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Complex times require **fresh thinking**

By Gwyneth Roberts, editor

Things are certainly being shaken up in the financial markets. As this issue was going to press, global stocks had endured a torrid October, on the back of a difficult September.

Things are also being shaken up in the hedge fund industry – particularly in South Africa, where developments tend to lag those in developed markets. While hedge fund regulation has been welcomed, it has not come without teething problems, which continue to play out in various ways. And in a low-return environment, fund managers are facing criticism for not adapting timeously to change, most notably when it comes to fee structures.

What does the industry need to revive its fortunes and improve its image? Fresh ideas, artfully combined with tried-and-tested approaches, are certainly a good starting point.

This month we spoke to Prime Asset Managers' Stephen Pratt (*page 4*) and Cornelis Batten of RealFin (*pages 22-23*), both of whom are energised about the potential for growth in the South African alternatives industry as it extends in new directions.

"Many allocators want something different, and we are excited to see investment talent looking to do new things," Pratt told us.

Also in this edition we spoke to Steve Everett of Strate Collateral (*page 5*), who is the driving force behind a triparty collateral system designed to make collateral management in South Africa more efficient while meeting global regulatory requirements. It offers compelling potential for a range of industry participants looking to work smarter in a fast-changing world, including hedge funds and prime brokers.

And to demonstrate the longevity and commitment that exists in the South African hedge fund industry, we spoke to Peregrine Capital, one of the longest-running hedge funds in the country, which marks its 20-year anniversary (*pages 14-15*). It's a fascinating interview with portfolio managers David Fraser and Jacques Conradie, which touches on the firm's genesis, its track record and how the team works together on a daily basis to be the best they can be and generate returns for investors.

"Is the industry still relevant? I absolutely, firmly believe that it is," comments Fraser, who co-founded the firm in 1998 with Clive Nates. "The reason that we started this business is as valid today as it was 20 years ago. The opportunities are still there and with a proper fundamental research effort, you can still find great investment opportunities."

It's an encouraging read for anyone examining the industry's subdued circumstances in the midst of a particularly rough patch.

This month we also interviewed Gregg Bayly and Andra Greyling from Cape Town-based fixed income specialist Southchester Investment Managers, who are utilising their skills in the repo market to build income-generating products for investors, focusing on their niche of creating and managing liquidity (*see pages 20-21*).

In our efforts to uncover new ideas to inspire and inform, we also carry three opinion pieces from industry players. On page 17, industry veteran Ian Hamilton talks about how co-investing is gaining in popularity offshore and how it has potential in the South African environment too. Rick Walker from Marble Rock Asset Management (*pages 18-19*) looks at the value of the rand, in a fascinating piece of analysis that may just prevent some investors from taking all their capital offshore. And Elmien Wagenaar of THINK.CAPITAL expounds on how hedge funds can help manage volatility (*page 29*).

This month's edition includes our annual investor survey, in which we polled leading allocators and intermediaries to the domestic hedge fund industry, to gauge their views and opinions across a range of areas (*see pages 24-28*).

It is not all easy reading, but it does provide important food for thought for an industry arguably in need of a reboot. Encouragingly, respondents note a marked improvement in hedge fund returns this year, particularly from equity long/short strategies. They also comment on growing risks in the global markets, and how hedge funds are a very important tool to add diversification, downside protection and good risk-adjusted returns to investor portfolios.

For the first three-quarters of 2018, South African hedge funds have gained a median 4.7%, a comparable return to the All Bond Index while the FTSE/JSE All Share Index has declined by a similar number. Markets have been volatile and domestic corporates are under pressure, yet many hedge fund strategies have contributed gains for the year so far. Going into Q4, the challenges remain, and the onus is firmly on investment managers to apply their minds and demonstrate their edge in decidedly complex times.

news

Prime sees pick-up in business services as asset managers look to differentiate

Steve Pratt at Prime Asset Managers believes that South African asset managers need to focus on providing solutions that meet their clients' needs for differentiated products and alternate sources of return.

Prime is seeing growing interest for its services, which range from business establishment and asset management solutions, both onshore and offshore, to administration, compliance, regulatory services and licensing.

Besides offering independent administration, LISP and manco services, Prime has seen increasing interest from domestic managers for advisory on established and emerging asset classes, including private equity, real estate, debt and digital asset funds.

It also offers feeder funds for offshore managers entering the South African market and rand-based feeder funds for South African investors into offshore products.

Prime works with clients on a case-by-case basis to create bespoke solutions tailored to their needs, ranging from engaging on a pure service level basis, through to assistance with business strategy and equity partnerships.

Pratt, a category IIA licence holder, was previously a hedge fund manager, bringing first-hand expertise.

"We don't work in a cookie-cutter fashion, it is an interactive process," he says. "We take away the grunt work that is not revenue generating so that the managers can focus on their strengths in the markets. Managers can't be all things – compliance, regulation and admin can take your mind off the markets and this does not help investors in the long run. We go the extra mile with managers and look to build solutions that make sense, with the right work done by the right people."

Prime has multiple hedge funds on its manco platform, all offering various strategies within the retail and qualified investor space.

It has assisted Cape Town-based asset managers Reitway Global launch a leveraged global property REIT retail hedge fund, and Mergence Investment Managers launch a long/short retail equity hedge fund.

The Prime Reitway Leveraged Global Property Retail Hedge Feeder Fund, a South African-domiciled CIS hedge feeder fund, provides investors with geared exposure to a master portfolio of REITs and REIT-like equities, constructed by Reitway Global. Work is also under way to offer an ETF version of this portfolio.

Prime also has a multi-strategy QIHF portfolio on its platform, advised by Courtney Capital in Johannesburg, who are having a stellar year with returns of 25% year to date in a difficult market environment.

> **"There is a lot going on in the alternative space and we are well-placed to help asset managers achieve their goals, change the direction of their businesses or ramp up in certain areas"**
> *Steve Pratt*

"We don't rent a licence," stresses Pratt. "Managers are able to run co-branded Prime funds for us under supervision, we handle all back-office functions and have look-through to their portfolios. It's a holistic touch-point solution."

Prime is also currently building a fund solution for a group of South African managers running segregated mandates that invest in the offshore markets, which will be managed from Mauritius. The fund will be section 65 approved and adds more interesting products to its offering.

"There is a lot going on in the alternative space and we are well-placed to help asset managers achieve their goals, change the direction of their businesses or ramp up in certain areas," he said. "Where is the demand coming from? It's from investors who want smart solutions and bright ideas."

Prime is also working with Westbrooke Alternative Asset Management to launch an offshore debt fund via a local hedge fund feeder, and is establishing a crypto currency digital asset arbitrage fund housed in a fund structure on behalf of Durban-based technology company Avantcore Capital.

The Prime Group comprises a number of financial services businesses, operating under a comprehensive range of licences and regulations. Prime administers over 130 funds with assets under administration of around R65 billion.

Prime Financial Services (PFS) was established in 2005 to provide niche financial services. Prime Alternative Investments is its registered manco for hedge fund and alternative asset management schemes, and Prime Asset Managers is a registered hedge fund and alternatives investment manager.

Prime continues to service the hedge fund industry in the regulated environment, although Pratt notes that growth has been subdued.

"Hedge funds operating in a regulated environment may tend to conform more, rather than being opportunity driven, which changes the risk-reward profile," notes Pratt. "Many allocators want something different, and we are excited to see investment talent looking to do new things."

Steve Pratt

Strate advances collateral system

Strate, South Africa's central securities depository, has made important strides with its triparty collateral management services (TCMS), which connects collateral givers and collateral receivers, allowing trading members to post non-cash assets directly to the exchange via a closed system.

TCMS, which launched in the local market at the end of 2015, fully automates collateralisation processes between collateral givers and receivers. It also takes care of all underlying post-trade 'plumbing', to ensure that transactions are effected efficiently and comply with local regulations. This alleviates the administrative burden typically associated with both pledge and cession transactions.

According to Steve Everett, general manager of Strate Collateral, the need for more effective collateral management became apparent in South Africa in the wake of the global financial crisis, which has brought a raft of new regulations globally.

Post-2008, the world has moved from a completely unsecured setting to a very expensive cash collateralised environment, creating the need for market players to make optimal use of assets in a real-time way.

"Our triparty system is future-proofed in terms of new regulations coming in," says Everett. "Regulations being introduced in Europe will inevitably come our way. Our triparty system enforces what international regulators are trying to control – each piece of collateral needs to be tracked with limits applied as to what can be done with it."

Having recognised the need to make collateral management in South Africa more efficient, Strate chose to partner with Clearstream, part of the Deutsche Börse Group. Clearstream is an international central securities depository (ICSD) based in Luxembourg, providing post-trade infrastructure and securities services for markets in 110 countries.

Strate makes use of Clearstream's collateral management infrastructure, the Global Liquidity Hub, for allocating, optimising and substituting local collateral. The system operates on a fully automated basis in real time and enables Strate clients to efficiently handle their domestic collateral holdings and exposures, without the need to move collateral out of the domestic environment.

Since going live, TCMS has gained good traction across various asset classes and a multitude of exposure types.

Steve Everett

TCMS allows trading members to post non-cash assets directly to the exchange, in a closed system that connects and tracks collateral givers and collateral receivers.

"A triparty system is independent, transparent and lot of other very cool things," says Everett, who has worked in the post-trade environment at Strate for the past 10 years.

Everett believes that TCMS has clear benefits for a range of market players – from the big five banks, to international banks operating domestically, to brokers, custodians and asset managers, as well as prime brokers and hedge funds.

In the hedge fund world, for example, a hedge fund manager may pledge assets to a prime broker, with active cash management (repo for example) automatically reducing overall costs for both parties, and including an extra layer of security via the tripartite system. Strate's real-time inventory management system then optimises the use of that collateral, in effect undertaking pre-trade analysis on the available pool of assets.

In such a situation, the hedge fund manager retains control of their inventory, perhaps choosing to pledge or outright transfer just a handful of stocks to the repository rather than their entire portfolio. When contracts are set up, both the hedge fund and the prime broker need to agree to re-use the collateral (in the case of outright transfer), which can be easily and automatically defined according to asset class (eg: bonds or equities) or based on certain liquidity parameters defined by market capitalisation. Costs are borne by collateral givers on a pay-as-you-use web-based system.

"The use of triparty agents is not mandated anywhere in the world, yet they have grown in scale and popularity. Services like ours are only as successful as the benefits that they produce. We really believe the TCMS system offers recognisable benefits across the financial services landscape," says Everett.

Strate adds that existing bilateral arrangements have limitations. Organisations that operate in silos often have an incomplete overview of available collateral, which creates inefficiencies, and there is an inability to optimise market-wide collateral as counterparties may be unaware of common bilateral relationships that exist with counterparts.

Uncertainty relating to the location and size of the collateral that has been ceded, and the lack of an audit trail of reused collateral movements, may also expose the collateral receiver to credit risk.

If the international example is anything to go by, Strate notes that similar triparty management systems built up over the first three to four years as counterparts began to connect and realise the efficiencies, leading to a pickup in volume and a growing pool of counterparties. In other markets, collateral is re-used an average of nine times.

"We see this system as becoming standard across the market in three to five years," says Everett. "In the EU, triparty agents accounted for 51% of non-cash equity collateral usage in June 2015, and this is sitting at about 85% in 2018. It is early days in South Africa, but it gives us a good proxy for how things may develop."

New regulations aimed at protecting financial markets from systemic risk have raised concerns that legislation could pressurise high-quality liquid assets (HQLA), such as cash and government securities.

- The G20 Finance Ministers recommend standardised over-the-counter (OTC) derivatives should be centrally cleared with central counterparties (CCPs), which will require counterparties to place collateral with CCPs, while non-cleared OTC derivatives have to also be collateralised. This will further impact HQLA availability.
- Regulations in Basel III, Basel IV,CPSS-IOSCO and Solvency II – although global – will affect the South African market in that there will be a need to hold greater regulatory and solvency capital, with increased requirements on transparency.
- The cumulative effect of these changes, as well as South African requirements stated in the Financial Markets Act and Regulation 28 of the Pension Funds Act, point to a re-think of collateralisation. This will affect multiple exposure types and the collateral posted to cover these – to and from banks, lending desks, asset managers, hedge funds, trading desks, as well as to CCPs and pension funds.
- New regulation as it relates to Secured Funding Transactions is being finalised both in the EU and in South Africa. TCMS meets the requirements of this upcoming regulation.
- Research indicates that, based on current practices for collateral, even though there may be enough collateral at times – it is important to get the right collateral to the right counterpart at the right time. Therefore unlimited substitutions, re-use of collateral and asset safety are a formidable trifecta in secured funding transactions.

Source: Strate

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Sep 2018 Acanthin reaches three-year mark

The Acanthin House long/short strategy, managed by Harry Singh in Johannesburg, has reached the three-year mark, delivering a net annualised return of almost 10% since inception in September 2015.

Harry Singh

The fund has added a net 2.95% to the end of September, compared with a decline of 3.84% from the JSE All Share Index (total return).

Singh has been in the markets for the past 25 years, and works with a team of five analysts, including one graduate trainee as the business looks to invest in building South African talent.

The fund is offered only as a private partnership or a segregated account, with a minimum investment of R100 million. It currently has assets under management of R300 million.

Singh holds 35-40 stocks in his South African portfolio at any given time, with the team primarily focused on the top 120 JSE-listed stocks, adopting a bottom-up approach to stock selection and adhering to time-tested investment principles.

As of the end of August, the strategy had zero net exposure and gross exposure of 87%, with not all capital deployed in uncertain markets.

Singh notes that the US Federal Reserve has now raised rates seven times since signalling an unwind from its post-crisis stimulus campaign.

"We are scared of the local market, but we are very scared of offshore," he said. "We have already had a bit of an emerging-market sell-off and we are well into the stage where a global market sell-off might be significant."

Singh notes that he has "managed to miss all the bombs" that have detonated recently in corporate South Africa. The fund has held short positions in Steinhoff at various points in recent years, as well as in property play Resilient, avoiding the likes of Tiger, Aspen, EOH, MTN and Consolidated Infrastructure Group as well as Naspers. It took a short position in MTN in the wake of its recent Nigerian issues.

"Whilst people talk about shares being cheap, overall we feel they are still expensive," he says.

South Africa's structural issues, including a technical recession, high unemployment rates and political concerns, were also a worry.

The portfolio is typically not daily traded, but recent volatility has created trading opportunities to either top up positions or take profit.

"You have to be nimble in this environment," says Singh. "Volatility sounds like a good thing but it is very unpredictable. For example, seeing Aspen lose over 30% within three days [in mid-September] makes for a very complex environment for managers."

The fund focuses chiefly on the South African market, with offshore holdings at about 5% of the book and local rand hedges bringing added global exposure.

In general, Singh and his team are finding shares expensive, albeit with some compelling valuations in mid and small caps, which are under-researched and have already endured a sell-off. Given liquidity concerns, they strictly limit position sizes in smaller stocks.

Singh adds that offshore holdings in South African stocks are "inordinately high", with some stocks being as much as 80% foreign-owned, which adds significant risks in a market that hasn't offered beta for three years. *More online*

Sep 2018 CDAM approved for marketing in South Africa

London-based independent asset management firm CDAM (UK) Limited has had its KLS CDAM Global Opportunities Fund and KLS CDAM Global Equity Fund approved for marketing in South Africa under Section 65 of the Collective Investment Schemes Control Act (CISCA).

CDAM was founded in 2005 by CEO Adam Chamberlain and CIO Scott Davies, who launched their 'hedged equity' global opportunities investment strategy in April 2006. The fund is a concentrated portfolio of developed-world securities hedged with listed futures and options. CDAM launched its long-only global equity version of the strategy in 2012.

"We can now provide two fund solutions (hedged or long-only equity) authorised by the Central Bank of Ireland under UCITS regulations and by South Africa's Financial Sector Conduct Authority, whilst the firm is authorised by the UK's Financial Conduct Authority and is a US SEC-registered Investment Adviser," said Chamberlain. "The funds are also Situs appropriate, which alleviates tax concerns on the holding of foreign assets, and gives the end-investor exposure to the developed markets, in multiple currency share classes, with daily liquidity and highly competitive fee structures."

Adam Chamberlain

Scott Davies

Davies and Chamberlain worked together previously at JPMorgan and have a combined 56 years' market experience.

Before co-founding CDAM, Davies spent four years as senior portfolio manager for proprietary investments at Manulife Financial. He was previously a vice-president of proprietary trading at TD Securities for three years and prior to that he worked in the fixed income capital markets at JPMorgan.

Chamberlain spent 13 years in various roles at JPMorgan both in London and New York. In 2002 he joined Barclays Capital in New York, based in the US fixed income department before returning to London to launch CDAM.

Also part of the team are senior analysts Chuck Chmura and Cyrus Jahanchahi, with George Chamberlain as COO/CCO and Lorna Jackson as head of marketing and investor relations.

CDAM employs a long-biased, value-oriented, counter-cyclical approach to investing in equities with a core focus on 'compounders' and event-driven/special situations. Hedging, or downside protection, is provided in the hedged book via the opportunistic use of exchange-traded futures and options, and the portfolio actively manages its cash component. Forex hedging is applied but the funds do not use gearing.

Its investment universe comprises 3,500 stocks listed in developed markets, with a typical focus on stocks with a market capitalisation of more than US$1 billion, and a geographical focus on North America, Western Europe and the UK. In-house quantitative models assist in filtering companies from the initial list, which is followed by qualitative research. The funds typically hold 15-20 long positions, with stocks entering the portfolio with a minimum expected internal rate of return of 30% to build a margin of safety. *More online*

online news

Sep 2018 Momentum rolls out replication strategy


Kamini Naidoo

Momentum Investments has rolled out its Alternative Equity Beta Fund as a standalone product as of August 1, a hedge fund replication strategy that provides a passive alternative beta solution that can be combined to good effect with its actively managed multi-manager mandates. The portfolio aims to deliver the risk and return characteristics of a typical hedge fund equity strategy, targeting a return of two-thirds of the equity market upside, while limiting participation to one-third of the downside.

The Momentum Alternative Equity Beta Fund is designed to serve as a core component to any allocation to hedge funds, and is typically combined in client portfolios with an allocation to Momentum's active alternative fund of hedge funds. The alpha strategy will comprise a selection of diverse alpha producers, where alpha is defined relative to the replicated beta and where return profiles are expected to be orthogonal to traditional and alternative beta risks. This provides clients with a comprehensive alternative solution at lower fees.

The fund is managed by Kamini Naidoo, portfolio manager at Momentum Investments. "We believe this product can help to bring expense ratios down significantly without compromising on the value proposition of the hedge fund promise," says Naidoo. "We classify different hedge fund strategies as either return enhancers or risk reducers, and used appropriately they have an important role to play in reducing risk and adding to returns in a client's overall portfolio."

The Alternative Equity Beta Fund currently has assets under management of around R450 million, with the implementation of these strategies introduced within the Momentum ZAR Equity Hedge Fund of Hedge Fund on December 1, 2016. The strategy has produced a net return of 9.11% annualised since inception, outperforming the targeted return by in excess of 3% a year as well as lowering the total portfolio costs. The fund charges a 65 basis point management fee and no performance fee.

