

NOVARE[®]



ANNUAL SOUTH AFRICAN
**HEDGE FUND
SURVEY**
2024



CONTENTS

FOREWORD	4
ABBREVIATIONS	6
HIGHLIGHTS	7
WHAT ARE HEDGE FUNDS	8
Hedge Funds 101	8
Taking a Look at Industry Regulation	9
Different Types of Strategies	10
Review Methodology	11
The Evolution of the South African Hedge Fund Industry	13
MARKET REVIEW FOR 2024	14
ASSETS UNDER MANAGEMENT	15
Industry Size	15
AUM Change	15
Components Affecting AUM	16
AUM BREAKDOWN	17
Breakdown by Regulatory Structure	17
Breakdown at Strategy Level	19
Activity at Strategy Level	20
MANAGER BREAKDOWN	22
AUM by Size	22
Flows by Size	23
INDUSTRY CONCENTRATION	24
Top 10 Largest Funds	24
ASSET MANAGEMENT STRATEGY	25
AUM Split by ASISA Classification Standards	25
AUM Split by Regulatory Structure	26
AUM Classification by Geography	26
AUM Classification by Investment Strategy	27
TRACK RECORD	29
AUM Split by Fund Track Record	29
STRUCTURE	30
Regulatory Schemes	30
OPERATIONS	31
Pricing	31
Management Companies	32

FEES	33
Management Fees	33
Performance Fees	34
INDUSTRY PERFORMANCE FOR 2024	35
Performance by Size	35
Performance by Regulatory Structure	36
Performance by Investment Strategy	37
TRANSFORMATION	38
B-BBEE Ratings	38
Ethnicity Representation	39
Gender Diversity	39
MANAGER INSIGHTS	40
What the Industry Needs to Grow?	40
IN CONCLUSION	41
TECHNICAL TERMS EXPLAINED	42



FOREWORD

We are proud to present the 21st edition of the Novare South African Hedge Fund Survey – a year that will be remembered as the best on record for the local hedge fund industry. Building on two decades of in-depth analysis, this edition captures a remarkable period of growth, innovation, and evolving investor dynamics.

The 2024 survey reflects contributions from over 60 independent hedge fund managers, covering 152 funds across the qualified and retail categories. Together, these managers oversee R152.7 billion in assets – a 43% year-on-year increase and the highest annual growth rate since the inception of this survey. In absolute terms, the R45.9 billion growth in assets under management (AUM) exceeds the entire size of the industry before 2013, a signal of just how far the sector has come. This record-breaking expansion was driven by both strong investment performance and significant net inflows, particularly into Retail Investor Hedge Funds (RIHFs), which are now closing the AUM gap with Qualified Investor Hedge Funds (QIHFs). Hedge funds' ability to deliver absolute returns, protect against downside risk, and offer diversification continues to gain traction – especially in a world that is becoming more uncertain.

The year was characterised by complex but ultimately supportive macroeconomic conditions. Globally, equity and bond markets rallied on expectations that central banks – led by the US Federal Reserve – had reached the end of their tightening cycles. The S&P 500 had a stellar year, boosted by earnings strength in the technology sector and an AI-driven investment boom. Risk assets across the developed world benefited from easing inflation and the prospect of lower interest rates in 2025. Meanwhile, gold surged, while commodities like platinum and iron ore faced price pressure from weaker demand in China.

Against this backdrop, South African financial markets showed resilience. The general election in mid-2024, while delivering a fragmented result, ultimately led to a broadly pragmatic coalition government. Markets responded positively to the avoidance of policy paralysis and the prospect of greater structural reform. The JSE's Capped SWIX Index rose by double-digits, small and mid-cap shares rallied sharply, and bond markets outperformed on slowing inflation and stable monetary policy. The rand was one of the best-performing emerging-market currencies against the dollar, helping dampen imported inflation and supporting investor sentiment.

South African hedge funds were well-positioned to capitalise on these dynamics. Equity Long/Short – Long Bias strategies remained dominant, while multi-strategy funds experienced the fastest growth among the main strategies as investors sought diversified and flexible portfolios. Notably, mid-sized managers outperformed their larger peers on average, even as the industry became more concentrated: the top 10 firms now control 69% of total assets, a four-percentage-point increase from 2023.

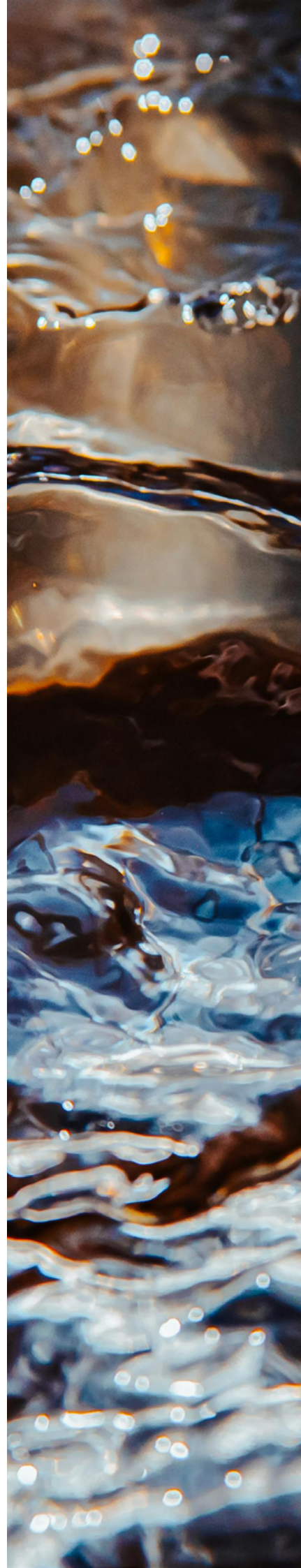
This was also a year of growing retail participation, supported by the increasing availability of daily-priced hedge funds and broader access via Linked Investment Service Platforms (LISPs) and Discretionary Fund Managers (DFMs). The RIHFs segment attracted R19 billion in net inflows and generated an additional R7.5 billion in performance-related returns. More than 70 hedge funds now offer daily pricing, reinforcing a structural shift towards transparency and retail accessibility. Fee structures are also evolving. While the 20% performance fee remains the industry norm, a growing number of funds – particularly new launches – are experimenting with performance-only or sub-1% base fee models. This reflects intensifying competition, rising investor sophistication, and greater pressure to deliver value.

However, progress on transformation remains disappointingly slow. Only 34 of 64 firms disclosed their B-BBEE levels; of these, a third were non-compliant. White professionals still dominate senior leadership roles (66.1%), and women hold just 27.5% of top positions. This highlights an urgent need for greater diversity and inclusion within the industry.

Looking ahead, the hedge fund industry entered 2025 from a position of strength. Yet challenges persist: global geopolitical risks remain elevated, monetary policy paths are uncertain, and South Africa continues to grapple with deep structural issues. Nevertheless, fund managers remain optimistic. There is a growing demand for innovation, particularly in multi-strategy and AI-driven products, improved investor education, clearer regulatory guidelines – especially regarding tax and access to retirement funds – and enhanced platform distribution.

We hope this year's survey provides valuable insight for investors, asset allocators, regulators, and all participants in the hedge fund ecosystem. We are grateful to the managers who shared their data and perspectives with us, and we remain committed to supporting transparency, research, and open dialogue in this rapidly evolving industry.

For more information, feel free to visit www.novare.com or email NovareHedgeFundSurvey@novare.com.



“

Since launching in 2004, the Novare Annual South African Hedge Fund Survey has built a reputation as the go-to resource for tracking the pulse of the local hedge fund industry. Each year, we gather insights directly from more than 60 independent fund managers nationwide to produce a clear, data-driven view of the market.

ABBREVIATIONS

ALBI	- All Bonds Index	HNWI	- High-net-worth-individuals
ALSI	- All Share Index	JSE	- Johannesburg Stock Exchange
ALSI (TR)	- All Share Index Total Return	LISP	- Linked Investment Service Provider
ASISA	- The Association for Savings and Investment South Africa	LLP	- Limited liability partnership
AUM	- Assets under management	LS	- Long-short
B-BBEE	- Broad-Based Black Economic Empowerment	MANCO	- Management company
BN	- Board notice	MAP	- Managed account platform
CIS	- Collective investment scheme	MDD	- Minimum disclosure document
CISCA	- Collective Investment Schemes Control Act, No.45 of 2000	MN	- Market-neutral
DFM	- Discretionary Fund Manager	MS	- Multi-strategy
ECP	- En commandite partnership	MSCI	- Morgan Stanley Capital International
ETF	- Exchange-traded fund	MTPS	- Medium Term Budget Policy Statement
FAIS	- Financial Advisory & Intermediary Services	NAV	- Net asset value
FI	- Fixed income	QI	- Qualified investor
FoF	- Fund of funds	QIHF	- Qualified investor hedge fund
FoHF	- Fund of hedge funds	RI	- Retail investor
FSCA	- Financial Sector Conduct Authority	RIHF	- Retail investor hedge fund
FSP	- Financial Services Provider	SARB	- South African Reserve Bank
GDP	- Gross Domestic Product	SWIX	- Shareholder-weighted Index
		TER	- Total expense ratio
		VAR LIMIT	- Value-at-risk limit
		ZAR	- South African rand



HIGHLIGHTS



R106.8 billion in 2023 to R152.7 billion in 2024

Total AUM soared to a new record, marking the best year for the industry since the first Novare Annual Hedge Fund Survey in 2004.



R45.9 billion

The industry saw a notable increase of R45.9 billion in AUM, driven by strong performance gains and positive net flows. Funds with AUM between R500 million and R1 billion emerged as the top performers, followed by funds with assets between R1 billion and R2 billion.



R22 billion

RIHFs saw strong inflows of R22 billion, reflecting growing accessibility among retail investors, while QIHF only managed to attract a modest R6 billion.



Top 10

The top 10 hedge fund managers manage R105 billion of industry assets, representing 69% of the total hedge fund assets.



Less than

50%

Only 34 of the 64 hedge fund firms surveyed disclosed their B-BBEE status. Among them, 32% held a Level 1 rating, while another 32% were non-compliant.



1% p.a. remains the most widely applied fee level, used by 54 funds (35.76%), although that share has declined from 2023. Funds with fees of more than 2.5% p.a. have disappeared entirely in 2024.



Male dominance

72.6%

The industry remains male-dominated, with the proportion of senior management positions held by men declining only slightly from 75% to 72.6%.

WHAT IS A HEDGE FUND?

Hedge Funds 101

Hedge funds are financial partnerships that pool capital from investors and utilise various sophisticated strategies to deliver optimal returns while minimising risk. Hedge funds employ unique approaches such as derivatives, short selling, and leveraging, with the goal of achieving positive financial returns in both rising and falling markets. While they may invest in the same asset classes as traditional unit trust funds, hedge funds have access to a wider range of investment tools, allowing them to generate additional sources of return. Due to their typically low correlation with traditional stock and bond portfolios, hedge funds serve as effective diversification instruments.

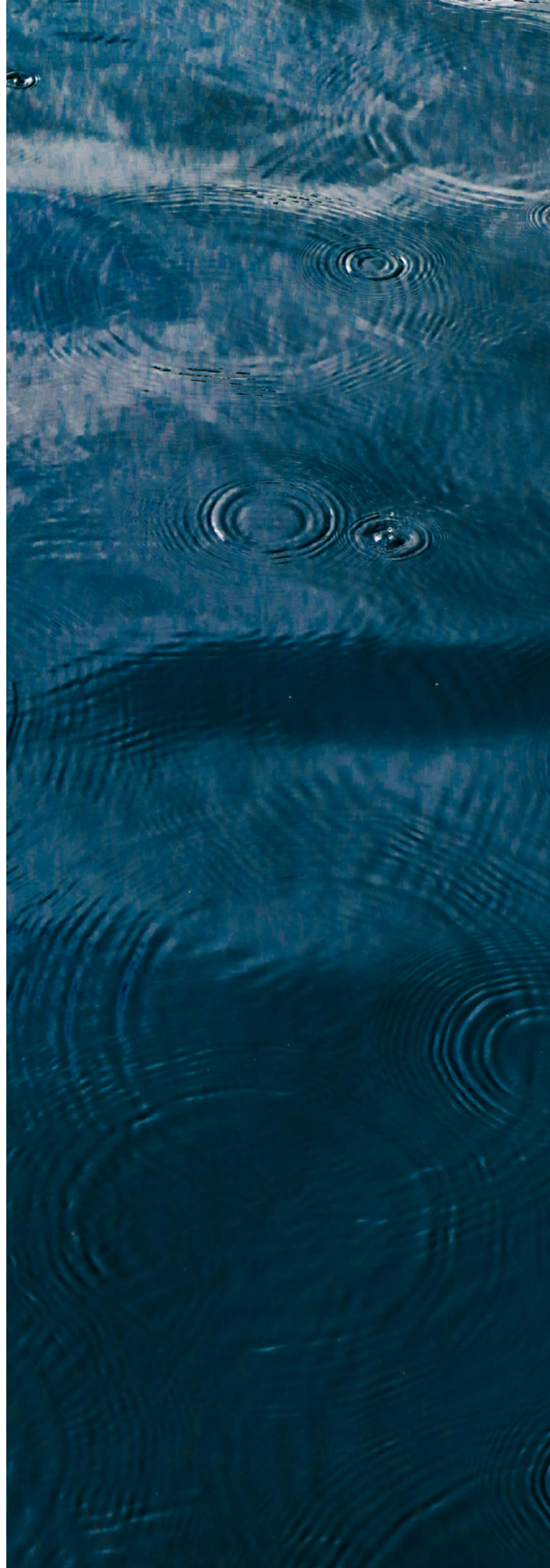
Under the Collective Investment Schemes Control Act (CISCA), hedge funds are classified into two categories: retail investor hedge funds (RIHFs) and qualified investor hedge funds (QIHFs). RIHFs are subject to stricter regulatory oversight, while QIHFs operate under more flexible regulations.










To further clarify the regulatory framework for hedge funds, the Financial Sector Conduct Authority (FSCA) provides specific criteria for identifying qualified investors.

According to FSCA Notice 52 of 2015, a qualified investor is defined as an individual or entity who invests a minimum of R1 million per hedge fund and either:

- a. Possesses demonstrable knowledge and experience in financial and business matters, enabling them to assess the merits and risks of a hedge fund investment; or
- b. Has appointed a Financial Services Provider (FSP) with the requisite expertise to advise on the merits and risks of hedge fund investments.

RIHFs, on the other hand, are designed for broader market participation and adhere to the more stringent regulatory framework set out by the FSCA. Some of the other characteristics of RIHFs and QIHFs are tabulated on the next page.



	 Retail Investor Hedge Funds	 Qualified Investor Hedge Funds
 Investors	Available to general public (varying minimums)	Only available to qualified investors (>R1 000 000)
 Gross exposure limit VAR limit	< 200% < 20%	Not defined Not defined
 Disclosure to clients	Monthly	Quarterly
 Max equity holdings	< 10% per security	Not defined
 Investor liquidity	Daily and Monthly	90 Days
 Risk management	Daily	Daily
 Marketing	Able to solicit investments from all investors	Only solicit and accept investments from a restricted pool of qualified investors

TAKING A LOOK AT INDUSTRY REGULATION

In the wake of the 2008 Global Financial Crisis, the Group of Twenty (G20) committed to strengthening the regulation and oversight of private pools of capital, including hedge funds. As a G20 member, South Africa undertook the necessary steps to introduce regulatory frameworks for hedge funds. This process involved comprehensive consultations between the FSCA, National Treasury, and key industry stakeholders to better understand the local hedge fund landscape and establish an efficient regulatory approach.

Given that many hedge funds in South Africa operate as collective investments, it was decided that hedge fund regulation should be harmonised with existing collective investment scheme (CIS) frameworks. As a result, hedge funds are now regulated by National Treasury under CISC, which also governs the unit trust industry. The primary objective of hedge fund regulation is to monitor and mitigate systemic risk while strengthening product requirements to safeguard investor interests.

Other regulatory benefits include:

- **Independent trustee appointment:** Hedge funds are required to appoint an independent trustee, typically a bank unaffiliated with the unit trust company or asset manager.
- **Independent risk management and compliance:** Additional risk management and compliance oversight of hedge funds are conducted independently from the asset manager, enhancing objectivity.
- **Ongoing FSCA supervision:** The FSCA provides continuous supervision to ensure that hedge fund regulations remain in alignment with those of the local unit trust industry;
- **Promotion of industry integrity:** Regulatory frameworks foster increased integrity within the hedge fund sector.
- **Enhanced transparency for investors:** Investors benefit from improved transparency, particularly regarding fees and portfolio turnover ratios, which are disclosed more frequently.

