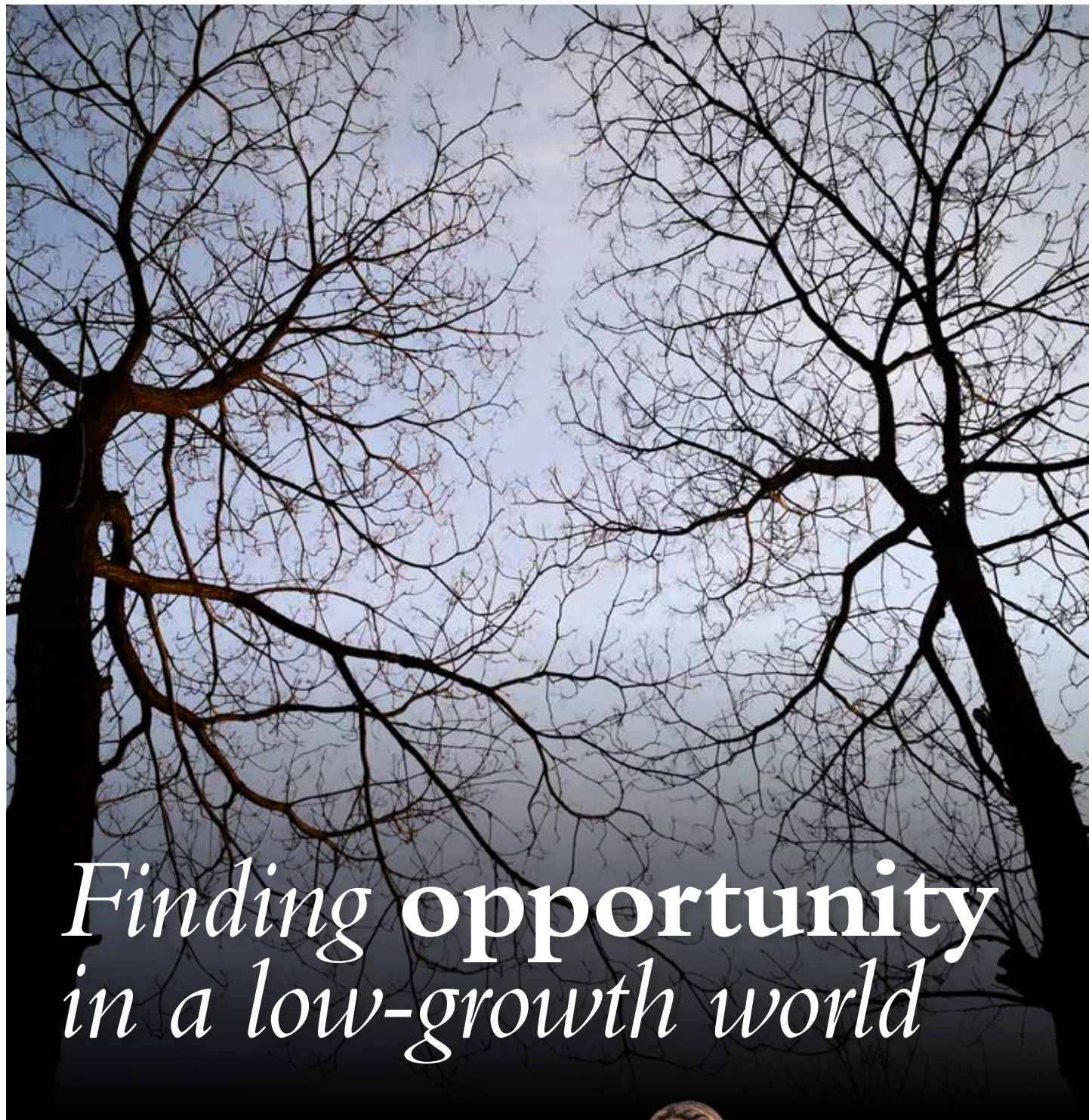


HedgeNews | Africa

THE QUARTERLY JOURNAL OF THE AFRICAN ALTERNATIVES AND HEDGE FUND COMMUNITY
FOURTH QUARTER 2019 ■ VOL 4 Nº7 ■ WWW.HEDGENEWSAFRICA.COM



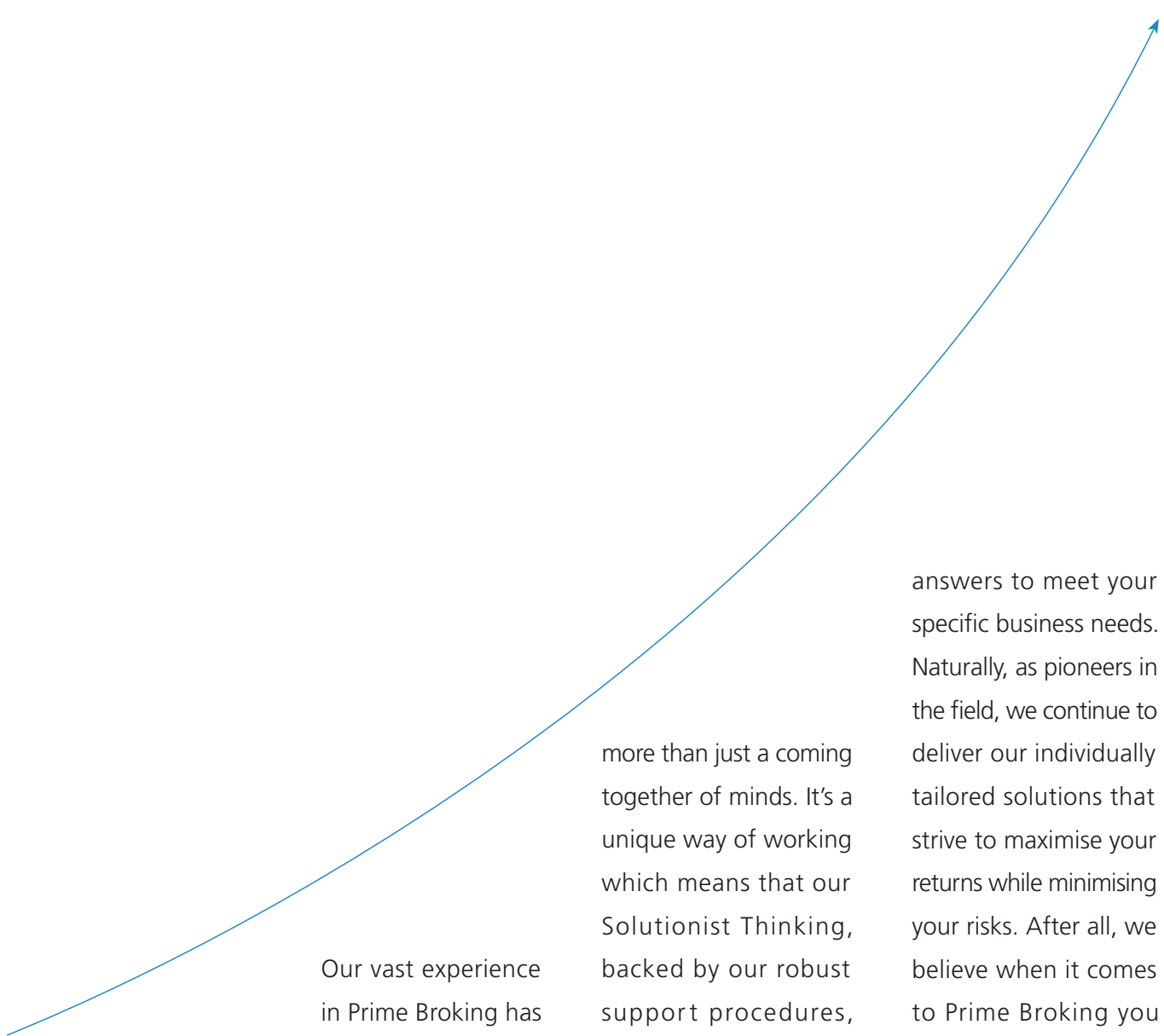
Finding opportunity in a low-growth world

Oyster Catcher up
and running with South
African long/short fund
Page 4

Alexander Forbes
highlights the value
of absolute returns
Page 14-15



Peregrine Capital
readies RIF launches
as it marks 21 years
Page 6



PRIME BROKING

Our vast experience in Prime Broking has taught us that true collaboration is much

more than just a coming together of minds. It's a unique way of working which means that our Solutionist Thinking, backed by our robust support procedures, will ensure you always get reliable long-term

answers to meet your specific business needs. Naturally, as pioneers in the field, we continue to deliver our individually tailored solutions that strive to maximise your returns while minimising your risks. After all, we believe when it comes to Prime Broking you should profit from our extensive experience.

SEE WHERE REAL EXPERIENCE AND TRUE COLLABORATION TAKE YOU.

RMB. Solutionist Thinking.

DEBBIE BOTHA | debbie.botha@rmb.co.za +27 11 282 1881
FREDERICK KAIRUZ | frederick.kairuz@rmb.co.za +27 11 282 1941

Rand Merchant Bank is an Authorised Financial Services Provider.

www.rmb.co.za



contents

4-6 News

Oyster Catcher operational with SA long/short fund, plans long-only offerings.

Miltenberg spins out of IPRO to manage African investment portfolio.

Reinders moves to head business development and client management at Prescient. **Peregrine Capital** prepares RIF launches as it celebrates 21 years

7-10 Online news

11-13 Acting as agents of change

South African managers talk about their non-investment initiatives

14-15 Interview

Alexander Forbes highlights the value of absolute-return strategies

16-17 Fund profile

Matrix applies hedge fund DNA to broader multi-asset product set

18-19 Interview

RisCura's investment advisory unit reviews the global landscape

20-21 Fund profile

Abax Bao uses multi-tool set to create better investment outcomes

22-29 Investor survey

Investors rethink exposure as global uncertainty looks set to persist

30-31 Awards & Symposium

Aurum's Kevin Gundle joins the speaker line-up for the **Symposium 2020**, followed by the **HedgeNews Africa Awards**

32-35 Performance and data

Equity managers pull ahead in September. **Africa funds** reverse decline with solid October figures

www.hedgenewsafrika.com

Email: admin@hedgenewsafrika.com

Tel: +27 (0) 43 748 6476

Fax: +27 (0) 86 549 6914

Published by African Financial Media

Editor: Gwyneth Roberts

editor@hedgenewsafrika.com

Data manager: Aiden Davis

data@hedgenewsafrika.com

Contributors: Anna Rich, Gillian Warren-Brown

Marketing and events: Lindsay Mitchell

lindsay.mitchell@hedgenewsafrika.com

Managing director: Mark Caldwell

Subscription and database sales:

admin@hedgenewsafrika.com

To list your fund in our database:

data@hedgenewsafrika.com

Advertising and sponsorships:

events@hedgenewsafrika.com

Editorial and administration:

admin@hedgenewsafrika.com

Disclaimer: This publication is for information purposes only. It is not investment advice and any mention of a fund is in no way an offer to sell or a solicitation to buy the fund. Any information in this publication should not be the basis for an investment decision. *HedgeNews Africa* does not guarantee and takes no responsibility for the accuracy of the information or the statistics contained in this document. Subscribers should not circulate this publication to members of the public, as sales of the products mentioned may not be eligible or suitable for general sale in some countries. Copyright in this document is owned by *HedgeNews Africa* and any unauthorised copying, distribution, selling or lending of this document is prohibited.

Cover: Shutterstock

Uncertain global outlook bodes well for hedge funds



By Gwyneth Roberts, editor

While it is spring in the southern hemisphere, autumn chills are setting in across the rest of the world, and the changing environment is reflected in the markets, as late-cycle dynamics play out amid slowing global growth, bringing sudden upsets and sentiment-driven sell-offs.

These are the types of conditions in which many hedge fund strategies can flourish, given their greater flexibility and wider tool set, but they also heighten risks across the board.

In this edition, we talk to Gyongyi King, CIO of Alexander Forbes Investments, a leading allocator to the South African hedge fund industry via its multi-manager product range, and Prasheen Singh, a senior investment consultant of RisCura's advisory business, who are both extremely influential women in the domestic investment industry, with their fingers on the pulse when it comes to investor appetite for alternatives (see pages 18-19). Despite an extended drought when it comes to new inflows into hedge funds, they continue to see value in such strategies.

"We're in a very turbulent period with lots of volatility," says King. "Investors are not getting a lot out of equity, bonds and cash, but with this kind of turbulence, hedge funds are actually proving to be a great diversifier."

Also this month we carry details of a new launch from ex-Truffle man Jonathan du Toit at Oyster Catcher Investments, who has a strong team in place with plans for both long/short and long-only mandates focused on the South African markets (page 4).

"Our aim is to deliver a material amount of alpha above the index, with a disciplined process and approach to allocating capital," he said. "We are not focused on gathering assets but on delivering out-performance over time via many small incremental gains."

We also hear of a significant hedge fund launch from within STANLIB, underscoring the value that broad institutional asset managers see in such offerings, and the skill available in the markets to offer such unconstrained strategies.

When it comes to standing the test of time, Per-

egrine Capital, the longest running hedge fund manager in the country, has recently marked its 21st birthday. Since inception, its flagship Pure Hedge fund has outperformed all funds in the South African unit trust universe, which comprises more than 2,000 funds, by an impressive margin. It is an exemplary track record of which the entire South African hedge fund industry can be proud (see page 6).

On page 20, we carry a piece on Abax Investments' market-neutral strategy, managed by Wallie van der Walt, whose approach and track record also underscore the benefits that hedge funds can bring to broader portfolios – delivering compelling risk-adjusted returns that stack up well against other investment approaches over multi-year periods.

This edition also contains our important annual investor survey, in which we poll leading allocators to the hedge fund industry in South Africa (see pages 22 – 29).

The good news is that investors see particular relevance for alternatives in an environment of elevated risks and geopolitical concerns.

And while there has been a wide discrepancy in individual hedge fund returns this year, which is to be expected given their flexibility and idiosyncratic approach, many have performed extremely well.

"Performance has improved with the healthier opportunity set over the last 12-18 months, and hopefully, investors are reminded of the benefit of including hedge in their portfolios, particularly in an environment where returns in traditional asset classes are hard to come by," said Kamini Naidoo at Momentum.

"Exposure to alternative asset classes like hedge funds can help diversify away from market beta and cushion portfolios during periods of down markets," agreed Nosibusiso Ngqondoyi at Old Mutual Multi-Managers. "We are satisfied with the returns posted by our hedge fund managers year to date, which are notably ahead of both the STeFI and the JSE Capped SWIX benchmarks."

The investor survey is well worth a close read, providing deep insights into many relevant issues, both for fund managers and investors, as they seek to shore up returns in turbulent times.

Oyster Catcher operational with SA long/short fund, plans long-only offerings



Jonathan du Toit, Rob Tout, Wessel Joubert and Mark du Toit

Johannesburg-based Oyster Catcher Investments* is launching its South African long/short hedge fund strategy as of November 1, headed by Jonathan du Toit, who spent nine years with Truffle Asset Management managing a similar strategy.

Du Toit is a CFA charterholder and a chartered accountant, completing his articles at Deloitte and ranking top in the country for the board exams. He joined Truffle in 2010 after a stint in London with Allan Gray's offshore arm Orbis Investment Advisory.

The Truffle SNN High Growth Retail Hedge Fund delivered a net annualised return in excess of 20% per annum for 8.5 years while Du Toit was the sole manager, with assets under management of more than R1 billion in the strategy, including segregated mandates.

Oyster Catcher has a strong and experienced team in place, including Rob Tout, Mark du Toit and Wessel Joubert.

Tout was previously an analyst with All Weather Capital, which manages both hedge and long-only portfolios. He is a CFA charterholder with a BCom Honours in Investment Management from the University of Pretoria.

Mark du Toit has been with private wealth manager Courtney Capital for almost five years, managing a successful long/short fund, which won last year's *HedgeNews Africa* award for best new fund. Prior to that he held a 10-year career in banking, working for Standard Bank and African Bank. Mark is a CFA charterholder and a chartered accountant, completing his articles at KPMG.

Joubert previously worked at Cannon Asset Managers and Rezco Asset Management, and has a BCom Honours in Investment Management from the University of Pretoria. He has also worked as an analyst at Euler Solutions, which undertakes advanced data analytics, predictive modelling, and financial and actuarial consulting.

Geraldine Harris, also previously from Truffle where she headed finance and operations for

almost five years, has joined the team. Prior to that she was head of operations at the Nautilus Managed Account Platform, and before that at Rand Merchant Bank for 12 years. She has a BCompt in Accounting and Finance from Unisa.

The fund sits on the RealFin management company, using RMB as its prime broker.

Besides the long/short fund, Oyster Catcher also plans to launch three long-only mandates, namely equity, balanced and stable funds, seeing opportunity to add alpha with a long-only approach.

Du Toit hopes to see the RCIS Long Short RHF quickly reach R100 million in assets, and is looking to develop a strong three-year track record to create a solid foundation for the business.

"Our aim is to deliver a material amount of alpha above the index, with a disciplined process and approach to allocating capital," he said. "We are not focused on gathering assets but on delivering outperformance over time via many small incremental gains."

Du Toit notes that the stock market is likely to be anaemic for the next few years as central banks globally cut rates, amid a low growth environment and high debt burden in South Africa. He adds that South Africa faces a long, hard road, and can deal with its debt burden in two ways – either through austerity measures, which would not be good for consumption or domestically focused companies, or by materially weakening the currency.

"South African investors have become accustomed to the market adding 15-20% per annum. We believe those days are over for the moment. We are not the type of hedge fund manager to swing for the fences," he said. "It is about incrementally eking out returns, and hedge funds give us many tools

to do that, on both the long and short sides."

"With a long-only fund you play with one spanner, with a hedge fund you have a whole toolbox. Having more tools in the toolkit means you should be able to beat a long-only strategy over the long term."

Du Toit will look to have 90-100 positions on the book at any given point, run relative to the Johannesburg All Share Index.

His approach is to manage three different strategies. The first is a long equity book. The second is an asset allocation strategy, which determines exposure levels. The third bucket focuses on special opportunities, comprising 10 sub-strategies at present – ranging from options/futures, to special situations and a trading strategy.

The team will look across the market to identify opportunity, focusing on mid and large caps using its bottom-up models and four-year relative ranking tables. They will generally avoid small caps, which are macro dependent and prone to illiquidity. They can also take currency and commodities positions and can allocate up to 30% ex-SA, but will look to rotate to offshore counters only on rand strength.

Du Toit says Oyster Catcher's medium-term goal is to manage assets of R10 billion, evenly split between hedge fund and actively managed long-only mandates, allowing the team to follow their passion for the markets.

*(*Oyster Catcher Investments (Pty) Ltd has submitted its application to the FSCA for category I, II and II(a) licences and is currently acting in its capacity as an appointed juristic representative of Definitive Asset Management (Pty) Ltd, an authorised financial services provider in terms of the Financial Advisory and Intermediary Services Act, FSP 29465)*

Miltenberg spins out of IPRO to manage African investment portfolio

Philippe Koch and Geoffroy Dedieu have set up Miltenberg Capital as a spin-off of IPRO's African investment management activities.

The company is licensed by the Financial Services Commission in Mauritius as a CIS manager and has been appointed as the new investment manager for the African Market Leaders Fund and the Africa Total Return Fund, with Koch remaining as lead fund manager.

IPRO retains a minority stake in Miltenberg Capital.

Koch is the firm's managing partner, with over 18 years' experience in the financial services industry, spending his career in international investment banking before joining IPRO in 2013. He holds a Masters De-



Philippe Koch and Geoffroy Dedieu

gree in Business Administration from the University of Applied Science in Essen, Germany, as well as the CFA and the FRM designations.

At IPRO, he became the lead manager of the African Market Leaders Fund and set up the Africa Total Return Fund. He has also managed POLICY



Ltd, a closed-ended investment company listed on the Stock Exchange of Mauritius.

Dedieu has joined as an additional managing partner, considerably strengthening the investment team. He holds LLMs from the National University of Singapore and DEA Pantheon-Assas as well as an MBA from

INSEAD. Dedieu's hands-on expertise in managing businesses and investments in the West Africa region and Mauritius is expected to benefit existing and new investors into the Africa funds.

The African Market Leaders Fund, which was launched in July 2009, aims to achieve long-term capital growth by investing in shares of companies with an African focus that are expected to be future leaders in their industry or industry segment.

Launched in 2014, the Africa Total Return Fund aims to achieve steady income and capital growth by investing in local- and hard-currency bonds and money market instruments of African sovereign and corporate issuers.

Reinders moves to head business development and client management at Prescient

Hayden Reinders has been promoted to head of business development and client management at Prescient Fund Services, based in Cape Town.

In his expanded role, Reinders will manage the business development, client relationship and product

solutions teams across Fund Services (across all administration products from traditional funds, hedge, private equity and other alternative structures), driving the business development and client management function.

Reinders, who is also head of the ASISA



Hayden Reinders

hedge funds working committee, joined Prescient in 2014, and has helped oversee strong growth in alternative assets under administration.