Momentum ZAR Equity Hedge Qualified Fund of Hedge Fund has returned a net annualised 8.2% since its inception in July 2011.

The Momentum fund of hedge fund range also includes the Momentum ZAR Diversified Qualified Fund of Hedge Fund, a cash-plus mandate, which has returned 8.5% annualised since inception.

The Momentum Portable Alpha Fund targets a return in excess of SWIX. The fund has returned a net annualised 5.7% since inception in August 2014. This compares to the SWIX, which returned 3.2% over the same period.

Naidoo notes that it has been a tough environment for hedge funds and, while returns have picked up this year, fees remain a concern in a regulated environment.

Momentum maintains its focus on delivering alternative solutions that meet client needs for uncorrelated return streams in a variety of market conditions.

Aug 2018 Nitrogen makes good progress


Rowan Williams

Johannesburg-based Nitrogen Fund Managers, headed by Rowan Williams, has had a strong start to the year, with its Nautilus Nitrogen Retail Hedge Fund (RIF) adding a net 8.51% to the end of September, taking its net annualised return since inception 12 years ago to 13.45%.

The fund, a long/short equity fund that aims to be neutral to equity market movements and deliver low-volatility absolute returns in all market conditions, invests on a fundamental basis with a value bias.

Williams says the fund has made good strides in a better environment for active managers this year, which has brought a significant increase in market volatility and a move back to fundamentals and more reasonable valuation levels.

The portfolio comprises a long-term fundamental book and a short-term trading book, both of which have done well this year. The fund comprises around 40 stocks, or 25 positions, including pair trades and other relative-value holdings.

Nitrogen has a disciplined approach around achieving target prices. The fund realised gains in several domestic stocks in the first quarter, rotating out into quality rand hedges.

There have also been notable successes on the stockpicking side. The fund has benefited from long positions in packaging and paper group Mondi, which has performed exceptionally well, and electronic and ICT group Altron's recovery story, while cycling out of domestic stocks such as Super Group and AECI.

Nitrogen's portfolios are defensively positioned at present. Williams is negative on the rand, given global macro factors and the unwinding of the emerging market carry trade.

Nitrogen currently has assets under management of R2.2 billion, having seen measured growth from a diversified investor base, with further capacity to grow. It manages six mandates, comprising daily-priced domestic portfolios, a US dollar fund for global investors and various bespoke mandates.

Nitrogen's experienced team includes Waldo du Plessis, David Oberholzer, and Petri du Plessis. Williams is looking to add another person.

Domestic assets have been stable despite a tough fundraising environment, with some rotation combined with inflows from new investors. The dollar-based fund has enjoyed good inflows this year.

The local and offshore portfolios differ slightly in their weightings to the trading and long-term books.

Nitrogen's long-term book takes advantage of risk arbitrage opportunities, looking for stocks that are fundamentally mispriced, while the trading book seeks arbitrage opportunities due to short-term mispricing. The fund's investment universe includes JSE-listed stocks as well as a small allocation to OTC unlisted stocks.

In his analysis, Williams distinguishes between complex and complicated. For example, the fund avoided dual-listed retail holding company Steinhoff, which saw its shares tank in December as its CEO resigned due to accounting irregularities. It realised a position in related entity Steinhoff Africa Retail (STAR) before the Steinhoff news broke in December. The fund went on to trade STAR again but currently has no exposure.

Williams notes that institutional investors are focusing on outcomes-based investing, being cognizant of the need to match liabilities rather than chasing returns, which has brought an increase in passive investing. "This is ultimately healthy for the industry. Fund managers need to be able to show that they are truly adding value. A well-structured hedge fund is well-suited to achieving such liability-focused targets," he said.

Nitrogen has extensive broking relationships, both domestic and offshore, and has developed its own foreign-exchange engine to facilitate offshore multi-broker electronic trading. This will allow it to expand the opportunity set beyond local markets, and it aims to take the offshore book to around 30% of its holdings, focusing chiefly on structural opportunities mainly in the US, Europe and Asia.

Williams notes that there has been a long global bull run in the nine years since the global financial crisis, which has brought some market excesses, with the chase for yield in emerging markets resulting in some indiscriminate buying. *More online*

online news

Aug 2018 36ONE fund launches on LISP

The 36ONE SNN Retail Hedge Fund (RIF) has become the first single-manager hedge fund in South Africa to launch on a LISP (linked investment service provider) platform, offering daily pricing and daily liquidity via Momentum Wealth.

The fund, managed by 36ONE Asset Management in Johannesburg, is one of three rand-based hedge funds in the 36ONE product range, and mirrors the 36ONE SNN QI Hedge Fund (QIF), which offers monthly liquidity.

The Momentum Wealth LISP allows for a lump sum investment of R50,000 or R1,000 per month.

The two mirror funds have the same underlying risk profile and are expected to offer similar returns, barring minor short-term differences due to flows.

"We are a diversified business and have the ability to handle the regulation and regular flows that come with a daily priced hedge fund," notes 36ONE's Steve Liptz, who founded the company with Cy Jacobs in December 2004.

"For a long time, we believed that when hedge funds moved from an unregulated to a regulated environment, the platforms would see the opportunity and react quickly. Ultimately, we believe that many hedge funds will be available on platforms, which will drive flows from financial advisers and private clients."

Jade Houreld *Stash Martins*

Hedge funds make up more than half of 36ONE's approximately R18 billion in assets, with the remainder in its long-only unit trusts and segregated mandates.

The size of the R270 million 36ONE SNN Retail Hedge Fund will be monitored so as not to impact performance. The 36ONE SNN QI Hedge Fund has AUM of R4.1 billion. The team also has around US$260 million in offshore assets invested in similar hedge fund strategies.

Liptz says he expects 36ONE's hedge fund portfolios to continue to perform strongly over the long term and with lower volatility than their long-only funds, due to being able to access a wider tool kit. For example, the funds have benefited from short positions such as EOH and Resilient.

36ONE has also recently hired two business development professionals as of the start of August, taking the team to a total of 20 with an investment team of 12.

Jade Houreld joins from Alexander Forbes, while Stash Martins was previously with Allan Gray.

Martins spent five years at Allan Gray where she worked as a business development manager in the retail distribution team, having previously filled the role of a client relationship manager in the direct private clients' channel. She holds a BCom degree from the University of Cape Town in Economics and Finance, with Honours in Finance, and also has a post-graduate diploma in financial planning through the University of the Free State.

Houreld spent seven years at Alexander Forbes Investments, filling multiple roles including offshore capital-raising for the firm's alternative investment offerings, institutional client account management and an executive management role for the broader client channels team. She has a professional diploma in Marketing Management from the IMM Graduate School of Marketing and is currently registered for the level 1 exam with the Chartered Alternative Investment Analyst Association (CAIA). *More online*

Aug 2018 Independent Alternatives extends process

Grant Hogan and Tatenda Chapinduka at Independent Alternatives in Johannesburg are applying their proprietary multi-strategy investment process more broadly, launching a long-only unit trust and making good progress with a short-biased equity hedge fund strategy.

Independent Alternatives' flagship fund is the Muhu Fund, a quantitatively biased, multi-asset, multi-strategy, macro-thematic fund, investing into fixed income, equity, commodity and foreign-exchange markets.

The fund is the most conservative product in its range, targeting annualised volatility of 5% and aims to deliver net returns that exceed STeFI by 3% per annum over a rolling three-year period.

The Independent Alternatives Muhu Balanced ACI Fund employs the same skillsets in a long-only framework, with a higher risk-return profile. "Most balanced funds tend to have a static and high long-term allocation to equity markets and are therefore highly concentrated in risk, as equities tend to be the riskiest allocation in these portfolios. When we think balanced funds, we really think balanced risks, and that is what the fund aims to do, by focusing on the allocation of risk and not capital," says Hogan.

The fund follows a macro-thematic investment approach (and not an asset allocation approach) to allocate risk capital.

It typically has moderate equity exposure and seeks to balance risks by investing across a range of markets, using the tools of modern finance to enhance portfolio returns and manage risk.

The fund, which is Regulation 28-compliant, aims to deliver CPI+5% and suits investors with a three-year investment horizon. It launched as a segregated mandate at the beginning of last year, generating a net 22% in 2017 with a gain of 11% this year to the end of July. Independent Alternatives has partnered with Africa Collective Investments (ACI) and the fund is offered as a co-named collective investment scheme.

The pair have also been running a short-biased equity strategy since the start of 2017. They are looking to offer this fund in a RIF structure once R50 million seed capital is in place.

The short-biased strategy uses a proprietary quant-biased process, following a rules-based approach to allocating mainly to Top 40 equities and local derivatives.

"The fund is appropriate for investors who have broad exposure to the domestic equity market and want to diversify away from such exposure, while growing the real value of their assets with a low level of capital risk over the medium term," says Hogan. "

The fund aims to deliver net returns that exceed cash rates by 5% per annum, over a rolling five-year investment period, by achieving cash-like returns in normal markets and outsized returns in stressed markets. It is focused on absolute returns and has a targeted volatility of 10% annualised.

The fund gained a net 5.8% last year, and has added more than 10% so far this year to the end of July against a negative equity market.

"In an environment where the market is down 20%, this fund is designed to give you 30%," says Hogan.

The flagship Muhu Fund has gained a net annualised 2.58% since inception in March 2016 and is 0.85% higher so far this year to the end of June. It has R75 million in assets under management and is designed to be the most reliable and defensive in the product range.

Hogan says the strategy has a continual risk-balancing framework in place, which has resulted in some friction this year, bringing short-term underperformance as gains in its equities strategies have not been enough to offset losses across its fixed income and commodities trading strategies.

After a sustained bull market for almost a decade, Hogan notes that there are enough local and global risks to suggest there will be another market sell-off, although the timing is impossible to predict. *More online*

Sep 2018 Ludwig live with online platforms

Andrew Ludwig at BLACK ONYX has gone live with two online platforms – Fund Hub and The CPD Hub – allowing investment managers to showcase their skills and products in a digital environment, while advisers and financial professionals can earn all their required CPD points needed to maintain their fit and proper status, from one Hub.

Fund Hub aggregates content from South African asset managers in one central location, profiling boutique, traditional, passive and alternative managers with video interviews and important fund information, including investment techniques and factsheets. Registered users are then directed to the back-end to satisfy their CPD regulatory requirements.

The CPD Hub is populated with investing and regulatory content from industry stakeholders, allowing advisers and financial professionals to generate CPD points from the comfort of their phones, laptops or tablets, by viewing content online and offline that is regularly updated and supported by other CPD service providers.

"Individual investors are becoming more demanding and investment savvy, putting real pressure on the advisors to substantiate their services," notes Ludwig. "Financial professionals are time-short and face increasing pressure from regulations and a fast-changing market place. It is important for them to be able to stay up to date in a manner that suits their lifestyles, digitally and economically." Fund Hub is a free service for registered users, supporting economic transformation and financial literacy.

The CPD Hub offers three levels of access – the first being FREE to allow newcomers to experience the service before committing to the SILVER package, which manages individual CPD score cards for a nominal fee. The GOLD package aggregates points from various service providers, and the CORPORATE package is available to upload multiple users. From R499 per year, financial professional can satisfy their CPD requirements including "Ethics and Practice Standards". *More online*

PEOPLE NEWS

Sep 2018 Wienand joins Polar Star team


Anton Wienand

Anton Wienand has joined the Polar Star investment team as of September 1, bringing a wealth of global commodity experience and knowledge, having traded commodities for almost two decades.

Wienand joins the seven-strong Polar Star investment team.

The Polar Star SNN Qualified Investor Hedge Fund (ZAR) has a track record stretching back to January 2010, generating a net annualised 20.7% since inception. It is the top-performing hedge fund in South Africa over five years, according to *HedgeNews Africa* data. It converted to a CISCA-regulated portfolio in June 2016.

Wienand began his career at Louis Dreyfus (LDC) as a commodities trader and progressed over 13 years to head up trading desks in various global regions including Switzerland, the US, the Middle East & Africa. From 2013 to present, he was CEO of the exchange-traded commodities business within the ETG Group, growing the business from a dominant regional player in Africa to a global agribusiness trading company.

During this time, Wienand also managed the Barak Shanta Commodity Fund from March 2014 through to February 2018, where he implemented a relative value and directional investment approach in the portfolio.

Wienand's fundamental investment focus and global experience in agricultural commodities trading of both physical and derivatives will be a valuable synergy to Polar Star's investment approach. *More online*

Sep 2018 Titley on board at Laurium


Mike Titley

Mike Titley has joined the Laurium Capital team as of August 1, where he takes on the role of business development manager.

Titley joins the 20-strong Laurium team, headed by Murray Winckler and Gavin Vorwerg. Laurium this year celebrated its 10-year anniversary, with assets under management of more than R22 billion across a successful product range that includes South African hedge and long-only funds as well as pan-African strategies.

Titley brings with him a wealth of experience as an investment consultant and business development manager to institutional and retail clients.

He began his career as an investment analyst at the newly established Ginsburg Asset Consulting in 2007. He developed with the business over several years to fulfil the role of asset consultant to several large South African institutional clients.

In 2014, he joined Coronation as a senior client associate within the institutional business development team working with large institutional clients for just over three years.

Prior to joining Laurium, he was most recently the business development fund manager at the boutique fixed interest house, Granate Asset Management, where he was responsible for the growth and clients of the business. Titley holds a Business Science Honours degree in Finance.

Sep 2018 TriAlpha appoints Sithole for investment analyst role

Nomonde Sithole has joined the investment team at TriAlpha Investment Management, where she takes on the role of investment analyst.

At TriAlpha, Sithole will be reponsible for investment reporting, analysis and operational tasks while under FAIS supervision. She holds a BCom (Financial Accounting) degree from the University of Cape Town and is preparing to do her CFA.

Sithole joins from the Maitland Group where she gained many years of investment-related experience, culminating in her tole as team leader in the specialist fixed income and hedge fund accounting unit. Before Maitland, she worked in various financial roles in the auditing, education and retail professions.

TriAlpha Investment Management is a specialist South African-based investment management firm, predominantly focused on managing enhanced cash and fixed income long-only and hedge fund institutional investment mandates using a portable alpha approach. It began in 2006 and currently manages and advises on more than R23 billion of assets.

Sep 2018 Chrysalis eyes rising inefficencies in credit

Cape Town-based Chrysalis Capital has reached the 10-year mark as a business, with its Chrysalis Credit Arbitrage Fund achieving positive returns each month since its inception in August 2008. The fund has averaged a net return of 12.4% over this period, which compares favourably against the ALSI (total return) return of 10.9% for the same period.

Chrysalis currently manages approximately R1 billion across three funds. The other two funds have also generated all-positive monthly returns thus far.

Headed by Carl Combrinck and Mark Pienaar, Chrysalis Capital was founded in July 2008 as a niche investment house that specialises in off-market private-sector credit.

"The gap for private-sector credit is well established internationally and is growing locally," the pair notes. "This is primarily due to increasing banking regulation via the implementation of Basel III, amongst other reasons. This ongoing and increasing regulation has led to increasing pockets of bank inefficiency, which in turn has opened up the market for credit funds."

The Chrysalis funds aim to achieve absolute returns well above cash in all market conditions. This is done via an extensive and established network of successful clients and using these relationships to structure loan facilities in a manner that returns generated are of a mezzanine nature whilst residing within senior debt levels. This enables the funds to generate disproportionate risk-adjusted returns on a sustainable basis. Year to date, the Chrysalis Credit Arbitrage Fund has gained 8.1%, with double-digit gains each preceding full year.

Chrysalis believes that an important differentiator for its team is that they have all previously worked in the banking environment. They now use their networks, banking experience, structuring experience and deal-making ability, combined with market knowledge, to compete with traditional banks as a viable lending alternative. Importantly they utilise this banking experience and knowledge to manage risk as well.

Combrinck is a qualified attorney and previously headed up the leveraged finance division of BoE. Pienaar joined Chrysalis in 2012, having gained banking experience at Cape of Good Hope Bank and Nedbank Corporate, with particular expertise in the property sector. Also part of the team is Trish Swanepoel, who has extensive banking experience at, amongst others, Investec and BoE.

Of the three funds managed by Chrysalis, the Chrysalis Arbitrage Fund has the longest track record (10 years) and offers six-monthly liquidity to investors. The remaining two funds are structured as segregated portfolios for institutional investors. These two funds focus on longer-term loan facilities of up to six years. The ability to offer and conclude longer-dated loan facilities allows these funds to compete with the banks in a meaningful manner. The ability to structure longer-term deals also importantly attracts a stronger and more experienced borrower.

From an investor perspective, the Chrysalis funds offer a stable and consistent return given that the underlying investments are structured loans that produce a strong serviced yield. This provides a solid case for investor diversification from traditional equities and bond markets – where most local investors are overweight.

"The equity markets can be very volatile, and at present it is hard to see where the upside resides apart from ZAR weakness propping up the ALSI, while our credit funds offer solid, stable and consistent returns that should appeal to institutional investors," says Pienaar. *More online*

AFRICA NEWS

Aug 2018 Mergence makes strides in Africa

Mergence Investment Managers, headed by Masimo Magerman, is making great strides on the continent as it actively explores Africa opportunities via its innovative private equity model.

Mergence has launched, or is soon to launch, operations in Namibia, Lesotho, Swaziland and Botswana, and Magerman says the group is exploring opportunities elsewhere in sub-Saharan Africa including Ghana and Zambia as well.

The focus is on investing via debt and equity investments into infrastructure, including renewable energy and property, on behalf of institutional investors such as local pension funds.

Magerman believes that South Africans need to think bigger, with domestic growth retarded by in-country tensions. "In many other African countries, people are simply getting on with it – and we are missing out," he said. He added that South Africa's signing in July of the African Continental Free Trade Area agreement with the African Union should encourage local businesses to think "continentally".

In Namibia, Mergence's private equity mandate from one of that country's largest pension funds has led to an initial investment in a solar energy plant, which was officially opened in August.

"The right approach is crucial," said Magerman. "We have developed a unique model, which enables a 70:30 split between local and foreign investment. All too often other African countries are subjected to the converse, which means that there is no evidence of promoting local business and creating shared value. This can lead to resentment towards South Africa."


Masimo Magerman

Mergence Investment Managers is one of the few South African asset managers with capability across both listed and unlisted investments. It has a suite of seven unlisted investment funds with a developmental and infrastructure focus. Unlisted investments have grown by an annual compound rate of 26% since 2010.

Two solar power plants in Namibia, with a total build cost of US$21 million, have been officially opened in Gobabis, the regional capital of the Omaheke region.

The projects, Ejuva One and Ejuva Two, are side by side and were constructed and managed as one project. The plant will feed an estimated 25.8GWh (Gigawatt hours) per year into Namibia's national grid. It is among the 14 renewable energy projects commissioned under the interim Renewable Energy Feed-in Tariff programme.

