

Global Trends in Asset Management



INVESTMENTS

Is asset management next?



Uber



airbnb



N



?

Forces shaping the **future** of asset management

01

Fee
pressure

02

Public to
private
markets

03

ESG 2.0

04

Outcomes-
focused
solutions

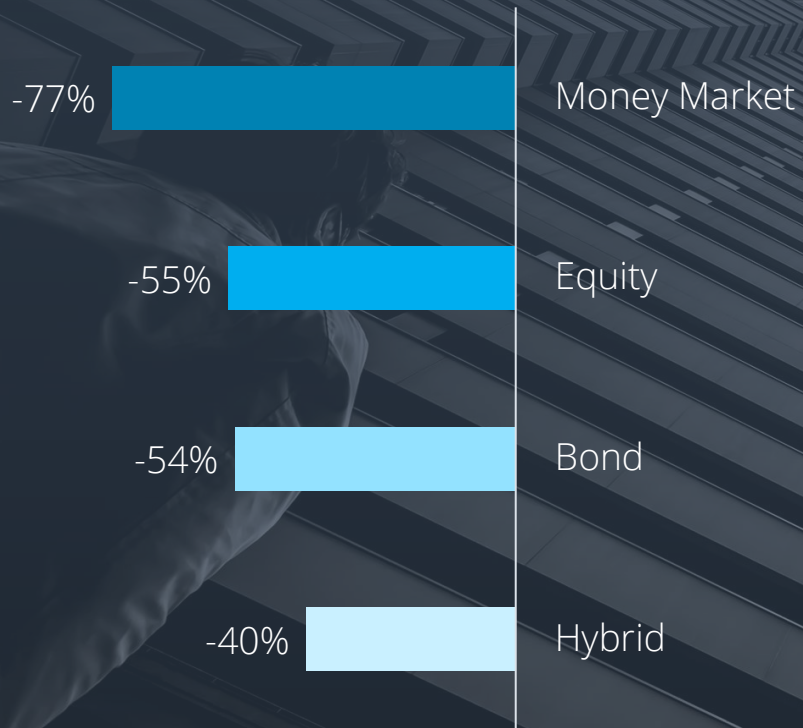


INVESTMENTS

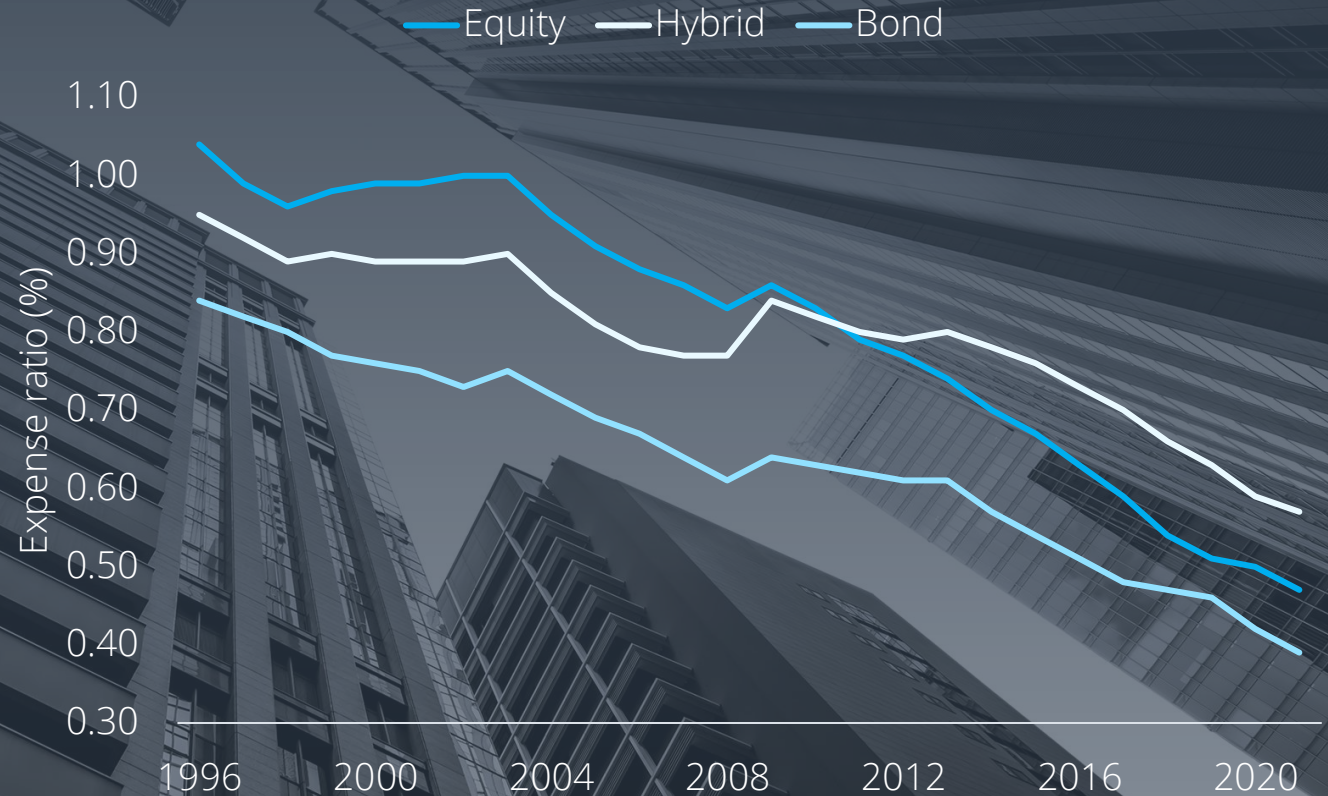
Significant decline in costs

Average expense ratios for long-term mutual funds have fallen

Reduction in asset-weighted fees
(1996-2021)



