



THE ROAD TO TRANSFORMATION

30 JUNE 2022

FUTUREGROWTH
/ ASSET MANAGEMENT



OUR TRANSFORMATION ROAD MAP:

HOW FAR HAVE WE COME?

What we do now will define the trajectory of **Futuregrowth**. We have invested heavily in the business to effect sustainable transformation and make it “future fit”. We continue to challenge ourselves to look for better ways of doing things to achieve both ends as we move into the future.

THIS REPORT SUMMARISES THE FOLLOWING ASPECTS OF OUR TRANSFORMATION:

Part 1: How have we transformed as an organisation?

Part 2: How have we helped transform our industry and society?



“The future depends on what you do today.”

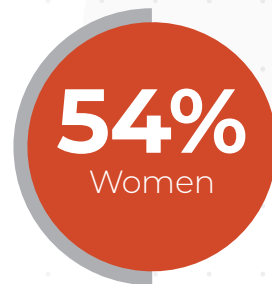
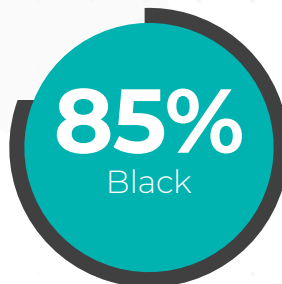
- Mahatma Gandhi

FUTUREGROWTH'S ROAD TO TRANSFORMATION



Futuregrowth started out in 1994 with a single product. Today* it plays a leading role in the asset management industry, with R193 billion (US\$12 billion) assets under management** across the full range of fixed interest and development funds.

CURRENT PERMANENT STAFF:



In the context of South Africa, transformation is something to be lived and practiced as a national imperative. This is true at the company level, the industry level, and in the world in which we exist.

As with any mission, our transformation path has not followed a straight line, and has had many undulations and discoveries along the way. It is far from over.

Always, the end goal has been to do better and be better as a company – for our clients, our industry, and our country.

Part 1

HOW HAVE WE TRANSFORMED AS AN ORGANISATION?

Futuregrowth's transformation journey started long before the Financial Sector Charter was formed. Along the way, we have monitored our progress across a range of categories against a set of internal targets. There are always things we could do better, and part of our focus is on continual improvement.

THE TRANSFORMATION OF OUR ORGANISATION HAS INVOLVED:

- A.** IMPROVING OUR STAFF DIVERSITY AND BLACK LEADERSHIP COMPLEMENT
- B.** INVESTING HEAVILY IN LEARNING AND DEVELOPMENT
- C.** CREATING AN ENGAGING AND EMPOWERING CULTURE
- D.** TRANSFORMING OUR COMPANY OWNERSHIP AND SHARE STRUCTURE



1A. IMPROVING OUR STAFF DIVERSITY AND BLACK LEADERSHIP COMPLEMENT

In 2011 it was clear that Black staff, (particularly Black African staff) were still under-represented in the company - and a firm strategy was implemented to correct this.

Recruitment: We have made exponential progress in our recruitment process in recent years.

Since 2013



Since 2021



Employment equity: Futuregrowth's Employment Equity Committee was formed in 2015 to drive transformation in all categories and levels of employment across the company.

Futuregrowth Employment Equity Committee:



Tracking outcomes: We monitor our progress across the various roles and categories across the business. This prevents tokenism or window dressing. Although we still have a way to go to meet all our targets, we believe we are currently in the top 25th percentile as regards to transformation in the investment industry.

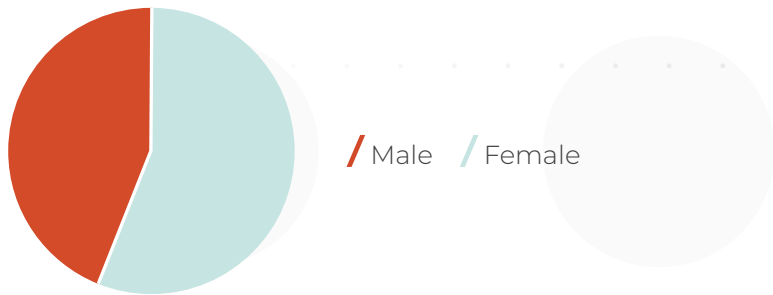
Investment team diversity: Special emphasis has been placed on transforming our investment team.

