

NOVARE® HEDGE FUND SURVEY 2018

Novare is pleased to present the 15th edition of the Annual Novare Hedge Fund Survey. Novare has conducted local hedge fund industry research for more than 14-years and has published the Annual Novare Hedge Fund Survey since 2004. Our survey collates market-leading insights, from more than 50 fund managers, into a concise report.

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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

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2012

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2015

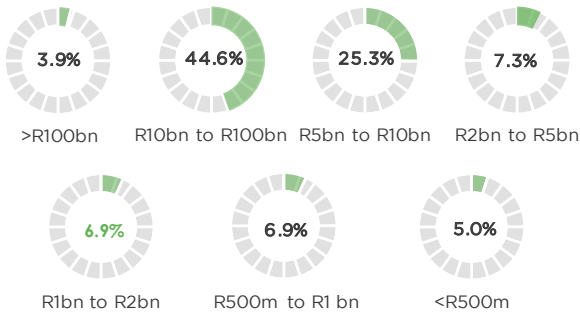
58.3%

QUALIFIED INVESTOR HEDGE FUNDS

41.0%

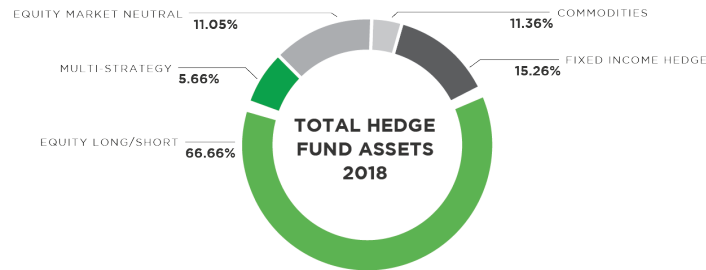
RETAIL INVESTOR HEDGE FUNDS

0.8%
NOT REGULATED



% OF HEDGE FUND ASSETS AS AT 2018

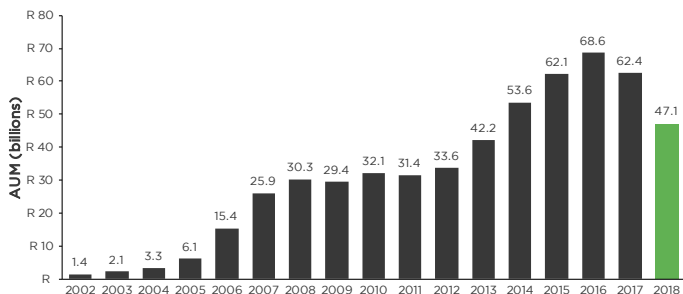
STRATEGY AS A % OF ALL HEDGE FUND ASSETS



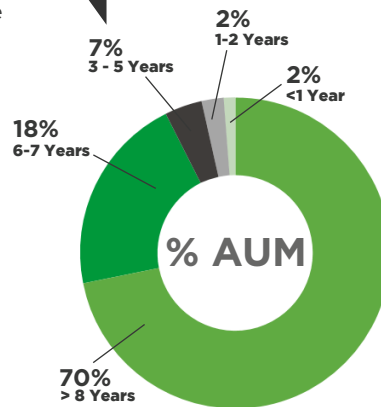
TOTAL HEDGE FUND ASSETS 2018

ASSETS UNDER MANAGEMENT

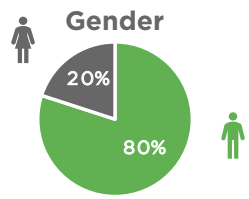
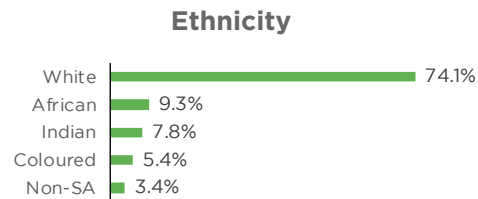
or the period under review, hedge fund AUM declined by **25%** (compared to the 9.1% in the 2017 survey). This marked the largest decline in the history of South African hedge funds and the second consecutive decline since the industry peaked in 2016.



70% of assets are managed by hedge fund managers with more than eight years' hedge fund experience, representing **48%** of funds. Only 11% of the industry assets are managed by managers with less than five years' experience.



SENIOR MANAGEMENT



AUM R47.1 BILLION
Assets under management decreased by 25.0% during the period under review.

DAILY PRICING
35% of funds offered daily pricing, including soft pricing.

FIXED INCOME
The fixed income strategy was the leading strategy in terms of net flows and returns*.

PRIME BROKER
Funds that use only one prime broker decreased from 75.4% to 66.2% for the period under review.

HARD CLOSED
Of the funds that participated in the survey, only 1.4% of funds were hard closed.