

## Double honours for Steyn Capital & Blue Ink

The alternative asset management community gathered in a celebratory mood in Cape Town on the evening of February 17 to congratulate the nominees and eventual winners of the *HedgeNews Africa Awards* after a year of excellence in 2010.

More than 200 industry players attended the gala dinner, which was again packed to capacity. Guests gathered at the Vineyard Hotel for drinks and live music on the lawn for some festive networking before the evening's eagerly anticipated proceedings.

Funds in our database had a respectable 2010 in difficult markets, with the *HedgeNews Africa Composite* delivering a median 10.3% during the calendar year compared with a gain of 8.08% amongst global hedge funds, according to the HedgeFund Intelligence Global Composite. This compares with a gain of 9.55% in the MSCI World and 16.36% in the MSCI Emerging Markets Index. In South Africa, Johannesburg's All Share Index gained 16.1% while South Africa's All Bond Index rose 14.96% and cash added 6.88%.

But 2010 was another tough year for managers and investors. After the bounceback of 2009 and the extreme lows of 2008, investing conditions remained treacherous for many strategies.

More than 40 funds received nominations for this year's 12 *HedgeNews Africa Awards*. In some categories the winners were clear, but others were particularly closely fought with the margin between victory and second place extremely narrow.

Steyn Capital, headed by Andre Steyn, took home the prestigious Fund of the Year Award, as well as the award for best Long/Short Fund. This year's other double winner was Blue Ink Investments, which claimed both the best Fund of Funds title and the award for best Long-Term Performance amongst Fund of Funds, which was introduced for the first time this year.

The *HedgeNews Africa Awards* use an established quantitative methodology to recognise the best risk-adjusted performers amongst funds in Africa. The awards are based on data collected during the year and published in the *HedgeNews Africa* database, the most comprehensive independent database covering the region.

Net monthly returns for the 12-month period as well as Sharpe ratio form the basis of the methodology, with the award ultimately going to the fund with the highest return, provided its Sharpe is within 25% of the top Sharpe in the category. In the few cases that combine various strategy areas, other quantitative criteria may need to be applied.

Funds must have a minimum of US\$10 million (about R75 million) under management to qualify for a nomination except in the new fund category, where no minimum applies. Both long-term awards also require minimum assets of \$40 million to be nominated.

All of this year's nominees deserve recognition for achieving excellence in often unpredictable market conditions, and for delivering superior risk-adjusted returns to their investors.

This is how the winners were decided:

## **SOUTH AFRICAN EQUITY**

**WINNER: Steyn Capital Fund**

**2010 return: 33.63%**

**Sharpe ratio: 5.65**

**Nominees:** 36ONE Hedge Fund, Coronation Presidio Fund, Laurium Capital Offshore Portfolio, Silk Origin Fund, Steyn Capital Fund

*Presented by: Investec Prime Broking*

The first award of the evening was the closely watched South African equity category, which has experienced some rationalisation post 2008 and yet retains a strong list of competitors, ranging from many of the most mature funds in our database to more recently launched contenders.

Long/short funds around the world had a tough 2010, not least those in the HedgeNews Africa universe. Nevertheless, there were some exemplary performances in this category, with all nominees offering double-digit 12-month gains at least in line with the Johannesburg All Share Index, and with far lower volatility.

Cape Town-based Steyn Capital, managed by Andre Steyn, was the clear winner in 2010, with a return more than 5% ahead of its nearest competitor and the highest Sharpe ratio of all the funds in the category.

## **PAN-AFRICA AND MENA (HEDGE)**

**WINNER: Nubuke Multi-Strategy Africa Fund**

**2010 return: 19.64%**

**Sharpe ratio: 1.84**

**Nominees:** Insparo Africa and Middle East Master Fund, Laurium Capital Zambezi Fund, Nubuke Multi-Strategy Africa Fund

*Presented by: Nedbank Capital*

The Pan African and MENA Hedge category was one of the smallest at this year's awards, yet funds delivered some strong returns for investors in a volatile year for the African markets.

The funds with the top three returns in the category were all in range on asset size, needing a minimum of \$10 million under management to qualify for a nomination, although Sharpe ratio played a role in determining the winner.

The race was ultimately between two London-based funds, with a matter of basis points separating the top two contenders. The Insparo Africa and Middle East Master Fund, last year's winner and by far the biggest in the category – managed by Mohammed Hanif and his team – was edged out by Tutu Agyare's Nubuke Multi-strategy Fund, which earned its first nomination and ultimately its first award.

