

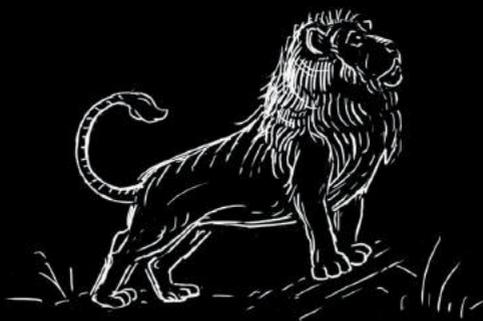
Hedge Fund & Alternative Manager **DIRECTORY 2020/2021**

*A handbook of leading players in Africa's
alternative asset management industry*



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REBUILDING THE ECONOMY STARTS NOW.

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Traditional values. Innovative ideas.

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Corporate and Investment Banking

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Regulation leads the way

This year's *HedgeNews Africa* Hedge Fund and Alternative Manager Directory, our fifth, showcases a comprehensive array of talented managers and companies who are accessing a host of opportunities across the African markets.

From long/short equity funds, fixed income and commodities mandates to market-neutral and pan-Africa long-only strategies, managers operating across these markets apply their specific aptitudes and proven abilities to profit in various ways.

Whether they focus on the quantitative or qualitative, macro or micro, across a range of asset classes, they have identified potential profit centres, and packaged those ideas into portfolios designed to be accessible to a range of different investors.

It's a particularly exciting time for hedge fund managers in South Africa, with single-manager and multi-manager products now moving into a regulated environment, bringing greater comfort for investors.

In this year's directory you will notice fund managers' alliances with management companies, as required under Collective Investment Scheme rules. This is an important addition in the regulated environment, as authorities require additional layers of operational oversight, among other stringent requirements.

Regulated hedge funds come in two main varieties – retail investor funds (RIFs) or qualified investor funds (QIFs). The first are designed to cater to a wider set of investors – they can be accessed via smaller monthly contributions rather than big lump sums, and they have various other mandate constraints including lower levels of leverage. QIFs are very much the same type of product that the industry has always offered – but with greater oversight. Designed for sophisticated investors or institutions, they can use higher leverage limits and more unconstrained mandates, usually in pursuit

of higher returns. In addition, some managers are able to offer investors access via segregated mandates or private arrangement.

So far in 2016, markets have been behaving in new and interesting ways, ruffled by economic and political events, both at home and abroad. It has been a rough environment for active managers, yet it is one that many have navigated sensibly and to good effect.

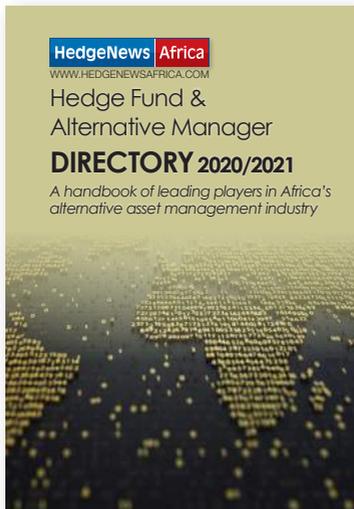
While many long/short equity strategies, which had a great year in 2015, have battled the volatility, numerous individual funds have continued to do well in a changeable environment. Fixed income and multi-strategy hedge funds have flourished, as have market neutral, relative-value and commodities strategies, showing the value of diversifying across different strategies within an alternative asset allocation, to build weatherproof portfolios. And in the broader African space, where conditions have been brutal in the listed markets, skilled managers are constructing portfolios that tap into long-term themes.

How can investors identify talented managers in an increasingly complex operating and investment environment? Research and due diligence are ever more critical, and this directory provides an important starting point for investors on that journey.

The following pages offer valuable insights into the talented individuals operating in the markets, the companies that they operate within, and also the important infrastructure that supports their endeavours – from administrators and prime brokers, to lawyers, management companies, accountants and risk advisors.

We trust you will find it useful.

Gwyneth Roberts, editor
HedgeNews Africa



Hedge funds – navigating the future global environment

When reflecting on 2020, it is easy to get distracted by the pandemic and the continuing impact it has on society and businesses globally. But in the midst of any uncertainty lies opportunity, rebirth and innovation.

A concept of planning

With global market turmoil all around us, hedge fund investment managers have continued to be active performers and participants in the investment landscape. Many of these investment portfolios are expecting record returns this year and with global markets displaying constant volatility, now is a great time for managers to plan their next winning moves.

Globally competition is growing

Global lockdowns have driven marketing initiatives, conferences and showcase events to either virtual platforms or to a complete halt. Already countries are positioning themselves and thinking about how to attract cautious tourists back to their shores. Should managers not apply the same concept in attracting new investors? South Africa's investment infrastructure, stakeholders and risk metrics continue to be highly regarded as world-class and investment opportunities, market players and industry bodies are all very competitive.

Foreign funds continued to enter South Africa in 2020 via Section 65 arrangements. Foreign fund forums continue to eye South Africa for investment opportunities and to showcase their products and solutions at events. In addition, many South African managers are looking to globalise their businesses and product offering, all being led by a desire to innovate.

How big is South Africa's hedge fund (and alternatives) market?

Access to reliable statistics continues to be debated. An inordinate amount of effort and work has been completed over the past year by ASISA and its members to collate and make the data available. The release of the hedge fund statistics is imminent and once available will contribute to the investment narrative and opportunity set.

How do we continue to increase broader investment and awareness?

In 2019 we saw the start of a renewed interest in hedge fund education from several stakeholders. This trend has continued throughout 2020, evident in publications such as *HedgeNews Africa*, which publishes articles showcasing management teams and opportunity sets. We hope this trend continues and that managers initiate more marketing and promoting events to reach a broader investment audience.

Board Notice 52, the hedge fund regulations – possible amendments on the horizon?

The Financial Sector Conduct Authority (FSCA) has indicated on several occasions the need for industry participation to drive learning outcomes and revisions to the current regulations. This exciting initiative should hopefully gain traction in 2021, with needed engagement with its stakeholders.

Board Notice 90 – CIS traditional fund investment limits, amendments in discussion?

There continues to be interest and engagement to allow Traditional Collective Investment Scheme (CIS) portfolios to invest in regulated hedge funds. With the renewed vigour, will we see amendments to the traditional CIS investment limits, resulting in investment into hedge funds?

Thank you to all our stakeholders for their ongoing contributions over the past year and we implore all to think about how as a collective we can continue to grow this industry. We look forward to the opportunities and challenges, and welcome positive thoughts, innovation and all new entrants to the market. We wish everyone good health for the year ahead.

Hayden Reinders is the chairperson of the Hedge Funds Standing Committee of the Association for Savings and Investment South Africa (ASISA), and is head of business development and client management at Prescient Fund Services.

ASHBURTON INVESTMENTS

ABOUT ASHBURTON INVESTMENTS

Ashburton Investments is FirstRand Group's investment management business. We place our clients at the centre of our thinking to grow and protect their money.

By providing investors with access to more sources of return and a strict focus on managing volatility and risk, we endeavour to generate sustainable risk-adjusted returns for our clients.

We tap into the skills and capabilities of the broader FirstRand Group in South Africa and international markets to leverage a broad range of investment opportunities that are not typically accessible to investors. Our integrated investment approach blends traditional and non-traditional investment expertise with innovative private market and customised solutions, enabling us to offer solutions that help our clients meet their investment objectives.

By partnering with us, investors have access to an investment manager with the backing of a large parent company, innovative investment solutions and a long track record of excellence.

NEW PRIVATE MARKET INVESTING

Today's global investment climate of prolonged uncertainty calls for a shift beyond the traditional understanding of diversification towards allocation of capital across more alternative and varying sources of return.

We look beyond traditional approaches to actively seek out more sources of return that can be invested across the capital structure. Ashburton Investments' private market investments provide access to all parts of the capital structure through private equity, mezzanine, senior unsecured and secured credit funds, all with varying risk and return profiles to suit investors' needs.



Our money market, fixed income and private market offering provides investors with the tools they need to enhance their current portfolio construction. By investing in a wider range of assets according to their risk and return preferences and long-term investment goals, investors are able to construct more robust investment portfolios with true diversification benefits.

Our team consists of specialists with expertise in structuring investments and allocating capital in all market conditions, and our capabilities span across:

- Private equity
- Mezzanine financing
- Unlisted corporate credit opportunities
- Impact investing
- Direct property
- Liability-driven investments (LDI)
- Infrastructure
- Money market and fixed income solutions

For further information:

Please speak to one of our business development managers on 011 282 8800 or email: query@ashburtoninvest.co.za (retail investors) institutional@ashburtoninvestments.co.za (institutional investors)

www.ashburtoninvestments.com



Enabling infrastructure investment – a focal point for South Africa’s depressed economy

Santhuri Thaver, Ashburton Investments

As we face a significantly depressed economic outlook with the urgent need to revitalise our economy and create jobs, infrastructure investment once again becomes a focal point to stimulate economic growth. It is an asset class that marries well the economic benefits of growth and returns with a tangible social impact.

Traditional measures of risk and return are no longer the only considerations when evaluating investments. The impact of the investment on the environment, human lives and the value being created for future generations is becoming increasingly important to investors. Looking at the UN’s sustainable development goals (SDGs), a large majority of these are met through infrastructure investment. Infrastructure investment thus fits very well into the drive for sustainable investing with environment, social and corporate governance (ESG) considerations being more prevalent in infrastructure financing. Where project finance has been used to fund infrastructure assets, these have been subject to equator principles, providing a framework for managing environmental and social risk within these projects.

When talking about sustainable investing, we cannot ignore just transition. As we grow our

renewable energy market, there needs to be increased focus on localisation, policies and requirements around local manufacturing, the re-skilling and upskilling of workers that will be impacted as we move towards a greener economy. Localisation must be done on a sustainable basis that transcends the independent power producers (IPP) bid windows so that South Africa becomes a permanent partner in the global supply chain. An overall policy framework to encourage a transition to a green economy and a clear, predictable and stable policy environment can create the confidence required to stimulate private investment.

Over the past few years, there has been a significant under-spend on infrastructure, far below the National Development Plan target, which has not only impacted the country’s economic growth pre-Covid but also the quality of life of those living in South Africa. The answer is not widescale roll-out of infrastructure projects but on sustainable and quality infrastructure that is properly designed and delivered, reliable and resilient with equitable access to its benefits. As a country, we cannot afford another Medupi or Kusile.

While investors are open to infrastructure investing, there is a lack of availability of bankable

projects. Infrastructure projects can be plagued by red tape with mis-alignment of development plans between different spheres of government delaying roll-out, but we are seeing some traction in this regard. Recent engagement between Government and the private sector has been encouraging, specifically around the creation of the Infrastructure Investment Office (IIO) to co-ordinate various stakeholders with the aim to fast track infrastructure development and reduce bottlenecks within the system. The inclusion of the Presidential Infrastructure Coordinating Commission (PICC) Technical Task team within the IIO to form what is called Infrastructure SA creates one umbrella and avenue under which infrastructure projects requiring funding from the fiscus will be considered.

Development of infrastructure is complex in nature and requires proper structuring, implementation and management to ensure adequate mitigation of risks and attraction of funding, with the IIO recognising their constraints and calling for assistance from the private sector to bolster the capacity and skills to fulfil their function as well as improve the quality of projects submitted for consideration from the provinces. To date, 50 projects in key sectors of water and sanitation, human settlements, and energy, have been gazetted, funding secured, and necessary approvals fast tracked. Increasing the capacity of this office will assist in creating a greater pipeline of bankable investments.

The establishment of the Infrastructure Fund managed by the Development Bank of Southern Africa (DBSA) will seek to utilise R100 billion of government support over 10 years to crowd in private capital. The fund will consider blended financing. Instruments include provision of subordinated debt to increase the first-loss buffer for senior debt providers, increased capital commitments to reduce elevated debt levels for riskier projects and interest-rate subsidies to reduce total debt costs. The aim of blended financing would be to enhance the fundamentals of a project that would otherwise not be bankable.

The creation of a pipeline of projects is not solely a Government responsibility. Institutional investors are also asking questions around direct benefits created for their members. This is an area where the private sector could get involved



Santhuri Thaver

with the development of infrastructure services in areas where the majority of beneficiaries live or will retire.

On the funding side, historically Government has largely funded infrastructure development. Given the significant infrastructure gap, of approximately R2 trillion per the NDP plan to 2030 as well as the impacts of the pandemic with rising debt-to-GDP levels, it can no longer be the case. Development finance institutions (DFIs) and commercial banks play an important role, with DFIs providing much-needed project preparation facilities to assess feasibility and develop bankable projects, and the commercial banks being best placed to take the construction risks. Commercial banks, though, are constrained by capital requirements, with their balance sheets not suited to holding long-term assets. On the other side of the coin, institutional investors are concerned about the illiquid nature of this asset class, with more work needing to be done around increasing access to liquid infrastructure projects. Once an infrastructure project is operating, it has been substantially de-risked and can be refinanced into a listed project bond, creating a more tradeable instrument.

A listed bond does come with greater transparency to the market and increased reporting requirements that may be met with apprehension from project sponsors. This however needs to be balanced with the funding capacity of the capital markets to meet infrastructure needs, longer tenors that can be issued through a project bond as well as the

benefits to sponsors to access diverse pools of capital at reduced rates.

To get around the reduced flexibility of a listed project bond versus unlisted debt, a managing agent with the necessary skills, appointed by the bondholders to manage the project from a debt perspective, could address this challenge with certain events of default still subject to noteholder consent. This would ensure that bondholders' rights and interests are protected, while maintaining flexibility that is required for these types of dynamic projects.

Financiers could further encourage sustainability by considering pricing ratchets, sustainable financing can cater for downward ratchets in the margin reducing financing costs if agreed sustainable targets, verified by a third party, are met, incentivising attainment of these targets. Ultimately a sustainable business or project creates a greater return profile for investors over the long term.

Lastly, there needs to be standardisation on definitions and measurement to allow investors to assess the relative attractiveness of sustainable investments.

Overall, South Africa is really at the edge of an economic cliff but we have investors that are keen to – and understand the need to – invest in infrastructure. However, hurdles need to be overcome and addressed through collaboration between the public sector and private industry players. We also need to acknowledge that we cannot do everything at once, so there should be a focus on investments that can create the most significant impact from a financial and ESG perspective.

Santhuri Thaver is a senior credit analyst at Ashburton Investments. She spent seven years in corporate and investment banking working for several of the large South African financial institutions gaining extensive corporate and project finance experience. Her role within the banking sector was that of a senior credit manager and involved the structuring and approval of transactions. More recently and prior to joining Ashburton Investments, she was a senior manager in KPMG's Infrastructure & Financing Unit responsible for leading financial advisory engagements on major infrastructure projects. She holds a Bachelor of Accountancy from the University of the Witwatersrand and is a qualified CA(SA) and CFA charterholder.

CHRYSALIS CAPITAL

Chrysalis Capital was established in July 2008 as a niche investment house that operates in the unlisted credit market. Its value proposition is that it offers institutional fixed income investors an alternative source of yield which is not correlated to listed credit, yet positively correlated to inflation and interest rates. The Chrysalis team uses many years' banking and finance experience to source, negotiate and package debt investments that deliver disproportionate risk-adjusted returns to their investor base. The inefficiencies of South Africa's banking system have been exacerbated by Basel III, thus the opportunity set for investors in private-sector credit is significant. The company manages assets totalling *circa* R1.07 billion.

The Chrysalis Credit Arbitrage Fund celebrated its 12-year track record in August 2020 – its annualised return over 12 years was 12.04%, an average of 7.08% above CPI, outperforming both the ALBI (8.62% pa) and the All Share Total Return Index (9.24% pa) over 12 years.

INVESTMENT STRATEGY

The Chrysalis team selectively seeks out investment opportunities by building relationships with select professionals in the private equity and property sectors. The emphasis is on supporting growing sectors of the economy and resilient businesses with strong and predictable cash flows and quality assets, where risk is non-binary. Detailed legal structuring of all transactions is a high priority in order to reduce risk to the minimum.

THE TEAM

Carl Combrinck has 20 years' experience in banking and finance, of which eight years were spent at BoE Private Clients in various roles from



Carl Combrinck



Mark Pienaar

dealmaker in the structured finance team to head of leveraged finance. He has in-depth knowledge and experience of banking credit policies and, as a qualified attorney with experience in commercial and insolvency law, has an intricate understanding of the legal risks inherent in investing in private-sector credit.

Mark Pienaar is ex-Cape of Good Hope Bank and Nedbank Corporate and has extensive experience in commercial property finance. After leaving the bank, Mark spent many years facilitating large property equity and debt transactions before joining Chrysalis.

Trish Swanepoel is the Head of Risk, she has more than 20 years' experience in banking and plays a key role in legal implementation and fund administration.

Mike Russell joined the team in 2019 as a Senior Associate. He is an experienced deal maker out of the Nedbank Corporate Property Finance stable.

Melanie Arendse joined the team in 2019 as a Senior Fund Administrator.

Service providers

Administrator:	SANNE
Auditor:	Mazars
Legal advisors:	ENS
Manco:	Chrysalis Capital (Pty) Ltd

Company

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GREENPOINT CAPITAL

Greenpoint Capital was established in 2011 as a specialist private credit investment manager, focused on two primary credit strategies, being direct lending and special situations investing. It currently manages two investment funds, with its flagship being Greenpoint Specialised Lending, which has a track record of over nine years during which it has invested in more than 50 South African medium-sized businesses, deploying in excess of R2.8 billion. Since inception, it has delivered returns to investors in excess of 15% per annum net of fees and taxes.

Investment strategy

Private credit is an asset class within the non-traditional segment of alternative investments. As a private credit manager, Greenpoint Capital's business model is based on providing constructive capital solutions to both high-growth businesses or businesses with stressed or distressed capital structures. Greenpoint Capital seeks to work on a consensual basis alongside corporate management teams and shareholders to effect positive capital structure solutions. Its investments are all privately negotiated, credit-led facilities that derive the majority of their return from a contractual interest yield, but may also participate in the upside through equity participation instruments. The focus is, however, on capital preservation with downside protection achieved through specific security taken on each underlying investment.

Company

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Auditor: BDO

Legal advisor: Cliffe Dekker Hoffmeyer

Manco: Greenpoint Capital (Pty) Ltd



Investment team

Ryan Wood-Collier (CFA) Ryan co-founded and is CEO of Greenpoint Capital. Having spent over 14 years in London working at Close Brothers in the private credit and restructuring markets, he returned to South Africa in 2014 and has been managing Greenpoint Capital's private credit funds since then.

Ryan started his career in London at PwC, focused on M&A and restructuring, during which time he completed his CFA.

Nic van Zyl (CA(SA)) Nic joined Greenpoint Capital in 2017 having spent over 10 years with Investec Group operating in the UK and South African leveraged finance and private equity markets. Nic started his career at Deloitte South Africa having completed his BCom Financial Accounting at Stellenbosch followed by a Masters degree in Management Research at Oxford. Nic completed his CA at Investec as a member of the CA Program.

Nic Woolaway (CA(SA), CFA) Nic joined Greenpoint Capital in 2019 as COO with over 17 years in investment banking and asset management experience, six in SA and 11 in the UK. Prior to Greenpoint, Nic was COO of RECM for four years, having spent eight years with hedge fund BlueCrest Capital Management and three years with UBS Investment Bank in the UK.

Investment terms

Fund: Greenpoint Specialised Lending

Fund strategy: Direct lending

Hurdle rate: SA Prime

Fund open: Yes

Management fee: 1.5%

Performance fee: 15% over hurdle

Redemption: Quarterly, six months' notice



A perspective on private credit

Ryan Wood-Collier, Greenpoint Capital

Traditionally, gaining access to corporate credit as an investment was either achieved indirectly through investing in fixed income funds or, as an institutional investor, by participating in the syndication of senior secured loans by commercial banks. This meant that, specifically in the South African context, the ability to gain direct access to corporate credit as an investment class has, until more recently, been very limited.

Private credit funds have seen significant growth in developed markets over the past 10 years, but specifically in the last five years. While private credit has existed as a well-established asset class in the US for many years, the UK and EU lending markets were historically relationship bank driven. The global financial crisis of 2007/8 (GFC) and Basel III regulatory changes resulted in senior lenders withdrawing from event-driven funding of medium-sized businesses, and opened the door to private credit funds. Since then, private credit has become a recognised and understood asset class, attracting increasing interest from investors.

According to Preqin's *Q2 2020 Quarterly Update Report*, US\$56 billion in private credit commitments was raised across 85 funds in the first half of this calendar year. Despite the effects of Covid-19, investors have retained significant appetite for the asset class, with the number of individual investors committing \$50 million or more over the next 12 months increasing to 65% in Q2 2020 from 37% a year ago.

In the South African context, corporate lending is still very much the preserve of the senior lenders, much like the UK & EU markets pre-GFC. There are a few established private credit funds operating in

the market, but the market is small and somewhat under-developed. That said, the opportunity for private credit is growing, particularly in the current environment. "Private credit is by no means a replacement to senior debt lending – we aim to supplement the lending market to provide optimal funding solutions for borrowers, where the senior lenders may not have the ability or appetite to participate," says Ryan Wood-Collier, CEO of Greenpoint Capital.

Private credit is an asset class within the non-traditional asset management segment of alternative investments. It typically comprises a group of credit strategies that fall into two broad categories, being i) direct lending and ii) distressed/special situations investing.

Unlike fixed income, managers of private credit funds typically invest in private companies, where there is a corporate or other idiosyncratic event: this could be a refinancing of the current capital structure of the business, the funding of an acquisition or growth opportunity, or the provision of new capital to effect a restructuring or turn-around of the business. The investments are bespoke structured and privately negotiated to both meet the specific needs of the underlying company, but also provide the return compensation and requisite security for the risk taken in each investment. The investments tend to be illiquid (i.e. not actively traded or widely syndicated) and for durations of between two to five years, but it is that illiquidity that generally allows for a disproportionate risk-adjusted return to be generated.

Unlike private equity, private credit typically sits in a preferred position in the capital structure. This can be anywhere from first ranking, senior secured to

Private debt fundraising (Global)

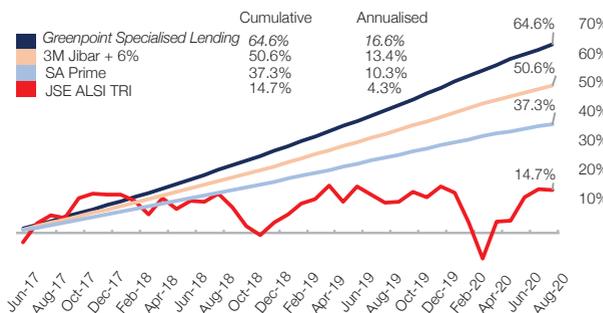


Source: Preqin



Ryan Wood-Collier

Greenpoint Specialised Lending - net investor returns



a preferred equity position. In most cases, loans will benefit from security and therefore, the investment trades the upside associated with pure equity for downside protection associated with its preferred position in the capital structure and security taken. “The combination of the bespoke structuring, position in the capital structure and security associated with the investment, offers what we believe to be a disproportionate risk-adjusted return, provided the investment is managed correctly,” says Wood-Collier.

What should an investor in private credit expect from their investment? Typically the majority of the return will be structured as a contractual interest yield, with the potential for some upside through ‘equity participation

instruments’ such as options, warrants or some direct equity. “This largely contractual yield will produce a more consistent return profile, possibly with some cash yield. Investors should expect an illiquidity premium over a fixed income investment with a more stable return profile.” says Wood-Collier. “An investment in private credit offers a diversification opportunity for investors as the return profile is uncorrelated to traditional fixed income or listed equity returns, but also to other illiquid investments, such as private equity, as it will not exhibit the typical ‘J-curve’ of a private equity investment.”

Managing a portfolio of private credit investments does, however, require a very specific skillset. “It is one thing to be able to source the right opportunities and structure

and execute a transaction to meet the risk-return characteristics of a specific deal,” says Wood-Collier. “But the real value is ensuring that the manager is embedded in the detail of each portfolio company investment, has a very strong understanding of the legal framework they are operating in and has the ability to manage and control the intricacies involved in resolving a situation if things go wrong.”

Ryan Wood-Collier is the CEO of Greenpoint Capital, a private credit fund manager specialising in both direct lending and investing in special situations/restructuring opportunities, with a nine-year track record of investing in bespoke corporate credit in South Africa. Greenpoint provides constructive capital solutions to either growing or financially challenged businesses, working on a consensual basis with the company and its management team, as well as senior lenders and other stakeholders in the business to effect an optimal capital solution. The team is based in Cape Town and brings over 35 years’ combined experience of lending to and restructuring private equity-backed businesses and corporates in both SA and the UK.

STANLIB

STANLIB is a specialist investment manager in South Africa, administering over R500 billion in assets under management.

We offer depth of expertise across a wide range of investment disciplines, spanning active and passive management, single- and multi-manager offerings.

STANLIB's **public markets** capability includes dedicated teams specialising in absolute return, balanced, equity, fixed income, listed property and multi-management.

STANLIB's **private markets** capability offers investors access to a broad range of alternative assets managed by two teams of highly regarded and experienced investment professionals with an established track record of over 10 years. These teams manage over R60 billion in assets in pan-African private debt and private equity funds.

Our unique blend of skills, areas of specialisation and perspectives enables us to make better-informed decisions so we can help our clients, both individuals and institutions, achieve their financial goals.

Our alternatives capability includes:

- Infrastructure development
- Private equity
- REITS
- Unlisted debt
- Africa unlisted debt
- Impact

Our depth of expertise across a comprehensive range of traditional and alternative asset classes enables us to:

- Share deep insights and make better investment decisions
- Deliver tailored solutions that meet diverse client needs
- Foster rigorous debate and idea generation.

Our incentivised and dynamic investment teams are able to build diversified portfolios and quickly react to changing circumstances in the market.

Yet we are big enough to make a difference.

Being part of the broader Standard Bank and Liberty groups gives us access to:

- Deal flow
- Expertise
- Data

STANLIB

OUR SOLUTIONS

STANLIB offers clients both pooled and segregated investment solutions across a broad choice of traditional and alternative asset classes.

INVESTMENT CAPABILITIES

Traditional asset classes: Our active single-manager capabilities invest across all traditional asset classes, including absolute return, balanced, equity, fixed income and listed property.

