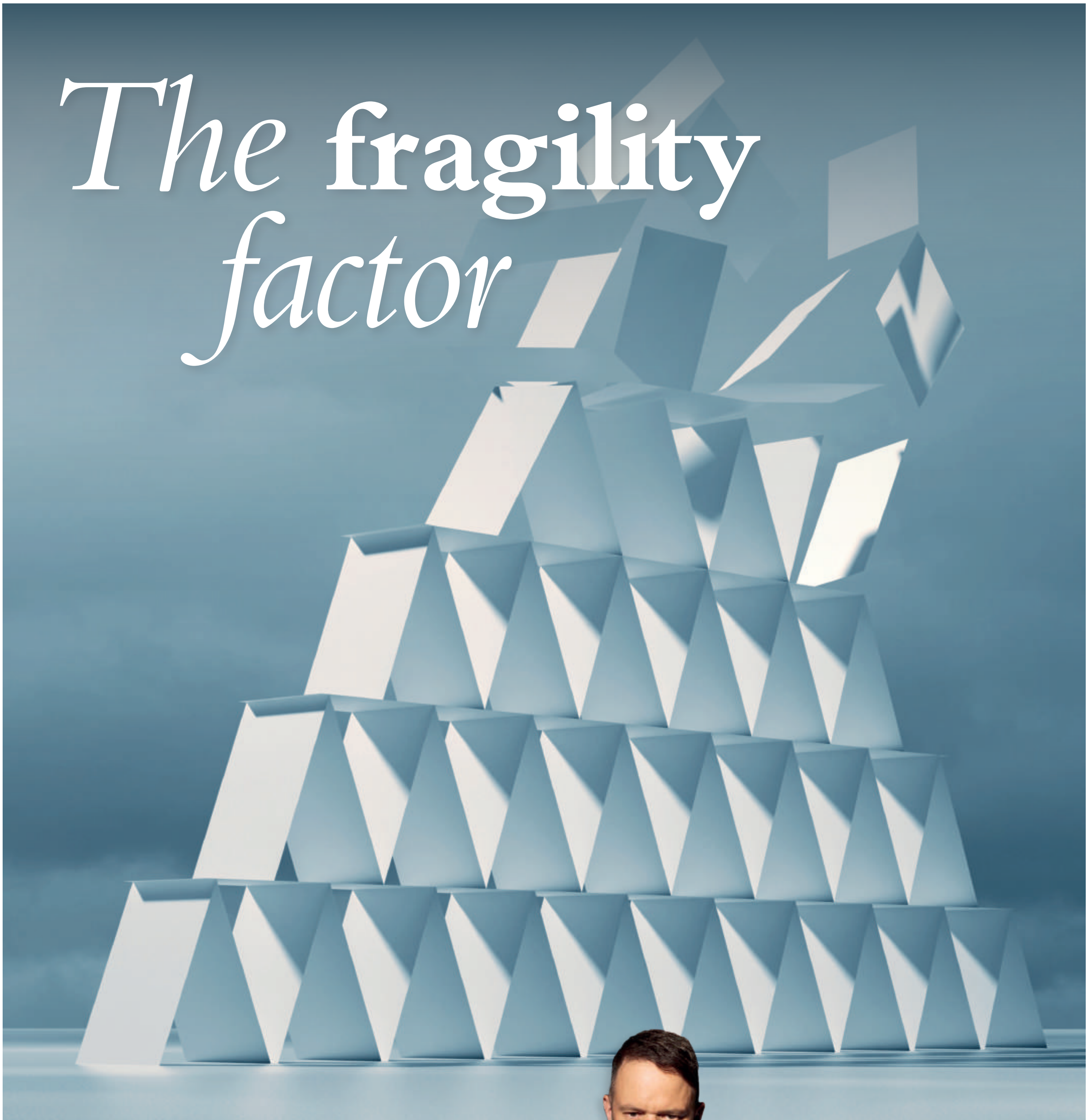
HedgeNews Africa

THE QUARTERLY JOURNAL OF THE AFRICAN ALTERNATIVES AND HEDGE FUND COMMUNITY
SECOND QUARTER 2023 ■ VOL 6 №1 ■ WWW.HEDGENEWSAFRICA.COM

The **fragility** *factor*



Differential blends AI idea generation with fundamental checks
Page 17-19

Realfin and **Momentum** unveil physical property QIHF
Pages 20-21

Symposium and Awards Full coverage of the events in March
Awards 14-16 Symposium 30-36


RMB
SIT BACK, RELAX AND ENJOY THE TRADE.
Experience peace of mind with our streamlined post-trade securities solutions.
We simplify local, regional and global post-trade securities solutions with single contact access. Our end-to-end solutions offering extends from trade execution through to reporting and analytics.
Traditional values. Innovative ideas.
CORPORATE AND INVESTMENT BANKING
RMB a division of FirstRand Bank Limited, is an Authorised Financial Services and Credit Provider NCRCP20. Terms and conditions apply.

editor's letter

contents

www.hedgenewsafrica.com
Email: *admin@hedgenewsafrica.com*
Tel: +27 (0) 43 748 1283
Published by African Financial Media
Editor: Gwyneth Roberts
editor@hedgenewsafrica.com
Contributors: Neil Wilson
Marketing and events: Lindsay Mitchell
lindsay.mitchell@hedgenewsafrica.com
Managing director: Mark Caldwell
Subscription and database sales:
admin@hedgenewsafrica.com
To list your fund in our database:
Benjamin Brent *data@hedgenewsafrica.com*
Advertising and sponsorships:
events@hedgenewsafrica.com
Editorial and administration:
admin@hedgenewsafrica.com

Cover: Shutterstock

A fragile global economy sets the scene for Q2

By Gwyneth Roberts, editor

This quarter's bumper edition comes amid renewed concerns in global markets, after a changeable and challenging start to the year.

"The global economy is fragile. Recession could be imminent, which is not positive for markets. There is vulnerability," Fairtree's Clarissa Van der Westhuyzen told us recently (pages 37 to 38). "The market is too complacent about inflation and too optimistic about the potential for rate cuts to reverse the effects of tight financial conditions on the global economy."

Given the pressures in the South African economy, fund managers are renewing their scrutiny across sectors and companies.

For Van der Westhuyzen, that means being realistic about increased costs and downbeat earnings growth prospects. "We need to be aware of companies that are vulnerable, with less defensive revenues and less ability to pass on costs. Ultimately, we need to see any potential broker downgrades factored into prices and then we need earnings growth to deliver," she states.

Vincent Anthonyrajah of Differential Capital, which combines traditional investing and data science skills, explains how in late January, their data was showing a bad market ahead, prompting caution that helped its multi-strategy hedge fund to a solid first quarter.

"Our main model output can be summarised in one word – fragility. That is the tone shaping how we are positioning our portfolios right now. We are positioned for a fragile world," he says. "In an environment of high volatility we have a lot of incremental data points to play in."

In this edition we note how fund managers are responding in their own ways to changing markets, and looking to grow in new areas, building on their domestic capability.

Specialist property-focused manager Meago Capital is aiming to launch a global version of its successful domestic real estate hedge fund, having developed a strong record with its South African hedge fund (pages 24 to 25).

"Property investors look for a steady income return, and we have managed to remove volatility from the sector in the last five years," says Meago's Anas Madhi.

Fixed income manager Southchester has launched a worldwide fund, extending into global markets, with a successful five-year track record in place for its South African Smart Escalator fund (page 4).

For other managers, the opportunities remain firmly onshore, even in an environment of heightened risks.

"We ask ourselves: Is the global opportunity set better than local? The answer is almost always no," says Erik Nel of Terebinth Capital. "The hurdle to finding good investments offshore is high, purely because SA is cheap. We look to get our macro view right, and then find the deepest and most liquid way to project our view, accounting for short-term volatility."

Terebinth is celebrating its 10-year anniversary as a business, with MD Nomathibana Okello explaining the company's ongoing commitment to fostering a new generation of investment professionals (pages 26 to 27). "There is a dearth of talent out there and it is hard to develop. It takes a long time to build skill. We believe it is part of our journey to create a culture of paying it forward," she says.

Bateleur Capital is another fund manager that has made progress on this front (pages 8 to 10). Its long-running bursary programme has proven to be a valuable source of high-quality homegrown talent for the investment team, complementing an impressive track record for its funds that dates back to 2004.

This edition also carries coverage of our 14th annual *HedgeNews Africa* Symposium, which took place in March in Cape Town. The post-event write-up (pages 30 to 36) highlights several important themes that emerged during the day – with fascinating insights from both investors and fund managers that made for a valuable day of discussion.

We also carry coverage of the 14th annual *HedgeNews Africa* Awards, celebrating the achievements of more than 60 nominees and 16 eventual winners for their excellence in 2022 (pages 14 to 16).

So far this year, unsettled markets are challenging even the best of minds. Diversified alpha-generating strategies have a lot to offer, and an uptick in industry assets shows that a range of investors are taking note (see our asset survey pages 28 to 29).

news

Southchester expands with rand-based low-volatility fixed income worldwide QIF

Specialist fixed income manager Southchester has recently launched a rand-denominated worldwide strategy which extends globally, building on a successful five years for its Southchester Smart Escalator Prescient QI Hedge Fund that focuses on South African markets.

Southchester Smart Escalator launched in November 2017, returning a net annualised 12.03% to end March 2022. The successful track record extends beyond the fund's five-year history, with co-founder Andra Greyling managing a similar strategy for two and a half years prior to its launch.

It has won the *HedgeNews Africa* fixed income fund of the year for three out of the past five years, including for its 2022 performance, where the fund returned 11.06% on a Sharpe ratio of 3.92.

The R700 million fund invests in major South African and international banks as well as high-quality corporate credits, taking advantage of fixed income yield-generating opportunities rather than investing in lower rated and quality credit.

The portfolio holds SA banks and government bonds and some high-quality corporate credit, hedging out forex risk and avoiding interest-rate and duration risk to earn a yield pick-up. It looks to generate absolute returns in excess of short- to medium-term interest rates.

The portfolio has been remarkably steady, with negative returns in just five out of 62 months and an all-positive record over a rolling 12 months. It has added a net 3.18% so far this year to the end of March.

"We make use of liquidity in the short end of the market," says Greyling. "We keep a very close eye on updates to regulatory changes affecting banks' liquidity and transactional behaviour. We assess and pre-empt how our portfolios can benefit from these changes.

The new Southchester Worldwide Income SNN QIF launched in August 2022, and is a low-volatility fixed income hedge fund that aims to generate absolute returns in excess of short- to medium-term US dollar interest rates, in all market conditions. Its targeted benchmark is the US dollar Fed funds rate +3.5% (ZAR equivalent).

The rand-based worldwide QIF, administered and managed by Apex, allocates 95% to a global Caymans-domiciled fund which the team advises on and 5% to the onshore Smart fund and money markets.

The portfolio has assets under management of R59 million.

Southchester's Jeleze Hattingh says the QIF came about due to client requests for an offshore solution. The rand-based portfolio seeks to deliver low-volatility absolute returns in all market conditions, investing in geared and ungeared exposures to various instruments. It does not hedge currencies, trading offshore dollar bonds of local and select international companies (SA and international banks and corporates) plus a pick-up from US dollar currency appreciation relative to the rand.

The Southchester team

Southchester's products are managed by a close-knit team with complementary skill sets.

As co-founder and CEO, Andra Greyling brings extensive experience in the fixed income space, starting in 1988. She was previously at RMB, where she set up and managed a R16 billion proprietary money market repo portfolio, which provided opportunities to also trade in fixed income derivatives for speculative and hedging purposes.

Gregg Bayly, co-founder, is an accountant and lawyer, and has been in the finance industry since 1997. He focuses on providing structured solutions to institutional and corporate clients and developing innovative products.

Jeleze Hattingh joined in 2020, with many years' experience at investment banks and asset managers. She specialises in the fixed income and alternative investment (property and preference share) universe, with a focus on risk management.

Nomxolisi Mayekiso is the latest addition to the Southchester team, joining in March as risk and investment analyst. She previously worked as a data and risk analyst for Sanlam Investments and has an MCom in Risk Management of Financial Markets from the University of Cape Town.

The team further includes experienced accountants Catharina Stone and Taryn Visser, with Kai Greyling in trading liaison and settlements and Debbie Eksteen running with cash flow, settlements, and the planning of future commitments. Bertus Enslin heads up business development.

"It's a close-knit story," says Hattingh. "Andra covers macros and trading, Gregg looks after structuring and compliance and I am involved in risk, models, and balance sheets. Nothing happens in a silo. We operate as a solid well-oiled machine, and Nomxolisi now brings added heft across all investment areas."

Southchester's process comprises operational-intensive components that are internally managed, including a dedicated team member focused on cash management, giving it the flexibility to utilise assets for liquidity purposes.

Southchester has gross AUM of R20 billion, offering specialist products to serve specific client needs, including short-term liquid portfolios, note-issuing programmes, and alternative fixed income funds.

At just over R700 million, the Smart Escalator hedge fund has significant capacity for measured growth. It is suited to retail and institutional investors wishing to achieve regular, high-income returns.

With its skills on the shorter side of the market, Southchester believes its funds complement other fixed income, balanced, market neutral and multi-strategy hedge funds, given the distinct styles and strategies that are available.

"There is consistency in what we are doing. Investors are not really comfortable with massive swings. We look to offer consistent low-volatility, risk-adjusted returns that are better than a long-only product. We have stuck to our philosophy through different market cycles," says Greyling.

Westbrooke taps rising demand for solar with renewable energy strategy

Westbrooke REAL makes use of the Government's Section 12B incentive that now allows clients a tax deduction of up to 250% of their cash invested

Westbrooke Alternative Asset Management has launched its new Renewable Energy Alternatives investment strategy (Westbrooke REAL), partnering with small and medium-scale embedded generation solar projects that allow investors to earn returns enhanced by tax incentives.

Westbrooke REAL will invest in a portfolio of solar photovoltaic (PV) projects underpinned by long-term cash flows through power purchase agreements concluded with high-quality end-users. Investors will benefit from the Section 12B tax incentive, which has recently been expanded by government.

"By providing funding solutions to a 'real' crisis in South Africa's energy availability, we plan to become a key equity funder to green energy solar projects alongside our partners," says Dino Zuccollo, Westbrooke Alternative Asset Management's head of product development and distribution.

He adds that the unique Westbrooke REAL investment structure allows clients to enhance the normal 125% Section 12B tax deduction to up to 250% of their cash invested, thereby providing for a full return of their investments within a maximum two-year period. Notwithstanding the short capital repayment period, investors will thereafter remain invested in a high-quality solar project that will deliver them attractive yields of up to 20 years.

A key aspect of the strategy is the use of Government's attractive Section 12B tax deduction. During the 2023 Budget Speech, the Minister of Finance expanded the Section 12B tax incentive to enable taxpayers to claim up to a 125% up-front tax deduction for all renewable energy projects with no thresholds on generation capacity. The expanded deduction is only available for projects brought into use for the first time between March 1, 2023 and February 28, 2025.

Previously, the use of Section 12B was limited to corporate and institutional renewables investors. Westbrooke's REAL strategy enables investors to use this deduction against their taxable income calculations while promoting and facilitating investments in alternative renewable energy production in South Africa.

Dino Zuccollo

"The timing for the launch of the strategy is opportune, for both investors and solar asset owners alike," says Saul Maserow, fund manager of the Westbrooke Real strategy. "Currently, South Africa's energy demands far surpass its supply. There is a significant shortfall in the supply of electricity from traditional sources. As an active investor in the space, we aim to offer our solar co-partners more than just equity funding. Westbrooke provides fast, flexible, value-add solutions."

"Our investment risk philosophy and proven approach to partnering on similar projects allows us to understand inherent complexity and help our partners scale and grow. This has already allowed us to build a strong pipeline with aligned, reputable, high-quality experienced partners within the renewable energy industry."

> **"We plan to become a key equity funder to green energy solar projects alongside our partners."**
> *Dino Zuccollo*

Westbrooke seeks to invest in small-scale and medium-scale embedded generation projects, which are either grid tied or in a hybrid system (batteries/generators). This will range from project sizes of 100KW (c. R1 million) up to 10MW (c. R100 million) with the ability to invest in larger products.

The focus is on commercial, industrial and agricultural solar PV systems. This includes hybrid systems linked to battery energy storage systems or tied in with generator power to maintain operation during load-shedding, as well as existing and greenfield solar PV projects, with the mandate including equity invested in the development phase of a greenfield project.

Residential solar projects that don't qualify for the Section 12B incentive are excluded from the mandate, but could be added at a later stage should the Section 12B incentive be expanded.

Zuccollo says Westbrooke will limit the capital raise to about R300 million initially, with a pipeline of deals in place.

He adds that the 12B better tax incentive represents an improvement on some of the deficiencies in the construct of the previous 12J incentive in that the tax deduction is granted in the year the project goes live, ensuring that bona fide new projects come to market that are closely aligned with market needs.

The fund has an initial 15-year lifespan and is effectively de-risked at the outset due to the tax incentive, paying out a bi-annual yield thereafter, which is expected to start at 7% per annum and increase north of 20% per annum towards maturity.

South Africa's small-scale solar PV embedded generation capacity is expected to reach a total capacity of 7.5GW by 2035, according to Greencape's 2022 market energy report, roughly equating to an investment value of R75 billion, based on an annual growth rate of 300 MW to 500 MW per year or roughly R5 billion.

Established in 2004, Westbrooke is a multi-asset, multi-strategy manager of alternative investment funds and co-investment platforms and is a market leader in the fast growing private debt space in South Africa, the UK and the US.

ONLINE NEWS March 2023
www.hedgenewsafrica.com/news

HedgeNews Africa

Receive online news stories EACH MONTH. **SUBSCRIBE** to **HedgeNews** Africa at: *www.hedgenewsafrica.com*

Mar 2023 Westbrooke nears Q1 close for private debt strategies

Westbrooke is nearing its first-quarter close with its local and offshore private debt funds, offering investors an attractive cash yield in excess of traditional fixed income funds.

The Westbrooke Yield Plus UK secured private debt fund has yielded more than 9% per annum in pounds, while in South Africa, the Westbrooke Income Plus strategy currently generates a cash yield return of 14%+ per annum in rands.

"In a market characterised by rapidly rising interest rates, the private debt risk/return asymmetry is currently strongly in an investor's favour, with returns approaching those historically delivered by equity investments, but with less risk," says Dino Zuccollo, head of distribution and product development at Westbrooke.

He adds that Westbrooke is an established manager with a long track record of relevant industry experience, investing material sums of its own capital alongside investors and employing a risk philosophy and approach that prioritises capital preservation.

Westbrooke Yield Plus is an open-ended Jersey expert fund, providing a high-yielding, fixed income alternative investment, through a diversified portfolio of 51 predominantly floating-rate private debt transactions mainly in the UK.

The fund provides a unique investment advantage driven by an asymmetric risk/return profile, focusing on providing loans to lower and middle-market UK companies and real estate sponsors, a significantly underserved segment of the UK market. In the context of a rapidly increasing interest-rate environment, investors can benefit from a target annual return of cash plus 5%-7% per annum (currently 9%+ per annum on a run rate basis) in pounds (after fees and costs).

Capital preservation is core to the fund's investment philosophy, with approximately 91% of its loan exposures benefiting from senior ranking security. This security typically takes the form of real estate and/or tangible assets (around 79% of the fund) at a conservative average loan to the value of approximately 58%.

Westbrooke Income Plus is a South African private debt investment strategy, which focuses on generating a consistent cash yield that increases in line with changes in interest rates by investing in a diversified portfolio of prime-linked, secured, senior or subordinated, interest-paying credit investments.

It targets a return of prime plus 3%-4% per annum in rands (net of all fees and costs), paid to investors quarterly.

Core to the strategy's investment philosophy is capital preservation, with all investments benefiting from either tangible security and/or additional credit enhancements (such as shareholder and corporate guarantees).

Zuccollo notes that since the 2008 global financial crisis, regulatory reforms (such as Basel III) increased costs and restricted credit appetites from bank credit committees, which have caused banks to retreat from certain areas of the debt market (including private companies in the lower mid-market segment). Private debt is where a non-bank lender (ie: institutional investors, debt funds, insurance companies and private investors) provides a loan to a company.

He adds that the South African private debt market remains undeveloped despite significant borrower demand for alternative funding. This strong demand, coupled with a lack of competition, presents a unique opportunity to earn attractive, risk-adjusted returns.

"When compared to traditional fixed income, private debt can provide investors with higher yields, portfolio diversification and lower portfolio volatility," he says. *More online*

Mar 2023 Gemcorp seeds $150m Milele Energy transition platform

Gemcorp Capital Management has committed a substantial capital investment into Milele Energy, a clean energy platform to be headquartered in Nairobi, Kenya. Milele is focused on the development, acquisition, and optimisation of clean energy assets across sub-Saharan Africa.

The seed investment includes funding for the planned acquisition by Milele of a significant stake in Africa's largest wind farm, Kenya's Lake Turkana Wind Power Project, with further plans to make significant expansion in generation capacity from available wind and solar resources. Each of Milele's investments will aim to create hundreds of direct jobs during construction and potentially several thousand indirect jobs through the provision of clean and low-cost green electricity to power Kenya's industrial growth.

Since 2019, the Lake Turkana Wind Power Project has been supplying up to 30% of the country's power at times, employing over 320 employees, of which 85% are from the local community and 99% from Kenya. As Africa's largest wind power farm, the project taps a wind resource that ranks amongst the world's top 0.1%, making it one of the most productive wind farms in the world, with expansion opportunities able to produce multiple gigawatts, as Kenya's energy demand expands to necessitate it.

Milele Energy is led by three former GE Africa executives with 50+ years of cumulative experience in the African energy sector and was founded in 2019 by Erik Granskog, the company's CEO and former managing director of GE Capital - Africa.

Gemcorp Capital's investment will also support Milele Energy's execution of a 500MW+ pipeline of strategically important power infrastructure projects across Africa, spanning both renewable technologies and gas-for-baseload applications.

Gemcorp Capital CEO Atanas Bostandjiev said: "We are extremely excited to be making this investment in Milele Energy, whose mission to pursue investment to feed Africa's growing demand for energy in a reliable and responsible manner aligns strongly with our own. The Lake Turkana Wind Project is a critical contributor to the portfolio of green energy capacity in Kenya and has provided up to 30% of electricity produced in 2022. We are delighted to be at the forefront of powering an economy which has immense potential for industrial development and growth that will provide opportunities for the country's growing population."

