November 2025

Mzansi Merger Mania: How Consolidation Is Reshaping the Asset Management Industry

South Africa's asset management industry is undergoing a merger shakeup that is changing the investment landscape rapidly. For investors, this means more than just headlines: it brings uncertainty, the potential for cultural clashes, and the possibility of portfolio changes. The key question is whether this consolidation will reduce choice and value for investors, or create a more resilient industry.

Nine managers controlling more than R2 trillion are currently involved in mergers or acquisitions (M&A). Some current examples include Ninety One's acquisition of Sanlam Investment Management (SIM), Old Mutual's acquisition of 10x Investments and Sentio Capital's merger with Vunani Fund Managers.

Over the last three decades, the South African asset management industry has changed markedly. In fact, 18 of the country's 20 largest asset managers in 1994 either don't exist today or have changed their name and investment approach.

This change has had a significant impact on investors for better and for worse. Clearly, the face of asset management in South Africa has changed a great deal, largely as a result of M&A activity. Today, most M&A in the industry is the result of businesses seeking to consolidate their asset bases and investment capabilities.

Why Active Investment Management and M&A Don't Always Align

Understanding what is driving that trend, why M&A can challenge active management, and what all of this means in a South African context has important implications for investors.

Active investing is fundamentally different from passive investing. Passive funds track an index, cost less, and don't depend on manager research skill. Active managers aim to outperform the market through research-driven decisions and disciplined portfolio construction, a demanding objective that few achieve. Over the past decade, according to the Association for Savings and Investment South Africa (ASISA), fewer than 10% of South African Equity funds managed to beat the JSE All Share Index.

Among the few funds that succeed, common traits stand out: skilled teams working within a repeatable investment process, supported by a business that prioritises long-term discipline. These conditions are often affected by M&A, which introduces new priorities and cultural shifts that may affect performance.

A merger combines two companies into a new entity, while an acquisition involves one company taking ownership of another. These changes often reshape shareholding structures, investment teams, and even investment philosophies. As ownership changes, new priorities emerge, key people may leave, and integration can divert focus from investment performance. For investors, the qualities that make active management valuable may be affected when a corporate action, like M&A, occurs.



Some businesses are more exposed to this risk than others because ownership structure matters. Firms tied to banks, insurers, or listed entities often prioritise shareholder returns. That short-term focus can conflict with the long-term discipline active management requires and often results in deals that disrupt investment teams and strategies.

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In short, the aim of M&A is to enhance business profitability and competitiveness. In asset management, similar pressures such as cost, scale and diversification are prompting firms to consolidate in order to remain efficient and relevant in a changing market.

Why Asset Managers Believe It is Necessary to Consolidate

- **The Potential Synergies** - Active asset managers are experiencing intense fee pressure, driven by a range of factors. First and foremost, the rise of passive investing has transformed cost dynamics and increased fee scrutiny. Over a thirty-year period, the fees charged on actively managed US mutual funds have almost halved. Over the same period, passive strategies in the US have become more popular than active strategies. In addition, the cost of running an asset management business has risen over time. For example, McKinsey reports that by the end of 2024, the cost base for the 50 largest asset managers reached a six-year high, largely due to increased spending on technology and investment management. Ultimately, lower average fees and higher average costs can only really be combatted by scale. When managers are large enough, they can absorb these pressures better than smaller managers.
- **Market Expansion** - The ease with which asset managers can access new capital markets and reach new investor bases has grown considerably over the past two decades. For instance, BlackRock, one of the world's largest managers, now has offices in over 40 countries. Three decades ago, it had offices in fewer than 10 countries. This kind of global expansion is only achievable at scale.
- **Strategic Capabilities** – Acquisitions among asset managers are often motivated by a desire to diversify product lines and enter new asset classes. There has been ample evidence of this, with managers expanding into new asset classes like private assets over the past decade.

The economics of asset management have changed fundamentally. Lower fees and higher costs have cut into profits, making asset management a tougher, less profitable business than it used to be. To combat this, asset managers are increasingly turning to M&A in an effort to buy scale, realise synergies and expand into new markets and capabilities.

