

# The EPPF Transformation Journey

*A call for synchronised collective action*

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**Acting Chief Executive**



## To reflect on the EPPF Transformation Journey

*Key initiatives implemented, successes, lessons learnt and concerns*



## To share information on upcoming EPPF initiatives

*Key EPPF focus areas on transformation and new initiatives*



## To create a platform of industry players

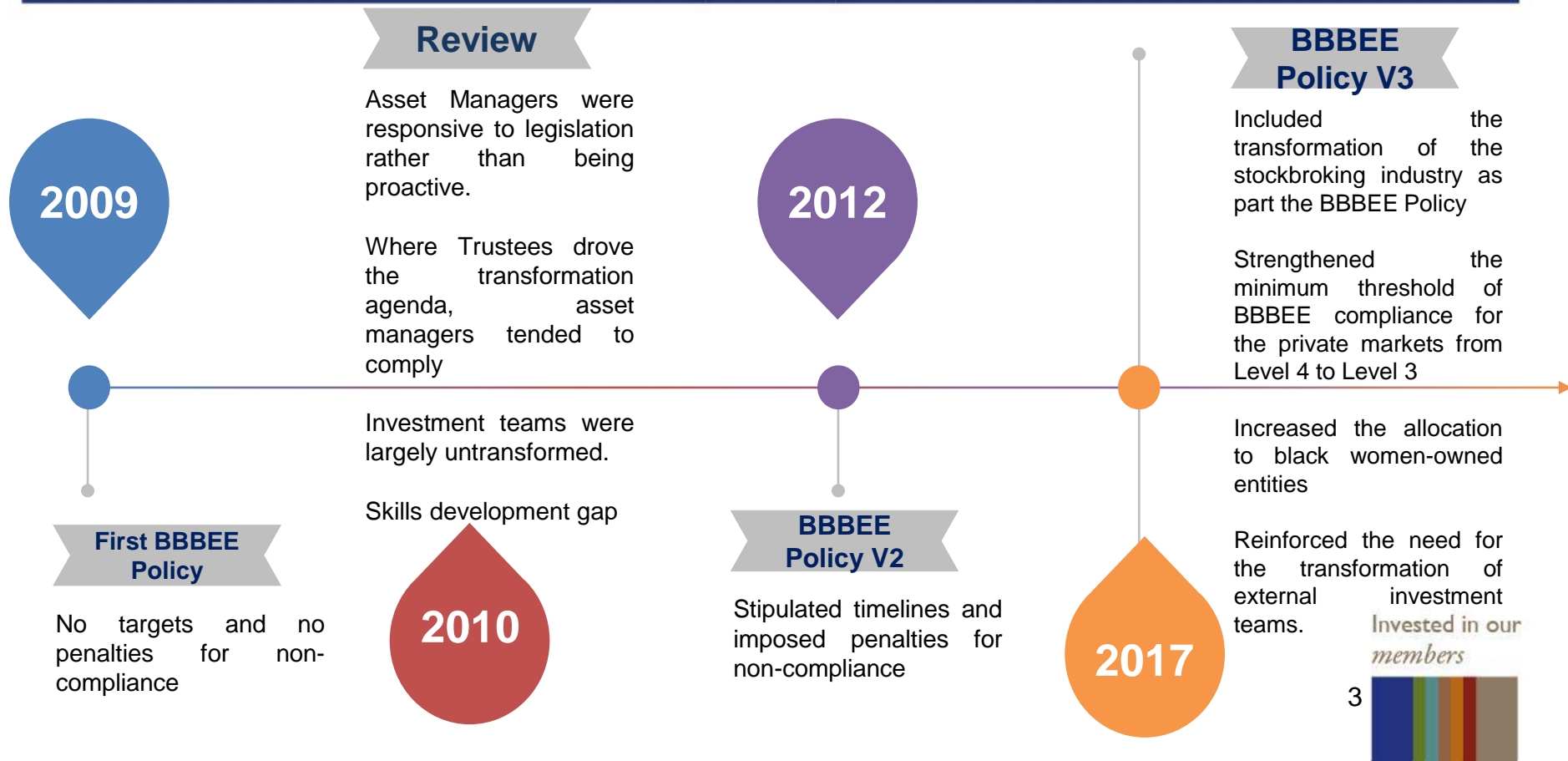
*Shape a shared perspective on how to transform the investment industry*

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# EPPF BBEE Policy

*a 10 year journey of continuous learning*



# EPPF BBBEE Policy

*what has been achieved?*

**65%**

**EPPF's externally managed domestic mandates (listed) are allocated to Black asset managers**

- Non-emerging black managers' AUM comprise 49.0% of these mandates.
- Emerging black managers' AUM make up the 15.8% balance.

