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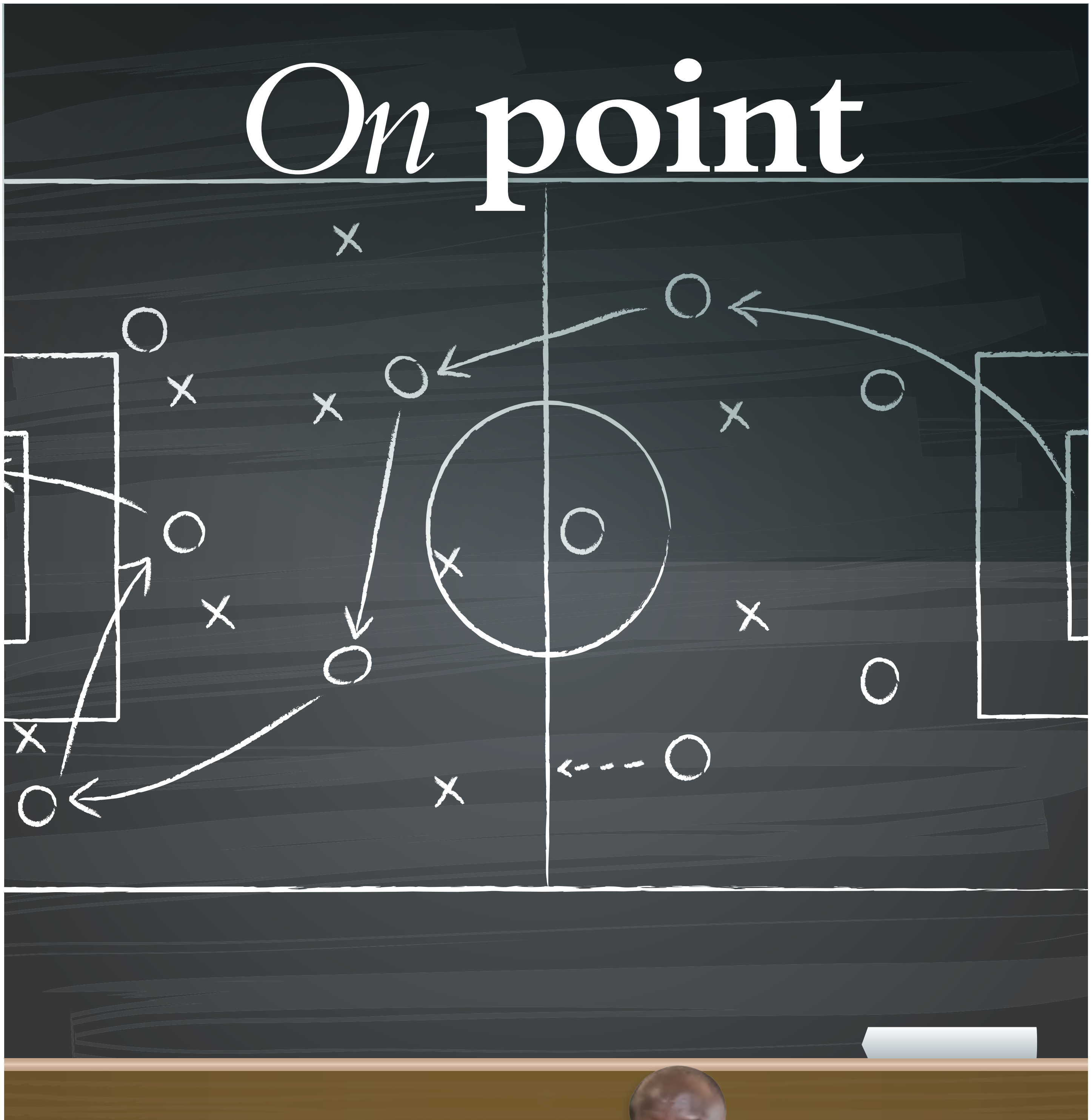
On point



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www.hedgenewsafrica.com
Email: *admin@hedgenewsafrica.com*
Tel: +27 (0) 43 748 6476
Fax: +27 (0) 86 549 6914
Published by African Financial Media
Editor: Gwyneth Roberts
editor@hedgenewsafrica.com
Contributors: Anna Rich, Maria da Silva
Marketing and events: Lindsay Mitchell
lindsay.mitchell@hedgenewsafrica.com
Managing director: Mark Caldwell
Subscription and database sales:
admin@hedgenewsafrica.com
To list your fund in our database:
data@hedgenewsafrica.com
Advertising and sponsorships:
events@hedgenewsafrica.com
Editorial and administration:
admin@hedgenewsafrica.com

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Sticking to the game plan

By Gwyneth Roberts, editor

"At a time where the global economy is in the worst recession in living memory, global financial markets enjoyed their best quarter in 20 years," notes one fund manager in his monthly newsletter. "The striking disconnect between financial markets and fundamentals leaves the question as to whether the global economy can recover quickly enough to catch up with markets, or will it be a classic case of buy the lockdown and sell the reopening?"

These are the questions plaguing money managers and investors around the world.

This tale of extremes is reflected across our industry. In March, South African hedge funds endured their worst month since our records began in 2007, with a -4.75% decline in the *HedgeNews Africa* South Africa Single Manager Composite. This was followed by their best month in April, when the median return was +4.84%.

A similarly intense story plays out quarter on quarter. In the three months to the end of April, South African hedge funds lost a median 6.5%, according to our data, before adding 7.63% in the second quarter.

Many funds that protected capital in March were not positioned to capture the market recovery. Those that prospered in the first quarter were largely overshadowed by higher-beta mandates that added Q2 upside.

The pattern is reflective of the global industry – global hedge funds lost around 8% in Q1 before enjoying their strongest second quarter in 15 years, with an 8.1% gain, according to Aurum research.

Volatility aside, in general, South African hedge funds have held their own this year – despite extreme moves from individual funds. For the six months to the end of June, they returned a median 0.49% – while the HedgeFund Intelligence Global Composite reports a -0.8% decline for the period.

This comes as the FTSE/JSE All Share closed the first half -3.16% lower while the All Bond Index sat 0.31% higher by end-June.

This month we spoke to Grant Watson, CIO of Old Mutual Customised Solutions, who also remains concerned about the levels of global markets after a 40% bounce-back since mid-March.

"Corporate earnings are just not there and unemployment is on the rise. An environment of restricted spending will filter through to stock prices. The US has not seen anything like this since 1929. We are seeing the lowest interest rates of our lifetimes and potential deflation," he says. "Consistent, risk-adjusted cash-plus returns should be very welcome in these conditions."

For Watson and his team, hedge funds are the risk reducers: they see their range of four hedge funds as important building blocks for investors seeking consistent, absolute returns.

For Fairtree's multi-strategy funds, investing across equities, fixed income and commodities using specialist inhouse teams has given it the flexibility and process to deliver double-digit gains in the first half. It stresses how managing risks is as important as seeing returns in stressed conditions.

"In periods of stress, we want to bring in gross exposures. We did that in March in equities and commodities, and as things normalised we increased exposure again," said Fairtree's Bradley Anthony. "It meant we missed the first week or two of the bounce-back in April, but in hindsight we still feel it was the right thing to do."

This month's investor interview is with Benedict Mongalo, CIO of Novare Investments, who emphasises tactical asset allocation in bewildering times, which has helped its portfolios remain resilient. In particular, Novare's hedge fund of funds have been a strong point, each gaining more than 3% for the first half.

Mongalo notes that while the market dropped 21% during the March sell-off, Novare's composite of hedge funds declined just 4%.

"Yes some hedge funds did badly in the March sell-off, and there was some poor stock selection going into the crash, but by and large we are encouraged to see that hedge funds reaffirm our argument that they can provide a level of capital protection," he said.

What the rest of the year will bring for our markets and managers is impossible to predict. Even those with some level of conviction acknowledge how quickly things can pivot, as this year has proven.

Yet many managers have proven that they can plot a course through troubled waters, sticking to strategies that have helped before in distorted markets while remaining alert to changing conditions.

It bodes well for the longer term – as managers have shown the ability to filter out the day-to-day noise and maintain their focus on what they do best, in pursuit of long-term risk-adjusted returns.

news

Southchester Smart Escalator copes well with Covid-19 volatility

Cape Town-based fixed income boutique Southchester Investment Management has had a strong year so far with its Southchester Smart Escalator Fund, and is rolling out its Northchester note programme to a wider pool of investors.

The Southchester investment team includes Andra Greyling, Gregg Bayly, Corinne Cordier and experienced new addition Jeleze Hattingh, formerly with Element Investment Managers, who joined in May.

The team uses their skills in the fixed income and repo markets to create income-generating products for investors, focusing on their niche of creating and managing liquidity.

"In the last few months of the COVID crisis, our strategy has worked very well, even in the crisis month of March, when we fell by less than 2% without any additional protection added to the portfolio," says Greyling. "We have seen that even in the most severe scenarios, such as the extreme liquidity event in our market in March, our fund can cope."

Greyling notes that the fund was able to regularly re-price assets and liabilities in March, with a good grasp on spreads.

"We are very fortunate in that the current environment has treated us well," notes Greyling. "The Reserve Bank has put a lot of liquidity into the market, so funding is quite cheap at the moment. We are aware of that and have traded more actively, buying a few higher-yielding assets.

"That said, we strategise actively because the market is always changing. Even in this environment, institutions have cash available for collateral calls, and that's where we step in."

The Southchester Smart Escalator Fund added a net 7.93% in the first half of 2020 while South Africa's All Bond Index has gained 0.33% over the period.

This brings the fund's net annualised return to 13.57% since inception in November 2017. The fund does not charge performance fees, with admin costs of around 1.3% per annum.

The fund retraced by 1.96% in March, its weakest month since launch and one of just three negative monthly returns (while the ALBI fell almost 10%), going on to add a respective 0.81%, 4.97% and 1.62% in April, May and June.

The fixed income hedge fund aims for stable capital growth of between 3-5% over the benchmark repo (repurchase agreement) rate, using multiple risk-controlled strategies to protect capital.

Hattingh notes that March was a particularly volatile month, even in the fixed income hedge fund universe, with a range of returns that fluctuated from -14% to +14%. "It was a volatility super stress scenario and we were able to reduce volatility and offer a very consistent see-through return," she said.



Andra Greyling, Gregg Bayly and Jeleze Hattingh

Greyling has been in the markets since 1988 and previously managed a R16 billion proprietary money market repo portfolio at Rand Merchant Bank, while Bayly has 22 years of financial structuring and investments experience, previously managing the Absa Dividend Income Fund, which reached R13.5 billion.

Cordier joined Southchester last January, and has an honours degree in Financial Risk Management and Mathematical Statistics from Stellenbosch University.

Before joining in May, Hattingh managed non-equity and fixed income assets as well as multi-asset portfolios at Element Investment Managers. She has over 18 years' experience in the financial markets, both locally and abroad.

Southchester Smart Escalator primarily holds money-market assets – using short-term repos to generate funding. The portfolio invests predominantly in major South African and international banks as well as qualifying corporate credit with ratings above AA minus. The mandate allows for directional interest-rate exposure and exposure to geared fixed-interest instruments.

The portfolio exposure includes money-market assets of three to five years, with little to no outright exposure to bonds. Derivatives are only traded as specific hedges at points in time. The portfolio's maximum gearing limit is governed by its maximum value-at-risk factor, which is 20%, and it is currently sitting at around seven times gearing in volatile markets.

By applying the wider parameters allowed under hedge fund legislation, the fund takes advantage of yield-generating opportunities other than investing in primarily lower-grade credit. It targets high-net-worth individuals and institutional investors seeking stable, high-income returns.

Southchester uses a prime broker for the QIF fund, and also taps into other established counterparty lines with assets held by the custodian.

Southchester Smart Escalator currently has assets of R367 million. Capacity will be capped at about R600 million to manage counterparty exposure.

Across its product range, Southchester Investment Management has assets under management of R14 billion.

It is in the process of seeding an international strategy – Southchester SMART Global Income AIF – through which it will run the model in a broader universe.

Southchester has also broadened access to its strategy, via its new offering Northchester RF Ltd, a public ring-fenced company, which indirectly provides access to a similar strategy as Smart Escalator via the issuing of notes on STRATE, South Africa's central securities depository and tri-party collateral platform.

The insolvency-remote special-purpose vehicle invests into a portfolio of high-quality, liquid and rated fixed income instruments of sovereigns, major South African and international banks as well as qualifying corporates.

It funds itself by issuing one- to three-year commercial paper to investors, who are provided with daily disclosure of the portfolio's credit exposure.

Northchester aims to earn a reasonable spread above the issuance spread to clients, with a robust risk mandate that dictates a suitably diversified portfolio of investment-grade instruments with low duration and low sensitivity to spread risk. Currently rates of around three-month Jibar plus 200-220 basis points are being offered.

The note programme extends access to the strategy for long-only and RIF investors, who can currently not allocate to QIF structures, including other asset managers and investment institutions.

According to Bayly, the strategies are "materially similar" with some differentiation such as the use of different repo lines.

Leveraging may be created in the portfolio by borrowing funds, using short positions or engaging in derivative transactions.

Enko builds out African debt fund team with Karamoko hire in London

Abdoulaye Karamoko has joined Enko Capital Management as a partner and senior portfolio manager on the Enko Africa Debt Fund (EADF), based in its London office.

Karamoko joins the investment team led by Enko's founder and CIO, Alain Nkontchou. He has more than 13 years' experience trading African debt and currencies at major international banks, significantly increasing the depth and breadth of Enko's coverage of the African markets.

Karamoko joins Enko as the firm builds on a strong track record with its debt fund, which has grown to over US$370 million, making it one of the largest dedicated African debt funds.

The fund has returned a net annualised 18.62% since inception in October 2016, including 19.67% so far this year.

The fund invests in sovereign and corporate debt across Africa (ex-South Africa) in local and hard currencies, employing an Africa-specific analytical framework with developed-market investment strategies (relative value and macro) to source and structure returns that arise at the intersection of emerging market debt and the frequently overlooked African region.

Abdoulaye Karamoko

Karamoko was most recently the head of Africa trading at HSBC in London (2018-20), and previously he held the same position at Société Générale in London (2014-18). Prior to that, he was a local rates and FX trader with Standard Chartered Bank in Abidjan and Accra (2007-2014).

He brings a long, proven track record of positive P&L in the African markets, as well as developing new markets, products, and relationships.

"I have known Abdoulaye for many years and am deeply familiar with his experience, success and reputation. I am pleased that Enko has grown to the point where we have both the need and growth trajectory to accommodate someone of Abdoulaye's calibre. His addition to our team was a strategic priority for me as I strive to build the best African debt team in the industry," said Nkontchou.

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Jun 2020 Nitrogen maintains an even keel

Rowan Williams

Johannesburg-based Nitrogen Fund Managers is maintaining an even keel in turbulent times, protecting capital with a 1.28% decline to the end of May, against a 10.12% drop from the JSE All Share Index.

