

David vs Goliath: fact or fiction?

This report provides a concise analysis of how manager size affects investment outcomes in the South African market. It examines the structural differences between boutique and large managers — including opportunity set access, liquidity dynamics, scale efficiencies, and cost pressures — and evaluates whether smaller managers' agility leads to measurable performance advantages. The aim is to give a balanced, research-based view of how size influences alpha generation and consistency, informing our assessment of underlying managers and our own portfolio positioning.





Why Concentration Matters: The Economic and Investment Consequences of SA's Manager Dominance

South Africa's asset management industry is one of the deepest and most sophisticated in the global emerging-market universe, channelling more than R8.2 trillion—almost a third of the country's GDP—into retirement savings, corporate funding, and long-term investment. Yet beneath this impressive scale lies a structural imbalance that has shaped capital allocation for decades: the overwhelming concentration of assets in the hands of a few dominant firms.

Today, the top 10 investment houses control ~60% of total industry AUM—a level of concentration that has barely shifted in over 20 years, despite meaningful industry growth. These managers, including Ninety One, STANLIB, Sanlam, , Coronation and Allan Gray, have come to occupy a near-default position in institutional portfolios. Their size, longevity, and brand presence reinforce one another in a self-perpetuating loop: scale attracts flows, flows reinforce scale, and scale cements incumbency.

But this concentration carries hidden costs for the broader market.

Table: Top 20 Asset Managers ranked by AuM

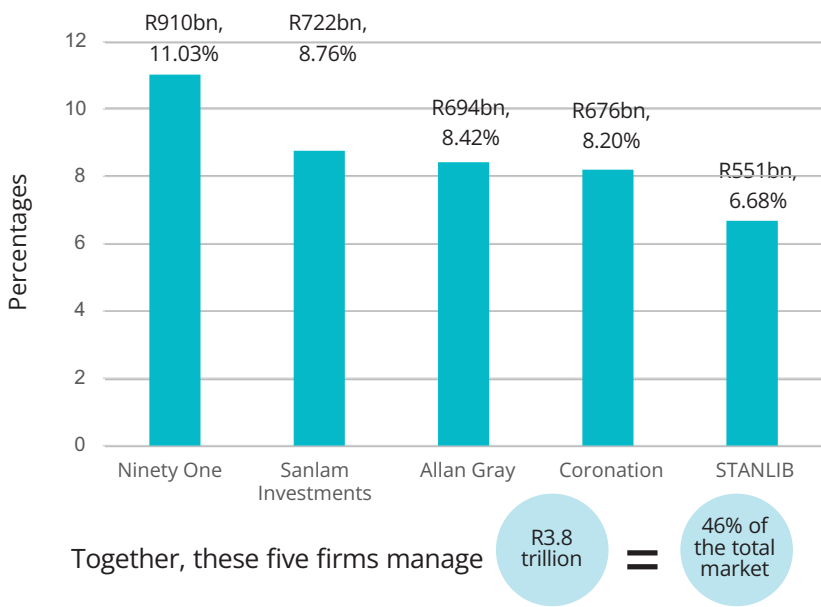
2023 Rank	2024 Rank		Fund Manager	Total Assets (Rm)	Total SA Assets (Rm)	% Market Share	B-BBEE Status
				ZAR Millions			
1	1		Ninety One	R860 139	R507 321	6.15%	Level 1
2	2		STANLIB AM	R714 410	R615 630	7.46%	Level 1
5	3	⬆️	SIM	R594 440	R539 901	6.55%	Level 1
3	4		Coronation	R572 812	R408 814	4.96%	Level 1
4	5		Allan Gray	R561 349	R342 059	4.15%	Level 1
7	6	⬆️	Alexander Forbes Investments	R427 094	R280 355	3.40%	Level 1
6	7	⬇️	OMIG	R404 490	R279 392	3.39%	Level 1
8	8		Nedgroup Investments	R401 059	R298 764	3.62%	Level 1
9	9		Sanlam Multi-Managers	R379 220	R262 455	3.18%	Level 1
10	10		Taquanta	R269 464	R255 144	3.09%	Level 1
11	11		Momentum MoM	R238 284	R183 696	2.23%	Level 1
15	12	⬆️	Satrix	R217 321	R139 218	1.69%	Level 1
12	13	⬇️	M&G Investments	R211 334	R185 355	2.25%	Level 1
13	14	⬇️	Futuregrowth	R200 531	R200 531	2.43%	Level 1
14	15	⬇️	Momentum AM	R173 698	R169 050	2.05%	Level 1
18	16	⬆️	Fairtree Asset Management	R145 260	R139 586	1.69%	Level 2
17	17		Prescient	R141 654	R134 634	1.63%	Level 1
16	18	⬇️	Old Mutual Multi-Managers	R141 454	R75 234	0.91%	Level 1
20	19	⬆️	Ashburton	R124 544	R121 390	1.47%	Level 1
19	20	⬇️	Aluwani	R125 669	R125 669	1.52%	Level 1
			Total AuM		R8 248 610		

Note: Fund-of-funds managers have been excluded from the analysis to prevent double counting of assets. NC = non-compliant
 Source: Alexander Forbes Manager Watch Annual Survey 2024, 27Four DEInvest Annual Survey 2025





At the apex of South Africa's asset management landscape sit the industry's dominant incumbents:



Their scale is reinforced by deep institutional penetration: Ninety One, for example, derives 63% of its assets from institutional clients (R573bn), supported by cost-efficient execution and global reach, while Allan Gray's 65% retail tilt (R450bn) reflects strong brand loyalty among individual investors.

This concentration is perpetuated by a self-reinforcing cycle of investor preferences and structural barriers. Investors have traditionally associated size with safety—a perception reinforced by both behavioural and structural factors within the local market. The preference for larger managers is often rooted in:

- **Perceived risk reduction:** The belief that a large manager, by virtue of its scale, is inherently safer and more resilient. Empirical evidence shows that 70% of institutional allocators cite "operational stability" as a top criterion, despite no correlation between AUM and risk-adjusted returns.
- **Anchoring bias:** Institutional investors continue to rely on the historical outperformance of entrenched firms, even when recent results suggest a narrowing of the performance gap. Surveys found 62% of pension fund trustees anchor to 10-year track records, overlooking that 35% of top-decile managers from 2013 underperformed medians by 2023 due to scale constraints.
- **Information asymmetry and risk aversion:** Consultants and trustees tend to default to incumbents, often to avoid reputational risk associated with backing smaller, lesser-known firms.
- **Brand power:** Large asset managers have the marketing reach and distribution capability to maintain consistent visibility across platforms. Incumbents spend 2–3x more on consultant roadshows and platform listings, perpetuating a cycle where 77% of new AUM flows to the top 10 firms.

The outcome is predictable: more than 77% of new net flows accrue to the top 10 firms each year—regardless of whether smaller managers are producing competitive returns.

This does not signal superior skill; it signals a structural preference.



Why Concentration in Large Asset Managers Hurts the Market — and South Africa's Growth

While large asset managers dominate industry flows for understandable reasons—brand strength, perceived safety, and operational scale—the consequences of this concentration are increasingly difficult to ignore. A healthy financial ecosystem depends on competition, diversity of ideas, and the steady creation of new investment opportunities. When too much power resides in a handful of firms, the entire market begins to suffer.

South Africa is already showing signs of this strain. Over the past five years, the number of active asset managers has quietly shrunk by about 3%, with a further 3% decline expected by 2030. This is not just consolidation; it is a slow erosion of competition. When fewer firms are competing for capital, innovation slows, investment processes begin to look alike, and allocators lose access to differentiated sources of return.

The job market feels this too. Although the top 10 firms control roughly 61% of total AUM, they account for only 45% of industry employment. Boutique firms—because they are research-intensive and locally rooted—create around 20% more jobs per R1 billion managed. In a country where unemployment sits above 30%, this is a significant missed opportunity. A more competitive asset-management landscape is not just good for investors; it directly supports economic participation and skills development.

