 6: REGULATORY ENVIRONMENT & ESG - CONTINUED

Chart 40: Changes to global investment approach
(Sep 2019 to Sep 2024)



*Managers could select all options that applied

These findings suggest that while the Reg-28 changes did not significantly disrupt operations, they catalysed strategic evolution, particularly among “growing” managers.

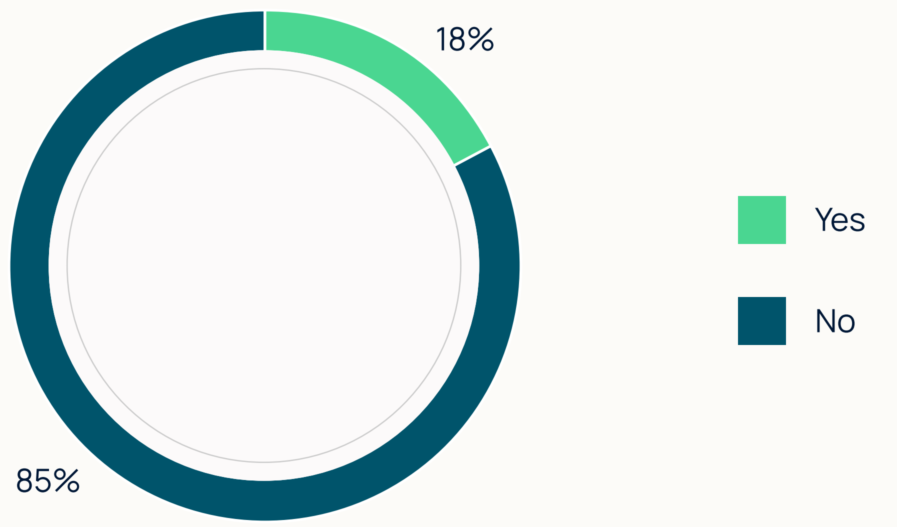
> Rather than relying on outsourced or passive solutions, this group has actively built internal global capabilities, indicating a preference for ownership, control, and deeper integration of global strategies as part of their long-term growth plans.

SECTION 6: REGULATORY ENVIRONMENT & ESG - CONTINUED

Alternative allocations

Only **18%** of respondents reported that the increase in allowable allocations to alternatives under Reg-28, including infrastructure (up to 45%), hedge funds (up to 10%), and private equity (up to 15%), had affected their business operationally.

Chart 41: Have the Reg-28 alternatives allocation changes impacted your company operationally?*
(Sep 2019 to Sep 2024)



*Reg-28 Alternatives: Infrastructure allocations up to 45%, Hedge up to 10%, Private Equity up to 15%

This response contrasts with the broader changes prompted by increased offshore limits. While the survey did not probe reasons directly, the relatively limited universe and lower liquidity of infrastructure investments may be contributing factors. In contrast to global equities, which offer a vast and accessible opportunity set, infrastructure and private market assets are harder to source, evaluate, and allocate at scale.

The limited uptake is reflected in broader market data: the Sanlam Benchmark Survey 2024[1] reported that the average allocation to alternatives within balanced funds in South Africa remains just **2.8%**. This is significantly lower than global pension and sovereign wealth fund allocations, which often range between **30%** and **70%**.

[1] https://www.sanlamonline.co.za/corporate/retirement/benchmark-symposium

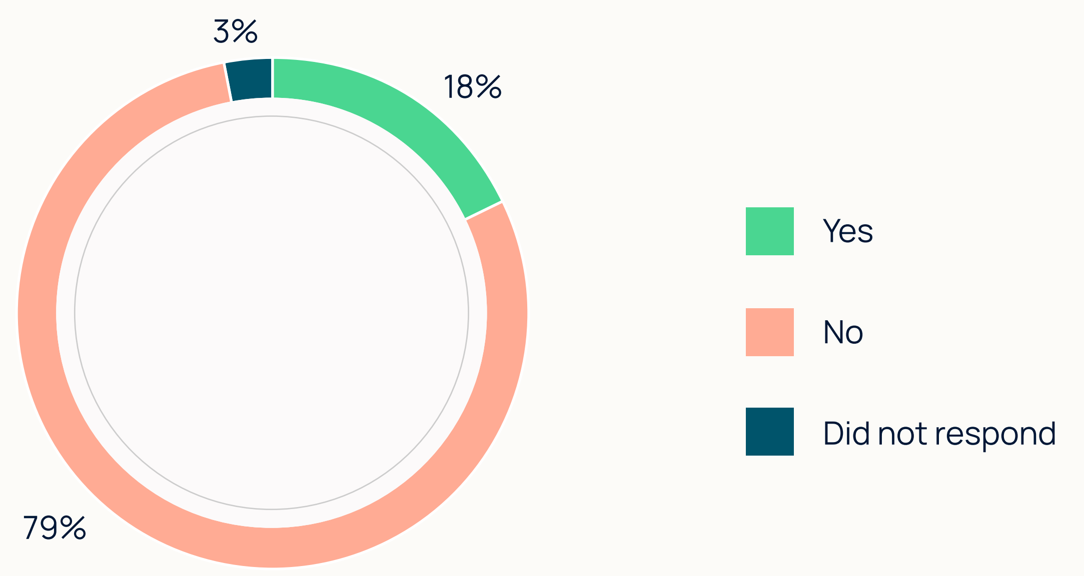
SECTION 6: REGULATORY ENVIRONMENT & ESG - CONTINUED

Despite regulatory encouragement, alternative assets have yet to meaningfully contribute to local multi-asset portfolios. The combination of a shallow local market, liquidity challenges, and operational complexity may be limiting adoption, at least in the near term, even as global counterparts lean more heavily into this space.

Two-Pot system

Among firms that responded to this question, only 18% indicated that the implementation of the Two-Pot Retirement system had affected them operationally.

Chart 42: Has the Two-Pot Retirement system impacted your company operationally?
(Sep 2019 to Sep 2024)



The survey did not ask respondents to elaborate on how their operations had been affected, leaving the extent and type of adjustments, such as changes to liquidity management or fund structuring, unspecified.

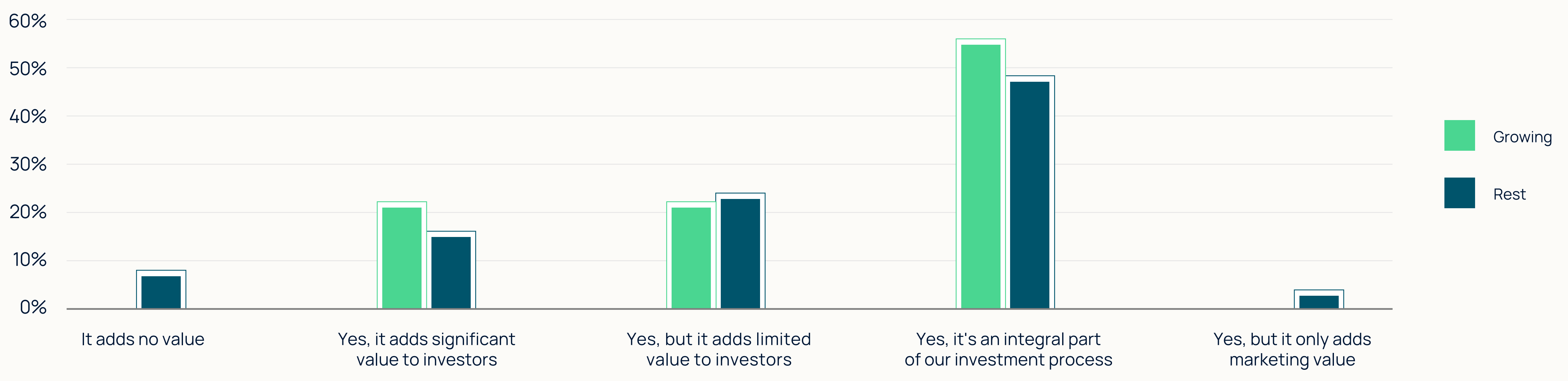
While the operational impact appears limited for now, this likely reflects the early implementation stage. As the system matures and investor behaviour shifts, especially around liquidity preferences, further downstream implications may still emerge for asset managers, particularly those managing pension fund assets.

