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SOUTH AFRICA

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Editor's Note

The South African hedge fund industry is relatively young, having launched around 1995. Twenty years later (2015) **hedge funds became a regulated product in South Africa,** which means they can now be marketed and distributed to retail investors. This is a major milestone even on a global scale. The new regulation is seen as world-class standard and has been many years in the making. The hedge funds are now subject to the regulatory oversight of the South African Financial Services Board. The manager is required to register as a Collective Investment Scheme ["CIS"] manager under CISCA, the South African Collective Investment Schemes Control Act.

Since the promulgation of the new regulation, hedge funds have been transitioning into the regulated space, and most fund managers say it as been a seamless procedure. Of course, given the complexity of hedge fund products, there are still a number of administrative issues sitting in the background like daily pricing and daily liquidity and how to effectively get hedge funds onto the large retail distribution platforms.

Attractive longterm performance

Longterm performance of South African hedge funds has been attractive. Over a three-year basis, almost all South African hedge funds have been true to their mandates and have generally offered attractive risk-adjusted returns. This is also noticed from international investors who come to Johannesburg and Cape Town from places like Europe or the US, which is a long way to come for due diligence.

Most of the South African hedge funds are still relatively small, certainly compared to their long-only and offshore peers, but this also means that they are flexible and able to trade around their positions, and generally far away from capacity limitations.

Prior to the transition, hedge fund managers were not permitted to openly market funds. One of the promises of getting hedge funds into a regulated framework and opening them for retail investors has of course also been to get new buyers and grow AUM, but nobody would have thought this would happen immediately.

Will South Africa go the UCITS way?

What could also happen over the long term is a further evolution of the South African hedge fund industry similar to UCITS in Europe (page 8) where the **bulk of the inflows is actually a switch of institutional clients into these more regulated products** that offer more transparency, slightly more risk restrictions, more frequent pricing, and as such you could argue more of an investor-friendly product. On the retail side, the industry will put a strategic focus on educating the end clients and foremost the IFA community to understand hedge fund products and be comfortable with them.

This Roundtable, sponsored by SANNE Group and Eurex, took place in Cape Town with:

1. Simone Blanckenberg, COO, Tantalum Capital
2. Craig French, Product Specialist, Visio Capital
3. Heinrich Jansen van Rensburg, COO, Fairtree Capital
4. Jean-Pierre Matthews, Principal and Head of the Investment Committee, Absa Alternative Asset Management
5. Markus-Alexander Flesch, Global Head Sales Equity & Index Derivatives, Eurex
6. Ruard Buys, Co-Founder, Marble Rock
7. Richard Murray, General Manager, IDS Management Company
8. Tony Christien, Divisional Director, SANNE Group

The group also discussed:

- A very long education and demystifying process on hedge funds needs to happen in South Africa as all hedge funds are now regulated and can be offered to retail. How is the industry tackling education? (page 9-11, 14, 21-22)
- Opportunities for South African hedge funds in multi asset investing, FX, credit, commodities (particularly agriculture businesses and soft commodities), tourism, and "quantamental" strategies
- Size and opportunities for investors to participate in the informal cash economy in South Africa (page 18)
- Why will the new Bilateral Margining or "Margin for Non Cleared OTC Derivatives" regulation break existing client-prime broker relationships? What is the industry doing about it? (page 19)

• Repo as a new asset class: Eurex' new Total Return Future gets tailwind from regulations and investor demand (page 20)
• Innovative ways to brand an alternative investment company (page 22)
• How to get daily pricing and daily liquidity on hedge funds (pages 24 – 25)

Enjoy!

Matthias Knab
Knab@Opalesque.com

Participant Profiles

(LEFT TO RIGHT): Ruard Buys, Jean-Pierre Matthews, Craig French, Heinrich Jansen van Rensburg, Tony Christien, Simone Blanckenberg, Matthias Knab, Markus-Alexander Flesch, Richard Murray.

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SANNE

Cover photo: Cape Town's Victoria and Alfred Waterfront with the dramatic backdrop of Table Mountain. © Matthias Knab

Introduction

Tony Christien
SANNE Group

My name is Tony Christien. I am a Divisional Director in the SANNE Group where I am primarily responsible for client relationship management and business development in the hedge fund space.

South African hedge fund administrator IDS has now become part of the SANNE Group with effect from the 1st of June 2016 and so our part of the business is to offer administration services primarily in the hedge/alternative space, internationally and locally.

Heinrich Jansen van Rensburg
Fairtree Capital

My name is Heinrich Jansen van Rensburg. I am the Chief Operating Officer at Fairtree Capital.

Fairtree Capital is a hedge fund and long-only asset manager with about 30 billion Rand in assets under management across a number of strategies and asset classes, including equity, fixed income, commodities and credit. I have been with Fairtree Capital for the last nine years, initially as equity research analyst before moving to Operations.

Jean-Pierre Matthews
Absa Alternative Asset Management

I am Jean-Pierre Matthews. I am a Principal and Head of the Investment Committee of Absa Alternative Asset Management. We are a fund management business that forms part of Barclays Africa Group.

We manage around 50 billion rand in AUM and we are predominantly active in the OTC derivatives space. We also actively manage a range of equity, property, fixed income and specialist credit funds.

In addition to this, we recently seeded two new hedge funds. Right now we manage a commodity trading QIHF (qualified investor hedge fund) and a fixed income RIHF (retail investor hedge fund). IDS (now SANNE) administers a number of our funds.

We are also active in the credit space. The credit market in South Africa is developing well and we have seen strong growth in our credit offering over the past year.

Craig French
Visio Capital

I am Craig French from Visio Capital where I am the Product Specialist, dealing largely with our client side of the business and our offshore operations.

We are a hedge fund and long-only equity manager. Our hedge track record dates back to 2001. Today we also manage long-only South African equity products, as well as Pan-African equities.

Ruard Buys
Marble Rock Asset Management.

My name is Ruard Buys. I am one of the co-founders of Marble Rock Asset Management.

Marble Rock's general investment philosophy is influenced by a broad macro investment style across its strategies in fixed income securities, commodities, currencies and select equity opportunities. We are a relatively new player as a corporate but our fund managers have long and well established track records within the South African industry.

The firm was founded with the intent of establishing an asset manager that would house talented portfolio managers that could cross-pollinate in the pursuit of uncorrelated investment strategies to the major indices, domestically and globally. We also set out to create and manage funds that produce absolute returns across multiple asset classes, without typical capacity constraints. As such, our firm has both a strong domestic and international fixed income overtone with our expertise extending into currencies and soft commodities as well as equities.

Richard Murray
IDS Management Company

My name is Richard Murray and I am the General Manager of the IDS Management Company ["ManCo"], which is part of the SANNE Group. We are registered as a manager defined in the South African Collective Investment Schemes Control Act ["CISCA"] and provide a hosting platform for regulated hedge funds and unit trusts.

Hedge funds became a regulated product in South Africa during 2015, subject to the regulatory oversight of the Financial Services Board. This requires the manager of a hedge fund to register as a Collective Investment Scheme ["CIS"] manager under CISCA. The ManCo platform provides an outsourced CIS manager service, allowing the hedge fund investment manager to focus on the portfolio's investment decisions.

Simone Blanckenberg
Tantalum Capital

My name is Simone Blanckenberg and I am the COO at Tantalum Capital. Tantalum is a multi-asset boutique asset manager that was started in 2005. Initially we were a one-size fits all hedge fund business with a multi-strategy hedge fund called the Tantalum MNC Fund. Shortly thereafter, in February 2006, we launched a fixed interest hedge fund called the Tantalum Fusion Fund.

In 2012 we expanded into the long-only space in two specific areas; on the balanced asset allocation side, as well as in the fixed income asset allocation side. We have had good traction in this area. We are a total of 16 people in the firm, 10 of those on the investment side.

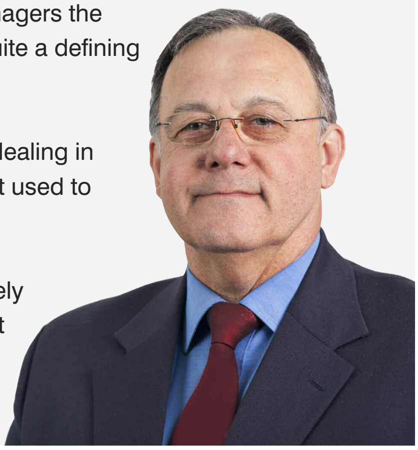
Markus-Alexander Flesch
Eurex

Last, but not least my name is Markus Flesch, from Eurex where I am heading Global Sales for Equity and Equity Index Derivatives. Eurex is biggest European Derivative Exchange and belongs globally to the top three derivative markets.

Matthias Knab I just saw a headline on Opalesque that 61% of all hedge funds suffered outflows in the previous month. The story was based on a press release issued from eVestment, so those numbers may be a bit skewed toward the US. I wonder, how have South African hedge funds and alternative investments done lately? Tony, what have you been observing from an administrator's perspective?

Tony Christien: Certainly, as administrators, we get to see movements across the board and have seen outflows during the year in excess of the norm.

