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Tantalum makes headway with resources

Cape Town-based Tantalum Capital has reached the one-year mark with its rand-based global resources hedge fund, the Tantalum Resources Fund.

The fund has gained a net 12.87% since inception last March. It has started the year strongly, adding 4.85% so far this year to the end of February.

Simone Blanckenberg, Tantalum's COO and head of product strategy, says the fund has performed particularly well relative to the JSE Resources Index in what has been an extremely volatile period for the sector. The team has a long-term view on the product and is looking forward to delivering strong absolute returns over time.

The fund has R55 million under management and capacity is not an issue.

It is managed by Michael Lawrenson, a key member of the ex-Coronation team that founded Tantalum in 2005. Lawrenson focuses on resources and industrials as part of Tantalum's eight-strong investment team. Mining analyst David Fleming, who worked with Lawrenson on the strategy at inception, left the firm in January to pursue other interests and Tantalum is looking to add another analyst to focus on the sector.

The rand-based fund followed the launch of Tantalum's Global Resources Fund in May 2012. The dollar-based fund dipped 1.94% in 2013 and is 4.04% higher so far this year to the end of February.

In its latest letter to investors, Tantalum



Simone Blanckenberg

noted that equity markets had rebounded in February after a weak start to the year, with resource equities performing well in US dollar terms helped by a reporting period that saw most miners report better than expected corporate earnings as mining CEOs gave evidence of cost reductions and capital expenditure restraint.

Despite the challenge of a strengthening rand, the fund benefited from large positions in the diversified miners, adding 1.72% for the month.

The team remains positive on the medium-term growth outlook for developed markets, although they expect continued volatility as global markets continue to digest and assess future Chinese economic data. In this context, the portfolio remains weighted to large diversified miners and platinum group ETFs as global political tensions have supported prices of



Michael Lawrenson

precious metals and hurt industrial metals.

Lawrenson believes 2014 will be a year for stock-picking, both for equities and commodities, given the potential for divergent economic performance across regions. Given this backdrop, the fund is focusing closely on valuation as the cornerstone to portfolio construction, including positions in diversified miners and platinum-group metals.

While uncertainties in global markets and currencies make it difficult to offer short-term performance predictions, he expects the portfolio to generate 15-20% in rand terms and 10-15% in US-dollar terms per annum over time.

Tantalum now has a total of R2.3 billion under management across a range of funds, including its flagship multi-strategy hedge funds, its fixed income hedge fund and a growing range of long-only products.

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