

CONSULTING



UMBRELLA FUND IMPACT ON ASSET MANAGEMENT INDUSTRY

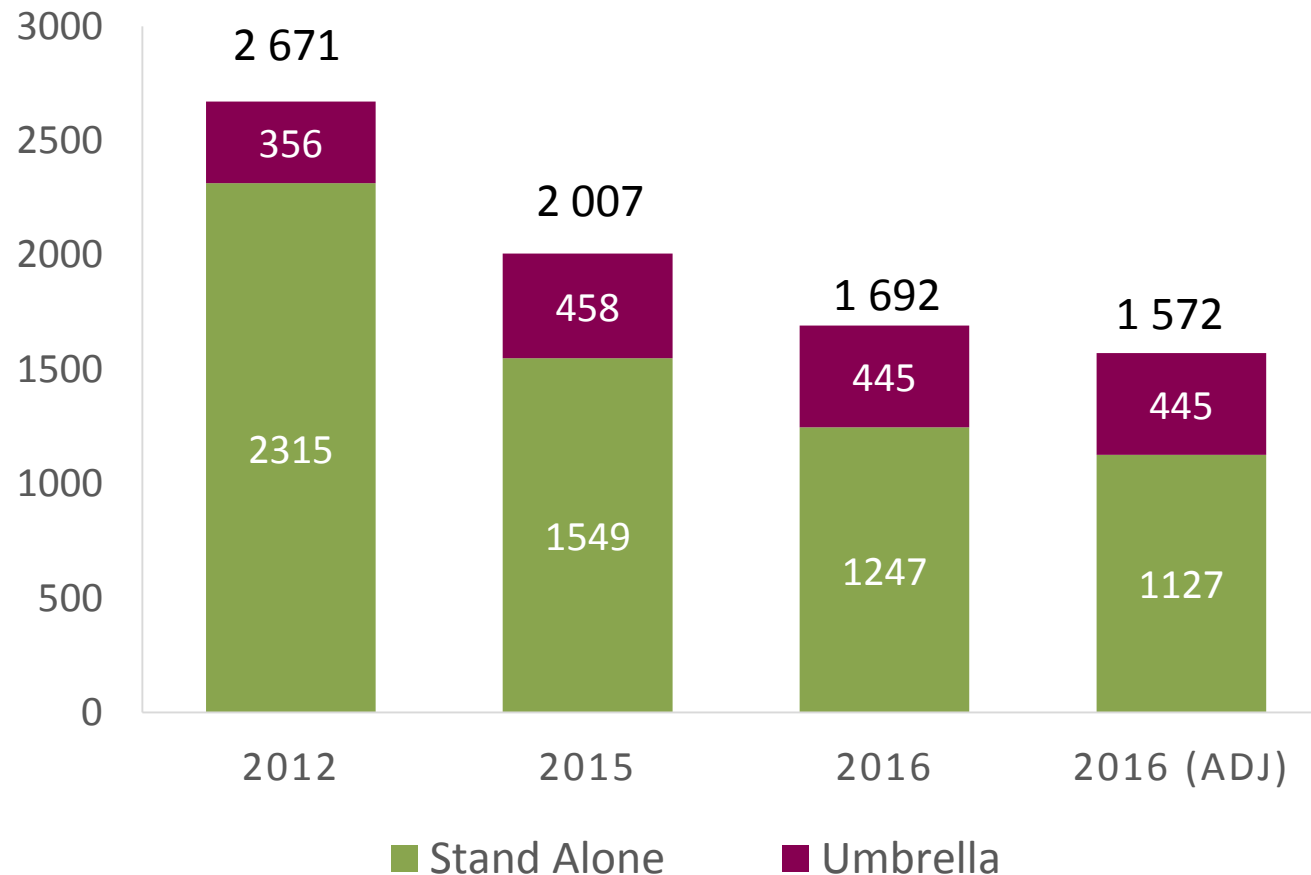
Presented By: Sara Herbert
Old Mutual Corporate Consultants