Justus Meyer continues as operations manager of the alternatives fund division, overseeing a team of

18 people. He reports to Iqbal Sirkot, COO of Prescient Fund Services.

Reinders says he looks forward to continued success in the alternatives business.

Prescient Fund Services now has assets under administration of over R340 billion.

Looking to identify top talent in African investment markets?

Need advice in building a bespoke hedge fund portfolio?
Seeking to source service providers in the hedge fund industry?

Get your copy of the annual **HedgeNews Africa Hedge Fund & Alternative Manager Directory**. The directory is a leading source of information on high-quality funds across a range of strategies, as well as funds of funds, consultants and service providers.

Email admin@hedge newsafrica.com to receive your copy or log on to www.hedge newsafrica.com for the digital edition



HedgeNews Africa

Peregrine Capital prepares RIF launches as it celebrates 21 years

Johannesburg-based Peregrine Capital is launching two retail hedge funds (RIFs) on December 1, 2019, extending access to its top-ranked long/short equity and market-neutral strategies to a wider audience.

The new RIFs will be made available on various LISP platforms (linked investment service provider), facilitating access for financial advisors, who typically have strong and enduring relationships with their clients.

The funds will be known as the Peregrine Capital High Growth H4 Retail Hedge Fund and the Peregrine Capital Pure Hedge H4 Retail Hedge Fund. Lump sum investments of R25,000 and monthly debit orders of R1,000 will be available.

Peregrine Capital is the longest running hedge fund manager in the country and has recently celebrated its 21st birthday.

"We believe hedge funds are the best vehicle for compounding wealth over time, given that they have flexibility and are not benchmark cognisant," said David Fraser, Peregrine Capital's executive chairman and portfolio manager. "Having endured whatever the market has thrown at us over the past 21 years, we remain supremely confident about the resilience of our process."

Fraser notes that he and Peregrine Capital co-founder Clive Nates, both previously at Liberty Asset Management, started the business with the aim of ensuring that the best investment talent focuses on deriving returns from the markets, rather than spending time interfacing at a corporate level as is often the case in the traditional asset management space.

Peregrine Capital's flagship Pure Hedge Fund launched at inception of the business in July 1998, and is the top performing fund in the country over that period. It has outperformed all funds in the South African unit trust universe, which comprises more than 2,000 funds, by some margin, adding an annualised 20.83% versus 15.97% from the next best fund, with lower volatility.

The fund has not had a negative year in its history, versus five down years from the JSE All Share Index during the same period. It has a low correlation to the South African equity market, and has never had a drawdown of more than 5%.

Peregrine Capital's High Growth Fund, which launched in February 2000, has also been an exceptional wealth creator, adding a net annualised 25.33% versus 16.82% from the next best fund. The fund has achieved more than seven times the



Fund managers: Jacques Conradie, David Fraser and Justin Cousins

performance of the JSE All Share Index, with substantially lower risk, as measured by volatility.

The company also offers the Dynamic Alpha Fund, a geared version of the Pure Hedge Fund, and the multi-asset Flexible Opportunity Fund. Dynamic Alpha has added a net annualised 13.79% since inception in December 2014, versus 4.99% from the ASISA multi-asset medium equity category, with no down years. Flexible Opportunity has gained a net annualised 11.25% since inception in December 2015, compared with 3.59% from the ASISA multi-asset high equity category, again with no down years.

Peregrine Capital believes its edge is its dedicated and passionate team combined with a flat corporate structure, which allows for good ideas to come to the fore and rapid decision-making. It has a dedicated and skilled 16-strong team, with eight people on the investment side and eight in operations, finance and distribution.

Jacques Conradie, managing director and portfolio manager, said the team remained "resolutely focused" on its goal of delivering long-term returns for clients.

"We are proud of our long-term track record, which we believe has been achieved through the consistent application of our process in identifying mispriced shares," he says. "Our core in-

vestment philosophy and dedication to the research process has stood the test of time, but we will never stop learning or seeking to improve. We make small adjustments and improvements on a regular basis and seek to identify any mistakes early and learn from them."

Staff and associates account for a significant portion of its AUM, compared with an estimated 0.5% from the average fund manager in South Africa. This, together with management's 50% share of the business, helps to support the alignment of interests with its investors.

"The longer I am in this industry the more I realise that investing is more of an art than a science," adds Fraser. "We start off by understanding the capital structure of companies. Yet more and more, it is softer issues such as management integrity and vision that can tip the risk-reward balance. We look to be a constructive force in the markets as we engage with company management. Our institutional memory has been built up over time and is hard to replicate, coupled with team cohesion and talent."

Peregrine Capital has in the past soft-closed its funds to new investors to remain nimble and preserve performance. All funds are currently open, with total assets under management of around R7 billion.

Sep 2019

Key new hires as Laurium builds team

Building on its successful 11-year track record, Laurium Capital continues to grow its team and product range, despite tough markets.

Headed by Murray Winckler and Gavin Vorwerk, Laurium is adding a further two people to its headcount this year, with Junaid Bray joining the investment team on November 1 after almost six years at Argon Asset Management.

Bray was Argon's head of equities from January 2016, and was previously a senior investment analyst at the Abu Dhabi Commercial Bank for five years. He is a CFA charterholder with a Bachelor of Business Science (finance) from the University of Cape Town.

Portia Ngcobo joined Laurium in October, having spent the past five years at Deutsche Securities' prime broking division in Johannesburg, where she was a senior client service associate. She has a diploma from the Durban University of Technology.

Laurium now has R25 billion under management from both foreign and domestic investors, comprising around 14% (R3.3 billion) in hedge fund assets and a further 14% in Africa long-only mandates, with the remainder in South African long-only mandates. Its product range includes long/short, aggressive long/short



Junaid Bray

Portia Ngcobo

and market-neutral South African hedge funds, as well as a range of South African long-only equity mandates (flexible, balanced, equity and stable), its new income fund, and pan-African funds.

Its retail hedge funds are now daily priced and being made available on various LISP platforms.

Next to launch in the fourth quarter will be a US-dollar denominated African bond fund, building on the team's existing strengths across the continent. The fund will be managed by fixed income portfolio manager Jean-Pierre du Plessis, who joined in January, together with Africa specialist Paul Robinson.

This follows its extension into the multi-asset space, with its two most recent fund launches comprising the Laurium Stable Prescient Fund, which launched in March, and the Laurium Income Prescient Fund, which went live in December.

Laurium's new hires bring its team to 24 people, including 13 chartered accountants and 14 CFA designations. The company has a three-year plan to obtain a credible B-BBEE rating, focusing on bringing diversity to the investment team, preferential procurement with service providers and suppliers and increased involvement in socio-economic development and consumer education initiatives.

Winckler notes that since inception, returns across all Laurium funds have beaten their benchmarks with lower volatility. Its longest running fund, the Laurium Long Short Prescient RI Hedge Fund, has delivered a net annualised 10.8% since launch in August 2008 with a standard deviation of 7.5%, compared with 6.9% from the benchmark STeFI.

The Laurium Aggressive Long Short Prescient QI Hedge Fund, which caters to qualified investors, has gained a net annualised 15% since inception in January 2013, and the Laurium Market Neutral Prescient RI Hedge Fund has delivered a net annualised 9.4% since January 2009.

Winckler notes that the past five years have been the toughest period for the South African market in decades, and the team has been trading more actively in a difficult environment. [More online](#)

Sep 2019

New appointments at SANNE

SANNE, the specialist provider of outsourced corporate, fund and private-client administration, has made two new senior appointments in its Cape Town business, taking on new heads of compliance and of manco operations.

Christine Pretorius joins as head of compliance, and is responsible for all jurisdictional regulatory engagements. In her new role, she will monitor the compliance function and provide leadership training and knowledge exchange activities and will build collaborative compliance initiatives across SANNE's Cape Town business. Pretorius has worked at some of South Africa's leading financial institutions and has more than 20 years' experience.

Michael Badenhorst has been appointed as head of operations within SANNE's Cape Town Management Company (manco) business and is responsible for the manco's overall operations, development and deliverables.

SANNE has also made two internal promotions, with Matthew Pykstra be-



L-R: Christine Pretorius, Werner Gerber, Michael Badenhorst and Matthew Pykstra

ing promoted to head of market risk at the manco, and Werner Gerber taking the newly created role of senior manager, business support. In his new role Gerber will work closely with Graeme Rate, SANNE's country head, to drive forward a robust growth strategy in the jurisdiction while delivering best-in-class expertise to South African clients.

Rate, who also heads the Malta operations, said the new hires bring a wealth of knowledge to SANNE.

"Christine and Michael are highly respected in the industry, with both having held senior positions in their

prior roles. Our Cape Town business is growing rapidly, and attracting senior leaders of this calibre reflects the standing we have in the sector. It's been great to watch Matthew and Werner grow and excel in their roles and both have experienced fast-tracked growth in the business."

SANNE was established more than 30 years ago and is listed as a FTSE 250 company on the main market of the London Stock Exchange. It employs more than 1,600 people worldwide and administers structures and funds that have in excess of £250 billion of assets.

It delivers tailored services to an international client base through a global network of regulated businesses in 20 leading financial jurisdictions. Fully integrated client services include administration, AIFMD depositary and AIFM management company services, with dedicated expertise in private debt and capital markets, real estate, private equity, hedge, institutional, executive incentives, private client and investment treasury services.

Sep 2019

ASISA finalises hedge fund classifications

The Association for Savings and Investment South Africa (ASISA) has finalised classifications for regulated collective investment scheme retail (RIF) and qualified investor (QIF) hedge fund portfolios, providing a framework for domestic hedge funds with comparable investment objectives and investment universes to be grouped together.

According to ASISA's senior policy adviser Sunette Mulder, the classifications create a key tool for investors and their advisers in that they provide useful information when considering investment choices.

The classifications were ratified by the ASISA board in mid-September.

ASISA will now begin the process of communicating with relevant fund managers as to which category their products belong to, says Mulder, starting with self-classification from managers.

The ASISA Hedge Fund Classification Standard aims to promote investor awareness and understanding of portfolio types; assist with comparing portfolios within and across categories;

and assist with assessing exposures and the subsequent potential risks of investing in a particular type of CIS hedge portfolio.

The classification standards seek to ensure that CIS hedge fund portfolios (including hedge fund of funds portfolios) adhere to category definitions; standardise applications for approval; and facilitate the timely and appropriate classification of hedge fund and fund of hedge fund portfolios.

The standards apply to CIS in hedge funds as defined under Board Notice 52 (BN 52) of 2015 of the Collective Investment Schemes Control Act, 2002, which encompasses regulated products in the domestic market.

Under the first tier, funds are classified as either retail or qualified portfolios, as per BN 52.

Secondly, funds will be sub-divided into South African portfolios (investing at least 60% of total exposure in South African markets, a maximum of 30% ex-SA, plus an additional 10% of their assets in Africa ex-SA); world-wide portfolios (investing in SA and foreign markets with no limits); and

regional portfolios (investing at least 80% of the total exposure in assets in a specific country or geography).

The third tier is based on the manager's self-classification according to investment objectives – with category classifications comprising long/short equity hedge funds, fixed income hedge funds, multi-strategy hedge funds and 'other' hedge funds.

Under the fourth classification tier, long/short hedge funds are further classified as either long-biased (aim to have net equity exposure in excess of 25%), market neutral (minimal directional exposure over time - on average net equity exposure less than 25% but greater than -25%), or 'other equity' (incorporating portfolios that follow a specific strategy such as listed property or sector-specific strategies).

According to ASISA, new categories of classification will be considered where there are five or more portfolios with an identical or substantially similar portfolio objective, investment policy or restrictions applied by a CIS management company.

Sep 2019

IDEAS fund makes social and environmental impact

African Infrastructure Investment Managers' (AIIM) open-ended IDEAS fund continues to take investors on board, targeting South African projects with the potential to deliver strong long-term returns while also creating a positive social and environmental impact.



Vuyo Ntoi

The fund is one of South Africa's largest domestic infrastructure equity funds and invests in economic infrastructure (roads and railways), social infrastructure (housing and public private partnerships) and renewable energy infrastructure (solar and wind projects).

It is a pooled portfolio managed by AIIM, one of Africa's largest and most experienced infrastructure private equity managers and a member of Old Mutual Alternative Investments, which was founded in 1999 with a view to stimulating economic growth through investing in infrastructure.

Investment director Vuyo Ntoi oversees AIIM's activities within the SADC region, working with a 40-strong pan-African investment team. He joined AIIM in 2003 and has been involved in managing its funds for over a decade and a half.

The rand-denominated IDEAS Fund, which has assets of around R13 billion, is structured as a policy on the Old Mutual balance sheet so that pension funds can receive

related tax benefits.

It currently has meaningful equity stakes in around 35 portfolio holdings and has realised investments in a further four projects. More than R6 billion is invested in renewables, an increasingly important sector in meeting the region's soaring demand

for power.

The IDEAS fund spans multiple infrastructure projects including toll roads, specifically the Trans African Concessions, the N3 Toll Concessions and the Bakwena Platinum Corridor Concessionaire; a Department of Trade and Industry office complex; a hydroelectric project; a gas pipeline concession between South Africa and Mozambique; and railway concessions in Zimbabwe and Zambia. There is also a strong focus on renewables, with over US\$500 million invested in 14 different solar photovoltaic facilities, nine wind farms and various other projects.

Ntoi says the fund is targeted mainly at the institutional pension funds market, who are long-term customers, which matches the fund's investment horizon.

Ntoi's most recent initiatives have spanned both the pan African and South Africa-focused funds, and include leading the AIIM investment in the Cenpower Independent Power Producer (IPP) in Ghana, and in Umoya Energy, the owner of a 67WM

wind farm located 125km north of Cape Town. Umoya was the first commercial wind farm to supply energy to the Eskom national grid, and it generates about 176 600 MWh of clean renewable energy annually.

AIIM also offers a pan-African strategy, currently investing through African Infrastructure Investment Fund 3 (AIIF3), which recently closed at US\$320 million.

The pan-African fund is denominated in dollars, and the bulk of investors are offshore – including development finance institutions and sovereign wealth funds – who are looking for dollar returns.

AIIM's investments have a strong impact focus, based on the UN Sustainable Development Goals (SDG). AIIM also ensures that there is buy-in from the community in which projects are located, especially on domestic renewables projects.

Though the returns are adequate for this type of investment, Ntoi says the impact benefit is an additional facet. "We believe that by being impactful in your investments and looking for project sustainability, this de-risks your investment. So, we're not giving up one for the other – impact and returns go hand in hand."

"Through funds like ours, South African investors are big stakeholders in local infrastructure. Quite a bit of South African money – and of workers' money – is involved in these impactful investments."

Aug 2019

Visio builds team with four key hires

Visio Capital has added to its investment team, taking on four key new hires in recent months.

The new additions follow the sale of a 30% equity stake to Royal Investment Managers late last year, which has given the boutique firm, started by Patrice Moyal in 2003, added heft as it grows its business. On average, the firm has added a new investment professional to the team each year since inception.

Mpumelelo Kondlo is the most recent addition, joining in August from Anchor Capital, where he started as a fixed interest quantitative analyst and later became co-portfolio manager on the fixed interest portfolios.

He has also worked previously as a fixed interest analyst at Cadiz Asset Management. Kondlo holds a Master's degree in Mathematical Statistics from the University of Cape



Patrice Moyal

Town, majoring in decision science and analytics.

Kondlo will work alongside his former Cadiz colleague Jonathan Myerson, Visio's new head of fixed income.

Myerson was most recently head of fixed interest at Granate Asset Management from December 2015 to June 2019. He also served

as head of the fixed interest team at Cadiz Asset Management from 2006 to 2015, where he managed the unconstrained, house view and inflation-linked bond funds.

Myerson has 11 years of sell-side experience, having worked as a fixed interest strategist at HSBC from 1995 to 2003 and then at RMB from 2003 to 2006. He has a Masters in Social Sciences (Economics).

Seten Naidoo joined the team as a fund manager in February 2019, with nine years' industry experience in both asset management and as

a sell-side analyst. Prior to joining Visio, he was co-fund manager of Capricorn Fund Manager's long-only business, covering equities both locally and internationally.

Before entering the asset management industry, Naidoo spent seven years at Standard Bank achieving top ratings as a mining and commodity analyst. He completed a Bachelor of Business Science (Honours) degree before joining the Standard Bank Graduate Programme in 2010.

Kyle McMahon takes the role of fund manager/analyst at Visio. Before joining the team earlier this year, he spent two years at Allan Gray as a business analyst in the product development team after completing his masters' degree in engineering at the University of the Witwatersrand.

Visio Capital has assets under management of around R50 billion in its long-running hedge fund and long-only mandates.

Sep 2019

Visio extends with fixed income offering

Visio Capital has extended into the multi-asset space, with the recent addition of fixed income specialists Jonathan Myerson and Mpumelelo Kondlo to the investment team.

Myerson manages a long-only unconstrained fixed income portfolio, which is transitioning to the Visio stable following his recent move from Granate Asset Management, where he spent four years as head of fixed interest.

Myerson and Kondlo worked together previously at Cadiz Asset Management, where Myerson headed the fixed interest team from 2006 to 2015, managing R17 billion under management at its peak.

Visio has also launched a long-only balanced fund, which went live in mid-September, including both equity and fixed income allocations. The fund includes up to 35% to fixed income, with a portion of that in the unconstrained mandate.

Myerson began trading the unconstrained strategy in 2012 while at Cadiz, launching it as a unit trust with R21 million in seed capital in April 2016 to reach R490 million at present. The bulk of investors have already agreed to move with him to Visio, given his expertise.

The fund is currently known as the Granate SCI Unconstrained FI Fund and is expected to change its name to the Visio BCI Unconstrained FI Fund in November, once the platform transition is complete.

Granate, also part of RMI Investment Managers, continues to man-



Mpumelelo Kondlo



Jonathan Myerson

age a range of income and money-market funds.

Myerson looks across the spectrum of fixed income instruments, from money market to inflation-linked bonds, including credit, ranging from zero to 30 years.

The fund has been a top-quartile performer since inception, with the retail class adding a net 8.46% per annum over a rolling three years, as it looks to beat the All Bond Index with lower volatility. It has gained 7.92% so far this year to the end of August. "History shows that we can meet our performance targets quite nicely," says Myerson.

"The fund is unconstrained, not unhinged. It is a disciplined approach with a return similar to an ALBI fund but with lower volatility. It has significantly less credit risk than a traditional income fund."

Myerson adds that he does not expect a fast recovery for the South African economy, with the country missing a great opportunity to grow with the rest of the world post-2008.

He adds that the medium-term budget poses a serious test to government, and the implementation

of that budget will be an even more serious test.

The fund uses tactical asset allocation, currently holding less than 2% in property and well below its 30% offshore limit.

More than 50% of the portfolio is in government bonds, although Myerson has no exposure to state-owned enterprises (SOEs), barring a small allocation to Transnet.

"ESG (environmental, social and governance) is not just about getting your money back as an investor. We have not had SOE exposure since the fund launched as a unit trust in 2016. Yes, Eskom will eventually pay its debt back but there are still significant governance issues."

He believes investors are currently not being adequately compensated for exposure to corporate bonds, given their illiquidity, particularly during difficult times for the market. Predominant corporate exposure is to the banking sector, where Myerson is comfortable with the credit quality and liquidity.

The fund's offshore portion includes exposure to high-quality credit such as Anglo American, and the portfolio is underweight short-dated bonds in an environment of slowing global growth, which is putting corporates under pressure.

Headed by Patrice Moyal, Visio Capital has assets under management of around R50 billion in its long-running equity-focused hedge fund and long-only mandates. It currently has no plans to launch a hedge fund in the fixed income space.

Sep 2019

Yates joins Peregrine Capital

Alan Yates has joined Peregrine Capital in a business development and distribution role.

Before joining Peregrine Capital, Yates spent more than 12 years with Investec Wealth & Investment, having joined the Investec Graduate Program in 2007.

Yates is part of Peregrine Capital's



Alan Yates

16-strong team based in Johannesburg. South Africa's longest-running hedge fund firm has assets under management of more than R6.5 billion across various equity-focused hedge funds.

At Investec Wealth & Investment, he managed private-client money for high-net-worth individuals, advisers

and trusts. He ran Investec Wealth & Investment's equity and currency derivatives offerings and was a voting member of their Deal Forum Committee. He was also a member of the JSE's Retail Advisory Committee, as well as the JSE Currency Derivatives Committee.

Yates is a CFA charterholder and has a BBus Sc (Finance Honours) from the University of Cape Town.

AFRICA NEWS

Sep 2019

ESATAL gets going in trade finance

Eastern and Southern African Trade Advisors (ESATAL), a regulated fund manager established in Mauritius, launched the Eastern and Southern African Trade Fund (ESATF) in mid-September.

ESATAL is jointly owned by the Trade and Development Bank (TDB) and its joint-venture partner GML Capital (see *HedgeNews Africa*, May 2018). ESATAL and the fund are authorised and regulated by Mauritius' Financial Services Commission.

With a starting asset base of US\$50 million, ESATF is an open-ended investment fund scalable to US\$1 billion, seeking to advance trade-led economic and social development by supporting

exporters, importers and other regional borrowers in eastern and southern Africa.