Asset-weighted average expense ratio

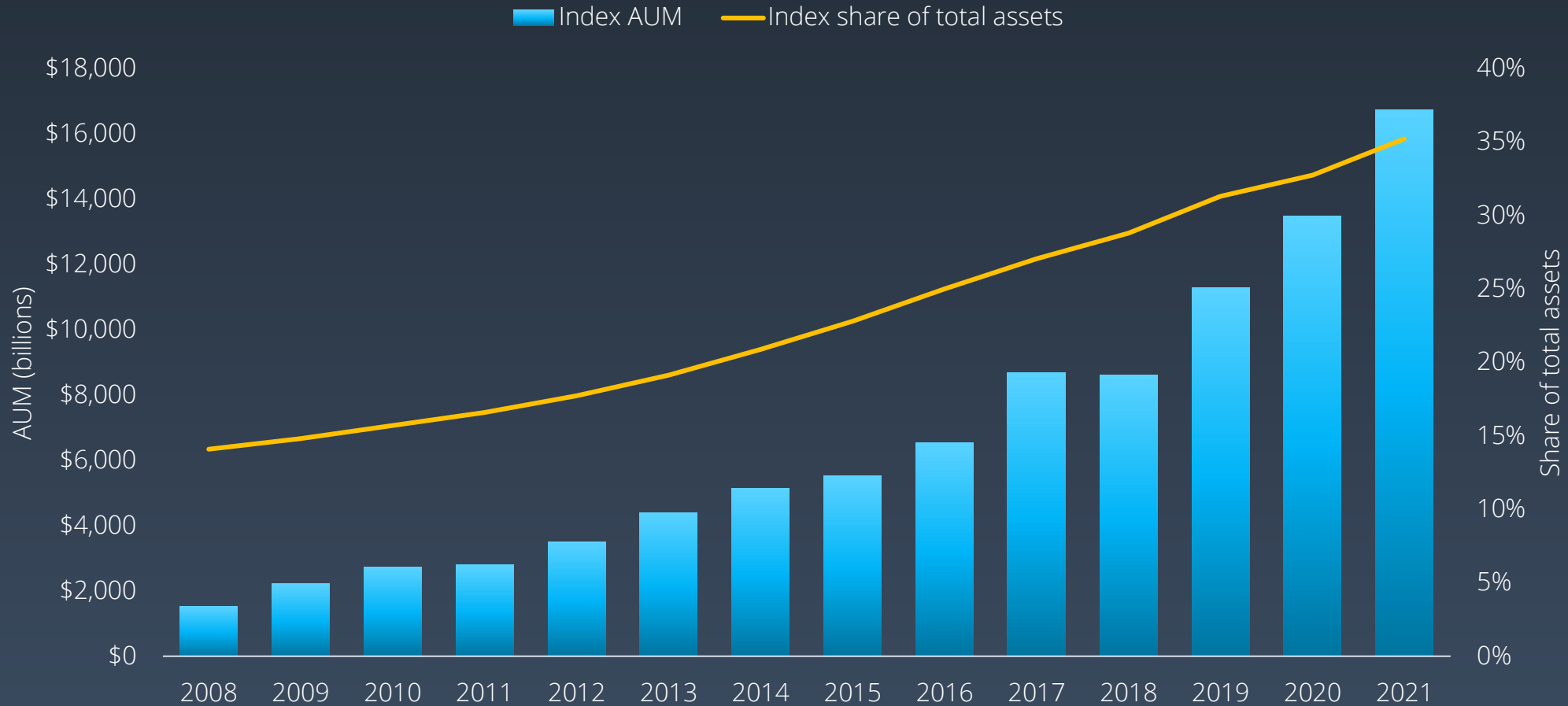


Source: ICI, 10X Investments



INVESTMENTS

The rise of indexing



Source: Morningstar, 10X Investments | Worldwide OE & ETF ex MM ex FoF ex Feeder, 31/06/2022