DO GREAT THINGS



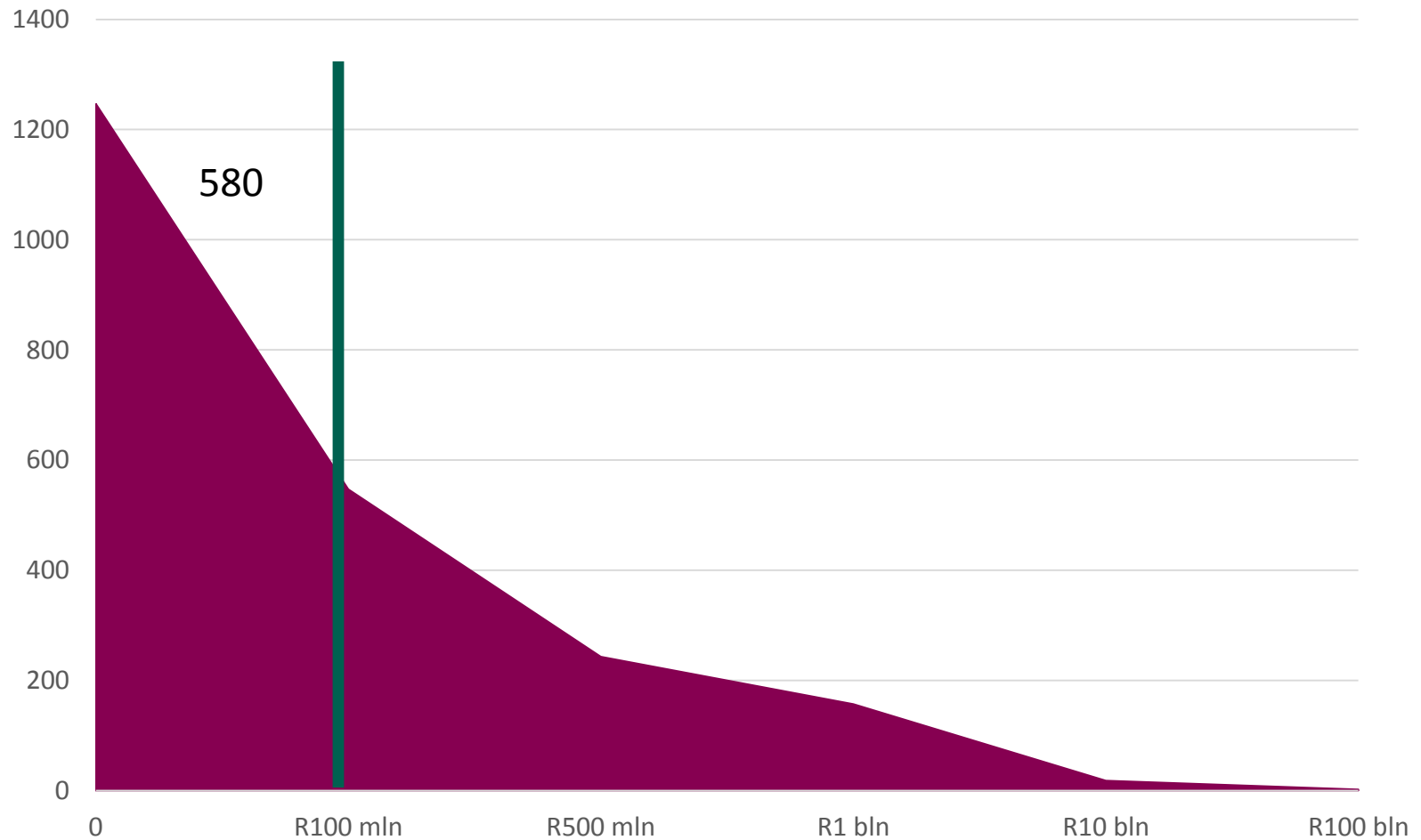
OLDMUTUAL
CORPORATE

UMBRELLA FUNDS | HOW FAST ARE THEY GROWING?