Credit Alternatives: STANLIB Credit Alternatives invests in a broad spectrum of unlisted and listed credit opportunities in South Africa, and selected countries across the African continent. Our team of over 25 specialists with deep relationship networks manages more than R55 billion in assets.

Infrastructure: STANLIB Infrastructure Investments is a specialised private equity team that invests across a range of infrastructure development projects in South Africa. We focus mainly on the power, renewable energy, railways, airports, water and telecommunication sectors, promoting socially responsible and environmentally sustainable business practices and the highest standards of corporate governance.

Multi-manager: STANLIB Multi-Manager draws from across asset classes and managers to find the best solutions for investors. We have specialist teams handling fixed income, property, African equities, multi-asset and real return products, alternative fund of funds, global equities and global bonds. We also offer dedicated multi-manager advisory services.

For further information contact:

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W: www.stanlib.com



Breaking the imbalance: the role of alternative managers

Johan Marnewick and Jonathan De La Pasture, STANLIB Credit Alternatives

The Covid-19 pandemic has prompted huge stimulus from central banks around the world, with the European Central Bank and the US Federal Reserve pumping trillions into the markets.

On both sides of the Atlantic, there are ongoing fears of negative interest rates – something the developed world has battled with in the wake of the global financial crisis, creating concerns that investors will struggle to meet their long-term return objectives.

The result is that underlying risks are not represented in global equity or bond markets, leading commentators to cite dislocated asset prices.

Yet Wall Street continues its winning streak with US equity indices Nasdaq and the Standard & Poor's in record-high territory (as of early October), with constituent companies trading at price-earnings multiples of as much as 30 times – despite Main Street being on fiscal life support due to the ongoing pandemic.

As investors around the world search for yield, alternative asset managers have a duty and the opportunity to seek and direct capital to productive uses elsewhere – away from traditional assets to alternatives – and geographically, from the developed world to emerging and frontier markets. “For us, this is the opportunity of a lifetime,” says Johan Marnewick, head of the credit alternatives capability at STANLIB, which manages assets of R55 billion with a diversified credit capability offering access to a range of alternative asset

classes. “Global capital is going ex-value in the developed world and there are huge opportunities in emerging and frontier markets where price and risk relationships suggest the inverse of the developed markets’ established order. As managers, these dislocations that pre-existed but have been exacerbated by the pandemic are an opportunity to correct imbalances.”

“The developed world has a dam of liquidity and much of the earth is saturated. We need to fetch capital and deploy it to be more productive where it is needed – the parched African plains.”

For STANLIB, the listed debt and unlisted credit markets across Africa, including South Africa, offer broad avenues to invest in various listed and unlisted credit assets, including senior, high yield, property and infrastructure finance. Such assets tend not to be pro-cyclical, offering steadier income in troubled times, albeit with lower liquidity. Often enough, the risks are overstated, with yields at many multiples of those in the developed world.

Frontier markets currently present an important value proposition, adds Jonathan De La Pasture, portfolio manager, credit alternatives, at STANLIB. In particular, pan-African eurodollar debt is one of the most attractive asset classes in the world right now on a risk-adjusted basis.

“International capital can make an enormous difference in Africa and many investors are motivated to do just that,” he says. “There is a need to drive economic inclusion and help the continent to develop, while giving investors measurable and predictable outcomes.”



Johan Marnewick

De La Pasture notes that the pan-African eurobond market (beyond South Africa) has been in existence since 2006, when the Seychelles went to market with the continent's first eurobond, raising \$200 million.

In a relatively short time, the market has reached US\$180 billion, and is now seen as an investible asset class on the radar screen of frontier and emerging market investors, improving liquidity and cutting entry and exit costs.

For global and domestic investors, there are different ways to allocate to the credit space, tapping into various sub-themes, from infrastructure, telecommunications and financials, and into impact-focused areas such as healthcare and education. ESG screening can be applied across the opportunity set to identify themes that are important to investors.

Given the global macroeconomic backdrop, it is an opportune time to consider an allocation to unlisted credit, which offers direct exposure to underlying economies, including local-currency credit where appropriate. When combined with hard currency listed credit in a portfolio, yields of 7-8 % are possible, whereas achieving similar returns in developed markets would require venturing into mid-market leveraged debt funds, potentially with liquidity constraints and lengthy lock-ups.

Many corporates operating in Africa will tend to



Jonathan De La Pasture

have inferior credit ratings, or ratings on the same level as high-yield debt in developed markets. This is often because their ratings are capped by country risk.

"Very often [in Africa] we are looking at leading corporates with low levels of leverage – the underlying metrics are very different to US high-yield names, which achieve similar ratings," says De La Pasture.

The broad African continent is also not a homogenous mass, with different economies offering different contributions. The dynamics of leading economies such as South Africa and Egypt will differ significantly from the relatively underdeveloped Uganda, while Kenya and Ghana are reflecting political stability after recent political transitions.

Yet many investors have had their fingers burnt in Africa, particularly in the listed space, and local knowledge is key to breaking the trust deficit.

While emerging market and African sovereign risks cannot be fully circumvented, good portfolio construction and diversification can minimise potential negative impacts.

Investors looking at the Africa opportunity set also need to ensure there are no unintended consequences in their allocations, including matching the currency of an investment to its underlying revenue stream.

“As a credit-focused team we are very selective and pick names with underlying strength. We are not advising a rush into these markets – you need the right institutional-quality manager with in-depth relationships on the ground,” says Marnewick.

In the credit space, besides alignment with local market risks, investors should also look out for good recovery practice, with managers that know how to protect capital in case things don’t go according to plan, and local on-the-ground relationships to ensure investment terms are honoured.

In South Africa, fuelling growth in employment and infrastructure are key concerns for investors in a Covid-19-hit environment, and private debt can make a meaningful difference, via tailored impact-related mandates.

“There is enormous demand for the private sector to step in to complement the capacity and focus areas of the state,” says Marnewick. “While the public sector has been hollowed out, the private sector offers significant experience, skills and the latest technology. The onus is on investors to act responsibly and carefully with their allocations.”

In the broader African context, South African allocators can also now invest 10% into pan Africa over and above the existing 30% overseas allocation according to Regulation 28 of the Pension Funds Act.

“We believe the way to lead South Africa onto the continent is through debt rather than equity,” says Marnewick. “While private equity brings extensive lock-ups, unlisted credit has a defined pay-off profile that is appropriate for institutions looking to preserve capital and generate risk-adjusted returns via self-liquidating portfolios. But there are idiosyncratic risks across markets and you need to partner with the right manager to lead you there and undertake the selection and de-selection exercise.”

Johan Marnewick is head of the credit alternatives team at STANLIB, and Jonathan De La Pasture is a portfolio manager. STANLIB’s Credit Alternatives team has collective investment experience of more than 350 years and AUM of R55 billion, with a diversified credit capability offering access to a range of alternative asset types, in South Africa and the broader African continent, both for domestic and global allocators.

STANLIB KHANYISA IMPACT INVESTMENT FUND



WESTBROOKE ALTERNATIVE ASSET MANAGEMENT

WHY WESTBROOKE?

Founded in 2004, Westbrooke invests and manages capital in multiple geographies on behalf of its shareholders and investors in private equity, venture capital, private debt, hybrid equity and real estate. We manage approximately R6 billion of shareholder and investor capital invested predominantly in South Africa, the UK and the US with offices in Johannesburg and London.

Westbrooke Alternative Asset Management was established as a multi-asset, multi-strategy manager of alternative investment funds and products structured **to preserve and compound our clients' wealth to cement their future prosperity.**

Our team is comprised of experienced entrepreneurs and investment professionals who apply a broad range of experience and skills to deliver investment opportunities which offer a simple investable outcome – predictable, sustainable, risk-managed long-term returns for investors in an increasingly complex environment.

ENTREPRENEURIAL, EXPERIENCED AND ALIGNED

Since inception, we have invested in and led over 180 transactions with a combined deal value of over R14 billion. Over this period, our private equity assets have achieved an internal rate of return (IRR) in excess of 30%.

We have a heritage as a shareholder and operator of assets, investing our own capital to develop and grow our businesses and assets. We believe our operational experience and expertise gives us and our investors a competitive advantage.

We are totally committed to financial alignment. We invest materially alongside our clients and partners in all our funds and investments.

INVESTMENT SPECTRUM

Private debt

- Loans extended to privately held companies
- Diversification achieved through portfolios which spread risk across asset classes and geographies
- Robust security packages with conservative gearing and significant equity cushions
- Attractive risk-adjusted returns targeting cash yield and real underlying liquidity



westbrooke

Alternative Asset Management

Hybrid equity

- Transactions which demonstrate debt-like risk mitigation but with equity return characteristics
- Capitalising on market pricing dislocations and liquidity constraints (e.g. COVID-19)
- Targeting a blend of yield and capital growth

Real estate

- Direct real estate equity investments alongside experienced, on-the-ground partners
- Subsectors include residential, mobile home parks, logistics, student accommodation and hospitality
- Targeting a blend of yield and capital growth

Private equity and venture capital

- Partnership with best-of-breed operating partners
- Global investment reach providing investors unique access to investments as a result of Westbrooke's relationship set
- Capital growth focused

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South African investors' increased appetite for private debt over low-yielding fixed income

Richard Asherson and Dino Zuccollo, Westbrooke Alternative Asset Management

Private debt has since 2008 grown from the global investment periphery to one of the world's largest and fastest growing alternative asset classes, according to Westbrooke Alternative Asset Management. In a low-yielding investment universe, private debt is a core part of fixed income portfolios.

"Since 2018, Westbrooke has invested more than GBP100 million of investor capital across 35 private debt transactions, primarily in the UK," says Westbrooke's head of distribution, Dino Zuccollo. "Post the Covid-19 pandemic, governments' response across the globe has been to assist economies by dropping rates to zero. At the same time, equity valuations have run

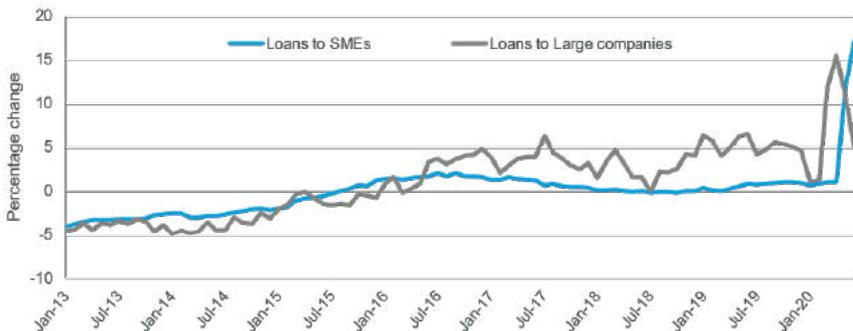
hard as free money has become available.

"In this environment, private debt returns offer similar historic returns to equity investments but with security packages (e.g. direct security against a tangible asset) generating an asymmetric risk/return profile."

Simply explained, private debt is where a loan is made by a non-bank lender and therefore falls into the broader category of 'alternative debt' or 'alternative credit'. The term private debt is used interchangeably with 'direct lending', 'private lending' and 'private credit'.

Private debt investments are typically used to bridge

Annual growth in lending activity to Jun-20



* Source: Bank of England



Richard Asherson

property transactions, real estate development, finance business growth, provide working capital and fund infrastructure.

Private investors including high-net-worth individuals, family offices and institutions view private debt investments as an opportunity to enhance yield within a fixed income portfolio and generate predictable, protected, hard-currency cash yields.

According to Westbrooke Alternative Asset Management UK's Richard Asherson, "Private debt allows investors to access opportunities in markets that are otherwise inaccessible. Compared with traditional fixed income, private debt can provide investors with higher yields, portfolio diversification and lower portfolio volatility."

At a high level, the higher returns generated by private debt investments can be explained by:

- an illiquidity premium (private loans earn higher returns because they are not listed and investors are therefore required to invest for a prescribed period),
- a structural/complexity premium (deals are often bespoke and require structuring)
- an off-market/disinformation premium (due to a lack of an efficient market in the space) and
- the size of loans (as banks have moved resources to larger loans, the mid-market is underserved and accessibility to cheaper capital is limited).

In the United Kingdom loan activity to small and



Dino Zuccollo

medium-sized companies has increased by more than 15% in the first half of 2020, driven by an increase in funding needs from this market. Whilst some of this increase has been funded by the UK's Coronavirus Business Interruption Loan Scheme (CBILS), private debt funds have been pivotal in funding this demand.

Zuccollo concludes: "In Westbrooke's view, the rise of private debt as an asset class is still in its infancy. Sophisticated investors across the globe have steadily increased their allocation to this fixed income alternative as part of a well-balanced, diversified investment portfolio. However, quality private debt funds can be difficult to access, especially where South Africans are looking to invest in offshore markets. We suggest that investors seek out well-established asset managers, who have deep local networks and infrastructure and a track record of performance to help clients navigate gaining exposure to the asset class."

Richard Asherson and Dino Zuccollo are respectively principal and head of distribution at Westbrooke Alternative Asset Management. Founded in 2004, Westbrooke invests and manages capital in multiple geographies on behalf of its shareholders and investors in private equity, venture capital, private debt, hybrid equity and real estate. Westbrooke manages approximately R6 billion of shareholder and investor capital invested predominantly in SA, the UK and US, with offices in Johannesburg and London.

36ONE ASSET MANAGEMENT

36ONE Hedge Funds*

36ONE

Asset Management

Hedge fund

The 36ONE SNN QI Hedge Fund (QIHF) and 36ONE SNN Retail Hedge Fund (RHF) are both single-strategy, South African equity long/short hedge funds, with a moderate net equity bias. We have a long term track record and currently manage ~R10 billion in hedge fund strategies. These funds invest predominantly in South African listed equities as well as offshore listed equities and other financial instruments to enhance returns and manage risk. We aim to grow investors' capital in real terms over the long term and reduce volatility by managing the risks associated with equities.

Investment strategy

Both funds are equity long/short hedge funds and are managed *pari passu*. Our investment approach is centred on the principle that the market does not efficiently price securities at all times. We therefore believe that stock selection through bottom-up fundamental analysis can outperform over time. We focus on having a solid grasp of the industry dynamics as well as understanding a company's profitability drivers and positioning within the industry. Macroeconomic views play a supporting role in portfolio construction.

Company

36ONE Asset Management (Pty) Ltd

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Service providers

Prime broker: Peresec Prime Brokers

Administrator: Sanne Fund Services SA (Pty) Ltd

Manco: Sanne Management Company (RF) (Pty) Ltd

Auditor: PricewaterhouseCoopers

Legal advisor: Edward Nathan Sonnenbergs

Investment team

Cy Jacobs is the lead portfolio manager and is supported by a strong investment team made up of 10 investment professionals: a group of hand-picked, exceptional and experienced individuals. Cy is one of the co-founders of 36ONE and heads up the investment team. He has been in the industry for over 20 years and holds a BCom, BAcc and CA (SA).

Investment terms

Fund:	36ONE SNN QI Hedge Fund
Retail or qualified product:	Qualified
Hurdle rate:	Standard Bank call rate
High water mark:	Yes
Fund open:	Yes
Min investment:	R1 million
Management fee:	1% p.a. (excl. VAT)
Performance fee:	20% (excl. VAT) of gains using the high water mark
Subscription:	Monthly
Redemption:	One calendar month

Fund:	36ONE SNN Retail Hedge Fund
Hurdle rate:	Standard Bank call rate
High water mark:	No
Fund open:	Yes
Min investment:	R100,000
Management fee:	1% p.a. (excl. VAT)
Performance fee:	20% (excl. VAT) of excess above benchmark over a rolling one year period, capped at 3.5%
Subscription:	Daily
Redemption:	Daily

Strategy

Strategy: South African - Long/Short Equity - Long Bias

AUM: R8.6 billion (as at 31 August 2020)

Inception date: QIHF: 1 April 2006

RHF (CISCA inception date): 1 November 2016

*See disclaimer page 91



What a long/short strategy can offer broader portfolios

Stash Martins, 36ONE Asset Management

Against the backdrop of the market uncertainty caused by the COVID-19 pandemic, investors have been reminded to seek ways to add resilience to their portfolios. It is an opportune time to consider the benefits that a long/short equity strategy could add to a diversified portfolio. This strategy makes up the largest component in the South African hedge fund industry and may offer a unique way to enhance the overall risk-return profile of an investment portfolio. Long/short equity hedge funds offer investors a more flexible approach to equity investing than traditional equity unit trusts (also referred to as long-only funds). Not only do they help portfolios retain exposure to equities – which provide the best returns over the long-term – but more importantly, they act as a shield by providing protection when the market declines.

Long/short equity strategy versus traditional unit trust

Long/short equity strategies have the same investment universe as their long-only counterparts, with the main difference being that they have a broader toolkit at their disposal and are therefore able to use techniques that are not available to traditional long-only funds. As the name suggests, long/short equity strategies invest both long and short in publicly traded equities and equity-related instruments.

Similar to traditional long-only equity funds, long/short hedge funds invest in companies that they believe will increase in value. This is referred to as going long. Hedge funds, however, have the added benefit of being able to make money in companies that they believe will decrease in value (often characterised as businesses with unsustainable returns, low cash flow generation and weak corporate governance). This is referred to as going short (or shorting).

Shorting involves borrowing and then selling a security, with the expectation that the price will decrease, allowing the seller to buy the security back at a lower price and return them to the owner. By selling high and buying low, hedge funds can profit on the differential between the two prices.

Increases diversification

The bi-directional investment strategy (ability to both go long and short) provides hedge fund managers with a lot more flexibility by making use of all of the information they uncover during the idea generation and research process. Investment analysts spend most of their time analysing and understanding businesses that they like and anticipate will increase in value. Hedge fund managers do the exact same, except through their efforts they also identify businesses that they don't like (or like the least) - as there is opportunity to make money on

both sides. A traditional long-only equity fund's ability to capitalise on the latter information is limited. The primary form of defence available to them is to be underweight these securities relative to a designated benchmark. This doesn't allow for the opportunity to profit from a decline in the price of these securities, nor does it allow for reduced volatility by adding uncorrelated positions. This is where hedge funds can be particularly useful. Shorting the security, as is done in a long/short equity strategy, allows the manager to fully express their views and conviction. This is particularly useful in the context of South Africa where the equity market has inherently exhibited a high degree of concentration risk with few stocks representing more than 50% of the market. The ability to go long and short broadens the portfolios ability to exploit a larger opportunity set. We are of the view that a long/short equity strategy should be considered as an alternative way to hedge against the current economic and political headwinds that face South Africa in addition to offshore investing. ASISA classified South African long/short equity strategies can invest according to the SARB limits of 30% to international investments and a further 10% in Africa excluding South Africa. As a result these funds can provide further diversification by including international assets.

Offers additional sources of alpha

Moreover, the ability to short securities can provide the long/short equity hedge fund an additional source of alpha, resulting in positive returns being generated in both upward and downward trending markets. A further source of revenue that shorting introduces is upfront cash (through the sale of the borrowed security). This cash can either be deployed to buy more securities or simply used to earn interest, which is then reinvested in the fund (the interest earned on the cash is far larger than the small fee the manager pays to borrow the security).

Improves risk-return profile

Not only can these strategies generate profits from their long and short positions but the short positions act to reduce market exposure (beta) and can also provide an element of protection (or hedge), when markets decline because the gains on short positions will offset the losses on



Stash Martins

long positions. The risk-mitigating benefits of long/short strategies are elevated further by the managers' ability and flexibility to dynamically adjust their exposures in response to changing market conditions. Such strategies are typically focused on achieving absolute returns as opposed to relative returns. Managers have several mechanisms at their disposal to reduce risk and protect capital such as reducing overall portfolio gross exposure by concurrently selling longs and covering shorts, resulting in the portfolio having less capital at risk. They can also reduce position sizes to reduce volatility as well as add portfolio protection in the form of derivatives. The result is that long/short equity hedge funds have, on average, returned equity-like returns with significantly lower levels of volatility, while providing smaller drawdowns during severe downturns. The ability to mitigate volatility and limit the size of losses is particularly important to investors who need to draw on their investments regularly, such as investors with living annuities.

We believe that the equity climate, specifically in South Africa, requires a more agile approach to equity investing. Including an allocation to long/short equity strategies in a well-balanced portfolio can provide valuable downside risk-mitigating benefits while also providing the ability to reap rewards when markets recover. According to *HedgeNews Africa*, roughly half of the funds in the South African equity long/short category are classified as CIS retail hedge

funds. This type of hedge fund looks and feels like a traditional long-only portfolio with low investment minimums, while providing daily pricing and liquidity. Hedge funds have become a lot more accessible to investors thanks to increased regulation, which brings greater protection for investors in South African retail hedge funds.

Stash Martins is part of 36ONE Asset Management. Headed by Cy Jacobs and Steven Liptz, 36ONE offers a range of equity-focused mandates, including one of South Africa's biggest and most successful equity long/short strategies.

The 36ONE SNN QI Hedge Fund has a proven track record of over 14 years of providing clients with downside protection whilst still capturing the upside. The fund has returned an average of 16% per annum since inception in April 2006 and has performed exceptionally well during these testing times. Year to date in 2020, the hedge fund has outperformed the market (measured by the FTSE/JSE Capped SWIX) by 17% (after fees) but importantly it has achieved this outperformance with a fraction of the volatility - YTD the volatility of the hedge fund is 4.6% compared to the market's 33%.

Disclaimer: Bloomberg, Sanne as at 31 August 2020. Past performance is not necessarily an indication of future performance. The 36ONE SNN QI Hedge Fund became regulated under Cisca on 1 November 2016. Sanne Management Company (RF) (Pty) Ltd (the Manager) is registered and approved by the Financial Sector Conduct Authority under Cisca. The Manager retains full legal responsibility for the third-party-named portfolio. The Mandatory Disclosures can be obtained on our website by following this link: <https://www.36one.co.za/legal/disclaimer>. 36ONE Asset Management (Pty) Ltd. is a licensed financial service provider. FSP# 19107

THE ALL WEATHER RETAIL HEDGE FUNDS

The All Weather H4 Performance Retail Hedge Fund is a long/short equity hedge fund with a six-year track record, which aims to deliver equity-like returns at below equity levels of risk. Absolute risk-adjusted returns over the medium term are targeted regardless of market performance. Positive returns should bear a low correlation to the market and with lower volatility than general equities.

The All Weather H4 Market Neutral Retail Hedge Fund is a long/short equity market-neutral hedge fund which has the objective of long-term capital appreciation by targeting an absolute return in excess of cash. The fund seeks to generate upside while avoiding capital losses and is managed to exploit investment opportunities while maintaining a neutral exposure to the equity market.

Investment strategy

All Weather is a bottom-up fundamental investment house, with limited focus on sector and regional exposure. We prefer to exercise our best ideas and express our views through individual stock picks. Where sectors are concerned, we prefer to play any sector trends through best-in-class shares where we look for quality, cash-generative, high/stable return companies with good management.

Company

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Service providers

Prime broker: Peresec

Administrator: Maitland

Manco: H4

Auditor: Deloitte and Touche

Legal advisor: Edward Nathan Sonnenbergs +
inhouse counsel



Investment team

The investment team is headed up by Shane Watkins (CIO), Sanelisiwe Tofile (deputy CIO) and Patsy David (head of research), supported by four equity analysts and two global emerging market analysts.

The All Weather Capital culture is based on hard work and persistence. We emphasise that the success of our strategies rests in the ability of the team to work cohesively and cooperatively. We do not celebrate individual stars more than individuals who are dedicated to their roles. We believe that diligence, perseverance and execution without emotion distinguish us from our competition.

Investment terms

Fund:	All Weather H4 Performance Fund	All Weather H4 Market Neutral Fund
Retail or qualified:	Retail Hedge Fund	Retail Hedge Fund
Hurdle rate:	STeFI	STeFI
High water mark:	Yes	Yes
Fund open:	Yes	Yes
Min investment:	R1 million	R1 million
Management fee:	1.0%	1.0%
Performance fee:	20%	20%
Subscription:	Monthly	Monthly
Lockup:	No	No
Redemption:	One month	One month

Strategy

Fund:	All Weather H4 Performance Fund	All Weather H4 Market Neutral Fund
Strategy:	Long/short equity	Market Neutral
AUM:	R478 million	R54 million
Currency:	ZAR	ZAR
Domicile:	South Africa	South Africa
Inception date:	1 May 2014	1 Sept. 2017



Market-neutral hedge funds – the quintessential capital preservation product

Shane Watkins and Mark Scholefield, All Weather Capital

When Alfred Winslow Jones first coined the term “hedge fund” in 1949, it was his purpose to create a product that could deliver equity-like returns, but in a manner where the investment would be protected against extreme market downturns and, as such, he developed one of the first “long/short equity funds”.

Jones’ philosophy to utilise short selling and leverage to reduce risk in the fund without sacrificing performance and capital preservation was at the essence of this philosophy. By pairing a short position against an equal long position, it allowed the fund to capture profit without being exposed to general market movements. This led to two different ways of measuring the fund’s exposure to the market. “Net exposure”, being the sum of the long positions less the sum of the short positions, and “gross exposure”, which would be the sum of the absolute value of your positions.

By incorporating net and gross exposures, equity hedge funds are able to generate their returns in two ways: “alpha” which is generated by one share outperforming another, and “beta” which is generated by profiting from the movement of the market in aggregate, which is determined by the size of the fund’s net exposure. In general, “long/short equity funds” will have both alpha and beta

components to their returns - alpha from stock picking and beta from market timing.

In the mid 1960s, US hedge fund managers sought to maximise returns by engaging in riskier strategies, trying to capture more beta-related returns through an increase in leverage by amplifying their net exposure within the fund. This in turn led to the development of two different types of equity hedge funds, namely long/short and market-neutral hedge funds.

Market-neutral hedge funds differ from long/short hedge funds in that the expectation is that the majority of the returns will be alpha generated, and the beta return component should be trivial. This is done by ensuring that the net exposure to the market is kept as close to 0% as possible by pairing short and long positions against each other in equal proportions, which protects the fund from any severe market movements.

South African hedge funds gained popularity in the early 2000s and saw a steady growth in investments, peaking at R68.6 billion in 2016. The majority of South African equity hedge fund managers tended to follow the pattern set out in the US and have utilised their leverage to generate maximum returns. In South Africa, long/short styled funds outnumber market-neutral funds by a 3:1 ratio, with many managers



Shane Watkins

preferring to be able to manage with the greater flexibility and latitude that accompanies a long/short mandate.

