

# A Glimpse into Common Ownership in South Africa

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# A GLIMPSE INTO COMMON OWNERSHIP IN SOUTH AFRICA<sup>†</sup>

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## Abstract

There has been a growing interest by competition authorities and antitrust scholars on common ownership linkages by institutional investors which may be leading to a softening of competition in markets. This paper offers a glimpse into the potential extent and nature of common ownership in South Africa based on a select number of large institutional investors. From our limited observations on common ownership, we find that common ownership tends to occur with rival incumbent firms in markets. We also observe that our selected large institutional investors, as a group (including the holding firm and subsidiaries), tend to hold minority shares in parent firms with several diversified product portfolios of their own. The main purpose of this paper is to stimulate further research on whether common ownership by large investors may potentially result in softer competition in industries. As a natural starting point, research should also consider further determination of the extent to which common ownership occurs in South African industries. Economic literature would also benefit from an exploration of whether there is any relationship between firm behaviour and common ownership and the nature of such a relationship, especially in the context of South Africa.

**JEL Classification:** L10, L13, L20, L41, L44, G34

**Keywords:** Antitrust, Competition, Common Ownership, Corporate Governance, Industry Concentration, Oligopolistic Markets

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## 1. INTRODUCTION

There is a growing interest by antitrust scholars and competition authorities on the increasing extent of common ownership by institutional investors in rival firms and this has raised questions as to whether it is leading to reduced competition in industries, especially in oligopolistic markets. The literature on this topic is still developing, as academics and competition institutions continue to contemplate the extent of common ownership as well as the linkages (both theoretically based and empirically shown) that suggests a chilling of competition incentives in markets. Our paper provides, as a starting point, an empirical mapping of common ownership in South Africa based on a select number of institutional investors.

Common ownership or shareholding<sup>2</sup> refers to an indirect link between rival firms in a market whereby a single (or group of) shareholder(s) has a stake in competing firms. These stakes may either relate to a significant and controlling, or minority shareholding in rival firms. To fully understand the concern surrounding common ownership, it is important to conceptualise the potential incentives, and ensuing behaviour, of commonly owned rival firms on the degree to which they compete given these ownership linkages. The potential threat on competition stems from the possibility that the investor(s) that own these stakes in rival firms may exercise influence that negatively impacts on the degree of competition in the industry (or market).

The question is whether commonly held rival firms (especially in duopolistic or oligopolistic industries) are influenced to jointly pursue behaviour that is akin to a monopoly. That is, in the presence of a common owner(s), do these rival firms focus on the maximisation of industry-wide profitability rather than their own-firm profitability, resulting in reduced rivalry. In literature, this concept has become known as the common ownership hypothesis which formally infers that the prevalence of large, diversified investors with holdings in competing firms incentivises those firms to soften competition to overall maximise shareholder value across the industry (Backus *et al.*, 2019) (Backus *et al.*, 2020). This hypothesis has its genesis in Rotemberg (1984) who posited that rival firms act in the interest of maximising shareholder utility through reducing output and Bresnahan & Salop (1986) who explored how joint ventures between competitors alter competitive incentives. Institutional investors are most often the type of investor in which this phenomenon is expected to arise, as they tend to hold significant (minority) shareholdings in rival firms and have the capability to do so. These investors are

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<sup>2</sup> In literature, common shareholding, common ownership or common owners is often used interchangeably.

generally defined as specialised financial institutions which invest capital on behalf of many asset holders to maximise returns at a reasonable risk (Monopolkommission, 2018).

In the past decade, most theoretical and empirical studies concerning the common ownership hypothesis have been centred on industries in the United States (US). The growth in US-focused studies is due to the abundance of existing industrial organisation literature on ownership structures which has unearthed the extent of common ownership in the US. This is especially amongst large investors which typically tend to be institutional investors. These studies have subsequently spurred global interest, with similar studies conducted in the European Union (EU), Germany, United Kingdom (UK) and Australia.

To determine whether common ownership may have competition implications in the manner posed under the common ownership hypothesis, the natural starting point must be an assessment of the extent of common shareholding in an economy. Such an assessment would provide insights on the nature and prevalence of such arrangements and allow for further research on whether there may be implications for firm incentives to compete or raising of (capital) barriers in markets, for example, all of which may impact on competition.

To date, there has not been a South African study that assesses common ownership in the context of potential competition implications. In this paper, we aim to provide a baseline for future studies by mapping the prevalence of common ownership by select institutional investors in South Africa. Due to data limitations, our paper does not attempt to map the full extent of common ownership in South African industries but simply assess its existence by analysing common ownership linkages of some of the largest institutional investors in South Africa.

The paper is structured as follows Section 2 provides a summary of the literature on mapping of common ownership in an economy. Section 3 discusses the methodology for the study; Section 4, provides illustrative examples of common ownership in South African industries by assessing a sample of large institutional investors and sector specific observations of common ownership; and Section 5 concludes and provides recommendations for further research.

## **2. LITERATURE REVIEW**

For the purposes of this paper, we focus mainly on literature pertaining to the mapping of common ownership. There have been few studies that have undertaken to explore the extent of common ownership in countries outside of the US. We also briefly discuss the general literature on common ownership and competition.

## 2.1 Mapping of common ownership

Leigh and Triggs (2021) provide first estimates of the prevalence of common ownership in Australia by assessing shareholding information of firms in 443 industries. To derive the extent of common ownership, they assess publicly listed firms on the Australian Stock Exchange where shareholders own at least 5 percent or more (as shareholding data is publicly reported). In addition, the authors assess concentration of those industries with common ownership. They assess only private firms and industries (not government related) where market share data is available; this results in the exclusion of 48 Australian industries. Using IBIS World Industry Reports for 2019, they calculate the Herfindahl-Hirschman Index (HHI) to derive industry concentration from market share data for each of the 443 industries as well as calculating an average for the Australian economy by utilising a weighted average approach.

The authors find that 49 industries in Australia have common ownership (predominantly by institutional investors) which represents 11% of total industries but these industries collectively account for 36% of total industry revenue across Australia. Some of these industries include supermarkets and grocery stores, fuel retailing, insurance (health, life and general), commercial banking, fund management services, money market dealers, retail property, computer and software retailing, fertilizer manufacturing and mining (copper ore, iron ore and gold). They find that these industries tend to be more concentrated with an average HHI of 1202, 238 points higher than industries without common ownership.

In 2020, the Joint Research Centre (JRC) of the EU conducted a study to measure the extent of common ownership in firms across EU countries and the potential competition implications that arise from this phenomenon (JRC, 2020). Regarding the mapping exercise, the study provides descriptive statistics such as the proportion of common shareholders relative to the total number of shareholders using data obtained from Orbis (compiled by Bureau van Dijk). The data from Orbis covers firm-level information from 2007 to 2016 with an average of 26,560 (EU and non-EU registered) firms observed for each year. NACE<sup>3</sup> codes (four-digit level) were used to identify the industries.

The study found that in 2007, 85.7% of all listed firms held shares in only one firm and this rose to 87.2% in 2016. Common shareholders comprised 14.9% of all shareholders in 2007 and 12.8% in 2016. The study also assessed the number of listed firms in the EU that are “*cross-held*” by institutional investors where it was found that the number of firms held by institutional investors had increased from 15,454 firms in 2007 to 17,460 in 2016. Further, it

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<sup>3</sup> Nomenclature of Economic Activities (NACE) codes is the industry standard classification system used in the EU.

was observed that approximately 67% (2016) of these “*cross-held*” firms had at least 5% holdings by institutional investors. The largest common shareholders were also found to hold stakes in a substantial number of large enterprises with the largest portfolios of the top investors representing 80% of total assets and more than 90% of market capitalisation across the active listed firms. In addition, top common shareholders were found to have stakes in over 6,000 firms overall. The study selected five major industries to focus further inferences of the extent of common ownership based on industries with few market participants and existing knowledge of these market participants. These industries include beverages, oil and gas, electricity, mobile telecommunications, and trading platforms.

The German Monopolies Commission published a report assessing common ownership by institutional investors in Germany in 2018 (Monopolkommission, 2018). The report provides descriptive statistics of the holdings of the largest institutional investors in publicly listed firms on the DAX (stock exchange index) and an overview of the largest asset management companies in Germany. This includes an assessment on the biggest firms of selected industries to illustrate and provide examples of common ownership in the more concentrated industries in Germany. These industries include oil, telecommunications, agrochemicals, and automotive manufacturing. The report mainly focuses on findings and inferences in current literature to inform whether the German authority should pursue further studies in this regard.

In South Africa, the National Treasury assessed firm ownership in 2017. The intention of the study was to present the structure of ownership of South African firms and to link policy priorities on transformation and inclusive growth, macroeconomic and financial stability, and competition, with the proposal that the report be updated frequently as an ownership monitoring report series (Thomas, 2017). The study mainly assesses ownership of South African companies listed on the Johannesburg Stock Exchange (JSE) and identifies the extent of ownership by large investors, including institutional investors, based on their holdings as a proportion of total market capitalisation and other investment metrics. Overall, the study found that major shareholders (shareholding of 5 percent or more)<sup>4</sup> held an estimated 33% of the total market capitalisation of the top 25 South African JSE-listed firms in 2016 (Thomas, 2017). The report inferred that “*a significant degree of influence is often held by one or more shareholders*” (Thomas, 2017). Asserting this view is also the King IV Corporate Governance Report which directly states that “*Institutional investors, ...are extremely influential. The types*

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<sup>4</sup> Section 7.A.27 of the JSE Ltd Listing Requirements describes a major shareholder as “*any shareholder, other than a director, that, directly or indirectly, is beneficially interested in 5% or more of a class of securities issued...*”. available at <https://www.jse.co.za/sites/default/files/media/documents/2019-04/JSE%20Listings%20Requirements.pdf>.

*of investment decisions they make and how they exercise their rights as shareholders, either reinforce or weaken good governance in the companies in which they invest”* (IoDSA, 2016).

Our paper differs from the papers referred to above in that, due to the limited nature of the data available, we focus only on a select list of some of the largest institutional investors in South Africa at a single point in time. Our data also does not provide a comprehensive view of all the firms (and industries) that these large institutional investors have beneficial holdings in. Overall, our paper merely provides a glimpse into the potential extent of common ownership and some of the industries where common ownership is prevalent.

## **2.2 Common ownership and competition**

There has been a multitude of studies looking into the effects of common ownership on competition and other metrics. Some of the studies that link common ownership to unilateral effects include: price raises (e.g. resulting in higher markups) (Anton *et al.*, 2021) (Azar *et al.*, 2018) (Elhauge, 2016), reducing output (e.g., producing fewer units), reducing investment (Gutiérrez & Philippon, 2017) (Elhauge, 2016), limiting new entrants into the market, and innovating less (Backus *et al.*, 2019) (Backus *et al.*, 2020). In terms of potential coordinated effects, studies include: sharing of commercially sensitive information (OECD, 2017) (Patel, 2018); potential for collusion (Malueg, 1992) (de Haas & Paha, 2021) (Gilo *et al.*, 2006) (Charistos & Papadopoulos, 2022); and allow for positive collaboration (He & Huang, 2017). In popular media, authors have also highlighted the concern regarding the increasing prevalence of large institutional investors holding shares in competing firms (Posner *et al.*, 2016) (Greenspon, 2019).

Empirical sector studies include an assessment of partial common ownership on industry prices in the US airline industry by (Azar *et al.*, 2018); which was critiqued by Dennis *et al.* (2021). This was followed by similar a study on the US banking sector (Azar *et al.* 2022) and a study on generic entry into the US pharmaceutical market (Xie, 2021) (Gerakos & Xie, 2019). The JRC (2020) study also examined the changes in competition in the beverages industry following a merger between two large institutional investors, BlackRock and Barclays Global Investors (BGI), in 2009.

### 3. METHODOLOGY

#### 3.1 Data Description and limitations

We use shareholding data compiled by Who Owns Whom (Pty) Ltd (WOW) (Who Owns Whom, 2022). This database contains ownership information for over 170,000 firms, based on voluntary disclosure and desktop research of several firms across Africa including South Africa. The WOW database includes the effective shareholding (i.e., the beneficial shares expressed as a percentage), the standard industry classification (SIC) codes of both the shareholder and Investee firm,<sup>5</sup> the last verified data in which the ownership information was recorded,<sup>6</sup> the type of entity (e.g., listed, unlisted, government, trust, etc.), the operational status of the firms (e.g. active, deregistered and insolvent firms) and whether the shareholding reported is direct or indirectly held. The firms in the database are distinguished as either “*shareholder*” (referring to the firm holding shares) or “*subsidiary*” (referring to the investee firm).

For our purposes, we generated the data from WOW based on data points last updated or verified in 2021 and 2022, and only those firms classified as actively operating in the South Africa economy (i.e., for shareholders with operations in South Africa and “subsidiaries” that are active and domiciled in South Africa) and with a direct holding relationship. The figure below depicts the total number of unique firms contained in the database from WOW as well as a breakdown of the number unique firms based on a range of effective holdings. .

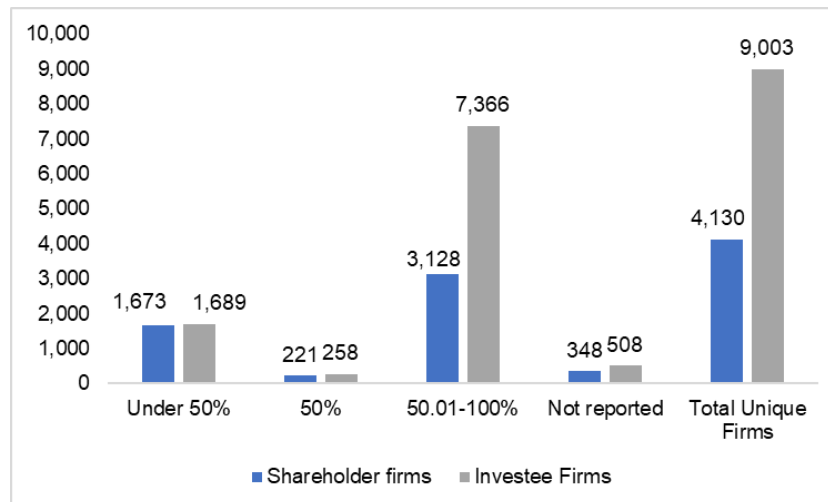
**Figure 1: Total number of active shareholder and investee firms observed in the Who Owns Whom (2022) database (direct shareholding relationship only)**

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<sup>5</sup> Who Owns Whom reports the Standard Industrial Classification (SIC) Code of all economic activities according to the SIC Code fifth edition. Each statistical unit is classified to an industry which reflects the predominant activity of the establishment with adaptations for certain local industries.

<sup>6</sup> The WOW database has ownership information last verified dating back to 2006.





Source: Authors' interpretation based on *Who Owns Whom* (2022).

The generated WOW dataset contains a total of 12,886 unique active firms with direct shareholding where it can be split into a total of 4,130 unique “shareholder” firms and 9,003 unique investee (“subsidiary”) firms based on our selection criteria, above. We observed that the database contains mostly direct subsidiaries of the “shareholder” firms, i.e., firms owned or controlled as seen by the number of firms with shareholdings ranging from 50.1 - 100% in Figure 1 above. For the purposes of this paper, we only considered those firms with shareholding below 50%, which amounted to 1,673 unique shareholder firms and 1,689 unique investee firms. In this regard, it should be noted that this poses our first limitation with respect to assessing the full extent of common ownership in South Africa as the WOW database only contains a small sample of firms operating in the South African economy. For instance, the number of registered firms reported by the South African Revenue Services (SARS) on 31 March 2021 was estimated at 3,112,509 (National Treasury and SARS, 2021).

In terms of limitations, we note that the dataset employed for this study is relatively limited and that the standard industry classification system used to identify sectors is broad and does not provide sufficient granularity in identifying rival firms. These present the most significant limitations in undertaking a comprehensive mapping exercise on the extent of common ownership in South Africa. Given the number of firms identified and for the sake analytical ease and brevity, we randomly selected a group of some of the largest institutional investors for analysis which was based on the South African Reserve Bank's (SARB) list of firms identified as institutional investors.<sup>7</sup>

<sup>7</sup> This list is updated on a frequent basis and can be found on the SARB website, available at: <https://www.resbank.co.za/en/home/what-we-do/financial-surveillance/institutional-investors>.

The available partial shareholdings of the selected institutional investors are illustrated in an entity-relationship diagram format. We only assess beneficial holdings under 50%, either by the ultimate parent firm or their subsidiaries. To identify potential common ownership of rival firms, we evaluate the SIC codes of the investee firm and undertook desktop research of these investee firms as a confirmation. On the diagrams we provide only the label of the main SIC code of each investee. We further note that the database may not capture all the beneficial holdings of the firms contained therein.