Progress made in investment team diversity since 2012:

Year	Team Size	% Black	% Black African
2012	17	53%	0%
2013	17	47%	6%
2014	19	53%	11%
2015	26	65%	12%
2016	25	64%	12%
2017	32	69%	16%
2018	33	73%	24%
2019	36	78%	22%
2020	34	77%	27%
2021	43	81%	33%
06/2022	41	83%	37%

Gender diversity: Some of the most senior roles in the investment team are held by women, who currently account for 44% of our investment team, which is relatively high for our industry.

Women in our investment team:



Sourcing new talent:

In 2010 we started tapping into Old Mutual's Graduate Accelerated Programme (GAP) and appointed our first GAP intern in 2011. Since then, we have actively used GAP learnerships as a source for new Black talent for the investment team.

THE GAP PROGRAMME AT FUTUREGROWTH

Our GAP candidates are offered an internship at Futuregrowth for 18 months.

These are recently graduated individuals who express a keen interest in pursuing a career in the asset management industry. They are given a specific role for their internship period, where their responsibilities start on day one.

The interns have access to the entire investment team for guidance, and are able to take advantage of training opportunities available to the rest of Futuregrowth staff. Via this route, Black graduates can gain experience and go on to become self-sufficient investment professionals.

24 GAP Interns

Have been appointed since 2011
(100% of whom are black)

19 GAP Interns

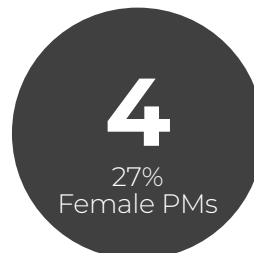
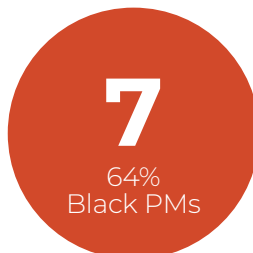
Have been permanently employed
(4 Are still completing their internships)

9 GAP Employees

Have been promoted to roles in the investment team (4 Were Black Africans)

Increasing our depth of Black portfolio managers: To address the scarcity of qualified Black candidates, we started our Portfolio Manager Preparation Programme in 2016.

PORTFOLIO MANAGER DIVERSITY:



CURRENT PORTFOLIO MANAGERS :



* GRADUATES OF OUR PM PREPARATION PROGRAMME

THE FUTUREGROWTH PORTFOLIO MANAGER (PM) PREPARATION PROGRAMME

Increasing our pool of Black portfolio managers requires mastery of the complexity of our funds and strategies, which requires time to master. To address this challenge, we started our PM Preparation programme, with the aim of fast tracking this aspect of career development for candidates that were ready within the investment team.

The first graduate of our programme was appointed as a portfolio manager in 2017, and a further four were appointed in 2021. (One graduate left Futuregrowth in 2021).

Over the past three years, two Black staff have also been promoted from within to take on portfolio management responsibilities.

How it works

Trainee portfolio managers are paired with a senior portfolio manager who is responsible for their training over the period.

The key areas of knowledge transfer include:

- Understanding the investment mandate to the extent that the trainee portfolio manager can negotiate with a client or consultant;
- Being able to perform the risk management of the portfolios (including calculations and review) from credit, interest rate risk, liquidity and derivative perspectives;
- Portfolio trading (listed and unlisted, house view trades, trades linked to cashflows, and portfolio rebalance trades); and
- Client engagements, including new business pitches, report backs and due diligence.

It is anticipated that candidates will be in the programme for 12 to 24 months. Once they feel prepared, they are assessed to determine their readiness to manage portfolios.

We intend to continue with this programme to build our portfolio management capability to match the company's needs as we grow. For more on this programme watch [here](#).

