

Alexander Forbes Investments Select Balanced

Investing with a purpose

Even before the Covid-19 pandemic, there has been a growing interest among institutional investors about how to use their assets to address environmental, social and governance (ESG) challenges. Although investors continue to consider ways to generate a positive social and environmental impact, an aspect of ESG that is beginning to receive a lot of focus is diversity and inclusion (or transformation).

Although significant progress has been made in the past decade, the inaugural soon-to-be-published Alexander Forbes Transformation survey shows that considerable work still needs to be done to transform the local asset management industry. The top 10 asset managers in the industry still account for up to 79% of total assets, and smaller (especially black-owned) asset managers have struggled to accumulate assets in the past 10 years.

Black people remain under-represented in most corporate positions; from executive directors, chief executive officers, chief investment officers, portfolio managers as well as back-office positions. Although black economic interest (ownership) has improved, the quantum of assets managed by black-owned asset managers remain low.

Of the total assets managed across the industry, multi-asset class funds still hold the largest market share, while assets in specialist equity strategies have been narrowing in the past decade. However, most black-owned asset managers do not have a multi-asset offering or have struggled to gain assets in these strategies. Our survey shows that black-owned asset managers have concentrated their offerings in specialist equity or specialist fixed income products. As a result, they have missed out on the growth in multi-asset strategies.

At Alexander Forbes Investments, we believe transformation is key to building a sustainable and competitive asset management industry. As the largest multi-manager in South Africa, we

recognise that we are uniquely positioned to make a real impact when it comes to driving transformation across the local asset management industry. As part of this responsibility, we aim to stimulate growth and development of black asset managers and support up-and-coming black asset managers.

The Alexander Forbes Select Balanced portfolio is born from our best-researched ideas, to create a compelling investment solution for investors while accelerating transformation efforts within the industry.

As a multi-managed multi-asset class portfolio, Select Balanced Local invests in a number of asset managers that are given the mandate to allocate assets across South African equities, listed property, bonds and cash. The resulting portfolio is an optimal blend of buy-rated asset managers that share different but complementary styles of money management. This approach helps deliver more consistent and competitive returns to investors, giving them a greater opportunity of achieving superior investment performance over time.

In selecting the asset managers, we identify majority black-owned and black-managed asset management firms with solid business models and a strong potential to provide sustainable investment returns. We prefer a focused line-up of selected asset managers because they are skilful in managing domestic assets in an integrated manner, have full flexibility around the asset allocation and stock selection decisions – all of which are mostly informed by their respective market views.

We believe that this portfolio is ideal for investors that are looking for a moderate-to-high growth investment solution, while also supporting the transformation of the local asset management industry. We look forward to the growth in assets allocated to the underlying asset managers, which will assist them to grow their businesses, and attract further investment mandates from other investors.

Talk to us about Select Balanced Local and how your investment can positively impact your investments and meaningfully impact the industry.

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