### **3.2 Selected institutional investors**

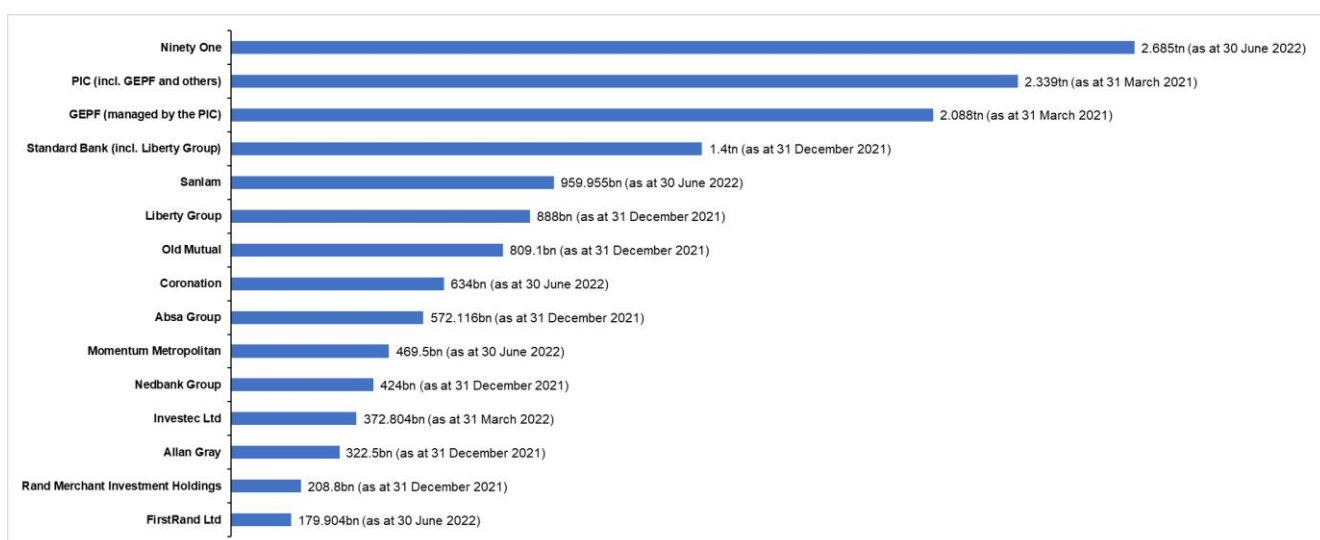
The institutional investors that we assessed include:<sup>8</sup> (i) the Public Investment Corporation SOC Ltd (PIC), a large state-owned corporation (asset management firm), and the Government Employees Pension Fund (GEPF), the largest retirement fund; (ii) Allan Gray Group (Pty) Ltd (Allan Gray) and Coronation Fund Managers Ltd (Coronation), collective scheme investment (CIS) management firms; (iii) Old Mutual Ltd (Old Mutual), Liberty Group Ltd (Liberty), Momentum Metropolitan Holdings Ltd (Momentum Metropolitan), Sanlam Ltd (Sanlam) and Santam Ltd (Santam), which are large insurance firms; (iv) the largest banking groups, Absa Group Ltd (Absa), Nedbank Group Ltd (Nedbank), Standard Bank Group Ltd (Standard Bank) and FirstRand Ltd (First Rand); and (v) Investec Ltd (Investec),<sup>9</sup> Ninety One Ltd (Ninety One) and Rand Merchant Investment Holdings Ltd (RMI), large investment management firms. The figure below provides the assets under management (AUM) of our selected institutional investors.

**Figure 2: Assets under management of the selected institutional investors**

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<sup>8</sup> Most institutional investors we analysed provide several diversified services including long- and short-term insurance, asset and investment management, pension fund, and other discretionary financial services.

<sup>9</sup> The Investec group also provides commercial and investment banking.



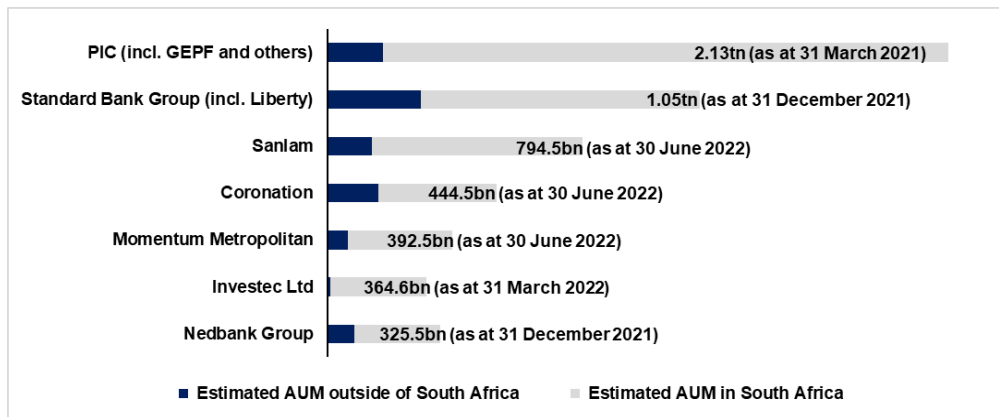
Source: Authors' own compilation based on annual reports and company websites.<sup>10</sup>

In common ownership literature, it is widely acknowledged that common ownership is mostly driven by institutional investors. The figure above provides an example of the size of some of the largest institutional investors in South Africa based on assets under management. As a further example, the PIC's AUM grew by R440 billion from March 2020 to March 2021 in which the GEPF contributed to most of this growth (PIC, 2021).

South African institutional investors are also subject to exchange control regulation as specified in the Currency and Exchange Act of 1933. This implies that institutional investors in South Africa are limited from investing outside of South Africa thus a large proportion of capital at their disposal is concentrated for investment in South African based firms. The figure below provides an example of this by showing the AUM based in South Africa compared to the AUM based outside of South Africa.

**Figure 3: Assets under management split showing South African assets under management**

<sup>10</sup> See (PIC, 2021), (Allan Gray, 2021), (Coronation, 2021), (Ninety One, 2022), (Sanlam, 2022), (Old Mutual Limited, 2022), (Liberty, 2021), (Momentum Metropolitan, 2022), (Absa, 2022), (Nedbank, 2021), (FirstRand, 2022), (Standard Bank, 2021), (Investec, 2022), (RMIH, 2022).



Source: Authors' own compilation based on annual reports and company websites.<sup>11</sup>

Relatively low holdings, such as 5% in the case of publicly traded firms, may suffice for them to exert influence on key business decisions<sup>12</sup> due to minority shareholder protection rights as stipulated in the Companies Act 71 of 2008 (as amended) (the Companies Act). The Companies Act provides numerous protection mechanisms for minority shareholders to ensure that: (i) the value of their shareholding is maintained relative to other shareholders in the firm; and (ii) majority shareholders cannot implement certain decisions without the approval of minority shareholders (Burger *et al.*, 2020). Minority shareholders have the power to block certain actions (with regards to their specific share class) of the firm if they have a holding of more than 25% of the voting rights in a particular class of shares (Burger *et al.*, 2020). The Companies Act also specifies the percentage of votes required for certain decisions to be taken by either ordinary or special resolution with additional regulations stipulated for shareholders rights in listed firms. Minority shareholders may also pool their voting rights. Given the ability of these firms to influence investee company decisions, they would be of interest when common shareholding, and its implications for competition, is considered. As such, they are appropriate candidates for the mapping exercise conducted in this paper. It is important to note that the insights gained from the empirical mapping conducted below are limited and should not be extrapolated to the rest of the economy.

<sup>11</sup> See (PIC, 2021), (Standard Bank, 2021), (Sanlam, 2022), (Coronation, 2021), (Momentum Metropolitan, 2022), (Investec, 2022), (Nedbank, 2021).

<sup>12</sup> In the Companies Act No. 71 of 2008, a "regulated company" is required to publish in its annual financial statements a list of persons or entities who hold beneficial interests equal to or more than 5% of the total number of securities of that share class of the firm. Thomas (2017) deduces that a firm holding more than 5% of the total shares of a particular class of shares equates to that firm being classified as a major shareholder in the investee firm. Arguably, a five percent shareholding may be sufficient for an investor to be able to exert influence on firm decisions.

#### **4. ANALYSIS OF COMMON OWNERSHIP IN SOUTH AFRICA**

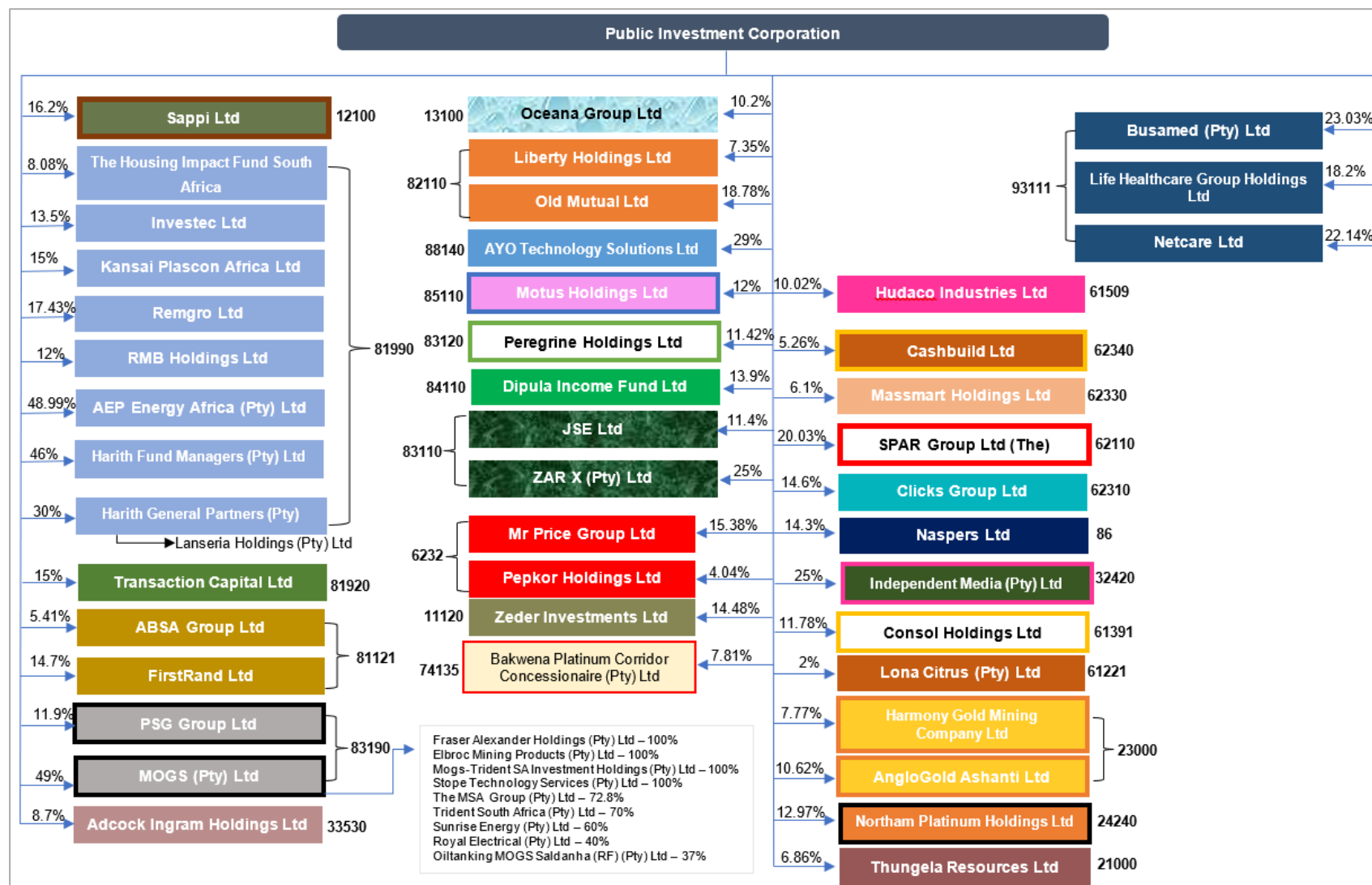
In figures 4, 5 and 6 below, we illustrate the known partial shareholdings of the Public Investment Corporation (PIC) and Government Employees Pension Fund (GEPF). The GEPF is a benefit fund established in terms of the Government Employees Pension Law of 1996, and the PIC is the largest asset management firm in South Africa and is wholly owned by the Department of National Treasury. The PIC and the GEPF also have an interlinked relationship in that the PIC directly handles the management and administration of all allocated investments of the GEPF.<sup>13</sup> In 2016, it was found that the GEPF (including its holdings through the PIC) is the single largest investor in JSE-listed firms, accounting for 11% of total market capitalisation of the Top 25 South African firms.<sup>14</sup> The PIC and GEPF have substantial shareholdings in firms operating in many sectors in South Africa.

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<sup>13</sup> The GEPF entered into an Investment Management Agreement with the PIC in 2007. See Government Employees Pension Fund: Investment Policy Statement, 2020. Available at: <https://www.gepf.co.za/wp-content/uploads/2021/09/INV-C-0002112.pdf>

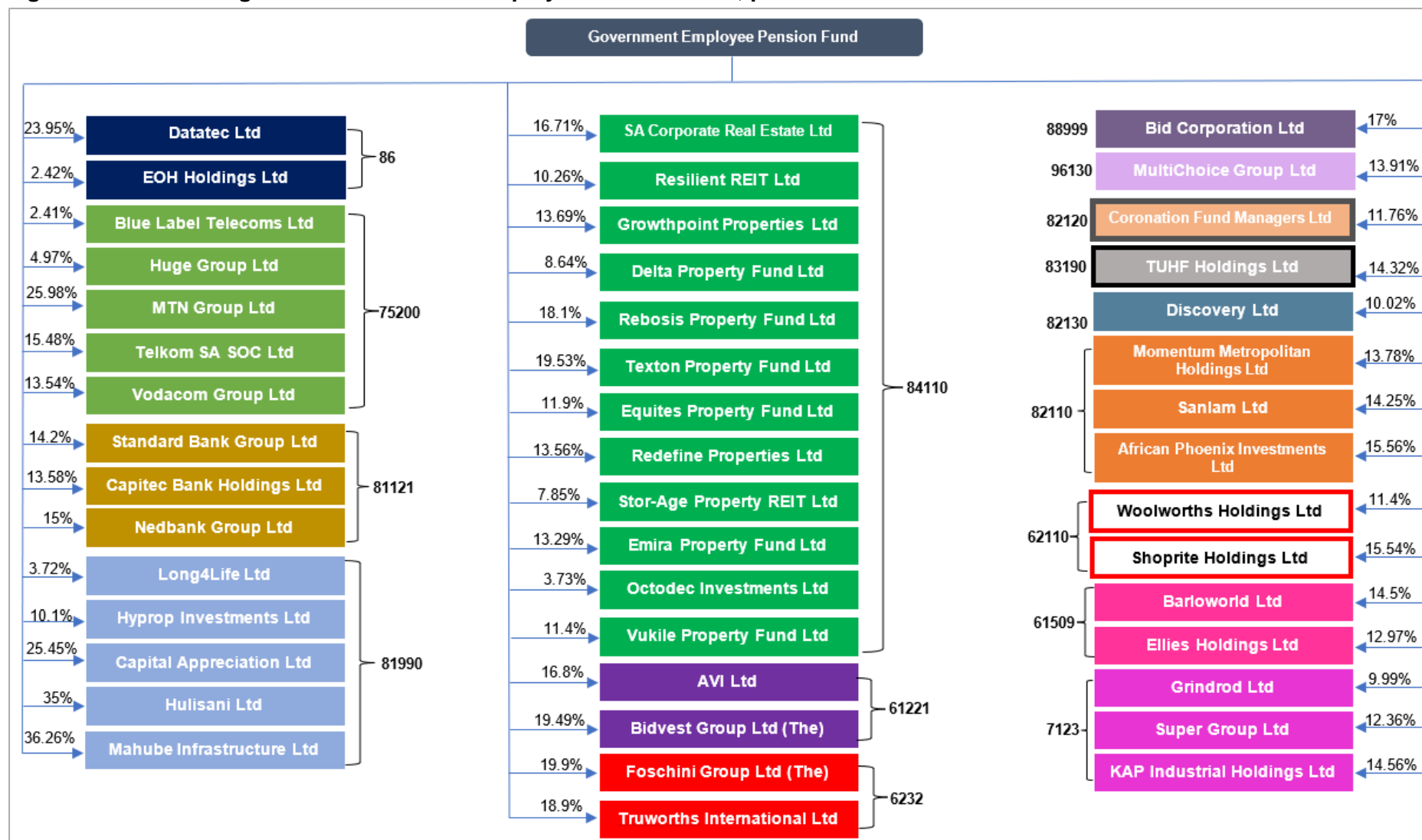
<sup>14</sup> This only accounts for holdings above 5% in these top 25 firms. The top 25 firms accounted for two-thirds of total market capitalisation of South African listed firms in 2016 (Thomas, 2017).

