



Investments

Transformation landscape of South Africa's investment industry over time

ENTER



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Transformation Survey

- > The Alexander Forbes Investments Manager Research Team examined transformation relating to the organisation’s experiences, practices and factors that foster transformation. As part of our 2020 efforts and drive concerning transformation, we conducted an industry-wide survey to analyse the data and draw findings from.
- > We explored to what extent companies used B-BBEE and other transformation initiatives to empower their businesses and help transform South Africa’s economic transformation.



“Transformation is a key strategic initiative for the Alexforbes group.

We are a company that prides itself in providing independent advice to corporates, funds and Individuals to have a meaningfully positive impact on them. We are also a large multi-manager that allocates assets to asset managers whom we believe will add significant value to our clients. We take these roles very seriously and ultimately we know that true transformation and impactful investing will deliver the sustainable results that our clients deserve.

Dawie de Villiers, Alexforbes CEO ”

We sent the survey to 142 asset managers and received 68 completed surveys. A total of 18 asset managers notified us that they opted out of participating in the survey, while the rest did not send any communication on why they would not participate. We hoped that the opportunity to complete the questionnaire would prompt a transformation journey and gain insights.

Survey sent to

142
asset managers

68
participated

18
opted out

Shortcomings: We asked asset managers to give us data for 10 years. However, some asset managers gave us data for shorter periods. Some gave us incomplete data even though they have been operating for over 20 years, which is disappointing.

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Overview



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Summary

Black economic interest across roles has improved; there has been a collective move away from the lower band, 0% to 20%, to the higher bands. However, males still have better black economic interest compared to females.

Economic interest

More firms are rated as Level 1 and Level 2 contributors, which shows that at a firm level there's change happening. However, asset managers still have a long way to go to address racial and gender parity.

B-BBEE

Assets under management are still concentrated in the top 10 asset managers. If we look at the asset class breakdown of the R5.1 trillion AuM, the multi-asset class still holds the largest market share while equity interest continues to narrow.

AuM

Racial breakdown

Whites still hold most of the positions – from executive directors, CEOs, CIOs and portfolio managers to the overall employee complement (back office). For the first time, black analysts hold the same number of roles as white analysts.

Gender

Males still hold most of the positions when compared with females – from executive directors, CEOs, CIOs, portfolio managers to investment analysts. The only department where females hold most of the positions is in the overall employee complement (back office).

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**Assets under
management**



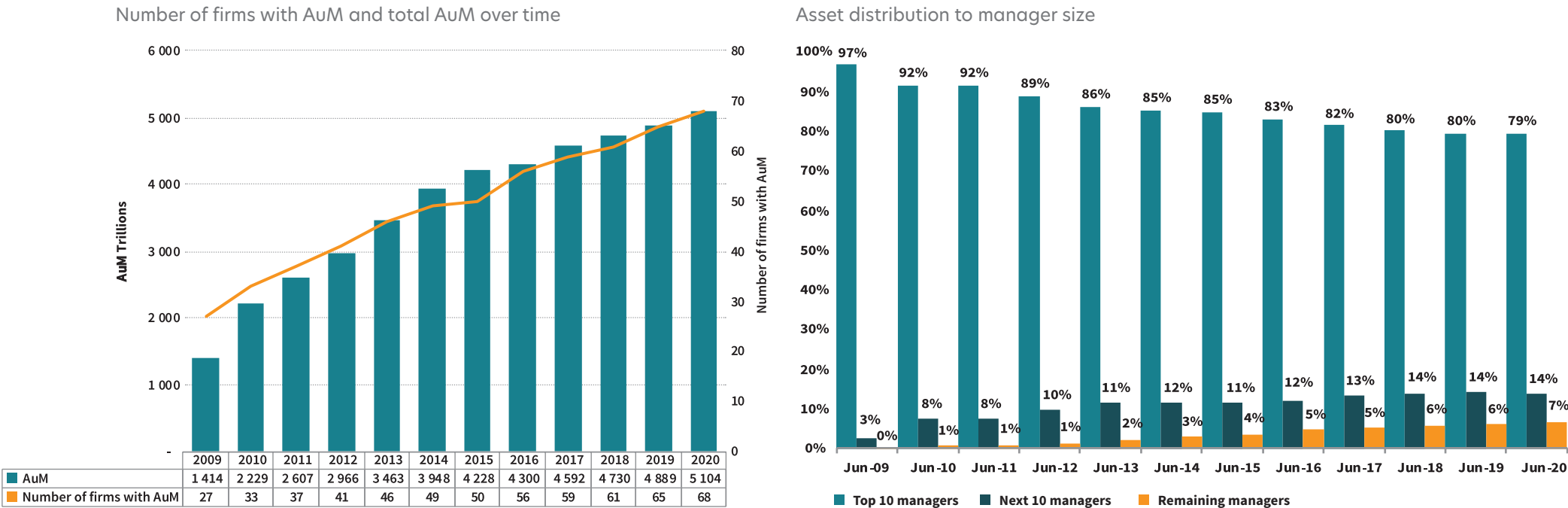
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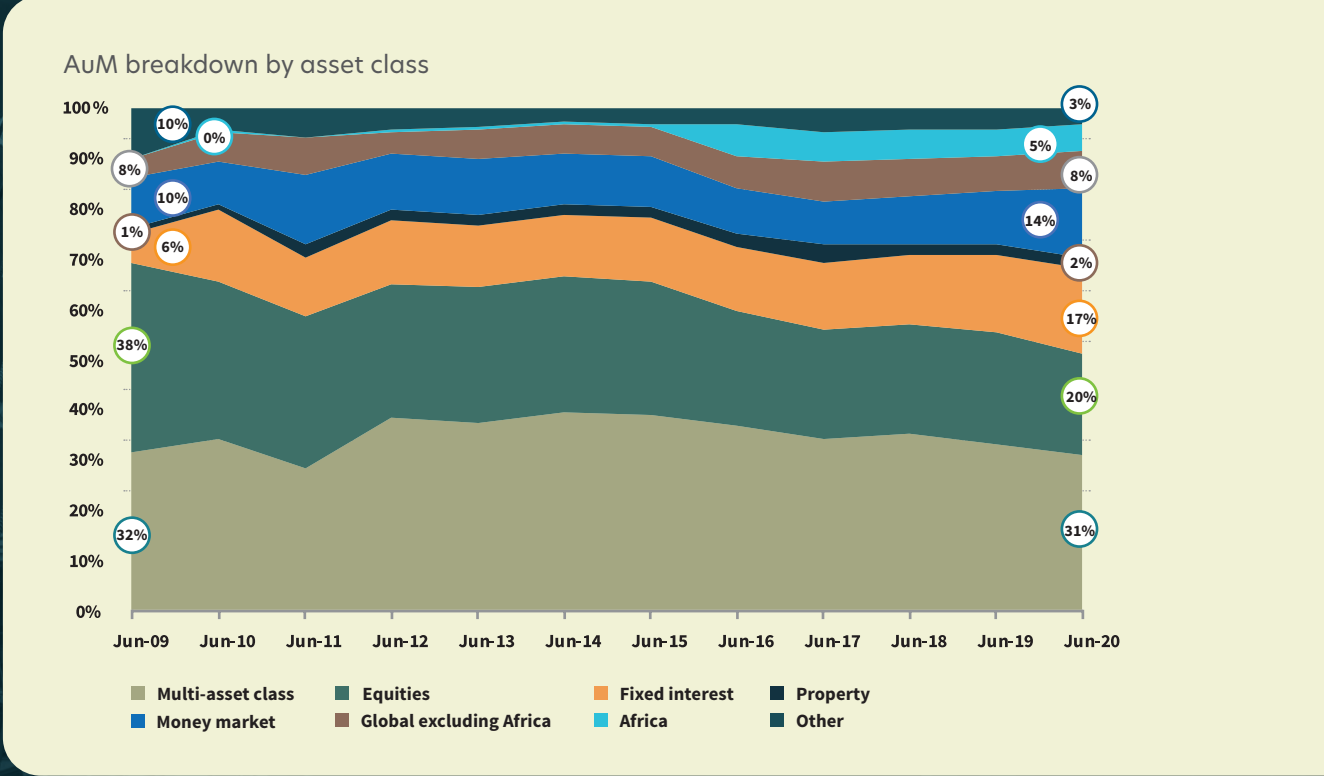