Local co-development partners, OKA Capital and BPI Energy Solutions, own 34% of the equity, while developer CIGenCo SA owns 49% and Mergence Unlisted Investment Managers (Namibia) owns 17% on behalf of its clients.

Mergence is already working on finalising its investment in another 5MW project in Namibia where it is looking to acquire a majority stake in the project and provide financing to the local partners with further debt funding likely from a major commercial bank.

Mergence is also extending its innovative approach to private equity into Lesotho, via its newly licensed subsidiary in Maseru.

Semoli Mokhanoi, Mergence's alternative investment strategist and managing director of Mergence Investment Managers (Lesotho), says the traditional private equity model has been adapted and tailored in SADC by offering pension funds and other institutional investors the opportunity to ensure that the bulk of their commitments are invested in "domestic market focused opportunities" rather than committing funds into offshore products. *More online*

Hybrid 'man and machine' style pays off for **Protea** fund range

Jean Pierre Verster's quantamental system adds another dimension to the investing process and now models 1,200 global developed-market firms

Jean Pierre Verster has made steady progress with his three quantamental hedge funds, which have delivered double-digit gains over the first three quarters of the year.

The Fairtree Protea Global Equity Long Short SNN Retail Hedge Fund, which focuses on global equity markets ex-SA, has added a net 16.65% in the 13 months since launch last September. This includes a net return of 14.65% so far this year.

The Fairtree Protea Equity Long Short SNN Retail Hedge Fund, which focuses on the South African market, has gained a net annualised 18.24% since launch in July 2017. It has added a net 22.57% so far this year.

The Fairtree Protea Worldwide Flexible Equity SNN QI Hedge Fund, a long/short fund that looks to generate alpha from both local and global markets, has gained a net annualised 13.55% in the three years since inception in September 2015. It has added a net 21.4% so far this year.

Verster believes that automation brings breadth to his "man and machine" system. His proprietary quantamental process incorporates valuation models that suggest the implied return of shares, from which he builds his ranking tables before selecting shares for the portfolios.

"Based on my models, I believe South African and global markets are still expensive. A lot of people believe the domestic market in particular is now cheap but, in general, I think valuations are full. One advantage of a hedge fund strategy is that you can make money on both the long and short sides," he says.

He adds that the prospects for domestic shares are not positive amid low economic growth, and a strong rand has not helped rand hedge stocks. In particular, stresses in the Chinese economy would have a serious impact on the local market, particularly the mining sector as well as individual counters such as Naspers.

"It used to be that if the US sneezes, the rest of the world catches a cold. I believe that if China sneezes now, South Africa will get pneumonia. We will be collateral damage if there is economic fallout from China," he said.

Verster is pleased to note that shorting has

> **"Based on my models, I believe South African and global markets are still expensive"**
>
> *Jean Pierre Verster*

proved a valuable tool for generating gains in this year's tricky and volatile markets. Performance attribution for the three funds shows positive returns from long positions, short positions, special situations and options strategies.

Since inception, a combination of outright shorts and short exposure via options has contributed two-thirds of gains to the fund which focuses on the South African market. In the global fund, short positions are flat to end September, with long positions contributing two-thirds of portfolio gains and one-third from currency exposure.

Verster's diversified portfolios typically comprise at least 50 names each and he expects to mitigate deep drawdowns and outperform through stockpicking.

Verster has made good progress on global research this year. He has now built models on 1,200 global developed-market companies, or 20% of his total ultimate universe of 6,000 companies with a market capitalisation above US$1 billion.

He sees few clear trends in the markets at present. IT exposure remains a strong theme in the global funds, with Facebook the largest long position combined with other US IT stocks. He has recently added short positions in commodity companies to the domestic portfolios for the first time this year.

"The Protea funds follow an investment strategy, not a trading strategy," says Verster. "I tell investors there will be negative months. You can't forecast equity markets monthly. There is a high probability of some negative months but a low probability of deep drawdowns."

Verster envisages more pain to come for South African corporates, even though many counters have halved in value or are flat on a rolling four-year basis. "The government is spending more than it is earning and this can't go on forever in a low-growth economy. That said, it is politically unappetising for any government to make too many changes before an election year. The hope is that President Cyril Ramaphosa gets a stronger mandate to effect change next year."

"We must accept that a positive turn in the economy might not come any time soon. Conservative balance-sheet management is important in times like these and we will ultimately see the difference between conservative management teams and those that take on undue risk."

Macro strains include a return to a rate-hiking environment, meaning that corporates that have enjoyed the low cost of debt now face new pressures. While US markets continue to thrive, stocks in some European markets have declined by as much as 30% this year.

Verster acknowledges that the South African hedge fund industry is having a "torrid time" but some criticism has been undeserved.

"Yes, some hedge fund performance has been disappointing. But the average hedge fund this year has done better than the market, particularly when you look at the long/short category on an asset-weighted basis. In the context of this volatile market, flat is the new up," he says. "Hedge funds look

FUND FACTS

Fairtree Protea Global Equity Long Short SNN Retail Hedge Fund

Strategy: Long/short global developed markets equity
Inception: September 2017
Structure: RIF
Manager: Jean Pierre Verster
Manco: SANNE
Prime broker: Barclays (UK)
Administrator: SANNE
Open to investment: Yes
Minimum investment: R50,000

FUND FACTS

Fairtree Protea Equity Long Short SNN Retail Hedge Fund

Strategy: Long/short South African equity
Inception: July 2017
Structure: RIF
Manager: Jean Pierre Verster
Manco: SANNE
Prime broker: RMB
Administrator: SANNE
Open to investment: Yes
Minimum investment: R50,000

FUND FACTS

Fairtree Protea Worldwide Flexible Equity SNN QI Hedge Fund

Strategy: Long/short equity, local and global markets
Inception: September 2015
Structure: QIF
Manager: Jean Pierre Verster
Manco: SANNE
Prime broker: RMB, Barclays UK
Administrator: SANNE
Open to investment: Yes
Minimum investment: R1 million

to protect capital and add value through the cycles, and whether or not they outperform long-only managers depends on their style. It has been a tough space but if hedge funds can prove that they add value in these markets, the industry will see inflows again."

Verster initially launched the Protea funds in partnership with Fairtree Capital. He will be further enhancing his independence with an application submitted to the regulator to licence Protea Capital Management as an independent entity with category I, II and II(a) licences.

"Fairtree have been great partners to help me during the J-curve phase of setting up an asset management business," he notes. "I will continue with their operational and trading support for the next two years before we decide on the way forward. I want to stay fully focused on investing."

Also on the operational side, Verster is changing his retail fee structures to incorporate a bespoke rolling hurdle rate compounded since inception, which he believes is a fairer proposition for investors.

"My retail funds need to outperform an ever-increasing hurdle rate of three-month Jibar since inception before a 20% outperformance fee is charged," he says.

Management fees are at 1% per annum, negotiable for investments of more than R100 million. Verster's retail funds will also be moving to daily pricing, allowing them to be included on LISP platforms.

He notes that all three funds make use of the SANNE management company, which has significant foreign-exchange capacity within the Reserve Bank's prudential exposure limits. This provides benefits for those investing offshore via domestic rand-denominated structures.

Verster currently has assets under management of more than R300 million, including the fund structures and segregated mandates.

Peregrine Capital takes stock of proven record and looks to the future

David Fraser and Jacques Conradie talk about their business philosophy and how it has served the firm over its 20 years in the hedge fund industry

Peregrine Capital is the oldest hedge fund manager in South Africa, with a solid 20-year track record, having launched its first two funds in July 1998.

Today, the company continues to focus only on hedge funds in South Africa with four strategies and a team of 15 people, including nine on the investment team.

HedgeNews Africa sits down with founding partner David Fraser, executive chairman and portfolio manager, and Jacques Conradie, managing director and portfolio manager, to talk about the genesis of the firm, the journey thus far, and the road ahead.

David Fraser

Jacques Conradie

What led to the creation of Peregrine Capital?

Fraser: Clive Nates, Peregrine Capital co-founder, and I were both at Liberty Asset Management. We felt the traditional institutional model in South Africa needed to be challenged. We found that advancing our careers within an institution effectively took us further and further away from the research process. You start as an analyst and you progress to fund manager and this progression meant you did a lot of marketing and client presentations, with less time for research. That was something that I resisted.

We felt that a far bigger focus on research, and keeping the most experienced people doing the research, would give us a competitive advantage over time. We also observed the inefficiencies within traditional institutions as far as speed of decision-making is concerned. We set up Peregrine Capital as a business without red tape - the inhibitors that we found in a traditional institution. That said, we loved our time at Liberty. It taught us our trade. It was, in our day, a great place to work and learn.

Peregrine Capital was always going to be a hedge fund business. It was in the beginning stages of hedge funds in this country. It was a different animal and something that we were excited about. The ability to short shares opened a whole new world for us.

Conradie: That focus on fundamental research is core to our ethos. We try to find quality companies managed by good management teams who have the ability to produce good returns over an extended period, at reasonable prices. Today we run four major strategies – Pure Hedge, Dynamic Alpha, High Growth and Flexible Opportunity. We have a dollar version of the Dynamic Alpha and High Growth funds. We have a very similar investment philosophy across all the funds, with adjustments when it comes to position size and net exposure. So an attractive position will find its way into all of the funds, adjusted for the risk profile.

How did the prime broking environment work back in the day?

Fraser: For probably six to seven of our 20 years there was no such a thing as a prime broker in this country. We were lucky in that there was already an established scrip lending market between brokers and institutions. Active scrip lending was required for settlements due to the fact that people were scrambling for scrip to settle normal trades. It was readily available, not for shorting but for settling trades. So we could tap into an established market as far as borrowing shares was concerned. To extend the period of scrip borrowing from weekly settlement to a longer-term borrow really wasn't a major challenge. We did all of our admin in-house before the prime brokers came along. Not because we wanted to, there was just no other option at that point.

What have been the biggest changes in the hedge fund industry over the years?

Fraser: There are significantly more funds and more people in the industry today. I certainly believe that the better talent and analysis still resides in the hedge fund industry. It's become a well-respected and well-developed part of our market that people understand and acknowledge. Our space is pretty much entrenched.

The industry has been taken seriously and has grown to a relevant size. It has carved out a space in the market, it's here to stay. I'm obviously disappointed like everybody else that the industry has shrunk over the last two years. It hasn't grown as well as it did before.

Is the industry still relevant? I absolutely, firmly believe that it is. The reason that we started this business is as valid today as it was 20 years ago. The opportunities are still there and with a proper fundamental research effort, you can still find great investment opportunities.

I don't believe that the research effort of our competitors – by which I mean either sell-side analysts or long-only fund managers – is significantly better than it was 20 years ago. I still feel that having experienced professionals analysing companies can give you a competitive advantage over an extended period.

We must also take into account that the current economic environment is one of the toughest SA-specific growth environments in the time we have been in business.

Conradie: It's been a very tough market for an extended period.

In 2008, you had quick drawdowns and quick crashes but a relatively quick reset and bounce back to normal. But 2018 is proving to be Chinese drip torture.

This has largely been driven by how tough the South African economy is. It has surprised us how tough it's been after the good news we had in December with the change of leadership. The economy has just kept slowing and this tells you that consumers are in a very bad space and that is feeding through into most of the industries and companies we cover.

Can you talk us through your most challenging time as a hedge fund firm?

Fraser: We hit the Asian crisis shortly after we started our business and there have been plenty of other potholes along the way.

The global financial crisis in 2008 was obviously a tough time. We came out of it okay given that the market was down more than 23% for the year. Our Pure Hedge fund was up slightly but our High Growth fund was down half as much as the market.

In retrospect, we could have done things differently. We may have performed better than most, but we didn't excel and felt particularly disappointed with our performance in that year.

Conradie: If we look back, we could have saved another 3-5% by doing some things better. So we would never have been up but I think we could have been down less.

Fraser: Having an extended tough market gives you an opportunity to re-examine things, to analyse and assess your process and identify where further improvements can be made.

Conradie: And a tough market gives you opportunities to make the investments that will give you the returns in the next two or three years. After a tough 2009 and 2010, we had a great 2011-2014.

That's where we see things now. A lot of shares in our funds are exceptionally cheap at the moment so you've got to say the forward-looking returns of many of our big holdings are really high.

Fraser: We're not a trading fund. We really do want to find the compounders over an extended period. We've generally made our biggest returns on positions that have been in the fund for a three- to five-year period. We like researching the fundamentals, taking a view and watching it pay off in the medium term as opposed to looking for 3%-5% on a quick trade.

Has your investment philosophy changed over the years?

Fraser: No. Our fundamental philosophy of finding quality companies who can produce good returns over time remains. That's what we still stand for.

Conradie: Our business philosophy is to consistently improve every part of what we do. Over the years, new market situations get thrown at you, from issues with management teams, companies, the economy, the overall market. What we've done over time is build those scenarios into our investment philosophy. How have we dealt with them in the past and therefore, what's the best way of dealing with them in the future. So our philosophy is a live document. But being a bottom-up stock-picking business that finds good risk-adjusted returns through fundamental research is the core.

You have been known to soft-close to new investors at various points What is your reasoning?

Fraser: We've always understood the size-return profile. We are all individually quite big investors in our funds, so we align ourselves with our investors. We understand that it's difficult to get the same returns with a significantly bigger fund than it is with a smaller fund. We've never wanted to be the biggest. Our objective has always been about the best risk-adjusted returns. At certain stages we found that if we kept taking in money, we may have suffered some indigestion.

Sometimes, particularly when there is a lot of money being pushed at you, you need to grow into it and make sure that you still have the same discipline that you would have with a smaller fund.

We also have never been tempted into the long-only side in South Africa despite being asked on several occasions. That sets us apart from many competitors who run a hedge fund next to a long-only business. We feel that you need to put your best ideas in your portfolio, and the bigger your portfolio the less concentrated those ideas can be.

Conradie: We do an analysis where we track our fund size over time versus the market capitalisation of the JSE All Share Index, and also versus the liquidity of the overall market. This is one of the inputs into the decision on when we would soft-close the funds. Our current fund size versus liquidity is almost the same as it was in 2004. So despite us having grown, liquidity in the market does trend up over time. On a 15-year view, we are at the average of where we've been on size versus liquidity. We've kept a close eye on it and obviously it means you sacrifice profits in your business, but returns are the number one priority for us and not size. We're happy to make that trade-off.

Fraser: All of our funds are open at the moment. Like everybody else, we've had some withdrawals, but we've been lucky to have had some inflows as well. So we are in a relatively good space from that perspective.

How has your team changed over the years?

Fraser: Our team has been remarkably steady and is currently the biggest it has ever been. We have had four team changes at senior level in the past 20 years.

One of the fundamentals of our business is to have a flat structure. We intensely debate ideas as a team to try to make us all better investors. Having ideas challenged or concerns aired is a great advantage.

When you have an inclusive management concept, now and again there are differences around investment ideas. Our model is a contact sport. People need to argue their ideas and when there are mistakes, there is an interrogation of those mistakes. It is a robust and constructive environment for the right people.

I would hope that anyone who left us would look back at their time here as being constructive and that they left knowing more than when they came in. I certainly think anyone who left us would say our company deserves respect.

We've taken on two new hires this year. A.J. Snyman joined in September, after two years with Capricorn Fund Managers as an equity analyst. Before that he was an investment analyst at Rand Merchant Investment Holdings.

Matthew Thomson joined us earlier in the year. He is a CFA charterholder and was previously an investment analyst at Rezco Asset Management.

Conradie: The hardest discussions to have as a team are when you have loss-making positions that aren't working. But these are also the most important ones to have for the funds. You've got to be able to debate the position, get to the right answer, discuss the difficulties and then move on to the next idea. We are very open to bringing these things up. The moment you let positions lie in the portfolio that shouldn't be there, the possibility of these positions becoming big losers increases.

Q: How are the funds positioned at the moment, and what is your view of markets currently?

Conradie: We've seen this pullback as a good opportunity to add exposure. We see great value in the market, based on history. When shares are way too cheap versus where they should be trading in the long run, you have to own them. Based on current market valuations, we are relatively net long positioned and generally more so than in recent periods. Also some sectors have been specifically hurt, such as China technology. We think this is way overdone, so we are more exposed there than in the past. We are using this time to add exposure to positions that we think are mispriced, due to some extent to the emerging-market and China panic over the last three to six months.

Fraser: We've added some exposure to South African positions, but we're somewhat cautious because we're just not seeing the signs on the ground that the economy is turning around at this stage. Our view is that it's probably going to take a bit longer. So, you can buy quality companies when they get to the right valuations, but we are more cautious of cyclical shares because it could get a bit worse or stay at this level before it gets better.

We are still paying the cost of the Zuma era, and will be for the next few years. Now the country is looking under rocks and uncovering skeletons. Hopefully that gives us a basis to move forward in a more constructive way. But unfortunately the legacy of the past remains and there are some significant holes that need to be filled. So it's not going to be an easy ride for the South African economy. But from a policy point of view at least, our feeling is the ship is now pointing in the right direction.

Do you see opportunity to make money in this environment?

Fraser: We do. Our equity exposure is at the higher end of the band, so we are seeing real value but it is difficult to predict when that value will come through. That's what we do. We are not good at timing the market. But history has always shown us that when you buy good companies with good management teams with a good product set in tough times at very reasonable valuations, your patience is often significantly rewarded down the line. We continue to focus on companies with good balance sheets and good cash flows. That becomes even more important in tough times. You don't really want to go into an extended downturn with significant debt. We look at companies with relatively low financial risk. But there's certainly a pretty good opportunity set out there at the moment.

Conradie: Often when there is panic in the markets – and we are pretty close to that in China and other emerging markets right now – you'll find that business hasn't slowed but shares are sold down anyway. These are the types of opportunities we love because you effectively get to buy the same performing company at 15-20% cheaper than you could have three or four months ago.

Fraser: Investors also need to have patience. Hedge funds should not be singled out as the worst asset class at the moment. Clearly anyone who has had any exposure to equities is feeling pain. But I still believe in equities as the correct class over any extended period.

Conradie: When we have a discussion with a new institutional or retail investor, we tell them upfront that if you don't want to look at net returns over three to five years, then this is not the right product for you.

We always try to be down significantly less than the market in a tough year, but our goal is to outperform substantially on a three- to five-year basis and for that, you need to take some risk when the market is down. Investors must buy into that strategy. So in a very tough year for us, it is pleasing to see a lot of our long-term investors being very comfortable and some even allocating more money to us.

Fraser: It's times like this where you are going to make the right investment decisions for the next three to five years. We don't get scared in a year like this, we try to engage and understand. We will always be judged over a five-year period and that's what we need to take accountability for.

If an investor had put R1 million with you 20 years ago, what kind of return would you have generated for them?

Fraser: A R1 million investment at our High Growth fund's inception would have grown to about R80 million today, after fees. That's an annualised return of 26%, beating the Johannesburg All Share Index by 12% per year with lower volatility.

What is your advice to new and existing hedge fund managers?