Milele Energy chairman Jay Ireland said: "Gemcorp's investment in Milele is a culmination of almost four years of effort to create a new, African-based energy company to power the Africa of tomorrow. Our mission is to unlock Africa's abundant clean energy potential to meet the immense energy demands on the continent in a low-cost, sustainable, and responsible manner."

Mar 2023 Apex acquires Efficient Group companies in South Africa


Peter Hughes

Apex Group, a global financial services provider, plans to acquire the Efficient Group (Pty) Ltd, subject to the approval of the Competition Commission.

Efficient is the holding company of Boutique Collective Investments (BCI) and Boutique Investment Partners (BIP) and following the completion of the acquisition, Efficient Group (Pty) Ltd will be rebranded under the Apex Group banner. The acquisition will not impact any of the Efficient Wealth, Risk and Investment clients.

Created in 2013, BCI provides an extensive range of management company (manco) services with a core business focus on third-party branded portfolios.

BIP is an independent investment management and consulting firm that specialises in providing multi-manager and consulting services to a large number of leading South African independent financial advisors, and their retail and institutional clients. This strategic acquisition adds US$19 billion of AuA to the Apex Group platform.

Apex Group is one of the largest asset management service providers in the world, delivering a unique single-source solution of the full value chain for its clients, including digital onboarding and bank accounts, depositary, custody, super ManCo services, corporate services (including human resources and payroll), and a pioneering environmental, social and governance (ESG) ratings and advisory solution. Efficient clients will now benefit from access to the group's local hedge fund solutions, offshore fund solutions, fintech, data solution and tech-enabled services, in addition to its expanded team of more than 12,000 people worldwide.

Forty-four Efficient employees will join the group's expanding African footprint following the recent acquisitions of Sanne and Maitland, further reinforcing the group's commitment to the region and its intention to expand its local operations by around 1,000 people this year.

Peter Hughes, founder and chief executive of the Apex Group, commented: "The strategic addition of the unit trust management company adds greater product depth and expanded reach, particularly for our manco services offering, and further reinforces our commitment to South Africa, a key hub for our global business. We look forward to welcoming our new colleagues from Efficient who are aligned with our commitment to delivering an exceptional client experience with local service delivery."

Heiko Weidhase, chief executive of the Efficient Group, stated: "Efficient has always followed a very successful growth strategy in the wealth, risk, and investments segment of the financial services market, ensuring that the company has expanded into a leader in the financial services industry. This transaction allows the company to continue expanding the business by focusing on partners that align with the overall expansion of the retail client base strategy and value proposition."

Macquarie Capital acted as financial advisors to Apex and Efficient's management team, advised by Cliffe Dekker Hofmeyr Inc, facilitated the acquisition on behalf of Efficient's shareholders.

Efficient's Wealth, Risk and Investment cluster will retain the Efficient brand and maintain business as usual under the control of its current shareholders throughout the transaction.

Mar 2023 Construction begins on first utility-scale wind farm

The ACED-IDEAS-REATILE Consortium has reached financial close with its lender Rand Merchant Bank on the 69MW Msenge Emoyeni Wind Farm (Msenge), marking the effective date of the power purchase agreement (PPA) between Sasol South Africa Limited and Msenge for the supply of renewable energy to Sasol's Sasolburg site via a wheeling arrangement.

The power Sasol is purchasing from Msenge will be used to secure renewable energy supply for green hydrogen production.

African Clean Energy Developments (ACED) represents a consortium of co-sponsors and equity investors consisting of ACED, African Infrastructure Investment Managers (AIIM) and Reatile Renewables (Pty) Ltd (Reatile). ACED and AIIM are co-sponsors and the equity in Msenge is owned 62% by AIIM, through its flagship IDEAS Fund, and 38% by Reatile. Rand Merchant Bank, a division of FirstRand Bank Limited, has partnered with the consortium as sole-mandated lead arranger for the project.

The Msenge Wind Farm is the first utility-scale private wind farm in South Africa with its power wheeled across the national electricity grid. It is also the first of several renewables projects that the consortium intends to bring into construction in 2023. ACED is a leading renewable energy developer that has already spearheaded the delivery of more than 1,200MW of renewable energy under the Department of Minerals and Energy's REIPPPP process and 30MW in the commercial and industrial market.

The energy will originate from Msenge wind farm, located near the town of Bedford, about 200km north of Gqeberha in the Eastern Cape. The farm was originally developed by Windlab South Africa but has been acquired, further developed and financially closed by ACED and AIIM. ACED will also manage construction and another AIIM affiliate, Energy Infrastructure Management Services (EIMS), will manage operations once construction is complete.

Aside from needing to resolve the country's power crisis, the South African government has prioritised the manufacturing of green hydrogen for strategic industrial usage. Sasol, the ACED-IDEAS-Reatile Consortium and Msenge Wind Farm are playing a role in both.

Green hydrogen is a key component of a low-carbon energy sector, which will enable the decarbonisation of critical sectors of South Africa's economy. Sectors that will benefit include hard-to-abate industries such as transport, refining of metals and cement, heat generation and back-up power supply.

ACED's general manager James Cumming said: "ACED are very proud to have reached financial close and construction commencement on this much-needed South African first, and we look forward to getting to the commercial operation date on Msenge for Sasol. It's an amazing achievement by a large team of many businesses and advisors, that comes with a huge amount of hard work and sacrifice that we are very grateful for. We look forward to doing more of that in 2023 and beyond."

AIIM investment principal Sechaba Selemela noted that the transaction was significant as it represented AIIM's ongoing commitment to finding alternative energy solutions to South Africa's current electricity crisis.

"It also enables South Africa's transition towards greater energy security based on clean energy production," Selemela said.

Through the IDEAS Fund, AIIM has funded projects which together contribute around 25% of the renewable energy currently powering South Africa's grid and abating higher levels of load shedding on a daily basis. The fund currently has a renewable energy portfolio valued at more than R10 billion.

fund profile

Bateleur Capital maintains reliable profile even in the toughest markets

Bateleur's suite of hedge fund products prioritises capital preservation, maintaining low use of leverage and keeping a close eye on gross exposure

Founded in 2004, Cape Town-based Bateleur Capital is an independent, owner-managed fund management business with an extensive track record of consistent real returns within conservative risk parameters.

Its products include long-running long/short and market-neutral hedge funds, a flexible asset allocation unit trust, an equity-only unit trust and selected equity-only mandates.

The company is named after the bateleur, the medium-sized eagle that takes its name from the French word for 'tightrope-walker', referring to its ability for distinctive aerial acrobatics.

Started as a hedge fund house, Bateleur Capital applies a consistent and nimble process across all its funds, combining detailed fundamental analysis, which incorporates both qualitative and quantitative factors, as well as a firm understanding of global macroeconomic drivers.

Central to this is disciplined risk management and an emphasis on capital protection in periods of market stress as a means of generating long-term outperformance.

"Our hedge fund background prioritises capital preservation as an investment objective," says founder and director Kevin Williams, a CA (SA) who is fund manager of the long/short and flexible funds. Williams has been involved in the South African capital markets since 1996, working previously on the sell side for various international investment banks, including Union Bank of Switzerland and Credit Suisse First Boston.

Charl Gous, a CFA charterholder and director, manages the market-neutral fund, and is co-manager on the long/short and equity funds, joining Bateleur in 2008. Gous has been involved in the South African investment markets since 2006, and was previously at Imalivest.

The Bateleur team

The team includes Warren Riley as analyst and co-portfolio manager of the equity fund. A CFA charterholder, Riley joined Bateleur in 2016 and has worked in the investment industry since 2006. He was previously head of investments at a private wealth firm and prior to that at Cadence Capital and Allan Gray.

Bheki Mthethwa, analyst and co-portfolio manager, joined the investment team full time in January 2018 after obtaining his Business Science degree, having been awarded one of the first Bateleur Capital Foundation bursaries in 2015.

Also part of the team is De Wet Schutte, an investment analyst with an MSc in International Finance, who joined in October 2018. He has 11 years' experience as a sell side analyst at Avior Capital Markets.

Ryan de Kock, an analyst with a CFA and an MCom (Economics), joined Bateleur in 2022, having started his career in 2011, working previously at Prescient and StatPro. He joined from Stonehage Fleming where he was an investment analyst from 2016.

Christella Muligande was awarded the Bateleur Capital bursary in 2020 and joined the investment team full time in January 2022. She has a Business Science degree from UCT and is a Golden Key Society member and Dean's Merit List awardee.

Zakhele Zondi was awarded the Bateleur Capital bursary in 2022 and joined full time in January 2023. He has a BCom in Investment Management Sciences from Stellenbosch University and served as chairman of the ABSIP Stellenbosch Chapter during this time, and is also an Allan Gray Orbis Foundation Fellow.

Bateleur has built strong operational infrastructure, with director Mark Williams, a CA (SA), joining in 2007. He previously spent nine years with British Airways in London, Hong Kong and the Isle of Man in various financial controller roles.

Amanda van Zyl started at Bateleur as a fund accountant in 2011, and now oversees daily operations and client relationships. She is trustee of the Bateleur Capital Foundation Trust.

The team includes Taryn Hamid, an accountant who joined in 2014 after eight years at the Public Investment Corporation, and Leeza Myburgh, who joined in 2014 with 11 years' experience in legal & compliance from Allan Gray and Coronation Fund Managers.

Absolute return underpin

Bateleur's hedge funds have underpinned its business from the outset, and the team has built a strong record in the long/short and market-neutral funds, with assets peaking at R3.6 billion in 2016.

FUND FACTS

Bateleur Long Short Prescient RI Hedge Fund

Launch date: January 2005
CIS inception: classified as a retail hedge fund from October 2016
Strategy: South African long/short, long bias
Fund managers: Kevin Williams, Charl Gous
Fund size: R261 million
Prime broker: Peresec Prime Brokers
Administrator: Prescient Fund Services

FUND FACTS

Bateleur Market Neutral Prescient RI Hedge Fund

Launch date: July 2008
CIS inception: qualified (QIF) fund as of Oct 2016, reclassified as RIF Dec 2022
Strategy: South African long/short, market neutral
Fund manager: Charl Gous
Fund size: R195 million
Prime brokers: Peresec, RMB
Administrator: Prescient Fund Services

FUND FACTS

Bateleur Special Opportunities Prescient RI Hedge Fund

Launch date: February 2018
CIS inception: classified as a retail hedge fund from Dec 2022
Strategy: SA long/short, long bias
Fund manager: Charl Gous
Fund size: R59 million
Prime broker: Peresec Prime Brokers
Administrator: Prescient Fund Services

Contraction in the fund of hedge funds space in 2016-17, compounded by regulatory change, led to redemptions, and hedge fund assets now sit at around R500 million out of total company AUM of R10.8 billion.

"We have never had big drawdowns in our hedge funds and have protected assets in various market cycles," says Williams. "The rest of our business has been growing nicely. In mid-2010 we launched our flexible unit trust to mitigate the business risks we saw at the time in the hedge fund space. It was the closest we could get to mirroring the long/short fund in a long-only environment, with the mandate allowing us to move assets around."

"Back in the day, we concentrated on long/short and market-neutral funds. Now our business is more broadly spread, and bigger as a whole.

"We believe our hedge funds are fantastic products. There is flexibility in them. It is also great to be managing smaller funds; it means we can participate in many areas of the market where large fund managers find it difficult to build meaningful exposure, and liquidity is less of a concern for us."

The Bateleur Long Short Prescient RI Hedge Fund is one of the longest running in the country, launching in January 2005 and converting to a retail hedge fund (RIF) in October 2016. It has R261 million under management, returning a net annualised 14.9% since inception against 9.4% from the benchmark CPI + 4% and 14.1% from the JSE All Share Index over the period.

Williams points to the fund's dependable profile in tough markets. Its toughest year on record is a -4.8% decline in the global financial crisis of 2008, when the JSE All Share Index retraced 23.2%, which was followed by a 24.7% gain in 2009. In the Covid crash of 2020, the fund lost -5.7% in February and -2.7% in March, preserving capital to ride out the storm and end the year with an 11.6% gain. After a 27.7% advance in 2021, it added 6.1% last year and has gained 4.5% so far this year to the end of March.


Kevin Williams


Charl Gous

"We manage money very carefully, taking care in the types of stocks we invest in and overall position sizing," says Williams. "March 2020 was our biggest drawdown since 2008 and even then, it was much less than the 12.1% decline of the JSE."

The funds don't use a lot of leverage, and historically gross exposure in the long/short fund has been less than 100%. "We manage the downside well across all the funds and are very wary of too much gross exposure," he says.

The Bateleur Market Neutral Prescient RI Hedge Fund launched in July 2008, converting to a RIF last December. It has AUM of R195 million, returning a net annualised 9.9% since inception versus 6% from STeFI. The fund has been positive each year since inception, returning a solid 9.2% in 2022's difficult markets after a 17.5% gain in 2021. For the first quarter this year, it is ahead by 3.1% to the end of March.

The more targeted Bateleur Special Opportunities Prescient RI Hedge Fund, now at R59 million, went live in February 2018, becoming a RIF in December 2022. It has returned a net annualised 15.3% since inception versus 8.8% from CPI + 4% and 4% from the JSE Mid Cap Index. The fund's worst year was a decline of -3.5% in 2019, and its best a gain of 63.4% in 2021. Last year, it added 6.5% and for the year so far it has gained 7.7% to the end of March.

Bateleur's disciplined approach has transferred well into the long-only space. The Bateleur Flexible Prescient Fund now has assets of around R6.5 billion, returning 14% since inception in mid-2010 versus 9.1% from its CPI + 4% benchmark over the period. Half the portfolio is currently in domestic equities, and 27.5% in foreign equities, with additional exposure in government bonds and cash.

Bataleur launched its equity strategy in late 2012 in response to client requests, and now has AUM of R2.6 billion. The Bateleur Equity Prescient Fund has returned 6.5% since inception in April 2015 versus 5.2% from the JSE Capped Shareholder Weighted All Share Index (total return).

Bateleur Capital is the appointed advisor to a Guernsey-domiciled global fund, with assets of around R1 billion.

Cautious global outlook

Looking ahead in 2023, Bateleur believes that

Bateleur Capital Foundation Trust: committed to social investment projects

The Bateleur bursary programme, one of many initiatives of the Bateleur Capital Foundation Trust, has thus far extended nine tertiary-level bursaries and employed six graduate students in the academy programme since it began in 2015.

The bursary programme is linked to the University of Cape Town and the University of Stellenbosch, providing an eligible finance student with funding for tuition and vacation work experience. Following graduation, the successful candidate is invited to join Bateleur Capital's graduate work experience programme, which has been a valuable source of high-quality homegrown talent for the investment team.

Bateleur is also active in various other corporate social investment projects directed at promoting and enhancing the sustainability of local communities, with a focus on education, from pre-primary to Grade 12. Recent beneficiaries include the Great Commission United Academy, Ukhanyo Primary School, Lotus River Primary School and Camp Sonshine.

"The majority of young people in our country face a future of despair based on their disadvantaged start. Through our targeted investment and actions centred on local youth in deprived areas of the Western Cape, we strive to provide practical support to help them overcome the obstacles to a better life," says Amanda van Zyl, trustee of the Bateleur Capital Foundation Trust.

Bateleur's executive directors Kevin Williams, Mark Williams and Charl Gous remain committed to the foundation's initiatives.

"Growing our company and contributing to building stronger communities are not mutually exclusive goals. Corporate social responsibility is plainly good business," they note.

the macro environment and portfolio flows will continue to drive the direction of global markets, and they remain "very cautious".

"Our assessment is that the Fed has tightened too fast, too quickly and the brunt of the impact from the swift rise in rates will be felt in the real economy in 2023 - through a likely recession," Williams said in his 2023 outlook.

He adds that earnings in the US have come off a lot more than even conservative earnings estimates, and forward multiples in the US market are higher than people think. "Even on current consensus the market is not cheap. We don't have a lot of direct exposure to global equity at present," he says.

In South Africa, Bateleur continues to find good value in domestic equities and government bonds notwithstanding the low growth environment, well-documented parastatal challenges and plethora of policy missteps.

The team notes that SA GDP growth continues to be anaemic, and relentless loadshedding will continue this year, eroding growth potential. Other challenges include the inability to fully export key hard (iron ore, coal and manganese) and soft (citrus fruit) commodities due to Transnet rail and port issues.

"The SA private sector is resilient and resourceful and will navigate its way around these challenges. This includes becoming self-sufficient through private energy investment and using ports outside of SA for exports (such as Maputo in Mozambique). Unfortunately, these pivots come at a cost as they require substantial capital investment, take time to implement, and are margin dilutive."

Unlike the US and other developed markets, they add that the JSE's earnings and operating margin base is low and has not been inflated from monetary policy stimulus programmes, with domestic balance sheets in good health and limited leverage. Recent interaction with SA listed corporates indicate positive near-term prospects and generally sound execution.

Despite scant economic growth for many years, the team still sees a lot of opportunity in companies that can take market share.

"There are three positive factors for South African equities. Stocks are cheap, margins are low and there is a general lack of investment demand for domestic equities," says Williams.

The JSE All Share Index currently trades on an estimated forward P/E of 10.5 times, a sizable discount to its long-term average of 12.1 times. That said, an "across the board" re-rating will depend on the continued re-rating of other major emerging markets, incremental portfolio flows from offshore investors, and tangible signs that SA interest rates have peaked.

"We retain our core exposure to larger names including banks and selected resources with a healthy allocation to mid-caps. We are very excited about the opportunity set. There are great businesses trading at valuations that are not justified," says Gous.

They are positive on a number of opportunities in the mid-cap space and at current hedge fund AUM can actively participate in a meaningful way.

While mid-cap holdings in the flexible fund total around 10% of the fund value at present, this reaches 25-30% in the smaller long/short fund and close to 50% in special opportunities, where the team's strengths in stock-specific research come into play.

For example, they see exciting opportunities from the merger of Heineken and Distell, which was recently approved by the Competition Tribunal, that will result in the de-listing of the Distell group.

The deal has two parts: the core business that Heineken is buying named Newco, and the remaining stand-alone entity Capevin, which comprises the assets of Gordon's Gin and the Scotch whiskey business. The hedge funds can participate in the latter unlisted opportunity, given broader mandates, and the team sees significant upside.

"In our earlier days we were active in the over-the-counter market, and this is the first time we have been able to do something like that in many years," says Gous. "Our mandates allow us to be active in the unlisted space, and our smaller size means we can participate to good effect."

While the long/short fund comprises 20-30 long positions and 5-10 shorts, the market-neutral fund has around 15 strategies in play at any time. The special opportunities fund is more concentrated at around 10-15 core positions and is focused on South Africa, notably in less researched mid-cap opportunities.

Focus on South Africa

The hedge funds are currently largely invested in the South African market, although the funds can and do include a global allocation, depending on the managers' view of the world and the opportunity sets available.

"We started looking at global markets in 2010/11, so we have the skillset," says Williams. "At times, the global equity allocation in our long/short fund has been up to 25% of the fund's net NAV."

"The market-neutral fund tends to have less exposure internationally; we are active where we can hedge," adds Gous. "For example, in our directional funds we were positive on Sweden-based Lundin Energy, and in the market-neutral fund we can hedge out the oil risk. Our hedge funds are more stock-specific."

In resources, they favour select diversified resources plays over PGM and gold miners, which are acting in a "shareholder friendly way".

"A company like African Rainbow Minerals is a compelling opportunity," says Gous. "In terms of business operating performance, they have done very well, with consistent levels of profitability and healthy dividends. The balance sheet is conservatively managed and they have a growing product profile."

Williams notes that resources are a cyclical business, and directional exposure is limited in the hedge funds given the potential volatility. "When things go wrong, you suffer drawdowns. We are very cogniscant of the risk side of equities. If you look at what happened with Anglos and Glencore in 2013/14, they were in proper trouble," he says.

"One thing that has changed since then is that balance sheets are in better health and companies are not wasting money on expensive projects. Financial risk is not what it was, but commodity prices are very difficult to predict even though there are shortages in some commodities."

The market-neutral fund has traded resources well in the last two years, taking relative-value positions on companies in areas such as trading the Anglos rump relative to its listed holdings.

The team is not active in global financials at present and sees South African banks as attractive relative to history, offering good dividend yields from well-capitalised and well-managed institutions that have conservative lending practices and secure deposit bases.

In the mid-cap arena, it is finding attractively valued smaller companies such as paper and plastics packaging manufacturer Mpact and chemicals group AECI, which are "so cheap that some corporate action is inevitable", either via private equity, mergers or share buyback programmes.

"There needs to be a value unlock – for example, we held Assore Mining, which management took off the market at an 80% premium. Afrox also delisted at a premium. There are many such examples," says Gous. "It is difficult to say what the trigger is to generate potential upside in stocks except to say that it does happen at some point. Ultimately valuations do count for a lot."

Having managed hedge fund assets at multiples of the current size, Williams and Gous would be comfortable managing R1.5 billion to R2 billion in the cluster, with up to R500 million in the special opportunities fund.

"We see significant upside from our current holdings," says Williams. "Our approach definitely can change depending on the environment and there will always be opportunities, both short term and in our core portfolios. In super volatile and rangebound markets, we are going to be very active."


Corporate and Investment Banking
absa
Nurturing steady returns with a unique touch
When it comes to Investment Management, our meticulous attention to detail, trusted advice and mutually beneficial collaborations yield results. Absa Prime Services offers clients a holistic capital markets approach via an integrated platform, including:
• Prime broking
• Futures execution and clearing
• Securities lending and borrowing
• Innovative fixed income and equity financing capabilities
• Multi-asset class real and synthetic exposure access
• Sophisticated margining solutions
• Award-winning technologies, analytics and execution services
• Integrated with Fund-Linked Solutions platform
The bravery to imagine and the will to get things done. That's Africanacity.
cib.absa.africa
Authorised Financial Services Provider Registered Credit Provider Reg No NCRCP7

AG Capital's Fusion model combines frictionless entry with top performance

Accessing a broad range of hedge funds focused on shorter-term opportunities provides a good complementary solution to a conventional long-only manager

AG Capital's multi-strategy hedge fund, which offers cost-effective access to a diversified range of best-of-breed hedge funds, has made great strides in two years, generating a net annualised 21.95% since inception in December 2020.

