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MEDIA RELEASE

SOUTH AFRICA'S HEDGE FUND INDUSTRY KEEPS GROWING

Despite market turmoil, total assets under management in the South African hedge fund industry continued to show strong growth over the 12 months to end June 2008 when funds managed increased by almost 17% from R25.9 billion in June last year to R30.3 billion.

Net industry inflows were R6.3 billion, down from the previous year's R7.1 billion.

These figures, from the 2008 South African Hedge Fund Survey released by Novare Investments in Cape Town today, exclude money in absolute return funds and unit trusts that use leverage. Common characteristics of the funds surveyed is that they all utilise some form of short asset exposure or short selling, and some form of leverage measured by the extent to which the gross exposure of underlying assets exceeds the amount of capital in the fund.

Now in its fifth edition, Novare Investments' comprehensive survey takes a snapshot of the industry as at end June, summarising changes over the previous 12 months in terms of the strategies used by funds, their levels of leverage and market exposure, as well as operational issues.

According to Carla de Waal, portfolio manager of Novare Investments: "The total size of the local hedge fund industry as a percentage of equity market capitalisation is slightly higher than last year but still less than one percentage point with total hedge fund assets increasing from 0.6% to 0.7% of the capitalisation of the FTSE/JSE All Share Index.

"The formation of 20 new hedge funds in the year added R5.4 billion to industry capacity, and there is an estimated capacity of R34 billion left in open funds. This implies that there is considerable scope for the industry to continue growing. Most of the new funds were launched by established companies including large asset managers, boutique hedge fund houses and niche managers."

Some 64% of hedge fund assets are managed in equity long/short and equity market neutral strategies – down from 72% in 2007.

Fixed interest strategies gained in popularity over the year with assets in these funds nearly doubling. Structured finance funds also witnessed significant growth in assets, the result of performance as well as inflows.

Funds of funds remain the largest investor group in local hedge funds, with assets managed by these investors comprising 64% of all hedge fund assets.

On regulation, de Waal said the industry had adopted a high level of self-regulation over recent years. "The proportion of funds that outsource administration to a third party has risen to 88%, which is indicative of the continued move towards implementing global best practices."

Novare Investments' 2008 South African hedge Fund Survey can be found at www.novare.co.za

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