STRONGER TOGETHER IN SOUTH AFRICA

SUPPORTING AN EVOLVING SOUTH AFRICAN FUNDS SECTOR

Today, South Africa has a well-developed financial services infrastructure and robust regulatory framework for investment funds, achieved through years of adaptation to market trends.

Charlie Brownlee, Director in JTC's Cape Town office, reflects on South Africa's proposition as an attractive centre for funds business and how JTC – now celebrating its 10th anniversary of having a footprint in the country this year - has evolved to support this dynamic evolution…

There's no doubt that, over the past decade, South Africa's investment funds landscape has undergone significant transformation. Shaped by regulatory shifts, economic fluctuations, political changes, technological advancements, evolving investor demands and product innovation, the South African investment funds space has become diverse and sophisticated. Today, for instance, the Collective Investment Schemes (CIS) and Hedge Funds market in South Africa have grown substantially to over R4 trillion assets under management, reflecting the country's robust and evolving financial sector.

This transformation has led to a diverse fund management and service provider landscape, presenting various challenges but also significant opportunities.

REGULATION AND COMPLIANCE

Regulatory reforms have played a crucial role in shaping South Africa's investment funds sector, with the overarching aim to enhance financial stability, transparency and investor protection. The Conduct of Financial Institutions (COFI) Bill, currently in progress, further reflects these goals – it is expected to streamline regulatory compliance while promoting fair treatment of investors.

The biggest challenge from these regulatory advancements is understanding the complexity of both domestic and international regulations and the compliance costs they incur. From a JTC perspective, our designated Risk and Compliance divisions across our jurisdictions position us well to track regulatory developments and highlight necessary actions.

This is particularly important in the South African market, where managers often handle both local and global funds – often domiciled in Luxembourg, Ireland, the Channel Islands or the Cayman Islands. Our experience in these markets, combined with our local expertise, is a significant advantage.

ECONOMIC VOLATILITY

At a macro level, we've seen considerable market volatility in recent years, and South Africa has not been immune to this. The investment industry has had to navigate economic turbulence, with periods of recession and currency fluctuations impacting investor confidence and allocations.

For administrators, a key repercussion has been the need to support clients and investors with regular reporting of high-quality, timely, and meaningful data to help them navigate these challenging periods.

POLITICAL CHANGE

Political developments, both in South Africa and globally, have also played a pivotal role. Changes in government in the country have renewed efforts to tackle corruption and foster a stable landscape, whilst wider geopolitics have created an element of cross-border complexity.

As with regulatory and market shifts, political changes can lead to investor uncertainty. Service providers must respond by offering additional insights, data, and services to provide greater certainty around policy shifts and structural reforms.

TECHNOLOGY

Technological advancements have revolutionised investment fund operations by improving efficiency, security, and accessibility. Greater investor engagement is one area in particular where we have seen significant developments, with investors wanting information as fast as possible, whilst AI is increasingly being explored for its potential to enhance transaction security and regulatory compliance.

For service providers, it's critical to stay ahead of the curve by integrating new digital tools, such as identity verification, transactional portals and cybersecurity measures, with existing platforms to enhance the client experience.

INVESTOR DEMANDS

Optionality and diversification have become central to investor expectations and behaviours, prompting the industry in South Africa to respond. In recent years, there has been a growing emphasis on ethical investing and sustainable finance, urging managers to integrate responsible investment principles into their strategies.

One of the main challenges in the South African market is the large number of investment managers and funds available to investors, which has led to increased market differentiation amongst managers and a focus on scalability and service quality among service providers.

PRODUCT INNOVATION

Following evolving investor demands, the funds sector has seen a wave of product innovation. Alternative investment funds, such as private equity, real estate and, more recently, private credit, have broadened market offerings, whilst thematic investment products focused on, for instance, technology and healthcare, have provided further diversification.

A significant change in the last couple of years has been the relaxing of foreign exposure in South Africa – Regulation 28. This change has opened new opportunities for enhanced returns in other markets but has also required service provider support that understands the global landscape.