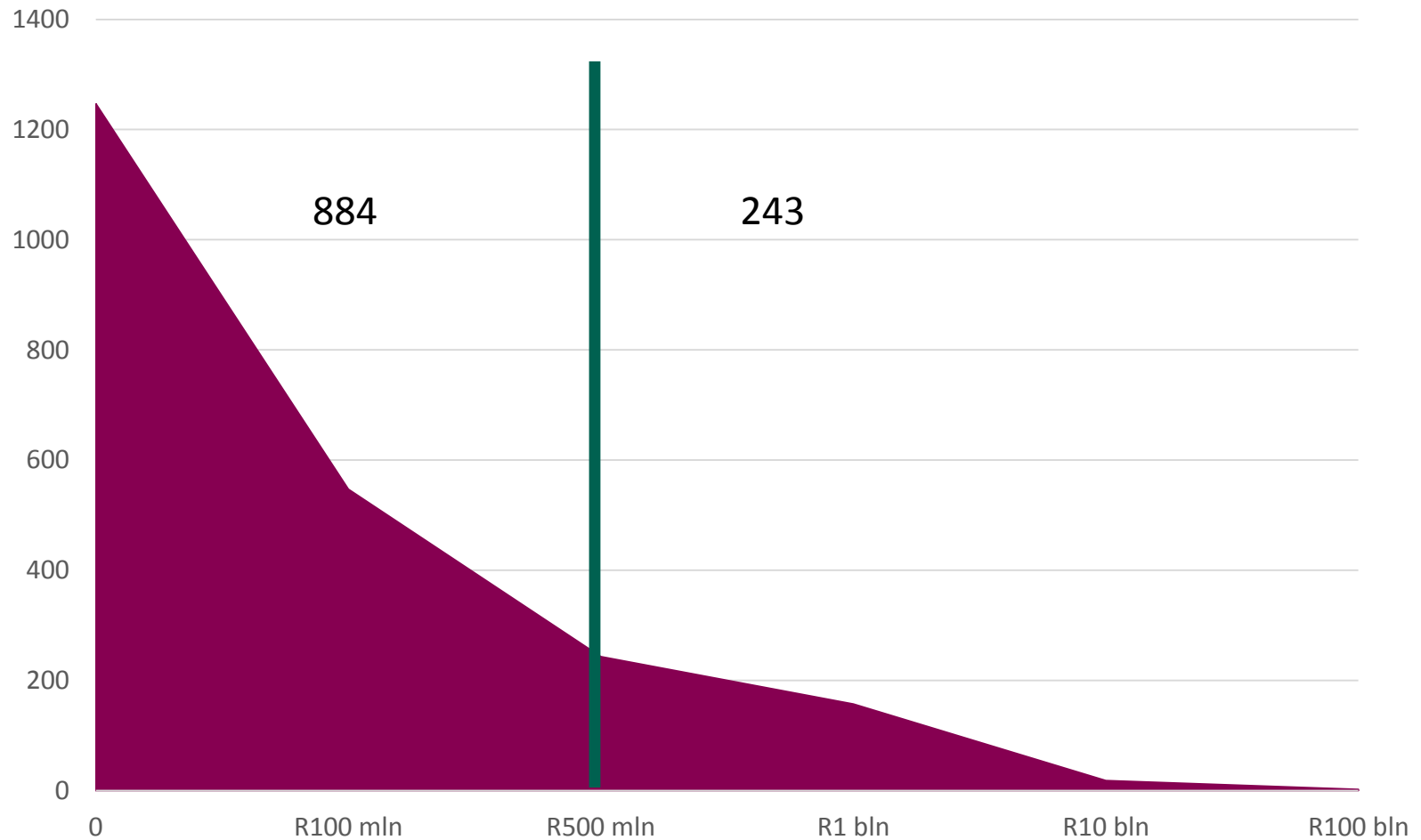
Source: FSB

STAND ALONE | WHAT'S LEFT?