The AG Capital Fusion SNN Retail Hedge Fund was the top performing strategy in the *HedgeNews Africa* database last year, with a net gain of 34.07%. It now has assets under management of R290 million.

Henry Biddlecombe is the head of asset management at AG Capital, a 50%-owned subsidiary and specialised hedge fund arm of the Anchor Group. It provides intermediary financial services to institutions, funds and professional investors, with an offering that includes trading and execution solutions, hedge fund incubation services as well as prime services to its clients.

"Currently the portfolio is about 70:30 onshore/offshore and we'd like to see the inverse of that. We encourage our managers to look at the offshore space. We see more opportunity in global equities – deeper liquidity and a broader opportunity set."
Henry Biddlecombe

Biddlecombe joined the Anchor Group in 2015 as an equity analyst. A CFA charterholder, he has a BCom Finance in Investment Management from the University of Johannesburg.

The Fusion fund currently allocates to six internal managers, offering access to the Anchor Group's best hedge fund strategies.

"Our diversified approach delivers less volatile returns and more streamlined risk management," says Biddlecombe.

He notes that AG Capital historically provided a platform for proprietary traders, with individual traders who demonstrated a consistent ability to perform seeded by both AG Capital and outside parties. Directors Kevin Thomas and Jonathan Raichman saw the opportunity to incorporate these individual strategies as funds that could accept third-party capital through formal investment channels.

The AG Fusion multi-strategy fund is a frictionless (i.e. charges no fees) entry point into several of these individual funds, with the desired outcome being superior risk-adjusted returns through time (by effectively eliminating manager selection error). Only the underlying funds charge fees.

The fund is now available across most major platforms, including Allan Gray, Glacier, Ninety One, Momentum and AIMS (ABSA).

The fund also allows for the manager to adjust fund positioning in a tax-efficient manner.

"We do manage the fund allocations actively, but we don't change weightings often," says Biddlecombe. "Our allocation matrix changes once or twice a year. The fund is rebalanced monthly – which results in a consistent process of profit-taking on strategies that outperform, and reinvestment into strategies that underperform. Over time, structural outperformance leads to larger allocations, and vice versa."

In 2022, the star portfolio manager in the fund was US-based manager Joe Basset, who has a highly differentiated strategy and approach to the markets. Some of his key strategies for 2023 include a long position in oil (expecting a supply-side squeeze to play out given the expected replenishment of the depleted US SPR, exacerbated by OPEC's production cuts) and short positioning against the rather extreme relative between more expensive large-cap tech and the broader energy sector.

Another key theme for AG this year will be the expected return of net inflows to emerging markets including South Africa, which have endured a protracted period of net selling as developed market central banks have tightened rates.

Fusion's second largest allocation is to the Rainbow Fund, managed by Richard Arnesen, a South African long/short strategy that prioritises capital preservation in real terms over growth. Arnesen has been with AG for 12 years, and the fund now has a five-year track record, generating a net annualised return of 17.1% since inception in June 2017. It gained a net 18.08% last year on a Sharpe ratio of 1.87, and was nominated for best

Henry Biddlecombe

long/short fund at the 2022 *HedgeNews Africa* awards.

Five of Fusion's six existing managers focus on the South African market, but over time it expects to shift more exposure offshore.

"Currently the portfolio is about 70:30 onshore/offshore and we'd like to see the inverse of that. We encourage our managers to look at the offshore space. We see more opportunity in global equities – deeper liquidity and a broader opportunity set."

AG's outlook is that both the US dollar and global interest rates are close to peak, although rates could stay higher for longer. This backdrop has important implications for the SA equity market, and could see flows return, which would be positive for the SA-focused strategies.

Globally, supply/demand dynamics in the oil market are keeping the portfolio long oil producers in the US, while valuations in the US tech space continue to look relatively extended.

While the fund was launched in December 2020, many of its underlying strategies have been in existence for a lot longer, with manager track records spanning more than 10 years.

"These are highly active strategies that benefit from volatility," says Biddlecombe. "Over the next 12-18 months we expect the SA market to benefit from inflows. There has been massive net rand selling and if that process normalises it could be positive for SA equities."

> **"Most of our fund managers have been with the firm for years, but we are also a good home for independent managers. We like to have our managers inhouse. It allows us to allocate with confidence."**
>
> *Henry Biddlecombe*

AG plans to convert the multi-strategy fund to a fund of funds, once all underlying strategies are housed in regulated RIHF structures. This will allow for wealth managers to allocate 5% to the fund within Regulation 28-compliant portfolios, as opposed to the 2.5% limit on individual hedge fund strategies.

"Fusion was born as an efficient allocation mechanism for our own wealth managers. There are a number of great hedge fund managers across the group and we wanted to offer a frictionless (i.e. no costs) single entry point for wealth managers, who also required broad platform availability."

"Broadly speaking hedge funds are an under-utilised asset class for South African savers and wealth managers," say Biddlecombe. "Difficult markets have forced wealth managers to take another look at hedge funds, given their ability to deliver better returns in less directional markets."

Given AG's roots as a prop desk platform, Biddlecombe says its fund managers are more focused on shorter-term opportunities than other players in the market.

"The mentality is that they must make money today, tomorrow and this month. Remuneration is performance-based. It results in a very different approach to the market versus more conventional asset managers. It's a very short term and active approach. It is not a silver bullet but a good complementary solution to a conventional long-only manager."

Biddlecombe adds that an important part of the business is sourcing new talent. "Most of our fund managers have been with the firm for years, but we are also a good home for independent managers. We like to have our managers inhouse. It allows us to allocate with confidence."

Awards 2022

Top funds step up for Awards

The 14th annual *HedgeNews Africa* Awards came after an unprecedented year in the markets, as both equities and fixed income assets endured an onslaught of macro concerns.

In South Africa, the FTSE/JSE All Share Index added 3.58% and the All Bond Index gained 4.2%, while the HedgeNews Africa South African Single Manager Composite added a median 7.12%.

Many funds outperformed the markets they trade, and their peer groups, with a total of 63 funds nominated in 14 categories.

For the Awards methodology go to: www.hedgenewsafrica.com/awards/

Sponsors

Investec RMB absa PERESEC APEX

LONG/SHORT EQUITY

Nominees

AG Capital Rainbow SNN Retail Hedge Fund
Anchor Stable SNN Retail Hedge Fund
Fairtree Assegai Equity Long Short SNN QI Hedge Fund
Laurium Aggressive Long Short Prescient QI Hedge Fund
Laurium Long Short Prescient RI Hedge Fund
Steyn Capital SNN QI Hedge Fund

Presented by: Investec

The long/short equity category is the industry's largest, with an impressive line-up in 2022, with all of the nominees returning more than 16% after fees. By return, it was a closely fought category in a year of high volatility – with a remarkable Sharpe ratio from the ultimate winner playing a role in the final outcome.

WINNER: Laurium Aggressive Long Short Prescient QI HF
2022 return: 23.23%
Sharpe ratio: 2.66

The Laurium Capital team celebrate the prestigious award for best long/short fund in 2022, the industry's biggest category.

PAN AFRICA

Nominees

Enko Africa Debt Fund
Steyn Capital Africa Fund
Sustainable Capital Africa Alpha Fund

Presented by: Investec

Pan African equity and fixed income markets battled the global market fallout in 2022, with the MSCI Frontier Markets declining by 29% during the year as key African stock markets retraced. Even shortlisted funds in this category struggled to deliver positive returns, despite significantly outperforming the indices and their broader peer groups, protecting investors against downside risks. The contender list for 2022 included two equity mandates trading across the broader African continent, and one fixed income fund.

WINNER: Enko Africa Debt Fund
2022 return: 1.03%
Sharpe ratio: -0.03

MARKET NEUTRAL & QUANTITATIVE

Nominees

Abax Bao NCIS Market Neutral RIF
All Weather H4 Market Neutral Retail Hedge Fund
Fairtree Equity Market Neutral SNN QI Hedge Fund
Peregrine Capital Pure Hedge H4 QI Hedge Fund

Presented by: Peresec

Market neutral and quantitative funds were the industry's top performing category in 2022, at a median 7.81%, proving their worth in a year when many asset classes retraced.

Two top performing funds missed the cut due to asset size, with particularly tight competition amongst the eventual shortlist. Each nominee added more than 11% for the year, and ultimately no other fund was in range of the Sharpe ratio of the eventual winner.

WINNER: Abax Bao NCIS Market Neutral RIF
2022 return: 11.51%
Sharpe ratio: 2.15

Wallie van der Walt from Abax Investments accepts the award for best market-neutral fund in 2022's complex markets.

GLOBAL

Nominees

Cuthman SDR Prescient QI Hedge Fund
Protea Global SNN Retail Hedge Fund
Protea Worldwide Flexible SNN QI Hedge Fund
Steyn Capital Frontier Fund
Visio Salveo Global Long/Short Fund

Presented by: Absa

The nominees reflect a growing list of global funds advised by South African managers, including dollar-based offshore funds and Cisca-defined worldwide mandates, as well as those focused on frontier and emerging markets. Nominees faced down a deeply negative environment as the MSCI World Index lost almost 20% for the year, outperforming their peers and the markets they trade.

WINNER: Cuthman SDR Prescient QI Hedge Fund
2022 return: 22.6%
Sharpe ratio: 1.44

The Cuthman SDR Prescient QI Hedge Fund wins for best global strategy, with Cuthman Capital's Tobie Lochner accepting the trophy.

FIXED INCOME

Nominees

Abax RCIS Vega Retail Hedge Fund
Acumen AcuityOne SNN Retail Hedge Fund
Southchester Smart Escalator Prescient QI Hedge Fund
Terebinth SNN FI Macro Retail Hedge Fund

Presented by: RMB

Fixed income hedge funds experienced extraordinary market disruption in 2022, bringing divergent returns across the category. In general, hedge funds limited losses during a year in which the All Bond Index was hit with some heavy declines. Sharpe ratio decided the outcome in this category, with no other contender in range of the top Sharpe amongst the nominees, despite a stellar performance from the top performing fund.

WINNER: Southchester Smart Escalator Prescient QI HF
2022 return: 11.06%
Sharpe ratio: 3.92

Team Southchester celebrate their consistent risk-adjusted return, winning best fixed income fund with their Southchester Smart Escalator Prescient QI Hedge Fund.

MULTI-STRATEGY

Nominees

AG Capital Select SNN Retail Hedge Fund
Blue Quadrant Capital Growth Prescient RI Hedge Fund
Coronation Multi-Strategy Arbitrage Hedge Fund
Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund

Presented by: Absa

Nominees in the multi-strategy category reflect a powerful short list of funds, each adding more than 16% for the year against a median return for the category of 7.18%.

The 2022 winner was a standout leader on return – generating one of the highest returns across the database for the year – with a solid Sharpe ratio.

WINNER: Fairtree Wild Fig Multi Strategy SNN QI HF
2022 return: 26.55%
Sharpe ratio: 1.84

Fairtree's Obakeng Mophosho and Kurt van der Walt with the trophy for the Fairtree Wild Fig Multi Strategy SNN QI HF.

SPECIALIST STRATEGIES

Nominees

AAM Private Credit Fund
Gemcorp Fund I Limited
Greenpoint Specialised Lending Private Credit Fund
Meago Real Estate Prescient RI Hedge Fund

Presented by: Apex

The specialist category combines different strategy areas operating in different parts of the market, which this year included private debt, specialised lending and real estate mandates.

Two funds were in tandem on performance in 2022, a dollar-based fund and a rand-based fund – leading to a double award in the category.

JOINT WINNER: Gemcorp Fund I Limited
2022 return: 15.15% **Sharpe ratio:** 1.22
JOINT WINNER: Greenpoint Specialised Lending Private Credit Fund
2022 return: 15.68% **Sharpe ratio:** 19.8

Nic van Zyl and Ryan Wood-Collier (left) from Greenpoint Capital receive the honours for 2022 performance in Specialist Strategies, while Tiaan May (right) from Apex announces Gemcorp's success.

FUND OF HEDGE FUNDS

Nominees

Citadel Multi-Strategy H4 QI Hedge Fund
Corion Prime Multi-Strategy Qualified Hedge Fund
Momentum RCIS Multi Managed ZAR Equity Hedge QI HF
Momentum RCIS ZAR Diversified QI FOF
Old Mutual Multi-Managers Long Short Equity FoHF

Presented by: RMB

South African fund of hedge funds continue to deliver consistent risk-adjusted gains for investors in various market conditions, generating a notable short list in a year when the *HedgeNews Africa* South African Fund of Funds Composite added 7.19%. It was a closely contested category, with the lowest return amongst the nominees at a net 9.8%, yet there was a clear leader both by return and Sharpe ratio for the year.

WINNER: Old Mutual Multi-Managers Long Short Equity FoHF
2022 return: 11.9%
Sharpe ratio: 1.65

Nosibusiso Ngqondoyi and Monene Watson of Old Mutual Multi Managers celebrate their achievement for best Fund of Hedge Funds in 2022.

FIVE-YEAR PERFORMANCE (SINGLE MANAGER)

Nominees

AllWeather H4 Market Neutral Retail Hedge Fund
Blue Quadrant Capital Growth Prescient RI Hedge Fund
Fairtree Assegai Equity Long Short SNN QI Hedge Fund
Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund
Steyn Capital SNN QI Hedge Fund

Presented by: Absa

The long-term awards identify those funds that have outperformed the markets and their peer groups over multi-year periods, with less focus on Sharpe ratio due to the different underlying strategies.

This year's nominees come from three different categories – generating strong outperformance over time.

JOINT WINNER: AllWeather H4 Market Neutral Retail HF
Annualised return: 18.65% **Sharpe ratio:** 1.43
JOINT WINNER: Blue Quadrant Capital Growth Prescient RI HF
Annualised return: 28.31% **Sharpe ratio:** 0.65

The All Weather team (left) receives the honours for consistent success over five years, alongside Leandro Gastaldi from Blue Quadrant (right).

FIVE-YEAR PERFORMANCE (FOHFs)

Nominees

AF Investments Focus QI Hedge Fund of Funds
AF Investments Moderate QI Hedge Fund of Funds
AF Investments Performance QI Hedge Fund of Funds
Old Mutual Multi-Managers Long Short Equity FoHF
RCIS THINK Growth QI Hedge Fund

Presented by: Apex

Five South African fund of hedge funds made up a compelling shortlist for the five-year award, including three from Alexander Forbes Investments, and one each from THINK.CAPITAL and Old Mutual.

The ultimate winner stood out on both return and Sharpe ratio.

WINNER: Old Mutual Multi-Managers Long Short Equity FoHF
Annualised return: 11.27%
Sharpe ratio: 0.88

Nosibusiso Ngqondoyi accepts the second award for Old Mutual Multi Managers, for best performance over five years.

TEN-YEAR PERFORMANCE (SINGLE MANAGER)

Nominees

Blue Quadrant Capital Growth Prescient RI Hedge Fund
Fairtree Assegai Equity Long Short SNN QI Hedge Fund
Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund
Greenpoint Specialised Lending Private Credit Fund
Polar Star SNN QI Hedge Fund

Presented by: RMB

This prestigious award reflects the longevity of the industry and the strong long-term track records of its managers. The nominees in 2022 all generated net annualised returns of more than 17% over the past decade, and hail from different strategy areas including long/short equity, multi-strategy, commodities and private debt. The ultimate winner, from the biggest fund, had the highest return.

WINNER: Fairtree Assegai Equity Long Short SNN QI HF
Annualised return: 21.33%
Sharpe ratio: 0.67

Team Fairtree came out in force to acknowledge the exceptional achievements of the Fairtree Assegai Equity Long Short QI Hedge Fund over 10 years.

TEN-YEAR PERFORMANCE (FOHFs)

Nominees

AF Investments Focus QI Hedge Fund of Funds
AF Investments Performance QI Hedge Fund of Funds
Citadel Multi-Strategy H4 QI Hedge Fund
Edge RCIS Portable Alpha 1 QI Hedge Fund
Old Mutual Multi-Managers Long Short Equity FoHF

Presented by: Peresec

Funds of hedge funds are the backbone of the South African hedge fund industry, with all the nominees for this award delivering more than a net annualised 8.5% for the past decade, on lower volatility than the indices. There was a well-defined leader based on return and Sharpe ratio, marking a clean sweep for Old Mutual Multi-Managers in 2022.

WINNER: Old Mutual Multi-Managers L/S Equity FoHF
Annualised return: 10.56%
Sharpe ratio: 0.77

Old Mutual Multi Managers' Nosibusiso Ngqondoyi and Monene Watson receive the kudos for best Fund of Hedge Funds over 10 years.

BEST NEW FUND

Nominees

Cuthman SDR Prescient QI Hedge Fund
AAM Private Credit Fund

Presented by: Peresec

The new fund award was reintroduced in 2022 after a dearth of new launches in the Covid period. Two funds were recognised, both of which launched in the past 12-23 months from managers operating in very different strategy areas, with the award focusing on calendar-year returns.

The AAM Private Credit Fund was a strong contender, generating an impressive return and Sharpe ratio, with Cuthman Capital coming in as the ultimate winner.

WINNER: Cuthman SDR Prescient QI Hedge Fund
2022 return: 22.6%
Sharpe ratio: 1.44

Cuthman Capital accepts the trophy for best new fund, its second award.

FUND OF THE YEAR

Nominees

Fairtree Assegai Equity Long Short SNN QI Hedge Fund
Laurium Aggressive Long Short Prescient QI Hedge Fund
Steyn Capital SNN QI Hedge Fund
Peregrine Capital Pure Hedge H4 QI Hedge Fund
Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund
Terebinth SNN FI Macro Retail Hedge Fund

Presented by: Investec

Fund of the Year nominees come from across the database, reflecting those funds that have consistently outperformed their peer groups and the markets they trade during the calendar year, based on significant AUM.

The nominees may have missed out on winning in their own categories based on Sharpe ratio, which was a factor in 2022.

Amidst an outstanding short list, all the nominees deserve recognition for their excellence, consistency and outperformance in 2022.

WINNER: Terebinth SNN FI Macro Retail Hedge Fund
2022 return: 17.36%
Sharpe ratio: 1.6

Terebinth Capital takes top honours, receiving the trophy for Fund of the Year.

Differential hedge fund reaches three years, blending AI and fundamentals

The firm focuses on information that shapes markets and analyses this with machine learning and traditional investing techniques to uncover opportunities

Differential Capital has produced a convincing three-year track record with its multi-strategy hedge fund, which has generated a net annualised 12.72% since inception, and 18.26% annualised over the past three years, in a cutting-edge investment process that combines data science and machine learning with fundamental investing.

The Differential Gradient Prescient QI Hedge Fund launched in October 2019, investing globally in equities, fixed income and commodities. The fund aims to return cash plus 4-6% after fees while protecting against downside risks. It has been a consistent performer even in difficult markets, adding a strong 3.93% gain in the first quarter of 2023.

The Differential investment process is driven by a combination of artificial intelligence idea generation as well as traditional fundamental and human sense checks, incorporating machine learning, cutting-edge analytics and data science to enhance fundamental investing. ESG and an activist approach are important differentiators.

"Our edge is that we combine skills across traditional investing and data science. It is a new approach to use AI and machine learning as the primary idea generation tool," says co-founder and CEO Vincent Anthonyrajah. "For most people, especially in South Africa, this approach is quite new. It was important that we deliver."

Differential launched its first funds in late 2019, just before a tumultuous 2020 began to unfold, with the backing of Standard Bank as an anchor shareholder. Standard Bank holds a 25% stake and put seed capital into the funds, alongside other early adopters that include pension funds and private clients.

"For most of 2020 we didn't write a single new client. It was scary and really tough for the team. Things really looked bleak," he says.

While the funds performed well, Anthonyrajah says they realised they needed to evolve to survive. Besides the hedge fund, they focused on South African equity in the long-only mandate, converting what had been a largely internal portfolio into a unit trust.

"The reality of the way asset allocation works is that the bulk of the market is looking for SA long-only exposure," he says. "For a few years there was particularly negative press about hedge funds. It was easier for our clients to seed a long-only strategy."

Vincent Anthonyrajah

Musa Malwandla

Today Differential has around R3.5 billion under management, of which 90% is invested in South African long-only equity strategies.

Its multi-strategy hedge fund, the Differential Gradient Prescient Fund, has AUM of R310 million, with a further R40 million in a segregated strategy for private clients.

The hedge fund aims for a return of 5% above cash while minimising the probability of loss. It invests in a range of instruments, including local equities, global equities, local bonds, global bonds and derivatives.

> **"Our edge is that we combine skills across traditional investing and data science. It is a new approach to use AI and machine learning as the primary idea generation tool."**
>
> *Vincent Anthonyrajah*

Differential's South African equity unit trust, the Differential Neural Prescient Fund, aims to outperform South African listed equities with a Capped SWIX JSE All Share index benchmark.

Differential's co-founders Vincent Anthonyrajah and Musa Malwandla bring many years of experience to their roles.

Anthonyrajah has more than 15 years' investment experience, and was a highly rated analyst on the sell side in numerous sectors (*Financial Mail* ratings). He was head of the top-rated financials research team at SBG Securities Research (Standard Bank).

Malwandla has over 12 years' financial services experience and was a highly rated sell-side analyst at SBG Securities, achieving a top three ranking in the life insurance sector in the *Financial Mail* rankings.

As part of the company re-think, co-founder Naeem Badat opted to leave the firm last October, presenting an opportunity for a new shareholder. It was important for Differential to bring on a strong fundamental capability to complement its data science component.

After extensive due diligence on both sides, veteran equity manager Sam Houlie joined as a shareholder and co-CIO in September 2022. He brings 27 years of investment experience, managing both local and global portfolios over various market cycles. Houlie was most recently CIO at Counterpoint Asset Management, and has also held senior roles at big-name firms Momentum Asset Management, Investec

Asset Management and Abvest.

"I was initially attracted by the team's personal outlook on life in the face of adversity," says Houlie. "Machine learning and quantitative technicals are ultimately just tools. I was looking for a home that included a resilient culture and a growth mindset. There is strong alignment in our approach to life. I am a very happy shareholder."

"It is exciting for me to be around a team that is looking at short-term data sets. In a prior life, I didn't have that."

