



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM056Jul16

In the matter between:

INVESTMENT SOLUTIONS HOLDINGS LIMITED

Primary Acquiring Firm

and

CAVEO FUND SOLUTIONS PROPRIETARY LIMITED

Primary Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Andreas Wessels (Tribunal Member)
	: Fiona Tregenna (Tribunal Member)
Heard on	: 10 August 2016
Order Issued on	: 10 August 2016
Reasons Issued on	: 06 September 2016

Reasons for Decision

Approval

- [1] On 10 August 2016, the Competition Tribunal ("Tribunal") approved the proposed transaction between Investment Solutions Holdings Limited and Caveo Fund Solutions Proprietary Limited.
- [2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

Primary acquiring firm

- [3] The primary acquiring firm is Investment Solutions Holdings Limited ("ISH"), a public company incorporated in accordance with the laws of the Republic of South Africa.¹
- [4] ISH is wholly-owned by Alexander Forbes Group Holdings Limited ("Alexander Forbes"), a company listed on the Johannesburg Stock Exchange ("JSE").
- [5] ISH and Alexander Forbes will collectively be referred to as the Acquiring Group.

Primary target firm

- [6] The primary target firm is Caveo Solutions, a company incorporated in accordance with the laws of the Republic of South Africa. Caveo Solution is jointly controlled by ISH (with a shareholding 50.01%) and Peregrine with a shareholding of 49.99%.
- [7] Caveo Solutions and its subsidiaries will be referred to as the Target Group.

Proposed transaction and rationale

- [8] In terms of the proposed transaction ISH intends to increase its shareholding in Caveo Solutions from 50.1% to 100% by acquiring the remaining shareholding (49.99%) from Peregrine. Post-transaction ISH will control Caveo Solutions.
- [9] The Acquiring Group submits that the proposed merger creates an opportunity for ISH to reposition its business approximately to meet future regulatory and commercial imperatives. The acquisition of Peregrine shareholding will assist it in this regard.
- [10] Peregrine has taken a decision to dispose its shareholding in the Target Group in order to establish its own multimanager/fund-of-fund business within the Peregrine Group.

Impact on competition

- [11] The Acquiring Group through ISH is an asset manager that adopts the strategy of allocating the monies it received from retail and institutional investors to other asset managers/multi-managers which then invest the monies in underlying assets (indirect

¹ ISH holds a 50.1% shareholding in the primary target firm.

investment) whereas the Target Group is a hedge fund manager (multi-manager) these monies to other hedge fund managers, which in turn invest the monies underlying assets (indirect investment).

- [12] The Commission considered the activities of the merging parties and found that the proposed transaction results in a horizontal overlap in the broad market for asset management services. The Commission found that the merged entity will have a combined post-merger market share of 5.1% in the broad market for the provision of asset management services and competes with a number of reputable players in the market.²
- [13] The Commission also found that the proposed transaction results in a vertical overlap, however the merging parties' competitors did not raise any concerns regarding the proposed transaction. Furthermore the Commission found that with respect to customer foreclosure the Target Group status quo remains post-merger. As such the Commission is of the view that the proposed transaction will not result in any input foreclosure or customer foreclosure.
- [14] In light of the above, the Commission is of the view that the proposed transaction is unlikely to substantially prevent or lessen competition within the relevant market.
- [15] We concur with the Commission's conclusion.

Public interest


- [16] The merging parties confirmed that the proposed transaction will have no negative effect on employment.
- [17] The proposed transaction further raises no other public interest concerns.

Conclusion

- [18] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no

² Coronation Fund Managers, Old Mutual Investment Group (Pty) Ltd, Sanlam Investment Management (Pty) Ltd and Allan Gray Limited.

public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.



Mr. Norman Manoim

06 September 2016
DATE

Mr Andreas Wessels and Prof Fiona Tregenna concurring

Tribunal Researcher:	Busisiwe Masina
For the merging parties:	Andriza Liebenberg of Webber Wenzel
For the Commission:	Billy Mabatamela