The fund dipped 0.27% in May while the Johannesburg All Share Index gained 0.31%. It has been a consistently strong performer, delivering a net annualised 12.25% since inception in August 2006.

"Markets are jagged and jittery with a premium on liquidity," notes CIO Rowan Williams. "There are lots of distortions, which may signal another correction or leg down in the markets. But there is also money floating around in the form of government stimulus and the impact of day traders. It is a very unpredictable environment."

Williams heads Nitrogen's five-strong team, who focus on their low-volatility long/short equity hedge fund, which is managed on a fundamental basis with a value bias.

They manage the Nitrogen RCIS Retail Hedge Fund, which launched in 2006, as well as an offshore dollar fund employing the same strategy.

The fund's investment universe includes global listed stocks (as well as derivatives on these) and JSE-listed stocks.

It comprises two books: a risk arbitrage book and an arbitrage book. The former takes advantage of risk arbitrage opportunities where the manager views stocks as mispriced, while the latter takes advantage of arbitrage opportunities using a range of trading strategies.

The fund targets low volatility with a maximum 42% net market exposure.

In its May factsheet, Nitrogen noted that global equity markets continued their recovery as lockdown restrictions were gradually eased globally, allowing some normalisation of economic activity. Markets continued to remain buoyed by unprecedented coordinated monetary and fiscal stimulus, notwithstanding the tough economic outlook and flaring US-China trade war tensions.

The global technology sector continued to outperform as structural shifts bolstered earnings outlooks, while commodity markets (notably gold and oil) contributed positively and South Africa's Reserve Bank cut interest rates a further 50 basis points as the rand rallied 5.3% against a weaker US dollar for its first monthly gain of 2020. *More online*

May 2020 All Weather makes gains with market neutral

Shane Watkins

The All Weather Capital hedge funds had a strong first quarter - with the firm's long/short fund adding 7.66% to the end of April and the market-neutral mandate adding 13.22%, against an equity market that declined 12.8% over the same period.

CIO Shane Watkins says the funds, which focus on South African equities, were conservatively positioned by end-January, based on concerns about coronavirus developments, which brought flat fund returns in February even as the South African market lost 8.9%. The positioning has since paid off further, protecting the funds as global markets bottomed in mid-March.

"If anything we were too conservatively positioned in February, but this protected us in March as markets were subjected to indiscriminate selling, causing all asset classes to correlate," he says. "In the first two weeks of March, driven by the sell-off, we were busy acquiring good companies at good prices. For example, we acquired a decent block of PSG at R105 per share – and it has since gained around 50% to sit at R160."

Watkins adds that 2019 was a difficult environment for stockpickers, with 80% of the JSE's 12% gain last year derived from nine mining stocks and Naspers.

"Last year was a macro call on the mining sector. If you didn't own own platinum, gold last year, as a fund manager you would have done comparatively badly," he says. "This year, stockpicking has come to the fore. It has made a difference for hedge funds to be in the right shares."

The All Weather H4 Performance Retail Hedge Fund gained 1.33% last year, and has delivered a net annualised return of 7.43% since inception in May 2014.

The All Weather NCIS Market Neutral Retail Hedge Fund added 2.98% last year, and has delivered a net annualised return of 12.44% since inception in September 2017.

This year to the end of April, All Weather's hedge funds top the *HedgeNews Africa* league tables, yet Watkins stresses that the gains have not been achieved by taking on undue risks.

"Both our hedge funds are retail products (RIFs), which means that regulations limit us to two times gearing. Also, a market-neutral mandate cannot have above 50% equity exposure. For most of March and April, our equity content was between zero and 50%, probably averaging around 30% net long. Our returns have been achieved by being in the right shares. *More online*

May 2020 AIIM completes exit of flagship's interests in renewables

African Infrastructure Investment Managers (AIIM), one of Africa's largest and most experienced infrastructure-focused private equity fund managers, has successfully divested of AIIF2's 14% stake in Cookhouse, a 139MW wind farm, and 34% stake in REISA, a 75MW solar PV facility. The exits are concluded through sales to AIIM's IDEAS managed fund, one of the largest equity investors in South African renewables with more than US$500 million invested in the sector.

Based in South Africa's Eastern and Northern Cape respectively, Cookhouse and REISA reached financial close in 2012 as part of the round one bidding window of South Africa's Renewable Energy IPP Procurement (REIPPP) programme, which has gone on to raise in excess of US$10.6 billion of private funding for South Africa's renewable generation capacity. These were the largest wind and solar PV projects completed in the first bidding round and, until last year, Cookhouse was the largest operational windfarm in sub-Saharan Africa.

Since commencing operations in 2014, Cookhouse has generated an average of 327GWh of clean power per year – saving 315k tCO2e and providing enough electricity to power 104,000 households. REISA has generated an average of 181GWh of clean power per year over the last five years of operations – saving 179k tCO2e and providing enough electricity to power 57,000 households. *More online*

May 2020 Visio global makes strong start in turbulent markets

Visio Fund Management's global long/short fund had a strong start in a turbulent year, adding a net 8.1% in US dollars to the end of April, against double-digit declines from key global indices.

The dollar-denominated Cayman-domiciled Visio Salveo Global Ideas Fund is managed by Dr Mark Wadley together with CIO Patrice Moyal and the broader Visio team, and caters to offshore investors looking for global exposure.

The fund is now in its third year, having been repurposed into a global best ideas fund in January 2018 from its original global healthcare mandate spanning across sectors and geographies. The product has been used as a testbed for foreign exposure, some of which has found its way into the domestic rand Visio long/short funds.

It has delivered a net annualised 6.8% since January 2018, versus a -4.3% decline from the MSCI World Index and -15.6% from the MSCI Emerging Markets Index.

The 8.1% gain comes against a -14% decline from the MSCI World Index and -16.6% from the MSCI Emerging Markets Index to the end of April.

The fund rose 6.9% last year while the MSCI World Index rose 25.1% and the MSCI Emerging Markets Index gained 18.4%. It protected capital in 2018 with a net 7.1% decline as the MSCI World lost -11.1% and MSCI Emerging Markets fell -14.6%.

The 16-strong Visio investment team began discussing the potential impact of the coronavirus epidemic in late January as news began to emerge from China, before repositioning and reducing the net exposure of the portfolio.

"In February we decided it was a bigger problem. We sold out of some consumer names in China and the US and added healthcare names that we felt would benefit, such as PPE suppliers and glove manufacturers," says Wadley.

March brought further portfolio adjustments, with more index shorts and more cash on the book, with the fund missing some of the market bounce as it has slowly started to add to positions, such as consumer-facing fast food outlets in the US and a selected batch of airlines.

The Visio team remains concerned that while the markets may not be pricing for a V-shaped recovery, they may be anticipating a return to 2019 levels by late this year or 2021, which they believe is optimistic.

Conversely, they remain mindful that the liquidity central banks have pushed into the markets will benefit bonds and equities, making forecasting difficult.

The Visio team was already cautious on global markets last year, finding them expensive after "an incredible run at the end of an 11-year bull market". This was driven chiefly by a handful of technology companies such as Amazon and Microsoft, which saw share prices rise by up to 40% while consumer and industrial names reflected more muted gains. *More online*

May 2020 STANLIB launches first impact investment fund

STANLIB Credit Alternatives has launched the STANLIB Khanyisa Impact Investment Fund, which will pursue investment opportunities in areas that support South Africa's economic development, aiming to spark economic and social benefits through investment in infrastructure, inclusive financial services and agriculture.

According to STANLIB's head of investments, Mark Lovett, the fund represents the next step in STANLIB's ESG journey at a time when the imperative is very clear for South Africa, with impact objectives that will provide measurable developmental benefits for investors in line with the UN's Sustainable Development Goals.

The STANLIB Khanyisa Impact Investment Fund forms part of a broader effort in helping drive private capital into impact-themed investments that directly address a range of socio-economic challenges. The fund will focus on investments that aim to increase economic capacity building (via transformational infrastructure), reduce income inequality (by funding SMEs and affordable housing and healthcare projects), improve food security and provide wider access to renewable energy. It will comprise a diversified pool of credit exposures that offers a higher yield than traditional fixed income propositions, regular income distributions and long-term capital preservation.

The fund aims to generate a return of CPI plus 4.5%, over a rolling 12-month period. The closed-ended LLP fund is available in the institutional market, with a first-close target during the second half of 2020.

The STANLIB Credit Alternatives team has been managing a bespoke suite of impact and development-focused portfolios for the past 10 years.

Head of STANLIB Credit Alternatives Johan Marnewick said: "This new fund will complement and strengthen our existing impact assets, which make up more than a quarter of STANLIB Credit Alternatives' total assets under management and have successfully generated returns for clients while achieving tangible socio-economic and environmental benefits."

STANLIB is a specialist investment manager with over R600 billion in AUM, and expertise spanning active and passive asset management with single- and multi-manager offerings.

The STANLIB Credit Alternatives team has collective investment experience of more than 350 years and AUM of R55 billion. *More online*

June 2020 Ninety One partners with Ethos on impact fund

JSE- and LSE-listed investment manager Ninety One has launched an impact investment initiative – the Ninety One SA Recovery Fund – in association with Ethos Private Equity, one of South Africa's leading alternative asset managers.
The fund's objective is to support the preservation of the country's productive capacity and economic recovery from the effects of the Covid-19 pandemic, while seeking an attractive return for investors.

With a focus on the urgency of the economic situation in South Africa, Ninety One is targeting a first close of the fund in July 2020. Ninety One will be targeting a fund size of R10 billion, with funding raised via two closes from South African institutional investors.

The fund aims to achieve a positive impact with attractive returns via a clear set of investment outcomes. Priorities for the fund are to protect South Africa's productive capacity during the next 24 months, preserve jobs and protect permanent loss of equity value. The fund will consist of a concentrated portfolio with an appropriate mix of senior and subordinated debt, preferred equity, listed equity and private equity with a deployment time horizon of 18 to 36 months.

The fund will initially seek to attract support from the country's institutional investors. In addition, subject to the necessary regulatory enablement, Ninety One is hopeful that retail investors in South Africa will be able to access the Ninety One SA Recovery Fund. In other parts of the world, during the past five years, closed-end mutual funds have been created to facilitate retail investment into long-term assets.

Hendrik du Toit, founder and CEO of Ninety One, said the fund would support quality businesses and protect productive capacity, in turn preserving thousands of jobs and supporting the South African tax base."

Ninety One believes the long-term savings industry has an important role to play in supporting the country's economic recovery by fortifying the balance sheets of otherwise competitive businesses to cope with the risk of a deeper or longer recession than initially anticipated. *More online*

June 2020 Vital Capital has vision for Sub-Sahara

Cyprus-based private equity impact investing fund, Vital Capital, has a vision of marrying social impact and financial return to invest in rapidly developing markets, predominantly sub-Saharan Africa.

With US$350 million in assets under management, it has delivered an internal rate of return (IRR) of 20% to investors since inception in 2011.

The fund identifies investment opportunities where an inherent positive correlation exists between financial and impact drivers. It weighs these equally when evaluating potential investments and only pursues opportunities where potential for both exists. Referring to this as its "no trade-off" investment approach, Vital Capital believes that impact benefits can enhance financial performance through sustainability.

"Our investment approach is derived a lot from who we are, which is a team with origins in project and business building, equity investments, professionals in the impact field and experienced in the investment industry," says Nimrod Gerber, managing partner and investment committee member.

"For-profit investments tend to be more efficient as the operational disciplines required to achieve risk-adjusted returns naturally improve the efficiency of project execution, enhancing rather than impairing the impact effect."

With impact investing growing rapidly as a segment, Gerber says Vital Capital distinguishes itself through its unique investment approach, external valuations and approach to sharing information. Also, the team's understanding of the different markets and the trust basis needed from communities to ensure sustainable impact adds to its approach.

On environmental, social and governance principles, Vital Capital follows the definitions of responsible investing defined through the extensive work and best practice guidelines of entities such as the International Finance Corporation.

It sees itself as a leader on multiple fronts in impact investing. A core tenet of its approach is sharing its thinking, models and project lifecycle learnings with the wider impact investing community. Referring to it as their "theory of change", this is where Vital Capital's philosophy of achieving a better outcome for communities as well as investors comes to life.

In parallel, the team seeks out external valuation opportunities to have project impact goals and results objectively assessed and benchmarked. It was one of the first funds to use the Global Impact Investing Rating System (GIIRS), which provides comparable and verified social and environmental performance data on high impact funds and companies. A GIIRS fund rating combines an overall fund manager assessment as well as a review of companies in the fund's portfolio, which Gerber notes is an important aspect. *More online*

June 2020 Mergence, Third Way in R450m renewable energy deal

Mergence Investment Managers and Third Way Investment Partners have invested R225 million each to refinance a major renewable energy plant in a remote area of South Africa. Both parties to the transaction have strong track records in impact and infrastructure investing on behalf of institutional investors, mainly retirement funds whose long-term liabilities are a perfect match for long-term infrastructure investment, providing an inflation-linked return, whilst investing in the local economy.

The renewable energy and infrastructure funds of both Mergence and Third Way have achieved returns in excess of the CPI+4% hurdle on their infrastructure funds.

They believe the private sector will play a major part in financing domestic infrastructure, needed in South Africa more than ever to accelerate growth following the devastating economic aftermath of Lockdown 1 of the Covid-19 pandemic. Asset manager support will bolster the government's R100 billion package to stimulate infrastructure development.

Mergence has raised R1.7 billion for its renewable energy fund, and invested in a total of 14 renewable energy projects across both wind and solar, 11 projects of which have been operational for some years. Mergence has raised a total of R3 billion across other sectors such as affordable housing, ICT, water and sanitation, as well as renewable energy. An estimated 17,000 jobs have been impacted, often in rural and remote parts of South Africa.

Third Way Investment Partners has raised R2.5 billion for its Infrastructure Debt Fund, investing in over 30 projects in the poorest of South Africa's provinces including Limpopo, Northern Cape and Eastern Cape, and impacting the lives of communities which are frequently excluded from such opportunities.

Mergence Investment Managers was an initial signatory to the Principles for Responsible Investment (PRI) supported by the United Nations, as well as an initial signatory to the Code for Responsible investing in South Africa (CRISA), chaired by Third Way co-founder John Oliphant.

Mergence has also been a trailblazer in ESG-led impact investing as far back as 2010. The company produces an annual impact report quantifying the social and environment impact of its investments, which includes investment case studies ranging from renewable energy, to low-cost housing, taxi finance and a medicinal cannabis project in Lesotho (Mergence was the first institutional fund manager in Africa to invest in such a project).

Third Way has made a name for itself in developmental and infrastructure investing on behalf of retirement funds, given the company's experience at the Government Employees Pension Fund (GEPF), where they implemented the GEPF's developmental investment strategy with a focus on economic and social infrastructure, greening the economy and job creation through investments in small and medium enterprises with a focus on transformation. *More online*

APPOINTMENTS

SANNE, a leading global provider of alternative asset and corporate business services, has announced the senior promotion of Matthew Pykstra to director and head of SANNE's Management Company in South Africa.