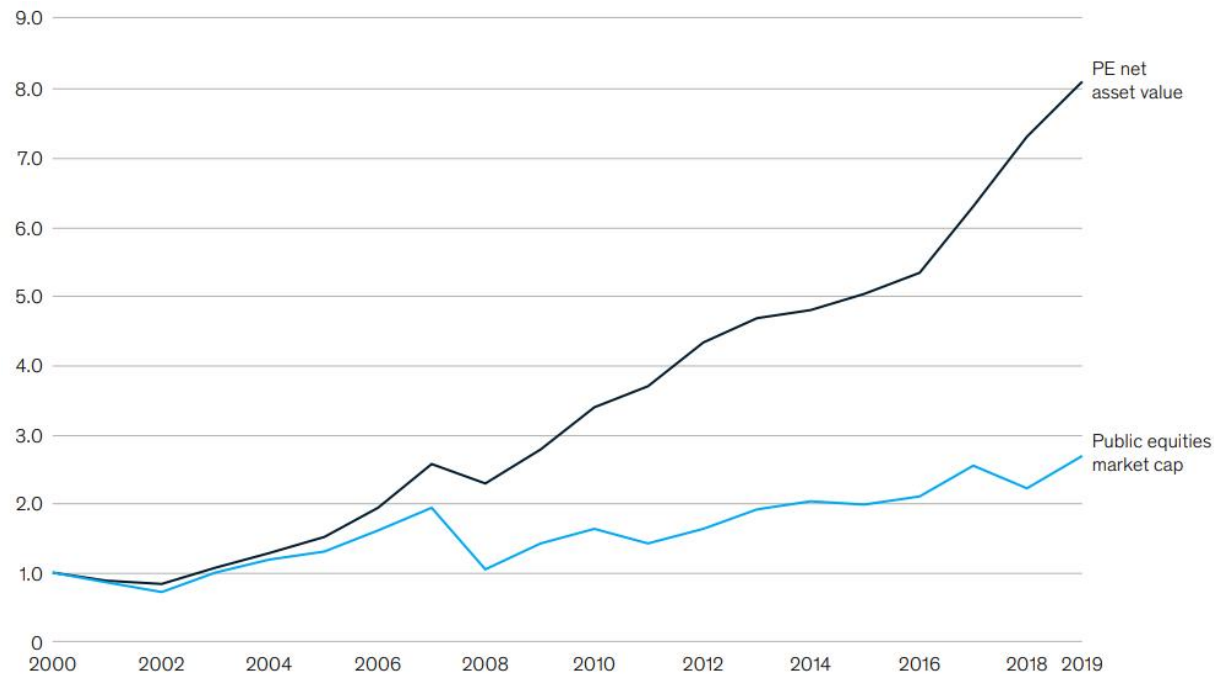


INVESTMENTS

Shift from public to private markets

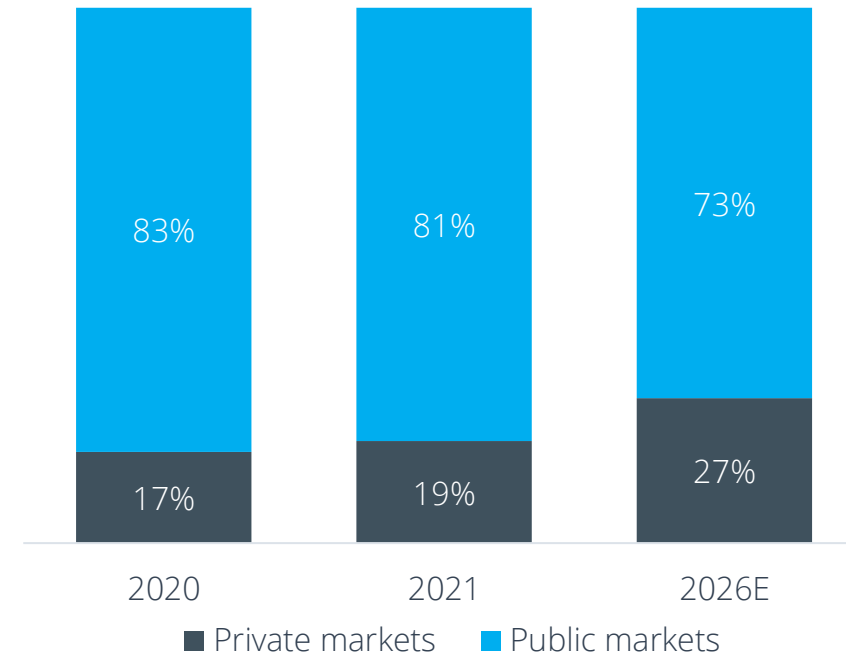
Global private equity has grown 8x since 2000, outpacing public markets

Global private equity net asset value and public equities market capitalization, indexed to 2000



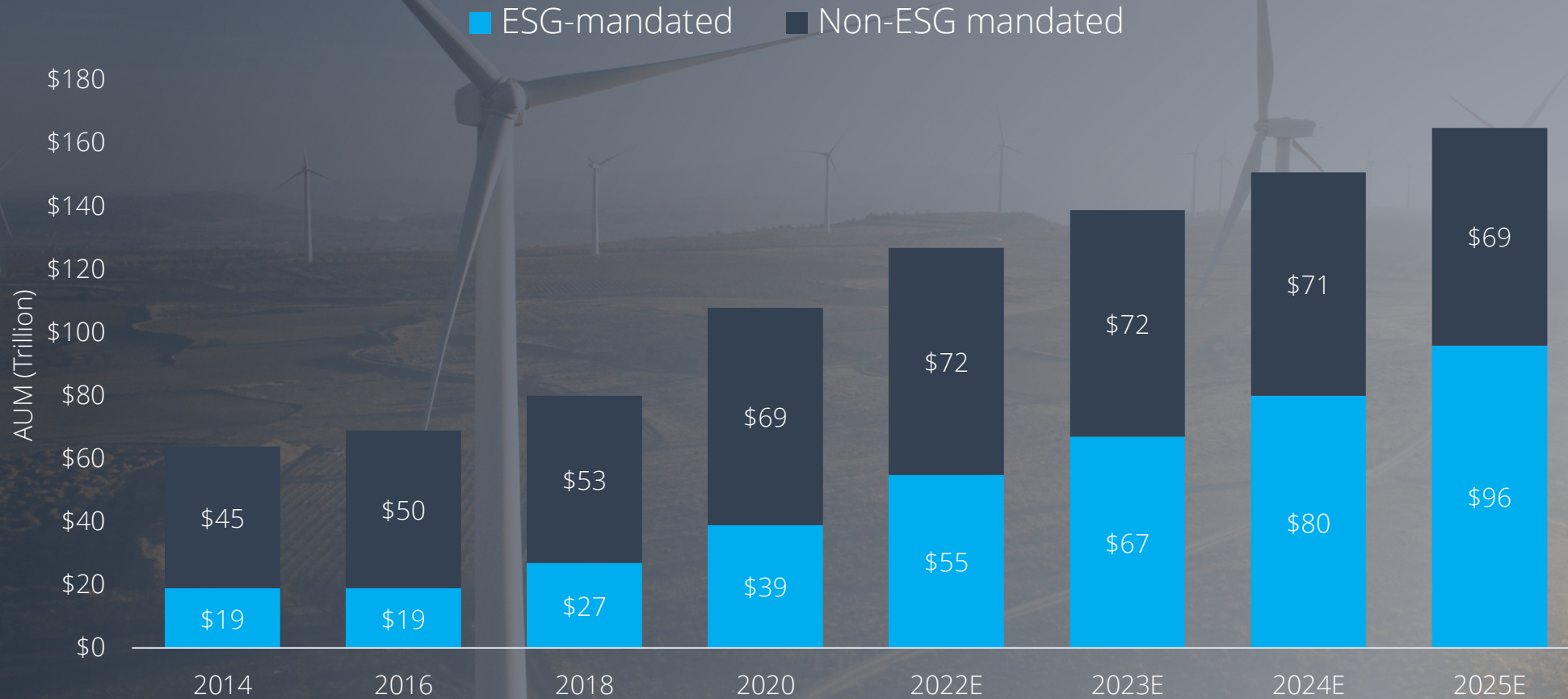
¹Net asset value is defined as AUM less dry powder.
Source: McKinsey, World Bank, Preqin