Fraser: It's a particularly difficult time for new entrants. You need to know what you stand for, where you believe you have a market advantage and you need to stick to it. You have to be consistent. Some of the best funds start in the tough times. That's when you really learn about investing and about yourself. It's been a wonderful journey for us. Every day I come to work and I learn a little bit more. So there are no regrets about starting this business, and you've got to encourage people to do the same.

Conradie: You have to rigorously apply your investment philosophy despite the market conditions. You've got to work hard. One thing I love about our business is the extremely smart and driven people we get to work with. Interacting with highly intellectual people, with good ideas, every day makes the job absolutely worthwhile.

Fraser: We've also always taken back office very seriously. We've always over-resourced, even before the new regulations. If there's any doubt, rather over-invest than under-invest because this is very important as any balls dropped on that side can be costly.

What are your views on hedge fund fees?

Fraser: We always look at returns net of fees. We need to deliver good net returns to investors, and we have done that over any extended period. It has to be a win-win situation for both us and our investors.

Do you think the regulations have helped or hurt the industry?

Fraser: I believe people will invest in hedge funds if the risk-reward profile is right for them, whether the product is regulated or not. Regulation obviously does put the bedrock in place for a bigger industry. So we're positive on it and over the medium to long term it will probably lead to a bigger industry.

Conradie: You've got to think that five or 10 years down the line hedge funds will make up a bigger proportion of the average retail client's portfolio, where now it's literally zero for the vast majority. There's definitely a mid- to high-income spectrum of clients where a 5-10% allocation to hedge funds makes sense as diversification improves expected return. So the door has been opened, but it will be a journey to get there.

Where do you see Peregrine Capital in the next 10 or 20 years?

Fraser: I would certainly like to see the existing philosophy entrenched and maintained. It is a philosophy that has seen the company through some incredibly volatile markets over the last 20 years. Our model, consistently applied, has produced exceptional results over an extended period. I certainly hope that this will be a place of choice for smart people to work, with a consistent investment philosophy and good returns.

Conradie: My main hope would be that we can deliver similar returns to what we have done in the last 10 or 20 years. If we can do that, then other things will take care of themselves. We'll have the right staff, we'll have happy investors, and we'll have a great business.

Co-investing presents a potential new wave of hedge fund investments

The concept of co-investing is not new. It has long been used in the private equity fund market.

It is a simple concept. The investment manager sees a single or multiple investment opportunity that is large but of such a size that an existing fund would not be able to avail itself of the entire opportunity. The investment manager presents this opportunity to a few large investors, usually already clients. He then sets up a vehicle that is specific for these investors and the investment.

A number of leading international hedge fund managers are now using this concept to increase assets under management. Existing fund performance usually comes from a spread of investments and not all of the investments provide above average returns. However, if they find an investment that is likely to outperform they can utilise this opportunity to attract more assets.

Existing investments may form part of a long-term strategy providing consistent annual growth in returns. Co-investment opportunities are often short term and therefore may not be suitable in that they will only provide short-term spurts in performance.

Ian Hamilton

The concept can easily be adapted to the South African hedge fund environment through the use of *en commandite* partnerships that are quick and easy to form. By not offering it to the general public, it does not fall within the Collective Investments Schemes Control Act. It is therefore far cheaper to run. Also of importance is the ability to close and dissolve after the event or targeted return has been achieved.

Managed accounts can also be used. However, this requires each investor to be individually managed.

There are some issues that do need to be considered. Speed of decision-making by potential investors is important. Also, the idea may be unique, and unscrupulous investors may decide to carry out the idea on their own, thereby cutting out the investment manager.

While South African investment managers are struggling with performance and also rising costs, the co-investing concept could be a boost to sagging fortunes.

Ian Hamilton was head of AIMA in South Africa and also the founder of the IDS Group, now known as SANNE South Africa.

He presently heads up the Scotstone Group based internationally, which offers hosting platforms for international investors as well as co-hosted international asset management.

Co-investing at an inflection point

Recent research from IFI Global notes that there has been substantial growth in co-investing across alternative asset classes in recent years. "This may very well turn out to be the most significant development in alternative investing of the decade," the report states.

Entitled *Co-Investing at an inflection point: A review of institutional investor attitudes toward co-investment strategies in public securities*, the report surveyed institutions with overall investable assets of approximately US$525 billion. It also surveyed many of the world's leading advisors to institutional investors on alternatives, based in Australia, Canada, the UK and the US. The research was undertaken between June and August 2018.

The top 5 reasons given for participating in a hedge fund co-investment are:

- The greater transparency it provides for investors
- Accessing managers' best ideas
- Opportunity to obtain more return for lower fees
- Overall risk and return proposition is compelling
- Control and the opportunity to become actively involved in the investment process
- Alignment of interests with a manager that has a demonstrable track record in the relevant area of the market

Co-investment conclusions:

- The larger the investor the likelier that it will be interested in participating in a co-investing arrangement with a hedge fund manager. Institutions with well-resourced alternative investment departments are the likeliest to want to take up opportunities in this emerging area.
- These institutions are attracted by the opportunity of becoming more actively involved in the investment process than they are able to do by investing in a third-party fund structure. They are also attracted by the extra control and transparency that co-investing gives them.
- The co-investing concept, across both public and private markets, is seen as an opportunity to reduce fees and achieve a better rate of return (albeit with the likelihood of taking on more risk).
- Being able to take advantage of co-investing opportunities often comes down to resources. Institutions believe that they have to have their own people on staff with the right skillset to do this. In particular, investors believe that they must have sufficient resources to be able to analyse the risks themselves, as they are part owners of it.
- Smaller institutions said that they are not able to take up co-investing opportunities because they do not employ enough, or any, of the specialists who can react sufficiently quickly to the relatively short timelines required to participate in most deals on offer.
- Hedge fund co-investing is difficult to categorise and a long way from becoming standardised, particularly when it comes to fees.
- Co-investing in public companies can raise reputational risk issues for institutional investors, especially for large public pension funds. Activist investing is generally done on a deal-by-deal basis by pension funds.
- Research findings suggest that the boom in co-investing in private markets has reached its peak. But the concept of co-investing with hedge funds is catching on.

Source: Co-Investing at an inflection point – IFI Global Research 2018 opinion

The **actual return** on offshore investment: weighing up the opportunity cost of carry

Ever since the 2001/02 rand collapse, when the currency weakened so dramatically from R8/$1 to nearly R13/$1 in less than 12 months, South African fund managers have every so often been confronted with two distinct reactions from investors. Firstly, there are those who at the inflection point were convinced that the beginning of the end had arrived, demanding immediate liquidity in their domestic investments to take as much of their investable assets offshore as possible. By contrast, the second group of investors stubbornly convinced themselves that the rand had simply fallen too far, was bound to recover, and yet again delayed their appropriate offshore diversification until the next knee-jerk collapse creates similar schizophrenic doubts.

Here we are again in 2018, faced with a serious bout of *déjà vu*. This follows the sell-off episodes in 2001, the global financial crisis in 2008 and more recently, with 'Nenegate' in 2015-16. Who could have predicted a second Nenegate in 2018? In many of these instances, the rand lost more than half its value in a fairly short timeframe. The natural inclination of most investors is to regard the strength of the rand against other currencies (in particular against the US dollar, the euro and British pound) as a primary financial-market indicator for their investments over and above the expected knock-on effect of rising everyday living costs.

These days investors invariably experience the rand's weaker purchasing power a lot sooner because of the composition of the modern basket of consumer goods and nature of expenses. These may be fluctuating fuel prices, the price tags on those indispensable, imported, technology gadgets or the very real pocket adjustments required to achieve purchasing power parity in the destination of that pre-booked overseas holiday. Managers therefore shouldn't be surprised that they are placed between a rock and a hard place, in the middle of a rand sell-off storm, being pressed for predictive currency guidance or a waiver of redemption notice periods with respect to investors' domestic assets.

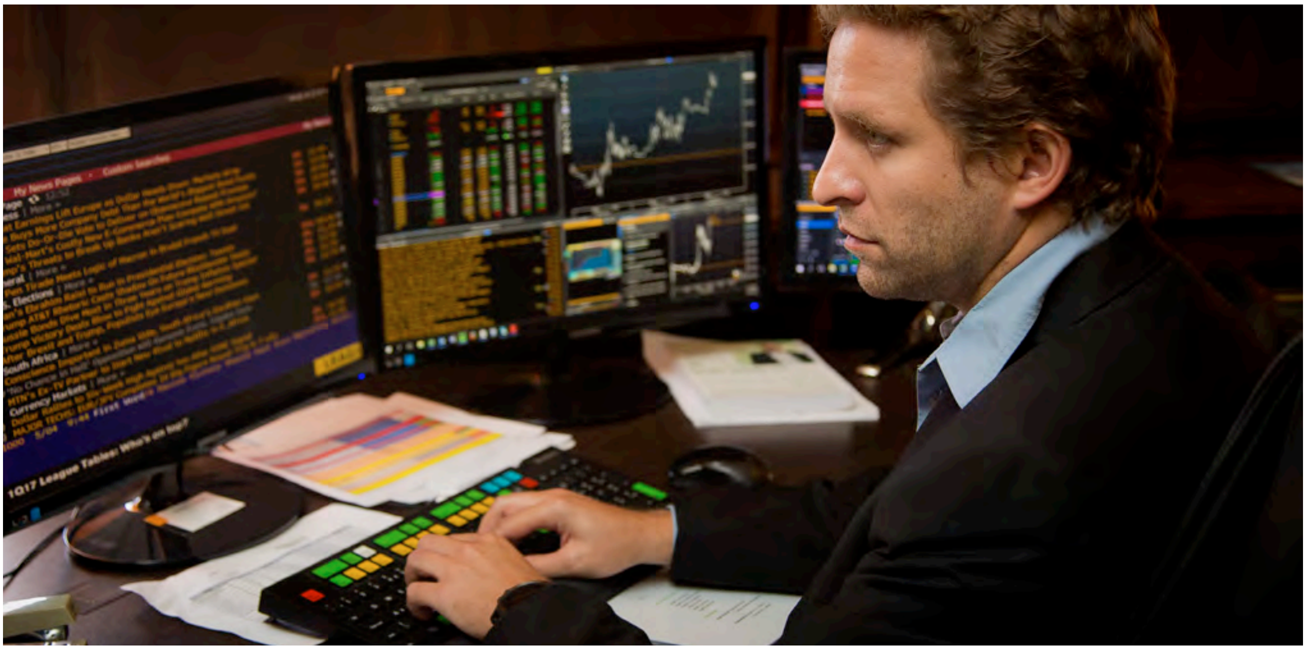
It is common for South African investors to consider purchasing hard currency (e.g. dollars) or allocating their money to offshore investments in order to better insulate themselves against a weak rand, right in the middle of these 'currency crises'. Emotive decisions like these can cause investors to turn a blind eye to the actual costs associated with an offshore investment, as well as the realistic expectations of the return on such offshore investment prospects. In fact, the vast majority of investors who do end up allocating money abroad, simply base their decision on having tracked the rand's nominal exchange-rate movements over time, i.e. the rate quoted in the news and financial markets.

The following case study, prepared under more clear-headed circumstances, looks at the nominal exchange rate of the rand since 1990, which provides interesting food for thought for all fellow fund managers who have been put on

Chart 1: Rand/US dollar exchange rate from 1990

Chart 2: Rand/US dollar carry return from 1990

Sources: Marble Rock Asset Management, Bloomberg



Rick Walker

the spot by their investors.

If you purchased the US dollar at the beginning of 1990, you would have bought one unit at a 'bargain' price of only R2.55/USD, see chart 1. If you sold that same dollar today (mid-October) at R14.25/USD, your typical client would believe they would have made a very handsome profit of R11.70, or a total return of almost 460%. This argument can also be made for any offshore investment in a foreign currency, where you would have seen the value of your greenback, euro or pound investment having yielded handsome returns (for most of them, at least, when converted back into rand) over the last three decades. However, the actual returns of an offshore investment are much more involved than simply recording the start- and end-period values in ZAR units the way many clients tend to consider the matter.

When buying USD currency or other greenback assets – whether it be an investment in the S&P500, buying a house abroad or simply accruing interest in a USD bank account – one implicitly undertakes what we all know to be a negative carry trade. This is known as the return an investor derives from borrowing in one currency (at a higher interest rate) to fund buying in another currency (with a lower interest rate). The return is calculated by adding the spot return to the interest earned from the long currency position (i.e. the one bought, e.g. in dollars) and subtracting the interest owed from the short currency position (i.e. the one sold, e.g. in rand). This concept sounds overcomplicated, but in layman's terms you basically forego a higher interest rate on your rand investment that you could have earned in South Africa in order to acquire a dollar investment on which you'll (usually) earn a much lower return.

Even though an investor does not necessarily borrow money in South Africa to invest in USD, one still forgoes earning a higher interest rate on your ZAR investment to earn a lower return on the dollar asset. In other words, investing in USD from a higher-yielding currency, e.g. South Africa, incurs what can be defined as an 'interest-rate opportunity cost'. When accounting for this effect, that spectacular return our investors calculated themselves on that dollar investment suddenly becomes much less impressive.

"We are firm believers that appropriate diversification of onshore and offshore assets is key to long-term portfolio gains. The balance is essential and investors should focus their decisions not just on timing"

In fact, if we compare the returns you'd make by having purchased one dollar at the beginning of 1990 and invested it in a US money-market account versus keeping that same dollar in rands (R2.55 at the time) in a South African money-market account, and then holding on to that investment until now, one would actually have seen the investor's South African investment having returned almost 27% more than the corresponding dollar investment yielded over the same period, despite the dollar having appreciated almost 460% against the rand over this timeframe.

This carry return effect is illustrated in chart 2. The chart shows how much R100, converted in USD, and then invested into a USD money-market account, would be worth compared to that same R100 having being invested in a domestic money-market account.

In other words, your R100 invested in a US money-market account would only be worth 73.72% of your SA money-market investment as at mid-2018. In fact, your returns would have been even more spectacular if you sold your dollars during the midst of these currency crises and then purchased rands – i.e. the exact opposite of what most South African investors do during these currency crises.

This provides food for thought, to keep in the back pocket, for the next discussion you are bound to have with an investor who is dead set on immediate action in the aftermath of the next rand sell-off.

We are firm believers that appropriate diversification of onshore and offshore assets is key to long-term portfolio gains. The balance is essential and, as with all other investments, investors should focus their decisions not just on timing, but account for a range of interdependent factors too, especially the often forgotten 'interest-rate opportunity cost' consideration.

Rick Walker, MCom in Economics,
portfolio manager,
Marble Rock Asset Management

Southchester targets repo market for steady returns in uncertain times

With extensive fixed-income experience, Southchester's Andra Greyling and Gregg Bayly use multiple risk-controlled strategies to protect capital

Cape Town-based fixed income specialist Southchester Investment Managers utilises its skills in the repo market to build income-generating products for investors, focusing on its niche of creating and managing liquidity.

Southchester has had a strong start with its Southchester Smart Escalator Prescient QI Hedge Fund, gaining around 11% so far this year.

The strategy launched as a segregated account in 2015, until it converted to a QIF in November 2017. It has assets under management of R153 million.

Southchester Smart Escalator is a fixed income long/short fund, which aims for stable capital growth of between 3-5% over the benchmark repo (repurchase agreement) rate, using multiple risk-controlled strategies to protect capital.

The fund has gained 11.54% in the 11 months since inception as a QIF, and 14.18% (annualised) so far this year to end-September.

The portfolio strategy is to invest in major South African and international banks as well as qualifying corporate credit with ratings above AA minus (for at least 85% of the portfolio). The fund primarily holds money-market assets – using short-term repos to generate funding. The mandate allows for directional interest-rate exposure and exposure to geared fixed-interest instruments.

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 retail and institutional investors seeking stable, high-income returns.

The portfolio exposure includes money-market assets of three to five years, with little to no outright exposure to bonds. Bonds and 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 7.5 times gearing in volatile markets.

Southchester not only uses a prime broker for the QIF fund, but also taps into established counterparty lines outside of the prime broker with assets held by the custodian. The fund charges a fixed management fee, with no performance fees. It has limited capacity and will be soft capped at about R500 million to R600 million.

Besides the Smart Escalator Fund and associated segregated mandates, the company also manages Southchester (RF) Limited, a registered public company, securitisation vehicle which invests in fixed interest assets, with assets of around R5 billion; and the Southchester IP Optimum Income CIS fund, a low-volatility primarily dividend-yielding offering with assets of R600 million.

Southchester (RF) Limited is a short-dated, fixed income product, using an

Andra Greyling

Gregg Bayly

FUND FACTS

Southchester Smart Escalator Prescient QI Hedge Fund

Inception: November 2017
Structure: QIF
Benchmark: Repo + 4%
Managers: Gregg Bayly, Andra Greyling
AUM: R153 million
Manco: Prescient
Administrator: Prescient
Prime broker: Absa Prime
Compliance: Independent Compliance Services
Custodian: Nedbank
Accountants: KPMG
Open to investment: Yes
Minimum investment: R1 million

FUND FACTS

Southchester IP Optimum Income CIS fund

Inception: September 2017
Structure: CIS in securities
Benchmark: 75% of STeFI Composite
Managers: Gregg Bayly, Mike Baldwin
AUM: R600 million
Manco: IP Management Company
Administrator: Prescient
Compliance: Independent Compliance Services
Custodian: Standard Bank
Accountants: Grant Thornton
Open to investment: Yes
Minimum investment: R50,000

> "Ultimately, an uncertain market is not good for anyone. That said, our strategies maintain steady performance in a bull or bear market. In most volatile scenarios, our strategies remain consistent and beneficial"
>
> *Andra Greyling and Gregg Bayly*

insolvency-remote corporate which invests into a portfolio of high-quality, liquid and rated South African money-market instruments. It funds itself by issuing short-term debentures to investor clients, who are provided with daily disclosure of the portfolio's credit exposure and investment duration.

The Southchester IP Optimum Income CIS portfolio comprises long-only money-market exposure mixed with redeemable preference shares and hedged equities. The fund aims to outperform the average after-tax return of comparable low-risk interest-yielding investments, with low volatility that tracks the rand's short-term interest-rate cycle. The fund has delivered an annualised dividend of 6.28% after costs since the official launch in September 2017.

Southchester's funds are managed by Andra Greyling and Gregg Bayly, who are ably assisted by the rest of the team.

Greyling has extensive experience in fixed income investment and trading, starting her career in 1988. She has worked previously at Investec, Senbank, Old Mutual, SECHOLD, Cadiz Investment Bank and Rand Merchant Bank. At RMB, she managed a R16 billion proprietary money-market repo portfolio – the only one of its kind in South Africa, also trading in fixed income derivatives for both speculative and hedging purposes. She has a BCom Business Economics and a BCom Honours in Investment Management.

Bayly has 22 years' experience in financial structuring and investment management. He trained as an accountant and has both BCom Honours and LLB degrees. He previously managed the R13.5 billion Absa Dividend Income Fund for the Absa Group.

The team includes Mike Baldwin, portfolio manager and structurer, Taryn Visser, fund accountant, and Liska Schutte, financial accountant, who have extensive experience in the financial services industry.