Pykstra will be taking over from Karlien de Bruin who is transitioning to SANNE's product development team with a focus on ESG. The manco has also appointed Leza Stinton to the role of head of operations. In her new role, Stinton will be driving the overall operations, development and deliverables for the Cape Town manco business and will report into Pykstra.

Graeme Rate, country head South Africa and Malta at SANNE, said: "We have very ambitious growth plans and these appointments reflect SANNE's confidence in Matthew, Karlien and Leza in continuing to drive and strengthen our business."

Matthew Pykstra

Leza Stinton

Pykstra has exceptional industry knowledge of markets, risk and regulations in addition to SANNE's processes and product offering, having successfully managed the market risk team prior to the promotion. He is a CFA and FRM charterholder with more than 10 years' industry experience. He started his career at IDS as a trainee accountant in 2012.

SANNE is a leading global provider of alternative asset and corporate administration services.

Established for more than 30 years and listed as a FTSE 250 company on the Main Market of the London Stock Exchange, SANNE employs more than 1,600 people worldwide and administers structures and funds that have in excess of £250 billion of assets.

It provides services in private debt and capital markets, real estate, private equity, hedge, institutional, executive incentives, private client and investment treasury services.

Adventis records steady growth in Africa with value-driven approach

Joseph Rohm believes that, looking beyond the coronavirus crisis, Africa's fiscal situation is improving and now is a good entry point for investment

Africa-focused specialist Adventis Ltd is forging ahead with its equity and fixed income mandates, making good headway in recent years.

Joseph Rohm, who previously managed African listed equity funds at Investec and T Rowe Price, manages the Africa equity strategies, while Brandon Quinn runs the African income strategy.

The Adventis Africa Equity Segregated Strategy aims to achieve capital growth over the medium to long term by investing in a high-conviction portfolio of publicly traded companies operating in Africa, excluding South Africa, while managing the downside risks.

The portfolio invests in quality, under-valued companies using a value-driven, bottom-up stock selection process embedded in a structured framework.

It primarily invests in companies listed on African exchanges and may include those listed elsewhere that derive a significant amount of revenue from the region. The portfolio can also invest up to 10% in pre-IPO opportunities.

The portfolio comprises 25-40 stocks. Nigeria and Egypt are the fund's biggest country weightings, at more than 20% each, followed by Kenya, Botswana, Mauritius and Ghana, with around 15% currently in cash.

The strategy is currently 3% lower in US dollars since inception in 2015, and has outperformed its benchmark (50% MSCI EFM Africa ex-SA, 50% S&P All Africa ex-SA) since inception by 3.5% per annum.

By sector, 40% of the portfolio is in the banking sector, with 24% in consumer goods and 16% in telecommunications, with lesser allocations to consumer services, oil and gas, and basic materials.

Rohm also sub-advises on a pan-Africa (including South Africa) UCITS fund, managed via a strategic relationship with Compass Asset Management, based in Italy.

Also part of his investment team is assistant portfolio manager Michael Ashaolu, and analysts Diane Laas and Joy Motlaleng.

"Our markets are incredibly cheap relative to their 10-year average," says Rohm.

"Capital markets in Africa have not grown at the rate that was expected, but we believe this will change over time. We believe it is a

Joseph Rohm

good entry point for investors, particularly as we expect the US dollar to weaken."

He adds that company results, particularly in the financial and telecoms sectors, are proving quite resilient, although it remains to be seen when share prices will be rewarded.

The Africa Enhanced Income Strategy seeks to provide a consistently high yield with potential of capital growth in US dollars through investing in high-yield sovereign and corporate debt, as well as credit-linked instruments issued by entities operating on the African continent (excluding South Africa).

The fund, which launched in March 2014, has returned a net annualised 4.71% in US dollars since inception.

Quinn has 16 years of market experience, and is also a founder of specialist asset manager Saffron Wealth. He has extensive experience in credit, structuring and currency and was previously head of hybrid and structured investments at Metropolitan Asset Managers.

He is supported on the fund by analysts Anina Swiegers and Alexander da Silva.

The fund currently has 24 positions, investing across a number of different countries. Nigeria and diversified sub-Saharan Africa comprise around 60% of geographical exposure, with the portfolio also including Ghana, Egypt, Zambia, Kenya and the Seychelles.

More than half of the fund is currently invested in government bonds with around 25% in the financial sector, and lesser allocations to communication, energy and property income.

The strategy returned 5.44% for the second quarter, on track to regain its first-quarter losses, as global risk appetite recovered. In addition, the strategy's exposure to African oil sovereigns and corporates made strong gains on the back of a 80.96% recovery in the international price of oil during the second quarter.

"We have maintained our strategic asset allocation to hedged local-currency exposure of oil producers and diversified exposures across countries, sectors, and credit ratings," Quinn noted in his recent newsletter. "The short maturity positioning of the strategy allows for re-investment at significantly enhanced levels presented by the current environment."

The strategy has a running yield of 11.55%, marginally higher than the first-quarter yield of 11.24%. Duration remains unchanged from the first quarter, ending June at 1.66 years.

Rohm adds that recent years have meant increased fiscal and monetary discipline in many African countries, and the current Covid crisis has brought a sharp policy response from big multilateral and bilateral agencies, with emergency funding made available.

He adds that African markets have seen investors exit in recent years, including during the Arab crisis in 2011, followed by the European banking crisis in 2014/15.

"There has been lots of volatility and we have yet to see flows return, but Africa has seen many changes in the past five years, and looks much more stable than it was."

"If we look through the Covid crisis, current and fiscal accounts have been narrowing, which has helped the investment environment considerably," he said. "We are pretty comfortable with our portfolio and what is in it."

The Adventis funds comprise less than $50 million. With the business foundations and track record in place, Rohm is relocating to London later this year, moving closer to investor networks.

27four gains traction with blended PE approach to social transformation

27four's Black Business Growth Fund II marries public and private investment, allowing pensions to create diversified private equity exposure at low risk

The 27four Black Business Growth Fund II (27four BBGF II) second closed in March with total capital of R710 million, and is focused on investing into mid-sized South African businesses for growth and job creation.

27four BBGF II is a blended finance partnership between the South African Government through the Jobs Fund, and South African institutional investors, using a private equity fund of funds model. It is managed by Rory Ord and Chad Potter of 27four Investment Managers.

The fundraising process is ongoing and expected to reach final close through the course of the year.

The second close includes commitments from the Consolidated Retirement Fund for Local Government and Rand Water Provident Fund, as well as further unlock of capital from the Jobs Fund.

27four BBGF II invests into black private equity funds. The Jobs Fund has provided concessional funding to act as first loss capital as a way to encourage local pension fund investors to commit capital to the fund to achieve both financial returns and social impact through job creation and transformation.

"The fundraising was launched in mid-2019 and has found good traction with local pension funds looking to achieve access to a diversified portfolio of local South African companies," says Ord. "27four's partnership with the Jobs Fund creates substantial first loss capital within the fund, and this continues to be an attractive feature for pension fund investors. The blended finance approach allows pension funds to create diversified local private equity exposure at low risk, while achieving tangible impact in the local economy."

The Jobs Fund is a partnership with National Treasury, launched in 2011, which allocated R9 billion to back different projects with a focus on creating employment. 27four's application comprised a private equity fund of funds model, focusing on investment into private markets, which have limited access to funding.

27four was allocated R200 million from the fund to invest alongside pension fund capital on a concessional basis.

"Capital is initially put into a trust and ring-fenced, incentivising institutions to come in with us and providing a buffer in the unlisted markets," says Ord. "The Jobs Fund matches capital on a 1:5 ratio which is put to work as we invest, and absorbs any potential losses for investors should anything go wrong with an underlying allocation."

27four currently has assets of R1.2 billion in the programme so far, with Fund 1 closed at R500 million under management. Fund II currently has institutional capital of R600 million – and achieving the ultimate target of R1 billion in institutional capital will unlock the full R200 million allocation from the Jobs Fund.

"Our blended finance model is something our country really needs right now - it has been a rising trend globally, even before the Covid epidemic," says Ord. "The Jobs Fund has assigned us the capital to use in perpetuity, supplementing investor returns up to a point and keeping the concessional capital intact in real terms."

The first fund, 27four BBGF I, has allocated across various sectors including healthcare, with one-third of the portfolio invested into hospitals in rural and peri-urban areas. It has also allocated to sectors such as technology, industrial and consumer-facing industries.

"With our first fund, we wanted to make an impact with a focus on transformation," says Ord. "We invest for returns but the impact component comes in a close second. For example, our hospital portfolio aims to build access to healthcare in underserved areas. The

Rory Ord and Chad Potter

economics make sense on their own, and then there is the added social impact."

Black Business Growth Fund I and II have so far allocated to five underlying fund managers, and will be looking to add another four as the portfolio is constructed.

Ord notes that this year's global pandemic has affected different sectors of the economy in different ways, with little impact on technology and business services while real estate and non-essential consumer-facing sectors have been hard hit.

"We use a fund of funds approach, with around 60% of our Fund I cash currently deployed. We've never talked as much with our underlying managers as in the past few months," he says. "Portfolios that have illiquid underlying assets, like real estate, have been the hardest hit. But we have had success stories as well."

"For example, our first fund has exposure to a company that refurbishes vehicles into mobile testing and emergency centres, and is currently operating 40-50% above budget for the year. Long-haul logistics is really struggling but we have exposure to a company that delivers groceries to PicknPay customers, and they can't keep up with demand as the pandemic has accelerated trends such as online shopping.

"Other businesses have exposure to telecoms, networks and digital services, which have all done well. You can't predict what's coming, and diversification at portfolio level is so important."

> **"Capital is initially put into a trust and ring-fenced, incentivising institutions to come in with us and providing a buffer in the unlisted markets. The Jobs Fund matches capital on a 1:5 ratio which is put to work as we invest, and absorbs any potential losses for investors should anything go wrong with an underlying allocation."**
>
> *Rory Ord*

The funds have a 12-year lifespan and take in money as needed, returning it to investors when gains are realised.

"On average, each rand can be expected to be out of our clients' hands for five years," says Ord.

27four BBGF II aims for a CPI+10% return, providing a framework for how underlying managers and the deals they do are assessed. It also meets various impact and ESG goals, again an important factor for pension fund investors.

"When we started out, our focus was on transformation and creating jobs from a uniquely South African perspective. But our funds also stack up on sustainable development goals. The deals we are doing have sustainability baked into them," he said.

Ord acknowledges a world of uncertainty amid the current Covid crisis, expecting a rough patch for the global economy over the next 24 months.

"We are in the fortunate position that the bulk of our capital is still to be invested," he said. "We are in the early stages of deploying capital and most of it will be allocated in a post-Covid world."

He adds that 27four's partnership with the Jobs Fund has been a positive experience. "We don't hear too much about business and government working well together, but we have had a great experience with National Treasury. They are highly competent and hard working and really got behind our product and sought to understand it."

Current investors are all institutional, with the smallest allocation at R40 million. 27four may in time extend the fund range to retail allocators, in line with global trends to make private equity more accessible to a range of investors.

Fairtree continues to harvest the rewards of a multi-strategy approach

Over 12 months, Wild Fig is up 35% versus -3% for the FTSE/JSE All Share Index, while Woodland is up 29% compared with 2.8% from the All Bond Index

Fairtree's multi-strategy hedge funds have benefited from their multi-faceted approach to this year's complicated markets, each gaining more than 17% in the first half.

The Fairtree Woodland Multi Strategy SNN QI Hedge Fund strategy has added a net 17.03% to the end of June, while Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund gained 17.01%. The compares with a -3.16% decline from the FTSE/JSE All Share Index and 0.33% from South Africa's All Bond Index.

The funds offer exposure to a diversified range of alternative investment strategies across multiple asset classes, including equity, fixed income and soft commodities.

Although they comprise the same building blocks, the Woodland fund uses roughly two-thirds of the gearing of Wild Fig, offering a bond proxy from a volatility perspective, while Wild Fig reflects equity-like volatility.

Over 12 months, Wild Fig has added 35.31% versus -3% from the JSE All Share Index, while Woodland has gained 29.42% compared with 2.85% from the All Bond Index.

Fund managers Bradley Anthony and Kurt van der Walt allocate capital to Fairtree's underlying specialist teams, while actively monitoring risks.

"We continue to see the benefits of multi-strategy investing, which is a *bona fide* category in the offshore hedge fund market even though it is not particularly well supported in the local markets," notes Fairtree's Bradley Anthony. "We are not in competition with fund of funds, who look for best-of-breed managers. Rather we use our inhouse investment skill to provide a differentiated offering, which can benefit fund of fund constructs."

The multi-strategy funds tap into Fairtree's internal capabilities, holding securities on the balance sheet rather than investing into underlying standalone fund structures.

"There are many benefits of our approach," notes Anthony. "Firstly, we can apply varying degrees of leverage at the multi-strategy level, optimising the balance sheet from a capital allocation perspective. Investors get more bang for their buck."

"Applying leverage across the portfolio gives more exposure than if you had to invest in each building block, resulting in management fee benefits, while performance fees are only accrued on aggregate performance," he adds.

> **"In periods of stress, we want to bring in gross exposures. We did that in March in equities and commodities, and as things normalised we increased exposure again. It meant we missed the first week or two of the bounce-back in April, but in hindsight we still feel it was the right thing to do."**
> *Bradley Anthony*

Anthony notes that the on-balance-sheet multi-strategy approach brings investment flexibility, which has been beneficial in this year's tough environment.

"We are able to be more opportunistic," says Anthony. "We could switch off a strategy from one day to the next, and during periods of stress we can tilt the portfolio at the margin with real-time exposure management. We look at risk on an aggregate basis, and see how different risks potentially interplay with each other."

Fairtree believes its business structure, characterised by independent and highly skilled investment teams, is key to its multi-strategy success.

"Our teams have complete investment freedom when it comes to process and views. There are no house views that dominate, with the potential for cross-contamination," says Anthony.

"For example, if our view was for the rand to strengthen, in the fixed income space we might be long interest rates, while in equities, we might buy banks and retailers. There is the potential to double up on views, and it is hard for investors to know if you are aggregating or offsetting risks. The risk of amplifying views is more pronounced if a singular portfolio manager is managing exposure in multiple asset classes."

Anthony and Van der Walt decide on the capital allocation to underlying managers who operate independently, applying relative value, directional and volatility approaches across the different asset classes of equity, fixed income and commodities.

The equities book includes an allocation to Fairtree's flagship market-neutral strategy, which has been managed by Andre Malan and Kobus Nel over the last 15 years. With Nel now fulfilling a strategic portfolio advisory role, Malan, Cornelius Zeeman and Deon Botha are responsible for the day-to-day portfolio management function. The strategy looks to extract alpha from the markets with its relative-value focus, including intra-sector pairs, and very little directional exposure, thus benefitting from increased dispersion across the market.