Global asset management revenue composition



Source: Morgan Stanley

ESG projected to comprise 1 in 2 investments by 2025



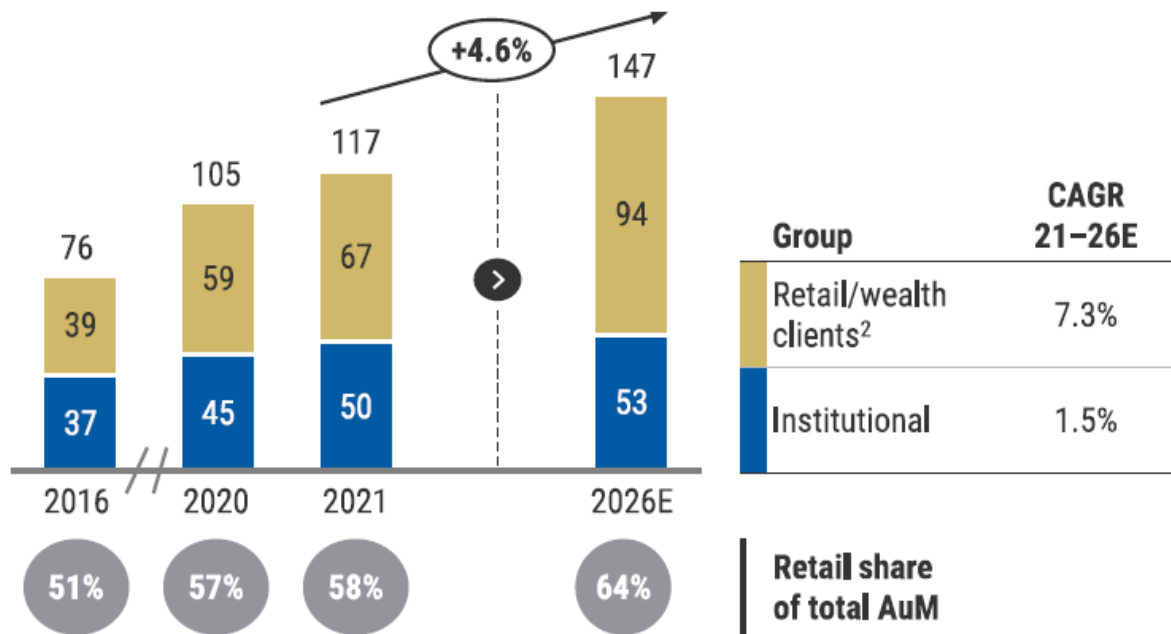
Source: Deloitte



INVESTMENTS

Growing retail share of AUM

Global AUM composition by client segment (\$Tn)



1. AuM defined as the sum of externally managed institutional assets (including insurance, pensions funds and SWF) and externally managed retail assets (including assets in open-end, close-end and money market funds, alternatives and ETF); 2. Includes DC

Source: Oliver Wyman Asset Management Model

- Institutional → retail clients
- Corporate pensions → bespoke individual solutions
- Single asset → multi-asset solutions

Multi-asset solutions best
capture the shift to retail and the
focus on outcomes



But the global 60:40 portfolio has been called into question

US 60/40 1st 6-month portfolio returns



Source: Refinitiv Datastream, Morningstar, 10X Investments. Total returns, US Equity represented by S&P 500, US Bonds represented by Bloomberg US Aggregated Treasury 1980-2022



