



# THE FUTURE IS IN OUR HANDS

FUTUREGROWTH  
/ ASSET MANAGEMENT

# The Futuregrowth story: Past and future

## A vision unfolding

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In the wake of South Africa's democratic transition, Futuregrowth was founded in 1994, with a small suite of investment funds focused on social development and empowerment, and with the vision of creating a sustainable channel for pension funds to invest in disadvantaged communities and national development.

Fast forward more than 20 years: Today, Futuregrowth manages around R180 billion (US\$14.4 billion) of clients' assets, across the full range of fixed interest and development funds, and plays a leadership role in the asset management industry in South Africa.

During this time we have not wavered from our purpose: To protect and grow investors' savings through skill and diligence, in a way that engenders trust and sustainably enriches people's lives, while being a positive force for society, markets and all our stakeholders. We seek to be responsible investors channelling capital toward sustainable enterprises.

This sense of purpose is based on our belief that investors can make a positive difference in society while earning sound investment performance for pension fund members. That inspired us to pioneer development funds in sectors such as infrastructure, rural and township retail property, agriculture and renewable energy, providing finance to innovative deals including low-income housing construction, a church in Soweto, urban regeneration projects, taxi finance, and alternative energy, to name a few.

As a responsible investor we engage with our industry and investee companies privately, and sometimes publicly, on sustainability issues. As examples: We have been working steadfastly to improve South Africa's debt capital market standards. In 2013, we identified unfair, unsustainable and prejudicial practices within the consumer lending industry, and we chose to stop funding these businesses in our developmental funds, publicly called for industry reform. And in 2016, we announced that we could no longer in good conscience invest pension fund members' assets in certain State Owned Enterprises (SOEs) until we had concluded detailed governance reviews.

The original concept of Futuregrowth is still alive and thriving in the Futuregrowth of today. Even though the company has developed into a successful asset management business, the philosophical belief on which the business was founded back in 1994 is still at the core of everything we do.

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## Our business

Futuregrowth Asset Management is a specialist investment company that manages around R180 billion (US\$14.4 billion) of assets on behalf of our investors, which are predominantly South African retirement, insurance and retail funds. We have been part of the South African asset management landscape since 1995.

Our large investment team manages the full scope of rand denominated interest bearing funds. Our 49 GIPS composites represent our widespread product suite, and range across money market funds, nominal and inflation-linked funds, active and passive funds, and yield enhanced funds, as well as South Africa's largest group of developmental impact funds.

We are a fiduciary asset manager, focussed on serving our clients with a non-conflicted business model. Our fee philosophy aligns us with our clients' aspirations and outcomes.

## Investment strategy

We seek to identify, procure and manage several potential sources of performance for our client funds, and we are constantly seeking ways to generate additional sustainable returns. Futuregrowth favours broad mandates that allow us to allocate market positions and/or asset holdings across our funds, always within clearly delineated and constrained risk limits based on clients' choices. The key elements of our returns are our interest rate strategy and asset selection process:

### Interest rate strategy

Our approach to interest rate management is driven by fundamental economic factors, with consideration of market influences such as politics, global risk appetite, foreign capital flows and technical factors.

## Promise to clients

### Acting in your best interests

At Futuregrowth we take our ethical and fiduciary responsibility towards our clients seriously. These nine statements make up our promise to you.

1. Our clients' interests always come first.
2. We apply investment judgment based on informed, diligent, objective and independent analysis.
3. Our behaviour is honest, competent, ethical and complies with applicable laws and regulations.
4. We treat all clients fairly.
5. We avoid conflicts of interest in the provision of our products and services, but where unavoidable make full disclosure to clients.
6. Client confidentiality is upheld at all times.
7. Our costs are fair, reasonable and transparent and are clearly explained.
8. We communicate clearly, accurately, and in a timely and effective manner.
9. We keep appropriate and complete client records.