The fund will finance short- to medium-term transactions across various industry and commodity sectors in the region, including those of SMEs, and facilitate the transfer of financial expertise to borrowers and of investment management expertise to African investment professionals.

Trade-related economic activity is believed to account for half of Africa's GDP, according to ESATAL. Despite its importance, the demand for trade finance still outpaces supply across a variety of sectors and structures, with, as per AfDB estimates, one-third of the continent's demand for it still unmet – the most in

need being credit-constrained SMEs who typically face scale, collateral, high interest rates, and other types of challenges.

Exports from the TDB's 22 member states – most of which are part of the Common Market for Eastern and Southern Africa's own free trade area (FTA), which grants duty-free access to businesses operating within its borders – have grown by 51% and imports by over 71% in the past 10 years. With the African Continental Free Trade Area (ACFTA), which came into force in May 2019, and intra-African trade projected to grow at a compound annual growth rate (CAGR) of 5.3% by 2026, the gap could widen even further. [More online](#)

Aug 2019

Palladium launches Africa impact fund

Global consultancy Palladium has announced its first impact investment fund to bridge the financing gap for small businesses in sub-Saharan Africa.

The Palladium Impact Fund I is expected to raise US\$40 million to provide much-needed capital for SMEs in emerging markets. The fund, which will focus on agribusiness value chains and off-grid clean energy in Nigeria, Ghana and Kenya, aims to alleviate poverty and economically empower over 500,000 rural households. It intends to create at least 3,500 full-time jobs, of which 60% will be for women.

Investors will include foundations, family offices, pension funds, and institutional investors. Palladium will manage the fund, anchored by a US\$5 million investment of its own capital. The new fund will make debt and mezzanine investments of between US\$250,000 and US\$2 million into small companies.

The fund is a 10-year closed-end product with an investment period of around five years.

Andrew Tillery, head of impact investments at Palladium, said: "Fifty-four years of experience has taught Palladium that for an investment to have impact, it has to be sustainable, which means it needs

to generate a financial return. For this first fund, we've chosen to invest in empowering African women, as women perform the majority of agricultural activities, own a third of all firms and are key to the welfare of their families. Gender equality and empowerment in the region can raise productive potential and boost the continent's development."

Tillery has more than three decades of experience investing in Papua New Guinea, the Solomon Islands, and sub-Saharan Africa. He has deep expertise in agribusiness investing in Africa through his experience as CIO of AgDevCo Ltd, as well as investment director of the US\$100 million Actis Africa Agribusiness Fund and chairman of AIM-listed company DekelOil in Cote d'Ivoire.

Palladium has already made two direct impact investments, including in Naasakle, a mother- and daughter-owned shea nut harvesting and processing business in Ghana, and PEG Africa, an off-grid solar energy project. Palladium has a further 10 investments under due diligence.

Tillery added: "Solar and clean energy technology is hugely important particularly in rural Africa as it provides vital electricity to households. The social benefits are sig-

nificant: for instance, 24-hour lighting enables more effective infant care and in turn can lower the infant mortality rate. It's also the catalyst for the development of small, growing businesses as the working day is longer and more productive. Clean energy can power enabling technology, such as irrigation for farmers, to mitigate many of the risks associated with primary production like adverse weather conditions."

CEO Christopher Hirst said Palladium has been investing its own capital for three years, and felt it was now timely to raise its first impact investment fund and channel other investors' capital.

Palladium started as a development consultant more than 50 years ago, with the aim of formulating strategies, building partnerships, and implementing programmes that have a lasting social and financial impact. It now has a presence in 90 countries around the world, including in sub-Saharan Africa.

The fund will initially target west and east Africa, with a pipeline of deals developed over the past three years. In the west, the focus is on Nigeria, Ghana and Cote D'Ivoire while in the east Kenya, Tanzania and Uganda are the current areas of focus. [More online](#)

Acting as agents of change

HedgeNews Africa talks to some South African hedge fund managers about their non-investment initiatives that are helping to make a positive impact on the world

The context in which you operate is just one factor to take into account when making investment decisions, or it can present an opportunity to act as a change agent, to engage and make a difference.

"We live a privileged life," says Erik Nel, CIO of Cape Town-based asset management boutique Terebinth Capital. "If you're working in finance, in any country, you've already won a small lottery, given that the remuneration is, on average, better than in most other economic sectors. It's not as if we're doing life-saving or life-changing work. So, to balance the privileges we enjoy, it should be a given that we have to pay it forward."

However, he adds that it's not just an obligation. "For Terebinth, it's about who we want to be. It's not about how it is 'good for the company' or how can we 'gain' from participating in initiatives. We want to be good corporate citizens and we want those who follow us to be able to look up to us and see that we are doing our best to positively impact people's lives."

Nel believes that in a country such as South Africa, where there is such skewed wealth, access to education, health, transport and other economic and basic human rights, it is everyone's duty – as citizens and human beings – to help change the lives of those less fortunate than they are.

Kim Zietsman, head of business development and marketing at independently owned asset manager Laurium Capital, observes that those who have benefited from privileges are in the minority. "We should all have a bigger social conscience, especially as there's a gaping hole between economic growth and the challenges we face in South Africa."

In particular, she highlights education and employment, and the link between them: "Educating the youth to make them employable is key," she says.

Steven Liptz, co-founder of Sandton-based 36ONE Asset Management, also points to the dichotomy between the haves and the have-nots. "Because we care about the world we operate in, it is important to create a relationship between those of us who are in a position to give and those who need to be given to," he says.

He adds that in most cases, small efforts can have a big impact, creating change in a recipient's life that can then stimulate further op-



Laurium's Victoria Gorman and Dane Hildebrandt visit Rays of Hope, which educates orphaned and vulnerable young children in Alexandra, Johannesburg

portunities.

For Liptz, giving doesn't mean simply forking out money. "We almost never do that," he says. "We believe in being involved, in giving of our time and building a connection." This is something that has been an integral part of the company since its inception 15 years ago.

"While it's not what drives our giving-back ethos, it's important not to overlook the impact this has on building our business," says Liptz. "It creates something different for employees to come to – 36ONE is not just another financial company. It has a personality, with heart and soul. If the organisation is giving, individuals learn by example to give, which results in the multiplier effect."

As part of this cycle, when an individual staff member chooses a charity and gives to it, the company matches his or her contribution.

In addition to an altruistic motivation for giving to charity and assisting local communities, 36ONE also acknowledges the imperative to do so, in order to nurture sustainability.

It has a Transformation and Social Responsibility Team (36ONE TSR) to see that the initiatives it supports are in line with South Africa's national priorities and

that the projects are relevant to 36ONE's brand values.

Investment consultants Jade Houreld and Stash Martins are part of this team.

Martins says that as 36ONE's business is investing in predominantly South African companies, it's in the firm's best interests to do what it can to ensure the country's continued success.

She adds that asset management is more than just making investments: it's about helping individuals to achieve financial wellbeing, as well as driving responsible asset allocation in the economy.

"We believe we have a responsibility to lead by example. Given that we target companies that consider long-term sustainability initiatives in their underlying businesses, we have no option but to act," says Martins.

For Sandton-based specialist asset manager All Weather Capital, giving-back initiatives provide an opportunity to engage with communities to which they are, through their core business, inextricably linked.

All Weather's marketing and business development manager Mmakgotso Mogoane says: "As an asset manager, our clients predominantly consist of pension funds, and they represent the life savings for some of



36ONE works with self-taught photographer Andile Bhala, who took this photo at The 36ONE MTB Challenge

the poorer people in our society. We therefore feel that it is our obligation, not only to ensure that those savings are managed to the best of our ability, but also to give back to those communities where we can."

And this means contributions, from staff members and from the company, that go towards supporting individuals and organisations that make a difference in people's lives – particularly in the education space.

"We are cognisant that much of the reality we experience now is due to the fact that we had the advantage, and the ability, to learn at a higher level," says Mogoane.

Although All Weather Capital gets BEE points for its initiatives, Mogoane emphasises that it has predicated its "giving back" on making a real impact on individual lives.

Nel, too, says Terebith's giving-back initiatives are not done to gain BEE points (the company has been a Level 2 company for a long time). Instead, they are part of its corporate citizenry responsibilities, driven from board level. "We participate in these initiatives because we truly believe that education is the cornerstone of a better life for all South Africans."

Initiatives

Terebith Capital's association with the Partners for Possibility (PfP) project stands out for its direct and rewarding impact.

The programme addresses the crisis in the South African education system through facilitating partnerships between members of the business community and school principals over a 12-month period.

From November 2017, Terebith sponsored Andreas Tindlund, then a senior portfolio manager with the company, to contribute his time and expertise as a "thinking partner" to Andrew Swartz, the principal of Riverton Primary in Bishop Lavis, Cape Town.

"It is a win-win from all perspectives," says Nel. Although the exchange of knowledge is far from a one-way street, when it comes to dealing with management issues, the experience that those from a corporate environment can share tends to be invaluable for the principals.

"In turn, working on a one-on-one basis with principals of underprivileged and under-resourced schools teaches us a lot about how much more we can do as corporates and as individuals to improve the lives of those less fortunate than ourselves," he adds.

While Terebith Capital recognises the value of hands-on participation by staff members, Nel says their input depends on circumstances: where they can actively add value they participate physically, but in instances where experts can be more effective, they prefer to sponsor initiatives.

Terebith MD Nomathibana Matshoba

says an example of this is the financial support provided for the Mandela Day Family Planning Initiative held at the Mitchells Plain District Hospital, Cape Town.

Other projects she highlights show the company's dedication to furthering education: they contributed to a calculator drive started by the Association of Black Securities and Investment Professionals (ABSIP) in which they donated scientific calculators to schools in underprivileged areas where learners were sharing the devices, which made it difficult for them to complete their final exams.

Also in the education field, Terebith Capital provided learnership sponsorships to two people for 13 months in 2016/17, and Matshoba says they intend to revive the project via the YES (Youth Employment Service) initiative.

In its learnership graduate programme, Laurium Capital typically hosts two black graduates a year. "The graduates are mentored and given work experience in all divisions. At the end of the programme, we try to keep them with us and sponsor them to study further," says Zietsman.

For its part, 36ONE has sponsored various students as part of the Tomorrow Trust initiative. Houreld says a portion of this was put towards the cost of a student's tuition fees at the University of Johannesburg.

"In 2018, this particular student passed his BCom Honours in Economics with multiple distinctions and has since been accepted into the Risk Graduate Programme at Standard Bank."

Liptz adds that 36ONE develops real relationships with the students and, as part of this, dedicates time to teaching them the benefits of saving and investing. "Anyone can sponsor a sporting event or give money, but this is aligned to our core function. I believe it can really change their lives in a real way



Terebith Capital's Nicole le Riche, Nomathibana Matshoba and Mandy Pick join forces for ABSIP's calculator drive

because the potential impact is that they will save forever. It's also likely to have a knock-on effect on their families and others in their environment."

He refers particularly to a learnership-with-a-difference, in which 36ONE is working with a self-taught photographer from Soweto, Andile Bhala.

Liptz says, "Andile took some remarkable photographs of kids playing soccer in the township in the dust at sunset. We bought the pictures and they're up on the walls of our office."

The significant part, though, is that Liptz put the money into an account for Bhala instead of paying him cash. "I had to do a lot of convincing and explaining why it was important to save the money, but that discussion was particularly significant because Andile 'got it'," he says.

Liptz says Bhala is crazy about single-speed cycling and, as the 36ONE MTB Challenge is an exceptional opportunity for photographers, they sponsored his trip to this year's event.

They have also set up a working space for him at their offices and are connecting him to various sources of new business, which will provide him with a platform to further his career in photography.

The company's association with Bhala brings together two of the causes it believes hold the key to a successful and flourishing society: education and sport.

Says Houreld: "Education is the foundation of any modern economy and, in the words of Nelson Mandela, it is 'the most powerful weapon which you can use to change the world'. In turn, sport has the power to inspire, motivate and unite people from different backgrounds and cultures."

It can also be used as a vehicle for giving back. The Charities Unlimited Golf Day, for example, donates to more than 20 charities a year. Laurium Capital is one of the main sponsors of this event, which has been running for 27 years. As Charities Unlimited's primary focus is education, the first charity to benefit from the inaugural golf day was St Mary's Children's Home in Rosettenville, Johannesburg.

In one of its staff-initiated education-aligned projects, Laurium visited Rays of Hope, which educates orphaned and vulnerable young children in Alexandra, Johannesburg. The company and individual staff members contributed clothes, books and toys for the children. "What a moving experience seeing the pure joy and excitement of these kids who have absolutely nothing. Spending time with them and helping put a sparkle in their day was just so rewarding on so many levels.

"It was heartbreaking to see the children and learn of their circumstances, but we all want to go back to visit, and to do more for them," says Zietsman.



Members of the All Weather Capital team, centre, deliver blankets to homes for the aged

In a similar drive, All Weather Capital donated school supplies to children at Bethany Home, a shelter and place of rehabilitation for abused women and children in Johannesburg.

Mogoane says: "We spent a day with the women and their children, during which they showed us their paintings, sewing and craft skills. These play a fundamental role in Bethany's occupational therapy.

"We found it greatly rewarding to be able to interact with the people there, and to see how appreciative they were of us taking that time to listen to their stories."

Mogoane says the All Weather Capital team likes to participate actively in its projects, so whether it's delivering blankets to homes for the aged and the homeless or donating funds to an NGO, they like to do it in person.

For both the team and recipients, the interaction is a highlight. "Hearing some of our

stories motivates the recipients, and for us, understanding and seeing the impact and change we are bringing is all the reward we need."

Learnings

Although they expressed it slightly differently, the lesson common to all the companies was "a little goes a long way" or "every little bit makes a difference".

All Weather Capital's Mogoane says: "After each initiative we are learning, more and more, the value of doing what we can and the power of consistency in making a difference. It's almost as powerful as compounding: what looks like a little will grow and have an impact. It's also important for us to acknowledge the impact of the 'personal touch'.

"To see the smiles on the faces and the reactions of those we visit reminds us of just how much our small contribution means to those less fortunate than ourselves."

Attending the annual Execs Back to School day in August was "a mind-shifting experience" for Martins of 36ONE, and she came away with two key lessons.

"It reiterated the importance of strong leadership and the impact that it can have. As asset managers, we see this being played out time and time again in the companies in which we invest – often the best positions in our portfolios are in businesses with strong leaders who are flexible, willing to put in the hard work and able to empower their staff.

"Perhaps the more important lesson was the power of positivity. We went to Sedibeng assuming that we would be sharing insights with the staff and students, but instead we learnt from them. Despite the hardships the children face, such as violent home environments that may involve neglect and substance abuse, they have so much hope."

When asked what they wanted to be when they grow up, most of them said doctors, firefighters, veterinarians, scientists and police officers – all careers in which they would dedicate their lives to the common good.

"They want to make something of themselves and uplift their communities, despite the hardships they have endured. It reminded me that there is untold strength in a positive mind. I don't mean being positive and ignoring the negative, but rather being positive despite the negative.

"It takes guts to be positive, and this is also the case as an investor in South Africa. To remain positive, staying the course and trusting in the philosophy and conviction of your asset manager can result in a profoundly rewarding outcome," says Martins.

Similarly, when faced with the enormity of South Africa's challenges, it takes tenacity to keep believing in the value of every contribution.

And, says Zietsman of Laurium Capital, if we look beyond our comfort zones to improve our awareness of the social situation, we can all do more than we think we can.

"It's not about how it is 'good for the company' or how can we 'gain' from participating in initiatives. We want to be good corporate citizens and we want those who follow us to be able to look up to us and see that we are doing our best to positively impact people's lives"

Erik Nel

Alexander Forbes highlights the value of absolute-return strategies

Alexander Forbes CIO Gyongyi King discusses the challenges of a low-return environment for investors, and performance and prospects for hedge funds

HedgeNews Africa talks to Gyongyi King, CIO of Alexander Forbes Investments, a leading allocator to the South African hedge fund industry via its multi-manager product range.

Alexander Forbes has total assets under management of around R342 billion (as at March 31, 2019), of which R16 billion is in various alternative assets. This includes R11 billion in hedge funds.

What is your view of the world at the moment? How are you advising investors?

GK: We're telling investors not to panic, not to make decisions on emotions, and to stick to their long-term investment strategies. The reality is that it's been a low-return environment for the last couple of years but a lot of what we've done in alternative investments – private markets plus hedge funds – has been to try

to address that low-return environment, to bring something else into investors' portfolios. So at the moment it's all about communication and explaining why returns are the way they are, and making changes in portfolios that reflect the best opportunity set for clients.

Do you think we are heading for a global recession?

GK: It's not our base case, no. From our economic perspective, it's just all endemic. There's a lot of late-cycle dynamics. Unfortunately it's normal at the end of a cycle to have volatility and uncertainty. The trade wars are just one manifestation of that. When there's not a lot of growth globally, then you start fighting for growth in your local economy and you become more isolationist. So our base case is not as dramatic as global inflation but you've got to be realistic in that bull markets are not coming back any time soon.

And what is your view of the South African scenario, particularly given the low growth environment?

GK: In a low growth environment it becomes challenging to generate real returns. In the last few years, bonds and cash have been your best performing asset classes; we don't think this will persist. We are positioning for continued volatility, continued low returns and as much diversification as possible. Again, that talks to a lot of what we've done in the alternative investments area – adding on private credit, private equity, infrastructure investment, because those are not necessarily relying on equity markets to deliver returns.

What is your view on the hedge fund industry at the moment?

GK: From a return perspective, the hedge fund industry has actually done pretty well, certainly from what we can see. If you compare it with mainstream asset classes, it's delivering exactly what it's supposed to: absolute returns. We're in a very turbulent period with lots of volatil-

ity. Investors are not getting a lot out of equity, bonds and cash, but with this kind of turbulence, hedge funds are actually proving to be a great diversifier. From an asset flow perspective, it's a difficult time but if you look at the industry more holistically, hedge funds are delivering what they should. So that's the good news.

From our manager interactions and survey data, it's clear to see that the hedge fund industry has experienced material outflows in recent years. Some of the contributing factors expressed in our engagements largely relate to poor performance, which has brought outflows from several asset allocators and the closure and/or consolidation of several strategies.

Alexander Forbes has become a dominant allocator to South African hedge funds in recent years.

GK: Yes, we've included hedge funds in our solutions for many years. However about two years ago we moved them across so that all of our main solutions now have some hedge fund allocations. How much just depends on what the solution is. We've grown from about R5 billion in hedge funds at Caveo, which was the joint venture between the Peregrine Group and Alexander Forbes Investments, to around R11 billion now as a wholly owned Alexander Forbes entity. We invest in about 15–20 South African hedge fund managers.

The assets are all in hedge fund of fund structures but allocations come from much broader solutions.

Under South African regulations, Board Notice 90 currently restricts a long-only portfolio of a CIS (collective investment scheme) in securities from investing in a hedge fund CIS, even though they are both regulated structures. Would you like to see that change?

GK: We definitely want to see that happen. It makes no sense to leave things as they are, where you can invest 100% of your discretionary assets into hedge funds



Gyongyi King

but then not put it into a retirement annuity where it's part of the regulated environment. In the institutional sector, outside of the unit trust space, it's not applicable. So that's not really a restriction. But yes, we are definitely also waiting for that so that we can offer a retail solution that includes hedge and long-only.

We'd also like to offer a retail fund of hedge funds, but at the moment we don't find that there's a big enough pool of retail-focused hedge funds with daily liquidity to have a meaningful product.

Do you include both liquid and illiquid alternatives in your funds?

GK: It depends on our portfolio solutions. We can tolerate a limited amount of illiquidity for certain portfolios, based on their size and long-term investment horizons.

Hedge is our more liquid end of alternatives, so there we can allocate a bit more and it should be a bit more flexible because you can adjust your weightings as and when you need to. When hedge funds outperform, as we've had in our experience, they become overweight compared with the mainstream asset classes from a regulatory perspective, and then you've got to be able to cut them back. So it's good news because they've performed as you want them to but that then becomes too big a portion of your portfolio and then you have to do something about it.

Do you include pan-Africa (ex-SA) in your general portfolios?

GK: We do include Africa. We've started investing slowly into private markets in Africa and we've had an African equity portfolio for more than five years. It's a long-term growth investment, which is good because we're struggling in South Africa from a growth perspective. In Africa there are pockets of good growth but there's also a lot of volatility too, so we have to take a long-term view.

You've been a driver of change from a transformation level in the hedge fund industry, encouraging diversity and economic empowerment to more accurately reflect the country's demographics. Is that something you insist on from management?

GK: Transformation is imperative to sustainability in asset management across South Africa so we apply the same thinking and the same kind of interrogation no matter what the strategy is across all our asset managers, be they hedge fund or long-only managers. This is being in-

terrogated by our clients, so we need more details. Money management is not just about the traditional metrics, it's also about skills development and succession planning, which is critical in the South African context.

And are fund managers receptive to that kind of change?