The developments in South Africa have probably compounded issues a bit this year because we have a cumulative effect with the additional **transition of hedge funds into the regulated space.** Richard will probably talk more about the regulatory changes as we go through. It has been our observation that for a number of managers the markets have been very tough this year, certainly since Brexit which seems to have been quite a defining moment.

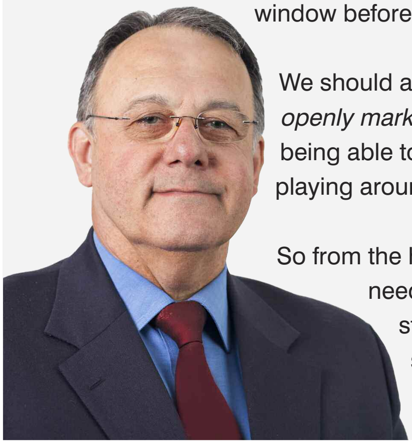


Now add to that the complications of transitioning to investors who have not been used to dealing in the regulated space before. So fund managers, investors and administrators will have to get used to having to do a lot more paperwork, together with other regulatory requirements.

So I think it's probably not as simple as saying that there are inflows or outflows, but definitely we have seen some outflows this year which partly is perhaps due to regulation and the fact that funds have perhaps not performed as well as they had hoped to perform during this year.

Matthias Knab Wasn't it one of the promises of getting hedge funds into a regulated framework and opening them for retail investors to get new buyers and grow AUM?

Tony Christien: That is certainly part of the thought process, but also I don't believe anyone would have thought this would happen immediately. That would probably be a bit naive. I think we are probably looking at a 12-18 month window before more people get used to it and to understand the product.



We should also remember that *prior to the transition, hedge fund managers were not permitted to openly market funds.* This means that the managers themselves now need to get into the routine of being able to market funds, and starting to market funds while the markets themselves are sort of playing around all over the place is a very challenging project.

So from the hedge fund manager perspective, it's almost like a two-step that has to happen. There needs to be a settling down of the markets so that you can actually perform based on your strategies, and then the second step is to then work out a concept and start getting those strategies in front of the various people out there who could be interested in them.

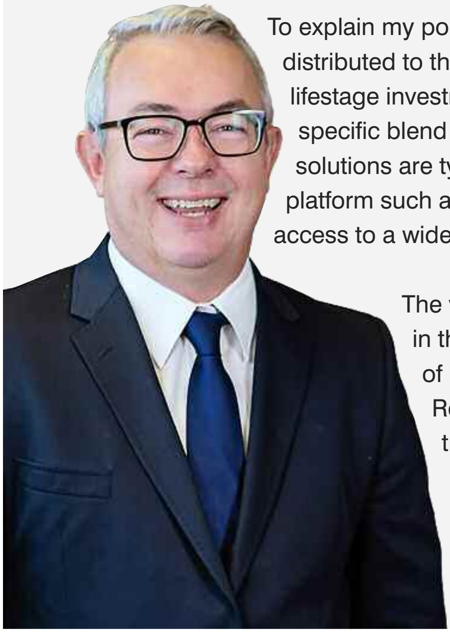
Matthias Knab Probably the so-called Trump rally will also be beneficial to South African and other hedge fund industries.

Craig French: II also believe like Tony that it's early days in terms of flows from a retail perspective. However, what I would like to add is that the *local industry could very likely evolve along a similar path as* **UCITS in Europe** *where we also have seen that the actual bulk of the flows into UCITS is actually a switch of institutional clients into more regulated products* where there is more transparency, slightly more risk restrictions, more frequent pricing, and as such you could argue more of an investor-friendly product.

So from that perspective I actually do not sort of massive retail flows. Also, the South African hedge fund industry is relatively young, having launched here around 1995 compared to the 50's in the US. There is still a lot of education to do and I think it will be some time before you see any significant contribution from a retail perspective.

Jean-Pierre Matthews: I would like to start off by saying that we are very excited and pleased about the new Collective Investment Scheme Regulations for hedge funds. Many people around this table – especially the IDS team – have worked with the regulators for a number of years to achieve this outcome.

The new regulations have unfortunately not yet resulted in the type of inflows we expected. Many of us believe that this is due to the fact that traditional unit trusts are not yet allowed to invest into the new QIHF or RIHF hedge fund collectives.

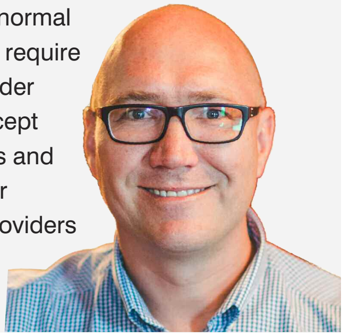


To explain my point, we first need to be cognizant of the way that most collective investments are distributed to the retail and smaller institutional market. Typically an advisor would propose a specific lifestage investment portfolio (or solution) to a client. This investment solution usually consists of a specific blend of underlying funds to achieve a specific risk return profile. These blended unit trust solutions are typically managed by a skilled multi-manager and administered on a robust investment platform such as a unit trust LISP (Linked Investment Service Provider – a company that gives investors access to a wide range of collective investment schemes, such as unit trust funds, via one source.)

The vast majority of these solutions – totaling hundreds of billions of rand – are run on LISPs in the form of fund of fund unit trusts. Now, even if the multi-manager wants to add a portion of hedge fund exposure to the solution – such as the 10% exposure allowed under Regulation 28 – it is actually impossible to implement this. This is due to the fact that a traditional unit trust is not yet allowed to invest into QIHFs or RIHFs.

We estimate that there may be close to 10 billion rand of potential new hedge fund inflows caught up in this predicament.

Ruard Buys: Just a very brief point to add in light of what Jean-Pierre said about the difficulties of normal unit trusts investing into hedge funds as collective investment schemes. Certain fund concepts still require some bedding down as part of this evolutionary process to open up regulated hedge funds to a wider audience. Amongst other things, the new regulations haven't fully developed the fund-of-fund concept for hedge funds to date. Currently the regulations do not distinguish between funds of hedge funds and standalone hedge funds as different product categories. We manage standalone funds and it is our understanding that fund-of-funds are not able to aggregate risk reports produced by the service providers of standalone funds within the same regulatory framework.

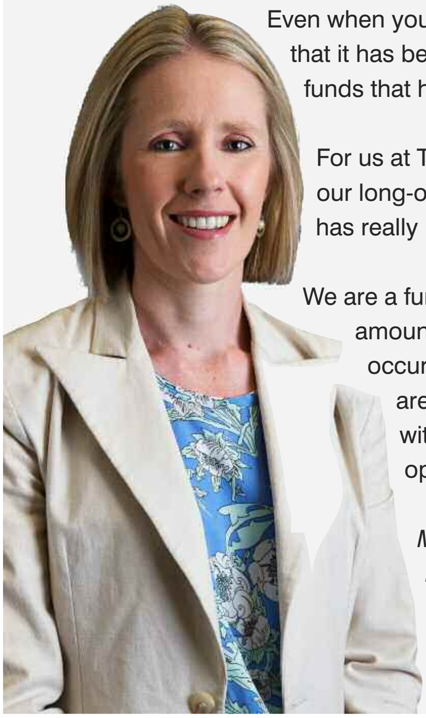


Simone Blanckenberg: Maybe just to touch on the retail discussions with regards to regulation, Jean-Pierre is absolutely correct saying that it is something that the FSB have noted that they are aware of and are looking at. Unfortunately, the wheels do turn slowly, so that is certainly frustrating from a short-term asset flow perspective.

I also see **investor education as one of the biggest problems.** I have been to a number of retail investment conferences this year and often the question is asked, 1) do any of you invest into hedge funds; and 2), do any of you intend to invest into hedge funds? Generally in a group of 100, no one is currently invested into hedge funds and if five hands go up saying they would invest into hedge funds, it's a lot.

There is a very long education and demystifying process which needs to happen. Unfortunately, there are so many incorrect assumptions about hedge fund - that they are only high-risk vehicles, that you will lose all your money at some stage, that they are taking too many uncalculated risks, etc., and a small minority may fall into some of these categories, but that certainly isn't the run-of-the-mill hedge fund in South Africa at all. If we look at our long term track record as South African hedge funds, and compare this to our global peers, I think we really stack up well.

Also, if you look at the long-term performance of some of the longest running funds, and Visio is an example of that, **the long-term performance of our hedge funds has been fantastic.** All funds will have periods of underperformance over time, nobody is a rock star all the time, but if you can take a longer term view and look at performance over a three-year basis, almost all South African hedge funds have been true to their mandates and have generally offered **attractive risk-adjusted returns.**



Even when you look across the 2016 performance of the local industry where people have commented that it has been disappointing: Yes, some funds have been challenged, but there are also a number of funds that have done well and were able to take advantage of this market environment.

