

Media Release

Association for Savings and Investment South Africa (ASISA)

4 March 2025

2024 best year on record for SA hedge fund industry

The South African hedge fund industry concluded 2024 on a high following record-breaking asset growth and double-digit net inflows for the first time.

The annual hedge fund statistics released by the Association for Savings and Investment South Africa (ASISA) show that assets under management grew by 34% to R185.12 billion (excluding fund of funds) over the 12 months to the end of December 2024. These assets were invested in 221 hedge funds managed by 12 management companies with hedge fund schemes.

Hayden Reinders, convenor of the ASISA Hedge Funds Standing Committee, reports that hedge funds attracted strong net inflows of R13.31 billion in the 12 months to 31 December 2024. He points out that net inflows more than doubled from 2023 when net inflows came in at R6.24 billion. Net inflows in 2022 amounted to R4.54 billion.

According to Reinders, retail investors again contributed most of the net inflows in 2024.

"This is a strong vote of confidence from retail investors who recognise the important role of regulated hedge funds in mitigating market volatility within an investment portfolio. Our industry is celebrating 10 years of being a regulated investment product in 2025, and it is good to see retail investors increasingly trusting hedge funds as valuable building blocks alongside unit trust funds for a well-diversified investment portfolio."

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: Retail Hedge Funds* and Qualified Investor Hedge Funds**. Hedge funds, like unit trust portfolios, fall under the Collective Investment Schemes Control Act (CISCA) and are deemed regulated collective investment schemes.

Reinders explains that solid investment performance from hedge funds, combined with retail-focused investment manager driven marketing campaigns aimed at demystifying hedge funds and ease of access, have made Retail Hedge Funds an attractive investment choice.

South African Retail Hedge Funds attracted net inflows of R11.84 billion in 2024. South African Qualified Investor Hedge Funds, on the other hand, recorded net outflows of R70 million.

Most popular with investors

Hedge funds in South Africa are classified according to their investment strategies: Long Short Equity, Multi-Strategy, Fixed Income, and Other.

Reinders says judging from the net inflows, SA Long Short Equity Hedge Funds were most popular with retail and qualified investors in 2024. SA Retail Long Short Equity Hedge Funds attracted net inflows of R6.16 billion, while their SA Qualified counterparts attracted R479.01 million. Long Short Equity Hedge Funds are portfolios that predominantly generate their returns by pairing long positions on equities with short selling to benefit from both rises and drops in market prices.

SA Multi-Strategy Hedge Funds came in second, attracting retail net inflows of R3.96 billion and qualified money of R7.21 million. Multi-Strategy Hedge Funds are portfolios that do not rely on a single asset class to generate investment opportunities but instead blend various strategies and asset classes with no single asset class dominating over time.

SA Retail Fixed Income Hedge Funds attracted net inflows of R1.72 billion. These portfolios invest in instruments and derivatives sensitive to movements in the interest rate market. Flows into the SA Retail Other Hedge Fund category were flat. These portfolios apply strategies that do not fit into the other classification groupings.

Reinders notes that in the qualified investor space, SA Fixed Income Hedge Funds reported net outflows of R535.15 million and SA Other net outflows of R21.92 million.

	Net flows	Net flows
	SA Retail Hedge Funds (as at 31 Dec 2024)	SA Qualified Investor Hedge Funds (as at 31 Dec 2024)
SA Long Short Equity	R6.16 billion	R479.01 million
SA Fixed Income	R1.72 billion	-R535.15 million
SA Multi-Strategy	R3.96 billion	R7.21 million
SA Other	0	-R21.92 million
Total	R11.84 billion	-R70 million (-R0.07 billion)

The outlook for 2025

Reinders hopes the positive trend for retail hedge funds continues in 2025. He also notes that flows into SA Qualified Investor Hedge Funds will likely remain muted until National Treasury finalises its review of the tax treatment of collective investment schemes, including hedge funds.

“The review will also provide much-needed tax clarity for our industry, hopefully enabling the Financial Sector Conduct Authority to dust off its review of Board Notice 90. In its current form, BN90 prevents long-only unit trust portfolios from investing in hedge funds even though they are also regulated as collective investment schemes.”

He adds that increased attention on hedge funds, their track record as collective investment schemes and their stellar consistent performance will hopefully also encourage local pension funds to take up the full 10% asset allocation into hedge funds.

“Although the amendments to Regulation 28 of the Pension Funds Act, allowing local pension funds to invest 10% of assets into hedge funds, came into effect at the beginning of 2023, most retirement funds are nowhere near the 10% maximum, which means there is plenty of room for growth.”

Ends

* 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.

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

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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.