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Page 3-8

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Hedge funds were marketed to pension funds as the shock absorbers of an investment portfolio.

When equities were in trouble, institutions could always rely on hedge funds to provide uncorrelated returns — and if well managed they should not give negative returns in a poor market.

Some SA funds have passed this test with flying colours — examples include Fairtree, Coronation Multistrategy and Oryx. And with the average international hedge fund producing a negative return of 18,3%, the overall performance of the SA funds was quite credible.

The Symmetry SA Hedge Fund survey is the only publicly available single hedge fund survey — though as a leftover from the untransparent early days of hedge funds another survey is available only to people prepared to fork out a large subscription.

According to Symmetry, the best performers were the fixed interest funds with an average return of 12,8%.

The market neutral fund is the classical hedge funds which offsets long (positive) positions with an almost identical amount of shorts. The average return was 10,4% and just three of the funds gave a negative return.

Long/short equity funds usually have a directional bias in favour of the market. Investors in these funds should not be surprised if these funds make a negative return when markets tank — and tank might even be an understatement for a 25,7% loss in 2008.

A modest loss of 0,9% was credible, though there was a wide dispersion of returns. Index funds would be jealous of the way the Praesidium SA Hedge Fund's loss of 25,2% almost exactly matched the JSE itself

It was also a rough year for the most highly regarded team in the hedge fund industr3

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Hedge fund returns were patchy in 2008 but ahead of overseas