**Figure 4: Shareholdings of the Public Investment Corporation**



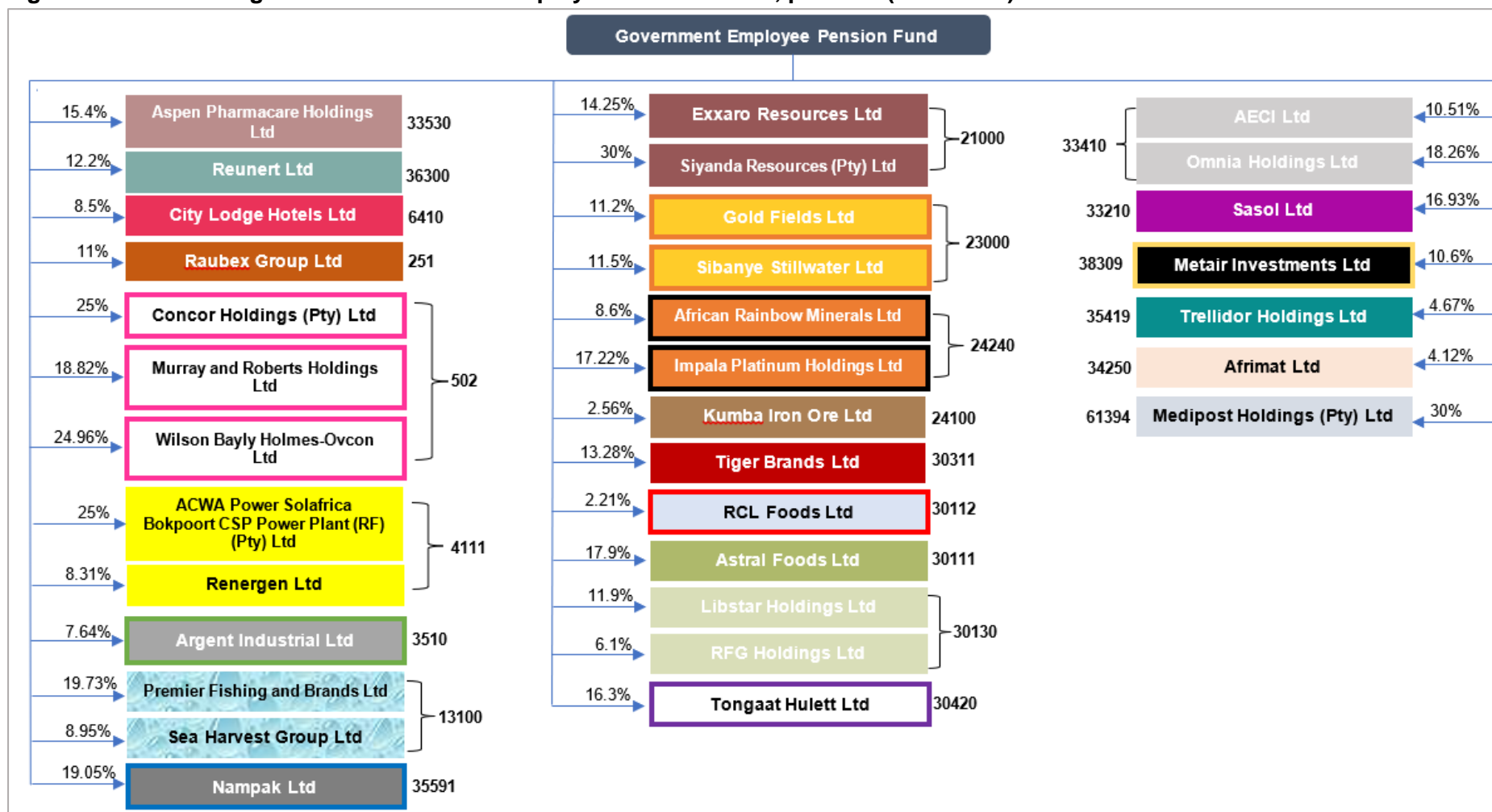
Source: Authors' interpretation based on Who Owns Whom (2022).

Figure 5: Shareholdings of the Government Employee Pension Fund, part one



Source: Authors' interpretation based on Who Owns Whom (2022).

Figure 6: Shareholdings of the Government Employee Pension Fund, part two (continued)



Source: Authors' interpretation based on Who Owns Whom (2022).



The PIC has common shareholdings in several industries, including private healthcare (Busamed (Pty) Ltd, Life Healthcare Group Holdings Ltd and Netcare Ltd)<sup>15</sup>; print and online publishing<sup>16</sup> (Independent Media (Pty) Ltd and indirectly in Media24 through Naspers Ltd); and gold and uranium ore mining (AngloGold Ashanti Ltd and Harmony Gold Mining Company Ltd). It has holdings in several other institutional investors, including Absa Group and FirstRand (banking industry); Liberty and Old Mutual (insurance industry);<sup>17</sup> and RMB Holdings Ltd, Investec Ltd, Remgro Ltd, PSG Group Ltd, Harith Fund Managers Ltd, Transaction Capital Ltd and Peregrine Holdings Ltd (investment management).<sup>18</sup> It also has holdings in two of the largest stock exchanges, ZAR X (Pty) Ltd<sup>19</sup> and JSE Ltd.

The PIC also has holdings in many large holding companies who have subsidiaries and/or divisions that operate across multiple retail markets in South Africa. This includes: retail pharmacy (Clicks Group Ltd, Medipost Holdings (Pty) Ltd and SPAR Group Ltd); building, construction and hardware retail (Massmart Holdings Ltd (Builders Warehouse), Pepkor Holdings Ltd (Timbercity, Iliad's Buco and Tiletoria), SPAR Group Ltd (Build It stores) and Cashbuild Ltd); retail apparel (Mr Price Group Ltd, Pepkor Holdings Ltd,<sup>20</sup> Massmart Holdings Ltd and Naspers Ltd<sup>21</sup>); grocery retail (Massmart Holdings Ltd and SPAR Group Ltd); and furniture and homeware retail (Mr Price Group Ltd<sup>22</sup> and Pepkor Holdings Ltd<sup>23</sup>).

From the GEPIF, we observe holdings across rivals in many industries such as its holdings in 13 of the major property firms in South Africa<sup>24</sup>; telecommunications (MTN Group Ltd, Telkom SA SOC Ltd, Vodacom Group Ltd, Hush Group Ltd, Blue Label Telecoms Ltd, and EOH Holdings Ltd which has subsidiaries that also compete in this industry).<sup>25</sup> EOH Holdings Ltd also competes in the information and communications technology (ICT) infrastructure services industry with Datatec Ltd.

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<sup>15</sup> Sic Code 93111 (General hospitals, including medical staff, radiology and anaesthesiology).

<sup>16</sup> SIC code 32420 (Publishing of newspapers, journals and periodicals).

<sup>17</sup> SIC code 82110 (Life insurance).

<sup>18</sup> SIC codes: 81990 (Other Financial Intermediation), 81121 (Discount houses and commercial and other banking services), 81920 (Other credit granting), 83120 (Security dealing activities) and 83190 (Activities auxiliary to financial intermediation).

<sup>19</sup> The Financial Sector Conduct Authority (FSCA) suspended the exchange licence of ZAR X on 30 August 2021. It is unclear whether the PIC still has shareholdings in the stock exchange.

<sup>20</sup> Ten retail apparel brands/stores.

<sup>21</sup> Takealot and Superbalist.

<sup>22</sup> Two retailers of furniture, homeware and appliances.

<sup>23</sup> Five retailers of furniture, homeware and appliances.

<sup>24</sup> SIC code 84110 (real estate activities with own or rented properties) and includes Hyprop Investments Ltd, classified under SIC code 81990.

<sup>25</sup> SIC code 75200 (Telecommunications).

The GEPPF also has substantial holdings in large agri-processing and/or food manufacturers<sup>26</sup> (Astral Foods Ltd, RCL Foods Ltd, RFG Holdings Ltd, Tiger Brands Ltd, Tongaat Hulett Ltd, Premier Fishing and Brands Ltd, Sea Harvest Group Ltd, Bid Corporation Ltd and Libstar Holdings Ltd); the broader chemicals industry (AECI Ltd, Omnia Holdings Ltd and Sasol Ltd); gold, platinum, iron ore and coal mining<sup>27</sup> (African Rainbow Minerals Ltd, Sibanye Stillwater Ltd, Siyanda Resources (Pty) Ltd and Impala Platinum Holdings Ltd<sup>28</sup> Gold Fields Ltd,<sup>29</sup> Kumba Iron Ore Ltd<sup>30</sup>, Exxaro Resources Ltd<sup>31</sup>); construction and infrastructure development (Murray and Roberts Holdings Ltd, Wilson Bayly Holmes-Ovcon Ltd, Concor Holdings and Raubex Group Ltd); and renewable energy (Renergen Ltd and ACWA Power Solafrica). It has holdings in Bidvest Group Ltd and Grindrod Ltd, which both compete in industries such as cargo handling and freight logistics services, and banking services.

The GEPPF also has holdings in firms competing in various retail markets, such as retail apparel (The Foschini Group Ltd, Truworths International Ltd, Woolworths Holdings Ltd, Long4Life Ltd<sup>32</sup> and AVI Ltd<sup>33</sup>); and grocery retail (Shoprite Holdings Ltd and Woolworths Holdings Ltd). Lastly, we also observe holdings in other institutional investors such as Standard Bank Group, Nedbank Group and Capitec Bank Holdings Ltd, three large bank groups; Discovery Ltd which offers, medical insurance, banking, and insurance services; and three insurance firms (Sanlam, Momentum Metropolitan and Discovery).<sup>34</sup>

Figure 7 shows partial shareholdings of Coronation and its associated subsidiaries. Coronation is an asset management firm and currently manages R625 billion in client assets (as at the end of March 2022).<sup>35</sup>

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<sup>26</sup> The overlapping markets of these firms are not presented in this discussion. We find that these firms compete across many consumer group markets related to various food products and/or fast moving consumer goods (FMCG).

<sup>27</sup> Many mining groups operate across a diversified portfolio of the primary production of minerals and metals.

<sup>28</sup> SIC code, 24240 (Mining of platinum group metals).

<sup>29</sup> SIC code, 23000 (Mining of gold and uranium ore).

<sup>30</sup> SIC code, 24100 (Mining of iron ore).

<sup>31</sup> SIC code, 21000 (Mining of coal and lignite).

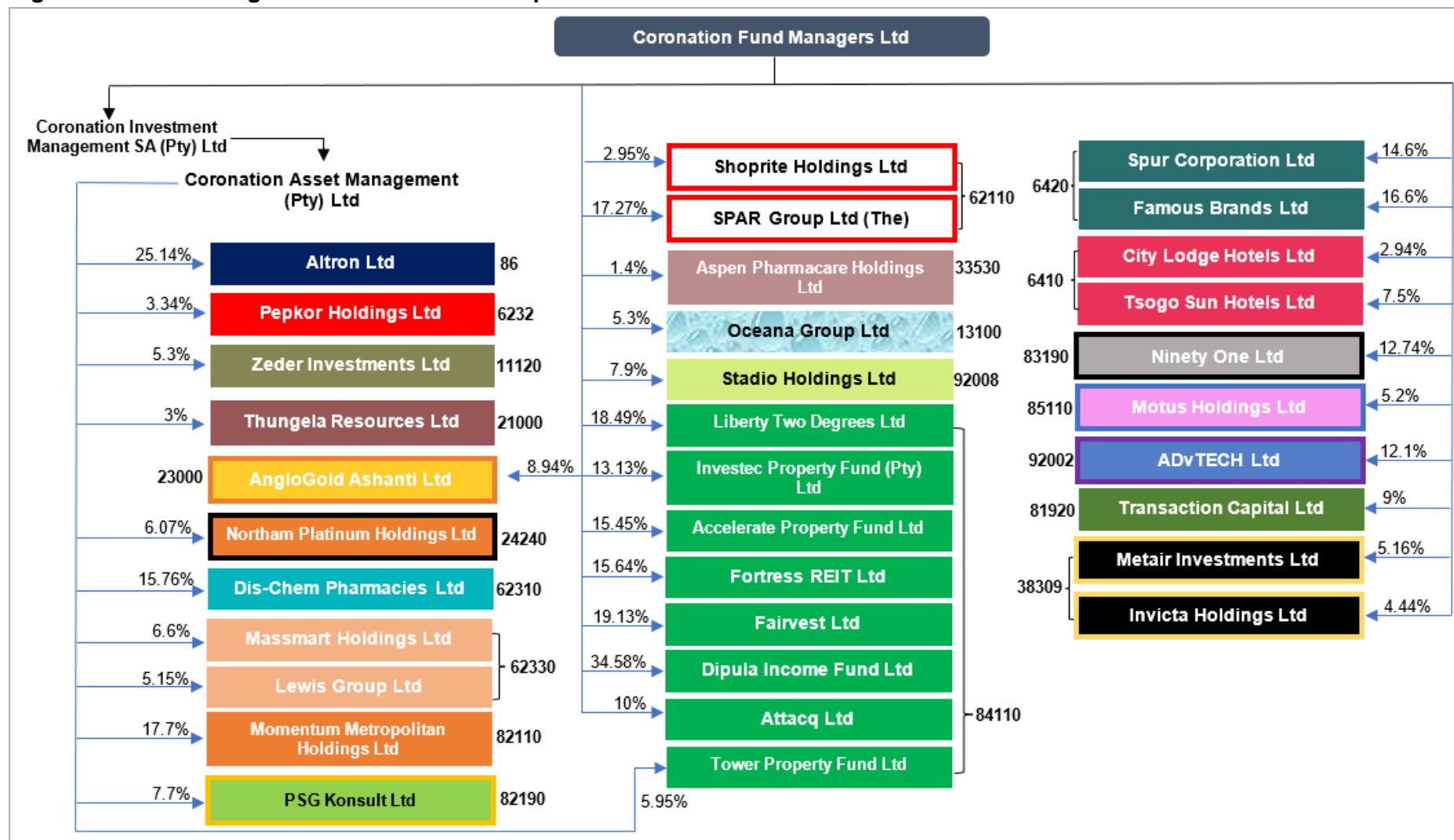
<sup>32</sup> Two retail stores.

<sup>33</sup> Eight retail brands/stores.

<sup>34</sup> Most banks in South Africa also offer long- and short-term insurance.

<sup>35</sup> See Coronation website. Available at: <https://www.coronation.com/en-za/institutional/about-us/>

Figure 7: Shareholdings of the Coronation Group



Source: Authors' interpretation based on Who Owns Whom (2022).

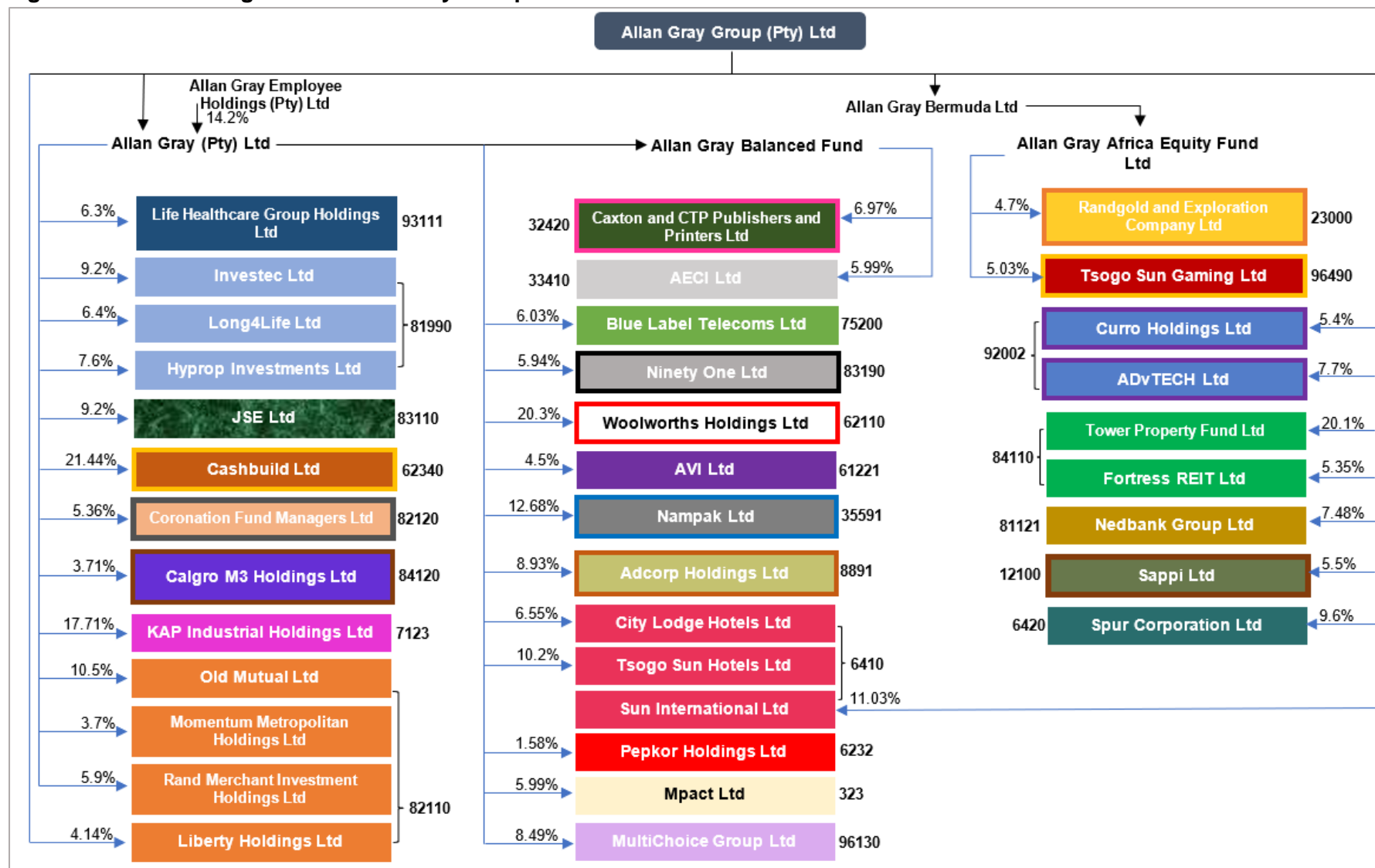
Coronation has holdings in competing firms in various retail markets including grocery retail (Shoprite Holdings Ltd, Massmart Holdings Ltd and SPAR Group Ltd); retail pharmacy (Dis-Chem Pharmacies Ltd and SPAR Group Ltd); furniture and appliance retail (Lewis Group, Shoprite Holdings Ltd and Pepkor Holdings Ltd); building, construction and hardware retail (SPAR Group Ltd, Pepkor Holdings Ltd, and Massmart Holdings Ltd). It also has holdings in two of the largest fast food and franchise restaurant firms (Spur Corporation Ltd and Famous Brands Ltd, which both have a substantial number of established food outlets often found in shopping centres). Lastly, it has holdings in private tertiary education (ADvTech Ltd and Stadio Holdings Ltd), eight of the largest property firms, and two of the largest hotel groups (City Lodge Hotels Ltd and Tsogo Sun Hotels Ltd).<sup>36</sup>

Figure 8 depicts the partial shareholdings of the Allan Gray Group and its associated subsidiaries.