Southchester's daily cash management and administration are handled by Andrea Knott and Debbie Eksteen. Bertus Enslin handles client interaction, business development and brand management, focusing on the IP Optimum Income Fund.

Southchester Investment Managers has total assets under management of around R8 billion. Assets may fluctuate between R7.5 billion and R10 billion due to the liquid nature of the Southchester (RF) Limited offering.

The team predicted an uncertain market outcome ahead of South Africa's medium-term Budget speech on October 24 and a subsequent ratings decision from Moody's Investor Services, which is the only one of the three major rating agencies that still assesses the country's debt at investment grade.

"Ultimately, an uncertain market is not good for anyone. That said, our strategies maintain steady performance in a bull or bear market," note Greyling and Bayly. "In most volatile scenarios, our strategies remain consistent and beneficial."

interview

"Wie die f*k is RealFin?"

CEO Cornelis Batten is accustomed to flying under the radar, yet RealFin has a long history as a business enabler, bringing value to a range of clients

*"Wie die f*k is RealFin?" is a question that was recently posed to RealFin Collective Investments, despite having operated in the hedge fund space for more than 14 years.*

The company started out as Realtime Financial Solutions in August 2003, headed by Cornelis Batten and Steve Doidge. The pair left Barnard Jacobs Mellett (now part of the FNB group), where they worked in equity structured products, to set up their own business.

Two years ago, as South Africa introduced a regulatory framework for hedge funds, RealFin Collective Investments (CIS) was formed with Batten as CEO, becoming an approved manager of hedge funds in terms of the Collective Investment Schemes Control Act, 2002.

RealFin CIS is a portfolio creation and hosting solution for both qualified investor hedge funds and retail hedge funds, having emerged from relative obscurity to fulfil a vital role in the now-regulated hedge fund industry. These days, the company punches above its weight, and now ranks as the country's largest hedge fund CIS management company (manco).

HedgeNews Africa sits down with Batten, who is responsible for overall strategy and management of the business. Batten has more than 20 years' experience in the financial services industry, including 14 years in the hedge fund arena. He holds the CA(SA) designation and is a CAIA charterholder.

How did you become involved in the hedge fund industry?

We have been involved with hedge funds since around 2004. We started in structuring and advisory and got involved by accident. In creating structured products, we found that there were a lot of issues hedge funds were facing that we were also coming up against. We were introduced to a leading hedge fund manager and started to work closely with them. They remain a client today.

We believe that specialist skills are required to ensure compliance in an ever-changing legislative environment. We want to be a provider of choice in the domestic alternative investment industry. This will allow fund managers to remain focused on managing funds with the aim of generating market-beating returns for investors, whilst we provide independent governance, risk management and administrative services.

Cornelis Batten

"We believe the qualified investor fund (QIF) structure is under-utilised. We are very excited about it"

Has your role changed now that the hedge fund industry is regulated?

Our brand is very strong with our client base. Other than the RealFin team, no one has worked at our longest-standing hedge fund client for longer than its founders.

For us, it was a big decision to enter the manco space. In the end, we decided to pursue it. We are unique in that very few hedge fund mancos started from scratch. We said to the regulator: 'Do you want someone who understands hedge, or someone who understands CIS?' We think the CIS stuff is relatively easy to pick up on, with the right team in place, but our value proposition is as a partnership with our clients. We see ourselves as business enablers. Our longstanding relationships come from a partnership-based philosophy.

Our structured products skills bring immense value to our clients, at no added cost. We believe that the types of conversations you can have with us are different to those you can have with other mancos. When necessary, we come up with innovative solutions to problems.

We are very focused on doing the right thing, whether we work with big players or small ones. If we take you on board, you get the same level of service.

We have applied for a long-only licence too. It's a natural extension. We think we can add some value in the long-only space – but our core will always be alternatives, including bespoke products, trade finance, infrastructure, unlisted property and private equity. We try not to cookie-cut things.

What are your views on the South African hedge fund industry at the moment?

We are a little bit bearish. There is an overall sense of negativity in the industry but we still believe in the asset class and the role it has to play in investors' overall asset-allocation strategy.

Recent comments from Sygnia's Magda Wierzycka in the media didn't help. The article did not have a balanced point of view. Her comments applied to the investment industry as a whole rather than hedge funds. In hedge, there are good and underperforming managers, and the same applies in the long-only industry.

To say that some hedge fund managers haven't performed and therefore hedge funds are not a viable proposition is disingenuous.

We are super-excited about providing ongoing administration to clients. We are good at providing high-level service to big institutions and corporates, and we believe there will be growth in this area. Our core competence is around alternatives. We think alternative assets are really cool assets.

We see a lot of appreciation from the pension fund investor base for hedge funds, especially in South Africa. They have a real role to play.

That said, the hedge fund industry has seen no growth recently. Money has rotated. We haven't seen much in the way of new inflows.

The hope is that having regulated products will make the industry attractive to mid-tier pension funds. The big pension funds were there already – regulations weren't going to change that. Amending Board Notice 90 of the Collective Investment Schemes Control Act to allow CIS portfolios to invest in hedge funds will help. Everyone is hoping that when that happens, the floodgates will open. The regulator is aware of the paradox that investors can invest in retail hedge funds but that a CIS in Securities funds can't.

But we can't wait for BN90 to change, or blame it for the lack of growth. There must be other ways of growing the industry and looking at ways to get more people involved. It's time to be creative.

What are your thoughts on fees in hedge funds?

Investors are paying a lot more attention to fees and unpacking total expense ratios (TERs). No one is going to complain about fees if a fund is smashing the lights out. But it is a difficult time. In the current environment, finding alpha is tricky for managers. We are not in the heyday of hedge at the moment. That being said, hedge funds that demonstrate capital preservation or absolute returns in an environment of negative equities should benefit from inflows in the future.

Recently in the press there have been references to performance fees being bad. But we believe the trick here is having performance fees coupled with an appropriate fee hurdle. Our view is that an appropriately structured performance fee is way better for investors than having a base fee. Fees in this case only accrue when there is outperformance. A number of long-only funds have high fee structures. It's not just a hedge fund issue.

We think a model for lower base fees and more aggressive performance fees may be an easier sell than higher base fees and low performance fees – it's a question of changing the ratio and the perception. The model will work with larger asset managers but it is harder for the smaller guys who need the base fees to survive.

What does the hedge fund industry need to do now?

It needs to motivate for an amendment to BN90. And then it needs to innovate. Innovation could come through other products and ideas.

We believe the qualified investor fund (QIF) structure is under-utilised. We are very excited about it. Such structures exist overseas. It shouldn't just be used for hedge.

Private equity and infrastructure, for example, should also be able to utilise the structure. It's a win-win situation. The regulator has oversight and investors get a regulated product that has transparency.

Also, maybe the industry needs to grow away from the traditional long/short fund. What other types of hedge fund products can we create that will fit into the QIF structure and be for the benefit of investors?

And importantly, there is not enough investor education as to why alternatives and hedge funds are good products. A good hedge fund can have a lot of benefits in an overall portfolio.

If you have a great product that is regulated and available to a retail audience, then what remains is investor education.

Allocators anticipate ongoing pressure for hedge fund industry

Investors encouraged by an uptick in performance so far this year and remain positive about the role hedge funds can play as a portfolio diversifier

In our latest annual investor survey, *HedgeNews Africa* polled leading allocators to the South African hedge fund industry, including fund of funds and consultants to both a retail and institutional client base.

In a notably tough period for the industry on many fronts, respondents remained overwhelmingly positive about the role hedge funds can play in overall portfolios, and encouraged by the performance of varying hedge fund strategies so far in 2018.

But fees remain a concern, particularly in a regulated environment, and the industry needs to do more to stay relevant and meet investors' needs.

If performance remains robust while broader markets battle, hedge funds will again attract the attention for the right reasons, which will ultimately bring industry growth.

What is the global macro outlook?

Most large economies are growing steadily, with inflation pressure starting to rise slowly, but respondents note that easy money post-2008 has resulted in a decade-long bull market bringing stretched valuations, volatility and market corrections.

Investors see increasing risks in global markets with uncertainty expected to tick upwards, amid growing potential for external shocks, such as trade wars, the US midterm elections, EU/Brexit concerns and fragile emerging markets.

"Globally rates have been at record lows for extended periods," notes Kamini Naidoo, portfolio manager, Momentum Investments. "With increased liquidity in the system, and global rates at record lows for an extended period – volatility and dispersion have been suppressed. As rates start to rise and liquidity is withdrawn from the system, we can expect volatility to normalise."

With the end approaching of the cyclical economic upswing that started in 2009, George Herman, chief investment officer at Citadel Investment Services, notes that artificial stimulus will extend this cycle beyond its natural maturity, hence increasing the eventual risk of unwind when it does materialise.

"The US will still lead in economic expansion as China, Europe and Japan are already growing at slower rates than before," he says. "Certain valuation metrics are on the expensive side of neutral but few, if any, are outright expensive.

Earnings numbers are still very strong, so even if the market just takes a breather, valuations may improve materially and get back to neutral within 12 months."

What is your outlook for South Africa?

The South African markets have seen a "healthy correction" so far this year, and valuations are less of a concern than in the US. But respondents agree that political developments and uncertainty will be key in determining market levels.

Issues such as land reform and a lack of clarity on much-needed structural improvements are critical as the government attempts to get the economy growing again. "We have been in a 'wait-and-see' holding pattern for the last while, and this will continue going into the 2019 election, putting a further hold on much needed policy certainty," notes Momentum's Naidoo.

Stagflation may also become an issue if the economy does not gain traction, and the rand continues to put pressure on inflation.

While many companies are trading at fair value, there is no catalyst in sight for an economic turnaround, constraining corporate growth prospects.

Claire Rentzke, chief investment officer at 27four Investment Managers, notes that the South African market is looking cheap but parts are cheap for a reason while others offer good value. "Fund managers are going to need to really do their work well to separate the good from the bad," she says.

George Herman

"Political rhetoric and uncertainty will continue for some time yet," she adds. "But companies will continue to go about their business and we have seen across sectors that capital expenditure has started to rise after being stagnant for a very long time. So the noise will bring volatility but also opportunities."

"Valuation isn't the South African market's biggest risk," adds Citadel's Herman. "Fundamental economic and political issues pose the biggest risk for the domestic market as we lose global competitiveness and international investors look elsewhere for economies that grow with political stability."

What are the risks for investors in this environment?

Risks are material for investors in a tempered global growth environment, according to respondents.

Valuations are a risk in certain sectors. And while equities may be trading at lower levels, the lack of earnings momentum is a worry, combined with limited upside for bonds.

Global geopolitical risks have the potential to keep impacting markets while rising interest rates could cause liquidity to contract, which will inevitably lead to dislocations in highly valued or levered asset classes or countries.

"Volatility is also a risk, particularly as post-2009 investors have become accustomed to a benign low-volatility bull market in all asset classes, which is not normal," adds Citadel's Herman. "Populist politics are gaining momentum around the globe, and populist leaders tend to change and increase regulation, bringing added risks."

According to 27four's Rentzke, the South African market will feel the impact if emerging markets continue to sell off. "It will be a wait-and-see game in terms of when risk is on again and the buyers return, so there still could be downside in the

SA equity market," she says. "It is all about the price you pay for things and the time frame that you have. If we have a risk-on trade and the money flows back, then an appreciating rand will catch many of the South African bears who went maximum offshore at R16 to the US dollar."

What can investors do to protect their portfolios?

Diversification, including hedging strategies that offer real returns with downside protection, are vital in this environment, respondents stressed.

Investors need to invest in defensive strategies including hedge funds, and also allocate offshore.

By maintaining sufficiently diversified portfolios, taking a long-term view of the markets, and taking advantage of investments that offer different sources of alpha, investors can minimise portfolio risk.

"Diversification is key," stresses Elmien Wagenaar, fund manager at THINK.CAPITAL. "Money has flowed offshore recently and typically large flows happen at the wrong time. Currency exposure may cause downside risks. A more moderate approach of diversification to protect against timing risks typically adds value."

"A well-diversified portfolio is the first step to protect a portfolio," adds Momentum's Naidoo. "Diversifying across both traditional and alternative risk premias ensures a robust delivery in all environments."

For 27four's Rentzke, investors need to always be cognizant of the price that they pay for any asset. "Being too conservative is as much of a risk as being too aggressive," she states. "It is about being appropriate for the time frame you have and not overpaying for assets."

Citadel's Herman stresses the need for traditional diversification among geographies and asset classes. But once volatility increases, many asset classes will unfortunately correlate, so this benefit will be diluted. For this reason, implicit and explicit hedging must be incorporated into portfolios.

What is your outlook for the South African hedge fund industry?

The industry is facing headwinds in a low-return environment. Yet investors expect that return profiles will improve as the opportunity set improves.

Equity long/short funds, the largest category, have in general underperformed in recent years, creating some negative perceptions, but investors note that performance has already improved this year and is expected to pick up further.

Disappointing hedge fund returns relative to cash in the rolling three-year period to December 2017 are said to have prompted some to disinvest. "But we have already turned the corner on the back of good hedge fund performance year to date, with most managers not only outperforming the negative equity market but also outperforming cash," one institutional allocator noted.

Elmien Wagenaar

"The equity long/short strategy is the largest by number of funds and assets, and is often used as the industry yardstick," notes Naidoo at Momentum. "A large number of managers within this complex have struggled, but other strategies have done particularly well in this period. Hedge funds are not expected to do well in all market cycles, and it is important that the allocation is considered within a broader portfolio, and the role it serves under different market conditions."

"Diversification of hedge fund asset managers into managing long-only funds as well (although a useful business strategy) could make it harder for them to represent each asset class with high conviction at all times without the conviction of, for example, hedge contradicting the worth of the long portfolios, or *vice versa*. It may be easier for hedge fund managers to let money flow to long only in their own businesses than fighting to explain the longer term value of the asset class," says Wagenaar. She believes that the industry will start to see assets increase when hedge fund returns show a strong outperformance of cash over 12 months.

27four's Rentzke believes the industry was caught off guard, and has not covered itself in glory. "Funds didn't deliver performance, didn't manage risk and still charged excessive fees for not even beating cash or protecting on the downside," she notes, adding that a 5% allocation to hedge funds has resulted in 25% of the total investment charge of 27four's portfolios. "The corner will be turned when the market becomes more dispersed again, when there is a correction and hedge funds hold up and when performance is delivered that justifies the expense of holding hedge funds in your portfolio."

Herman at Citadel comments that regulation has created uniformity, rather than eccentricity, and allocators have failed to see the value of the asset class during low-volatility bull markets. Many hedge fund managers have been more concerned about their businesses than their portfolios and investors, employing strategies that hold the least business risk, with fee structures more beneficial to managers than investors.

"Average hedge fund industry returns have underwhelmed, especially after fees, meaning that only after the next major equity market draw-down and if hedge funds perform well during that phase, will hedge become attractive again," he says.

While hedge fund strategies should fare materially better during a substantive market downturn, limited industry participation is likely to lead to dismissiveness regarding efficacy, one consultant stated.

Respondents also noted that small- and mid-cap stocks have been under pressure as liquidity in the South African market has dried up and volatility was low for large parts of 2017 and early 2018. "Many managers derive alpha from their stockpicking ability in counters that are not covered by mainstream research – when small- and mid-caps turn, hedge fund performance should turn," one noted.

When do you expect assets in South African hedge funds to increase?

Despite improved performance and an increasingly risky environment, South African hedge funds assets are not expected to increase in the short term.

As performance improves and fees come down, investors will again begin to appreciate the benefits.

Changes in local regulations allowing collective investment schemes (CIS) in securities to buy into CIS in hedge have the potential to be a big driver for growth but as yet there is no timeline for this.

"Ironically we see assets increasing only after a material market downturn, or as international appetite for EM increases," one respondent noted.

"Markets go through cycles and hedge will come back into favour at some point," says 27four's Rentzke. "It's very difficult to say when assets will increase, or to know what the unlock will be. Perhaps as foreigners look for more protected SA equity strategies, or as more investors fearing rate increases look to allocate to fixed income hedge funds."

"We need to find ways to ensure that

investors can access the unique return profile of hedge funds in a cheaper way," one investor said. "A unique return profile should cause hedge fund assets to grow, but fees remain an issue in a low-return environment."

What does the fund of hedge fund model have to offer?

Most respondents agreed that the fund of hedge fund model remains "very relevant" in the face of poor investor information and education. Multi-manager portfolios have a lot to contribute, given that they combine and diversify exposure.

Benefits include diversified access to the hedge fund industry within a single solution, as well as specialist insight into the most suitable sub-strategies for specific investors.

Multi-managers provide guidance and platforms for new managers to access the investor arena, while undertaking due diligence and oversight functions on behalf of investors. They also act as a lobby-group on behalf of investors, pushing for lower fees, acceptable transparency and better risk management.

Yet some believe that the traditional fund of hedge fund model will remain under pressure and businesses need to evolve as costs are not palatable.

For THINK.CAPITAL's Wagenaar, the strength of multi-managers is in their portfolio construction process, the ability to provide unemotional assessment across a range of hedge funds and allocating to the right strategies when they are down, but show potential for the next cycle.

"Fund of funds are evolving their model to offer clients the same diversification benefit while aiming to deliver targeted outcomes in a more cost-effective and capital-efficient manner," comments Naidoo at Momentum. "The benefits the investor gets of portfolio diversification, investment and operational due diligence and risk monitoring continue to make the fund of fund model a necessary one in this environment."

Multi-managers are said to be particularly appropriate for smaller institutional investors who can't allocate to individual funds and want diversified exposure.

"Fund of funds come into their own when they pick winning funds that deliver consistently, when they blend complementary strategies that deliver on expectations, and when the fees are relevant," adds another respondent.

Herman at Citadel notes that funds of funds have dominated in South Africa, whereas globally they comprise a much smaller proportion of the market, thus some contraction is natural.

"The FoHF model is still relevant. It offers clients, both institutional and retail, immense value," he says. "At Citadel we only provide solutions to retail investors and the business model is perfectly sound."

Hedge fund returns have improved this year. Are you happy with the way managers are performing?

Respondents are encouraged by returns this year in the face of tough market conditions.

Year-to-date returns emphasise the role that hedge funds can play in balanced portfolios, due to their ability to preserve capital in negative markets, offering attractive and differentiated sources of alpha.

"Broadly speaking, the environment has been more suitable to hedge this year. The increased volatility has definitely helped but news flow and global event risk has still made it a difficult market to trade," notes Naidoo at Momentum.

With performance in the equity space improving, this should be a market where stock pickers come to the fore and where those managers focused on valuations should do well.

For Citadel's Herman, performance in general has improved from "bad to average", with only a small universe of funds meeting a cash + 3.5% hurdle rate on a net basis, adjusted for risk.

"Quality managers have, however, benefitted from the increased volatility and uncertainty that 2018 brought with it, and that has been very pleasing indeed," he adds.

While performance has picked up, some claim that it will take time to get back to return expectations, perhaps because of a lack of confidence.

Long/short equity funds have delivered in line with expectations, posting positive numbers in negative equity markets, which has had a cushioning effect on overall portfolio returns. And over the longer term, they have still managed to post impressive equity relative returns.