Increasing our range of leadership positions: We have focused on growing our staff internally and (more recently) adjusting our hiring strategy to include more experienced recruits. The range of leadership roles within our investment team has also been increased.

Leadership roles in our investment team:

	Total	Black	White	Black African
CIO	1		1	
Investment team managers	3	2	1	1
PMs	12	7	5	3
Grand Total	16	9	7	4
% of total		56%	44%	25%

Succession planning and decision making: We have identified a pool of staff members earmarked to fill key roles that may become vacant, as part of an informal succession planning process. As part of our intention to increase diversity at our highest decision-making level, we recently made two new senior Black African appointments and added two Black staff to our Executive Committee (Exco).

CURRENT EXCO:

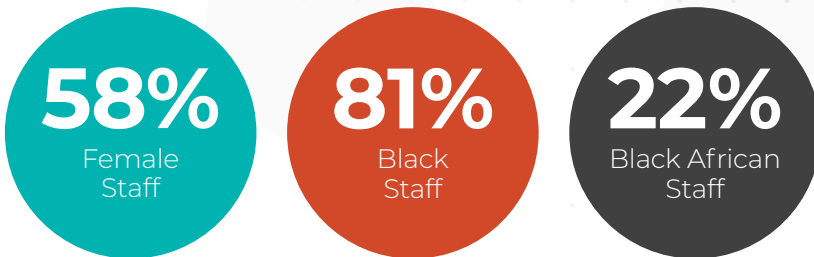


1B. INVESTING HEAVILY IN LEARNING AND DEVELOPMENT

As our history suggests, learning and embracing change have been fundamental to our journey. To remain innovative and develop an agile organisation, we encourage staff to challenge assumptions, be open to new ideas, try new approaches and rethink old way of doing things – while maintaining our very strong credit and investment discipline at all times.

Training opportunities: Beyond initiatives such as the PM Preparation Programme, Futuregrowth has funded more than 2 000 training opportunities for staff worth over R11.2 million over the past five years. A “training opportunity” is defined as a whole training programme for one employee.

Take-up of training opportunities



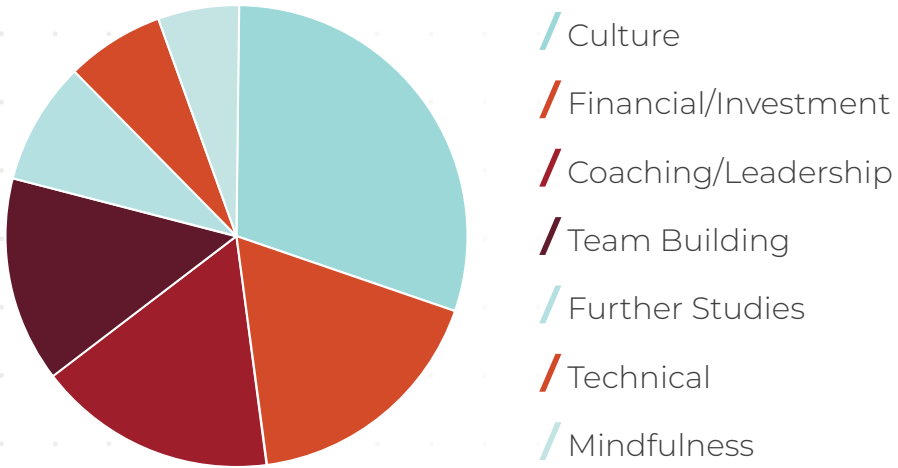
We have supported

50 Black Staff

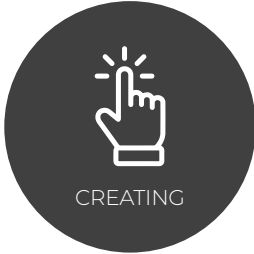
To study towards formal or post-graduate degrees
over the past 3 years

Training focus: With the challenges presented by COVID, and the rapid growth of the organisation, it is no surprise that company culture dominated our training spend in 2021 – with a mindfulness training coming in at the tail end.