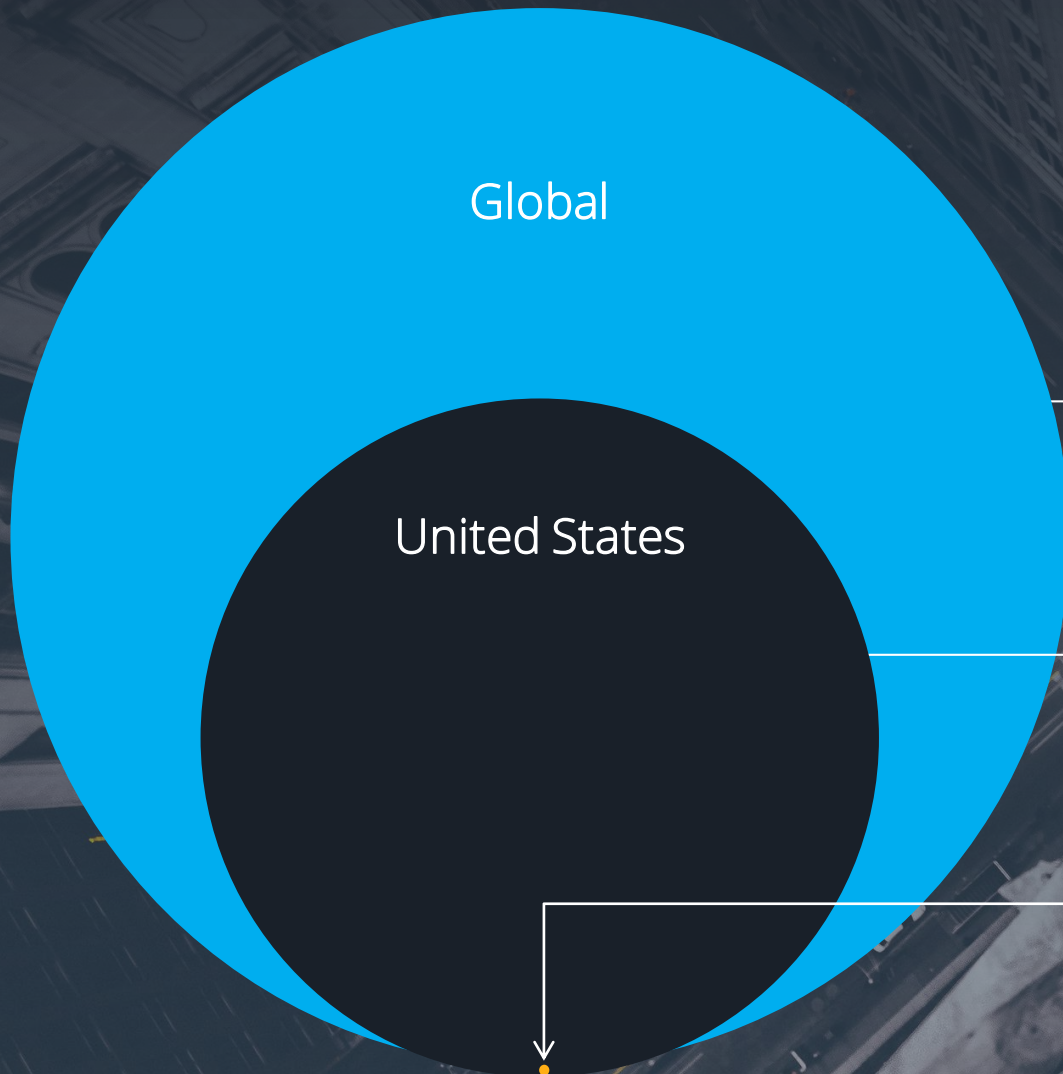
The destination & the journey

Building outcome-based solutions in the local context



INVESTMENTS

JSE is <1% of global opportunity set



- Total global listed equity market cap
\$124.4 trillion
- Total US listed equity market cap
\$55.5 trillion
- JSE listed equity market cap
\$1.14 trillion

Source: World Federation of Exchanges | 31 Dec 2021

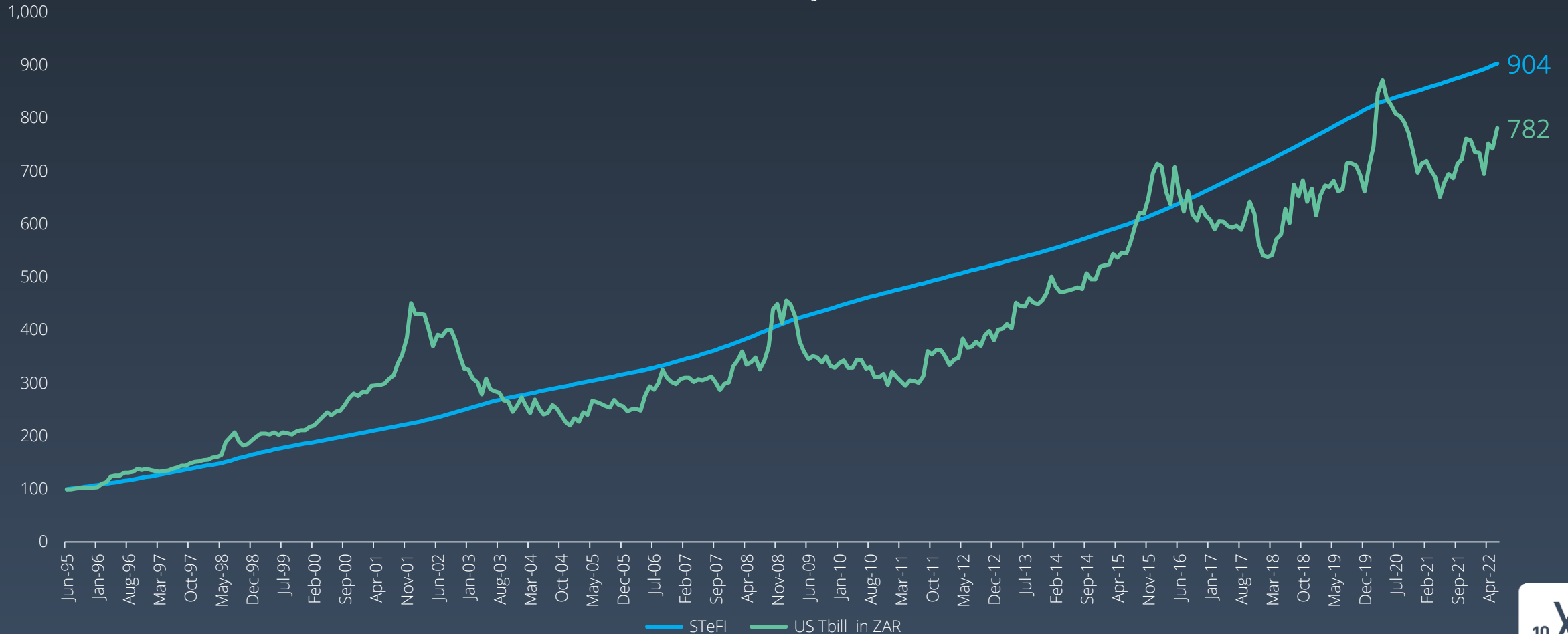
FX volatility is a challenge to offshore diversification