Also part of the equities book is an allocation to Stephen Brown, who manages the Fairtree Assegai long/short equity fund, a more directional strategy with higher net exposure and some embedded beta, which looks to generate alpha from stockpicking.

The fund also includes a smaller allocation to a directionally biased momentum model focused on the US and UK markets, managed by Cephas Dube.

The commodities book, managed by Denise van Wyk, applies a relative-value mindset to soft and agricultural commodities, excluding energy and metals.

"For example, we might trade one derivative of wheat against another," says Anthony. "Different wheat contracts are highly correlated and completely interchangeable. One wheat crop may offer a higher protein content than another, and yet still trade at a discount. One can benefit from this marginal relative mispricing. We do similar with corn, soybeans and coffee, trading different markets around the world."

Fairtree's two inhouse fixed income strategies are also replicated on the balance sheet. Paul Crawford, Louis Antelme and team manage the Fairtree Proton RCIS Retail Hedge Fund, which balances fixed income relative-value exposures with credit exposures, using primarily quantitative analysis to identify mispriced assets. With volatility depressed at the end of last year, Crawford and Antelme identified long volatility opportunities in the front end of the interest-rate curve, generating alpha from these positions as interest rates were cut in March.

Jacobus Lacock and Ian Millard manage the Fairtree Fixed Income SSN QI Hedge Fund, investing in South African fixed income instruments to take advantage of relative-value opportunities across the short and long end of the FRA, bond and swap yield curves, including curvature and basis trades. The long/short fixed income hedge fund focuses on extracting pure alpha returns from South African capital markets, generating ideas from jointly formulating a macro view of global and domestic macro parameters. Relative curvature trades benefitted the portfolio in the first and second quarters.

"The fixed income component is what really helped our strategy in March," says Anthony. "Our equity books were down as markets crashed on Covid concerns, while our commodities strategy was slightly up. On the fixed income side, our interest-rate curve trades and currency positions were more than able to offset losses in our equity book."

As global markets moved to a risk-off environment, the rand weakened and South Africa's Reserve Bank cut rates aggressively, resulting in exceptional months for the strategy in March, April and May.

"For us, this talks to why the multi-strategy construct works so well," says Anthony. "Allocating independently across building blocks brings diversification benefits. March proved the best-case scenario that Kurt and I could have dreamed of. To witness this diversification benefit over a one-month period is rare, but over any given quarter we should expect some diversification benefits of the multi-strategy approach to accrue for investors."

Van der Walt adds that managing exposure on balance sheet meant that cash levels could remain stable in stressed markets, an important risk management tool.

"Liquidity risk is often ignored and it can become a real issue if markets are in a downward spiral. We construct portfolios to address this upfront," he said. "Low strategy correlation improves portfolio diversification and we have continued to see the rolling correlations consistently close to zero."

The multi-strategy mandates also have the in-built capability to amplify high-conviction trades, should a manager identify such opportunities. "It's something we can do, and we are currently doing," says Anthony. "If our portfolio managers identify such opportunities, scale benefits of the portfolio facilitate the amplification of selected trades."

Anthony and Van der Walt talk to their underlying managers daily, benefiting from Fairtree's boutique flexibility.

Their allocations have remained steady this year, with some "tweaks at the margin" in March, including a week where they aggressively took down some exposures.

"In periods of stress, we want to bring in gross exposures. We did that in March in equities and commodities, and as things normalised we increased exposure again," said Anthony. "It meant we missed the first week or two of the bounce-back in April, but in hindsight we still feel it was the right thing to do."

"There has been no big change in our relative historical exposure. For us, relative value dominates across all asset classes."

The funds have been positive each year since inception – with Wild Fig delivering a net annualised 21.04% since August 2010 (versus 10.12% from the JSE All Share Index), and Woodland adding a net annualised 12.22% since April 2012 (versus 7.61% from the All Bond Index).

Yet the years 2016 and 2017 were muted in an environment of low volatility.

"The period from 2016 to the beginning of 2018 was characterised by lower volatility and low dispersion in our market. It's not the best environment for our funds – we benefit when there is volatility across multiple asset classes, as we are currently seeing," says Anthony.

Van der Walt adds: "Our low correlation to the South African equity market means adding this type of product to an overall portfolio can bring uncorrelated return streams and bring down overall volatility. That's what we offer."

At present the funds have around 20% allocated to commodities, and around 40% each to equities and fixed income.

On a macro view, Anthony and Van der Walt are constructive on equities from a directional and relative-value perspective.

"The macro backdrop is concerning for some local counters, so the big question in our minds is what to do with our net equity content. We have been running lower net exposures than in the past, and have recently allowed net exposure to drift up marginally," they said.

In the fixed income space, the expectation is for interest rates to stabilise after a further 25 basis-point cut from South Africa's Reserve Bank in mid-July.

"We expect the yield curve to stabilise as we get to the bottom of the rate-cutting cycle, which may present opportunities as we transition into the next interest-rate regime."

Commodities exposure is at about two-thirds of historical norms, despite a decent opportunity set, due to potential sentiment-driven dislocations, given that this area of global markets comprises the highest proportion of day traders.

With multi-year track records in place, the funds now have combined assets of R900 million, with capacity available, having previously managed R1.8 billion.

Fairtree now has assets of more than R80 billion across its product range, including equity, fixed income, credit, commodity, property, hospitality private equity, balanced and multi-strategy mandates.

FUND FACTS

Fairtree Woodland Multi Strategy SNN QI Hedge Fund

Portfolio managers: Bradley Anthony, Kurt van der Walt
Strategy: South African multi-strategy QIF
AUM: R160 million
Administrator: SANNE
Prime broker: RMB
Open to investment: Yes

FUND FACTS

Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund

Portfolio managers: Bradley Anthony, Kurt van der Walt
Strategy: South African multi-strategy QIF
AUM: R750 million
Administrator: SANNE
Prime broker: RMB
Open to investment: Yes

Coronation holds frontier portfolios steady in anticipation of opportunities

Portfolio manager Peter Leger is biding his time as he expects the Covid-19 crisis to present good opportunities for investors over the next few months

Coronation Fund Managers' frontier strategies are making steady headway amidst an unpredictable and turbulent year for markets, investing in listed equities in markets ranging from Vietnam to Nigeria.

"We are very happy with the businesses we own, we feel valuations are low and with the macro shocks we have seen, we are sitting on our hands for now," says Peter Leger, portfolio manager of the strategies.

By the end of June 2020, the Coronation Africa Frontiers Strategy has returned 3% per annum (net of fees) over a period of close to 12 years in US dollars versus the FTSE/JSE All Africa (ex-South Africa) 30 Index, which had a negative 2.1% return over the same period. The Coronation Global Frontiers Strategy lost a marginal 0.3% in US dollars since its 2014 inception versus a negative return of 1.4% for the MSCI Frontier Markets Index.

Aligned to Coronation's broader investment approach, the strategies are managed on a bottom-up stock picking basis. Exposure is diversified across country and sector. The Africa strategy allocates to pan-African countries, excluding South Africa. The global frontiers strategy is invested in pan-African countries, including additional exposure to Vietnam, Pakistan, Sri Lanka, Bangladesh, Eastern Europe, the Middle East and South America. Given the work of evaluating opportunities, investments are typically concentrated and long term. Up to 80% of each strategy can be invested in just 20 stocks. New investors are taken through the strategy's long-term investment horizon and approach to ensure alignment as stocks can be held for between five and 10 years.

"This is not a highly traded portfolio and we have open conversations with investors about the long-term time horizon because entry and exiting costs are high," says Leger, who has been investing in emerging markets for 20 years, spending the past 15 years at Coronation where he launched the Africa Frontiers and Global Frontiers strategies in 2008 and 2014, respectively.

"We believe that these markets have great businesses that over time do well. But the magnitude of capital loss can be high and liquidity can fall away quickly. Given the work that gets done on the investment opportunity, we tend to hold high-conviction positions, having held up to 14% in a single name."

Peter Leger

Country limits vary based on the liquidity profile and macro outlook of each market. The local regulatory environment, growth prospects, and what investors are willing to pay for local debt versus holding US dollar debt are used to arrive at a "fair market multiple" for each country. This varies considerably between countries and is reviewed regularly as local environments and events change.

Egypt currently accounts for 40% of the strategy's Africa exposure, its largest single-market exposure, based on the high quality of the country's businesses, strong management teams, and effective economic policies.

"After Egypt's largest currency devaluation in 2016, difficult decisions were made, an IMF programme has been instituted and the general running of government has improved a lot, which is a highly supportive backdrop in which companies can operate," says Leger.

Country risk, although carefully managed, is part of investing in frontier markets and requires careful management and planning, he says. Markets that go into foreign exchange freezes and prevent investors from repatriating capital are challenging.

US dollar liquidity in Nigeria effectively dried up in the first quarter of 2020. Leger manages this risk by finding appropriate price points to assess valuations, such as dual-listed shares and marking stocks to these implied values rather than mark-to-model. Leger reduced Nigerian exposure in the Africa strategy to 11.4% earlier this year, its lowest level in 10 years, accessed mostly via London-listed stocks.

Despite these challenges, he doesn't write off any one country, noting that some of the best opportunities are found in difficult-to-trade markets, as is the nature of frontier investments.

Stocks are screened by business model criteria. For example, Leger notes that the team won't pay above the fair market rating for even the most robust banking stocks, due to the nature of banking business models. The strategy will pay a premium, even up to 50% over the market rate, for a stock such as a brewer with dominant market share.

In February, the strategy bought a 6% stake in a fast-growing pathology business in Egypt. Part of Leger's investment process is understanding the competitive landscape of a sector and meeting competing businesses to gain different market perspectives and a reference benchmark on costs and valuations. At one meeting, Leger met Speed Medical who shares equity holdings in another hospital group held by the strategy and was significantly impressed with its business model and testing capabilities.

Using a sophisticated feedback system to patients and quick turnaround on tests, the company is growing quickly and has been ideally positioned to support drive-through and home care Covid-related testing. The share was up more than 60% by the end of the first quarter.

Cairo for Investment and Real Estate Development (CIRA) is an Egyptian private-sector education services provider with schools, universities and faculties serving over 30,000 students. Leger has been happy with the stock's performance, which has more than doubled since its listing in September 2018.

New investments since the start of the Covid-19 pandemic have been mostly within the global frontiers strategy where Leger increased exposure in Vietnam, mostly to logistics and airport stocks, from around 5% to 20% of the portfolio, and will consider increasing it further over time, based on their effective handling of the pandemic and re-opening of their economy.

"We have been underweight Vietnam but, as we did a series of deep evaluations across frontier geographies to understand how markets were handling various stages of lockdown, it became clear that the country was doing the best job by far through extreme contact tracing and testing," says Leger.

Leger describes how a high sense of social duty led most citizens to be tested and those needing medical treatment got assistance straightaway resulting in the pandemic being effectively handled, if not halted. As at end July, Vietnam had no reported deaths from Covid-19 and has posted year-on-year GDP growth for the first quarter of 3.8%.

In other frontier markets, where medical infrastructure doesn't exist, Leger says it's difficult to make the case for social distancing to flatten the curve, which is intended to relieve essential services pressure. The challenge frontier markets face is that the negative economic impact and financial hardship of lockdown is likely to be a greater killer than the pandemic, he notes.

FUND FACTS

Coronation Africa Frontiers Strategy

Strategy: Pan-Africa, long-only
Manager: Peter Leger
Inception date: October 2008
Administrator: JP Morgan
Open to investment: yes
AUM: US$338.8 million
Minimum investment: $150,000

Over the next few months, Covid-19 and other events will present good opportunities for fundamental investors, says Leger.

While he is happy with his portfolio constituents, risks lie in the devaluation of currencies. "If that happens, we have a decent view of the level assets should be priced at so we can take money into markets, such as Nigeria, at a cheaper rate," he adds.

Leger and the wider team of five investment and data analysts manage US$370 million across the two strategies with capacity to add up to US$150 million in new investments in the Africa strategy and more in global frontiers. Investors are predominantly South African pension funds and institutions and international investors.

FUND FACTS

Coronation Global Frontiers Strategy

Strategy: Global frontiers, long-only
Manager: Peter Leger
Inception date: December 2014
Administrator: JP Morgan
Open to investment: yes
AUM: US$17.3 million
Minimum investment: $150,000

The strategy aims to deliver net returns of around 10% per annum, which compared to the outsize developed-market equity returns over the past decade seems modest but is in line with longer-term equity returns.

"Ultimately, one needs to rethink where you take exposure in a world where ETFs and developed markets have stolen the show with higher and higher ratings powered by liquidity rather than ratings and value," says Leger.

"That's why we focus on the businesses that we do: finding great businesses that are allocating capital intelligently. There will come a time when investors are going to need to start increasing exposure to markets that are neglected and forgotten but that have large compounding variables on their side."

interview

Novare mulls tactical allocations in view of worrying macro outlook

HedgeNews Africa spoke to Benedict Mongalo, CIO of Novare Investments, to discuss the investment environment after a perilous start to 2020 for investors

Benedict Mongalo joined Novare Investments last July, after spending almost seven years with the Public Investment Corporation (PIC), where he held various roles during his tenure, starting out as a credit risk analyst in 2012 and progressing to his most recent role of Fund Principal for Developmental Investments.

Before joining the PIC, he spent five years at Standard Bank, most recently as credit manager (investment banking), and prior to that focusing on credit evaluation and origination amongst mid-tier corporates. He started his career at Absa, where he spent more than six years in banking and risk management roles.

Mongalo has an MBA from the University of the Witwatersrand, with his research focusing on the impact of company credit rating changes on equity prices on the Johannesburg Stock Exchange. He has a BCom in Accounting from the University of Limpopo.

Founded in October 2000 as an independent investment advisory business, the Novare Group has total assets under management of R8 billion, excluding its private equity interests. It comprises Novare Actuaries and Consultants, an investment consulting business; Novare Equity Partners, which focuses on private equity real estate projects in Africa; and Novare Investments, the multi-manager investment business.

This year has brought unprecedented and unforeseen changes with the global Covid pandemic continuing unabated. What are your thoughts?

If I look back, the issues we had in December are now in the background. The world has changed quite significantly in the past six months. When we had our first investment committee meeting at the beginning of 2020, considering our macro view, our specific worries revolved around global economic growth and concerns of a slowdown in developed markets. Trade tensions between the US and China were on the agenda, and we were worried about Brexit and EU growth. In South Africa, we had concerns about a credit ratings downgrade – the country's fiscal position was not strong, recession or not. All those factors remain – but the pandemic has rapidly pushed up the views. Now the consensus is for a global recession.

Benedict Mongalo

The question for us, given this backdrop, is: "Are we comfortable that markets are in a bull run?" We are deeply worried about that.

We need to think carefully about tactical asset allocation. We are deeply underweight risk assets. The bull run currently in the global markets is not supported by fundamentals. Perhaps the only difference is that we have had monetary and fiscal interventions by central banks and governments around the world. Due to Covid, there is no outlook for when we return to normal.