While the long-only mandate constrains the fund's ability to take big alpha-generating positions, both mandates have done well over time.

"It was important that we could demonstrate to clients that we can do well even with a constrained universe," says Anthonyrajah. "In terms of outperformance both funds have done very well. The long-only fund is limited to equity markets and has generated decent alpha of 1% per year. The hedge fund does what it says – it has behaved like a government bond in down markets but surprised us with its ability to keep pace with the upside in markets."

Differential's fundamental team is headed by co-CIO Houlie and includes two seasoned analysts. Louis Loizou has nine years' risk management experience, working previously at RMB, BarCap and Standard Bank, while Sizwe Msomi, a CA(SA), has two years sell-side analyst experience and three years in banking.

The quantitative team has three full-time team members, with chief data scientist Miguel Lacerda reporting to Malwandla as co-CIO of AI/data science.

Both Malwandla and Lacerda are PhDs, in finance and statistics respectively, and Lacerda developed the Masters programme in data science at UCT, publishing 15 journal articles in applied statistics and data science.

Lehumo Mashishi, who has an MSc in High Energy Particle Physics, spent two years at CERN in Switzerland as a data analyst and another two years as a data scientist at OLSPS Analytics. Before joining Differential in February this year, he spent eight months at Darkpools as a machine learning engineer.

Jeremy Naguran was head of data infrastructure at FNB Secured Lending. Before joining Differential, he was at Momentum as head of group business intelligence.

Zikona Poswayo heads business development, joining in January 2022. She has 11 years' experience in client services, institutional business development and retail operations, working previously for Old Mutual, Coronation Fund Managers, Fairtree and Prudential.

Sigqibo Jack joined Differential in May 2020 as an intern. His responsibilities include operations and ESG and he is now being trained to become a trader as a permanent team member.

Sam Houlie

Houlie notes that for the past 10 years, he has been aware that the data science area of the market needed to develop.

"For me this is the culmination of my evolution as an investor," says Houlie. "I am at the end of my third decade in investing and the world has changed massively. Machine learning, data science and AI are now a very necessary component of investing."

"In my previous roles I tried to develop a capability with naturalistic decision making, but it didn't fit well. AI can't be an appendage on the side," says Houlie, whose due diligence on Differential included getting involved in ideas, seeing portfolios and interrogating operational aspects of the business. "Musa leads our data team very well, there is an understanding that problems need fundamental framing to solve."

Anthonyrajah believes that this past quarter has capped off the team's hard work over the last three years, noting that in late January, their data was showing a bad market ahead.

"Some funds were doing well as the year started out strongly, but we started to put on hedges," he says. "We have a phenomenal macro model, and then move on to fundamental decisions and human overlay based on machine learning."

"I am proud of how we handled the volatility, with the US Federal Reserve flip flopping on rates and the SVB banking issue causing deep concerns. Our short-term data signals and human overlay are working together closely – the two sides of the business are interacting effectively."

> **"Our models provide insights and ideas but it is still important that a human makes the decision. We are keenly aware of how other investors are positioned."**
>
> *Musa Malwandla*

Anthonyrajah expects markets to remain volatile for the next two to three years, offering plenty of opportunity for the strategy.

"In an environment of high volatility we have a lot of incremental data points to play in," he says. "Our main model output can be summarised in one word – fragility. That is the tone shaping how we are positioning our portfolios right now. We are positioned for a fragile world."

Malwandla notes that the data team has a three-pronged approach – seeking an information, analytical and behavioural edge.

"Our game is to get more information at higher frequency," he says. "Longer-term investors often tend to ignore information that shapes markets in the short term. The full power of machine learning allows us to analyse patterns, framing vast amounts of data."

While most investors choose a distinct style and approach, Differential is style-agnostic, looking to identify different patterns in markets, combined with strong macro models.

Malwandla stresses that a fundamental robust framework is a necessary part of the process and prevents "overfitting".

"We saw in the global financial crisis and even more recently in the SVB crisis that the way you frame a problem becomes very important," he says. "Our models provide insights and ideas but it is still important that a human makes the decision. We are keenly aware of how other investors are positioned."

Differential's fundamental team has a vital role to play in "framing" problems that machine learning can help to solve, putting together market hypotheses for further research.

"There is so much information out there that you can't just blindly take it," says Anthonyrajah. "We narrow down problems. With machine learning, certain models have weaknesses, particularly in financial markets. Machine learning models might be good at predicting time series for speech and language but these can be challenging to use on financial time series data. We don't want to overfit data and let the models run without guidance or supervision."

He stresses that the technical part of the process is vital, with an experienced team in place to implement ideas.

"AI is not just a step-child for us," says Anthonyrajah. "Our data guys have really robust academic backgrounds, with two at PhD level, and strong modelling and engineering capability. This is the calibre of people we want in our business. It is a range of skills that is very rare in South Africa."

The multi-strategy hedge fund typically

includes 30-40 return streams across the book, with gearing up to 2.5 times, while the benchmark-cogniscant long-only equity fund typically includes more than 60 positions.

In 2021, the hedge fund had about 20% offshore exposure, which it trimmed last year to less than 4%, avoiding the Nasdaq sell-off.

"The hedge fund is very much risk controlled, with a low-risk fixed income holding hedged by derivatives, and concentrated equity ideas," says Malwandla. "Our research shows that volatility erodes returns. Our biggest engine for idea generation is the macroeconomic model, which is a powerful tool that leads to another cascade of decisions. We look for broad frames to identify ideas of interest and then aim our models to find the best ideas."

One example is auto stock Ferrari, which has been a strong contributor this year, with the stock up 32% in the last six months. While many auto stocks have been out of favour due to concerns that the electric vehicle market will dominate, Differential's analysis picked up that EU regulatory changes could result in allowing synthetic "e-fuels", which are carbon neutral, significantly improving the investment case for Ferrari.

The fund currently has up to 60% in cash given its cautious outlook, with net equity exposure the lowest it has been since pre-Covid. By sector, financials and healthcare are its biggest exposures, as well as real estate and consumer discretionary stocks.

On the commodities side, it favours gold positions, and expects copper may go into a supply squeeze, therefore favouring exposure to copper mining.

Its biggest idea in the space is DRDGold, a South African gold producer and a specialist in recovery of the metal from the retreatment of surface tailings, which it believes is uniquely placed to do well.

They are short platinum miners and iron ore as well as economically sensitive domestic stocks.

The Tencent and Naspers trade has been a strong contributor and remains in the portfolio, while global luxury names are also expected to do well.

The team favours life insurers relative to banks, based in part on investors' more positive market perceptions around the SA banks' valuations.

"Banks always look cheap before every down cycle and they can get cheaper quickly," says Anthonyrajah. "For us, insurers stack up well given the real economic environment. There has been an unwind of Covid claims and they could begin to release reserves."

As new ideas and hypotheses emerge, the data team adds to its universe of models or retires others, with around 50 currently in use.

"South Africa is probably more fragile than the rest of the world right now," says Anthonyrajah. "We have unique data sets on electricity and the companies that are exposed to loadshedding risk. There are pockets of real mispricing to the downside, which the market hasn't yet factored in."

Environmental, social and governance (ESG) factors are a critical part of Differential's DNA.

"A lot of our end clients are ordinary people, like sales reps or petrol station attendants. These are people at work on the ground who rely on us for income when they retire. They are not high-net-worth individuals. Our ESG approach has helped us to remain focused on what is important," says Anthonyrajah.

The team is not afraid to play an activist role but is mindful to balance its fiduciary responsibility with any ESG concerns.

"Research is a key component of ESG," says Anthonyrajah. "If we identify an issue where there is no conflict with our fiduciary responsibility, we will take the bit between our teeth. We have engaged robustly with many company boards on topics such as better alignment with shareholders and dividend policies, in keeping with the mindset of our investors. It is gratifying that boards have given time to even a small company like ours."

Realfin and **Momentum** unveil innovative QIHF format property fund

The fund's core holding is physical property, making it very different from a traditional hedge fund, with third-party investors able to exit within three months

The Momentum RCIS QI Property Hedge Fund comes to market with an innovative offering, investing in physical property housed in a regulated qualified investor hedge fund format.

In a first for the industry, this non-traditional hedge fund, managed by Momentum Alternative Investments, was established as a qualified investor hedge fund (QIHF) under the Collective Investment Schemes Control Act in May 2021, with the first tranche of physical property assets transferred into the portfolio as of November last year.

At just under R400 million currently, the fund is expected to grow to R5 billion in the next six months. Thereafter, external third-party investors are expected to come on board to join Momentum Metropolitan Life Limited, the strategic anchor investor.

"The QIHF structure is tax-efficient and also brings more from a governance and investment perspective," says RealFin's Cornelis Batten, who worked extensively on the fund application to achieve regulatory approval. "It also allows for gearing to be employed at portfolio level to diversify exposure and enhance returns. The QIHF structure lends itself to that."

Sudesh Moodley, a CA(SA) with 16 years' experience in the direct property space, worked extensively with RealFin to submit a workable product for regulatory approval.

Momentum had been looking for a suitable vehicle for its long-running in-house property portfolio, to help it achieve a few useful outcomes: namely the ability to introduce leverage, ensure tax neutrality and include external investors to grow and diversify the portfolio.

The in-house portfolio has exceeded its CPI + 5% mandate for the last 20 years, even though it has been largely ungeared, delivering an annualised 12.9%. This existing in-house portfolio of direct holdings is now transitioning to the QIHF format.

"We had tried to find a solution with other service providers but only once we engaged with RealFin did we get traction with the product," says Moodley. "Even I was skeptical that we would manage to launch the fund. It was only in about mid-2022 that we started to feel the excitement that it was actually going to work."

Cornelis Batten

> **"The QIHF structure is tax-efficient and also brings more from a governance and investment perspective. It also allows for gearing to be employed at portfolio level to diversify exposure and enhance returns. The QIHF structure lends itself to that."**
>
> *Cornelis Batten*

"The fund's core holding is physical property, which makes it very different from a hedge fund in a non-traditional sense," says Batten. "A big part of getting the regulator comfortable with the fund was for third-party investors to be able to exit within the stipulated three months. It had to fit within the regulatory framework."

Moodley adds that the QIHF structure has all the benefits of a listed REIT (real estate investment trust) including tax neutrality and gearing, but without the volatility that comes with a share price, which can be adversely affected by market sentiment.

With an experienced investment team, the fund manager has identified sectors to invest new capital, building a unique impact fund with transformative ESG commitments and a strong development pipeline.

Moodley says: "We'd like to grow the fund by adding new investor capital in the region of R2.5 billion over the next two to three years. Thereafter, if the markets are right – we will introduce gearing.

> "We'd like to grow the fund by adding new investor capital in the region of R2.5 billion over the next two to three years. Thereafter, if the markets are right – we will introduce gearing. We err on the side of being conservative. We want this fund to work – we have set it up for success and are ensuring it is operationally sound."
> *Sudesh Moodley*

Sudesh Moodley

We err on the side of being conservative. We want this fund to work – we have set it up for success and are ensuring it is operationally sound."

The fund's current property portfolio is in Gauteng, the Western Cape and KwaZulu-Natal, holding almost 60% in retail space, and around 20% each in industrial and office space. New investments will include new era assets such as data centres, impact and storage, to name a few. These allocations will be regularly reviewed to ensure that the portfolio is well positioned and forward looking.

"We see opportunity in a combination of two things: recessed allocations and exciting new sectors. We want to make an impact and are positioning to be one of the best ESG property funds in the market," says Moodley.

The fund generates returns through net rental income (distributed to investors like a REIT) as well as the growth in the value of the underlying property.

It embraces ESG fundamentals whilst maintaining strong returns, with an asset allocation process that complements the rapidly changing property investment environment.

For example, its investments in renewable energy currently comprise nine solar sites, cutting 12,500 tonnes of CO2 emissions a year, with a plan to expand to 15 sites by 2024 with the generation of 17,000 Mwh, which equates to clean energy to support 3,868 households. Various initiatives around this include investing in smart technology to monitor existing utility consumption and trends, as well as heat pumps and batteries to reduce utility costs, and borehole and rainwater harvesting.

In addition, the existing in-house portfolio has a 22% holding in rural malls and is very active in those communities, via job creation and training, infrastructure development and various corporate social initiatives.

The bulk of the R4.2 billion property portfolio is ungeared, and the team aims for strategic third-party investors to take it to R6.2 billion, at which stage it will be sufficiently well-diversified to be able to gear up and acquire new properties.

"For example, if a property has blue-chip tenants with longer leases, we might gear slightly higher. We can gear up to a maximum of 40% of the loan to value (LTV) ratio – although we will probably settle on a more conservative number. On a property with a different tenant make-up, we might use 10-15% gearing or not gear at all," says Moodley.

Besides using gearing via bank loans or bonds, the flexible QIHF structure also offers other non-traditional means to gear the portfolio, using various securities and instruments.

"Twenty-five years ago, pension funds were the largest investors in physical property by a long shot," says Batten, who has more than 20 years' experience in financial services and indepth knowledge of the property space, having worked on numerous property company listings and merger and acquisition transactions. "As the space grew, pension funds swapped unlisted exposure for listed, investing into REIT-like structures."

"Pension funds have begun to realise that it is desirable from an asset liability matching perspective to have a portion of your investments in physical, unlisted property. If you are holding unlisted property to complement your listed exposure, I can't think of a better vehicle."

Moodley adds that the QIHF structure effectively replicates a REIT in an unlisted environment, where unlisted REITs are currently not legislated for. "The QIHF structure means that investors earn the income return in the form of pre-tax net rental income. It offers regular and reliable income, with consistent cashflows. The structure reduces volatility of returns when compared with listed property. The injection of fresh capital also provides an opportunity to grow the portfolio into higher yielding sectors."

Batten sees this innovative product as proof positive that the South African hedge fund industry has the potential for growth into new and exciting areas. "Partnering with Momentum, we really thought out of the box with this fund," he says. "It was about strategic management for a desired outcome."

"The South African hedge fund industry can grow through thinking differently. We need to broaden the space. There are other ways to create a hedge fund portfolio that don't simply involve going long or short in the listed space. For us, it is really exciting to demonstrate something new to the market."

FUND FACTS

The Momentum RCIS QI Property Hedge Fund

Strategy: Physical property hedge fund
Fund inception date: May 2021
Fund manager: Momentum Alternative Investments
Administrator: ERIS Property Group
Manco: RealFin Collective Investment Schemes
Fund size: R387.3 million
Open to investment: Yes

fund profile

MitonOptimal launches two new model hedge fund portfolios

Inclusion of absolute return and hedge funds in the portfolios gives access to managers better able to navigate the existing dislocated investment environment

Discretionary fund manager, MitonOptimal, has launched two new model portfolios – known as its ASTUTE range – which comprise South African hedge funds, designed for investors looking to diversify their long-only investment portfolios with funds that can use a wider array of investment instruments.

The MitonOptimal ASTUTE Guarded Portfolio, which targets a net return of CPI +4% p.a., was created with the living annuity market in mind, while the MitonOptimal ASTUTE Bold Portfolio targets CPI +6% p.a. and was created for investors who are comfortable with taking on more risk and hence more volatility. These targets of CPI+4 and CPI+6 are net of underlying fund manager, DFM and platform fees.

Roeloff Horne, head of SA Portfolio Management, notes that MitonOptimal already has a two-year track record of including hedge fund strategies within some of its tailored model portfolios.

"I believe that these models complement our existing models and, where advisers have the correct licensing within their tailored model portfolios, we will incorporate absolute return 'hedge' funds into those models, where appropriate."

Jacques de Kock, quantitative analyst and portfolio manager, is lead manager on the hedge fund model portfolios, assisted by Oscar de Waal and the rest of the investment team, with oversight from the MitonOptimal investment committee.

The broader team has a depth of hedge fund knowledge. Gavin Betty, previously MD of Peregrine Securities, chairs the investment committee, while former hedge fund managers Armin Diem and Andy Pfaff are respectively head of equities and head of commodities and trend analysis.

"It is an exciting opportunity for MitonOptimal to be able to include absolute return and hedge funds in their client portfolio offering," says Betty. "In the existing dislocated and complex investment environment, access to managers that have broader mandates and multiple investment tools at their disposal to achieve risk-adjusted absolute returns has become not only a nice to have but an essential component of any investment portfolio."


Roeloff Horne

De Kock has over 10 years' experience in financial services, joining MitonOptimal two years ago having worked previously with PSG Asset Management, Quantum Portfolios and Grindrod Asset Management. He is a CFA charterholder and a certified financial planner, with a BCom (investments and securities) from Stellenbosch University.

MitonOptimal's hedge fund journey began after attending a presentation in late 2021, where the managers included both their long-only and hedge fund capabilities, leading the team to begin doing their own research into the possibilities that this asset class offers.

"It was a tremendously exciting and interesting experience doing the due diligence and back testing for these model portfolios," says De Kock. "We have some excellent hedge fund managers in South Africa with long-term track records of not only preserving capital in down markets, but also providing excellent returns (after fees) through time. All the hedge fund managers we invest with have more than 10 years' experience managing hedge funds."

De Kock set out to identify those hedge fund managers that offer daily-traded retail hedge funds on LISP platforms, needing the right combination to get the results they wanted from the models.

"It felt like a natural progression," says De Kock. "It is difficult to meet an absolute return type target of CPI +4% in the long-only space. Not many long-only funds can meet that. It has been very interesting to see how different hedge funds are versus long-only managers."

He stresses that retirement investors

need to account for sequence of return risk, namely that the order and timing of poor investment returns can have a big impact on how long savings last. "Research shows that the riskiest time for an investor is the five years after they retire, and the second riskiest time is the five years before. Retirement investors need low-volatility returns in a very stable fashion, and some hedge fund strategies fit that bill nicely," he says.

De Kock adds that hedge fund managers are absolute return oriented in the way they manage money, often having a trading mentality, depending on their level of risk. "They have more ability to deal with the kind of world we are in at the moment – where risks are to the downside," he says.

According to De Kock's retrospective analysis, both hedge fund models have outperformed significantly in the past decade, after fees.

The ASTUTE Guarded model reflects a theoretical track record of 179.6% (net) since 2013, versus 150.9% from CPI +4% and 100% from the ASISA South African Medium Equity category.

The higher-octane ASTUTE Bold model has gained 251.7% since 2013 versus 203% from CPI +6% and 102% from the ASISA South African Equity General category.

The models include all fees barring the adviser fee.

"It was important in my analysis that we included those fees," says De Kock. "The modelling did well. Our back-testing shows the returns offer the standard deviation of a bond portfolio and without the long-only equity volatility."

Due to Regulation 28 restrictions, the hedge fund models will only be available in discretionary products, endowments and living annuities and to advisers who hold the 1.26 licence category.

Apart from a successful performance record, to be included on the MitonOptimal hedge fund watch list funds must have a daily-traded Retail Investor Hedge Fund (RIF) offering loaded on a LISP, and their data must be available monthly on Morningstar.

The ASTUTE range is currently available via the Momentum and Allan Gray LISP platforms, and will also be included on other LISP platforms due to demand.

De Kock notes that pre-2018, hedge funds in South Africa were unregulated, meaning that advisers took a lot of risk in offering them to clients without regulatory back-up, while investors had minimal regulatory recourse.

"Hedge fund regulation is much more stringent than it was in the past, which provided peace of mind for us to start utilising these strategies in our portfolios," he says. "This is a very different environment, it brings positive changes for investors. Now we need to see more RIFs on platforms to keep building in the space."

Jacques de Kock

MitonOptimal has total assets under management of around R7.5 billion, currently invested in 100% long-only and CIS models and funds. It builds long-term relationships, investing with about 30 underlying managers in the long-only space.

It would like to see each ASTUTE model initially reach assets of R1 billion, so as to become meaningful allocators to the underlying managers.

"We invest in a manager not only for performance but also for strategy. When we take them on, we give them a two-year opportunity to demonstrate capability in our models. If a strategy is not in favour currently, it might be about to come into favour. We don't chop and change in the short term"

Jacques de Kock

"We invest in a manager not only for performance but also for strategy," says De Kock. "When we take them on, we give them a two-year opportunity to demonstrate capability in our models. If a strategy is not in favour currently, it might be about to come into favour. We don't chop and change in the short term."

The MitonOptimal ASTUTE Guarded Portfolio currently includes six managers, while MitonOptimal ASTUTE Bold Portfolio includes eight, in a risk-seeking best-ideas portfolio expected to have higher volatility.

"The components of hedge fund models are expected to change over time – it is not a 'set and forget' process," adds De Kock. "We are very interested in how different strategies work together and we revisit the portfolios and check relative performance monthly. If a certain fund is below or above its original weighting, we may need to rebalance. And if a fund deviates from mandate or changes mandate or loses key personnel, we will certainly act."

MitonOptimal's executive director George Dell notes that, over the years, the team has had numerous requests from advisers looking for absolute return type strategies, which it has included in some tailored solutions for advisers with the appropriate licence. "We are extremely excited about these turnkey solutions and believe they will give advisers another option in providing a truly diversified investment offering for their clients," he says.

Meago eyes global hedge fund as property-focused strategy excels

Building on the firm's deep experience of real estate, the new fund will invest in a variety of local and offshore securities to achieve greater diversification

Meago Asset Managers has built a strong track record with its South African long/short property fund, and plans to launch a flexible global hedge fund in line with its growing competence.

The Meago Real Estate Hedge Fund launched in September 2019 as a regulated retail product, leveraging off Meago's proven in-house listed real estate expertise and systems.

The specialist real estate equity fund manager, founded by Jay Padayatchi and Thabo Ramushu in 2005, has total assets under management of R15 billion in a range of property-focused mandates.

The Meago hedge fund has been an exceptional performer over time, returning a net annualised 27.59% since inception in September 2019, versus 4.87% from the benchmark three-month Jibar and -3% from the FTSE/JSE SA Listed Property Index (JSAPY) over the same period.

In 2022, the fund gained a net 10%, while its property long/short peers were deeply negative and the JSAPY, which features predominantly real estate investment trusts (REITs), delivered a flat return of 0.63%.