12 month rolling returns USDZAR

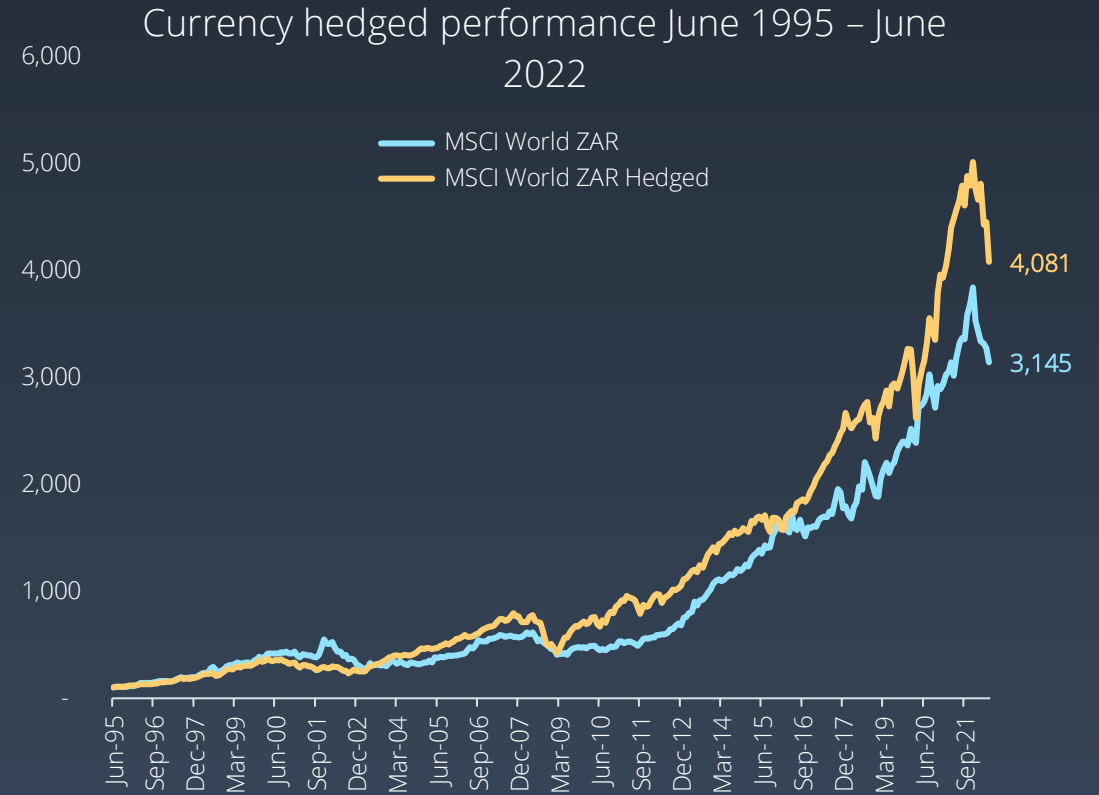
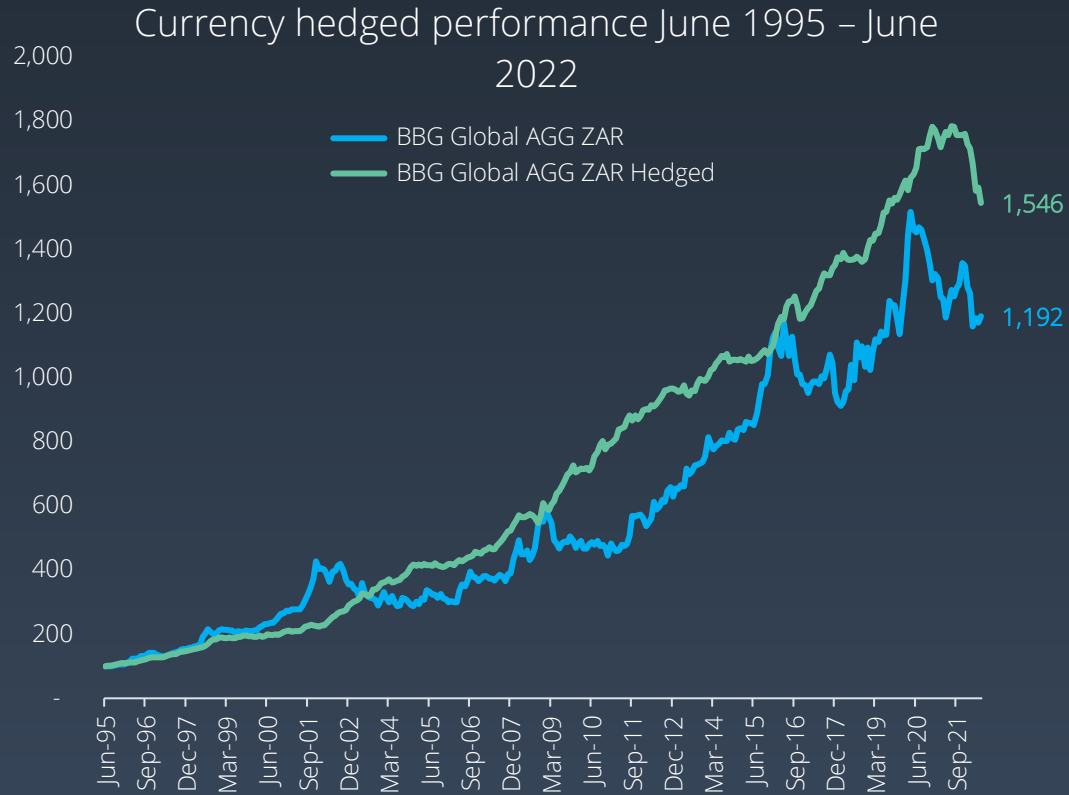