OUR TRAINING SPEND IN 2021



1c. CREATING AN ENGAGING AND EMPOWERING CULTURE.



We favour having people “grow up” in our environment, and retention is critical to our long-term transformation. We strive to create a sense of belonging and involvement among all staff – from engaging them around strategy to facilitating lock-in through the structure of our incentive schemes.

Open debate: Expression of opposing views and individuality allows staff to strengthen their personal sense of purpose and take ownership of their space within the company as committed members of the Futuregrowth team.

A newly appointed senior staff member described **Futuregrowth** staff as “... people living up to their purpose, who are not afraid to stand up for what is right and can sleep at night, knowing they have done the right things during the day”.

An equal voice: We typically follow a team-based approach to investment decision making (with quorum requirements stipulating that experienced team members are present at decision points). Apart from the quorum obligations, there is no hierarchy within the investment decision forums. This means that young Black investment professionals have an equal voice/vote in investment decision making, regardless of their title or tenure.

Changing from a “family” culture to a caring “high performance team” culture: On the principle that “everyone wants to work for a winning team”, we are working together to improve our measures of accountability, performance and delivery, while continuing to share in the joy and sadness of each other’s lives, as we have always done.

Hybrid workplace: We are currently operating with a hybrid working model which is continually evolving, with staff working from home or the office, according to what is most productive and efficient at the time. Our offices have been revamped to accommodate our larger staff complement and provide a workspace that allows for safe and productive collaboration.



1D. TRANSFORMING OUR COMPANY OWNERSHIP AND SHARE STRUCTURE

In June 2022, the acquisition of 21.2% of Futuregrowth shares by African Women Chartered Accountants Investment Holdings (Pty) Ltd (AIH), a wholly Black women-owned investment company became effective. This is an important milestone in a multi-year drive by Futuregrowth to regain its status as a majority Black-owned company.

A unique empowerment partnership: It is critical to AIH to work with partners that align with their vision. AIH self-funded their 40% equity contribution. The acquisition is AIH's largest investment to date.

“AIH’s DNA is very similar to ours, and this unique partnership will enable us to make even more of a difference over a broader sphere than before. This is an exciting, material and refreshing transaction in the Asset Management space”

Paul Rackstraw,
Managing Director of **Futuregrowth**,

A previous milestone:

In 2002 Women's Investment Portfolio Holdings (Wiphold), a women-owned Black empowerment fund, bought a 40% stake in Futuregrowth. In 2005 Wiphold increased its holding to 70%, cementing Futuregrowth as the largest Black-owned fund manager in South Africa at the time.

“Wiphold made a great contribution to our business over those years and really challenged our thinking. That was hugely positive, and we felt a sense of loss when they exited in 2008”

says Paul Rackstraw.

“It has always been the aim of Futuregrowth to get back to the position of having a significant Black partner that shares our vision and has a larger purpose.”

AIH



African Women Chartered Accountants (AWCA) is a non-profit organisation founded in 2002, whose mission is to facilitate the entry of black women into the chartered accountancy profession and accelerate their advancement to South African leadership positions.

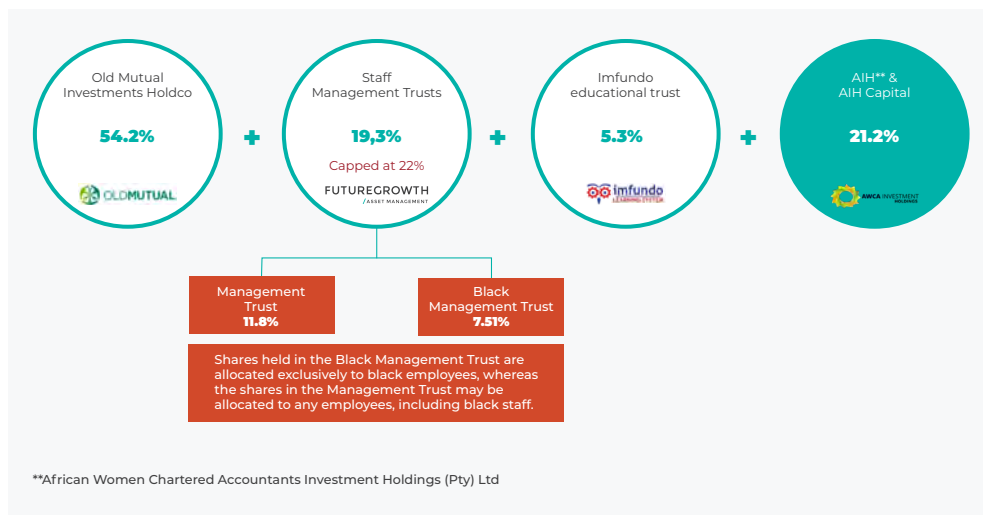
AIH was formed in 2008 to support the financial needs of AWCA by making long-term investments across various economic sectors. AIH is 100% black women-owned, and the majority of its 53 shareholders are chartered accountants and business leaders. Ten percent of AIH's net profits are donated to AWCA to further its mission.