Investors in market-neutral funds legitimately expect that their returns will have a low correlation with the market. As such market-neutral funds should underperform in a rising market but, on the other hand, should outperform in a falling market, provided stock-picking ability is demonstrated. Market-neutral funds should not ordinarily have negative returns over the long term, and it is fair therefore to say that they have a lower degree of capital risk than long/short funds, since market-neutral funds are not assuming market risk.

With the South African equity market being more volatile than ever before, with a collapse of over 35% earlier this year, the more leveraged long/short funds have struggled to generate returns with an average return of 0% year to date. Just over 40% of funds are positive as at the end of July 2020. The market-neutral strategy has fared much better by generating an average return of just under 5% year to date, with just over 85% of funds with positive returns.

With the SA Equity SWIX Index generating -1% over the past three years, managers are finding it increasingly hard to generate performance. In addition, the number of shares listed on the JSE has declined by 50% over two decades, so the stock picking and arbitrage opportunity set



Mark Scholefield

available to hedge fund managers, of all types, has declined over time. Many South African long/short managers are now refocusing their efforts in global markets, but as they do, and as the number of market-neutral funds declines, the opportunity set for the remaining market-neutral players increases.

At All Weather we believe that the idea of a market-neutral fund is what Alfred Winslow Jones was trying to achieve when he first adopted the hedge fund product in 1949: by having a lower market risk, but still generating market-related returns. By adopting this underlying thesis, we see ample opportunity for a market-neutral style fund and, in fact, the All Weather Market Neutral Fund is the top performing fund in South Africa year to date.

In essence, market-neutral funds are the quintessential “capital preservation” product and in these times of uncertainty and extreme market volatility, we believe this strategy should become more prevalent and should be considered in the financial planning process.

Shane Watkins is the CIO of All Weather Capital, and Mark Scholefield is Head of Operations.

The firm is a specialist asset manager with offerings in hedge funds and long-only equity funds in South Africa and an offshore emerging markets fund, with the objective of generating low volatility returns in the medium to long term with capital preservation as a priority.

THE BARAK STRUCTURED TRADE FINANCE FUND

The fund has a track record of 11.5 years, with no negative months since inception. Solid year-on-year growth brings AUM to over US\$900 million. The portfolio works with more than 150 borrowers across 20 countries and 25 commodity sectors.

Investment universe

Small and medium-sized sub-Saharan African firms projecting strong growth with secure returns.

The fund has a diverse investment portfolio to mitigate economic, sector and volatility risk, which capitalises on its independence and absence of conflicts. The broader agricultural and metals fund platform creates strong diversification.

Investment strategy

The Barak Structured Trade Finance Fund seeks to invest in the full value of trade finance assets or the first loss portion required by all trade financing banks. Emphasis is placed on commodities with a high physical liquidity.

Transactions always contain an off-take agreement.

Investment terms

Fund:	Barak Structured Trade Finance Fund
Retail or qualified product:	QIF
Hurdle rate:	Three-month LIBOR
High water mark:	Yes
Fund open:	Yes
Minimum investment:	US\$100,000
Management fee:	2%
Performance fee:	20%
Subscription:	Monthly
Lockup:	No
Redemption:	Calendar Quarterly

Service providers

Prime broker:	Macquarie
Administrator:	Maitland Group
Auditor:	PwC
Legal advisor:	Werksmans
Manco:	BFML



Investment team

The investment team's skillset reflects over 50 years of combined experience in asset management on the African continent, principally in the commodity derivative and physical commodity trading environment – offering the following key advantages:

- An extensive knowledge of volatile markets where experience is of paramount importance in order to successfully adapt to changes and broach new challenges. (However, while taking cognisance of volatile equity markets, Barak maintains no correlation to them.)
- Well-established and long standing client relationships provide positive exposure for repeat business, reinforcing Barak's growing reputation and progressive performance in Africa.

Company

Barak Fund Management Limited (BFML)

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Marketing:	Giles Hedley
Phone:	+27 11 071 9100
Email:	investor@barakfund.com
Website:	www.barakfund.com
ISIN or ref code:	KYG078991000

Strategy

Strategy: Short-term trade finance and working capital fund

AUM:	US\$900 million
Currency:	USD
Domicile:	Cayman Islands
Listing exchange:	Irish Stock Exchange (ISE)
Inception date:	1 February 2009

THE BLUE QUADRANT CAPITAL GROWTH PRESCIENT RI FUND

Investment strategy

Our core investment philosophy can be described as “macrovalue”, which combines a traditional value approach to allocating capital with macroeconomic or industry thematic analysis. This approach allows us to identify companies that are not only undervalued relative to their estimated intrinsic value but also stand to benefit from an expected favourable shift in macroeconomic or industry fundamentals. This analysis helps us isolate companies with profit margins below our estimate of their long-run potential and that are about to enter a cyclical period of superior earnings growth relative to the broader market. This approach typically helps realise value from our investments sooner than may be the case with a standard “bottom-up” value approach, therefore improving our capital allocation over time. These long trades are supplemented with CTA-like positions as well as an equity short book and select event-driven opportunities that combine to generate a return profile uncorrelated with traditional equity benchmarks or long-only equity funds.

Investment terms

Fund:	Blue Quadrant Capital Growth Prescient RI Fund
Hurdle rate:	Consumer Price Inflation (CPI) + 8%
Fund open:	Yes
Minimum investment:	R250,000
Management fee:	1.3%
Performance fee:	15%
Subscription:	Monthly
Lockup:	No
Redemption:	One month
Retail or qualified product:	RIF

Service providers

Prime brokers:	Peregrine & Investec Securities
Administrator:	Prescient Fund Services
Auditor:	PwC
Legal advisor:	Edward Nathan Sonnenbergs
Manco:	Prescient Fund Services



BLUE QUADRANT
CAPITAL MANAGEMENT

Investment team

Leandro Gastaldi is the fund portfolio manager, a position held since fund inception. He has a BCom Honours degree from UCT as well as being a CFA charterholder. Pierre Desmidt acts as portfolio advisor to the fund and works closely with Leandro on idea generation and research. Jürgen Möller (Integrity Asset Management) contributes in a risk management capacity. He holds an MCom degree in Statistics and is a Chartered Statistician as well as CFA Charterholder.

Company

Blue Quadrant Capital Management (Pty) Ltd

Unit C Clareview Business Park,
236 Imam Haron Road, Claremont

Fund manager:	Leandro Gastaldi
Business administration:	Susan Byrne
Phone:	+27 21 672 4744
Fax:	+27 21 672 4701
Email:	info@blueqcm.com
Website:	www.blueqcm.com

Strategy

Strategy:	Single manager, multi-strategy
AUM:	R105 million
Currency:	ZAR
Domicile:	South Africa
Listing exchange:	None
Inception date:	1 May 2011

CATALYST FUND MANAGERS



Andre Stadler



Paul Duncan

Catalyst Fund Managers was established in 2001 as a specialist in managing listed real estate investments. Real estate investment, both South African and global, is our speciality and our passion. It's what energises us and keeps us motivated. The business was borne out of a firm belief in the distinctive benefits of including this asset class in an investment portfolio. In addition to our specialist expertise and experience, we manage our clients' money like our own, always considering that there are individual goals, specific needs and hopes behind every investment.

Investment strategy

Our hedge fund is for sophisticated investors who are looking for exceptional returns and who are willing to take on increased specific risk to achieve such return. To maximise returns we focus on opportunities presented or related to the real estate sector. Through a long-term approach and the use of derivatives, hedging and leveraging strategies, we maximise exposure to specific return opportunities.

Investment team

Our investment team consists of dedicated real estate specialists with direct real estate market experience. This first-hand exposure to developing, financing, leasing and managing real estate provides our team with unique insight into the risk-and-return opportunities in the companies we cover and differentiates us from our peers. Real estate is a unique asset class that is best understood with direct real estate experience.

Strategy

Strategy:	Variable-bias long/short equity
AUM:	R360 million
Currency:	ZAR
Domicile:	South Africa
Inception date:	February 2006
Establishment date of CIS hedge fund:	1 August 2016

The fund is managed by Andre Stadler and Paul Duncan who between them have over 30 years' experience in global and local real estate and financial markets. Andre founded Catalyst Fund Managers in 2001 and Paul joined in 2004.

Investment terms

Fund:	Catalyst Alpha Prescient QI Hedge Fund
Minimum investment:	R1 million
Service charge:	1.5%
Performance fee:	20%
Subscription:	Monthly
Redemption:	One calendar month
Retail or qualified product:	QIF
Management company:	Prescient Management Company (RF) (Pty) Ltd

Company

Catalyst Fund Managers Alternative Investments (Pty) Ltd.

4th Floor Protea Place, Protea Road, Claremont, Cape Town

Fund managers:	Andre Stadler and Paul Duncan
Email:	pauld@catalyst.co.za
Phone:	+27 21 657 5500
Fax:	+27 21 683 7579
Website:	www.catalyst.co.za

Disclaimer: Catalyst Fund Managers Alternative Investments is an authorised financial service provider (FSP No. 47363). Collective Investment Schemes should be considered medium to long term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions. This portfolio operates as a white label fund under the Prescient Qualified Hedge Fund Scheme. Prescient Management Company (RF) (Pty) Ltd is registered and approved under the Collective Investment Schemes Control Act (NO.45 of 2002). For any additional information such as fund prices, brochures, minimum disclosure documents and application forms please go to www.catalyst.co.za

CORONATION ASSET MANAGEMENT

Coronation Granite Hedge Fund*

The Coronation Granite Hedge Fund is managed as a long/short fixed income fund, investing in a diversified portfolio of securities, including derivative instruments, bonds and cash. The Coronation Granite Hedge Fund makes use of six core and distinct fixed income strategies, namely: Directional View Taking, Yield Curve Positioning, Corporate Credit Opportunities, Arbitrage Strategies, Quantitative and Relative Value Trades in the pursuit of producing consistent absolute returns independent of general market direction. The fund is expected to have low volatility with a very low correlation to the All Bond Index (ALBI). Investment decisions are driven by fundamental proprietary in-house research. The fund's target return is cash plus 3%. The objective is to achieve this return with low risk, providing attractive risk-adjusted returns through a low fund standard deviation. The fund may make use of derivative instruments for efficient portfolio management purposes.

Investment manager

Coronation Asset Management (Pty) Ltd

7th Floor, MontClare Place, Cnr. Campground and Main Roads, Claremont 7708, Cape Town, South Africa

CEO:	Anton Pillay
Phone:	+27 21 680 2000
Fax:	+27 21 680 2100
Email:	cib@coronation.com
Website:	www.coronation.com

Service providers

Prime broker: ABSA Bank Ltd, FirstRand Bank Ltd

Administrator: SANNE Fund Services SA

Auditor: Ernst & Young Inc.

Manco: Coronation Management Company (RF) (Pty) Limited

CORONATION

TRUST IS EARNED™



Investment team

We operate as an integrated global team headquartered in Cape Town, South Africa, comprising 70 professionals.

The fund is managed

by Nishan Maharaj (head of fixed income), Adrian van Pallander (portfolio manager) and Seamus Vasey (portfolio manager), who have combined investment experience of more than 50 years.



Nishan Maharaj



Seamus Vasey



Adrian van
Pallander

Strategy

Fund category: Domestic fixed-income hedge

AUM: R94.26 million (31 August 2020)

Currency: ZAR

Fund domicile: South Africa

Inception date: 1 October 2002

Hedge fund CIS launch date: 1 October 2017

Investment terms

Target return: Cash +3%

Performance fee hurdle rate: Cash + high-water mark

Fund open: Yes

Minimum investment: R1 million

Management fee: 1% (ex VAT)

Performance fee: 15% (ex VAT) of returns above cash, capped at 3%

Subscription: Monthly

Redemption: One month

Retail or qualified product: QIF

*See disclaimer page 91

CORONATION ASSET MANAGEMENT

Coronation Multi-Strategy Arbitrage Hedge Fund*

The Coronation Multi-Strategy Arbitrage Hedge Fund makes use of arbitrage strategies in the pursuit of attractive risk-adjusted returns, independent of general market direction. The fund is expected to have low volatility with a very low correlation to equity markets. Stock-picking is based on fundamental in-house research. Factor-based and statistical arbitrage models are used solely for screening purposes. Active use of derivatives is applied to reduce risk and implement views efficiently. The risk profile of the fund is expected to be low due to its low net equity exposure and focus on arbitrage-related strategies. The portfolio is well positioned to take advantage of low probability/high payout events and will thus generally be long volatility through the options market. The fund's target return is cash plus 5%. The objective is to achieve this return with low risk, providing attractive risk-adjusted returns through a low fund standard deviation.

Investment manager

Coronation Asset Management (Pty) Ltd
7th Floor, MontClare Place, Cnr. Campground and Main Roads, Claremont 7708, Cape Town, South Africa

CEO: Anton Pillay

Phone: +27 21 680 2000

Fax: +27 21 680 2100

Email: cib@coronation.com

Website: www.coronation.com

Service providers

Administrator: SANNE Fund Services SA

Auditor: Ernst & Young Inc.

Disclosed partner: Coronation Management Company (RF) (Pty) Limited



Investment team

We operate as an integrated global team headquartered in Cape Town, South Africa, comprising 70 professionals.

The fund is managed by Neville Chester (senior portfolio manager) and Nic Stein (portfolio manager), whose combined investment experience exceeds 30 years.



Neville Chester Nic Stein

Strategy

Fund category: Domestic multi-asset class hedge

AUM: R301.27 million (31 August 2020)

Currency: ZAR

Fund domicile: South Africa

Inception date: 1 July 2003

Hedge fund CIS launch date: 1 October 2017

Investment terms

Target return: Cash +5%

Performance fee hurdle rate: Cash + high-water mark

Fund open: Yes

Minimum investment: R5 million

Management fee: 1% (ex VAT)

Performance fee: 15% (ex VAT) of returns above cash, capped at 3%

Subscription: Monthly

Redemption: One month

Retail or qualified product: QIF

*See disclaimer page 91

THE CORONATION PRESIDIO HEDGE FUND

Investment objective

The investment objective of the Coronation Presidio Hedge Fund is to generate long-term, superior risk-adjusted returns from investing primarily in South African listed equities. The fund utilises a traditional long/short equity hedge fund structure with net exposure typically between 40% and 70% and moderate use of leverage with gross exposure in the 120% – 180% range. The fund invests in equities, both long and short, based on a bottom-up fundamental valuation-orientated analysis.

Investment manager

Coronation Asset Management (Pty) Ltd

7th Floor, MontClare Place, Cnr. Campground and Main Roads, Claremont 7708, Cape Town, South Africa

CEO:	Anton Pillay
Phone:	+27 21 680 2000
Fax:	+27 21 680 2100
Email:	cib@coronation.com
Website:	www.coronation.com

Service providers

Administrator:	SANNE Fund Services SA
Auditor:	Ernst & Young Inc.
Disclosed partner:	Coronation Management Company (RF) (Pty) Limited



Investment team

We operate as an integrated global team headquartered in Cape Town, South Africa, comprising 70 professionals. The fund is managed by Karl Leinberger (chief



Karl Leinberger Quinton Ivan

investment officer) and Quinton Ivan (head of SA equity research), whose combined investment experience is more than 35 years.

Strategy

Fund category:	Domestic equity hedge
AUM:	R1.97 billion (31 August 2020)
Currency:	ZAR
Fund domicile:	South Africa
Inception date:	1 October 2005
Hedge fund CIS launch date:	1 October 2017

Investment terms

Target return:	Cash +7%
Performance fee hurdle rate:	Cash + high-water mark
Fund open:	Yes
Minimum investment:	R5 million
Management fee:	1% (ex VAT)
Performance fee:	15% (ex VAT) of returns above cash, capped at 3%
Subscription:	Monthly
Redemption:	One month
Retail or qualified product:	QIF

*See disclaimer page 91

FAIRTREE

Fairtree Asset Management is a South African investment manager that manages alternative and long-only investment portfolios for a diversified selection of local and offshore clients. Based in Cape Town, our commitment to a consistent and sound investment philosophy has continued to serve our investors well since the inception of our first fund in 2003. Our expert team of investment professionals manages R84 billion in award-winning portfolios across multiple asset classes, hedge funds, traditional unit trusts and private equity.

As a longstanding hedge fund investment firm, all our funds are regulated and classified as QIFs or RIFs, focusing on fixed income and equity sectors. In addition we also manage a variety of multi-strategy funds with different risk and return profiles.

EXEMPLARY TRACK RECORD

HedgeNews Africa Awards

SA Fixed Income Fund of the Year

2010 & 2011: Fairtree Fixed Income SNN QI Hedge Fund
2012 & 2013: Nautilus Fairtree Proton Retail Hedge Fund

SA Multi Strategy Fund of the Year & New Fund of the Year

2011: Fairtree Wild Fig Multi Asset SNN QI Hedge Fund
2019: Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund

SA Fund of the Year

2011: Fairtree Fixed Income SNN QI Hedge Fund
2017: Fairtree Assegai Long Short SNN QI Hedge Fund
2019: Fairtree Assegai Long Short SNN QI Hedge Fund

Five-year performance – Single Manager

2018: Fairtree Assegai Long Short SNN QI Hedge Fund
2019: Fairtree Assegai Long Short SNN QI Hedge Fund

AfricaHedge Awards

SA Long Short Equity Fund of the Year

2008: Fairtree Long Short Equity SNN QI Hedge Fund

Symmetry Hedge Fund Awards

SA Hedge Fund of the Year & SA Market Neutral Fund of the Year

2005: Fairtree Equity Market Neutral SNN QI Hedge Fund

SA Fixed Income Fund of the Year

2006: Nautilus Fairtree Proton Retail Hedge Fund

For further information contact:

Francis Wheeler

T: +27 21 943 3760

E: clientservices@fairtree.com

www.fairtree.com

FAIRTREE

Hedge funds:

- Fairtree Assegai Equity Long Short SNN QI Hedge Fund
- Fairtree Equity Long Short SNN QI Hedge Fund
- Fairtree Equity Market Neutral SNN QI Hedge Fund
- Fairtree Fixed Income SNN Retail Hedge Fund
- Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund
- Fairtree Woodland Multi Strategy SNN QI Hedge Fund
- Fairtree Proton RCIS Retail Hedge Fund
- Fairtree Jackalberry Equity Long Short SNN RHF

Unit trusts:

- Fairtree ALBI Plus Prescient Fund
- Fairtree Balanced Prescient Fund
- Fairtree Equity Prescient Fund
- Fairtree Flexible Balanced Prescient Fund
- Fairtree Global Equity Prescient Fund
- Fairtree Global Real Estate Prescient Feeder Fund
- Fairtree Money Market Prescient Fund
- Fairtree Select Equity Prescient Fund

UCITS:

- Fairtree Flexible Income Plus Prescient Fund
- Fairtree Global Real Estate Prescient Securities Fund

Alternative Real Estate:

- Fairtree Capital Hospitality 12J

INDEPENDENT ALTERNATIVES INVESTMENT MANAGERS

The Muhu Multi-Strategy Fund

The Muhu Multi-Strategy Fund is a quantitatively biased, macro-thematic, multi-asset class, multi-strategy hedge fund. The fund is focused on absolute returns and targets positive returns irrespective of market conditions. The objective of the fund is to deliver real returns of 3% per annum measured over a three-year investment period. The fund is managed according to a moderate risk profile, with lower levels of investment volatility and capital risk when compared to traditional capital markets. The fund will follow a variety of strategies, including market neutral, equity long/short, fixed income, commodity and cash strategies.

Investment team

The fund is co-managed by Grant Hogan and Tatenda Chapinduka, who have more than 20 years' collective hedge fund management experience. Tatenda holds a BBusSci in Actuarial Science degree and is a CAIA charterholder. Grant holds a BCom (Hons) in Economics and Finance. The two have worked together for over 10 years, having met at university. All non-core activities are outsourced to best-of-breed independent service providers. The business is owner-managed, empowered and the investment managers are significantly co-invested in the fund and the business.

Investment terms

Fund: Independent Alternatives Muhu Multi-Strategy Prescient Retail Hedge Fund

Retail or qualified product:	RIF
Hurdle rate:	STeFI index
High water mark:	Yes
Fund open:	Yes
Min investment:	R1,000
Management fee:	1% p.a
Performance fee:	15%
Subscription:	Monthly
Lockup:	No
Redemption:	One month



Investment strategy

Our investment strategy is predicated on the analysis of the impact of macro-thematic trends, imbalances and inflection points on different risk premias. We combine this top-down macro analysis with bottom-up quantamental analysis to identify opportunities. The fund is focused on absolute returns and targets positive returns irrespective of market conditions. Risk is allocated on a risk-parity basis to the different investment strategies for effective diversification.

Service providers

Prime broker: RMB Prime, ABSA Prime Services

Administrator: Prescient Fund Services

Manco: Prescient Management Company

Auditor: Ernst & Young Inc.

Compliance manager: Outsourced Compliance Services

Company

Independent Alternatives Investment Managers (Pty) Ltd 42 Homestead Road, Jupiter House, River Park, Edenburg, Rivonia, 2191

Fund manager: Tatenda Chapinduka & Grant Hogan

Marketing: Tatenda Chapinduka

Phone: +27 11 234 1519

Email: clients@independentalternatives.co.za

Website: www.independentalternatives.co.za

Strategy

Strategy: SA multi-strategy hedge fund

AUM: R350 million

Currency: ZAR

Domicile: South Africa

Inception date: 1 January 2017

LAURIUM CAPITAL



Investment strategy

The Laurium Long Short Prescient RI Hedge Fund is a long-biased hedge fund that invests predominantly in shares listed on the JSE Stock Exchange. The fund uses fundamental bottom-up research, with a value bias, to generate a concentrated but conservative portfolio. Moderate leverage and utilisation of derivatives, where appropriate, are used to enhance yield, protect asset values and minimise volatility.

The fund aims to deliver a return of at least 7% per annum greater than the SA Consumer Price Index on a rolling three-year basis, with low volatility relative to the JSE ALSI and with a low risk of capital loss.

Laurium Capital is an independently owned asset manager. The company was started in 2008 by Murray Winckler and Gavin Vorweg, who remain the majority shareholders and portfolio managers across all funds. Laurium Capital manages award-winning hedge and long-only funds in South Africa and the rest of Africa.

Investment team

Co-founders and portfolio managers, Murray Winckler and Gavin Vorweg, have a long history of working together prior to and including Laurium Capital and together share more than 50 years of aggregate investment experience. They are ably supported by Laurium's head of research, Junaid Bray, and nine other experienced investment professionals.

Investment terms

Hurdle rate:	STeFI index money market rate
High water mark:	Yes
Fund open:	Yes
Minimum investment:	R250,000
Management fee:	1%
Performance fee:	20%
Subscription:	Monthly
Lockup:	No
Redemption:	One month
Retail or qualified product:	RIF

Company

Laurium Capital (Pty) Ltd,	9th Floor, 90 Grayston, 90 Grayston Drive, Sandown, Johannesburg, 2196
Fund managers:	Murray Winckler, Gavin Vorweg
COO:	Mark Preston
Marketing:	Kim Zietsman
Email:	Laurium@lauriumcapital.com
Phone:	+27 11 263 7700
Website:	www.lauriumcapital.com
ISIN or ref code:	ZAE000222758

Strategy

Strategy:	Low volatility long/short equity
Strategy AUM:	R1.8 billion (31 July 2020)
Currency:	ZAR
Domicile:	South Africa
Listing exchange:	None
Inception date:	1 August 2008

Service providers

Prime brokers:	RMB, Standard Bank, Investec, Peresec
Administrator:	Maitland Fund Services
Auditor:	KPMG
Legal advisor:	Tabacks
Manco:	Prescient

MAZI ASSET MANAGEMENT

iMazi, the indigenous Nguni cattle, is a breed distinctive to Southern Africa that is unmatched in its fertility, adaptability, and resistance to disease.

iMazi symbolises prosperity, sustainable wealth and a great investment. Our name, Mazi, emanates from this proud heritage.

Mazi was established in 2006 by our Chief Investment Officer, Malungelo Zilimbola. Today Mazi is an institutional-quality boutique investment management business that is 100% owned by the staff. Mazi manages over R40 billion in assets and is a recipient of various business and performance-based awards.

Investment strategy

Our hedge funds (Market Neutral RIF and Long/Short QIF) are long-biased equity hedge funds. The funds are predominantly invested on the South African stock market with selective exposures to the greater African continent and developed markets. The funds' positions (longs and shorts) are primarily driven by the Mazi long-term stock-selection process and philosophy.

The funds seek long positions in companies with:

- Sustainable business models
- Quality management and board of directors
- Balance-sheet strength and cash generation
- Defensiveness

Companies that do not meet the above criteria are candidates for short positions. The portfolios employ a range of investment styles including:

- Individual long and short positions
- Particular sector exposures
- Event-driven positions – takeovers, mergers
- Arbitrage
- Listed debt instruments

Company

Mazi Asset Management (Pty) Ltd

4th Floor, North Wing, 90 Rivonia Road, Sandton, 2196

CIO:	Malungelo Zilimbola
COO:	Vanessa De Sousa
Email:	info@mazi.co.za
Phone:	+27 10 001 8300
Fax:	+27 10 001 8339
Website:	www.mazi.co.za



Mazi

Investment team

"Team diversity and independent thinking are important because the best collective decisions are the product of disagreement and contest, not consensus or compromise".

James Surowiecki – Wisdom of the Crowds.

We have 18 skilled and diverse investment team members with an average of 16 years' investment experience.

