Double-digit growth for SA asset management industry

The South African asset management market enjoyed double-digit growth of 14% in 2020 - above the 10-year average - and had the highest growth of overall assets under management (AuM) in the Middle East and Africa region.

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This is part of a global resurgence of the industry despite the Covid-19 pandemic, with AuM growing by 11% to reach $103tn by the end of 2020.

According to a new report, *Global Asset Management 2021: The $100 Trillion Machine*, the 19th from Boston Consulting Group (BCG) global net inflows reached $2.8tn in 2020, or 3.1% of the total AuM at the beginning of the year. This is compared to a historical average of from 1-2% over the previous decade.

The report examines main drivers of AuM growth as well as how new realities—for example, in markets and technology—will determine future industry leaders and why specific areas such as private markets, ESG investing, and advanced data and analytics are likely to play key roles.

SA bucks the trend

“Although the report shows retail investors were the main drivers of AuM growth globally, South Africa bucked the trend, with institutional clients accounting for nearly 60% of total AuM in the country in 2020,” says Adam Ikdal, managing director and senior partner at BCG, Johannesburg.

“Insurance continues to be the largest and sole institutional client type, with 15% asset growth during 2019-2020.”

Retail investors did, however, also perform well and drive strong growth in the country. Unit-Linked Pension Plans (ULPP) formed the largest retail client type, followed by Mutual Funds with a share of 74% and 24%, respectively.

Both ULPP and Mutual Funds enjoyed relatively similar double-digit growth during 2019-2020. In fact, most traditional asset classes generated double-digit growth in 2020, outpacing their five- and 10-year historical averages.

Double-digit institutional and retail growth during 2019-2020 meant that South Africa saw the highest growth in overall AuM – 14% – in the Middle East & Africa (MEA) region, with the Middle East following at 11% and Morocco at seven percent.

Overall, the Middle East & Africa region saw AuM grow to $1.4tn in 2020, delivering 12% growth – on par with the world’s largest asset management region, North America.

This growth in the Middle East was driven by an increase in Sovereign Wealth Fund assets, mainly due to strong capital markets’ performance as well as the solid performance of South African insurance funds.

Changes to asset management

To capitalise on this momentum, asset managers are going to have to adapt to the significant changes that the global pandemic has brought to the asset management industry.

“On the operations side, for instance, remote models for work and customer service have emerged as permanent fixtures,” says Ikdal.

“To remain competitive, firms must use advanced data and analytics for every process. On the revenue side, new asset classes, particularly within private markets and alternatives in general, will be crucial to growth during the next several years.”

These new realities present challenges, but also multiple opportunities for growth.

“The next big task for all industry players will be to carve out a suitable growth strategy as they rethink every aspect of their business, which could be any combination of client engagement models, investment products, operating models, or talent strategy.”

A copy of the report can be downloaded here