"We aim to generate consistent, superior, risk-adjusted returns that replicate the asset class, while aiming to match long-term volatility of the 10-year government bond," says fund manager Anas Madhi, who joined Meago in 2007, co-managing the fund with Padayatchi. "In the face of unprecedented macro volatility experienced in 2022, we remained cautious with a relatively low net long exposure, however we still provided market-beating returns. We continue to seek value-adding arbitrage opportunities and our trading strategy aims to mitigate event and market risk."

Anas Madhi

Zwelakhe Mngomezulu

Assets in the hedge fund have grown strongly in the past six months and the fund is now at around R425 million.

The Meago research team includes Zwelakhe Mngomezulu as assistant portfolio manager on the hedge fund, as well as Bongwa Sakhile Mthembu, head of research and portfolio manager, and investment analysts Saneh Memela, Itumeleng Mokwena and Lebo Khumalo.

"The property sector has been very volatile for the past five years," says Madhi. "Investors look for rental income from a property investment, but holding the JSAPY can bring a lot of volatility. It is a challenge for investors who want to be benchmark cognisant as they end up taking undue risks."

"Last year our philosophy was quite conservative. We used various methods to hedge risks as we had a very conservative take on the market, including pair trades and other market-neutral strategies," he says. "With pair trades, the income accrues to the investor and then you get the alpha arbitrage pick-up. In the last few years, we have shown these income streams can be more predictable if managed astutely."

Building on its successful domestic track record, Meago plans to launch a variable, market-neutral equity hedge fund with a more flexible mandate to tap into its global property expertise.

The mandate will allow it to invest in both local and offshore equity securities, warrants, options, futures, bonds and money market instruments, bringing greater geographical diversification.

"Real estate is cyclical and significant structural shifts continue to appear both locally and internationally, which are likely to continue as different markets and subsectors evolve on different timelines," says Madhi. "These present unique opportunities for alternative asset managers, including hedge funds and private equity investors."

Meago sees the property sector as a defensive asset class, providing clients with contractual escalation and a stable income.

On the JSE, Madhi notes that the property sector is underinvested with reduced liquidity and tradeability.

This comes amid deteriorating macro conditions in diverse geographies that have varying property cycles and different macro growth profiles.

The property sector is also undergoing structural shifts in areas such as warehousing, logistics and distribution, as work from home and other lifestyle related trends take hold.

Fundamentally, the team looks to identify investments offering good distributable income, improved rental growth, decent

FUND FACTS

Meago Real Estate Hedge Fund

Strategy: South African property long/short
Inception date: September 2019
Fund type: Retail hedge fund
Fund managers: Anas Madhi, Jay Padayatchi, Zwelakhe Mngomezulu
Prime broker: Standard Bank Prime Services
Administrator: Prescient
Open to investors: Yes

balance sheets and access to capital.

Meago adds that it expects South African inflation to stabilise only in the second half, with interest-rate cuts unlikely until 2024. This will have an impact on leveraged companies, and it continues to closely monitor the hedging profile of its companies and any refinancing risk.

With limited opportunities to raise capital within the small and mid-cap space, companies trading at a discount to NAVs pose attractive options for consolidation.

"In addition, we believe global equity markets have not yet sufficiently priced in earnings downgrades in the first quarter," says Madhi. "We are holding moderate gross exposure with a low net long position as we believe that the macro risk arising from secondary inflation will result in further tightening of monetary policies in the US, Europe and the UK in the first half."

Looking back, Madhi notes that 2020 was a very bad year for the Covid-hit property sector, while 2021 ushered in a strong recovery off a low base, before a flat 2022. The fund has consistently beaten its Jibar (cash) benchmark over all three years.

He adds that its pair trading philosophy requires a granular approach, beyond just thematics. For example, during Covid the team figured that regional shopping centres would be under stress due to a lack of footfall and rental issues, a risk they countered by choosing accessible, open-air malls.

"We start with a thematic approach and then go quite detailed in our positions. With pair trades, we have to be very granular," he said.

With a universe of 30 investment stocks listed on the JSE, the fund usually sits with around 20 positions in addition to exposure to fixed income and cash products.

"Given that the fund is SA focused, the environment is limited and we are very conscious of monitoring things like scrip lending [when shorting]," said Madhi. "Property investors are usually conservative by nature so we operate at prudent levels with a lot of inherent diversity implied in our positions."

From a global macro perspective, he notes that the cost of debt funding has gone up significantly, which can be punitive for real estate companies, creating a huge amount of uncertainty in other markets outside of South Africa.

While macro conditions are a little more predictable this year, the market is taking a harsh view of balance sheets locally and globally, and Meago looks to identify those companies that can withstand increasing costs of funding in the next year or so.

By sub-sector, he notes that the office space is being affected by increased need for flexibility as more people work from home, impacting office vacancies, which Meago believes are now close to bottom with A-grade space better supported than other areas of the market.

Geographically, it favours a granular approach, for example preferring the Western Cape to Johannesburg, and within Gauteng preferring Rosebank to Sandton.

The team has always favoured residential space, seeing ongoing demand and further room to roll out supply in South Africa in areas such as student accommodation and other affordable housing. Self storage also continues to grow as a sector.

Globally there is a bigger push to biotech and data centres, as well as other defensive opportunities in healthcare, presenting opportunities for a broader mandate.

Madhi adds that there continue to be good opportunities for investors in the South African property sector, with a lack of significant foreign interest.

"Property investors look for a steady income return, and we have managed to remove volatility from the sector in the last five years," he says. "The hedge fund aims to deliver the type of risk profile implied by the asset class. Unlike other real estate hedge funds, we don't use significant leverage and we are very conscious of what we use it for."

Meago has started the application process for the new fund, which will launch with seed capital once approved.

Terebinth develops skillset as it moves into multi-asset space

Celebrating 10 years, Terebinth is now moving beyond fixed income with an equity unit in place and plans to expand from the listed to the unlisted space

Terebinth Capital has reached its 10-year anniversary, with managing director Nomathibana Okello and CIO Erik Nel noting how their focused, strategic approach has helped the business reach its goals thus far.

"When you set out to launch a business, you are mindful that there are many things that can be done differently," says Nel, who left Atlantic Asset Management in 2013 to set up the firm.

Nel was portfolio manager of the Atlantic Point Hedge Fund and its other total return mandates for four years, and prior to that head of FICC sales at RMB and head of fixed income sales at Nedbank, having started his career as a fixed income trader at Coronation Capital.

He partnered with wealth manager Stonehage as a strategic investor in Terebinth's early days, setting inclusivity, gender equality and female advancement as Terebinth's founding principles.

"Our original concept was to create a business that we could showcase to our fellow citizens, and peers, as a beacon of hope of how to not only cross the divide between our people, but also to show how sustainable bridges are built."

"We have always considered gender equality, female advancement and building an inclusive society as core to our approach as a business. We have a pay-it-forward attitude, encompassing the principles of ubuntu, which is in line with the concept of it taking a village to raise a child."

"On the investment side, we will always retain our boutique active management hedge fund mindset."

Terebinth's anchor products are the Terebinth SNN Fixed Income Macro RHF, which launched in April 2013, and the strategic income fund, which launched in December 2013, with the business reaching R1 billion in assets in its first year.

"We didn't have guaranteed commitments at the outset but within the first three months, our investors moved across," notes Nel of the company's early days. "The business was profitable after the first quarter. For the first five years, we averaged 21% annualised growth while in the past five years it has been close to three times that pace."

Okello joined as MD and strategic shareholder in 2017, after an opportune introduction from a prime broker, who saw synergies between her skillset and Nel's vision for Terebinth, which by then had reached assets of R3 billion. With a Bachelor of Business Science degree and an MPhil in Financial Mathematics, Okello worked at Catalyst Fund Managers and before that at Coronation Fund Managers and Old Mutual.

"Nomathibana and I have a different yet complementary skillset. It's a yin and yang approach," says Nel. "Phase two of our business has been to identify younger talent and contract them to also pay it forward, sustaining kinetic momentum and positive reinforcement in the business. I have always loved the saying: 'If you want to walk fast, walk alone. If you want to walk far, walk together'."

Today, Terebinth has a team of 14 people, employing the same philosophy across all its funds, with a definitive macro approach and a scalable research strategy that combines macro analysis with quantitative rigor. It now has assets under management of R29 billion.

The company is a Level One B-BBEE contributor, and 100% manager owned.

Terebinth was one of the first hedge fund managers appointed to run a long-only mandate for Sanlam Multi Managers, now part of its Amplify range, spearheading successful growth into the long-only space.

It now offers eight diversified strategies: money market, enhanced income, aggressive income, strategic income, active bond,

Nomathibana Okello

Erik Nel

inflation tracker, fixed income macro hedge and total return.

"The business has been exciting. We have ambitious growth plans to be implemented in stages," notes Okello. "While we were initially inward looking, the concept of paying it forward remains. It is our responsibility to look across the value chain, both downstream and upstream, and we are thinking more broadly about skills transfer and putting revenue back into growing the industry."

Having started with a fixed income focus, the business is incorporating other asset classes, with Ann Sebastian joining in 2021 to put the equity building blocks in place, building a scalable and repeatable process. Before Terebinth, Sebastian spent nine years at STANLIB Asset Management. She has an MSc in Statistical Science, a BSc Honours (advanced mathematics of finance) and a BSc in Mathematical Sciences.

Besides Okello, Nel and Sebastian, the investment team includes Dumisani Ngwenza, Oyena Mtuzula, Allen Murahwa and Kanyane Matlou. Andzile Ntabeni heads institutional business development with Richard Bray as head of strategy, while Mandy Pick is head of operations and Bronwyn Buchanan is COO.

"Our move into the multi-asset space means we can offer clients more options to put their money to work," says Okello. "With our equity unit up and running, we plan to look into impact investing and derivative forms of that, expanding from the listed space into unlisted areas. We are taking care that any new products come in seamlessly and fit the overall philosophy of our business."

"We don't box ourselves as only a macro manager," adds Nel. "We have a two-fold approach of combining macro analysis and quantitative precision to determine asset allocation. The macro philosophy leads to low correlation with the broader market and lower volatility, while our in-house quant skills ensure that the best allocation strategy is implemented. We employ the same philosophy across products. There is a rhythm and rhyme to our macro approach."

As it extends into multi-asset areas, Terebinth is now looking to bring on board complementary talent, continuing with formalised training and incorporating steadfast principles across its business and products.

"There is a dearth of talent out there and it is hard to develop. It takes a long time to build skill," says Okello. "We believe it is part of our journey to create a culture of paying it forward."

Entering its third phase as a business, Terebinth also plans to build internal scale, adding specialist internal capacity having initially mostly outsourced all ancillary functions.

"During this next, critical phase of the business, we will work even harder than before to improve the client experience and 'bring the client into the business' in a unique way," says Nel.

"There is a dearth of talent out there and it is hard to develop. It takes a long time to build skill. We believe it is part of our journey to create a culture of paying it forward."

Nomathibana Okello

On the investment side, Nel notes that Terebinth's active hedge fund mindset and macro skillset stand it in good stead to express its best investment views in other asset classes.

"We believe that protecting against downside is the key to investing in a sustainable and scalable way and to generating incremental alpha," he says. "We have very strong due diligence on each risk position and treat each asset, every day, as if it is the first day we are holding it."

"We have worked hard to set anchored principles in place, based on a long history. All our positions are anchored in this consideration of risk and where we are in the market cycle."

The Terebinth SNN Fixed Income Macro RHF has been an exceptional performer over time, generating a net annualised 12.88% since inception, versus 6.81% from its benchmark. It has assets under management of R2.5 billion.

The South African domiciled, rand-denominated fixed income hedge fund focuses on macro strategies, using qualitative and quantitative methodologies to find opportunities across three disciplines: strategic, structural, and tactical. The fund is actively managed, with a focus on risk management and liquidity.

The fund had a stellar 2022, outperforming its peers and the All Bond Index with a net gain of 17.37%, winning the *HedgeNews Africa* Fund of the Year award.

Other accolades include the 2017 *HedgeNews Africa* award for best Fixed Income Hedge Fund and the 2018 *HedgeNews Africa* Single Manager Three-Year Performance Award, as well as the 2021 ABSIP Award for the Best Black Fund Manager/Team of the year – Hedge Funds.

Last year's outperformance follows a tough 2021, during which the fund added just 1.86% versus 5.27% from the ALBI.

"Our strong 2022 followed a difficult 2021. In November 2021, government indicated they would start hiking rates and we were positioned for that. We stuck to our views and the fund came back strongly last year. But having a period of underperformance prompted a lot of soul searching for us as a team. As hedge fund managers, we need a commitment to being humble, doing the work and being consistent. That brings success over time."

Nel adds that risks remain elevated in South Africa's fixed income markets, which is not unwarranted, yet many problems are not difficult to fix.

While cyclical opportunities in the fixed income markets are determined by global central bank action, domestic idiosyncracies include political volatility and a backlog of reform that needs to take place, both of which impact the currency.

"It is hard to guess exactly how things play out. South Africa is an advanced economy with deeply vested interests," he says. "We ask ourselves: Is the global opportunity set better than local? The answer is almost always no. The hurdle to finding good investments offshore is high, purely because SA is cheap. We look to get our macro view right, and then find the deepest and most liquid way to project our view, accounting for short-term volatility."

Nel adds that cyclically, there are fads in the markets, and for the last few years, South Africa has been heavily traded by people who are not specialists in the local market, which can cause disruption. "Short-term momentum trackers like global CTAs are often disruptive forces in our market and can create friction in the system," he says. "As long-term money managers, we need to identify these trends early on and learn how to roll with the punches."

Nel adds that while foreigners have not bought SA bonds year to date, they have also not sold, and the country remains one of the largest overweights in emerging market portfolios.

"South Africans are committed to ensuring things improve – they are vocal in the media, people are starting to ask the right questions and are not prepared to tolerate high levels of corruption, both public and private. That can translate to the ballot box," says Okello. "It is in all of our vested interests to ensure that things are fixed. Ultimately, market forces have the ability to reverse bad ideas."

In 10 years, Terebinth has stuck to its founding principles, both when building the business and managing money, attracting a strong, diverse and transformed team offering knowledge and research-focused solutions for clients looking for long-term sustainable growth.

"We are excited about the future," says Okello. "Our aim is to be the number one absolute return boutique by consistently delivering leading risk-adjusted returns for our clients, and to be the natural home for ambitious talent."

South African industry assets rise 13% to R83 billion with top five firms managing over 57%

Assets in South African hedge funds reached R83.2 billion in the 12 months to the end of December 2022, according to *HedgeNews Africa* research, increasing by 12.95% from R73.6 billion the year before.

The number includes both dollar and rand classes, as well as private debt funds that report to our database and alternative strategies housed in regulated QIF structures.

Excluding alternative QIFs, assets in South African hedge funds (dollar and rand structures) grew by 13.91% to sit at R77.7 billion as of the end of 2022, from R68.2 billion in 2021.

Alternative QIFs – which include broader alternative strategies – recorded assets of R5.43 billion, from R5.39 billion the year before.

Assets in rand-based hedge funds grew to R72.48 billion from R63.13 billion in 2021 and R56.1 billion the year before, up 14.81% year on year.

South African dollar-based strategies amounted to $311.46 million (or R5.29 billion) from $347.8 million the year before – a 10.46% decline in dollar terms (an increase of 2.85% in rand terms). This was 6.8% of the total, down from 7.54% the year before.

South African long/short equity funds (rand assets), the industry's largest category, climbed by 14.94% to R44.02 billion from to R38.3 billion in 2021 and R30.3 billion in 2020.

Dollar assets in the strategy came in at $274.37 million, down from $325.14 million, a 15.6% decline.

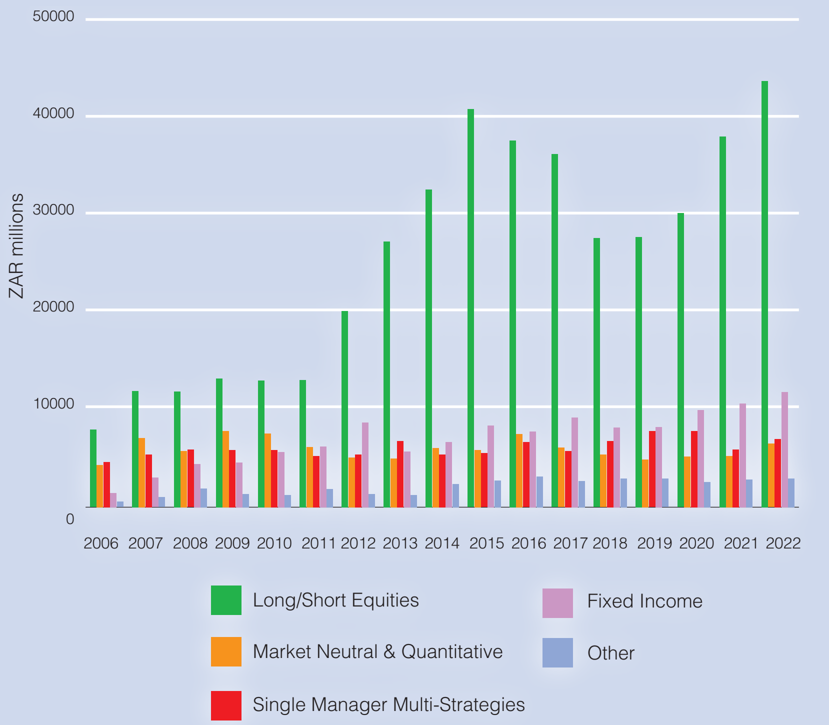
The number reflects some inflows, given that the category gained a median 6.77% in performance terms, according to the *HedgeNews Africa* Long/Short Equity Index.

South African fixed income, the industry's second-biggest category, came in at R11.98 billion, an 11.89% increase from R10.7 billion the year before. The category returned a median 6.34% during the year.

Amongst market-neutral and quantitative funds, total rand/dollar assets came in at R7.09 billion up from R5.54 billion the year before, a 27.8% increase, the biggest growth by category. Rand-based assets in the strategy accounted for R6.55 billion (up 24.09%). Dollar-based assets accounted for $31.9 million (or R542.7 million). The category was also the best performing in 2022, gaining a median return of 7.81% during the year.

Multi-strategy funds saw assets come in at R7.05 billion, up from R6.03 billion the year before, a 16.86% increase. The

SOUTH AFRICAN ZAR ASSETS BY STRATEGY 2006-2022



Source: HedgeNews Africa

AFRICA-FOCUSED ASSETS DECLINE AS GLOBAL TENSIONS DAMPEN POST-COVID RECOVERY

Africa-focused mandates tracked by *HedgeNews Africa* accounted for assets of US$3.5 billion from $4.8 billion in 2021, a decrease of 27.41% as African markets felt the global fallout.

This comes in a year during which the *HedgeNews Africa* Pan Africa/AME Index declined a median -13.58% and the MSCI Frontier Markets Africa Index lost 25.85%.

The number includes equity and fixed income mandates investing in liquid markets, as well as trade finance funds, but excludes sizeable infrastructure, venture capital and private equity assets invested on the continent.

Of the total, 67.05% was invested in Africa long-only equity mandates, or $2.36 billion, down from $2.73 billion, compared with 56.27% of the total the year before.

Africa fixed income funds accounted for 27.17% of the total, or $957.9 million, down from $1.27 billion, or 26.2% of total assets, the year before.

African commodity trade finance amounted to $203.67 million, down from $850 million the year before.

category returned a median 7.18% in 2022.

Private debt strategies we track accounted for assets of R2.13 billion, up from R1.8 billion, a 13.8% increase on the year before.

The survey also includes R817.7 million in specialist strategies, primarily commodities strategies, from R992.57 million the year before, a 17.62% decrease on 2021 numbers.

The industry's top five hedge fund firms manage 57.2% of total South African single-manager assets, at R44.5 billion, up from 52.29% or R35.7 billion the year before (and R30 billion in 2020).

The top 10 hedge fund firms accounted for R51.2 billion or 65.8% of assets, up from R46.6 billion, or 68.32%, the year before.

Segregated accounts comprised 13.9% of single-manager hedge fund assets, slightly down from 16.74% the year before and 17.09% in 2020.

Fourteen firms managed hedge fund assets of more than R1 billion each (including rand and dollar classes), the same as in 2021.

By individual fund size, 23 funds managed in excess of R1 billion, up from 17 funds the year before. Of these, the bulk were long/short equity funds (14) funds, two market-neutral strategies, two fixed income strategies and one multi-strategy.

Of these funds, six funds had more than R3 billion under management and eight managed in excess of R2 billion.

Our calculations show that 38.42% of South African single-manager funds (domestic and offshore) had less than R100 million under management, down from 44.09% in 2021.

Of this total, 21.05% had assets of less than R50 million, down from 22.83% the year before.

South African fund of hedge funds and multi-managed funds accounted for combined assets of R38.8 billion up from R35.2 billion in 2021, a 10.23% increase on the year before. These funds now account for 53.61% of the industry total, up from 51.62% in 2021 and 44.39% in 2020.

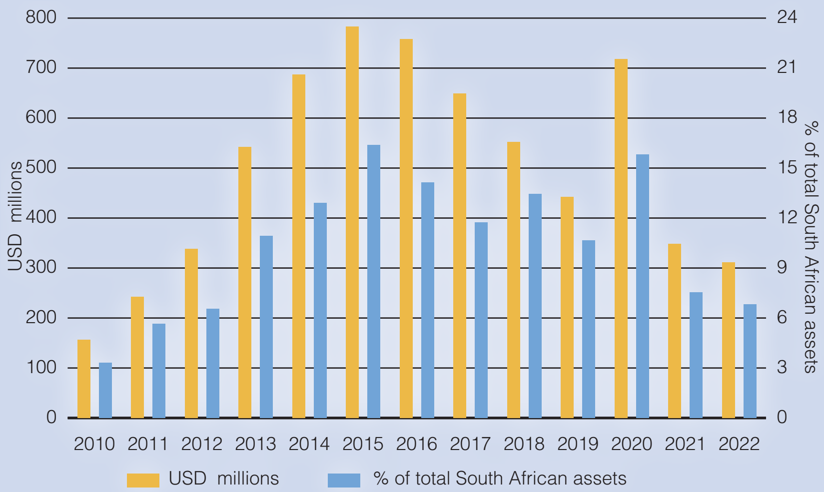
According to our records, three funds closed during the period, including one fund of funds, down from four closures and 15 the year before. There were five new launches during the year.