Has this global macro outlook affected the way you construct your portfolios?

While we are deeply worried about the macro picture, we haven't done anything we wouldn't have done under more conventional circumstances. Our value-add is as a multi-manager. Our investment team sits on a monthly basis. At the end of last year we came to the consensus to underweight risk assets in our tactical asset allocation. The result is that our portfolios are substantially similar now to what they were at the end of last year.

Being a multi-manager, we are lucky in that we don't necessarily have to focus on individual stock picks. It is about identifying best-of-breed managers and combining them into a portfolio.

How have your portfolios performed in these difficult times?

Our portfolios have held up quite well. We are happy with the performance. In particular, our hedge funds have been a strong point.

Our Novare Mayibentsha Focused Qualified FoHF, which has a CPI+4.5% return objective, has gained 4.3% to the end of June compared with -3.16% from the JSE All Share Index over the same period. That amounts to an annualised compound return of 8.11% since launch in December 2008.

The Novare Mayibentsha Moderate Qualified FoHF, which aims for CPI+3.5%, has added 5.04% to the end of June this year – amounting to an annualised 7.74% since April 2003.

The Novare Mayibentsha Market Neutral Qualified Fund of Hedge Fund returned 3.98% to June this year, targeting CPI+2.5% each year. It has gained an annualised 8.09% since launch in December 2008.

What are the benefits of hedge funds for investors?

What is the hedge fund proposition? We are selling them as giving the opportunity to generate returns in both up and down markets. At some level, some strategies are correlated to the market, for example: equity long/short. So we do have to acknowledge that.

The market dropped 21% during the sell-off in March. Our fund – a composite of hedge funds – was down 4%. Hedge funds outperformed market indices, both the ALBI and the ALSI. So there was huge outperformance. Of course, we are not happy with some negative returns, but we've seen huge outperformance.

Yes some hedge funds did badly in the March sell-off and there was some poor stock selection going into the crash, but by and large we are encouraged to see that hedge funds reaffirm our argument that they can provide a level of capital protection.

Our funds went up rapidly in April and year to date they continue to outperform. We are very proud of that.

What hedge fund portfolios do you offer and what is your approach?

We have three strategies: market neutral, moderate and focused. Our hedge fund portfolios allocate to about 12-14 managers

– it depends on our tactical asset allocation view at any given time.

In our more conservative strategies – fixed income arbitrage will have a higher weighting while in the others market neutral, equity long/short and commodities will feature more prominently.

There are good managers and bad managers, it happens in any asset class.

The value of a fund of funds is that we pick up the best of breed in each sector.

For example, our tactical asset allocation is to be underweight property, yet some argue that there may be a value uplift given the valuations. So while we are underweight property, we understand that managers who specialise in the property space put up good numbers, and therefore we may place money with them.

That is the value-add of a fund of funds and it is reflected in the returns.

What long-only products do you offer?

We have three risk profile funds – the Novare Capital Preserver Fund of Funds, a conservative product, the Novare Balanced Fund, which is moderate, and the Novare Worldwide Flexible Fund of Funds, which is more aggressive.

Similar to our hedge funds, all have done well and outperformed the indices through the March downturn.

For the first half to the end of June, the Novare Capital Preserver Fund returned 2%; Novare Balanced Fund returned 1.6% whilst the Novare Worldwide Flexible Fund returned -2.4%, all outperforming the local equity market.

Tell us about your global offering?

We do have a product offering offshore exposure, and we have had inquiries about that product from a number of clients.

Most of our existing clients, the retirement funds, have maxed out their offshore exposure according to the regulations, so we are looking at new growth areas and new clients.

Our global product is a balanced fund, which allocates to about 10 managers. Five managers focus on developed market equity, two are emerging market managers and the remainder fixed income. That product does not allocate to hedge at present, but we are looking at allocating to one hedge fund manager in that fund.

The fund launched in January 2004 and has returned a net annualised 4.53% in US dollars. This year to the end of June, it has returned -6.51% versus -2.43% from the composite benchmark of 60% MSCI All Country World Index and 40% Barclays Global Aggregate Bond Index. Since March 2020, the fund has clawed back some year-to-date losses and for June outperformed the index by 24 basis points.

Who are your clients?

Our clients are predominantly bigger retirement funds, at around 90% of assets. We have a small retail client base. Historically, the retail component has not been sticky.

Many institutional clients invest directly in long-only managers and then look to allocate to a basket of hedge funds, which has been ideal for us.

That explains why we have around R500 million in our long-only multi-manager products and R1.3 billion in hedge funds.

On the multi-manager side, we add value not just on manager selection, but also when it comes to fee negotiations and due diligence. It makes a lot of sense for some allocators.

Since I've joined, our AUM has been stable and we look forward to growing it.

Your fund of hedge funds range contracted in 2017, in line with industry trends. How much capacity do you have?

Our hedge fund AUM has been relatively stable since 2017 when we had sizable redemptions (-36%) and now accounts for 16% of our assets, excluding private equity. The hedge funds that we have allocated to, and those that are on our buy-list, remain open for new capital thus there is more than adequate capacity.

Do you expect South African investors to allocate more to hedge funds?

Specific clients we are talking to understand the importance of hedge as an asset class. Alternatives have a big role to play.

Many want Regulation 28 of the Pension Funds Act amended to separate hedge funds and private equity – they are completely different asset classes. Private equity plays a counter-cyclical role.

We say that hedge funds are a diversifier – we are not saying you should have a huge portion of your assets in hedge funds.

In a crisis such as we are seeing now, it is easier to sell the hedge fund proposition if you can exhibit a certain performance level.

After what happened in the markets in March, it becomes an easier conversation. Besides performance other issues are secondary, such as fees, which are often a stumbling block for allocators.

Are you looking to make any further early-stage investments to new hedge fund managers?

Yes, this is something we look at. We are seeing smaller managers although we are not necessarily allocating right now. We are looking at the proposition they bring.

We want to see new ideas and different return streams, not just the more conventional long/short strategies. That is the challenge. For example, currently we have two commodities managers in our portfolios and ideally we'd like to see other managers coming up in that space.

Tell us about your investment team?

Kagiso Mathole looks after our fund of hedge fund solutions, having spent almost a decade at Alexander Forbes as an investment analyst covering hedge funds. Jacobus Brink joined as a portfolio manager late last year, having worked at RMB Private Bank, Ashburton, and OakCity Capital Partners. Jodi Dennis was promoted to junior portfolio manager last year, after spending almost four years with Novare Investments as an analyst. Kwazikwakhe Mbhele has been with us as an analyst since early 2017, and was previously with Glacier by Sanlam.

How has your business coped with the lockdown, and how are you interacting with clients?

At the beginning of lockdown we sent all our managers a survey, checking in with them to see if they were able to operate at home. We give them a lot of credit for the way they have adapted – in fact, many were already operating offsite pre-lockdown.

A lot of clients went into lockdown with lots of questions, which coincided with the market downturn. In times like this, clients wanted more feedback.

Incidentally, we have had more interaction during this period than ever. Rather than wait for quarterly meetings, we've had webinars and video calls. We have not seen an increase in redemptions.

What are Novare's plans as a business going forward?

Our group-wide vision is that we see ourselves as the pre-eminent solutions provider across Africa. By implication, that means we will look at introducing other investment solutions.

Multi-manager fund of funds has been our model for a while. Our moderate fund of hedge funds has a track record stretching back to 2003.

We have sufficient room and scope for growth with our existing product range and, in line with our group vision, we will be able to look into new products, a number on the alternatives side.

Muhu multi-strategy and long/short funds navigate the mayhem in March

Managers Tatenda Chapinduka and Grant Hogan believe the easy pickings have been made but don't see a V-shaped recovery, rather more volatility

Tatenda Chapinduka and Grant Hogan at Independent Alternatives have successfully navigated a tough period with their funds, making gains across the product range this year while protecting against downside risks.

The pair manage a multi-strategy hedge fund, a short-biased equity strategy and an active long-only fixed income fund.

The Muhu Multi-Strategy Prescient RI Hedge Fund, a quantitatively biased, macro-thematic, multi-asset, multi-strategy fund, added a gross 2.4% to the end of May, while the JSE All Share Index was 10% lower for the same period.

"We believe that the macro environment determines how different investment strategies/risk premias will perform. Some environments are supportive of certain strategies, and other environments are destructive. Our investment process incorporates a top-down analysis based on macro-thematic and market trends. The objective of this process is to try and identify the investment strategies/risk premias that are likely to outperform in a certain macro environment."

This top-down macro analysis is combined with bottom-up quantamental analysis to identify opportunities, with the fund allocating risk on a risk parity basis to different investment strategies for effective diversification.

The alpha-driven portfolio comprises around 70% relative-value trades across fixed income, soft commodities, and equities.

Independent Alternatives' process is not sector-specific, instead it focuses on risk premias that drive market performance. Going into 2020, the fund was long offshore earners and select precious metals, and short financials, property and apparel retailers. Within the fixed income market, the fund was positioned for a steeper bond yield curve. And within commodities the fund was positioned in calendar spreads, and substitution in the maize market.

"We break down the market opportunities into risk premias. We focus on alternative risk premias, which refer to the extra return an asset is compensated for bearing risks that are different to "traditional" investment risks, i.e bond and equity risk. We tend to think of an alternative risk premia-based strategy as an investment strategy which tends to make money throughout cycles. Once defined, and a fundamental rationale for why the strategy makes money is established, we codify these premias and establish investment rules for trading the premia."


Tatenda Chapinduka and Grant Hogan

The portfolio is typically invested in a diversified range of risk premias across domestic equity, fixed income and agricultural futures markets.

The pair note that their strategy worked according to plan in February, March and April, reflecting their extensive work in building a robust risk management framework.

"The portfolio is very quantitatively driven. We don't second guess our model, and allow it to adapt to new environments. We were not under pressure to dump stocks or bonds during the sell-off, as our risk management process ensured that it was more or less like any other period," they said.

Going into the second half, the fund remains fairly defensively positioned on the back of weak domestic fiscal and growth prospects. Net and gross exposures have remained relatively low since the latter half of 2019.

The fund has long equity positions in quality low-risk stocks, which stand to do well in periods of higher volatility, and is short junk and high-risk stocks with negative price estimates and earnings revisions.

"There are always dislocations in the markets. We are finding alpha opportunities in both equity and fixed income," they said. "On balance we are probably more constructive on opportunities in the domestic fixed income market, given the level of implied real yields. The steepening of the domestic yield curve has also been a source of alpha across our hedge fund and long-only mandates."

The fund is long precious metals stocks, seeing this as a good hedge against further market volatility. Furthermore, periods of currency debasement and negative real interest rates favour fiat assets like gold and other precious metals.

It also expects opportunities to open up in the commodities markets, notably the stretched spreads within the maize complex, with SA yellow maize currently trading at a premium relative to local white and global maize prices, with weather forecasts increasingly predicting a *La Nina* weather phenomenon.

The Muhu Short Biased Equity Long Short Hedge Fund Partnership has excelled in negative market conditions, returning a net 37.62% to the end of May, including 18.19% in March as global markets crashed. This follows gains of 17.32% last year and 20.98% in 2018.

The short-biased long/short equity fund invests in the South African listed equity and derivatives markets, following a rules-based investment approach. A quantitatively driven equity market-neutral portfolio is overlaid with derivative hedging strategies to ensure outperformance during market drawdowns. The fund also invests in cash and cash equivalents to earn income.

"The underlying objective of the fund is to hedge investors, who are typically significantly exposed to the local equity market," says Chapinduka. "The fund will maintain neutral to negative exposure to equity markets and expects to outperform in down markets or volatility expansions. We believe this is the right market to allocate to a short-biased fund."

"This fund has a long volatility, CTA-like pay-off profile, targeting negative beta. We are very happy it did what it said on the tin."

The fund is managed as a partnership, with a live track record that includes investment from the partners and high-net-worth allocators.

The pair also manage an active long-only bond fund, the Muhu Active Bond

"The markets are pricing in a V-shaped recovery, which we don't agree with. We still have to see how the pandemic progresses... The easy pickings have been made and we expect more volatility in the markets as we move into the reality phase of the pandemic and contend with the actual damage done."

Tatenda Chapinduka and Grant Hogan

Fund, which has consistently ranked ahead of its ALBI benchmark. The fund has a track record of more than three years, investing in South African government and treasury bills.

Hogan and Chapinduka note that recent months have brought unprecedented monetary interventions from central banks around the world.

"The markets are pricing in a V-shaped recovery, which we don't agree with. We still have to see how the pandemic progresses. The effectiveness of monetary policy is waning, we need fiscal policy to effect real economic change.

"The easy pickings have been made and we expect more volatility in the markets as we move into the reality phase of the pandemic and contend with the actual damage done," they said.

Fears of second waves of transmission and the length of time envisioned before a vaccine is prepared make the case for a V-shaped recovery very optimistic.

"Given monetary policy you can understand why sometimes markets don't focus on fundamentals. We were defensively positioned in April and May to protect capital, and we have begun to transition to price in some green shoots as we see some bottoming in the economy. The fundamentals still look bad but some forward-looking numbers are not as bad as people think."

Hogan notes that the pair has traded through a lot of volatility in recent years, with the past three to four years providing a good environment to build proper risk processes, which has helped in this year's Covid-hit markets.

Independent Alternatives now has R125 million under management across its product range and is looking to grow its team.

Old Mutual Customised Solutions sees hedge funds as risk reducers

CIO Grant Watson eschews the idea of hedge funds as high-risk, high-return vehicles, and points to steady performance in volatile times

Grant Watson, chief investment officer at Old Mutual Customised Solutions in Cape Town, says: "We have always believed that hedge funds are not high-risk, high-return vehicles. For us, they are the antithesis of what you see in an episode of *Billions*. Our hedge funds are designed to be risk reducers. We want to achieve cash-plus consistently through the cycle, irrespective of what bond and equity markets (both global and local) are doing."

So far this year, the four hedge fund products at Old Mutual Customised Solutions have performed admirably in volatile market conditions, building on their long-term track records.

The funds – a long/short mandate, a multi-strategy fund, and two market-neutral equity funds – seek to capture unique sources of alpha identified via the team's quantitative processes, aiming to deliver consistent cash-plus returns. The funds are used as building blocks across a range of in-house solutions and for external clients.

Having launched before hedge funds were regulated, the portfolios were moved into QIF structures in 2017.

"Hedge funds are the risk reducers out there, and we see them as an important building block for a pension fund seeking consistent, absolute returns," says Watson. "If a pension fund can achieve cash plus 7% for five years while growing real assets and meeting liability streams, that is a phenomenal outcome in a low-growth, low-rates environment."

Mid-way through 2020, Watson remains concerned about the levels of global markets after a 40% bounce-back since mid-March. "Corporate earnings are just not there and unemployment is on the rise. An environment of restricted spending will filter through to stock prices. The US has not seen anything like this since 1929. We are seeing the lowest interest rates of our lifetimes and potential deflation," he says. "Consistent, risk-adjusted cash-plus returns should be very welcome in these conditions."