The dollar has been expensive insurance

R100 invested in June 1995



Achieving higher returns and a smoother journey



	BBG Global AGG ZAR	BBG Global AGG ZAR Hedged
CAGR	9.6%	10.7%
Std Dev	14.7%	5.6%

	MSCI World ZAR	MSCI World ZAR Hedged
CAGR	13.6%	14.7%
Std Dev	16.4%	15.2%



Diversification benefits change over time

5 Year rolling US Stock-Bond Correlation



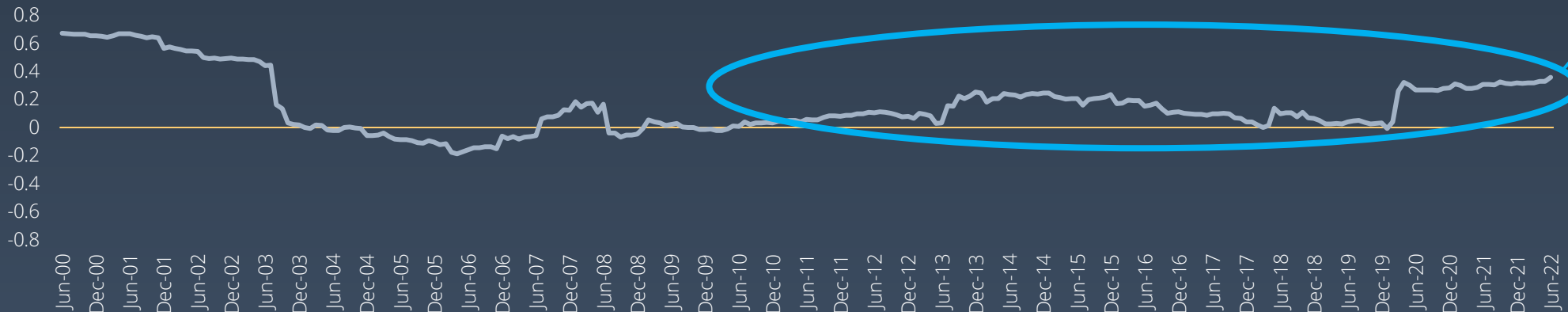
And aren't the same in all geographies

5 Year rolling US Stock-Bond Correlation



Negative correlation

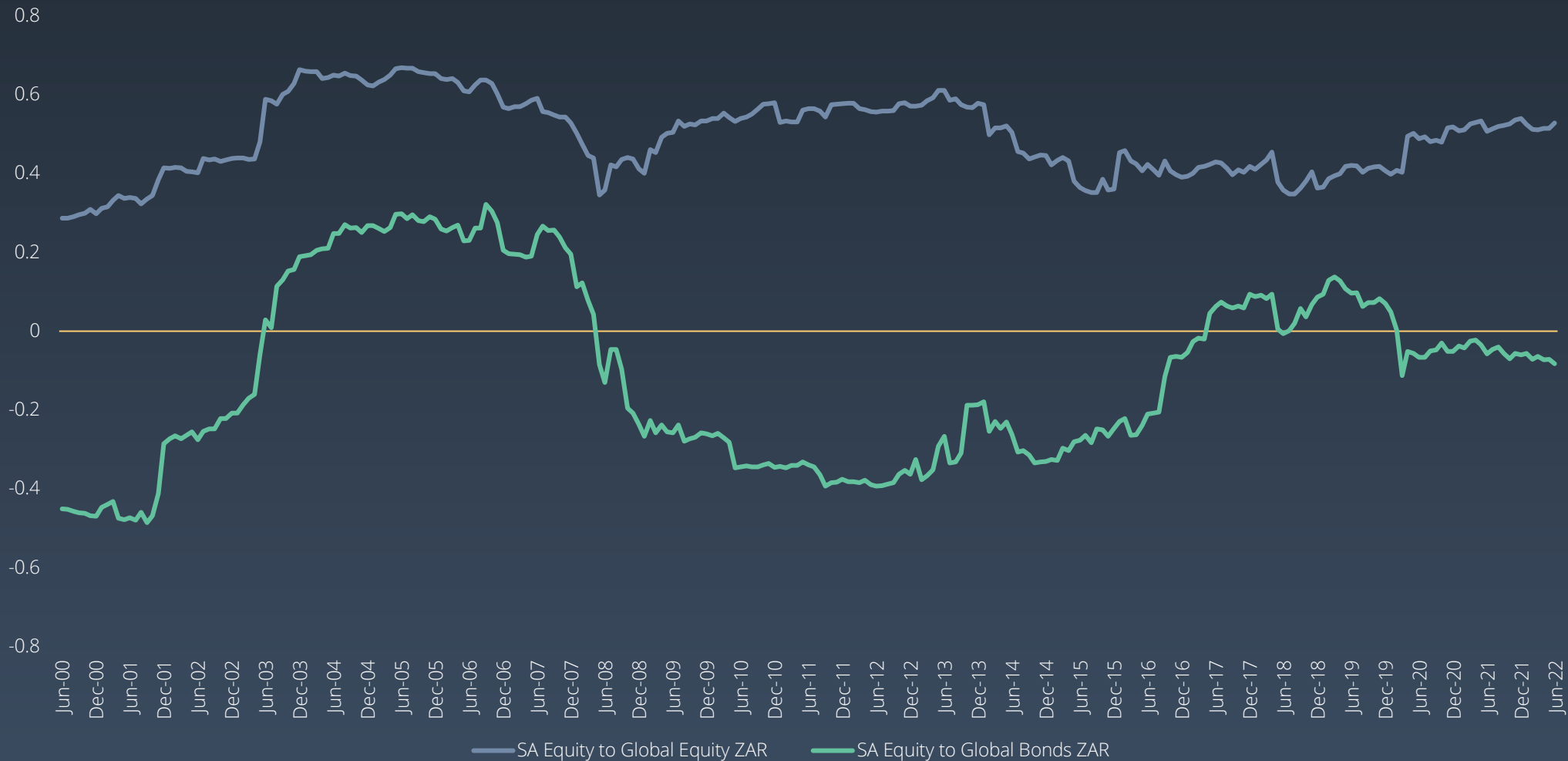
5 Year rolling SA Stock-Bond Correlation