If your experience of Futuregrowth is not aligned with these statements please let us know at [ourpromise@futuregrowth.co.za](mailto:ourpromise@futuregrowth.co.za).

We use a top-down approach to formulate macroeconomic views in conjunction with a bottom-up approach to assess asset valuations. Together, this forms our best investment view, which guides our interest rate investment strategy.

## Primary product suite

### MONEY MARKET

Call

Core

Enhanced

### STEFI +

Yield Enhanced A STeFI + Short Term

Yield Enhanced A STeFI +

Yield Enhanced BBB STeFI +

Yield Enhanced BB STeFI +

Yield Enhanced Geared BB STeFI +

Power Debt

### INCOME

Core

Flexible

Yield Enhanced

### INTEREST RATE ASSET ALLOCATION

Interest Rate Asset Allocation

### INFLATION-LINKED BONDS

Passive

Core

Yield Enhanced Long Duration

Power

Infrastructure & Development

### BONDS

Passive

Core

Long Duration

Yield Enhanced

Infrastructure & Development

### DEVELOPMENTAL INVESTMENTS

Infrastructure & Development Bond

Development Equity

Community Property

Agri

Development Balanced

Power Debt

Power ILB

Infrastructure & Development ILB

Implementation of the interest rate strategy includes optimising the mix of interest-bearing asset classes (e.g. cash, variable rate, fixed rate bonds, inflation-linked bonds), interest rate risk positioning, and yield curve positioning. Once combined, we drill down to stock selection. The resulting investment views are executed across our range of funds, in relation to mandate limits and allowable risks.

### Asset selection process

In our asset selection process, we add yield to client funds by analysing and taking advantage of the opportunities provided in lending markets – principally arising from credit, liquidity and term to maturity. Using mainly a bottom-up approach to the analysis of borrowers, potential deals in both the listed and unlisted credit assets are assessed by the analytical team. We have never relied on official credit ratings since our inception. Key elements in the analytical process are ensuring that the investment earns an appropriate risk-adjusted return and the inclusion of appropriate security, terms, covenants and reporting, which are negotiated (where applicable) to protect clients' investments.

Within our fund mandates, Futuregrowth may provide debt or equity funding to organisations looking to raise capital. Investee companies include the government and its agencies, corporate entities, project finance entities, financial institutions and others from across the South African economy.

Our large team of analysts is experienced in structuring a range of financing solutions for investee companies, from senior to mezzanine debt, secured and unsecured debt, listed and unlisted debt, and unlisted equity, with transactions ranging in size from R20m to over R1bn, across a broad scope of deals, industries and sectors.

Our ability to identify, negotiate and manage opportunities in the unlisted market is a significant source of sustained investment performance for our clients, and a strategic focal area for the business.

Our large analytical process sometimes uncovers equity investment opportunities. These are usually in developmentally orientated companies in the unlisted equity space. These deals are assessed within the analytical team and can be allocated into some mandated client funds.

Our initial and ongoing analysis of the relevant debt and equity investments incorporates multiple factors including, for example, business strategy, finances, operations,

economic factors as well as environment, social and governance (ESG) factors.

### Risk management

Our philosophy is to measure, manage and report on a wide range of risks. Investment risk is managed through constructing portfolios that match our clients' chosen risk/return profiles, within the parameters agreed with clients or set by legislation. While each asset is priced-for-risk, we add an additional layer of protection by constructing diverse portfolios and seek to protect downside risks (through, for example, limited position sizes or suitable security provisions). Exposure to issuers and market positions may be increased or decreased to maintain the desired risk/return profile for each mandate.

### A word on sustainable investing

We consider that investors play a key role in the capital allocation mechanism of the economy, and our fund investors are part-and-parcel of South Africa's long-term development. We manage our business in a long-term, sustainable manner, we seek to assess each investee company in terms of their



## The people who manage your money

Futuregrowth has a staff complement of around 80, with about 40 people in the investment team. Led by Andrew Canter, Chief Investment Officer, the investment team has a diverse range of specialist knowledge and skills, ranging from macro-economic and interest rate management to investment analysis and dealing expertise.

own sustainable practices - including consideration of the counterparty's character, products and practices. We believe a responsible investor channels capital suitably to sustainable enterprises.