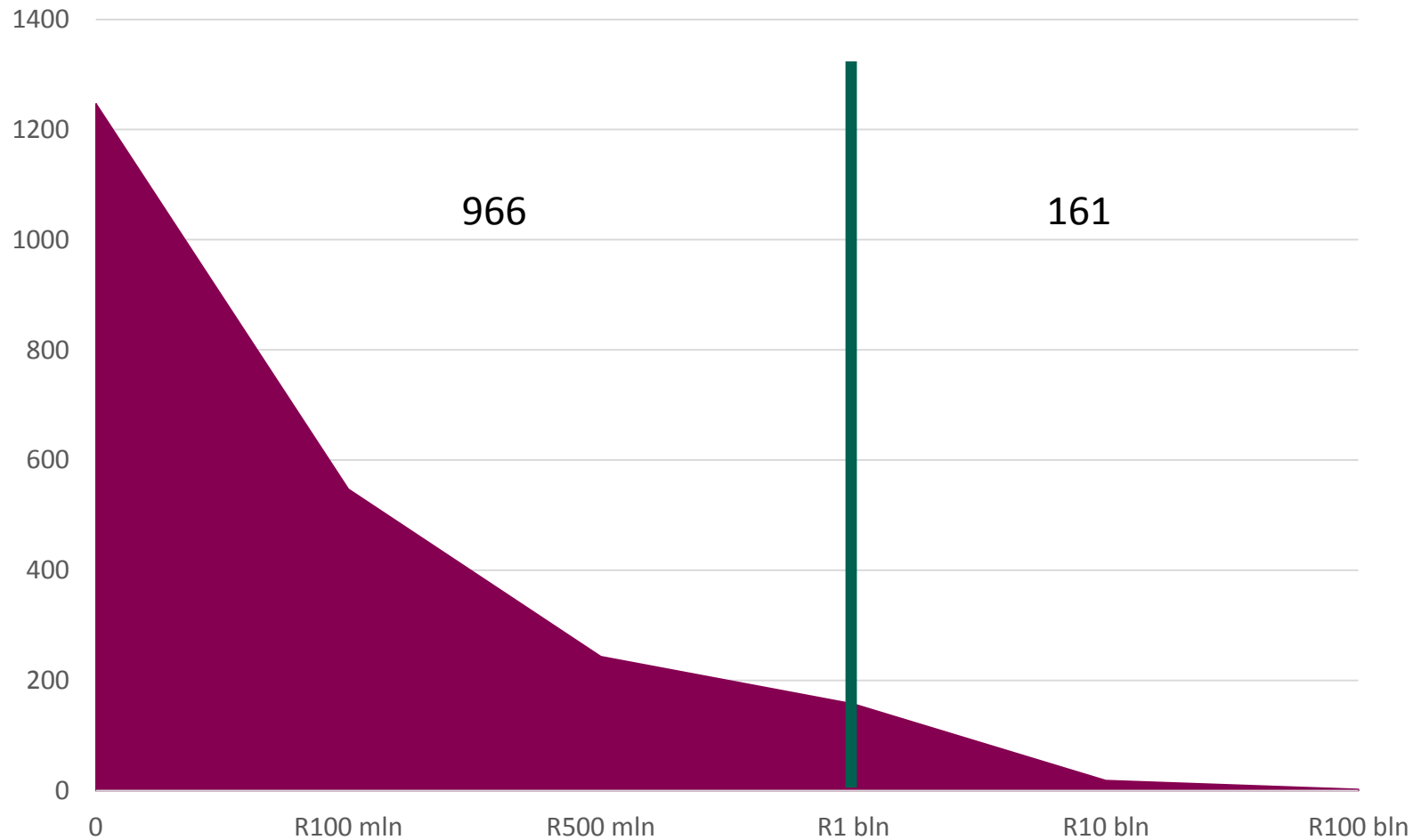
Source: FSB data

STAND ALONE | WHAT'S LEFT?