A central requirement in this regulatory environment is that all hedge funds must appoint a management company (Manco) to handle administrative, operational and risk monitoring functions. The appointed Manco must be approved by the FSCA, aligning with the setup of a unit trust fund.

STRATEGIES

Different types of strategies

Long/short equity:

This strategy aims to generate positive returns by taking both long and short positions in the equity market, thereby reducing market risk while retaining company-specific risk. Most local equity long/short funds tend to be long biased. The strategy involves holding long positions in stocks expected to appreciate in value and short positions in stocks expected to decline. The goal of a long/short equity strategy is to minimise overall market exposure, while profiting from gains in the long positions and price declines in the short positions.

Market neutral:

A market neutral equity strategy involves taking similarly sized long and short positions within related equity sectors to offset directional market risk. The goal is to generate profit from both rising and falling prices. This strategy is often achieved by holding matching long and short positions in different stocks, allowing the fund to capitalise on mispricing. By doing so, it seeks to deliver positive returns from both long and short stock selections while minimising exposure to broad market movements.

Fixed income:

This strategy seeks to capitalise on arbitrage opportunities in interest rate securities. A fixed income arbitrage approach involves taking offsetting positions in the market to take advantage of small price discrepancies, while mitigating interest rate risk. This strategy can include various techniques such as basis trading (e.g. cash vs. futures), yield-curve arbitrage, credit spread trading, and volatility arbitrage in fixed income markets. The goal is to generate returns while hedging against significant interest rate risk, typically through matched long and short positions in related securities.

Statistical arbitrage:

This strategy utilises quantitative models and statistical techniques to identify market inefficiencies and establish short-term positions across a broad universe of securities. By analysing historical data, price patterns, and correlations, statistical arbitrage seeks to profit from price movements that deviate from historical relationships or expected trends. Positions are often market-neutral, aiming to exploit temporary mispricings rather than directional market moves.

Volatility arbitrage:

Volatility arbitrage aims to capitalise on discrepancies between the implied volatility of an option (or other derivative) and the expected, or realised, volatility of the underlying asset. The strategy often involves taking positions in options or other derivatives where the trader believes the market has mispriced future volatility. By going long or short on volatility across various assets, this strategy seeks to profit from volatility-driven price differences, regardless of the directional movement of the underlying assets.

Multi-strategy:

A multi-strategy hedge fund deploys capital across a diverse range of investment strategies, often spanning multiple asset classes and trading styles. By combining approaches such as equity long/short, credit arbitrage, macro, and statistical arbitrage, the fund aims to achieve diversified, risk-adjusted returns. This flexible approach allows the manager to adapt to different market conditions and capitalise on opportunities across various strategies.

Commodities:

Funds that predominantly invest in soft or hard commodities. These funds can follow several different strategies to obtain alpha from this asset class, including trend-following or non-directional market-neutral strategies.

Practical Example of Long and Short

LONG POSITION



The buying of a security such as a stock, commodity or currency, with the expectation that the asset will rise in value. For example, an owner of shares in Stock Water is said to "hold a long position in Stock Water", or to use an industry term, is "long Stock Water".

Example - Long position

Buy 10 stock shares @ R100 per share (with the expectation that the asset will rise in value).

Total investment	= R100 x 10 = R1000
Share price rises	= R135 per share
Portfolio value	= R135 x 10 = R1350
Profit when selling	= R1350 - R1000
	= R350 / R35 per share

SHORT POSITION



The sale of a borrowed security, commodity or currency with the expectation that the asset will fall in value.

Example - Short position

Borrows 10 shares in Stock Maone and sells them on the open market @ R100 each (with the expectation that the asset will fall in value).

Share price declines	= R75 per share
Portfolio value	= R75 x 10 = R750
Profit when selling	= R1000 - R750
	= R250 / R25 per share

REVIEW METHODOLOGY

Who we review:



SA Domiciled Managers

Single-Managed Funds

Registered and Unregistered Funds



Funds of Hedge Funds (FoHFs)

Multi-Managed Funds

External Sub-Delegated or Mandated Funds

Offshore Domiciled Funds

Included

- **SA Domiciled Managers**
These are hedge fund managers based in South Africa, managing funds domiciled locally and denominated in rand.
Reason for inclusion: Focusing on South African-domiciled managers offers a comprehensive view of the domestic hedge fund landscape, including local market practices, regulatory compliance, and performance. Limiting the scope to local managers ensures that the data reflects the industry's unique characteristics and dynamics.
- **Single-Managed Funds**
These are funds overseen by a single investment manager or team, typically following a distinct investment strategy.
Reason for inclusion: Including only single-managed funds enables a clearer assessment of strategy-specific performance, avoiding the complexity of multi-manager contributions. This provides a more straightforward view of individual manager performance and decision-making.
- **Registered and Unregistered Funds**
The survey includes both funds registered with South African regulatory bodies, such as the FSCA under CISC, and those operating outside the formal regulatory framework.
Reason for inclusion: Including both registered and unregistered funds provides a holistic view of the market, capturing the full spectrum of fund types and strategies, regardless of regulatory status.

Excluded

- **Funds of Hedge Funds (FoHFs)**
These are funds that invest in a portfolio of multiple hedge funds.
Reason for exclusion: FoHFs are excluded to avoid double-counting AUM as their underlying investments are often already captured in the survey. This ensures a more accurate and undistorted picture of total industry AUM.
- **Multi-Managed Funds**
Multi-managed funds are structured with multiple managers under one fund, often blending various strategies for diversification.
Reason for exclusion: Multi-managed funds can also lead to double counting in AUM figures, as assets may already be reported by single-managed funds as segregated mandates. By excluding these, the survey maintains clarity on AUM reporting and reduces redundancy in data.
- **External Sub-Delegated or Mandated Funds**
These are funds where assets are sub-delegated to external managers or held as part of broader mandate agreements. They are often used as building blocks internally by FoHFs or used as a separate vehicle marketed separately from the main strategy.
Reason for exclusion: Sub-delegated or mandate funds often include assets already counted by single-managed funds as part of their segregated mandates, leading to potential AUM inflation. Where it is not clear, these are listed separately.
- **Offshore Domiciled Funds**
These funds are domiciled outside South Africa, often in jurisdictions with different regulatory or tax environments. ASISA and CISC allow local managers to set up these structures in different jurisdictions for their clients.
Reason for exclusion: Offshore funds are excluded to keep the survey focused on the South African hedge fund market. Including them would introduce additional regulatory and market complexities, detracting from the survey's focus on the local industry.

WHAT WE REVIEW:



1. Assets Under Management

This component considers the industry's growth in AUM since 2002, general growth in AUM since 2010, and net annual changes. The main drivers of AUM growth have varied over time, but the survey aims to provide a comprehensive picture of these drivers each year.

2. Strategy

This is a representation of strategy as a portion of the total AUM. Assets are viewed by net flows and by growth in strategy. The aim is to measure which strategy houses the bulk of the assets.

3. Operations

This covers the operational aspects of the hedge fund industry. The survey was grouped according to Manco responsibilities and non-Manco responsibilities. The aim is to provide insights into hedge funds' operational efficiency, transparency, capability and resources.

4. Structure

This section examines the legal structure of a hedge fund to determine liability in instances of extreme losses.

5. Fees

This section covers how fees are calculated and the latest cost trends.

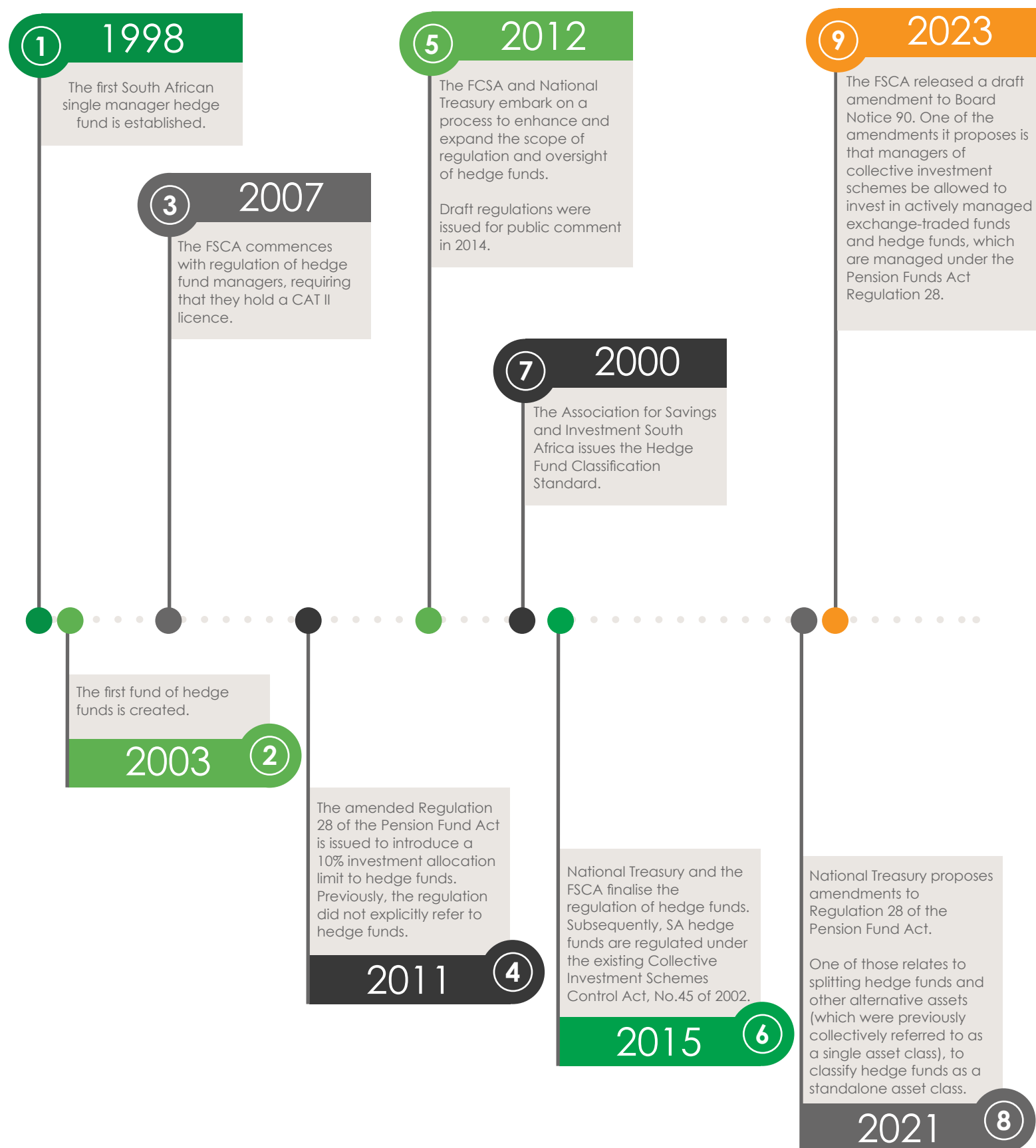
6. Performance

Here we investigate the performance of the industry across different strategies and fund sizes, to determine how industry returns are generated.

7. Transformation

This section investigates hedge fund managers' level of compliance with Broad-Based Black Economic Empowerment requirements and the diversity of their teams, especially in senior management.

THE EVOLUTION OF SOUTH AFRICAN HEDGE FUND INDUSTRY



MARKET REVIEW FOR 2024

South African financial markets and investors experienced a pivotal shift in 2024, as years of policy uncertainty and low economic growth gave way to signs of economic and institutional stabilisation. These domestic shifts, coupled with a more supportive global backdrop, particularly in the second half of the year, lifted local assets and resulted in renewed market optimism.

Domestically, one of the year's most defining moments was the general election, which delivered a result that, while necessitating coalition governance, avoided the feared outcome of policy paralysis. The markets responded positively to hopes of policy continuity and a pragmatic cabinet. Investor sentiment was buoyed further by increased momentum in structural reforms, including early progress in the unbundling of Eskom's transmission operations, modest improvements in energy availability, and greater private sector participation in logistics and infrastructure.

Equities rallied in response. The Capped SWIX Index returned more than 13% for the year, reflecting broad-based gains across the JSE - Small- and mid-cap stocks were the standout performers, with the All Share Small Cap Index surging by almost 36% and mid-caps jumping over 15%, driven by a re-rating of undervalued domestic companies and renewed appetite for local earnings exposure. Financials (+22%) and industrials (+19%) outperformed as interest rate stability and rising consumer activity supported the earnings recovery. The resource sector, by contrast, struggled amid declining commodity prices and weak demand from China, ending the year nearly 9% down.

Fixed income markets also drew strong interest from investors seeking yield. The All-Bond Index (ALBI) returned 17%, far outperforming cash, as expectations of monetary policy easing in 2025 gained traction. South African inflation continued to moderate within the Reserve Bank's target band, and the repo rate remained on hold throughout the year. The combination of disinflation, fiscal prudence, and a stronger-than-expected rand created a tailwind for longer-duration bond strategies.

The rand gained by over 3% against the US dollar over the year, aided by narrowing interest rate differentials, improved domestic confidence, and broad-based dollar weakness in the final quarter. This helped offset imported inflation and improved South Africa's terms of trade, even as export volumes softened.

Globally, risk assets rallied on the back of a policy pivot by the US Federal Reserve, which signalled the end of its hiking cycle by the third quarter. This, alongside a robust earnings season for large-cap US technology firms, pushed the S&P 500 up 25% and lifted global benchmarks, such as the MSCI World Index, which jumped 23% in rand terms in 2024. The AI-driven boom in developed markets was a key performance driver globally, but geopolitical risks kept volatility elevated and defensive allocations intact.

Commodities experienced a mixed year: while gold surged 27%, benefiting from lower inflation-adjusted interest rate expectations and geopolitical hedging, industrial metals like platinum (-9%) and palladium (-17%) remained under pressure. Oil prices were relatively subdued despite supply-side risks, and coal and iron ore saw sharp year-on-year declines, further weighing on local resource counters.

Against this backdrop, South African hedge funds capitalised on increased dispersion and volatility across asset classes. Long/Short equity funds, in particular, benefited from relative value opportunities in the domestic mid-cap space and international thematic trades. Fixed-income managers generated attractive returns from the steep local yield curve and declining inflation expectations.

In all, 2024 marked a year of transition and recovery for South African markets. While structural challenges remain, the confluence of improved governance signals, moderating global inflation, and stabilising capital flows has set the stage for a potentially constructive 2025.

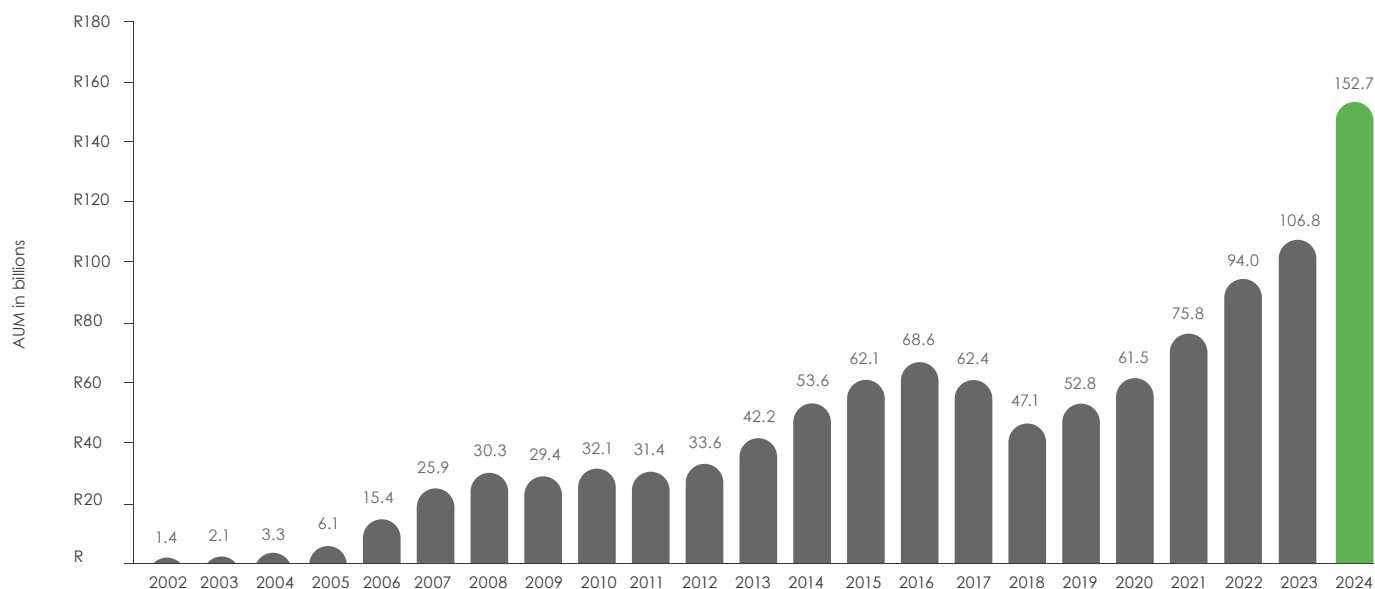
Hedge fund managers, with their flexibility and focus on absolute return, are well-positioned to navigate the next wave of risks.

