

Solving the Asset Allocators Conundrum



Life of a subscale fund manager

In any industry entrepreneurship is a lonely journey, in the financial services industry, even more so. From trying to get a foot-in-the-door at the large asset allocators where entrenched and established relationships are tightly held. To the 12 months plus sales cycle, if your business is fortunate enough to get any attention from the large asset allocators. It is enough to see any enthusiastic investment professional/ entrepreneur loose hope and go back to the pigeonholed existence of South African corporate life –which most of them aimed to escape.

This has been the reality for several talented fund managers over the years which have had to close-up shop, after not having been able to gather assets to manage after years of relentlessly knocking on locked doors. Interestingly, looking at the SA landscape there are still a number of subscale fund managers, many of them majority black owned which remain, and are showing a hunger for success, in spite of these daunting challenges.

Asset owners responsibilities

High on the agendas of asset owners ought to be the support of medium and small sized majority black owned fund managers, which should be given the opportunity to grow into large corporates in modern day South Africa. However looking at the slow pace of allocation to these managers, it would seem there are other matters on the agenda which are taking precedence. Is it a case of asset allocators mis-prioritisation the

importance of Transformation or is it an abundance of regulation which are all burning with importance, that the fire of Transformation is not burning hot enough to matter as much.

Consolidation of fund managers

Performance matters, but it is not the only thing... Many subscale managers are delivering great performance but are not gathering assets. So, the issue may well be size... which matters in the eyes of asset allocators. Does this mean the conversation on the fund manager streets needs to be about – how we get two or three “bulls” ie. CIO's, into one proverbial kraal – and build a new larger, stronger entity, which has scale. Or do we as fund managers continue to opine about the lack of assets flowing our way. Adapting to our environment in order to survive. The recent take-over of Afena Capital by Aluwani Capital Partners certainly looks to be a win-win for all concerned, with Aluwani getting a beefed-up equity capability and filling in some gaps in its investment team; considering their growth in assets under management over the past few years. And the Afena Capital team taking a collective sigh of relief from the subscale existence of an emerging black fund manager in South Africa.

Perhaps this will be the trend which will see more asset allocators eventually looking past the issue of subscale and start making meaningful allocations to majority black owned asset managers. Ultimately driving the Transformation we would all like to see.