> **"Risk mitigation is important – it's like having safety features in a car, you really need them in a crash. We have always been very cautious, and for us, this is an environment that makes sense for hedge funds."**
>
> *Grant Watson*

Old Mutual Customised Solutions manages around R135 billion across its offerings, which include active equity, indexation, risk-managed solutions, Shar'iah solutions and hedge funds, in both local and global mandates, using a distinctive investment approach that taps into the team's market-leading skillset and experience. Hedge funds account for around R500 million of the total, with capacity for hedge funds in the region of R5 billion.

Products include domestic unit trusts and segregated portfolios for pension funds and other third-party assets, with a tried and tested quantitative active-equity methodology used for more than two decades, and an established 16-strong investment team.

Watson, who holds both an MCom and an MBA, heads the investment team, bringing 25 years of market experience managing currency, derivatives, hedge funds and multi-asset products. He co-founded one of South Africa's first hedge funds in 1997, joining Futuregrowth Asset Management in 2004 to head its alternatives business, and moving over to Old Mutual after the Futuregrowth acquisition in 2008.

Portfolio manager Warren McLeod holds a Masters in Business Science, joining Old Mutual after graduating. After Old Mutual acquired Futuregrowth in 2008 he moved into the quantitative investment team. He focuses on portfolio construction, risk management and the quantitative strategies that are paramount to the success of the boutique's strategies. McLeod co-manages the Old Mutual Managed Alpha Hedge Fund with Watson.

Fawaz Fakier is also part of the team working on the hedge fund range, co-managing the Old Mutual Volatility Arbitrage Hedge Fund with Watson, and he oversees the sustainability-based (ESG) capability across Customised Solutions. A CFA and an FRM charterholder with 13 years' investment experience, he applies active quant strategies across a range of solutions, including the group's recently launched long-only active ESG fund, the first of its kind in South Africa.

Pooja Tanna joined the team in June 2019 as a portfolio manager, bringing 15 years of experience. She has a BSc in Actuarial Science and a BSc (Honours) in Mathematical Statistics. Tanna is involved in co-managing the Old Mutual Aristeia and Chronos hedge funds with Watson. Before joining Old Mutual, she ran the swap trading desk at Nedbank for 10 years and then moved to Standard Chartered Bank to head up the fixed income operation for South Africa.

FUND FACTS

Old Mutual Aristeia Opportunities QI Hedge Fund

Inception date: 2010, converted to CISCA-regulated fund in 2017
Strategy: leveraged, SA market-neutral, multi-strategy
Fund managers: Grant Watson and Pooja Tanna
Performance target: STeFI + 7-10%, net fees, measured over rolling 12 months
AUM: R154 million
Open to investment: Yes

FUND FACTS

Old Mutual Chronos QI Hedge Fund

Inception date: 2012, converted to CISCA-regulated fund in 2017
Strategy: SA long/short equity
Fund managers: Grant Watson and Pooja Tanna
Performance target: STeFi + 6% net of fees over rolling 12 months
AUM: R147 million
Open to investment: Yes

Grant Watson

Fawaz Fakier

Warren McLeod

Pooja Tanna

The four actively managed hedge fund strategies are quantitative or derivative in nature, or a combination of both, not relying on stockpicking or fundamental processes and typically expressing views in the derivatives market. A key underpin across all four funds is the cash pick-up achieved through interest-rate derivatives.

The Old Mutual Aristeia Opportunities QI Hedge Fund is a leveraged, market-neutral fund that targets long-term growth while controlling short-term volatility. The fund uses multiple, diversified trading strategies to exploit opportunities in the South African equity derivatives market. The fund has added 3% so far this year to the end of June, while the JSE All Share Index has declined by 3.16%. It has delivered an annualised compound 6.35% since launch in December 2010.

The Old Mutual Volatility Arbitrage QI Hedge Fund is a conservative, market-neutral fund that uses a similar approach to the team's long-only managed volatility process, focusing on value and momentum exposure. It has returned 8.38% so far this year to the end of June, or an annualised compound 7.8% since launch in September 2005.

The Old Mutual Chronos QI Hedge Fund is a long/short equity fund that targets long-term growth with lower volatility than the equity market, using diversified trading strategies in the South African derivatives market. The fund has an aggressive risk profile, coming in 2.93% lower this year to the end of June, or an annualised compound 2.69% since launch in September 2012.

The Old Mutual Managed Alpha QI Hedge Fund is a market-neutral fund targeting positive returns in all market conditions, employing the same underlying strategy as the long-only Old Mutual Managed Alpha Fund and their Global Managed Alpha UCITS fund. The hedge fund aims for long-term capital growth, through identifying the themes being rewarded by the market and building a fund positioned to benefit from exposure to these themes. It has returned 4.59% so far this year to the end of June, or an annualised compound 5.86% since launch in July 2014.

"We are not stockpickers but we do build portfolios that are cogniscant of themes in the market at the current time," says Watson. "For example, there may be points in the cycle when the market may be rewarding dividend payers, and at other times the market may be penalising such dividend payers. We adapt to styles and sectors and overweight or underweight our exposures accordingly."

Old Mutual Customised Solutions has taken time to refresh and refine its hedge fund range and renew resources, adding Fakier and Tanna to the team following the departure of John Gilchrist, Bryn Hatty and Bivashen Naidoo in 2018/2019.

"This is a tried and tested methodology that we have used over two decades, it is proven locally and globally, with an established team," says Watson of the Managed Alpha approach. "Our hedge fund strategies very much fit into what we do more broadly, and we have been using them as building blocks in some of our absolute return funds for over a decade. They are great diversifiers and risk mitigators, and including them in broader portfolios makes perfect sense for large multi-managers and pension funds."

The hedge funds either leverage off the sources of alpha exploited by the Active Equity Solutions process; or capture sources of alpha uniquely available to those with the appropriate level of skills and experience.

The team's long running quant process is adaptive, dynamically adjusting to changing market drivers, ensuring exposure to the strongest sources of return at any given time.

"We use what makes sense and are constantly looking to enhance things," says Watson. "We like to compare the process to a Formula One racing team, which has precision and science behind it and where each season brings new learnings. Our quant approach includes a focus on behavioural biases, where we try to understand how the market is reading and valuing things," says Watson.

He notes that artificial intelligence has become a buzzword in asset management, but for his team it is not a new process of packing and reorganising data and using it to build portfolios. It has been part of their portfolio optimisation process for over a decade. Similarly with ESG, which is a more recent buzzword that has long been considered across the product range.

"A lot of people think the quant space is purely objective but there really is no such thing," says Watson. "There is no silver bullet. At the end of the day, you choose your benchmark or your investment universe. There is subjectivity in each and every quantitative or non-quantitative approach."

"Our approach is more glass box than black box. The quant tools give us more transparency. They help us to adjust to how the market is now. We are not making long-term forecasts. We are taking short-term views, with lots of analysis into how the market behaves."

For Watson, markets are art and science combined, with no magic formula. "We are always managing for uncertainty and probabilities," he says. "Covid has highlighted that everything changes all the time. In a world of uncertainty, the more objective your process, the better positioned you are to not get caught up in behavioural biases but rather to exploit them," he adds.

With its range of hedge funds positive through the upheaval that 2020 has brought so far, Watson looks forward to seeing the funds continue to preserve capital and compound their gains over time.

"Risk mitigation is important – it's like having safety features in a car, you really need them in a crash," he concludes. "We have always been very cautious, and for us, this is an environment that makes sense for hedge funds."

FUND FACTS

Old Mutual Managed Alpha QI Hedge Fund

Inception date: 2005, converted to CISCA-regulated fund in 2017
Strategy: SA quant-based, market-neutral
Fund managers: Grant Watson and Warren McLeod
Performance target: STeFI + 4%, net of fees over rolling 12 months
AUM: R171 million
Open to investment: Yes

FUND FACTS

Old Mutual Volatility Arbitrage QI Hedge Fund

Inception date: 2005, converted to CISCA-regulated fund in 2017
Strategy: conservative, market-neutral
Fund managers: Grant Watson and Fawaz Fakier
Performance target: STeFI + 5%, net of fees, over rolling 12-month periods.
AUM: R155 million
Open to investment: Yes

Matrix maintains growth path with tactical DNA and pragmatic mindset

According to head of product Jean-Pierre Matthews, tactical asset allocation in varying market conditions has kept volatility down and returns consistent

Its tactical DNA has brought enduring benefits for Cape Town-based multi-asset boutique Matrix Fund Managers, with its long-only and hedge fund products moving higher in this year's difficult markets.

Matrix head of product Jean-Pierre Matthews zooms in on the team's three key competencies: its significant fixed income alpha engine, a distinctive fundamental bottom-up stockpicking process on the equity side, and a unique tactical asset allocation approach to multi-asset funds. Underpinning these processes is a pragmatic and absolute-return mindset that remains true to their hedge fund roots.

"We are pragmatic investors, which means our managers adjust their views and positions as market conditions change. We have had particular success in the multi-asset long-only space where we use tactical asset allocation to achieve consistent, low-volatility returns," he says. "Being tactical does not imply increased risk or volatility of returns, as some might expect, in fact it is often the other way around. For us, tactical asset allocation has meant less volatile returns, fewer drawdowns and consistent inflation-beating returns for our investors in challenging markets."

Jean-Pierre Matthews

> **"Towards the latter part of 2019 we were increasingly concerned about the level of contraction in credit spreads. Lack of liquidity, rather than probability of default, was our primary concern. We decided to position our income fund as a highly liquid, low credit risk component of our client's income solutions."**
>
> *Jean-Pierre Matthews*

Matrix Fund Managers has a total of R12 billion under management, R8.3 billion of which is in its long-only portfolios and R3.7 billion in hedge funds.

"We are very grateful for the support from our clients through the market turmoil brought on by the Covid-19 crisis and we have been fortunate to experience strong AUM growth this year so far. Growth has come from a combination of performance, especially from our fixed income hedge fund, and investor inflows into some of our more defensive long-only portfolios," says Matthews.

The Matrix NCIS Fixed Income Retail Hedge Fund has added 23.9% for the year to the end of June. Its net annualised return since inception in October 2008 is now at 16.9%, compared with 8.4% from the All Bond Index and 10.5% from the FTSE/JSE All Share Index.

The Matrix NCIS Multi Strategy Retail Hedge Fund has added 4.5% for the year to the end of June, bringing its net annualised return to 11.5% since inception in October 2006, against 8.3% from the All Bond Index and 9.9% from the FTSE/JSE All Share Index over the period.

The team also manages the Sanlam Alternative Vega Retail Hedge Fund, a fixed income hedge fund managed on a segregated basis for Sanlam.

On the long-only side, Matrix is the exclusive manager for two Amplify Investment Partners (previously Sanlam Select) multi-asset unit trust funds. Its low equity Amplify SCI* Defensive Balanced Fund has been performing well against its peers and delivering consistent returns relative to its targeted return of CPI+3%.

"Our multi-asset offering has grown steadily to over R4 billion and is now our largest product category by AUM and investor diversification," notes Matthews.

Matrix has also enjoyed substantial inflows into its stable income offering – a long-only fixed income offering with a focus on high liquidity and low credit risk.

"Towards the latter part of 2019 we were increasingly concerned about the level of contraction in credit spreads. Lack of liquidity, rather than probability of default, was our primary concern. We decided to position our income fund as a highly liquid, low credit risk component of our client's income solutions. As the Covid-crisis hit, this fund became a valuable source of liquidity and stable returns for our investors," he says.

As a business, Matrix Fund Managers is committed to transformation, achieving a Level II B-BBEE Contributor rating, which is a distinguishing feature in the boutique space.

SCI – Sanlam Collective Investments

South African funds recover in June

South African hedge funds had a strong month in June as global markets rallied, with the *HedgeNews Africa* South African Single-Manager Composite adding a median 1.85%, to sit 0.59% higher for the first half.

By comparison, the JSE All Share Index bounced 7.74%, to remain -3.16% lower on the year, while the All Bond Index dropped -1.18% to leave it 0.33% higher.

The MSCI Emerging Markets Index added 6.96% to show a -10.73% decline for the year so far, while the MSCI World Index rose 2.51% and remains -6.64% lower to end-June.

The broader *HedgeNews Africa* Single-Manager Composite, which includes pan-African and global mandates, also added 1.85% on a median basis to come in with a -3.16% decline for the year so far.

Long/short equity was the strongest category in June, with a 3.77% median gain, yet the category remains -4.08% under water for the first half, and an average -2.26% lower.

Top of the tables in June was the Steyn Capital SNN QI Hedge Fund, which gained an impressive 18.9%, to sit 13.7% higher for the second quarter, while the Steyn Capital SNN Retail Hedge Fund added 12.24% for the month (+12.51% for Q2).

Also strong for the month was the Fairtree Assegai Equity Long Short SNN QI Hedge Fund, managed by Stephen Brown, which gained 9.88% in June to come in with a second-quarter return of 56.16%.

The Capricorn SCI Performer Qualified Hedge Fund and the Visio SNN Occasio QI Hedge Fund each added more than 8% for the month, while AAM Prescient Wealth Multi Strategy RI Hedge Fund, Mazi NCIS Long Short Qualified Hedge Fund and Anchor Accelerator SNN QI Hedge Fund also fared well with gains of more than 5% each.

Year to date, around a third of long/short funds remain under water, despite good Q2 gains.

Leading the way for the year so far is the Emperor Asset Management Robert Falcon Scott Strategy, which has gained a net 14.52%, followed by the Senqu Worldwide Flexible Long Short Prescient RI Hedge Fund, with a 9.44% net return.

Anchor Accelerator SNN QI Hedge Fund (+8.82% year to date) and Coronation Presidio Hedge Fund (+8.2%) have each added more than 8%, with strong returns also from the Peregrine Capital Dynamic Alpha H4 QI Hedge Fund (+7.18%) and the Peregrine Capital High Growth H4 QI Hedge Fund (+6.46% year to date).

Fixed income hedge funds also had a healthy June, rising a median 1.64% to reflect a 6.21% gain on the year, the strongest hedge fund category.

For June, the Cadiz South Easter Fixed Interest SNN QI Hedge Fund led the way with a net 4.65% return, to clock up a 19.66% second-quarter gain.

Matrix NCIS Fixed Income Retail Hedge Fund (RIF) was also robust in June, with a 3.01% return, followed by Terebinth SNN FI Macro Retail Hedge Fund, up 2.22%.

Year to date, Matrix NCIS Fixed Income is well ahead of its peers, gaining a net 23.88% for the first six months, followed by the Trinomial RCIS Vega QI Hedge Fund, which is a net 12.44% higher, while Terebinth and the Fairtree Proton RCIS Retail Hedge Fund have both gained more than 9%.

Market neutral and quantitative funds came in a median 1.12% higher in June, to show a 5.84% return by mid-year. The AAM Prescient Wealth Market Neutral QI Hedge Fund, managed by Dr Nafees Hossain at Absa Alternative Asset Management, recorded a strong 10.95% return, helping it to a net 18.24% gain over the second quarter.