Market behaviour illustrates the problem even more clearly. As assets pool into a few large managers, portfolios tend to converge around the same names—particularly the highly liquid large-cap shares that dominate ALSI and SWIX benchmarks. In fact, around 88% of large managers' equity holdings track these indices closely.

The result is predictable: herding. And with herding comes distorted valuations. Top 40 shares now trade at an estimated 10–15% above fundamentals, while mid- and small-cap coverage continues to deteriorate. This weakens price discovery, reduces market depth, and leaves smaller companies starved of investor attention.

This lack of capital reaching smaller businesses has direct real-economic consequences. JSE liquidity has fallen by about 15%, delistings have accelerated, and new listings declined by 25% in 2024 alone. These trends are not random—they reflect a domestic market where the supply of capital is increasingly absorbed by large, established companies, leaving little appetite for emerging or growth-oriented firms. In an economy where SMEs drive more than half of GDP, this imbalance limits entrepreneurship, innovation, and long-term growth.

A second structural issue is offshore leakage. As large balanced funds grow, they allocate ever more capital internationally. By 2025, average offshore exposure reached 38%, contributing to around R1.2 trillion flowing out of South Africa since 2020. Offshore diversification is sensible—but excessive offshore flow becomes a drag on domestic investment, reducing the pool of capital available for infrastructure, SME financing, and local equity markets.

The cumulative effect is a financial ecosystem that becomes less competitive, less dynamic, and less aligned with South Africa's long-term growth needs. This is not about transformation or equity ownership—it is a straightforward economic argument. More firms mean more competition, more skilled jobs, more innovation, and more capital circulating locally.

The question facing allocators is whether the current concentration cycle should be allowed to continue unchecked. Evidence suggests that relying heavily on a few dominant players is not only risky—it suppresses the very market forces needed to stimulate investment, broaden ownership, and unlock South Africa's growth potential.

A more balanced allocation to both large incumbents and high-quality boutique managers is not just equitable; it is economically rational. It strengthens competition, improves market efficiency, broadens investment coverage, and ultimately supports a more vibrant, resilient South African economy.

From Outsiders to Oligarchs: The Top 10 Were Not Born Big

Chart: SA Investment Industry through time

2000		2025	
Fund Manager	Total AUM (Rm)	Fund Manager	Total AUM (Rm)
Old Mutual Investment Group	R231 173	Ninety One	R909 934
Sanlam Investments	R201 994	Sanlam Investments	R722 171
Stanlib Asset Management	R100 983	Allan Gray	R694 186
RMBAM	R92 769	Coronation Asset Management	R675 992
Investec Asset Management	R81 468	Stanlib Asset Management	R550 676
Coronation Asset Management	R44 442	Old Mutual Investment Group	R477 221
Metropolitan Life	R30 164	M&G Investment Managers	R322 854
Allan Gray	R19 863	Taquanta Asset Management	R291 317
Quaystone	R17 086	Futuregrowth Asset Management	R203 907
Prudential	R7 939	Ashburton Fund Managers	R181 877
Foord Asset Management	R1 000	Prescient Investment Management	R152 354

Source: Alexander Forbes Manager Watch Annual Survey, Figures in Rand (millions)

What is often forgotten is that today's giants were once boutique challengers themselves. In the late 1990s and early 2000s, Allan Gray, Coronation, Investec AM (Ninety One), Futuregrowth and others were small, high-conviction managers competing against the insurance giants of the time. As late as 2000:

- Allan Gray was a contrarian upstart with R20 billion (smaller than Metropolitan Life),
- Coronation was barely visible in institutional rankings at R44 billion,
- and Taquanta, Futuregrowth, and the modern Ninety One identity did not yet exist or were embryonic.

What propelled these former minnows into the oligopoly?

1. Consistent, differentiated performance

By the end of the cycle, Coronation had been vocal that commodities were overvalued and had run resource exposure from very underweight levels before selectively adding back into quality names as valuations reset — an example of the conviction-led positioning that helped certain boutiques build durable franchises.

Investec Asset Management (Ninety One) built an unrivalled emerging-market and 4Factor quant franchise that attracted global institutional money long before most South African peers had offshore licences.

Futuregrowth pioneered developmental bonds and green infrastructure, capturing the first wave of ESG and impact mandates from the PIC in the early 2000s.

2. Founder-led, high-conviction cultures that survived scale

The four breakout boutiques retained meaningful founder or partner ownership and decision-making (Allan Gray family trusts, Coronation staff ownership >70% until recent years, Investec partnership model, Futuregrowth employee trusts). This preserved alignment and prevented the bureaucratic drift that plagued the insurance giants.

3. Early-mover advantage in new regulation and capital pools

Post-1994 offshore liberalisation (1997–2000) rewarded firms that quickly built global research and currency-hedged offerings (Investec AM, Coronation, Foord).

Regulation 28 amendments and the rise of the GEPF/PIC as active allocators from the early 2000s gave preference to managers with strong equity track records and BEE credentials (Allan Gray, Coronation, and later Taquanta and Futuregrowth).





4. Retail platform dominance (for some)

Allan Gray and Coronation used direct-to-client unit trusts and tax-free savings accounts to bypass the insurance platforms that locked in Old Mutual and Sanlam flows in the 1990s.

The result?

Between 2000 and 2010 the four boutique challengers grew AUM at 25–40 % compound while the insurance giants grew at 8–12 %. By 2015 they had permanently redrawn the top 10.

This history destroys the myth that investing in smaller, independent firms is inherently riskier. The real career risk for trustees in 1998 would have been to ignore Allan Gray (then R20 billion) or Coronation (R44 billion) and stay 100 % allocated to the “safe” insurance behemoths that subsequently underperformed for a decade.

Today's R20–R150 billion boutiques – 36ONE, Truffle, Abax, Aluwani, Camissa, Mazi, All Weather, Matrix – occupy exactly the same structural position that Allan Gray, Coronation, and Investec AM did in the late 1990s and early 2000s: high-conviction, founder-led, strong 5–10-year equity or specialist track records, and growing institutional recognition. The difference is not investment risk; it is access risk. The question for 2025 allocators is whether they will repeat the mistake of the 1990s – clinging to yesterday's winners – or recognise that tomorrow's top 10 are already in plain sight.

History shows that backing the right boutique at the right time has never been the risky bet. Missing them has.

The Rise of New Breakout Managers — Evidence That Scale Is Not a Prerequisite for Success

A similar pattern is emerging today as evidence increasingly challenges the notion that bigger is always better. Over the past decade, the rise of boutique and entrepreneurial asset managers has introduced new competitive dynamics into the industry. Many of these smaller firms, while facing meaningful structural challenges, have demonstrated competitive—and in some cases superior—performance, particularly within equity-focused mandates.

This surge—12 crossers since 2020 alone—signals not just growth but a maturation of high-conviction models that preserve alpha amid expansion. The table below profiles these 23 scalable boutiques (from the industry's top ranks), highlighting their trajectories and philosophies. Notably, the cohort is dominated by equity specialists (53%), who leverage nimbleness for broader market access—holding 127 ALSI stocks on average vs. 29–44 for R100+ billion giants. Hedge-derived firms, however, lead the breakthroughs (45% of post-2020 scalers), blending absolute-return discipline with long-only mandates to deliver 1.1–1.5% p.a. excess in equities and 1.2 higher Sharpe ratios. Black-owned representatives (12 of 23, 52%) like Taquanta and Aluwani underscore transformation potential, though they lag in speed.