***For single-manager funds, the survey covered 76 qualified investor funds (QIFs), and 77 retail investor hedge funds (RIFs). Assets in segregated accounts were also included.*

A total of 29 fund of hedge fund products were included (22 QIFs and 7 RIFs).

HedgeNews Africa takes a conservative approach to calculating assets under management. Figures used in this survey include funds listed in our database as well as those that do not list with us but have revealed their assets for the purposes of this research.

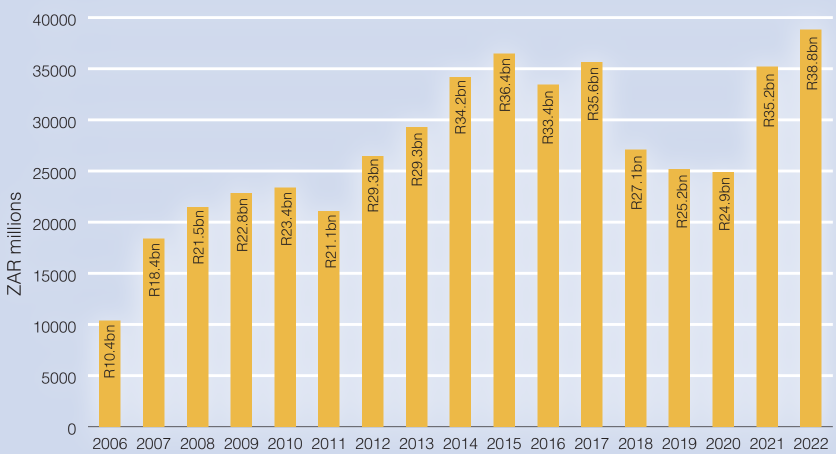
SOUTH AFRICAN SINGLE-MANAGER OFFSHORE ASSETS: 2010 – 2022



The percentages represent the USD assets as a percentage of the combined ZAR and USD total

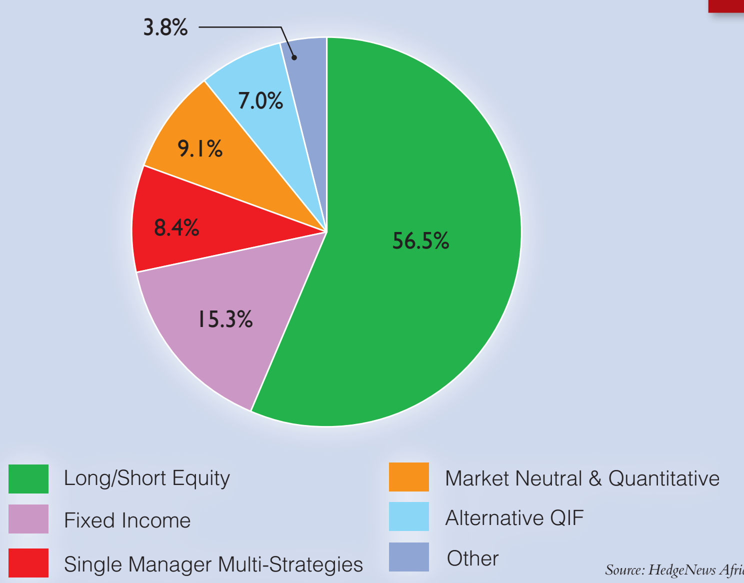
Source: HedgeNews Africa

SOUTH AFRICAN FUND OF FUNDS ASSETS 2006-2022



Source: HedgeNews Africa

SOUTH AFRICAN ASSETS BY STRATEGY IN 2022



Source: HedgeNews Africa

Symposium 2023
Decoding global markets – inflation, interest rates, equities and commodities

This year's Symposium began as usual with a panel to set the scene exploring global market opportunities. It brought together a range of different perspectives from André Breedt of Capital Fund Management in Paris and Nigel Hikmet of Lansdowne Partners in London, plus Carmen Nel of Matrix Fund Managers and Hannes van den Berg of Ninety One, moderated by Jeff Gable of Absa.

The panel began with discussion of geopolitical risks, with Van den Berg noting how markets had not been as spooked by the Ukraine war as may have been expected – as they had been before by Brexit and the election of Donald Trump.

Nel highlighted inflation as a big issue and asked whether it had now peaked, while also querying the outlook for equities given an inverted yield curve. That usually points towards recession, though she wondered whether central banks might 'blink' again if unemployment rises.

Hikmet noted how many companies had curbed investment through the long period of austerity – and so had a need to invest now, which he argued would continue to drive equity markets. With interest rates up but back to more normal levels historically, he suggested, valuations were going to matter again.

Like Hikmet, Van den Berg noted how US equities were looking expensive relative to Europe – though in fixed income he felt the best opportunities might be in emerging markets.

Nel also noted how real interest rates were going into positive territory, which might lead to a 'bumpy' next 12 months. Defaults may occur in the US, she predicted – accurately, as it turned out, with her comments swiftly followed by news of the collapse of Silicon Valley Bank. That may also affect access to markets for some EMs, Nel said, though she did not expect it to be a systemic issue.

Coming from a big firm with a strong quant dimension, Breedt noted how the reset in expectations for inflation was going to drive opportunities across various markets including in commodities – where the energy transition was also going to be a major factor.

Diversification would be key, Breedt added, including the ability to access markets globally and to deploy a full range of strategies and techniques to exploit opportunities.

ESG was also a talking point, with both Breedt and Hikmet noting how investors had become increasingly aware of the nuances – which would probably point towards more dispersion in investment outcomes.

Asked for top ideas for the year ahead, Breedt said monetary policy would be key – and that dislocations would likely create opportunities across all asset classes.

Hikmet highlighted any areas where companies had pricing power – which might include banks and resources and in ex-US markets.

Van den Berg also liked resources – adding that strong commodity markets

Platinum partner

Investec

Diamond partner

RMB

Partners

absa
PERESEC
APEX

Associate partners

BlackRock
FACTSET
LEONTEQ
Ninety One
Prescient FUND SERVICES
SS&C ADVENT

should be good for South Africa.

Nel again highlighted inflation – and pointed towards inflation-linked bonds like TIPS as well as oil and the energy complex.

MARCUS STORR: SEEKING TALENT IN NEGLECTED MARKETS

The first in a series of keynote conversations at this year's Symposium began with Marcus Storr, head of alternative investments at FERI, one of the largest investment firms in Germany and a specialist in alternative investments, who was interviewed by Jean Turner, head of the Investec Prime Services team.

Storr began by noting how German investors were notoriously conservative, often seeking only to generate 3.5-4% a year – though in recent years the low interest rate environment had forced even them to look more seriously at alternative investments including hedge funds to generate any sort of return.

And hedge fund performance had been good last year, he noted, with gains of 1-3% looking healthy at a time when bonds and equities had both struggled.

Storr noted how FERI was happy being in offshore vehicles, with Cayman as the default domicile.

FERI liked to have some allocation in South Africa, he said, as he viewed SA as having very well-developed capital markets with a lot of investment talent – but was neglected by investors relative to other emerging markets.

Asked what he looked for when assessing a manager, Storr said the key thing was to look beyond standard due diligence and ask 'the difficult questions' – that took a manager out of their comfort zone.

Storr was also asked about ESG – which he said was a difficult area but important, as shown in Germany itself last year with the exposure of the Wirecard fraud highlighting again the centrality of governance issues.

Global macro outlook 2023 panel: from left, Nigel Hikmet, Lansdowne Partners; Hannes van den Berg, Ninety One. Carmen Nel, Matrix Fund Managers; André Breedt, Capital Fund Management. Moderator: Jeff Gable, Absa.

South African equity panel: from left, Rayhaan Joosub, Sentio Capital Management; Jean Pierre Verster, Protea Capital Management. Clarissa van der Westhuyzen, Fairtree; Jacques Conradie, Peregrine Capital. Moderator: Anthony Hall, Corion Capital.

SOUTH AFRICAN EQUITIES – OPPORTUNITIES LONG AND SHORT, AND BEYOND SA INC

This panel brought together some top managers in the South African hedge fund industry, including Jacques Conradie of Peregrine Capital, Rayhaan Joosub of Sentio Capital Management, Clarissa van der Westhuyzen of Fairtree and Jean Pierre Verster of Protea Capital Management, moderated by Anthony Hall of Corion Capital.

Verster was quick to note that while there were a lot of opportunities on the long side in the current market, hedge funds could also differentiate themselves by what they do on the short side – and there was plenty of discussion of short side opportunities during the session.

Van der Westhuyzen noted how the JSE index should not be confused with 'SA Inc' – given that only 30% of the index reflects domestic exposure. Within that wide JSE universe, she foresaw areas of opportunity arising from three main factors: the reopening of China; the energy transition – which should stimulate demand for certain commodities like copper; and in global consumer stocks like Richemont.

Joosub said the current variety of both positive and negative factors – from the reopening of China to loadshedding in SA – presented a number of good pair-trading opportunities, which were well suited to the sort of balanced long/short portfolio construction favoured by Sentio.

Conradie argued that the market was responding well again to earnings rather than sentiment or momentum, citing British American Tobacco as a good example.

Verster pointed out how not all hedge funds were the same – as could be demonstrated by their often-divergent views and positions on big stocks like Naspers. He also highlighted the recently announced regulatory changes that propose allow-

Keynote conversation Marcus Storr, FERI, in conversation with Jean Turner, Investec.

Keynote conversation Sonja Saunderson, Eskom Pension and Provident Fund, in conversation with André Steyn, Steyn Capital Management.

ing certain types of unit trusts to buy into hedge funds, which would be welcomed.

When asked for top picks for the coming year, Joosub highlighted platinum stocks among other things, as did both Verster and van der Westhuyzen, though she also cited the property sector on the short side.

Conradie argued that inflation may be stickier than many people think, but felt Arcelor Mittal could be one to outperform in the coming year.

SONJA SAUNDERSON: DOING THE RIGHT THING BY PENSIONERS

The second keynote conversation of the day featured Sonja Saunderson, chief investment officer of the Eskom Pension and Provident Fund (EPPF), interviewed by leading hedge fund manager André Steyn, founder of Steyn Capital Management.

Steyn started by asking her about how she got the job. One key thing, she said, had been to emphasise the central task, which was to 'do right' by members of the pension fund. Being such a big and long-running pension fund, it still had a large defined benefit component, she pointed out, though also a growing defined contribution portion.

Diversification was key, she said, to achieving the required outcome in terms of performance for pensioners – which started with risk budgeting, and working out the probabilities of adding value with different approaches. "We will forfeit the chance for great returns to get more reliable returns," she stressed.

Saunderson felt this should be possible to achieve with a combination of single-manager and multi-manager allocations, aided by the advice of consultants.

The EPPF would also be looking out for managers' strategies for transformation – and would assist, where possible, in helping managers expand and grow into new areas, including globally ex-SA.

Hedge funds currently represent only a tiny 0.1% or so of EPPF's assets – so Steyn thought it natural to ask if Saunderson planned to grow that?

Hedge funds can add a lot of value, Saunderson agreed, in terms of both diversification and return enhancement – so it seems logical to assume that she will seek to grow the hedge fund allocation, though by how much and in what directions is not yet clear. "We are working on it – with no decision yet on the scale or percentage of the portfolio," she said.

One problem remains fees, which trustees still view as very high in hedge funds – though perhaps due to a lack of understanding that can be addressed by more education.

She was also asked whether the EPPF was looking at expanding further into Africa ex-SA – given not least that it looked so cheap in historic terms.

Yes, she said, though timing remained a big issue and there would need to be a hard currency component – plus the need to be mindful that there continue to be a lot of strong but tightly held family-owned businesses that are probably 'value traps' for investors.

SOUTH AFRICAN FIXED INCOME – HOW TO ADD VALUE WITH HEDGE FUNDS

The SA fixed income panel brought together three top players in the space – Jeleze Hattingh of Southchester Investment Managers, Grant Hogan of Independent Alternatives and Nomathibana Okello of Terebinth Capital.

Moderator Kim Silberman of Rand Merchant Bank began by asking whether the last 15 years of unprecedentedly low interest rates would be looked back on as an aberration or whether it represented the new normal – and whether high real interest rates could be maintained going forward in a low-growth environment.

With political uncertainty as well, would growth not become as important as inflation and currency values? she asked.

Okello said a slowdown in inflation looked like it was coming, but that central banks nevertheless also had a strategic long-term role in supporting the economy – which might mean that some would 'decouple' from the approach of the US Federal Reserve if the Fed maintained a high interest-rate policy.

Hogan argued that markets looked like they were 'correcting' and that we could be entering a new period of 'normalisation' – though whether that was indeed the case might depend on how long inflation stayed high.

Hattingh noted it had indeed been a long time since there had been a Fed 'hiking' cycle.

There was then some discussion of how and why hedge funds could add value in fixed income markets and could complement traditional long-only funds – as many demonstrably had done during 2022.

Hattingh argued that the tools available to hedge funds were different to long-only funds – allowing them to add value in different ways. The job was all about managing volatility and controlling draw-

The South African fixed income panel: from left,: Nomathibana Okello, Terebinth Capital; Grant Hogan, Independent Alternatives; Jeleze Hattingh, Southchester Investment Managers. Moderator: Kim Silberman, Rand Merchant Bank.

downs, she said.

Hogan agreed that hedge funds could add a lot to the toolset for investors – with their ability to dial risk up and down through leverage and to use short positions and relative-value strategies to hedge risks. The aim was to identify and exploit asymmetric opportunities, he said.

Okello said education was key for investors – so there should be no nasty surprises in the return profile delivered by managers.

Adam Reeves introduces the Absa Fund-Linked Solutions lunch workshop: Strategies for managing risk and return.

CATO BRAHDE: FROM TANGLED CHAINS TO THE ENERGY TRANSITION

Cato Brahde, CIO of European hedge fund firm Oceanic Investment Management, was the next keynote participant, adding the perspective of a seasoned specialist in shipping and energy following the tumultuous period of the Covid pandemic and Ukraine conflict.

He talked in detail about the data in a number of key aspects of the global economy – from container shipping and tankers and shipping fleet expansion to carbon emissions and alternative energy as well as the oil and gas sector.

Brahde highlighted data which showed how container shipping prices had spiked following the disruption to supply chains during the pandemic, but then fallen off sharply in the past year. This mirrored data on the 'congestion rate' – the proportion of the fleet idle at any one time – which had surged from historic levels of about 10% to more than 20% by early 2022.

He highlighted how markets were now normalising, but that Chinese exports did not appear to have fully recovered yet – while Transatlantic trade remained robust. And this at a time when the shipping fleet was expanding rapidly, with deliveries of new ships increasing.

On the tanker side, the trade had been very different during and post the Covid period. After a brief collapse in 2020, the data on tonne-miles of oil and gas being moved had risen, particularly since the Ukraine conflict – reflecting a similar amount of oil being traded but being shipped further, with Europe not wanting to be reliant on Russian fuel.

Inflation numbers, Brahde also showed, were already falling for goods and commodities, but service-sector inflation remained high – and showed little sign of falling yet.

Brahde demonstrated how shipping emissions had fallen significantly in the past decade or so – down 20% or so despite a 30%+ increase in the size of the fleet, following the introduction of more fuel-efficient vessels.

On the alternative energy side, he highlighted data which predicted a 'hockey stick' style surge in investment in solar power – as well as continuing growth in wind power, boosted not least by the new Inflation Reduction Act (IRA) in the US.

The IRA, he suggested, was essentially a protectionist measure – copying Chinese moves previously to subsidise solar panels. And this would doubtless stimulate reactions from both Europe and China – which would effectively turbo-charge investment in alternative energy.

At the same, after a period of decline between 2014 and 2020, oil and gas investment was now rising as well, Brahde pointed out. Together, this points to the prospect of a simultaneous rise in investment in oil and gas as well as alternative energy and shipping.

A potential recession is usually bad for shipping and for energy markets, but Brahde felt the China reopening would probably be the biggest factor for global markets this year – and the next decade an exciting one for both new energy and a huge renewal of the fleet in shipping.

DUREKA CARRASQUILLO: HEDGING FOR A COOLER CLIMATE

The next keynote conversation was with Dureka Carrasquillo, formerly of Canada Pension Plan Investments (CPPI) and now CIO of London-based hedge fund 1.5 Degrees, which is backed by Alliance Bernstein. As the name 1.5 Degrees suggests, Carrasquillo focuses on the theme of investing in ways to combat climate change.

She had started, she explained, as a tech investor – which led her to focus on a number of structural themes in the mar-

Keynote conversation Cato Brahde, Oceanic Investment Management

Keynote conversation Dureka Carrasquillo, 1.5 Degrees kets which presented opportunities and risks, climate change emerging as the biggest one.

With global temperatures already 1.1 degrees above pre-industrial levels, the world was already well on the way to breaching the targeted limit of 1.5 degrees, Carrasquillo pointed out. And this highlighted the need for dramatic technological advancements to accelerate ways to combat it.

The rise in greenhouse gases was not just about carbon, she added. Carbon was important, but only one of five such gases that were a problem, methane being another important one. Patterns of consumption were both unsustainable and arguably unethical, she added.

There were five ways to address these challenges through investing in technology, Carrasquillo argued. One was through materials technology – such as in finding ways to replace plastics.

A second would be through engineering technology – such as finding ways to address rising sea levels and promoting energy efficient building construction.

Third would be through transportation technology – which was not just about electric vehicles but also in areas like the maritime sector.

Fourth would be in power technology – such as in renewables.

And fifth would be in 'green consumption' technology – such as in developing alternative proteins.

Carrasquillo argued that having the toolset of a hedge fund – also enabling short positions to discourage unhelpful behaviour – made it possible to have a greater impact as an investor, especially in key areas like the oceans.

Despite the difficulties in getting countries to come together to tackle climate change, there were very significant strides being made around the globe, she argued – noting developments like the Inflation Reduction Act (IRA) in the US, the 'green deal' in the EU and other things happening in China. Collectively, these initiatives would be pushing more than $1 trillion globally into tackling climate change, she said.

ALTERNATIVE INVESTMENTS AND THE CLIMATE OPPORTUNITY

Discussion of investment themes and opportunities related to addressing climate change continued to be a major theme of the day on a panel featuring Jarred Houston of All Weather Capital, Kasief Isaacs of Mergence Investment Managers and Motshidisi Mazibuko of Sanlam Investments, moderated by Eugene Visagie of Optimum Investment Group.

Houston noted how there were multiple ways to invest in climate-focused solutions like solar panels and that many investors were now doing it, in listed markets as well as private markets – including 'indirect plays'.

Alternative investments and the climate opportunity panel: from left, Kasief Isaacs, Mergence Investment Managers; Jarred Houston, All Weather Capital; Motshidisi Mazibuko, Sanlam Investments. Moderator: Eugene Visagie, Optimum Investment Group/AIP Capital Management.

Mazibuko highlighted how private credit approaches can be particularly well suited to impact investing.

Isaacs noted how ESG had become such a major factor for investors generally.

Companies had become more responsive to the need for feedback in these areas, agreed Houston – though there was then some discussion of 'greenwashing' and how much 'tick-boxing' there was.

Mazibuko argued that, whatever factors you tried to take into account, whatever you were doing also had to make investment sense.

ALBOURNE AND AURUM – IMPLEMENTING ESG

The final keynote conversation of the day was a thought-provoking double-header featuring Emily Forsyth-Davies, head of ESG at Aurum Group, and Emlyn Ade Palmer, head of sustainable investing at Albourne Partners, both based in London.

The participants were asked about how they looked at ESG at both the company level as well as at the investment level.

Palmer, for instance, highlighted how Albourne itself has a top-down approach to training in ESG and sustainability for its own leadership team and discloses its own environmental footprint – as well as being mindful of the footprint it creates through its investment advice.

Similarly, Forsyth-Davies noted how ESG is embedded in Aurum's approach both to the way it runs its own business as well as in its approach to investment and impact.

She then talked about what Aurum expects to see from an ESG perspective in a well-run company – in terms of an ethos that is well-supported by key members of staff and stakeholders.

Palmer talked about how rising awareness of ESG issues had created new sources of risk for investment companies that were probably not an issue 40 years ago – but that these days could not be ignored and needed to be addressed.

This had created the need for companies to establish an ESG and sustainability framework, he argued, with appropriate processes and procedures to implement it.

There was then some discussion about whether the conflict in Ukraine had perhaps moved the goalposts for ESG – and, if so, how and in what ways – or if it had merely underscored its importance.

Palmer highlighted how the conflict had arguably thrown a 'curve ball' by elevating energy prices and stimulating debate about the weapons industry – given the need for Ukraine and others to be armed to defend themselves.

Nevertheless, both Palmer and Forsyth-Davies argued this was not necessarily a bad thing as it had, for instance, brought

ESG and Alternatives keynote conversation with Emlyn Ade Palmer, Albourne and Emily Forsyth-Davies, Aurum

Rob Bird presents the BlackRock Masterclass: 2023 Private Markets Outlook, A new era for investors.

Making the grade panel: from left, Dr Taddy Blecher, Imvula Securities; Craig French, Visio Fund Management; Nosibusiso (Busi) Ngqondoyi, Old Mutual Multi-Managers. Moderator: Werner Gerber, Apex Group.

forward discussion about ways to accelerate investment in renewables – and Europe had already done very well to move away from Russian gas.

There was also debate about whether investment approaches should rely on exclusions of certain factors; greenwashing; new regulatory requirements in Europe and elsewhere; and how well ESG criteria could be applied across the strategy range – which was clearly somewhat more difficult in some hedge fund strategies than in others.

BLACKROCK MASTERCLASS: PRIVATE MARKETS OUTLOOK

This year's BlackRock Masterclass focused on private markets, with presenter Rob Bird stating that the "great moderation" was over, referring to the period of steady growth and inflation that supported a sustained stocks-and-bonds bull market for decades, bringing about very low cost of capital.

Bringing inflation down to central bank targets entailed crushing demand to meet constrained supply and this foretold recessions, in BlackRock's view.

As a result, private markets were gaining greater prominence, growing at a compound annual growth rate of 9% and 20% respectively in 2020 and 2021, compared with a respective 7% and 12% from the rest of the industry.

Private assets were estimated to reach 19% of all industry assets by 2026, up from 17% in 2021.

Private markets – which included infrastructure, private equity, real estate and private credit – also offered resilience when it came to tapping into global mega trends such as decarbonisation, digitalisation, demographics, convergence and deglobalisation, and this would be supported in various macroeconomic situations.