For further information, see:

[Futuregrowth buttresses its mission through a unique empowerment partnership | Insights | Futuregrowth - South Africa](#)

[Meet Sindi, Founder and Chairperson of AIH | Insights | Futuregrowth - South Africa](#)

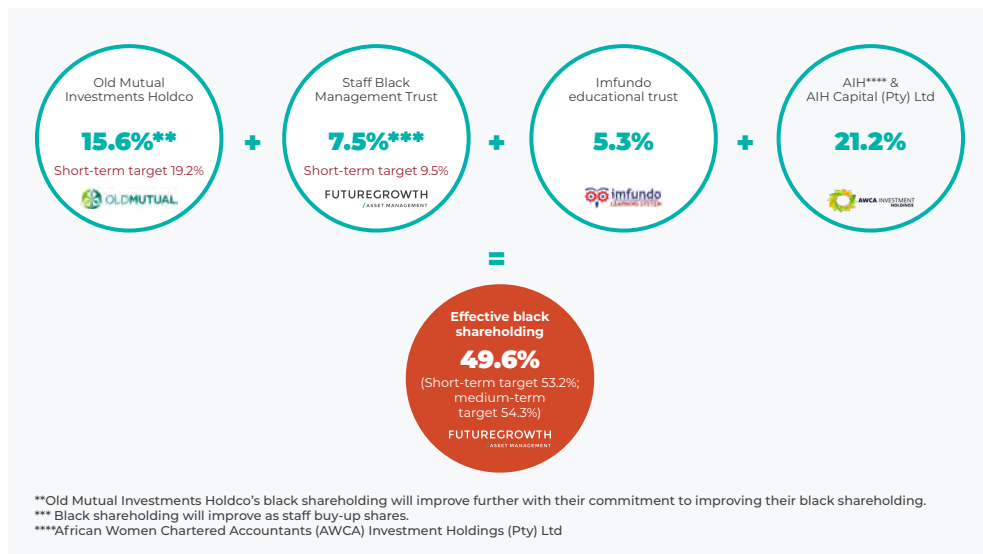
Futuregrowth’s new shareholding structure: We’ve made great strides over the past three years. Before, only senior investment professionals and managers could own Futuregrowth shares. Now, close to 95% of our staff have a stake in the business. The Imfundo Trust holds 5.3% for Futuregrowth. (The Imfundo Trust is covered in detail later in this report.)



Employee shareholder scheme: The Futuregrowth share scheme, which forms part of the OMIG Management Equity Scheme (OMES), reserves 22% of Futuregrowth shares for staff, with a maximum holding by White staff of 12%. Futuregrowth has also allocated a proportion of its bonus to Black staff to accelerate the purchase of their Futuregrowth shares. To date 33 staff members have benefitted from this arrangement.

Board composition: Our agreement with Old Mutual on the composition of our board includes: membership of the board by the Futuregrowth CEO and CIO; board members appointed by Old Mutual; and two independent board members. Once the new empowerment shareholder is fully on board, we will review the composition of the board. In the interim, Sindi Mabaso-Koyana has been appointed as a director of Futuregrowth and attended her first Futuregrowth board meeting in July 2022.