The X-Chequer SNN Diplo QI Hedge Fund also had a strong month, gaining 4.3% (+18.65% over the second quarter), while Peregrine Capital Pure Hedge H4 QI Hedge Fund, Mazi NCIS Market Neutral Retail Hedge Fund, X-Chequer SNN Market Neutral QI Hedge Fund and Old Mutual Volatility Arbitrage Fund each added more than 2%.

The All Weather NCIS Market Neutral Retail Hedge Fund retains its year-to-date lead, adding 14.39% over six months, followed by X-Chequer SNN Diplo, which has gained 15.87%, and X-Chequer SNN Market Neutral, with a 10.71% return.

South African multi-strategy mandates added a median 1.5% in June, to reflect a -4.9% median return over six months. While many funds had a stellar second quarter, some are still lower on the year.

The Blue Quadrant Capital Growth Prescient RI Hedge Fund topped the tables with an 11.64% return (leaving it 51.49% higher over Q2 to reverse some earlier losses).

Aylett Prescient QI Hedge Fund, X-Chequer SNN Duo Multi Strategy Retail Hedge Fund and Corion Gravitas NCIS RIF Hedge Fund were each around 5% higher for the month.

Year to date, Fairtree Woodland Multi Strategy SNN QI Hedge Fund and Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund lead the way, each gaining more than 17%.

HEDGENEWS AFRICA INDICES

	Median		Mean	
South Africa	**Jun-20**	**YTD**	**Jun-20**	**YTD**
Long/Short Equity	3.77%	-4.08%	4.30%	-2.26%
Market Neutral & Quantitative	1.12%	5.84%	2.03%	4.90%
Single Manager Multi-Strategy	1.51%	-4.90%	2.25%	-4.27%
Fixed Income	1.64%	6.21%	1.57%	5.99%
Event Driven	0.69%	3.56%	0.69%	3.56%
Africa				
Pan-Africa / AME	1.44%	-18.22%	1.00%	-14.45%
Composites				
HNA SA Single-Manager Composite	1.85%	0.59%	2.90%	-0.48%
HNA Single-Manager Composite	1.85%	-3.16%	2.66%	-1.76%
Fund of Funds	**Jun-20**	**YTD**	**Jun-20**	**YTD**
HNA SA FOF Composite	3.03%	-0.53%	3.14%	-0.67%
HNA FOF Composite	2.83%	0.16%	2.74%	-0.98%
Market Indices	**Jun-20**	**YTD**		
FTSE / JSE All Share Index (TRI)	7.74%	-3.16%		
MCSI World Index	2.51%	-6.64		
MSCI Emerging Markets Index	6.96%	-10.73%		
MSCI Frontiers Mkts Africa Index	0.72%	-21.30%		

Africa equity funds under pressure as markets bounce

The *HedgeNews Africa* pan Africa/ AME Index added 1.44% in June, to sit -18.22% lower for the first half.

By comparison, the MSCI Frontier Markets Index gained 1.56% for the month, but remains -18.05% lower on the year while the MSCI Frontier Markets Africa Index added 0.72% to sit -21.3% lower for the first half.

Most pan-Africa equity mandates made gains in June as global markets bounced, but still reflect double-digit declines on the year in a risk-off environment.

The Altree Capital Africa Opportunities Fund led the way in June with a 5.99% gain (-5.73% year to date) while the Optis African Frontier Fund was also strong, adding 5.08% for the month to end the first half down 19.57%.

The Absa Africa Equity Fund also had a good month, gaining 3.89% (-13.41% on the year), as did the Gondo Visio Metsi Fund, which rose 2.49% (-15.33% for the first half) and Coronation African Frontiers Fund, which added 2.82% for the month (-21.71% on the year).

The Sustainable Capital Africa Alpha Fund leads for the quarter, with a strong gain of 19.27% (-20.74% year to date).

Data tables www.hedgenewsafrica.com/data

Single Managers – Jun 2020

Fund name	Last 3 months	Jun-20	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
South African Long Short Equities (ZAR)									
Fairtree Assegai Equity Long Short SNN QI Hedge Fund (QIF)	56.16%	9.88%	-2.33%	23.53%	-2.33%	19.65%	22.32%	15.84%	May-12
Fairtree Jackalberry Equity Long Short SNN Retail Hedge Fund	36.39%	9.01%	-16.31%	0.00%	-16.31%	-9.47%	n/a	n/a	Aug-19
Anchor Accelerator SNN QI Hedge Fund (QIF)	19.48%	5.00%	8.82%	20.28%	8.82%	12.40%	18.37%	n/a	Mar-16
Fairtree Marula Equity Long Short SNN Retail Hedge Fund	19.43%	-0.82%	-14.23%	0.00%	-14.23%	-16.47%	n/a	n/a	Nov-19
Capricorn SCI Performer Qualified Hedge Fund (QIF)	18.76%	8.50%	-8.14%	-8.87%	-8.14%	11.63%	1.81%	2.67%	Aug-12
Obsidian SCI Long Short Retail Hedge Fund (RIF)	16.34%	3.55%	-5.27%	-0.99%	-5.27%	11.69%	5.91%	6.08%	Jul-08
Senqu Worldwide Flexible Long Short Prescient RI HF (RIF)	16.10%	4.00%	9.44%	18.56%	9.44%	9.81%	8.53%	n/a	Jan-17
AAM Prescient Wealth Multi Strategy RI Hedge Fund (RIF)	15.02%	7.60%	-6.32%	1.81%	-6.32%	4.82%	2.65%	n/a	Mar-17
BACCI SNN Protected Equity QI Hedge Fund (QIF)	14.21%	2.97%	-2.16%	-1.75%	-2.16%	7.69%	3.39%	3.08%	Dec-10
Coronation Presidio Hedge Fund (QIF)	14.01%	3.26%	8.20%	17.54%	8.20%	13.41%	3.61%	2.54%	Oct-05
Mazi NCIS Long Short Qualified Hedge Fund (QIF)	13.97%	7.02%	-3.39%	-8.48%	-3.39%	1.63%	-3.48%	-1.78%	Apr-14
Peregrine Capital High Growth H4 QI Hedge Fund (QIF)	13.95%	4.79%	6.46%	6.98%	6.46%	24.15%	7.47%	9.06%	Feb-00
Steyn Capital SNN QI Hedge Fund (QIF)	13.70%	18.90%	-12.66%	-6.13%	-12.66%	12.85%	-0.23%	2.95%	May-09
Steyn Capital SNN Retail Hedge Fund (RIF)	12.51%	12.24%	-13.65%	-9.88%	-13.65%	6.02%	-4.59%	0.24%	May-13
Capricorn SCI Stable Retail Hedge Fund (RIF)	11.39%	6.25%	-4.80%	-3.63%	-4.80%	12.00%	3.32%	3.06%	Jul-03
Emperor Asset Management Robert Falcon Scott Strategy	9.36%	-0.11%	14.52%	27.60%	14.52%	14.25%	8.57%	-1.34%	Oct-04
Visio SNN Occasio QI Hedge Fund (QIF)	9.08%	8.39%	-10.93%	-7.18%	-10.93%	15.17%	-1.98%	2.85%	May-09
Abax Long/Short Equity Prescient RI Hedge Fund (RIF)	7.93%	1.85%	-8.89%	-0.38%	-8.89%	11.67%	3.44%	5.34%	Nov-01
Emperor H4 Sir John Ross Retail Hedge Fund (RIF)	7.13%	-1.46%	4.29%	17.86%	4.29%	6.99%	10.95%	2.66%	Nov-14
Protea Worldwide Flexible SNN QI Hedge Fund (QIF)	7.11%	1.71%	4.78%	8.64%	4.78%	10.67%	11.26%	n/a	Oct-15
X-Chequer SNN Flexible Long Short QI Hedge Fund (QIF)	6.99%	2.72%	-17.94%	-17.49%	-17.94%	7.95%	-2.18%	1.41%	Sep-11
Peregrine Capital Dynamic Alpha H4 QI Hedge Fund (QIF)	6.70%	3.99%	7.18%	8.98%	7.18%	13.39%	10.17%	11.39%	Dec-14
Visio SNN Golden Hind QI Hedge Fund (QIF)	6.06%	4.93%	-5.38%	-0.62%	-5.38%	18.58%	0.20%	0.43%	Nov-03
Protea South Africa SNN Retail Hedge Fund (RIF)	4.90%	1.74%	-13.84%	-12.85%	-13.84%	3.81%	3.81%	n/a	Jul-17
36ONE SNN Retail Hedge Fund (RIF)	4.30%	1.33%	4.28%	14.67%	4.28%	13.59%	10.46%	8.03%	Dec-08
All Weather H4 Performance Retail Hedge Fund (RIF)	4.00%	-5.18%	4.75%	5.57%	4.75%	6.75%	-2.06%	3.77%	May-14
36ONE SNN QI Hedge Fund (QIF)	3.46%	1.24%	4.42%	13.66%	4.42%	15.93%	10.98%	8.34%	Apr-06
Numus Long Short Prescient RI Hedge Fund (RIF)	2.31%	1.45%	-4.41%	-1.45%	-4.41%	9.04%	4.02%	7.86%	May-15
Nitrogen Nitrogen RCIS Retail Hedge Fund (RIF)	2.00%	0.26%	-1.02%	0.46%	-1.02%	12.19%	5.63%	7.01%	Aug-06
SalientQuants SA SNN Retail Hedge Fund (RIF)	-0.89%	-1.32%	-2.70%	3.08%	-2.70%	9.13%	9.01%	3.38%	Aug-06
Old Mutual Chronos Fund	-4.01%	-3.12%	-2.93%	-4.87%	-2.93%	2.69%	-0.50%	-0.69%	Sep-12
South African Market Neutral & Quantitative Strategies (ZAR)									
X-Chequer SNN Diplo QI Hedge Fund (QIF)	18.65%	4.30%	4.53%	15.87%	4.53%	14.59%	6.52%	11.90%	Feb-12
AAM Prescient Wealth Market Neutral QI Hedge Fund (QIF)	18.24%	10.95%	-6.48%	3.37%	-6.48%	5.31%	3.82%	3.33%	Oct-14
Abax Bao NCIS Market Neutral RIF	9.91%	0.82%	3.68%	6.54%	3.68%	9.77%	6.49%	9.55%	Apr-11
X-Chequer SNN Market Neutral QI Hedge Fund (QIF)	9.31%	2.12%	3.27%	10.71%	3.27%	12.10%	6.65%	9.22%	Jun-06
Empiric NCIS Market Neutral Qualified Hedge Fund (QIF)	8.53%	0.60%	-2.91%	-0.11%	-2.91%	2.67%	n/a	n/a	Mar-18
AIP NCIS Concentrated Arbitrage QHF (QIF)	8.39%	0.53%	7.26%	7.20%	7.26%	8.30%	n/a	n/a	Jul-18
AIP NCIS Active Alpha Retail Hedge Fund (RIF)	7.73%	1.12%	7.21%	7.58%	7.21%	9.19%	n/a	n/a	Oct-17
All Weather NCIS Market Neutral Retail Hedge Fund (RIF)	6.74%	-1.52%	14.39%	16.73%	14.39%	12.07%	n/a	n/a	Sep-17
Peregrine Capital Pure Hedge H4 QI Hedge Fund (QIF)	6.44%	2.77%	7.36%	10.18%	7.36%	20.19%	10.05%	10.77%	Jul-98
Mazi NCIS Market Neutral Retail Hedge Fund (RIF)	6.06%	2.74%	-3.38%	-5.60%	-3.38%	9.22%	-2.91%	-1.92%	Nov-06
Ninety One Active Quants QI Hedge Fund (QIF)	5.44%	-0.07%	6.58%	3.56%	6.58%	8.75%	6.36%	5.72%	Oct-05
Old Mutual Volatility Arbitrage Fund	4.65%	2.03%	8.38%	9.88%	8.38%	7.80%	7.30%	6.95%	Sep-05
Old Mutual Aristeia Opportunities Fund	0.89%	-0.22%	3.00%	5.18%	3.00%	6.35%	5.52%	5.94%	Dec-10
Old Mutual Managed Alpha Hedge Fund	0.81%	-0.78%	4.59%	5.72%	4.59%	5.86%	4.24%	4.77%	Jul-14
South African Single-Manager Multi-Strategies (ZAR)									
Blue Quadrant Capital Growth Prescient RI Hedge Fund (RIF)	51.49%	11.64%	-17.82%	-11.09%	-17.82%	9.56%	-1.68%	5.53%	May-11
Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund (QIF)	25.71%	1.32%	17.01%	35.31%	17.01%	21.03%	16.36%	11.86%	Aug-10
Fairtree Woodland Multi Strategy SNN QI Hedge Fund (QIF)	19.67%	1.80%	17.03%	29.43%	17.03%	12.23%	15.05%	11.45%	Apr-12
X-Chequer SNN Duo Multi Strategy Retail Hedge Fund (RIF)	19.25%	5.25%	-3.48%	0.51%	-3.48%	7.97%	6.37%	6.03%	Oct-12
Obsidian SCI Multi Asset Retail Hedge Fund (RIF)	14.72%	2.89%	-4.72%	-0.08%	-4.72%	10.19%	5.87%	6.17%	Oct-07