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<sup>36</sup> SIC code 6410 (Hotels, camping sites and other provision of short-stay accommodation).

**Figure 8: Shareholdings of the Allan Gray Group**



Source: Authors' interpretation based on Who Owns Whom (2022).

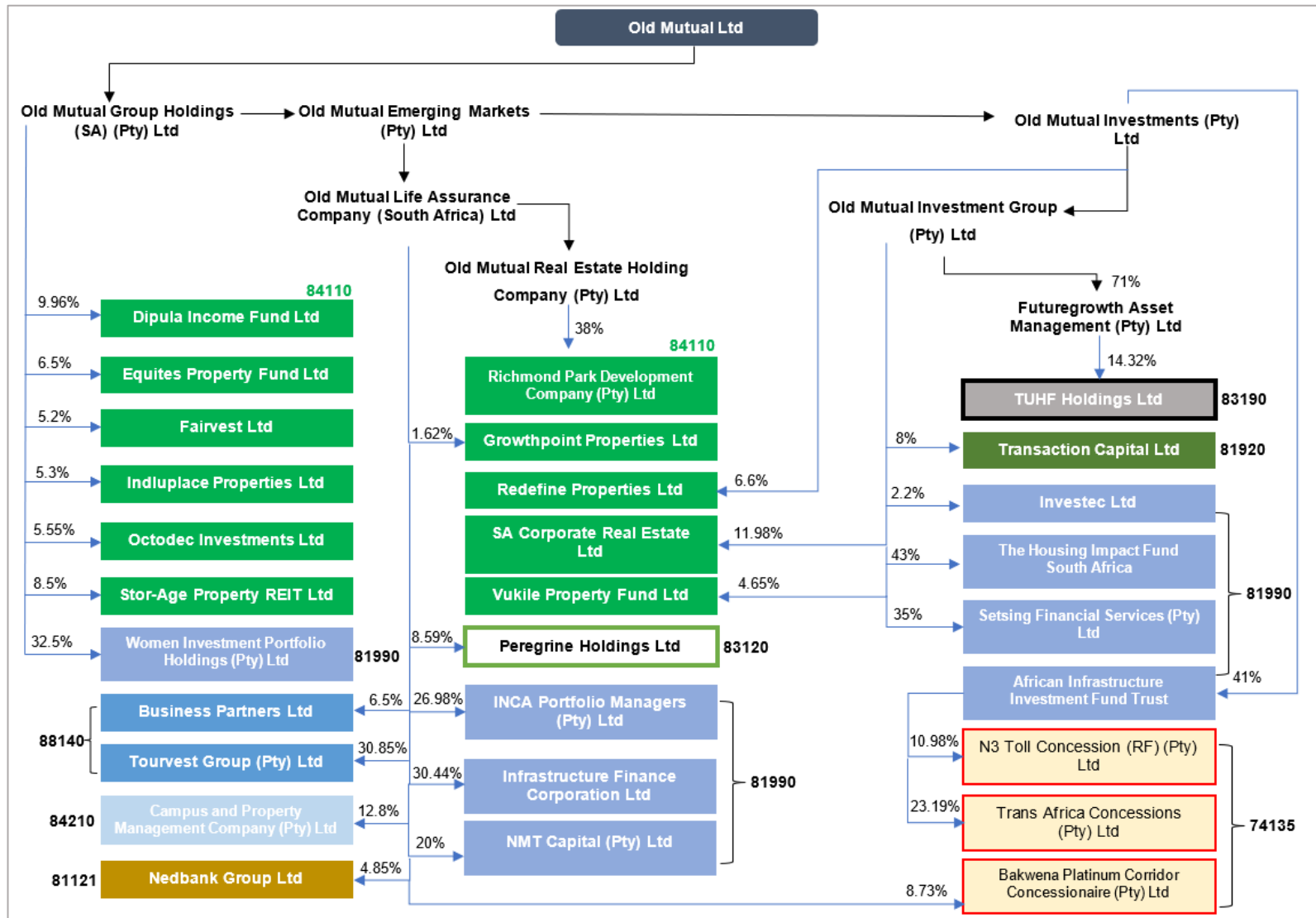
The Allan Gray Group also has holdings in competing firms in retail apparel (Pepkor Holdings Ltd, Avi Ltd, Long4Life Ltd and Woolworths Holdings Ltd); and building, construction and hardware retail (Pepkor Holdings Ltd and Cashbuild Ltd). It has holdings in the forestry industry (Sappi Ltd and PG Bison (through holdings in KAP Industrial Holdings Ltd<sup>37</sup> (KAP Industrial))); the paper, board, and plastic packaging sector (Nampak Ltd and Mpact Ltd); private secondary and tertiary education sector (Curro Holdings Ltd and ADvTECH Ltd); and the hotel industry (City Lodge Hotels Ltd, Tsogo Sun Hotels Ltd and Sun International Ltd). Lastly, we observe holdings in other institutional investors such as, Momentum Metropolitan Holdings, Liberty and Old Mutual, with respect to the insurance industry, and in investment management firms such as RMI, Investec and Ninety One, and others including Coronation and Nedbank Group.

The figures below depict the partial shareholdings of the Old Mutual Group, Sanlam and Santam.

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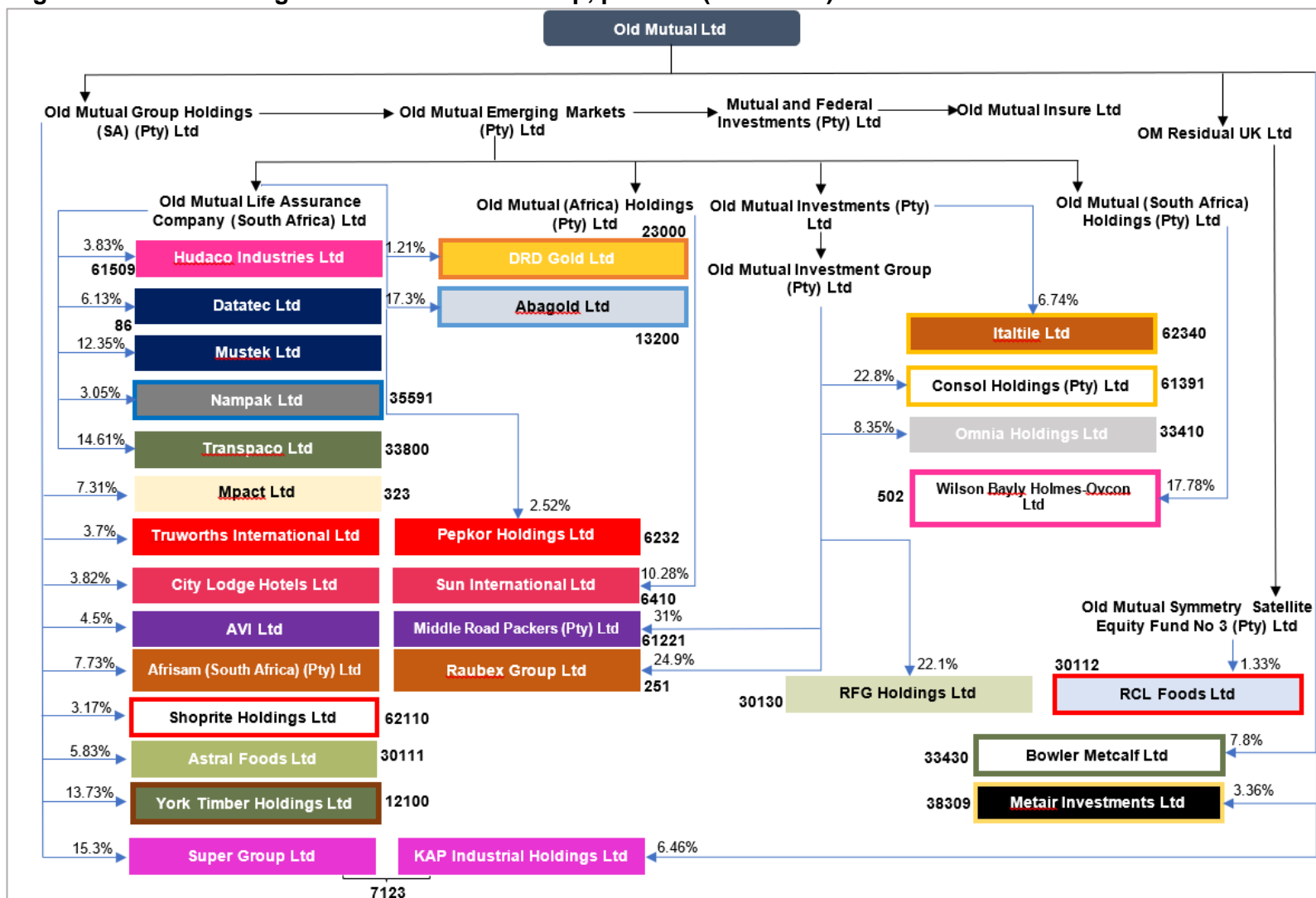
<sup>37</sup> KAP Industrial has wholly owned subsidiaries in the forestry (PG Bison), mattress, automotive components, polymer (Safripol), and logistics (Unitrans) industries.

Figure 9: Shareholdings of the Old Mutual Group, part one



Source: Authors' interpretation based on Who Owns Whom (2022).

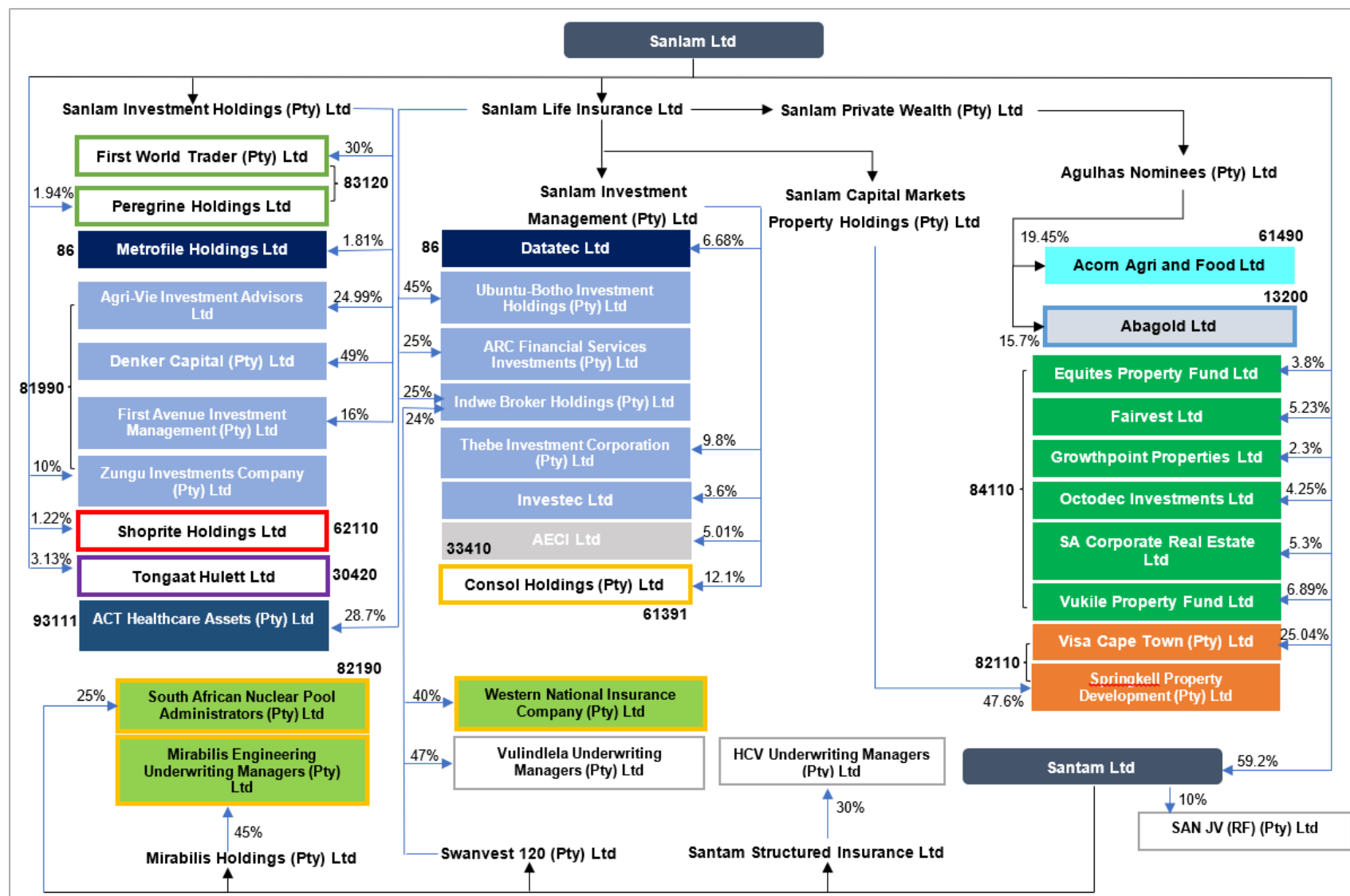
Figure 10: Shareholdings of the Old Mutual Group, part two (continued)



Source: Authors' interpretation based on Who Owns Whom (2022).