GK: They find it challenging, especially in hedge funds where it's more of a niche, boutique area, with smaller owner-managed firms. And that's why it's all about engagement. Is everyone where they should be? No. That's the truth but I think very quickly hedge fund managers are getting to grips with the fact that there need to be plans in place, and certain initiatives must be under way. So we're getting there. Not as quickly as we'd like to, but we're getting there.

It's what our clients want to see. It's their assets at the end of the day. Our clients, typically corporates, want to see the same types of initiatives and conversations as they are seeing in their own industries.

Do you allocate to offshore alternatives?

GK: Our clients look at the full range of investments offshore, but we don't include offshore hedge funds.

We look at private markets and we are making some initial investments into private markets offshore, private equity specifically. In Africa we tend to look at infrastructure investments but when we go elsewhere offshore we tend to look at private equity and private credit.

We find there is a lack of regulatory clarity on investing in offshore hedge funds, so that's the major restriction.

And I'm not sure offshore hedge adds value at this stage of the game. You don't get the same diversification benefits. Offshore, you've got lots of choice across major asset classes. In South Africa, we have a concentrated equity market and bond market. So adding a hedge fund is good practice. You can make different types of returns and generate extra returns for clients. Offshore, it's not quite that clean cut because the opportunity set is so much bigger, so we just don't do it.

Are you happy with the quality of hedge fund managers that you're finding in South Africa?

GK: Oh absolutely. There are some who can definitely compete with the best in the world. There are not a lot of offshore investors looking at South African hedge funds at the moment, but that's just because they're not looking at South Africa

in general as an investment destination. It has nothing to do with the quality of the managers here.

How do you go about selecting hedge fund managers to invest in?

GK: Our manager research team does all the research into different strategies and then we gauge their suitability in the portfolios. Despite the fact that there are nuances in each strategy, you can also only do so much in long/short equity, for example. We try to keep the portfolios quite concentrated and not too over-diversified. It's about the blend, making sure the managers fit well together.

Your approach is via multi-manager portfolios. Fund of hedge funds have had a difficult time. Do you still think that's the best approach?

GK: We've done OK. Our portfolio has delivered the returns that we'd expected. As a fund of funds, you've got to be clear on what your objectives are and you can't have too many managers. It also depends on what you are comparing it to, it really does.

What do you want from your hedge fund allocations?

GK: Absolute returns. There used to be much more of a relative focus, with returns being compared to the equity markets. But I think now the real test is you need absolute returns in this environment because you're not getting it from many asset classes.

Do you expect assets to grow in the hedge fund industry? Is there anything you would like to see the industry doing?

GK: South Africa has lost a lot of the investor base in hedge funds and, from our perspective, we went in and increased our exposures and it's done relatively well for us. But we'd like to see more investors, obviously, to make it sustainable. People need to be a bit more vocal.

In general, I would say that South African institutions are under-invested in alternatives. There is a strong focus on mainstream traditional asset classes and that's probably not where you want to be 100% focused. You do need a bit of diversification.

The industry needs many more investors and that's where hedge fund managers have to get moving and start really building their own case and not being so passive and relying on the fact that there's a captive base out there. There just isn't. You've got to go and lobby for the benefits of investing in these strategies.

Matrix applies hedge fund DNA to broader multi-asset product set

Applying an absolute-return mindset to a range of asset classes for retail and institutional clients, risk management is central to a disciplined approach

Applying its hedge fund DNA to a broader product set in the traditional space is proving a successful strategy for Matrix Fund Managers, which is delivering top-quartile performance across its multi-asset product range.

The Cape Town-based diversified boutique asset manager, which began as a hedge fund business within Brait in 2006 before corporatising after a friendly management buyout in 2012, went on to launch its long-only offerings in 2014.

It now has assets under management of around R10 billion in a range of traditional and hedge funds across equity, fixed income and multi-asset portfolios, with a stable R3 billion in hedge fund assets and the remaining R7 billion in long-only funds, which has grown strongly in recent years.

All funds are offered as Collective Investment Scheme (CIS) portfolios through various linked investment service providers (LISPs) or directly through the relevant CIS management company (manco), and the team also manages segregated portfolios for clients, where appropriate.

As of August 1, Matrix has taken on a new non-controlling corporate shareholder in the form of Sanlam Investment Holdings, which replaces the stake previously held by Novare Capital.

"We look forward to having Sanlam on board as a shareholder of reference," says CEO Eben Karsten. "They interact with us at board level from a strategic perspective and are not prescriptive about the way we run our business."

When it comes to investment strategy, Matrix combines tactical asset allocation with a fundamental, bottom-up equity approach and a top-down macro fixed income approach.

"We are pragmatic, style agnostic and not peer cognisant as we look across asset classes to deliver alpha," says Karsten. "We are nimble and flexible and able to admit when we are wrong and act accordingly. Our absolute-return mindset pursues excellent performance within appropriate risk limits for all our clients."

The investment processes are applied across various asset classes and fund mandates, with the team drawing on internal and external research and shared idea generation while being mindful of client objectives. Disciplined risk management is central to their approach.



Eben Karsten

Matrix has a stable and experienced team of 24 people across investments and operations, with the investment team headed by co-CIOs Lourens Pretorius and Bruce Mommsen. The leadership team includes Karsten as CEO, Rob Coombe as COO and Roushana Dean in the role of CFO.

The team has recently been bolstered with the addition of Jean-Pierre Matthews, who joined in September as Head of Product, responsible for the development and distribution of the Matrix product range. Matthews has been in the financial markets since 1996 and has been a longstanding proponent of the hedge fund industry in South Africa. Over the years he has been involved in establishing and managing a number of alternative fund management businesses. Before joining Matrix, Matthews was a portfolio manager and head of business at Absa Alternative Asset Management. The other members of the business development team are Lebogang Phuti-Thornton, who moved across earlier this year from Allan Gray, and Patsy Langa, who has been with Matrix since 2015.

New to the investment team is Mellony Spark, who joined Matrix in July as an equity analyst, with five years' experience in the finance industry, working previously as an equity analyst at Kagiso Asset Management and a global equity analyst at Old Mutual Investment Holdings. Spark has a BSc (Honours) in National Astrophysics and



Jean Pierre Matthews

Space Science and a PhD in Astronomy.

Pretorius heads the fixed income team, which includes Konstantin Egorov, Carmen Nel, Sollie van der Linde, Craig le Riche and Chris-Sandra Klaasen; while Mommsen heads equities, with the equity team including Leon Michaelides, Ndumiso Ndebele, Anthony de la Cour and Spark.

Matrix remains committed to ongoing transformation and socio-economic development practices. Following a number of recent developments, Matrix's B-BBEE (black economic empowerment) credentials have moved from a level III BEE rating to a level II rating.

Matrix has for some years been a manager on the Sanlam Select range of funds, which are currently being rebranded under the Amplify moniker.

It now has a five-year track record managing long-only assets, with the Sanlam Select Defensive Balanced Fund, a stable, low-equity multi-asset class fund, adding an annualised 8% (net of fees) over five years – one of only a very few funds that have outperformed CPI+3% over this period in the South African multi-asset low equity category (as classified by ASISA). The fund, which ranks No 2 out of 91 funds in the low equity category, is diversified across all major asset classes. It holds a large portion in fixed interest instruments to provide consistent real returns with a focus on capital preservation.

The Matrix NCIS Multi Strategy Retail Hedge Fund, the team's longest-running product, has added a net 7.11% so far this year to the end of September (compared with 6.9% from the Johannesburg All Share Index), or an annualised net 11.8% since inception in October 2006 versus 10.4% from the index. The hedged multi-asset approach, which includes a diversified mix of hedge fund strategies, has outperformed local equities at bond-like volatility.

The Matrix NCIS Fixed Income Retail Hedge Fund delivered a net annualised 15.29% since inception in October 2008. This net cash plus 10% return has a low correlation to other asset classes, with moderate volatility.

Transporting its skills into the long-only world has been a successful strategy for Matrix, bringing strong growth in assets in recent years, coupled with top-tier performance.

Other long-only mandates include the Sanlam Select Absolute Fund, a CPI+4% mandate, which ranks third in the medium equity category since Matrix took over the mandate in October 2017.

The Novare Balanced Fund, a high equity CPI+5% mandate launched in February 2018, utilises asset allocation skills with a higher equity content; while the Matrix Novare Stable Income Fund targets CPI+3%, launching as a fund in December 2018 with a track record as a segregated account.

The Matrix Novare Equity Fund (SWIX



Mellony Spark

+1% mandate) ranks fourth in the general equity category since inception, while the Sanlam Select Bond Plus Fund and Matrix Novare Money Market Fund have also delivered strong returns.

Looking ahead to the next five years, Matrix aims to capitalise on its strong track record in the multi-asset space, growing its retail and institutional client base while maintaining good investment performance.

"We have the right people on board with the right skills to grow exponentially from here in both the hedge and long-only space," says Karsten, noting the team's combination

of strong operational backbone and investment talent.

When it comes to the markets, Karsten acknowledges that South African equities have been in a tough space for several years, and even equity-focused hedge funds have shown a correlation to traditional assets. The team remains cautious about global growth, with the slowdown accelerated by trade wars and other external factors.

In a global context, Matrix notes that South African fixed income stands out as value versus global fixed income, and versus the equity markets, albeit that investors remain concerned about the pace of deterioration on the fiscal front. Government commitment to turning the fiscal ship around, notably on the expenditure side, is needed before foreigners re-enter the markets, even at these levels. South Africa's medium-term budget at the end of October presents an important line in the sand in determining how various asset classes will perform.

"Our multi-asset approach means we don't need to put all our bets into the equity market right now, and we have deep insights in the fixed income space," says Karsten. "Our process and philosophy has helped us add demonstrable alpha for investors across a range of risk-return profiles, and we look forward to building lasting relationships with our clients, both retail and institutional, as we deliver on their investment objectives."



HOME-GROWN EXPERTISE. WORLD-CLASS EFFICIENCY.

Legae Peresec is the synergistic result of a coming together of Peregrine Securities and Legae Securities.

Time has proven that our founding values of client centricity, care, integrity, and proficiency, as well as our genuine desire for improvement, innovation, and knowledge acquisition, result in truly sustainable client partnerships and market leadership.

This, coupled with our sound risk management, robust processes, and unparalleled experience, allows us to be a premier supplier of a comprehensive range of trading, custodial and prime broking solutions.

+27 11 722 7400 | info@legaeperesec.co.za | www.legaeperesec.co.za



LEGAE
PERESEEC

RisCura's investment advisory unit reviews the global landscape

Senior investment consultant, Prasheen Singh, explains how the firm is advising investors looking to keep pace in a complicated world

Prasheen Singh, a senior investment consultant of RisCura's advisory business, takes time to talk to *HedgeNews Africa* about investor concerns and asset allocation trends.

RisCura's investment advisory team advises on combined assets of around US\$200 billion, providing the full spectrum of investment consulting. This ranges from setting investment strategy to choosing managers, implementing and then monitoring for clients on an ongoing basis.

What types of clients do you work with?

PS: We are privileged to work with some of the largest funds in South Africa and in the rest of sub-Saharan Africa as well.

Pension funds are significant in our client base, but we are also very involved with insurers, medical schemes, trusts and endowments. This wide set of clients requires us to consider their liability profiles, whatever they might be, with different asset class mixes and investment horizons.

We have to be cutting-edge and identify and implement different ideas and opportunities for these very large clients, who place large sums of money to work while ultimately taking care of their underlying members or clients.

What is your macro outlook at the moment?

PS: Geopolitics continues to be a big theme. More recently, the risk of stable oil supply has risen and we've seen heightened tensions. Geopolitics influences different sectors of the market and, along with that, we've seen developed markets, particularly in the equity space, looking pricier. Valuations are more attractive in emerging markets, China and even Africa (ex-South Africa).

There also seems to be a turnaround between the value and growth themes. Value has been coming to the fore recently. Also, fixed interest is a lot more expensive globally, amid rhetoric around negative yield. Inverted yield curves are used as one indicator of an imminent US recession and we need to watch for that. The likely return to a rate-cutting cycle from a rate-hiking one means a continued search for yield, whether it be in

the liquid or illiquid space.

We know that the South African markets are also driven to some degree by Chinese markets, given that Naspers is a very big player and its link to Tencent.

In Africa ex-SA, where we invest our clients' additional offshore allocations allowed by exchange control, private equity has been attractive, particularly where liquidations and exits have generated attractive cash flows. If you compare SA Inc relative to companies in the rest of Africa, especially where you combine listed and unlisted opportunities, you will see that Africa (ex SA) has done well. It has managed to keep in line, if not perform better than SA Inc.

Private clients continue to use their offshore allocations and take money out of the country. Is the trend the same for institutional allocators?

PS: Generally institutional allocators have an exchange-control allowance, and combine their offshore allocation with an onshore allocation to create balanced solutions. Absolutely our clients have been optimising their offshore allowances to the extent that they need to and can, based on their strategies.

We are in a global world, the risks are global and South Africa is not an isolated market anymore.

There has been a big swing to passive investing. Is this mirrored in your allocations?

PS: Passive versus active is never really an either/or argument. It's more about the timing and which is more effective than the other given the market dynamics. Passive has gained a lot of traction in the retail space, largely because of fees and the impact thereof on alpha generation. My expertise is predominantly in the institutional space, and the case for passive is very different when looking at retail versus institutional. Fees have a far bigger impact in the retail space where the investors are price takers. Institutions have more negotiating power, including on both the quantum and size of fees. In South Africa, specifically, there is still further evolution which needs to happen on the pricing of passive products versus active products. For a long time passive hasn't

been as attractive in the institutional space on the fee differential relative to active opportunities.

Where are you directing offshore allocations?

PS: We are still finding the equity space more attractive and yielding far better opportunities than fixed income. Fixed income is expensive and negative yield is not attractive. So we are predominantly equity based.

Some niche opportunities in the property space have looked attractive and we have started to diversify allocations towards that.

Within global equity, there has been a bigger focus on where we are positioning. China has been a big focus for us, emerging markets to a large extent, developed markets and even Africa ex-SA.

Exchange-control restrictions imply that South African investment institutions are required to invest the bulk of their assets in South Africa. But the additional capacity allowed for Africa ex-SA means that the opportunities that lie outside South African borders have opened up an important diversification opportunity.

And your domestic allocations?

PS: In South Africa, equity market performance has not been attractive recently. Our perspective is influenced by the objectives and liability profiles of our clients, and to a large extent fixed income in its various forms defines their liabilities. So despite the lacklustre markets, funding levels across most pension funds have actually improved through this period where we've seen markets retract.

Equity markets can and do experience short-term volatility – and five years is still short-term in the context of a long-term investment horizon. In any shorter-term period, you can expect negative volatility in the riskier asset classes.

Economic growth, company earnings, and the performance of markets, are dislocated. They don't necessarily behave in the same manner. And, because there are other external driving forces, particularly in South Africa with its high levels of foreign ownership and investment, the equity market is

not insulated. It is influenced by global risk factors as well.

What is your view on alternative assets?

PS: We recognise that alternatives operate in the same markets, and experience the same impacts, as vanilla assets. In hedge funds, however, you have more arrows in your quiver in that you can short or use different strategies, and we look at those independently when we appraise cost outcomes or returns for clients. Private equity and venture capital, in their niche areas, are certainly places that we investigate and bring to our clients as and when appropriate. Of course, the overarching approach is what clients can tolerate in terms of their risk profiles to meet their objectives and liability profiles.

Where do hedge funds fit in?

PS: We like them where they can and do provide an attractive opportunity above the cost. We don't shy away from them, we absolutely look at them but we also understand where they fit in the cycle. We don't try to

see them as something so different because they really aren't. They are differentiators, but they aren't a completely separate amorphous thing. So we look at that and evaluate the opportunity.

African equities have been very volatile. Are you finding other ways to benefit from an Africa allocation?

PS: Currently we have been accessing Africa ex-SA with a combination of strategies, some liquid, some illiquid, and we are also evaluating opportunities in the bond space. Some of our Africa ex-SA strategies have delivered very credible returns when compared to SA Inc. Combining good illiquid opportunities in the Africa space with equity-type strategies has been, at a minimum, comparable with what you would have received as a South African investor.

There has been much debate around redirecting prescribed assets in South Africa. What is your view?

PS: It's been very topical and there is a lot of emotion around it. The reality is, we can't

comment on what government is going to do. It is very uncertain. But, from our perspective, it highlights impact, infrastructure and other types of investments that fit within the ambit of responsible investing, considering ESG factors, sustainability and activist investing. Government is already encouraging that, and it behoves large allocators like pension funds to consider those types of investments. These opportunities already exist and are significantly attractive. Many of our clients have been investors in this space for a long time. If pension funds had to focus on what they are already doing, they may find they are further down the road than they realise in accessing those types of opportunities.

There are impact and infrastructure investments that have delivered, and continue to deliver, great returns for clients. The role of trustees is to ensure good returns for their members. But, it is also to ensure that those members retire into an attractive and sustainable environment.

Irrespective of the outcome of prescribed assets, we also recognise that clarity is needed around definitions for impact and infrastructure investing and have been working towards this with the rest of the industry.

Outlook for hedge funds from RisCura's Investment Analytics team

George Tsionis heads RisCura's Investment Analytics team, which looks across asset classes in a multi-asset environment, with a big focus on hedge funds.

What is your view on the South African hedge fund industry at present?

GT: We cover quite a big chunk of the hedge fund market and are familiar with the trends, the flows, and the risk/return profile of various funds. Over the last 18 months we've been collating more data to help the industry understand how to look at hedge funds.

I think we've hit the bottom in terms of allocations. And I think that it is the wrong time to be pulling out of hedge fund assets, particularly in a climate that's increasingly uncertain, with returns of various asset classes not looking that compelling.

Hedge fund returns have been very good so far this year, and from a risk-adjusted perspective, a strategy like long/short equity is broadly about 8.5% higher year to date with roughly the same volatility. The SWIX year-to-date (end-

September 2019) is up 4.3%, but with 14% volatility. Even over a longer period, the numbers stack up. If you really think risk-adjusted, certain hedge fund strategies like market neutral have been very compelling. On average the market-neutral funds we monitor over the same period have delivered close to 8% with a volatility of 4.5%. The All Bond Index has delivered roughly the same as a market-neutral hedge fund, but with higher volatility, at about 5.5%.

People think hedge funds are risky, however the very nature of good hedge funds is that they manage and understand their portfolio and valuation risk. Let's take market-neutral strategies, for example, which are a fantastic way of lowering the portfolio volatility so that absolute return can come through.

Sadly, when other asset classes have fallen significantly, people may then start investing back into hedge funds, considering the pricing. There will be more squeeze on fees and that's when you are going to get more allocation. Also, we may see a drive for more allocation into hedge funds via segregated mandates. This may be

driven by the clients or even the hedge fund managers that don't want the rigmarole and complexity of daily pricing, but just absolute returns.

Regulation has hampered the South African industry - the domestic industry hasn't grown, it has just created another layer of fees. It's been a double whammy. Someone has to pay for the added oversight and the regulatory crunching of numbers on a daily basis. Yes, it might be perceived to be better for the retail investor ... but we haven't seen an explosion of retail investors putting money into hedge. The IFAs don't really understand hedge funds, and the industry hasn't done enough to explain itself, the different strategies, the lower volatility and risk-adjusted returns. However, ASISA is in the process of classifying the hedge fund industry.

Also, the returns in 2017 and 2018 were pedestrian. Some hedge funds were highly geared towards the market so they weren't genuinely hedge funds. As in any space, you need to kick the tyres and people don't know how to do that with hedge funds. They don't get things like gearing

and gross exposures. We need more education on the drivers of returns within a hedge fund product and to be able to differentiate over time where the manager demonstrates alpha.

Do you look at the offshore hedge fund industry as well?

GT: We do have our ear to the ground globally with regards to the hedge fund market. The global hedge fund industry is still growing steadily. Overseas investors are a bit more grown up in the way they look at hedge funds. In South Africa, there's a lot of comparison to long-only, but this is genuinely an alternative asset class. Offshore allocators tend to say: how can you differentiate from my returns in the broader equity or bond market? Some investors seem to think that because hedge funds charge higher fees, they have to deliver performance all the time. But that's impossible. On the other side, hedge fund managers need to realise that there's a place for them in any asset-allocation process, but their fees have to be comparable with what they are doing.

Abax Bao uses multi-tool set to create better investment outcomes

Manager Wallie van der Walt uses derivatives to hedge or adjust stock-specific exposure and generate better absolute and risk-adjusted returns

Abax Investments has seen steady returns from its Abax Bao NCIS Market Neutral Fund, which applies a bottom-up, fundamental valuation-driven approach to building a market-neutral South African equity hedge fund portfolio.

Fund manager Wallie van der Walt joined Abax in 2011, having previously managed the strategy at Sanlam for four years. The Abax fund has a track record of 8.5 years, generating a net return of 10% per annum since inception in April 2011. Including the period over which the fund was managed at Sanlam, the track record extends to 12.5 years and the annualised return to 12.1% per annum (net of fees).

During the period, the fund has outperformed cash, bonds and equities, with just one-third of the volatility of the JSE All Share Index.