The number of firms with AuM has improved over the years

- We received completed surveys from 68 asset managers totalling R5.1 trillion in assets under management (AuM). In 2009, out of the 68 managers that submitted data for the survey, only 27 firms had assets under management; however, this number has improved over the years. In June 2020, only 11 managers had AuM of less than R1 billion, with most asset managers falling in the R5-R15 billion AuM range.
- The percentage of asset distribution by top 10 asset managers has been gradually decreasing over time, although these asset managers still dominate the industry. The percentage of asset distribution of the next 10 asset managers has been growing, although it has been stagnant for the past three years. The remaining asset managers have gained only 7% of the total AuM in the past 10 years. This shows that it is challenging for the smaller asset managers to accumulate assets for a number of reasons.



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When we look at the asset class breakdown of the R5.1 trillion AuM, the multi-asset class still holds the largest market share, while equity interest continues to narrow. Fixed income, global and Africa continue to widen and gain market share.

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Leadership



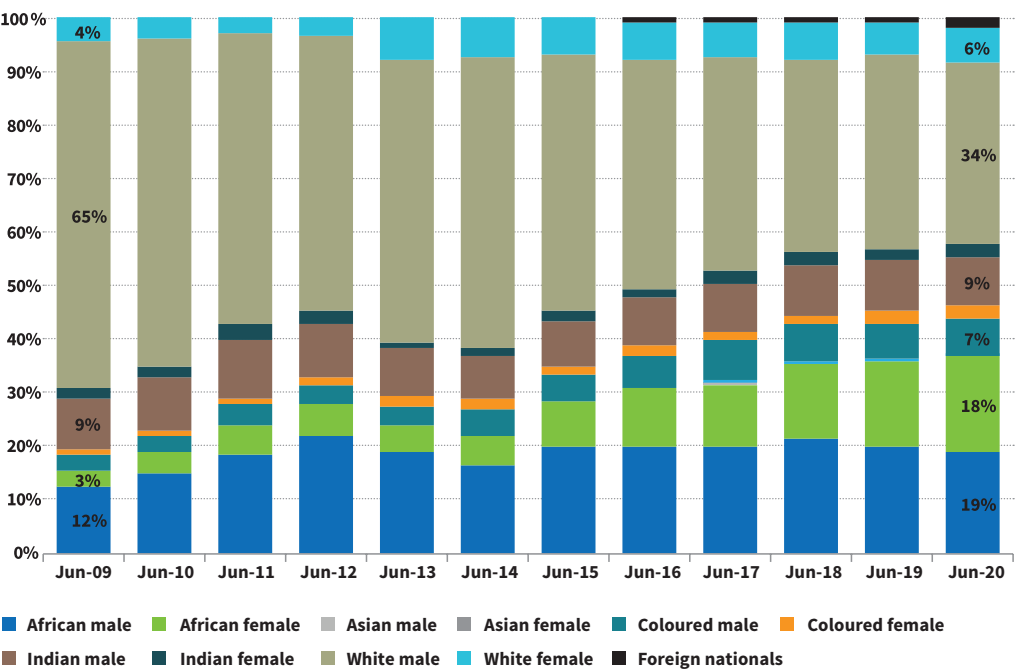
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Demographic representation of executive directors, over time



In 2020, 262 board members across the asset managers submitted data. The oldest board member was 82 years old, while the youngest board member was 32 years old. The average age of a board member was 47 years.

Over time we can see the representation of white males reducing and distributing that change to other demographics. White males used to account for 65% of executive directors and currently they account for 34%. African male and female executive director representations have improved over the years from 12% to 19% and from 3% to 18% respectively. What is disappointing to see is how Asians, Coloureds and Indians only represent 20% of board members among them. The three racial groups have experienced minimal to no change in board representation over the years. Foreign nationals that are executive board members represent 2% only.

Looking at gender diversity across races, we see that the number of women represented on boards continues to be low. In 2009, males occupied 90% of board seats while females held only 10%. In 2020, males held 70% of board seats while females held only 30%. Although it is encouraging to see more females and racial groups represented on boards, the industry still has some way to go to address gender and racial parity.

Chief Executive Officer (CEO)

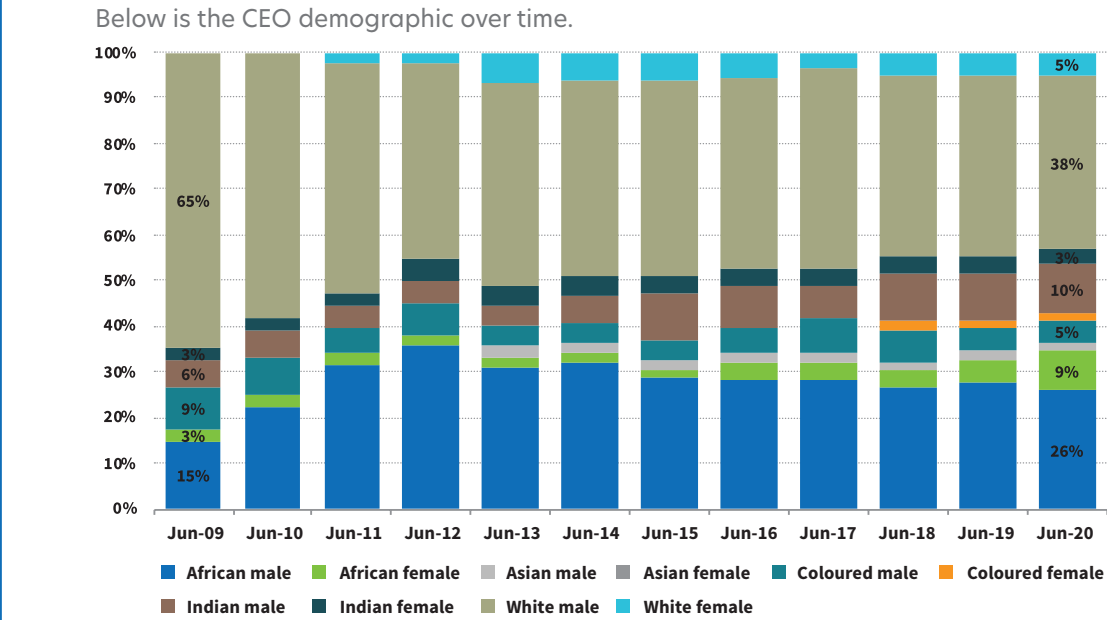
White males still hold most CEO positions

As of June 2020, the oldest CEO across the asset managers was 60 years old, the youngest was 34 years old and the average age of a CEO is 46 years. From the data, in 2020, females across all races only hold 19% of CEO positions, while males hold 81% of the positions.