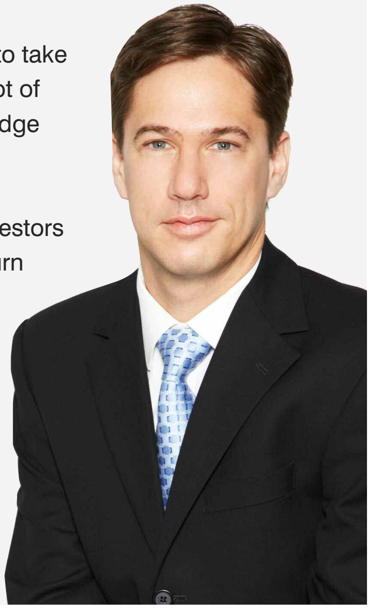
For us at Tantalum, 2016 has been a good year so far performance-wise. Both our hedge funds and our long-only products are positive for the year. We have found that being smaller and more nimble has really played to our advantage as our trading book has generated good returns this year for us.

We are a fundamental bottom-up house and take long-term positions. But there has been a huge amount of volatility in the market with three major local and international political events occurring in the last 12 months, being Nenegate, Brexit and now Trump. All of these outcomes are unclear in the sense that all of them have an ongoing influence and continue to play out with an uncertain path and conclusion. But they certainly have led to some good trading opportunities.

Most of the South African hedge funds are still relatively small, certainly compared to their long-only and offshore peers. This enables us to be flexible and to be able to trade around our positions. I am not talking about aggressive intraday trading, but just to be able to trade around our positions, where the bigger long-only houses have to take a long-term view on their investments and given their size will not be able to trade around a position. So for us that has been one of the benefits of being in the smaller hedge fund world in South Africa this year.

Heinrich Jansen van Rensburg: Simone has mentioned the various political events locally and across the world which have caused quite a lot of volatility due to the uncertainty of what the long term outcome of these events will be. I would agree that this has made it more challenging in terms of managing funds both locally and offshore.

At Fairtree, fortunately *all of our hedge funds are positive this year, across fixed income, commodity, multi-strategy, credit and equity.* But as 2016 so far has been a difficult year, the performance numbers are in single digits, with one or two strategies doing really well with performance in the double digits.

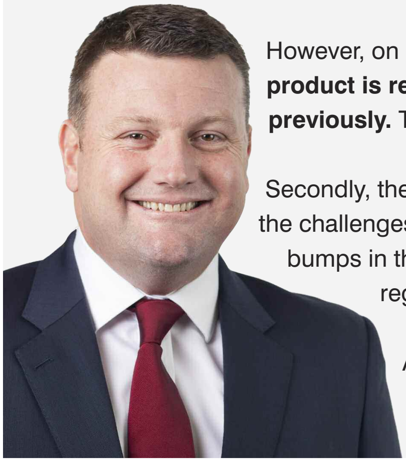


Simone is spot on about education, and I also believe that education on the retail level is going to take quite a while to work through the system. If you are looking at our financial services industry, a lot of products are sold through an IFA, so we need to **educate the IFA community** to understand hedge fund products and be comfortable with them.

When an IFA sells a product to a retail investor a high level of trust is involved, because retail investors will often need an IFA to explain to them in layman's terms how the product works. So IFA's in turn will have to educate retail investors to gain their trust in a hedge fund product that is newly available on the market. *This trust in the hedge fund products is not something that you can establish in six months or a year; it's going to take a longer period of time to establish that.*

So I think it's a longer term journey that the industry is on, and I think we as fund managers will also have to learn how to educate investors. We as hedge fund managers have never marketed to the public directly, and that is a new skill that we will have to improve on and to establish over time.

Richard Murray: The investment managers at the table are better placed to speak to the challenges of performance during the year, but we can agree that it has been a tough year of transition from a regulatory perspective. It is worth noting the that the regulations were only promulgated in March of 2015, from which point the hedge fund business model was re-conceptualized, has gone through a process of regulatory applications and the practical transitioning of portfolios into the regulated space. The latter attracted further legislative considerations that needed to be acted upon, including exchange control, taxation treatment and FICA trigger points.



However, on a positive note I think we should bear two things in mind. Firstly, **now that the hedge fund product is regulated, it can actively be marketed to investors, which was not permissible previously.** The educational engagement with investors around hedge funds can proceed.

Secondly, the hedge fund regulator is very constructive in their approach to the industry. They recognize the challenges it faces and specifically challenges that arise from the regulations. Certainly there are bumps in the road, but there are proactive plans to engage on these and I think you will see the regulations refined over the next two to three years.

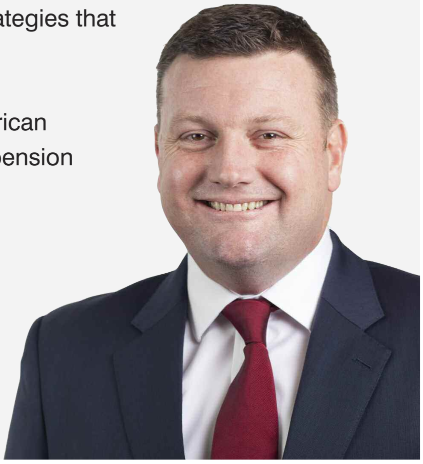
A key component of the refinement is broader, direct engagement by the hedge fund investment managers, whether via the industry association or directly with the regulator.

Matthias Knab We have talked about the transition period of unregulated South African hedge funds into the new regulated structures, does this mean that all of the older hedge fund structures will **have** to transition?

Richard Murray: No, only hedge funds that meet the definition determined by legislation.

The new South African regulations have a fairly broad definition of what a hedge fund is:

Firstly the portfolio could incur losses that are greater than its market value and employ strategies that include, but are not limited to net short positions or taking leverage.



Secondly the portfolio invites or permits subscriptions from the public. In terms of South African legislation the term public includes the man on the street, as well as, financial institutions, pension funds, et cetera.

If you meet both of the above categories you are a hedge fund.

You can still run a hedge fund on an unregulated basis, but effectively it's then either a segregated portfolio or a private investment club.

Simone Blanckenberg: I think what's also worth noting is that the regulation we have now is really of a **world-class standard.** It has certainly been a long time coming and many people worked for many years to get it to this point.

What is interesting is how that regulation will now be applied practically. Many parts of the industry are going through change, whether it be within the individual ManCo's or with the fund managers themselves, so now when it says XYZ in the regulation, how will you actually apply that to your business? When it says it requires this reporting on a monthly basis, is that possible? Can you do that? What exactly needs to be reported?

So there are a number of working groups that are being set up. And, as with any regulation, it misses certain points by not detailing them, but we need to create an **industry norm** because it is important that everybody is on the same page when it comes to the interpretation of the regulation.

Ruard Buys: The earlier panelists have talked about educating investors as regards hedge funds in the midst of dealing with certain teething problems experienced in transitioning and settling into the new regulatory framework. At the same time portfolio managers currently have to navigate through difficult political events and market conditions like financial repression and the printing money which affect the equity markets, whilst the fixed income market probably face the end of a 30-year bull-run in the bond markets.

So whilst it may feel like the most difficult time to engage investors to educate them about alternative investment products amidst the administrative practicalities and the performance volatility; it is actually also a wonderful **opportunity for hedge fund managers** that are producing true alpha to actually show their worth in terms of being uncorrelated to traditional asset classes and actually being able to produce true alpha and evidence that they aren't just running a geared beta strategy.

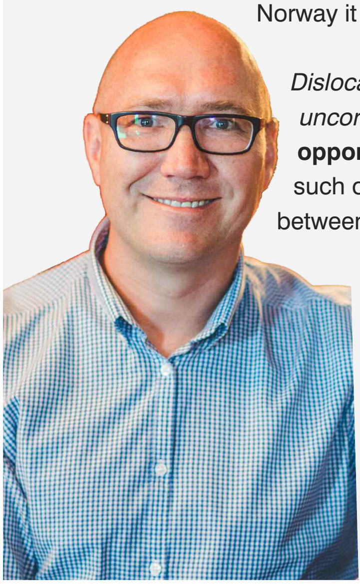
We have been fortunate because in our multi-strategy funds we don't have fixed weightings to specific asset classes, and that has allowed us to stay out of certain strategies and asset classes and dynamically allocate to other performing asset classes.

As an example we were able to focus more on certain deep value currency trades of late and simultaneously reduce, for example, our long/short equity exposure. We were actually able to produce our best performance to date in this difficult environment and we are actually hoping that it will be a differentiator for prospective investors by showing them that despite what's happening on the indices, there are places where you actually can get real returns.

Matthias Knab Can you give details on your performance?

Ruard Buys: Sure, our flagship fund is a global fund that is focused on currencies, commodities, fixed income and equities, was up around 17% at the end of October 2016. What we have found interesting is that the currency component of our global opportunities fund has recently delivered the most alpha as mentioned. Although not entirely the stock price of a country, because what has happened at a macro and political level, currencies have been quite reactive during this time.

On other fronts do not forget the massive oil theme we've seen playing out earlier this year with fundamental market forces stretching out of sync. This created discrepancies between investment instruments with strong natural relationships. Even the economies of countries correlated to oil were affected like Russia and Norway with a disconnect between oil driven currencies and the underlying oil commodity. But then if you had a closer look at the sound fundamentals of a country like Norway it suggested its currency were unduly influenced by the bigger oil theme.