**33%**

**Managed by the in-house portfolio management team**

- Highly transformed team of 14 investment professionals
- 6 members are CFA charter holders

# Transformation within SA investment industry

*Pace, scale and depth of transformation remains a challenge*

46%

of firms - largest client accounts for more than 40% of AuM



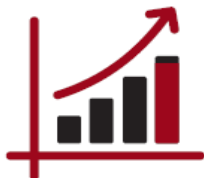
50%

of firms have 5 or fewer clients making up over 80% of AuM



96%

of industry assets come from institutional investors



**Taquanta Asset Managers**

manages the most institutional assets



**Vunani Fund Managers**

manages the most retail assets



10%

of assets available for management by private sector asset managers are managed by black firms

10

firms manage 84% of the R490.3 Billion



1

firm manages 30% of the R490.3 Billion



48

number of black asset managers



243%

growth in the number of black asset managers since 2009

15

number of firms greater than 10 years old



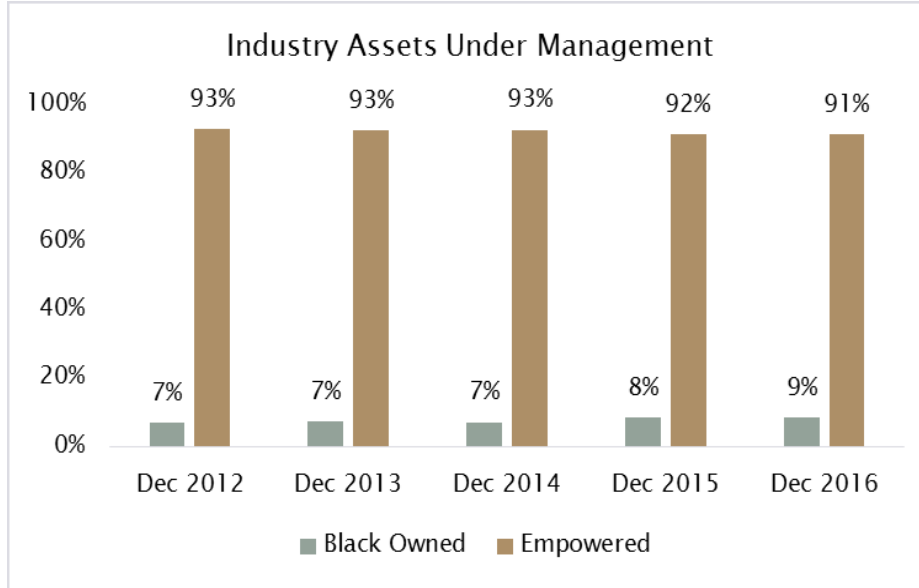
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Source: BEE.economics



# Transformation within SA investment industry

## *Pace, scale and depth of transformation remains a challenge*



At R490 billion, the allocation to Black asset managers has more than doubled in rand terms since 2012. However, as a proportion of assets available to private sector asset managers, this allocation has grown from 7% to 10% over the past 6 years.

The source of assets allocated to black asset managers is largely institutional investors (pension funds) – institutional assets tend to have lower fees than retail assets.