Boutiques who have atleast R20 bn in AuM

Fund Manager	B-BBEE Status	Total AUM (R m)	% Market Share	Year Founded	Founding Philosophy
Taquanta Asset Management	Level 1	R291 317	3,53%	2008	Value-led SA equity & multi-asset
Futuregrowth Asset Management	Level 1	R203 907	2,47%	1994	Developmental fixed income & credit
Aluwani Capital Partners	Level 1	R152 021	1,84%	2019	Multi-asset & fixed income (outcomes-oriented)
Truffle Asset Management	Level 1	R113 743	1,38%	2012	SA equity (valuation-aware)
Abax Investments	Level 2	R110 077	1,33%	2006	Unconstrained / high-conviction investing
Camissa Asset Management	Level 1	R80 049	0,97%	2011	Specialist SA equity & multi-asset (high conviction)
Foord Asset Management	Level 1	R76 000	0,92%	1981	Global multi-asset (long-term, valuation-aware)
36ONE Asset Management	Level 1	R60 000	0,73%	2004	Absolute-return heritage / risk-managed investing
Oasis Asset Management	Level 1	R52 160	0,63%	1997	Shariah & ethical investing
Mazi Asset Management	Level 1	R45 864	0,56%	2006	Value equity (benchmark-cognisant tilt)
Vunani Fund Managers	Level 1	R37 866	0,46%	1999	Fundamental investing & solutions
Argon Asset Management	Level 1	R37 194	0,45%	2005	SA equity (risk-aware / pragmatic)
Terebinth Capital	Level 1	R36 965	0,45%	2013	Fixed income & income solutions
Matrix Fund Managers	Level 1	R34 829	0,42%	2006	Fixed income (relative-value heritage)
All Weather Capital	Level 1	R32 000	0,39%	2007	Multi-asset / tactical investing
Mianzo Asset Management	Level 1	R30 818	0,37%	2010	Multi-asset & outcome-focused
Mergence Investment Managers	Level 1	R30 325	0,37%	2004	Responsible investing & multi-asset
Aeon Investment Management	Level 1	R27 419	0,33%	2005	SA equity (quality/GARP tilt)
Oyster Catcher Investments	Level 4	R27 138	0,33%	2019	Alternatives / hedge investing
Catalyst Fund Managers SA	Level 1	R26 376	0,32%	2001	Listed property & real assets
Southchester Investment Managers	Level 1	R23 000	0,28%	2013	Fixed income & liquidity solutions
Sentio Capital Management	Level 1	R22 220	0,27%	2007	Quantitative / systematic multi-asset
Aylett & Company Fund Managers	Non-Compliant	R21 736	0,26%	2001	Contrarian / valuation-led equity

Despite the dominance of South Africa's large incumbents, a new cohort of boutique managers is breaking through the R20 billion barrier—demonstrating that performance, skill, and differentiated process can still trump size. Interestingly, many of these emerging successes share a common lineage: hedge-fund backgrounds that sharpened their risk management, security selection, and multi-asset flexibility. In a market defined by heightened volatility, geopolitical uncertainty, and shifting rate cycles, these attributes have become valuable differentiators.

36ONE, for example, has drawn on long-standing hedge-fund experience to build a strong reputation for drawdown management and disciplined risk-taking through volatile market regimes. This outcome-oriented approach has supported the firm's growth in recent years, with increasing institutional interest in strategies that can remain resilient during periods of heightened dispersion and stress.

Similarly, All Weather Capital—whose investment DNA includes long/short and absolute-return thinking—has grown meaningfully as allocators have placed greater emphasis on downside protection and flexibility. In an environment defined by macro uncertainty, these attributes have become increasingly valued, particularly for investors seeking managers who can adapt positioning as conditions change.

Matrix Fund Managers provides another instructive example of specialist capability translating into scale. With roots in fixed-income relative-value, the firm has established itself as a differentiated player in income and multi-asset building blocks, where consistency, risk control, and repeatable return sources matter. This specialist foundation has supported growth and broader adoption within balanced and outcome-oriented portfolios.

These firms illustrate what is becoming a consistent pattern: boutiques can and do scale—particularly when they offer differentiated sources of alpha that large managers struggle to replicate. The data supports this trend. More than half (53%) of managers that successfully scaled past R20 billion were equity-focused boutiques—precisely because their size allowed them to exploit the inefficiencies that persist outside South Africa's Top 40 stocks.

This advantage is structural. This narrowing of the opportunity set directly compresses potential alpha, reflected in the 0.7% p.a. reduction in tracking error among the largest funds (as shown in the ASISA survivorship-adjusted study, 2023).

Yet it would be simplistic to conclude that small always beats large. The relationship between AUM and performance remains mixed across cycles. There are periods where larger managers—benefiting from global research teams, deep data budgets, and sophisticated risk tools—outperform. In other cycles, boutiques dominate through agility, diversification across the full market, and the ability to meaningfully position in mid- and small-cap opportunities. No single narrative captures the whole picture.

What is clear is that the South African market is not inherently hostile to smaller firms. The recent success of 36ONE, All Weather, Matrix and others underscores that boutiques do not represent additional risk—if anything, they represent merit-based opportunity. This pattern is not new. The industry's largest and most trusted managers today—were themselves boutiques in the 1990s and early 2000s. Their success stories were made possible because allocators backed skill, not incumbency.

Why this research matters?

Yet despite these structural advantages, the industry has not reached consensus on whether size meaningfully predicts performance. Some data shows that boutiques outperform in certain environments; other periods favour larger managers. The truth is far more nuanced—and deeply context-dependent.

That is why this research moves beyond anecdotes to rigorously examine:

The relationship between size and performance, using retail, institutional, and category-specific benchmarks

The impact of survivorship bias, especially in surveys, where only successful firms remain.

Whether boutiques genuinely outperform—and if so, under what conditions.

How these dynamics differ between equity-only strategies and balanced funds, where offshore access and asset-allocation complexity influence outcomes.

Where Motswedi's transformation philosophy fits into this landscape, especially regarding competition, employment, and the broader economic implications of capital concentration.

Ultimately, this research seeks to answer a critical question for South African allocators:

Are smaller, often entrepreneurial managers genuinely riskier—or have structural biases inflated the perception of risk and understated their contribution to long-term market health and economic growth?

The Theoretical Advantages of Smaller Boutique Managers — and Why They Matter for South Africa's Economy

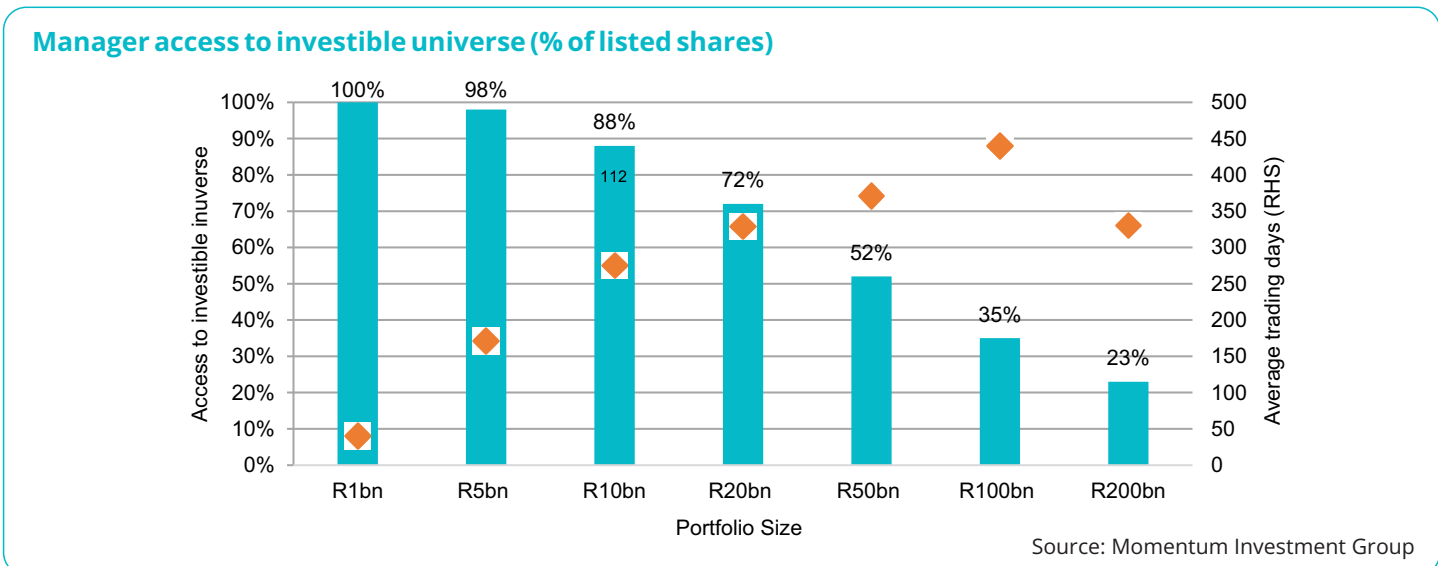
The debate over whether smaller asset managers possess a structural investment edge is longstanding, but in South Africa, the question carries added weight. With a shrinking market, persistent delistings, and capital increasingly concentrated in the hands of a few mega-managers, understanding whether boutique firms have a genuine advantage is not merely an academic exercise — it is central to the country's economic trajectory and transformation agenda.