Dislocations between security pairs often result in longer-term investment opportunities for uncorrelated alpha. So when you actually delve into the detail, there are **massive outlier opportunities** within the volatility and turmoil experienced globally at present. Along with identifying such opportunities we have also found it to be very important to establish real economic relationships between pairs we consider putting on to our book, whether it be agri commodities or fixed income. Only if it is established that there are fundamental market forces connecting these different instruments can the team ultimately put a trade on with conviction that the relationship between these positions will correct over time on the back of the operation of real market forces between these positions.

Diversifying beyond specific asset classes like equities, as we do with currencies and commodities and by focusing on relative value and curve shape strategies in our fixed income bucket, has helped us remain uncorrelated to the equity and bond indices as such.

Craig French: Coming back to the transition into the new regulatory framework, certainly from an equity point of view it has been a fairly seamless process. All of our commingled funds available to the public have been able to be managed exactly as they had pre-regulation, i.e., there has been no constraint from the regulator's limits in terms of leverage, single position exposures and so forth, so that has been absolutely seamless.

It's not like managers had to change the nature of their investment style or the nature of the way they trade or the position of a portfolio. This is probably a key point from that perspective, the *regulation certainly hasn't affected us as an equity long/short manager.*

And then talking to the broader audience, although I am being specific in terms of educating the local South African market, if you had to understand a pure equity long-only fund being your one end of the risk spectrum; "high risk", let's put them in that bucket, then maybe you have a benchmarked product, which is diversified, so like a SWIX product or an MSCI World benchmarked product, a well-diversified equity product, that's maybe a little bit further down the spectrum.

If you now take a look at a hedge fund and compare it to global indices, our dollar product with its 9-year track record, for example, has run with a correlation of 0.6 to these indices. So although it's more long-biased equity long/short, the correlation is quite a lot lower.

From a **risk-adjusted return** point of view, and again, more for the benefit of local investors, this fund displays a Sharpe Ratio of 1.4. If you have to look at the Sharpe Ratio of the All Share Index in South Africa, and dollar wise, the MSCI World and MSCI Emerging Markets, over that 9-year period those are all basically zero from a Sharpe risk/reward point of view.

Given hedge funds are hedged products, they are not necessarily a high-risk investment, but this is unfortunately the current perception. Disclaimer, not all hedge funds are high-risk.

Matthias Knab

From what I read about South African hedge funds is that if the markets go down substantially, the South African hedge funds are down only 40% of the market drop.

Simone Blanckenberg

It would depend on your directional bias and how much net exposure or beta-adjusted net exposure you are sitting with. But yes, in a drawdown of this sort an equity long/short fund would hope to be down only 30-40% of the market move.

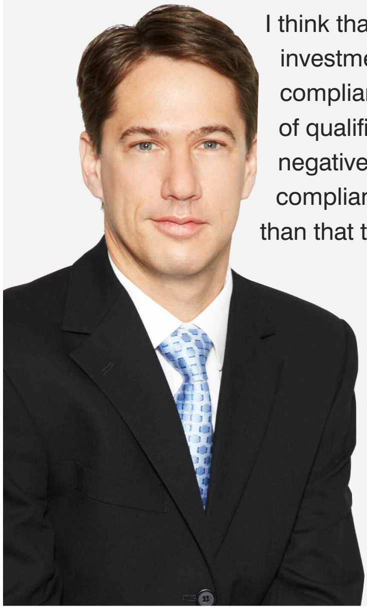
Jean-Pierre Matthews: Maybe just a last thing on the regs, I think in the collective investment space there are going to be slow wins and quick wins for hedge fund managers. I think the slow win is to get through the whole education process until the wider market is comfortable to buy our products "off the shelf".

But I think the quick win for our industry could be going to the retail aggregators, and promote hedge funds as part of a larger solution, with availability on a number of highly regarded LISP platforms. Allowing traditional unit trusts to invest into hedge fund collectives will be a major step forward for our industry and we believe this last bit of regulation is now imminent.

Simone Blanckenberg: I agree with you 100%. What could also work to our advantage is that a number of the hedge fund players have also launched long-only funds over the last few years and have marketed to those retail aggregators. And the retail aggregators have become comfortable with a number of those boutique asset managers who run both pools of assets.

So they have already bought into the process, into the firms and how they manage money, so hopefully it should be a fairly easy implementation once they decide to incorporate hedge funds into their portfolios, at what proportion, and whatever else they might need to give their investors comfort.

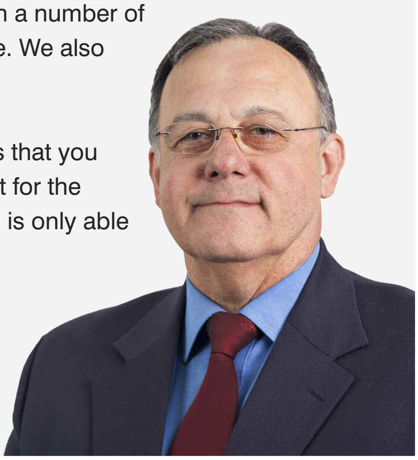
Heinrich Jansen van Rensburg: Just to confirm what Craig said before, our experience has also been that our portfolio managers could just continue with business as usual under the new regulations. There is no impact on how they are actually running their portfolios and making investment decisions.



I think that's a good thing that the regulations do not constrain managers and force them to change their investment strategy, especially on qualified funds. Most of the regulatory changes are really on compliance, risk and other additional reporting requirements. So when we look at the historical returns of qualified funds, there is no reason why going forward performance of these funds should be negatively impacted by the introduction of hedge fund regulations. Obviously a small additional compliance cost will be carried by the funds, including fees payable to trustees and the FSB, but other than that the cost structure will not change much.

And in the retail space, we will have launched three retail funds by first quarter 2017, all of which will be managed using existing investment strategies which did not require any adjustment to comply with the restrictions on retail funds. As our qualified fund strategies are typically not highly geared, we can also **replicate many of these strategies into the retail space** by just reducing the gearing slightly, whilst maintaining a similar investment strategy. So as that market develops and we see a demand for these strategies from retail investors, we will grow into that space and launch more retail funds.

Tony Christien: When we talk about getting hedge funds onto the retail platforms, the problem that we are seeing is that most of these guys are geared specifically for the unit trust space in the way that they do things, like requiring pricing on a daily basis or the way they require a dealing to be done. We are currently having discussions with a number of them on how we can potentially incorporate hedge fund portfolios under CIS into that space. We also have to be aware that those platforms were developed for slightly different products.

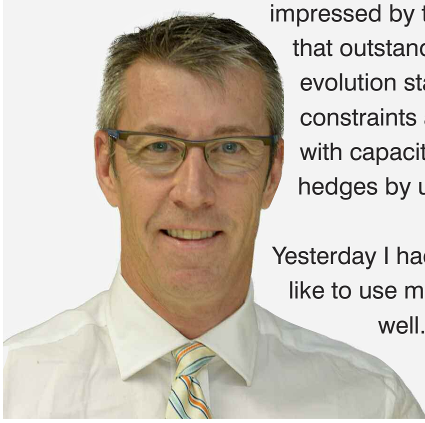


For example, a number of platforms actually trade via a solution like FinSwitch which means that you need ISIN numbers for each fund series that you wish to invest into. We understand that just for the funds on our IDS ManCo, that we need up to approximately 200 ISINs a month, but the JSE is only able to produce 24 a day.

So there are a number of administrative issues that are sitting in the background that I think we as an industry need to get together and discuss.

I think it's very important that investment managers do become involved with all industry bodies in that space, because each one of you is going to have a slightly different story to tell and it's important that everybody's story gets incorporated so that we can get a global solution for what we need.

Markus-Alexander Flesch: I have had the opportunity to attend the Peregrine Hedge Fund Day in 2015 and I was very impressed by the returns of the ten managers that have presented. For 2016 the returns weren't quite that outstanding, but of course we see the same in Europe as well, though Europe is in a different evolution stage than SA. However lower returns usually means fewer opportunities, markets constraints and I was wondering if going forward you think that the South African market will struggle with capacity constraints as well, and could there be a need to expand the styles, techniques and hedges by using more derivatives?



Yesterday I had some conversations with some leading hedge fund managers saying, yes, they would like to use more derivatives in various ways, but there could be some regulative constraints to that as well.

Jean-Pierre Matthews: We are very active in the OTC derivative space. Not so much on the hedge fund offering, but rather direct structuring of specific payoff profiles or alpha transport for our institutional client base. It's an interesting market and it keeps evolving.

But, new G20 and local regulations that include mandatory margining and central clearing offer some new threats and opportunities to market participants. Derivative trading volumes have dwindled over the last couple of years. Many bank option and index arbitrage desks have closed down. New Basel III regulation, along with Dodd-Frank, et cetera, means that there is much less ability for these institutions to take on the risk of making these markets. So maybe there is a **gap for hedge funds** to start writing and running those option books, because many banks are running out of capacity to offer these products to the market.

Ruard Buys

Derivatives opens up a much broader set of strategies with respect to our relative value strategies in the fixed income sector. All of our commodity and currency exposures are also obtained through derivatives. These derivative strategies within our portfolios have really stood us in good stead in the midst of the political volatility we have seen thus far this year.