"It is interesting to compare our fund against low-equity multi-asset unit trust funds, which are traditionally attractive to retail investors and comparable when volatility and risk appetite are considered," says Van der Walt. "The Abax Bao market-neutral fund has a greater number of tools at its disposal (we are able to short individual shares) and this has led to a materially better investment outcome in terms of both absolute returns and risk-adjusted returns."

The portfolio typically comprises 25-35



Wallie van der Walt

positions, all South African-listed stocks, including pair trades as well as fundamental equity stock selection. The fund uses derivatives to hedge or adjust stock-specific exposure where appropriate. It is currently R350 million in size.

At current market levels, Van der Walt sees opportunities across most sectors. Diversified miners present value after prices have declined since the April peak and the platinum sector has done well for the portfolio in the past year. Financial shares in general are trading at attractive valuations and dividend yields, while a few retail companies are presenting good

value despite structural challenges of poor economic growth and online migration trends.

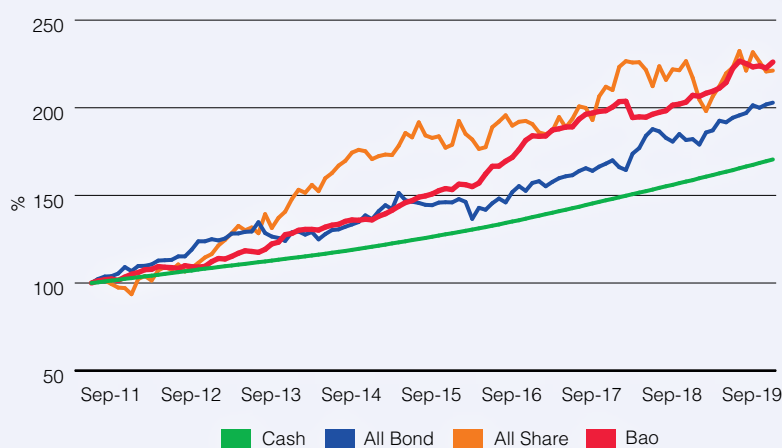
Van der Walt says this year's volatile market conditions have provided interesting stock-picking opportunities. "A share like Old Mutual has been in the press for all the wrong reasons yet it provided good trading opportunities at lower levels. Alexander Forbes, which is under new management and due to issue a significant special dividend after the sale of its short-term insurance business, offers great value. In the retail space, Truworths is well-managed, cash generative, has little debt and is significantly geared to any pick-up in consumer spending."

By sector, Van der Walt has concerns about companies where increased regulation is stifling growth, such as in telecommunications and healthcare.

"It's not to say we won't invest in a hospital or medical scheme administrator, but you have to factor in a valuation discount as the sector is at the mercy of regulatory change," he says. "Likewise, in the mining space, many companies perform poorly in the ESG (environmental, social, governance) area so we need to consider their disclosure and the risks accompanying these investments. At Abax, we are very active in engaging with boards of directors, where we believe governance or disclosure needs to improve."

Van der Walt works together with the 16-strong Abax investment team, which has total assets under management of R100 billion. The team's range of hedge funds, both equities and fixed income mandates, account for around 2% of total assets. This

ABAX BAO FUND: PERFORMANCE 2011-2019



Source: Abax

FUND FACTS

Abax Bao NCIS Market Neutral Fund

Strategy: South African market-neutral equity

Inception: April 2011

Structure: retail hedge fund

Portfolio manager: Wallie van der Walt

Prime broker: RMB

Administrator: Maitland

Open to investment: Yes

ABAX BAO FUND PEER GROUP ANALYSIS SINCE INCEPTION

As of Date: 30 Sept 2019 Peer Group (5-95%): Open End Funds - ASISA Sector (South Africa) - (ASISA) South African MA Low Equity

■ Top quartile ■ 2nd quartile ■ 3rd quartile ■ Bottom quartile



Source: Abax

relatively small size allows the team to remain nimble, as well as take advantage of investing in smaller and mid-sized companies.

Van der Walt acknowledges that the economic mood is bleak. Gross exposure across the book is relatively low in anticipation of increased volatility due to visible near-term risks around Brexit, trade wars and the me-

dium-term budget policy statement at the end of October. "For the immediate future we are fairly cautious," says Van der Walt. "The fund is trading slightly net long with around 80% of the book invested in large caps and the remainder in good-quality mid-cap companies. We don't have massive positions in any individual share; the biggest

single allocation is currently 2.5%".

For Van der Walt, a market-neutral portfolio offers many advantages for low-risk investors who don't like big surprises. "The Bao fund aims for consistent performance with an emphasis on downside protection," he notes. The fund targets volatility of less than 5% and aims to outperform cash by 5%.



The finest of detail creates the most exceptional results

When it comes to Investment Management it is the most meticulous attention to detail, trusted advice and mutually beneficial partnerships that yield the best results across multiple asset classes.

Prime Services offers both local and international clients with a holistic capital markets approach via an integrated platform, including:

- Prime Brokerage
- Futures execution and clearing
- Securities lending and borrowing
- Innovative fixed income and equity financing capabilities
- Multi-asset class product and margining solutions
- Local and global markets access
- Award-winning technologies, analytics and execution services.

Visit absa.co.za/cib for more information

Authorised Financial Services Provider Registered Credit Provider Reg No NCRCP7

66738/MH

Investors rethink exposure as global uncertainty looks set to persist

Trade and the process of globalisation, which has generated so much wealth, is stalling and investors need to be nimble in uncertain markets

In our latest annual investor survey, Hedge-News Africa canvassed the opinions of leading allocators to the South African hedge fund industry, in a wide-ranging discussion that looks at global and domestic investing trends, the role hedge funds can play, and where the industry is headed.

What is your global macro outlook at present? What can we expect from key global markets and economies?

Key investors and allocators agree that global growth is slowing, with trade tensions and geopolitical uncertainties stoking greater macro uncertainty and recession fears.

Yet policy stimulus was expected to provide support, and falling interest rates across the globe should keep a global recession at bay and bring a moderate pick-up in growth in the next 12 months, which would support risk assets.

"Given the extent of late-cycle trade-war growth uncertainty, the global outlook is both the primary driving force and deterrent of local returns at present," commented Francois Cilliers at ZIP.

The US consumer was key in keeping US economic growth at reasonable levels, and emerging markets (by implication South Africa), would mainly be driven by global sentiment and, to a lesser extent, by local developments.

Within equities, a shift was expected in favour of cyclicals at the expense of growth and quality sectors.

George Herman, CIO at Citadel, notes that the world is approaching the end of a record-long expansion phase, and monetary stimulus was having less and less effect, meaning a cyclical downturn in the global economy was on the horizon.

He adds that this "dangerous cocktail" of slowing growth and a looming trade war places risk assets under threat of a downturn, yet markets have run hard and are not priced for a global macro slowdown. Safe-haven assets have, however, already rallied, making hedging very difficult. He expects single-digit returns from most major asset classes, with a mixed outlook for risk/growth assets and muted returns from

"Hedge funds offer access to a very talented subset of the investment manager universe with the ability to implement and execute their investment strategies in their most unencumbered form"

Francois Cilliers

fixed income in the medium term.

Nosibusiso Ngqondoyi, head of property and hedge at Old Mutual Multi-Managers, notes that the global growth slowdown is mostly focused in trade and manufacturing, but could spread. "Companies are already facing a profit squeeze and could cut hiring and capital expenditure. The 'rules of the game' are changing and no-one knows exactly what they'll be."

While a US-China trade deal may eventualise, Ngqondoyi expects uncertainty to persist and notes that the process of globalisation, which has generated so much wealth, is stalling. Investors therefore needed to rethink risk exposure in their portfolios, especially exposure to growth assets, and increase exposure to asset classes that

offer a differentiated source of return and focus on downside protection.

Claire Rentzke, chief investment officer at 27four Investment Managers, notes an ongoing sell-off in domestic equities, after a promising start to 2019. "At the heart of the sell-off is a combination of ongoing weak corporate results from domestic-facing companies and the impact on share prices from policy uncertainty as we struggle to forge a definitive path forward."

A "highly unsupportive" global backdrop had contributed to this "perfect storm", with US-China trade tensions, concerns about a no-deal Brexit and social tensions in Hong Kong weighing on investors' appetite for emerging-market assets.

"Over the past three decades, investors have benefited from the narrative of emerging economies converging with developed markets. However recent structural underperformance, from a perspective of growth and stock market returns, has raised pertinent questions on whether this narrative still holds, and if global emerging markets still have relevance in a portfolio of global assets," she said.

China has been critical to the emerging-market narrative, and its slowdown could dampen enthusiasm for other emerging markets, she said.

Rentzke added that South Africa's extended period of sub-2% growth weighed on domestic companies, yet investors needed to be cautious about becoming overly bearish as a number of select opportunities had delivered more-than-respectable results as company-specific factors had unlocked value.

As government policies on matters such as the mining charter, land redistribution and national health insurance remained unresolved, she added that market participants were likely to continue to shy away from locally listed companies most exposed to sectors impacted by such legislation.

"These issues will continue to weigh on investment and prevent a material recovery in the economy," she added. "A broader recovery is required for the re-rating of a number of other lowly valued listed equity sectors."



Nosibusiso Ngqondoyi

THINK.CAPITAL's Kobus Jansen van Vuuren said the increased levels of uncertainty are likely to persist, which can in turn cause exaggerated reactions to negative news. While short-term market shocks and recoveries may be expected, over the medium term, strong company fundamentals would be a core driver of returns.

Kamini Naidoo, portfolio manager at Momentum, added that there was a risk that the trade war could morph beyond goods and services. "The rising recession probability is negative for equity and credit, and it is hard to see the catalyst that will lift growth and earnings," she said. "While global markets remain susceptible to a recession, the expectation is increasing for this to be shallower than previously expected."

She added that yield-curve inversion portends future turbulence – and a flatter yield curve was indicative of stretched sentiment, and typically led to higher equity volatility.

While Fed rate cuts had probably extended the cycle, monetary policy was likely to adopt an increasingly unconventional role as some central banks had already breached the zero lower band on short-term interest rates. The ECB has introduced further easing, and expected inflation in the region is low and falling.

"A staggering 26% of global debt is yielding negative returns," she noted. "Brexit uncertainty and heightened geopolitical tensions have added to global risk aversion, and the expectation is for this uncertainty (and resulting volatility) to continue."

These factors were likely to bring lower growth in most developed economies in the next five years, with the pace of structural reforms too sporadic and slow to promise a return to pre-crisis growth norms, she said.

Lebo Thubisi, head of manager research at Alexander Forbes Investments, agreed that the current environment was typified by low long-term returns, weak growth, high debt, low interest rates and elevated valuations. He believes emerging markets had a better growth outlook and more reasonable interest rates than developed markets but were still caught up in the same troubling global trends. Investors needed to factor in standard cyclical risks as the end of an economic cycle drew closer, including weakening corporate profits, defaults and even recession.

"Developed-market central banks are trying to stimulate with more quantitative easing but the efficacy of this policy is declining," he said. "We can expect increasing volatility after a period of highly contained volatility. We expect private markets and hedge funds to benefit in current conditions."



George Herman

What types of downside risks do you see currently for investors?

Geopolitical issues topped the list of concerns for allocators, including stalling global growth, ongoing US-China trade wars, Brexit, and the potential for commodity price declines.

Given that there is currently a big global disallocation towards growth assets at the expense of value assets, some were concerned that an unwinding of this trend could cause many investors to underperform.

Locally, the biggest risk is that government cannot push through much-needed reforms, which would accelerate the trust breakdown and bring a large withdrawal from South African assets, putting pressure on liquidity and asset prices. A Moody's credit downgrade would also be negative.

In South Africa, a lot of SA Inc shares seemed to be extremely cheap, but they could be a value trap if the domestic economy doesn't recover meaningfully.

Ngqondoyi at Old Mutual Multi Managers said that policy and political uncertainty remain key risks both locally and

globally. "Locally, lower than expected economic growth and a higher than expected increase in global bond yields and interest rates present the biggest risks for investors," she said.

THINK.CAPITAL's Jansen van Vuuren said the current environment was typified by a high prevalence of market shocks further exaggerated by impulsive sell-offs, and sentiment appeared to have trumped sound decisions on several occasions. "While this can create opportunities for the systematic investor, this market tendency also amplifies risks," he noted.

Momentum's Naidoo stressed that local markets were not sheltered from global macro risks. "Business and consumer confidence remains low. The lack of political reforms continues to further dampen sentiment and local growth," she said. "Markets have largely gone sideways for the last five years, and the risk that this persists for another few years should not be ignored."

She added that retirement portfolios had significant exposure to growth assets, and these had seen little to no growth over the recent period. The risk of a worse than expected budget deficit will also impact local markets.

Alexander Forbes' Thubisi said investors had become dependent on central banks for support, and a potential realisation that quantitative easing did not produce its stated outcomes poses risks to financial markets.

"Even those who are still hopeful about the impact of quantitative easing will question the limits of this policy due to elevated balance sheets and interest rates, which are already very low," he said. Negatively yielding global bonds were another potentially damaging characteristic of this problem. And while allocators had low-return expectations in this environment, there was a risk of divergence between client expectations and reality.

What can investors do to protect their portfolios?

Investors agreed that the current environment offered few places to hide, and diversification in both strategies and currencies was vital.

Gold and precious metals, local cash and fixed income, and safe-haven currencies such as the Japanese yen offered a measure of protection, as did stockpicking via short positions.

"Investors need explicit hedges to their portfolios, rather than implicit hedges," said Citadel's Herman. "Diversification won't be enough protection as long-term relationships and covariance behaviour has changed. Traditional rotations between sectors and implicit hedging via safe-haven assets doesn't provide

“A staggering 26% of global debt is yielding negative returns. Brexit uncertainty and heightened geopolitical tensions have added to global risk aversion, and the expectation is for this uncertainty (and resulting volatility) to continue”

Kamini Naidoo

protection any longer.”

For 2IP's Cilliers, asynchronous strategy investments, diversification and defensively positioned risk-asset exposure would help to protect portfolios.

“Exposure to alternative asset classes like hedge funds can help diversify away from market beta and cushion portfolios during periods of down markets,” said Ngqondoyi at Old Mutual Multi-Managers. She said investors needed balanced exposure to different sources of alpha and, while they maintained a long-term view on the market, they should also take advantage of short-term trading opportunities.

Rentzke at 27four stressed the need to diversify across asset classes, regions, styles, sectors and strategies. “Investors do, however, need to understand the overlap of some drivers that might present across different asset classes,” she said. “Investors need diversified sources of risk and return. Hedge funds can play a role where they are able to offer a source of return not available to long-only managers.”

THINK.CAPITAL's Jansen van Vuuren stressed that incorporating alternative investments, such as hedge funds, into diversified portfolios could provide substantial protection over down-market periods by providing exposure to additional sources of returns such as shorting.

In an environment where investors were struggling to meet investment objectives with traditional asset classes, Momentum's Naidoo said that alternative risk premia offered differentiated return streams. One such way to access these risk premia is through hedge funds.

“In particular, where we are seeing traditional asset classes generating pedestrian returns – the inclusion of hedge funds, with their wider mandates, is valuable in any portfolio as the investor is able to access the opportunity set presented with the increased volatility.”

Alexander Forbes' Thubisi said the low-return outlook was one of the biggest risks for clients, and allocations to private markets and emerging-market equity could therefore bolster returns. “Alpha from active management is also expected to generate higher returns than baseline expectations,” he added. “Additionally, protecting capital during periods of market weakness allows that capital to be reinvested at cheaper prices – thereafter, better returns could be expected.”

He stressed that returns do not occur in a straight line and downside volatility will create higher return expectations again in the future. Asset allocation was needed to spot these opportunities and, additionally, it was important not to chase returns in the current environment as this could result in even bigger drawdowns.

“Overarchingly, we recommend that



Francois Cilliers

it's better to communicate to clients that the objective is more difficult to achieve than it was in the past,” he stressed. “People need to save more and expect less from investment returns.”

The South African hedge fund industry remains in a tough space. What are the reasons for this, and when can we expect assets to increase?

For many investors, regulatory constraints present a big hurdle to industry growth in the local context, given the fact that traditional unit trusts (CIS in securities) cannot invest in hedge fund unit trusts (CIS in hedge funds).

Others called for a better alignment between investors' objectives and underlying manager objectives. Hedge fund performance had improved this year on both a relative and absolute basis, and would bring renewed interest if it continued, particularly in the context of a stockpicker's market that would clearly

“To date, cash has still offered a better investment opportunity over a five-year period at a fraction of the cost than many hedge funds. At the same time other alternative assets have come online promising a superior return profile and better diversification benefits than hedge”

Claire Rentzke

assist hedge fund strategies.

Lack of investor understanding and tax uncertainty were highlighted as key detractors for the industry. Also, many investors were choosing to externalise their assets offshore rather than choosing alternative local assets, and this would change only if the domestic picture stabilised.

George Herman, CIO at Citadel, said the hedge fund industry as a whole had not covered itself in glory, and inflows were therefore not inevitable. Costs had also been slow to reduce in a world where overall asset management fees have been plummeting.

“Many funds didn't offer the nature of returns as could be expected from their respective labels,” he cautioned. “Many ended up highly correlated with the equity market and provided little to no hedging. Many have also ventured far out on the risk curve to stretch for returns. A multi-asset sell-off and/or credit event is bound to deliver many skeletons.”

Ngqondoyi at Old Mutual Multi-Managers agreed that the prevailing and prolonged low-return environment had resulted in increased focus on fees across the board. This has placed hedge funds on the back burner and had resulted in investors missing out on good returns posted by hedge funds post-2017. “The good performance will hopefully restore the seemingly lost investor faith following a period where hedge funds delivered pedestrian returns until end-2017,” she said. “We also need continued investor education and to ensure investors can access the unique return profile offered by hedge funds in a cheaper way.”

27four's Rentzke noted that up until 2016, returns from the hedge fund industry as a whole were ahead of their cash-based benchmarks. Yet from 2016 until recently, many hedge funds got the market wrong and had delivered poor returns compared to cash and even to some long-only managers, while still charging high fees.

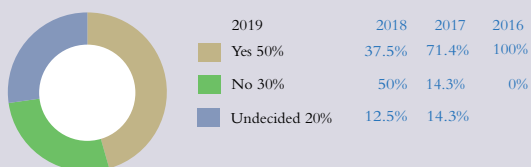
“To date, cash has still offered a better investment opportunity over a five-year period at a fraction of the cost than many hedge funds. At the same time other alternative assets have come online promising a superior return profile and better diversification benefits than hedge,” she said. “Only when you look out over a period of more than 10 years do hedge funds add value by offering better risk-adjusted returns and diversification benefits, primarily due to having different sources of return than traditional long-only strategies.”

Rentzke said hedge fund industry assets would begin to increase only when investors perceived value after fees, and were able to see the benefit that exposure to hedge funds brought to overall portfolio construction. “The cycle has been on a

Investor survey 2019 data

2018, 2017 and 2016 survey results are in blue

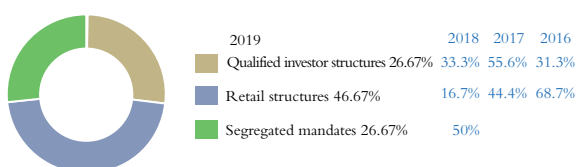
1 Do you expect the industry to grow in the next 12 months?



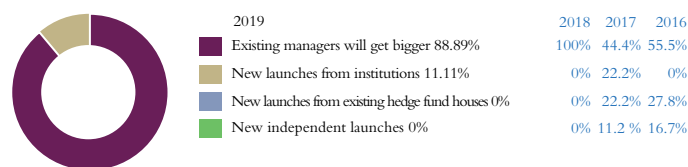
2 If so, where do you expect investor inflows to come from in the next 12 months?



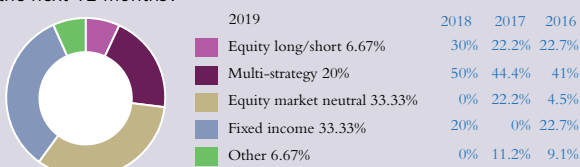
3 Where do you think the growth will be directed?



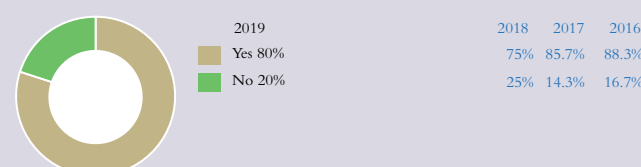
4 How will the industry grow in the next 12 months?



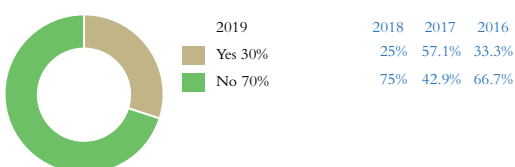
5 What kinds of strategies do you think will come to market in the next 12 months?



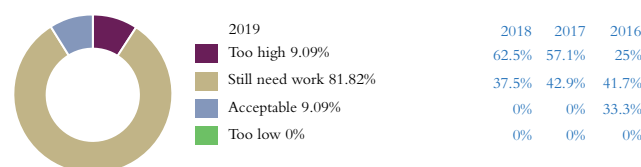
6 Are higher barriers to entry restricting growth in the hedge fund industry?



