

NOVARE[®] HEDGE FUND SURVEY 2017

Novare is pleased to present the 14th edition of its annual hedge fund survey. The intention of this hedge fund survey is to provide key insights into the industry, mainly highlighting changes over the past 12 months ending 30 June 2017. All data is expressed as a percentage of the total industry or strategy assets under management, unless stated otherwise.

The FSB and National Treasury embarked on a process to enhance and expand the scope of regulation and oversight over hedge funds. A proposed framework for regulating hedge funds in South Africa was released and after engagement with industry, draft regulation for public comment was released in April 2014.

National Treasury and FSB finalises regulation of hedge funds. Hedge funds are regulated under the existing Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA).

THE EVOLUTION OF SOUTH AFRICAN HEDGE FUNDS

Alfred Winslow Jones coins the term 'hedge fund'.

1949

First South African single manager hedge fund established.

1998

First fund of hedge funds created.

2003

FSB starts regulating hedge fund managers, requiring that they hold a CAT II A licence.

2007

Introduction of Regulation 28 for pension funds which introduced a 10% investment allocation limit to hedge funds. Previously the regulation did not explicitly refer to hedge funds.

2011

The FSB and National Treasury embarked on a process to enhance and expand the scope of regulation and oversight over hedge funds. A proposed framework for regulating hedge funds in South Africa was released and after engagement with industry, draft regulation for public comment was released in April 2014.

2012

National Treasury and FSB finalises regulation of hedge funds. Hedge funds are regulated under the existing Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA).

2015

68.8%

QUALIFIED INVESTOR HEDGE FUNDS

29.9%

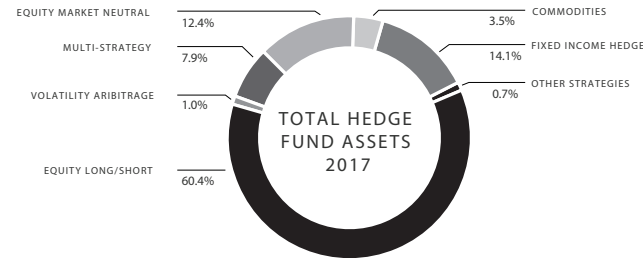
RETAIL INVESTOR HEDGE FUNDS

1.3%

UNDECIDED

During the period under review, 68.8% of industry assets were allocated to Qualified Investor Hedge Funds, and 29.9% were allocated to Retail Investor Hedge Funds. 1.3% of participants had not yet launched funds after the new regulation.

STRATEGY AS A % OF ALL HEDGE FUND ASSETS



AUM R62.2 BILLION

Assets under management decreased by 9.1% during the period under review.



DAILY PRICING

31.4% of funds offered daily pricing, including soft pricing.



FEES DOWN

Decrease in annual management fees and higher hurdle rates for performance fees.



FIXED INCOME

The fixed income strategy was the leading strategy in terms of net inflows.



PRIME BROKER

Funds that use only one prime broker have increased from 64.8% to 75.4%.



HARD CLOSED

19.5% funds were hard closed, meaning the fund did not accept any capital from investors.

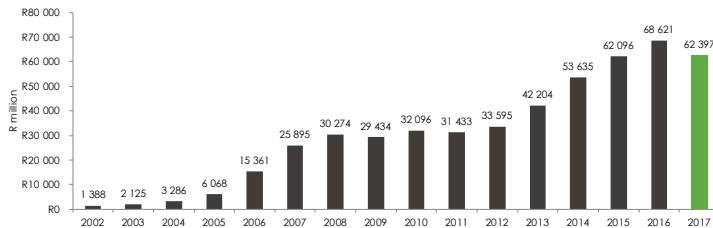


7 NEW FUNDS

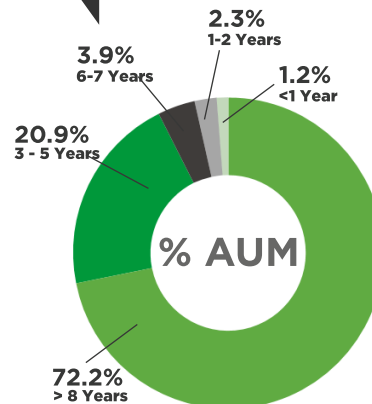
A total of seven new funds were launched during the measured period.

ASSETS UNDER MANAGEMENT

decreased by **9.1%** during the period under review. According to the survey findings, the main contributing factors to the decline include in-house consolidations of product offerings by managers, outflows, and meagre performance in the period under review.



72.2% of assets are managed by hedge fund managers with more than eight years' hedge fund experience, representing 43.9% of funds. Only 24.4% of the industry assets are managed by managers with less than five years' experience.



% OF FUNDS

The majority of hedge fund assets are managed by firms who have more than R2 billion worth of assets.



Follow us @novareholdings



Connect with Novare Holdings

www.novare.com

[Read the full survey here](#)