

**Media Release**  
**Association for Savings and Investment South Africa (ASISA)**  
**27 February 2023**

### **Hedge fund industry sees assets under management jump by an unprecedented 30% in 2022**

The South African hedge fund industry grew its assets by an unprecedented 30% in 2022, ending the year with R113.01 billion under management. The industry's assets under management stood at R86.93 billion at the end of 2021.

The annual hedge fund statistics released today by the Association for Savings and Investment South Africa (ASISA) also show that the industry attracted healthy net inflows of R5.33 billion in 2022. In 2021, hedge funds attracted muted net inflows of R0.59 billion, and in 2020 the industry suffered net outflows of R2.45 billion.

Hayden Reinders, convenor of the ASISA Hedge Funds Standing Committee, says the industry has had to endure several lean years following the implementation of crucial reform initiatives, which resulted in comprehensive regulation and the consolidation and closure of funds. The number of hedge funds in South Africa has stabilised at 216, a number maintained for the past two years.

In 2015, South Africa became the first country in the world to implement comprehensive regulation for hedge fund products. The regulations provide for two categories of hedge funds, namely Qualified\* Investor Hedge Funds and Retail\*\* Hedge Funds. Hedge funds fall under the Collective Investment Schemes Control Act (CISCA) and are deemed regulated collective investment schemes, just like unit trust portfolios.

"Seeing strong growth numbers for the industry is a welcome development and hopefully indicates that hedge funds in South Africa are increasingly being accepted as an important investment tool in mitigating market volatility," comments Reinders.

He hopes that the industry will achieve even better growth in 2023 on the back of the amendments to Regulation 28 of the Pension Funds Act, which came into effect at the beginning of this year. The amendments separate hedge funds and private equity investments, allowing local pension funds to invest 10% of assets into hedge funds and 15% into private equity investments.

"The amendments enable hedge funds to operate on a more level playing field, which should result in stronger inflows," says Reinders. "Most pension funds are nowhere near the 10% maximum, which means there is plenty of room for growth."

## Salient numbers

	Qualified Investor Hedge Funds			Retail Hedge Funds		
	2022	2021	2020	2022	2021	2020
<b>Number of funds</b>	105	116	120	111	100	113
<b>Assets under management (AUM)</b>	R71.34 bn	R53.68 bn	R46.33 bn	R41.67 bn	R33.25 bn	R26.94 bn
<b>Percentage of AUM</b>	63%	62%	63%	37%	38%	37%
<b>Net annual flows</b>	R1.14 bn	-R1.04 bn	- R1.39 bn	R4.19 bn	R1.63 bn	- R1.06 bn

### Driving the flows in 2022

According to Reinders, 37% of assets under management were held by Retail Hedge Funds at the end of December 2022, while Qualified Investor Hedge Funds held 63% of assets.

Yet, the net inflows in 2022 were driven predominantly by Retail Hedge Funds, which attracted net inflows of R4.19 billion. Qualified Investor Hedge Funds, on the other hand, recorded net inflows of R1.14 billion.

Reinders explains that Linked Investment Service Providers (Lisps) – also known as collective investment scheme (CIS) platforms – have become more willing to offer retail hedge funds, making them more accessible to investors. In addition, he says, some of the bigger hedge fund managers are investing in distribution and business development teams to grow their market share.

### Popular hedge fund strategies

Hedge funds in South Africa are classified according to their investment strategies. The most popular hedge fund strategy in South Africa is Long Short Equity. At the end of 2022, 59.2% of retail money was invested in Long Short Equity Hedge Funds and 45% of qualified investor money.

	Retail Funds % of assets	Qualified Funds % of assets
<b>Long Short Equity</b>	59.2%	45%
<b>Fixed Income</b>	27.3%	4.6%
<b>Multi-Strategy</b>	13.5%	49.5%
<b>Other</b>	0%	0.9%

- **Long Short Equity Hedge Funds** are portfolios that predominantly generate their returns from positions in the equity market regardless of the specific strategy employed such as “long bias” and “market neutral”.
- **Fixed Income Hedge Funds** are portfolios that invest in instruments and derivatives that are sensitive to movements in the interest rate market.

- **Multi-Strategy Hedge Funds** are portfolios that over time do not rely on a single asset class to generate investment opportunities but rather blend a variety of different strategies and asset classes with no single asset class dominating over time.
- **Other Hedge Funds** are portfolios that apply strategies that do not fit into any of the other classification groupings.

## Ends

\* Qualified Investor Hedge Funds require a minimum investment of R1 million and are open to investors with a solid understanding of the investment strategies deployed by hedge funds and the associated risks.

\*\* Retail Hedge Funds are strictly regulated in terms of the investments and the risks that they are allowed to take and are open to all investors who can afford the average minimum lump sum investment amount of R50 000.

### To set up interviews please contact:

Lucienne Fild  
Independent Communications Consultant  
082 567 1533  
lucienne@fild.co

### Issued on behalf of:

Hayden Reinders  
Convenor: Hedge Funds Standing Committee  
Association for Savings and Investment South Africa (ASISA)

*ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.*