Effective Black shareholding: Now that the AIH transaction is concluded, Futuregrowth's effective Black shareholding will be 49.6%. This will increase to over 50% on the completion of the Old Mutual BEE transaction this year.



How we are rated on the FSC scorecard: Futuregrowth has been on a vigorous drive towards achieving an effective 51% Black ownership. We were a B-BBEE Level 2 contributor from 2018 until recently, when we achieved our Level 1 empowerment target in June 2022, based on our December 2021 scoring. This was achieved before we concluded the AIH empowerment transaction.

Year	Actual Score
2018	76.45
2019	94.04
2020	94.41
2021	93.81
2022	95.27

Part 2 / HOW HAVE WE HELPED TRANSFORM OUR INDUSTRY AND SOCIETY?

As a leader in South Africa's asset management industry, we have a responsibility to use our platform to protect our clients' investments – and to urge our industry to do the same – while also contributing to South Africa's economic growth and social upliftment.

OUR CONTRIBUTION HAS INCLUDED, AMONGST OTHERS:

- A.** ACTIVE INVOLVEMENT IN INDUSTRY BODIES AND EDUCATION INITIATIVES
- B.** ADDING TO THE POOL OF BLACK TALENT IN FINANCIAL SERVICES
- C.** WORKING TO IMPROVE SOUTH AFRICA'S DEBT CAPITAL MARKET STANDARDS AND THE ENVIRONMENT IN WHICH WE OPERATE



2A. ACTIVE INVOLVEMENT IN INDUSTRY BODIES AND EDUCATION INITIATIVES

In addition to our active participation, Futuregrowth contributes financially to several bodies and initiatives aimed at serving our industry and its stakeholders.

Association for Savings and Investment South Africa (ASISA): Our representation on the ASISA Fixed Interest Standing Committee and its sub-committees enables us to highlight industry issues and coordinate the industry response.



WE ARE REPRESENTED ON THESE ASISA SUB-COMMITTEES:



**RESPONSIBLE
INVESTING
STANDING**
Committee

**COVERED
BONDS**
Working Group

**DEBT ISSUER
SERVICES**
Work Group

SECURITISATION
Working Group

**INFRA-
STRUCTURE**
Working Group

**PROJECT
BONDS**
Work Group

**MONEY
MARKET**
Sub-committee

**COMMERCIAL
PAPER**
Review

Uplifting communities through ASISA: ASISA's Enterprise and Supplier Development (ESD) Fund invests in the strategic growth of high-potential small and medium enterprises through a combination of tailored business acceleration and investment support. We have historically also contributed to the legacy Fundisa Retail Fund, which helped to fund the tertiary education of learners from lower-income families.

Chartered Financial Analyst (CFA)

Institute: Futuregrowth has been a supporter of CFA South Africa since its founding, through active Board membership, sponsorships, education initiatives and participation in its various forums. Our investment staff are encouraged and supported to become CFA Charterholders. This qualification is also considered a benefit when recruiting new staff.



**CFA Society
South Africa**

See:

[CFA Conference 2018: Notes by Andrew Canter \(futuregrowth.co.za\)](#)

<https://www.futuregrowth.co.za/insights/fiduciary-duty-in-action/>

[CFA Society South Africa 2022 Ethics Challenge | Insights | Futuregrowth - South Africa](#)

Trustee training: Given the fiduciary role that trustees play in pension fund management and the importance of having the appropriate skills and knowledge, Futuregrowth has compiled a series of workshops specifically for trustees. We have conducted 19 workshops over the years, and are producing an ongoing guidance series on “What to ask your asset manager”.

See:

[What to ask your asset manager: Renewable energy investments | Futuregrowth](#)

[What to ask your asset manager: Credit as an asset class | Futuregrowth](#)

[What to ask your asset manager: Responsible Investing | Futuregrowth](#)

[What to ask your asset manager: Developmental impact investing | Futuregrowth](#)

2B. ADDING TO THE POOL OF BLACK TALENT IN FINANCIAL SERVICES

A key strategy of the business is to increase the pool of Black investment/investment-linked professionals by creating opportunities for people to enter the sector.