Futuregrowth defines developmental investments as those that provide investors with both commercial returns and tangible social and/or developmental impact: We never compromise on returns in favour of impact. Our development funds cover a broad range of sectors such as infrastructure, agriculture, property, housing, healthcare and renewable energy, etc.

We believe that a sound investment process can ensure that we provide a secure retirement benefit for members and at the same time improve the lives of individuals and their families while they are still working.

## Our awards

**2018**

### **Batseta Imbasa Yegolide Awards**

Responsible Investment Manager of the Year  
Bond Manager of the Year  
Alternative Asset Class Manager of the Year

**2017**

### **MSCI South Africa Real Estate Investment Awards**

Best Performing Specialist Fund over 3 Years

**2016**

### **Batseta Imbasa Yegolide Awards**

Bond Manager of the Year

**2015**

### **Batseta Imbasa Yegolide Awards**

Responsible Investment Manager of the Year

**2014**

### **Raging Bull Awards**

Best South African Interest-bearing Variable-term Fund: Community Growth Gilt Fund

**2013**

### **AfricaAM Performance Awards**

South Africa Fixed Income Fund - Long Term Performance: Futuregrowth Infrastructure & Development Bond Fund

### **POA Imbasa Yegolide Awards**

Bond Manager of the Year  
Responsible Investment Manager of the Year

**2012**

### **Raging Bull Awards**

Best Domestic Fixed Interest Income Fund:  
Old Mutual Income Fund (R Class)

**2011**

### **Africa Investor Agribusiness Investment Awards**

Agribusiness Fund of the Year

### **POA Imbasa Yegolide Awards**

Socially Responsible Investor of the Year

### **Global Pensions Awards**

Socially Responsible Investing

**2010**

### **The Mail & Guardian Investing in the Future Awards**

Enterprise Development

### **Africa Investor Infrastructure Investment Awards**

Social Infrastructure Deal of the Year

**2009**

### **The Mail & Guardian Investing in the Future Awards**

Enterprise Development

**2008**

### **Africa Investor Infrastructure Investment Awards**

Infrastructure Fund of the Year



## Investing in transformation

Futuregrowth has been a leader in transformational and developmental investments for over 20 years. Transformation in South Africa includes a broad range of criteria which we seek to apply within our business and in our investment process.

**Internal transformation** // Futuregrowth is measured on a scorecard of transformation criteria which includes BEE ownership, Board and Executive Committee composition, staff racial and gender diversity, staff training and development, affirmative procurement, corporate social investment and more.

**External transformation** // Measures the impact that our business and investments have on our clients, communities, the investment industry, capital markets and the economy.

Our commitment to benchmark-beating performance, combined with our vision of contributing to a more equitable and prosperous society, drives us to deliver returns that matter - for investors, communities and the nation as a whole.

## Contact our client relationship team

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### **Themabela Mandla**

thembelam@futuregrowth.co.za

C +27 82 895 8976

### **Ziyanda Tshaka**

ziyandat@futuregrowth.co.za

C +27 83 666 0392

### **Marilyn Gates Garner**


marilyng@futuregrowth.co.za

C +27 82 466 0868

### **Steffen Josephs**

sjoeph@s@futuregrowth.co.za

C +27 83 327 3543





Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth") is a licensed discretionary financial services provider, FSP 520, approved by the Registrar of the Financial Services Board to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. The fund values may be market linked or policy based. Market fluctuations and changes in exchange rates may have an impact on fund values, prices and income and these are therefore not guaranteed. Past performance is not necessarily a guide to future performance. Futuregrowth has comprehensive crime and professional indemnity in place. Performance figures are sourced from Futuregrowth and I-Net Bridge (Pty) Ltd.