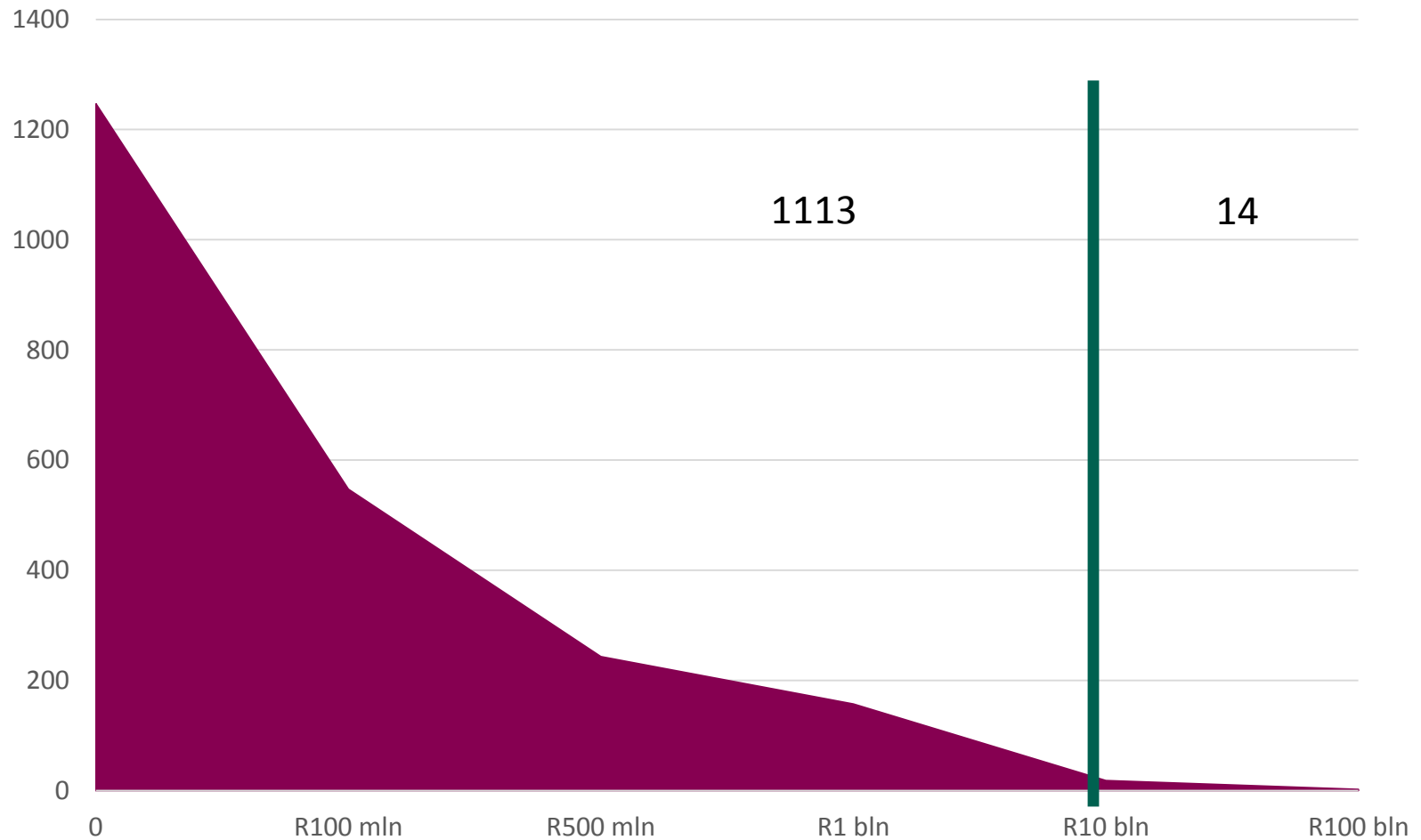
Source: FSB data

STAND ALONE | WHAT'S LEFT?



Source: FSB data

STAND ALONE | WHAT'S LEFT?