GAP learnerships: We participate in the Old Mutual Graduate Acceleration Programme (GAP), where selected students are offered an internship for eighteen months. Since 2013, over R2 million has been spent by Futuregrowth to support our GAP interns to further their studies and qualifications. This amount is over and above the cost of paying the interns a salary during their period at Futuregrowth.

Since 2011



* 1 in Client Service • 2 in Enterprise Solutions • 1 in Information Technology

TSiBA bursaries: Futuregrowth also participates in the Tertiary School in Business Administration (TSiBA) bursary programme, which is offered in conjunction with ASISA.

10 Bursaries

FG has funded 10 bursaries overall
(2 of the recipients were placed at FG
and were permanently employed)

The TSiBA bursary programme at Futuregrowth

The purpose of this programme is to create a pool of graduates who have developed some basic skills in the financial services industry. These students are given the opportunity to gain relevant and valuable work experience in client reporting and business development during their five-month placement with Futuregrowth. Selected individuals are also given a bursary for eighteen months for the completion of their studies and are paid a salary while completing their internships.

IMFUNDO Trust: The IMFUNDO SP Trust was launched by Old Mutual Investment Group in 2011 to increase funding for Black graduates with a particular interest in the investment industry. Futuregrowth has been one of the key funders of the Trust from the outset, primarily via the substantial dividends it has earned from its investment in Futuregrowth shares over the years.

R47 Million

Have been paid by the IMFUNDO Trust
(funding 432 years of study for it's students
with 108 graduates to date)

20 Students

Are being funded by the trust in 2022

A total of

R3.54 Million

Has been paid out into the trust for
the bursary beneficiaries during 2021

All beneficiaries come
from constrained environments and are
Blacks as defined in the B-BBEE codes.



Supporting transformation in the accounting sector: AWCA has been instrumental in helping to transform the accounting sector, particularly by supporting aspiring Black female Chartered Accountants (CA) candidates, and with the added aim of creating the next generation of leaders and captains of industry. Our partnership with AIH will enable us to increase the funding of this initiative - and provide additional work opportunities for the beneficiaries in the asset management space.

Since the launch of
AWCA (2002)

**407 out of
20 903**

CA Population were
African, Indian and Coloured
Females (AIC) (i.e. 2%)

With concerted efforts from various stakeholders,
Transformation has gained momentum and
AIC female numbers increased to

8 064

out of a CA population of 48 765
by January 2022 (i.e. 16.5%)

The Futuregrowth laboratory: Over the years, many people have come and gone at Futuregrowth. These individuals form part of Futuregrowth's journey and the skills and knowledge they acquired while part of our business have advanced them in their personal careers.

79 people have moved on in the past ten years
This represents **almost 290 years of learning at FG**
28 (35%) of these **were Black African**

2C. WORKING TO IMPROVE SOUTH AFRICA'S DEBT CAPITAL MARKET STANDARDS AND THE ENVIRONMENT IN WHICH WE OPERATE

As responsible investors, we engage with our industry and investee companies privately, and sometimes publicly, on what we feel are important issues for the country as a whole. Futuregrowth also spends a significant amount of time, money and resources on fighting to improve the environment for investors.

