

Going up

BY **THANDI SKADE** | November 27, 2013

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Black-owned fund management companies control less than 7% of the total assets under fund management in SA. But black-owned firm Mergence Africa Holdings is claiming its stake of the multi-billion-rand pie.

When Masimo Magerman and his business partner Izak Petersen formed the Cape Town-based Mergence Africa Holdings nine years ago, they had one goal in mind: to be “recognised players” in the investment and property management and derivatives broking environment.

Being the new kids on the block, however, they were surrounded by industry leaders who had been dominating the market for decades. Magerman faced a plethora of start-up challenges, beginning with funding.

Not wanting to be tied down by high interest bearing financing from “big daddy” (also known as the bank), Magerman and Petersen sold their houses and obtained bonds against them. They pooled their savings and liquidated assets to get Mergence off the ground.

Their sacrifices over the years have paid off, with the asset management subsidiary of the business, under Magerman’s leadership, growing assets under management from R500 million to R12 billion currently, with a 95% client retention rate.

Mergence is also one of 28 fund managers in South Africa and 673 worldwide to become a signatory to the UN Principles of Responsible Investment – a commitment to responsible behaviour.

According to a recent BEE.Economics survey by 27four Investment Managers, around 25 black-owned fund management companies manage 6,88% of the R3,68 trillion assets under fund management in South Africa. Magerman believes many black entrepreneurs in the financial services industry are being overlooked because of a general lack of transformation.

“The industry intermediaries are comfortable with brand names, which are not necessarily black in essence, and they and their clients know it’s an easier sell. The potential failure of a black manager brings about systematic risk and thus other black managers are painted with the same brush.

“Even if black managers are competent and hail from reputed establishments, there seems to be a lack of commitment towards transformation in general,” he says.

A modest man, Magerman attributes the majority of his successes to the 22 staff members he employs. For

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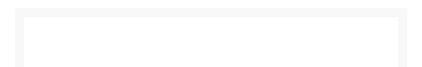
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the rest he credits hard work, consistent performance and a tenacious nature.

€ If black managers are competent and hail from reputed firms, there seems to be a lack of commitment towards transformation in general

“Most partners were actively involved on a day-to-day basis in the initial years and still are. This helped to ensure that growth in revenue determined the capacity to bring skills on board. People are your assets and it certainly pays dividends to have committed, competent and like-minded people on board,” he says.

Over the past few years, Magerman’s focus has been on impact investment, a major investment trend gaining international traction. Impact investment, he explains, is when profit reconciles with addressing environmental, social and governance needs and it’s a particularly fitting investment measure in the South African context.

“Impact investment has spun off from socially responsible investing into its own field or movement as it more proactively seeks long-term sustainable social impact by applying business acumen and seeking financial returns. It is all about the intent, meaning that impact investing must have an initial intent to seek social and financial impact.”

“Within the South African context, where our society is concerned about education, unemployment and housing, we’ve created vehicles which pension funds can utilise in order to inject money into the social inequalities of our country, thus creating shared value,” says Magerman.

It’s a principle he practices in his personal life as well, with his family taking time off from holidays to, among other things, build houses in poor communities.

While he hopes that more black investment managers will influence a greater piece of the industry pie in future, Magerman says much more needs to be done to support black entrepreneurs through access to industry opportunities.

“A key and ever-remaining challenge is making inroads in an industry much dominated by the established or traditional players. Persistence and the determination to succeed were and will continue to be important drivers in this space,” he says.

MAGERMAN'S STRATEGIES FOR SUCCESS:

- Entrepreneurship requires a vision and a will to succeed despite the challenges, of which there are many.
- You definitely need the right people who share the vision and are committed to shouldering the challenges of building and growing the business – people are your assets.
- Building capacity commensurate with growth and retaining skills will always be a challenge. Mergence attempts to address this via a very selective recruitment process that is geared towards longer-term buy-in and commitment.
- While strong BEE credentials can be helpful, it doesn’t guarantee client mandates.

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