As South Africa entered 2025, investors remained focused on three key uncertainties: the trajectory of global interest rates, the durability of coalition governance, and the outcome of the US election. Despite these risks, opportunities across local equities, fixed income, and select alternatives remain compelling for long-term investors.

ASSETS UNDER MANAGEMENT

Industry Size

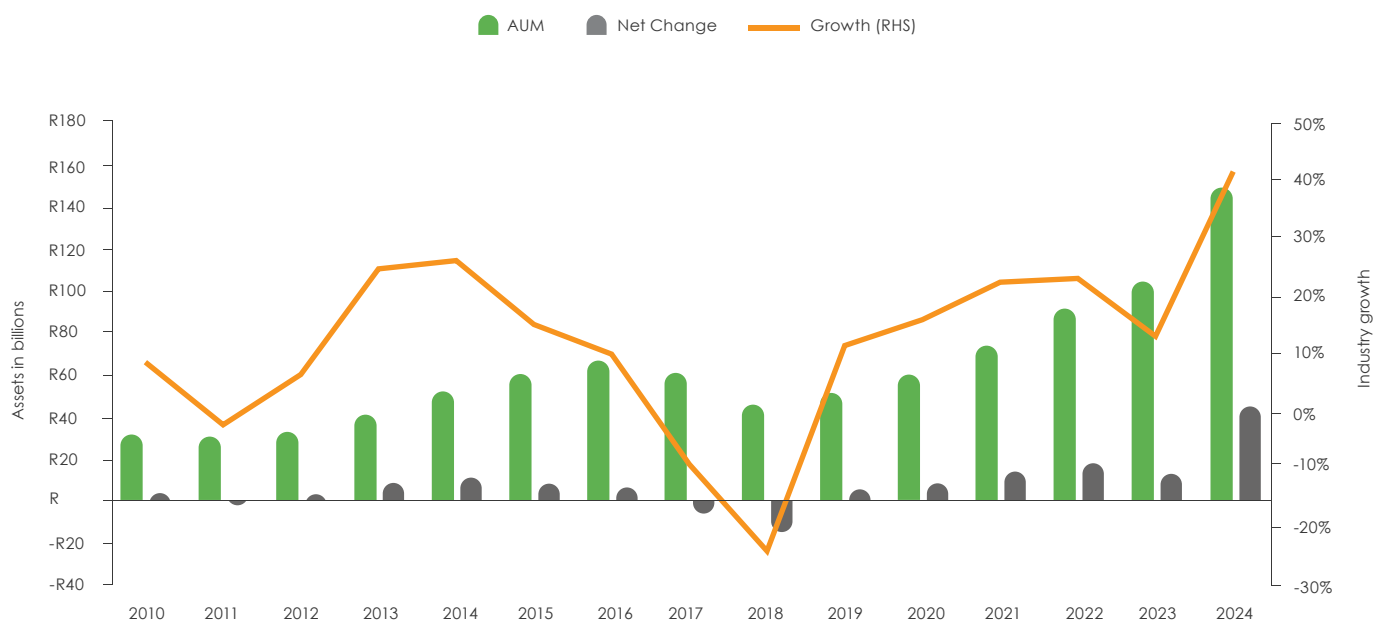
Chart 1: Industry AUM From 2002 to 2024



South Africa's hedge fund industry reached a new milestone in 2024, with assets under management (AUM) fuelled from R106.8 billion to an all-time high of R152.7 billion – an increase of R45.9 billion, the largest year-on-year growth since Novare began tracking the industry. For perspective, that single-year leap is larger than the industry's total AUM before 2013.

AUM Change

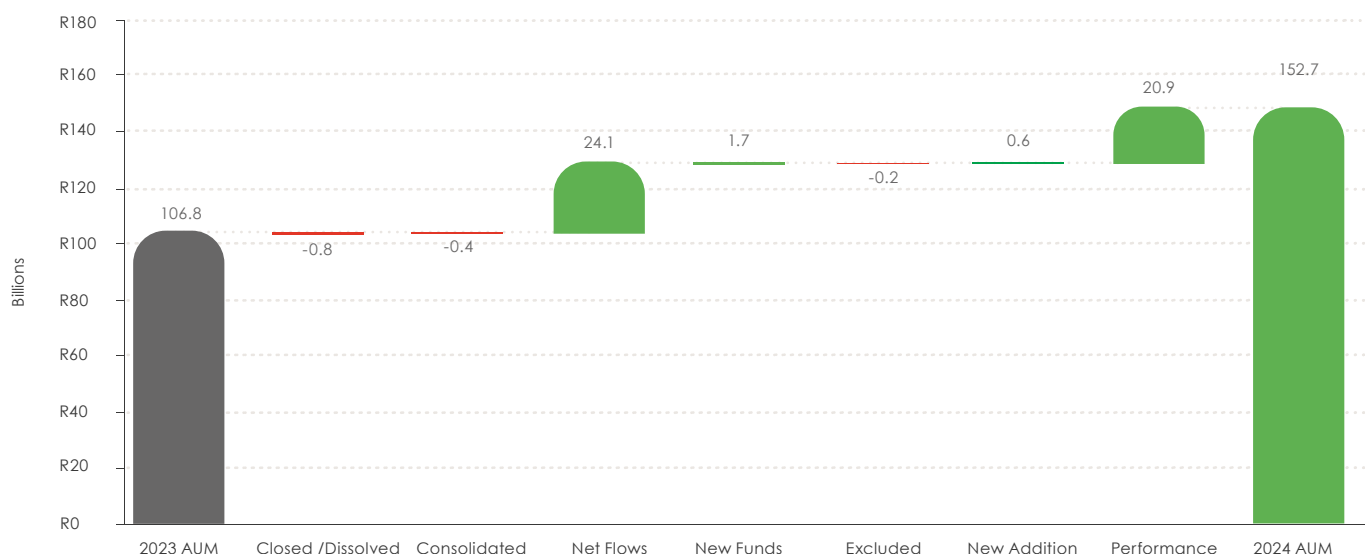
Chart 2: AUM Growth Since 2010



South Africa's hedge fund industry posted its strongest year on record in 2024, with a 43% rise in AUM, fuelled mainly by a sharp pickup in investor inflows. The wave of new money into the sector reflects renewed confidence in the asset class, while a solid performance across various strategies applied by hedge fund managers has also helped boost AUM.

Components Affecting AUM

Chart 3: Factors Contributing to Change in AUM



The South African hedge fund industry recorded a landmark year in 2024, with total AUM increasing from R106.85 billion in 2023 to R154.7 billion, representing a growth of R47.9 billion or approximately 44.78%. This marks the largest annual growth rate since the inception of the Novare Hedge Fund Survey. Please note that the difference between the headline AUM figures and the detailed breakdown presented here is due to rounding, with the latter reflecting more precise underlying contributions.

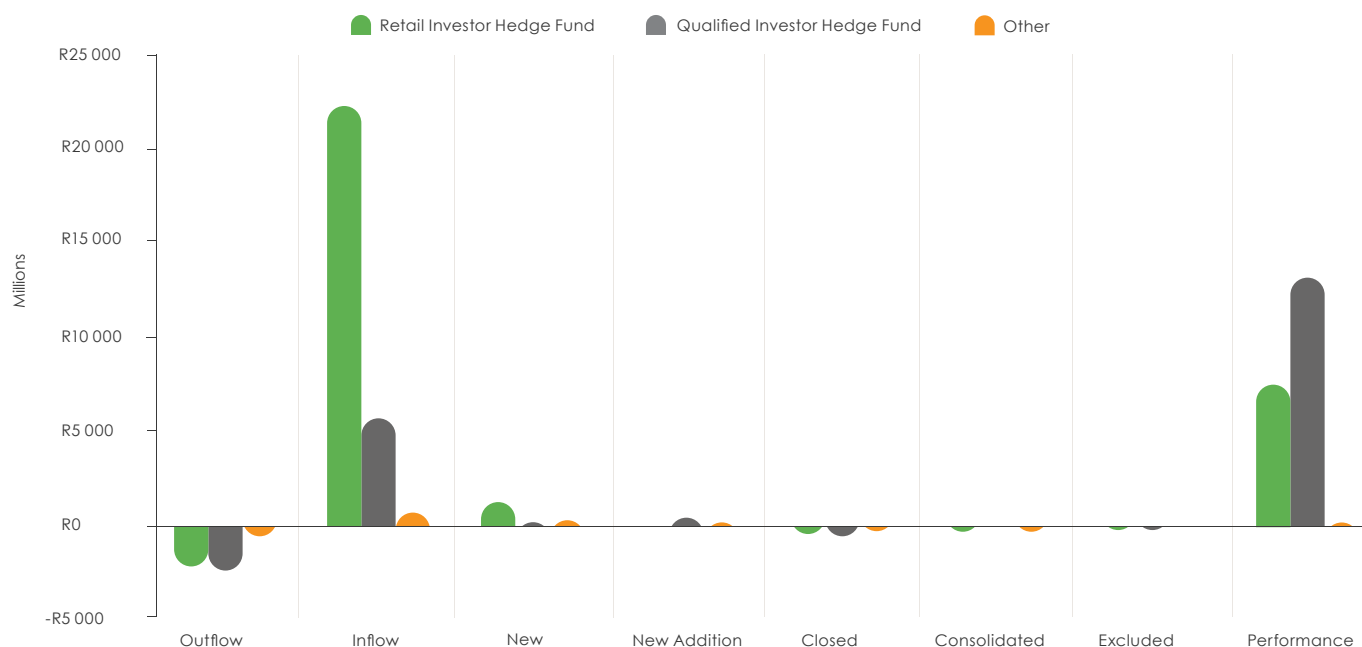
This growth was driven by a combination of investor flows, fund performance and structural changes. Below is a breakdown of the key components and their impact on industry AUM:

- Closed/Dissolved Funds:**
 Hedge funds that ceased operations or were formally closed during the year reduced AUM by R805 million in 2024.
- Consolidated Funds:**
 Existing funds that merged into other structures, often for operational reasons such as unlocking efficiencies, accounted for a further R433 million decline in AUM.
- Net Flows:**
 Net new capital into existing hedge funds totalled R24.12 billion, making this the single most significant contributor to industry growth in 2024. The strong inflows signal rising investor confidence.
- New Funds:**
 Eight new funds entered the market during the year, adding R1.71 billion to total AUM.
- Excluded Funds:**
 Some funds were removed from the survey due to changes in mandates or no longer meeting our inclusion criteria, resulting in a reduction of R182.7 million in AUM. Because managers often adjust fund strategies, this factor will continue to appear in the survey to ensure completeness and consistency.
- New Additions (Survey Coverage):**
 Two previously uncaptured funds, either missed in earlier surveys or newly meeting our inclusion criteria, contributed R578.4 million in additional AUM. While we aim to capture all hedge fund assets in South Africa, the survey relies on voluntary participation and publicly available data. When managers choose not to participate or submit data late, some funds may be missed. To ensure transparency, these are listed under the "New Additions" category, distinct from new entrants or capital inflows.
- Performance:**
 In 2024, performance added R20.86 billion to industry growth – a recurring driver even in years with muted inflows. For the first time since Novare began tracking this breakdown, performance was the second-largest contributor after net inflows. The 44.7% rise in AUM marks the strongest annual growth on record, led by robust capital inflows and strong investment returns, with additional support from new fund launches and expanded survey coverage.

AUM BREAKDOWN

Breakdown by Regulatory Structure

Chart 4.1: Industry Dynamics by Fund Structure



In 2024, growth in hedge fund assets varied across different fund types, and funds not regulated under the Collective Investment Schemes Control Act (CISCA). RIHFs led in attracting new capital, while QIHFs contributed more to performance gains, reflecting their structural flexibility. Funds outside the regulatory framework saw minimal change.

Inflows and Outflows

- RIHFs drew over R22 billion in inflows, by far the highest among the three structures. This surge stemmed from a growing retail appetite for regulated hedge fund products, driven by improved education, distribution through Linked Investment Service Providers (LISPs), endorsements from Discretionary Fund Managers (DFMs), and better transparency from hedge fund managers regarding their strategies, performance, and products.
- Despite the success in fundraising, RIHFs also experienced substantial outflows of just over R3 billion during the year.
- QIHFs, by contrast, received a more modest R6 billion in inflows and roughly R2.5 billion in outflows, but the net inflow was still firmly positive.
- The Other fund/unregistered category saw minimal activity by comparison.

New Funds and Structural Changes

- RIHFs led in new fund launches, with approximately R1.3 billion added via new structures, aligning with the trend of traditional hedge fund managers launching retail-friendly products.
- QIHFs registered a small increase in new funds, while closures and consolidations were relatively evenly spread across both RIHFs and QIHFs.
- Exclusions were immaterial, with one RIF being excluded from our database due to fund reclassification in 2024.

Performance Contribution

The most striking contrast lies in performance attribution:

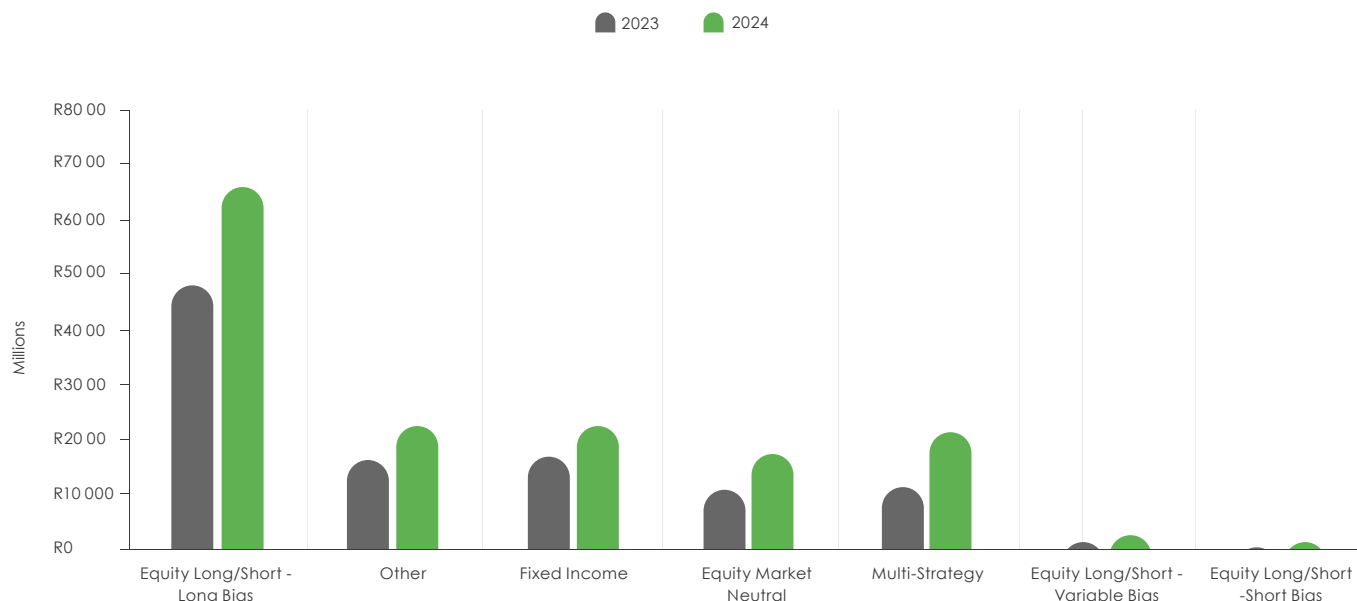
- QIHF's contributed significantly more to performance gains, adding close to R13 billion, nearly double the performance observed in RIHF's (which delivered around R7.5 billion).
- This may be linked to the fundamental structural difference between the two: QIHF's typically can take advantage of less liquid opportunities. QIHF strategies benefit from the illiquidity premium and the freedom from daily pricing or redemption constraints, allowing managers to identify other sources of alpha that may not be available to a RIHF manager.
- RIHF's are bound by liquidity and transparency regulations, with daily or frequent pricing requirements, leading to a prevalence of more liquid, lower-return opportunities that may underperform during strong risk-on environments.

While RIHF's are winning the distribution battle with greater accessibility and regulatory transparency, QIHF's continue to deliver stronger returns, reinforcing their appeal to institutional and high-net-worth investors seeking higher performance beyond the market average.