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Simone Blanckenberg: When you ask about the general capacity constraints in the South African hedge fund industry, I think we are **generally really far away from our capacity limitations.** The hedge fund industry is so small compared to the bigger long-only industry here. I agree that it is very important to be aware of capacity constraints and how you generate your returns, certainly if you play in the small cap space. But for managers who invest in the large and mid caps, there is still a huge amount of capacity for funds to still double and triple and be fine.

Ruard Buys

On the topic of capacity, our strategies span across domestic and global asset classes and, as you know, the global fixed income markets and foreign currency markets are truly deep and vast. So from a product development perspective, we believe we are truly unique in South Africa in this regard to the extent that capacity won't even constrain foreign investors in our products and capacity shouldn't hinder our growth.

Richard Murray

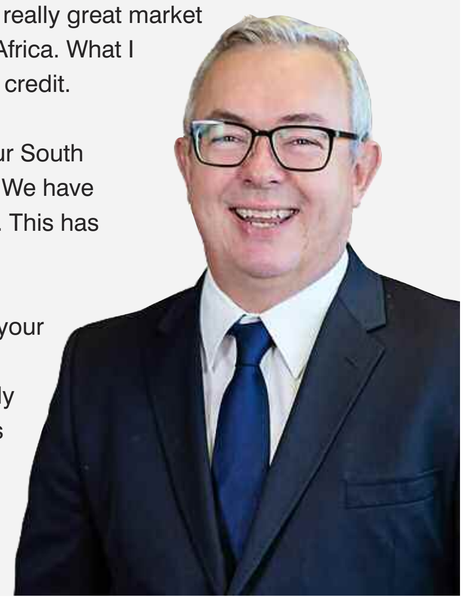
As an aside, considering portfolio liabilities that could arise from derivatives and other strategies/instruments, in the set-up of the ManCo platform we have needed to negotiate a change in the basis on which prime brokers contracted with the hedge fund manager.

The change implements the regulatory requirement for portfolio asset segregation between the portfolios and from the ManCo. So in an unfortunate, hopefully low probability, but clearly high impact situation that a particular portfolio could not meet its obligations to a prime broker, the prime brokers claim is limited to the assets of the particular portfolio and does not cross contaminate other portfolio assets on the platform or the ManCo assets.

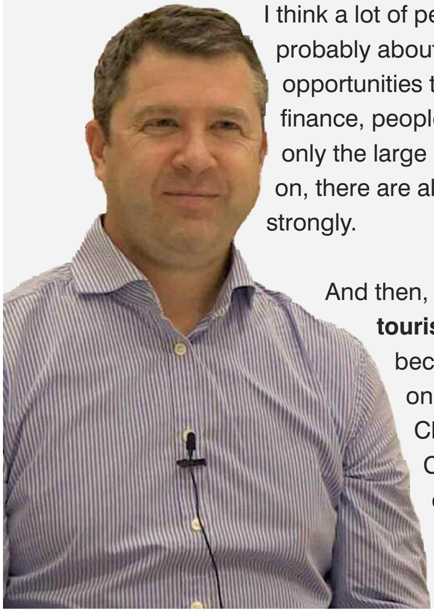
Jean-Pierre Matthews: I would like to add a brief point about credit, which has been a really great market for us. **Credit as an asset class** is a global theme which now has also come to South Africa. What I would like to add is that South Africa has generally enjoyed a very good track record in credit.

I recently looked at the World Economic Forum's rankings again, and the strength of our South African banks, institutions and financial markets are up there with the best in the world. We have trusted auditors, good corporate governance and produce top class financial reporting. This has resulted in very few large corporate defaults in our country.

We think credit is an attractive investment opportunity. You can possibly get an ROI on your equity investment of 15% pa which is at risk of certain volatility, or you can buy some senior, un-subordinated credit or maybe some subordinated credit which is yielding only 2% or 3% less than that. These investments are a lot less volatile and the equity holders need to lose all their capital before you start losing money. Untaxed investors such as retirement funds are becoming more and more interested in this market.



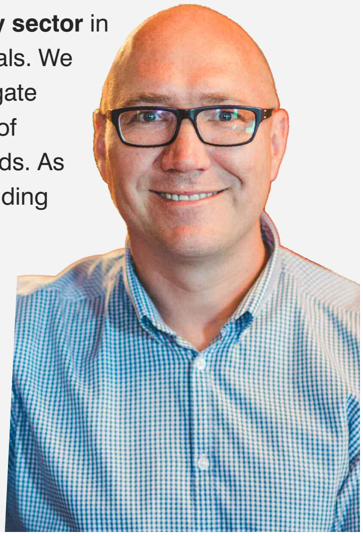
Craig French: Just talking about opportunities in equities, we are very much fundamental bottom-up investors while at the same time we also have to be very mindful of what's going on from a macro perspective.



I think a lot of people overlook the sort of more **informal cash economy** in South Africa. It's massive, probably about one third of the size of our total economy, and we have certainly seen great opportunities there in the kind of informal DIY type of space like a Cashbuild type company or in taxi finance, people like Transaction Capital. So we look across the market cap spectrum, not necessarily only the large successfully diversified multinationals, the SABs, the BATs, the Anglos, and the list goes on, there are also these low-tier mid and small caps that provide great opportunities which are growing strongly.

And then, another theme which is very obvious given that we are talking about South Africa is **tourism.** For many countries globally, with the current exchange rates South Africa has become very attractive travel destination. One of our teams visited China earlier this year, and one of the four key development themes of the Chinese is to increase tourism outside of China. Obviously we have great golf courses and fantastic casinos, and we know that the Chinese are more interested in those than maybe in the game reserves. So there are certain sectors and hotel groups that can also be an interesting play from that point of view.

Ruard Buys: Looking ahead we believe there will be much more opportunities in the **commodity sector** in 2017. We deal mostly in soft commodities, agricultural commodities, precious and industrial metals. We consider fundamental demand, supply and price relationships between products and we investigate substitutable and complimentary commodity pairs. We would basically take positions in respect of instruments that have fundamental market links to each other which moves between historic bands. As far substitutable and complimentary products are concerned we would look at grain futures including white and yellow maize, wheat, soya and sorghum.

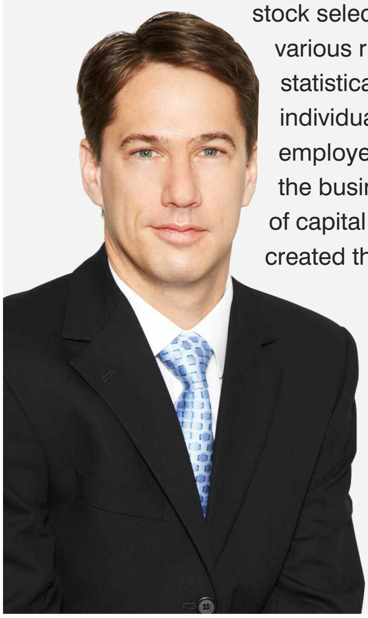


The team has built various monitors that track the prices between these kinds of pairs and once the team notices real dislocations they will investigate the opportunity. In 2016 the commodity space was actually relatively quiet in terms of real opportunities, but we are seeing more and more flags featuring on our radar. So next year may just be a big commodities year in terms of our dynamic allocation across our trading strategies and asset classes.

Matthias Knab Yesterday at the Peregrine Hedge Fund Day I have done a video interview with a portfolio manager of Fairtree, Jean-Pierre Verster who has launched a new fund based on what he calls "quantamental" strategy (http://www.opalesque.tv/hedge-fund-videos/jean-pierre-verster-fairtree-capital/1). Heinrich, can you tell us more about it?

Heinrich Jansen van Rensburg: At Fairtree our style of investment management is to assemble and support different boutique teams. So we have a number of teams across the different asset classes that manage our funds, and even within equity we have different fund managers/teams that individually manage certain funds and pools of capital in multi-strategy funds. Recently Jean Pierre Verster joined us from another hedge fund manager in South Africa and he has launched a qualified fund three months ago.

For this fund, Jean Pierre is using a multi-disciplinary investment philosophy, which combines the quantitative with the qualitative, and thinking about investing like a good business person would. His process combines bottom-up stock selection with a top-down risk management framework, in order to build a portfolio with a balance of various risk exposures. On the quantitative side, a model is used to value companies by using various statistical techniques (including reversion to the mean and momentum algorithms) to forecast the individual line items of a company's financials. On the qualitative side, various mental models are employed to assess the sustainable profitability of a company in order to estimate the future 'moat' of the business. A lot of emphasis is also placed on management competence, especially in the key area of capital allocation decisions. This fund represents one of the equity investment styles at Fairtree and created the opportunity to expand capacity and create more diversity in the Fairtree pool of products.



Each fund manager has got their own investment style and investment ideas, and there is no specific firm-wide view that is enforced across portfolios. This allows fund managers the freedom to express their own investment ideas within the investment and risk parameters of their respective mandates, and also create diversity across the products. Fairtree will also be launching new hedge funds in 2017 with new strategies. By combining different building blocks from asset classes and even from our set of different fund managers in the same asset class, we can create different solution profiles. We see that is one of our key strengths at Fairtree.