Do you have concerns about hedge fund fees?

Fees need to be competitive to ensure that

Investor survey 2018: results in brief

The good news is that most investors expect hedge funds to meet their objectives in the next year, despite torrid market conditions, yet prospects for industry growth in the short term remain muted, according to our latest investor poll.

Almost all investors we surveyed (87.5%) are confident that hedge funds will meet their stated objectives in the next 12 months.

Despite this positive outlook for hedge fund strategies, half of those surveyed expect industry assets to remain flat in the next 12 months.

Of those who expect asset growth in the next 12 months, half predicted allocations would come from institutional investors, with 25% expecting allocations from retail investors and 25% from offshore.

Segregated mandates are the most likely avenue for allocations, according to half of the investors we polled, with one-third expecting QIFs to attract allocations and just 16% predicting RIFs will be the vehicle of choice.

In a similar vein, direct allocations and bespoke mandates are expected to be the avenue of choice for prospective investors, according to three-quarters of responses, while one-quarter expect fund of funds to be the preferred allocation choice.

In keeping with the fact that most investors believe hedge funds will deliver good returns, just 25% of investors surveyed have exited hedge fund investments this year based on performance.

The outlook for startups and new managers is dismal, however, with all participating investors expecting that inflows will go to existing managers rather than new launches.

Higher barriers to entry are hindering growth in the hedge fund space, according to 75% of respondents. And just 25% of investors are allocating to early-stage managers, with 63% of investors noting that they are not seeing sufficient new talent coming to market.

Multi-strategy funds are expected to be the most likely to come to market, followed by equity long/short and then fixed income strategies.

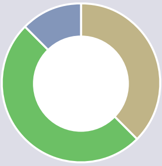
Half of the investors we surveyed believe that regulation has hindered the hedge fund industry, with 37% ambivalent and just 12% believing that regulations have helped the industry.

Fee levels remain a thorny issue, despite adjustments from many managers in the past year. More than 60% of investors believe fees remain too high, while 37.5% say fee structures still need work. Similarly, just 50% of those polled believe manager and investor interests are aligned.

Investor survey 2018 **data**

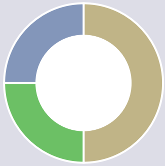
2017, 2016 and 2015 survey results are in blue

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



2018	2017	2016	2015
Yes 37.5%	71.4%	100%	88.9%
No 50%	14.3%	0%	11.1%
Undecided 12.5%	14.3%		

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



2018	2017	2016	2015
Institutional investors 50%	20%	29.5%	30.8%
Retail investors 25%	50%	47%	53.8%
Offshore investors 25%	30%	23.5%	15.4%

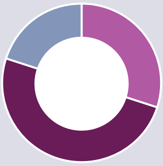
3 Where do you think the growth will be directed?

2018	2017	2016	2015
Qualified investor structures 33.3%	55.6%	31.3%	30%
Retail structures 16.7%	44.4%	68.7%	70%
Segregated mandates 50%			

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

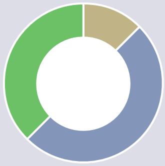
2018	2017	2016	2015
Existing managers will get bigger 100%	44.4%	55.5%	60%
New launches from institutions 0%	22.2%	0%	0%
New launches from existing hedge fund houses 0%	22.2%	28.8%	40%
New independent launches 0%	11.2%	0%	0%

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



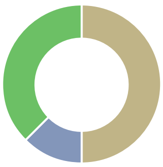
2018	2017	2016	2015
Equity long/short 30%	22.2%	22.7%	21.4%
Multi-strategy 50%	44.4%	41%	42.9%
Equity market neutral 0%	22.2%	4.5%	14.3%
Fixed income 20%	0%	22.7%	14.3%
Other 0%	11.2%	9.1%	7.1%

6 In your opinion has increased regulation:



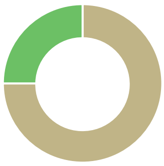
2018	2017	2016	2015
Helped the industry 12.5%	28.6%	66.7%	77.8%
Hindered the industry 50%	57.1%	8.3%	11.1%
Ambivalent 37.5%	14.3%	25%	11.1%

7 Does the South African industry have sufficient capacity to double in size (from current AUM levels of around R60 billion)?



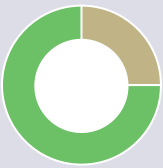
2018	2017	2016	2015
Yes 50%	85.7%	58.3%	55.6%
Undecided 12.5%	0%	16.7%	11.1%
No 37.5%	14.3%	25%	33.3%

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



2018	2017	2016	2015
Yes 75%	85.7%	88.3%	88.9%
No 25%	14.3%	16.7%	11.1%

9 Are you allocating to early-stage managers?



2018	2017	2016	2015
Yes 25%	57.1%	33.3%	66.7%
No 75%	42.9%	66.7%	33.3%

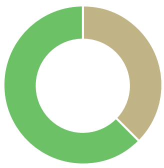
10 Are fee levels in the South African hedge fund industry:

2018	2017	2016	2015
Too high 62.5%	57.1%	25%	22.2%
Still need work 37.5%	42.9%	41.7%	66.7%
Acceptable 0%	0%	33.3%	11.1%
Too low 0%	0%	0%	0%

11 In your opinion are manager and investor interests aligned?

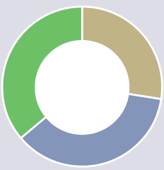
2018	2017	2016	2015
Yes 50%	28.6%	83.3%	66.7%
No 50%	71.4%	16.7%	33.3%

12 Are you seeing sufficient new talent coming to market:



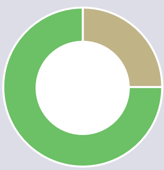
2018	2017	2016	2015
Yes 37.5%	28.6%	75%	11.1%
No 62.5%	71.4%	25%	88.9%

13 Do you expect current and prospective investors to:



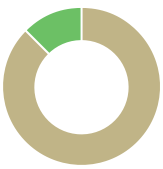
2018	2017	2016	2015
Allocate via fund of hedge funds 27.2%	33.3%	61.5%	45.5%
Allocate via bespoke mandates 36.4%	44.5%	0%	9%
Allocate to hedge funds directly 36.4%	22.2%	38.5%	45.5%

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



2018	2017	2016	2015
Yes 25%	71.4%	20%	62.5%
No 75%	28.6%	80%	37.5%

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



2018	2017	2016	2015
Yes 87.5%	71.4%	70%	88.9%
No 12.5%	28.6%	30%	11.1%

** HedgeNews Africa received responses from eight fund of funds, advisers and consultants to this year's investor survey, which was undertaken in September/October 2018. We thank them for taking the time to participate in this important research.*

the industry grows, including hurdle rates and the potential for longer-term incentives.

Some respondents would like to see base fees reduce further, preferring higher performance fees above a specific hurdle rate.

"Fee structures need to be more aligned with the overall client experience. In particular, managers should consider hurdles more aligned with the mandate of the fund, performance fee caps and longer crystallisation periods," comments Momentum's Naidoo.

Rentzke notes that it is not only explicit hedge fund fees that are too high, but also the costs embedded in portfolios.

"Not enough is done to control the total investment charges on funds. In calculating TICs for our institutional portfolios, a small allocation to hedge funds adds a disproportional amount to the total cost of the portfolio, which is unjustified when portfolios do not deliver on their investment objectives," she said.

Investors are averse to paying performance fees for beta, in the case of managers that run high net exposures to the equity market. Hurdle rates need to be commensurate with the typical risks managers take.

Both the hedge fund industry and the long-only industry charge performance fees, which are acceptable as long as outperformance is linked to an appropriate benchmark. But benchmarking against cash/STeFI is "highly inappropriate" in most cases, as it is not commensurate with either the target return or the risk being taken.

"Managers need to understand that the whole industry will suffer unless there is a broad-based reduction in fees," one allocator stressed. "Moving into the CIS world has created a direct cost comparison and unless the industry evolves, there will be minimal uptake."

How can the industry improve its image?

More investor education as well as improved performance and reduced fees are all key to boosting the industry's image.

A concerted effort around hedge fund education will mean investors are informed as to what hedge funds can and cannot do. This will help the industry attract the right assets from investors who understand the kind of return profile they can expect.

"Investor education is key to the sustainability of the industry going forward," one allocator noted. "It is important that investors know what they are buying into."

When showing attribution analysis for past performance, hedge fund managers need to clearly indicate where skill and/or

Kamini Naidoo

Claire Rentzke

the market environment assisted returns.

"Hedge fund strategies offer a range of profiles within the complex, and individual strategies are selected based on expected return drivers and performance within a broader portfolio. Funds therefore need to stay true to what is on the tin. And fee structures locally need to be more aligned with client experience," notes Naidoo.

She expects relative-value strategies (both equity and fixed income) to benefit from more normal volatility levels.

"Change comes from within. The industry needs to be more humble and take a proactive stance in justifying why there is still a place for them in the institutional space," comments 27four's Rentzke. "The current image is an exclusive boys' club managing mostly their own riches who will, for an exorbitant fee, allow you to co-invest alongside them."

Going forward, communication and collaboration are key to industry growth, but not before delivering on low-volatility returns, offering downside protection and generating attractive real returns.

More interaction with regulators is also seen as important, with a proactive stance to show that hedge funds are safe-havens, rather than speculative casinos.

"Hedgies should be more activist shareholders and make life hell for companies that are not high in the governance department," adds Herman, noting that many shortsellers active in this market are based offshore. "Hedgies should be the voice that keeps corporate SA on their toes."

Why should retail and institutional clients allocate to hedge funds?

Downside protection, portfolio insurance, positive compounding, low volatility and low correlation to other asset classes were cited as key reasons for including hedge funds in overall portfolios.

Having access to a particular manager skill with a less constrained mandate was also seen as a significant advantage.

"Hedge funds can play different roles within an overall portfolio," notes Naidoo. For example, the Momentum product range offers a low correlation/volatility dampening solution, a hedged equity solution and an enhanced equity solution. "Used appropriately, hedge funds provide exposure to a range of alternative risk premia that diversify an investor's portfolio from the traditional alpha sources. This will result in a more robust portfolio delivery."

For Rentzke at 27four, hedge funds are another weapon in the arsenal that can be put to good use. "In a low-return environment, you need to do everything you can to try to harness as much of the return and alpha from the market as possible," she stressed.

From a risk-return perspective, allocators still believe there is genuine benefit in limiting risk whilst not forgoing upside.

For Citadel's Herman, hedge funds provide an alternative source of returns, even if they are generated from the same underlying markets. Typcially, hedge funds should have low correlations to traditional markets, and should therefore provide excellent diversification. They also lower the volatility of an investor's overall portfolio, which is vital for a certain profile of investor.

Investors who wish to have portfolio insurance during falling markets and upside participation during up markets should consider allocating to hedge funds, they said.

"The long-term returns of the South African hedge fund industry are compelling," one institutional allocator concluded. "Hedge funds give a diversification benefit in a balanced portfolio. Analysis done by many industry participants concludes that the addition of South African hedge funds will improve efficient frontiers by adding an uncorrelated asset class with favourable risk and reward characteristics."

The burden on **living annuities** and how hedge funds can help

Following three very challenging years in the local asset management industry, investors and investment professionals have been forced to reconsider the effectiveness of their investment strategies for living annuities.

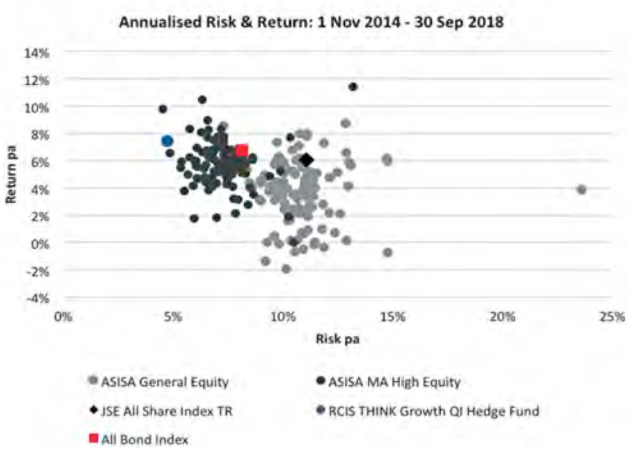
The strong reliance of living annuities on investment growth to provide regular income have made these investments particularly exposed to the suppressed performance of recent years, highlighting the urgent need to improve the ability of these portfolios to support withdrawals.

In a recent article *Why volatility matters for living annuity investors*, Jaco van Tonder at Investec Asset Management discusses some of the core conclusions drawn from their in-house research on living annuities (*see box, below*).

Traditionally hedge funds were not considered as a viable component to living annuities as they were not easily accessible to a wide range of investors. However, since 2016 hedge funds have become regulated under the Collective Investments Schemes Control Act (Act 45 of 2002), which brought them into the oversight fold of the Financial Sector Conduct Authority and available to all investors.

In addition to adding an alternative source of return, an appropriate combination of hedge funds is able to act as a low-volatility component in a multi-asset portfolio and has the ability to act as a strong return generator – exactly what the research demands.

For example, the RCIS THINK Growth QI Hedge Fund, shown in blue, represents a combination of hedge funds specifically combined to act as a building block to multi-asset portfolios. The graph shows that since inception the fund provided investors with a higher return and lower volatility



Sources: RealFin Fund Services, Morningstar

than bonds (All Bond Index, in red) and equities (JSE All Share Index TR, in black) as well as the vast majority of ASISA General Equity (light grey) and ASISA MA High Equity (dark grey) unit trust funds.

A suitably blended hedge fund portfolio can thus bring an additional component to the investment decision-making process that demonstrates significantly lower volatility than equities, which over the considered four-year period did not come at the cost of lower returns.

An allocation to an appropriate combination of hedge funds in a living annuity, therefore, presents an undeniable opportunity to create sustainable income and demands serious consideration by investors and advisors alike.

Elmien Wagenaar, investment manager, THINK.CAPITAL

Why volatility matters

Investec Asset Management's in-house research on *Why Volatility matters for living annuity investors* draws two main conclusions. These are:

1) Volatility is a core factor to consider in living annuity investments
2) Active management can significantly impact investor outcomes, both by outperforming index returns and achieving better risk characteristics.

Jaco van Tonder

Income-producing portfolios are much more sensitive to portfolio volatility than conventional capital growth portfolios. This is largely as a result of sequence of return risk – a phenomenon whereby an income-producing portfolio is much more sensitive to poor investment returns at the inception of the investment, than to poor investment returns towards the end of the investment term.

The research showed that given constant investment returns and income drawdowns, increased volatility in the portfolio significantly raises the risk of a living annuity failing over a 30-year period. In fact, for living annuities with income levels of 2.5% to 6% per annum, the following relationships appear to hold:

1) For every 1% additional real return produced by the investment portfolio, the pensioner received around 0.9% per annum of additional sustainable income
2) For every 1% reduction in the level of volatility of the investment portfolio's real returns, the pensioner could receive an additional 0.3% per annum of sustainable income

It is thus suggested that particular attention should be given to the impact of unpredictable markets on pensioners, focusing in particular on the significant influence of portfolio volatility on living annuity investors. It is also said that lower volatility seems to 'create' additional returns for an income-producing portfolio because it helps the portfolio manage sequence-of-return risk more effectively.

Investec Asset Management concludes: "We believe that it therefore makes sense for investors and advisors to consider investment strategies with an inherent lower volatility for income-producing portfolios such as living annuities. Investment strategies that can deliver both strong long-term real returns together with lower volatility can have a big positive impact on these portfolios."

To view the full article go to: https://www.investecassetmanagement.com/south-africa/professional-investor/en-za/insight/living-annuity-an-active-solution/

HedgeNews Africa *Awards*

Leading funds in a volatile year focus on countdown to **Awards**

In spite of tricky markets, many funds have made solid returns this year so there is all to play for in the countdown to next year's Awards in Cape Town

South African hedge funds have been under extreme pressure this year on a variety of fronts, with complicated markets chief amongst their concerns.

Yet even with a lot of volatility in month-to-month returns, many funds have made convincing gains so far.

For the first nine months of the year, South African hedge funds have added a median 4.7%, against a negative return from the JSE All Share Index, which was down 3.84% to end-September, and a 4.81% gain from the All Bond Index.

According to *HedgeNews Africa* data, event-driven and fixed income strategies have delivered the strongest median numbers to end-September, with each category adding more than 7%. Market-neutral and quantitative funds and multi-strategy mandates have each gained around 4%, while long/short equity has had a tougher time, yet outperformed the JSE All Share with a 1.38% gain to the end of September.

Long-only pan African funds have also faced headwinds, coming in with negative medians year to date after deep drawdowns in many emerging and frontier markets.

With October proving to be another exceptionally tough month for the markets, the league tables could well see a significant reshuffle as we head into the fourth quarter.

Award categories include:

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

The first provisional nominations for the 2018 awards will be announced in next month's online edition, based on 10 months of returns.

Now in their 10th year, the Awards are based on an established quantitative methodology that gauges risk-adjusted returns, in keeping with one of the hedge fund hallmarks of seeking to minimise downside risks.

The awards, based on calendar-year performance, will go to funds with the highest return in their categories, provided their Sharpe ratios are within 25% of the top Sharpes among the nominees in each category. Exceptions are made in the case of categories that combine different strategy areas, where other quantitative criteria may need to be applied.

The Awards will be celebrated at a gala dinner at the Vineyard Hotel in Cape Town on February 21, 2019.

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

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

Funds submitting their monthly returns to our database are automatically considered for the Awards. New funds can submit data to *data@hedgenewsafrica.com* before the end of November.

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

Sponsors include:

HedgeNews Africa *Symposium*

Top speakers join line-up for the **Symposium** debate next February

Adam Chamberlain of London-based independent asset management firm CDAM will be a featured speaker at the *HedgeNews Africa* 'Finding Alpha' Symposium 2019, which is scheduled for February 21 at the Vineyard Hotel in Cape Town.

Our 10th annual *HedgeNews Africa* Symposium comes at a critical juncture for the South African industry, which is navigating tough markets with an economy under pressure, while simultaneously needing to demonstrate its value proposition to sceptical investors in a newly regulated environment.

Chamberlain started CDAM, which has assets under management of more than US$900 million, in 2006 with former JP-Morgan colleague Scott Davies. CDAM launched their "hedged equity" global opportunities investment strategy in April that year, investing in a concentrated portfolio of developed-world securities with listed futures and options, before launching a long-only version of the strategy in 2012. The funds have since been approved for marketing in South Africa under Section 65 of the Collective Investment Schemes Control Act (see *HedgeNews Africa*, September 2018).

Adam Chamberlain

Michael Rhodes

Adam joined JPMorgan's graduate trainee programme in 1989 after gaining first-class honours in Banking and International Finance from City University Business School. Over the next 13 years he worked in a variety of roles for JPMorgan both in London and New York, including working across the money markets, credit, government, swap and option markets. In 2002 he joined Barclays Capital in New York, helping them develop and then consolidate their foothold in the US market, before returning to London to launch CDAM.