## **PAN-AFRICA AND MENA (LONG/ABSOLUTE RETURN)**

### **WINNER:**

**Kura Africa BMC Fund**

**2010 return: 44.59%**

**Sharpe ratio: 2.17**

**Nominees:** African Alliance Africa Pioneer Fund, Coronation Africa Fund, Finch Africa Fund, Kura Africa BMC Fund

*Presented by: Investec Prime Broking*

This award was introduced for the first time this year to take into account the growing number of African funds focused on the international investing community.

With shorting and other hedging tools hard to come by in the nascent African markets, the award considers managers with long only and absolute return mandates, who are not necessarily focused on reducing downside risks but rather in capturing the long-term market upside. However, we retain the Sharpe ratio criteria so as to measure the best risk-adjusted returns to investors.

The nominees all delivered in excess of 28% for the calendar year with the lowest Sharpe ratio at 1.4 for the period.

This year's winner was well ahead of its peers on both return and Sharpe, and is also one of the few Africa funds with a sector focus, concentrating on the building materials and construction sectors in Africa.

## **MARKET NEUTRAL and QUANTITATIVE**

**WINNER: Laurium Capital Bell Rock Fund**

**2010 return: 10.97%**

**Sharpe ratio: 1.8**

**Nominees:** Blueprint Hedge Fund, Laurium Capital Bell Rock Fund, Mazi Visio Market Neutral, Peregrine Capital Pure Hedge II, X-Chequer Market Neutral Fund

*Presented by: Peregrine*

The market-neutral and quantitative category had its worst year since *HedgeNews Africa* records began, returning a median of just 5.92% for 2010.

Besides being the toughest category in performance terms, with challenging trading conditions, this was also the most closely fought category, with just a fraction of a percent separating the top two funds.

Nominees all gained around 10% net, easily exceeding cash returns in 2010 but not keeping pace with the JSE All Share, which made good ground in the last four months of the year. The nominees showed a smooth return profile, however, delivering gains with far less volatility than the stock market.

Peregrine Capital Pure Hedge II had the strongest Sharpe ratio amongst the nominees, at 2.4, with a return of 10.86%. However, the Laurium Capital Bell Rock Fund met the criteria of being within 25% of the top Sharpe, pipping Pure Hedge to the post with a slightly higher return to take this year's honours.

## **MULTI-STRATEGY**

**WINNER: Tantalum MNC Fund**

**2010 return: 17.22%**

**Sharpe ratio: 2.82**

**Nominees:** Brait Multi-Strategy Fund, Coronation Multi-Strategy Arbitrage Fund, Tantalum MNC Fund, OMIGSA Multi-Strategy Hedge Fund

*Presented by: Deutsche Bank*

Multi-strategy funds had a good year in 2010, showing a median return of 11.96%. This year's contenders were amongst the most sizeable funds in the *HedgeNews Africa* database, making their double-digit calendar-year returns that much more impressive.

Risk-adjusted return was a strong factor in determining the winner of this year's award &ndash; with Clear Horizon setting the bar with a Sharpe ratio of 3.72. The fund also had the highest return, at 28.9%, but missed out on a nomination due to its size.

The top-performing nominee over the 12-month period was last year's winner, the Brait Multi-Strategy Fund, which added 19.59% for the year, on a strong Sharpe ratio of 1.94. However, only the Coronation Multi-Strategy Arbitrage Fund and the Tantalum MNC Fund were in range to win the category based on Sharpe ratio, with the award ultimately going to Tantalum.

## **FIXED INCOME**

**WINNER: Fairtree Fixed Income Fund**

**2010 return: 29.52%**

**Sharpe ratio: 6.24**

**Nominees:** AcuityOne Hedge Fund, Fairtree Fixed Income Fund, Green Oak Go Green, KADD Capital Validus Fixed Income Fund, KADD Capital Validus Plus Fixed Income

*Presented by: Rand Merchant Bank*

South African fixed income funds had another exceptional year, with a median gain of 18.26% for 2010 following a 14.87% return in 2009. All of this year's nominees gained in excess of 28%.

Risk-adjusted performance again played the key role in determining this year's winner &ndash; with the Fairtree Fixed Income Fund, managed by Flip du Plessis and Ian Millard, delivering a hard-to-beat Sharpe ratio of 6.24, by far the highest in the category.

The top return for the year was from KADD Capital's Validus Plus Fixed Income Fund, at an impressive 43.92%, followed by its sister fund, Validus Fixed Income Fund, at 30.99%.