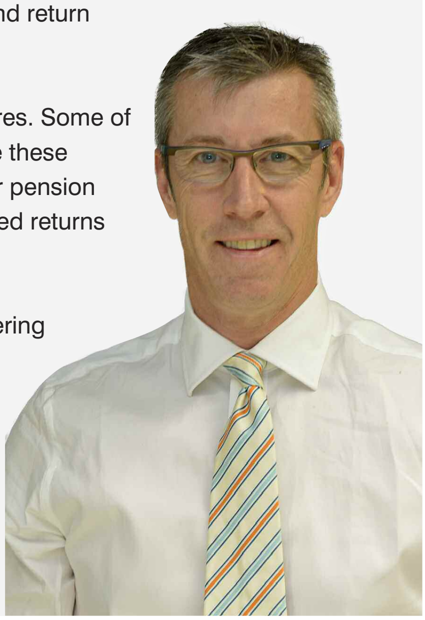
Markus-Alexander Flesch: Jean-Pierre reported his firm to be engaged in the OTC markets, and one of the challenges for the US, as much as for European markets is one of the regulations which is called the Bilateral Margining or **"Margin for Non Cleared OTC Derivatives".** It has already been imposed in the US market where it caused a lot of larger prime brokers to pull out of the clearing business, and according to the history and experience in the past this directive will also play a decisive role in the development of the SA capital markets, as it will be mandatory for some of the bigger asset manager or other financial companies.

In Europe – becoming effective in spring 2017 – it has already, but will be even more changing the industry as established **client-prime broker relationships** will be broken. This directive represents though a big challenge for prime brokers and their respective customers, represents for an exchange like us a big opportunity, as it changes the structure and portfolio of the OTC markets.

Driven by the regulation, OTC products need to be traded with a central clearinghouse, and derivative exchanges like Eurex will design and launch products which are "look-alikes", that means delivering same risk and return features as their OTC equivalents, but are exchange traded and cleared.

Eurex hast already started this **"Futurization"** process with our Variance and Dividend futures. Some of those products may be less relevant for the South African market yet, but I think as a whole these developments represent a huge opportunity and added value for bigger asset managers or pension funds, especially in the current interest rates environment, as well as in a phase of decreased returns and increasing costs.

So from our side we are trying to continuously respond to these regulatory changes by offering risk-wise almost identical products, but of course to a significant lower cost. One of the newest creations in this space, launched by STOXX, which is the Deutsche Börse AG market data and index company, is the so-called **Corporate Bond Index.** As a credit proxy the take up of this innovative concept by the institutional clients at this point is very good. It has been designed, constructed and launched in cooperation with our institutional clients in a very cooperative way – to meet the need of our clients.



When we will launchderivatives on this new index, this will then open up even more opportunities for the buy-side trading credit and corporate risk.

We will continue providing these opportunities that are arising through and from this so-called “Futurization” process where Eurex is re-engineering former OTC derivatives to launch them in a listed, centrally cleared portfolio and where we offer order book liquidity and of course price transparency. Therefore Eurex will further reduce the operational workload, as much as we will reduce the legal effort by handling, managing the cumbersome OTC/ISDA documentation. We will be providing new liquidity pools on former OTC derivatives, facilitate all processes around trading and settlement and thus moving former complex OTC derivative products to modern STP process.

As you can see, this “Futurization” process, although it started already eight years ago with our first Dividend Future on the EuroStoxx50 index, represents a clear strategic element of the Eurex portfolio expansion. Especially the EuroSTOXX50 dividend future, which is well established in Europe where it has become very relevant for bigger asset and portfolio managers, so that Eurex now has also received approval by the CFTC to launch and market this product for the US market. Therefore by the end of January 2017, Eurex will promote this product in the US.

Although Eurex has several “futurized” products in its portfolio, be it equity or fixed income driven, we have now expanded in an asset class which we did not tap beforehand. Our listed version of the **Total Return Future** on the EuroSTOXX50 index was launched successfully by Dec 2nd 2016. This hybrid between a Delta-1 trading product and a repo product is a novelty to the derivative markets, but capital and liquidity constraints set by Basel III gave Eurex a decent tail-wind to design it with leading institutions. Eurex will therefore deliver a new product and eventually be helping that Repo can emerge as a new asset class. With all the commitment seen as of now I predict that our Total Return Future will become the same success story as our Dividend Future or our MSCI Derivatives portfolio.

Ruard Buys: In terms of product development, many of the previous speakers have mentioned that the new regulations haven’t really affected the way in which portfolio managers conduct their daily activities and execute trades. I fully agree with this especially in respect of the Qualified Investor Hedge Funds or QIHFs. We have also done a lot of development work this year in relation to what we do with fixed income, commodities and currencies in order to roll out a multi-strategy Retail Investor Hedge Fund or RIHF which accommodates these strategies with the confines of a RIHF. We have recently launched this fund and it has been very successful for the three months it has been going. Our standalone fixed income fund has also performed really well against its peers and we have decided to leave this fund as a QIHF.

Our flagship global opportunities fund is however a South African Rand-based global opportunities fund. We have had a lot of local investors seeking to invest into this product via an offshore platform. We are therefore planning the launch of an offshore version of our global opportunities fund in 2017 to enable investors to invest in a dollar fund with global exposure. This is something we are as excited about as our investors.

Jean-Pierre Matthews: **Agriculture businesses and soft commodities** are also interesting markets in South Africa. We recently managed to tie up with a very large physical grain trader. We are receiving outstanding fundamental research from them and together we have seeded a new Commodity Trading QIHF. The SA agricultural derivative exchange is sophisticated and well developed. We are now in our third month of trading this new fund and we are very happy with the performance and profile of the fund at this early stage.

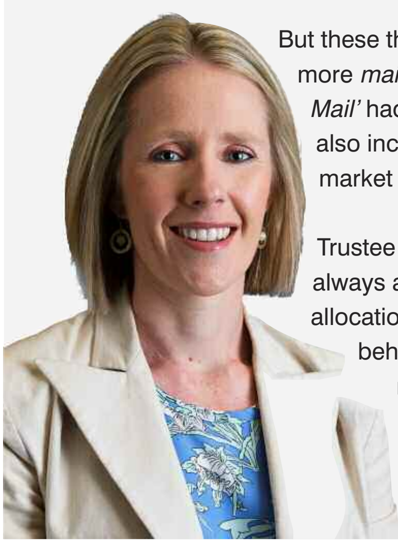
Markus-Alexander Flesch Do you also do power trading?

Jean-Pierre Matthews The SA power grid is state owned, strictly regulated and not freely available for underlying independent power production and trading. Our power market remains highly specialised.

Matthias Knab You brought up the very important role of education regarding hedge funds and alternative investments. Do you already have any ideas how you will be tacking education?

Craig French I think it's really for all of us to keep chipping away and educating on a broader perspective. You are seeing some of the more long-only type consultants that are now asking questions about hedge funds. In addition, I think, like offshore, the press locally around hedge funds always seems to be a bit sensationalist, but this just confirms the point that hedge funds are not a well understood asset class. So one thing we certainly need to do is to get some of the financial press more involved and regularly report on the industry.

Simone Blanckenberg: We already mentioned that in the past hedge funds were not allowed to market. One of the things that has been done in the past around education was to include a hedge fund panel discussion in a long-only investment conference where IFAs would attend. So hedge funds may have gotten a 30-minute slot to speak, but I think most IFAs would not have paid attention during that time because it hasn't been of relevance to them until that point.



But these things are starting to change. Over the last few months we have started to see some of the more *mainstream retail financial publications* writing some **good stuff on hedge funds.** The '*Financial Mail'* had a special report on hedge funds two weeks ago that was very good. Hedge funds are now also included in the unit trust handbook, so these are all things which are going out to the retail market which will hopefully over time create some interest.

Trustee education is another aspect. I have been involved with that work over the years, but it's always a difficult thing to get right especially when it's such a small portion of the pension funds allocation. Hopefully those retail aggregators who can take hedge funds into their portfolios will get behind this education initiative, An example of this would be client meetings where hedge fund managers can present and help to educate their investors, with the rubber-stamp of the retail aggregator saying something like, "we have done our due diligence on this manager, know them and think they will meet their objectives over time."

Ruard Buys Tony, this may be an unfair question to you but from an industry body perspective, do you know if our industry body, the Association for Savings and Investment South Africa (ASISA), actually wants to step into that space to actually promote the education of hedge funds within the larger industry?

Tony Christien: Generally speaking, you will invest via your financial advisors, the IFAs, who have to be registered under FAIS in order to be able to market particular products. It's generally a category one registration with various examinations that they have to pass, and so on.