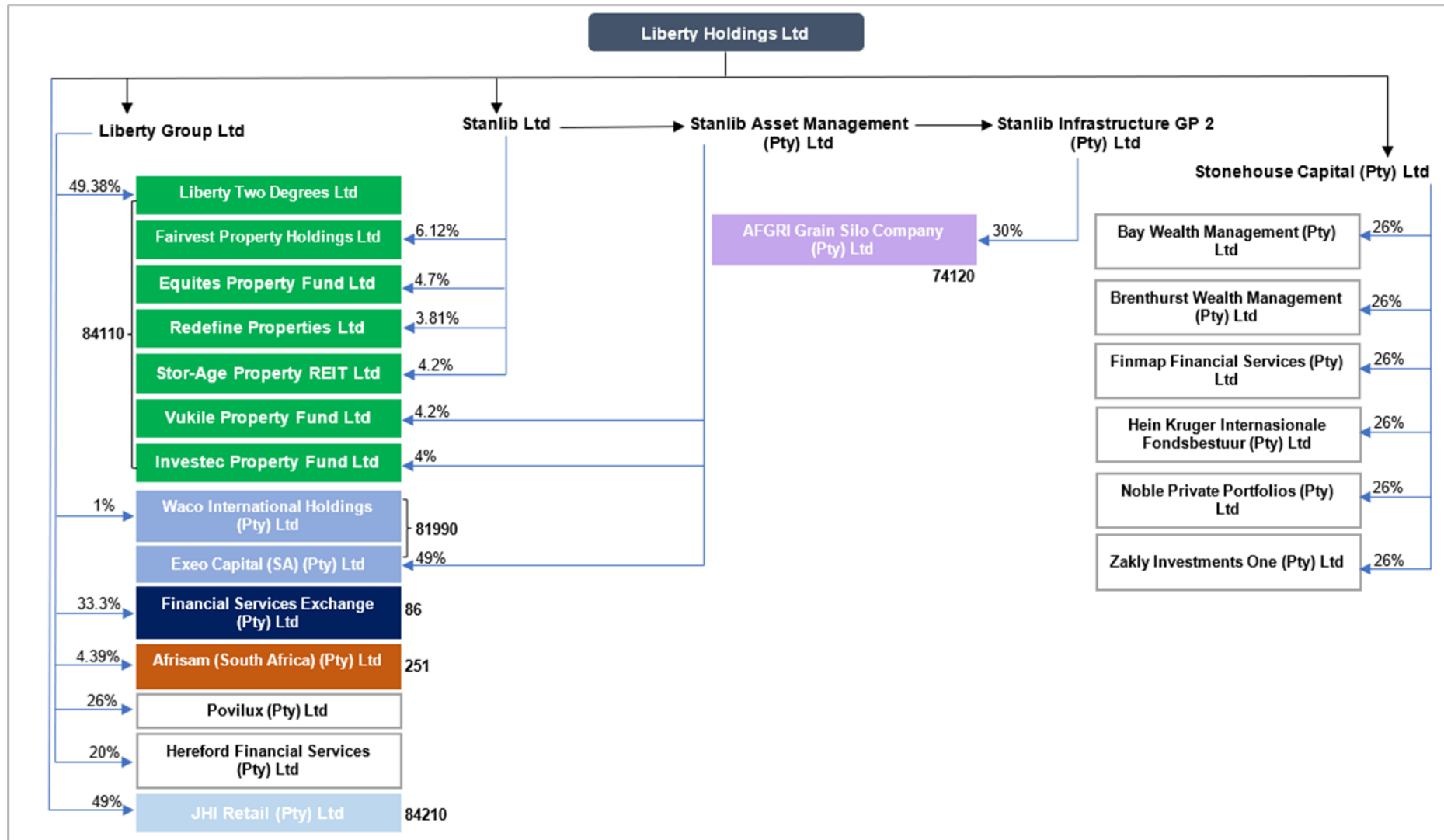


Figure 11: Shareholdings of Sanlam and Santam



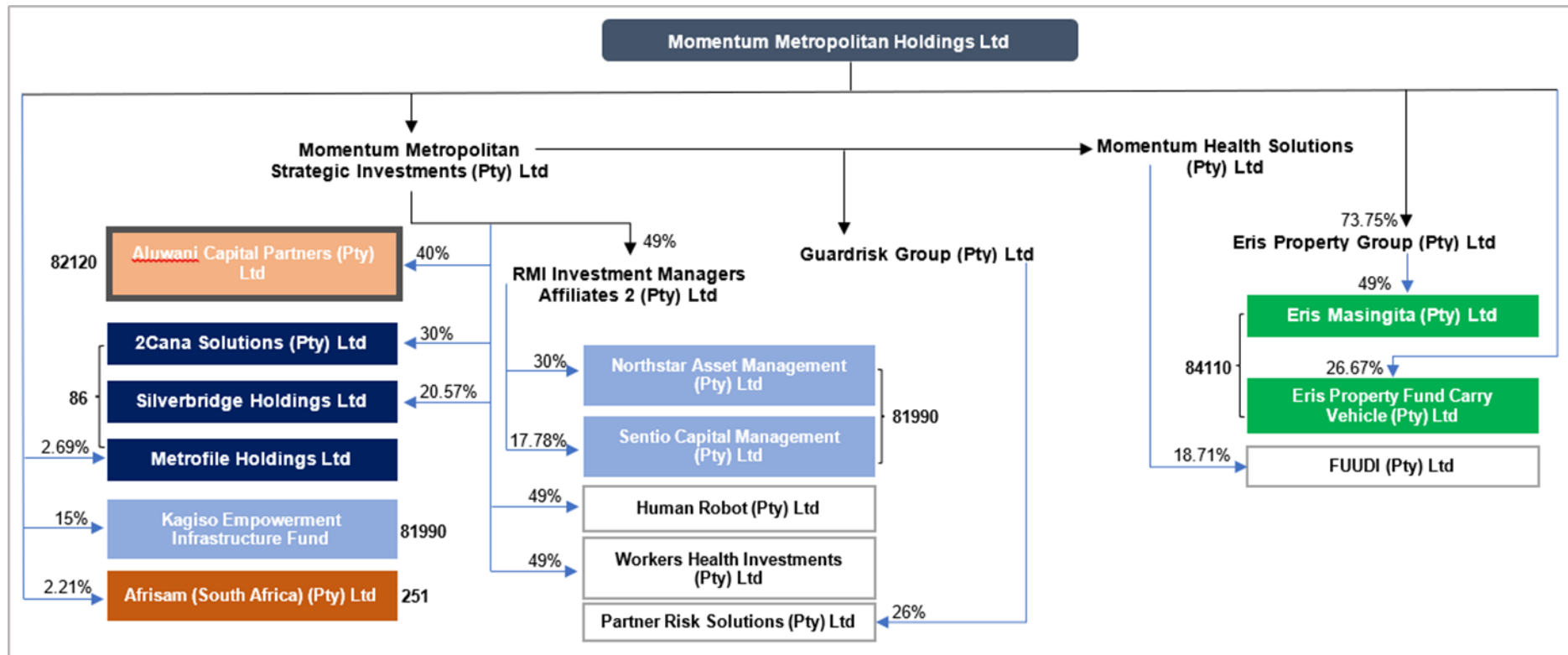
Source: Authors' interpretation based on Who Owns Whom (2022). Note: Where SIC codes were unidentifiable it presented as white box above.

Figure 12: Shareholdings of the Liberty Group



Source: Authors' interpretation based on Who Owns Whom (2022). Note: Where SIC codes were unidentifiable it presented as white box above.

Figure 13: Shareholdings of the Momentum Metropolitan Group



Source: Authors' interpretation based on Who Owns Whom (2022). Note: Where SIC codes were unidentifiable it presented as white box above.

In Figure 9 and 10, we observe that Old Mutual holds interests in eight of the largest property firms; two of the largest hotel groups (Sun International Ltd and City Lodge Hotels Ltd); three large food manufacturers (Astral Foods Ltd, RCL Foods Ltd and RFG Holdings); two large forestry firms (York Timber Holdings Ltd and PG Bison through KAP Industrial); the automotive component industry (Hudaco Industries and KAP Industrial); and the packaging industry (Nampak Ltd, Transpaco Ltd and Mpact Ltd, compete in paper and board, and plastics packaging, and Consol Holdings (Pty) Ltd)). Old Mutual also has holdings in various retail markets, such as: apparel retail (Truworths International Ltd, Pepkor Holdings Ltd and AVI Ltd); and the market for the retail of ceramics, sanitaryware and tiles (Italtile Ltd and Pepkor Holdings Ltd which wholly owns Tiletoria). Lastly, we observe common ownership in other institutional investors such as Nedbank Group Ltd, Investec Ltd, Peregrine Holdings Ltd, Transaction Capital Ltd.<sup>38</sup>

In Figure 11, we observe that Sanlam<sup>39</sup> has holdings in six property firms, and holdings in other institutional investors such as Investec Ltd and Thebe Investment Corporation (Pty) Ltd. We observe the same trend in the investments of the Liberty Group (see figure 12) where it has common ownership in five of the largest property firms in South Africa. Liberty Group also has shareholdings in firms with activities relating to financial services, such as Waco International Holdings (Pty) Ltd and Exeo Capital (SA) (Pty) Ltd.<sup>40</sup> With respect to Momentum Metropolitan (see figure 13), we observe common ownership in relation to 2Cana Solutions (Pty) Ltd and Silverbridge Holdings Ltd, both of which are software companies that offer IT solutions for the financial services and insurance industries and holdings in Kagiso Empowerment Infrastructure Fund, Northstar Asset Management (Pty) Ltd and Sentio Capital Management (Pty) Ltd, three firms operating in the broader financial services industry.<sup>41</sup>

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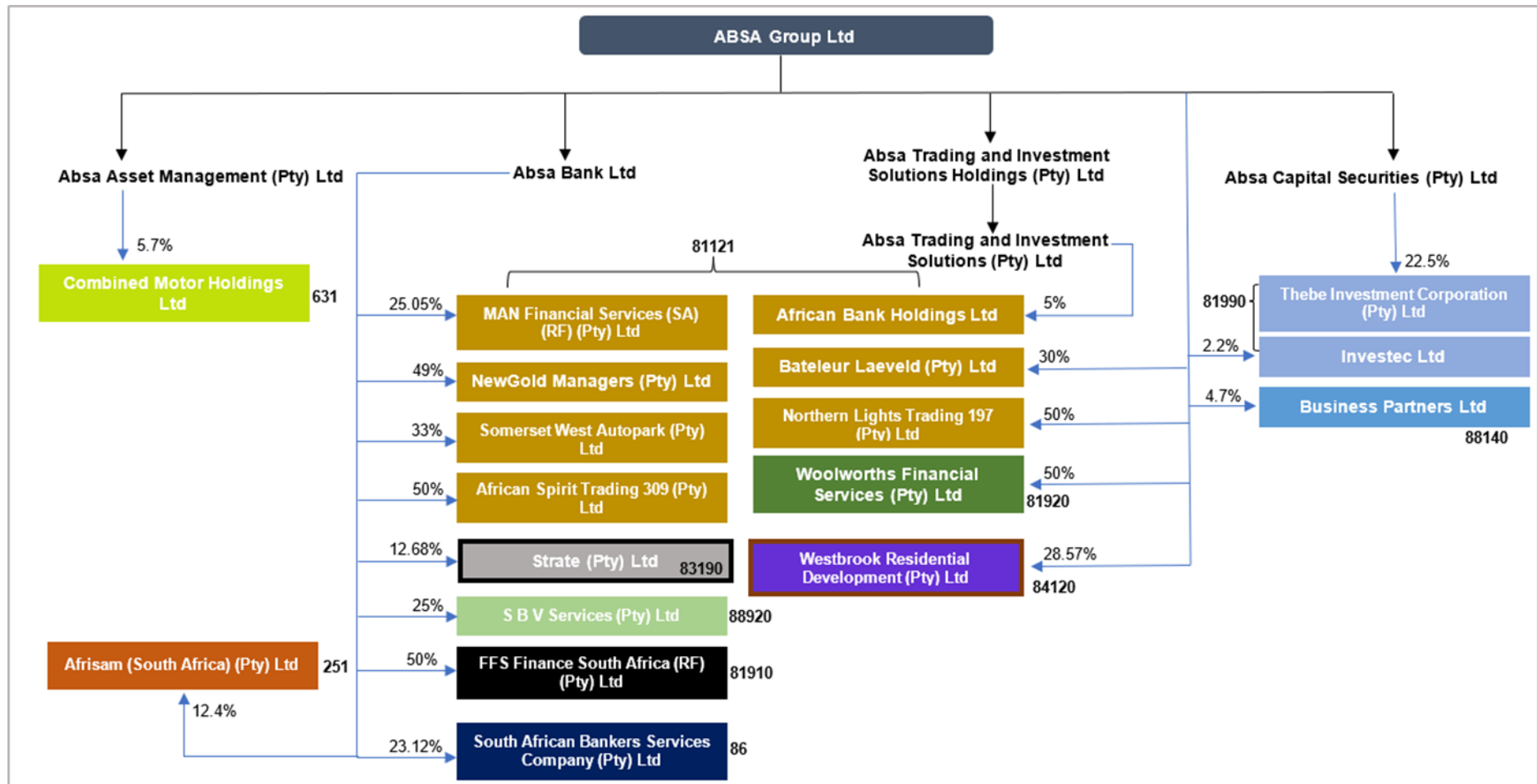
<sup>38</sup> SIC code 81990, 81920, 83190, 83120, 81121 and 81920.

<sup>39</sup> Sanlam Ltd has a 59.2% holding in Santam Ltd. It is regarded as a subsidiary of Sanlam Ltd.

<sup>40</sup> SIC Code 81990.

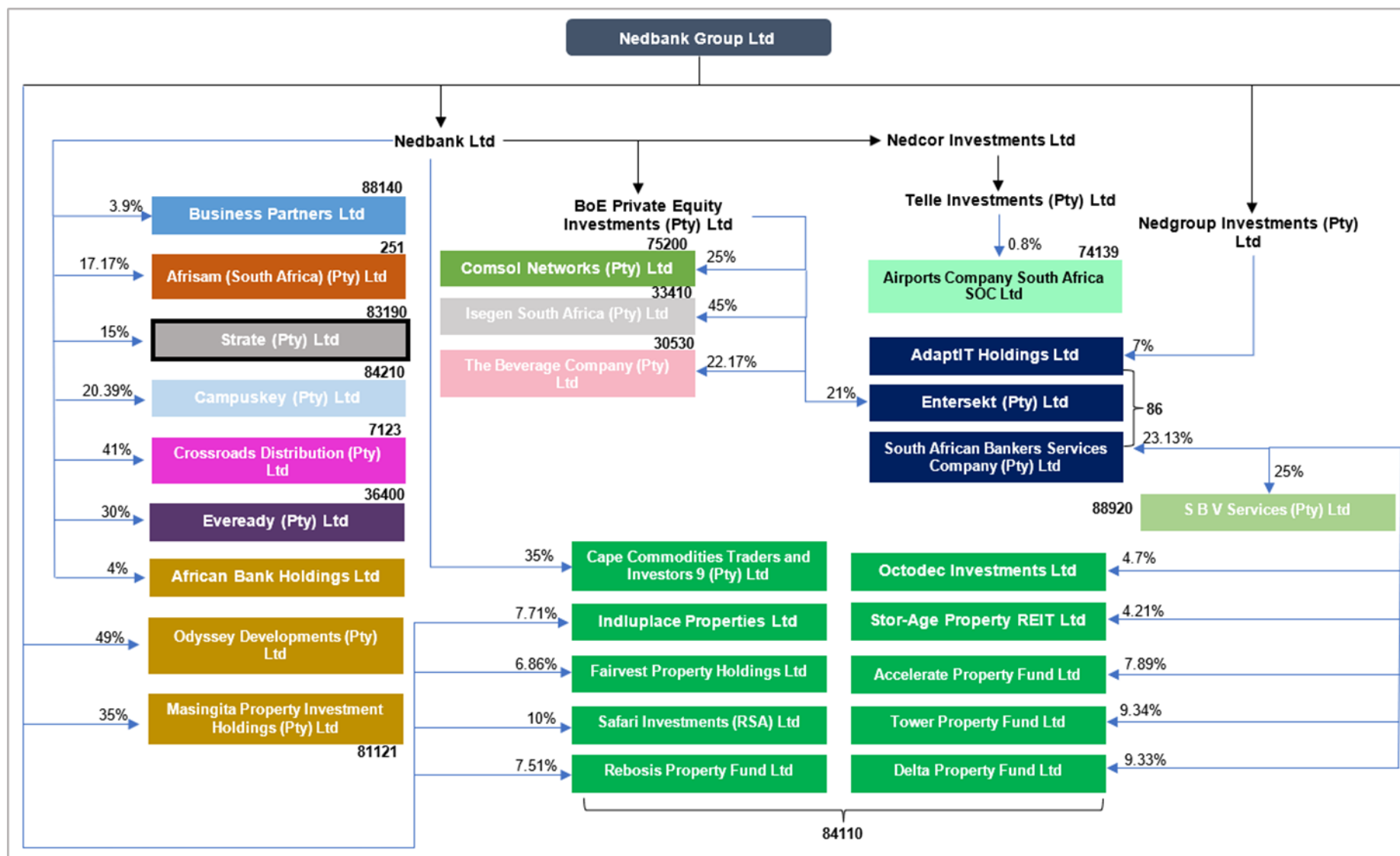
<sup>41</sup> SIC Code 81990.

Figure 14: Shareholdings of the Absa Group



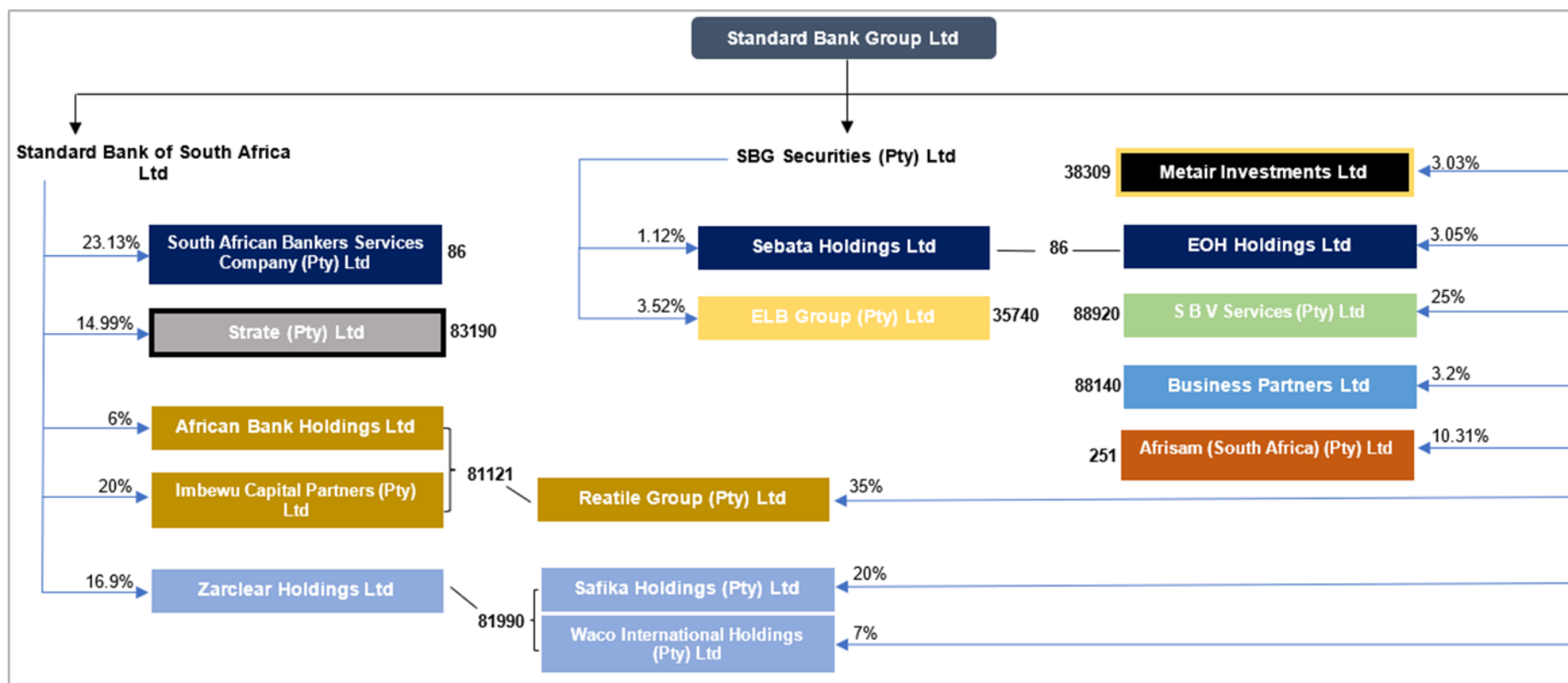
Source: Authors' interpretation based on Who Owns Whom (2022).