Bird added that private equity vintages that invest during downturns tend to outperform, and urged allocators to not miss out on upcoming vintages, cautioning that the mix of private market exposures will have to evolve to reflect the new macro environment.

MAKING THE GRADE

In a session convened by Werner Gerber of Apex, panellists discussed how boutique businesses can gain and maintain an edge on the investment, operational and business fronts.

Craig French of Visio Fund Management noted that it was people and their passion for investing that would ultimately convince investors to allocate.

As a service provider, Taddy Blecher of Imvula Securities noted that best-in-class execution was non-negotiable, while Nosibusiso Nqgondoyi of Old Mutual Multi Managers stressed that company culture and deep industry relationships were key, providing sustainable and repeatable long-term outcomes.

Achieving transformation in the investment industry was a central discussion point, and one that panellists stressed required attention, effort and education as it would continue to play a massive role in the next five years.

Panellists acknowledged that BEE was becoming more of an imperative in the industry, and companies faced greater pressure to transform. If undertaken effectively and for the right reasons, this could add huge value to a company in many areas, despite the cost and complexity.

Nqgondoyi stressed that it was important to strike a balance. "Engaging with managers is really vital for us," she said. "There may be a manager that ticks the investment boxes but falls short on transformation. We need to make sure that we bring them along on the journey because it doesn't help anyone disinvesting."

She added that OMMM valued both big organisations and boutiques, which often came with entrepreneurial spirit and innovative ways to solve problems, and managers should be able to clearly articulate what it is that they brought to the table.

Imvula's Blecher said shared value partnerships would help companies get ahead, helping asset managers to achieve BEE milestones. As a stockbroker, Imvula's edge was that it brought empowerment solutions to South African firms, and it was also investing in education to foster the next generation.

Ultimately service providers had the same expectations as their clients when it came to transformation, empowerment and ESG and this required working together as an industry.

THE PERENNIAL POTENTIAL OF HEDGE FUNDS

The final session of the day convened various industry players to discuss the perennial potential of a hedge fund allocation.

Moderator Neil Wilson began by asking if investors had been happy with hedge fund performance last year.

Elmien Wagenaar of THINK.CAPITAL said the answer depended very much on where you were invested, with a wide dispersion in hedge fund returns last year and varying degrees of volatility.

Kamini Naidoo of Momentum Alternative Investments added that 2022 offered a good opportunity for hedge funds to outperform traditional beta and generate good returns across strategies.

"The stand-out last year for me was on the equity side," she said. "Managers did really well to be able to flex their net exposures in a market that was quite volatile."

It was good to see market neutral and relative-value type trades come back in to play, as expected in a rising interest-

The great hedge fund debate panel: from left, Elmien Wagenaar, THINK.CAPITAL; Kamini Naidoo, Momentum Alternative Investments; Lebo Thubisi, Alexander Forbes Investments; Matthew Pouncett, Laurium Capital. Moderator: Neil Wilson, Wilson Willis Management.

rate environment, and some fixed income strategies also did well, despite a wide dispersion in returns.

Lebo Tubisi, at Alexander Forbes Investments, said it was important to assess hedge fund performance against inflation, and this had been encouraging over a 12-month period as hedge funds had actually outperformed.

Matthew Pouncett of Laurium Capital said the performance of larger players in the long/short space had been highly additive to portfolios, particularly on a risk-adjusted basis when compared against ASISA, low, medium and high equity categories.

In the current environment, Naidoo said she expected macro-thematic type funds to do well, both equity and fixed income, and also those that trade actively, while Wagenaar said it was important to assess what types of risks managers were taking, pointing out that when used well, leverage can be less risky than beta exposure.

As a single-strategy fund manager, Laurium was relatively cautious right now, avoiding highly concentrated or large bets on certain sectors or factors as a risk management stance, doing a lot of work to identify companies with idiosyncratic upside while putting protection in place.

Investors noted that they put a lot of time and effort into understanding the process and the philosophy behind each manager and strategy. Deviation from process or performing in unexpected ways were red flags, as well as any management changes.

Changes at portfolio level, rather than individual manager performance, sometimes drove an investors' decisions, such as forward-looking views around diversity or diversification.

What does the manager of the future look like?

Thubisi stressed that it was incumbent on allocators to help shape the industry's future direction, and this included early-stage allocations to up-and-coming managers. In an ageing industry, succession planning, skills transfer and developing younger talent were critical.

Panellists agreed that it was important to see new managers and new strategies come to market to foster longevity and diversity in the industry, combined with consistent performance from existing managers and education around contentious issues, such as fees.

Fairtree's equity funds prepped if global headwinds prove too strong

Complacency about sticky inflation and over optimism about the effect of rate cuts to reverse tight financial conditions could lead to a global downturn

Fairtree's directional long/short equity funds have rounded out a strong first quarter, with the investment team tempering its views going into Q2 after a more bullish outlook at the start of the year.

The funds include the long-running Fairtree Assegai Equity Long Short SNN QI Hedge Fund (Fairtree Assegai), a qualified investor hedge fund, and Fairtree Silver Oak Equity Long Short SNN Retail Hedge Fund (Fairtree Silver Oak), a daily-traded retail investor hedge fund version of the strategy.

They seek to create capital growth for long-term investors by extracting excess returns from the South African equity market through directional long/short strategies, generating alpha while capturing equity market beta when conditions allow.

Fairtree Assegai launched in May 2012, managed by Stephen Brown, generating an exceptional net annualised 21.02% since inception and winning multiple awards in the past decade.

A retail version of the strategy, the Fairtree Silver Oak, launched in April 2022, and has returned 8.83% net since launch, 6.03% ahead of the Capped SWIX benchmark over the period to April 21, 2023.

The combined South African long/short strategy has assets under management of around R4 billion, with R2 billion in the Fairtree Assegai, R600 million in Fairtree Silver Oak and the rest in associated segregated mandates.

With Brown on a six-month sabbatical from the end of February, Clarissa van der Westhuyzen, Donald Curtayne and Deon Botha are managing the Fairtree Assegai fund and associated segregated mandates whilst Van der Westhuyzen manages the Fairtree Silver Oak fund and related mandates.

Van der Westhuyzen joined Fairtree in 2017 working closely with Brown, initially as a senior analyst and then as an equity portfolio manager for the past five years. She is a CFA charterholder and CA(SA), working previously as an analyst at Allan Gray and then in equity sales at Citigroup for six years.

Clarissa van der Westhuyzen

Curtayne has been with Fairtree since 2016, starting as an equity analyst. He is also a CFA charterholder and a CA(SA), working previously at KPMG. With seven years' experience as an analyst, he started managing a small portion of Fairtree Assegai's assets two years ago, which has now been upweighted.

Botha started at Fairtree 10 years ago, having worked in banking and corporate finance. He has been managing money for seven years, including the Fairtree Select Equity Prescient fund, the Fairtree Equity Market Neutral SNN QI Hedge Fund and other long/short strategies. He has an MCom from Stellenbosch University and the European Business School.

"At Fairtree, all our analysts rotate between sectors every six months, so they are, in effect, training to be portfolio managers. With broader exposure to the market rather than being sector-specific, it is easier for them to transition into portfolio manager roles," says Van der Westhuyzen, adding that most senior analysts at the firm manage assets. "It is a very stable environment with an established team and very little staff movement."

The 20-strong equity investment team blends a bottom-up and top-down philosophy, combining research generated internally by its analysts with external sources, including broker research, while inhouse economist Jacobus Lacock gives a weekly presentation to the team to discuss macro conditions.

Portfolio managers focus on their own research and attending company presentations and report-backs, relying on analysts for sector-specific insights and to run internal models.

"Fairtree Assegai and Fairtree Silver Oak express the same views within different mandates," says Van der Westhuyzen. "As a QIHF, Fairtree Assegai has a wide mandate with a cash benchmark, and 300% gearing limits with gross exposure of -20% to +120%. There is a lot of cash to work with. Fairtree Silver Oak adheres to retail limits of 200% gross and net exposure of +50% to +150% long. It is a relative fund, managed relative to the FTSE/

JSE Capped SWIX All Share Total Return Index with fees paid relative to the benchmark."

Van Der Westhuyzen, Botha and Curtayne each manage their own portions of the Fairtree Assegai portfolio independently in a collegial environment of shared responsibility, with Van Der Westhuyzen overseeing the total fund, ensuring exposure limits are in line and mandates are adhered to.

"We only invest in the South African market," she says. "Our philosophy is that the SA economy and the SA stock market are not the same. One-third of the market is SA Inc, with the remainder in resources, offshore consumer growth stocks and offshore defensives. Investors have meaningful exposure to global themes."

Via South African listed stocks investors can, therefore, access companies exposed to Chinese growth and technology, the move into alternative energy, and global luxury goods, for example.

Fairtree launched the directional long/short capability when Brown joined after 13 years at RMB Asset Management, building an institutional-scale business with an institutional mindset from the outset.

"We like companies that are relatively large and liquid. We like the flexibility to change our minds," says Van der Westhuyzen. "We need liquidity if the investment case changes."

After a challenging February for Fairtree Assegai, during which the fund lost 14.67%, fortunes turned in March with a 11.35% gain, and it is now approximately 9.36% higher year to date (to April 21, 2023).

Fairtree Silver Oak declined -8.8% in February and added 3.63% in March, to sit 9.96% higher year to date (to April 21, 2023), 4.81% ahead of the FTSE/JSE Capped SWIX All Share Total Return benchmark.

"In February, even our shorts went against us. For example, entertainment company Multichoice ran on the back of M&A talk, before retracing on the March trading statement, so ultimately it worked for us," says Van der Westhuyzen. "This year has been volatile but in the 10-year history of the fund it is not always like that. Since the fund takes risk, we can get months of large outperformance, but you have to remain invested to get the performance."

The managers have always been active, trading daily, but can hold some positions for a long time.

"With our big top-down allocations, our views can be enduring," she says. "But in terms of trading, we will resize positions actively to benefit from price movements, so we will cut a position as it rallies, or buy it back as it falls. "

The Fairtree Assegai portfolio had its biggest months in early 2020, losing 29% in the March Covid crash before adding 34% in April to end the year more than 20% higher.

The fund has had large exposure to the volatile commodities sector in recent years, with a stocks like coal producer Thungela Resources and iron ore producer Kumba benefiting the long book last year as they rallied. On the short side, disgraced global retailer Steinhoff was a big short in 2017, helping the fund to a 5.68% gain in December that year.

"Special situations and commodities exposure can bring big swings," explains Van der Westhuyzen. "It is not common to get all the payback in a position in one month, as we did with Steinhoff, but structural shorts can benefit us in a big way."

Van der Westhuyzen notes that the South African market was looking cheap earlier in the year after a big pullback in February, but she remains concerned about the potential for a US recession.

"The market is too complacent about inflation and too optimistic about the potential for rate cuts to reverse the effects of tight financial conditions on the global economy," she says. "The global economy is fragile. Recession could be imminent, which is not positive for markets. There is vulnerability."

"For now we see better opportunities in offshore consumer defensives and resource counters than SA Inc. Given the pressures in the South African economy, we need to be realistic about the costs South African companies need to absorb and the downbeat earnings growth prospects," she says.

"We only invest in the South African market. Our philosophy is that the SA economy and the SA stock market are not the same. One-third of the market is SA Inc, with the remainder in resources, offshore consumer growth stocks and offshore defensives. Investors have meaningful exposure to global themes."

Clarissa van der Westhuyzen

Van der Westhuyzen adds that recent interactions with company management have made it clear that many sectors of the South African economy are being severely affected by high levels of loadshedding.

"We have always been quite bullish on SA Inc, but increased loadshedding and difficult macros are tempering our enthusiasm," she adds. "Growth in earnings will be challenging for the next while. You have to be careful how you pick opportunities."

"We need to be aware of companies that are vulnerable, with less defensive revenues and less ability to pass on costs. Ultimately, we need to see any potential broker downgrades factored into prices and then we need earnings growth to deliver."

Fairtree Assegai averages around 35 positions at any time, with slightly broader exposure in Fairtree Silver Oak.

The bulk is currently invested in materials counters, and then consumer discretionary stocks, with lesser allocations to energy and industrials, and short exposure in financials and communication services.

Van der Westhuyzen adds that the property sector continues to face structural challenges, combined with a lack of government delivery and higher interest rates. Similarly, the hospital sector has not yet recovered occupancy levels post Covid, and revenues are lagging.

By comparison, offshore consumer defensive counter British American Tobacco looks relatively cheap with a good cash underpin.

The team remains overweight Naspers/Prosus, believing that Tencent still has a "way to go" having underperformed US tech names.

They continue to hold commodities exposure, believing the commodities basket stands to benefit as China's reopening gathers steam, holding a big position in gold miners as part of their "anti-fragile" holding as well as a position in platinum stocks.

With pockets of vulnerability across sectors, Van Der Westhuyzen, Botha and Curtayne are taking opportunities where they see them, on both the long and short sides.

"We have generally taken off a bit of sector exposure and at the moment our gross and net positions are slightly lower than they were earlier in the year," says Van der Westhuyzen. "We want capital available to buy into any drawdowns. The headwinds are very real."

Fixed income managers lead March gains as local benchmarks underperform

The *HedgeNews Africa* Single Manager Composite came in flat in March with an extensive range of underlying returns, as the FTSE/JSE All Share Index (TRI) lost -1.26% and South Africa's All Bond Index rose 1.32%.

By comparison the MSCI World Index gained 2.83% and the MSCI Emerging Markets Index added 2.73%.

Fixed income was the best performing category, gaining a median 1.37%. The top performing fund was the Oakhaven SNN Strategic Fixed Income QI Hedge Fund, which added 3.57%, followed by Acumen AcuityOne SNN Retail Hedge Fund, which gained 2.54%.

Coronation Granite Plus Hedge Fund and Abax RCIS Vega Retail Hedge Fund were also strong, gaining a respective 2.18% and 1.82%.

Terebinth SNN FI Macro Retail Hedge Fund is in the lead for the year so far, adding 6.22% to the end of March. It was followed by Ninety One Fixed Income QI Hedge Fund and Fairtree Fixed Income Fund, which gained a respective 4.45% and 4.28%.

Market neutral and quantitative funds delivered a steady 0.23% for the month, with the category led by the Fairtree Equity Market Neutral SNN QI Hedge Fund, which was well ahead of its peers with a 5.51% gain.

AIP NCIS Concentrated Arbitrage QHF and Old Mutual Aristeia Opportunities QI Hedge Fund were the next best performers, gaining a respective 0.92% and 0.89%.

Fairtree Equity Market Neutral also tops the category for the quarter, with a net 7.33% gain to the end of March, followed by the Visio Market Neutral Fund, which has added 6.3%, and the All Weather H4 Market Neutral Retail Hedge Fund, which is 4.75% higher.

Long/short equity funds dipped a median -0.41%. Fairtree Assegai Equity Long Short SNN QI Hedge Fund delivered a stellar 11.65% to sit 0.58% higher for the quarter.

Fairtree Marula Equity Long Short SNN Retail Hedge Fund and Fairtree Silver Oak Equity Long Short SNN Retail Hedge Fund also had a good month, adding a respective 6.68% and 3.63%.

The Steyn Capital funds were notably strong, with the Steyn Capital SNN Daily-Liquidity Retail Hedge Fund adding 2.83% while the Steyn Capital SNN QI Hedge Fund added 2.19% and Steyn Capital SNN Retail Hedge Fund gained 1.18%.

For the year so far, Fairtree Marula Equity Long Short SNN Retail Hedge Fund leads the category with a 11.14% gain to the end of March, while Bateleur Special Opportunities Prescient RI Hedge Fund has added 7.66%.

Single-manager multi-strategy funds ended a median 0.61% lower in March. Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund led the way with a net return of 6.88%, followed by Fairtree Woodland Multi Strategy SNN QI Hedge Fund, which rose 3.61%.

Sentio Plato Multi-Strategy RCIS RHF and Matrix NCIS Multi Strategy Retail Hedge Fund also did well, each adding 1.8%.

Amongst worldwide mandates, Senqu Worldwide Flexible Long Short Prescient RI Hedge Fund delivered a solid 3.8% while its peers were in the red, and now sits 17.11% higher on the year.

Amongst pan-African funds, the *HedgeNews* Africa pan Africa /AME Index fell 2.19% in March while the MSCI Frontier Markets Africa Index lost -5.79%.

There were some strong returns from a handful of equity-focused strategies while African fixed income funds were in the red.

The Steyn Capital Africa Fund was well ahead with a gain of 5.18%, followed by the Allan Gray Africa ex-SA Equity Fund and Allan Gray Africa Equity Fund, returning 1.85% and 1.41% respectively.

HEDGENEWS AFRICA INDICES

	Median		Mean	
South Africa	**Mar-23**	**YTD**	**Mar-23**	**YTD**
Long/Short Equity	-0.41%	2.71%	-0.53%	2.94%
Market Neutral & Quantitative	0.23%	2.59%	0.22%	2.23%
Single Manager Multi-Strategy	-0.61%	1.71%	-0.56%	2.83%
Fixed Income	1.37%	3.27%	1.56%	3.70%
Private Debt	1.04%	3.46%	1.16%	3.39%
Africa				
Pan-Africa / AME	-2.19%	-1.61%	-1.20%	0.16%
Composites				
HNA SA Single-Manager Composite	0.00%	2.34%	-0.08%	2.90%
HNA Single-Manager Composite	-0.03%	2.19%	-0.04%	2.65%
Fund of Funds	**Mar-23**	**YTD**	**Mar-23**	**YTD**
HNA SA FOF Composite	-0.14%	2.09%	0.08%	2.40%
HNA FOF Composite	-0.16%	2.04%	-0.04%	2.19%
Market Indices	**Mar-23**	**YTD**		
FTSE / JSE All Share Index (TRI)	-1.26%	5.17%		
MCSI World Index	2.83%	7.25%		
MSCI Emerging Markets Index	2.73%	3.55%		
MSCI Frontiers Mkts Index	0.52%	2.42%		
MSCI Frontiers Mkts Africa Index	-5.79%	-3.86%		
SA ALBI	1.32%	3.42%		

FoHFs flat in March, but Momentum, Corion, AF shine

South African fund of hedge funds were flat in March amid varied returns at individual fund level as the JSE All Share Index retraced by 1.26% during the month.

The Momentum RCIS ZAR Diversified QI FOF was a standout performer, adding 2.04% in March to close the quarter 3.2% higher.

The Corion Prime Multi-Strategy Qualified Hedge Fund also had a good March, gaining 1.22%, closely followed by AF Investments Moderate QI Hedge Fund of Funds and AF Investments Stable QI Hedge Fund of Funds, which added a respective 1.19% and 1.13%.

The *HedgeNews Africa* South African Fund of Funds Composite ended the first quarter with a 2.09% gain. The Corion Prime Equity Retail Fund of Hedge Funds led the way, with a net gain of 3.94% to the end of March, followed by the Citadel Multi-Strategy H4 QI Hedge Fund, which added 3.86% and the AF Investments Stable QI Hedge Fund of Funds, up 3.68%.