In 2009, 94% of CEO roles were held by males while females held only 6%. This shows that the investment industry is still dominated by male CEOs although the narrative has been gradually changing over the years even if it is in small increments. We can only hope this trend continues until gender equality is achieved in the industry.

The number of African females in CEO positions grew the most over the past 10 years, followed by Indian males and females. African females held 9% of CEO positions in June 2020 compared with 3% in June 2009.

The growth of the three groups shows the deliberate transformation efforts the industry has been focusing on, along with the fact that more females have been opening investment businesses. The number of Coloured and white



male CEOs has been decreasing over the years. White males now hold 38% of CEO positions in the industry from 65% in 2009. Coloured males now hold 5% of CEO positions from the 9% in 2009.

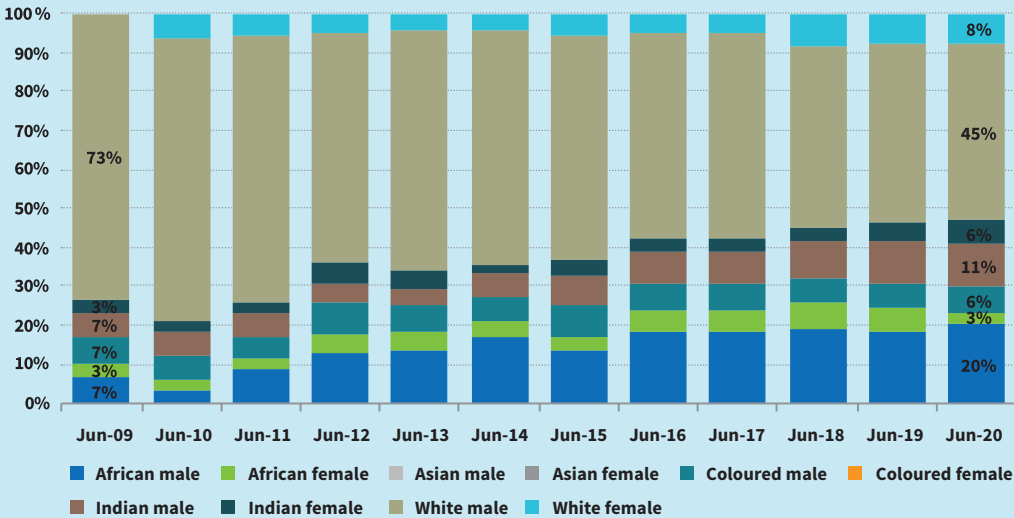
African males reached their peak in June 2012 with 36% of CEO positions. However, the number has been gradually decreasing. What is interesting to observe from the data submitted by asset managers is that we do not have any foreign nationals or Asian females who are CEOs.

Chief Investment Officer (CIO)

White males still hold most CIO positions

- Over the past 10 years, African males, Indian males and Indian females experienced growth in the number of CIO positions that they held. Two possible reasons might have attributed to this:
 - They were promoted to these roles on merit within the company.
 - They opened their own firms and held these positions.
- The number of African female CIOs was growing over the years but after reaching a peak of 6% in June 2018, the number started decreasing. From June 2020, African females held only 3% of CIO positions. White males still hold most CIO positions at 45%. It took 10 years for this number to reduce by 28%.
- Asian males, Asian females and Coloured females have not held a CIO position in the past 10 years according to the data submitted by asset managers.

Males across races still hold most CIO positions at 83%. Females across races hold only 17% of CIO positions in 2020 – a number that grew by only 10% from June 2009. A question that lingers is:



Will it take the industry another 10 years for females to hold at least 30% of CIO positions?

In June 2020, the oldest CIO was 67 years old and the youngest 30 years old. The average CIO is 47 years old. Over the years, the number of firms that have CIO roles has increased from 29 in June 2009 to 64 in June 2020.

Investment team

Let’s look at portfolio managers and then at investment analysts in terms of race, gender, education and tenure.

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From the 68 asset managers that submitted their data, in June 2020 the total investment team is made up of 915 professionals:

 - 540 are portfolio managers
 - 388 are investment analysts

An asset manager with the biggest investment team has 47 portfolio managers and 98 investment analysts.

Portfolio managers

Race

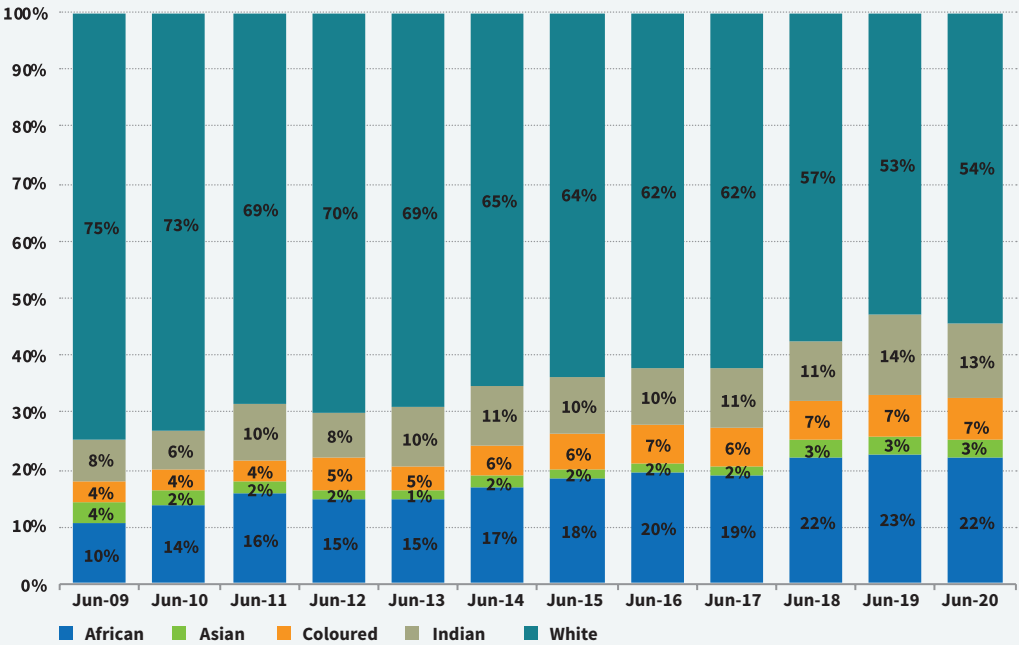
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The graph on the right shows race over time and how it has changed. White portfolio managers still hold most roles with 54% representation; this number has been decreasing over time. The portfolio managers show a positive shift from one race to other races. The percentage change in white portfolio managers over time has mostly shifted to Indians who currently represent 13% of total portfolio managers. Over the 10 years, Indian portfolio managers have grown by 7.9%. Africans and Coloureds have also experienced growth of 4.8% and 5.3% respectively over 10 years. Asians have always held minority portfolio manager positions.