Table 1: Industry assets under management

	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016
Black Owned	236,796	296,071	310,512	394,249	407,220
Empowered	3,083,094	3,770,631	4,005,931	4,248,039	4,290,318
<b>Total</b>	<b>3,319,889</b>	<b>4,066,702</b>	<b>4,316,443</b>	<b>4,642,288</b>	<b>4,697,538</b>

Source: Selekaane research commissioned by EPPF

The offering of Black managers is almost exclusively in domestic mandates

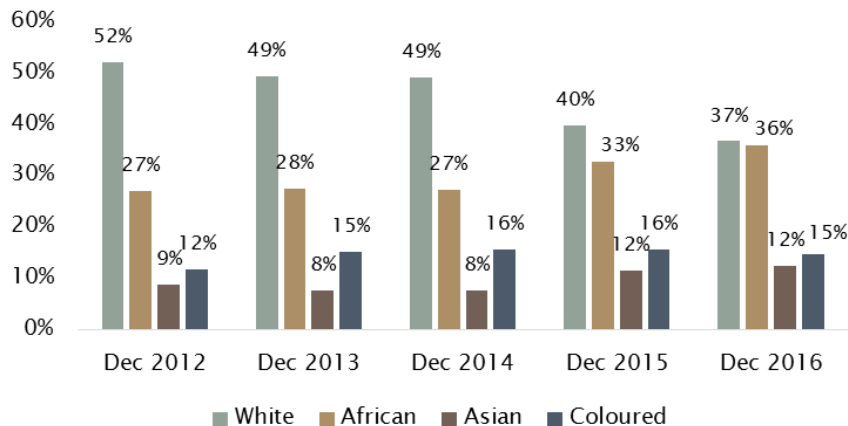
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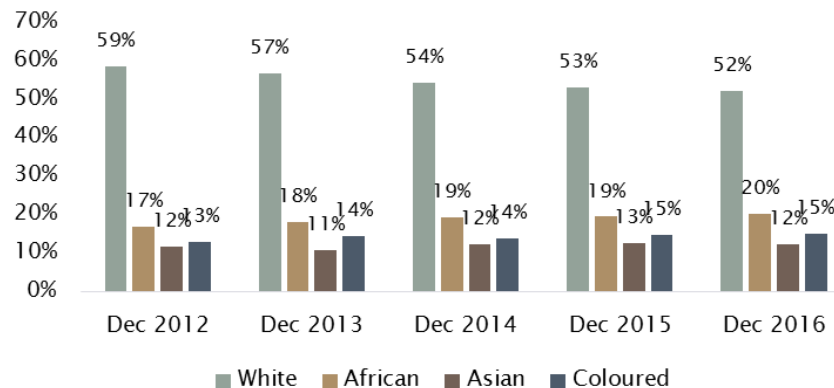
# Transformation of investment teams

## *Progress looks promising but still lots of work required*

Percentage of research analysts by population group



Percentage of portfolio managers by population group



- Marked improvement on transforming the pool of investment analysts
- EPPF has been making the hiring of black investment professional one of the conditions for allocating mandates to non-Black asset managers
- There is pedestrian improvement on increasing the proportion of Black portfolio managers
- The picture looks worse when one consider the proportion on Black CIOs in empowered companies

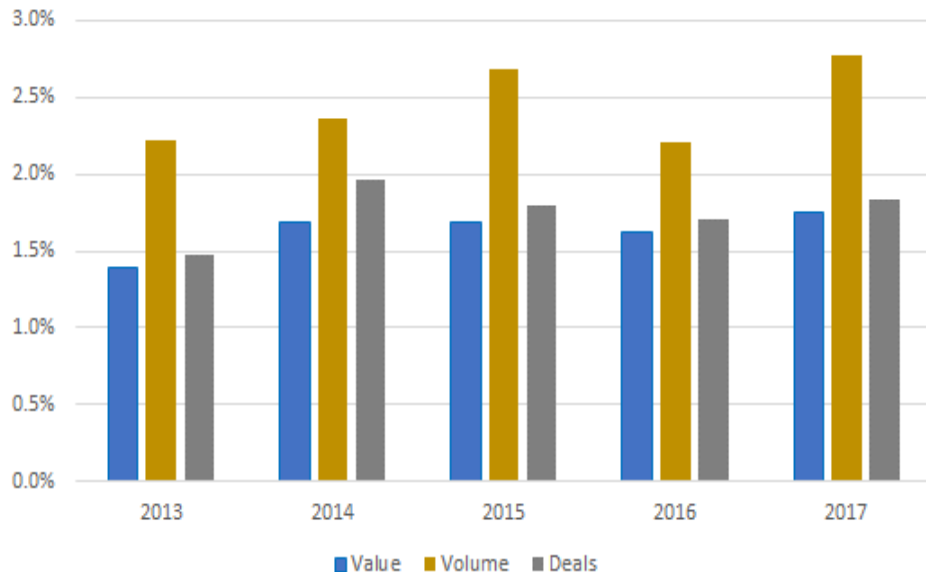
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# Transformation of the stockbroking industry