Investment terms

Fund:	Mazi NCIS Market Neutral RIF Hedge Fund Mazi NCIS Long/Short QIF Hedge Fund
Hurdle rate:	STeFI
High water mark:	Yes
Funds open:	Yes
Minimum investment:	R1 million
Management fee:	1.5%
Performance fee:	20%
Subscription:	Monthly
Redemption:	One calendar month
Retail or qualified:	RIF and QIF

Strategy

Strategy:	Low volatility long/short equity
AUM:	R30 million
Currency:	ZAR
Domicile:	South Africa
Inception date:	November 2006 (market neutral) April 2014 (long/short)

Service providers

Prime broker:	Legae Peresec (market neutral) RMB (long/short)
Administrator:	Maitland Fund Services
Auditor:	PwC
Legal advisor:	MacRobert Incorporated Attorneys
Manco:	Novare CIS (RF)(Pty) Ltd

NITROGEN FUND MANAGERS

The Nitrogen Nitrogen RCIS Retail Hedge Fund is a low-volatility long/short equity hedge fund, managed on a fundamental basis with a value bias. The fund consists of two books: a long-term fundamental book and a short-term trading book. The long-term book takes advantage of risk-arbitrage opportunities where the manager views stocks as mispriced on a fundamental basis. The short-term book takes advantage of arbitrage opportunities available due to mispricing in the market, using a range of trading strategies. The fund's investment universe includes JSE-listed stocks and derivatives on these. The fund targets low volatility with a maximum 42% net market exposure. The fund has been in operation for 12 years and over that period has outperformed the JSE ALSI by 21.9% with less than a third of the volatility and 83% positive months.

Investment strategy

The fund aims to deliver superior risk-adjusted absolute returns in all market conditions by taking advantage of persistent structural inefficiencies based on the systematic mispricing of stocks, both on a short-term and long-term basis, with a strong emphasis on downside protection through rigorous fundamental analysis. Capital is allocated to trades using a proprietary risk model.

Investment terms

Hurdle rate:	STeFI index money market rate
High water mark:	Yes
Fund open:	Yes
Min investment:	R50,000
Management fee:	1.5%
Performance fee:	20% above STeFI
Subscription:	Monthly
Redemption:	One month
Retail or qualified:	RIF

Strategy

Strategy:	Low volatility long/short equity
AUM:	R731.6 million (end August 2020)
Currency:	ZAR
Domicile:	South Africa
Inception date:	1 August 2006



Investment team

The fund is managed by Rowan Williams and Waldo du Plessis. Rowan holds an MPhil (Cantab) and is a CFA charterholder with 23 years' investment experience in equity markets and private equity. Waldo is a junior portfolio manager, responsible for fundamental analysis and trade execution. Waldo has a BCom Honours degree in Investment Management from the University of Cape Town and is a CFA charterholder, with nine years of relevant hedge fund management experience. Petri du Plessis is operations manager, responsible for operational management including treasury and reporting. He has a BCom Honours in Accounting from the University of Pretoria and is a registered CA(SA) and a CFA charterholder. Willem Oldewage fulfils the role of Investment Analysts and focuses on fundamental analysis. Willem holds a BCom Honours degree in Investment Management and has passed level 2 of the CFA exam.

Company

Nitrogen Fund Managers (Pty) Ltd,

Third Floor, Illovo Edge, 11 Harries Road, Illovo, Sandton, Johannesburg

Fund manager & CEO	Rowan Williams
Marketing:	Petri du Plessis
Email:	nitrogen@nitrogenfm.co.za
Phone:	+27 11 243 5046
Website:	www.nitrogenfm.co.za
ISIN or ref code:	Bloomberg ID – ICAPNIT SJ EQUITY

Service providers

Prime broker:	Absa Capital Prime Services
Administrator:	Maitland Fund Services
Auditor:	PwC
Legal advisor:	Maitland Trust Limited
Manco:	RealFin

PEREGRINE CAPITAL

PEREGRINE CAPITAL HIGH GROWTH H4 RETAIL HEDGE FUND

The goal of the High Growth Fund is to create long-term wealth for investors by investing in our best investment ideas in the equity market and other asset classes. The fund aims to deliver industry-leading long-term investment growth for our investors, while assuming moderate levels of risk.

Investment philosophy

We believe that disciplined and consistent application of our investment process will result in superior returns for our investors over the medium term.

We believe that consistent outperformance can only be achieved through superior knowledge of companies and their securities, not through attempts at predicting what is in store for the economy, currencies, interest rates or the overall level of markets.

We embrace situations that are complicated, difficult to analyse or that require considerable effort, as this often gives us an edge against competitors.

The heart of our equity investment process is sound bottom-up fundamental company research, performed by highly qualified and experienced investment professionals. This is augmented by our long-term corporate relationships.

We aim to generate outperformance from an array of opportunities rather than a handful of big successes, leading to consistent results over time. We do, however, make significant investments in thoroughly researched, high-conviction positions.

Investment terms

Fund:	Peregrine Capital High Growth H4 Retail Hedge Fund
High water mark:	Yes
Fund open:	Yes
Minimum investment:	R25,000
Fund manager fee:	1.5% (ex VAT)
Performance fee:	20% (ex VAT)
Subscription:	Daily
Redemption:	Daily

Strategy

Strategy:	Multi-strategy
Currency:	ZAR
Domicile:	South Africa
Inception date:	2 December 2019



Peregrine Capital was founded in 1998 and is the longest-running hedge fund manager in South Africa. We have been there from the beginning, helping to protect and grow the wealth of our clients.

We have built an exceptional team of investment professionals who are solely focused on refining our investment process each day, to deliver superior risk-adjusted returns. Our process is built on honesty, integrity and an unerring pursuit of the truth, so that investment decisions are based on facts rather than feelings.

Most importantly, we partner with our clients by investing in our funds. We are cumulatively a top 5 investor in our funds and staff own 50% of our business.

Investment team

Our people form the foundation upon which we build our business. We hire competent, honest, passionate people who are driven to succeed. We structure incentives in a manner that aligns our interests with those of our clients. We maintain a flat structure so that debates remain factual, objective and rational. We are fortunate to have attracted a talented team of professionals who are skilled problem solvers and who see challenges as opportunities.

Company

Peregrine Capital (Pty) Ltd

1 Park Lane, 39 Wierda Rd West, Wierda Valley, Sandton, Johannesburg, 2196

Fund managers: Jacques Conradie, David Fraser, Justin Cousins

Email: info@peregrinecapital.co.za

Website: www.peregrinecapital.co.za

Service providers

CIS Manager: H4 Collective Investments (RF)

Prime broker: Peresec (Pty) Ltd

Custodian: Standard Bank of South Africa Ltd

Administrator: Sanne Fund Services (Pty) Ltd

Legal advisor: ENS Africa

SPECIALIST COMMODITY FUND MANAGER

PolarStar Management applies diversified relative-value investment strategies to the global agricultural and energy-linked commodity markets.

APPLIED RISK MITIGATION

We combine over 100 years of agricultural commodity market experience in our risk-first approach to capital protection in the investment process and the meticulous construction of our portfolios.

ALPHA CREATION

We look to generate pure alpha in the capturing of changes in relative prices between related commodities, using listed derivatives on global exchanges. The portfolio excludes un-hedged directional trades, which ensures the fund remains protected against systemic movements in the underlying commodity markets.

INVESTMENT METHODOLOGY

Trade themes are founded on supply and demand imbalances in the underlying physical commodity markets, driven by fluctuations in the annual consumption and production of agricultural commodities. We look to capture the returns of these reoccurring anomalies in our predefined set of relative intra-commodity relationships (long and short the same/similar commodities in different jurisdictions/exchanges) and inter-commodity

calendar spreads (long and short in different time durations of the same commodity). The team's merged quantitative and fundamental skills are combined in the analysis and refinement of our trade opportunities.

RETURN PROFILE

These types of market-neutral trades result in portfolio returns that are uncorrelated to commodity markets, CTAs, hedge funds, global equity markets and macroeconomic changes. Target return is 15% to 20% p.a.

LONG-TERM TRACK RECORD – HEDGE NEWS AFRICA AWARDS

2019 – Top-performing single manager over 10 years.



COMPANY

Investment manager	Polar Star Management (Pty) Ltd
Address	11th Floor, Convention Tower, Heerengracht Street, Foreshore, Cape Town, 8001
Contact	Duncan Greenwood
Email	info@polarstarfunds.com
Phone	+27 21 409 7105
Website	www.polarstarfunds.co.za

Polar Star Management (Pty) Ltd, FSP No. 45053, is authorised under the FAIS Act to render investment management services.

Manco	SANNE Management Company (RF) Pty Ltd
Address	Pier Place, Heerengracht Street, Foreshore, Cape Town, South Africa, 8001

The Manager is registered and approved by the Financial Sector Conduct Authority (FSCA) under CISCA 45 of 2002.

THE FUND

Fund name	Polar Star SNN Qualified Investor Hedge Fund
Strategy	Relative-Value Commodity Fund
Currency	ZAR
Domicile	South Africa
Inception Date	October 2008
ISIN	ZAE000224382
Hurdle rate	Jibar 3 month +5%
High water mark	Yes
Fund open	Yes
Minimum investment	R1 million
Minimum additional investment	R500,000
Management fee	2%
Performance fee	20%
Dealing	Monthly
Notice period	30 days
Lockup	None



A STEADFAST
COMMODITY
FUND MANAGER,
PROVEN OVER
TIME

THE PROTEA RANGE OF HEDGE FUNDS

Protea Capital Management is an investment management firm domiciled in South Africa, investing globally. The firm follows a proprietary 'quantamental' investment approach, combining traditional fundamental analysis with quantitative investment techniques.

Investment strategy

All portfolios are managed as long/short equity hedge funds, but each has a distinct geographical focus. The core strategy is to be long undervalued equities and short overvalued equities, whilst ensuring that there is sufficient diversification to guard against inappropriate risk concentration.

Investment terms (Retail)

Hurdle rate:	Three-month STeFI
High water mark:	Yes
Fund open:	Yes
Min investment:	R50,000 lump sum or R2,000 monthly
Management fee:	1% p.a. (excl.VAT)
Performance fee:	20% (excl. VAT) of the excess performance (after deducting the base management fee) above the perpetually increasing hurdle
Subscription:	Daily
Lockup:	None
Redemption:	One day

Investment terms (Qualified)

Hurdle rate:	Three-month Jibar
High water mark:	Yes
Fund open:	Yes
Min investment:	R1 million
Management fee:	1% p.a. (excl.VAT)
Performance fee:	20% (excl. VAT) of the total performance (after deducting the base management fee) above the high water mark, subject to a hurdle rate of three-month Jibar, crystallising annually on December 31
Subscription:	Monthly
Lockup:	None
Redemption:	One calendar month's notice



Investment team

The 'quantamental' investment approach is a 'Man + Machine' process which makes extensive use of automation, relying less on human judgment than traditional approaches. The portfolio manager is Jean Pierre Verster, founder of Protea Capital Management. He holds the CA(SA), CFA and CAIA designations and serves as an independent non-executive director at Capitec Bank, where he is chairman of the audit committee. The rest of the investment team includes Dr Shinhye Chang (senior data scientist) and Richard Cheesman (senior analyst), a CFA charterholder.

Investment offering

- Protea Worldwide Flexible SNN Qualified Investor Hedge Fund
- Protea Global SNN Retail Hedge Fund
- Protea South Africa SNN Retail Hedge Fund

Company

Protea Capital Management (Pty) Ltd

7 Northridge Avenue, Sunnyridge, Germiston, 1401

CEO & fund manager:	Jean Pierre Verster
COO:	Willem le Roux
Business development:	Edrich Jansen
Marketing:	Cecile Hechter
Phone:	+27(0) 63 691 2091 / +27(0) 11 822 2154
Email:	info@proteacapitalmanagement.com
Website:	www.proteacapitalmanagement.com

Service providers

Prime broker:	FirstRand Bank Limited trading as RMB Prime Broking
Secondary prime broker:	Absa Bank Ltd
Administrator:	SANNE Fund Services (Pty) Ltd
Manco:	SANNE Management Company (RF) (Pty) Ltd
Auditor:	PricewaterhouseCoopers (funds)

SOUTHCHESTER INVESTMENT MANAGERS

We are a niche fixed income asset manager. One of our specialities is the ability to create and manage liquidity for our clients and their portfolios. We also focus on developing and providing tailored fixed income solutions for institutional and corporate clients. Our international offering also focuses on sophisticated high-net-worth families.

Southchester Investment Managers (Pty) Ltd is an authorised financial services provider in terms of the Financial Advisory and Intermediary Services Act, 2002: FSP No. 44868.

Our funds

- Southchester (RF) Limited, a public company whose main focus is to issue commercial paper to asset managers and institutional investors.
- Northchester (RF) Limited, a public company whose main focus is to issue high-yielding commercial paper to asset managers and institutional investors.
- The Southchester Smart Escalator Prescient QI Hedge Fund is a geared money-market fixed income hedge fund targeting institutional and qualified investors.
- The Southchester IP Optimum Income Fund is a fixed income fund targeting corporates and high-net-worth individuals seeking a stable after-tax return.
- The Southchester Smart Income Global Fund, is a qualified alternative investment fund (QAIF) which will be registered as a sub-fund under Prescient Global Qualified Investor Fund ICAV. The fund is a leveraged fixed income hedge fund and will predominately invest in US dollar-based assets. The fund will target South African and international institutional clients and HNW individuals but will only be marketed in South Africa once the CISCA section 65 approval from the FSCA has been obtained.

Southchester Smart Escalator Prescient QI Hedge Fund

Our qualified investor hedge fund is a fixed income long/short fund, which seeks to generate a superlatively stable return of between 3% and 5% over the benchmark (repo).

The fund targets retail and institutional investors wishing to achieve regular, high income returns and is invested in major South African and international banks as well as leading corporate issuers.

There are no performance fees and the fixed management fee is 1.3%.

Service providers

Prime broker: Absa and RMB Prime Services

Administrator: Prescient Fund Services

Manco: Prescient Management Company

Trustees and bankers: Nedbank



SOUTHCHESTER

Investment team

Southchester has an experienced team of eight people. Below are short summaries of the team members actively involved with our hedge funds.

Andra Greyling started her career in fixed income investment and trading in 1988. She has worked for various institutions and niche banks including Rand Merchant Bank. She has a BCom Business Economics and a BCom Honours in Investment Management.

Gregg Bayly has 25 years' experience in asset management and financial structuring. Gregg originally trained as an accountant, obtained a BCom Honours degree and later became an associate member of the British Chartered Institute of Management Accountants, after which he studied law and obtained an LLB degree.

Taryn Visser has nine years' experience in the financial services industry and fintech industry. After obtaining her BCompt degree and SAICA articles, she moved to fund service back-office administration and has managed fund accounting teams at both Maitland Group SA and State Street.

Corinne Cordier has two years' experience in the financial services industry and fintech industry. She studied at Stellenbosch University, Department of Statistics and Actuarial Sciences and obtained a BCom (Mathematical Sciences: majored in Financial Risk Management) and a BCom Hons (Financial Risk Management).

Jeleze Hattingh has nearly 20 years' financial markets experience ranging from operational risk, financial engineering and strategic change management to both portfolio and executive management. She holds an MSc BMI *cum laude* and is a member of the CFA institute.

Bertus Enslin is a skilled distribution specialist with over 30 years' experience in the financial markets. He plays an active role in promoting Southchester and its niche products.

Company

Southchester Investment Managers (Pty) Ltd

Pinotage House, Vineyard Office Estate,
99 Jip De Jager Road, Belville, Cape Town, South
Africa, 7530

Phone: +27 87 094 2740

Email: inquiries@southchester.co.za

Website: www.southchester.co.za

VISIO FUND MANAGERS

The Visio SNN Market Neutral Retail Hedge Fund

Visio Market Neutral is a low net absolute-return focused equity long/short hedge fund, targeting a low correlated source of returns to equity markets. The fund invests in JSE-listed stocks, as well as offshore listed equities. Investment decisions are based on in-depth research of company and sector fundamentals. The strategy has limited derivative positions and net equity exposure of 40%. The fund has annualised 15% versus the ALSI's 9.6% since inception in 2006.



Investment strategy

Our investment process is firmly rooted in fundamental analysis. Our value-driven approach is predominantly bottom-up and sector- or theme-specific. We spend a considerable amount of time 'on the road' towards achieving our targeted end result. Our research is not limited to only listed companies. We continuously expand our knowledge and contact base with many unlisted companies, who are either trading partners or competitors with our listed counterparts.

Strategies employed:

- Individual long and individual short positions
- Particular sector exposures
- Event-driven positions – takeovers, mergers and LBOs
- Arbitrage – long term (correlated and uncorrelated)
- Listed debt instruments

Service providers

Prime broker: Peresec

Administrator: SANNE Fund Services SA (Pty) Ltd

Manco: SANNE Management Company (RF) (Pty) Ltd

Auditor: KPMG

Legal advisors: ENS and Webber Wentzel

Company

Visio Fund Management (Pty) Ltd

92 Rivonia Road, Sandton, Johannesburg 2196

Fund manager: Visio Capital Management (Pty) Ltd

CEO: Patrice Moyal

Marketing: Craig French and Tassin Meyer

Phone: +27 11 245 8900

Email: info@visiofund.co.za

Website: www.visiofund.co.za

Investment team

The fund is managed by founder and CIO Patrice Moyal together with the investment team. Patrice is a chartered accountant with 22 years' investment experience and is complemented by the team, which has a combined 280 years' experience. The investment team of 18 has a diverse skills base and cultural backgrounds. The team has qualifications in accounting, corporate finance, equity research and private equity and includes chartered accountants, mathematicians, chemical engineers, a medical doctor and CFAs. These varying backgrounds complement each other and help avoid myopic vision when analysing companies.

Investment terms

Fund: Visio SNN Market Neutral Retail Hedge Fund

Retail or qualified product: Retail

Hurdle rate: STeFI

Fund open: February 2014

Min investment: R50,000

Management fee: Annual management fees
1% lead series

Performance fee: 20% of outperformance,
uncapped

Subscription: Monthly

Redemption: One-month notice period applies,
from the first business day of the month

Strategy

Strategy AUM: R1.4 billion

AUM: R55 million

Currency: ZAR

Domicile: South Africa

Inception date: February 2014

VISIO FUND MANAGERS

The Visio Salveo Global Best Ideas Fund

The Visio Salveo Global Best Ideas Fund is a variable net absolute-return focused equity long/short hedge fund, targeting a low correlated source of returns to global equity markets. The fund invests in globally listed stocks across sectors. Investment decisions are based on indepth research of company and sector fundamentals. The strategy has limited derivative positions and net equity exposure of 50%. The fund has annualised 9.1% in US dollars versus the MSCI World's 5.2% since January 2018.

Investment strategy

Our investment process is firmly rooted in fundamental analysis. Our value-driven approach is predominantly bottom-up and sector- or theme-specific. We spend a considerable amount of time 'on the road' towards achieving our targeted end result. Our research is not limited to only listed companies. We continuously expand our knowledge and contact base with many unlisted companies, who are either trading partners or competitors with our listed counterparts.

Strategies employed:

- Individual long and individual short positions
- Particular sector exposures
- Event-driven positions – takeovers, mergers and LBOs
- Arbitrage – long term (correlated and uncorrelated)
- Listed debt instruments

Service providers

Prime broker:	Morgan Stanley
Administrator:	MUFG Investor Services
Manco:	Lions of Africa Hedge Funds SPC
Auditor:	Deloitte
Legal advisors:	Maples and Calder Wentzel

Company

Visio Fund Management (Pty) Ltd

92 Rivonia Road, Sandton, Johannesburg 2196

Fund manager: Visio Capital Management (Pty) Ltd

CEO: Patrice Moyal

Marketing: Craig French and Tassin Meyer

Phone: +27 11 245 8900

Email: info@visiofund.co.za

Website: www.visiofund.co.za

Hedge fund

Investment team

The fund is managed by founder and CIO Patrice Moyal together with the investment team. Patrice is a chartered accountant with 23 years' investment experience and is complemented by the team, which has a combined 290 years' experience. The investment team of 18 has a diverse skills base and cultural backgrounds. The team has qualifications in accounting, corporate finance, equity research and private equity and includes chartered accountants, mathematicians, chemical engineers, a medical doctor and CFAs. These varying backgrounds complement each other and help avoid myopic vision when analysing companies.

Investment terms

Fund:	Visio Salveo Global Best Ideas Hedge Fund
Retail or qualified product:	Qualified
Fund open:	January 2018
Min investment:	\$100,000
Management fee:	Annual management fees 1.5% lead series
Performance fee:	10% of outperformance, uncapped
Subscription:	Monthly
Redemption:	One-month notice period applies, from the first business day of the month

Strategy

Strategy AUM:	R1.4 billion
AUM:	\$8 million
Currency:	US dollar
Domicile:	Cayman
Inception date:	January 2018

THE CORONATION AFRICA FRONTIERS STRATEGY

Long-term objective*

The Coronation Africa Frontiers Strategy aims to maximise the long-term risk-adjusted returns available from investments on the continent through capital growth of the underlying stocks selected. It is a flexible portfolio primarily invested in listed African equities or stocks listed on developed and emerging market exchanges where a substantial part of their earnings are derived from the African continent. The strategy may hold cash and interest-bearing assets where appropriate.

Investment approach

Coronation is a long-term, valuation-driven investment house, focused on bottom-up stock picking. Our aim is to identify mispriced assets trading at discounts to their long-term business value (fair value) through extensive proprietary research. In calculating fair values, through our fundamental research, we focus on through-the-cycle normalised earnings and/or free cash flows using a long-term time horizon. The portfolio is constructed on a clean-slate basis based on the relative risk-adjusted upside to fair value of each underlying security. The portfolio is constructed with no reference to a benchmark. We do not equate risk with tracking error, or divergence from a benchmark, but rather with a permanent loss of capital.

Service Providers

Administrator: JP Morgan Administration Services (Ireland) Limited

Auditor: Ernst & Young

Investment terms

Target: Outperform ICE LIBOR USD 3 month Index (US0003M as quoted by Bloomberg)

High water mark: Yes

Strategy open: Yes

Subscription: Monthly

Redemption: Monthly

Retail or institutional: Institutional



Investment team

We operate as an integrated global team headquartered in Cape Town, South Africa, comprising 70 professionals. The strategy is managed by Peter Leger (head of Global Frontier Markets), who has 22 years' experience in African financial markets as both a portfolio manager and research analyst.



Peter Leger

Investment manager

Coronation Investment Management International (Pty) Ltd,

7th Floor, MontClare Place, Cnr. Campground and Main Roads, Claremont 7708, Cape Town, South Africa

CEO:	Anton Pillay
Phone:	+27 21 680 2000
Fax:	+27 21 680 2100
Email:	cib@coronation.com
Website:	www.coronation.com

Strategy

Strategy: Long-only equity

AUM: \$338.8 million (31 August 2020)

Currency: US\$

Domicile: Ireland

Listing exchange: The Irish Stock Exchange

Inception date: 1 October 2008

*See disclaimer page 91

VISIO FUND MANAGERS

Gondo Visio Metsi Africa Fund

The Metsi Fund is a long-only, absolute-return focused Africa ex-South Africa equity fund, targeting a low correlated source of returns to global equity markets. The fund invests globally in listed stocks, across sectors, that derive the majority of their earnings in the Africa ex-South African markets. Investment decisions are based on indepth research of company and sector fundamentals.

Investment strategy

Our investment process is firmly rooted in fundamental analysis. Our value-driven approach is predominantly bottom-up and sector- or theme-specific. We spend a considerable amount of time 'on the road' towards achieving our targeted end result. Our research is not limited to only listed companies. We continuously expand our knowledge and contact base with many unlisted companies, who are either trading partners or competitors with our listed counterparts.

Strategies employed:

- Individual long positions
- Particular sector exposures
- Event-driven positions – takeovers, mergers and LBOs
- Listed debt instruments

Service providers

Custodian:	Standard Chartered
Administrator:	SANNE Group Malta
Manco:	Lions of Africa Hedge Funds SPC
Auditor:	Deloitte
Legal advisors:	Maples & Calder

Company

Visio Fund Management (Pty) Ltd

92 Rivonia Road, Sandton, Johannesburg 2196

Fund manager: Visio Capital Management (Pty) Ltd

CEO: Patrice Moyal

Africa CIO: Ronald Chabvonga

Marketing: Craig French and Tassin Meyer

Phone: +27 11 245 8900

Email: info@visiofund.co.za

Website: www.visiofund.co.za

Investment team

The fund is managed by founder and Africa CIO Ronald Chabvonga together with the investment team. Ronald is a chartered accountant with 17 years' investment experience and is complemented by the team, which has a combined 290 years' experience. The investment team of 18 has a diverse skills base and cultural backgrounds. The team has qualifications in accounting, corporate finance, equity research and private equity and includes chartered accountants, mathematicians, chemical engineers, a medical doctor and CFAs. These varying backgrounds complement each other and help avoid myopic vision when analysing companies.

Investment terms

Fund:	Metsi Segregated Portfolio
Retail or qualified product:	Qualified
Hurdle rate:	MSCI EFM Africa ex-SA Index
Fund open:	June 2009
Min investment:	\$100,000
Management fee:	Annual management fees 1.5% lead series
Performance fee:	15% of outperformance, uncapped
Subscription:	Monthly
Redemption:	Three-month notice period applies, from the first business day of the month

Strategy

Strategy AUM:	\$160 million
AUM:	\$33 million
Currency:	US dollar
Domicile:	Cayman
Inception date:	June 2009



Africa ex-SA funds - an essential diversifier and growth-focused product

Phihlelo Matjekane and Craig French, Visio Fund Management

At the turn of the new millennium, The Economist magazine labelled Africa “the hopeless continent”. However, it was at this precise moment that Africa was becoming a continent of hope. Civil wars were coming to an end and more states were becoming democratic.

Africa as a continent has gone on to be one of the highest growth regions globally with a number of countries dominating the top 10 global growth rates alongside Asian countries. However, it is incorrect to speak of Africa as though it is a single homogenous region. To the contrary, Africa is made up of 54 independent countries, altogether with a landmass larger than the United States, China, India and Europe combined. It is home to more than 1.35 billion people, 17% of world’s population, who will over the coming decades need the same goods and services found in more developed countries.

The key attraction African countries have for investors is the high GDP growth rates off very low economic bases, which can in turn spur superior returns. This African growth story is supported by a youthful population. When compared to develop markets, Sub-Saharan Africa (SSA) has a much younger population growing at a faster rate. Fifty percent of the population is under the age of 30.

According to the OECD, Africa is projected to have the fastest urban growth rate in the world. By 2050, Africa’s cities will be home

to an additional 950 million people living in urban environments, with 60% of the people living in cities compared to 40% today. This urbanisation further supports economic growth and consumption.