Source: FSB data



445 Umbrella Funds!

UMBRELLA | Types

COMMERCIAL
UMBRELLAS

INDUSTRY FUNDS
(Union, Bargaining
Council, Sector &
Trade Funds)

ASSOCIATION
FUNDS

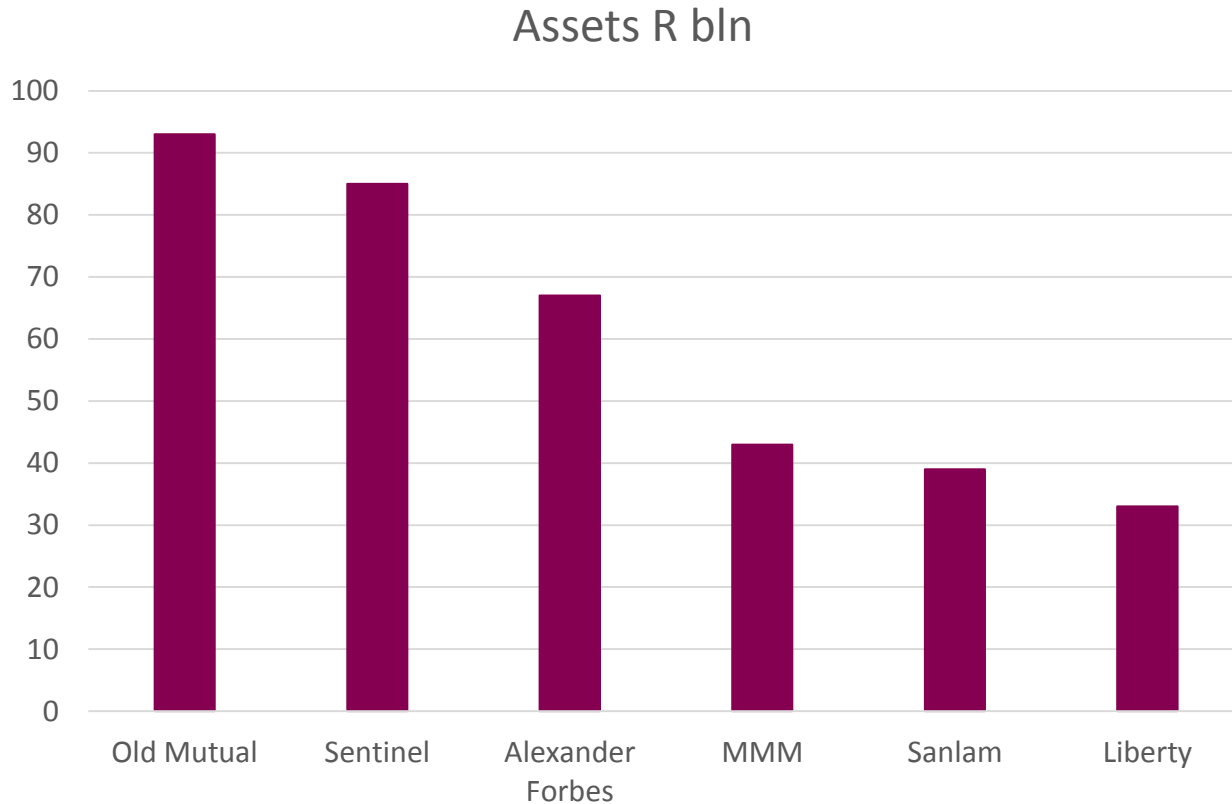
EMPLOYER
GROUP
FUNDS



WHAT ABOUT RA FUNDS?