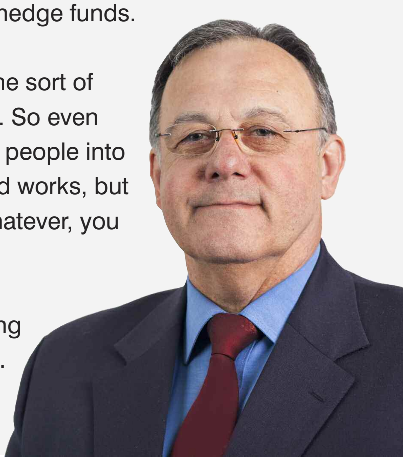
So now we have this odd situation where category one IFAs are going out to sell hedge funds but there is no category under category one that actually covers hedge funds. And this is being discussed through ASISA with the FSB, the Financial Services Board, that IFAs are told they can go out and sell, but there is nobody who is actually technically regulated to sell.

So these are some of the anomalies that do cause a bit of a wrinkle, but ASISA does know about this and there have been discussions with the FSB. To carry on with Richard's point, I think it's very important that we try and get as many investment managers as possible to actually buy into ASISA.

At the moment, the ASISA grouping, if you like, is run pretty heavily by the life insurance company camp, so consequently it's about the things that are important for them. As you can imagine, the Big Life companies is where traditionally most of the investment capital is placed. There has been a bit of a re-alignment, but they are still very powerful players and have always had a history of being very powerful players.

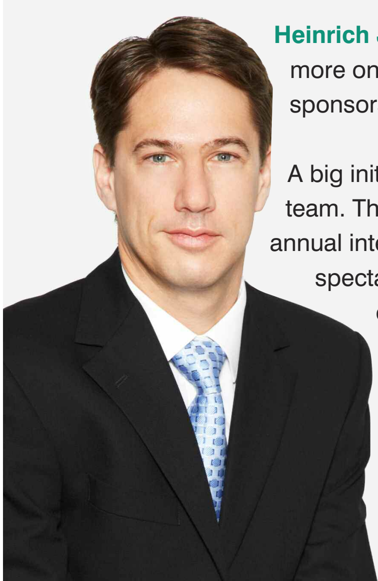
It's therefore important that hedge fund managers collectively get involved more in ASISA itself so we can have more people saying the same things over-and-over again and build up critical mass in that space. At the moment, our voice is really small, we are technically a small industry if you look at assets under management, but that doesn't mean that we can't be vocal.

And I think little things like this issue about category one for hedge funds, these are the kind of things that we need to drive urgently so that we can close the gaps, and go out and educate people about the types of hedge funds.



I am preaching to the choir here, but I mean, people say "hedge funds" and they think of one sort of amorphous mass, but it's not, as there are dozens of different strategies and sub-strategies. So even when we talk about education, it's not just a one-line message. We could probably educate people into a standard long-short equity scenario reasonably quickly if they understand how a long fund works, but when we start talking about derivatives exposure, market-neutral, multi-strategy funds or whatever, you are going to lose most people within ten seconds.

So it's certainly not a short game that we are talking about, but right now it's about identifying the different stepping stones we can take to get the point we want to be in one or two years.



Heinrich Jansen van Rensburg: At Fairtree Capital, over the last one to two years, we have focused more on building the actual brand of Fairtree Capital. To achieve this, we specifically put some sponsorships in place to build our brand in the last year.

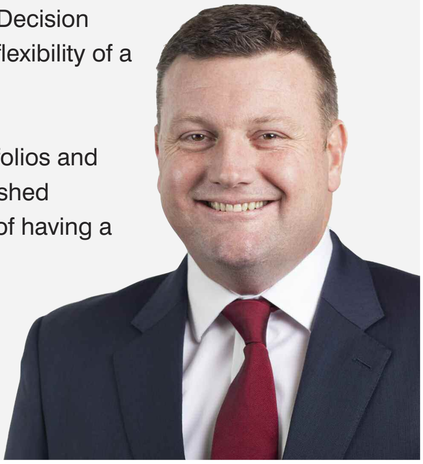
A big initiative is sponsoring one of the major high schools in Paarl, the Paarl Boys' High first rugby team. This team is one of the most followed school rugby teams in South Africa, and specifically the annual inter-schools derby against its rival school Paarl Gymnasium, which attracts a large number of spectators and TV viewers. I think we get good coverage from sponsoring this team. And it turned out to be a good year to start our sponsorship in 2016, as they did manage to win the inter-schools derby.

Fairtree also got involved in establishing and sponsoring a mountain bike race called the Fairtree Simonsberg Contour in Stellenbosch, which is a two-day stage race. We are also further involved in mountain biking through sponsoring riders in the 2017 Absa Cape Epic. That's some of the things we do from a brand building point of view.

And then from an education point of view, we increased our emphasis on distribution about two years ago when we created a new position of head of distribution. We have also recently appointed an additional two people in the distribution team to strengthen our service to the IFA market, including the education process on hedge funds. I think this is definitely an area where we will expand and grow the team as part of our long-term journey.

Richard Murray: From our perspective as an agnostic platform, we want to ensure that we are able to facilitate any type of distribution strategy that a hedge fund on the platform aims to employ.

Anecdotally, in setting up this business and engaging with investment managers, most of them remained focused on the qualified investor space, whether institutional or high net worth individuals. Decision drivers were the nature of their investment strategy and the capacity in the market, greater flexibility of a qualified investor portfolio and the nature and composition of their current investor base.



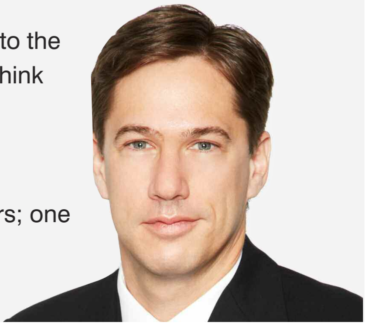
Often the investment managers pursuing the retail hedge fund space managed newer portfolios and this space offered an additional avenue of business growth. In some instances, well established investment managers transitioned a mix of qualified and retail hedge funds, with the intent of having a retail offering readily available should the retail investor space growth significantly.

Overall the recognition that the retail space is a longer burn scenario appeared to be shared.

Matthias Knab What else is important regarding South African hedge funds?

Craig French: Despite the fact that 2016 has been a tricky year for us and some of our peers, we are still seeing interest from international investors that are traveling down from places like the US, which is a long way to come for due diligence! So we are still seeing interest for our type of funds.

I think that also talks to the pedigree and the risk management discipline you can see across many of the South African hedge fund managers, which you have seen for many years now, with proven strong track records. I believe we provide an interesting opportunity and that there are still some inflows coming from offshore investors.



Heinrich Jansen van Rensburg: Coming back briefly on the point of integrating hedge funds into the existing platforms for long-only unit trusts to enable seamless investment from retail investors. I think one aspect that many players have underestimated is the **complexity of hedge fund products** compared to traditional long-only products.

If I just look at one of our multi-strategy funds as an example, we use three different prime brokers; one local, two international. We trade across a number of countries, different time zones, different currencies, different types of derivatives, and even local equity derivatives can be different from offshore equity derivatives. All these complexities need to be factored into both the administration back end of the fund and the valuations, and that is just a much more complex product that needs more enhanced systems to perform the fund administration.

I think that's something that the industry will still have to work on - aligning the investment administration systems and platforms designed for long-only products to accommodate the more complex requirements of hedge funds.

Richard Murray As Heinrich mentioned with his remarks on having different prime brokers, these challenges include the flow of reporting from execution brokers on give up trades. The flow of information isn't as timely as needed in order to perform daily pricing.

Ruard Buys: Many hedge funds have traditionally been seen as ideal products for family offices and high net worth individuals. In order for hedge funds to become more main stream for pension funds and institutional investors, process-related constraints currently encountered with platform investing etc. is something our industry will have to work through sooner later than later. We shouldn't allow administrative issues to create a barrier to entry for the very investors for whom the new regulations were enacted.

Craig French I think the reality is daily unitizing is required by those types of clients, so you can't get away from that. We could deal daily but have a 30-day notice period.

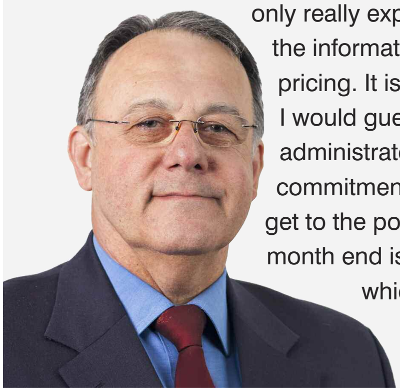
Jean-Pierre Matthews: I think Craig made a very good point.

The second thing I would like to add is that the solution managers of those investment platforms also understand the fact that they won't get daily liquidity from most hedge funds. They understand it, they know why, and they are quite happy to settle on monthly or daily with monthly notice, so that managers can plan their outflows.

The most important point is that the LISPs and solution providers need to price their funds every day. The solution providers typically need to publish unit prices and offer liquidity to their investors every day. However, the solution providers do not always need to sell proportionate hedge fund exposure on the day of an outflow; many are quite happy to keep a cash float to manage those daily flows and it is not often needed to redeem from many of the underlying funds.

Even if you are running a long-only equity fund for a solution, you usually don't get a lot of in and outflows on a daily basis because the solution provider manages his cash flow very efficiently to keep their admin burden down as much as possible as well.

Daily pricing is a prerequisite, but daily liquidity is not always a deal breaker.