Boutique managers are often celebrated for their nimbleness, sharper focus, and ability to move quickly in less-efficient areas of the market. Large managers, by contrast, face the unavoidable reality that size restricts opportunity. In a liquidity-constrained market like South Africa, these structural differences can meaningfully affect how — and where — managers create alpha.

How Size Shapes Opportunity in the South African Market

One of the clearest demonstrations of this structural advantage emerges when examining how the investable universe contracts as AUM rises. In our analysis, we classified managers into small (R1–R5bn), mid-sized (R10–R50bn), and large (R100–R200bn) groups and evaluated the number of ALSI-listed stocks each group could reasonably trade without breaching liquidity thresholds or ownership constraints.

The findings were unambiguous.



A boutique manager with R1–R5bn in assets could invest in roughly 127 listed stocks — essentially the entire local equity universe. A mid-sized manager could access roughly 66 shares. For large managers, the universe collapsed to just 29–44 stocks, representing 23–35% of the market.

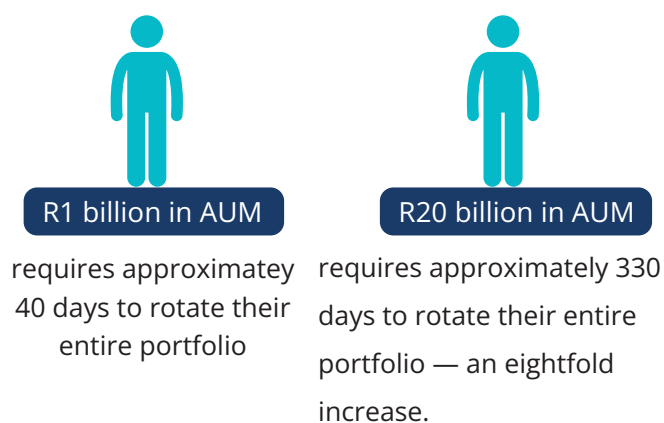
The chart illustrates this contraction vividly: as assets grow, the practical opportunity set narrows. Large managers simply cannot build meaningful positions in most small- and mid-cap counters without distorting prices or breaching ownership limits. This naturally funnels them into the same pool of highly liquid large-caps, amplifying benchmark crowding and reducing portfolio differentiation. Even highly skilled large managers operate under these structural constraints — not because they lack ability, but because the market lacks sufficient liquidity to absorb their scale.

Boutiques, meanwhile, can enter earlier, diversify into under-researched segments, and extract value from inefficiencies that large funds have no choice but to ignore.

Agility as an Operational Advantage

Beyond broader opportunity sets, size directly influences operational agility. Smaller managers move faster — and with significantly less market impact — than their large-scale peers.

Our trading-capacity analysis highlights the magnitude of this difference:



This agility advantage becomes crucial during moments of market stress, when liquidity evaporates and prices gap aggressively. Smaller funds can reposition portfolios while opportunities are still compelling. Larger funds, by contrast, may be structurally trapped in positions simply because the market cannot absorb their trades without significant price distortion.

In a volatile emerging market, where liquidity dries up long before developed-market norms, agility is not a luxury — it is a risk-management edge.

Why This Matters for South Africa's Transformation Agenda

The debate around boutique advantages is not just about alpha; it is deeply intertwined with South Africa's broader economic and transformation imperatives.

As assets concentrate among a handful of mega-managers, the consequences for the real economy become visible:

- Reduced competition weakens innovation in the asset management industry.
- Less diverse investment thinking increases herding around the same large-cap names.
- Small and mid-cap companies, which historically drive job creation and industrial expansion, suffer from insufficient liquidity and limited institutional support.
- Delistings accelerate, as companies find little domestic demand for their shares and turn private or offshore.
- Economic transformation stalls, because capital remains locked within incumbents rather than flowing into emerging, often entrepreneurial, firms.

Boutiques help counteract these forces. Their ability to operate across the full breadth of the market supports liquidity in parts of the JSE that desperately need it. Their presence broadens the industry's talent pool, stimulates competition, and creates skilled employment at higher rates per rand of AUM than large firms. And critically, their investment in small- and mid-cap counters provides growth capital to businesses that form the backbone of South African employment.



In a country grappling with structural unemployment, low growth, and capital flight, revitalising the local market ecosystem through greater diversification of asset managers is not optional — it is a strategic imperative.

A Theoretical Edge — Not a Guaranteed One

It is important to be clear: none of these structural advantages guarantees superior performance. The argument is not that boutiques automatically outperform or that large managers cannot produce exceptional returns. Instead, the data shows that the conditions under which skill can express itself are more favourable at smaller AUM levels. Greater flexibility, richer opportunity sets, and faster execution all create an environment where good investment decisions can translate into portfolio outcomes more effectively.

This distinction is vital, because it situates the boutique argument not as a sentimental or developmental preference, but as an economically rational one. Transformation and performance need not be opposing goals; in South Africa they are deeply aligned.

This theoretical advantage is only one piece of the story. The next step — and the critical one — is to test whether South African boutiques have actually captured these advantages in practice. The empirical findings will tell us whether the theory holds, where it breaks down, and what it means for allocators seeking both performance and real economic impact.

Have South African Boutiques Captured Their Structural Advantage?

A Data-Driven Look at Equity Manager Outcomes

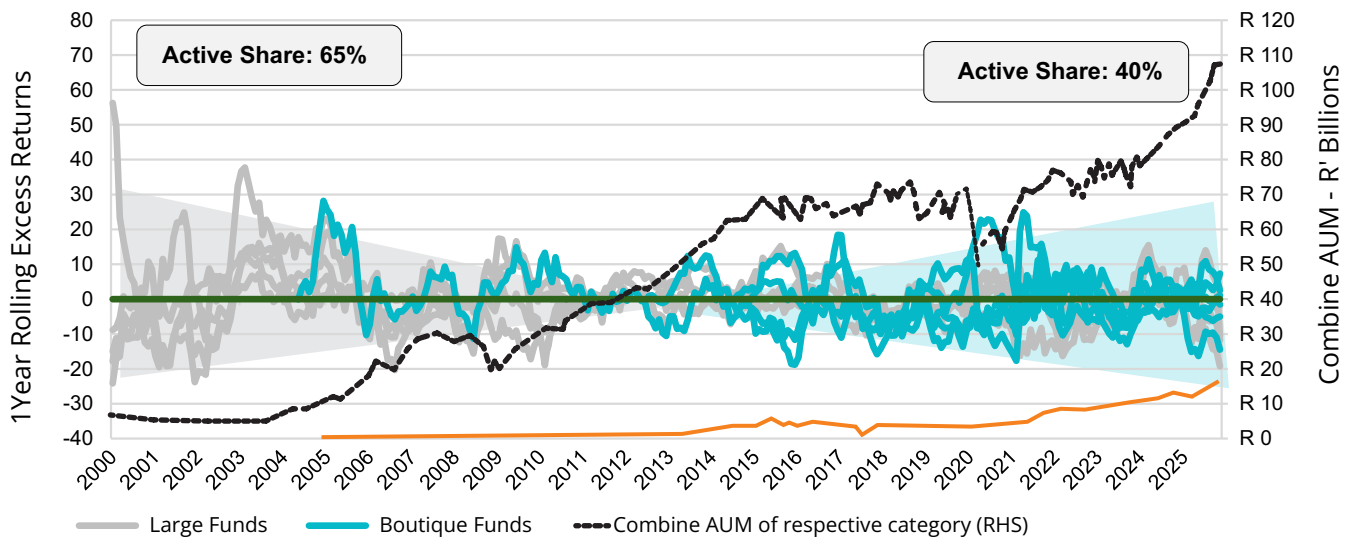
If theory suggests that smaller equity managers possess a structural advantage — through broader opportunity sets, greater liquidity agility, and the ability to express genuine conviction — then the logical next step is to test whether this advantage has appeared in real-world outcomes. Using Morningstar return histories, we examined rolling one-year excess returns for South African general equity funds, grouping managers into boutique and large-manager cohorts. The resulting chart (teal lines for boutiques, grey for large managers) is not intended to “pick a winner,” but rather to illuminate whether equity managers have practically made use of the flexibility their size affords.