Gender

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Females represent only 21% of portfolio manager roles while males represent 79%. In 2020, there were 108 African portfolio managers across genders compared with 11 in 2009. South Africa still has a long way to go as far as gender parity is concerned.





Education

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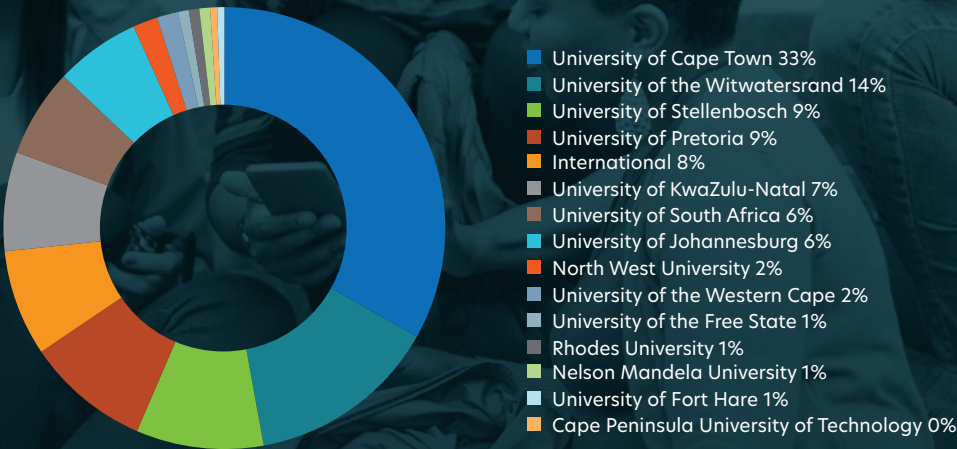
A total of 183 portfolio managers hold a CFA qualification which represents 34% of the portfolio manager pool:

 - 115 are chartered accountants
 - 41 hold MBA qualifications
 - 6 hold PhDs

The high number of CFA charterholders shows the significance of this qualification in the South African investment industry.

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The pool of universities is diverse where the portfolio managers completed their undergraduate or postgraduate degrees, with the University of Cape Town (UCT) holding the majority share. Looking at the data, we notice that there are portfolio managers who graduated from a technical university (Cape Peninsula University of Technology – Pentec). This is encouraging although the number is small.



Tenure: The average number of years a single portfolio manager has spent with their current employer is 8.5 years. The minimum is 0.04 years and the maximum tenure is 39 years. Average AuM that a single portfolio manager looks after has decreased from R13.9 billion in 2009 to R9.5 billion in 2020.

Investment analysts

Taking a step further and looking at the 388 investment analysts, let's see how the industry has changed over the years.

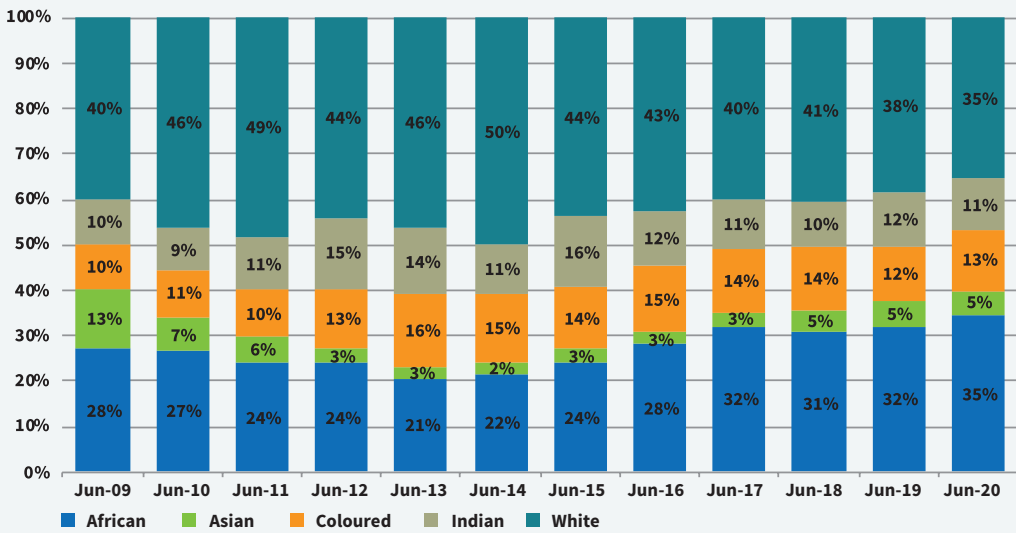
Africans currently hold 35% of investment analyst roles for the first time in 10 years

Race

- One observation that stands out from the graph on the right is that Africans currently hold 35% of investment analyst roles for the first time in 10 years, which is equal to the representation of whites.

In 2020, there were 136 investment analysts compared with 11 in 2009. Africans, Asians and Coloureds are the three races that experienced growth over one year, growing by 8%, 9% and 1% respectively. Indians have been struggling to grow over the years: they reached a 16% peak in 2015 but have been losing their share since then.

For the first time, Africans and whites have an equal share in investment analysts' roles. This shows a different picture from the data of CEOs, CIOs, executives and portfolio managers earlier. The next step is to see this number grow further.



Gender

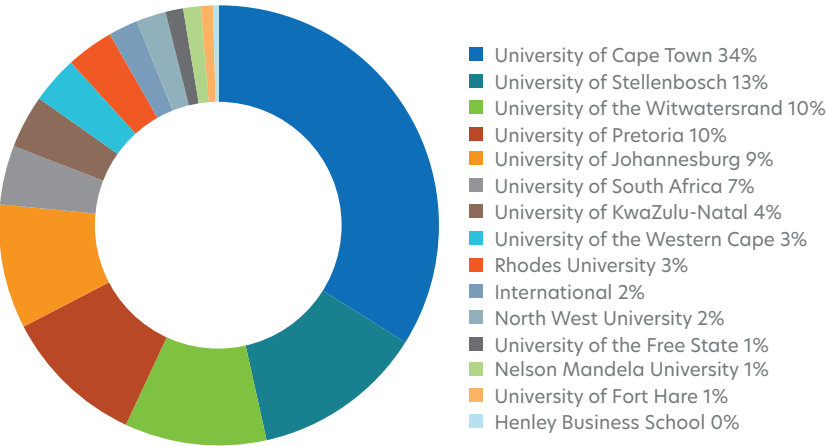
- Females only represent 37% of the 388 investment analysts, which leaves males holding 63% of the analyst roles. This observation is consistent with what we saw earlier - the industry still has a long way to go in addressing gender parity from the board down to the analysts.