SECTION 6: REGULATORY ENVIRONMENT & ESG - CONTINUED

ESG

While views on the value of ESG in investment management vary, the overall sentiment is positive. Roughly half of all managers surveyed view ESG as an integral part of their investment process. Only a small minority, 8%, believe it adds no value, and 4% consider it merely a marketing tool.

Chart 43: ESG and its value in an investment process



Notably, none of the "growing" managers reported strongly negative views on ESG. In fact, they were more likely than their peers to view ESG as central to their investment process or a source of significant value for investors.

Again, it's difficult to determine whether ESG integration is a driver of growth or simply a reflection of client demands faced by growing firms, but the link is evident. "Growing" managers appear to place greater emphasis on ESG, which may be contributing to their success or positioning them more effectively for institutional mandates in an increasingly sustainability-conscious environment.

Summary & Observations

1. Offshore versus alternatives — a contrast in impact

Over a third of managers reported that the increased offshore allowance under Reg-28 had an operational impact on their businesses. At the same time, only 18% said the same about the higher permitted allocation to alternatives. Does this suggest that local managers may be undervaluing alternatives, or is the limited and less accessible nature of infrastructure opportunities in South Africa making building capabilities in this area less compelling?

2. Diverging views on ESG

Although attitudes towards ESG are broadly positive, a small minority of managers still hold strongly negative views, believing ESG adds no investment value.

3. ESG integration is stronger among "growing" managers

Compared to the rest of the sample, a greater share of the "growing" cohort has embedded ESG into their investment processes. Could this suggest that ESG integration is a competitive advantage, particularly in an environment where capital allocators are increasingly scrutinising how managers engage with ESG? With local governance failures like Steinhoff still fresh in investors' minds, ESG (especially the "G") has become a key pillar of due diligence for many institutions.

SECTION 7

Operations, technology & innovation

SECTION 7: OPERATIONS, TECHNOLOGY AND INNOVATION

Key takeaways

1. Technology adoption across managers is mixed, with the highest uptake seen in the investment environment.
2. Fully flexible work models remain rare, with most managers preferring staff to be in the office most of the time.
3. There is no current interest among surveyed managers in launching digital asset-focused products.

Overview

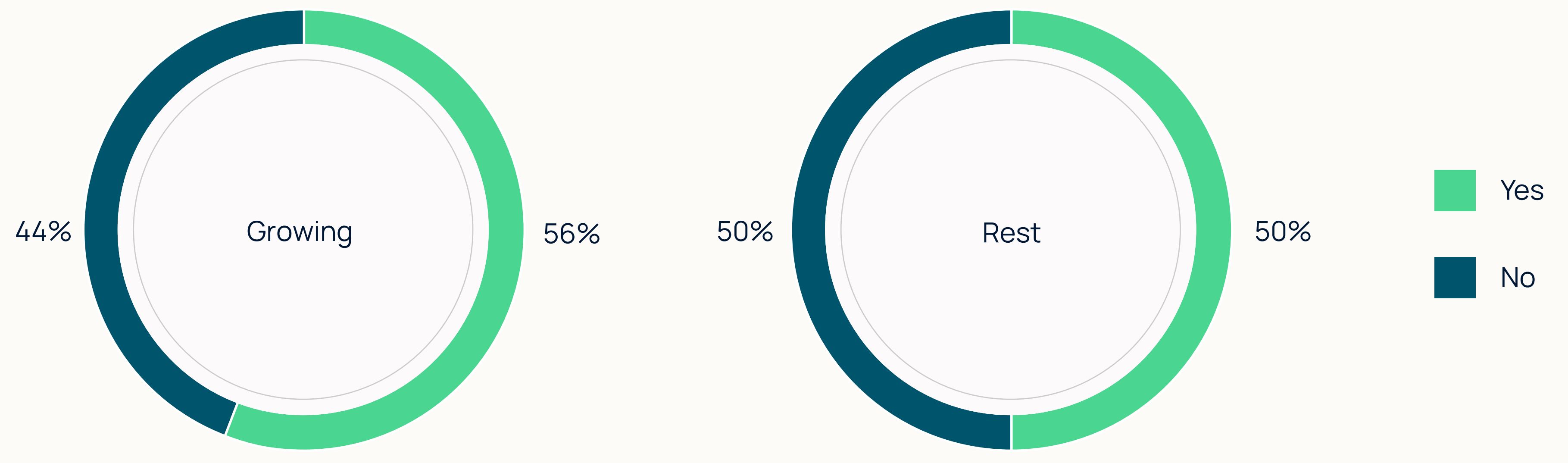
The use of technology to streamline operations and improve efficiency has become a defining theme across industries worldwide, a trend further accelerated by the rise of generative AI and AI in general.

Despite this global momentum, there remains a perception that the asset management industry has been relatively slow to embrace technological innovation. To better understand how the local market is evolving, we asked managers how they apply technology and innovation across their front, middle, and back office functions.

Technology in operations

Across the sample, there was a near-even split between firms that had implemented new technologies for process automation in their operations functions between September 2019 and September 2024, and those that had not.

Chart 44: Adoption of new technology in operations
(For the 5-year period to 30 Sep 2024)



This suggests that operational technology remains an underinvested area for many managers, despite rising cost pressures across the industry. In a climate where efficiency and scale are increasingly critical, automating routine tasks represents a clear opportunity to manage costs and streamline processes.