What emerges is not a simple performance ranking, but a story about market structure, flows, and behavioural shifts in active management — one that carries important implications for allocators seeking both returns and meaningful economic impact.



Chart: 1 Year Rolling Excess Return over ALSI Index

Evidence of an AUM-Alpha Relationship



Source: Morningstar Direct

In the early 2000s, the collective AUM of the large-manager cohort still sat below R20 billion. During this period, the grey excess-return lines show significant oscillation — with many large funds producing notable bursts of alpha. This aligns closely with the structural argument: when large managers were effectively operating at a smaller scale, they could take advantage of a wider range of opportunities, including small- and mid-cap exposure and contrarian positioning.

However, as the black dotted line (combined AUM of large managers) begins its sharp upward climb after 2005, the pattern changes. Excess returns compress. Oscillations become narrower. And the return path of the large-manager cohort becomes materially more benchmark-like. This does not imply that large managers became less skilled. Rather, it reflects the realities of scale in a market with limited liquidity: once AUM passes a certain threshold, portfolios inevitably converge toward the highest-liquidity names, typically the same 25–40 counters.

Boutique managers, by contrast, have collectively remained below roughly R20bn for most of the observed period. Their excess-return lines (teal) show broader dispersion, more idiosyncratic paths, and occasional periods of meaningful outperformance — exactly what one would expect from managers who can express conviction more freely and move into under-researched corners of the market.

A crucial feature of the chart is the period between 2015 and 2020, where flows into large managers plateaued after more than a decade of expansion. This stagnation partly reflects:

- Weak market returns, reducing the compounding effect on AUM
- Growing offshore allocations, which diverted flows away from domestic equities
- Investor disenchantment with local active management, given a challenging macro environment
- The rise of passive, which eroded the dominance of traditional large-cap-heavy managers

During this period, the excess-return profile of large managers flattened even further. With AUM no longer expanding, but with portfolios already too large to reposition meaningfully, many large funds delivered muted, benchmark-hugging results.





The boutique cohort shows pronounced spikes of outperformance in 2020 and 2021. These years were characterised by:

<p>Extreme valuation dislocations during the COVID-19 selloff</p>	<p>Sharp recoveries in small- and mid-caps, many of which had been deeply discounted</p>	<p>Forced de-risking by large managers, who could not rapidly pivot into emerging opportunities</p>	<p>Increased market breadth, temporarily reopening parts of the market that had been ignored for years</p>
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Boutiques, unencumbered by liquidity constraints, were able to lean into opportunities that simply were not accessible at scale — meaningfully benefiting from the sharp recoveries in previously neglected counters.

These bursts of alpha do not “prove” that boutiques are superior. Instead, they demonstrate that boutiques use their structural advantage — particularly during periods of elevated dispersion, which is when active skill pays the highest dividends.

But No Clear or Consistent Long-Term Outperformance

Importantly, the data does not suggest that boutiques consistently outperform large managers or vice versa. Instead, what the chart shows is variability — a necessary ingredient for genuine diversification.

<p>Boutique returns exhibit:</p> <ul style="list-style-type: none"> · Higher dispersion · Periodic bursts of significant alpha · More idiosyncratic performance patterns · Greater separation from the benchmark 	<p>Large managers exhibit:</p> <ul style="list-style-type: none"> Lower dispersion More stable, benchmark-aware excess returns Fewer extreme highs or lows A pattern that becomes increasingly index-like as AUM grows
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For allocators, the implication is not that boutiques “beat” large managers, but that boutiques bring different performance characteristics — and it is precisely this difference that enhances portfolio diversification.

Are Managers Becoming Less Active? The Decline in Active Share

A critical backdrop to this discussion is the long-term decline in active share across the South African equity industry. From 2016 to 2023, the average active share of local managers fell from 60% to just above 40 — almost a 50% reduction. This trend mirrors what we see in the large-manager excess-return profiles: portfolios becoming more index-like over time.



While some argue that a shrinking market and fewer listings have made it harder to be active, market conditions in recent years have actually increased alpha opportunities. Valuation dispersion has grown, corporate events have multiplied, and liquidity dislocations have become more common. In principle, this should have rewarded conviction.

Instead, many managers have adopted a defensive posture. With industry flows heavily skewed toward past winners, and with career risk disproportionately tied to avoiding short-term underperformance, managers are understandably reluctant to deviate far from the benchmark. The outcome is a rise in “closet indexing”: portfolios that behave like the benchmark, yet charge active fees.

A direct consequence is that the spread between top- and bottom-performing funds has narrowed across the industry — especially in balanced funds, where dispersion should theoretically be highest due to the wider toolkit. This behavioural convergence is one reason large managers show more muted return patterns in the chart, while boutiques — often more aligned with true active principles — continue to exhibit wider distribution.

What This Means for Risk Perceptions

One of the persistent concerns among institutional allocators is that boutiques carry “higher risk.” The data challenges this assumption. While boutiques do show wider performance ranges, they do not exhibit a systematic bias toward underperformance. In fact, the teal band illustrates that boutiques generate enough positive excess-return periods to justify inclusion, and the broader distribution suggests potential for uncorrelated outcomes relative to the increasingly concentrated large-manager cohort.

In other words:

Boutiques are not riskier — they are simply different. And that difference adds value at the total portfolio level. This matters deeply in the South African context, where most retirement funds and institutional portfolios are dominated by the same handful of large managers whose positions overlap materially. The diversification benefits of blending boutiques with large managers are therefore not theoretical — they are visible in the data.

The Transformation Connection

While performance neutrality is important, the structural findings in the chart intersect directly with South Africa's economic transformation agenda.

As large managers grow and increasingly concentrate capital in a shrinking pool of stocks, several consequences follow:

Liquidity leaves the small- and mid-cap ecosystem, raising delisting risk.

The economy loses a crucial engine of employment and innovation.

Smaller companies struggle to access the institutional capital needed for expansion.

New and emerging asset managers — often Black-owned — find it harder to attract flows despite offering differentiated and scalable capabilities.



Boutiques, by contrast, allocate meaningfully into small- and mid-cap counters, helping to maintain liquidity in parts of the market that are otherwise structurally neglected. This supports early-stage growth, business expansion, and ultimately job creation — outcomes that align directly with South Africa's economic priorities.

The chart, when viewed through this lens, becomes more than a performance illustration. It shows how limited flows into boutiques reduce the diversity of investment perspectives shaping the market, and how the absence of meaningful boutique participation may contribute to the slow erosion of the local equity ecosystem.

For allocators, this means that boutique inclusion is not a concession to transformation targets or developmental ideals. It is a rational response to the structural imbalances visible in both capital flows and market behaviour. Performance neutrality — coupled with diversification benefits and broad economic spillovers — makes the case for boutiques compelling on its own merits.