Tony Christien: A fund manager's founding document usually stipulates the liquidity he will have to keep, and so you can only really expect liquidity until a certain percentage. Then from an administrative point of view, providing the information on the portfolio in the hedge space generally you are looking at probably T+1 to get pricing. It is not the same as in the unit trust space where you can push it out at 6 o'clock in the evening. I would guess that for 70%-75% of our portfolios we would be able to **price daily.** Certainly from the administrator's point of view, we have to do it for the retail funds immediately and we have made a commitment to the various ManCos that over the next 6 to 12 months we will look on the QIFs as well to get to the point where we can price daily. Because from our perspective, if you are pricing daily, then month end is in effect just one more day. So you should be able to pull your pricing forward as well, which once again helps everybody in the industry.

What happened in Week 3?

Hedge fund manager A has produced a custom video with Opalesque.TV and it has been online for a few weeks. As with manager A, we sometimes notice that the weekly views of a video can jump several hundred percent from one week to the other.

Weekly video views	Week 1	Week 2	Week 3
of Manager A:	110	101	376

There are a range of different reasons for such a sudden jump in views, for example manager A could have:

– won a prestigious award or was nominated to it
– been included in some industry ranking
– been written up in the press / hedge fund media
– just launched a new fund that gained a lot of attention
– posted a (very) good month or year
– etc.

It is safe to assume that on any given day, someone or many will google any hedge fund manager's name, fund name, or company name. Good for those who have a custom made, targeted video online that investors can access any time, and at their time.

Unexpected long-term effect

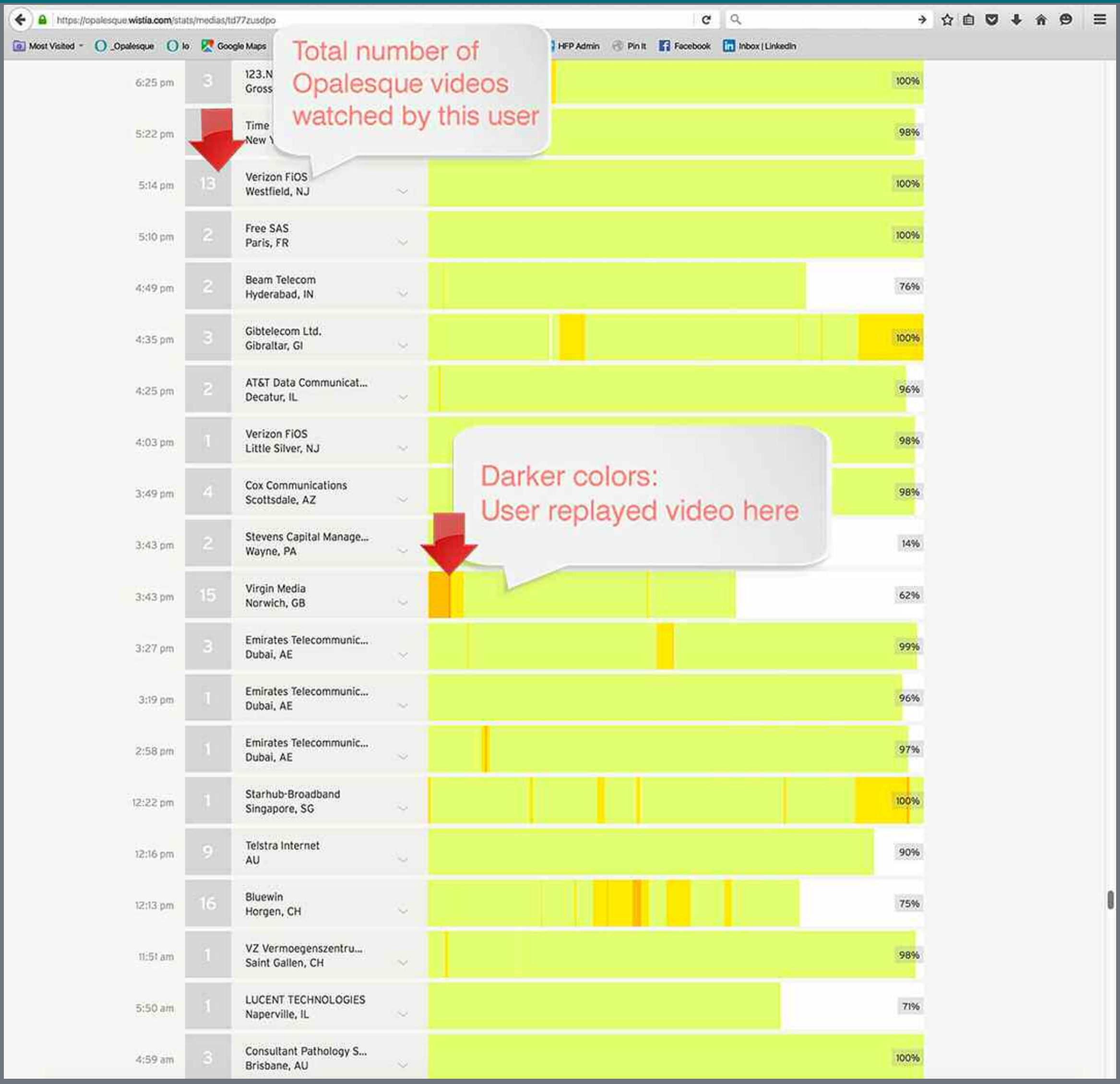
Opalesque has detailed viewer stats on 280+ videos since 2009. What's most interesting is that **video views do not drop significantly over time**, no matter how long the video has been online.

Taking Meetings over Christmas and while you're sleeping

Opalesque.TV videos are designed to simulate a first time meeting with a prospective investor. Many of these allocators will watch a video when they see that there's one available on the manager they are researching (like the viewers of manager A). All 280+ managers who have produced a custom Opalesque.TV video can therefore actually make business (or "have a meeting") while sleeping. Or when it's Christmas.

This video was watched 104 times over the 2016 Christmas holidays:
http://www.opalesque.tv/hedge-fund-videos/patrick-stutz/1

Take a look at the next graphic, especially at the hours (which are Central European), the locations, and the completion (how many viewers watched the video until the end):



We therefore believe there are real **opportunity costs** for managers who do *not* use videos to explain what they do.

Save up to 50% in travel costs by making your first meeting the second one

Have you ever spent time and money to take a trip to present your fund, only to hear, *"Thank you for coming to our office, and please keep sending me your reports …"?*

What if you had known before that the investor is looking for something else?

By sending their video to prospects **before the meeting,** the manager wins twice. Should the investor be looking for something else, the manager can focus his efforts on those investors who watched the video **and liked** what they saw.

In these cases, managers tell us that the first real meeting becomes more like a 2nd meeting (the 1st one being the video) as the groundwork has been laid and the meeting will be much more successful and achieve much more compared to a regular first meeting. By better **qualifying your leads**, you can basically halve your travel budget and raise more assets quicker.

Working with a trusted partner

Over 1.2 million people have watched one or more Opalesque.TV videos, which means that the people you may be targeting will already be familiar with Opalesque.TV videos.

Managers like **Julian Robertson, Izzy Englander, Jim Chanos, Jeffrey Ubben, Elena Ambrosiadou, Anthony Scaramucci,** and many others have done Opalesque videos, as well as institutions like **Morgan Stanley, State Street Global Advisors, M&G Investments.**

You're in control

When you're doing a custom Opalesque.TV video, you have full control about any aspect of your message. This is not a given in any other regular media coverage.

A manager portrait on Opalesque.TV is generally designed to simulate a first time meeting with a prospective investor, meaning that questions like the following will be discussed:

- Please introduce yourself and your firm
- What is special about your strategy?
- How are you different from your competitors?
- What else is important regarding the asset class?
- Opportunities you focus on

Broad distribution

You can either produce a private video with us, which will only be hosted on the non-public part of your website, or we can offer you the broadest possible multi-channel distribution on Opalesque.TV and our partners like Reuters and other leading platforms. Contact us to discuss your custom distribution package.

Managers have **quadrupled assets** thanks to our video ($700m to $2.4bn in 1 year) and also received a book contract or **invitation to speak at the World Economic Forum or at TED** through our video:

- View count: Over 1.2 million views (hundreds of thousands of people)
- Thousands of investors will view your presentations
- Longterm effect: views do not drop significantly over time
- Without investing a single additional minute of your time - time required to record a video is approximately 90 minutes.

Costs

For a 10 minute video the all-inclusive package price is US$4000 which includes: travel (Europe and NY tristate), full production at your office, multiple edits (cuts), provision of the final video file, and a global, multi channel distribution package. A 15 minute video is $5000, so $1000 will be billed for each additional 5 minute segment above 10 minutes. The client determines the final length of the video.

Links

Opalesque.TV video which got 104 views over 2016 Christmas:
http://www.opalesque.tv/hedge-fund-videos/patrick-stutz/

Opalesque.TV videos sorted by number of views:
http://www.opalesque.tv/most-viewed-hedge-fund-videos/

Opalesque.TV videos sorted by number of social media shares:
http://www.opalesque.tv/most-shared-hedge-fund-videos/

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