- R350 000 cap is already impacting them negatively
- Fee disclosure requirements will present a challenge
- Introduction of compulsory auto-enrolment could be a killer blow

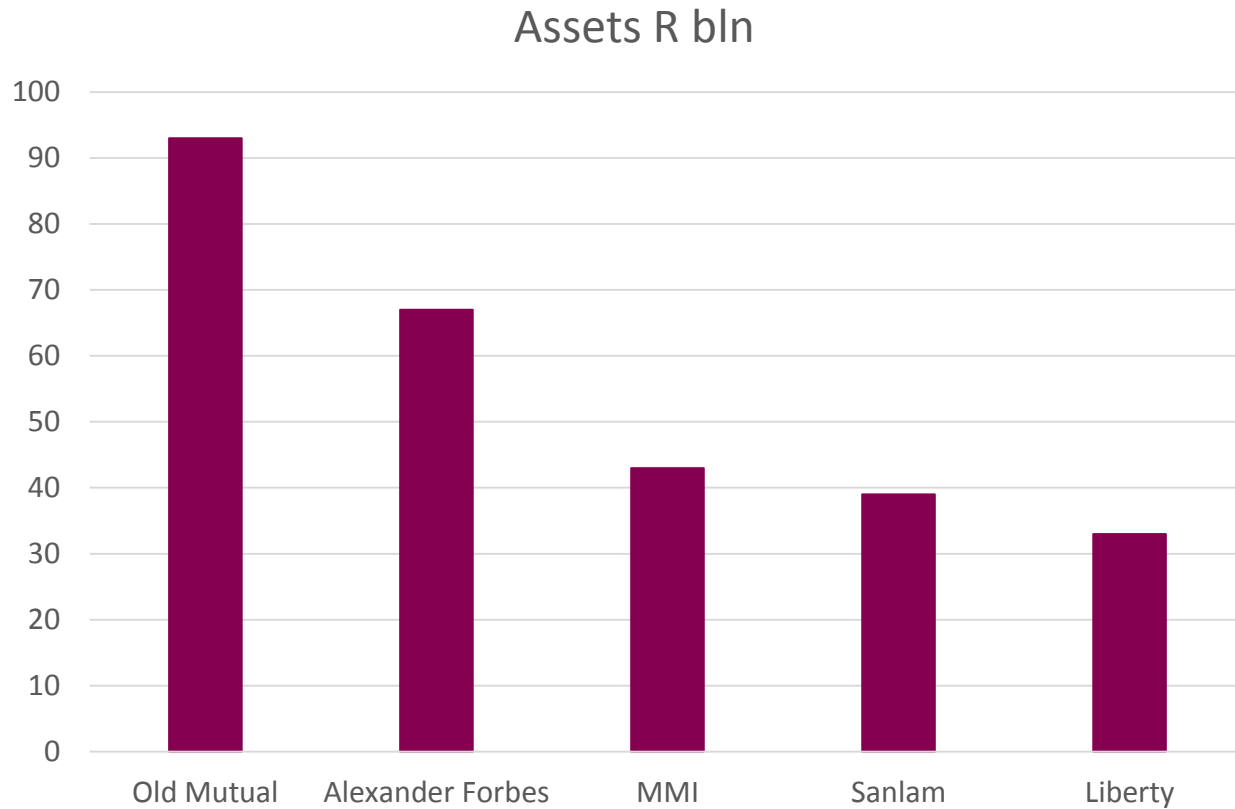
COMMERCIAL UMBRELLA FUNDS | Big players



<R 5 bln
Absa
NMG
10X
NBC

Source: FSB & Financial Statements

COMMERCIAL UMBRELLA FUNDS | Big players



Source: FSB & Financial Statements

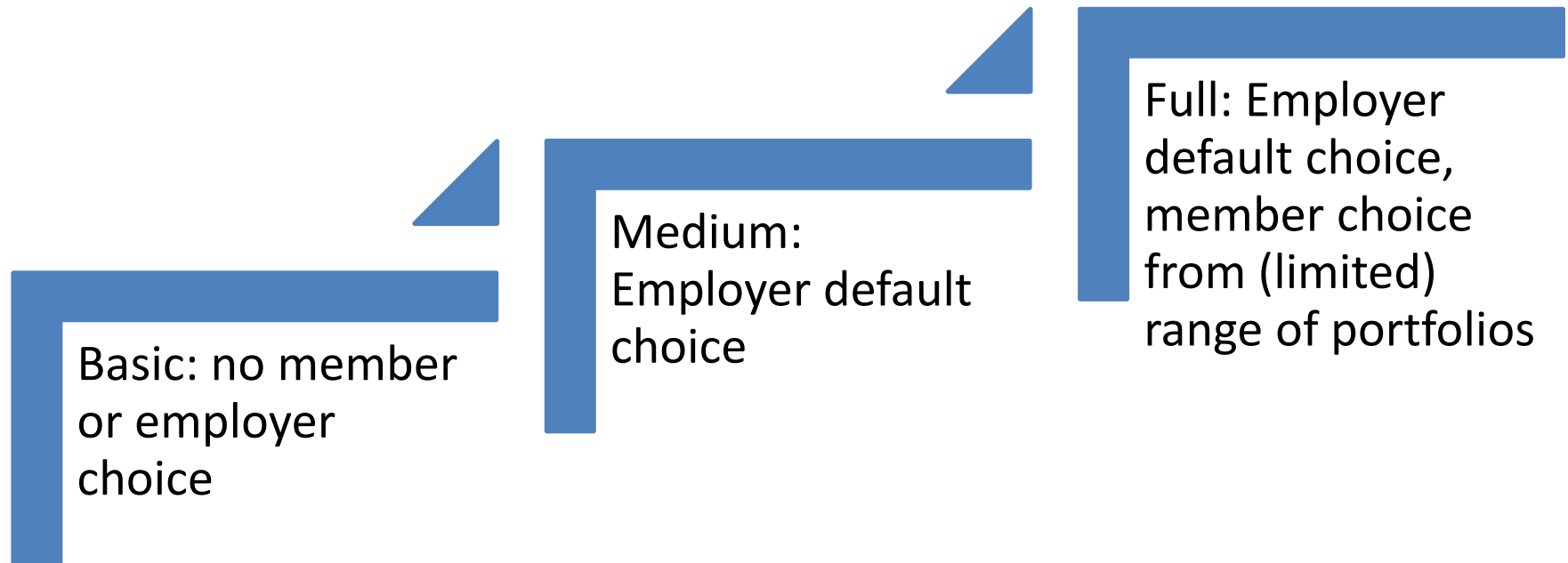
COMMERCIAL UMBRELLA FUNDS | Big players



Source: FSB & Financial Statements

COMMERCIAL UMBRELLA FUNDS | How are they structured?

- Offer different packages with increasing levels of choice with regard to investments and increasing costs



COMMERCIAL UMBRELLA FUNDS | Common features

Default always in-house

- Multimanaged Lifestage
- Smooth bonus

Extensive range of other in-house products including

- Multiple lifestage options
- Other Multimanager products
- Shari'ah
- Single manager

Where 3rd party managers offered

- Choice is limited
- Restricted to balanced mandates
- Usual suspects

COMMERCIAL UMBRELLA FUNDS | Concerning Trends

Offering large range of retail funds

- Requires Advice Fee
- Retail asset management fees

Allowing individual stock portfolios

- Platform Fee
- Advice fee

Fee differentials

- Pay access fee for external managers

Too much choice

- Academic research supports fewer choices





What does this mean for
asset managers

MANDATES OF THE FUTURE



Asset Class Specific Specialist Mandates

- Multimanager – commercial & large funds
- Fees will be under pressure (index core/ Satellite)

Balanced Mandates

- Multimanager
- Member choice
- Need a strong retail brand

Retail

- Margins will shrink

IMPACT ON ASSET MANAGEMENT INDUSTRY

Full range managers

- Strong track record in balanced mandates
- Strong retail brand
- Focus on getting on distribution platforms
- Or start your own umbrella fund

Boutique Manager

- Sector specific expertise
- Multimangers
- Margin squeeze

Alternative Managers

- Multimangers
- Fee transparency

Multimangers

- Need to be associated with an umbrella fund



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