Managers who reported adopting new technologies in their operations teams cited various tools and systems to improve efficiency, reduce manual processes, and enhance compliance. These included:

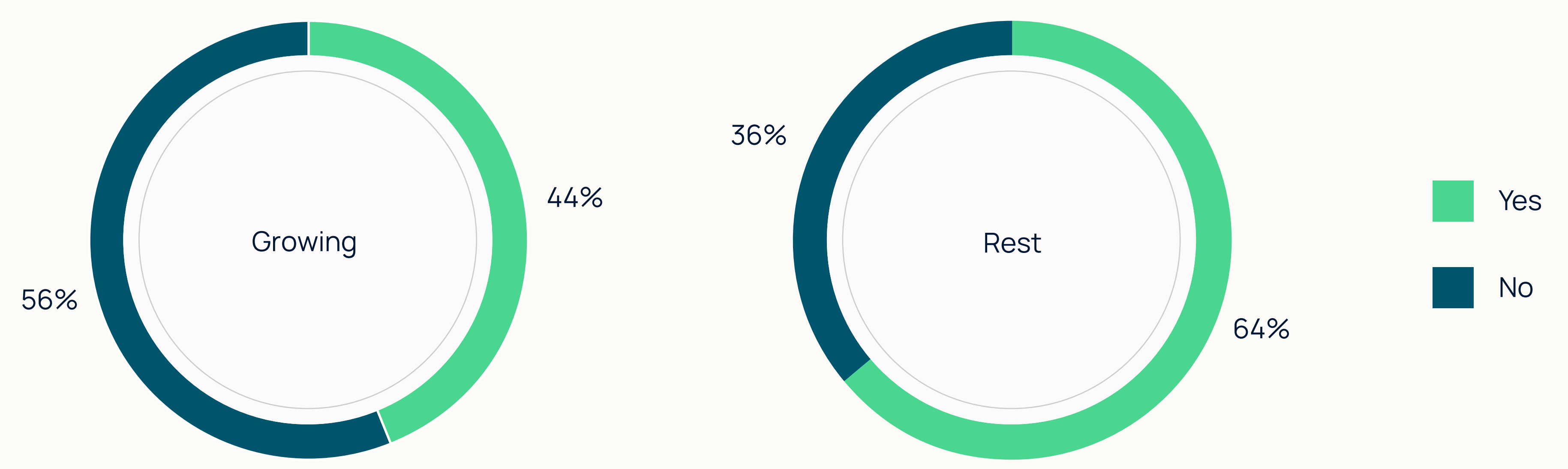
- **Automated reporting and dashboards**: Integration of data from multiple internal sources to support client reporting, management insights, and regulatory compliance.
- **Custom workflow tools**: In-house or vendor-built systems to streamline trade execution, position reconciliation, and creation/redemption processes.
- **Data automation and analytics**: Use of platforms such as Python, Power BI, and SQL-based systems to automate operational tasks and enable real-time data monitoring.
- **Compliance and risk systems**: Fully automated compliance monitoring, including trade, regulatory, and mandate checks, often integrated into internal systems or accessed via web portals.
- **Performance and attribution tools**: Systems that support middle-office oversight, post-trade analysis, and operational performance benchmarking.

Technology in the investment/portfolio management environment

When asked whether they had implemented new technologies in the investment or portfolio management environment over the five-year period to 30 Sep 2024, a larger proportion of firms responded positively, suggesting that innovation efforts have been more focused on front-office functions than on operations.

SECTION 7: OPERATIONS, TECHNOLOGY AND INNOVATION - CONTINUED

Chart 45: Adoption of new technology in portfolio management
(For the 5-year period to 30 Sep 2024)



Interestingly, adoption was more prevalent among managers in the broader sample than in the "growing" cohort. While a slight majority of "growing" managers reported not adopting new technologies in this area, 64% of the rest of the sample said they had.

This finding challenges the widely held assumption that technological adoption in areas like AI and data integration directly correlates with competitive advantage. At least within this sample, there's no clear link between investment tech adoption and business growth.

Firms that reported adopting new technology in the investment environment described a range of enhancements aimed at improving research, execution, risk management, and portfolio construction. These broadly fell into the following categories:

- **Automated data and research tools**: Implementation of systems that automate data collection, portfolio analysis, and investment reporting to support decision-making and reduce manual input.
- **AI and machine learning**: Increasing use of AI-driven data and modelling for portfolio construction, risk management, and to support systematic investment processes.

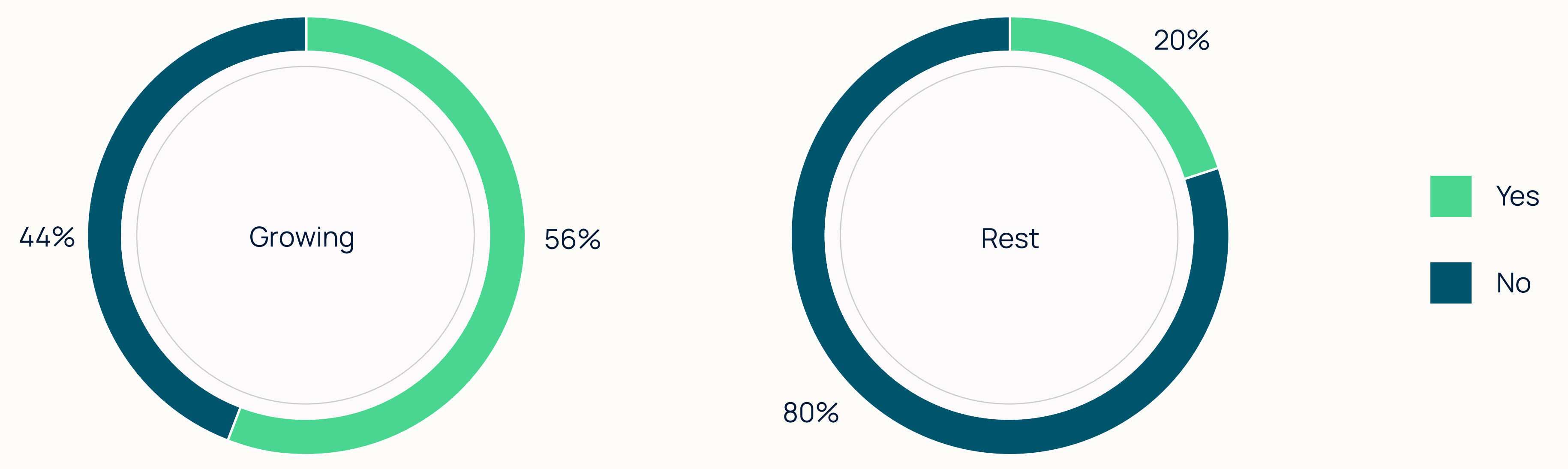
- **Quantitative analytics platforms**: Expanded use of statistical analysis tools and proprietary platforms to process large volumes of global data and deliver investment insights at scale.
- **Integrated trading and compliance systems**: Development or adoption of front-office platforms that combine order management, pre-trade compliance, and execution tracking.
- **Consolidated investment portals**: Creation of internal dashboards or web portals integrating front- and middle-office functions to streamline the investment lifecycle and enhance transparency.
- **Performance and attribution systems**: Tools for real-time portfolio monitoring, risk attribution, and performance analytics.

These developments suggest a focus on embedding data intelligence and automation into core investment processes. Some firms are building proprietary capabilities, and others are integrating off-the-shelf tech solutions into their tech stack.

Technology in distribution

Adopting new technologies within the distribution environment shows a notable divergence. Over half of the "growing" managers reported implementing new tools over the past five years, while a striking 80% of the rest indicated they had not.

Chart 46: Adoption of new technology in distribution
(For the 5-year period to 30 Sep 2024)



This pattern suggests a potential correlation between tech investment in distribution and business success. Firms that do not modernise their distribution capabilities may be less equipped to compete in an increasingly digital and client-centric market.