Industrialisation is also gathering pace as cheaper electricity sources including gas, solar and geothermal energy quicken the pace of infrastructure build. At the same time education levels continue to improve, driving more urbanisation, higher incomes and demand for goods and services which most in developed countries take for granted. For example, only 25% of Egyptian adults have a bank card compared to South Africa at closer to 80%; this presents an enormous growth opportunity for well-placed banks and payments companies.

Visio believes that in order for investors to achieve superior returns, investors must conduct extensive research on individual countries as well as specific company opportunities. As expected, some countries and companies will fail to capture the growth opportunity and will underperform as a result. In-country due diligence and research are paramount as there is no “free lunch”. Africa holds vast opportunities for a fundamentally based active fund to generate alpha and far superior returns for investors. This is where our team’s skillset lies, being led by a Zimbabwean-born and educated CIO, Ronald Chabvonga, who is a chartered accountant with a background of

having operated banks, and having been involved in deal-making in the resources sector in Africa.

Key markets where investors can access some of these opportunities are Egypt, Nigeria, Morocco and Kenya. Interestingly, all four of these markets have different growth profiles, risks and political systems. Egypt and Nigeria are now the continent's two largest economies, ahead of South Africa in 3rd position. The two larger economies are also growing at higher rates with Egypt's average growth over past five years at more than 4.2% and Nigeria at 2%-plus compared to South Africa's +1.1%.

For example, Visio Fund Management's Metsi Fund was launched over 10 years ago, in June 2009, to provide investors with the opportunity to reap some of these returns. The fund has generated 5.2% annualised ZAR returns over three years compared to negative 0.8% annualised returns for the FTSE JSE All Share Index (ALSI). The MSCI EFM Africa ex South Africa benchmark has, on the other hand, generated negative annualised returns over the same period. The Metsi Fund has also been managed with a lower volatility versus the ALSI and MSCI EM over the life of the fund.

The fund's objective is to provide reasonable returns above the benchmark and peers over the medium to long term. As result, the investment team uses a fundamental



Phihlelo Matjekane

research process to unearth opportunities. Africa strategy CIO Ronald Chabvonga puts it as follows: "The 54 countries in Africa are each driven by different dynamics and issues. Our job is to identify where the opportunities and the risks are, and manage them so that we generate positive returns for our investors over the medium to long term. We will not pursue potential short-term returns which could result in losses for our clients."

Fund manager Phihlelo Matjekane states that "over a decade of experience of managing African equity portfolios has allowed the Visio team to run high-conviction, more concentrated portfolios" and that the Metsi Fund held over 40 positions at inception, compared to closer to 20 holdings today. "Key to this has been closely following company management over the period and measuring outcomes against historic guidance," says Matjekane. He also talks of how "school fees were paid in the early years, which have led to a robust, well-considered investment process which the team follows today". Key to this process



Craig French

is the focus on investing in companies that allow the team to sleep well at night.

In summary, Africa funds provide investors with portfolio diversification benefits in high-growth frontier and emerging markets, together with a lower volatility of returns. The 10% rest of Africa offshore Regulation 28 limit under South Africa's Pension Fund Act also offers South African-based investors an additional offshore diversification allowance.

Phihlelo Matjekane and Craig French are from Visio Fund Management, which was formed in June 2003. The firm's total assets under management are in excess of R35 billion (\$2 billion), across equity long/short hedge funds, retail unit trusts, segregated long-only mandates and Pan-African funds, with clients being mainly institutional in nature. The team follows an investment approach premised upon fundamental research and analysis applied across a range of equity investment strategies depending on mandates.

ALEXANDER FORBES INVESTMENTS

Financial expertise and innovative solutions

Alexander Forbes is a market-leading provider of integrated retirement and investment solutions as well as holistic wealth management. For 84 years, the Alexander Forbes brand has been synonymous with financial expertise and innovative solutions.

Alexander Forbes Investments Limited (Alexander Forbes Investments) was first established in 1997 and has grown in strength, to become one of South Africa's largest investment solutions providers. Our success has been earned by building investment solutions across different and vast institutional and retail savings and investment pools. Our products and services are underpinned by our multi-management investment proposition.

Using different managers, at different times

Meeting investment objectives in future requires greater opportunism, given challenging global growth outlooks and elevated levels of volatility. Diversification is becoming increasingly important. The benefit of our multi-managed approach is that we have the tools to reduce the impact of this environment by deploying highly rated strategies of different managers, at different times, to implement our views and manage risk.

Hedge funds protect during market weaknesses

Hedge funds play a role in our portfolio solutions, providing additional sources of return and protection during market weaknesses.

OUR HEDGE FUND SOLUTIONS

Alexander Forbes Investments offers a range of linked long-term insurance policies with underlying collective investment schemes in hedge funds. Our suite of carefully managed and governed hedge fund of fund (HFoF) portfolios comprises:

AF Invest Stable QI HFoF

Winner: Five Year (Fund of Funds), HedgeNews Africa Awards 2019

Low risk: HFoF focused on achieving absolute returns over rolling 12-month periods.

Aimed at: Investors with a low tolerance for capital loss over one to three years.

AF Invest Moderate QI HFoF

Low to medium risk: Multi-asset class HFoF structured for superior long-term investment performance, relative to its benchmark, and downside loss protection.

Aimed at: Investors pursuing absolute performance returns over the short to medium term (one to three years) and seeking diversification benefits for their overall investment profiles.



AF Invest Performance QI HFoF

Medium risk: Multi-strategy HFoF structured for superior long-term investment performance, relative to its benchmark, and downside loss protection.

Aimed at: Investors pursuing absolute performance returns over three to five years and seeking diversification benefits for their overall investment profiles.

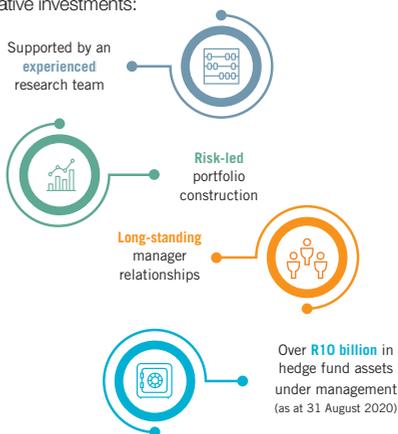
AF Invest Focus QI HFoF

High risk: HFoF for superior long-term investment performance, relative to its benchmark.

Aimed at: Investors pursuing enhanced investment returns over three to five years and diversification for their investment profiles.

OUR HEDGE FUND CAPABILITY

Alexander Forbes Investments, collectively through different entities, has 20 years of experience in managing alternative investments:



Nic Campbell

T: 083 393 0001 **E:** campbellni@aforbes.com

Alexander Forbes Investments – CIS Manager
Alexander Forbes Investments Unit Trusts Limited is registered as a manager, in terms of the Collective Investment Schemes Control Act, and is a subsidiary of Alexander Forbes Holdings Limited, which is a member of the Association for Savings and Investment South Africa (ASISA). Registration number: 2001/015776/06 Physical address: 115 West Street, Sandown, 2196 Postal address: PO Box 786055, Sandton, 2146 Website: www.alexanderforbesinvestments.co.za

AURUM FUND MANAGEMENT (PTY) LTD

Aurum Isis Dollar Fund Ltd – a Qualified Investor Hedge Fund

The Aurum Isis Dollar Fund is a global multi-strategy fund that aims to deliver uncorrelated, inflation-adjusted real returns and has a track record of over 20 years.

The fund invests into a range of alternative investment strategies, including:

- Diversified multi-strategy
- Global macro
- Event driven
- Systematic strategies

The fund endeavours to deliver absolute returns over the long term, irrespective of equity market direction, with low correlation to traditional asset classes. The portfolio is diversified by strategy, manager and investment style.

The fund has a bias towards liquid, trading-oriented strategies with an emphasis on liquidity. This focus on liquidity maximises the flexibility to effectively manage the portfolio as market conditions change.

In addition to absolute returns, delivering low correlation, high consistency and low volatility are three specific qualities we strive to achieve.

The fund was launched in 1998 and has delivered consistently over multiple market cycles, protecting investors from turbulence in times of market stress.

The Aurum Isis Dollar Fund is approved as a Foreign Collective Investment Scheme in Hedge Funds targeting Qualified Investors under Section 65 of the Collective Investment Scheme Control Act 2002 in South Africa by the Financial Sector Conduct Authority (FSCA). Aurum Isis Dollar Fund is registered as a Bermudan Standard Fund under the Investment Funds Act 2006 of Bermuda, and as a limited liability company under the Bermudan Companies Act 1981. The Aurum Isis Dollar Fund acts as its own Investment Manager in terms of the Investment Funds Act 2006 (Bermuda) and also acts as its own operator.

AURUM

Representative office details

Aurum Fund Management (Pty) Ltd

Unit 20 & 21, Second Floor

1 Melrose Boulevard

Melrose Arch 2196, South Africa

Phone: +27 11 325 4820

email: info@aurum.co.za

Website: www.aurum.com

Selection of available classes

Class*	Minimum investment
Standard US Dollar	R1 million (appx. US\$75,000)
Professional US Dollar	US\$150,000
Institutional A US Dollar	US\$5 million

**Unrestricted options of these classes are available, which offer eligible investors the opportunity to participate in profits and losses from initial public offerings. Contact Aurum for a full list of available classes.*

Service providers

Administrator: Northern Trust International Fund Administration Services (Ireland) Limited

Custodian: Northern Trust Fiduciary Services (Ireland) Limited

Auditor: KPMG

Legal advisor: Conyers Dill & Pearman Limited



Which global hedge fund strategies have the most to offer in a post-Covid world?

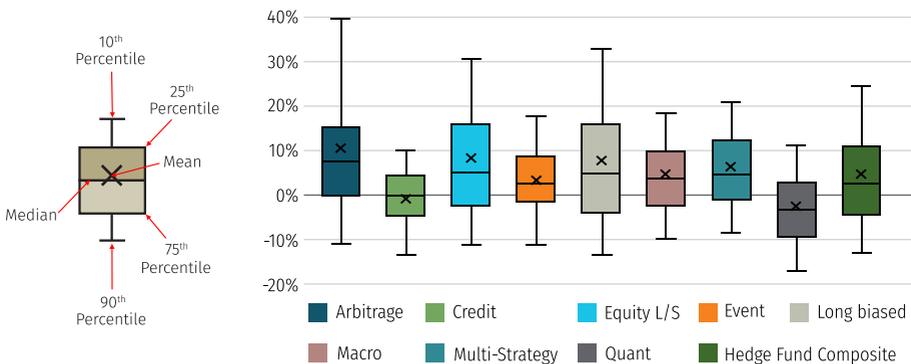
Adam Moir, product specialist, Aurum Funds Limited, UK

The opportunity set for many hedge fund strategies is the best it has been for a number of years. In response to the most challenging market environment since 2008, unprecedented fiscal and monetary responses from governments and central banks have created dislocations and distortions in many asset classes. Volatility has returned to equities, bond yields have fallen dramatically, and inflation fears have stoked demand for precious metals. That said, identifying hedge funds that will be successful is incredibly challenging in an industry with over 4,000 funds managing over US\$2.92 trillion of assets. Furthermore, given the unconstrained nature of most hedge funds, dispersion within each broad-based hedge fund strategy is much higher when compared to the

long-only world, where different strategies are typically benchmarked to an appropriate index. Manager selection is an increasingly important component when deciding which hedge funds are best placed to capitalise in a post-Covid world.

In order to identify which hedge funds have the most to offer, one has to identify what problem hedge funds are being used to solve. Are they being used to diversify away from a traditional portfolio of equities and bonds? Or are they being used to gain exposure to a particular asset class in a more risk-adjusted fashion? We frequently see investors using hedge funds as a portfolio diversifier but then invest in hedge funds that are correlated to their existing investments, especially during market dislocations. The hedge fund

12 months to August 2020 – Strategy Performance



Source: Aurum Hedge Fund Data Engine

industry is dominated by equity long/short funds and data from Aurum's Hedge Fund Data Engine shows that most offer very few diversification benefits, with the strategy having a correlation to the MSCI World Index of 0.92 over the last five years and 0.81 since 2000.

Investors should have a clear understanding of the investment and risk management processes of a particular hedge fund and an appreciation of how it is likely to react in different market environments within one's wider portfolio. Furthermore, ensuring a fund is operationally robust is arguably of the greatest importance.

While the opportunity set is positive, the current environment presents a number of challenges to managers; the prospect of multiple waves of Covid-19, the timing of a potential vaccine, the upcoming US election, and ongoing US-China trade tensions. So, which global hedge fund strategies have the most to offer in a post-Covid world? Arguably, strategies that are liquid and nimble may allow managers to hedge or reduce exposure rapidly if required. March was a timely example of how liquidity can dry up during a stressed scenario, prices gap down and managers struggle to cut risk. Investing in managers that are cognisant of this and are able to react accordingly is crucial.

Global macro

Global macro funds have had many critics in recent years with many well-known funds struggling to generate attractive returns since 2008. However, 2020 has seen the renaissance of global macro with the environment providing a more fertile environment for the strategy.

The unprecedented nature of central bank intervention across the world has seen rates fall synchronously. Central bank independence continues to erode in many developed market economies with monetary and fiscal policy goals increasingly in tandem. What will be the result of the increasing indebtedness across the world? Will this ultimately lead to inflation? Or will the increasing levels of unemployment be deflationary?

Global macro funds have a "go anywhere approach" and can often seek medium-term thematic trades where they see the best risk/



Adam Moir

return opportunities. Recent themes have included notable positioning in precious metals and currencies. Gold, often seen as a hedge against inflation and currency debasement, has been a consensus macro trade of late, hitting all-time highs in August. Short US dollar positioning has also been a common theme as US support packages go further than most other countries. With rates effectively anchored at zero in the US and negative in Europe, fixed income volatility has fallen and macro traders are increasingly looking at currency markets to generate returns.

Global macro funds can also seek structural trades, where recurring patterns typically driven by investor flows that move markets on a repeatable basis are identified. An example of this behaviour can be observed during the final few weeks of each quarter-end as rebalancing by large institutional portfolios can lead to significant buying or selling pressure. The sharp sell-off in equities during March helped support the notable buying pressure during the final two weeks of the month as portfolios rebalanced to fall in line with their strategic asset allocations. Clearly, in this instance, there were other competing factors, as is often the case, but making small bets on multiple recurring events can be a profitable strategy for global macro funds. The effects of Covid-19 could exacerbate these moves if flows are substantial going forward.

The flexible nature of global macro funds is also often seen by some investors as a hedge against



a rising rate environment. While it is not widely anticipated that rates will rise in the near future, one has to take increasing amounts of duration risk, credit risk or liquidity risk in the search for yield, thus increasing risk on the downside.

Multi-strategy

The term multi-strategy is very broad and these funds have the ability to dynamically allocate capital depending on where the best opportunity set lies. Many multi-strategy funds have significant allocations to discretionary long/short equity strategies, quant equity strategies, global macro, fixed income relative value, credit and event-driven strategies.

Multi-strategy funds include some of the strongest hedge fund businesses in the industry. This gives them the ability to attract the best talent, invest heavily in systems and employ incredibly sophisticated risk management frameworks. The resources available to the top funds are almost unparalleled and they have demonstrated an ability to generate consistent returns, while protecting capital over nearly 30 years.

A key component of many multi-strategy funds are discretionary long/short equity strategies. As previously noted, the majority of equity long/short funds offer very few diversification benefits primarily due to the fact that most are nearly always structurally net long equities, and as such, often struggle in equity market sell-offs.

Conversely, multi-strategy funds take a more market-neutral approach to equity long/short investing, typically employing sector specialists with a clear understanding of sector dynamics and

an appreciation of relative outperformers, while limiting existential market risks. In a post-Covid world, single-stock equity dispersion has returned as there will be winners and losers resulting from the current environment. Fundamental stockpickers with a trading-orientated approach should therefore thrive in this environment and those with a lower net exposure should also be better placed to protect capital in an equity market sell-off.

Quant equity and statistical arbitrage strategies also have a lot to offer in a post-Covid world. These strategies are typically dependent on elevated levels of volatility and volume to be successful, as such the last two quarters have proven to be an exceptionally good environment for these strategies. A continuation of this environment should continue to be positive.

In any scenario, investors should start by asking themselves what problem they are looking to hedge funds to solve. While global macro and multi-strategy funds seem well placed to weather the current environment, strong managers in any strategy can still deliver returns. March was an example of how bad liquidity can get in fixed income and equity markets, so selecting the best managers with a careful eye on liquidity is of the utmost importance. We believe funds with a market neutral or variable net bias should be best placed to protect capital and offer investors the best risk-adjusted returns in a post-Covid world.

Adam holds a BSc (Hons) in Chemistry from the University of Bristol and is a CFA charterholder. He is currently a supervised representative of Aurum Fund Management Pty Ltd, S.A.

EDGE CAPITAL

The Edge Capital (Edge) range of funds employs a diverse array of unique strategies to provide consistent, absolute or relative returns. The primary objective is to either protect and grow investor capital irrespective of rising or falling markets, or to consistently outperform a stated relative index benchmark.

Most investors elect to access the hedge fund market through a multi-manager structure. This markedly lowers an investor's risk by diversifying across a range of managers and strategies.

A bespoke vehicle can be created and specially tailored by Edge to cater for an investor's specific risk/return requirements. This is especially the case with transportable alpha vehicles.

Investment team

The Edge entrepreneurial culture is performance driven. The highly skilled, motivated team of investment professionals are owners in the business, and are supported by experienced middle- and back-office support staff. Our pure focus on investment performance and exceptional client service means all non-investment related functions have been outsourced to highly rated specialists in these fields.

Service providers

Administrator:	Prescient Fund Services
Auditor:	PwC
Legal advisor:	Edward Nathan Sonnenbergs
Custodians:	RMB Global Markets
Compliance:	Independent Compliance Services
Manco:	RealFin CIS

Strategy

Strategy:	Multi-managed risk-profiled strategies
Currency:	ZAR
Domicile:	South Africa
Inception date:	From May 2003



Investment strategies

Retail Hedge Funds

- Edge RCIS Absolute Return Retail Hedge Fund
- Edge RCIS Matador Retail Hedge Fund

Company

Edge Capital (Pty) Ltd, Edge House
3 Heuwelkruin Close, Durbanville, 7550

Managing director:	Mike Kirsten
Key investment personnel:	Pieter Viljoen, Pieter Davis, Lynn Lekay
Marketing:	Hayley Richards hrichards@edge.co.za
Phone:	+27 21 976 1012
Fax:	+27 21 976 1096
Website:	www.edge.co.za

Investment terms

Hurdle rate:	Either absolute or relative benchmark
High water mark:	Yes
Funds open:	Yes
Minimum investment:	R1 million
Management fees:	Vary according to fund
Performance fees:	Vary according to fund
Subscription:	Monthly
Redemption:	One calendar month's notice

THINK.CAPITAL INVESTMENT MANAGEMENT

As a boutique asset manager, THINK.CAPITAL has provided clients with alternative investment solutions since 2014. The THINK strategy is supported by Elmiën Wagenaar's track record of 18 years in analysing and combining hedge funds, and has demonstrated its potential by generating award-winning returns. We strive to impart an appreciation for hedge funds as an alternative source of investment returns through education, skilled risk management, and growth of invested capital.

Investment strategy

Unlike the typical fund of hedge funds' approach, our strategy does not seek to provide absolute returns all of the time, but rather allows some contained downside to enable greater upside participation. The desired risk profile is achieved by adjusting some of the best South African hedge fund mandates by tilting risk exposure towards factors with the highest probability of long-term success, thus not sacrificing long-term gains to avoid moderate short-term loss.

Service providers

Manco:	Realfin CIS
Administration:	Realfin Fund Services
Auditor:	PwC
Risk:	Riskcafé
Trustee:	FirstRand Bank Ltd

Company

THINK.CAPITAL Investment Management

Unit F12, Willowbridge Centre
39 Carl Cronjé Drive
Tyger Valley, Cape Town, South Africa

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Phone:	+27 21 001 2372
Website:	www.thinkcapital.co.za



THINK.CAPITAL

Our funds

RCIS THINK Growth QI Hedge Fund

Strategy:	Fund of Hedge Fund (Multi-Strategy)
Fund category:	Qualified investor
Min. investment:	R1 million
Subscriptions:	Monthly
Redemptions:	1 calendar month notice
Currency:	ZAR
Domicile:	South Africa
Inception date:	1 Nov 2014

THINK Flexible Growth RCIS Retail Hedge

Strategy:	Fund of Hedge Fund (Multi-Strategy)
Fund category:	Retail investor
Min. investment:	R1,000
Subscriptions:	Daily
Redemptions:	Daily
Currency:	ZAR
Domicile:	South Africa
Inception date:	1 Nov 2017

Awards

RCIS THINK Growth QI Hedge Fund

WINNER *Awards*
Fund of Hedge Funds (Multi-Strategy) **2015**

WINNER *Awards*
Three-Year Performance (Fund of Hedge Funds) **2017**

TRIALPHA INVESTMENT MANAGEMENT

TriAlpha SNN Enhanced Fixed Income Qualified Investor Fund of Hedge Funds

TriAlpha Investment Management (Proprietary) Limited is a specialist South African-based investment management firm, predominantly focused on managing enhanced cash and fixed income long-only and hedge fund investment mandates on a hybrid fund-of-funds and direct basis. The firm commenced operations in 2006 and current assets under management and advisement total more than R24 billion. Its flagship Enhanced Fixed Income QI Fund of Hedge Funds is suited to institutional funds that require a STeFI + 2% p.a. return on a rolling three-year basis, with lower volatility than the All Bond Index. The fund has consistently outperformed its target return since inception in 2007. TriAlpha also offers portable alpha versions of this fund.



Investment strategy

We use a diversified multi-manager approach to combine different investment styles to achieve consistency throughout the fixed income market cycle. This approach allows us to develop consistent alpha pools which can also be transported to other asset classes that clients prefer. This strategy results in consistent outperformance of the benchmark by adding value at the margin.

Investment team

The investment team's credentials comprise a mix of local and global, quantitative and qualitative skills and experience. The core team has been together since inception and has worked together through different market cycles. The team continues to beef up its skills with new hires.

Other mandates available

ALBI Class: ALBI + 2% p.a.

ACTIVE Class: R202 + 2% p.a.

SWIX Class: SWIX40 + 2% p.a.

Minimum investment: R10 million

Manco: Sanne Management Company (RF) (Pty) Ltd

Company

TriAlpha Investment Management (Proprietary) Limited

2nd Floor, Ou Kollege Building,
35 Church Street, Stellenbosch, 7600

Managing director: Jared Abels

Phone: +27 21 809 1210

Website: www.trialpha.co.za

FSP licence: 28090

Service providers

Administrator: SANNE Group

Auditor: Deloitte

Legal advisor: Maitland Legal Advisory

Collective Investment Schemes are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investments are traded at ruling prices and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions, as well as a detailed description of how performance fees are calculated and applied, is available on request from Sanne Management Company (RF)(Pty) Ltd (the Manager). The Manager does not provide any guarantee in respect to the capital or the return of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressure and in such circumstances, a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. Commission and incentives may be paid, and if so, are included in the overall costs. Portfolios may be closed. Prices are published monthly on our website and local media. Additional information, including key investor information documents, minimum disclosure documents, as well as other information relating to the portfolio is available, free of charge, on request from the manager. The Manager is registered and approved by the Financial Sector Conduct Authority under CISCA, First Rand Bank Limited, acting through its RMB Custody and Trustee Division, is the appointed trustee. TriAlpha Investment Management (Pty) Limited, FSP No. 28090, is authorised under the Financial Advisory and Intermediary Services Act 37 of 2002 to render investment management services.

NOVARE CIS (RF)

ABOUT US

Founded in 2000, Novare is one of South Africa's leading independent financial services groups. What began as an independent financial advisory business has steadily grown into a leading multi-manager outfit, committed to providing investors with revolutionary investment solutions.

In 2014, Novare expanded the business by launching Novare CIS (RF) Pty Ltd (Novare CIS) to facilitate the growth of its existing investment products and solutions range. The business is built on a strong foundation of innovation and risk management.

Novare CIS was the first management company to launch regulated hedge funds to the South African market in February 2016 – a testament to our continued focus on innovation. We pride ourselves as both specialists and pioneers and, since inception, the business has grown its assets under administration to in excess of R8.7 billion spread across long-only portfolios as well as hedge funds.

OUR SERVICE OFFERING

Novare CIS offers Novare-branded as well as co-branded CIS portfolios in securities, retail hedge funds as well as qualified investor hedge funds.

We strive to provide value-added service delivery and support to our business partners by offering high-quality products, administration and risk-management services. We provide our clients with the necessary compliance, administration and risk-management functions together with a dedicated client-service function.

Risk management is a cornerstone of Novare CIS. Our process includes methodological identification, measurement and daily monitoring of key risk exposures. We have extensive experience in this regard and through the use of proprietary systems, developed in-house and unique to Novare and the industry, as well as databases going back more than eight years, we are able to accurately manage risk across all portfolios under our administration.

To ensure cost-effective and efficient administration, as well as enhanced governance, our portfolio and investor administration and

NOVARE[®]
CIS

independent trustee services are outsourced to some of the largest service providers in the country, namely the Maitland Group South Africa Limited and FirstRand Trustee Services.

OUR PRODUCT OFFERING

Novare CIS offers:

- Novare-branded multi-managed unit trust portfolios;
- Novare-branded retail and qualified investor fund of hedge fund portfolios;
- Co-branded unit trust portfolios;
- Co-branded retail and qualified investor hedge fund portfolios;

Novare CIS also provides risk management services to all products on our platform.

OUR TEAM

The Novare CIS team has extensive industry experience and is supported by a robust board of directors with extensive experience across legal, actuarial and investment disciplines. We value integrity, dedication, passion, and proficiency.

Recognised as an industry pioneer, our commitment to reliability and consistency is integral to our business approach, and our exceptional performance is evidenced by the number of long-term clients we continue to retain.

For further information contact:

Derrick Roper/Jacques Du Preez

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E: clientservice@novare.com

www.novare.com

Novare CIS (RF) (Pty) Ltd
Fifth Floor, The Cliffs Office Block 1
Niagara Way, Tyger Falls
Carl Cronje Drive, Bellville, 7530

SANNE MANAGEMENT COMPANY (RF) (PTY) LTD

SERVICE DEFINES US, EMPOWERS YOU

Sanne is a leading global provider of alternative asset and corporate services. Established since 1988 and listed as a FTSE 250 company on the Main Market of the London Stock Exchange, Sanne employs c1,800 professionals worldwide and administers structures and funds that have in excess of £250 billion assets.

