



# RESEARCH ON SA'S BOUTIQUE ASSET MANAGER LANDSCAPE

We have recently completed an in-house study on the boutique asset management landscape in South Africa.

Whereas, there is no industry standard of the definition of a "boutique" asset manager in South Africa, RMI Investment Managers' definition included any asset management firm that does not have a bank, insurance company or other distribution linked entity associated with the asset manager.

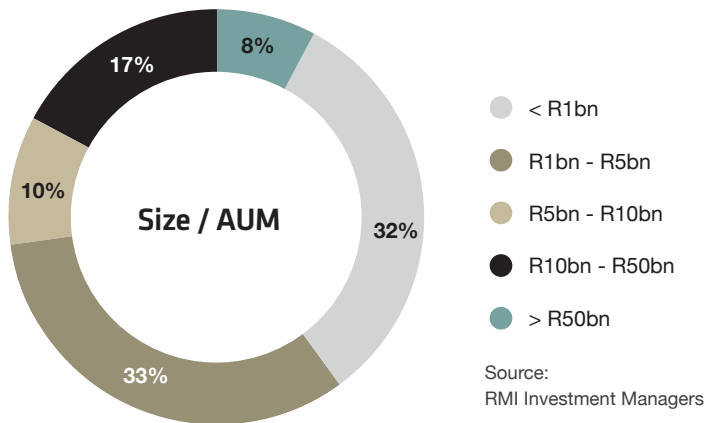
Using the new business flow of South African collective investment schemes as a gauge of growth, it is clear that smaller boutiques have been handsomely rewarded. Consumers and advisers alike continue to plow money into these at the expense of larger boutiques such as Allan Gray, Foord and Coronation. The 2016 Raging Bull Awards confirmed this trend as almost half of the awards went to SA-domiciled boutique investment managers like Truffle, 36ONE, Rezco and Visio.

## METRICS

Six broad metrics were used as research measures, including the size and type of firm, primary asset focus, ownership type, investment team shareholding and BEE status.

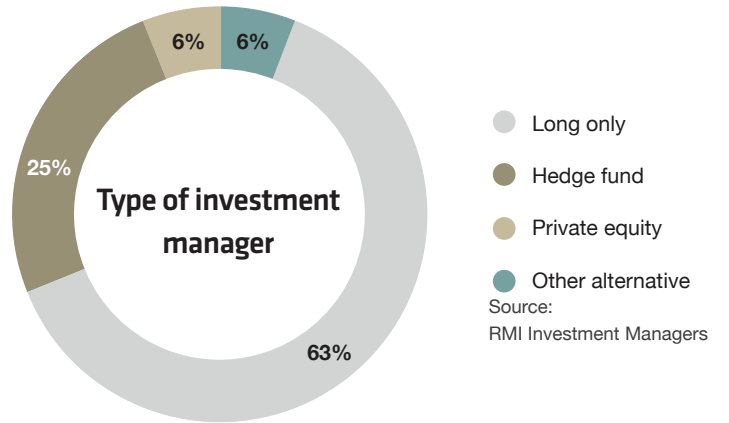
### SIZE

65% of the independent boutique asset management industry in South Africa manage less than R5bn, with 8% managing more than R50bn. This suggests that participants are unprofitable if a proxy of R5bn is used for long-only manager profitability.



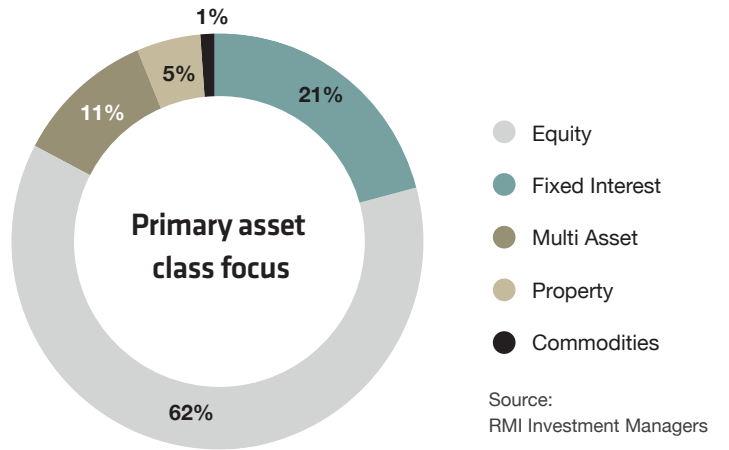
## TYPES OF INVESTMENT MANAGER

63% of independent boutiques are long-only asset managers, which includes "active" and "passive" investment managers. Hedge fund managers make up a further 25% of the universe and private equity portfolios 8%.



## PRIMARY ASSET CLASS FOCUS

62% of the industry have "active equities" as their primary asset class focus. We believe this can be associated with higher fees offered to manage equity portfolios relative to fixed income portfolios, and the institutional client concentration that use specialist "building blocks" rather than balanced/multi-asset class portfolios.

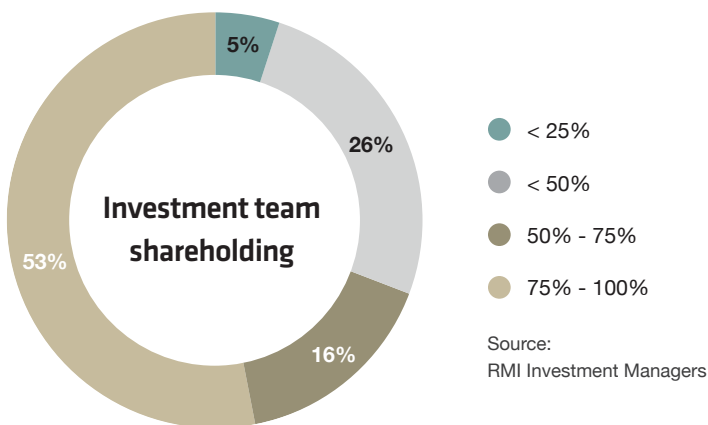


## OWNERSHIP TYPE

86% of the industry participants can be defined as independent, meaning they have no significant ownership or influence by a shareholder or distribution partner other than the investment management team. The remaining 14% of the industry are semi-independent, meaning that they have some level of significant ownership or a distribution partner other than the management team but where the ownership and influence is not at a high enough level to be deemed in-house or captive e.g. Prudential SA, Peregrine Capital, ALUWANI Capital, Capricorn and Denker Capital.