Do Balanced Funds Show the Same Size Advantage? Why the Answer Is More Complex — and Why It Matters for Manager Selection

If South African equities show a clear structural advantage for boutiques, balanced funds present a more complicated picture. Multi-asset mandates blend domestic and global equity, fixed income, property, cash, macro positioning, and currency exposures — a universe where deeper teams and broader research platforms seemingly give large managers a natural edge. This perception has long shaped allocator behaviour: boutiques may be used for equity sleeves, but balanced funds are seen as a domain for the “big end” of the market.

Yet the data tells us something entirely different.

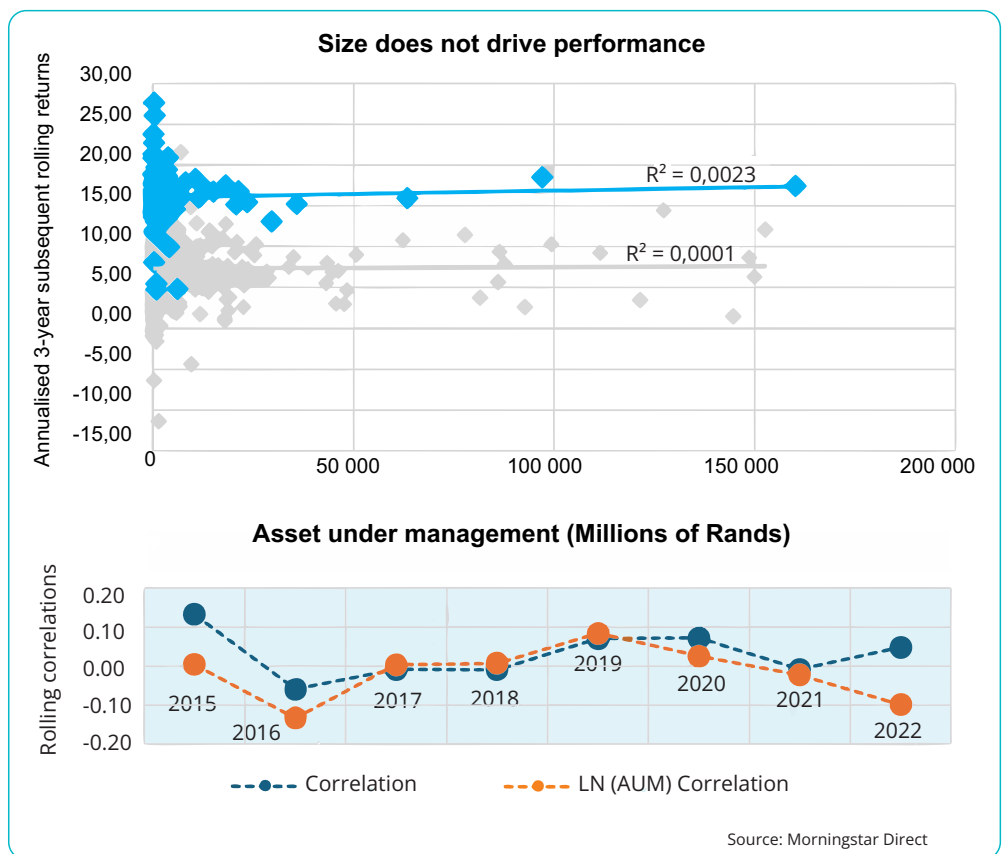
Across nearly a decade of Morningstar results, there is no measurable relationship between balanced-fund size and subsequent performance. The scatter chart makes this point plainly: plotted across thousands of rolling three-year outcomes, both raw AUM and log-transformed AUM produce R^2 values close to zero — 0.0001 and 0.0023, respectively. In statistical terms, fund size explains virtually none of the variance in balanced-fund returns. In practical terms, it means large and small managers have performed equally well.

The rolling correlation chart reinforces this finding: correlations between AUM and future performance hover around zero every year, oscillating mildly but never forming a trend. Even during periods of market stress such as 2016 and 2020, when differences in offshore implementation and risk resourcing should have mattered most, the relationship remained negligible.

The theory suggests scale should matter. The empirical evidence proves that it simply doesn't.

This disconnect between perception and reality raises a deeper question: if size does not predict success, why do boutiques remain so sparsely represented in balanced-fund allocations?

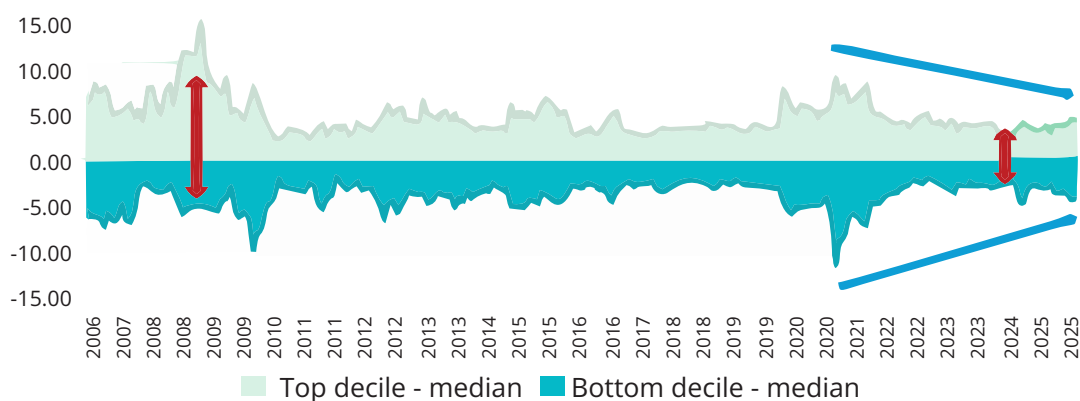
Part of the answer lies in how balanced funds have evolved. Historically, dispersion between the best and worst managers was wide because different teams made genuinely different asset allocation calls, backed by differentiated equity baskets or offshore positions. But over the last decade, dispersion has steadily narrowed.



Managers are increasingly clustered around similar asset-allocation templates, similar offshore exposures, and similar risk budgets. The behaviour of the category as a whole has become more benchmark-aware and more risk-controlled.

This shrinking dispersion is visible in the data and intuitive to anyone reviewing peer groups: the gap between the top and bottom decile is materially smaller than it was a decade ago. With everyone looking more alike, size becomes even less relevant as a predictor of outcomes. What truly differentiates managers today is not their scale, but their research quality, asset-allocation discipline, risk architecture, and the coherence of their investment philosophy.

Chart: Rolling 12-month return spread: (ASISA) MA High Equity Balanced Funds (2005-2025)



Source: Morningstar Direct, Satrix

Ironically, this environment strengthens the case for boutiques rather than weakens it. When a category becomes more homogeneous, allocators should seek out managers who think differently — and boutiques, by necessity and by design, are far more likely to hold differentiated views. They are not burdened by committee-driven positioning, commercial incentives to hug peers, or flow-driven constraints that favour generic offshore blends. Their ability to express conviction — especially in domestic asset classes where inefficiencies remain meaningful — adds genuine diversification to a portfolio now dominated by sameness.

So if boutiques can compete on performance, and diversification benefits are rising, why are they still underused?

Because the obstacles they face are structural rather than investment-related. Large firms enjoy well-established consultant relationships, broader distribution networks, brand familiarity, and legacy institutional mandates that perpetuate their dominance. Boutiques, especially black-owned firms, fight an uphill battle not because of weaker capability, but because they lack the embedded infrastructure large firms have spent decades building.

And here lies the most important point: balanced-fund performance data shows no evidence that boutiques underperform, yet the allocation patterns suggest that boutiques face disproportionately higher barriers to entry. This is not an investment problem; it is a market-structure problem. And in South Africa — a country where transformation, competitiveness, and growth are deeply intertwined — leaving this imbalance unaddressed has economic consequences far beyond asset management.