Chamberlain's experiences of building a fund management business over the past decade will provide invaluable insights for South African managers, who face similar challenges of delivering alpha for a demanding investor base in tough markets, while striving to build viable businesses that meet a raft of evolving regulatory and operational requirements.

Among other top talent confirmed for the line-up in 2019 is Akshay Krishnan, head of macro and trading strategies at Stenham Asset Management, and Michael Rhodes, senior portfolio manager with the quantitative investment strategies team at Goldman Sachs Asset Management (GSAM).

Krishnan has been with Stenham for the past five years, where he is responsible for research coverage of discretionary and systematic macro, commodities, quantitative and relative-value trading strategies across the range of Stenham funds and bespoke portfolios. Stenham has provided discretionary investment management services to investors for over 30 years, including pension funds, family offices, private banks, asset managers, charities and high-net-worth individuals, with AUM of US$4.2 billion.

At GSAM, Rhodes focuses on Alternative Risk Premia solutions for institutions, third-party distributors and private wealth management in the EMEA region. GSAM is the asset management arm of the investment management division in The Goldman Sachs Group, and has been providing discretionary investment advisory services since 1988, with AUM of $1.4 trillion as of December 2017.

SA funds edge ahead in September

South African hedge funds ended September marginally higher as the stock market fell, with the *HedgeNews Africa* South African Single-Manager Composite adding a median 0.25% to sit 4.70% higher year to date.

Market-neutral and quantitative funds outperformed long/short equity for the month, adding a median 0.77% (4.45% year to date) while the long/short equity median declined 1.47% (1.38% year to date).

Amongst market-neutral funds, the Investec Active Quants QI Hedge Fund delivered a strong 5.35% gain in September, followed by the Laurium Market Neutral Prescient RI Hedge Fund and Abax Bao NCIS Market Neutral RIF, with gains of a respective 3% and 1.88%. The AIP NCIS Active Alpha Retail Hedge Fund, which joins the tables this month, added 1.79%, while the Capricorn SCI Market Neutral Retail Hedge Fund gained 1.27%.

Investec Active Quants leads over three months, adding 9.04%, followed by the Capricorn SCI Stable Retail Hedge Fund and Capricorn SCI Market Neutral, which have each gained more than 4%.

The All Weather NCIS Market Neutral Retail Hedge Fund leads the category on a year-to-date basis with a nine-month gain of 18.11%.

The Fairtree Protea Equity Long Short SNN Retail Hedge Fund was the standout performer amongst long/short equity funds, gaining 6.92% for the month. The Fairtree Protea Worldwide Flexible Equity SNN QI Hedge Fund and Anchor Accelerator SNN QI Hedge Fund also performed well, adding 2.8% and 2.1% respectively, while the Nautilus Nitrogen Retail Hedge Fund gained 1.11% for the month.

Fairtree Protea Equity Long Short and the Fairtree Assegai Equity Long Short SNN QI Hedge Fund top the category on a three-month basis, with returns of a respective 10.94% and 10.31%.

Fairtree Protea Equity Long Short and Fairtree Protea Worldwide Flexible Equity lead on a year-to-date basis with gains of a respective 22.57% and 21.41%, while the Numus Prescient RI Hedge Fund sits 11.39% higher.

HEDGENEWS AFRICA INDICES

	Median		Mean	
South Africa	**Sep-18**	**YTD**	**Sep-18**	**YTD**
Long/Short Equity	-1.47%	1.38%	-1.30%	1.87%
Market Neutral & Quantitative	0.77%	4.45%	1.07%	5.53%
Multi-Strategy	0.17%	3.83%	-0.16%	2.49%
Fixed Income	0.64%	7.91%	0.64%	7.47%
Event Driven	1.01%	8.97%	0.94%	8.89%
Africa				
Pan-Africa/AME	-2.14%	-4.26%	-2.50%	-4.98%
Composites				
SA Single-Manager Composite	0.25%	4.70%	-0.26%	3.56%
HNA Single-Manager Composite	-0.06%	3.28%	-0.54%	1.54%
Fund of Funds	**Aug-18**	**YTD**	**Aug-18**	**YTD**
HNA SA Fund of Funds Composite	1.34%	3.48%	1.31%	3.23%
HNA Fund of Funds Composite	1.32%	3.48%	0.79%	2.46%
Market Indices	**Sep-18**	**YTD**		
FTSE/JSE All Share Index (TRI)	-4.17%	-3.84%		
South African All Bond Index	0.30%	4.81%		
MSCI Emerging Markets Index	-0.76%	-9.54%		
MSCI Frontier Mkts. Africa Index	-4.82%	-12.15%		

The *HedgeNews Africa* Multi-Strategy Index added a median 0.17% for the month, leaving it 3.83% higher year to date.

The Asymmetry A Fund and Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund added a respective 2.37% and 2.36% for the month, followed by the Peregrine Capital Flexible Opportunity H4 QI Hedge Fund (2.11%) and the Corion Prosperitas NCIS RIF Hedge Fund (2.02%).

Fairtree Wild Fig leads over three months with a gain of 11.43%, followed by Peregrine Capital Flexible Opportunity, which has added 8.08%.

The Blue Quadrant Capital Growth Prescient RI Fund leads for the year so far with a solid 16.75% gain.

The *HedgeNews* Africa Fixed Income Index advanced a median 0.64% for the month, leaving it 7.91% higher year to date.

The Idwala SNN Strategic Fixed Income Retail Hedge Fund joins the league tables this month, adding 2.63% for the month, followed by the Oakhaven SNN Strategic Fixed Income QI Hedge Fund and Cadiz South Easter Fixed Interest SNN QI Hedge Fund, which each gained more than 2%. The Southchester Smart Escalator Prescient QI Hedge Fund added 1.25%. Idwala SNN Strategic Fixed Income and Oakhaven SNN Strategic Fixed Income also lead on a three-month basis with respective returns of 3.57% and 3.35%. Southchester Smart Escalator added 3.23%, followed by the Abax Fixed Interest Prescient RI Hedge Fund (3.04%) and the Go Green Interest Income Prescient QI Hedge Fund (2.99%).

Amongst credit funds, the Creditsmith Enhanced Yield Fund added 1.07% in September (10.35% year to date), while the Creditsmith Specialised Opportunities Fund gained 1.01% (10.57% year to date).

Amongst commodity trade finance funds, the Challenger Trade Finance Fund added 0.74% for the month (6.64% year to date), while the Barak Structured Trade Finance Fund gained 0.62% (5.3% year to date).

Commodities funds had a good month, led by the S-Alt Yn Qualified Investor Hedge Fund +, which rose 3.71%, and the Polar Star SNN QI Hedge Fund, which gained 2.4%.

Amongst global mandates, the Green Diamond Fund, managed by Kinsey-Quick Capital Management, delivered a return of 12.92% for the month to sit 75.55% higher year to date. The Craton Capital Global Resources Fund gained 4.3% for the month, followed by the Optis Global Opportunities Fund (2.53%).

Africa funds decline but lead benchmark for the year

Africa-focused funds struggled in September with negative numbers dominating African indices as the third quarter drew to a close.

The *HedgeNews* Africa Pan-Africa/AME Index declined by a median 2.14%, leaving it 4.26% lower year to date compared with a decline of 12.15% from the MSCI Frontier Markets Africa index to the end of September.

Amongst key indices, Ghana, Zambia and Mauritius were positive for the month, while Kenya, Tunisia, Nigeria and Egypt led the declines.

Against this negative backdrop, only one long-only equity-focused fund, the Coronation Africa Frontiers Fund, delivered a positive return for the month, adding 0.74%.

A handful of long-only Africa-focused funds are in the green year to date, led by the Atria Africa Franchise Fund with a return of 2.1%. The Allan Gray Africa ex-SA Equity Fund and Old Mutual African Frontiers Fund have added a respective 1.56% and 1.52%, followed by the Absa Africa Equity Fund (1.14%), Coronation Africa Frontiers Fund (0.25%) and Allan Gray Africa Equity Fund (0.21%).

Elsewhere, the Laurium Chobe Long Short Fund sits 4.55% higher year to date, while the Enko Africa Debt Fund is 6.63% in the green for the year following a 0.19% gain for the month.

Data tables www.hedgenewsafrica.com/data

Single Managers – September 2018

Fund name	Last 3 months	Sep-18	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 Protea Equity L/S SNN Retail Hedge Fund (RIF)	10.94%	6.92%	12.90%	29.48%	22.57%	18.24%	n/a	n/a	Jul-17
Fairtree Assegai Equity L/S SNN QI Hedge Fund (QIF)	10.31%	-0.05%	31.55%	18.72%	4.56%	18.85%	12.67%	17.80%	May-12
Fairtree Protea Worldwide Flexible Equity SNN QI HF(QIF)	7.61%	2.80%	17.77%	25.20%	21.41%	13.55%	13.55%	n/a	Oct-15
Anchor Accelerator SNN QI Hedge Fund (QIF)	6.31%	2.10%	5.80%	9.53%	6.49%	6.17%	n/a	n/a	Mar-16
Capricorn SCI Performer Qualified Hedge Fund (QIF)	4.55%	-0.03%	0.17%	2.07%	-5.11%	16.08%	3.50%	10.52%	Aug-12
Peregrine Capital Dynamic Alpha H4 QI Hedge Fund (QIF)	4.14%	0.67%	11.51%	6.59%	4.70%	13.77%	10.03%	n/a	Dec-14
Catalyst Alpha Prescient QI Hedge Fund (QIF)	3.83%	0.25%	9.22%	12.35%	8.33%	19.18%	13.33%	17.43%	Feb-06
Obsidian SCI Long Short Retail Hedge Fund (RIF)	3.56%	0.26%	5.75%	3.72%	5.11%	13.06%	8.15%	9.93%	Jul-08
Nautilus Nitrogen Retail Hedge Fund (RIF)	3.53%	1.11%	6.59%	9.21%	8.51%	13.45%	9.07%	9.36%	Aug-06
Emperor H4 Sir John Ross Retail Hedge Fund (RIF)	3.20%	-5.49%	1.17%	6.91%	-2.78%	5.41%	-6.37%	n/a	Nov-14
Old Mutual Chronos Fund	2.88%	-3.54%	3.50%	3.98%	1.14%	3.89%	0.46%	3.00%	Sep-12
Abax Long/Short Equity Prescient RI Hedge Fund (RIF)	2.45%	0.74%	2.62%	5.85%	3.67%	12.73%	7.22%	6.68%	Nov-01
Numus Prescient RI Hedge Fund (RIF)	1.82%	0.03%	4.10%	10.37%	11.39%	13.56%	10.81%	n/a	May-15
Peregrine Capital High Growth H4 QI Hedge Fund (QIF)	1.71%	-1.57%	6.70%	2.80%	-1.20%	25.61%	8.81%	16.60%	Feb-00
Prescient Long Short Equity Fund (RIF)	1.64%	-1.40%	-0.07%	1.67%	-0.74%	7.33%	n/a	n/a	Mar-17
Salient Quants SNN RI Hedge Fund (RIF)	1.51%	0.52%	-1.80%	15.51%	-1.46%	10.04%	2.21%	5.83%	Aug-06
BACCI SNN Protected Equity QI Hedge Fund (QIF)	1.28%	-3.32%	5.85%	6.06%	2.49%	9.85%	6.46%	7.38%	Dec-10
Senqu Long Short Prescient RI Hedge Fund (RIF)	0.88%	-2.75%	6.10%	-0.60%	-2.15%	7.96%	n/a	n/a	Jan-17
Emperor Asset Management Robert Falcon Scott Strategy	0.82%	-5.94%	-0.16%	0.90%	-6.01%	14.53%	-7.15%	-0.62%	Oct-04
Mazi NCIS Long Short Qualified Hedge Fund (QIF)	0.49%	-1.68%	-0.56%	-2.23%	-3.53%	4.34%	-1.14%	n/a	Apr-14
X-Chequer SNN Flexible Long Short QI Hedge Fund (QIF)	0.39%	-2.52%	1.30%	2.38%	1.81%	11.90%	6.78%	7.67%	Sep-11
Truffle SNN High Growth Retail Hedge Fund (RIF)	0.36%	-3.98%	8.15%	4.77%	7.12%	21.30%	14.02%	17.67%	Jan-11
All Weather H4 Performance Retail Hedge Fund (RIF)	0.23%	-0.82%	-2.33%	0.01%	2.54%	10.19%	5.24%	n/a	May-14
Steyn Capital SNN Retail Hedge Fund (RIF)	-0.09%	0.45%	2.46%	-12.05%	-7.25%	8.50%	-1.51%	7.19%	May-13
Laurium Long Short Prescient RI Hedge Fund (RIF)	-0.24%	-1.09%	1.42%	3.52%	5.56%	11.16%	3.42%	7.83%	Aug-08
36ONE SNN QI Hedge Fund (QIF)	-0.46%	-2.00%	0.46%	11.59%	9.15%	16.98%	7.76%	11.01%	Apr-06
36ONE SNN Retail Hedge Fund (RIF)	-0.70%	-2.93%	0.21%	9.24%	6.87%	14.40%	7.13%	9.32%	Dec-08
Steyn Capital SNN QI Hedge Fund (QIF)	-0.72%	0.72%	-0.49%	-0.58%	1.40%	15.48%	2.51%	9.33%	May-09
Definitive RCIS Trend X QI Hedge Fund (QIF)	-1.67%	-3.42%	0.65%	-7.29%	-4.59%	21.19%	0.59%	11.81%	Aug-12
Electus Long/Short Equity H4 Retail Hedge Fund (RIF)	-1.69%	-1.91%	5.84%	-1.81%	2.02%	3.79%	n/a	n/a	Jul-16
Laurium Aggressive Long Short Prescient QI HF(QIF)	-1.83%	-1.47%	-0.45%	-1.65%	5.35%	17.90%	3.84%	13.00%	Jan-13
Sanlam Alternative Pi Retail Hedge Fund (RIF)	-2.61%	-1.30%	-2.61%	1.74%	-1.37%	6.86%	5.74%	n/a	May-14
Visio SNN Golden Hind QI Hedge Fund (QIF)	-2.69%	-1.78%	-2.85%	4.15%	6.19%	21.04%	0.21%	4.56%	Nov-03
Visio SNN Occasio QI Hedge Fund (QIF)	-2.75%	-2.28%	-4.14%	0.14%	4.47%	18.69%	4.99%	7.81%	May-09
Acanthin House Hedge Fund	-2.76%	-1.47%	0.06%	0.54%	2.96%	8.72%	7.72%	n/a	Sep-15
Absolute Alpha Fund	-3.85%	-4.90%	-13.14%	-7.35%	-11.55%	12.26%	-6.48%	0.48%	Nov-03
Coronation Presidio Hedge Fund (QIF)	-5.98%	-7.19%	4.43%	-4.86%	1.83%	14.15%	-0.78%	5.38%	Oct-05
South African Long Short Equities (USD)									
SA-Alpha Nitrogen Offshore Portfolio	2.65%	1.71%	5.70%	7.23%	8.25%	5.76%	6.12%	n/a	Jul-15
SA-Alpha Peregrine Capital Dynamic Alpha Offshore Portfolio	2.10%	-0.38%	7.12%	-3.15%	-2.98%	2.59%	1.41%	n/a	May-15
SA-Alpha Peregrine Capital High Growth Offshore Portfolio	-0.16%	-2.42%	3.00%	-3.62%	-6.19%	11.39%	1.55%	7.18%	Oct-03
SA-Alpha 36ONE Offshore Portfolio	-2.22%	-2.50%	-2.83%	4.10%	3.51%	10.48%	0.47%	2.97%	May-08
South African Market Neutral & Quantitative Strategies (ZAR)									
Investec Active Quants QI Hedge Fund (QIF)	9.04%	5.35%	10.79%	10.63%	13.72%	9.82%	8.42%	6.24%	Oct-05
Capricorn SCI Stable Retail Hedge Fund (RIF)	4.56%	0.34%	1.36%	1.04%	-1.74%	13.43%	2.69%	7.37%	Jul-03
Capricorn SCI Market Neutral Retail Hedge Fund (RIF)	4.17%	1.27%	3.50%	1.55%	1.43%	9.76%	1.52%	7.87%	Apr-06
Peregrine Capital Pure Hedge H4 QI Hedge Fund (QIF)	3.31%	0.76%	8.80%	6.81%	4.90%	20.92%	9.80%	13.01%	Jul-98
AIP NCIS Active Alpha Retail Hedge Fund (RIF)	3.19%	1.79%	5.65%	12.64%	9.20%	12.64%	n/a	n/a	Oct-10
All Weather NCIS Market Neutral Retail Hedge Fund (RIF)	3.00%	0.61%	6.08%	21.83%	18.11%	21.21%	n/a	n/a	Sep-17
Abax Bao NCIS Market Neutral RIF	2.78%	1.88%	5.46%	3.33%	6.51%	10.13%	10.57%	9.95%	Apr-11
Old Mutual Managed Alpha Hedge Fund	2.54%	-0.46%	3.95%	3.18%	2.68%	6.46%	3.33%	n/a	Jul-14
Old Mutual Aristeia Opportunities Fund	2.41%	0.78%	3.53%	6.92%	5.12%	6.41%	6.56%	6.35%	Dec-10
X-Chequer SNN Market Neutral QI Hedge Fund (QIF)	2.26%	1.05%	2.94%	2.47%	7.93%	12.31%	9.69%	9.41%	Jun-06
Old Mutual Volatility Arbitrage Fund	2.13%	0.67%	3.60%	6.49%	4.99%	7.70%	6.43%	6.09%	Sep-05
Prescient Market Neutral Fund	1.53%	-0.18%	12.08%	-3.39%	9.79%	3.66%	1.68%	n/a	Oct-14
Laurium Market Neutral Prescient RI Hedge Fund (RIF)	1.43%	3.00%	2.85%	7.47%	12.50%	9.91%	5.17%	7.86%	Jan-09
Mazi NCIS Market Neutral Retail Hedge Fund (RIF)	0.10%	-1.94%	-0.17%	-1.70%	-1.67%	11.32%	-1.54%	2.70%	Nov-06
South African Single-Manager Multi-Strategies (ZAR)									
Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund (QIF)	11.43%	2.36%	24.25%	10.75%	12.21%	20.47%	5.59%	11.78%	Aug-10
Peregrine Capital Flexible Opportunity H4 QI HF (QIF)	8.08%	2.11%	12.93%	5.04%	2.43%	14.68%	n/a	n/a	Dec-15
Fairtree Woodland Multi Strategy SNN QI Hedge Fund (QIF)	5.94%	1.60%	14.74%	11.75%	9.27%	10.28%	7.22%	9.58%	Apr-12
Corion Prosperitas NCIS RIF Hedge Fund (RIF)	5.44%	2.02%	5.16%	1.65%	7.99%	12.88%	4.74%	12.27%	Jun-13
Obsidian SCI Multi Asset Retail Hedge Fund (RIF)	3.90%	0.29%	6.02%	3.02%	4.36%	11.18%	7.49%	10.25%	Oct-07
Novare Fixed Income 3 Retail Hedge Fund (RIF)	3.14%	1.21%	4.09%	11.17%	7.79%	11.14%	n/a	n/a	Aug-16