Breakdown at Strategy Level

Chart 4.2: Strategy-Level Breakdown



Growth in AUM across hedge fund strategies – classified under Tier 3 of the ASISA standards introduced in 2018 – was driven by a combination of net inflows, robust performance, and rising interest from both retail and institutional investors. The results are as follows:

- Equity Long/Short – Long Bias**
 This strategy remains the largest by AUM, growing from R47.9 billion in 2023 to R66.7 billion in 2024, an increase of R18.8 billion (+39%). It benefited from strong market performance and continued investor demand for directionally biased equity exposure. Its popularity is evident among RIHF, where accessibility and daily pricing have helped capture flows via LSPs.
- Multi-Strategy**
 Multi-strategy funds recorded the most significant absolute and relative growth after Equity Long/Short – Long Bias, rising by R9.7 billion (+84%) to reach R21.3 billion. Diversification across multiple asset classes and investment styles has made this strategy particularly attractive in a volatile and uncertain macroeconomic environment.
- Equity Market Neutral**
 AUM in equity market neutral strategies rose from R11.3 billion to R17.2 billion (+52%). These strategies have gained favour for their ability to deliver returns (alpha) independently of overall market direction, while keeping volatility (beta) relatively low – an attractive proposition during periods of market turbulence.
- Fixed Income**
 Fixed income hedge fund strategies grew from R17.3 billion in 2023 to R22.3 billion in 2024 (+28%), supported by elevated interest rates and ongoing market inefficiencies, particularly in credit spreads and yield curve arbitrage. These conditions created opportunities for managers to generate returns from mispricings in bond markets.
- Other**
 This category, which includes non-traditional and niche strategies, expanded from R16.7 billion to R22 billion (+32%). This demonstrates the ongoing demand for hedge fund-regulated structures among other types of managers.
- Equity Long/Short – Variable Bias**
 This strategy, which dynamically adjusts net exposure, grew modestly from R1.7 billion to R2.1 billion (+19%).
- Equity Long/Short – Short Bias**
 Despite being the smallest category by AUM, short-biased strategies recorded the highest percentage growth, surging from R350 million to R1.2 billion, a 243% increase. The increase came from a single fund, which was able to draw a large investment due to its exceptional performance over the years.

Activity at Strategy Level

Chart 5: Breakdown of AUM Change in 2024



With the robust growth experienced in 2024, investor appetite was firmly centred on equity-driven strategies. While Equity Long/Short - Long Bias and Multi-Strategy funds dominated both inflows and performance gains, other categories added meaningful contributions to overall AUM.

- Equity Long/Short – Long Bias**

The Equity Long/Short – Long Bias category recorded the highest overall investor activity during the year. It saw gross inflows of R11.55 billion, the largest among all strategies, continuing to be the main strategy in South Africa. Despite recording R2.82 billion in redemptions – the highest among peer groups – net inflows still stood at a robust R8.73 billion.

In addition to capital flows, performance contributed an additional R9.26 billion, making it the top contributor to AUM growth. The strategy also accounted for the highest level of new fund launches (R1.04 billion), while fund closures and consolidations were minimal, amounting to R13.5 million and R217 million, respectively. Equity Long/Short – Long Bias continues to dominate the hedge fund space in terms of both attracting capital and activity.

- Other Strategies**

This category includes funds that may not exhibit all the typical traits of traditional hedge funds, but use structures for tax, liquidity, regulatory and transparency benefits.

Net inflows totalled R361 million (R444 million in inflows vs. R83 million in outflows), while performance added another R4.8 billion. New launches added R305 million, with no closures or consolidations reported.

- Fixed Income**

Fixed Income posted healthy growth. The strategy generated net inflows of R2.51 billion, comprising R2.72 billion in gross inflows and only R220 million in redemptions. Performance added a further R2.59 billion.

The year saw some product launches, with R73.4 million from new funds and R48 million from existing fund expansions. Although performance contribution was lower than that of equity-focused strategies, the limited number of funds in this space and its lower volatility profile ensured its relevance among more risk-averse allocators.

- Equity Market Neutral**

Equity Market Neutral strategies also attracted significant capital, recording net inflows of R4.25 billion. This figure was achieved despite R165 million in outflows and R74 million in fund closures. There were no new fund launches or consolidations. Performance added R1.73 billion, the lowest among the equity strategies. Inflows were concentrated among a few well-established managers.

- Multi-Strategy**

Multi-strategy funds experienced the second-largest growth in AUM. The strategy attracted R8.77 billion in inflows, offsetting R1.23 billion in redemptions, resulting in net inflows of R7.54 billion. Although it had the highest value of fund closures at R632 million, this was offset by R297 million in new launches. Performance added a further R1.97 billion. The strategy's wide and flexible mandate contributed to its appeal in a year marked by varying asset class performance and market dispersion.

- **Equity Long/Short – Variable Bias**

Equity Long/Short – Variable Bias strategies faced a more challenging environment. The strategy experienced the only negative net flows among all categories, with R52 million in inflows offset by R131 million in redemptions, resulting in net outflows of R79 million. There were no new fund launches, and closures totalled R25 million.

- **Equity Long/Short – Short Bias**

Equity Long/Short – Short Bias attracted R820 million in inflows without any redemptions, closures, or consolidations. Only one fund in the survey reported using this strategy.

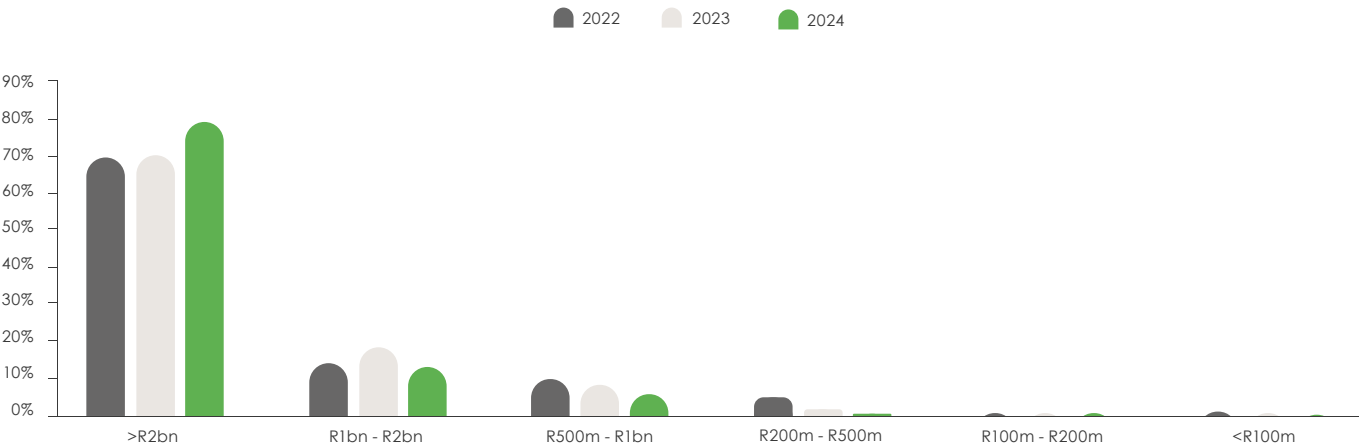
In summary, the R45.9 billion total growth in hedge fund AUM during 2024 was primarily driven by equity-focused strategies, particularly long bias, and by multi-strategy funds. Together, these two strategies accounted for approximately 67% of total net inflows. The strongest performance contributions came from the long bias strategy (R9.3 billion) and Other Strategies (R4.8 billion).



MANAGER BREAKDOWN

AUM by Size

Chart 6.1: Share of Assets by Fund Manager Size



In terms of asset concentration, there were no significant changes in the trend of the local hedge fund industry from 2023 to 2024, as the largest hedge fund managers continue to control the majority of the industry's assets. Some observations include the following:

- Large hedge fund managers, with AUM exceeding R2 billion, continue to dominate the industry, with assets managed by this category increasing from 69.8% in 2023 to 79.2% in 2024, a significant increase of over nine percentage points, showing the increasing dominance of large-scale managers in the local hedge fund landscape.

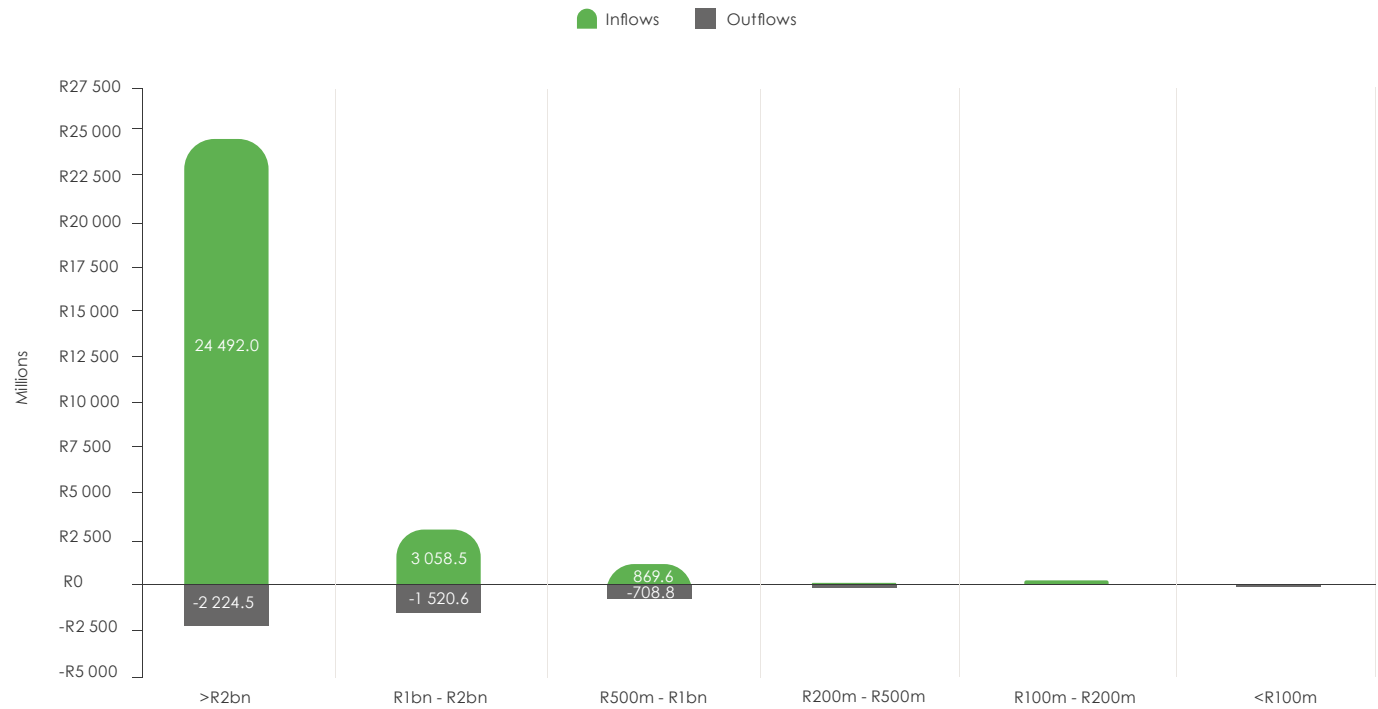
All other AUM tiers experienced a decline in market share during the year:

- Firms managing between R1 billion and R2 billion saw their share fall from 14.1% in 2023 to 13.1% in 2024, while those who are R500 million to R1 billion range dropped from 8.2% to 5.9%.
- Smaller manager tiers, particularly those managing under R500 million, continued to lose ground.
- The R200 million to R500 million band declined from 2% to 0.9%, while the sub-R200 million categories remained marginal, collectively contributing less than 1% to total industry AUM.

This trend is not unexpected. As the industry matures and total hedge fund assets grow beyond R100 billion, a natural concentration toward larger players is unfolding. In earlier years, when the industry was smaller and more experimental, it was common to see managers operating with sub-scale portfolios of less than R500 million. However, those days appear to be drawing to a close. We expect continued consolidation and a shrinking space for small operators as the industry progresses toward a more institutionalised model.

Flows by Size

Chart 6.2: Net Flows by Hedge Fund Manager Size



In 2024, South Africa's hedge fund industry attracted R24.1 billion in net inflows, with a clear bias towards larger asset managers:

- Firms managing more than R2 billion in hedge fund assets attracted the overwhelming majority of new capital, drawing R24.49 billion in gross inflows against R2.22 billion in redemptions, resulting in a net gain of R22.28 billion. This accounts for nearly 87% of total industry net inflows.
- Within this group, managers with hedge fund assets exceeding R5 billion captured R18.57 billion in inflows over the year.
- Managers in the R1 billion to R2 billion bracket also benefited, securing R3.06 billion in inflows versus R1.52 billion in outflows, resulting in net inflows of R1.54 billion. While smaller than their larger counterparts, these firms still accounted for almost 9% of industry net flows.

Smaller managers saw more modest participation:

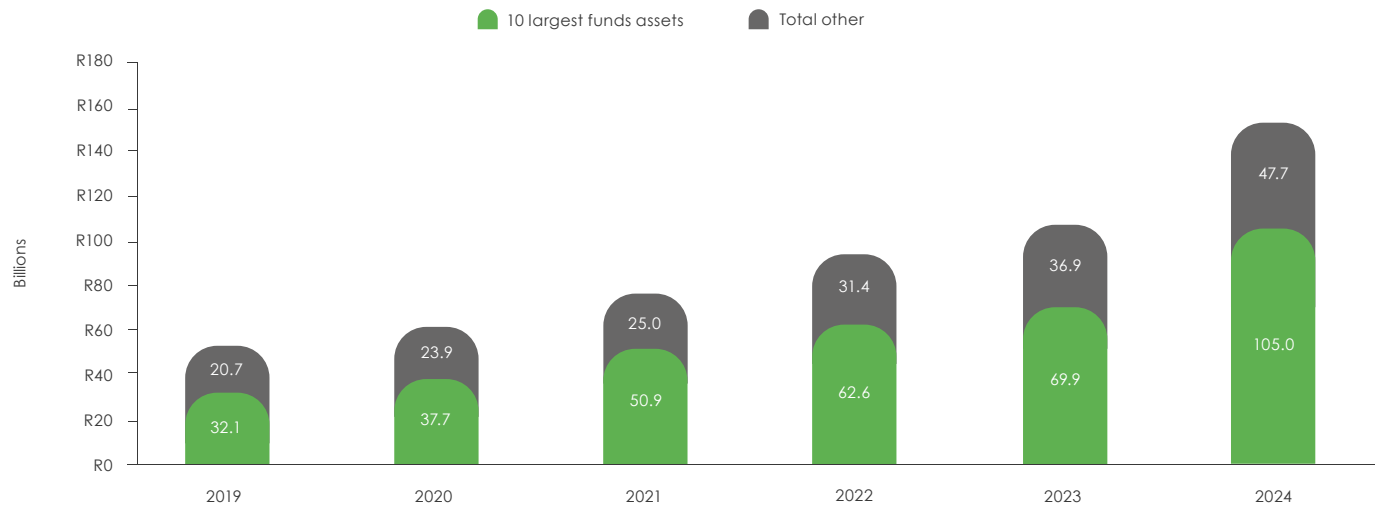
- Firms managing R500 million to R1 billion reported net inflows of R160 million, with R869.6 million coming in and R708.8 million flowing out.
- Managers with assets under R500 million also made negligible contributions to overall flows. The R100 million to R200 million bracket posted R238 million in inflows.

Investors in hedge funds in South Africa are clearly favouring larger, more established managers with greater capacity, infrastructure, and track records. With capital flowing to the top while smaller players see limited participation, the ability to attract and retain AUM in today's environment is increasingly linked to manager size, distribution presence, and reputation.

INDUSTRY CONCENTRATION

Top 10 Fund Concentration

Chart 7: Top 10 Largest Hedge Funds



The South African hedge fund industry continues to exhibit a growing level of concentration, with the 10 largest managers commanding an increasingly dominant share of total assets. In 2024, these firms collectively managed R105 billion, a sharp increase from R69.9 billion in 2023 and more than double the levels record in 2021.