The South African Story

When it comes to M&A and consolidation, South African asset managers have generally justified consolidation in ways similar to their global peers. However, several local trends provide important context for understanding the unit trust landscape.

- **Explosion in the number of registered funds** - South Africa has an advanced capital market for its size, and the number of registered funds in South Africa has increased significantly over the past two decades. Much of this growth occurred between 2000 and 2015, when the number of unit trusts registered in South Africa rose by around 11% per year. From 2015 to the end of 2024, that number decreased to under 4%. Much of this growth was due to the rise of boutique asset managers in the 1990s and 2000s. The accompanying graph below illustrates the growth in total assets managed by the collective investment scheme (CIS) industry and the number of registered unit trust funds over time.

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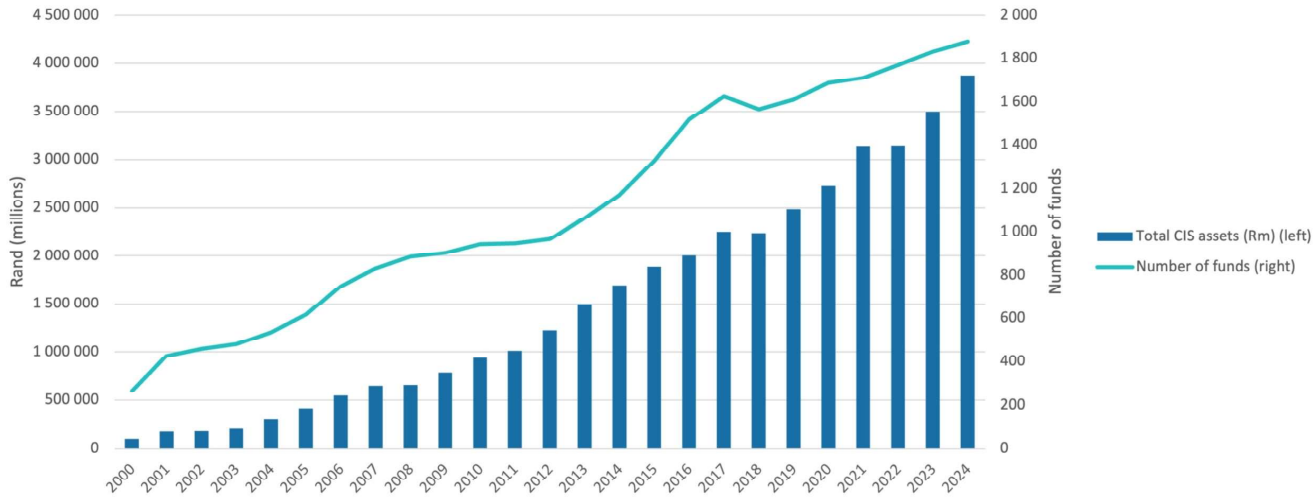
South African Collective Investment Scheme Industry Growth



Source: ASISA, Fundhouse

- **Variety of managers** – Not only has the number of funds increased, but the number of asset managers in South Africa has tripled over the past twenty years. Post-democratisation optimism, regulatory reforms, and relaxed capital controls encouraged new entrants and broadened investment opportunities. Many professionals left large institutions to launch independent firms, creating a fragmented industry. Ten of the country's largest asset managers didn't even exist 30 years ago.

The Impact of Changes to Regulation 28

As the graph below shows, offshore limits (as defined in Regulation 28 of the Pension Fund Act) have jumped from 5% in 1995 to 45% today, giving investors more choice and exposing local managers to direct competition from global firms. The most telling evidence of this is the fact that global funds made up 16% of South Africa's unit trust industry at the end of 2024, compared to 5% at the end of 2005. The rapid expansion of South Africa's asset management industry, combined with the structural headwinds that asset managers face globally, has created an environment ripe for consolidation, which many businesses have recognised.

