



POWERHOUSE

Less than a decade after its establishment, Gradidge-Mahura Investments now manages more than R700 million in assets. Its visionary founders, Craig Gradidge and Kagisho Mahura, share the story of how they built the company

TELL US ABOUT YOUR CAREER JOURNEYS BEFORE YOU ESTABLISHED YOUR OWN BUSINESS.

Gradidge: I graduated from university in 1996 and immediately went on a graduate training programme at Price-Forbes (now Alexander Forbes), which was more on the short-term insurance side. I really didn't enjoy that, so I kept pushing to go into investment. After that, I went to Profile Media, where I was put in charge of compiling the unit trust handbook.

Afterwards, I joined Fedsure Unit Trusts Management Company to develop its unit trust business. Then I joined Old Mutual Unit Trust Investments in 2001. I got promoted to the Marketing Manager position and from there I became Head of Face to Face for the retail business. I left in 2007 and went to Nedgroup, where I was appointed Head of Key Accounts. That was my last position before leaving employment to go into business.

Mahura: I started working at Old Mutual on the insurance side after I graduated from university in 1996. I spent a lot of time in the marketing areas of that business, so I got to learn a lot about how life and disability insurance worked.

Like Craig, I soon realised that I didn't enjoy that and began to push to get into the investment side. Then I joined a division of Old Mutual called Investment Frontiers. In 2004, I went to Coronation Fund Managers, to head up its marketing team. I was there for a couple of years before I went back to Old Mutual and was only there for five months before I left to go into business.

WHAT DROVE YOU TO START YOUR OWN BUSINESS?

Gradidge: Sometime in 2007, while I was working at Nedgroup, I was at Old Mutual in Cape Town for a meeting and I read a *Business Day* article on the outcome of the MTN Asonge deal. I'd applied for the maximum investment and would later learn that Kagisho had done the same. I was surprised to find that the deal had only attracted 87 000 investors. I couldn't understand why it hadn't attracted many more. Kagisho and I had first crossed each other's paths when we both worked for Old Mutual and, at the time, he was still working there.

So after I read the article, I bumped into Kagisho and we started chatting. We asked ourselves why he and I were seeing the opportunity, while so many of our family, friends and black investors in general were not.

We had a discussion about the industry and had both read a report earlier in the year which found that the average financial advisor in the country was white, male, Afrikaans and 52 years old. That was obviously part of the issue. We felt that there was something wrong and we couldn't address it from inside the corporates we were working in, so we had to go out on our own and do it.

WHAT WAS THE BIGGEST CHALLENGE YOU FACED IN ESTABLISHING YOUR OWN BUSINESS?

Mahura: The process of going out and finding money to use as working capital turned out to be very frustrating because we'd spent countless hours putting our business plan together and sending it to industry experts to critique, but the banks just didn't get it. We went to the top banks and asked for R1 million. They said they'd give us R500 000 at prime plus five. Access to capital was a huge challenge for us. I think finding start-up funding continues to be a problem for black entrepreneurs in general.

So then we ended up in the enterprise development space, which is where we got a lot of help to start our business, primarily from those in the industry.

The first people we spoke to were at Old Mutual, because they could understand our business plan. Banks still don't understand how financial planning businesses work.

We eventually managed to borrow R1 million for our start-up capital, with preferential rates. That helped us a lot because, with start-ups, the biggest frustration is always cash flow problems. When you worry about being able to pay rent, salaries and other costs, it can be very difficult to cope. Raising that cash gave us confidence that we'd still be around in eight months' time.

WHAT CHALLENGES HAVE YOU FACED AS A BLACK-OWNED BUSINESS IN A PREDOMINANTLY WHITE SECTOR?

Gradidge: There are still sectors of the market which believe that black people can't deal with money. Some people believe that in order to give advice on money, you need to come from money. So

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as a black business in a predominantly white industry, we've been to a lot of presentations where, apart from the waiters and the cleaners, we're the only black people present. It's a challenge on a number of levels, but it's nothing personal. It's just a reality of the country and the era we're in, and that will take time to change.

Mahura: In the context of what Craig's saying, one of the reasons we're so proud of the R700 million in assets we've raised is that it's been predominantly from black clients. The top private banks and wealth managers who have assets in the billions have worked primarily in the white affluent market.

So after eight years, we might be a billion or two behind those who've been in the industry for 30 years, but we're working in a market that, on average, gives us a lot less than theirs. If it's true that 80% of the country's wealth sits in white hands, then you can see why we're so proud of that figure.

WHAT HAVE BEEN YOUR BIGGEST ACHIEVEMENTS SINCE ESTABLISHING THE BUSINESS?

Gradidge: We're currently the only black-owned FPI-approved Professional Practice in the country. The Financial Planning Institute of Southern Africa [FPI] has a programme where it rates financial planning practices and you get an accreditation as a Professional Practice if you meet certain criteria.

There are only 13 practices in the country that have met those criteria and, of those, we're the only black-owned practice. There are more than 5 000 practices in the country overall, so instead of being one of 5 000, we're one of 13.

Last year, we participated in the Intellidex Private Bank & Wealth Manager Survey, where each wealth management practice was given a couple of case studies on which they had to advise. Based on the quality of the advice we gave, we were ranked third out of over 20 wealth management practices. They also surveyed clients on the quality of our advice, service and engagement. For that, we were ranked second overall.

Mahura: The other thing we're proud of is that we've accumulated assets of R700 million on behalf of our clients in an eight-year period, having started in the middle of the worst financial crisis the world had seen in decades. That's something many companies have taken more than 20 years to achieve, even in the middle of a boom market.

Another achievement that Craig spoke about – being an FPI-approved Professional Practice – is significant. This is an industry body that comes in and does very stringent due diligence on your practice, looking at solvency, staff and everything else. For them to put their mark on a business that's only eight years old is a remarkable achievement for us.

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WHAT ARE YOUR PLANS FOR THE COMPANY?

Gradidge: On the investment side, we're looking at getting a Category II licence, which would allow us to be a little more proactive in managing client portfolios. At the moment, if I need to make a change in a client portfolio, I have to see the client and get him to sign. However, a Category II would allow us to get a mandate from the client to buy out of the fund and invest in a different one without their signature. That's what we're aiming for.

There are other investment opportunities in the market as well. When you grow a business, you've first got to build something that's sustainable. Once you've done that, you can start identifying more opportunities, add more to your service offering or diversify to other related businesses. We're right at the start of that entrepreneurial part of the journey.

We have a brand, a track record and a way of doing business that's getting us new clients consistently. Now we can become more entrepreneurial and see where the opportunities are. **DM**