The Sanne Management Company is a registered Collective Investment Scheme Management Company regulated by the Financial Sector Conduct Authority.

OUR SERVICE OFFERING

We help investment managers and fund sponsors realise their investment ideas through turnkey solutions in all aspects of management, governance and servicing of the investment fund structure and supporting vehicles. We ensure regulatory and mandate compliance of the portfolios and perform an independent risk monitoring function. Sanne's Management Company maintains a strong internal control structure enabling us to minimise risk of operational and financial failure. We guide the client through all aspects of portfolio application, set up and on-going operations, enabling complex requirements to be handled in a considered and effective manner.

WE OFFER THE FOLLOWING PORTFOLIO CHOICES

- Qualified Investor Hedge Funds
- Retail Hedge Funds
- Unit Trusts

LET'S TALK...

Matthew Pykstra

Director & Head of Manco

E: matthew.pykstra@sannegroup.com

www.sannegroup.com



WE OFFER

- Confidentiality
- Bespoke management company and hosting platform services
- Commercial pragmatic solutions
- Expert stewardship
- Attention to detail and superior client focus
- Independence
- Strong regulatory and compliance oversight

WHAT MAKES US DIFFERENT

- FTSE 250 listed business
- Employ more than c1800 people globally
- Administer assets in excess of £250 billion
- 20 offices across the Americas, EMEA & Asia-Pacific
- ISAE 3402 type II accredited business processes

Sanne's Management Company has the scale, flexibility and technology to support all regulated fund activities. We have a strong client services team, tailoring our service model to deal with the complex nature of your strategies, providing a flexible and agile solution for your specific requirements.

Graeme Rate

Country Head – South Africa and Malta

E: graeme.rate@sannegroup.com

ABSA

CORPORATE AND INVESTMENT BANKING

Prime Services

Our Prime Services unit offers a full suite of products across multiple asset classes and jurisdictions to South African and international clients, leveraging market-leading technology & platforms.

Our comprehensive offering focuses on meeting our clients evolving needs through best-in-class execution, financing and clearing solutions through a holistic capital-markets approach.



PRODUCT OFFERING

Equities

- Research sales/sales trading coverage
- Risk pricing facility
- Access to liquidity – leading broker in terms of value & volume on JSE from 2011 to 2016

Fixed Income

- Sovereign and OTC fixed income product intermediation
- Ability to accept non-cash collateral
- Corporate bond repo facility

Synthetics

- Single name and index access via swap or CFD
- Customised Equity Swaps
- Long and short Africa equity access via total-return swap

Securities lending

- Exclusive availability in excess of R30 billion
- Diversified, stable supply – onshore and offshore desks sourcing South African inventory
- Sourcing of new pools of inventory by Structured Capital Markets team
- Focus on small- to mid-cap as well as hot stocks

Futures

- Leading clearing member on the JSE
- Execution and clearing services in all JSE Clear products
- Margin charged per exchange requirements; positions contribute to overall portfolio margin computation

Execution

- Specialised sales and trading coverage for access to flow, market colour and provision of liquidity
- Platform-agnostic approach to direct market access trading
- Extensive algorithmic suite available

PRIME SERVICES DIFFERENTIATORS

Asset protection

- Strong and stable credit rating
- Common equity Tier 1 capital-adequacy ratio of 11.4% (fully loaded Basel III)

Strong balance sheet

- Stable source of funding – access to Absa Group balance sheet

Collateral and risk management

- Multi asset class risk-management approach under Global Netting Agreement
- Portfolio-based collateral calculation
- Stable and diversified lending pool
- Deep availability – access to significant inventory from onshore and offshore lenders
- Access to exclusive inventory supply

Market-leading execution platform, technologies and services

- Award-winning algorithmic product suite
- Partitioned execution team for market anonymity
- Specialist sales and trading coverage for risk-based pricing

Capital markets access

- Multi asset class coverage
- Primary and secondary market focus

Differentiated content

- Local sector specialists
- Access to global macro and equity content

Offshore Prime Services platform access

- Access to international best-of-breed multi-asset class prime services franchise for offshore fund solutions

For further information contact:

Chris Edwards 15 Alice Lane, Sandton, 2196, South Africa

E: Chris.Edwards@absacapital.com **T:** +27 11 895 5189

www.cib.absa.co.za



With **vision and precision,** extraordinary results are achievable.

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.

Corporate and Investment Banking

Find out more at cib.absa.africa

AG CAPITAL (PTY) LTD

ABOUT US

AG Capital is a South African-based business, with global reach, providing intermediary financial services to institutions, hedge funds, asset managers and professional investors.

Founded in 2010, AG Capital is a licensed financial services provider (FSP No. 43325) with our head office in Cape Town. Our approved licences include category 1, 2 and 2A, enabling us to provide intermediary services and advice together with discretionary hedge fund services.

OUR SERVICES

- Broking – multi asset and product
- Prime Services
- Hedge Fund Platform

Incubation

AG Capital provides incubation services, which include middle- and back-office assistance, risk management and compliance monitoring. Platforms are available to established external managers to ensure successful hedge fund incubation as well as prime broking facilitation.

Our offering includes access to AG Capital's existing:

- Resources
- Infrastructure
- Experience
- Distribution
- Support structures
- Prime broker network

Hedge Funds

AG Capital has the following regulated hedge funds selection open to investors:

- AG Capital Select SNN Retail Hedge Fund
- AG Capital Opportunity SNN Retail Hedge Fund
- AG Capital Equity Long Short SNN Retail Hedge Fund
- AG Capital Rainbow SNN Retail Hedge Fund
- AG Capital Vintage SNN Retail Hedge Fund

AG INSTITUTIONAL BROKERS (PTY) LTD

ABOUT US

AG Institutional Brokers (AGIB) is an authorised Johannesburg Stock Exchange Interest Rate and Currency (IRC) member firm providing services to institutions, hedge funds and asset managers.

AGIB is a 100% wholly-owned subsidiary of AG Capital.



AG CAPITAL



AGIB

OUR SERVICES

- JSE-listed IRC products
- Settles domestically on the JSE
- Local and offshore liquidity / distribution
- Hedge fund solutions

Products

- South African government bonds
- South African government inflation-linked bonds
- South African corporate credit
- Bond futures and options
- Jibar futures
- Credit-linked notes
- Asset swaps
- FRAs
- Currency futures and options

For further information, contact:

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T: +27 21 401 8900

INVESTEC PRIME SERVICES

Investec Prime Services forms part of Investec's Equities team within Investec Corporate and Institutional Banking (CIB).

Our integrated business model offers a full range of specialist products and services to local and global hedge funds, corporates, institutions and independent financial brokers (intermediaries). We partner with clients to provide a fully integrated, risk-aware solution to help them to achieve their investment goals based on their specific risk appetite, investment strategies and requirements.

The Investec Prime Services proposition is built on three pillars: out of the ordinary relationships with clients, platforms through which we deliver our services and products, and bespoke solutions to enable clients to achieve their goals.

Summary of services

PRIME BROKING

- Dedicated account management team
- Fully integrated post-trade, custody and reporting service solution
- Relevant research and corporate access
- Equity and CFD sales
- Equity and foreign exchange structuring
- Execution in emerging and frontier markets
- Leading international technology platform
- Targeted capital introduction events

ASSET-BACKED LENDING

- Loan collateralisation against foreign currency for South African residents
- Loan collateralisation against listed share portfolios
- Enables further leverage allowing clients increased exposure without tying up additional cash
- Retained share ownership and rights
- Greater return profile

SECURITIES LENDING

- Premier provider of securities lending services
- Business partner to STRATE
- Reporting and daily portfolio holdings
- Access to a deep pool of supply
- In-depth market expertise
- Infrastructure support to maximise efficiencies on Investec's financial product offering

CLEARING SERVICES

- JSE exchange-traded equity, currency, interest-rate and commodity derivatives
- CFDs
- Timely daily reporting and margining
- Stringent but balanced risk methodologies and monitoring



EXECUTION: LOCAL AND GLOBAL MARKETS

- Listed equities execution for South African, sub-Saharan African, frontier and global counters
- Access to relevant research and corporate coverage
- Specialist team – dedicated desk with an in-depth understanding and knowledge of all markets
- Diverse broker coverage and relationships

Investec Prime Services' offerings are underpinned by a global, multi-asset class, multi-currency reporting and technology platform that scales alongside clients as they expand into new strategies, markets and products.

Clients benefit from a single point of contact via an experienced, dedicated and specialist team, allowing them to focus on providing the best returns for their clients.

The Investec Prime Services team works hard at establishing strong partnerships with clients, collaborating with other parts of Investec Bank to deliver customised solutions and to ensure the highest level of service for each client, according to their needs.

Investec Prime Services also provides access into Investec's highly regarded equities team and market offering through an aligned and collaborative approach, seamlessly dealing with clients' requirements via one touch point in Prime.

Our operations and client servicing team support clients on a day-to-day basis, including trade reporting, portfolio management and query resolution.

We also provide access to a flexible infrastructure, designed to meet clients' specific reporting needs. We ensure that our technology solutions are integrated seamlessly with clients' existing processes, procedures and systems.

For further information:

T: +27 11 286 7666

E: PrimeServicesSales@investec.co.za

NEDBANK CIB

Nedbank Corporate and Investment Banking is a division of leading African banking group Nedbank, and provides the full spectrum of transactional and corporate and investment banking solutions, lending products, advisory services, global markets and client coverage. Our client base includes leading corporations, financial institutions, state-owned entities and governments in South Africa and across the African continent.

We are more than just a product provider – we are a strategic financial partner with a focused objective to help clients achieve their business vision and expand their opportunities. This is achieved through the provision of tailored solutions, characterised by fresh thinking, innovation and a highly integrated partnership approach.

MARKETS OVERVIEW

Research

Our highly rated research team provides in-depth analysis across forex, credit, fixed income and equities. Our analysts pride themselves on being South African specialists, which allows them to write detailed reports that tackle key themes. We strive to produce collaborative research that provides clients with clear and actionable ideas to support their decision-making process.

Global Markets

Global Markets includes comprehensive trading products across foreign exchange, fixed income, commodities, credit and equities, in both spot and derivative markets.

Treasury

Treasury is engaged in liquidity risk management, which is achieved through the active raising of funds across various markets and currencies. Additional responsibilities include immunising the bank's balance sheet to fixed-interest-rate risk and managing the high-quality liquid assets (HQLA) portfolio.

X-Value Adjustment

X-Value Adjustment (XVA) quantifies and manages all counterparty credit risk, funding cost and capital cost embedded in over-the-counter derivatives that exist within the Markets business.

- Quantification, management and hedging of counterparty and debit valuation adjustment risk in Markets.
- Collation and optimisation of Markets' collateral pools.
- Optimisation of capital.

Sales and Structuring

Coordination of client relationships for Markets are the drivers of the customer value model across the business.

Sales and Structuring (S&S) develops products in response to market opportunities and developments in requirements, including regulations, for both internal and external clients.



CORE STRENGTHS

World-class execution across all asset classes

We have the capability and experience to execute products across all asset classes with highly rated sales and trading teams.

Existing integrated trading platforms

We have implemented Front Arena (by Sungard), Wallstreet (by Wallstreet Systems) and Fenics (by GFI Group) as front office trading solutions. Through these we can trade and manage a range of derivative products. Capabilities include pricing, valuations, real-time risk calculations, rate fixings, automated generation of confirmations, profit and loss calculations, settlements and other related functionalities.

Well-developed market risk systems

We have implemented Algo Risk (by IBM Risk Analytics) as a full market risk solution for the calculation of market risk exposures and regulatory capital. Trades are imported automatically from the front office systems against which automated reconciliations are performed. The risk system is used for the calculation and generation of daily risk reports, including positions, risk sensitivities and limit monitoring, and also value-at-risk calculations. An integrated credit value adjustment engine has also been implemented and is being tested and refined.

Sound risk management framework

With a well-developed risk framework, including trade level reconciliations, model validations, counterparty risk calculation and monitoring and trading risk policies, along with a first-class system and risk model implementation, we have achieved internal model approach approval for the calculation of regulatory capital with respect to market risk, as well as advanced measurement approach for the calculation of regulatory capital with respect to operational risk.

Efficient and experienced operations teams

We offer smooth matching, confirming and settlement of trades and have experienced teams for the onboarding and management of clients.

For more information:

E: CIB@Nedbank.co.za

W: www.nedbank.co.za/content/nedbank/desktop/gt/en/corporates.html

PERESEC

Peresec is a leading South African financial services provider underpinned by its exceptional people, platforms, and partnerships. We provide clients with robust and effortless access to trading, investment and custodial services in over 40 global markets while delivering a comprehensive range of prime broking, consulting, and structuring services, as well as award-winning bespoke research in the area of derivative and quantitative analysis, environmental, social and governance (ESG) research, and technical analysis.

Supported through our proprietary prime broking platform and a strong orientation to client-centricity, Peresec seeks to develop long-term, sustainable relationships with clients by understanding their strategic objectives. As a result, we are proud to have developed lasting partnerships with both clients and service providers.

Peresec is committed to sustainable transformation and equality, which is reflected in our Level 1 B-BBEE status in South Africa.

OUR VALUES

- **Client-centricity:** We pride ourselves on our ability to provide exceptional and tailored service to our diverse array of clients.
- **Technology and innovation:** Through continuous investment in people and technology, we endeavour to be financial market pioneers.
- **Integrity and care:** We build trust by acting with integrity and actively caring about the needs of our stakeholders.
- **Excellence:** We strive for excellence in everything that we do.
- **Sustainable transformation:** We are deeply committed to sustainable transformation in South African financial markets.

PERESEC

Prime broker

OUR CLIENTS

- Institutional fund managers
- Hedge funds
- Investment banks
- Asset consultants and retirement funds
- Life assurers
- Corporate share schemes
- Wealth managers and stockbrokers
- Private clients

OUR SOLUTIONS

- Trade execution
- Custody
- Cash and synthetic prime broking services
- Integrated online client portal
- Wealth management
- Fund platform services
- Share scheme services
- Derivative consulting and structuring
- Derivatives and quantitative research
- Environmental, social and governance (ESG) research
- Technical analysis

For further information:

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RAND MERCHANT BANK

Rand Merchant Bank (RMB), a division of FirstRand Bank Limited, is a leading African corporate and investment bank and part of one of the largest financial services groups in Africa. We offer our clients innovative, value-added advisory, funding, trading, corporate banking and principal investing solutions. Our ability to think differently and our collaborative spirit is what sets us apart and enables us to deliver on our brand promise: *Traditional values. Innovative ideas.* RMB has access to a network of retail banks in 25 African countries, as well as representative offices and branches in the UK, India, China, and the Middle East. For more information please visit: www.rmb.co.za

RMB GLOBAL MARKETS

We apply our market expertise and transaction-based experience across the continent, creating bespoke investment solutions and risk mitigation mechanisms that enhance risk-adjusted portfolio returns. Our innovative thinking enables us to partner with you to create long-term, reliable and sustainable execution, asset servicing, prime broking and clearing solutions.

RMB GLOBAL SECURITIES SERVICES

We provide a “one-stop shop” for the execution, financing, asset servicing, custody and clearing facilities to our institutional client base. Our diverse and experienced team is supported by RMB’s solid operational, IT, market and credit risk infrastructure. Our innovative thinking and robust systems enable us to partner with clients to create long-term, reliable and sustainable solutions to meet their business requirements. Process control, accuracy, and efficiency are core to our service offering.

RMB PRIME FINANCE

Our vast experience in Prime Finance 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 that 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.



OUR KEY STRENGTHS

- RMB and the FirstRand Group’s broad access to capital markets, research, derivative and structured product offerings, capital introductions, corporate listings and other related product offerings
- Legal structure that allows for segregation of assets
- Supported by RMB Global Markets and RMB Morgan Stanley trading, research, and sales divisions
- Experienced staff who are product and industry experts
- Platform designed to minimise trading, operational, counterparty/credit and reporting risks
- Strong custodial services
- Well-respected trustee services
- A leading scrip-lending desk with access to a stable and substantial “bucket” of in-house and external stock, with attractive lending rates and no third-party layer
- Flexible and efficient systems allow us to tailor solutions for clients
- Strong relationships with administrators, software providers, and independent risk managers

For more information on how we can be of value to your business, or for more detail regarding any of these solutions, please contact us:



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Sales and Business Development

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STANDARD BANK

Standard Bank is Africa's largest bank by assets and is internationally recognised as Africa's top bank by Tier 1 capital. We have a presence in 34 countries globally and currently operate in 20 countries on the African continent. These on-the-ground networks have enabled us to grow our expertise across all African and international stock exchanges and lead us into creating an unrivalled offering. Leveraging this, as well as the specialist teams that are able to provide funding, manage risk and facilitate transactions across Africa, we have been able to raise over US\$13 billion of equity for companies active in Africa since 2012.

These capabilities expertly position us to deliver a full-service integrated Prime Services platform. This is the latest offering from a financial institution enriched with in-depth market knowledge built over a proud 150-year-long South African presence.

PRIME SERVICES PLATFORM

- Provision of financing across a wide range of instruments in accordance with a risk-based portfolio margin approach
- Interactive service model allows us to understand clients' needs and manage their expectations
- Commitment to delivery of a consistent offering and client experience, which optimises cross-selling opportunities and expands product capabilities
- A team with significant local hedge-fund experience oversees prime brokerage client relationships and serves as concierge to the services of the broader firm
- Stable infrastructure, superior service, consistency and competitive pricing underpin reputation in the market
- Adherence to regulatory requirements to diversify risk

SECURITIES FINANCE AND LENDING

- Maximised portfolio returns
- Scale and efficiency allows for quick and efficient covering of clients' borrowing requirements
- Biggest lending desk in South Africa for both equities and bonds as per SASLA statistics
- Breadth and depth of inventory to ensure low recall risk
- Auto borrow/return and securities financing available as value-added services



Standard Bank

Also trading as Stanbic Bank

- Active monitoring of corporate actions
- Member of SASLA (South African Securities Lending Association)
- Management of collateral requirements within regulatory framework
- *Global Finance Award Winner 2016, 2017, 2018 & 2019: Best Securities Lender in Africa*

SBG SECURITIES

- Access to expert South African-based sales teams, with strong market share across all JSE sectors

RESEARCH

- Access to South Africa's "Best Research House" (*Financial Mail*: Ranking The Analysts 2016, 2017, 2018, 2019 and 2020), which employs 35 analysts covering 120 companies across 23 countries and 18 sectors

DERIVATIVE CLEARING

- Provision of post-trade clearing, settlement and reporting services in all listed derivative markets offered by the JSE, with close to 40% market share

CAPITAL INTRODUCTION

- Connection of clients to appropriate investors locally and globally by utilising existing networks and relationships built over the past 10 years
- Partner with our clients to augment their existing marketing strategy and channel their efforts effectively

Standard Bank is Level 1 per DTI code for BBBEE

For further information, contact:

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Insightful analysis of African markets and a world-class trading platform – this combination has resulted in our institutional clients appreciating the difference we make to their investment decisions and we are grateful for the recognition received.

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GAEL FUND SERVICES



GAEL Group and its subsidiary companies, including GAEL Fund Services (Pty) Ltd (GFS), provides a comprehensive range of client-focused solutions by partnering with clients.

GFS offers independent third-party administration to a range of fund strategies, including but not limited to, hedge funds, structured finance funds, loan funds, private equity, S12J funds, equity and fixed income funds. Core services include fund accounting, investor servicing, cash management, boutique and complex reporting requirements, and AFS preparation.

PFS-PAXUS (PAXUS), an end-to-end portfolio administration system extensively used by alternative administrators around the world, is utilised as GFS' technology platform. PAXUS can perform complex valuations, performance fee calculations and issue information to investors using one continuous operation without the need to make use of separate asset and liability systems.

GFS tailors its solutions and services based on the specific needs of each client. Our experienced team is client centric and focused on responsive service delivery.

For further information contact:

GAEL Fund Services (Pty) Ltd

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FSP Number: 50328

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ABOUT JTC

JTC is a publicly listed, award-winning provider of fund, corporate and private-client services.

Founded in 1987, we have c.900 people working across our global office network and are trusted to administer assets of c.US\$130 billion.

The principle of making all our people owners of the business is fundamental to our culture and aligns us completely with the best interests of our clients.

OUR FUND SERVICES

Administering over US\$80 billion of fund assets, we have substantial multi-jurisdictional experience and a proven track record in administering both closed and open-ended funds across a broad range of asset classes. We can provide support throughout the entire lifespan of a fund, from establishment to valuation to ongoing reporting and regulatory compliance, giving our clients peace of mind.

We have expertise in the administration of both traditional and alternative asset classes with a strong focus on private equity, real assets comprising of real estate, infrastructure and renewable energy, hedge and debt. We also specialise and have built expertise in more niche sectors such as ESG and FinTech.

We also offer solutions to administer the related entities such as purpose vehicles, trusts, management companies and carry vehicles, and support our clients with international regulatory and reporting standards.

Our technology systems and operating platforms are robust, powerful and flexible, with an enviable track record in accuracy and reliability. Our holistic service is tailored to clients' needs and uses cutting-edge technology to meet individual requirements. Our market-leading systems include: FIS (previously SunGard) Investran, FIS InvestOne, Purefunds, Board Intelligence, client portals and Viewpoint.

We understand that our clients want more than just a service provider, they want to work with a partner that is as committed to their long-term success as they are. We pride ourselves on the relationships we build with our clients and truly believe we are stronger together. We know we'll be the perfect partner for you.

OUR SOUTH AFRICA OFFICE

Based in Century City, Cape Town, we have a complement of over 180 staff who are committed to providing a world-class solution for your fund services requirements.

Our South African business was originally established in 2007 and became part of the JTC Group in 2015. Cape Town is home to our Global Service Centre (GSC) and provides high-quality, expert services to fund and corporate clients domiciled in leading international financial centres around the world. Our South African team specialises in the administration of a wide variety of alternative asset classes, traditional investment structures and special-purpose vehicles.



JTC has been doing business in Africa and working with clients and their advisors across the continent for over 25 years. As well as being the home of our GSC, JTC South Africa is also an approved FSP, regulated by the FSCA, and a member of SAVCA.

OUR GLOBAL REACH

JTC has a highly qualified and multilingual workforce worldwide, providing a global service to our clients via our network of 23 local offices.



WHAT MAKES US DIFFERENT?

We value shared ownership. We operate around the simple but effective principle that if our people have a stake in the business, they will do a better job for our clients.

We put relationships first. We handpick the best team to look after each client's needs and aim to work with clients who share our belief in the importance of building strong relationships over time.

We invest in our people. We have around 900 people across the business, over 85% of whom are professionally qualified individuals, or working towards a relevant professional qualification.

We embrace technology. We believe technology is an enabler for client service excellence and invest accordingly. We operate a variety of best-in-class systems to deliver and maintain an impeccable standard of administration and use technology to innovate in both service delivery and efficiency.

KEY CONTACTS

If you are interested in finding out more about JTC's services, we would love to hear from you.

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ICS Global Head of Operations

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MAITLAND

Maitland is a global advisory, administration and family office firm providing multi-jurisdictional legal, fiduciary, investment and fund administration services to private, corporate and institutional clients.

Founded in Luxembourg in 1976, the firm is privately owned and fully independent. It has 17 offices in 12 jurisdictions, 1,100 employees and over US\$220 billion in assets under administration.

Our independent third-party fund administration services extend across all fund types, strategies and investment styles. In line with best practice, fund managers engage Maitland to obtain independent administration, reduce technology investment and operational risk, and access a platform for product construction and innovation.

INDEPENDENT HEDGE FUND ADMINISTRATION

Maitland has offered independent third-party administration since 1990 and specialised in hedge fund administration in South Africa since 2005. While we are well known for our long-only capabilities, we are also one of the largest hedge fund administrators in the industry – as well as the only independent hedge fund administrator in South Africa.

Our services span fund accounting to shareholder services, across a broad range of asset classes, structures and fund types, supporting the front to middle and back office. Our clients trade in 77 countries across 138 stock exchanges.

Our industry-leading use of Robotic Process Automation (RPA) has now extended to hedge fund administration where we automate the trade file from the prime broker, the positions reconciliation back to the prime broker and the end-to-end valuation and reporting. To date we have over 60% of our hedge funds under administration impacted by the implementation of RPA with benefits such as greater precision, faster turnaround times and high levels of client satisfaction.

Clients outsource to us, not only because we are specialists in hedge fund administration, but also because we can accommodate all their products on one platform – be it traditional, hedge or private equity.

DID YOU KNOW?

- Our hedge fund team comprises 45 specialists
- We have over 15 years' experience in hedge fund administration
- Our advances in RPA allow us to deliver on T
- 65% of our hedge fund clients use Maitland for other fund services
- We administer approximately R30 billion in CIS hedge fund AUM
- We service eight out of the 13 CIS Mancos registered in South Africa

Maitland

- We accommodate offshore growth through our offshore Mancos in Mauritius, Guernsey, Luxembourg or the UK
- We have been ISAE 3402 accredited since 2005
- We are an active member of ASISA

Technology: FIS's InvestOne & Investran, Neoxam's NX Manager, Information Builder's iWay.

PRIVATE EQUITY AND REAL ESTATE (PERE) FUND ADMINISTRATION

Maitland has a dedicated team of professionals providing specialised PERE fund administration services. The team comprises highly skilled accountants and administrators who provide a truly end-to-end PERE administration solution to our clients, tailored to their needs.

We offer PERE fund administration services worldwide, with a focus on the European Union, United Kingdom and sub-Saharan Africa. We are particularly well placed to assist mid-tier funds of between \$100 million and \$1 billion in assets under management.

We provide the full suite of services to private equity, debt and real estate funds, and UK and South African REITs.

Technology: FIS's Investran

A RELATIONSHIP-DRIVEN APPROACH

Client servicing is the core of our business model. Many of our original clients of 43 years ago still form an important part of our client base today – a testament to our relationship-driven approach.

While we conduct independent accounting and administration services, clients have access to some of the world's best legal and tax advisory expertise within the wider Maitland firm. We are accustomed to working as teams across borders and disciplines. We are responsive, innovative and nimble, backed up by the world's best and most robust technology and governance systems.