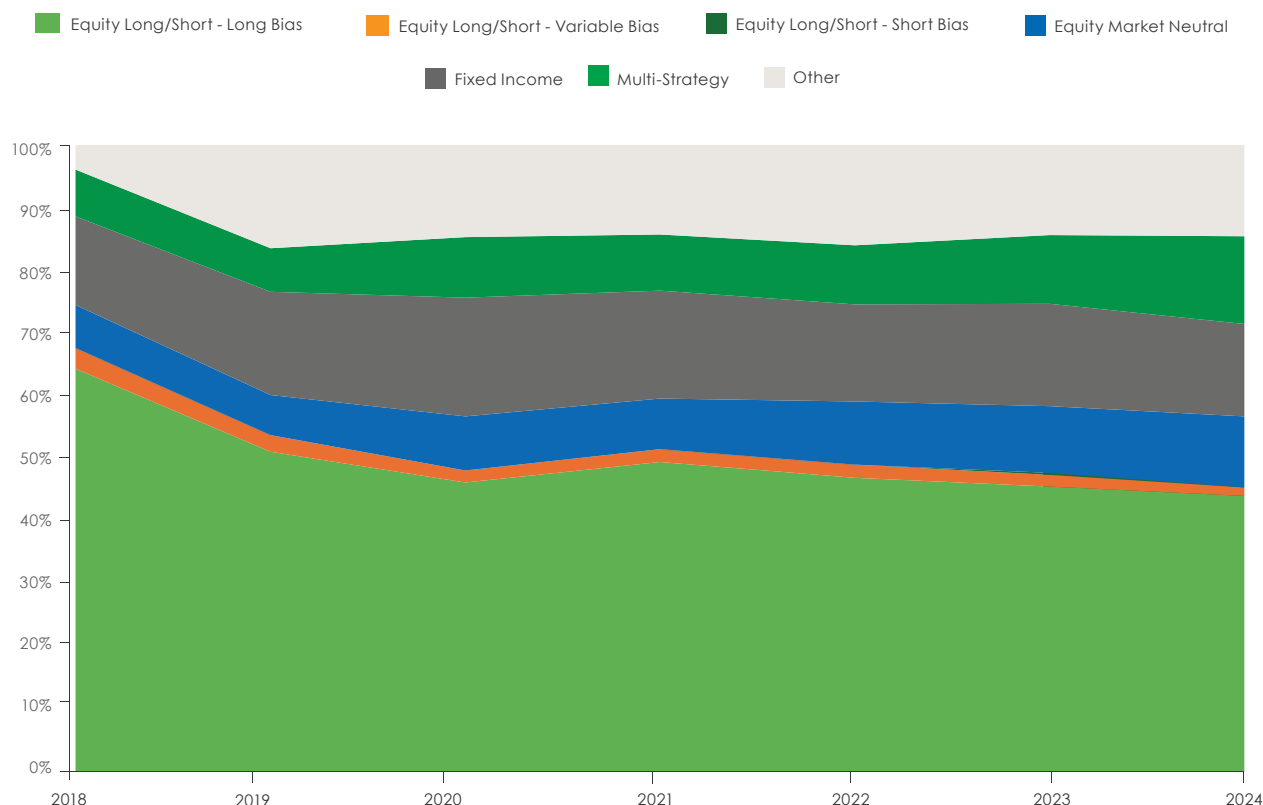
Assets managed by the rest of the industry increased at a slower pace, rising from R36.9 billion in 2023 to R47.7 billion in 2024. While this is still a healthy absolute growth rate, it has not kept up with the leading top 10 firms. As a result, the top 10 now control 69% of total industry assets, a meaningful rise from 65% in 2023 and 59% in 2022.



ASSET MANAGEMENT STRATEGY

AUM Split by ASISA Classification Standards

Chart 8.1: AUM Split by Strategies



The percentage allocation of industry assets across various hedge fund strategies from 2018 to 2024 reflects the classifications introduced by ASISA after the adoption of CISC regulations for the hedge fund industry in 2016.

The most noticeable change was the continued gradual rise of Multi-Strategy funds, which jumped from 10.98% in 2023 to 13.93% in 2024. This increase is a move towards more flexible, diversified strategies, driven by investors favouring this approach over single asset-exposed funds.

The growth of **Multi-Strategy** funds came partly at the expense of **Fixed Income** strategies, whose share declined from 16.3% in 2023 to 14.59% in 2024.

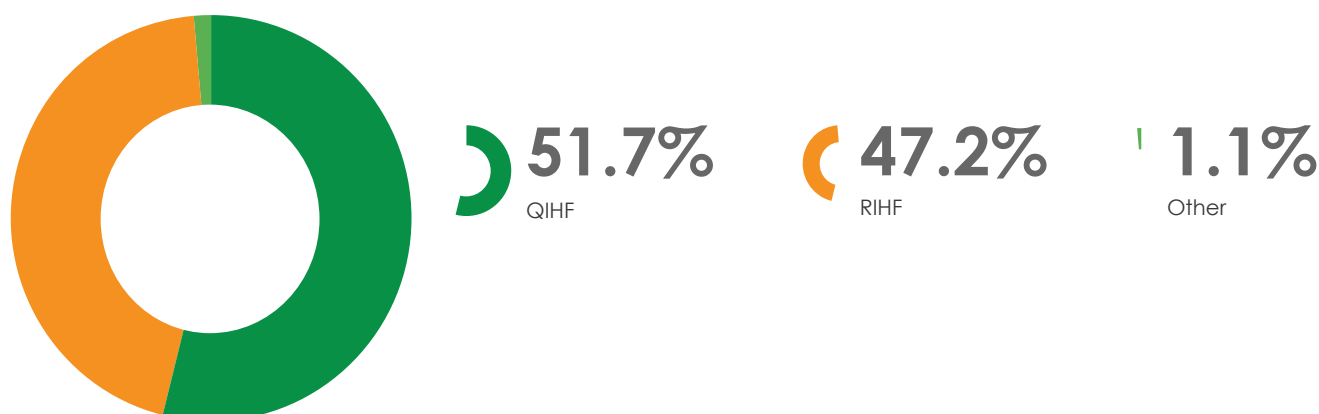
The dominant **Equity Long/Short – Long Bias** category continued its gradual decline, slipping from 45.6% to 43.7%. While still the largest allocation, the trend confirms the growth of multi-asset hedge funds. Meanwhile, **Equity Market Neutral** strategies saw a slight uptick (from 10.66% to 11.26%), continuing their steady rise and affirming investor interest in low-volatility, alpha-focused strategies.

Allocations to **Equity Long/Short – Variable Bias and Short Bias** strategies remained largely unchanged and very small.

In summary, 2024 marks a continuation of the industry's gradual shift away from single-strategy, directional exposures in favour of balanced, multi-asset, and neutral strategies. This shift is partly driven by the growth of retail investors into the industry, who tend to favour all-in-one, diversified solutions over the building-block approach preferred by institutional allocators. As retail investors continue to take on hedge funds, we expect this to have a direct proportional effect on the rise in allocation to multi-strategy funds.

AUM Split by Regulatory Structure

Chart 8.2: Structure as Percentage of AUM – Tier 1 Classification

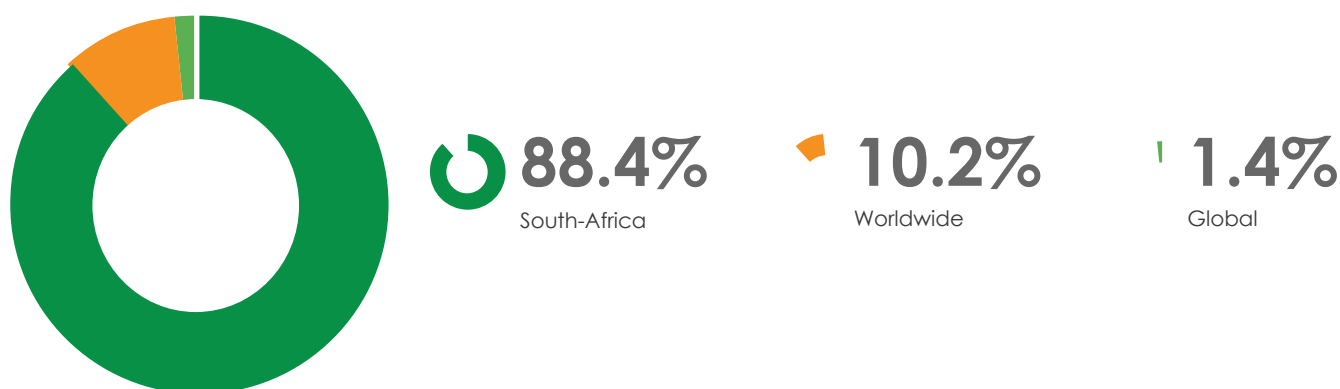


Out of the total 152 funds included in the survey, 70 are classified as QIHF, managing R78.98 billion, equivalent to 51.7% of total industry assets. By comparison, 78 funds fall under the RIHF category, managing a substantial R72.06 billion, or 47.2% of industry assets. The remaining R1.65 billion (or 1.1%) is managed across four funds categorised as "Other".

This near parity in AUM between QIHF and RIHF marks an evolution in the South African hedge fund industry, which has traditionally been dominated by institutional capital flowing into QIHF structures. This trend is underscored by the growing popularity of multi-strategy funds, which are better suited for retail clients seeking diversified, one-stop hedge fund solutions, as opposed to the building-block approach favoured by institutional investors who prefer to make their own asset allocation decisions.

AUM Split by Regulatory Structure

Chart 8.3: Tier 2 Classification – Geography



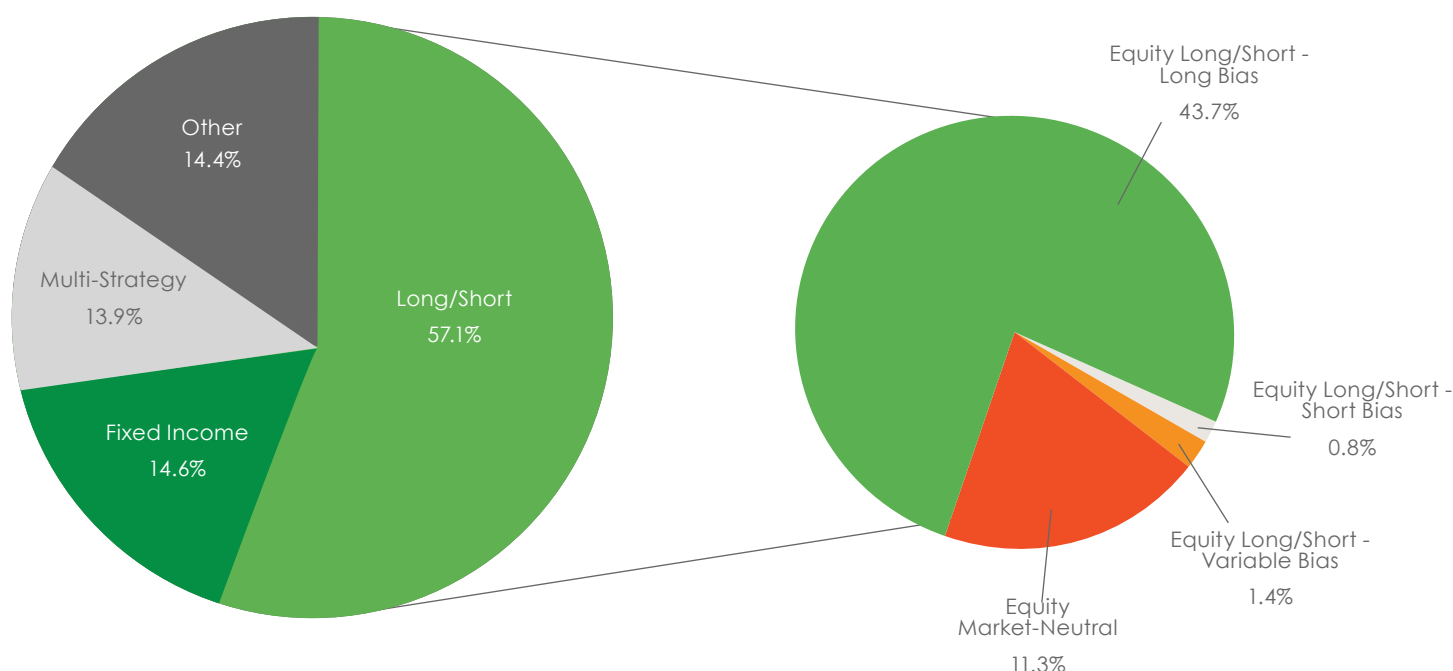
Most South African hedge fund assets remain concentrated in locally focused portfolios, with limited allocation to global or regional strategies and a clear home bias.

In terms of assets:

- R134.96 billion (88.4%) of the industry's assets are managed by South African portfolios that invest at least 60% of their total exposure in local investment markets.
- R15.55 billion (10.2%) of the industry's assets are managed by worldwide funds, which have flexible mandates with no restrictions on the allocation between domestic and foreign assets.
- Only R2.13 billion (1.4%) is managed by global funds that primarily invest offshore (at least 80% of exposure outside South Africa).
- A negligible amount, R57 million, is allocated to regional strategies focused on neighbouring or continental markets.

AUM Classification by Investment Strategy

Chart 8.4: Third and Fourth Tiers of Classification – Strategy Type



The South African hedge fund industry remains concentrated in Equity Long/Short strategies, as reflected in the Tier 3 breakdown, ASISA's primary classification of hedge fund standards. Tier 4 provides a more detailed breakdown specifically for Equity Long/Short funds.

Tier 3 overview:

- Equity Long/Short strategies dominate, accounting for R87.16 billion (57.1%) of total hedge fund assets. This remains the industry's cornerstone and most popular investment approach.
- Fixed Income managers hold R22.28 billion (14.6%) in AUM.
- Multi-Strategy funds, which blend different strategies and offer more balanced or diversified exposures, now account for R21.27 billion (13.9%) of AUM.
- The "Other" category, which includes niche, structured, or hybrid strategies, totals R21.99 billion (14.4%).

Tier 4 (Detailed Equity Long/Short breakdown):

Out of the R87.16 billion invested in Equity Long/Short strategies:

- Long Bias strategies are the most dominant, representing R66.7 billion (76.5%).
- Market Neutral strategies have increased in relevance, with R17.19 billion (19.7%) in assets.
- Variable Bias funds account for R2.07 billion (2.4%), offering flexible exposure that shifts between net long and net short positioning.
- Short Bias strategies, while represented by a single manager, hold R1.20 billion (1.4%) in AUM, marking a modest rise in 2024.

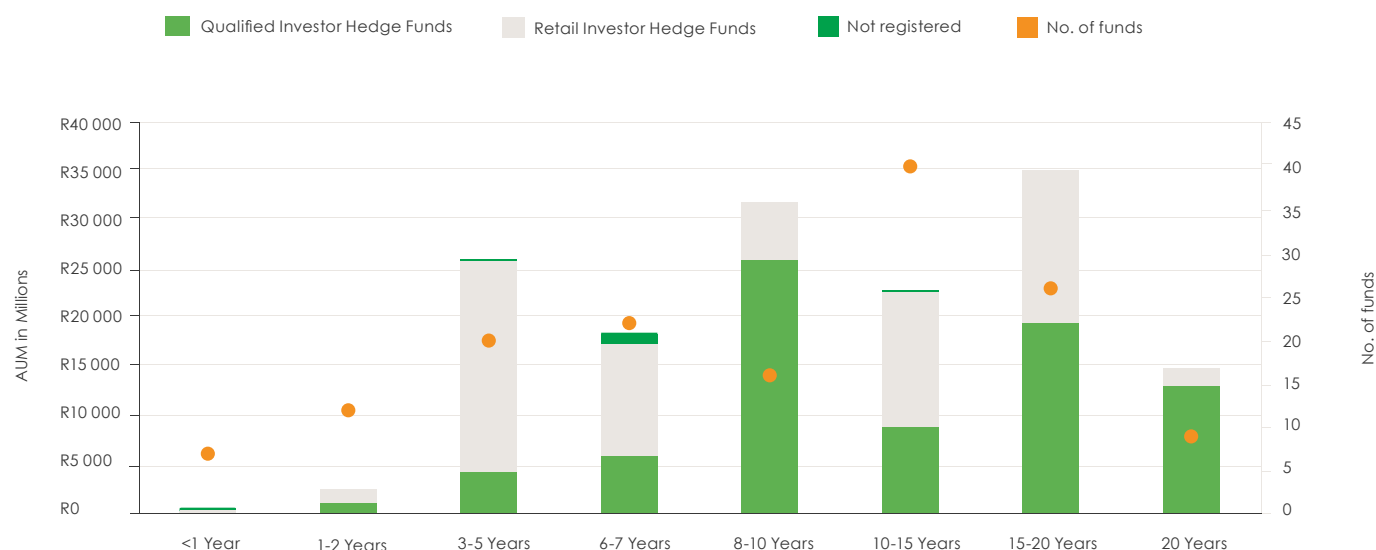
“

The industry is no longer solely dominated by legacy players. While long-standing managers – those active for more than 20 years – still control significant assets, QIHF remain dominant in older funds (particularly those over 10 years), underscoring the sector’s institutional backbone. RIHF, meanwhile, are predominant among newer funds.

TRACK RECORD

AUM Distribution by Fund Track Record

Chart 9: Track Record and AUM Distribution



The age and asset profiles of South African hedge funds reveal a maturing industry, with established managers dominating assets as newer retail-focused funds gain ground.