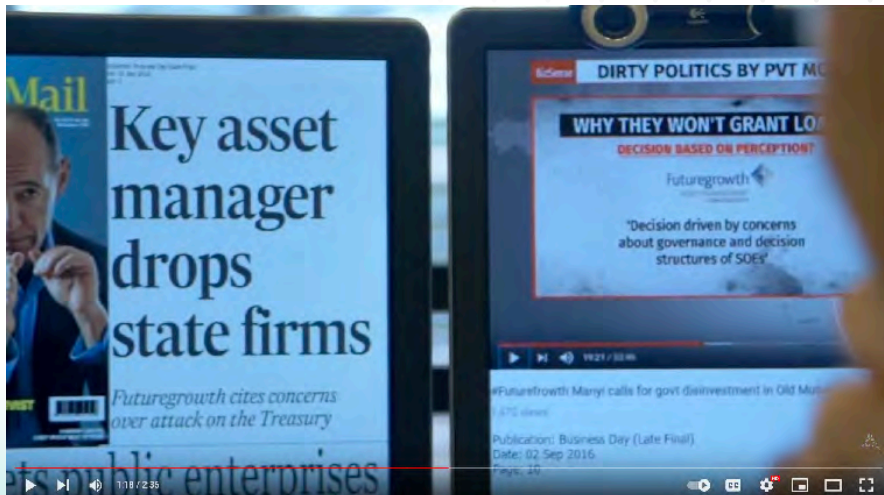
Shining a light on governance at SOEs: In 2013, we identified unsustainable and prejudicial practices within the consumer lending industry and chose to stop lending to such businesses. In 2016, we announced that we could no longer in good conscience invest pension fund members' assets in certain State-Owned Enterprises (SOEs) until we had concluded detailed governance reviews.

See:

[Futuregrowth suspends loans to state-owned-entities](#)

[The SOE Debate | Newsroom | Futuregrowth](#)

[Let's Measure Up: Andrew Canter](#)



Lobbying for bond market reform: Robust bond market standards and investor protections are necessary for us to meet our fiduciary obligations to our clients. Some key protections were not included in the final JSE Debt Listing Requirements (DLR) 2019 or the planned amendments. Futuregrowth helped draft a set of ASISA approved DLR Guidelines to address the shortcomings.

See:

[Bond market reform and DMTN standards – Phase 2 begins | Insights | Futuregrowth - South Africa](#)

[Investor Activism in Action | Insights | Futuregrowth - South Africa](#)

[Fighting for bond investor rights | Insights | Futuregrowth - South Africa](#)



Participating in Reg 28 amendments: This initiative by government highlights the role that the pension funds industry can play in assisting economic growth through infrastructure investment. However, the proposed amendments could have some unintended and problematic consequences. We provided comments through both ASISA and our own submission, setting out our concerns, and will continue to monitor developments with this legislation.

See:

[Draft Reg 28 amendments – supportive but some concerns | Insights | Futuregrowth - South Africa](#)

[Reg 28 second draft amendments go some - but not all - the way | Insights | Futuregrowth - South Africa](#)

Focusing attention on whistleblower support: Having seen decades of investor losses and government decay, and as both responsible investors and members of civil society, Futuregrowth and Old Mutual Investments jointly commissioned Just Share to review South Africa's legal and regulatory framework around whistleblowing.

See:

[Empowering Whistleblowers: Protecting South Africa | Insights | Futuregrowth - SA](#)

[Protecting whistleblowers: our collective duty | Futuregrowth](#)



CONCLUSION



Building on our past to create a fruitful future



Futuregrowth was founded in the wake of South Africa's democratic transition, so it was probably inevitable that transformation would be in our DNA. Through all the changes over the years, we have not wavered from our original overarching purpose: to protect and grow investors' savings through skill and diligence, while being a force for good in the markets and environment in which we operate. We started with a small suite of investment funds focused on social development and empowerment, with the vision of creating a sustainable channel for pension funds to invest in disadvantaged communities and national development. This we have done. Now is the time to ensure that future generations at Futuregrowth can continue to fulfil our founding promise – by building on our history in new and fruitful ways.

“Through our efforts, we seek to be on the right side of history.”

FUTUREGROWTH

/ ASSET MANAGEMENT

FAIS disclaimer: Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth") is a licensed discretionary financial services provider, FSP 520, approved by the Registrar of the Financial Sector Conduct Authority to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. The fund values may be market linked or policy based. Market fluctuations and changes in exchange rates may have an impact on fund values, prices and income and these are therefore not guaranteed. Past performance is not necessarily a guide to future performance. Futuregrowth has comprehensive crime and professional indemnity in place. Performance figures are sourced from Futuregrowth and IRESS.

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