

Futuregrowth buttresses its mission through a unique empowerment partnership

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The announcement of the acquisition of a minority stake in Futuregrowth by African Women's Chartered Accountants Investment Holdings (AIH) marks an important milestone in a multi-year drive by Futuregrowth to regain its status as a majority black-owned company. This is in step with Futuregrowth's wide-ranging transformation initiatives, its mission to be a responsible and developmental investor, and its work to be a leader in the transformation of South Africa's financial services industry.

The road to this significant milestone

Futuregrowth has always existed at the intersection of financial returns, socio developmental impact, and Black Economic Empowerment. The business was launched in 1994 as a single product within the then Southern Life stable as an empowerment initiative developed to address the socio-economic disparities in South Africa. As such, it was a pioneering investment vehicle to help channel capital into the Reconstruction and Development Programme (RDP), providing finance for infrastructure projects and retail services in disadvantaged areas. Shortly afterwards, it was expanded to address Black Economic Empowerment by assisting black individuals to acquire equity stakes in JSE-listed companies. Futuregrowth became a fully-fledged asset management company in 2000, with an established track record of investing in empowerment and cross the full range of fixed interest and development funds.

A milestone was reached in 2002, when Women's Investment Portfolio Holdings (Wiphold), a women-owned black empowerment fund, bought a 40% stake in Futuregrowth, creating the largest empowered asset manager in the country, with ±R27 billion of assets under management. At the same time, Futuregrowth transferred 20% of its equity to an employee share option scheme that included every employee in the company. In 2005 Wiphold increased its holding to 70%, further cementing Futuregrowth as the largest black-owned fund manager in South Africa. Thus, from 2002 to 2008 (when the company was bought by Old Mutual Investment Group and some shares were transferred to the Imfundo Trust), Futuregrowth had an empowerment partner who was passionate about what the company stood for and had a very similar vision.

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Imfundo Trust

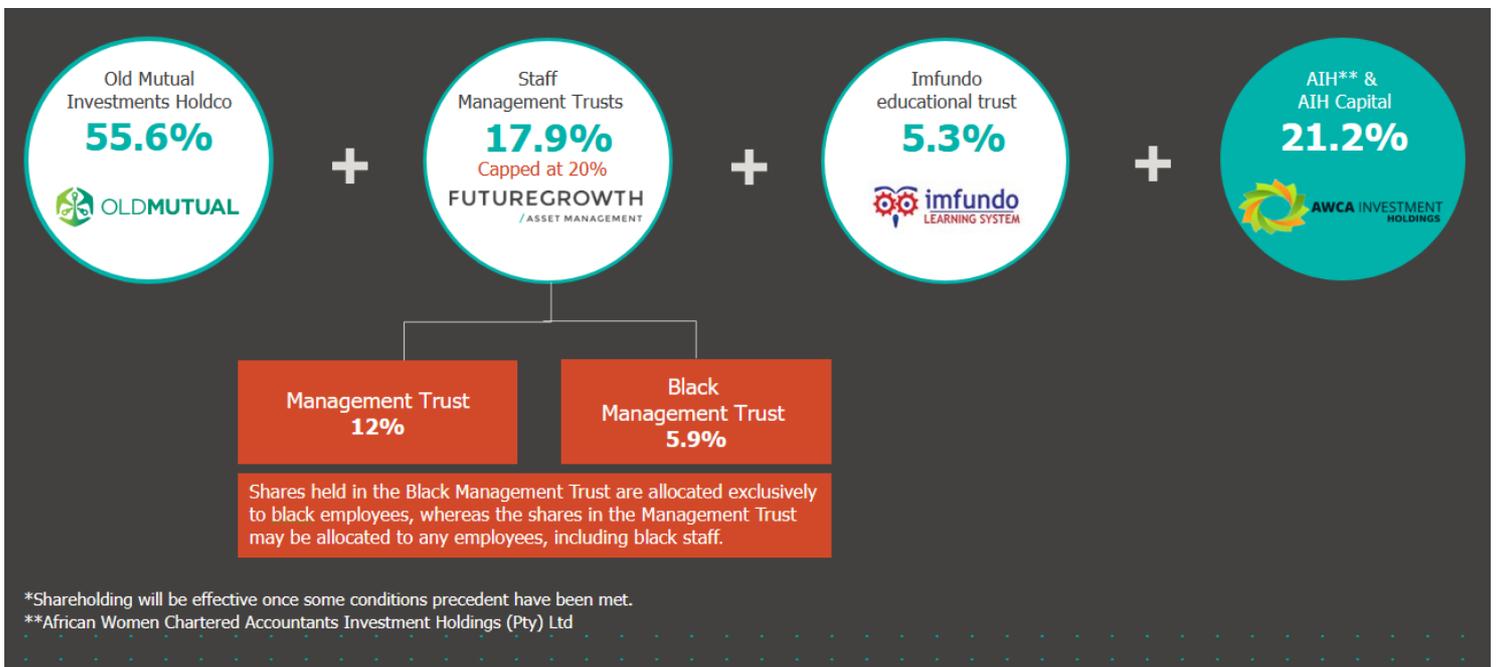
The Imfundo SP Trust was launched in 2011 to help address South Africa's shortage of black investment professionals by growing the pool of suitably qualified individuals in the asset management industry. Over the ten years to the end of 2020, the Trust spent some R43 million in funding an aggregate of 412 years of study for its students. In 2020, the Imfundo Trust supported 22 students at South African public tertiary institutions in a variety of study programmes. A total of R4.2 million was spent on this during the year. The 22 students are all Black, 15 are Black African and 13 are female. From the outset, Futuregrowth has been one of the key funders of the Imfundo Trust, and in so doing, has made a substantial contribution to broadening the knowledge and skills base in the financial services sector.