Managers who reported adopting new technology in their distribution efforts described a shift toward tools that improve client engagement, streamline communication, and enhance due diligence. Common areas of focus included:

- **CRM system integration**: Implementation or upgrades of customer relationship management (CRM) platforms, often integrated with email and workflow tools, to centralise client data, track interactions, and support sales development.
- **Process automation**: Use of automation to streamline repetitive end-of-day tasks, distribute materials more efficiently, and reduce administrative burden in client-facing processes.
- **Digital engagement channels**: Increased use of social media to engage clients and support brand visibility in a more dynamic, accessible way.
- **Due diligence automation**: Initial steps toward automating due diligence workflows, reducing friction in onboarding and ongoing client assessments.
- **Targeted distribution enhancements**: Proprietary improvements to route-to-market strategies tailored to specific client segments.

These investments suggest a growing recognition that distribution success hinges on both data-driven engagement and operational efficiency, especially in an environment where client expectations and competitive pressures are evolving.

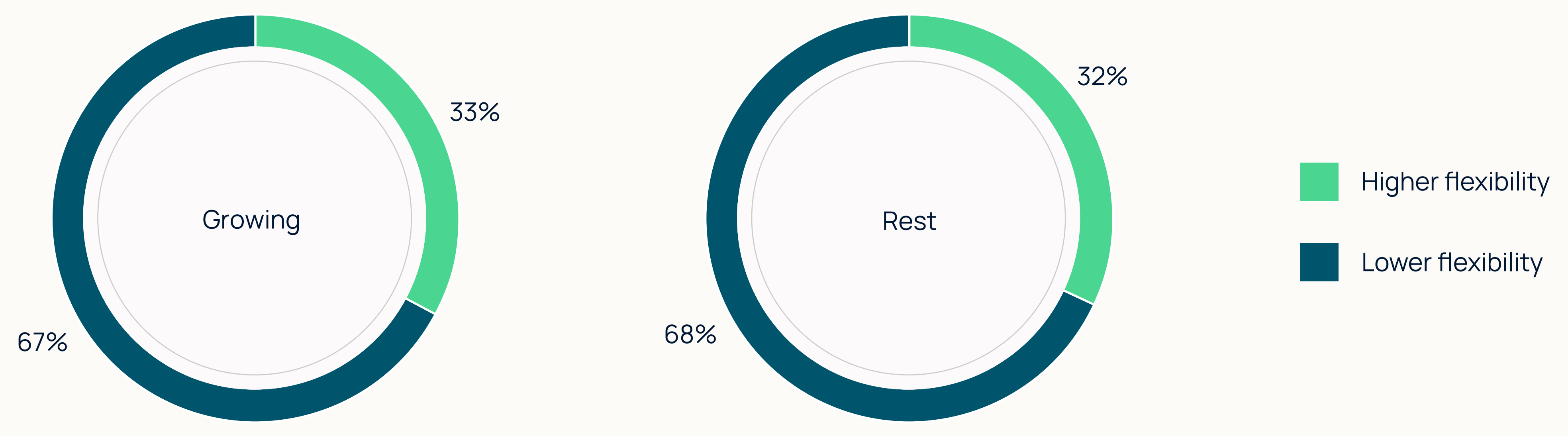
Looking across all three areas (operations, investment, and distribution), an interesting pattern emerges: four of the nine “growing” managers reported adopting new technologies across all three functions, while another four had not adopted any new tech at all. The remaining firm had modernised its operations and distribution, but not its investment environment.

> This suggests that firms embracing technology in one area are often more likely to invest across the business, pointing to an embedded culture of innovation rather than isolated upgrades. For the “growing” cohort, this may be part of a broader strategic orientation that supports agility and long-term competitiveness.

New ways of work

To assess current working models, we asked asset managers about the flexibility they offer staff. Across the sample, around two-thirds of firms maintain a low-flexibility model, requiring employees to be in the office at least four days a week. There was no significant difference between the "growing" cohort and the rest in this regard.

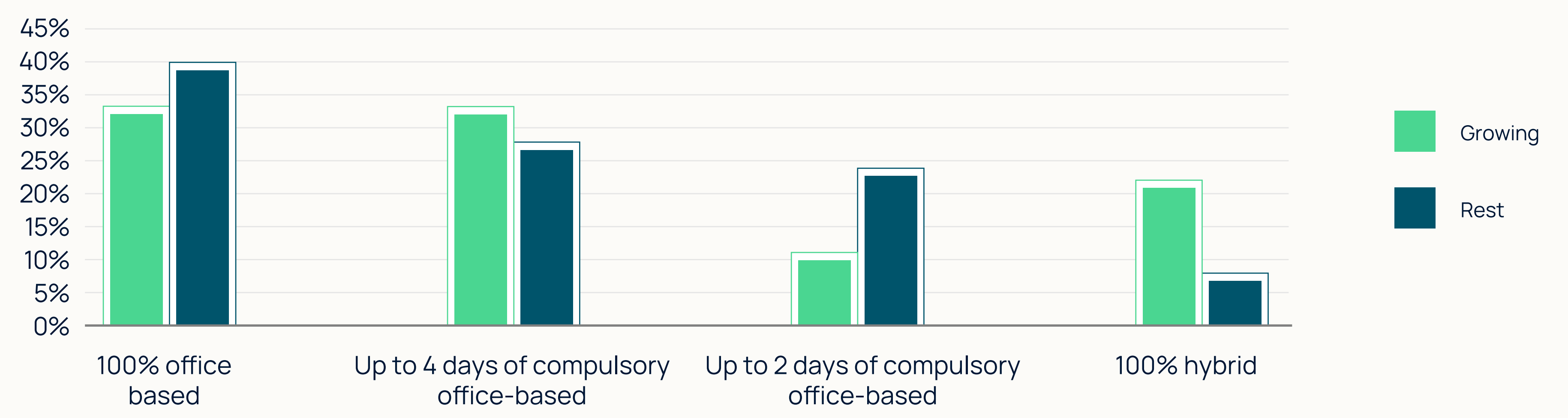
Chart 47: Way of work: High vs low flexibility summary
(As at 30 Sep 2024)



However, a notable contrast emerges when looking one level deeper: 22% of "growing" managers offer full flexibility, allowing employees complete freedom to choose where they work on any given day. In comparison, only 8% of the rest of the sample offer the same.

Interestingly, only one of the "growing" managers follows a moderate-flexibility model (e.g., two days in the office), compared with 24% of the rest. This suggests that growing firms tend to choose either a fully hybrid model or a traditional, office-based one, with little interest in middle-ground approaches.

Chart 48: Work approach distribution by flexibility level
(As at 30 Sep 2024)



While the industry as a whole remains cautious about remote work, likely due to concerns around cybersecurity, collaboration, and mentorship, the “growing” cohort shows signs of making more intentional strategic choices. Rather than defaulting to compromise models, these firms appear to favour clarity: either embracing hybrid models to support agility and autonomy, or maintaining in-person structures to reinforce culture and collaboration.

New fund launches

Managers were asked whether they are considering launching new fund types in the near future, including active ETFs, tokenised funds, and funds focused on digital assets. Unsurprisingly, no respondents indicated plans to launch digital asset funds, and only one reported considering tokenisation. These areas remain well outside the mainstream for now.