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performance

Single Managers – Jun 2020

Fund name	Last 3 months	Jun-20	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
Tantalum SNN MNC Retail Hedge Fund (RIF)	13.82%	3.40%	-0.55%	3.60%	-0.55%	8.29%	2.02%	3.44%	Jun-05
Coronation Multi-Strategy Arbitrage Hedge Fund (QIF)	11.77%	1.40%	-8.68%	-7.61%	-8.68%	10.45%	-0.75%	5.79%	Jul-03
Aylett Prescient QI Hedge Fund (QIF)	10.52%	5.30%	-7.28%	-0.60%	-7.28%	9.14%	3.80%	7.77%	Jun-08
Corion Gravitas NCIS RIF Hedge Fund (RIF)	10.19%	4.95%	-11.17%	-7.88%	-11.17%	4.90%	1.51%	4.81%	Jun-15
Trine Capital Multi-Strategy Prescient RI Hedge Fund	9.66%	1.51%	4.38%	2.87%	4.38%	3.88%	n/a	n/a	Jun-18
Marble Rock NCIS Keystone FICC RI Hedge Fund (RIF)	9.13%	0.60%	6.92%	8.94%	6.92%	9.44%	9.40%	n/a	Aug-16
Rozendal Worldwide Flexible Prescient QI Hedge Fund (QIF)	8.16%	0.54%	-9.37%	-7.46%	-9.37%	2.87%	n/a	n/a	Apr-18
Corion Prosperitas NCIS RIF Hedge Fund (RIF)	7.35%	3.16%	0.48%	0.22%	0.48%	11.69%	4.32%	6.83%	Jun-13
Matrix NCIS Multi Strategy Retail Hedge Fund (RIF)	3.41%	1.37%	4.53%	7.96%	4.53%	11.53%	6.36%	8.08%	Oct-06
Independent Alternatives Muhu Multi-Strategy Prescient RHF (RIF)	-0.45%	-1.18%	0.26%	4.59%	0.26%	3.01%	3.63%	n/a	Mar-16
Paragon PFP Multi-Strategy Prescient QI Hedge Fund (QIF)	-8.21%	-3.49%	-34.30%	-29.94%	-34.30%	-15.34%	n/a	n/a	Mar-18
Citadel Multi-Strategy H4 Retail Hedge Fund (RIF)	-16.15%	-7.20%	-28.26%	-23.40%	-28.26%	-3.04%	-6.23%	n/a	Sep-16
South African Event Driven / Credit (ZAR)									
Chrysalis Credit Arbitrage Fund	1.93%	0.60%	4.50%	10.40%	4.50%	12.07%	10.95%	11.09%	Aug-08
Investec Specialist Investments SA Credit Co-Investment QI HF (QIF)	0.70%	0.77%	2.59%	7.12%	2.59%	8.70%	8.64%	n/a	Feb-17
South African Special Opportunities (ZAR)									
Westbrooke Special Opportunities SNN QI Hedge Fund	-9.85%	1.22%	-16.81%	-11.43%	-16.81%	5.49%	-7.11%	0.09%	Jun-12
South African Alternative QIF (ZAR)									
Investec Specialist Investments Equity Structured Products QI HF (QIF)	13.60%	5.46%	3.92%	2.27%	3.92%	2.75%	n/a	n/a	Sep-17
STANLIB Multi-Manager NCIS Private Assets Qualified HF (QIF)	2.61%	0.47%	5.15%	10.99%	5.15%	17.20%	n/a	n/a	Mar-18
South African Fixed Income (ZAR)									
Cadiz South Easter Fixed Interest SNN QI Hedge Fund (QIF)	19.66%	4.65%	6.58%	6.82%	6.58%	8.19%	9.05%	6.57%	Nov-05
Acumen AcuityOne SNN Retail Hedge Fund (RIF)	14.29%	-0.40%	1.90%	10.13%	1.90%	18.51%	12.07%	12.69%	Sep-09
Terebinth SNN FI Macro Retail Hedge Fund (RIF)	10.63%	2.22%	9.95%	13.20%	9.95%	12.44%	17.42%	13.68%	Apr-13
Matrix NCIS Fixed Income Retail Hedge Fund (RIF)	9.64%	3.01%	23.88%	29.51%	23.88%	16.92%	16.27%	13.60%	Oct-08
Trinomial RCIS Vega QI Hedge Fund (QIF)	7.60%	1.37%	12.44%	17.61%	12.44%	13.48%	n/a	n/a	Jul-18
Southchester Smart Escalator Prescient QI Hedge Fund (QIF)	7.53%	1.62%	7.93%	14.81%	7.93%	13.57%	n/a	n/a	Nov-17
Idwala SNN Strategic Fixed Income Retail Hedge Fund (RIF)	6.45%	1.90%	-8.83%	-7.73%	-8.83%	3.53%	3.53%	n/a	Jul-17
Oakhaven SNN Strategic Fixed Income QI Hedge Fund (QIF)	6.06%	1.88%	-8.77%	-7.10%	-8.77%	6.97%	2.03%	4.78%	Oct-12
Ninety One Fixed Income QI Hedge Fund (QIF)	6.02%	0.50%	8.37%	12.50%	8.37%	11.21%	12.10%	11.54%	Apr-04
Fairtree Proton RCIS Retail Hedge Fund (RIF)	5.56%	1.65%	9.62%	14.09%	9.62%	11.64%	11.09%	10.96%	Aug-01
Abax Fixed Interest Prescient RI Hedge Fund (RIF)	2.89%	0.01%	3.01%	6.52%	3.01%	11.21%	7.62%	9.67%	Feb-13
Coronation Granite Hedge Fund (QIF)	0.91%	0.43%	1.98%	6.06%	1.98%	9.76%	8.02%	8.30%	Oct-02
Property-Focused Hedge (ZAR)									
Catalyst Alpha Prescient QI Hedge Fund (QIF)	11.50%	9.11%	-6.64%	-2.53%	-6.64%	16.72%	5.84%	9.69%	Feb-06
Anchor Property Long Short SNN QI Hedge Fund (QIF)	10.61%	9.33%	-27.81%	-31.91%	-27.81%	0.92%	-11.59%	-3.73%	Jan-14
Prime Reitway Leveraged Global Property RI Hedge Feeder Fund (RIF)	5.79%	-0.79%	20.15%	25.44%	20.15%	5.44%	n/a	n/a	Oct-17
Alt Re SNN Select Opportunity QI Hedge Fund (QIF)	1.06%	0.07%	-18.35%	-14.10%	-18.35%	16.21%	-15.89%	-10.12%	Jan-09
Pan-African Equities (Long / Absolute Return) (USD)									
Sustainable Capital Africa Alpha Fund	19.27%	0.51%	-20.74%	-16.40%	-20.74%	-1.85%	-13.71%	-6.45%	Feb-12
Allan Gray Africa Equity Fund	15.09%	1.19%	-19.15%	-23.74%	-19.15%	14.77%	-4.77%	-3.16%	Jul-98
Sanlam Africa Equity Fund	14.78%	1.64%	-17.59%	-17.33%	-17.59%	-2.03%	-4.09%	-2.03%	Jul-15
Absa Africa Equity Fund	14.75%	3.89%	-13.41%	-12.00%	-13.41%	-5.49%	-0.82%	-3.81%	Aug-14
Gondo Visio Metsi Fund	14.33%	2.49%	-15.33%	-9.43%	-15.33%	-0.37%	2.62%	-4.55%	Jun-09
Old Mutual African Frontiers Fund	13.45%	2.10%	-14.58%	-11.39%	-14.58%	1.38%	2.53%	-0.49%	Jul-10
ALUWANI Africa Equity Fund	12.21%	0.63%	-21.63%	-19.22%	-21.63%	-0.47%	-7.98%	-8.46%	Aug-09
Optis African Frontiers Fund	11.30%	5.08%	-19.57%	-14.73%	-19.57%	-2.99%	-2.66%	-6.13%	Aug-09
Altree Capital Africa Opportunities Fund	11.27%	5.99%	-5.73%	-7.08%	-5.73%	1.58%	-2.14%	-6.63%	Jun-06
Allan Gray Africa ex-SA Equity Fund	11.22%	-1.54%	-13.11%	-18.36%	-13.11%	1.03%	-4.71%	-4.36%	Jan-12
Adventis Africa Equity Fund	10.74%	0.65%	-19.97%	-19.09%	-19.97%	-6.69%	-7.74%	-7.25%	Dec-14
IPRO African Markets Leaders Fund	10.35%	-3.74%	-20.84%	-23.53%	-20.84%	-0.02%	-9.75%	-7.32%	Jul-08
Sanlam African Frontier Markets Fund	7.36%	1.44%	-23.12%	-23.06%	-23.12%	-2.11%	-8.52%	-6.55%	Mar-10
Coronation Africa Frontiers Fund	4.59%	2.82%	-21.71%	-18.83%	-21.71%	3.00%	-7.34%	-6.35%	Oct-08
Steyn Capital Africa Fund	-3.12%	-7.36%	-22.39%	-26.78%	-22.39%	2.97%	-7.50%	-6.29%	Sep-11

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Single Managers – Jun 2020

Fund name	Last 3 months	Jun-20	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
Africa Fixed Income (USD)									
Enko Africa Debt Fund	8.97%	2.05%	19.67%	33.14%	19.67%	18.62%	19.85%	n/a	Oct-16
IPRO Africa Total Return Fund	5.44%	1.84%	-1.36%	1.92%	-1.36%	3.81%	5.64%	4.78%	May-14
Commodity Trade Finance (USD)									
Challenger Trade Finance Fund	0.50%	-0.81%	2.39%	6.75%	2.39%	7.94%	7.92%	n/a	Nov-15
Barak Structured Trade Finance Fund	-3.74%	0.22%	-4.43%	-0.69%	-4.43%	11.07%	4.88%	6.59%	Feb-09
Commodities (ZAR)									
Polar Star SNN QI Hedge Fund (QIF)	10.10%	4.00%	20.85%	16.85%	20.85%	19.75%	14.97%	10.85%	Oct-08
Global Focus									
Craton Capital Precious Metals Fund (USD)	73.72%	8.17%	9.77%	37.50%	9.77%	1.50%	5.26%	10.11%	Nov-03
Craton Capital Global Resources Fund (USD)	52.91%	8.16%	-6.11%	1.76%	-6.11%	-2.12%	0.59%	1.43%	Dec-08
Optis Global Opportunities Fund (USD)	22.75%	1.91%	6.44%	11.65%	6.44%	8.19%	6.62%	11.72%	Sep-06
Visio Salveo Global Long/Short Fund	18.63%	5.66%	20.09%	24.68%	20.09%	7.05%	n/a	n/a	Jan-18
Protea Global SNN Retail Hedge Fund (RIF)	8.66%	1.91%	22.92%	32.94%	22.92%	15.55%	n/a	n/a	Sep-17

Fund of funds – Jun 2020

Fund name	Last 3 months	Jun-20	Last 6 months	Last 12 months	YTD return	Ann. comp.	5-yr ann. comp.	Incep. date	Return objective
Fund of Funds - South African (ZAR)									
Edge RCIS Portable Alpha 1 QI Hedge Fund (QIF)	23.59%	6.52%	-7.81%	-5.10%	-7.81%	8.48%	-0.05%	Jun-12	100% Riscura Capped SWIX 15% Index
Edge RCIS Matador Retail Hedge Fund (RIF)	19.86%	5.29%	-6.63%	-4.62%	-6.63%	9.97%	1.20%	May-04	STeFI + 4%
Momentum RCIS Multi Managed ZAR Equity Hedge QI HF (QIF)	16.53%	3.44%	-13.13%	-7.65%	-13.13%	6.00%	1.95%	Jan-11	2/3 SWIX up & 1/3 SWIX down
Momentum RCIS ZAR Diversified QI FOF (QIF)	15.90%	3.94%	-5.61%	2.46%	-5.61%	7.94%	5.29%	Nov-07	STeFI + 5%
Alpha Prime Equity Qualified Investor FoHF (QIF)	12.87%	4.48%	-3.00%	0.42%	-3.00%	6.96%	3.47%	Nov-07	ALSI
Alpha Prime Cautious Qualified Investor FoHF (QIF)	11.93%	2.83%	2.37%	4.76%	2.37%	7.87%	3.84%	Mar-03	CPI + 3%
AF Investments Focus QI Hedge Fund of Funds (QIF)	11.41%	4.37%	0.14%	3.67%	0.14%	8.86%	3.56%	Feb-11	65% SWIX + 35% STeFI
Edge RCIS Absolute Return Retail Hedge Fund (RIF)	11.27%	2.87%	-4.35%	-3.46%	-4.35%	8.40%	2.64%	May-02	STeFI + 2%
27four Long Short Prescient QI FoHF (QIF)	9.62%	4.20%	-3.27%	-0.85%	-3.27%	7.76%	2.19%	Feb-09	STeFI + 4%
Novare Mayibentsha Focused Qualified FoHF (QIF)	9.57%	2.42%	4.29%	5.63%	4.29%	8.28%	3.25%	Dec-08	CPI + 4.5%
AF Investments Performance QI Hedge Fund of Funds (QIF)	9.19%	3.89%	2.09%	5.67%	2.09%	9.23%	5.28%	Jan-06	40% SWIX + 60% STeFI
AF Investments Moderate QI Hedge Fund of Funds (QIF)	8.80%	2.97%	1.54%	5.80%	1.54%	9.15%	6.61%	Mar-00	30% SWIX + 70% STeFI
Old Mutual Multi-Managers Long Short Equity FoHF	8.79%	4.74%	0.36%	5.66%	0.36%	11.50%	3.99%	May-04	STeFI + 7%
Novare Mayibentsha Moderate Qualified FoHF (QIF)	8.19%	2.02%	5.03%	7.24%	5.03%	10.49%	6.12%	Apr-03	CPI + 3.5%
Citadel Multi-Strategy H4 QI Hedge Fund (QIF)	8.07%	3.09%	0.19%	0.76%	0.19%	12.53%	4.91%	Dec-02	Cash + 3%
THINK Flexible Growth RCIS Retail Hedge Fund (RIF)	7.59%	4.04%	-10.16%	-5.22%	-10.16%	-0.17%	n/a	Feb-18	n/a
27four Alternate Income Prescient QI FoHF (QIF)	7.53%	1.29%	5.22%	8.52%	5.22%	7.15%	7.12%	Feb-09	STeFI + 2%
RCIS THINK Growth QI Hedge Fund (QIF)	7.52%	5.02%	-3.50%	0.10%	-3.50%	6.76%	5.16%	Nov-14	STeFI + 3%
Prime Alternative Retail FOHF (RIF)	7.20%	1.28%	6.44%	6.76%	6.44%	8.06%	4.99%	Nov-12	Cash + 3%
Novare Mayibentsha Market Neutral Qualified FoHF (QIF)	7.11%	1.12%	3.99%	7.30%	3.99%	7.70%	7.40%	Jul-10	CPI + 2.5%
27four Market Neutral Prescient RI FoHF (RIF)	7.04%	1.31%	0.88%	3.47%	0.88%	7.35%	4.00%	Feb-09	STeFI + 3%
27four Fortress Prescient RI FoHF (RIF)	6.47%	2.24%	3.80%	7.73%	3.80%	8.21%	6.26%	Feb-12	STeFI + 4%
AF Investments Stable QI Hedge Fund of Funds (QIF)	5.72%	1.38%	1.21%	5.08%	1.21%	8.79%	7.43%	Jan-06	15% SWIX + 85% STeFI
TriAlpha SNN Enhanced Fixed Income QI FoHF (QIF)	2.58%	0.71%	4.49%	8.07%	4.49%	8.30%	8.14%	Aug-07	STeFI + 2%
Alternative QIF - Global (ZAR)									
STANLIB Multi-Manager NCIS Alternatives Qualified FoHF (QIF)	0.71%	0.44%	10.21%	11.17%	10.21%	7.38%	n/a	Jun-18	CPI + 5% over 3 years
Fund of Funds - Global (USD)									
Aurum Isis Professional Dollar Unrestricted	7.12%	1.76%	2.70%	6.17%	2.70%	4.87%	4.65%	Jul-14	n/a
Aurum Isis Standard Dollar Restricted	6.71%	1.54%	2.06%	5.40%	2.06%	5.67%	3.72%	Apr-98	n/a
Fund of Funds - Pan African (USD)									
Caveo Africa Fund	8.73%	-0.89%	-19.40%	-17.21%	-19.40%	-1.05%	-4.67%	Jun-12	n/a
27four Pangaea Africa Fund of Funds	8.49%	1.06%	-21.89%	-19.45%	-21.89%	-4.18%	-6.57%	Jun-11	n/a

* estimate

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


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