Education

Investment analysts have either completed an undergraduate or postgraduate qualification at one of these institutions. The university pool that investment analysts graduated from is diverse. The industry does not have a bias towards one university, although most investment analysts graduated from the University of Cape Town. Some investment analysts have additional qualifications:

- 21% are CFA charterholders
- 18% are chartered accountants
- 4% hold MBA qualifications
- 1% hold a PhD qualification



Investment team's employee turnover

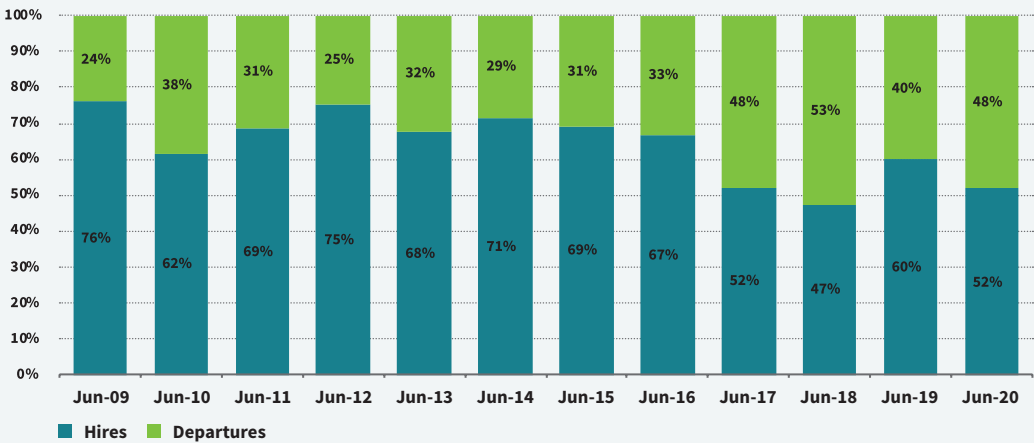
The graph below shows the number of joiners and departures across the firms. It is interesting to observe that the percentage of departures was more than the percentage of joiners for the first time in June 2018.

When we take a step further and look at the racial breakdown of hires and departures, most departures are EE candidates (African, Asians, Coloureds and Indians) although they hold a minority share in the investment team.

In June 2020, EE candidates accounted for 56% of the departures and white candidates accounted for the balance.

When looking at joiners, in June 2020, EE candidates accounted for 71% of new hires in the investment team, while whites represented only 29%.

The shift to EE candidates holding the majority of new hires started in 2010 with 51% employment equity candidates employed at the time. This number peaked to an all-time high in 2012 to 73%.



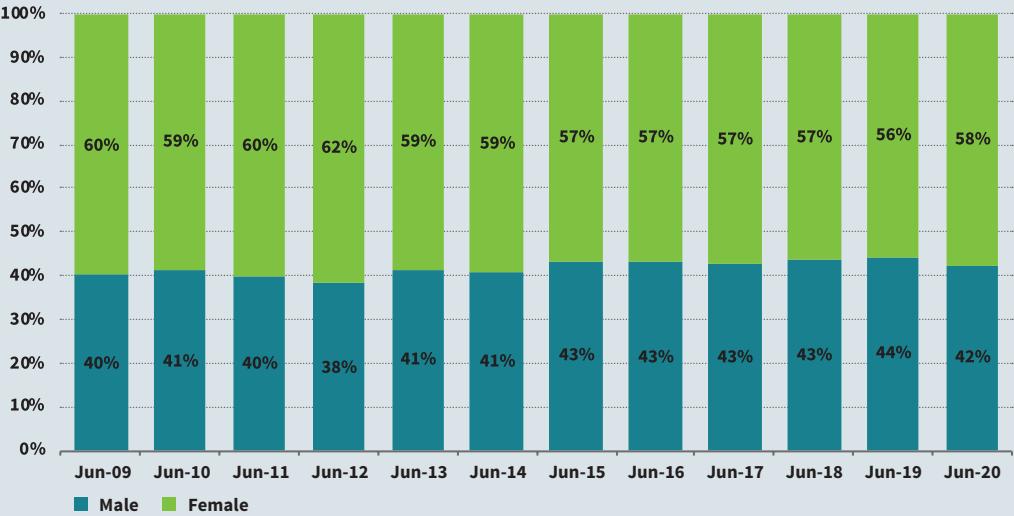
Tenure: An investment analyst has an average tenure of 4 years at one company. The shortest time that an analyst has spent at a firm is 0.08 years and the longest time is 25 years. This shows that there is longevity in the industry.

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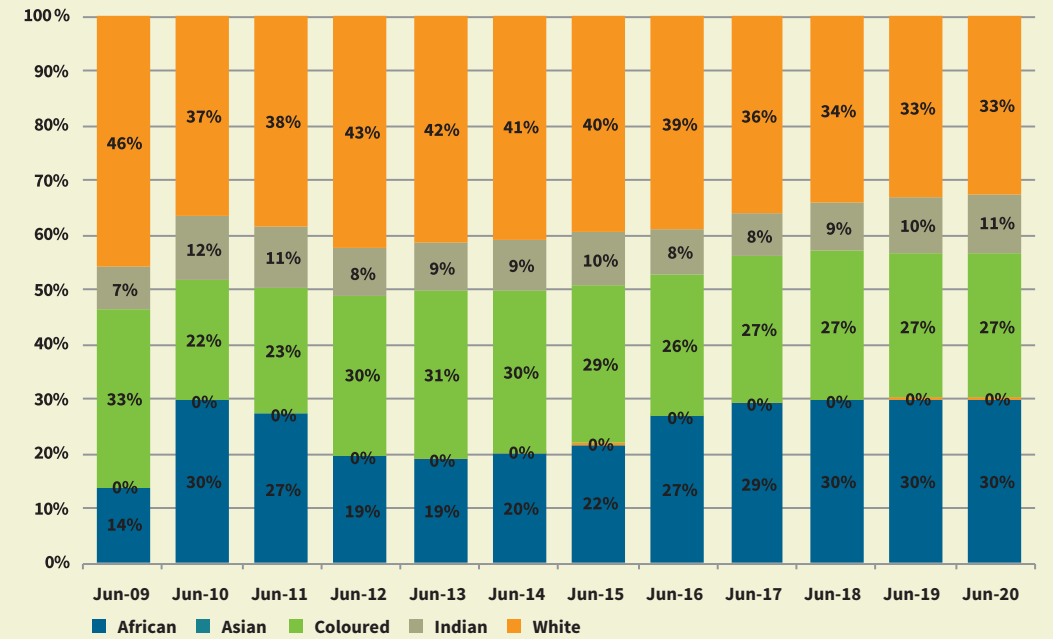
Overall employee complement, excluding the investment team

Females hold most roles in the back office and white females hold a majority of the roles

- > The investment industry employs 4 704 people in departments such as legal, compliance, marketing, sales, client servicing, strategist, economists, operations and other departments, excluding the investment team. The biggest team represents 28% of the overall population, which shows that the business has dedicated resources to the specific functions. Other businesses that are still growing tend to outsource most of these roles or have small internal teams tasked with multiple functions in these departments.
- > Looking at gender parity as represented by the graph on the right, females have always held more positions in these roles compared to males. In June 2020, females held 58% of these roles while males accounted for 42% only. The highest percentage that females have held was 62% in 2012.