Boutiques play a critical role in strengthening the domestic investment ecosystem. Their success supports job creation within asset management teams, expands the pipeline of skilled investment professionals, and — most importantly — channels capital into segments of the market often overlooked by large incumbents. A more competitive, more diverse asset-management industry produces better price discovery, greater support for mid-cap and emerging companies, and more resilient long-term economic growth. Concentration, by contrast, shrinks the competitive landscape; it reduces the number of active buyers in key segments of the economy and amplifies systemic fragilities.



This is exactly why Motswedi's philosophy is deliberately size-neutral.

Our process is designed to strip away the bias that clouds balanced-fund selection. We do not assume large equals safe or small equals risky. Instead, we evaluate what actually drives long-term outcomes: the quality of the underlying research platform, the coherence of the investment philosophy, the structure and discipline of asset-allocation decisions, and the robustness of the risk-management framework. The philosophy emphasises that transformation is not a concession — it is an advantage. A more diverse universe of managers strengthens the ecosystem, increases opportunity, enhances competition, and leads to better long-term results for savers and for the country.

And importantly: our own experience proves that transformation does not come at the expense of performance. In many cases, it does the opposite. Firms that operate outside legacy hierarchies and inherited biases often demonstrate greater agility, greater innovation, and greater clarity of purpose — qualities that have shown up in the numbers time and time again.

Balanced funds are complex, multi-asset engines. But complexity does not change the fundamental truth the data shows: size is not predictive of success, and boutiques — far from being a performance risk — are an underutilised asset in portfolio construction. Allocators who continue to anchor selection decisions on scale rather than capability are leaving diversification, opportunity, and long-term economic value on the table.

A healthier, more competitive, and more transformed investment ecosystem is not only morally compelling — it is economically rational. And the balanced-fund evidence makes the case clearer than ever before: boutiques deserve a far larger role in South African portfolios, not because they are small, but because they are skilled, under-represented, and essential to the country's long-term growth.

Benchmarking Boutique-Led Balanced Funds: Why Universe Selection Matters More Than Ever

Benchmarking is often treated as a mechanical exercise — a matter of lining up performance numbers and checking where a fund falls relative to industry peers. Yet for a portfolio like Motswedi's Global Balanced Fund, built intentionally through boutique and Black-owned managers, the benchmark is not merely an index of returns. It is a lens that either clarifies or distorts the true sources of value creation and whether these sources are being fairly recognised. The choice of peer universe changes the story. Aiming for comparability means understanding how each benchmark is built, what it rewards, and how structural features of the industry can distort conclusions about skill.

Three competing universes — three different stories

In the balanced-fund space, the three dominant comparison points — **the overall industry median (BIV), the Large Manager Watch (LMW) median, and the BEE Manager Survey median** — each tell a different story about what “good” performance looks like. Proper benchmarking requires understanding the economic forces that shape these universes, the structural hurdles inherent in each, and how these dynamics affect the measured outcomes of Motswedi's Global Balanced Fund relative to the broader industry.

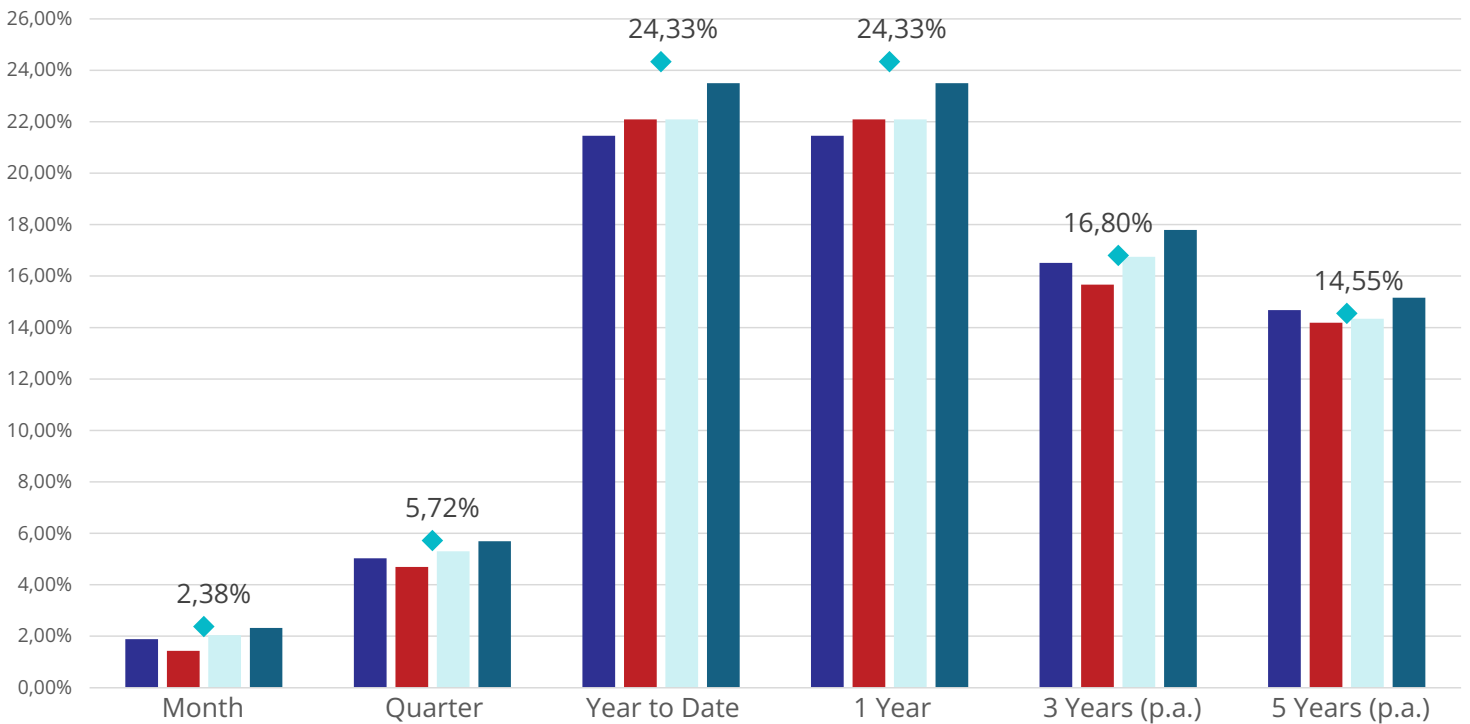
This matters enormously, because research has made something exceptionally clear: size does not predict performance, not in balanced funds, and certainly not in South Africa. Correlation analysis over more than a decade shows virtually no relationship between a manager's AUM and their returns. Even the dispersion between top- and bottom-quartile balanced funds has tightened in recent years, a trend driven by common offshore allocations, similar regulatory constraints, and shared exposure to global equity markets. In other words, the structural disadvantages boutiques are *perceived* to have in balanced funds do not translate into weaker outcomes in practice.

Understanding why this happens — and how it informs benchmark selection — is crucial for a transformation-led investment strategy.





Chart: Benchmark dispersion: Why universe selection matter. Performance to the end December 2025



- AF Global BIV Median
- AF Global LMW Median
- AF BEE Survey Global Balanced Median
- Top Quartile AF BEE Survey Global Balanced Median
- Motswedi Global Balanced Fund



Understanding the Benchmark Universes — and the Structural Drivers Inside Them

The overall industry median (e.g., the Alexander Forbes BIV) is often considered the default anchor for performance evaluation. It is broad, representative, and reflects the returns experienced by most retirement fund members. But because the South African industry is deeply concentrated, this median is heavily shaped by a small cluster of large incumbents.

Their scale allows them to run global teams, negotiate cheaper offshore execution, and maintain complex multi-asset research platforms covering credit, interest rates, derivatives, macroeconomics, and foreign equities.

The median therefore reflects not pure investment skill but the underlying architecture of scale. It is an important reference point — but it is not neutral.