- New funds (<1 – 2 years):**
 Collectively, 19 funds fall into the under one-year and one-to two-year brackets, with a combined AUM of around R3.2 billion. Most of this – R1.6 billion – is held in RIHFs, reflecting a post-2015 regulatory shift and growing demand from LSPs and DFMs for daily-priced, retail-compliant hedge funds. Interestingly, there's approximately R305 million in unregistered assets among funds under a year old, representing incubating strategies or transitional structures awaiting FSCA approval.
- 3 – 5 year funds (RIF boom period):**
 Funds with a three- to five-year track record account for R26 billion in AUM, spread across 20 funds. RIHFs dominate this group, holding about R21.6 billion (versus QIHF's R4.3 billion), and representing 83% of the assets. During this period, we observed fund managers launching retail-friendly versions of their QIHF, making it easier to attract capital. The dominance of RIHFs during this period aligns with the growth of LSPs and the rising demand from DFMs, marking a turning point in the accessibility of hedge fund strategies to their investors.
- Larger cohorts (8 – 10 and 15 – 20 years):**
 The 8 – 10-year and 15 – 20-year cohorts stand out for their high AUMs, at R32 billion and R35 billion respectively. Together, these funds account for just 27% of all funds, yet manage 44% of total industry AUM. The split is roughly two-thirds QIHF and one-third RIHF, with a small, unregistered portion falling within the 6 – 7-year bucket. In the 15 – 20-year category, QIHF's still dominate, consistent with the institutional origins and mandates these managers have historically served.
- Most active fund age group (10 – 15 years):**
 With 40 funds, this bracket hosts the largest number of active hedge funds, yet its AUM (R22.9 billion) is lower than that of its adjacent cohorts. A higher share of RIF assets falls in the 10 – 15-year range (R14 billion).
- More than 20 years (legacy managers):**
 Although only nine funds fall into this category, they collectively manage about R15 billion in AUM, predominantly QIHF's (R13.2 billion). This group includes South Africa's oldest and most established hedge fund managers, many of whom pioneered the local industry in the early 2000s or even late 1990s. Only R1.8 billion is held in RIHF structures in this bracket.

The industry is no longer solely dominated by legacy players. While long-standing managers – those active for more than 20 years – still control significant assets, QIHF's remain dominant in older funds (particularly those over 10 years), underscoring the sector's institutional backbone. RIHFs, meanwhile, are predominant among newer funds. Allocation to South African hedge funds still hinges on track record: the industry is less entrepreneurial than it once was, with a clear survivorship bias shaping where assets flow.

STRUCTURE

Regulatory Schemes

Table 1: RIHF vs QIHF – Regulatory Classification and Market Share

RIHF/QIHF	# of funds	Assets (R'm)	% of assets managed	% of funds
Qualified Investor Hedge Fund	70	78 983.3	51.7%	46.1%
Retail Investor Hedge Fund	78	72 064.7	47.2%	51.3%
Other	4	1 653.0	1.1%	2.6%
TOTAL	152	152 701.0	100%	100%

The hedge fund industry is categorised into Qualified Investor Hedge Funds (QIHFs) and Retail Investor Hedge Funds (RIHFs). For the 2024 survey, the industry was split as follows:

An Even Split in Number of Funds with Retail Leading Slightly

- RIHFs make up 51.3% or 78 funds of the total fund count, edging out QIHFs at 46.1% or 70 funds.
- This represents a shift in an industry traditionally dominated by institutional-only mandates prior to regulation, with increased accessibility for retail investors and a regulatory push towards greater investor protection and transparency.
- The 2.6% or four funds under "Other" are portfolios that are not classified under RIHF/QIHF standards.

AUM Skewed Slightly Towards QIHFs

- Despite being fewer in number, QIHFs still manage a majority of industry assets, at R79 billion (51.7%), compared to RIHFs at R72.1 billion (47.2%).

RIHF AUM Catching Up

- The narrow AUM gap (approximately R6.9 billion) between QIHFs and RIHFs indicates that retail-friendly fund structures have gained significant traction, particularly in recent years.
- The increasing adoption of daily-dealing, lower-minimum, and transparent hedge fund offerings is the reason for the sharp growth of the retail fund AUM.

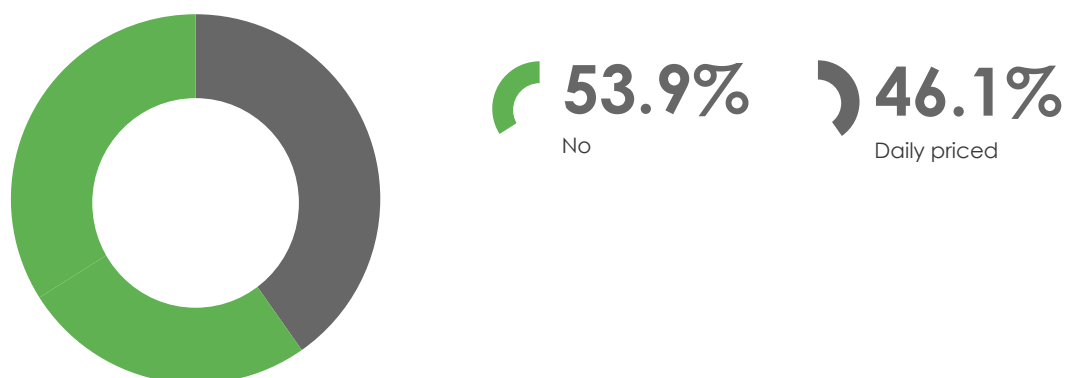
"Other" Category

- Although only 1.1% of total AUM (R1.65 billion), the "Other" category includes:
 - Legacy hedge fund structures that predate the 2015/2016 regulatory reforms.
 - Specialist mandates such as offshore feeder funds and structures operating outside the Cisca hedge fund framework.

OPERATIONS

Pricing

Chart 10: Daily Pricing



The 2024 results reveal a clear and ongoing trend toward the increased adoption of daily pricing among South African hedge funds. Out of 152 funds surveyed, 46.1% (70 funds) reported being daily priced, up from 40.3% in 2023, when only around 57 out of 159 funds offered daily valuations.

Daily pricing has become a defining feature of funds targeting distribution via LSPs and DFMs, which require frequent net asset value (NAV) updates for inclusion in their model portfolios and client dashboards. The rise in daily-priced funds is concentrated mainly in RIHF funds, particularly among those launched in the last three to five years, a period during which many managers introduced LSP-ready versions of their existing QIHFs. These newer funds often come with simplified structures and improved liquidity, aligning with the operational demands of retail platforms.

Despite the improvement, a majority of the industry (53.9% or 82 funds) still does not offer daily pricing. These funds are dominated by QIHFs, or RIHFs, that employ complex or less liquid instruments that do not lend themselves to daily valuation.

Nevertheless, the steady uptick in daily-priced hedge funds is a broader structural shift in the industry, toward greater transparency, liquidity, and accessibility for a growing base of retail investors.

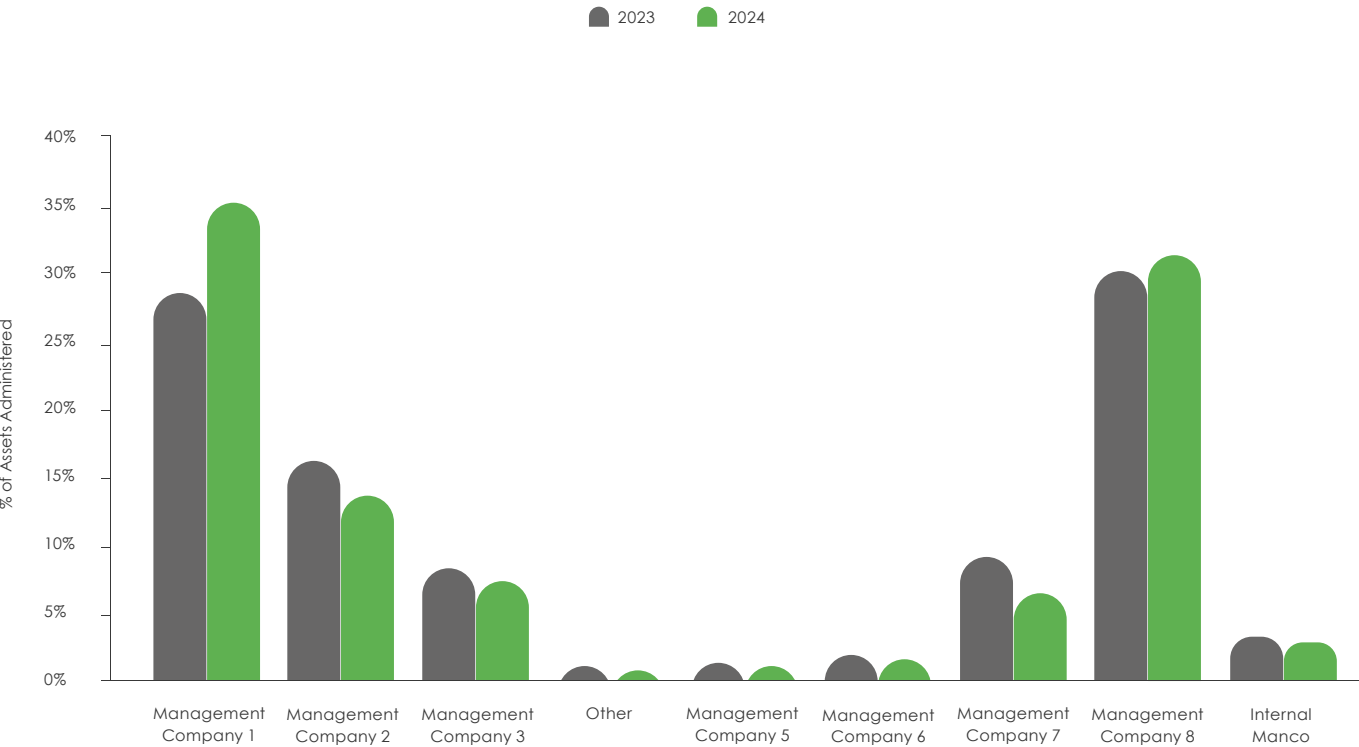
As the industry continues to grow and embrace retail distribution models, daily pricing is expected to become increasingly standard.



Management Companies

In South Africa, hedge fund regulations require that all funds operate through a registered Management Company (Manco), which is responsible for operational, risk, compliance, and back-office functions. The appointed Manco is subject to approval by the FSCA. This requirement has helped to reduce the operational risks associated with hedge funds.

Chart 11: Management Company Administered AUM



The local hedge fund industry's assets remain heavily concentrated among a handful of dominant management companies, with notable shifts in market share over the past year.

- Management Company 1 now oversees the largest portion of the industry, managing 61 hedge funds with R53.8 billion in assets. That equates to 35.24% of industry AUM, a significant increase from 28.55% in 2023.
- Management Company 8, historically the dominant player, remains a close second. It manages R47.9 billion, or 31.34% of total AUM, across just nine funds, reflecting a highly concentrated base of large, long-established vehicles. Its market share has held steady, rising slightly from 30.19% in 2023.
- By contrast, Management Company 2 has seen a decline in market share, from 16.15% in 2023 to 13.61% in 2024, with 36 funds and R20.8 billion in AUM. The drop was due to client outflows, fund closures, and migration to more competitive Mancos.
- Management Companies 3 and 7 also experienced slight market share declines, with their 2024 AUM standing at R11.1 billion (7.27%) and R9.8 billion (6.41%), respectively.
- Funds that use an "Internal Manco" accounted for R4.3 billion (2.84%) across six funds, down from 3.24% in 2023. These structures are typically used by well-resourced managers seeking full control over operations and governance.
- Smaller Mancos, such as Management Companies 5 and 6, and those in the "Other" category, collectively make up less than 5% of total industry AUM.

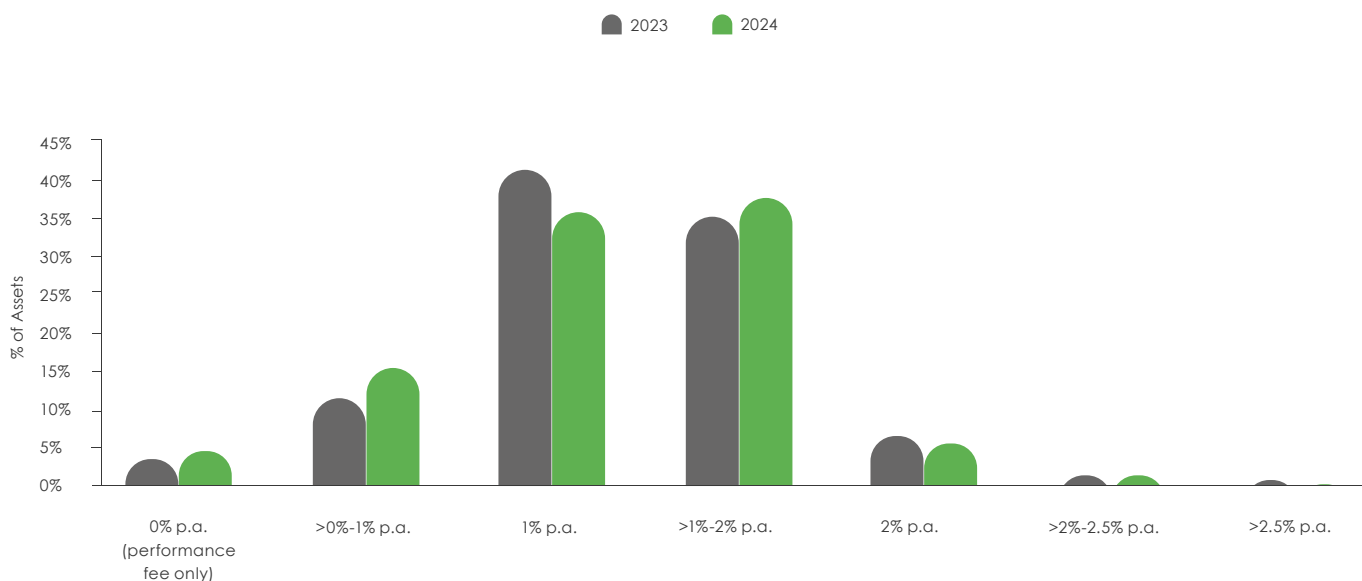
Overall, the 2024 figures highlight the continued concentration of assets among a few dominant Mancos, particularly Management Companies 1 and 8.

FEES

Regulations require hedge fund managers to compile and regularly update minimum disclosure documents (MDDs) that disclose the funds' total expense ratios (TERs). This disclosure includes, but is not limited to, management and performance fees incurred over a 12-month period. If a fund offers multiple fee classes, the highest fee class is the one that gets published.

Management Fees

Chart 12: Management Fees



Hedge fund fee structures remain clustered around the traditional 1% – 2% range, yet 2024 data shows growing divergence at both the low and high ends.

Most common fee levels:

- 1% p.a. remains the most widely applied fee level, used by 54 funds (35.76%), although that share has declined from 41.45% in 2023.
- The >1% – 2% p.a. category is now the largest, covering 57 funds (37.75%), up from 35.47% in 2023.

Low-fee and performance-fee-only trends:

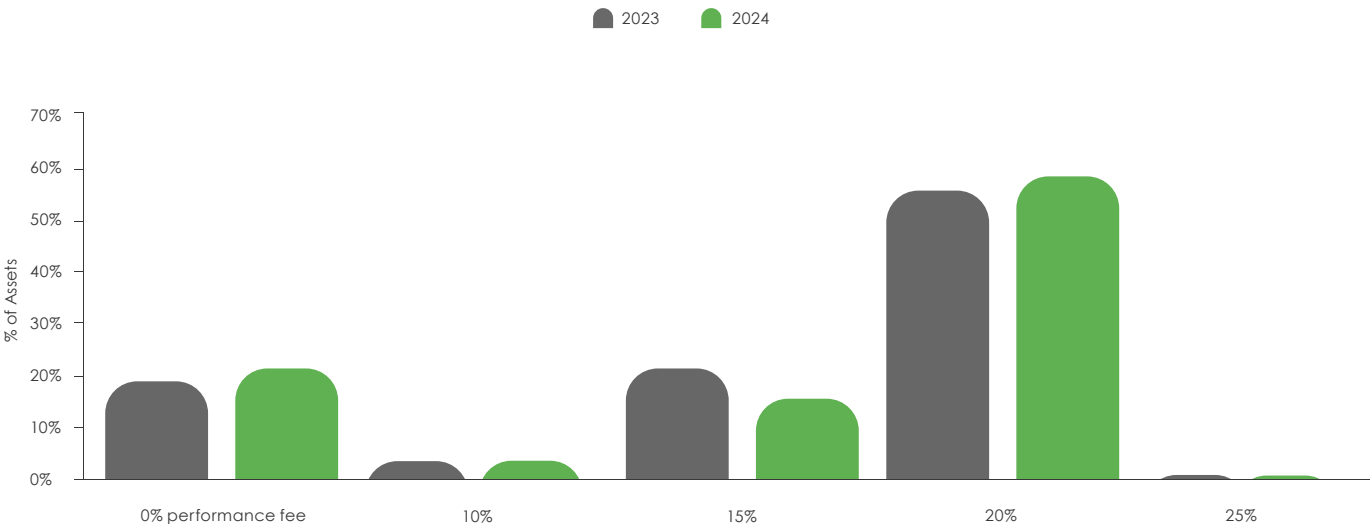
- 0% p.a. (performance fee-only structures) edged up slightly and is now used by seven funds, or a share of 4.64%, compared with 3.42% in 2023.
- Funds charging >0% – 1% p.a. rose to 15.23% (23 funds), up from 11.54% in 2023.