However, interest in **active ETFs** is gaining traction. One third of firms across the sample noted they are exploring opportunities in this space, signalling rising awareness of the distribution and access benefits these vehicles offer.

Since the JSE opened the door for active ETF listings in 2022, **30 funds** have been brought to market, with that number expected to double over the next 12 months in response to growing investor demand.

Summary & Observations

1. Technology adoption remains uneven

Technology adoption by asset managers has been mixed across front, middle, and back office functions. The highest uptake has been in the investment environment, while distribution has seen the least innovation. Interestingly, “growing” managers have been more proactive in adopting technology for distribution, whereas the rest of the sample showed higher adoption rates in investment/portfolio management.

2. Hybrid work remains the exception

Most firms continue to favour low-flexibility work models, typically requiring staff to be in the office four days a week. Only a few offer fully hybrid arrangements, which are more common among “growing” managers. Could a more intentional approach to workplace flexibility be giving these firms a strategic edge in attracting and retaining top talent?

3. Active ETFs gaining traction

While managers remain cautious about the more experimental edges of fund innovation, active ETFs are emerging as a credible growth area, particularly for firms looking to reach retail and digital-first investors through more accessible, listed vehicles.

SECTION 8

Market positioning & competitive landscape

SECTION 8: MARKET POSITIONING AND COMPETITIVE LANDSCAPE

Overview

In an increasingly competitive South African asset management landscape, we set out to understand which characteristics managers believe differentiate successful firms.

We approached this from two angles:

i. By asking managers what they view as the most important competitive advantages for asset managers in general; and
ii. By asking what they believe to be their own firm's most significant differentiators.

The responses revealed interesting distinctions, not only between general perceptions and self-assessment, but also in comparison to insights from previous research with fund buyers, who often prioritise different attributes when selecting managers.

Perceived competitive advantages

Across the sample, managers identified the three most important competitive advantages for asset managers as:

1. Track record
2. Team, skill and experience
3. Investment philosophy and process

Key takeaways

1. Track record, team expertise, and investment philosophy are consistently viewed by managers as the most important factors of competitive advantage.
2. While culture is not widely recognised across the industry as a differentiator, many "growing" managers believe it gives their firms a meaningful edge.
3. There is a near-unanimous consensus that further consolidation in the South African asset management industry is both likely and necessary.

SECTION 8: MARKET POSITIONING AND COMPETITIVE LANDSCAPE - CONTINUED

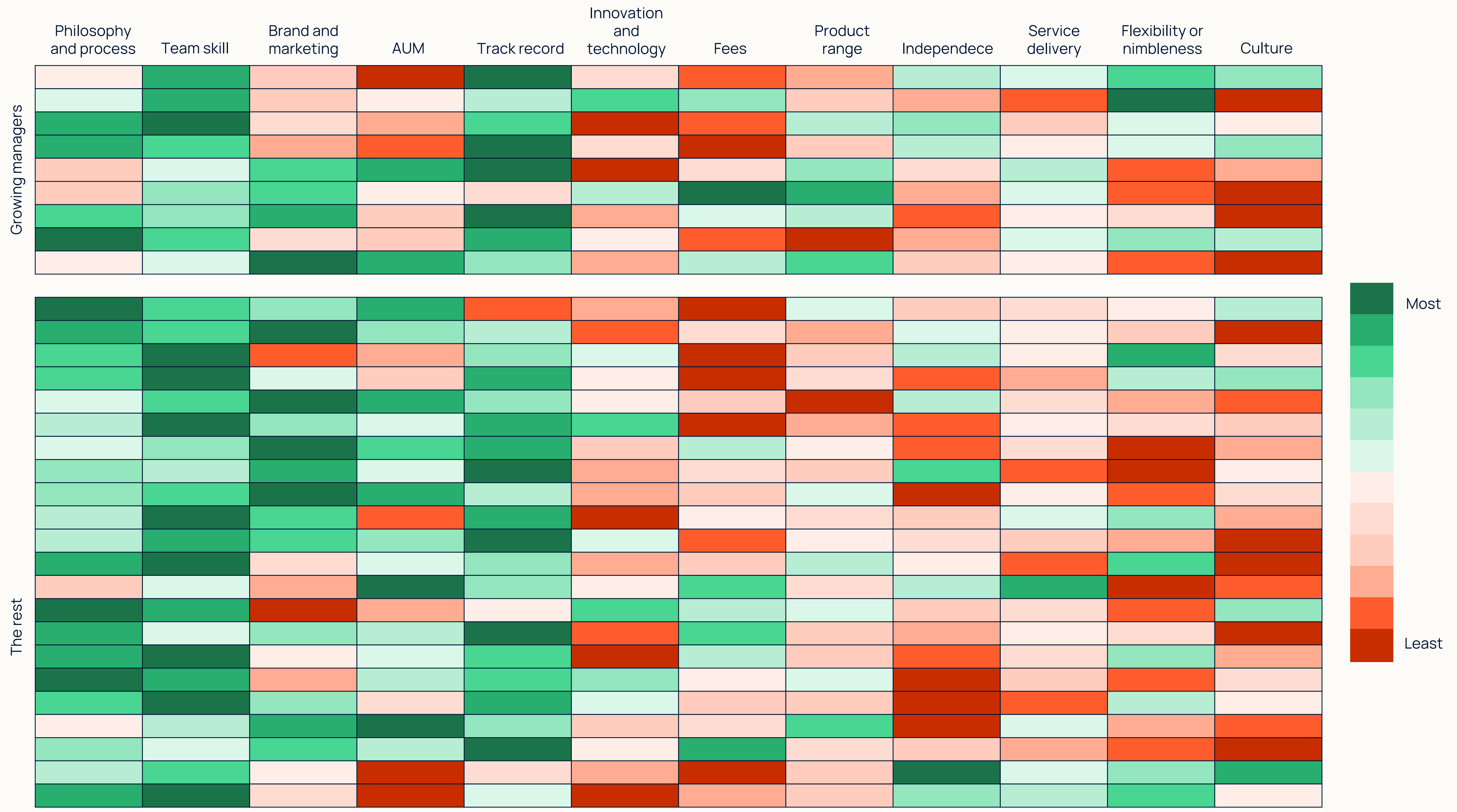
While these themes were consistent across respondents, there were subtle but noteworthy differences in how "growing" managers ranked them compared to the rest of the sample.

Rank	Growing managers	Rest of the sample
1	Track record	Team, skill, and experience
2	Team, skill, and experience	Philosophy and process
3	Philosophy and process	Track record

"Growing" managers emphasised track record as the leading competitive advantage, which may reflect their experience with institutional allocators, who often use performance history as a gating factor for selection.

In contrast, other managers placed the most weight on the quality of their team, followed by investment philosophy and process.

Chart 49: Heat map of competitive advantages of asset managers from most (1) to least (12)
(As at 30 Sep 2024)



* Three managers did not provide data for this question.

