

Hedge fund industry reports a record increase in assets under management for 2020

 By [Katja Hamilton](#)

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The hedge fund industry has increased its assets under management by 16 percent to R61.5bn.



Source: [Pexels](#)

That is according to The Novare South African Hedge Fund Survey.

This represents the biggest increase that the industry has reported in a decade.

Respondents to the survey were 63 asset managers, who manage more than 141 uniquely mandated hedge funds in South Africa.

Kagiso Mathole, senior portfolio manager at Novare Investments said: "It's the first time we've seen a R2.6bn inflow. However, we need to be cognisant of the fact that this, in part, is due to closed funds and some funds consolidating with others.

"Also while R2.6bn is a huge increase compared to the previous year, there are other areas that struggled a bit, albeit not as bad when compared to their performance in 2018 and 2019."

Factors driving performance

A big factor in the record increase in assets under management (AUM) in 2020 was the newfound accessibility of hedge funds. "How we define hedge funds today compared to the past has changed. Given the new regulations that have come into place, everyone can access this kind of investment," he said.

The strategies employed by the hedge fund managers were a contributing factor to the growth. "When the markets were doing poorly in Q1 last year, the hedge funds were able to protect that downside [as a result]. The market-neutral and the fixed-income arbitrage funds protected that downside the most."



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Funds outperforming other strategies

The hedge funds that gained traction this year included the equity long-shorts while the equity market-neutral funds outperformed other strategies. So too did fixed-income arbitrage which Mathole said has consistently done well over the years, and will continue to do well.

On average, the survey reflects that the fixed-income fund produced 11.6 percent while the market neutral produced 8.4 percent returns over the 12 month-period.

Mathole indicated there have also been dissolved funds particularly in the equity long shorts which has been growing rapidly since 2014. "While the equity long short is growing so much, it has also brought about strategies that don't work well across different markets. This led to some of the funds closing down."

Future outlook

Mathole said the outlook for the 2021 performance looks good. "We see the hedge fund industry doing quite well especially the equity long shorts and just the general equity strategy like the market neutral strategy as well."

However Mathole cautioned that while the fixed-income fund did well in 2020, it seems to be struggling this year. "I wouldn't be surprised if they are the ones struggling at the end of the year," he said.

ABOUT KATJA HAMILTON

Katja is the Finance, Property and Healthcare Editor at Bizcommunity.

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