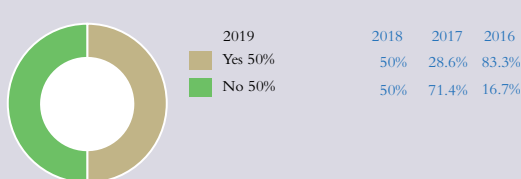
7 Are you allocating to early-stage managers?



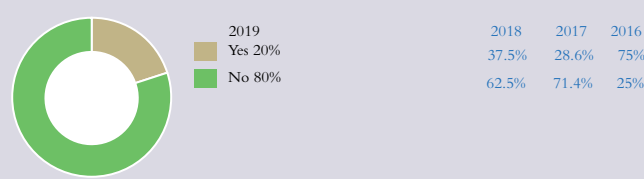
8 Are fee levels in the South African hedge fund industry:



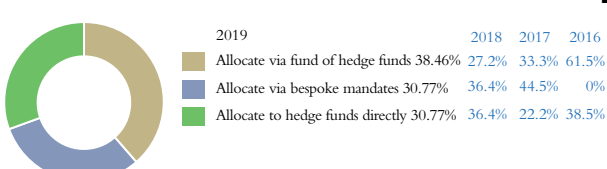
9 In your opinion are manager and investor interests aligned?



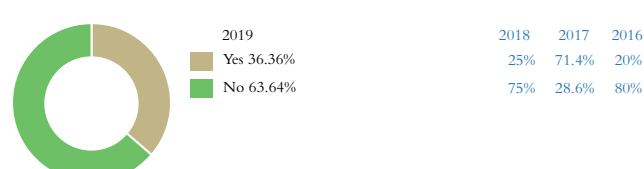
10 Are you seeing sufficient new talent coming to market:



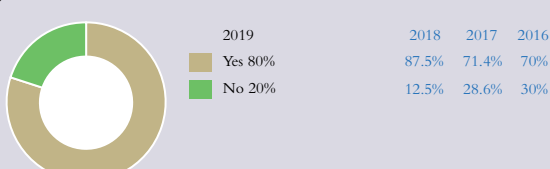
11 Do you expect current and prospective investors to:



12 Have you exited hedge fund investments this year based on return?



13 Are you confident that hedge funds can meet their stated objectives in the next 12 months?



**HedgeNews Africa received responses from 10 fund of funds, advisers and consultants to this year's investor survey, which was undertaken in September/October 2019. We thank them for taking the time to participate in this important research.*

downward trend but this will turn as we see the better returns of the past year or so continue,” she said.

THINK.CAPITAL's Jansen van Vuuren said access to hedge fund vehicles through platforms remained limited, and sophisticated investors (discretionary fund managers) who implement views through traditional CIS portfolios cannot allocate to hedge funds. Additionally, the allure of lower fees, even at the expense of better returns, is still strong.

“The current economic climate in combination with country-specific political risks are making most investors risk averse, with many opting to either invest in money-market instruments or taking funds offshore. This has created challenges for the local asset management industry as a whole,” he said. “Investors are likely to remain quite risk averse until the local economy picks up, and thus capital flows are likely to remain slow for the time being.”

He said there was a likelihood that many investors would be disillusioned when they realised that passive options, although cheaper, struggled to protect capital in turbulent markets. “Our hope is that allocators will seek alternative sources of return, protection from extreme capital losses and lower volatility, all of which can be provided by including the right combination of hedge funds in a portfolio.”

Momentum's Naidoo said the protracted cycle and the pedestrian performance of many funds has had even some of the more astute investors question the investment thesis and the “value-for-money” of the hedge fund proposition.

“Performance has improved with the healthier opportunity set over the last 12-18 months, and hopefully, investors are reminded of the benefit of including hedge in their portfolios, particularly in an environment where returns in traditional asset classes are hard to come by,” she said.

Alexander Forbes noted that there had been material outflows from the industry in recent years, with below-expectation performance contributing to outflows from several asset allocators and the closure or consolidation of several strategies. A return of volatility to the market was good news for hedge funds.

“From a return perspective, the hedge fund industry has actually done pretty well over the last 12 months, certainly if you compare it with mainstream asset classes; it's delivering exactly what it's supposed to: absolute returns,” said Thubisi. “We're in a very turbulent period with lots of volatility, which is key for hedge funds to thrive. Investors are not getting a lot out of equity, bonds and cash, but with this turbulence, hedge funds are actually proving to be a great diversifier. Whilst it's been a diffi-



Kamini Naidoo

cult time from an asset-flow perspective, if you look at the industry more holistically, hedge funds are delivering what they should.”

Francois Cilliers at 2IP said a decline in FoHF popularity had contributed to waning assets, and while the timing of an increase was uncertain, a handful of good-quality asset allocators remained, which should see interest pick up again in due course.

The fund of hedge fund model has been under pressure. Is it still relevant, and what does it have to offer? How are fund of hedge funds responding?

Fund of hedge funds remained a relevant route to market for investors given the lack of investor education, and they should be the first access point for new and less sophisticated investors, and those wanting generic allocations, respondents noted.

Some fund of hedge funds had changed their offerings to make their solutions more streamlined, transparent and in line with clients' objectives. Fee structures had been adjusted downwards and operational

“We're in a very turbulent period with lots of volatility, which is key for hedge funds to thrive. Investors are not getting a lot out of equity, bonds and cash, but with this turbulence, hedge funds are actually proving to be a great diversifier”

Lebo Thubisi

processes simplified, which offered investors a focused, cost-effective solution to access hedge funds with competitive returns and risks managed on all levels.

While the number of fund of hedge fund offerings had reduced, they would continue to add value provided they stick to their core competencies and add sufficient value at fees that investors find acceptable, said 2IP's Cilliers.

George Herman, CIO at Citadel, agreed that the overall fund of fund model was under pressure, but it was not dead in South Africa, as the layer of expertise it provided was still valuable to many under-resourced institutional investors.

“The fact is that FoHFs have to prove value-add and be transparent on fees,” he said. “FoHFs also can't really justify a performance fee on top of the performance fee charged by the actual managers. Many also now offer services that emulate consultancy services, combined with high-end systems that allow clients to monitor exposures and risks very accurately.”

Rentzke said the whole industry had been under pressure, and the fee argument also affected FoHFs as there were additional administration and investment management costs to be considered. Fund of funds still made sense for investors with smaller ticket sizes and those who wanted broad diversification within a multi-asset portfolio construct across underlying managers.

“Ultimately, the FoHF model offers investors a high governance route into a portfolio of hedge funds for those who wish to access a diversified grouping of funds through a single-entry point without having to do due diligence on all the single-manager strategies, and who also want to benefit from an optimised combination of underlying managers.”

Ngqondoyi at Old Mutual Multi-Managers said year-to-date returns had re-emphasised the important role hedge funds play in a balanced portfolio, due to their ability to preserve capital.

“Hedge is one of the building blocks we use to construct optimally blended portfolios for our clients,” she said. “We have taken the time to educate our clients on why we believe hedge funds continue to offer an attractive and differentiated source of alpha.”

Thubisi at Alexander Forbes said the FoHF model became even more important in a low-return environment as diversified sources of return were more critical.

THINK.CAPITAL's Jansen van Vuuren agreed that there was a very strong case for well-run fund of hedge funds.

“Hedge fund allocation is much more complex than allocating to traditional long-only equity and fixed income funds,” he said. “A mandate's freedom to express investment views through leverage and

short-selling means that hedge fund outcomes are extremely diverse. Experienced hedge fund allocators can carefully investigate the complexity and potential downside of strategies and expertly combine sufficiently different mandates with effective risk management.”

He argued that the longevity of retail money in the local hedge fund industry would potentially be dependent on FoHFs, stating that there was a significant risk that retail investors would allocate to riskier single-strategy hedge funds in pursuit of high returns. “If these higher risks play out unfavourably, these investors are likely to experience drawdowns greater than they can stomach, smearing the reputation of hedge funds purely as a result of inappropriate allocation,” he cautioned.

Momentum’s Naidoo said the FoHF model had come under pressure for similar reasons to the rest of the industry. “In a low-return environment, the fund of fund fee and value-add has also come under scrutiny,” she noted. “Yet the benefit the investor gets is not limited to portfolio diversification, investment, operational due diligence and risk monitoring. The model is continuously evolving. The fund of funds and multi-managed products are able to leverage the skillset to create differentiated solutions.”

She said Momentum had changed a number of its fund of funds to multi-managed funds to enable a more efficient structure. It also offered investors “alpha” and “beta” as building blocks to allow greater flexibility in constructing portfolios.

“The dispersion in manager performance over the last 12 months highlights the importance of manager selection and being able to understand and evaluate the risks of the different strategies and styles,” she stressed.

Hedge fund returns are positive this year, with the HedgeNews Africa South African Single-Manager Composite adding a median 5.66% to the end of September. Are you satisfied with the way managers are performing?

Many allocators were pleased with the risk-adjusted returns from their hedge fund strategies so far this year, although some said returns still lagged cash in a volatile environment. Investors stressed that manager selection remained critical as several managers had disappointed and results varied widely.

Yet compared to 2017/2018, many managers had adjusted to the challenging environment in a better fashion.

“We are satisfied with the returns posted by our hedge fund managers year to date,

“Hedge fund allocation is much more complex than allocating to traditional long-only equity and fixed income funds”

Kobus Jansen van Vuuren

which are notably ahead of both the STeFI and the JSE Capped SWIX benchmarks,” said Ngqondoyi at Old Mutual Multi-Managers.

Citadel’s Herman gave a resounding thumbs-up for the performance of quality managers so far this year, but was unimpressed with overall returns across the industry.

“Overall, performance has been poor,” said Herman. “However, quality rises to the top during difficult times and so the dispersion among managers has been quite big. Quality managers have actually performed very well indeed, with double-digit returns for the year so far.”

27four’s Rentzke noted that cash had given investors 8% (CPI + 3%) with no risk and low fees, and bonds had given a bit more. Comparatively, equities had been flat so investors would have benefited from deploying some of their equities budget into hedge. Some fixed income hedge fund managers had also done well.

THINK.CAPITAL’s Jansen van Vuuren said the median return of hedge funds may have been quite low, but the past year had brought a return of fundamentally driven price dispersion and, as a result, some mandates had been able to generate very competitive returns.

Naidoo reiterated the wide dispersion in returns and stressed that performance needed to be benchmarked relative to the objective where the exposure was sourced, and the role it was expected to play.



Claire Rentzke

“Equity long/short mandates which are benchmarked against equities or hedged equity, have largely done well, but this is not necessarily so where the benchmark (and hurdle applied) is over cash. Market neutral and fixed income are typically considered cash-plus and have largely done well.”

Thubisi at Alexander Forbes said hedge fund managers had behaved in accordance with expectations, given the volatility in the market year to date, with some returning double-digit numbers, particularly long/short managers. “Our manager selection and blending have resulted in our products delivering returns above cash +2%,” he said.

Which hedge fund strategies offer the most potential in current market conditions, and why?

Market neutral and fixed income strategies were attractive, given disappointing equity returns and the increased need for de-correlation from equity markets. Long/short and multi-strategy managers also had an important role to play in a stockpicker’s market, and short books were adding value.

“Given the precarious position South Africa finds itself in, combined with exposure to global risk factors, the fixed income arbitrage market presents some interesting opportunities both now and going forward,” said 2IP’s Cilliers.

“Investors would also arguably benefit from increased hedged equity exposure during the current periods of market volatility.”

Thubisi at Alexander Forbes noted that hedge funds aimed to achieve positive returns at reduced levels of risk, using tools such as derivatives, short selling and leveraging to extract positive performance in both upward or downward trending markets. While they invested in the same asset classes as traditional unit trusts, they could take advantage of a wide range of investment tools and thereby generate other sources of return. They also tended to have low correlations to traditional portfolios and were, therefore, a good diversifier.

Citadel’s Herman saw value in multi-strategy, multi-asset hedge funds in the current low-beta return world, which had the most opportunities to generate diversified, uncorrelated returns.

Ngqondoyi also favoured multi-strategy, which gave the portfolio manager the flexibility to invest where there was better relative value and to take advantage of asset-class mispricing.

“With heightened volatility across asset classes there is potential for most managers to deliver strong performance,” said 27four’s Rentzke. “Those that understand risk and how to manage their positioning

in an environment of heightened uncertainty will deliver.”

She added that next year could still be a stockpicker's market, which would continue to highlight the value of market-neutral strategies.

THINK.CAPITAL's Jansen van Vuuren suggested strategies that were able to take advantage of opportunities created by exaggerated sell-offs and price dispersion would perform well in the current market conditions, as long as they remain well-diversified in order to protect capital amidst market shocks.

“We tend to favour strategies that are able to trade the volatility well, both in equity and fixed income,” said Momentum's Naidoo, adding that her team also liked smaller, more nimble managers, and those with a macro-thematic flavour in the current environment.

What can hedge funds offer retail and institutional clients?

Hedge funds offered a good alternative to balanced portfolios with competitive risk-adjusted returns, both for retail and institutional clients, investors said.

They expanded the opportunity set by providing uncorrelated returns, as well as more stable, consistent and better risk-adjusted returns.

Some liked the ability of hedge funds to generate enhanced cash returns without being dependent on credit markets, which were dominating income fund returns.

“Hedge funds offer access to a very talented subset of the investment manager universe with the ability to implement and execute their investment strategies in their most unencumbered form,” said Cilliers at 2IP.

Thubisi at Alexander Forbes noted that hedge funds in South Africa had operated in a regulated environment since April 2015, when they were declared collective investment schemes (unit trusts), with a transition period completed in 2017. This had advanced industry integrity, improved access to differentiated strategies and created uniform structures. Better regulation brought added risk management and improved transparency for investors.

For Citadel's Herman, uncorrelated returns were the holy grail of hedge funds, both for retail and institutional clients.

Retail structures stood to protect retail investors from inappropriate levels of risk exposure. “If used and priced correctly, good retail hedge funds should add material value to retail clients by reducing overall portfolio volatility and increasing portfolio longevity,” he said.

Due to their size, institutional investors stood to benefit from tailor-made mandates to ensure governance and objective



Lebo Thubisi

specifications.

Old Mutual noted the differentiated and low-beta return profile of hedge funds, which offered portfolio insurance during periods of down markets and a smoother return profile due to reduced return volatility.

“For retail clients, hedge funds offer exposure to an asset class they may be averse to holding because of its volatility, so that they can maintain exposure when there is upside but still minimise the possible downside,” said Rentzke at 27four.

She said hedge funds offered institutional investors access to a wider choice of strategies within asset classes. They offer a differentiated profile and a diversified source of return, which can be used in a number of ways to build more robust portfolios.

THINK.CAPITAL agreed that the right combination of funds was able to lower portfolio volatility while generating equity-like returns over time. A hedge fund component would, therefore, be a valuable building block in the portfolio of retail and institutional clients alike. Equity-like returns at lower volatility would be particularly useful to managers of living annuities, where low portfolio volatility can significantly boost portfolios' ability to support investors' cash requirements.

“Hedge funds can be a strategic addi-

“Exposure to alternative asset classes like hedge funds can help diversify away from market beta and cushion portfolios during periods of down markets”

Nosibusiso Ngqondoyi

tion to a portfolio for those looking to access a diversifying and risk-reducing strategy due to their ability to preserve capital in periods of market stress and the historically low correlation to traditional equities and bonds,” said Momentum's Naidoo. “Hedge funds should not be seen as a separate asset class, but should rather be considered in the context of the sources of their risk and returns. By balancing the hedge fund allocation with exposure to traditional investments, investors can create resilience for any set of market conditions.”

For Thubisi at Alexander Forbes, hedge funds helped to improve outcomes for institutional clients, increasing the certainty of achieving their objectives and offering an alternative tool for risk mitigation and portfolio diversification.

“An allocation to hedge funds offers a unique ability to diversify traditional equity, credit and interest-rate risks within a typical portfolio,” he said. “Hedge funds provide exposure to non-traditional return drivers, where performance is reliant more on investment manager skill than on market direction. They play an important role in a diversified portfolio, to improve risk-adjusted outcomes.”

Thubisi said significant effort has been made by asset managers to prioritise transformation within the financial sector, which had filtered through to the hedge fund industry, and had led to large allocators (such as pension funds) taking notice of the asset class.

What do you look for when allocating to a hedge fund manager?

Before investing, allocators needed to identify a proven edge and ability to deliver good returns irrespective of market conditions, as well as unique skills, access or experience.

“We look for a talented team with good synergy and a long enough track record, housed within a professional, process-driven and well-governed investment house,” said Francois Cilliers at 2IP. “The team must be able to both verbalise and show how their process is robust and repeatable, alongside a suitable level of risk management and independent oversight. An event or structural change which puts any of the former at risk is arguably the primary reason for disinvestment.”

Old Mutual's Ngqondoyi agreed that managers needed to be able to clearly articulate how they manage money and have a proven track record of success.

Key for Citadel's Herman was experience, original thoughts and processes distilled into sensible positions, as well as risk management, consistency, delivering to

expectation, communication, solid operations and low correlation to traditional asset classes.

Thubisi at Alexander Forbes said its robust and rigorous manager research process helped to identify investable managers with prospects of outperforming the market, which was then used by the portfolio management team.

Rentzke at 27four stressed the need for a theoretically sound investment philosophy, a robust process designed to implement the philosophy and a very strong focus on risk management. "We want a team that understands markets through various cycles and believes in their philosophy and process, as well as having the skillset and resources to execute on it," she said. "We then choose managers that complement the current portfolio construction and offer diversified sources of risk and return."

For THINK.CAPITAL's Jansen van Vuuren, managers needed a proven ability to outperform with strict risk management to ensure that invested capital is protected even if their investment view turns out to be wrong. "An additional consideration is the role that the mandate can play in the combination of hedge funds we run," he said.

Momentum's Naidoo said the team carried out a detailed qualitative and quantitative analysis of all fund managers to ensure that they had a sound understanding of their processes, risk exposures, return drivers and operational strength. "An allocation is made once we are comfortable with the robustness of the process, that the opportunity set that the manager is accessing is reasonably persistent, and we are able to quantify the risk to the overall portfolio," she said. "The terms of the fund must show alignment between fund manager and investor, and the business must be operationally sound."

What would cause an investor to redeem from a fund manager?

Failure to deliver returns in accordance with the investment approach and to provide adequate downside protection could prompt a disinvestment, investors said, as well as broken trust in the manager's skill, abilities or ethics.

Concerns would be raised if a fund performed differently than expected in a given market environment, and style-drift was another big concern, as this could have a significant impact, particularly for multi-manager portfolios.

27four's Rentzke said there were many reasons to redeem from a manager, from a change in key investment professionals, to a lapse in risk management or a philosophy that it was no longer able to deliver.

Momentum's Naidoo agreed that re-

"Overall, performance has been poor. However, quality rises to the top during difficult times and so the dispersion among managers has been quite big. Quality managers have actually performed very well indeed, with double-digit returns for the year so far"

George Herman

demptions were typically a result of deviation from the stated process, being unable to capitalise on the targeted opportunity set or a diminishing opportunity set. Change to a firm's operational soundness, including key-person events, had also been a reason for redemption.

"We would redeem from a manager who deviates from their stated investment philosophy and process, or in the event of a material change in key aspects of the team and business that made us invest with them in the first place," said Ngqondoyi at Old Mutual.

Important red flags for Citadel were poor risk management, a breakdown in operations or the departure of key partners, returns that did not match what the original strategy should deliver in a specific market environment, returns that contain too much beta or become correlated and, interestingly, if managers start living the 'high life'.

"Our decision to redeem from a manager would generally be informed by a manager research view changing from

investable to one that suggests that there are higher-rated strategies available on a comparative basis," said Thubisi at Alexander Forbes. "Changes do occur within investment-management businesses that warrant changes to the investable ratings."

And finally, portfolio managers might need to make changes to their fund of fund solutions for portfolio construction reasons, such as rebalancing or changing the signature of a fund. Ultimately, this could impact one or more hedge fund managers within its broader solutions.

What types of hedge fund strategies would you like to see come to market in South Africa?

Investors appear to be finding enough opportunities to build solid diversified portfolios from the existing universe of South African hedge fund managers and, while some believe the market is not deep enough for new strategies, many expressed interest in different approaches.

"We are always interested in something that looks at the world in a different way," said 27four's Rentzke.

Momentum's Naidoo said the current hedge fund universe is concentrated across a small number of strategies. "Any diversification in strategy, or mandates that are able to access wider alpha sources, will be interesting."

In a macro-driven world, South Africa lacks managers that can exploit the volatility and divergence in currencies and across global asset classes, and more global macro funds would provide differentiation. Investors would also like to see more liquid alternatives and dedicated quantitative managers, and some expressed the need for more daily traded retail investor products.

