

# Novare Investments scoops Fund of Hedge Funds at HedgeNews Africa Awards 2020

Novare Investments, a subsidiary of Novare Holdings, an African investment solutions provider, won the coveted Fund of Hedge Funds (FoHF) category at the annual HedgeNews Africa Awards 2020 digital ceremony, held on 4 March 2021.



Kagiso Mathole, fund manager for the winning Mayibentsha FoHF

The flagship Novare Mayibentsha Moderate Qualified FoHF is a qualified investor fund which was originally established in 2003, and then relaunched as a regulated fund in 2016. Its name “Mayibentsha”, means “let it be new”, which lends it the “wings” to continue evolving with the times, while being firmly “rooted” in Novare’s age-old legacy.

Shortlisted funds for this award have to meet specific minimum criteria which among others involves submitting their results to the HedgeNews Africa database on a monthly basis, to qualify automatically. These results are then evaluated on the basis of their risk-adjusted returns for the calendar year in question, which in this instance, was 2020.

Specifically, in the category that this fund triumphed, it has to demonstrate the best return over an entire 12-month period, provided the Sharpe ratio (the average return earned in excess of the risk-free rate per unit of total risk), is within 25% of the ratio among other nominees. These results are finally independently verified by eComply.

In his acceptance speech on behalf of Novare, portfolio manager Kagiso Mathole attributed the consistent success of the portfolio to a strategy that blends diversified hedge funds with an approach that places emphasis on investment in various sources of returns. Says Mathole: “The portfolio is a qualified investor FoHF with the long-term objective to achieve a SA CPI of +3.5% over a rolling three-year period. This objective is also considered the portfolio’s benchmark and hurdle rate.”

### **A collective investment scheme with multidisciplinary managers, strategies and asset classes**

The award-winning Mayibentsha FoHF is one of the company’s pioneering portfolios, and in terms of risk, it is pitched ‘in the middle’ of the two other key strategies, which are a higher-risk/higher-return focused strategy - and the more conservative low-risk/low-return strategy. These three strategies are underpinned by a collective investment scheme (CIS), where several investors, comprising diverse members of the public, pool their money into the portfolio, which currently has a net worth of more than R400 million.

Its fund managers are purposefully selected to drive and support a multidisciplinary, multi-strategy investment offering that invests in various asset classes. Essentially, it maintains moderate investment parameters, at a moderate level of volatility, where it can deliver consistent capital preservation and growth, as well as compound returns over the medium to long-term.

### **Hedge funds are an essential investment alternative**

Awards like these bear testimony to the fact that hedge funds are by no means riskier to invest in than other more traditional investments such as unit trusts. On the contrary, in South Africa, hedge funds have consistently shown outstanding, results year-on-year. This is predominantly due to their flexible approach which allows them to use derivatives, short selling and leverage among other strategies, to achieve positive returns on an ongoing basis, regardless of whether the markets are trending upward or downward. Over the past five years for example, the industry has experienced remarkable 118.3% growth in assets, due to its stability.

Using a fund of hedge funds approach is also relatively more conservative and transparent, as the risk exposure to each underlying strategy is managed at portfolio level. In addition, hedge funds have been heavily regulated under the Financial Advisory and Intermediary Services Act (FAIS), since October 2017, which adds another layer of protection for investors.

An exciting development of these new regulations - is that hedge funds now fully meet the requirements of the Financial Sector Conduct Authority (FSCA). In practise, this means basically anyone can now invest in a retail investor hedge fund, including those people who were traditionally limited to invest in long-only unit trusts.

### **How hedge funds are managed**

Hedge fund portfolios are managed by some of the most highly qualified asset managers in the financial services industry, with  $\pm 73.2\%$  of them having well over eight years’ experience. They manage the same assets as traditional investments and are usually incorporated into well-diversified asset management businesses.

The main difference, however, is that hedge funds have a more diverse range of tools and strategies to protect investments and generate positive returns. In reality, they therefore really do offer the best of both worlds, regardless of whether the market is rising or falling.

Mathole concludes: “This award, and the basis on which it is awarded, is no doubt proof of the fact that the Mayibentsha FoHF consistently achieves its benchmark, and that our strategy works. None of this would have been possible though, without the ongoing dedication and fighting spirit of our entire team, including our fund managers, who have also become

our partners. We are committed to ensure that this fund continues to be a true ambassador for the hedge fund industry, indicating its consistent success. We are also thankful for the ongoing support and trust placed on us by our investors.”

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