We want our clients to be free to focus on making deals and raising capital – and leave the accounting and administration functions in our capable hands.

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www.maitlandgroup.com

Maitland Group South Africa Limited is an authorised Financial Services Provider. Company no. 1981/009543/06. Maitland Hedge Fund Services (Pty) Limited is an authorised Financial Services Provider. Company no. 2013/008687/07

MAZARS

We are an international audit and advisory firm committed to helping our clients confidently build and grow their businesses. We always seek to understand our clients and their environments, adjusting our recommendations and support accordingly.

Present in over 90 countries, we work together as one team across borders and functions. We combine our skills and expertise with both a global perspective and local knowledge to provide clients with a broad array of professional services. We empower our people to help clients make the most of opportunities, operate with conviction, and give confidence to their stakeholders.

Mazars is a multicultural and united partnership with shared goals, values and service standards across the world. We take pride in our technical expertise and the quality of our work. We have the skills and the scale to serve clients of all sizes, across all sectors, while remaining agile, personal and distinct in our approach.

We approach every piece of work with independence, accountability and a social conscience, and we take responsibility for shaping a sustainable industry as well as helping build the economic foundations of a fair and prosperous world.

Mazars in South Africa has 10 offices with 67 Partners and 24 Directors who oversee over 1000 staff.

Being able to draw on industry knowledge and expertise from the global Mazars network helps us offer enhanced services.

Our team of asset management and fund specialists includes CFA® charterholders, those studying towards the CFA® designation, financial services tax experts, IT specialists and corporate finance and valuations experts. This team is available to support your business needs and provide you with a wide range of integrated professional services across your business value chain.

THE MAZARS APPROACH

At the heart of our offering to you is a high-quality, partner-led service. Our team will devote their time and energy delivering services of the highest standards and quality.

Every client is a priority to Mazars, and we have a proven track record of working with our clients in a professional manner. We create value through a cost-effective approach and care about our clients' businesses and their needs.



COST EFFICIENCY

A deeper regulatory environment has placed increased pressure on asset-management entities to balance the rising cost of compliance alongside stakeholder expectations under a more transparent and robust approach to risk management.

Our robust methodologies, based on the latest international and local standards, are tailored to our clients' specific needs. Along with our relationships with administrators, prime brokers, custodians and trustees, our methodologies allow us to drive efficiency and minimise cost during the audit and advisory process.

COMMITMENT TO TRANSFORMATION

We believe in nurturing and growing our own talent and transformation through true empowerment. We also contribute to the development of future CAs by offering trainees support with study programmes as well as providing various bursaries to previously disadvantaged students. Some of the initiatives we participate in is the YES programme and Thuthuka Bursary programme.

At Mazars, we strive for equity in the workplace and truly empowering women. We are proud of the fact that 59% of all employees in South Africa are female.

We believe in responsibility, for our personal and professional conduct. We care about how our work may affect our communities and we seek to really make an impactful difference in the world.

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PRESCIENT FUND SERVICES

Prescient Fund Services (PFS) offers specialist outsourced administration and platform services to asset managers, multi-managers and other institutional investment providers. Our offering includes portfolio valuation and administration, unitisation, investor services (liability) administration, consolidated reporting, investment mandates, regulatory and compliance monitoring, reporting services across product types including regulated structures: South African CIS traditional, hedge funds and ETFs; in Europe, Irish UCITS and Irish AIFs; and direct structures including segregated mandates, Cayman, BVI, venture capital and private equity structures.

Prescient has an official AQRATE rating, with a 92.11% B-BBEE score resulting in a Level Two Contributor B-BBEE status. PFS is an empowering supplier as it is majority black-owned.

OUR SOLUTIONS-BASED SERVICES

At PFS we model solutions based on each client, tailoring our offerings to their needs. Our dedicated teams are experienced in the products we administer.

The hedge fund administration sub-team is client facing, technology embracing, solutions driven and supported by a greater fund services business across product ranges.

PFS is well represented at various ASISA committees across administration products, contributing to thought leadership, regulatory discussion and industry best practice.

Specialised alternative fund administration services

include portfolio administration (fund accounting) and registrar and transfer agency services, including investor reporting. PFS also offers best-of-industry regulated hedge fund accounting, including equalisation and series accounting methodologies, deemed income equalisation, distributions, TER reporting and independent valuation and pricing methodologies. Full and customisable reporting is based on industry standards, regulatory requirements and needs.

Prescient Fund Services (Ireland) Limited is an independent provider of globally competitive and flexible outsourced administration services to traditional and alternative investment funds and other investment vehicles, both Irish-regulated UCITS and AIFs, as well as those in major offshore jurisdictions. With roots in investment management and management company services, Prescient is well-positioned to support clients by providing the infrastructure and performing key control functions required to help managers meet regulatory obligations.

Platform Services

The Prescient Group hosts various platform services, locally for South African funds; pre- and post-retirement products (co-naming) and offshore, via Irish-Regulated UCITS and AIFMD ICAV Fund Platforms and an AIFMD Common Contractual Fund Platform.

Prescient Management Company (RF) (Pty) Ltd (PManco) offers white-labelling opportunities and platform services



across Collective Investment Schemes in Securities, Qualified Investor Hedge Fund Schemes and Retail Hedge Fund Schemes. PManco also hosts the distribution of Foreign Collective Investment Schemes in South Africa by offering Section 65 Representative Office Services, which includes pre-submission reviews, running submission processes with the South African regulator, offering ongoing compliance support and maintenance services.

Prescient offers risk services to global clients. Starting with the South African market, Prescient has invested in an analytics initiative to initially offer Board Notice 52 risk reporting services based on daily NAV data, reconciled to counterparty sources.

Prescient Fund Services currently operates in both Namibia and Botswana for administration services.

IT & INFRASTRUCTURE

PFS uses the technology platform of Eagle Investment Systems (a BNY Mellon company) in South Africa and Ireland for portfolio administration. This system runs via a secure private cloud hosted in Boston, US. PFS uses T-Cube as its investor ledger record-keeping system. Compliance is offered through “best of breed” software vendor StatPro Portfolio Control as well as working with many front-office systems for pre- and post-trade compliance, trade reconciliation, portfolio modelling, decision support and order management.

PFS is an authorised Financial Services Provider FSP 43191

Company

Prescient Fund Services (Pty) Ltd

Prescient House, Westlake Business Park,
Otto Close, Westlake, 7945

CEO: Craig Mockford

Registration number: 1998/023727/07

FSP No.: 43191

Domicile: South Africa

Phone: +27 21 700 3600

Prescient Fund Services (Ireland) Limited

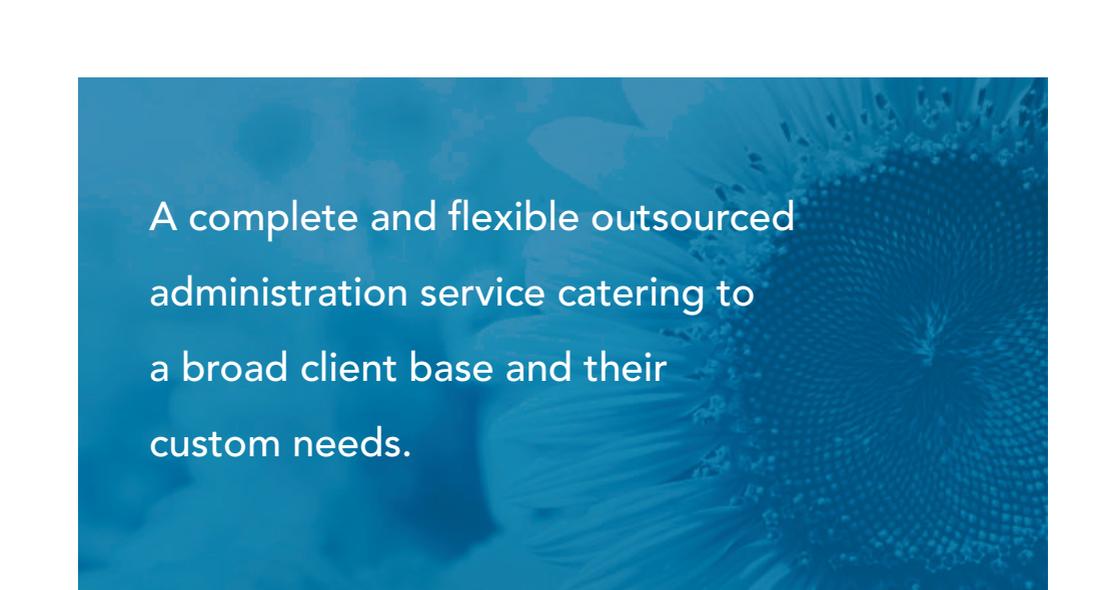
49 Upper Mount Street, Dublin 2, Ireland

Head of operations (Ireland): Grant Jacobi

Registration number: 467620

Domicile: Ireland

Phone: +353 1 244 6314



A complete and flexible outsourced administration service catering to a broad client base and their custom needs.

- Flexible administration services catering to customised needs across product types including regulated traditional and hedge funds, ETFs, segregated mandates, Irish-regulated UCITS, AIFMD ICAV Fund Platforms, AIFMD Common Contractual Fund Platforms, Cayman and BVI and private fund vehicles like venture capital and private equity structures.
- Prescient Fund Services has an official AQRATE rating. The B-BBEE score is 92.11% resulting in a Level Two Contributor B-BBEE status and is an empowering supplier as it is majority black owned.
- The best technology, systems and people.
- Thought leaders in topics impacting the CIS traditional and hedge, segregated fund mandates and private equity industry at large.
- Understanding client needs and the ever-changing regulatory environment.
- Competitive and negotiated fee arrangements on administering all products under one administrator (simplified costing structures).
- Bolt-on, value add services including access to regulated white label platforms in South Africa and Europe, S65 Representative Office Services in South Africa, structured product administration and Risk & Attribution services.
- Staff servicing in South Africa, Namibia, Botswana, United Kingdom and Ireland.
- Authorised Financial Services Provider FSP 43191.

PRESCIENT
FUND SERVICES

To find out more, contact us on
+27 21 700 3600 hayden.reinders@prescient.co.za www.prescient.co.za



PwC (www.pwc.co.za) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders.

More than 276,000 people in 157 countries across our international network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

PwC is the biggest professional services firm in Africa based on staff numbers, turnover and office footprint. We employ more than 9,000 people in 34 African countries and we are represented by 21 offices and close to 5,000 staff members in South Africa. This means that wherever you operate today, as well as where you may grow to in future, we are there to support you.

A BRAND THAT ENGENDERS TRUST AND INSPIRES CONFIDENCE

PwC has built a global leadership position in the asset management industry, with a broad spectrum of skills and unique capabilities.

Our alternative investments audit division is managed by a dedicated and highly experienced team of professionals who specialise in industry-specific matters on a daily basis.

Our prestigious client list includes leading alternative investment administrators, regulated management companies for hedge funds and unit trust companies, prime brokers, as well as private equity funds and hedge funds.

INTERNATIONAL CONNECTIVITY AND ACCESS TO BEST PRACTICES

PwC has dedicated alternative investment industry groups based in all the major territories. Our Cape Town and Johannesburg-based teams are in direct contact with our teams in Malta, Ireland, Luxembourg, Singapore, the United Kingdom, Cayman and the United States, enabling us to leverage off international best practices and keep abreast of international developments and research.

PROVEN TRACK RECORD AS A LEADING ALTERNATIVE INVESTMENTS SERVICE PROVIDER

Our skilled IT, taxation, transaction services and actuarial support practices, along with our



extensive knowledge of the systems, controls and platforms at the major administrators and prime brokers, facilitate efficient and effective audits.

In particular, our IT team has extensive ISAE 3402 experience, which is becoming a business imperative in South Africa.

COMMITTED TO BEST VALUE AUDIT FEES

We charge appropriate fees tailored for each entity's complexities (such as number of positions held and strategy).

Existing working relationships with various fund administrators over many years have streamlined the audit process and improved cost-effectiveness.

We have favourable 're-signing' fee arrangements for offshore registered feeder funds with South African ties.

COMMITTED TO EMPLOYMENT EQUITY AND TRANSFORMATION

PwC has achieved a AAA rating (a good Broad-Based Black Economic Empowerment contributor) for our BEE commitment, efforts and initiatives.

This enables our clients to claim 125% of their spend with us for BEE scorecard purposes.

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INVESTMENT ANALYTICS

WHO WE ARE

With a Level 1 B-BBEE rating, RisCura is a global investment firm — Africa's leading provider of independent performance measurement solutions for the financial services and investment industry.

WHAT WE DO

Equity risk and performance reporting

- Risk and performance monitoring
- Attribution analysis
- Exposure analysis
- Local and global markets

Fixed income reporting

- Attribution analysis
- Exposure analysis
- Sensitivity analysis
- Local and global markets

Compliance and regulation reporting

- Regulatory reporting (BN52, Reg 28 etc.)
- AIFMD reporting
- Mandate compliance

Collateral management reporting

- Stock lending risk monitoring
- Probability of default reporting

Indexation calculation agent

- Index tracking funds
- Smart beta funds

Bespoke risk solutions

- ESG reporting
- Portfolio risk commentary

WHY RISCURA

Independent and unbiased verification

Global best practice recommends independent, unbiased verification of key information. By providing this service, we allow your clients to have confidence in you as a trusted and transparent financial services provider.

RISCURA

Attract more clients and focus on what you do best

As experts in quantifying, understanding and monitoring risk and investment value, we ensure you always have accurate, thorough information at your fingertips.

Get only the information you need

Our internal software development team has designed an automated IT system that minimises manual intervention and enables us to tailor services to each client to ensure that you get the information you need when you need it.

Safe and secure data

Through our stringent controls that ensure your business is never compromised, you can be assured that your information is treated with the strictest confidentiality.

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Incorporating ESG into hedge fund strategies

*George Tsinonis, Motshidisa Mokhatholane
and Zamangomane Mdletshe, RiSCura*

As the world increasingly moves towards responsible investing, now more than ever following the COVID-19 pandemic, hedge funds are focusing on how to incorporate environmental, social, and governance (ESG) factors into their many different investment strategies, whilst still maximising returns and managing portfolio risk.

The United Nations Principles of Responsible Investing (UNPRI), in its technical guide for ESG incorporation into hedge funds, identified three key drivers for hedge funds to consider when investing responsibly.

Materiality is the first driver. This is the increased recognition that ESG factors can affect risk and return. While it is evident that ESG considerations in investment practices may yield favourable results in the long-term, not many hedge fund managers in South Africa have bought into ESG screening.

Regulation is the second driver. In South Africa, the adoption of the Code for Responsible Investing in South Africa (CRISA) and Regulation 28 of the Pension Funds Act in 2011 have encouraged the integration of ESG considerations into investment decisions.

Client demand is the third key driver. Beneficiaries and clients want transparency on how their assets are invested, and whether or not hedge funds take ESG factors into consideration. By developing and implementing a responsible investing (RI) policy,

investment managers can significantly improve industry disclosure and transparency, setting the South African hedge fund space onto a positive responsible investing (RI) trajectory and positioning it globally as well. Globally, some hedge funds have already implemented ESG hedge strategies to support environmental sustainability and to improve social standards in the long term, as outlined by the UNPRI and many other responsible investing communities.

Incorporating ESG factors can provide worthwhile insight into the potential present and future environmental and social risks and opportunities for asset managers. Hedge funds have the tools and skills to add to the significantly growing RI practices that have already impacted the long-only space. The fact that hedge funds can employ different strategies means they can better position themselves to innovatively incorporate and execute ESG themes into their investment practices. The mere ability to short instruments can be used to flag investments that have weak ESG principles, or maybe exclude them entirely from their investment process. This also enables hedge fund managers to hold long positions in stocks with sound ethical practices, high ESG ratings and rapid ESG momentum over and above traditional valuation metrics. For this reason, hedge funds can be a catalyst for change.

Engagement is another approach identified in the UNPRI's active ownership for hedge fund managers. However, it might be difficult to achieve as some managers might not be able to directly engage with companies due to rapid turnover periods.



George Tsinonis



Motshidisana Mokhatolane



Zamangomane Mdletshe

Regulation has come into play regarding integrating ESG considerations in the investment process, and while hedge fund regulation regarding ESG is limited, investors are posing relevant questions about hedge funds' ESG policies and how their capital is being allocated. ESG research can yield a lot of intangible, valuable information about, and insight into, a company's operations and future growth prospects, which is often overlooked.

We see ESG as an essential factor in value creation and, as such, market participants should not be deterred from integrating ESG factors into the investment decision process. A recent study done by Bank of America – *ESG Matters* – showed the correlation of strong financial performance with high ESG ratings in the S&P500 Global Index, and conversely low returns with poor ESG ratings, over a 10-year back-testing period.

With evidence like this, we wanted to see if the same long-term philosophy applies when looking at hedge fund strategies, or if we should use a different lens to assess ESG factors.

Using ESG as a risk management tool

RisCura's investment analytics team have access to, and report on, a large segment of the South African hedge fund market. We sampled eight hedge fund strategies with a three-year track record within two different strategies – long/short and market neutral. We ran the portfolios through a comprehensive quantitative ESG model, the MSCI ESG Manager, and mapped it over time

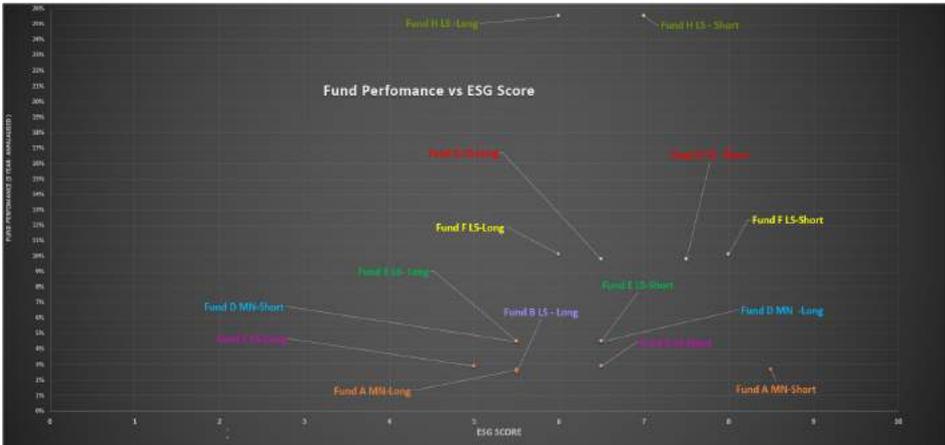
with our Risk and Performance reporting tool.

The idea was to see how the funds' long books would compare against the short books, and the results were somewhat mixed. Contrary to our comments above, the long books had a lower ESG score on a portfolio level. It is quite clear in the scatter plot (see overleaf) that the short books demonstrate stronger ESG scoring than the long books. This was evident in six out of the eight funds. Note that these are three-year annualised returns versus ESG ratings at a point in time. Typically, ESG scores are reviewed annually, however most of the portfolios' ESG scoring has remained stable over time.

However, when we examined the 10 largest positions in the portfolios, we found that the 10 individual largest stocks in the long book were of higher ESG quality than those of the short books, even though the total short book had a higher overall ESG score. On the quality of stocks in the long books, the weight of the highly rated ESG stocks was lower in the portfolios as the majority of long positions were in the average (A-BB) rating class. This is a technicality in the way hedge fund portfolios are constructed, as they could be directional net long or net short. Typically, the sample we used was net long and the long book was significantly larger than the short book. Caution should be taken when doing this analysis to keep an eye on portfolio construction.

The evidence also showed that some good stocks with ratings as high as AA were often found in the

Using ESG as a risk management tool



short books, and even though the views of the hedge fund manager are most likely based on the short term, it is also imperative to take a medium-to long-term view on sustainable returns over time, on which ESG has significant impact. We also considered that the quality stocks could be cyclically out of favour or tactically overvalued, hence being part of the short book in the short term.

From a Global Industry Classification Standard (GICS) industry perspective, capital markets and banks had high ESG scores (AA), but lacked weighting in the long books and this was often found in the short positions too. Other industries with steady ESG performance included real estate and development (including REITs), healthcare providers and services, food and staples retailers and general retail.

Some insight into the above average ratings can be seen from the ESG highlights within these industries.

Highlights included:

- Leading peers in cybersecurity and financial inclusion
- Greater participation in sustainable finance
- Strong environmental stewardship and supply-chain programmes
- Relatively strong corporate governance and robust governance practices
- Comprehensive labour-management practices that could reduce the impact of job cuts.

Even though the managers might be going short on some excellent, highly rated ESG stocks,

some ESG factors could shed light on inherent risks faced by companies and industries that may be overlooked if investment is solely carried out through quantitative methods and revenue-based research. Looking into issues such as robust labour and safety management, cybersecurity policies, improving product packaging, risks related to talent management, carbon emissions, and accounting irregularities can all present red flags which, if ignored, could turn into financial risks in both the medium- and long-term. While the ESG risks associated with investing in a non-sustainable way have not yet produced financial implications for the most part, it is important to now take steps in mitigating those future risks that may become inevitable.

In summary, the real test is to monitor the progress of ESG scoring of the long versus the short books over time. Our view is that while hedge fund strategies tend to have higher trading volumes than their long-only peers, ESG can still be used as a risk mitigation tool. Being short a good-quality, high-scoring ESG stock over the long run might not be a sustainable long-term value creation strategy for the investor, and *vice versa* for going long a lower-rated ESG rated stock over the long term.

George Tsinonis is RisCura's head of Investment Analytics, while Motshidisa Mokhatolane and Zamangomane Mdelethe are ESG analysts. RisCura is a global, investment firm that provides investment decision support in developed and emerging markets.

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LET'S TALK...

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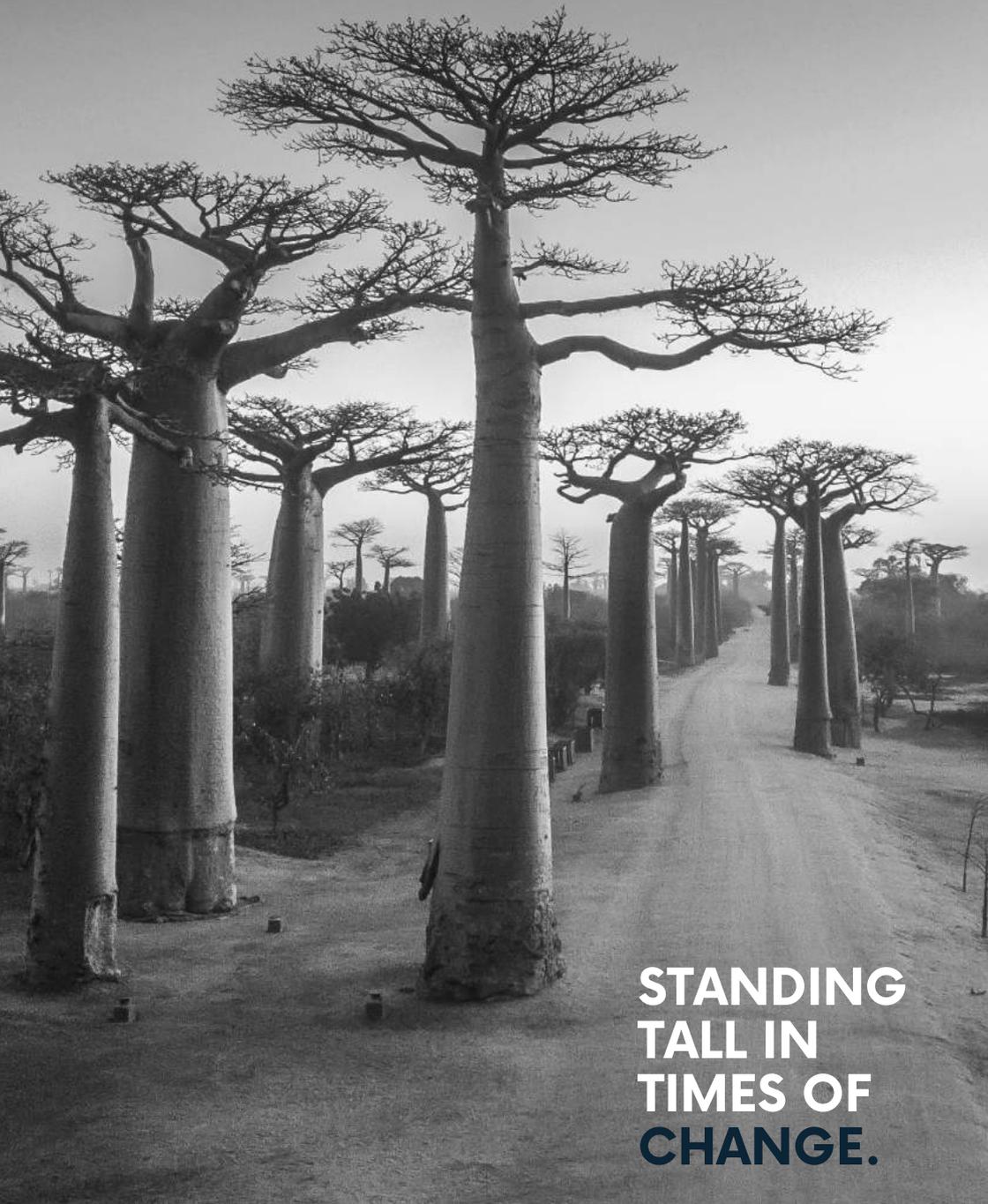
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Including infrastructure in multi-asset portfolios

Brad Preston, Joint MD of Mergence Investment Managers, unpacks some research the listed investments team has done, drawing on data from its 10-year track record of infrastructure investing by the manager's unlisted investments team

There has been much discussion over the past six months on the potential for increased investment by pension funds in infrastructure projects. Attention to date has focused on potential policy and regulatory changes but there are also several practical portfolio construction questions that asset allocators must ask when considering the inclusion of a new asset class into their investable universe. As investors who offer both multi-asset class funds and private market infrastructure funds, we are interested in these equations both as potential investors into infrastructure funds as well as a manager of these funds.

We have managed a suite of unlisted impact and infrastructure funds since 2010 and so are able to draw insights from a bank of data over the past decade.

Why infrastructure?