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When we take a step further and look at the racial breakdown that makes up the 4 704 employees in the various departments, whites hold most of the roles at 33%, closely followed by Africans at 30%. Coloureds and Indians continue to have representation, while Asians do not have any representation.



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Empowerment



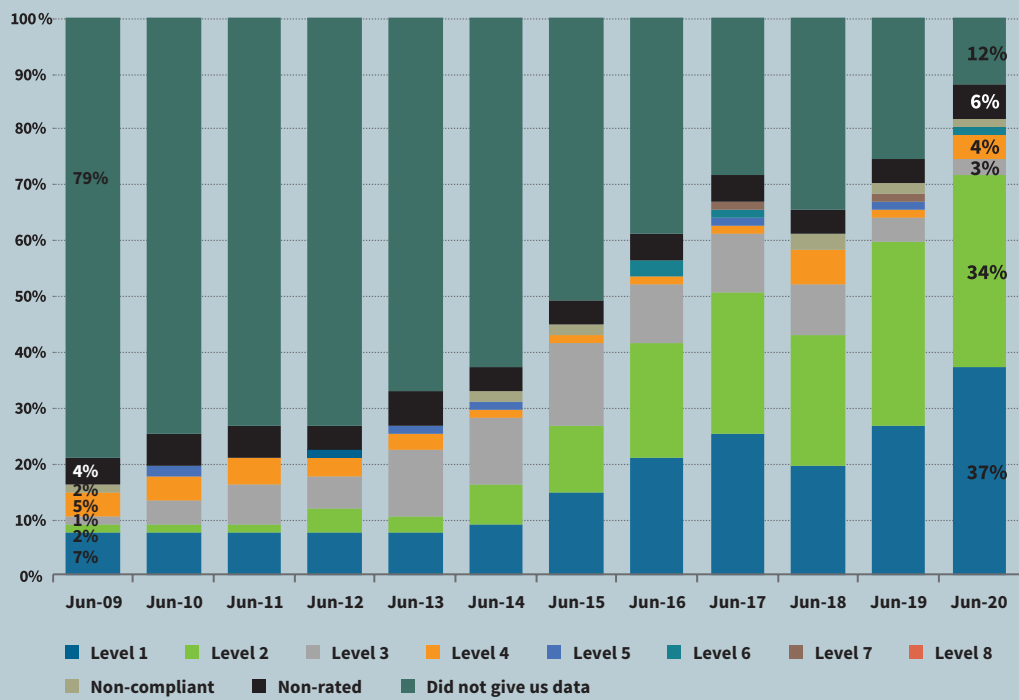
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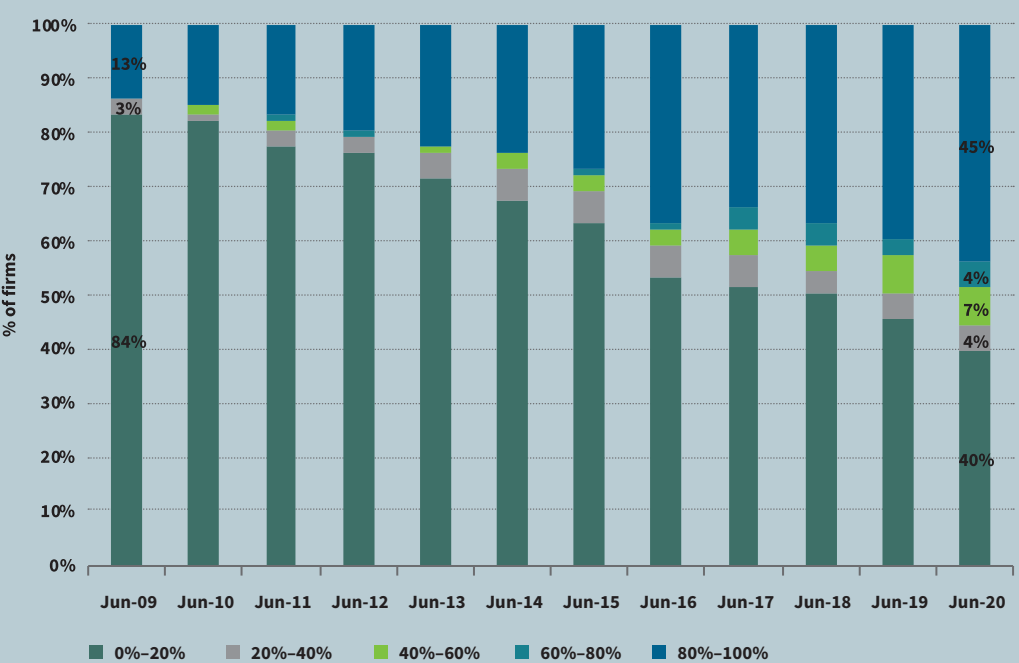
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In this section, we look at the B-BBEE contribution level of firms and the economic interest of employees.