At the other end of the scale, the characteristics considered **least important** as competitive advantages were:

1. Culture
2. Innovation and technology
3. Independence
4. Fees

This suggests that internal ethos, operational innovation, and even pricing strategies are not widely perceived as decisive differentiators in a competitive landscape. While these factors may contribute to overall business health, they are not what managers believe sets firms apart in the eyes of allocators. Instead, the emphasis remains on proven delivery in terms of investment approach, people, and process.

Own perceived competitive advantages

When managers were asked to identify what they believed to be their own competitive advantages, they offered a slightly different perspective from their views on the industry more broadly.

Once again, the **top three perceived advantages** across the whole sample were:

1. Team, skill, and experience
2. Philosophy and process
3. Track record

In this case, both the "growing" cohort and the rest of the sample ranked these in the same order, suggesting a shared view of what differentiates them internally.

SECTION 8: MARKET POSITIONING AND COMPETITIVE LANDSCAPE - CONTINUED

Interestingly, while "growing" managers had earlier named track record as the top competitive advantage for asset managers in general, they placed it only third when assessing their own firms.

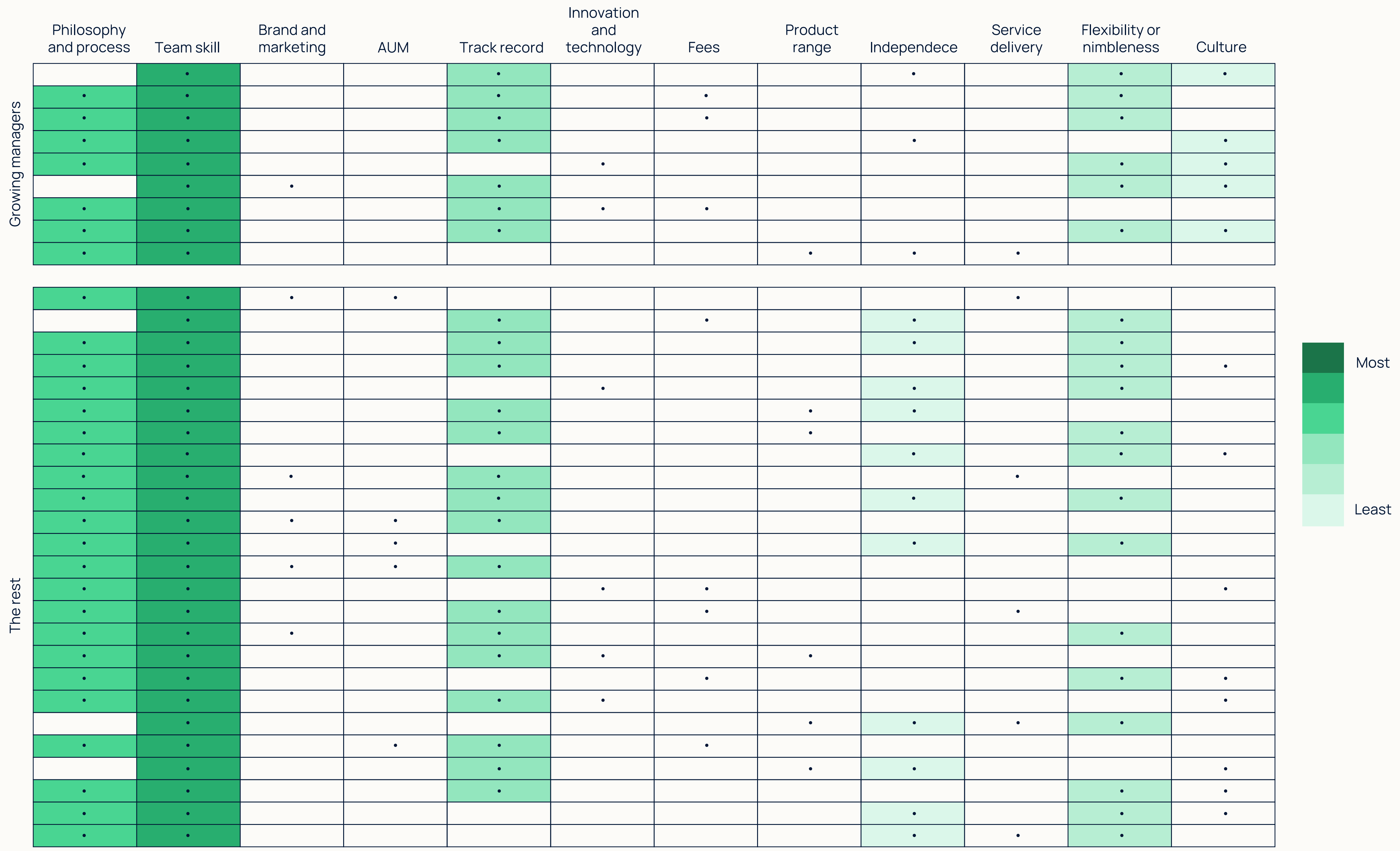
This may reflect a degree of humility or a recognition that their own track records are still being established.

Both groups also agreed on a fourth perceived strength:

- Flexibility and nimbleness

This is notable given that flexibility was not widely viewed as a key industry-level advantage in the earlier question. It suggests that many managers, especially smaller ones, see it as a unique internal strength, even if they don't believe it's widely valued in the market.

Chart 50: Heat map distribution of what managers believe to be their top 5 competitive advantages
(As at 30 Sep 2024)



It's worth considering that this may reflect a bias introduced by the sample's composition.

The majority of respondents have less than R20 billion in AUM and are naturally predisposed to favour characteristics that play to the perceived strengths of smaller managers, such as agility and responsiveness. Larger managers in the sample (with over R100bn AUM) did not cite flexibility as a competitive advantage, either at an industry level or for themselves.

Where the two groups diverged was on the **fifth-ranked advantage**:

- For "growing" managers: **Culture**
- For the rest: **Independence**

Once again, both were rated relatively low when asked about industry-wide advantages, but appear to hold internal significance for many firms.

The fact that culture was elevated by "growing" firms is particularly meaningful. As allocators increasingly consider how managers do what they do, particularly in a market where investment strategies are often similar, culture is emerging as a real point of differentiation. "Growing" firms may be ahead of the curve in recognising this shift.

At the other end of the scale, very few managers claimed **brand, marketing, or AUM** as personal competitive strengths, despite recognising their importance at the industry level. This is almost certainly influenced by the nature of the sample, which includes mostly boutique and mid-sized firms without the scale or marketing budgets of the country's most prominent players.

Comparison with allocator views

It is helpful to compare managers' perspectives with previous insights we gathered from allocators.

In **IMG's 2018 Boutique Study Survey**, we asked IFAs, DFMs, and multi-managers which factors most influenced their decisions when selecting managers. While the specific options presented in that study don't align perfectly with those in the current survey, meaningful parallels can still be drawn.