Alexander Forbes' wish list was for strategies in various areas. The first was tail-risk hedging strategies, to protect against extreme market moves, given that the market is experiencing late economic cycle dynamics. Event-driven activist hedge funds, which seek to identify mismanaged companies and drive value through becoming involved in management, also offered benefits and carried added ESG advantages, while global macro and managed-futures funds would help diversify overall portfolios due to their low correlation with traditional asset classes. Distressed debt and credit-opportunity hedge funds were also appealing in current conditions, given that individual company turnaround situations often diverged from general market performance.

Francois Cilliers at 2IP noted that there was very little appetite for opportunistic or illiquid credit strategies, and the market should welcome more talented short-sellers and any additional liquid strategies.



Kobus Jansen van Vuuren

HedgeNews Africa *Awards*

Top funds focus on last few months of performance in run-up to **Awards**

Hedge funds continue to deliver returns in complex global markets leaving everything to play for as the countdown begins to next year's Awards

Volatile and complex markets are proving challenging for fund managers everywhere, as late-cycle dynamics play out across the global landscape, but hedge funds are delivering respectable risk-adjusted returns.

The *HedgeNews Africa* South African Single-Manager Composite has added a median 5.66% for the first nine months of the year, very much in line with returns from global hedge funds, which have gained 5.7% to the end of September, according to data from Eurekahedge.

By comparison, Johannesburg's All Share Index has added 7.08% on a total return basis, while the All Bond Index is 8.32% higher and the MSCI All World Index has risen 15.72%.

Despite some strong returns from a range of individual funds, there is a wide divergence across the league tables, even in the same category areas, as some managers battle to adjust to whipsawing market conditions and stock-picking has again come to the fore.

For the year so far, long/short and multi-strategy funds have been the best-performing categories, each adding more than a median 7% to the end of September. Market-neutral and quantitative funds have offered dependable risk-adjusted returns, coming in at a median 4.8% for the year so far, while fixed income managers have gained a median 6.74%

Award categories include:

- Long/short equity
- Market neutral and quantitative
- Fixed income
- Multi-strategy
- Specialist strategies
- Pan Africa (long/absolute return)
- Fund of hedge funds
- Three-year performance
- Five-year performance
- 10-year performance
- New fund of the year
- Fund of the year

and pan-African managers are coming in flat amid disparate returns from various African economies.

The first provisional nominations for the 2019 awards will be announced in next month's online edition, based on 10 months of returns.

Now in their 11th year, the Awards are based on an established quantitative methodology that gauges risk-adjusted returns.

The awards, based on calendar-year performance, will go to funds with the highest re-

turn in their categories, provided their Sharpe ratios are within 25% of the top Sharpes among the nominees in each category. Exceptions are made in the case of categories that combine different strategy areas, where other quantitative criteria may need to be applied.

The Awards will be celebrated at a gala dinner at the Vineyard Hotel in Cape Town on February 20, 2020.

To qualify for a nomination, funds must average a minimum of US\$10 million, or R80 million, in assets under management in that strategy throughout the calendar year (in fund structures and/or associated segregated mandates).

Exceptions are made in the new fund category, which allows for lower AUMs, and considers funds with a track record of 12-23 months (with the award based on calendar-year returns) and the longer-term awards, for which higher minimums apply.

Funds submitting their monthly returns to our database are automatically considered for the Awards. New funds can submit data to data@hedgenewsafrika.com before the end of November to be included in the next Awards season.

Data used in deciding the Awards will be independently examined by eComply Consultants to ensure consistency and accuracy.



Sponsors include:





Kevin Gundle leads line-up for the **Symposium** debate next February

Kevin Gundle, founding member of Aurum Fund Management, is confirmed as keynote speaker at the upcoming *HedgeNews Africa* Symposium, to be held on February 20, 2020 at the Vineyard Hotel in Cape Town.

Aurum, a specialist multi-management firm with a focus on hedge funds, has been investing clients' capital alongside its own across multiple market cycles for 25 years, and has assets under management of over US\$2.5 billion, focusing on low-beta hedge fund strategies.

Based in London, Gundle has been investing in the alternative investment industry for more than 25 years and oversees Aurum's research, risk and investment processes, bringing a wealth of knowledge and perspective to the Symposium.

Gundle has also co-founded two international charities – Ark and the One to One Children's Fund, both of which have



Kevin Gundle

made significant investments into South Africa's health systems to address the treatment and prevention of HIV and AIDS.

Aurum's flagship fund, the Aurum Isis Dollar Fund, which has a track record spanning over 20 years, has been approved by South Africa's Financial Sector Conduct Authority as a collective investment scheme in hedge funds targeting qualified investors under Section 65 of the Collective Investment Schemes Control Act.

Now in its 11th year, the *HedgeNews Africa* Symposium offers an unmatched annual forum for attendees to gather cutting-edge industry intelligence, interact with investors, and network with peers and service providers via its high-quality agenda and exclusive closed-door approach.

Following on from the success of last year's Symposium Master Class, BlackRock Investment Management, one of the world's largest asset managers, will again be hosting this session, providing an invaluable educational opportunity for delegates.

The Symposium programme will again be approved by the Financial Planning Institute of South Africa to offer CPD (continuous professional development) points.

Register by December 6 to receive our 10% early-bird discount

- Standard booking rate \$790/R9,000.
- 25% discount for named *HedgeNews Africa* subscribers.
- 15% discount for hedge fund managers/investors.
- If you are a not-for-profit hedge fund investor or pension fund trustee, you may be eligible for a free pass. Email: events@hedgeNewsafrica.com

2020 Symposium topics include:

- The macro outlook for investors – are we heading for a global recession?
- How hedge funds can help in volatile times
- Active versus passive – where are we now?
- Value versus growth – has the cycle turned?
- Regulatory and operational updates in a global and SA context
- New alpha opportunities – where the smart money is seeing opportunity
- Why alternatives are important in a low-growth environment
- South Africa – how institutional allocators are wising up to hedge funds
- Presenting uncorrelated opportunities to a retail audience

Equity managers pull ahead in September

Funds in the *HedgeNews Africa* database were broadly positive in October, with many significantly outperforming the FTSE/JSE All Share Index. The *HedgeNews Africa* South African Single-Manager Composite added a median 0.79% to sit 5.66% higher for the year, while the *HedgeNews Africa* Single-Manager Composite, which includes Africa- and global-focused mandates, advanced a median 0.83% to settle 5.38% in the green year to date.

Long/short equity made the biggest move in October, adding a median 1.11% to sit 7.49% higher for the year.

The Laurium Aggressive Long Short Prescient QI Hedge Fund and All Weather H4 Performance Retail Hedge Fund led the way with gains of a respective 4.7% and 4.38% for the month, followed by the Steyn Capital SNN QI Hedge Fund, which added 3.85%. The Abax Long/Short Equity Prescient RI Hedge Fund advanced 3.28%, followed by the Steyn Capital SNN Retail Hedge Fund (2.88%) and the Laurium Long Short Prescient RI Hedge Fund (2.7%).

The 36ONE SNN Retail Hedge Fund leads over three months with a gain of 7.32%, followed by the 36ONE SNN QI Hedge Fund and Steyn Capital SNN QI, with returns of 6.91% and 5.92% respectively. Abax Long/Short Equity sits 5.22% higher, followed by the Coronation Presidio Hedge Fund (3.75%) and the Fairtree Assegai Equity Long Short SNN QI Hedge Fund (2.69%).

South African market neutral and quantitative funds had their third best month this year, adding a median 1.06% to sit 4.8% higher so far in 2019.

The Investec Active Quants QI Hedge Fund led for the month with a gain of 2.96%, followed by the Prescient Wealth Market Neutral QI Hedge Fund and All Weather NCIS Market Neutral Retail Hedge Fund, with returns of 2.81% and 2.72% respectively. The X-Chequer SNN Diplo QI Hedge Fund advanced 1.92%, while the Laurium Market Neutral Prescient RI Hedge Fund added 1.6%.

Prescient Wealth Market Neutral QI leads over three months with a gain of 4.05%, followed by Investec Active Quants QI and All Weather NCIS Market Neutral, which added 3.18% and 3% respectively. X-Chequer SNN

HEDGENEWS AFRICA INDICES

	Median		Mean	
	Sept-19	YTD	Sept-19	YTD
South Africa				
Long/Short Equity	1.11%	7.49%	1.20%	7.81%
Market Neutral & Quantitative	1.06%	4.80%	0.56%	4.29%
Multi-Strategy	0.55%	7.38%	0.82%	7.48%
Fixed Income	0.38%	6.74%	0.04%	6.28%
Event Driven	0.80%	7.26%	0.80%	7.26%
Africa				
Pan-Africa/AME	1.63%	0.33%	1.97%	0.01%
Composites				
SA Single-Manager Composite	0.79%	5.66%	0.81%	6.74%
HNA Single-Manager Composite	0.83%	5.38%	0.84%	5.82%
Fund of Funds				
	Aug-19	YTD	Aug-19	YTD
HNA SA Fund of Funds Composite	0.03%	6.29%	-0.18%	6.23%
HNA Fund of Funds Composite	-0.08%	5.89%	-0.09%	5.99%
Market Indices				
	Sep-19	YTD		
FTSE/JSE All Share Index (TRI)	0.19%	7.08%		
SA All Bond Index	0.51%	8.32%		
MSCI World Index	1.94%	15.72%		
MSCI Emerging Markets Index	1.69%	3.66%		
MSCI Frontier Mkts. Africa Index	-0.85%	-3.55%		

Diplo QI gained 1.74% over the period, while Laurium Market Neutral and the X-Chequer SNN Market Neutral QI Hedge Fund added a respective 1.5% and 1.48%.

Multi-strategy funds recorded another solid month, adding a median 0.55% to sit 7.38% higher for the year.

The Alt Re SNN Select Opportunity QI Hedge Fund made a big move in October, gaining 5.55%, followed by the Corion Prosperitas NCIS RIF Hedge Fund and Citadel Multi-Strategy H4 Retail Hedge Fund, with returns of 3.75% and 3.48% respectively. The Coronation Multi-Strategy Arbitrage Hedge Fund added 2.58%, while the Corion Gravitas NCIS RIF Hedge Fund gained 2.29%.

Alt Re SNN Select Opportunity had a stellar quarter, adding 13.05%, followed by the Blue Quadrant Capital Growth Prescient RI Fund and Citadel Multi-Strategy H4 Retail, with gains of a respective 7.36% and 4.94%. The Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund advanced 4%, while Coronation Multi-Strategy Arbitrage added 3.21%.

Fixed income funds had a muted month, adding a median 0.38% to sit 6.74% higher year to date.

The Cadiz South Easter Fixed Interest SNN QI Hedge Fund was strong, adding 1.37%, followed by the Abax Fixed Interest Prescient RI Hedge Fund, which gained 1.02%. The Fairtree

Proton RCIS Retail Hedge Fund and Coronation Granite Hedge Fund added a respective 0.98% and 0.69%, while the Investec Fixed Income QI Hedge Fund returned 0.49%.

Cadiz South Easter leads for the quarter with a solid 7.05% return, well ahead of the Southchester Smart Escalator Prescient QI Hedge Fund and Abax Fixed Interest with gains of 2.57% and 2.43% respectively. The Acumen AcuityOne SNN Retail Hedge Fund added 2.09% for the period, while Coronation Granite gained 2.02%.

Acumen AcuityOne SNN Retail leads year to date with a gain of 11.25%, followed by Cadiz South Easter (9.58%) and the Terebinth SNN FI Macro Retail Hedge Fund (9.56%). Southchester Smart Escalator sits 8.41% higher, followed by Investec Fixed Income QI (8.13%).

Elsewhere amongst South African funds, the Westbrooke Special Opportunities SNN QI Hedge Fund added 1.96% for the month, while the Investec Specialist Investments SA Credit Co-Investment QI Hedge Fund gained 0.8% and the Chrysalis Credit Arbitrage Fund returned 0.79%.

The Polar Star SNN QI Hedge Fund added 1.18% for the month, while amongst commodity trade finance funds, the Challenger Trade Finance Fund and Barak Structured Trade Finance Fund gained a respective 0.76% and 0.62%.

Africa funds reverse decline with solid October figures

Africa-focused funds saw a turnaround in performance in October after two difficult months. The *HedgeNews Africa* Pan-Africa/AME Index added a median 1.63% to sit 0.33% in the green for the year.

Amongst long-only Africa-focused funds, the Allan Gray Africa ex-SA Equity Fund and Allan Gray Africa Equity Fund added a respective 6.65% and 6.47%, followed by the Sanlam

African Frontier Markets Fund with a gain of 4.54%. The Sustainable Capital Africa Alpha Fund added 3.7%, while the Coronation Africa Frontiers Fund and Gondo Visio Metsi Fund advanced 2.25% and 2.24% respectively.

The Sustainable Capital Africa Alpha Fund and Gondo Visio Metsi Fund are the only two funds in the category to record positive returns on a three-month basis – both funds returning 1.95%.

The Gondo Visio Metsi Fund leads for the year so far, with a return of 14.79%, followed by the Old Mutual African Frontiers Fund (9.46%) and Optis African Frontiers Fund (7.83%). The Laurium Limpopo African Equity Fund sits 3.92% higher, followed by the Absa Africa Equity Fund (3.88%).

The Laurium Chobe Long Short Fund had a good month, adding 2.34% to sit 3.31% higher year to date.

Data tables www.hedgenewsafrika.com/data

Single Managers – Sept 2019

Fund name	Last 3 months	Sept-19	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
South African Long Short Equities (ZAR)									
36ONE SNN Retail Hedge Fund (RIF)	7.32%	2.25%	6.62%	9.07%	15.52%	13.90%	7.74%	8.66%	Dec-08
36ONE SNN QI Hedge Fund (QIF)	6.91%	1.80%	6.36%	8.85%	15.33%	16.35%	8.06%	9.69%	Apr-06
Steyn Capital SNN QI Hedge Fund (QIF)	5.92%	3.85%	6.50%	12.29%	8.17%	15.17%	5.28%	8.48%	May-09
Abax Long/Short Equity Prescient RI Hedge Fund (RIF)	5.22%	3.28%	5.09%	9.18%	10.38%	12.53%	7.20%	7.69%	Nov-01
Coronation Presidio Hedge Fund (QIF)	3.75%	0.07%	3.20%	0.99%	12.00%	13.16%	-1.58%	3.25%	Oct-05
Fairtree Assegai Equity Long Short SNN QI Hedge Fund (QIF)	2.69%	-5.37%	9.85%	18.78%	18.12%	18.84%	11.84%	17.28%	May-12
All Weather H4 Performance Retail Hedge Fund (RIF)	2.40%	4.38%	-2.09%	-5.48%	2.95%	7.11%	-1.34%	5.76%	May-14
Protea Worldwide Flexible SNN QI Hedge Fund (QIF)	2.15%	0.01%	5.32%	3.94%	10.78%	11.07%	8.64%	n/a	Oct-15
Prescient Wealth Multi Strategy RI Hedge Fund (RIF)	2.15%	1.54%	1.50%	4.95%	4.75%	6.40%	n/a	n/a	Mar-17
Catalyst Alpha Prescient QI Hedge Fund (QIF)	1.91%	1.84%	3.48%	5.22%	8.23%	18.10%	10.94%	14.05%	Feb-06
Senqu Long Short Prescient RI Hedge Fund (RIF)	1.82%	0.31%	2.66%	4.18%	10.77%	6.58%	n/a	n/a	Jan-17
Visio SNN Golden Hind QI Hedge Fund (QIF)	0.98%	0.43%	1.39%	0.78%	2.67%	19.66%	0.05%	2.06%	Nov-03
Obsidian SCI Long Short Retail Hedge Fund (RIF)	0.95%	0.86%	1.94%	9.25%	13.35%	12.71%	7.25%	10.12%	Jul-08
Visio SNN Occasio QI Hedge Fund (QIF)	0.89%	1.59%	1.67%	4.84%	7.94%	17.29%	1.99%	6.40%	May-09
Peregrine Capital Dynamic Alpha H4 QI Hedge Fund (QIF)	0.85%	-0.52%	3.30%	13.88%	14.44%	13.79%	10.51%	n/a	Dec-14
Steyn Capital SNN Retail Hedge Fund (RIF)	0.79%	2.88%	2.05%	9.36%	10.68%	8.63%	-0.56%	5.93%	May-13
Emperor H4 Sir John Ross Retail Hedge Fund (RIF)	0.71%	0.78%	6.43%	1.96%	19.19%	4.70%	-0.71%	n/a	Nov-14
Anchor Accelerator SNN QI Hedge Fund (QIF)	0.57%	1.59%	4.22%	18.90%	21.49%	9.57%	12.54%	n/a	Mar-16
Numus Long Short Prescient RI Hedge Fund (RIF)	0.56%	1.03%	0.07%	3.31%	1.34%	11.16%	6.44%	n/a	May-15
SalientQuants SA SNN Retail Hedge Fund (RIF)	0.49%	1.03%	3.47%	2.71%	10.39%	9.46%	5.53%	5.77%	Aug-06
Nitrogen Nitrogen RCIS Retail Hedge Fund (RIF)	0.39%	0.61%	2.19%	6.72%	5.54%	12.93%	8.17%	8.68%	Aug-06
Truffle SNN High Growth Retail Hedge Fund (RIF)	-0.64%	1.95%	2.08%	9.72%	13.56%	19.91%	8.04%	13.58%	Jan-11
Emperor Asset Management Robert Falcon Scott Strategy	-0.73%	1.33%	5.36%	-5.08%	14.02%	13.10%	-5.67%	-3.67%	Oct-04
X-Chequer SNN Centa Long Short Retail Hedge Fund (RIF)	-0.75%	1.78%	0.08%	5.48%	3.04%	6.66%	7.01%	n/a	Aug-16
BACCI SNN Protected Equity QI Hedge Fund (QIF)	-0.86%	0.15%	-0.47%	-1.68%	7.21%	8.48%	4.28%	4.58%	Dec-10
Laurium Long Short Prescient RI Hedge Fund (RIF)	-1.17%	2.70%	-0.22%	1.72%	6.13%	10.28%	4.01%	4.44%	Aug-08
Laurium Aggressive Long Short Prescient QI Hedge Fund (QIF)	-1.19%	4.70%	1.64%	2.97%	8.78%	15.55%	3.65%	7.49%	Jan-13
Protea South Africa SNN Retail Hedge Fund (RIF)	-1.50%	1.11%	-0.26%	2.55%	1.08%	10.99%	n/a	n/a	Jul-17
X-Chequer SNN Flexible Long Short QI Hedge Fund (QIF)	-1.61%	1.88%	2.83%	5.73%	5.40%	11.11%	5.10%	6.15%	Sep-11
Electus Long/Short Equity H4 Retail Hedge Fund (RIF)	-1.70%	2.18%	-3.48%	-5.04%	-2.97%	0.98%	0.47%	n/a	Jul-16
Peregrine Capital High Growth H4 QI Hedge Fund (QIF)	-2.08%	-0.17%	0.30%	7.35%	10.64%	24.61%	7.47%	12.94%	Feb-00
Acanthin House Hedge Fund	-2.49%	0.51%	0.43%	-8.45%	-3.06%	4.24%	-2.75%	n/a	Sep-15
Old Mutual Chronos Fund	-3.20%	-0.59%	-4.40%	-0.68%	-1.11%	3.23%	0.92%	1.51%	Sep-12
Mazi NCIS Long Short Qualified Hedge Fund (QIF)	-6.32%	0.71%	-5.29%	-6.50%	-4.55%	2.28%	-3.33%	0.87%	Apr-14
Capricorn SCI Performer Qualified Hedge Fund (QIF)	-6.97%	-0.37%	-6.41%	-2.73%	-2.28%	13.25%	1.71%	5.44%	Aug-12

South African Long Short Equities (USD)

SA-Alpha 36ONE Offshore Portfolio	4.80%	1.44%	3.88%	2.46%	9.16%	9.75%	1.23%	2.05%	May-08
SA-Alpha Nitrogen Offshore Portfolio	-0.31%	-0.52%	-0.22%	3.91%	2.49%	5.32%	4.40%	n/a	Jul-15
SA-Alpha Peregrine Capital Dynamic Alpha Offshore Portfolio	-0.93%	-1.21%	-0.31%	7.05%	9.67%	3.58%	2.15%	n/a	May-15
SA-Alpha Peregrine Capital High Growth Offshore Portfolio	-3.38%	-0.72%	-1.93%	3.66%	8.50%	10.89%	1.77%	5.49%	Oct-03

South African Market Neutral & Quantitative Strategies (ZAR)