The Large Manager Watch median accentuates this even further. It is not merely influenced by large firms — it is the large-firm universe. Here survivorship bias is strongest: underperforming or subscale funds are frequently merged into flagship products, meaning poor outcomes vanish from the record while strong performers accumulate weight — but that does not necessarily imply that large managers are better. It merely reflects the fact that the weakest performers have been consolidated out of existence.

LMW therefore represents the cleanest expression of scale advantages but is the least aligned with the real conditions under which boutique or Black-owned managers operate. Using it as the sole benchmark for a boutique-led portfolio creates a structural mismatch.

At the other end of the spectrum sits the BEE Balanced Survey, a universe far closer to the one Motswedi invests in. These managers operate with leaner teams, tighter budgets, and higher constraints, but they also exhibit clearer alignment between owners and portfolio managers, higher active share, and distinct stock-selection capability — especially in South African equities. Their structural context is fundamentally different from the incumbents. This makes the BEE survey not only a more relevant peer group for Motswedi, but also a more honest reflection of the competitive landscape that boutique and Black-owned managers navigate.

Survivorship, top-quartile comparison and fairness

Two critical adjustments matter when we benchmark:

First, survivorship. Large-firm universes can hide poor outcomes because underperforming mandates are merged into larger products or removed. This “vanishing poor performers” dynamic inflates large-firm medians and top-quartile returns — it does not make large managers inherently better; it simply cleans the record. Any fair comparison should therefore include survivorship-adjusted metrics (or at least note the potential bias) so decision-makers do not mistake consolidation effects for skill.

Second, top-quartile benchmarking. For an active, boutique-led fund like Motswedi, measuring against the top quartile of the BEE (or boutique) universe is a defensible approach. It aligns the fund with the selection objective you actually pursue: identify and partner with the boutique managers that demonstrate genuine capability and scalability. A top-quartile comparison recognises that you are not trying to be “average” — you are purposefully curating a high-conviction, transformational manager lineup. That said, top-quartile comparison must be paired with survivorship adjustment and transparent selection criteria, so the comparison remains robust.

Deconstructing the Performance Patterns Across Benchmarks

The data provided reveals a remarkably consistent conclusion: Motswedi's Global Balanced Fund outperforms or aligns closely with all relevant benchmarks and does so without the structural advantages embedded in the large-manager universes. When compared with the overall industry median, Motswedi delivers stronger outcomes on the 1-year, YTD, and 3-year periods.



This is notable because the median reflects a universe with significantly greater offshore capability. In a year where equities contributed meaningfully to balanced-fund results, boutiques — through Motswedi — kept pace despite higher execution costs and more limited access to global research. This reinforces a key point from earlier sections: the perceived structural disadvantages of boutiques in balanced funds do not translate into performance penalties.

The performance results across these universes are not random; they are shaped by the different engines of return available to each category of manager.

Large managers who dominate in LMW — such as Coronation, M&G, Ninety One, and Allan Gray — typically outperform during periods where global markets lead returns. Their advantage lies in well-developed offshore platforms: US equity research teams, global credit analysts, derivatives desks and, critically, cheaper and more efficient offshore execution. In a year where the MSCI World or US large-cap tech drives returns, these managers naturally benefit. Their scale allows them to implement offshore positions at a lower cost and with greater precision than most boutiques can afford.

Boutiques and Black-owned managers — particularly those in the BEE top quartile such as Camissa, All Weather, Balondolozzi and Aluwani — tend to outperform for very different reasons. Their strength lies in local equity selection, especially in parts of the market where larger firms cannot meaningfully participate without distorting prices: mid-caps, small caps, and unloved SA-Inc cyclicals. When banks rally, when retail shares re-rate from depressed levels, or when resource counters diverge from the commodity complex, boutiques often capture that alpha faster and with more conviction.

What is often overlooked, however, is that boutiques have quietly but meaningfully improved their offshore capability.



ALL WEATHER
INVESTING IN POSITIVE OUTCOMES

BALONDOLOZI
— INVESTMENT LEADERSHIP —



- Camissa has delivered a globally competitive offshore sleeve over multiple cycles, built on disciplined factor exposure and a repeatable valuation model.
- All Weather has generated consistent offshore alpha through a systematic approach that identifies global quality and momentum factors at surprisingly competitive cost.
- Balondolozzi's offshore performance has benefited from concentrated positions in global compounders — companies that many large managers also hold, but with less agility and higher positioning limits.
- Aluwani, historically seen as a fixed-income powerhouse, has built a scalable global allocation partnership model allowing them to deliver global equity exposure at materially lower cost than a decade ago.

These developments challenge the old assumption that boutiques are inherently weaker in offshore allocation. The data is increasingly showing that while boutiques may not replicate the depth of large global teams, they are more than capable of building offshore sleeves that hold up — and sometimes outperform — in the very same periods when large managers dominate.

Why Dispersion Is Narrower — and Why This Levels the Playing Field

Balanced-fund dispersion has shrunk dramatically over the past decade. The difference between top-quartile and bottom-quartile returns is now much smaller than in equities. This is not because all managers have suddenly become similar, but because balanced funds operate within a natural structural constraint:

Offshore limits cap how different asset allocations can be

Global equity dominates long-term returns

Local fixed income is increasingly commoditised

Regulatory frameworks (like Reg 28) narrow the range of permissible tactical decisions

Correlation patterns across assets have converged





Together, these factors compress outcomes — and this compression diminishes any advantage that scale might once have conferred. In other words, balanced funds provide the one environment where boutiques are not structurally disadvantaged despite smaller research teams and higher execution costs.

The earlier correlation chart makes this explicit: AUM explains virtually none of the performance variation. The playing field is far more level than industry narratives suggest.

Which Benchmark Is Most Appropriate for Motswedi?

Given this landscape, the key question is not “Which benchmark is highest-performing?” but “Which benchmark most accurately reflects the universe from which Motswedi constructs its portfolio?” A fair benchmark must satisfy five criteria:

1. **Like-for-like comparison** — The benchmark must reflect the manager types, philosophies, and structural constraints of the portfolio.
2. **No structural disadvantage** — It should not inherently favour platforms with global scale or superior budget advantages.
3. **No survivorship distortion** — The universe must not artificially inflate long-term returns by removing weak performers.
4. **Alignment with the investment philosophy** — It must reflect the transformation-driven, boutique-centric, high-conviction approach at the heart of Motswedi's process.
5. **Visibility into the broader industry distribution** — It should allow trustees to understand performance in the context of the full competitive landscape.

The BEE Balanced Survey median, supported by the top quartile as a stretch benchmark, satisfies all five.

The overall industry median serves as a useful secondary reference point.

The LMW median, while informative, should not be used as a primary benchmark due to structural mismatch and survivorship bias.

This blended benchmarking lens allows performance to be evaluated in a way that is both fair and contextually grounded, without diluting Motswedi's philosophy or misrepresenting the realities of boutique managers.

How This Fits Into Motswedi's Broader Investment Philosophy

Motswedi's philosophy is deeply rooted in three ideas:

- first, that economic transformation improves the long-term functioning of the investment ecosystem;
- second, that high-conviction manager selection generates better performance than allocating mechanically to scale;
- and third, that risk-balanced portfolios rely on true diversification, not herding into a handful of dominant incumbents.

Benchmarking directly influences how these principles are evaluated.

If a boutique-heavy portfolio is measured primarily against a universe built on scale-driven advantages, transformation is implicitly penalised.

If it is compared against a universe that reflects the structural realities boutiques operate within, transformation is recognised as a legitimate and competitive source of alpha.

The evidence from survey data is unambiguous: Motswedi's Global Balanced Fund has been competitive across all three universes — BIV, LMW, and BEE — despite accessing none of the scale-driven advantages that shape industry medians. This is not a compromise between transformation and return. It is proof that boutique-led, transformation-aligned investing is not only viable, but competitive across market cycles.

Benchmarking must therefore honour both dimensions of performance: the returns delivered and the structural context in which they were produced.

Only then does performance evaluation support — rather than distort — the realities of modern South African asset management.