Figure 15: Shareholdings of the Nedbank Group



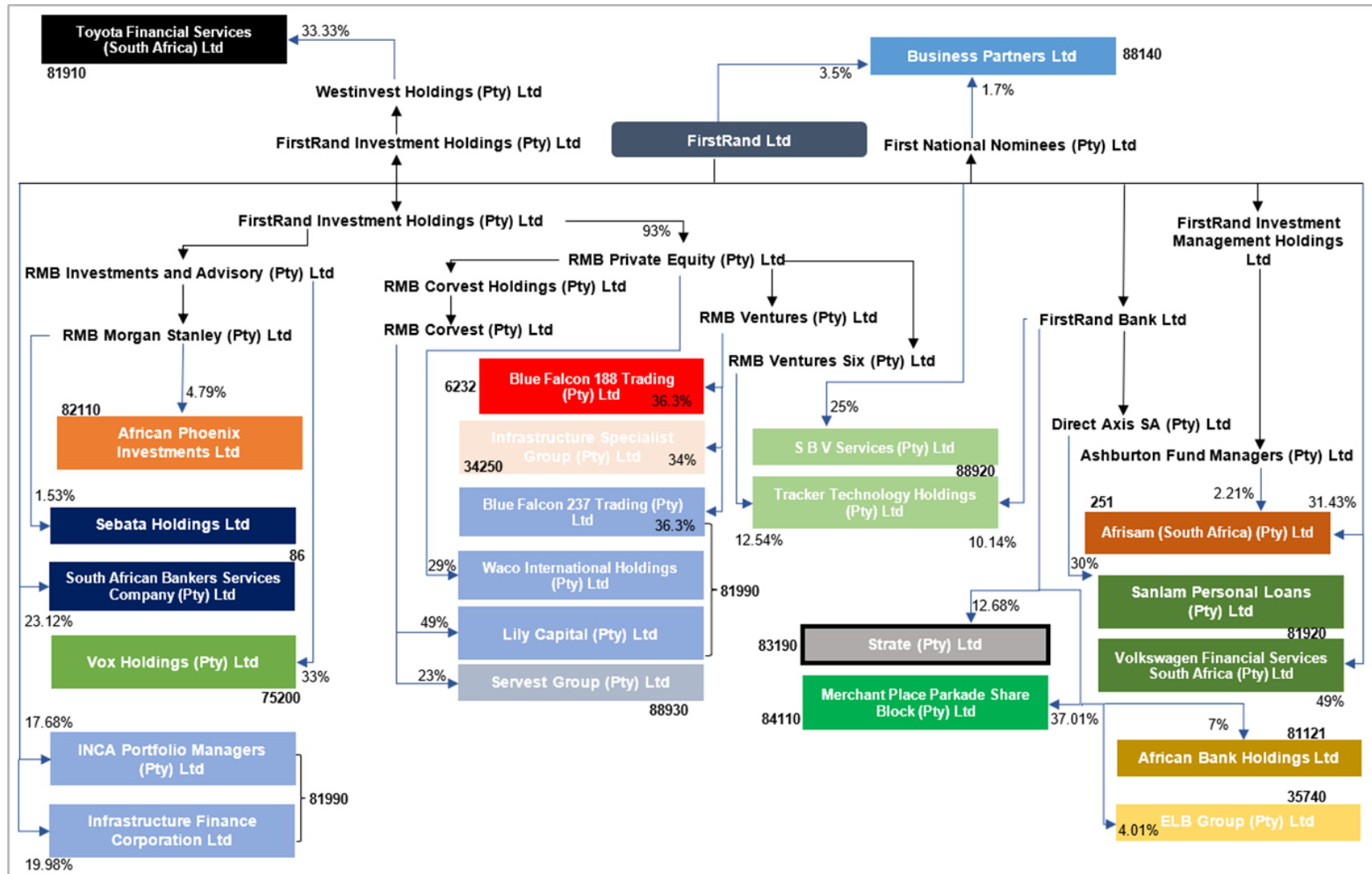
Source: Authors' interpretation based on Who Owns Whom (2022).

**Figure 16: Shareholdings of the Standard Bank Group**



Source: Authors' interpretation based on Who Owns Whom (2022).

Figure 17: Shareholdings of the FirstRand Group



Source: Authors' interpretation based on Who Owns Whom (2022).



With respect to the four largest banks, we find common shareholding predominantly in firms specialising in investment management (broadly speaking other institutional investors) with respect to the SIC code, 81990.<sup>42</sup> These include: Absa Group (see figure 14) holding shares in Thebe Investment Corporation (Pty) Ltd and Investec Ltd; Standard Bank Group (see figure 16) holding shares in Safika Holdings (Pty) Ltd and Zarclear Holdings Ltd; and the FirstRand Group (see figure 17) with common holdings in five firms classified under SIC code 81990. We also observe common shareholding by the four largest banks with respect to the SIC code, 81121<sup>43</sup> where the Absa Group has shareholdings in seven of these firms, and the Nedbank Group (see figure 15) and Standard Bank Group in three of these firms, respectively. In summary, we observe that these banks generally hold shares in financial services firms which includes asset management, banks and credit granting firms. The Nedbank Group also has common shareholdings in ten firms relating to the property industry and in AdaptIT Holdings Ltd and Entersekt (Pty) Ltd, two firms which provide a range of software related solutions and platforms. This is similarly the case for the Standard Bank Group with holdings in Sebata Holdings Ltd and EOH Holdings Ltd.

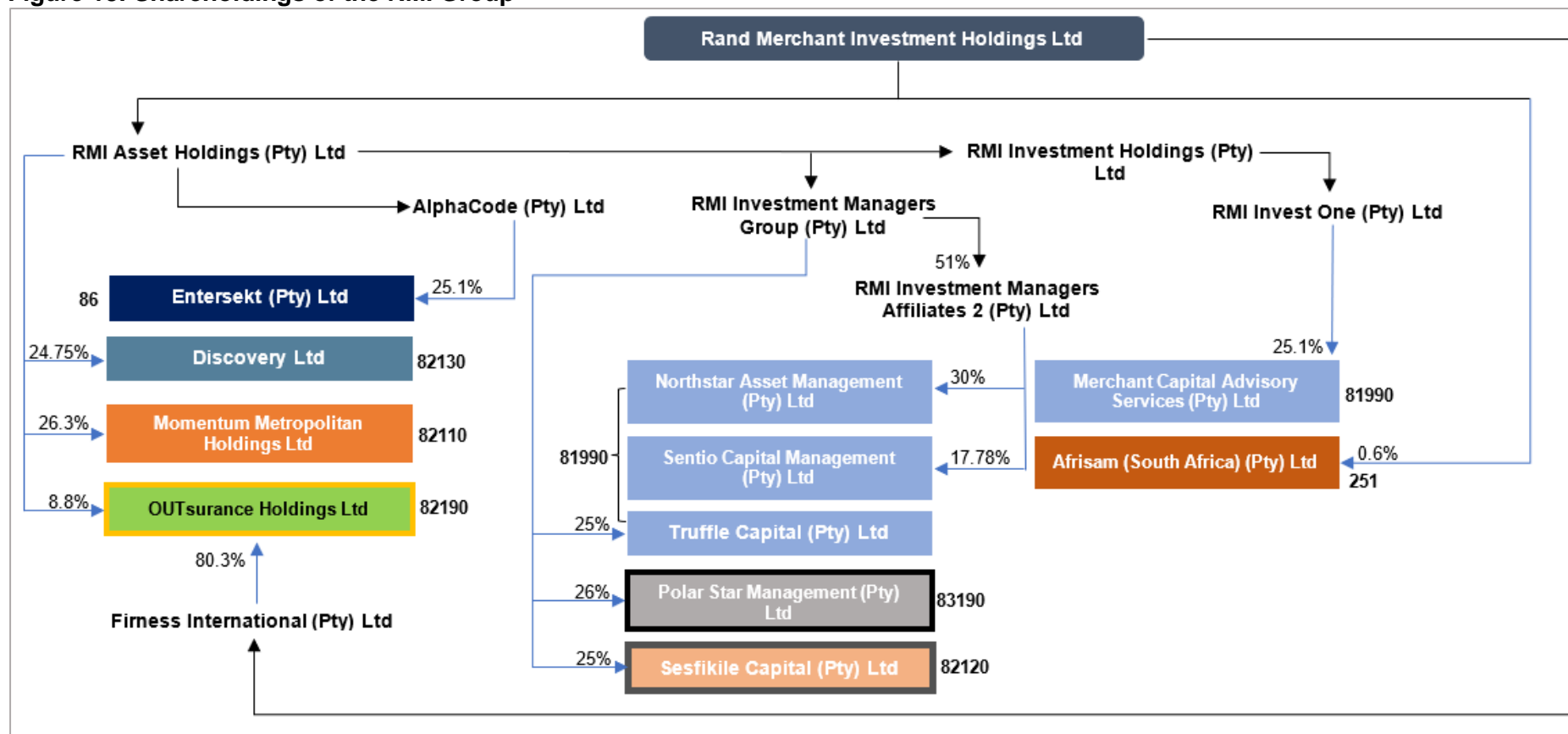
The last three large institutional investors considered in the study (RMI Group, Investec Group and Ninety One Group) are presented in the figures below.

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<sup>42</sup> SIC code 81990 refers to “*other financial intermediation n.e.c.*”.

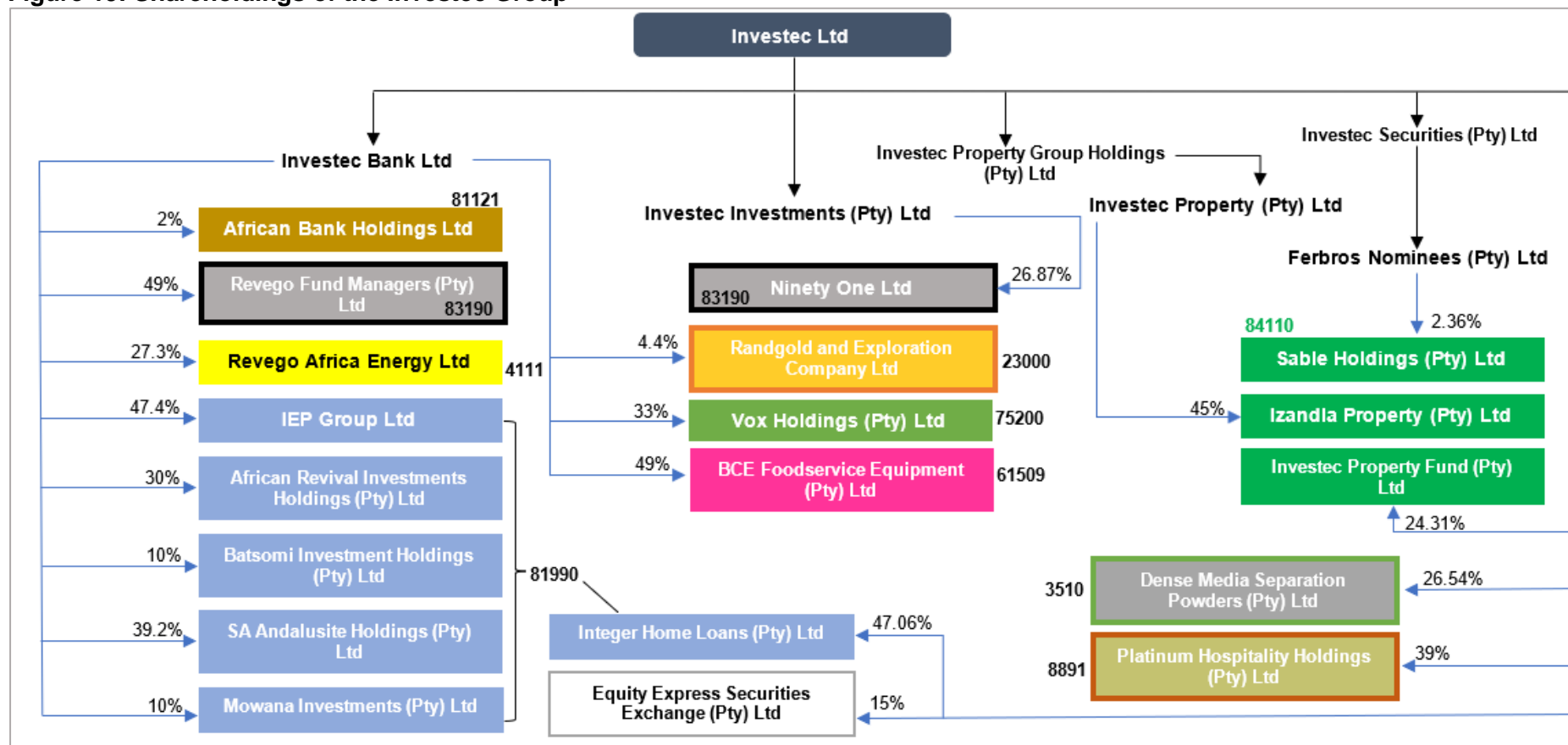
<sup>43</sup> Discount houses and commercial and other banking services.

**Figure 18: Shareholdings of the RMI Group**



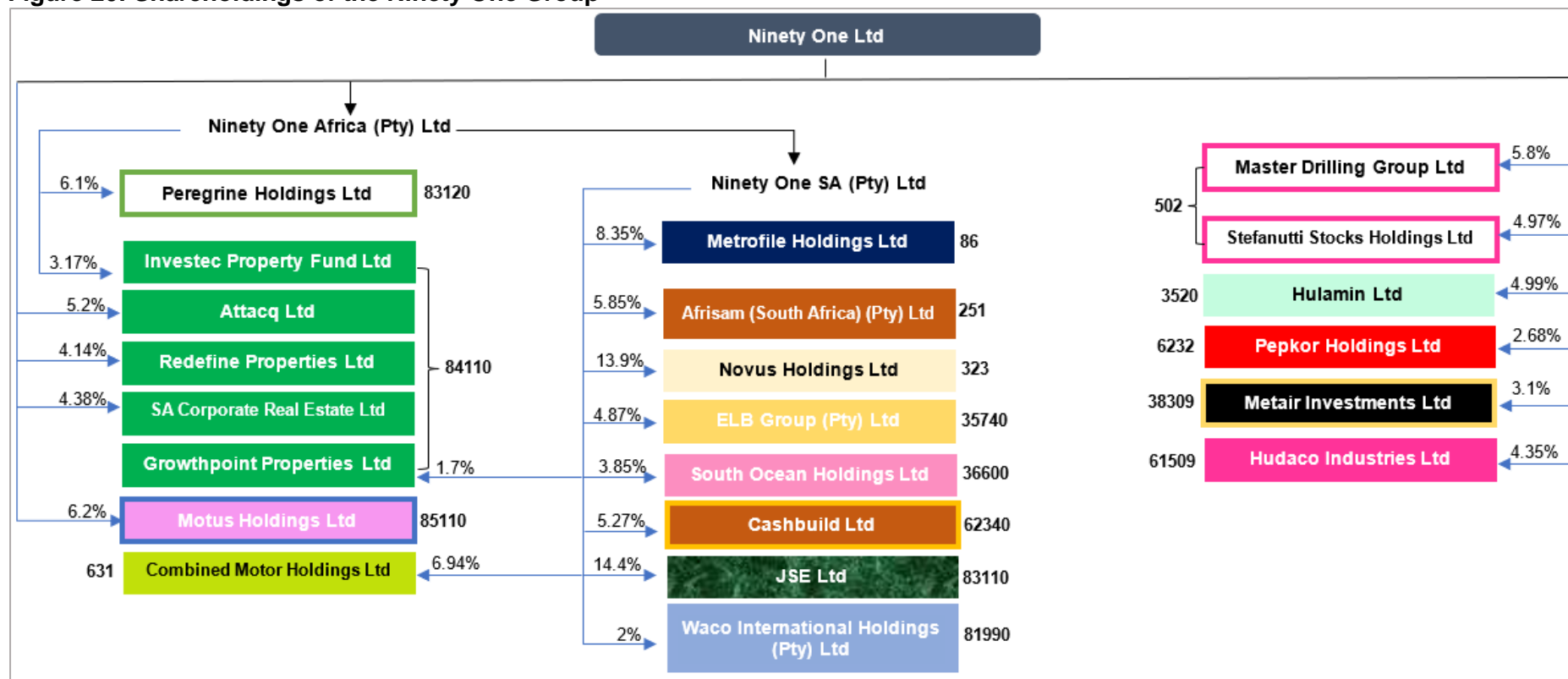
Source: Authors' interpretation based on Who Owns Whom (2022).