Prescient Wealth Market Neutral QI Hedge Fund (QIF)	4.05%	2.81%	7.22%	17.37%	8.85%	6.27%	7.49%	6.27%	Oct-14
Investec Active Quants QI Hedge Fund (QIF)	3.18%	2.96%	-0.91%	1.63%	1.55%	9.21%	9.61%	5.65%	Oct-05
All Weather NCIS Market Neutral Retail Hedge Fund (RIF)	3.00%	2.72%	-3.58%	-1.05%	3.94%	9.96%	n/a	n/a	Sep-17
X-Chequer SNN Diplo QI Hedge Fund (QIF)	1.74%	1.92%	2.96%	12.06%	8.34%	14.17%	7.83%	10.54%	Feb-12
Laurium Market Neutral Prescient RI Hedge Fund (RIF)	1.50%	1.60%	2.43%	5.97%	5.58%	9.48%	6.99%	5.88%	Jan-09
X-Chequer SNN Market Neutral QI Hedge Fund (QIF)	1.48%	1.23%	2.79%	9.29%	6.29%	12.08%	7.31%	8.34%	Jun-06
Peregrine Capital Pure Hedge H4 QI Hedge Fund (QIF)	1.31%	-0.11%	3.54%	12.23%	11.98%	20.50%	9.93%	12.28%	Jul-98
Abax Bao NCIS Market Neutral RIF	1.23%	1.48%	1.60%	9.17%	7.94%	10.02%	7.08%	10.59%	Apr-11
Old Mutual Aristeia Opportunities Fund	0.83%	0.72%	3.30%	6.34%	5.17%	6.40%	7.04%	6.26%	Dec-10
Old Mutual Managed Alpha Hedge Fund	-0.26%	-0.95%	1.46%	1.80%	5.12%	5.55%	4.64%	5.40%	Jul-14
Old Mutual Volatility Arbitrage Fund	-0.98%	-0.29%	1.51%	4.14%	2.65%	7.44%	5.84%	5.74%	Sep-05
AIP NCIS Active Alpha Retail Hedge Fund (RIF)	-2.11%	-2.40%	-0.88%	2.90%	1.33%	7.66%	n/a	n/a	Oct-17
Mazi NCIS Market Neutral Retail Hedge Fund (RIF)	-3.35%	1.06%	-3.96%	-4.74%	-3.49%	9.98%	-2.57%	-0.23%	Nov-06
AIP NCIS Concentrated Arbitrage QHF (QIF)	-3.91%	-4.40%	-2.85%	1.63%	-0.18%	4.09%	n/a	n/a	Jul-18
Capricorn SCI Stable Retail Hedge Fund (RIF)	-4.67%	0.11%	-4.88%	-0.70%	-1.42%	12.51%	1.52%	4.45%	Jul-03

Single Managers – Sept 2019

Fund name	Last 3 months	Sept-19	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
South African Single-Manager Multi-Strategies (ZAR)									
Alt Re SNN Select Opportunity QI Hedge Fund (QIF)	13.05%	5.55%	5.57%	-2.21%	16.26%	20.48%	-8.24%	-1.22%	Jan-09
Blue Quadrant Capital Growth Prescient RI Fund (RIF)	7.36%	-3.20%	3.94%	-0.59%	16.86%	12.96%	3.88%	9.71%	May-11
Citadel Multi-Strategy H4 Retail Hedge Fund (RIF)	4.94%	3.48%	6.50%	4.32%	5.95%	6.57%	6.15%	n/a	Sep-16
Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund (QIF)	4.00%	0.83%	5.92%	11.53%	12.93%	19.46%	7.92%	10.67%	Aug-10
Coronation SNN Arbitrage Hedge Fund (QIF)	3.21%	2.58%	1.80%	13.26%	8.66%	11.72%	8.42%	9.17%	Jul-03
Tantalum SNN MNC Retail Hedge Fund (RIF)	2.90%	0.82%	-0.40%	1.67%	6.20%	8.69%	2.07%	3.66%	Jun-05
Fairtree Woodland Multi Strategy SNN QI Hedge Fund (QIF)	2.75%	0.11%	4.05%	8.86%	8.86%	10.09%	8.07%	8.99%	Apr-12
Independent Alternatives Mulu Multi-Strategy Prescient RHF (RIF)	2.60%	0.17%	3.47%	5.56%	6.45%	3.10%	3.23%	n/a	Mar-16
Corion Prosperitas NCIS RIF Hedge Fund (RIF)	2.40%	3.75%	5.89%	17.23%	12.56%	13.55%	5.72%	11.92%	Jun-13
Aylett Prescient QI Hedge Fund (QIF)	2.40%	2.01%	0.66%	5.77%	4.39%	10.05%	8.30%	9.64%	Jun-08
Obsidian SCI Multi Asset Retail Hedge Fund (RIF)	1.39%	0.87%	3.04%	9.09%	12.90%	11.00%	6.81%	9.57%	Oct-07
Corion Gravitas NCIS RIF Hedge Fund (RIF)	1.20%	2.29%	3.66%	13.37%	8.45%	8.09%	6.14%	n/a	Jun-15
Rozendal Worldwide Flexible Prescient QI Hedge Fund (QIF)	0.22%	0.13%	3.18%	8.23%	6.73%	10.03%	n/a	n/a	Apr-18
Sanlam Alternative Gamma Retail Hedge Fund (RIF)	-0.07%	0.03%	0.46%	6.46%	2.84%	7.94%	8.21%	n/a	Jul-16
Matrix NCIS Multi Strategy Retail Hedge Fund (RIF)	-0.09%	-1.32%	2.46%	9.78%	7.11%	11.57%	5.36%	7.71%	Oct-06
X-Chequer SNN Duo Multi Strategy Retail Hedge Fund (RIF)	-0.51%	0.58%	3.95%	10.20%	7.52%	8.70%	9.56%	6.96%	Oct-12
Marble Rock NCIS Keystone FICC RI Hedge Fund (RIF)	-2.24%	0.52%	-0.72%	1.64%	0.60%	8.05%	8.48%	n/a	Aug-16
Peregrine Capital Flexible Opportunity H4 QI Hedge Fund (QIF)	-3.37%	-0.97%	-2.45%	2.07%	4.47%	11.25%	8.24%	n/a	Dec-15
Anchor Property Long Short SNN QI Hedge Fund (QIF)	-6.23%	-0.43%	-3.39%	-5.59%	-4.61%	6.83%	0.47%	5.72%	Jan-14
Paragon PFP Multi-Strategy Prescient QI Hedge Fund (QIF)	-8.69%	-1.46%	-5.58%	-5.55%	6.29%	-2.04%	n/a	n/a	Feb-17
South African Event Driven / Credit (ZAR)									
Chrysalis Credit Arbitrage Fund	2.71%	0.79%	5.07%	10.82%	7.55%	12.20%	11.41%	11.24%	Aug-08
Investec Specialist Invest. SA Credit Co-Investment QI HF (QIF)	2.24%	0.80%	4.54%	9.38%	6.87%	9.35%	n/a	n/a	Feb-17
South African Special Opportunities (ZAR)									
Westbrooke Special Opportunities SNN QI Hedge Fund	-2.50%	1.96%	-0.81%	0.31%	-7.24%	7.46%	-2.98%	3.03%	Jun-12
South African Alternative QIF (ZAR)									
STANLIB Multi-Manager NCIS Private Assets Qualified HF	2.07%	0.01%	4.88%	9.26%	4.96%	19.84%	n/a	n/a	Mar-18
Investec Specialist Investments Equity Struct. Products QI HF (QIF)	-4.77%	-0.18%	-1.66%	-1.18%	1.71%	0.26%	n/a	n/a	Sep-17
South African Fixed Income (ZAR)									
Cadiz South Easter Fixed Interest SNN QI Hedge Fund (QIF)	7.05%	1.37%	5.69%	7.89%	9.58%	8.66%	10.93%	7.89%	Nov-05
Southchester Smart Escalator Prescient QI Hedge Fund (QIF)	2.57%	-0.25%	5.16%	11.51%	8.41%	12.54%	n/a	n/a	Nov-17
Abax Fixed Interest Prescient RI Hedge Fund (RIF)	2.43%	1.02%	3.65%	8.62%	6.36%	11.89%	8.40%	10.45%	Feb-13
Acumen AcuityOne SNN Retail Hedge Fund (RIF)	2.09%	-0.56%	8.71%	10.28%	11.25%	19.16%	13.07%	12.79%	Sep-09
Coronation Granite Hedge Fund (QIF)	2.02%	0.69%	4.01%	7.86%	5.98%	9.96%	9.27%	8.61%	Oct-02
Fairtree Proton RCIS Retail Hedge Fund (RIF)	1.90%	0.98%	4.51%	9.59%	6.93%	11.52%	10.00%	10.77%	Aug-01
Investec Fixed Income QI Hedge Fund (QIF)	1.63%	0.49%	4.83%	12.42%	8.13%	11.06%	11.32%	10.77%	Apr-04
KADD Valiculus SNN QI Hedge Fund (QIF)	1.53%	0.00%	2.96%	6.38%	4.15%	11.80%	4.91%	7.16%	Sep-06
Terebinth SNN FI Macro Retail Hedge Fund (RIF)	-0.11%	-1.75%	5.53%	12.31%	9.56%	11.80%	17.72%	12.90%	Apr-13
Oakhaven SNN Strategic Fixed Income QI Hedge Fund (QIF)	-0.68%	0.40%	-0.63%	4.76%	-1.09%	8.78%	5.73%	7.09%	Oct-12
Idwala SNN Strategic Fixed Income Retail Hedge Fund (RIF)	-0.89%	0.35%	-0.79%	5.89%	-1.19%	8.11%	n/a	n/a	Jul-17
Matrix NCIS Fixed Income Retail Hedge Fund (RIF)	-1.36%	-2.22%	2.77%	14.84%	5.54%	15.29%	9.42%	8.77%	Oct-08
Pan-African Equities (Long / Absolute Return) (USD)									
Gondo Visio Metsi Fund	1.95%	2.24%	0.84%	9.55%	14.79%	0.74%	6.91%	-6.57%	Jun-09
Sustainable Capital Africa Alpha Fund	1.95%	3.70%	-7.07%	-14.50%	-2.01%	0.53%	-3.24%	-9.79%	Feb-12
Optis African Frontiers Fund	-0.28%	1.33%	0.92%	0.47%	7.83%	-1.70%	5.07%	-8.39%	Aug-09
Old Mutual African Frontiers Fund	-0.94%	1.30%	-0.39%	5.22%	9.46%	2.73%	11.40%	-1.04%	Jul-10
ALUWANI Africa Equity Fund	-1.84%	2.21%	-9.48%	-7.28%	2.22%	1.41%	3.34%	-7.78%	Aug-09
Sanlam African Frontier Markets Fund	-2.07%	4.54%	-7.14%	-10.47%	-4.65%	0.21%	5.67%	-6.06%	Mar-10
Coronation Africa Frontiers Fund	-2.08%	2.25%	-16.05%	-13.79%	-12.16%	4.99%	3.14%	-5.82%	Oct-08
Altree Capital Africa Opportunities Fund	-2.30%	-1.37%	-3.86%	-6.59%	0.94%	2.05%	2.62%	-9.76%	Jun-06
Laurium Limpopo African Equity Fund	-2.47%	0.53%	-4.66%	-1.15%	3.92%	4.02%	11.08%	1.94%	Jan-14
Adventis Africa Equity Fund	-2.59%	1.37%	-3.57%	-5.51%	0.44%	-4.07%	0.57%	n/a	Dec-14
Absa Africa Equity Fund	-3.30%	-0.55%	-5.08%	-2.22%	3.88%	-4.53%	3.57%	-5.20%	Aug-14
Sanlam Africa Equity Fund	-4.96%	1.63%	-7.57%	-9.39%	-3.90%	0.86%	6.60%	n/a	Jul-15
Steyn Capital Africa Fund	-6.32%	0.65%	-11.19%	-16.91%	-10.69%	6.45%	8.14%	-4.46%	Sep-11
IPRO African Markets Leaders Fund	-9.11%	1.79%	-10.94%	-18.25%	-11.82%	1.51%	-0.37%	-6.56%	Jul-08
Allan Gray Africa ex-SA Equity Fund	-9.70%	6.65%	-16.08%	-18.48%	-12.64%	2.46%	8.63%	-8.06%	Jan-12
Allan Gray Africa Equity Fund	-11.24%	6.47%	-16.94%	-18.14%	-11.64%	16.16%	10.89%	-5.16%	Jul-98

Single Managers – Sept 2019

Fund name	Last 3 months	Sept-19	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
Africa Multi-Strategies (USD)									
Laurium Chobe Long Short Fund	-2.65%	2.34%	-2.07%	-3.45%	3.31%	8.10%	0.78%	-0.94%	Dec-08
Africa Fixed Income (USD)									
Enko Africa Debt Fund	6.68%	2.02%	13.18%	22.56%	19.94%	14.98%	14.98%	n/a	Oct-16
IPRO Africa Total Return Fund	1.55%	0.82%	6.40%	11.37%	10.62%	4.28%	6.85%	4.12%	May-14
Commodity Trade Finance (USD)									
Challenger Trade Finance Fund	2.29%	0.76%	4.72%	8.67%	6.57%	8.35%	8.33%	n/a	Nov-15
Barak Structured Trade Finance Fund	2.02%	0.62%	4.10%	8.30%	6.32%	12.18%	7.94%	8.88%	Feb-09
Commodities (ZAR)									
Polar Star SNN QI Hedge Fund (QIF)	-3.30%	1.18%	1.74%	11.30%	4.74%	19.17%	5.64%	12.12%	Oct-08
Global Focus									
Prime Reitway Leveraged Global Property RI Hedge Feeder Fund (RIF)	15.79%	1.50%	14.19%	12.68%	33.02%	3.25%	n/a	n/a	Oct-17
Craton Capital Precious Metals Fund (USD)	8.22%	-12.00%	14.27%	24.43%	24.00%	0.05%	-8.32%	0.87%	Nov-03
Optis Global Opportunities Fund (USD)	7.40%	1.94%	11.21%	6.24%	10.75%	8.36%	10.86%	12.07%	Sep-06
Protea Global SNN Retail Hedge Fund (RIF)	6.67%	-0.49%	8.24%	3.57%	16.10%	9.51%	n/a	n/a	Sep-17
Craton Capital Global Resources Fund (USD)	-6.94%	-4.20%	-10.05%	-5.96%	3.46%	-3.07%	-1.84%	-6.09%	Dec-08

Fund of funds – Aug 2019

Fund name	Last 3 months	Aug-19	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date	Return objective
Fund of Funds - South African (ZAR)										
Momentum ROIS ZAR Diversified QI FOF (QIF)	3.59%	1.61%	5.31%	9.79%	9.60%	8.49%	6.00%	6.78%	Nov-07	StFI + 5%
Old Mutual Multi-Managers Long Short Equity FoHF	2.61%	0.19%	3.29%	1.99%	7.25%	11.88%	2.67%	5.61%	May-04	StFI + 7%
27four Fortress President RI FoHF (RIF)	2.55%	0.70%	4.59%	7.24%	6.90%	8.25%	5.74%	6.13%	Feb-12	StFI + 4%
Momentum ROIS Multi-Manager ZAR Equity Hedge QI FOF (QIF)	2.38%	0.63%	2.86%	4.52%	8.52%	7.73%	3.39%	5.48%	Jan-11	2/3 SWIX up & 1/3 SWIX down
27four Alternate Income President QI FoHF (QIF)	2.23%	0.92%	4.24%	8.96%	5.98%	7.02%	7.89%	6.83%	Feb-09	StFI + 2%
TriAlpha SNN Enhanced Fixed Income QI FoHF (QIF)	2.22%	0.96%	4.52%	8.81%	5.89%	8.31%	8.57%	8.02%	Aug-07	StFI + 2%
AF Investments Stable QI Hedge Fund of Funds (QIF)	1.96%	0.83%	4.30%	8.82%	7.15%	9.05%	7.54%	8.48%	Jan-06	15% SWIX + 85% StFI
AF Investments Performance QI Hedge Fund of Funds (QIF)	1.80%	-0.34%	3.10%	4.77%	7.08%	9.39%	5.11%	6.43%	Jan-06	40% SWIX + 60% StFI
AF Investments Moderate QI Hedge Fund of Funds (QIF)	1.76%	0.13%	3.76%	7.66%	7.30%	9.29%	5.98%	7.61%	Mar-00	30% SWIX + 70% StFI
AF Investments Focus QI Hedge Fund of Funds (QIF)	1.64%	-0.30%	2.64%	0.49%	8.07%	9.32%	3.07%	5.24%	Feb-11	65% SWIX + 35% StFI
Alpha Prime Fixed Income Qualified Investor FoHF (QIF)	1.42%	0.28%	2.71%	6.04%	3.35%	6.18%	4.09%	3.63%	Jan-06	CPI + 3%
Novare Mayibentsha Market Neutral Qualified FoHF (QIF)	1.39%	0.53%	3.61%	8.50%	5.56%	7.69%	7.03%	7.64%	Jul-10	CPI + 2.5%
STANLIB Multi-Manager NCIS Multi-Strategy RHF (RIF)	1.22%	-1.00%	1.55%	7.07%	4.73%	7.55%	4.99%	6.85%	Dec-12	StFI + 3% over 3 years
Alpha Prime Cautious Qualified Investor FoHF (QIF)	1.05%	0.38%	1.55%	3.75%	4.15%	7.98%	3.51%	3.87%	Mar-03	CPI + 3%
Kanaan SNN QI FoHF (QIF)	0.94%	0.63%	1.07%	-0.89%	5.06%	10.27%	-2.41%	0.75%	May-05	CPI + 3%
Edge ROIS Absolute Return Retail Hedge Fund (RIF)	0.68%	-0.36%	1.26%	4.52%	5.73%	8.97%	2.51%	4.85%	May-02	StFI + 2%
Novare Mayibentsha Moderate Qualified FoHF (QIF)	0.64%	0.11%	2.80%	6.32%	5.11%	10.57%	5.07%	6.20%	Apr-03	CPI + 3.5%
27four Long Short President QI FoHF (QIF)	0.63%	-0.47%	0.64%	2.57%	4.97%	8.46%	1.89%	3.88%	Feb-09	StFI + 4%
THINK Flexible Growth ROIS Retail Hedge Fund (RIF)	0.61%	0.14%	2.54%	5.39%	6.19%	3.60%	n/a	n/a	Feb-18	n/a
27four Market Neutral President RI FoHF (RIF)	0.53%	-0.05%	2.15%	3.96%	5.12%	7.68%	3.53%	5.12%	Feb-09	StFI + 3%
Alpha Prime Equity Qualified Investor FoHF (QIF)	0.41%	-0.22%	1.71%	4.88%	5.83%	7.41%	2.94%	5.82%	Nov-07	ALSI
Novare Mayibentsha Focused Qualified FoHF (QIF)	-0.03%	-0.41%	1.97%	4.49%	4.59%	8.32%	2.31%	3.02%	Dec-08	CPI + 4.5%
Edge ROIS Matador Retail Hedge Fund (RIF)	-0.06%	-1.54%	-0.88%	-5.82%	5.12%	10.68%	-0.56%	3.35%	May-04	StFI + 4%
ROIS THINK Growth QI Hedge Fund (QIF)	-0.14%	-0.50%	3.67%	8.63%	7.49%	8.00%	4.16%	n/a	Nov-14	StFI + 3%
Edge ROIS Portable Alpha 1 QI Hedge Fund (QIF)	-0.46%	-2.13%	-1.58%	-7.91%	5.25%	9.72%	-1.21%	2.23%	Jun-12	100% Riscua Capped SWIX 15%
Citadel Multi-Strategy H4 QI Hedge Fund (QIF)	-0.47%	-1.48%	2.77%	6.07%	7.59%	13.05%	4.88%	7.48%	Dec-02	Cash + 3%
Novare Alternative Retail FoHF (RIF)	-0.64%	-0.61%	1.78%	5.03%	4.03%	7.94%	3.35%	5.55%	Nov-12	Cash + 3%
Edge ROIS Equity Alpha Plus QI Hedge Fund (QIF)	-3.85%	-3.60%	-1.53%	-8.96%	3.38%	9.23%	-2.20%	1.56%	Dec-11	Outperform SwixTop40 TRI
Alternative QIF - Global (ZAR)										
STANLIB Multi-Manager NCIS Alternatives Qual. FoHF (QIF)	0.83%	2.96%	4.17%	4.40%	3.61%	5.38%	n/a	n/a	Jun-18	CPI + 5% over 3 years
Fund of Funds - Pan African (USD)										
27four Pangaea Africa Fund of Funds	-1.60%	-0.27%	-5.21%	-10.56%	0.68%	-2.40%	4.14%	-7.20%	Jun-11	n/a
Caveo Africa Fund	-2.21%	-0.42%	-5.55%	-11.35%	-0.06%	1.03%	5.59%	-5.90%	Jun-12	n/a
Fund of Funds - Global (USD)										
Blue Diamond Fund	3.65%	-0.10%	2.84%	10.16%	9.87%	6.42%	9.25%	n/a	Oct-14	n/a

*estimate

To list your fund in the database please email Aiden Davis at data@hedgenewsfric.com. See www.hedgenewsfric.com for data updates



Prime Services A partnership that goes beyond the ordinary

Gain access to a single integrated platform that provides you with execution, clearing, reporting, securities lending, structured financing, portfolio monitoring tools and alternative products. We do not believe in a one-size-fits-all approach and understand the importance of partnership, with our clients, across a wide range of investment strategies.

It all adds up to
Out of the Ordinary
partnerships.

Investec Prime Services | 

Contact us on +27 11 286 7666
PrimeServicesSales@investec.co.za