B-BBEE contribution level over time



Black ownership

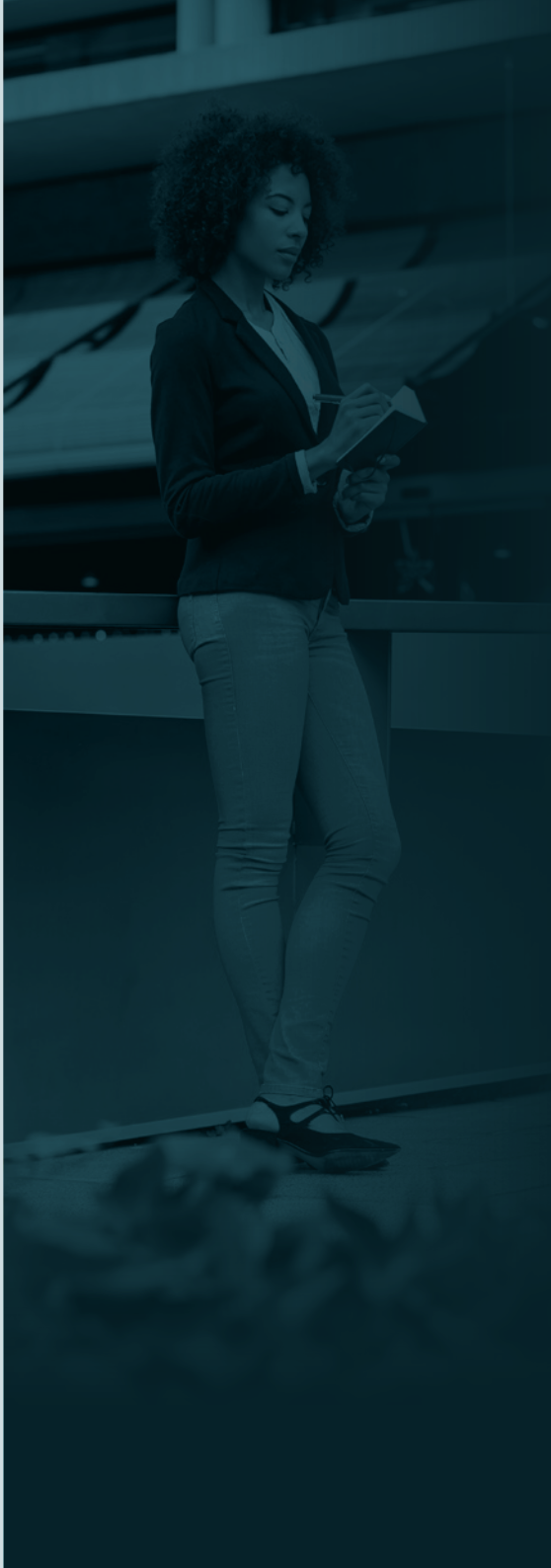


Over the years, we have seen more asset managers being transparent about their B-BBEE details compared to the earlier years when transformation was not a subject matter. The number of firms that are rated as Level 1 and Level 2 contributors has increased significantly compared to earlier years.

Although we still have a small number of asset managers that did not share their B-BBEE details with us for 2020, this percentage has improved compared to 2009. However, even in 2020, we still have firms that are not rated and are non-compliant, and this number has increased lately compared to earlier periods.

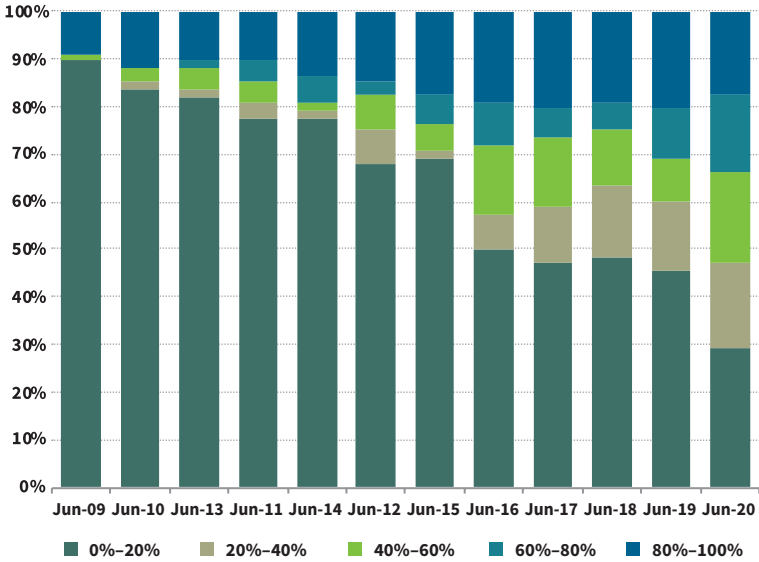
The number of firms that have black ownership has significantly increased. The 0% to 20% category of black interest has halved in the ten years, which shows that firms are making an effort in having higher black ownership. Although black ownership efforts by firms are showing results, this number might be diluted by the increase in B-BBEE corporate transactions that have taken place over the years. Out of the 68 firms that submitted their data, only 32 asset managers have strategic partners who hold black economic interest in their firms.

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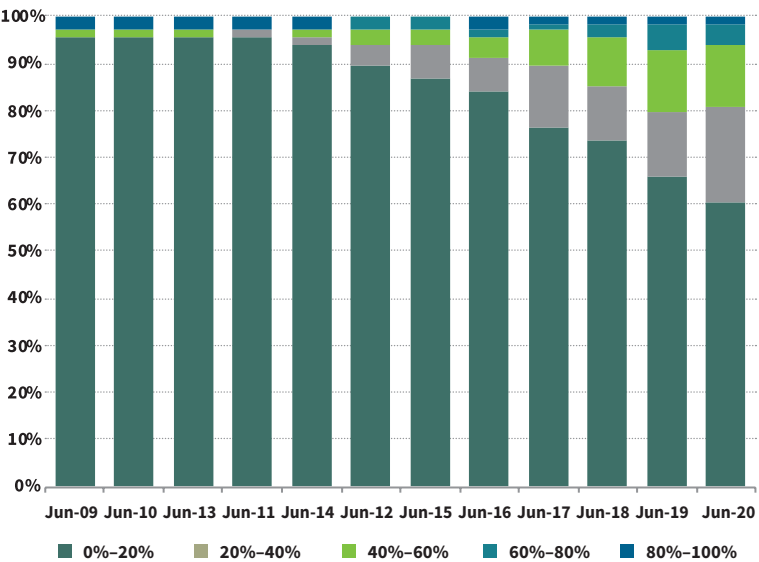


- Looking at black economic interest between males and females, overall, we see that females still hold less economic interest compared to males at board, executive and employee level. Board data shows that male economic interest at board level has become diverse and in recent periods, fewer males fall in the 0% to 20% black economic interest category.
 - A significant number of females on boards still fall in the lower band compared to males. However, starting from 2014, the picture started to look promising for females. Companies still have a long way to go when it comes to gender parity.
- Perhaps it is also worth noting that the number of males on boards is more than the number of females. In addition, males started up most firms and by default, they get more seats on the board. Subsequently, they tend to have higher economic interest compared to females.
- What the industry has done successfully is to penetrate the back office (more females are in those roles when it comes to gender). When it comes to race, Africans have managed to penetrate investment analyst roles.

