

'High turnover of asset managers'

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I-Net Bridge



Monene Watson

So far 2005 has witnessed the highest level of staff turnover amongst investment professionals in SA's asset management industry since the last stock market bull run in 1998, according to a recent survey by multimanagerment group SYmmETRY.

Releasing its analysis of staff movement at the country's 12 largest asset managers in 2005 on Wednesday, SYmmETRY said that 17% joined black-owned (BEE) and boutique companies, while a further 20% moved to hedge funds. Another 24% moved within the industry, and a relatively high level of 39% left the investment business altogether.

"High levels of staff turnover have shaken up the asset management industry over the past year, with hedge funds and emerging black economic empowerment companies both drawing key staff from more traditional players," said Monene Watson, Head of Equities at SYmmETRY.

Watson said the high turnover in expertise poses challenges for retirement fund trustees in establishing the continued suitability of their managers.

"Unless they're invested through a Multi-Manager whose job it is to consider the implications of staff changes, trustees should ensure they understand the potential impact on their members' money," she noted.

The bull market of the late 1980s saw the emergence of start-up firms like Velocity and Gryphon, which were formed when analysts and portfolio managers departed established companies including Old Mutual (OML) and Sanlam (SLM).

Others like Prodigy and the local operations of Franklin Templeton and Fleming Martin also opened their doors.

However, as the dynamics of the market changed, movement within the industry slowed and for a number of years there was a relatively low level of staff turnover.

Observed Watson: "All that has changed over the past year. Greater mobility has shaken-up investment teams, some of which had been together for a number of years. The pool of experienced investment professionals in traditional asset management has declined, making it more difficult to replace people.

"As a result, we've seen recruitment from areas like corporate finance and the emergence of new blood from outside the industry. Talented individuals from in-house graduate training programmes have also been given the opportunity to prove their mettle.

"These fresh perspectives, as well as the movement of senior staff between investment houses, can facilitate new ways of looking at a fast-changing world, resulting in improved quality of research and decision-making."

However, the extent of turnover in some areas is worrying, Watson noted.

The mining and resources sector, for example, has been especially hard-hit and trustees would have to satisfy themselves that, where key decision-makers have been lost, that suitably qualified and experienced people have replaced them.

Trustees should also determine whether effective succession planning is in place to minimise disruption, and ascertain whether a change in leadership will alter process or philosophy at the investment house and thereby impact on members' fund performance.

"But one should also ask questions of asset managers who didn't lose people," said Watson "These should relate to whether processes and the investment framework are still leading edge, and whether the investment team continues to be influenced by fresh input that mitigates against an unquestioning 'group think' approach.

"Generally, how good is the management of the business? Were they able to manage the process of losing people and bringing new ones on board? Are they able to keep good people and, where they can't, do they have plans in place to keep the team stable?" she concluded.

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