COMPETITION

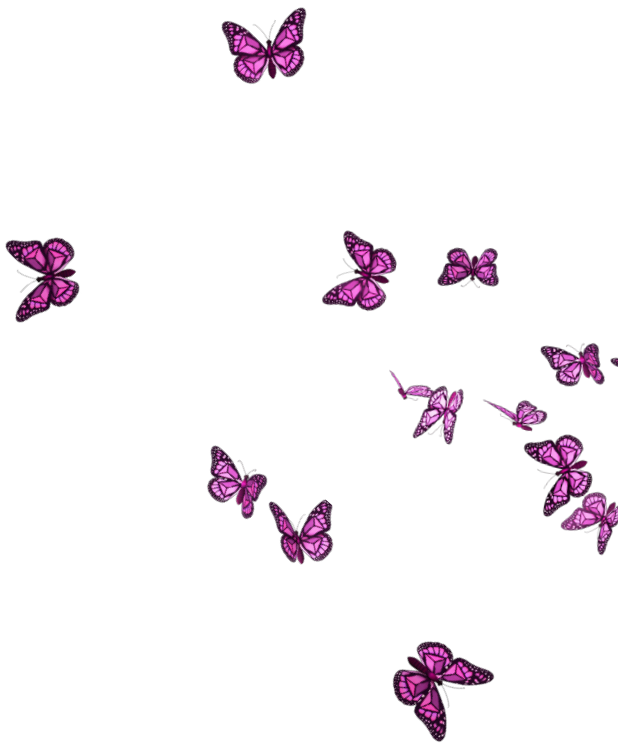
The cumulative effect of these changes is a more sophisticated, diverse funds environment than that of a decade ago, translating into greater competition at all stages of the investment funds supply chain. For JTC, the strategy to excel in such a competitive environment is by enhancing service quality.

JTC has been established in Cape Town for ten years, with a legacy presence in the region, reinforcing South Africa as a global hub for JTC's funds business. Over this period, we have seen an increase in South African domiciled funds launch or migrate to our services and it's an area we see growing in the coming years as we leverage our established service centre of excellence.

Our journey reflects a balance that differentiates JTC for clients in a constantly evolving market – combining the global reach of our Group with the agile, relationship-driven approach of our team in Cape Town.

This balance is essential in delivering the high-quality service that we believe is fundamental to the future success of the South African funds market.

JTC's Cape Town office employs over 200 professionals who service institutional clients in the global asset management industry.



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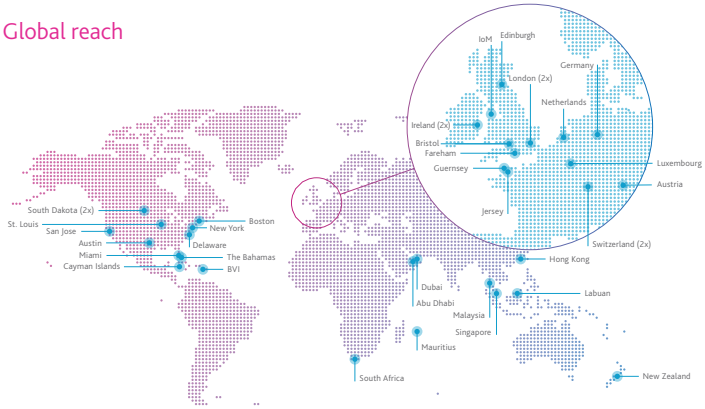
Global reach



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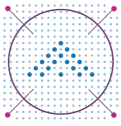

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ABOUT JTC

JTC is a publicly listed, global professional services business with deep expertise in fund, corporate and private client services.

Every JTC person is an owner of the business and this fundamental part of our culture aligns us with the best interests of all of our stakeholders.

Our purpose is to maximise potential and our success is built on service excellence, long-term relationships and technology capabilities that drive efficiency and add value.

We value shared ownership

- We operate around the principle that if our people have a stake in the business, they will do a better job for our clients.

We value relationships

- We aim to work with clients who share our belief in the importance of building strong relationships over time.

We invest in our people

- Over 83% of our employees hold a relevant professional qualification or are working towards this through our dedicated JTC Academy.

We embrace technology

- We operate a variety of best-in-class systems to deliver and maintain an impeccable standard of administration and use technology to innovate in both service delivery and efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

PRI Principles for Responsible Investment

Carbon Neutral Organisation

- Our environmental, social and governance (ESG) framework has at its heart our culture of shared ownership and is informed by our purpose, which is to help maximise the potential of every client, colleague and partner with whom we work.
- We believe that we will thrive as a business by working in a sustainable way, operating within constantly evolving legal and regulatory frameworks, respecting the natural environment and creating a positive impact for the communities where we live and work.
- We understand the ESG risks and opportunities our clients face and as a listed professional services business with expertise across a wide range of sectors, geographies and asset classes, we are ideally placed to support our clients with a range of solutions that help them meet their own ESG commitments and goals.

JTC

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For full details of those JTC Group entities that carry on regulated business and certain other JTC Group entities, please visit our website: www.jtcgroup.com/legal-and-regulatory

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