**Figure 19: Shareholdings of the Investec Group**



Source: Authors' interpretation based on Who Owns Whom (2022). Note: Where SIC codes were unidentifiable it presented as white box.

**Figure 20: Shareholdings of the Ninety One Group**



Source: Authors' interpretation based on Who Owns Whom (2022).

Figure 18 shows that RMI has common holdings in insurance firms such as Discovery Ltd, Momentum Metropolitan Holdings Ltd and OUTsurance Holdings Ltd. RMI also has common shareholding in other asset and/or investment management firms such as Truffle Capital (Pty) Ltd, Sesfikile Capital (Pty) Ltd and Northstar Asset Management (Pty) Ltd.

Figure 19 shows the common shareholdings of the Investec Group, which offers both banking and investment management services. We observe common shareholdings in the banking and investment management services as well as the property sectors.

In Figure 20, we observe common ownership by the Ninety One Group in industries such as property (holdings in five property firms), sale of used and new vehicles (Motus Holdings Ltd and Combined Motor Holdings Ltd (CMH)), gold mining (Harmony Gold Mining Company Ltd and Sibanye Stillwater Ltd), and building, construction and hardware (Pepkor Ltd and Cashbuild Ltd) industries.

Although our assessment does not include the full extent of common ownership positions held by the selected institutional investors, we observe the prevalence of common ownership in certain industries. These include industries involving real estate activities,<sup>44</sup> retail and wholesale trade (particularly grocery, apparel, pharmaceutical, hardware and furniture),<sup>45</sup> mining (such as iron ore,<sup>46</sup> platinum<sup>47</sup> and gold<sup>48</sup>), insurance,<sup>49</sup> food and agro-processing,<sup>50</sup> hotel and accommodation,<sup>51</sup> and financial services<sup>52</sup> (such as commercial banking, financial

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<sup>44</sup> Under SIC Code 84110 which includes the buying, selling, renting, and operating of owned or leased real estate such as flats (and dwellings) and non-residential buildings. It also includes the activity of developing and subdividing real estate into lots, etc.

<sup>45</sup> Under SIC Code 62110 (retail trade in non-specialised stores with food, beverages and tobacco products predominating), and those falling into the three-digit SIC Code of 623 (other retail trade in new goods in specialised stores including (i) pharmaceutical, medical goods, cosmetics and toiletries; (ii) textiles, clothing, footwear and leather goods; (iii) household appliances, articles and equipment; (iv) hardware, paints, and related goods; (v) office equipment, stationery, computers and non-customised software, etc.; (vi) other referring to goods not related to food and tobacco products) such as 6232 62340, 62310 and 62330.

<sup>46</sup> Under SIC Code 24100.

<sup>47</sup> Under SIC Code 24240.

<sup>48</sup> Under SIC Code 23000.

<sup>49</sup> Under SIC Code 82110 which includes life insurance (including reinsurance) and other long-term insurance, with or without a substantial savings element, involving the collection and investment of funds; and 82190 which includes non-life insurance.

<sup>50</sup> Under the two-digit SIC Code of 30 which refers to the manufacturing of food products, beverages and tobacco products, particularly the three-digit SIC codes of 301 (production, processing and preservation of meat, fish, fruit, vegetables, oils and fat), 303 (manufacture of grain mill products, starches and starch products and prepared animal feeds), 304 (manufacture of other foods such as bakery products, sugar, confectionery, noodles, etc.)

<sup>51</sup> Under SIC Code 6410 referring to activities in hotels, camping sites and other provision of short-stay accommodation on the basis of charging a fee.

<sup>52</sup> Under SIC Codes 81990 (which includes other financial intermediation primarily concerned with distributing funds, investment in securities (such as shares, bonds and unit trusts) including dealing with

intermediary services and investment management). Some of these trends are similar to the findings by Leigh and Triggs (2021) with respect to common ownership in Australian industries.

## **4.1 Selected industry observations**

Below, we provide examples of highly concentrated industries in which we observe a prevalence of common ownership by institutional investors. The selection of these industries was informed by some of the commonly observed firms that our selected institutional investors have stakes in, i.e. grocery retail, insurance and property/real estate activities.

### **4.1.1 Grocery retail sector**

The sector comprises mostly of four large incumbent firms, namely Pick n Pay Stores Ltd, Shoprite Checkers (Pty) Ltd (wholly owned by Shoprite Holdings Ltd),<sup>53</sup> the SPAR Group Ltd and Woolworths Holdings Ltd, and emerging players such as Food Lovers Market (a wholly owned subsidiary of Massmart Holdings Ltd)<sup>54</sup> and a smaller entrant, Choppies Supermarkets South Africa (Pty) Ltd.<sup>55</sup> In figure 21 below, we provide the diagrams depicting the common shareholders of Shoprite, Woolworths, SPAR and Massmart.

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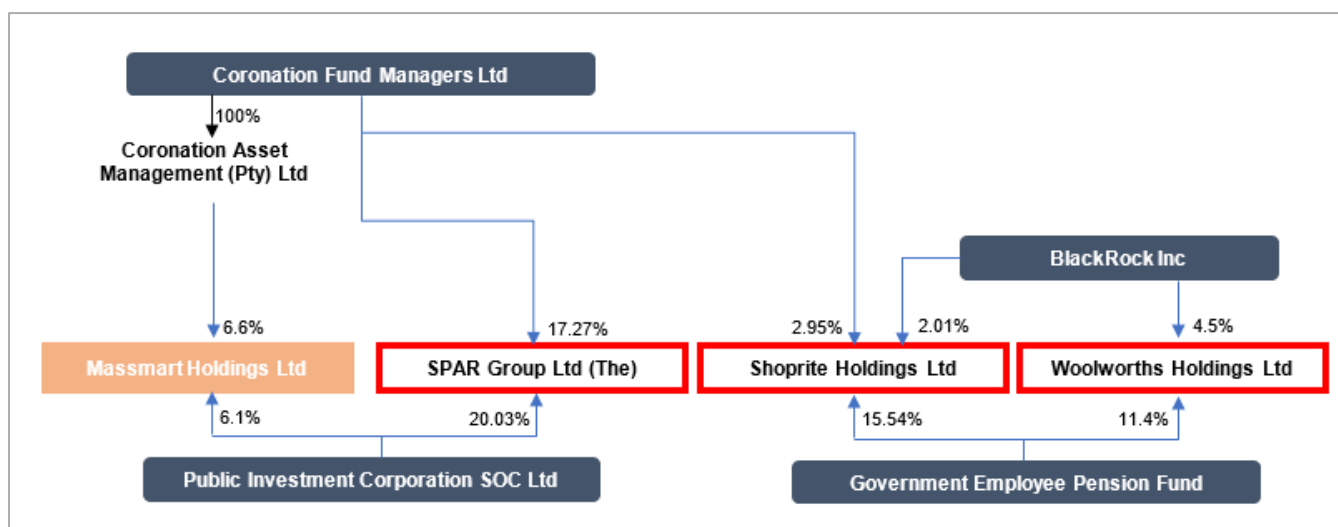
own account by security dealers, investment in properties and hedging funds); 81121 (which includes monetary intermediation by monetary institutions other than the central bank, i.e. commercial banks, merchant banks and general banks); and those falling under the two-digit SIC code of 83 (activities auxiliary to financial intermediation).

<sup>53</sup> Henceforth referred to as “Shoprite”, this includes all supermarket brands held under the parent firm, Shoprite Holdings Ltd, such as Checkers and others.

<sup>54</sup> Henceforth referred to as Massmart, includes all its grocery retail brands such as Food Lovers Market, Makro, Game, Cambridge Food and Rhino stores.

<sup>55</sup> Choppies has decreased its grocery retail operations in South Africa after facing financial distress. Choppies Supermarkets South Africa (Pty) Ltd is wholly owned by Kind Investment (Pty) Ltd at the end of 2019, merger approved in March 2020.

**Figure 21: Common shareholders of Shoprite, Woolworths, SPAR and Massmart**



Source: Authors' interpretation based on Who Owns Whom (2022). (SIC Code: 61221 and 62110).

The above shows that Shoprite, Woolworths, SPAR and Massmart have common shareholders. This is summarised in the table below:

**Table 1: Prevalence of common ownership observed in the grocery retail sector**

	Coronation	PIC/GEPF	BlackRock Inc	Total Effective Holdings*
<b>Shoprite</b>	X	X (GEPF)	X	20.5%
<b>Woolworths</b>		X (GEPF)	X	15.9%
<b>SPAR</b>	X	X (PIC)		37.3%
<b>Massmart</b>	X	X (PIC)		12.7%

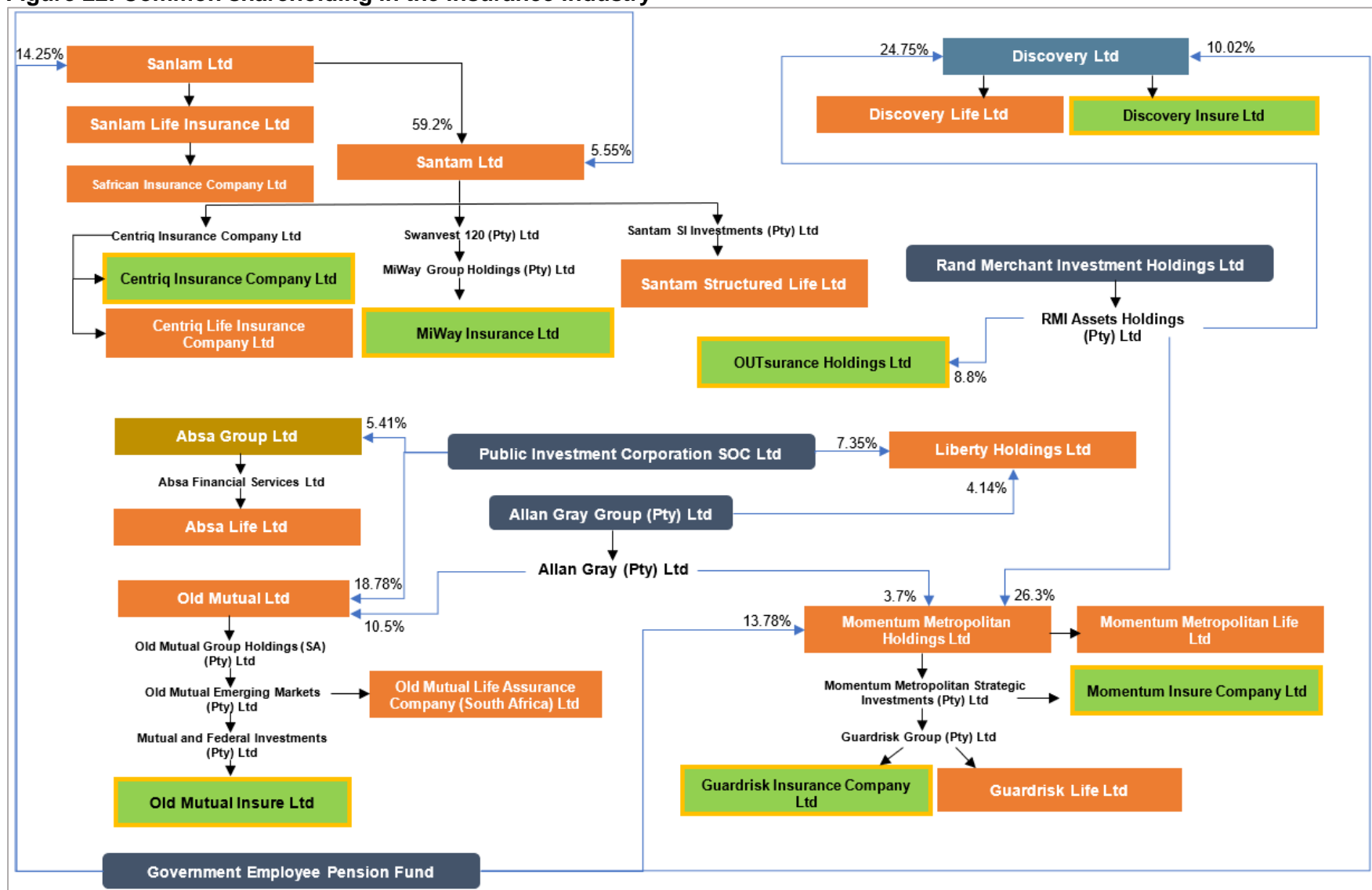
Source: Authors' interpretation based on Who Owns Whom (2022). (SIC Code: 61221 and 62110).

Note\*: The total effective holdings refer to the aggregation of only the common shareholders of each of the investee firms that have been identified in the Who Owns Whom (2022).

#### 4.1.2 Insurance sector

Insurance firms in South Africa are generally large institutional investors with significant common ownership in various sectors (see the examples provided in Figures 9-13). We further observe that many insurance firms in South Africa are either wholly owned or controlled subsidiaries of these larger institutional investors (see Figure 22 below).

**Figure 22: Common shareholding in the insurance industry**



Source: Authors' interpretation based on Who Owns Whom (2022). Note: Short-term (in green) and long-term (in orange) insurance firms are presented in the figure.



Table 2 summarises the common ownership by institutional investors in the long- and short-term insurance industry.

**Table 2: Prevalence of common ownership with respect to long-term and short-term insurance firms**

	Insurance type	PIC/GEPF	Allan Gray Group	RMI	Total Effective Holdings*
Old Mutual**	Long-term / Short-term	X (PIC)	X		29.28%
Momentum Metropolitan**	Long-term / Short-term	X (GEPF)	X	X	43.78%
Liberty	Long-term	X (PIC)	X		11.49%
Sanlam	Long-term	X (GEPF)			14.25%
Santam**	Long-term / Short-term	X (GEPF)			5.55%
Discovery**	Long-term / Short-term	X (GEPF)		X	34.77%
Absa Life	Long-term	X (PIC)			5.41%
OUTsurance	Short-term			X	8.8%

Source: Authors' interpretation based on Who Owns Whom (2022).

Note\*: The total effective holdings refer to the aggregation of only the common shareholders of each of the investee firms that have been identified in the Who Owns Whom (2022).

Note\*\*: Old Mutual provides long-term insurance services through Old Mutual Life Assurances Company (South Africa) Ltd and short-term insurance through Old Mutual Insure Ltd (Mutual & Federal); Momentum Metropolitan has a several subsidiaries providing long-term and/or short-term insurance services (for long-term insurance it operates Momentum Metropolitan Life Ltd and Guardrisk Life Ltd, and short-term insurance it operates Momentum Insure Company Ltd and Guardrisk Insurance Company Ltd); Sanlam provides long-term insurance under Sanlam Life Insurance Ltd and Safrican Insurance Company Ltd; Sanlam holds 59.2% of Santam; for long-term insurance Santam operates Santam Structured Life Ltd and Centriq Life Ltd, and for short-term insurance it operates Centriq Insurance Company Ltd and MiWay Insurance Ltd; and Discovery Ltd provides both long-term and short-term insurance under Discovery Life Ltd and Discovery Insure Ltd.

We observe significant common shareholding through the PIC, GEPF, the Allan Gray Group and RMI Investment Holdings through its subsidiary, RMI Asset Holdings (Pty) Ltd. Based on the total effective holdings, we observe a rather significant percentage of pooled holdings by these institutional investors in Momentum Metropolitan (43.78%) and Discovery Life via Discovery Ltd (34.77%). Liberty can also be regarded as having a relatively high percentage of effective holdings by institutional investors if we also consider the 53.62% holdings by Standard Bank Group in addition to the 11.49% total effective holdings by the PIC and Allan Gray Group.