## INVESTMENT TEAM SHAREHOLDING

69% of the participants have majority (>50%) equity ownership in the business by the investment team. We believe that this is a critical success factor in the industry when management have “skin in the game” and autonomy to run the business but more importantly we believe this creates the best alignment with client interests.



## BEE

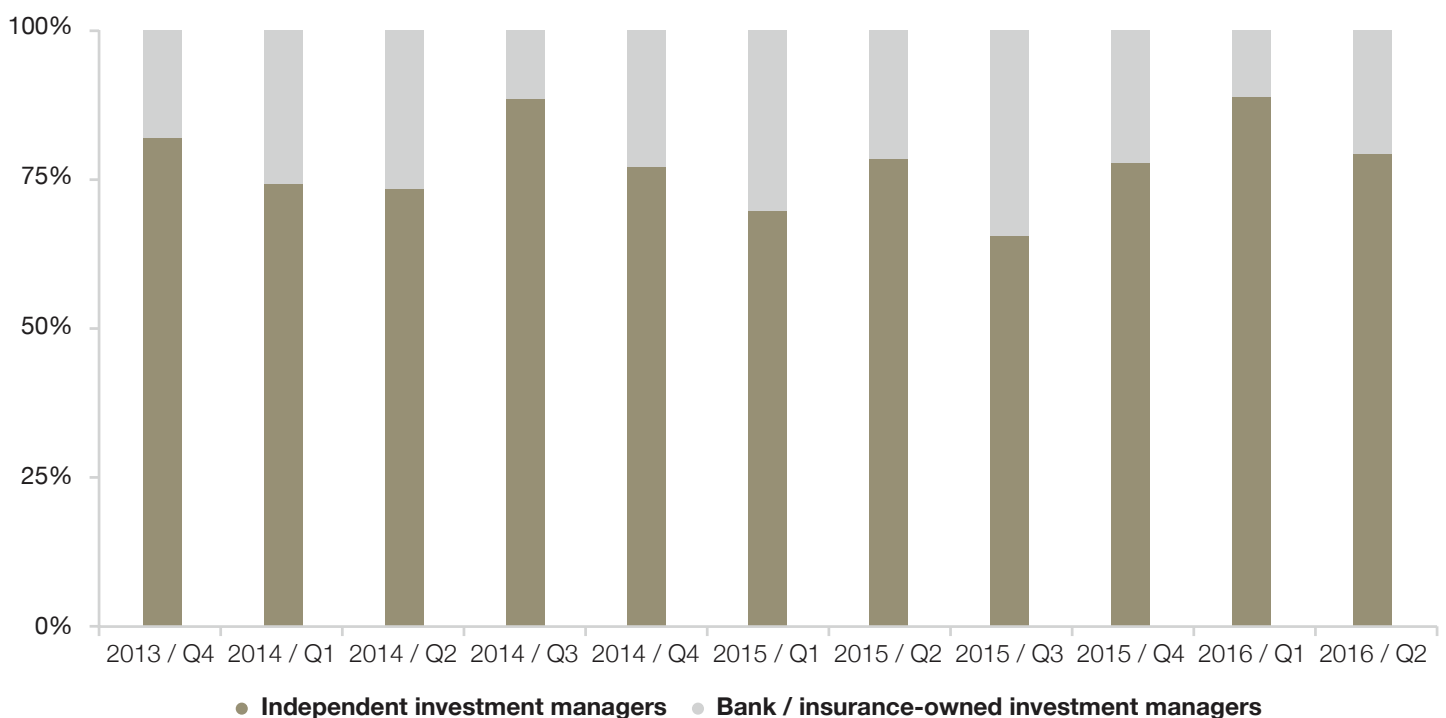
29% of the industry are firms that have a significant component of their business managed through a combination of shareholding and black investment professional staff. This number is however much larger than the 4% pool of assets that BEE managers manage, indicating that the BEE asset management industry is even more fragmented than the industry as a whole.

## OUR RESEARCH IDENTIFIED CLEAR “MACRO” TRENDS

- The 126 independent boutique investment firms manage R2.4trn of assets under management (AUM) – that’s 47% of the industry’s R5,2trn AUM.
- The top 10 firms manage 76% of the independent/boutique AUM.
- Without the top 10 firms, the balance of the industry manages R578bn (11% of AUM), which is set to grow at the expense of larger participants.
- Data from ASISA (The Association of Savings and Investments) shows that unit trust flows to independent boutiques (in aggregate) attracted four times more than that of bank/insurance-led competitors over the past three years.
- Reviewing investment performance surveys (Morningstar and Alexander Forbes Large Manager Watch) reveals that independent boutiques delivered returns in line with or better than the industry average over the past three to five years.

For a copy of the research, please visit our website at [www.rmih.co.za/our-investments/rmi-investment-managers](http://www.rmih.co.za/our-investments/rmi-investment-managers)

## SHARE OF 12-MONTH ROLLING UNIT TRUST NET FLOWS



Source: ASISA