Positive correlation

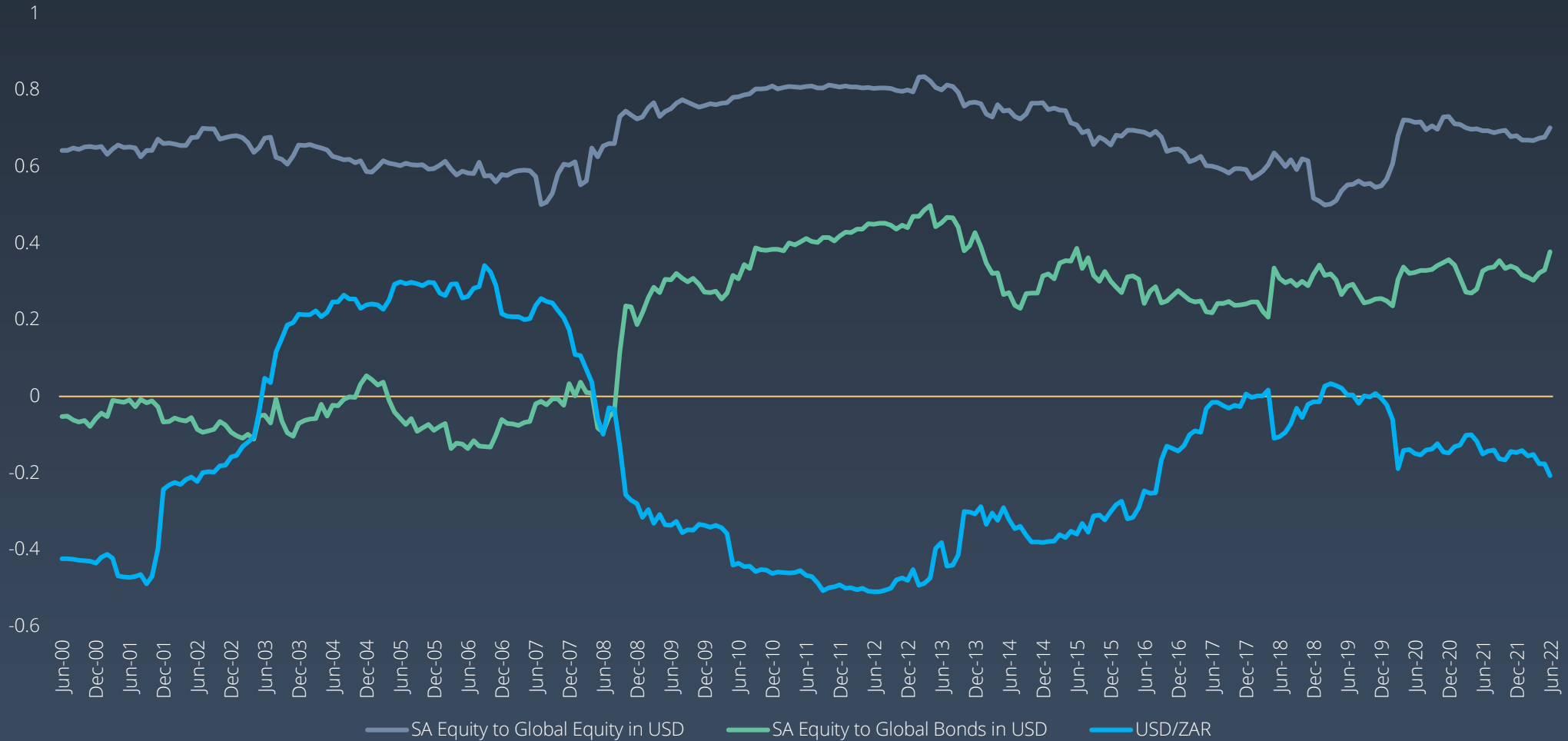
Offshore diversifies local exposure

5 Year rolling correlation



But it is actually currency diversification

5 Year rolling correlation



The destination and the journey

While the benefits of Multi-Asset solutions are clear, the challenge is helping clients remain invested to achieve their goal

Important to structurally think about risk when building SAA portfolios

Predictability
of long-term
outcome

+

Management
of volatility
along the way



INVESTMENTS



THANK YOU

DISCLAIMER

The content herein is provided as general information. It is not intended as nor does it constitute financial, tax, legal, investment, or other advice. 10X Investments is an authorised FSP (number 28250)



INVESTMENTS