SECTION 8: MARKET POSITIONING AND COMPETITIVE LANDSCAPE - CONTINUED

Across the allocator sample, the **top two factors** were:

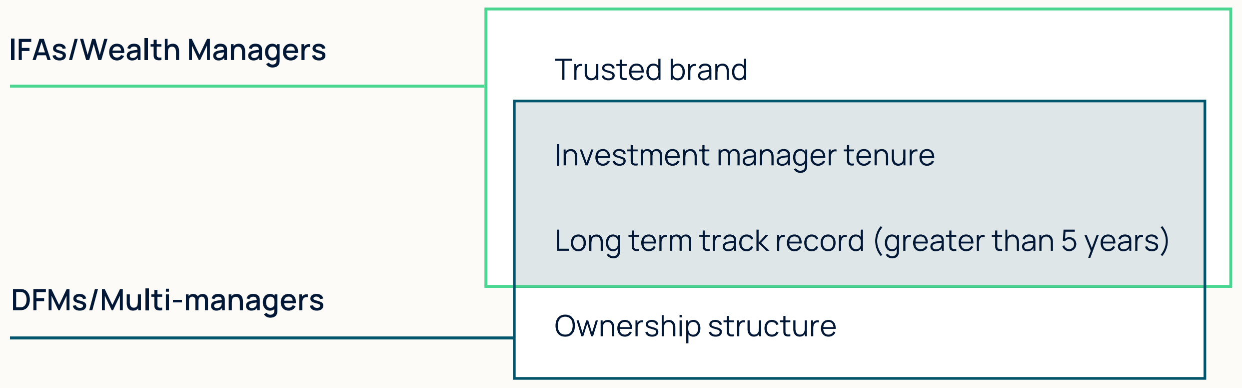
1. Long-term track record
2. Investment manager tenure

These closely reflect the emphasis on track record and team skill/experience as key competitive advantages.

Both IFAs and DFMs agreed on the importance of long-term performance and experienced teams. However, their differing third-ranked factors suggest distinct client dynamics.

- For IFAs, it was **trusted brand**
- For DFMs and multi-managers, it was **ownership structure**

Most important factors that influence investment manager selection



For IFAs, a trusted brand may serve as reputational insulation, offering a defensible choice when clients question short-term underperformance. Familiarity can breed confidence, and perception may carry as much weight as performance in a retail context.

By contrast, DFMs appear more focused on business fundamentals. Their emphasis on ownership structure likely reflects concerns about incentive alignment, governance, and long-term sustainability – matters less influenced by brand equity and more by organisational resilience.

SECTION 8: MARKET POSITIONING AND COMPETITIVE LANDSCAPE - CONTINUED

This distinction highlights the need for asset managers to tailor their messaging:

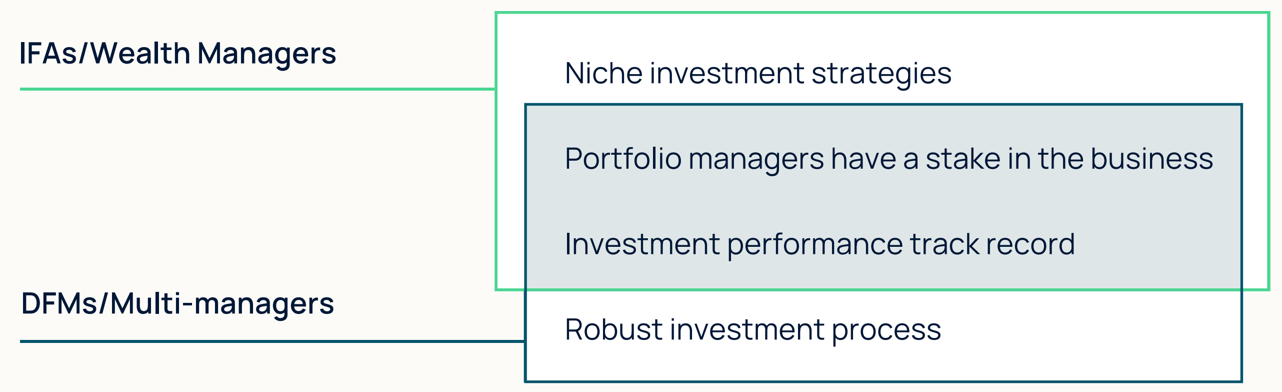
- **For IFAs**: Emphasise brand credibility and client-facing support
- **For DFMs**: Focus on ownership alignment, governance, and long-term business viability

The 2018 survey also explored allocator attitudes toward boutique (independent) firms. A consistent finding was that regardless of the firm's structure, allocators valued a strong track record and a robust investment process, aligning with the top priorities identified by asset managers.

Reasons for not allocating to boutiques

IFAs/Wealth Managers	DFMs/Multi-managers
Brand and investment team unknown	Key investment manager risk and not available on platforms

Top factors when selecting a boutique manager



A notable disconnect remains: allocators view ownership structure as a key differentiator while managers generally do not rank independence as a significant competitive advantage, either at an industry level or within their own businesses.

SECTION 8: MARKET POSITIONING AND COMPETITIVE LANDSCAPE - CONTINUED

Consolidation

In the survey's final question, we asked asset managers whether they believe that further consolidation in the South African asset management industry is either inevitable or necessary.

> An overwhelming 97% answered "yes."

Managers pointed to a confluence of pressures reshaping the landscape and making scale increasingly critical for survival:

- A proliferation of sub-scale managers operating in a crowded market.
- Persistent economic challenges and slow local growth.
- Increasing regulatory demands.
- Rising costs and sustained pressure on fees.
- Heightened competition for a limited pool of assets.

These factors are not new, but the urgency appears to have accelerated. Respondents noted that scale not only brings cost efficiencies but also enables broader distribution reach, access to deeper investment capability, and improved operational resilience.

One respondent observed:

> *There are too many managers below scale, and not enough diversified products. Consolidation is imperative to take on the incumbents who control market share and flows.*

Another added:

> *There is simply not enough AUM to sustain the number of managers in the market, and the barriers for new entrants remain high. Larger players will likely continue to acquire or partner with smaller firms.*

SECTION 8: MARKET POSITIONING AND COMPETITIVE LANDSCAPE - CONTINUED

Interestingly, a minority voice cautioned that consolidation is not a panacea:

> *A vibrant industry needs a variety of participants to stimulate innovation and provide choice. Consolidation at the higher end is not always compensated for with new entrants at the bottom.*

That said, the prevailing sentiment reflects what is already visible in the market. In recent years, we've seen a wave of mergers, acquisitions, and joint ventures, including:

- **Counterpoint**, **RECM** and **Bridge** merging to form **Merchant West Investments**.
- **Laurium Capital** acquiring **Tantalum Capital**.
- **Taquanta** acquiring **Ngwedi**.
- **10X** acquiring **CoreShares**.
- **Aluwani** merging with **Afena** and forming a joint venture with **Franklin Templeton**.
- **Stanlib** partnering with **JP Morgan**.
- **Ashburton** entering a joint venture with **Morgan Stanley**.
- **Denker's** relationship with **Janus Henderson**.
- **Ninety One's** planned acquisition of **Sanlam Investments**.

These moves suggest consolidation is no longer a prediction but a present reality. The question is no longer if consolidation is coming, but how many firms will remain standing when the dust settles?

Summary & Observations

1. Key differentiators

South African asset managers broadly agree that a strong track record, an experienced team, and a clear investment philosophy and process are the most important competitive advantages in the industry. These views align well with what allocators themselves prioritise when selecting managers.