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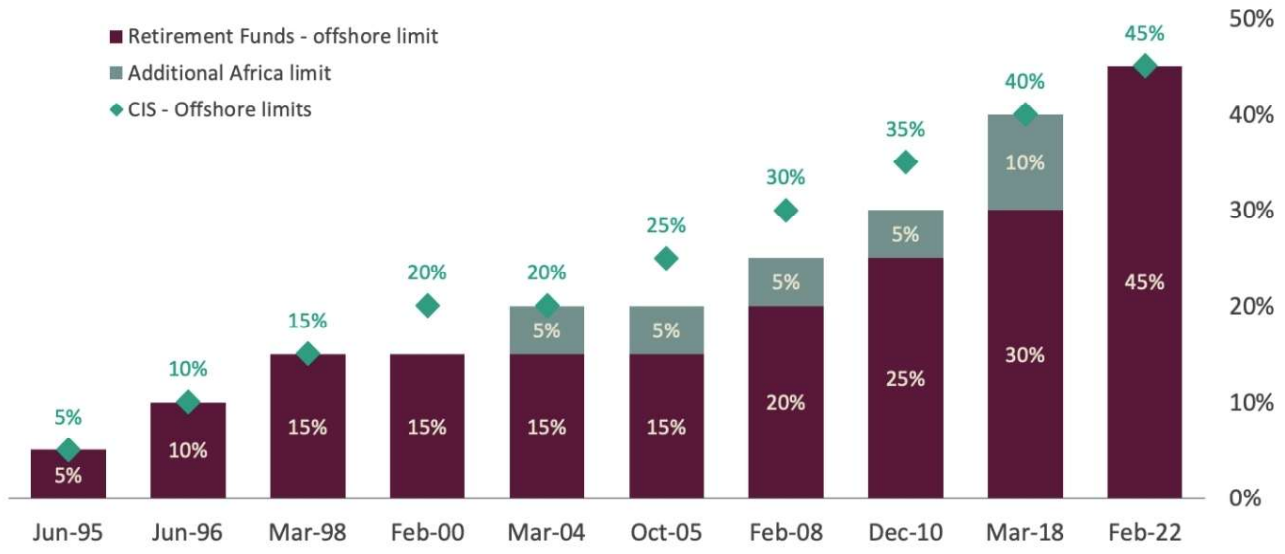
Changes to Retirement Fund and CIS Offshore Limits



Source: Ninety One

How Do Investors Navigate a Consolidating Asset Management Industry?

Clearly, there are a number of trends contributing to consolidation across the South African asset management industry, which are prompting established businesses like Ninety One, Old Mutual and Sanlam to engage in M&A.

These corporate actions can be justified by synergies, collaboration and greater resources. However, in our experience, the reality for investors can be more nuanced: processes may become more complex, accountability less clear, and, ultimately, investment performance may not always improve.

In an environment where deals are easily rationalised and where local and global players alike can buy out businesses, disruption is inevitable - raising questions about whether scale truly delivers better outcomes for investors. Investors should focus on whether their managers remain committed to investment excellence, transparency, and client outcomes, regardless of industry consolidation.