## *A key concern*

Trades by Black Brokerage Firms



Source: JSE

- Black brokerage firms' market activity is very low.
- Over the last few years, market trading activity and performance has increased, with virtually no change in black brokerage firm allocations.
- We have a role to play in transforming this segment:
  - Contract asset managers to a minimum allocation to black brokerage firms.
  - Monitor and measure transformation.
  - Encourage dialogue around transformation in the space.

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# Key lessons learnt

- The transformation agenda is more effectively promoted and implemented where asset owners choose to provide leadership.
- Retirement funds can compile their own transformation policies in order to drive change and impose penalties for non-compliance i.e. reduction in AUM allocation.
- Monitoring of transformation is important:
  - Monitor the growth of the Fund's allocation and overall procurement to black businesses.
  - Monitor the growth and progress of black businesses i.e. employment, AUM, products etc.
- Black brokerage firm allocations are extremely low relative to the total JSE trades. These firms are a key part of the value chain and transformation needs to be addressed.
- Manager incubation programmes will succeed if asset owners and asset consultants collaborate.
- There is a need to encourage the development of emerging asset managers in the private markets (Real Assets and Private Capital) as well as global listed mandates space.



# The socio-economic picture

## *Remains the South African Leaders Challenge*

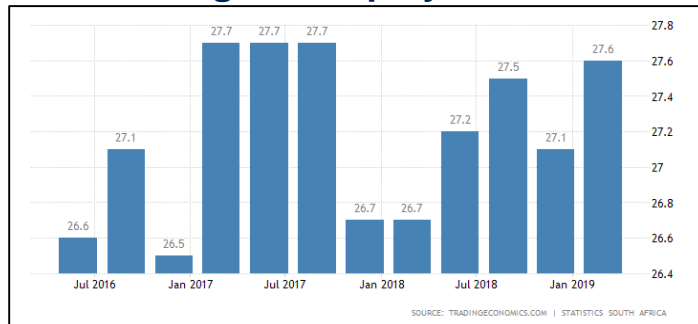
### Inequality



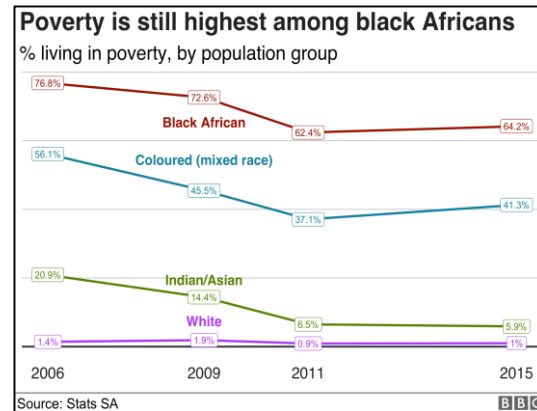
### Low growth



### High unemployment



### Poverty



**As the investment industry, and in particular as asset owners, we need to rise to the occasion in making our contribution in resolving the challenge....**

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# Some new initiatives in the pipeline

## *EPPF responses to the South African Leaders' Challenge*

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### **A robust ESG Policy**

*An active policy position that sets out clear expectations and raises the bar on ESG matters*

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### **Greater focus on impact investing**

*Increased focus on the social impact of proposed and actual investments*

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### **Private Markets Incubation Programme**

*Increasing the access of asset managers (designated groups) to private markets*

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### **Global Markets Programme**

*Increasing the access of asset managers (designated groups) to global markets*

### A time for Synchronised Collection Action

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#### **Meaningful Partnerships**

*Lets join hands, ideas and insights in partnering for meaningful and sustainable transformation within the industry and at a macro-level.*

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#### **Collective Purpose and Impact**

*Lets harness our collective strengths and capabilities to make the impact required.*

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#### **A wider aperture on Performance**

*Lets work towards finding ways to broaden our definitions of performance to include measurements related to impact and transformation.*

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# Thank You

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