Data tables www.hedgenewsafrica.com/data

Single Managers – Mar 2023

Fund name	Last 3 months	Mar-23	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
South African Long Short Equity									
Fairtree Marula Equity Long Short SNN Retail Hedge Fund (RIF)	11.14%	6.68%	11.63%	21.07%	11.14%	8.34%	20.98%	n/a	Nov-19
Bateleur Special Opportunities Prescient RI Hedge Fund	7.66%	-0.21%	14.70%	9.04%	7.66%	14.93%	38.57%	14.53%	Feb-18
Visio SNN Golden Hind QI Hedge Fund	6.77%	-1.16%	8.33%	12.14%	6.77%	17.50%	12.38%	5.21%	Nov-03
OysterCatcher RCIS Long Short Retail Hedge Fund	5.46%	-2.22%	21.65%	7.12%	5.46%	20.95%	34.34%	n/a	Oct-19
All Weather H4 Performance Retail Hedge Fund	5.14%	-0.03%	6.66%	16.06%	5.14%	13.23%	28.17%	14.02%	May-14
Baymont SNN Protected Equity Retail Hedge Fund	4.76%	-1.99%	12.21%	0.30%	4.76%	9.35%	19.13%	8.84%	Dec-10
Visio SNN Occasio QI Hedge Fund	4.56%	-1.81%	3.46%	12.75%	4.56%	14.85%	15.63%	5.55%	May-09
Bateleur Long Short Prescient RI Hedge Fund	4.51%	-1.31%	11.29%	7.78%	4.51%	14.70%	20.13%	9.28%	Jan-05
Peregrine Capital High Growth H4 QI Hedge Fund	4.17%	-0.26%	7.03%	15.82%	4.17%	22.91%	17.88%	12.46%	Feb-00
Abax Long/Short Equity Prescient RI Hedge Fund (RIF)	3.70%	0.93%	5.70%	10.66%	3.70%	11.74%	14.00%	7.80%	Nov-01
Anchor Stable SNN Retail Hedge Fund	3.49%	0.47%	10.03%	13.88%	3.49%	12.41%	17.82%	8.36%	Jul-03
Peregrine Capital Dynamic Alpha H4 QI Hedge Fund (QIF)	3.33%	-0.11%	3.78%	20.43%	3.33%	12.10%	11.07%	11.98%	Dec-14
Fairtree Silver Oak Equity Long Short SNN Retail Hedge Fund	3.11%	3.63%	19.09%	1.92%	3.11%	1.93%	n/a	n/a	Apr-22
Obsidian SCI Long Short Retail Hedge Fund	3.07%	-4.04%	11.38%	6.24%	3.07%	12.07%	18.33%	10.04%	Jul-08
X-Chequer SNN Diplo QI Hedge Fund	2.39%	-0.41%	3.94%	10.11%	2.39%	14.85%	21.17%	n/a	Jan-20
Old Mutual Chronos QI Hedge Fund	2.17%	0.69%	4.73%	6.38%	2.17%	3.34%	3.36%	3.05%	Sep-12
Steyn Capital SNN Retail Hedge Fund (RIF)	1.86%	1.18%	4.85%	5.99%	1.86%	11.59%	29.95%	14.33%	May-13
Coronation Presidio Hedge Fund (QIF)	1.66%	-1.72%	9.42%	9.60%	1.66%	13.37%	16.99%	10.91%	Oct-05
Steyn Capital SNN QI Hedge Fund (QIF)	1.48%	2.19%	6.04%	16.36%	1.48%	17.27%	39.36%	18.70%	May-09
AAM Prescient Wealth Multi-Strategy RI Hedge Fund (RIF)	1.46%	1.02%	1.70%	-2.44%	1.46%	4.67%	9.07%	3.34%	Mar-17
AG Capital Rainbow SNN Retail Hedge Fund	1.44%	0.21%	4.73%	11.12%	1.44%	17.10%	20.44%	16.74%	Jun-17
Steyn Capital SNN Daily-Liquidity Retail Hedge Fund (RIF)	1.21%	2.83%	4.82%	0.00%	1.21%	9.85%	n/a	n/a	Oct-22
Ninety One Equity Long/Short Hedge Fund (RIF)	0.85%	-1.87%	11.96%	-5.78%	0.85%	14.96%	27.20%	n/a	Mar-19
36ONE SNN QI Hedge Fund (QIF)	0.66%	-1.17%	2.76%	7.47%	0.66%	15.62%	14.09%	10.78%	Apr-06
36ONE SNN Retail Hedge Fund (RIF)	0.58%	-1.97%	3.07%	7.09%	0.58%	13.80%	14.99%	11.22%	Dec-08
Fairtree Assegai Equity Long Short SNN QI Hedge Fund	0.58%	11.65%	22.32%	9.38%	0.58%	21.26%	42.50%	28.35%	Jul-11
Nitrogen Nitrogen RCIS Retail Hedge Fund (RIF)	0.49%	-0.72%	3.64%	12.31%	0.49%	11.53%	8.24%	7.20%	Aug-06
Anchor Accelerator SNN QI Hedge Fund	0.22%	-2.51%	7.29%	-6.12%	0.22%	7.74%	6.89%	8.99%	Mar-16
Laurium Aggressive Long Short Prescient QI Hedge Fund	-0.98%	-5.14%	3.03%	21.13%	-0.98%	15.62%	36.64%	11.32%	Jan-13
Laurium Long Short Prescient RI Hedge Fund	-1.63%	-4.69%	1.41%	14.06%	-1.63%	10.59%	24.39%	8.64%	Aug-08
Salient Quants SNN RI Hedge Fund (RIF)	-2.70%	0.35%	-3.67%	-5.69%	-2.70%	7.76%	0.67%	1.28%	Aug-06
Mazi NCIS Long Short Qualified Hedge Fund	-3.62%	-5.97%	0.61%	-5.28%	-3.62%	6.77%	22.93%	8.16%	Apr-14
Protea South Africa SNN Retail Hedge Fund	-3.91%	-9.09%	-0.94%	4.80%	-3.91%	9.51%	16.49%	9.07%	Jul-17
South African Market Neutral and Quantitative Strategies									
Fairtree Equity Market Neutral SNN QI Hedge Fund	7.33%	5.51%	7.03%	16.32%	7.33%	10.83%	15.09%	8.83%	Nov-03
Visio Market Neutral Fund	6.30%	-0.88%	7.35%	15.06%	6.30%	11.41%	9.97%	7.16%	Feb-14
All Weather H4 Market Neutral Retail Hedge Fund	4.75%	0.58%	5.01%	15.55%	4.75%	17.96%	24.80%	16.71%	Sep-17
Old Mutual Volatility Arbitrage QI Hedge Fund	4.50%	-0.40%	6.17%	2.72%	4.50%	7.11%	4.72%	5.61%	Sep-05
Peregrine Capital Pure Hedge H4 QI Hedge Fund	3.47%	0.25%	5.66%	17.96%	3.47%	19.02%	11.45%	11.54%	Apr-09
Bateleur Market Neutral Prescient RI Hedge Fund	3.13%	0.37%	5.16%	9.19%	3.13%	9.87%	13.63%	8.58%	Jul-08
X-Chequer SNN Market Neutral Retail Hedge Fund	2.53%	-0.13%	3.49%	7.10%	2.53%	11.72%	12.25%	9.69%	Jun-06
Abax Bao NCIS Market Neutral RIF (RIF)	2.24%	-0.14%	4.33%	12.12%	2.24%	10.11%	13.78%	10.19%	Apr-11
AIP NCIS Concentrated Arbitrage QHF	2.20%	0.92%	5.24%	9.94%	2.20%	8.02%	10.04%	n/a	Jul-18
Old Mutual Aristeia Opportunities QI Hedge Fund	2.09%	0.89%	4.40%	7.54%	2.09%	6.28%	5.82%	6.17%	Dec-10
SouthernCross NCIS Market Neutral RHF	1.38%	0.74%	3.65%	8.24%	1.38%	7.61%	8.17%	7.02%	Oct-17
Laurium Market Neutral Prescient RI Hedge Fund	1.07%	-2.66%	2.51%	18.81%	1.07%	10.31%	20.74%	10.63%	Jan-09
Old Mutual Managed Alpha QI Hedge Fund	0.51%	-0.38%	2.05%	4.00%	0.51%	5.34%	4.15%	4.67%	Jul-14
AAM Prescient Wealth Market Neutral QI Hedge Fund (QIF)	-0.48%	0.22%	2.23%	6.26%	-0.48%	6.75%	15.24%	11.08%	Oct-14
Mazi NCIS Market Neutral Retail Hedge Fund	-1.10%	-1.67%	0.27%	-3.46%	-1.10%	9.14%	10.09%	3.17%	Nov-06
South African Single-Manager Multi-Strategies									
Rozendal Worldwide Flexible Prescient QI Hedge Fund	6.58%	-2.10%	13.64%	13.25%	6.58%	13.73%	24.52%	13.73%	Apr-18
Citadel Multi-Strategy H4 Retail Hedge Fund (RIF)	6.15%	0.75%	7.18%	11.08%	6.15%	-1.54%	-5.20%	-3.18%	Sep-16
Aylett Prescient QI Hedge Fund	5.73%	-1.43%	14.29%	8.99%	5.73%	11.88%	26.73%	14.12%	Jun-08
Fairtree Wild Fig Multi Strategy SNN QI Hedge Fund	5.05%	6.88%	17.38%	25.95%	5.05%	21.27%	29.61%	25.57%	Aug-10
Differential Gradient Prescient QI Hedge Fund	3.93%	1.31%	8.92%	9.98%	3.93%	12.72%	18.26%	n/a	Oct-19

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

Single Managers – Mar 2023

Fund name	Last 3 months	Mar-23	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
Sentio Plato Multi-Strategy RCIS RHF	3.90%	1.80%	10.53%	9.72%	3.90%	9.21%	n/a	n/a	Dec-19
X-Chequer SNN Duo Multi Strategy Retail Hedge Fund	3.85%	-0.03%	6.93%	13.71%	3.85%	10.19%	22.16%	10.95%	Oct-12
Blue Quadrant Capital Growth Prescient RI Hedge Fund	3.80%	-5.37%	14.43%	9.75%	3.80%	19.89%	78.63%	32.36%	May-11
Matrix NCIS Multi Strategy Retail Hedge Fund	3.55%	1.80%	4.71%	4.22%	3.55%	10.09%	4.03%	4.54%	Oct-06
Fairtree Woodland Multi Strategy SNN QI Hedge Fund (QIF)	3.49%	3.61%	13.17%	11.74%	3.49%	11.80%	16.39%	15.70%	Apr-12
Obsidian SCI Multi Asset Retail Hedge Fund	2.45%	-3.61%	10.60%	6.07%	2.45%	10.59%	16.54%	9.48%	Oct-07
Exito SNN Variable Plus QI Hedge Fund	1.89%	-0.61%	7.85%	8.07%	1.89%	10.32%	26.74%	8.71%	Oct-14
Coronation Multi-Strategy Arbitrage Hedge Fund (QIF)	0.85%	-0.69%	2.34%	13.45%	0.85%	11.50%	20.95%	10.95%	Jul-03
SouthernCross Multi Strategy Prescient RI Hedge Fund	0.82%	-0.89%	9.99%	10.43%	0.82%	7.94%	13.59%	n/a	Jun-18
Marble Rock NCIS Keystone FICC Retail Investor Hedge Fund (RIF)	0.17%	0.02%	1.18%	12.55%	0.17%	10.77%	14.86%	10.35%	Aug-16
AG Capital Fusion SNN Retail Hedge Fund	-0.14%	-0.50%	3.47%	16.54%	-0.14%	21.95%	n/a	n/a	Dec-20
Corion Prosperitas NCIS RIF Hedge Fund (RIF)	-0.88%	-2.09%	-0.52%	-1.33%	-0.88%	13.16%	18.29%	13.21%	Jun-13
AG Capital Select SNN Retail Hedge Fund	-2.49%	-0.85%	0.20%	15.34%	-2.49%	8.65%	19.82%	12.37%	Jun-16
South African Fixed Income									
Terebinth SNN FI Macro Retail Hedge Fund (RIF)	6.22%	1.10%	7.32%	19.35%	6.22%	12.89%	16.71%	13.33%	Apr-13
Ninety One Fixed Income QI Hedge Fund (QIF)	4.45%	1.53%	11.41%	13.76%	4.45%	10.91%	10.49%	10.23%	Apr-04
Fairtree Fixed Income Fund	4.28%	1.71%	12.11%	8.90%	4.28%	10.35%	5.90%	6.57%	Oct-07
Abax RCIS Vega Retail Hedge Fund (QIF)	3.94%	1.82%	6.93%	9.78%	3.94%	9.86%	8.94%	n/a	Jul-18
Coronation Granite Plus Hedge Fund	3.93%	2.18%	8.20%	10.74%	3.93%	9.50%	9.87%	n/a	Oct-18
Acumen AcuityOne SNN Retail Hedge Fund	3.92%	2.54%	7.22%	10.73%	3.92%	16.61%	13.53%	10.15%	Sep-09
AAM SNN Fixed Income Retail Hedge Fund (RIF)	3.75%	1.03%	9.02%	9.33%	3.75%	8.18%	5.18%	9.31%	Aug-15
Matrix NCIS Fixed Income Retail Hedge Fund	3.61%	0.94%	12.45%	5.09%	3.61%	14.39%	7.03%	8.86%	Oct-08
Fairtree Proton RCIS Retail Hedge Fund (RIF)	3.34%	0.49%	9.88%	5.14%	3.34%	10.58%	5.17%	6.98%	Aug-01
Southchester Smart Escalator Prescient QI Hedge Fund (QIF)	3.18%	0.81%	7.13%	11.74%	3.18%	11.97%	12.22%	11.82%	Nov-17
Abax Fixed Interest Prescient RI Hedge Fund (RIF)	2.67%	1.37%	5.64%	8.70%	2.67%	10.66%	9.41%	8.71%	Feb-13
Coronation Granite Hedge Fund (QIF)	2.60%	1.16%	4.72%	7.38%	2.60%	9.35%	6.51%	7.03%	Oct-02
Oakhaven SNN Strategic Fixed Income QI Hedge Fund	0.59%	3.57%	2.53%	-1.88%	0.59%	7.70%	11.09%	5.42%	Oct-12
South African Private Debt									
Greenpoint Specialised Lending Private Credit Fund	3.89%	1.42%	8.37%	15.91%	3.89%	18.29%	15.64%	16.77%	Jun-11
AAM Private Credit Fund	3.67%	1.04%	7.68%	17.59%	3.67%	15.57%	n/a	n/a	Aug-21
Chrysalis Credit Arbitrage Fund	2.59%	1.01%	5.21%	9.71%	2.59%	11.40%	8.48%	9.44%	Aug-08
Property-Focused Hedge (ZAR)									
Alt Re SNN Select Opportunity QI Hedge Fund	3.48%	-8.66%	3.11%	-42.88%	3.48%	10.77%	-8.29%	-12.65%	Jan-09
Meago Real Estate Prescient RI Hedge Fund	1.90%	0.03%	8.84%	9.85%	1.90%	26.31%	31.38%	n/a	Sep-19
Prime Reitway Leveraged Global Property RI Hedge Feeder Fund	1.74%	-10.32%	-2.70%	-26.76%	1.74%	0.34%	-2.20%	6.41%	Oct-17
Catalyst Alpha Prescient QI Hedge Fund	1.13%	-2.25%	9.22%	1.01%	1.13%	16.13%	16.09%	9.04%	Oct-05
Worldwide Flexible									
Senqu Worldwide Flexible Long Short Prescient RI Hedge Fund (RIF)	17.11%	3.80%	15.50%	4.90%	17.11%	2.87%	-0.04%	2.06%	Jan-17
Cuthman SDR Prescient QI Hedge Fund Class B	10.45%	-0.37%	14.93%	30.94%	10.45%	24.02%	n/a	n/a	Jul-21
Cuthman SDR Prescient QI Hedge Fund Class A	8.39%	-3.51%	15.96%	28.60%	8.39%	28.97%	n/a	n/a	Jul-21
Protea Worldwide Flexible SNN QI Hedge Fund	2.36%	-4.58%	13.42%	12.86%	2.36%	9.81%	10.10%	10.16%	Oct-15
Global Focus									
Protea Global SNN Retail Hedge Fund	11.21%	-0.22%	31.78%	16.96%	11.21%	5.57%	-0.78%	7.06%	Sep-17
Optis Global Opportunities Fund	5.63%	6.36%	1.64%	-45.09%	5.63%	11.72%	37.42%	15.83%	Sep-06
Visio Salveo Global Long/Short Fund	5.34%	1.23%	11.04%	0.40%	5.34%	7.68%	13.86%	8.64%	Jan-18
Craton Capital Precious Metals Fund	5.19%	14.88%	20.68%	-24.57%	5.19%	0.67%	15.59%	2.26%	Nov-03
Catalyst Alpha Global Real Estate Fund	4.73%	0.07%	9.20%	-11.64%	4.73%	3.84%	8.94%	3.86%	Nov-15
Craton Capital Global Resources Fund	2.19%	3.52%	15.41%	-25.05%	2.19%	1.07%	31.73%	5.98%	Dec-08
Commodities									
Polar Star SNN QI Hedge Fund (QIF)	-3.46%	-0.07%	-0.11%	2.98%	-3.46%	19.06%	18.42%	16.06%	Oct-08
Commodity Trade Finance (USD)									
Challenger Trade Finance Fund	1.48%	0.31%	2.66%	6.74%	1.48%	6.88%	4.84%	6.31%	Nov-15

Single Managers – Mar 2023

Fund name	Last 3 months	Mar-23	Last 6 months	Last 12 months	YTD return	Ann. comp.	3-yr ann. comp.	5-yr ann. comp.	Incep. date
Pan African Equities - Long / Absolute Return (USD)									
Allan Gray Africa ex-SA Equity Fund	9.01%	1.85%	18.13%	-7.94%	9.01%	4.52%	18.80%	0.29%	Jan-12
Coronation Africa Frontiers Fund	7.55%	0.72%	15.50%	-15.83%	7.55%	3.91%	8.81%	-4.61%	Oct-08
Allan Gray Africa Equity Fund	6.70%	1.41%	20.40%	-10.04%	6.70%	15.04%	21.22%	-0.29%	Jul-98
Steyn Capital Africa Fund	4.14%	5.18%	9.56%	-2.36%	4.14%	5.55%	11.83%	-4.20%	Sep-11
Laurium Limpopo African Equity Fund	0.51%	-0.67%	9.75%	-6.86%	0.51%	0.75%	2.68%	-5.87%	Jan-14
Sustainable Capital Africa Alpha Fund	-0.63%	-2.92%	4.28%	-11.22%	-0.63%	1.44%	17.90%	-3.55%	Feb-12
Old Mutual African Frontiers Fund	-0.68%	-2.73%	3.21%	-21.29%	-0.68%	0.48%	1.67%	-4.37%	Jul-10
Sanlam Africa Equity Fund	-1.58%	-1.22%	7.09%	-12.93%	-1.58%	1.48%	12.54%	-2.99%	Jul-15
Gondo Visio Metsi Fund	-1.83%	-4.35%	3.01%	-13.81%	-1.83%	-0.53%	3.45%	-4.51%	Jun-09
Optis African Frontiers Fund	-2.79%	-2.28%	3.32%	-18.88%	-2.79%	-2.81%	1.63%	-7.58%	Aug-09
Absa Africa Equity Fund	-5.93%	-3.16%	-0.14%	-18.16%	-5.93%	-4.80%	1.52%	-6.02%	Aug-14
Blue Clay Pan-Africa Fund	-8.43%	-4.54%	-7.45%	-17.34%	-8.43%	-1.61%	12.26%	n/a	Mar-19
Africa Fixed Income (USD)									
Allan Gray Africa ex-SA Bond Fund	-0.99%	-2.19%	11.50%	-10.93%	-0.99%	4.76%	5.23%	1.94%	Mar-13
Laurium Africa USD Bond Prescient Fund	-2.78%	-3.82%	9.76%	-12.45%	-2.78%	-2.30%	2.16%	n/a	Dec-19
Enko Africa Debt Fund	-3.67%	-3.38%	20.51%	0.98%	-3.67%	12.20%	6.69%	11.96%	Oct-16
Frontier/Emerging Markets (USD)									
Steyn Capital Global Emerging Markets Hedge Fund	2.17%	3.29%	3.71%	0.27%	2.17%	-1.80%	n/a	n/a	Feb-22
Steyn Capital Frontier Fund	2.04%	6.91%	12.73%	-1.76%	2.04%	3.21%	11.35%	2.41%	Jan-18
Gemcorp Fund I Limited	0.37%	0.53%	0.45%	13.22%	0.37%	11.22%	16.68%	11.60%	Sep-14
Emerging & Frontier Market Leaders Fund	-0.58%	-2.28%	3.41%	-11.45%	-0.58%	0.81%	7.66%	-7.05%	Jul-08

Fund of funds – Mar 2023

Fund name	Last 3 months	Mar-23	Last 6 months	Last 12 months	YTD return	Ann. comp.	5-yr ann. comp.	Incep. date	Return objective
Fund of Funds - South African (ZAR)									
Corion Prime Equity Retail Fund of Hedge Funds	3.94%	-0.79%	7.99%	7.88%	3.94%	9.64%	8.94%	Oct-10	STeFI
Citadel Multi-Strategy H4 QI Hedge Fund	3.86%	-0.14%	6.38%	15.56%	3.86%	12.43%	9.29%	Dec-02	Cash + 3%
AF Investments Stable QI Hedge Fund of Funds	3.68%	1.13%	5.42%	11.92%	3.68%	8.96%	9.02%	Jan-06	15% SWIX + 85% STeFI
AF Investments Moderate QI Hedge Fund of Funds	3.61%	1.19%	5.83%	10.90%	3.61%	9.62%	9.93%	Mar-00	30% SWIX + 70% STeFI
Momentum RCIS ZAR Diversified QI FOF (QIF)	3.20%	2.04%	9.41%	10.48%	3.20%	8.40%	9.11%	Nov-07	STeFI + 5%
Novare Mayibentsha Market Neutral Qualified Fund of Hedge Funds (QIF)	2.67%	0.35%	5.29%	10.30%	2.67%	8.00%	8.42%	Jul-10	CPI + 2.5%
Edge RCIS Portable Alpha 1 QI Hedge Fund (QIF)	2.48%	-0.75%	14.94%	-0.48%	2.48%	10.56%	8.31%	Jun-12	FTSE/JSE Capped SWIXTR Index
Edge RCIS Dynamic Equity Alpha QI Hedge Fund	2.36%	-0.75%	14.58%	-0.67%	2.36%	8.07%	n/a	Sep-21	FTSE/JSE Capped SWIX TR Index
AF Investments Focus QI Hedge Fund of Funds	2.30%	-1.72%	5.68%	11.35%	2.30%	10.02%	9.22%	Feb-11	65% SWIX +35% STeFI
Corion Prime Multi-Strategy Qualified Hedge Fund	2.17%	1.22%	9.31%	9.82%	2.17%	8.17%	10.84%	May-15	STeFI
THINK Flexible Growth RCIS Retail Hedge Fund (RIF)	2.06%	0.43%	4.52%	8.12%	2.06%	7.39%	8.11%	Feb-18	n/a
Alpha Prime Equity Qualified Investor FOHF (QIF)	1.90%	0.06%	6.68%	6.90%	1.90%	7.82%	8.16%	Nov-07	ALSI
Old Mutual Multi-Managers Long Short Equity FoHF	1.71%	-0.18%	5.87%	12.63%	1.71%	12.44%	12.07%	May-04	STeFI+7%
AF Investments Performance QI Hedge Fund of Funds	1.55%	-0.68%	5.28%	8.31%	1.55%	9.96%	9.96%	Jan-06	40% SWIX + 60% STeFI
RCIS THINK Growth QI Hedge Fund	1.45%	0.82%	3.65%	10.83%	1.45%	9.81%	11.34%	Nov-14	STeFI + 3%
Momentum RCIS Multi Managed ZAR Equity Hedge QI Hedge Fund (QIF)	1.43%	0.88%	10.25%	8.18%	1.43%	8.14%	9.53%	Jul-11	2/3 SWIX upside + 1/3 SWIX downside
Novare Mayibentsha Focused Qualified Fund of Hedge Funds (QIF)	1.40%	-0.75%	5.13%	8.95%	1.40%	8.71%	8.87%	Jul-06	CPI + 4.5%
Prime Optimal Qualified Investor FOHF (QIF)	1.31%	-0.35%	5.76%	6.51%	1.31%	8.34%	8.35%	Mar-03	CPI + 3%
Novare Mayibentsha Moderate Qualified Fund of Hedge Funds (QIF)	1.24%	-0.52%	4.60%	9.26%	1.24%	10.41%	8.74%	Apr-03	CPI + 3.5%
Fund of Funds - Global (USD)									
Aurum Isis Professional Dollar Unrestricted	-0.77%	-1.34%	0.74%	4.70%	-0.77%	6.07%	7.44%	Jul-14	n/a
Aurum Isis Standard Dollar Restricted	-1.03%	-1.42%	0.41%	4.01%	-1.03%	5.89%	6.28%	Apr-98	n/a
Fund of Funds - Pan African (USD)									
Caveo Africa Fund	3.80%	0.45%	3.14%	-13.20%	3.80%	-0.60%	-7.10%	Jun-12	n/a

** estimate*

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