2. Flexibility vs recognition

While flexibility and nimbleness are not widely regarded as industry-level differentiators, several firms believe these attributes are core to their own edge. Is this a disconnect between perceived and actual value? Or does it highlight a belief that such advantages are real but underappreciated by allocators?

3. The emerging role of culture

Culture was not commonly cited as a competitive advantage across the industry, yet it featured more prominently among "growing" managers. Could this signal that these firms are attuned to a shift in allocator preferences, one that the broader market has not yet caught on to?

4. Underplaying brand and scale

Most managers do not consider brand strength, marketing, or AUM core to their own success, despite acknowledging these as advantages at an industry level. This is especially notable given that IFAs ranked a trusted brand as the third most important factor when choosing a manager. Does this suggest a gap between internal perceptions and external expectations?

5. Consensus on consolidation

Nearly all managers believe further consolidation in the South African asset management industry is both inevitable and necessary. With intensifying competition, regulation, and cost pressures, consolidation is expected to remain a defining theme in the years ahead.

SECTION 9

Conclusion

CONCLUSION

Conclusion

In analysing these findings, three key differentiators appear to distinguish the "growing" managers in this sample. These are factors outside of investment performance – which did not fall within the scope of this survey.

1 Their record on transformation and progress on B-BBEE.

"Growing" managers have shown more consistent improvement across a range of transformation metrics than their peers. In particular, they have been significantly more successful in building diverse investment teams.

2 These managers appear to be more investment focused.

This is reflected in the fact that 89% of "growing" managers reported that investment teams constitute more than half of their total staff, compared to just 41% for the rest of the sample.

3 "Growing" managers exhibit far higher rates of investment team ownership.

Nearly 80% of this group indicated that their investment teams hold more than 50% of the business, compared to only 48% among their peers.

A key question is whether these are structural advantages that will continue to differentiate managers over time, or whether they reflect cyclical dynamics specific to the recent period.

CONCLUSION

Establishing further empirical evidence will help clarify this distinction. Repeating this research in two years will allow us to test the persistence of these patterns.

A follow-up study will also enable us to revisit four key themes shaping the industry:

1 Transformation

Will local managers sustain or accelerate their transformation efforts? In particular, will they meaningfully improve female representation in senior investment roles, and address the underrepresentation of black females across their organisations?

2 B-BBEE evolution

How will BEE legislation and expectations evolve, and how will asset managers respond? Will allocators reward those demonstrating leadership in transformation, or will a more targeted focus be the more successful strategy?

3 ESG adoption

"Growing" managers in this study showed greater adoption of ESG principles. Will they maintain this edge as the global ESG conversation becomes increasingly polarised? How will managers adapt their frameworks, and how might allocator expectations shift in response?

4 Industry consolidation

The overwhelming majority of managers believe further consolidation is inevitable or necessary, yet few have acted. Will the pace of mergers and acquisitions increase meaningfully? Will consolidation occur between smaller firms with complementary strategies, or will one or two larger players absorb a series of sub-scale competitors? Could we even see a landmark merger that reshapes the industry landscape?

An additional question is how allocators themselves may respond. As firms consolidate, will allocators lean toward larger platforms for perceived stability, or will they remain committed to the boutique value proposition?

These are critical developments to watch. We look forward to revisiting these questions in two years to understand how the industry has evolved and what it signals for the future of South African asset management.

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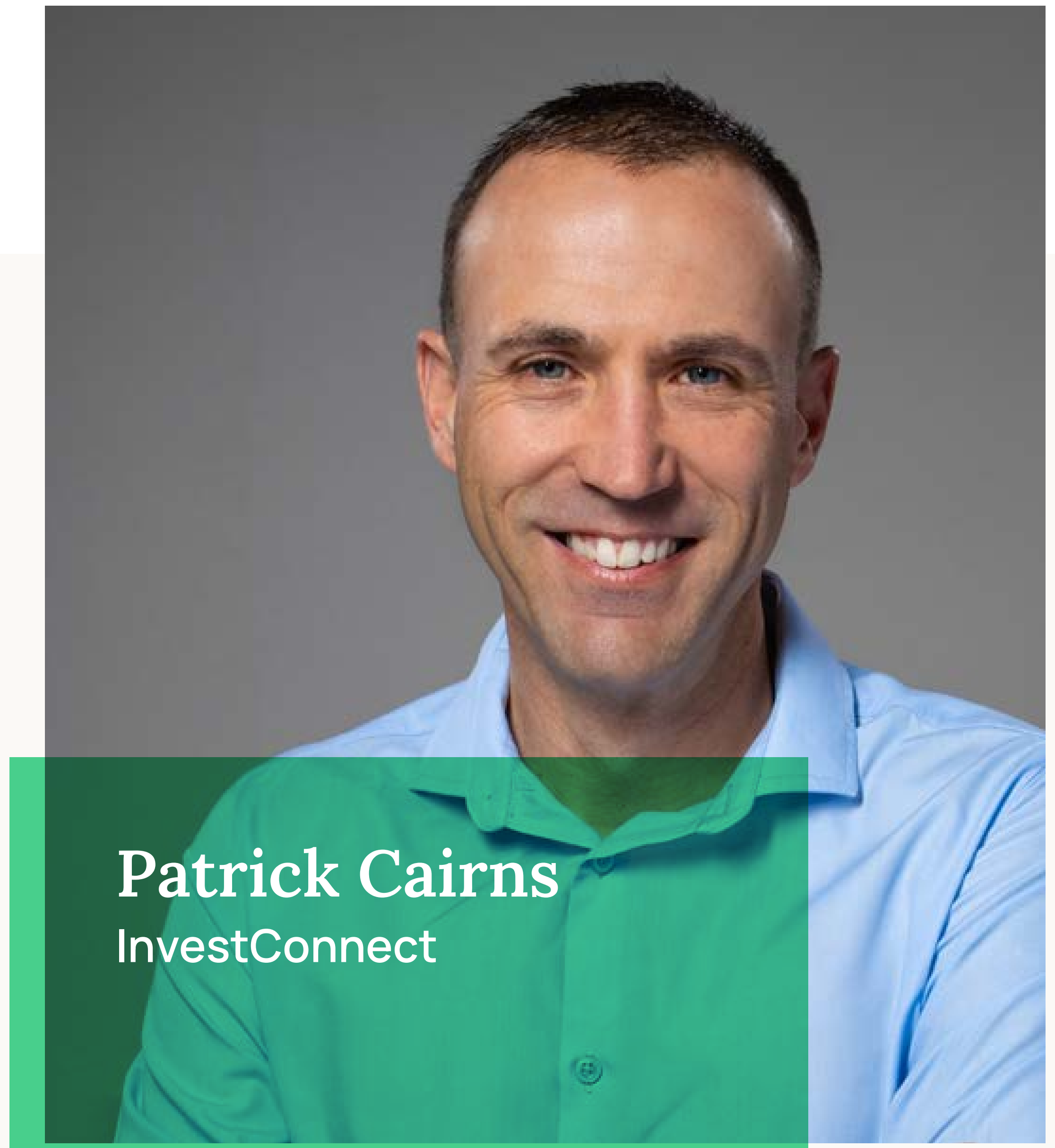

Patrick Cairns
InvestConnect

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