

ALEXANDER FORBES PRESS RELEASE

ALEXANDER FORBES RELEASES FINDINGS OF 2020 MANAGER WATCH™ SURVEY OF RETIREMENT FUND INVESTMENT MANAGERS

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Alexander Forbes releases findings of 2020 Manager Watch™ Survey of Retirement Fund Investment Managers

The Alexander Forbes Manager Watch™ Survey of Retirement Fund Investment Managers showcases the performance of institutional fund managers in South Africa, the largest and best asset managers, as well as their BB-BEE ratings.

The survey, which was first published in 1994, includes 20 surveys: eight balanced, eleven specialist and one multi-manager. There was an increase of 8.4% among asset managers and 2.6% of new strategies who participated in the surveys in 2020 compared to the previous year. In 2020, 77 asset managers participated and 485 participating strategies.

1. Assets under Management survey highlights

The Old Mutual Investment Group (OMIG) is still the biggest South African asset manager despite a decrease in assets of 1.8% from June 2019 according to the June 2020 Alexander Forbes Assets under Management (AuM) survey. Ninety One Asset Managers was in second place with an increase in assets of 2% while STANLIB Asset Management leapfrogged into the third spot. The June 2020 survey universe grew by five new additions compared to the 65 investment managers in the June 2019 survey. Ten investment managers entered the survey while five managers left.

The asset distribution in 2020 was still significantly concentrated among the level 2 contributors. There was a slight decrease in the level 2 and 3 contributors compared to 2019. The decrease in the level 2 and 3 contributors was negated by the increase of 9% in the level 1 contributor category, continuing the trend that asset managers are transforming and taking BEE seriously.

Twenty-two of the 70 participating asset managers were level 1 contributors compared to the 21 in last year's survey. Seventy per cent of the top 10 asset managers were rated level 2 contributors, with the remaining managers being level 1 and 3 contributors. For the first time, there were seven level 1 contributors among the top 20 managers ranked by size, an increase of 25% over the 2019 number.

Looking at the total AuM of the top five black-owned asset managers in the June 2020 AuM survey, it is encouraging to note growth of 19% compared to the AuM of the top five black-owned managers in the June 2019 survey.

2. Fee survey highlights

Twenty-nine asset managers participated in the 2020 fee survey compared to the 49 of 2019. It is important to note that the standardisation of fees in the Assets under Management (AuM) categories may not reflect an individual asset manager's fee scale. Fees have increased across most surveys compared to 2019. Global Balanced Segregated mandates had the highest fee increase with an average of 46% across all AuM categories. This was seemingly due to the

increase of International fees of 88% over the 2019 fees, a reversal of the trend of the previous year when International fees decreased by 40% over 2018. The biggest fee reduction belonged to Domestic Balanced, Pooled mandates by an average of about 7.5% over the previous year.

Not only did Global Balanced Segregated mandates have the largest fee increase in 2020, these mandates were also the most expensive, averaging 89 basis points (bps) across the categories. Domestic Money Market mandates were the cheapest ranging between 16 and 27 basis points (bps) across all AuM categories while Global Absolute had the widest sliding scale ranging on average between 40 and 65 bps.

The fees on Global Balanced Segregated mandates increased by an average of 46% over 2019, while Global Balanced Pooled mandates had a fee increase on average of 13% over the same period. This trend was also observable over the Domestic Balanced Segregated mandates which had an increase in fees by an average of 7% over 2019, while the fees on the Domestic Balanced Pooled mandates decreased by an average of 7.5% over the same period.

3. Balanced Manager Watch™ – Best Investment View (BIV)

3.1 South African

For the year, most South African BIV managers kept their asset allocation relatively stable except for Foord who increased their allocation to equities by 10% from their position in December 2019. With the exception of three, the rest of the managers in the SA BIV category had positive returns for the year ending December 2020, with Bridge (with their high exposure to property) posting a return of -12.4% for the year. In 2019 Nedgroup and Coronation were the two best performers for the year in the category, a feat which they have repeated in 2020.

3.2 Global

The Global BIV category slightly outperformed the domestic mandates with a 2% differential between the medians. For the year, most managers in this category kept their domestic asset allocation relatively stable. Rezco and Old Mutual Multi-Managers decreased their allocation to domestic equities by 21% and 14% respectively over their positions in December 2019.

Most managers remain close to the limits of 30% for investment in international assets allowed by Regulation 28 of the Pension Funds Act. Of the 34 managers, only 7 were lower than the limit of 30% by more than 5%. While the pandemic created huge volatility in financial markets, overall, investment managers did not panic. On average, asset allocation among the BIV portfolios remained relatively stable. The Rezco Value Trend portfolio was an outlier as its asset allocation changed dramatically over the period. From a performance perspective, the manager seemed to make good calls as the portfolio finished second in the category for the year.

4. SA Property Manager Watch™ Survey

The best-performing domestic asset class for the year was bonds while the performance of property was disappointing. According to the survey, the performances of the managers in the 75%-100% listed property category indicated a tough investment environment for 2019. 2020 was even tougher as all the participating managers returned performance for the year of -25% and less.

5. SA Equity Manager Watch™ Survey benchmarks

Benchmarks of portfolios participating in the Equity survey as a percentage of the survey are:

Benchmarks	% of universe in 2019	% of universe in 2020
FTSE/JSE All Share	9.38%	5.71%
FTSE/JSE Capped All Share	4.69%	2.86%
FTSE/JSE SWIX All Share	31.25%	24.29%
FTSE/JSE Capped SWIX ALSI	39.06%	47.14%
FTSE/JSE SWIX 40	3.13%	4.29%
Other	12.50%	15.71%

6. Comparing the one-year performance of some BEE managers across surveys

Some managers participating in the BEE survey performed very well compared to managers across surveys:

BEE survey participant	Category	Ranking when compared to primary survey
Argon Enhanced Money Market	Money Market	3 rd among all money market portfolios
VunaniFM Active ILB	ILB	1 st among all Inflation Linked Bond portfolios
Prowess Corporate Bond	Specialist Bond	Upper quartile performance relative to all specialist bond portfolios
VunaniFM Active Bond	Specialist Bond	Upper quartile performance relative to all specialist bond portfolios
Amplify SCI Strategic Income	Flexible Income	3 rd among all flexible income portfolios
Cachalia Capital C Value	Equity	4 th among all domestic equity portfolios

7. Code for Responsible Investing in South Africa (CRISA) and the United Nations Principles for Responsible Investment (PRI)

CRISA and the PRI are two codes that encourage companies to incorporate environmental, social and governance issues in business decisions and investment processes. Thirty-four of the participating managers in the Alexander Forbes surveys are signatories to PRI, while 43 have adopted the principles and practice recommendations in CRISA. While some managers are signatories to PRI only or adopt CRISA only, other managers are associated with both codes.

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