#### **4.1.3 Property sector**

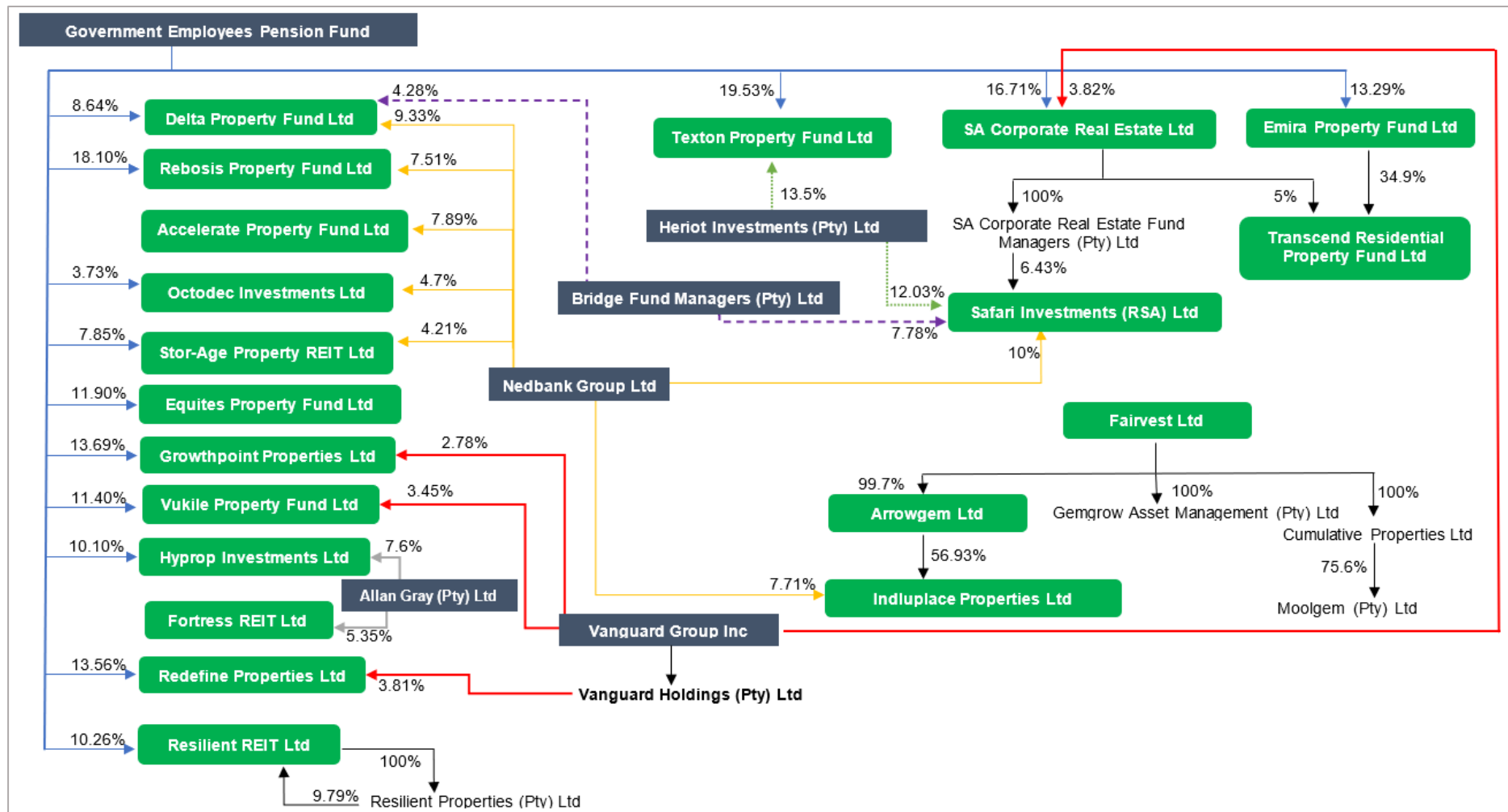
In the property sector, we observe a significant prevalence of common ownership amongst rival property firms which mainly includes large Real Estate Investment Trusts (REITs). We find REITs and other property firms are a popular investment for institutional investors, who often hold shares across several REITs and property firms. The property sector comprises of commercial (retail, industrial and office) and residential property subsectors. Most REITs in South Africa operate across all subsectors, owning most of the lettable retail (e.g., shopping

centres and malls), office and industrial spaces in South Africa, and driving numerous residential developments across the country, to a smaller extent. Owning a substantial portion of commercial property across South Africa makes their asset base attractive to investors. REITs are also obligated to pay at least 75% of their taxable earnings available for distribution to investors as dividends.<sup>56</sup> REITs also typically operate under long-term leases with inflation adjustable rental fees providing for a stable income stream for both the REIT and investors. The figures below illustrate the prevalence of common ownership amongst rival firms in the property sector.

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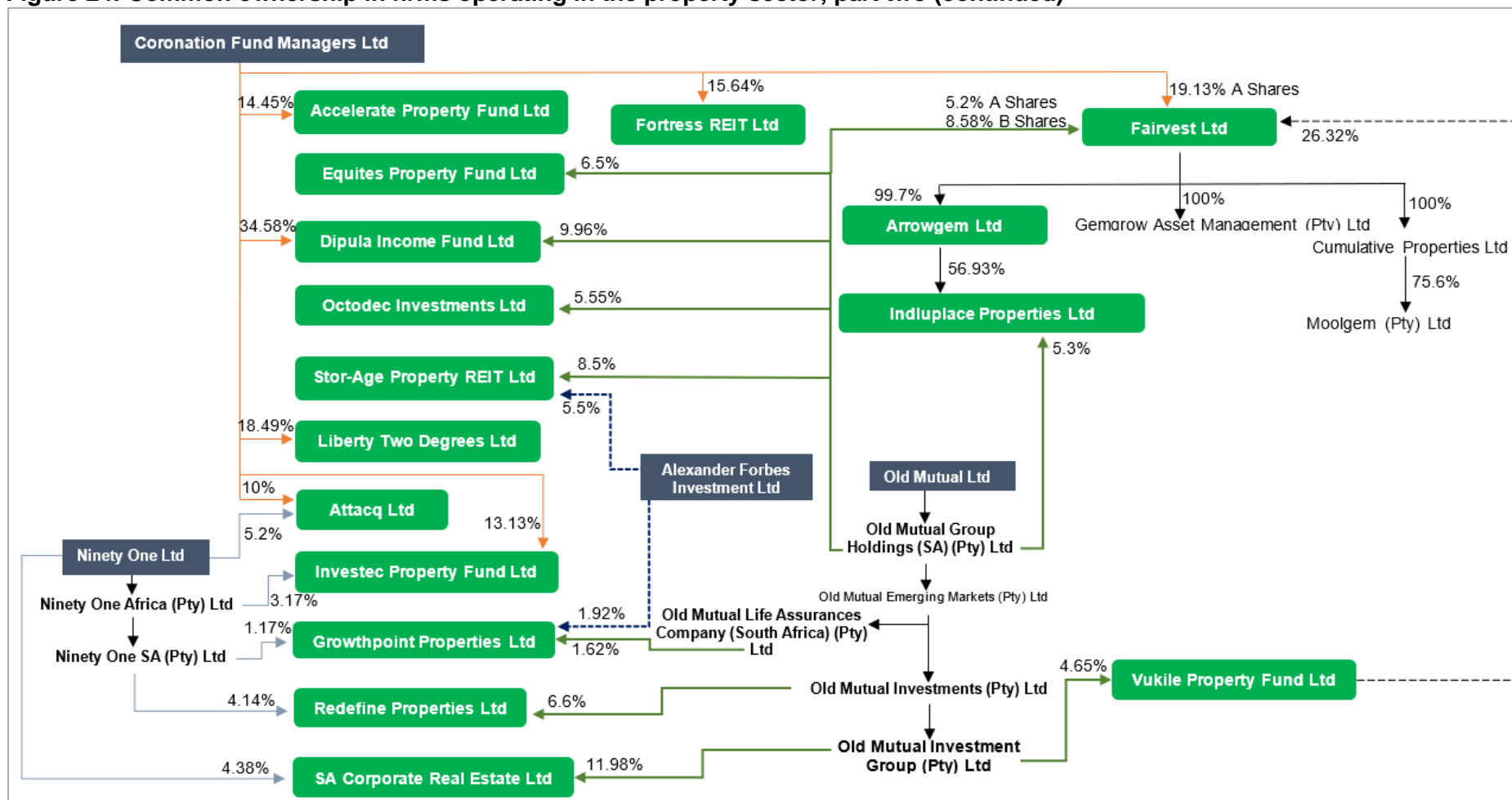
<sup>56</sup> To be registered as a REIT in South Africa, a property firm must listed with the JSE and adhere to specific terms and conditions to operate as a REIT.

**Figure 23: Common ownership in firms operating in the property sector, part one**



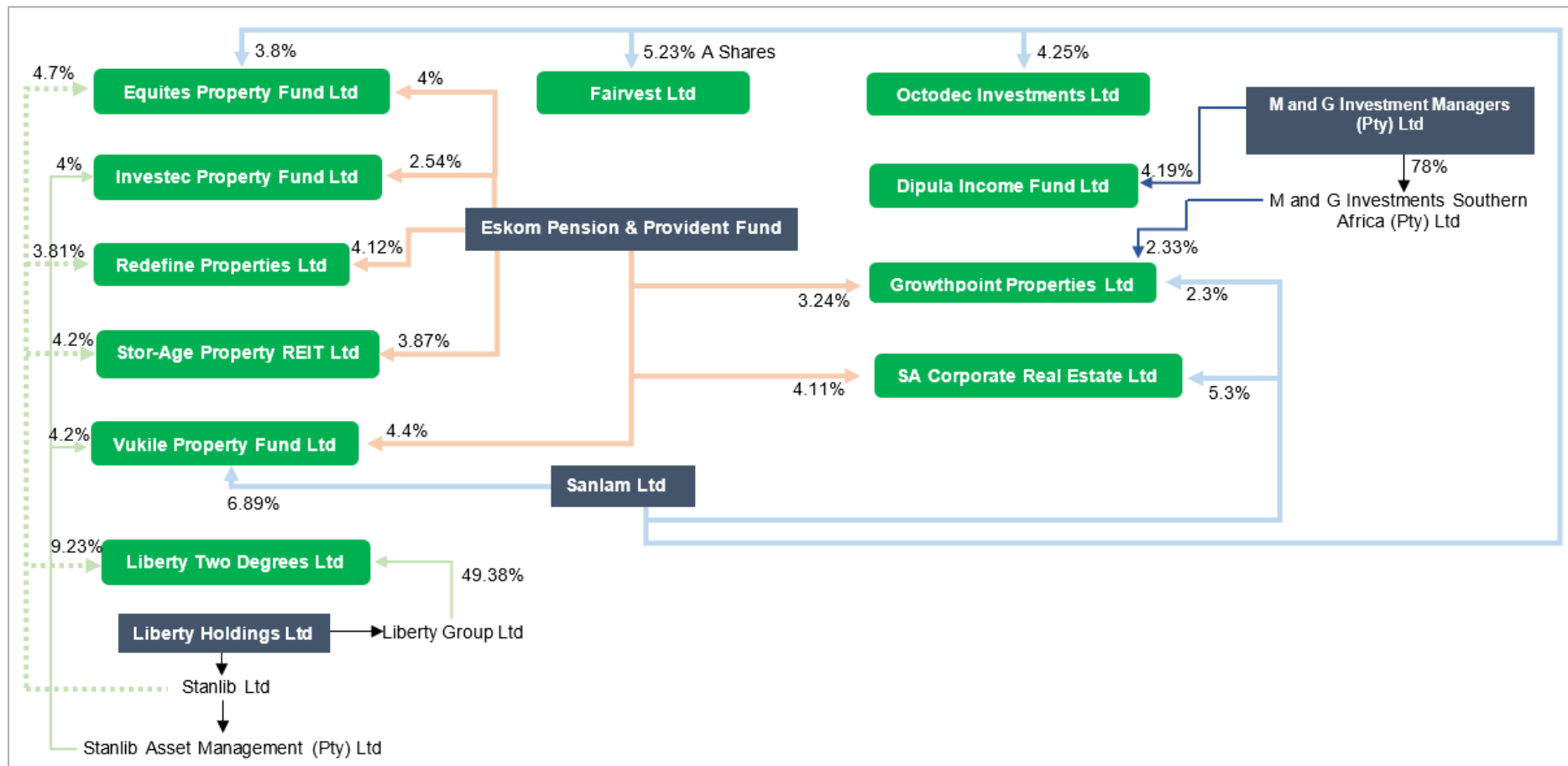
Source: Authors' interpretation based on Who Owns Whom (2022). (SIC Code: 84110)

Figure 24: Common ownership in firms operating in the property sector, part two (continued)



Source: Authors' interpretation based on Who Owns Whom (2022). (SIC Code: 84110)

Figure 25: Common ownership in firms operating in the property sector, part three (continued)



Source: Authors' interpretation based on Who Owns Whom (2022). (SIC Code: 84110)

Table 3 and Table 4 summarise the extent of common ownership by institutional investors and other investors. These tables provide the total effective holdings of all the common owners in each of the respective property firms and/or REITs.<sup>57</sup>

**Table 3: Prevalence of common ownership observed in the property sector by selected institutional investors**

	Allan Gray Group	Coronation	GEPF	Liberty Group	Nedbank Group Ltd	Ninety One Group	Old Mutual Group	Sanlam	Total Effective Holdings
Accelerate Property Fund Ltd		14.45			7.89				22.34
Attacq Ltd		10				5.2			15.2
Delta Property Fund Ltd			8.64		9.33				22.25
Dipula Income Fund Ltd		34.58					9.96		48.73
Emira Property Fund Ltd			13.29						13.29
Equites Property Fund Ltd			11.9	4.7			6.5	3.8	30.9
Fairvest Ltd		19.13					5.2	5.23	29.56
Fortress REIT Ltd	5.35	15.64							20.99
Growthpoint Properties Ltd			13.69			1.17	1.62	2.3	29.05
Hyprop Investments Ltd	7.6		10.1						17.7
Indluplace Properties Ltd					7.71		5.3		13.01
Investec Property Fund Ltd		13.13		4		3.17			22.84
Liberty Two Degrees Ltd		18.49		49.38 & 9.23%					77.1*
Octodec Investments Ltd			3.73		4.7		5.55	4.25	18.23
Rebosis Property Fund Ltd			18.1		7.51				25.61
Redefine Properties Ltd			13.56	3.81		4.14	6.6		36.04
Resilient REIT Ltd			10.26						10.26
SA Corporate Real Estate Ltd			16.71			4.38	11.98	5.3	46.3
Safari Investments (RSA) Ltd					10				29.81
Stor Age Property REIT Ltd			7.85	4.2	4.21		8.5		34.13
Texton Property Fund Ltd			19.53						33.03
Vukile Property Fund Ltd			11.4	4.2			4.65	6.89	34.99

Source: Authors' interpretation based on Who Owns Whom (2022).

Note\*: We report a higher total effective holding for Liberty Two Degrees from common owners than others due to the major shareholding by Liberty Holdings Ltd and its subsidiary, Stanlib Ltd.

**Table 4: Prevalence of common ownership observed in the property sector by other institutional investors**

	Alex Forbes	Bridge Fund Managers	Eskom Pension and Provident Fund	Heriot Investments	MandG Investment Group	Vanguard Group	Total Effective Holdings
Delta Property Fund Ltd		4.28					22.25
Dipula Income Fund Ltd					4.19		48.73
Equites Property Fund Ltd			4				30.9
Growthpoint Properties Ltd	1.92		3.24		2.33	2.78	29.05
Investec Property Fund Ltd			2.54				22.84
Redefine Properties Ltd			4.12			3.81	36.04
SA Corporate Real Estate Ltd			4.11			3.82	46.3
Safari Investments (RSA) Ltd		7.78		12.03			29.81
Stor Age Property REIT Ltd	5.5		3.87				34.13
Texton Property Fund Ltd				13.5			33.03
Vukile Property Fund Ltd			4.4			3.45	34.99

Source: Authors' interpretation based on Who Owns Whom (2022).

<sup>57</sup> SIC code 84110.

Overall, we find a significant prevalence of common ownership by institutional investors in the South African property sector. Notably, their total effective holdings across these property firms are relatively high.

## **5. CONCLUSION**

Our paper offers a preliminary view of common ownership in South Africa based on a select number of some of the largest institutional investors and within certain industries. Our observations indicate that the selected institutional investors generally hold minority stakes in a number of rival incumbent firms in the economy. While it is expected that common ownership of firms will be evident given the statutory limitations on the amount of capital that institutional investors can invest out, it is interesting to note that this tends to be centred on rival incumbent firms in industries. Some of these industries in which common ownership appears to be prevalent include the property, grocery retail and insurance sectors. We also observe that the selected large institutional investors, as a group (including the holding firm and subsidiaries), tend to hold minority shares in holding firms with several diversified product portfolios of their own. As such, institutional investors may indirectly link a far larger number of markets due to the consolidated nature of the South African economy which is still dominated by large firms.

The preliminary picture of common ownership presented in our paper raises further research questions. It would be useful to assess whether the observations and findings made in this paper would still hold using a broader database of beneficial ownership. A more comprehensive dataset would also allow for more conclusive observations on the nature of common ownership in the economy.

Further, in order to establish the competition implications of common ownership, there is a need for a contextualized (and not a one-size-fits-all) approach to dealing with issues of common shareholding specifically in less competitive markets. In a developing country there may be more concentrated markets making the inquiry potentially different to more mature or larger economies. In this context, the issues lie not only with just the size of the institutional investors and the level of their shareholding in competing firms, but also their strategies and approaches regarding influence on firm decisions.

It would also be valuable to gain a better understanding of the mechanism through which institutional investors (and other large investors) exercise influence over their investees to enrich the discourse on the issue of common ownership in concentrated markets. In particular, an understanding of how (large) minority shareholders exercise influence on board decisions, the processes that guide institutional investors in their voting and engagement with firms, and

the relationship between boards and management on strategic matters. This may also include empirical research into the potential causal effect of common shareholding on margins in one or more industries.



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