Generating a real return of 5% and above requires an allocation to risk assets, in particular equities. South African real return and multi-asset class investors have seen that this causes a high correlation of fund outcome to equity returns. The past five years are a case in point - an investor with a 50% allocation to South African equity would have been hard pressed to generate a consistently positive real return over this period. One approach to solving this problem is the inclusion of new asset classes into one's investable universe, assets that can generate high real returns but offer a diversifying exposure to equities. Both equity and debt investments into infrastructure projects offer a potential solution.

Infrastructure equity offers equity participation in projects but with stable long-term cash flows, suggesting a risk profile between that of bonds and traditional equity investments.

Infrastructure debt offers long-duration, inflation-linked debt exposure to a high-quality credit issuer. Often this type of exposure is dominated by sovereign issues and the introduction of infrastructure debt offers the opportunity to diversify exposure to issuers.

Infrastructure projects are also generally high-quality investments due to the features of:

- highly inelastic or contractual demand,
- stable, predictable cash flow,
- inflation-linked pricing power,
- high upfront capital expenditure, with low ongoing maintenance capex,
- regulatory or geographic barriers to competition.

Renowned investors Warren Buffet and Charlie Munger have often compared the businesses they own to tollbooths. Infrastructure investing offers the promise of buying the tollbooth directly.

What are the challenges?

Investors looking to include infrastructure investments in a multi-asset portfolio face some challenges. In the South African context, the inclusion of unlisted funds into a portfolio of largely liquid listed asset classes is not that simple.

In addition, compared to traditional public market asset classes, there is a lack of data available to estimate the historic risk and returns characteristics of an infrastructure asset class. While more return



Brad Preston

data is becoming available, these assets are often accessed through private market vehicles, raising the question of how to compare the volatility of these assets, which are often only revalued bi-annually or at most quarterly, to listed assets, which are priced daily in the public markets.

Lessons from global markets

Global markets offer more data on infrastructure investments. We use the S&P Global Infrastructure index (see chart 1) and compare the returns of this index to a universe of global equity and bond indices over the period from 2002 to 2020. This index consists of 75 listed companies that operate large-scale infrastructure. Given that this is a listed index, it gives useful insight into the behaviour of these assets on a comparable basis to the other asset classes in our investable universe.

While global infrastructure demonstrated a superior historic risk return to equity over the past 18 years generating high returns at a similar volatility, considering the correlation matrix of these returns over the same time period shows a high correlation to both global equity and global high-yield bonds. So while listed global infrastructure equity offers a diversifying effect, it seems relatively limited. See chart 2.

Chart 1: Asset class returns and volatility 2002 to 2020

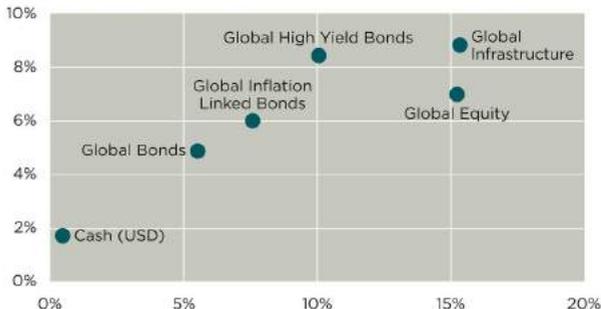
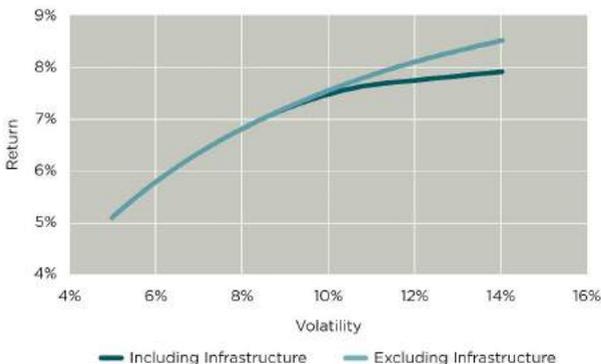


Chart 2: Global asset class return correlations 2002 to 2020

	Global Equity	Cash (USD)	Global Bonds	Global Inflation Linked Bonds	Global High Yield Bonds	Global Infrastructure
Global Equity	1,00	-0,08	0,28	0,42	0,78	0,86
Cash (USD)		1,00	0,01	-0,02	-0,13	0,01
Global Bonds			1,00	0,88	0,43	0,52
Global Inflation Linked Bonds				1,00	0,59	0,63
Global High Yield Bonds					1,00	0,80
Global Infrastructure						1,00

Chart 3: Including infrastructure



Next we run two simple portfolio optimisation exercises, first only including global equity, bonds and cash and then repeating the exercise with the inclusion of global infrastructure as an additional asset class. We use historic returns for each asset class with some adjustments, tempering the historic outperformance of both high yield and infrastructure. Chart 3 shows the efficient

frontier moves to the left with the inclusion of infrastructure, but that it is mainly effective for portfolios targeting a higher volatility.

Infrastructure debt in South Africa

With our 10-year track record of investing in infrastructure debt in South Africa, Mergence is able to use the performance data of our funds as a proxy for infrastructure debt in the South African market.

As seen in chart 4, based on historic data over the past 10 years, infrastructure debt exhibits a very attractive risk-return profile versus other asset classes available to local investors. Of course, the volatility of our infrastructure debt time series is understated due to the private nature of the funds in question, but even if we assume a significantly high volatility, the data above suggests that the inclusion of infrastructure debt would have a positive impact on portfolio construction.

Addressing the problem of adjusting the return series of unlisted assets falls beyond the scope of this article and we refer readers to reference (2) and (3), below, but we do show a simple example to illustrate how material this effect can be.

We calculate the volatility of the JSE All Share index using monthly return data and compare it to the same data assuming a six-month revaluation frequency and smoothing the returns in between. Chart 5 shows these two calculations using a rolling five-year window, illustrating the reduction in calculated volatility using a lower rebalancing frequency.

The outlook for infrastructure

One argument against infrastructure investments at this point in the investing cycle may be that after a multi-decade period of declining interest rates, the prices of these assets have been bid up to unattractive levels. Given their bond-like nature, infrastructure equity benefits from falling discount rates and the global search for sustainable yield.

But what would be the outlook for the valuations of these assets in

Chart 4: SA asset class returns and volatility 2002 to 2020

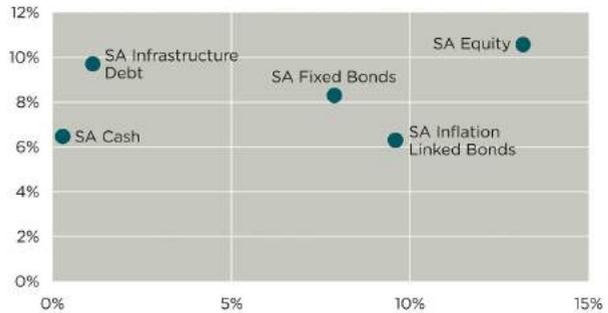


Chart 5: JSE All Share Index volatility of returns



a rising interest-rate cycle? While the prospect of rising bond yields and discount rates may lead to a de-rating of some current infrastructure-like projects, the counter argument is that any return of global inflation increases the attractiveness of new infrastructure projects.

As is often the case, Warren Buffet states the argument elegantly: "In an inflationary world, a toll bridge would be a great thing to own because you've laid out the capital costs. You built it in old dollars and you don't have to keep replacing it."

Brad Preston is Joint MD of Mergence Investment Managers, based in Cape Town, which offers

listed and unlisted investments spanning equity, multi-asset class funds, infrastructure, debt and private equity funds.

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Best execution rule set to become law in South Africa, what asset managers should know

Kevin Brady, A2X Markets

Competition has taken a foothold in South Africa's capital markets over the past few years. In line with the changing marketplace, the country's regulator is introducing conduct standards for exchanges. What do these proposed regulations mean and how do they affect the asset management industry?

Kevin Brady, CEO of A2X, says that the bulk of the proposed regulations deal with setting common standards and establishing enhanced interoperability between exchanges to ensure a better and more coordinated market for users and investors.

He emphasises: "The draft regulations also deal with the requirement for brokers to have policies and procedures in place to achieve best execution for their clients. This is positive news, not only for the end investor but for the asset management industry too."

The draft regulations define 'best execution' as the duty of a broker to obtain the best possible result for a client when trading in securities on behalf of that client. Brokers are required to have policies in place to cover this and these policies must be disclosed to clients. When looking to achieve best execution, the brokers need to

take into account the best bid or offer, total trading costs, certainty of execution, speed of execution as well as several other criteria.

"This development is a big win for investors and pensioners. The local asset management industry, which manages many of the funds of investors and pensioners, frequently buys and sells a range of equities to create an appropriate risk/return adjusted portfolio. Introducing a rule that requires their broker to transact at the best available price on any market, will translate into huge savings for clients," says Brady.

Small savings per transaction add up to significant savings

A2X has calculated that based on an average trading value per day of R20 billion in South African listed equities, the savings available to the end investor will be in excess of R1 billion a year.

An analogous example of how the savings work is a traveller who needs to buy US\$1,000 ahead of a trip to America. Historically, there has only been one bank in town and they quote a rate of R16.50/R16.80. This means the traveller can buy US\$1 for R16.80 at the bank (and similarly, sell US\$1 at R16.50). A new digital bank

opens and has a much lower cost structure. They are happy to quote R16.60/R16.70 for each US\$1. The 10c saving on buying each dollar at R16.70 (rather than R16.80) ends up in the pocket of the traveller.

Says Brady: “When tens of thousands of such transactions happen each day, you can see how these savings add up to significant numbers. The same principles apply to buying and selling shares on the equity market.”

Resultant savings are made possible by exchanges passing on efficiency gains created through the use of the latest technology and business practices, in the form of lower fees. Reducing friction costs, as measured by the end-to-end cost of a trade, has a very positive impact on the price formation process and the overall quality of the market. It reduces the average bid/offer spread and increases the amount of liquidity at the best price in the market (typically known as the National Best Bid and Offer). In short, as with the traveller example, you can transact at a better price and save money.

A2X welcomes the planned introduction of the best execution regulations proposed by the Financial Sector Conduct Authority. “We look forward to the introduction of these regulations. They protect investors by requiring brokers to assess the orders on all markets offering the shares they wish to transact in and get the best deal for their clients. These savings will have a positive impact on enhancing investment returns over time. The regulations are likely to be finalised during 2021,” adds Brady.

Competition in the marketplace has been proven to improve market quality, increase liquidity, attract new investors, create innovative order types and save investors’ money, and even more so when best execution is achieved.

The asset management industry stands to benefit greatly when these new regulations are introduced which is good news, especially in this challenging economic environment.



Kevin Brady

Kevin Brady is a co-founder and the CEO of A2X Markets, a licensed stock exchange regulated by the Financial Services Conduct Authority and Prudential Authority of South Africa.

A2X began trading on October 6, 2017 and was named Best New Stock Exchange Africa 2019 in the 2019 Global Banking & Finance Awards®. In addition, it won the 2020 Global Banking & Finance Awards® - Fastest Growing Stock Exchange South Africa 2020 as well as International Business Magazine Award Winner 2020 - Best New Stock Exchange Africa 2020.

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36ONE Asset Management

*The Mandatory Disclosures can be obtained on our website by following this link: <https://www.36one.co.za/legal/disclaimer>
Sanne Management Company (RF) (Pty) Ltd (the Manager) is registered and approved by the Financial Sector Conduct Authority under CISCA. The Manager retains full legal responsibility for the third-party-named portfolio. The Financial Services Provider (FSP), 36ONE Asset Management (Pty) Ltd (FSP no 19107), is authorised under the Financial Advisory and Intermediary Services Act 37 of 2002 to render investment management services.*

DEFINITIONS

Hedge fund: There is no standard international/legal definition though they may have all or some of the following characteristics: May use some form of short asset exposure; may use derivatives and/or more diverse risks or complex underlying products; may use some form of leverage, measured by gross exposure of underlying assets exceeding the amount of capital in the fund; funds typically charge a fee based on performance relative to an absolute-return benchmark as well as a management fee; often, the manager is a significant investor alongside other fund investors.

Section 63 of South Africa's Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), defines a hedge fund as an arrangement in pursuance of which members of the public are invited or permitted to invest money or other assets, which uses any strategy or takes any position which could result in the arrangement incurring losses greater than its aggregate market value at any point in time and which strategies or positions include but are not limited to – (a) leverage; or (b) net short positions.

Fund of funds or multi-manager funds: Funds of funds are portfolios of funds offering investors exposure to a range of alternative investment styles and strategies. They may allocate to a wide range of funds to achieve efficient risk diversification or a smaller number to concentrate capital on a particular strategy. Most funds of funds invest in portfolios diversified by manager and strategy, which enable them to produce consistent absolute returns with low levels of risk.

Hurdle rate: The minimum return or appreciation in fund performance necessary for a fund manager to start collecting incentive/performance fees. The hurdle rate may be a fixed percentage or tied to a benchmark rate such as Libor, the one-year Treasury bill rate, StEFl or CPI, sometimes plus a spread. If, for example, the manager sets a hurdle rate equal to 5%, and the fund returns 15%, incentive/performance fees would only apply to the 10% above the hurdle rate.

High water mark: The existence of the high water mark ensures that a fund only takes performance-related fees on new profits, first recouping prior losses. For example, assume a R1 million investment is made and that the fund declines by 20% in year 1, leaving R800,000 in the fund. In year 2, the fund returns 25%, bringing the investment value back to R1 million. If the fund employs a high water mark, it will not take incentive fees on the return in year 2, since the investment has never really grown, i.e. the fund did not make any new profits. The fund will only take incentive fees if the investment grows above the level of R1 million.

Open-ended product/fund: A product that is permanently open for investment. New units (shares, bonds, units) are created or dissolved as required. Investors can subscribe

for or redeem these units at the prevailing net asset value per unit in accordance with the details set out in the relevant product/fund prospectus. By contrast, a closed-end fund has a fixed number of shares or units (a format often used by private equity funds). No additional units are created.

Closed fund: A fund that has temporarily or permanently stopped accepting capital from investors, usually due to rapid asset growth. Not to be confused with a closed-end fund.

A soft-closed fund will typically accept additional investment only from existing investors, while a hard-closed fund has reached capacity and will accept no new investment, only growing organically.

Counterparty exposure: A value that best reflects the hedge fund's exposure to a relevant counterparty and accurately reflects the economic loss that the hedge fund is exposed to if the counterparty defaults on its obligations.

Assets under management: Includes all investments, including cash, that are managed and administered by a fund manager for itself and its customers (this comprises actual unleveraged assets).

Lock-up: A period of time during which a new investor in a fund may not withdraw any capital committed to the fund. Lock-ups are more common with illiquid strategies (such as credit, structured finance or private equity funds) or funds operating in illiquid markets.

Minimum investment: The smallest amount that an investor is permitted to contribute to a fund as an initial investment.

Management fee: A fee paid to a fund manager for managing and providing services to the fund as well as to cover certain operating expenses. Investors can be charged separately for costs incurred for outsourced services. The management fee is generally expressed as a charge against investor assets and typically ranges from an annual 0.5% to 2% of an investor's entire holdings in the fund, and usually collected on a quarterly basis.

Performance fee: A fee paid to a fund manager for providing returns on an investment, often by reference to a benchmark or hurdle rate. This fee is based on net new profits and is earned by the fund manager for the period concerned. It may be paid annually or quarterly but accrues monthly in the fund valuation. Also known as incentive fee.

Redemption: Liquidation of shares or interests in an investment fund.

Prime broker: A large bank or securities firm that provides various back-office and financing services to hedge funds and other professional investors. Prime brokers can provide a wide variety of services, including trade reconciliation (clearing and settlement), custody services,

risk management, margin financing, securities lending for the purpose of carrying out short sales, record-keeping and investor reporting. A prime brokerage relationship does not preclude hedge funds from carrying out trades with other brokers, or employing others as prime brokers.

Administrator: An entity, usually independent of the investment manager, who provides a range of services to the fund under the terms of an agreement, including shareholder services, registrar and anti-money laundering services, reconciliation, valuation and pricing as well as record-keeping functions. Some administrators offer “integrated” solutions, which allow investment managers to outsource back-office functions.

Derivatives: A derivative is a financial instrument, or contract, that creates rights and obligations, the value of which is derived from the price or value of some other product, referred to as the underlying asset/s.

Leverage: The use of financial instruments or borrowed capital to increase exposure and therefore the potential return of an investment.

Fund mandate: The statement of a fund’s investment aims and strategy, which include factors such as investment scope (geographical and by instrument), gearing and exposure limits, as well as risk-management procedures.

Net exposure: The percentage difference between a hedge fund’s long and short exposure. Net exposure is a measure of the extent to which a fund’s trading book is exposed to market fluctuations. The hedge fund manager will adjust the net exposure in accordance with his or her investment outlook – bullish, bearish or neutral. A fund has a net long exposure if the percentage amount invested in long positions exceeds the percentage amount invested in short positions, and has a net short position if short positions exceed long positions. If the percentage invested in long positions equals investment in short positions, this is called market-neutral strategy as net exposure is zero.

Gross exposure: The absolute level of a fund’s investments. Gross exposure equals the value of long positions and short positions, and can be expressed either in financial terms or percentage terms. It is a measure that indicates total exposure to financial markets, thus providing an insight into the investment amount at risk from market fluctuations. The higher the gross exposure, the bigger the potential loss (or gain).

Total expense ratio: A measure of a portfolio’s assets that have been expended as payment for services rendered in the management of the portfolio or fund, expressed as a percentage of the average daily value of the portfolio or fund calculated over a financial year by the manager.

Value at risk: A measure of a maximum expected loss of a portfolio at a given confidence level over a specific time period.

STRATEGY DEFINITIONS

Alpha: A measure of a manager’s ability to generate returns by choosing stocks or other investments that will outperform the market in a given time period; can be said to represent the returns generated by active-management techniques.

Beta: Occurs as a result of an increase along with the overall market; can be said to represent the returns generated by passive-management or benchmarking techniques.

Strategy: The particular investment process employed by a manager in the application of an investment style.

Commodities: Funds that predominantly invest in soft or hard commodities. These funds can follow a number of different strategies to obtain alpha from this asset class, including trend-following or non-directional market-neutral strategies.

Long only: Involves buying long equities or other assets that are expected to increase in value.

Long/short equity: Involves buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value, either to profit or to protect the portfolio against downside risks.

Market neutral: Where the manager seeks to profit by exploiting price inefficiencies between related equity securities, neutralising exposure to market risk by combining long and short positions.

Quantitative: Strategies based on quantifiable data (rather than qualitative factors), including both factor-based and statistical arbitrage/trading strategies. Often based on proprietary systems developed by the fund manager.

Factor-based investment strategies: Quantitative strategies in which the investment thesis is predicated on the systematic analysis of common relationships between securities.

Statistical arbitrage/trading strategies: Quantitative strategies in which the investment thesis is predicated on exploiting pricing anomalies that may occur as a function of expected mean reversion inherent in security prices. High frequency techniques and trading strategies may be employed on the basis of technical analysis.

Multi-strategy: Multi-strategy funds are characterised by their ability to dynamically allocate capital among strategies falling within several traditional hedge fund disciplines. The use of many strategies, and the ability to reallocate capital between them in response to market opportunities, means that such funds are not easily assigned to any traditional category.

Event-driven: Involves investing in opportunities created by significant transactional events, such as spinoffs, mergers & acquisitions, bankruptcy or reorganisations, recapitalisations and share buybacks.

Structured finance/credit: A sector of finance created to help provide increased liquidity or funding sources to markets

such as housing and/or to transfer risk. Liquidity and risk transfer is typically achieved through securitisation of various financial assets (e.g. mortgages, credit card receivables, vehicle loans, etc.), helping to open up new sources of financing to consumers and businesses. Managers typically create a pool of such investments with varying time horizons to achieve a balanced portfolio for investors.

Fixed income hedge: Managers may use a pool of fixed income strategies from directional trades to arbitrage strategies, and relative-value yield-curve trades across the fixed income markets, including a range of instruments from government bonds, to credit, cash and interest-rate derivatives.

Macro: Macro involves taking positions on anticipated price movements of stock markets, interest rates, foreign exchange and physical commodities. Macro managers employ a “top down” global approach, and may invest in any markets using any instruments to participate in expected market movements. These movements may result from forecasted shifts in world economies, political fortunes or global supply and demand for resources, both physical and financial.

Absolute return: Refers to investment strategies that target a return above zero and in some cases above a positive hurdle (such as Libor). Differs from relative return as it is concerned with the return of a particular asset and does not compare it to any other measure or benchmark.

SOUTH AFRICA REGULATORY DEFINITIONS

The Collective Investment Schemes Control Act (CISCA):

Act No. 45 of 2002 regulates the administration, management and sale of collective investments in South Africa. Under CISCA, all South African hedge fund managers are required to appoint a **management company (manco)**. The management company is responsible for the registration of the hedge fund in accordance with CISCA.

Financial Sector Conduct Authority (FSCA): The Financial Sector Conduct Authority (FSCA) is the South African market conduct regulator of financial institutions that provide financial products and financial services, financial institutions that are licensed in terms of a financial sector law, including banks, insurers, retirement funds and administrators, and market infrastructures. The FSCA is responsible for market conduct regulation and supervision.

A collective investment scheme (CIS) is an investment product that allows many different investors to pool their money into a portfolio. Unit trusts were the first collective investment scheme to be offered to investors in South Africa.

Regulation 28 of South Africa’s Pension Funds Act imposes limits on retirement fund investments. These are intended to protect funds against imprudent investments, and include limits on allocations to equities, property and alternative assets, including hedge funds.

The Financial Advisory and Intermediary Services

(FAIS) is responsible for the administration of the FAIS Act, 37 of 2002.

FAIS category II licence: an authorised financial services provider (FSP) that renders intermediary services of a discretionary nature as regards the choice of a particular financial product.

FAIS category IIA licence: an authorised hedge fund FSP that renders intermediary services of a discretionary nature in relation to a particular hedge fund or fund of hedge funds in connection with a particular financial product.

Qualified investor: As defined by Board Notice 52 of 2015, is: any person who invests a minimum investment amount of R1 million per hedge fund and who –

(a) has demonstrable knowledge and experience in financial and business matters which would enable the investor to assess the merits and risks of a hedge fund; or

(b) has appointed a Financial Services Provider (FSP) who has demonstrable knowledge and experience to advise the investor regarding the merits and risks of a hedge fund investment.

Qualified investor hedge fund (QIF): a hedge fund in which only qualified investors may invest.

Retail investor hedge fund (RIF): a hedge fund in which any investor may invest because it meets the requirements set out by the FSCA.

En-commandite partnership: a partnership where the *en-commandite* partner’s (the partner whose name is undisclosed) liability towards co-partners of the partnership is limited to the specified capital amount which the *en-commandite* partner has contributed or undertaken to contribute to the partnership. The *en-commandite* partner is not at risk of suffering a loss or liability in excess of its investment in or contractual commitment to the partnership.

SOURCES INCLUDE:

Annexure to the Regulation of Hedge Funds in South Africa – A proposed framework, September 2012. Issued by the National Treasury and Financial Services Board

Government Gazette, Republic of South Africa, vol 597, no 38540 6/3/2015

<http://www.treasury.gov.za/legislation/acts/2002/Gazette%2038540%20-%20Hedge%20fund%20notice%20and%20others.pdf>

Novare South Africa Hedge Fund Survey 2016

Alternative Investment Managers Association
www.aima.org

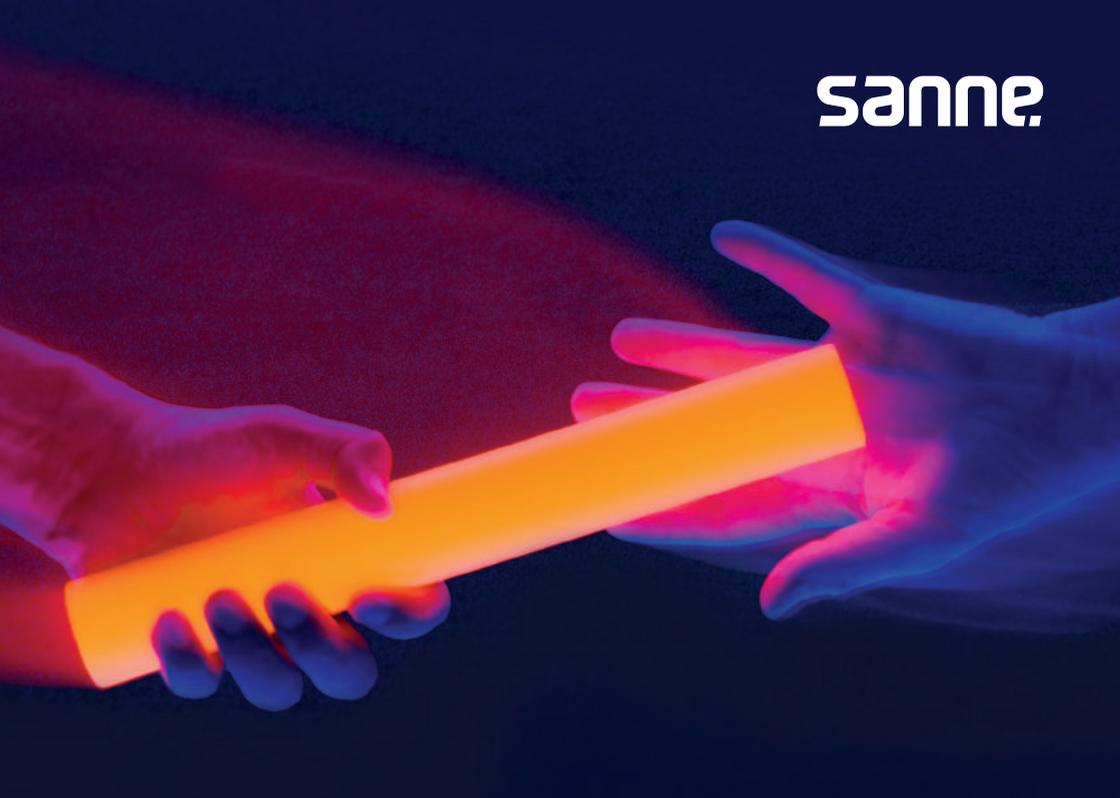
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www.investopedia.com



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