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MARKET REPORT
30/11/2025

		3m	YTD	1yr	3yr pa	5yr pa	10yr pa	5yr Vol1	10yr Vol1
LOCAL MARKET INDICES									
SA Equity	ZAR	9.6%	34.8%	34.3%	17.2%	17.7%	10.8%	12.8%	14.1%
SA Listed Property	ZAR	15.0%	29.9%	30.4%	22.7%	23.0%	3.9%	17.2%	21.6%
SA Bonds	ZAR	8.8%	19.6%	19.1%	15.2%	11.7%	9.7%	7.2%	8.1%
SA Cash	ZAR	1.7%	6.8%	7.6%	8.0%	6.5%	6.8%	0.5%	0.4%
Balanced Benchmark	ZAR	7.2%	23.6%	23.9%	15.9%	14.8%	10.2%	8.7%	9.6%
SA Inflation (1 month lag)	ZAR	0.2%	3.6%	3.6%	4.1%	5.0%	4.8%	1.6%	1.7%
GLOBAL MARKET INDICES BASED TO USD									
Global Equity	USD	5.0%	19.2%	16.4%	19.0%	12.9%	12.0%	14.4%	14.8%
Emerging Markets Equity	USD	8.7%	29.4%	29.8%	14.5%	4.7%	7.5%	15.9%	16.7%
Global Property	USD	0.8%	10.9%	2.5%	5.9%	3.6%	3.4%	17.2%	16.9%
Global Bonds	USD	0.6%	7.8%	5.6%	4.0%	-2.0%	1.2%	7.8%	6.5%
US Cash	USD	1.0%	4.0%	4.4%	5.0%	3.2%	2.2%	0.6%	0.6%
MAJOR INDICES BASED TO RANDS									
SA Equity	ZAR	9.6%	34.8%	34.3%	17.2%	17.7%	10.8%	12.8%	14.1%
Global Equity	ZAR	1.5%	8.6%	10.3%	19.3%	15.2%	13.9%	14.2%	15.7%
Emerging Markets Equity	ZAR	5.3%	17.4%	23.1%	14.8%	6.9%	9.4%	12.7%	13.6%
Global Property	ZAR	-2.5%	1.1%	-2.9%	6.1%	5.7%	5.2%	16.1%	17.0%
SA Bonds	ZAR	8.8%	19.6%	19.1%	15.2%	11.7%	9.7%	7.2%	8.1%
Global Bonds	ZAR	-2.6%	-2.1%	0.1%	4.2%	0.0%	3.0%	10.5%	13.6%
COMMODITIES									
Gold (US Dollars)	USD	22.2%	60.3%	57.9%	33.5%	18.8%	14.5%	14.6%	14.0%
Gold (Rands)	ZAR	18.3%	45.5%	49.7%	33.9%	21.2%	16.5%	14.2%	17.0%
CURRENCIES									
Rand / Dollar	ZAR	3.2%	9.5%	5.3%	-0.3%	-2.1%	-1.7%	11.9%	14.6%
Rand / GBP Pound	ZAR	3.5%	4.3%	1.5%	-3.8%	-1.9%	-0.4%	9.8%	14.1%
Rand / Euro	ZAR	2.7%	-1.5%	-3.9%	-4.3%	-1.5%	-2.6%	9.5%	12.8%

KEY

Asset Class	Represented By:
SA Bonds	Satrix Bond Index Tracker
SA Cash	STeFi
SA Equity	Satrix ALSI Index Tracker
SA Listed Property	Satrix Property Index Tracker
Emerging Markets Equity	iShares Emerging Markets Equity Index Tracker
US Cash	Fidelity Institutional Liquidity The United States Dollar
Global Bonds	iShares Core Global Aggregate Bond ETF
Global Equity	iShares Developed World Index Tracker
Global Property	iShares Developed Real Estate Index Tracker

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REDFIN WEALTH

INVESTMENT - RETIREMENT - FINANCIAL PLANNERS

November 2025

Spot Rates		30-Nov-25	Latest Quarter	1 Year Ago	5 Years Ago	10 Years Ago	20 Years Ago
CURRENCIES							
Rand/US$	Rand	17.1	17.3	18.1	15.5	14.4	6.5
Rand/GBP	Rand	22.7	23.2	23.0	20.6	21.7	11.2
Rand/EUR	Rand	19.9	20.3	19.1	18.5	15.2	7.6
RATES							
SOFR 6m $	US$	4.1	4.4	4.7	0.1	0.2	3.9
Repo Rate	Rand	6.75	7.00	7.75	3.50	6.25	7.00
Prime	Rand	10.25	10.50	11.25	7.00	9.50	10.50
All Bond Index Yield	Rand	8.7	9.2	11.6	11.6	9.0	9.7
COMMODITIES							
Gold ($/oz)	US$	4,200.1	3,833.9	2,659.5	1,774.4	1,063.7	495.2
Platinum	US$	1,640.0	1,571.0	940.0	979.0	831.0	979.0
Oil (Brent Crude) $	US$	63.2	67.1	73.2	47.7	44.9	53.4
INFLATION							
SA Inflation	%	3.6	3.3	2.9	3.2	4.9	9.4

data provided by FE Analytics

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Fundhouse was founded in 2007 by professionals from the investment management industry. We currently operate from offices in the United Kingdom and South Africa, where we cover the local and global fund industry first hand. Our business is 100% independent and owner managed which means we can offer objective advice and services in the best interests of our clients.

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investment clarity

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