High-fee bracket shrinkage:

- Funds charging a flat 2% p.a. declined to 5.3% (eight funds), from 6.41% in 2023.
- Funds with fees of more than 2.5% p.a. have disappeared entirely in 2024 (from 0.43% in 2023).

Performance Fees

Chart 13: Performance Fee Structures



An analysis of performance fees charged by hedge fund managers in 2024 shows that these remain a core feature of local pricing structures, based on survey data covering 151 funds. Performance fees are designed to align the interests of managers and investors by rewarding outperformance relative to a benchmark or hurdle rate. They are only charged when managers outperform a hurdle rate, with a high watermark in place to ensure investors are not charged fees on the recovery of prior losses.

Key Findings:

- 20% performance fee remains the industry norm:**
This fee structure was the most common in 2024, used by 88 funds, representing 58.28% of the sample. This marks a slight increase from 55.56% in 2023, reinforcing its status as the standard benchmark within the local industry.
- 15% performance fee declines:**
The proportion of funds charging a 15% fee dropped to 15.89% (24 funds), compared with 21.53% in 2023.
- Rise in zero-performance-fees:**
Of the funds, 32, or 21.19%, reported charging 0% performance fee, up from 18.75% in 2023.
- Lower-tier fee levels:**
Six funds (3.97%) applied a 10% fee, marginally higher than the 3.47% reported in 2023. Only one fund (0.66%) charged a 25% fee, unchanged from the prior year.

No funds reported charging 5%, 30%, or performance fees above 30%, underscoring investor resistance to higher fee structures.

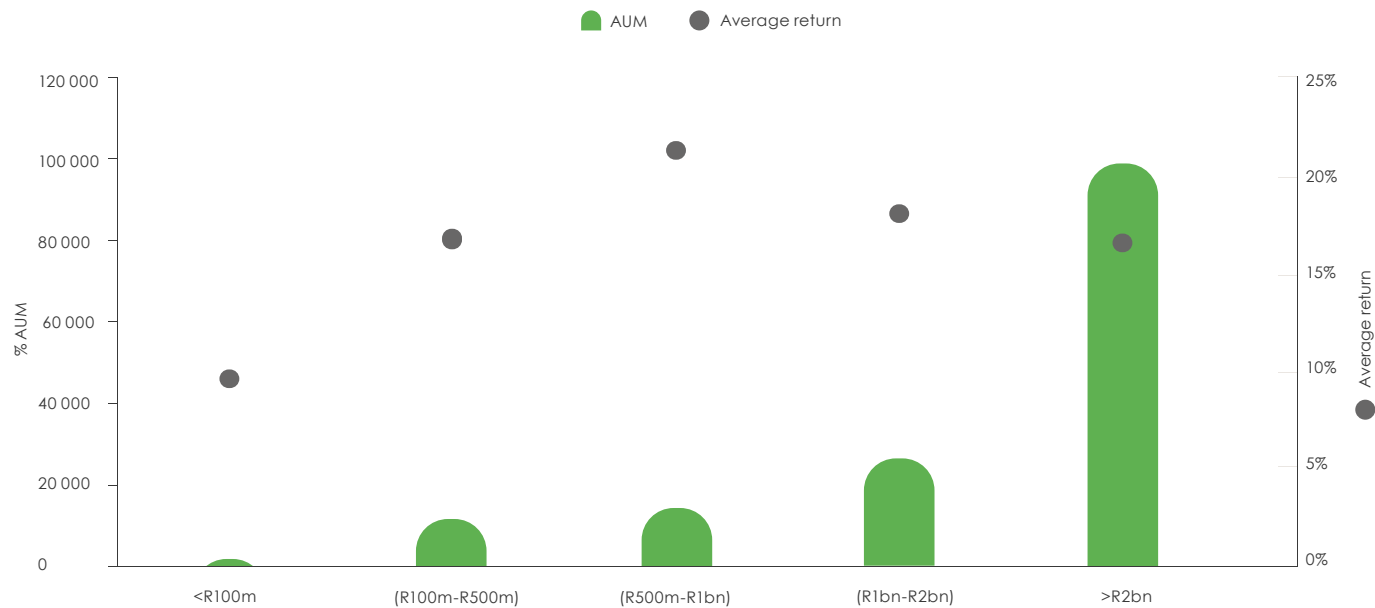


INDUSTRY PERFORMANCE FOR 2024

Performance remains a key driver of asset growth within the hedge fund industry. For the 2024 calendar year, we collected and analysed manager returns, grouping them by AUM size, fund structure and strategy.

Performance by Size

Chart 14: 2024 Hedge Fund Performance by AUM Band



Larger hedge funds continued to dominate South Africa's industry by assets in 2024, but mid-sized managers delivered the strongest investment returns, underscoring the nuanced relationship between fund size and performance. Key observations:

<R100 million

- This segment is the smallest in the industry in terms of AUM.
- The average return for funds in this band in 2024 was 9.61%.

R100 million – R500 million

- This group accounts for a modest portion of total industry AUM at R11.72 billion.
- The average return for funds in this division was around 16.73%.

R500 million – R1 billion

- Funds managing between R500m and R1 billion accounted for R14.15 billion of total industry AUM.
- Average returns for funds in this band were the highest at 21.3%.

R1 billion – R2 billion

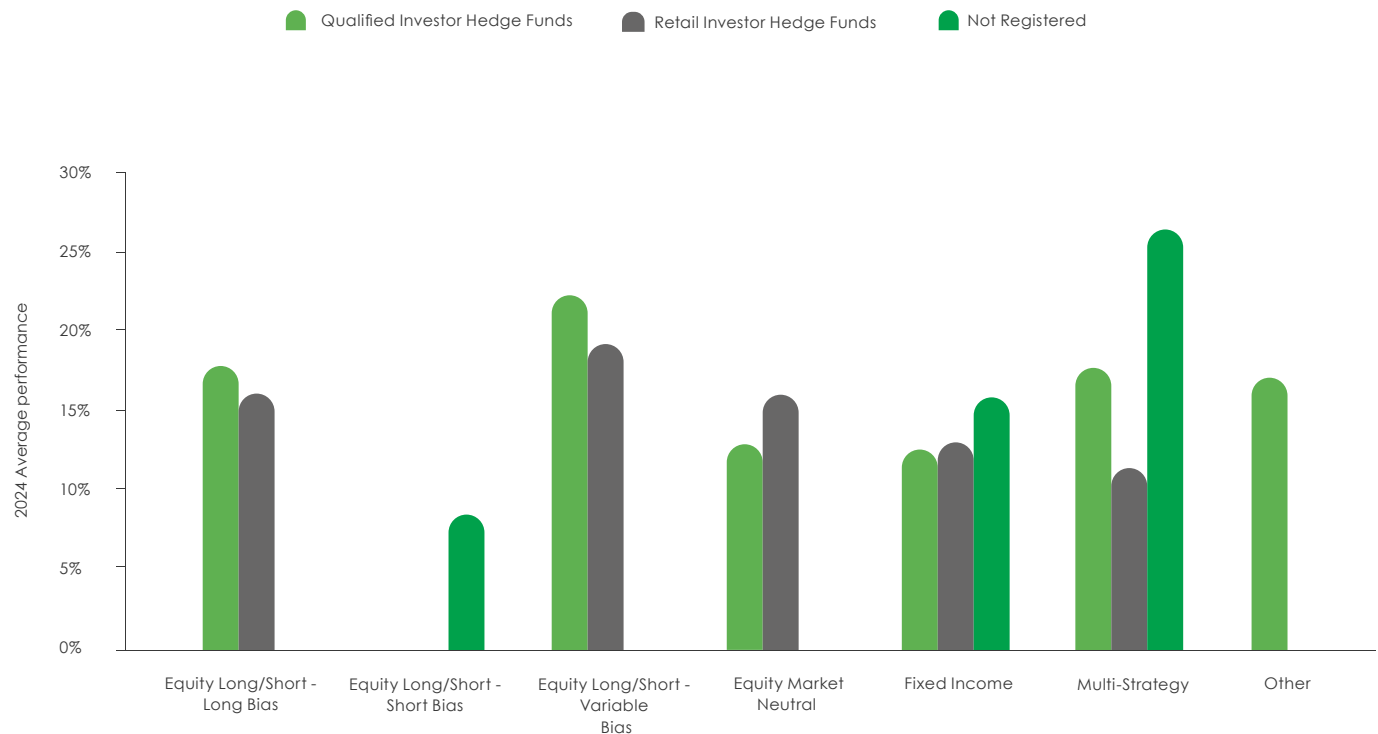
- Funds with AUM in this category accounted for R26.12 billion of total industry assets.
- These funds returned an average of 18% in 2024.

>R2 billion

- The largest funds by AUM, accounting for R98.71 billion, or nearly two-thirds of total hedge fund assets, had an average return of 17.75% in 2024.

Performance by Regulatory Structure

Chart 15: Average Fund Performance by Regulatory Structure



An analysis of 2024 returns across various regulatory structures reveals differences in performance outcomes between Qualified Investor Hedge Funds (QIHFs), Retail Investor Hedge Funds (RIHFs), and unregistered structures. While overall dispersion in performance is largely driven by strategy, structural nuances can also play a significant role in influencing outcomes.

Within **Equity Long/Short – Long Bias**, QIHFs led the group with an average return of 17.9%, marginally ahead of their RIHF counterparts at 16.2%. For **Variable Bias** managers, the spread was more pronounced, with QIHFs returning 22.4% versus 19.3% for RIHFs, reinforcing the view that more flexible mandates and lower liquidity constraints in QIHFs continue to support outperformance in directional equity strategies.

In the **Equity Market Neutral** strategy, the opposite trend was observed. RIHFs outperformed QIHFs, delivering 16.1% compared to 13%.

The **Fixed Income** category displayed relatively tight clustering, with returns ranging between 12.7% and 15.9% across the three structures. It is worth noting that the unregistered fund outperformed its regulated peers, returning 15.9%, with niche opportunities and more concentrated positioning not typically accessible under the regulated QIHF and RIHF frameworks.

The **Multi-Strategy** category saw the widest divergence in structural returns. The only unregistered fund in this category delivered a standout 26.5%, significantly ahead of QIHFs (17.8%) and RIHFs (11.4%).

Performance in the **“Other”** category, which typically includes funds with hybrid or non-traditional hedge structures, was mixed. QIHFs returned a solid 17.3%, while unregistered funds posted flat returns.

The single **Short Bias** fund, captured under the unregistered banner, reported a return of 8.6%, consistent with a challenging environment for outright short positioning, despite pockets of volatility.

Overall, the data highlights that structural choice does have implications for performance, with QIHFs continuing to dominate in traditional equity strategies, while unregistered vehicles showed a strong edge in multi-strategy funds. RIHFs, while trailing slightly in some areas, continue to offer investors credible access to competitive returns, especially in more stable strategies such as Market Neutral and Fixed Income.

Performance by Investment Strategy

Chart 16: Average Performance by Strategy



The box and whisker plot in Chart 16 illustrates the performance of various hedge fund strategies in 2024. Each box represents the range of returns for a specific strategy, with the median indicated by a line inside the box and average performance denoted by a green dot.

Equity Long/Short funds led South Africa's hedge fund performance in 2024, with Variable Bias strategies topping returns and wide dispersion across most categories.

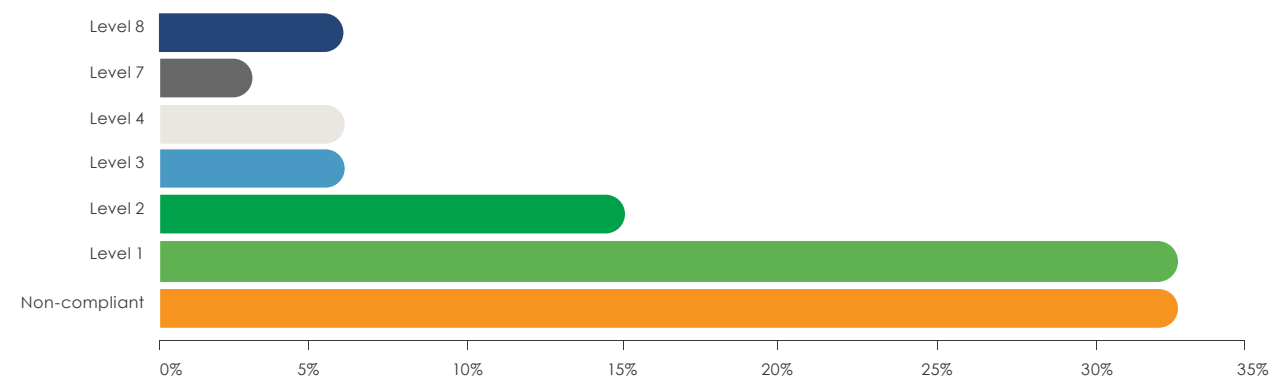
- **Equity Long/Short – Long Bias** strategies delivered a solid average return of approximately 17.4% in 2024. However, this category exhibited one of the widest performance dispersions, with returns ranging from around -25% to +30%. Despite this, most managers delivered results within a narrower range, spanning approximately 15% to 22%.
- **Equity Long/Short – Short Bias** categories, represented by a single fund, posted a return of 8.7%. Nevertheless, the absolute return for this fund was lower than the average for other equity-based strategies.
- **Equity Long/Short – Variable Bias** strategies stood out as the top-performing category on average, achieving a return of approximately 20.4%. The range of returns was relatively narrow, from around 12% to 30%. Most funds clustered near the upper end.
- **Equity Market Neutral** funds returned an average of 14.8% in 2024. While more moderate compared to the Long-Biased and Variable Bias strategies, dispersion was tighter, with returns spanning from near 0% to around 27%. Most funds clustered between 10% and 17%.
- The **Fixed Income** hedge fund cohort also demonstrated relatively tight dispersion, with returns ranging from about 5% to 20%. The average return was approximately 13.7%, with most managers reporting performance within the 10% to 17% range.
- **Multi-Strategy** funds returned an average of 14.5% in 2024. Return distribution was also wide, ranging from approximately -20% to +30%, excluding one outlier fund that delivered a return of 114.8%. Despite the wide range, most funds were concentrated within the 10% to 20% band.
- The **Other** category recorded an average return of 17.6%. Returns ranged from roughly -5% to 38%, reflecting the diversity of strategies that fall outside the more traditional categories.

In summary, Equity Long/Short – Variable Bias strategies delivered the strongest and most consistent performance in 2024, both in terms of average return and tight clustering. Fixed Income and Equity Market Neutral strategies also demonstrated stability and moderate returns. Strategies such as Long Bias and Multi-Strategy were competitive on average but showed wider return dispersion, reinforcing the importance of manager selection and due diligence in those categories.

TRANSFORMATION

B-BBEE Ratings

Chart 17: B-BBEE Rating of Hedge Fund Managers



As part of the 2024 Hedge Fund Survey, respondents were asked to indicate their firm's B-BBEE level in accordance with South Africa's Codes of Good Practice. Out of the 64 hedge fund houses surveyed, 34 firms responded, while the remaining 30 opted not to disclose their transformation status or participate at all.