"Wiphold made a great contribution to our business over those years and really challenged our thinking. That was hugely positive, and we felt a sense of loss when they exited in 2008" says Paul Rackstraw, Managing Director of Futuregrowth. "It has always been the aim of Futuregrowth to get back to the position of having a significant black partner that shares our vision and has a larger purpose." The announcement of AIH's acquisition of a 21.2% stake in Futuregrowth represents a fulfilment of that desire. "The AIH investment is about demonstrable transformation as well as creating a partnership that can do really great things" says Rackstraw, "this is a really big deal for AIH, and can transform their business and serve AWCA's mission."

Old Futuregrowth shareholding



New Futuregrowth shareholding*



The role of African Women Chartered Accountants (AWCA) in transforming the accounting sector

Historically, transformation of the accounting profession in South Africa has been rather slow. The first female Chartered Accountant (CA) qualified in 1917 and it took another 70 years for the profession to have its first black female CA, Ms Nonkululeko Gobodo, in 1987. When AWCA was launched 20 years ago (2002), African, Indian and Coloured (AIC) female CA's numbered 407 out of a total CA population of 20 903 (i.e. 2%). With concerted efforts from various stakeholders, transformation has gained momentum and AIC female numbers increased to 8 064 out of a CA population of 48 765 by January 2022 (i.e. 16.5%).

AWCA has been instrumental in helping to transform the sector, particularly by supporting aspiring black female CA candidates with the added aim of creating the next generation of leaders and captains of industry. Like Futuregrowth, AWCA believes that investing in education and skills development will reap the long-term benefits of an increase in scarce skills, as the beneficiaries of this investment will ultimately contribute to increased productivity - either as employees or business owners.

Lacking its own balance-sheet, AWCA formed AIH in 2008 and raised initial capital from AWCA members. AIH is 100% black women-owned, and the majority of the 53 shareholders are chartered accountants and business leaders. Ten percent of AIH's net profits are donated to AWCA to further its mission.

Once all the conditions precedent have been met, AIH will be represented on the Futuregrowth board. The synergies are evident and varied. One specific example is how AWCA will augment Futuregrowth's potential pipeline of newly graduated GAP interns.

Making a bigger difference to people's lives

Futuregrowth has always had a bigger purpose to make a difference to people's lives and to fight for the improvement of the investment environment for investors. AIH shares Futuregrowth's ethical perspective and drive to do more. Futuregrowth's success will benefit black women shareholders – and will also contribute to training and assisting black woman to become chartered accountants - a critical skillset for the financial services industry as a whole, and for our country.

READ: Our transformation journey over the past decade

Futuregrowth currently manages assets of ±R193 billion (at 31 December 2021) and has an extensive suite of developmental funds (such as the Infrastructure & Development Bond Fund, the Power Debt Fund, the Development Equity Fund, Agri-funds, and the Community Property Fund) that support development and improve people's lives.

Futuregrowth's work as a leading responsible investor since 1995 has been recognised with a bouquet of awards over recent years:



Rackstraw concludes: "AIH's DNA is very similar to ours, and this unique partnership will enable us to make even more of a difference over a broader sphere than before. This is an exciting, material and refreshing transaction in the Asset management space."

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