Board male

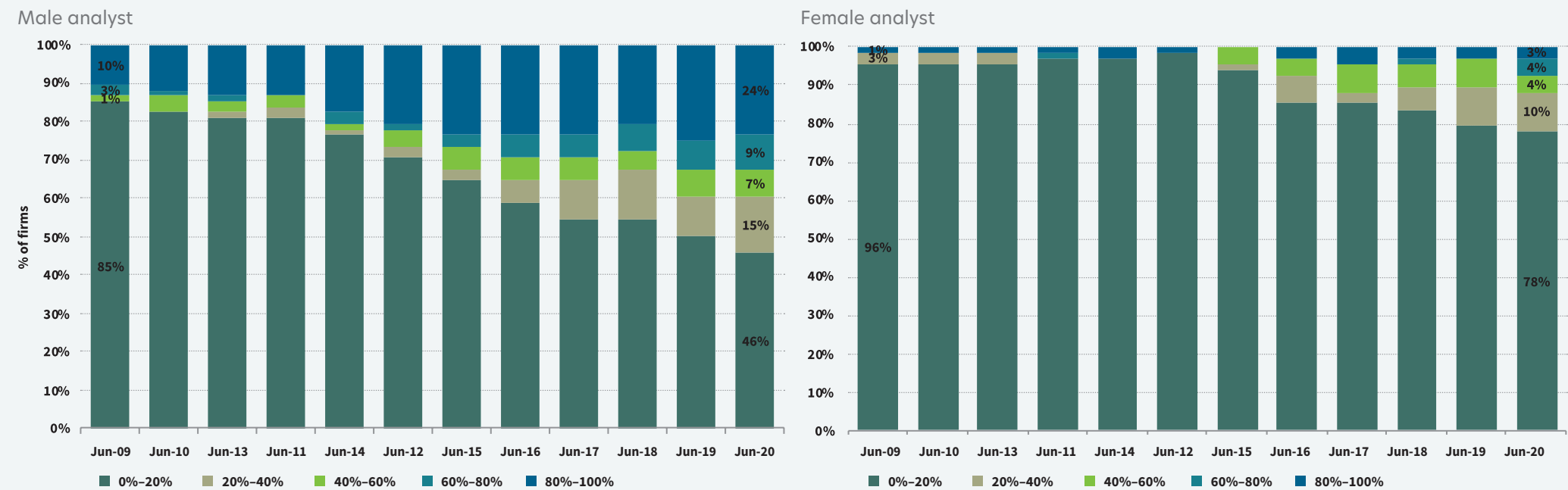


Board female



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Investment team's economic interests



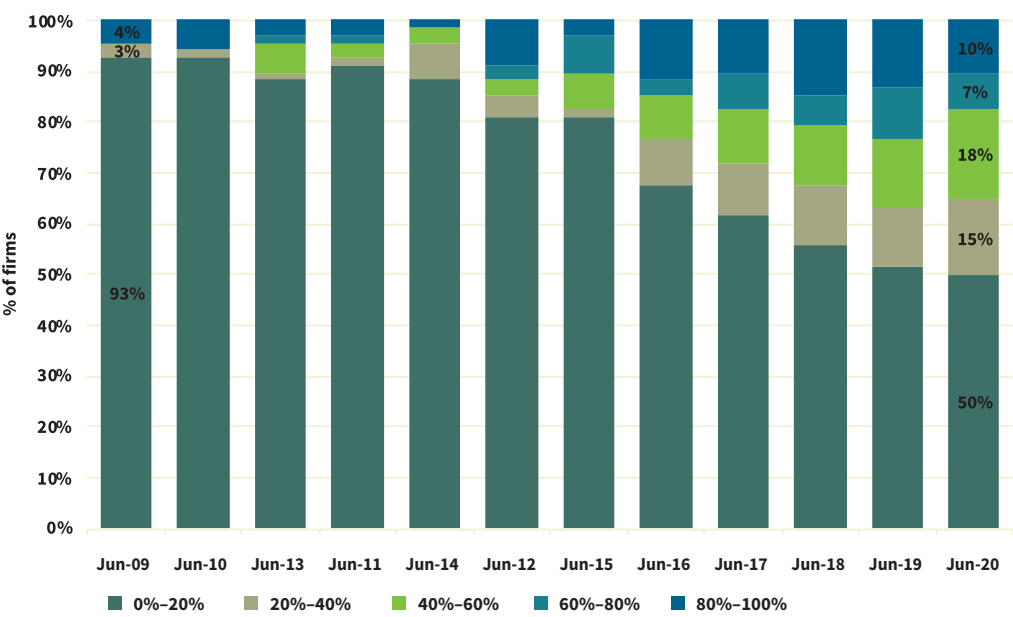
When looking at the economic interest between female and male analysts, we see an increase over time in the economic interest of female analysts in the upper band, although most females still fall in the lower band. Male analysts, however, show more or less the same picture; the only difference is that 51% of male analysts have an economic interest in the upper band compared to females.



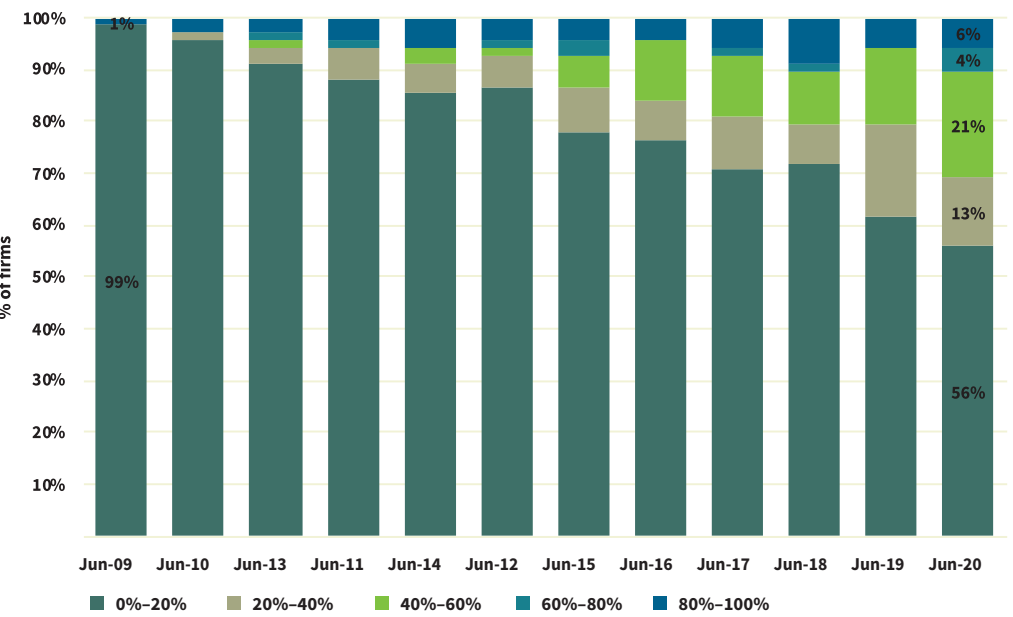
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Male portfolio manager



Female portfolio manager



Conclusion

We hold a rich heritage of fostering a lasting and positive impact for society, the industry and those who serve under our banner. Supporting South Africa's transformation agenda is an important aspect of our responsibility to society.

This survey helped us understand asset managers' B-BBEE journey and other transformation initiatives they may have implemented. The insights we gleaned from this survey ultimately helped to create the blueprint for the Alexander Forbes Investments transformation policy. We believe the insights gleaned will be a key enabler of our long-term competitive advantage to partner with

the best buy-rated and diverse investment teams to achieve better investment outcomes for clients.

We continue to encourage asset managers to empower their businesses further and remain active participants in South Africa's economic transformation. We want to work with all asset managers to improve their transformation frameworks over time as well as to identify, work with or support majority black-owned and black-managed asset management firms with solid business models and a strong potential to provide compelling risk-adjusted investment returns.

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- An investor may not recoup the full amount invested. All policies issued or underwritten by us are linked policies under which no guarantees are issued.
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- Past performance is not necessarily an indication of future performance.

- Forecasts and examples are for illustrative purposes only and are not guaranteed to occur. Any projections contained in the information are estimates only. Such projections are subject to market influences and contingent upon matters outside our control, so may not be realised in the future.
- Please be advised that there may be supervised representatives.

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