Among the 34 respondents:

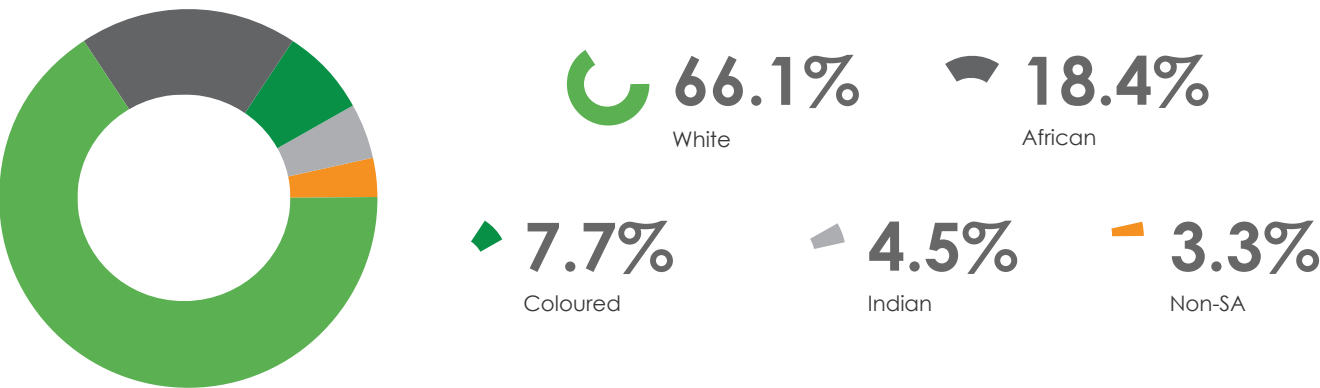
- **Level 1** firms, representing the highest level of B-BBEE compliance, made up **32%** of the respondents.
- **Non-compliant** firms also accounted for **32%**. These are firms that either failed to meet the minimum B-BBEE requirements or did not hold a valid rating as of December 31, 2024.
- **Level 2** contributors comprised **15%** of the sample, followed by **Level 3 (6%)**, **Level 4 (6%)**, **Level 8 (6%)** and **Level 7 (3%)**.
- There were no responses from **Level 5** or **Level 6** contributors for the year.

Of the 34 firms that disclosed their transformation status for the 2024 Novare Hedge Fund Survey, 68.6% indicated that they do not expect any changes to their current B-BBEE rating over the next 12 months. In contrast, 31.4% anticipated an improvement in their B-BBEE level. While the sample size is relatively small, the findings broadly reflect the prevailing state of transformation within the hedge fund industry. However, the overall picture could differ if other stakeholders across the broader investment ecosystem were included.



Ethnicity Representation

Chart 18: Senior Management by Ethnicity



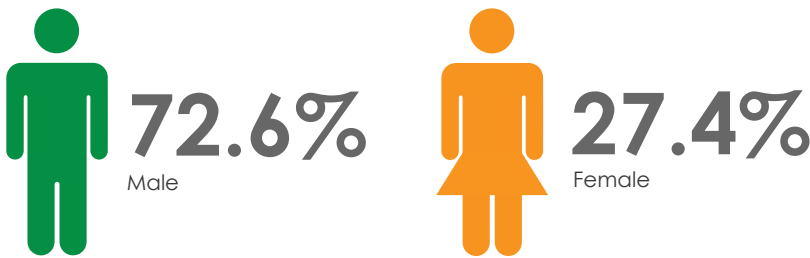
The demographic composition of senior management across South African hedge fund firms highlights the current state of transformation in terms of racial diversity, as measured against the Employment Equity Act and B-BBEE objectives.

Based on the survey results:

- White individuals hold 66.1% of senior management roles, reflecting a substantial concentration of leadership among a single demographic group.
- African individuals account for 18.4% of senior management positions, indicating some progress in diversity, though still well below demographic representativity targets.
- Coloured and Indian individuals represent 7.7% and 4.54%, respectively, showing a limited presence of these groups in executive positions in the industry.
- Non-South African nationals comprise 3.3% of top senior management in the industry.

Gender Diversity

Chart 19: Senior Management by Gender



The gender composition of senior management within South African hedge fund firms reveals a persistent imbalance.

- Men account for 72.5% of senior leadership roles.
- Women hold 27.5% of these positions.

Transformation at both firm and leadership levels within the South African hedge fund industry remains limited, with clear gaps in both ethnic and gender diversity. While progress has been made, the industry continues to work on aligning more closely with national transformation objectives.

MANAGER INSIGHTS

What do Hedge Funds Need to Thrive?

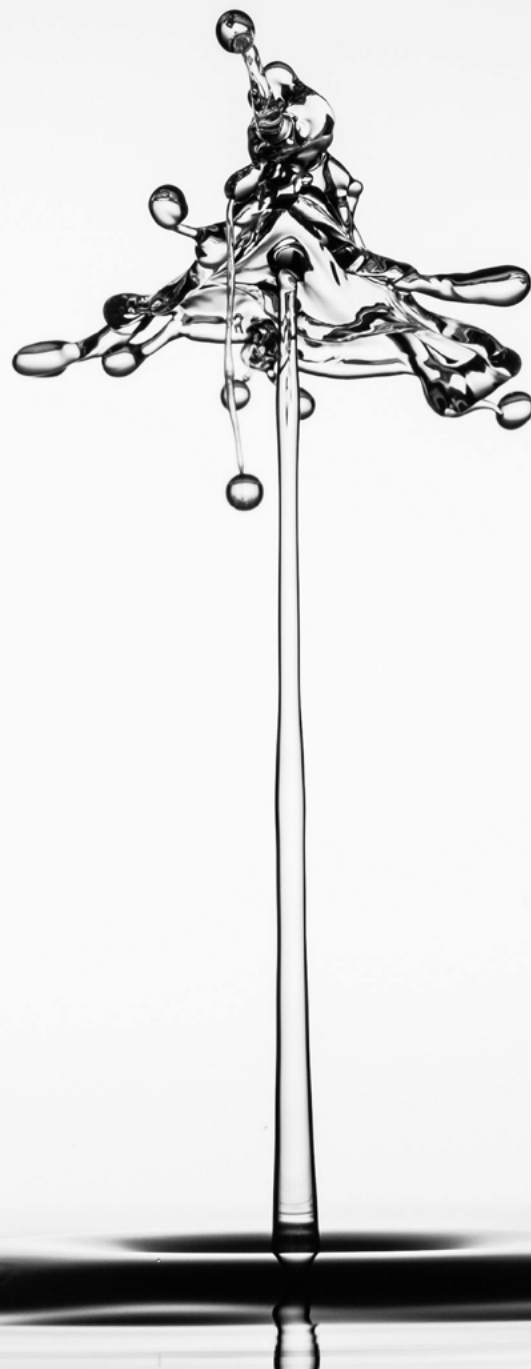
We asked managers what they believe is needed for the hedge fund industry to attract new investments and take it to the next level of growth. Their responses reveal a range of suggestions, but several common themes emerged.

Many managers emphasised the need for greater awareness and education, including the use of digital platforms, webinars, and AI-driven tools to demystify hedge funds for a broader audience.

Improved access via retail and investment platforms was also frequently mentioned, along with calls for equal treatment and recognition of hedge funds alongside traditional unit trusts. Several managers stressed the importance of regulatory and tax certainty, particularly around the tax treatment of hedge funds and updates to frameworks, including BN90 and Regulation 28. These changes would make it easier for certain institutions, such as collective investment schemes and retirement funds, to increase their allocations to hedge funds.

Some managers also flagged deregulation, marketing efforts, and product innovation, including the use of AI and creative investment strategies, as potential levers for growth. Others pointed to broader economic improvements, such as job creation and faster economic growth, that would create a more supportive environment for investment flows. One manager noted that while no breakthrough innovations were necessary, a well-structured succession plan would help foster and sustain long-term investor confidence.

Overall, the feedback reflects a desire for a more enabling environment, built on education, accessibility, and regulatory reforms, to support the growth and competitiveness of the South African hedge fund industry.



IN CONCLUSION

The 2024 Novare Hedge Fund Survey provides a comprehensive, data-driven overview of South Africa's hedge fund industry, which continues to evolve in response to investor demands, regulatory developments, and broader market dynamics. This year's findings highlight strong momentum across several key areas, including improved fund accessibility, greater adoption of daily pricing, and the continued growth of Retail Investor Hedge Funds (RIHFs), which now represent just over half of all surveyed funds by number.

Total industry assets under management reached R152.7 billion – a new milestone. This marks a substantial net increase of R45.8 billion, the largest year-on-year growth on record, surpassing the industry's total size prior to 2013.

Hedge funds delivered positive performance across most strategies, with particularly strong returns in the Equity Long/Short and Fixed Income categories. Mid-sized funds – those managing between R500 million and R1 billion – outperformed on average, suggesting a potential sweet spot in terms of scale and agility.

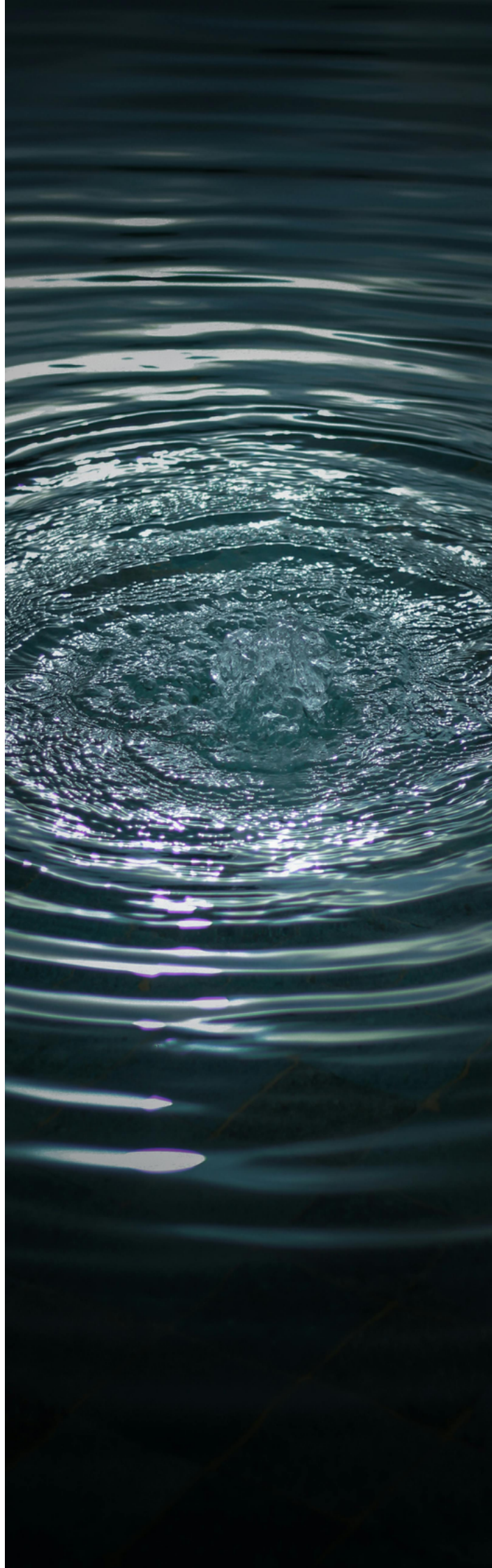
Retail participation has been further enabled through Linked Investment Service Providers (LISPs) and Discretionary Fund Managers (DFMs), prompting several managers to launch daily-priced RIFs. This shift supports easier access and improved transparency, key priorities for DFMs and independent financial advisers (IFAs) operating on LISP platforms.

Fee structures have become more varied, with many managers offering lower base fees while maintaining performance-based incentives, in line with regulatory requirements such as high watermarks and hurdle rates.

Despite these advances, progress on transformation remains slow. Only 34 of the 64 firms surveyed responded to the transformation section, and among them, fewer than half achieved B-BBEE Level 1-4 status. Senior management remains predominantly white and male, underscoring the need for more deliberate and sustained efforts to transform the organisation.

A significant regulatory development during the year was the release of proposed amendments to Board Notice 90, an issue that had been long flagged by industry participants. This reflects greater responsiveness from the regulator and offers renewed hope for a more enabling framework that accommodates the nuances of hedge fund investing.

We extend our sincere appreciation to all participants in the 2024 Novare Hedge Fund Survey. The insights gathered not only serve to inform the market but also reaffirm our collective commitment to transparency, education, and industry advancement. This report would not be possible without the continued support of hedge fund managers who contribute their data and insights year after year.



TECHNICAL TERMS

A **collective investment scheme (CIS)** is an investment product that allows many different investors to pool their money into a portfolio. Unit trusts were the first CIS that was offered to investors in South Africa and remains the most popular form of CIS in the country.

A **multi-manager fund** combines multiple professionally managed investment funds into a single offering. Multi-manager funds provide a cost-effective way to achieve breadth in an investment portfolio, without having to constantly re-evaluate the holdings.

Regulation 28 of the Pension Funds Act imposes limits on the investments of retirement funds. These were intended to protect funds against making imprudent investments. For example, a retirement fund can only invest up to 75% in equities, 25% in property, and no more than 10% of the fund's assets in hedge funds.

A **Financial Advisory & Intermediary Services (FAIS) CAT II licence holder** is an authorised financial services provider (FSP) that renders intermediary services of a discretionary nature about the choice of a particular financial product.

A **FAIS CAT IIA licence holder** is an authorised hedge fund and FSP that renders intermediary services of a discretionary nature about a particular hedge fund of hedge funds (FoHF), in connection with a particular financial product.

A **lock-up period** refers to a window of time or a period within which hedge funds or other closely held investment vehicles are not allowed to redeem or sell shares.

Asset administration is an important function of all investment firms. This function is generally responsible for administrative tasks such as performance reports, compliance duties, risk monitoring and analysis reports.

The **Financial Advisory and Intermediary Services (FAIS)** is a division within the FSCA responsible for administering the FAIS Act, 37 of 2002. FAIS registers Financial Services Providers (FSPs) after confirming they meet the fit and proper requirements, supervises these providers on an ongoing basis to ensure compliance with the Act, and takes necessary regulatory action against non-compliant entities or individuals, including unregistered ones.

The **prime broker** provides a consolidation service, including services such as custody of securities, loaning of securities for short sales, margin financing, and back-office technology and reporting.

Fund administrators are service providers whose main responsibility is to provide certain accounting and back-office services to a hedge fund.

An **en commandite partnership (ECP)** is created when parties agree to carry on the partnership in the name of one or some of the partners, while the partners whose names are not disclosed are known as en commandite partners.

The **hurdle rate** refers to the rate of return that a fund manager must beat to collect performance fees.

The **hard hurdle** is only calculated on returns above the hurdle rate, while the opposite of that is a soft hurdle, which is calculated on the whole return.

Using **"cash as a hurdle"** means that the performance of the hedge fund is compared to that of the performance of cash investments, thereby comparing and determining whether the hedge fund performance is above the hurdle rate. The performance, or incentive, fee may only be charged when the hedge funds's returns are above the hurdle rate.

Gross exposure is the absolute level of a fund's investments. It indicates the total exposure to financial markets, thereby providing insight into the amount of risk the investment is subject to, due to possible market fluctuations. The higher the gross exposure, the greater the potential loss or gain.

Net exposure is the percentage difference between a hedge fund's long and short exposure.

NAV refers to **net asset value**. This is the value per share of a fund on a specific date or time. The value per share amount is based on the total value of all the securities in its portfolio, any liabilities the fund has, and the number of fund shares outstanding.

Retail investor hedge funds (RIHFs)* are collective investment hedge funds that are available for retail investors as per the classification set out in BN 52.

Qualified investor hedge funds (QIHFs)* are collective investment hedge funds that are available for qualified investors only as per the definitions set out in BN 52.

South African portfolios* are collective investment hedge fund portfolios that invest at least 60% of their total exposure in South African investment markets. These collective investment portfolios may invest a maximum of 45% of their assets outside of South Africa.

Worldwide portfolios* are collective investment hedge fund portfolios that invest in both South African and foreign markets. There are no limits set for either domestic or foreign assets.

Global portfolios* are collective investment hedge fund portfolios that invest at least 80% of their total exposure outside South Africa, with no restriction to assets of a specific geographical country (for example the US) or geographical region (for example Africa).

Regional portfolios* are collective investment hedge fund portfolios that invest at least 80% of the total exposure in assets in a specific country (for example the US) or a geographical region (for example Africa, outside South Africa).

Long-short equity hedge funds* are portfolios that predominantly generate their returns from positions in the equity market. Regardless of the specific strategy employed, these funds will all look to the equity market for investment opportunities over time.

Long-bias equity hedge funds* are portfolios that will have had or aim to have a net equity exposure in excess of 25%, over time.

Market-neutral hedge funds* are portfolios that have had, or expect to have, very little directional exposure to the equity market over time. On average, the net equity exposure should be less than 25% but greater than -25%. They aim to minimise market risk by balancing long and short positions.

Other equity hedge funds* is a category for portfolios that follow a very specific strategy within the equity market, such as listed property or sector-specific strategies.

*As described by ASISA (More details on these classifications were published on September 9, 2019 and are available on ASISA's website: www.asisa.org.za).

CONTACT US

JOHANNESBURG OFFICE (HEAD OFFICE)

Third Floor, 30 Jellicoe Avenue,
Rosebank, Johannesburg, 2196

Tel: +27 (0) 11 447 9605

Fax: +27 (0) 11 447 9405

CAPE TOWN OFFICE

Third Floor, The Cliffs Office, Block 1,
Niagara Way, Tyger Falls, Carl Cronje Drive
Bellville, Cape Town, 7530

Tel: +27 (0) 21 914 7730

Fax: +27 (0) 21 914 7733

Email: retaildistribution@novare.com



Follow us @novareholdings



Follow us @novareholdings



www.novare.com