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

Single Managers – September 2018

Fund name	Last 3 months	Sep-18	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
Blue Quadrant Capital Growth Prescient RI Fund (RIF)	1.67%	0.17%	31.17%	7.65%	16.75%	14.92%	18.06%	11.86%	May-11
Corion Gravitas NCIS RIF Hedge Fund (RIF)	1.61%	-0.24%	0.61%	-0.77%	1.23%	6.55%	6.04%	n/a	Jun-15
Sanlam Alternative Gamma Retail Hedge Fund (RIF)	1.40%	0.64%	7.79%	12.09%	11.61%	8.61%	n/a	n/a	Jul-16
Matrix NCIS Multi Strategy Retail Hedge Fund (RIF)	0.77%	-0.01%	-3.32%	0.24%	1.37%	11.72%	6.11%	8.56%	Oct-06
Citadel Multi-Strategy H4 Retail Hedge Fund (RIF)	0.65%	-0.85%	9.93%	10.66%	9.62%	7.69%	n/a	n/a	Sep-16
Coronation Multi-Strategy Arbitrage Hedge Fund (QIF)	0.05%	0.36%	4.77%	3.50%	10.17%	11.92%	11.09%	8.39%	Jul-03
Anchor Property Long Short SNN QI Hedge Fund (QIF)	-0.24%	-1.65%	-1.21%	-4.58%	-5.74%	9.64%	3.51%	n/a	Jan-14
Asymmetry A Fund (RIF)	-0.33%	2.37%	-3.72%	-18.79%	-7.09%	2.32%	n/a	n/a	Jun-16
Tantalum SNN MNC Retail Hedge Fund (RIF)	-0.37%	-3.63%	3.93%	-0.21%	1.59%	9.24%	4.66%	4.29%	Jun-05
Muhu Multi-Strategy Fund	-0.38%	-0.12%	-2.66%	0.51%	-0.01%	2.17%	n/a	n/a	Mar-16
Aylett Prescient QI Hedge Fund (QIF)	-0.46%	0.94%	2.35%	7.54%	4.62%	10.47%	10.81%	9.17%	Jun-08
Crux SNN QI Hedge Fund (QIF)	-1.95%	-0.12%	-3.01%	2.00%	-2.39%	4.07%	n/a	n/a	Nov-15
Paragon PFP Multi-Strategy Prescient QI Hedge Fund (QIF)	-2.20%	-2.61%	-3.73%	0.16%	-1.94%	0.11%	n/a	n/a	Feb-17
Anchor Long Short SNN Retail Hedge Fund (RIF)	-2.31%	-2.95%	-2.04%	-3.50%	-2.26%	7.45%	1.80%	7.08%	Apr-13
Alt Re SNN Select Opportunity QI Hedge Fund (QIF)	-5.04%	-5.32%	-10.30%	-21.96%	-26.17%	23.08%	-8.81%	3.64%	Jan-09
South African Event Driven / Credit (ZAR)									
Creditsmith Enhanced Yield Fund	3.28%	1.07%	6.86%	14.04%	10.35%	12.87%	13.93%	13.66%	Feb-11
Creditsmith Specialised Opportunities Fund	3.06%	1.01%	6.71%	14.27%	10.57%	13.40%	14.07%	14.10%	Aug-11
Chrysalis Credit Arbitrage Fund	2.31%	0.73%	5.23%	11.52%	8.09%	12.34%	11.49%	11.25%	Aug-08
South African Special Opportunities (ZAR)									
Westbrooke Special Opportunities SNN QI Hedge Fund	-1.80%	0.42%	1.12%	-7.02%	2.29%	8.64%	1.45%	8.12%	Jun-12
South African Fixed Income (ZAR)									
Idwala SNN Strategic Fixed Income Retail HF (RIF)	3.57%	2.63%	2.32%	6.53%	8.08%	9.93%	n/a	n/a	Jul-17
Oakhaven SNN Strategic Fixed Income QI HF (QIF)	3.35%	2.29%	2.82%	7.40%	8.03%	9.47%	9.02%	7.16%	Oct-12
Southchester Smart Escalator Prescient QI HF (QIF)	3.23%	1.25%	6.55%	n/a	11.48%	13.68%	n/a	n/a	Nov-17
Abax Fixed Interest Prescient RI Hedge Fund (RIF)	3.04%	0.94%	5.59%	8.53%	9.38%	12.48%	10.98%	11.84%	Feb-13
Go Green Interest Income Prescient QI Hedge Fund (QIF)	2.99%	0.82%	4.31%	8.60%	6.81%	9.68%	8.33%	7.34%	Dec-09
Investec Fixed Income QI Hedge Fund (QIF)	2.77%	0.40%	2.78%	10.14%	7.23%	10.96%	11.05%	9.62%	Apr-04
Nautilus AcuityOne RHF (RIF)	2.53%	0.43%	6.93%	16.10%	11.31%	20.18%	13.51%	14.75%	Sep-09
Nautilus Fairtree Proton Retail Hedge Fund (RIF)	2.33%	0.88%	4.77%	10.40%	7.85%	11.63%	10.36%	11.55%	Aug-01
Coronation Granite Hedge Fund (QIF)	2.15%	0.64%	4.66%	9.40%	7.48%	10.09%	9.33%	8.47%	Oct-02
Cadiz South Easter Fixed Interest SNN QI Hedge Fund (QIF)	1.94%	2.04%	-1.06%	13.49%	8.47%	8.72%	9.94%	5.95%	Nov-05
Nautilus MAP130 RHF (RIF)	1.33%	-0.13%	2.56%	19.51%	12.30%	13.80%	16.92%	13.31%	Aug-09
Terebinth SNN FI Macro Retail Hedge Fund (RIF)	1.29%	-0.20%	2.20%	19.32%	12.08%	11.71%	14.19%	12.21%	Apr-13
Sanlam Alternative Rho Retail Hedge Fund (RIF)	0.22%	-0.72%	-2.45%	6.77%	6.57%	9.81%	6.71%	8.20%	Oct-04
Matrix NCIS Fixed Income Retail Hedge Fund (RIF)	-0.67%	-0.67%	-9.30%	-0.69%	-2.58%	15.33%	7.18%	9.56%	Oct-08
KADD Validus SNN QI Hedge Fund (QIF)	-0.80%	-0.97%	-4.86%	-2.66%	-3.22%	12.26%	3.92%	10.04%	Sep-06
Pan-African Equities (Long/Absolute Return) (USD)									
Coronation Africa Frontiers Fund	-4.34%	0.74%	-10.35%	9.74%	0.25%	7.08%	4.95%	0.69%	Oct-08
IPRO African Markets Leaders Fund	-4.56%	-2.36%	-10.80%	3.37%	-3.68%	3.68%	4.08%	-1.53%	Jul-08
Coronation All Africa Fund	-4.85%	-0.06%	-13.35%	6.07%	-5.65%	5.85%	4.77%	-0.71%	Aug-08
Atria Africa Franchise Fund	-4.89%	-0.69%	-11.67%	16.46%	2.10%	0.60%	2.24%	-0.84%	Mar-13
Sanlam Africa Frontier Market Fund	-5.47%	-0.86%	-11.70%	8.22%	-6.77%	1.54%	4.14%	-0.36%	Mar-10
Sanlam Africa Equity Fund	-5.66%	-0.78%	-12.23%	15.26%	-8.45%	4.25%	8.13%	n/a	Jul-15
Old Mutual African Frontiers Fund	-6.53%	-2.14%	-8.33%	6.91%	1.52%	2.43%	4.09%	1.02%	Jul-10
Allan Gray Africa Equity Fund	-6.77%	-2.03%	-9.49%	17.76%	0.21%	18.19%	13.08%	1.82%	Jul-98
Absa Africa Equity Fund	-6.87%	-3.89%	-9.71%	6.39%	1.14%	-5.08%	0.89%	n/a	Aug-14
Allan Gray Africa ex-SA Equity Fund	-7.77%	-2.35%	-8.73%	10.97%	1.56%	5.99%	9.20%	-0.57%	Jan-12
Adventis Africa Equity Fund	-8.25%	-3.08%	-14.50%	-5.54%	-8.56%	-3.70%	-1.35%	n/a	Dec-14
Laurium Limpopo African Equity Fund	-8.50%	-5.00%	-12.55%	3.89%	-2.92%	5.12%	8.30%	n/a	Jan-14
Steyn Capital Africa Fund	-8.55%	-4.88%	-13.92%	15.37%	-7.05%	10.24%	7.30%	4.21%	Sep-11
Optis African Frontiers Fund	-9.22%	-3.50%	-16.78%	-0.78%	-8.28%	-1.94%	-0.47%	-7.22%	Aug-09
Altree Capital Africa Opportunities Fund	-9.25%	-4.77%	-12.37%	3.69%	-4.59%	2.79%	-3.24%	-6.66%	Jun-06
Prescient Africa Equity Fund	-9.81%	-5.72%	-18.04%	-7.21%	-8.26%	-2.56%	-5.65%	-7.09%	Apr-11
ALUWANI Africa Equity Fund	-10.93%	-4.34%	-13.60%	4.03%	-3.41%	2.41%	-1.56%	-3.96%	Aug-09
Ashburton Africa Equity Opportunities Fund	-11.57%	-7.43%	-18.23%	-0.40%	-7.86%	-5.38%	-3.29%	-5.84%	May-13
Sustainable Capital Africa Alpha Fund	-11.70%	-5.48%	-13.38%	-8.50%	-8.65%	3.00%	12.40%	-4.22%	Feb-12
Sustainable Capital Africa Consumer Fund	-14.55%	-8.83%	-24.02%	-20.62%	-18.29%	-7.30%	-10.40%	-8.03%	Mar-13
Africa Multi-Strategies (USD)									
Laurium Chobe Long Short Fund	-0.63%	-0.79%	0.65%	2.75%	4.55%	9.35%	-0.69%	4.06%	Dec-08
Enko Opportunity Growth Fund	-1.23%	-1.23%	-4.42%	-6.25%	-9.13%	5.60%	-0.71%	-1.15%	Sep-09
Africa Fixed Income (USD)									
Enko Africa Debt Fund	2.49%	0.19%	3.60%	9.88%	6.63%	11.57%	n/a	n/a	Oct-16
IPRO Africa Total Return Fund	0.01%	0.00%	-3.08%	3.49%	-0.09%	2.74%	6.00%	n/a	May-14

performance

Single Managers – September 2018

Fund name	Last 3 months	Sep-18	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
Commodity Trade Finance (USD)									
Challenger Trade Finance Fund	2.30%	0.74%	4.44%	8.68%	6.64%	8.24%	n/a	n/a	Nov-15
Barak Structured Trade Finance Fund	1.87%	0.62%	3.62%	7.47%	5.30%	12.59%	8.36%	9.68%	Feb-09
Atria Africa Trade Finance Fund	1.62%	0.41%	3.39%	8.68%	6.17%	10.54%	9.16%	n/a	May-14
Commodities (ZAR)									
Polar Star SNN QI Hedge Fund (QIF)	4.21%	2.40%	3.77%	8.83%	5.58%	19.98%	6.29%	19.80%	Oct-08
S-Alt Yn Qualified Investor Hedge Fund + (QIF)	2.00%	3.71%	-0.05%	1.83%	-0.01%	5.16%	n/a	n/a	Jan-16
Global Focus									
Green Diamond Fund (USD)	21.03%	12.92%	35.15%	48.49%	75.55%	18.55%	18.13%	n/a	Sep-14
Fairtree Protea Global Equity L/S SNN Retail HF (RIF) (ZAR)	4.03%	-0.81%	21.25%	12.89%	14.64%	15.31%	n/a	n/a	Sep-17
Optis Global Opportunities Fund (USD)	-0.27%	2.53%	-10.67%	-1.88%	-9.18%	8.54%	21.50%	8.70%	Sep-06
Craton Capital Global Resources Fund (USD)	-7.89%	4.30%	-13.04%	-13.37%	-18.50%	-2.77%	18.50%	-6.04%	Dec-08
Craton Capital Precious Metals Fund (USD)	-14.87%	0.10%	-20.40%	-27.09%	-25.99%	-1.40%	8.37%	-6.39%	Nov-03

Fund of funds – August 2018

Fund name	Last 3 months	Aug-18	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date	Return objective
Fund of Funds – South African (ZAR)										
Edge RCIS Portable Alpha 1 QI Hedge Fund (QIF)	6.04%	2.88%	1.44%	3.31%	-0.65%	12.84%	3.91%	8.79%	Jun-12	SWIX Top40 Total Return Index
Nautilus Momentum ZAR Portable Alpha Qual. FoHF (QIF)	5.66%	1.44%	-0.24%	4.53%	-2.35%	5.73%	6.50%	n/a	Aug-14	SWIX40 + 2% net of fees
Edge RCIS Equity Alpha Plus QI Hedge Fund (QIF)	5.56%	1.21%	-1.16%	0.33%	-2.97%	12.23%	4.08%	9.45%	Dec-11	Outperform SwixTop40 TRI
Nautilus Momentum ZAR Equity Hedge Qual. FoHF (QIF)	5.14%	2.52%	4.13%	3.33%	3.30%	8.19%	4.48%	6.69%	Jan-11	2/3 SWIX up & 1/3 SWIX down
Edge RCIS Matador Retail Hedge Fund (RIF)	4.94%	2.72%	2.81%	4.41%	2.53%	11.93%	4.40%	7.08%	May-04	STeFI + 4%
Old Mutual Multi-Managers Long Short Equity FoHF	4.26%	2.09%	4.63%	3.96%	5.86%	12.60%	3.89%	8.24%	May-04	STeFI + 7%
Novare Equity Retail FoHF (RIF)	4.05%	1.62%	1.90%	1.11%	1.14%	10.14%	2.73%	8.33%	Oct-10	CPI + 5% over 3 - 5 years
Nautilus Momentum ZAR Diversified FoHF (QIF)	3.80%	1.72%	5.50%	4.64%	5.65%	8.37%	5.22%	6.89%	Nov-07	STeFI + 5%
Citadel Multi-Strategy H4 QI Hedge Fund (QIF)	3.40%	2.34%	3.62%	1.89%	0.73%	13.51%	5.58%	9.49%	Dec-02	Cash + 3%
AF Investments Stable QI Hedge Fund of Funds (QIF)	3.28%	1.40%	5.34%	6.48%	5.94%	9.06%	7.71%	8.20%	Jan-06	15% SWIX + 85% STeFI
Novare Stable Retail FoHF (RIF)	3.25%	1.32%	3.34%	5.05%	4.86%	9.94%	3.33%	7.30%	Jul-06	Cash + 6%
Edge RCIS Absolute Return Retail Hedge Fund (RIF)	3.19%	1.72%	1.38%	2.88%	2.42%	9.25%	3.44%	5.92%	May-02	STeFI + 2%
27four Long Short Prescient QI FoHF (QIF)	3.18%	2.06%	2.76%	0.92%	3.40%	9.09%	2.42%	5.98%	Feb-09	STeFI + 4%
AF Investments Focus QI Hedge Fund of Funds (QIF)	3.11%	1.08%	3.52%	5.84%	6.88%	10.54%	4.47%	8.18%	Feb-11	65% SWIX + 35% STeFI
Alpha Prime Equity Qualified Investor FoHF (QIF)	3.02%	0.71%	1.52%	1.76%	3.07%	7.65%	3.54%	8.24%	Nov-07	ALSI
Novare Mayibentsha Focused Qualified FoHF (QIF)	2.90%	1.66%	2.45%	1.88%	3.52%	8.64%	1.29%	5.18%	Dec-08	CPI + 4.5%
RCIS THINK Growth QI Hedge Fund (QIF)	2.83%	1.50%	2.81%	1.57%	0.92%	7.84%	4.79%	n/a	Nov-14	STeFI + 3%
Alpha Prime Cautious Qualified Investor FoHF (QIF)	2.70%	0.61%	1.07%	3.88%	4.62%	8.26%	3.23%	4.50%	Mar-03	CPI + 3%
Kanaan SNN QI FoHF (QIF)	2.69%	1.75%	2.60%	-5.39%	0.38%	11.15%	-2.24%	4.17%	May-05	CPI + 3%
AF Investments Moderate QI Hedge FoHF (QIF)	2.32%	1.35%	2.23%	4.68%	3.25%	9.42%	6.01%	8.00%	Mar-00	30% SWIX + 70% STeFI
Novare Mayibentsha Moderate Qualified FoHF (QIF)	2.28%	0.91%	2.47%	4.07%	5.16%	10.85%	5.11%	7.38%	Apr-03	CPI + 3.5%
Novare Income Retail FoHF (RIF)	2.06%	1.33%	4.52%	6.56%	5.35%	7.85%	7.99%	8.13%	Oct-10	Cash + 3% over 3 years
Novare Alternative Retail FoHF (RIF)	1.97%	0.97%	3.30%	3.40%	5.30%	8.45%	3.67%	7.24%	Nov-12	Cash + 3%
27four Market Neutral Prescient RI FoHF (RIF)	1.90%	0.31%	1.26%	3.60%	3.38%	8.07%	3.95%	6.01%	Feb-09	STeFI + 3%
AF Investments Performance QI Hedge FoHF (QIF)	1.54%	0.83%	1.23%	5.29%	3.90%	9.77%	5.52%	8.60%	Jan-06	40% SWIX + 60% STeFI
Novare Mayibentsha Market Neutral Qualified FoHF (QIF)	1.33%	0.07%	2.57%	6.54%	5.40%	7.59%	6.86%	7.52%	Jul-10	CPI + 2.5%
27four Fortress Prescient RI FoHF (RIF)	1.20%	0.28%	1.69%	4.24%	3.54%	8.41%	5.39%	6.97%	Feb-12	STeFI + 4%
TriAlpha SNN Enhanced Fixed Income QI FoHF (QIF)	0.68%	0.60%	2.43%	7.78%	4.98%	8.26%	8.01%	8.02%	Aug-07	STeFI + 2%
27four Alternate Income Prescient QI FoHF (QIF)	0.50%	0.31%	1.51%	5.93%	3.59%	6.82%	6.22%	7.52%	Feb-09	STeFI + 2%
Alpha Prime Fixed Income Qualified Investor FoHF (QIF)	-0.48%	0.03%	-2.89%	0.99%	-0.23%	6.19%	2.54%	4.28%	Jan-06	CPI + 3%
Fund of Funds - Pan African (USD)										
Caveo Africa Fund	-5.67%	-3.63%	-7.53%	9.22%	-0.58%	3.17%	6.23%	-0.23%	Jun-12	n/a
27four Pangaea Africa Fund of Funds	-7.52%	-4.29%	-9.72%	4.55%	-1.89%	-1.22%	2.76%	-1.83%	Jun-11	n/a
Fund of Funds - Global (USD)										
Blue Diamond Fund	-0.12%	-5.25%	-3.02%	1.04%	-2.93%	5.49%	5.65%	n/a	Oct-14	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