

## WHAT TO ASK YOUR ASSET MANAGER: TRANSFORMATION

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**Meaningful transformation remains one of the biggest challenges for South Africa's asset management industry.**

The asset management industry is a key enabler of economic activity and plays a pivotal role in the functioning of our economy. According to ASISA\*, the local CIS industry finished 2021 with R3.14 trillion in assets under management. This makes the retirement industry a significant contributor to South Africa's GDP and its growth and developmental needs.

At Futuregrowth we have long recognised that transformation requires much more than mere scorecards and tick boxes. When considering what is required for the transformation of our industry, we believe that asset management companies should consider not only the impact of their business and investments on the broader environment in which they operate, they also need to demonstrate a meaningful commitment to growing the pool of Black and female investment analysts and portfolio managers in South Africa.

\* Local CIS industry celebrates R3 trillion in assets under management ([asisa.org.za](https://www.asisa.org.za))

### Where are we now?

The latest BEEconomics survey (2021) compiled by 27four reveals the following insights on diversity, equity and inclusion (DEI):

- Most companies acknowledge that DEI is important because it leads to better investment performance and increased revenue.
- Men represent 83% of all portfolio managers, illuminating the dearth of women's participation within the sector. Most analysts, however, are women. This suggests that, although diversity has improved, inclusion has not been realised. This highlights the urgent need for a clear pathway for women to transition from analyst to portfolio manager.

- C-suite positions are dominated by men, particularly the Chief Executive Officer (CEO) and Chief Investment Officer (CIO) positions. Whilst Black men dominate the position of CEO, when it comes to leading the investment team, this is shared between non-Black SA and non-SA men. Research undertaken by 27four found that only five CEOs of the top 100 companies listed on the JSE by market capitalisation are women, two of whom are Black. There are 18 women CFOs. Men hold 95% and 82% of CEO and CFO positions, respectively.
- The biggest factor identified as being effective in closing the gender gap is that of making this a clear strategic priority that is driven by executive leadership.

Source: [BEEconomics Surveys – 27four Group of Companies](#)

## What should we aim for?

The asset management business is complex, and transformation is likely to take different forms; however, industry benchmarks are starting to emerge, such as those outlined at the recent launch of Alexander Forbes' new transformation policy. "Asset managers will not be able to do business with us if they don't meet minimum transformation targets by June 2025" said Ann Leepile, CEO of Alexforbes Investments at the launch. She added that this means at least a 40% Black representation in the investment team (of which 40% will need to be Black female investment professionals), at least 40% Black representation in senior management, and an incremental improvement year-on-year.

Echoing the findings of 27four (summarised above), Alexander Forbes ran a survey while preparing their policy, inviting 142 asset managers to indicate their commitment to transformation. While only 68 responded, they collectively manage R5.1 trillion of assets in SA. The survey showed that Black Africans made up only 35% of CEOs and 23% of CIOs in the industry in 2020. Portfolio managers are still predominantly white (54%), and the investment teams are dominated by men.

Source: Alexander Forbes roadshow: 19 May 2022

## Questions to ask managers:

Here are some useful questions and checks for your asset manager, gathered from a combination of client interactions over the years, and our own experience. These aim to assist Pension Funds trustees when assessing asset management companies' commitment to transformation.

The company should be able to provide the following particulars:

- lists of names of actual staff in the relevant categories;
- clearly defined policies, that set out goals and objectives, and provide direction on execution and monitoring outcomes; and
- evidence of actual examples to illustrate its answers.

### 1. Equity ownership and voting rights

- What percentage of the shareholding is held by Black people and by Black women, respectively?
- What percentage of these have voting rights?
- What actions are being taken to address racial and gender gaps in either of the above?
- Can you provide your latest BEE certificate and the detailed report relating to this?
- What is your long-term objective in this regard?

### 2. Leadership/senior staff representation

- How many of the directors on your board are Black?
- How many of the directors on your board are Black women?
- How many key senior leadership positions are occupied by Black staff and by Black women?
- What are the following senior management ratios?
- The number of Black employees in senior management as a percentage of all senior management?
- The number of Black female employees in senior management as a percentage of all senior management?

- The number of Black African employees in senior management as a percentage of all senior management?
- Do you have a succession plan in place?
- What is your long-term strategic objective in terms of leadership representation?

### **3. Investment team diversity**

- What is the size of your investment team?
- How many investment team members are Black and Black African, respectively?
- How many investment team members are Black women, and Black African women, respectively?
- Do you have any programmes in place to increase diversity in the investment team?
- How has the diversity in the team changed over the past 5 years?

### **4. Portfolio manager diversity and development**

- How many Portfolio Managers (PMs) do you have?
- How many PMs are Black and Black African, respectively?
- How many PMs are Black women, and Black African women, respectively?
- Do you have any programmes in place to increase diversity in your PMs?
- How has the diversity in your PMs changed over the past 5 years?

### **5. Staff training and development**

- What policies/programmes do you have in place for staff training and development?
- What do you spend in total on staff training per annum, and has this changed over recent years?
- What is the uptake of staff training opportunities among Black staff and Black female staff, respectively?
- In what way, if any, are your training opportunities geared to promote transformation?

### **6. Recruitment policy**

- In what way, if any, is transformation reflected in your recruitment policy?

- How has your recruitment contributed to transformation of the business over the past 5 years?

## 7. Contribution to the industry

- In what ways, if any, do you contribute to the transformation of the asset management industry?

## 8. Investment strategies

- What role, if any, does transformation/socio-development play in your investment process?
- Are you able to measure whether your investments are contributing to transformation in any way?
- How do you measure/report on the impact of your investments?
- Do you engage with your investee companies on transformation-related matters, and if so, what is the process for doing this, and what results have been achieved?

## 9. Limitations

- What issues could prevent the business from achieving its desired targets?
- What factors currently limit your business from improving overall transformation and/or inclusivity?
- Can anything be done to mitigate these factors?

## Evaluation

The answers to these questions should provide a comprehensive indication of the asset management company's commitment to transformation, and its progress in this regard. The statistics obtained can be evaluated against some of the benchmarks suggested in the section "What should we aim for?" above, and gaps identified. The strategies and programmes in place in the company can then be assessed for effectiveness in addressing these gaps.

This article forms part of our ongoing “What to ask your manager series”. See below for other articles in the series:

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