Yet, despite an excellent set of returns from the nominees, none could come within 25% of Fairtree's Sharpe ratio, handing it this year's top honours.

## **SPECIALIST STRATEGIES**

**WINNER: Barak Structured Trade Finance Fund**

**2010 return: 16.48%**

**Sharpe ratio: 26.49**

**Nominees:** Barak Structured Trade Finance Fund, Craton Precious Metal Fund, Creditsmith Event Driven Fund, Scipion Commodity Trade Finance Fund, Polar Star Agricultural Commodities Fund

*Presented by: Nedbank Capital*

This category is designed to take into account a range of new and innovative strategies being employed on the African continent, ranging from managed futures funds to endowment trading strategies and commodity trade finance funds. This year's nominees were largely from the structured trade finance and event-driven categories &ndash; which typically show a constant return profile and, therefore, higher Sharpe ratios than many other fund styles.

The Craton Capital Precious Metal Fund was well ahead of the pack on return with a 74.72% net gain for the 12-month period.

However, the Barak Structured Trade Finance Fund delivered a Sharpe ratio of 26.49, and it was difficult for any of the other contenders to make the grade on a risk-adjusted basis. Coupled with a solid annual return, it ultimately earned this year's top honours.

## **BEST FUND OF FUNDS**

**WINNER: Blue Ink Fixed Income Arbitrage Fund**

**2010 return: 24.23%**

**Sharpe ratio: 3.43**

**Nominees:** Alpha Fixed Income Blend of Funds, Blue Ink Fixed Income Arbitrage Fund, Blue Ink-ubator Diversified Fund, Edge Iconic Income Opportunity Fund, Edge Iconic Matador II Fund

*Presented by: Peregrine*

Fund of funds in South Africa held their own in 2010, with the *HedgeNews Africa* Fund of Funds median gaining 9.1% over 12 months. Fixed income portfolios, in particular, benefited from strong returns among underlying managers and of the five nominees for the Fund of Funds Award, three have a fixed income focus.

Edge Capital and Blue Ink Investments each earned a double nomination for their calendar-year performance. The Edge Iconic Matador II Fund offered consistent returns throughout the year, leading the category with a Sharpe ratio of 4.16, while its sister fund the Edge Iconic Income Opportunity Fund came in at 3.23. Both funds also delivered returns in excess of 14% for the 12 months.

Leading the way in return, however, was the Blue Ink Fixed Income Arbitrage Fund, with a 24.23% gain that was also easily in range on Sharpe, at 3.43.

**LONG-TERM PERFORMANCE  
SINGLE MANAGER**

**WINNER: KADD Capital Validus Fixed Income Fund**

**Annualised return: 27.45%**

**Sharpe ratio: 2.07**

**Nominees:** Brait Multi-Strategy Fund, Coronation Multi-Strategy Arbitrage Fund, KADD Capital Validus Fixed Income Fund, OMIGSA Multi-Strategy Hedge Fund, X-Chequer Market Neutral Fund

*Presented by: Rand Merchant Bank*

This award is judged over three years, aiming to identify those funds that have delivered over time. Funds need a minimum of \$40 million under management to qualify for a nomination, which meant that a handful of funds missed out despite excellent returns – including the Solario Fund, the Badger Quant Fund, Green Oak Specialist, Blueprint Hedge Fund, Khulalonda Fund and Coronation Presidio, which have all delivered annualised returns in excess of 15% over the three-year period.

In the end, the nominee list was a strong line-up of sizeable managers who have been reliable performers over the years.

The X-Chequer Market Neutral Fund had the strongest Sharpe amongst the contenders, at 2.29 with an annualised return of 17.37%. However, the Brait Multit-strategy Fund and the Validus Fixed Income Fund were both ahead on return, at 24.77% and 27.45% respectively, earning Validus the kudos this year.

## **LONG-TERM PERFORMANCE FUND OF FUNDS**

**WINNER: Blue Ink-ubator Diversified Fund**

**Annualised return: 13.74%**

**Sharpe ratio: 1.25**

**Nominees:** Blue Ink-ubator Diversified Fund, FRAIM ZAR Diversified Fund, Sygnia Absolute Fund of Hedge Funds, TriAlpha Enhanced Fixed Income Fund

*Presented by: Deutsche Bank*

This award was introduced for the first time this year to gauge the best long-term performance amongst fund of funds, again judged over three years.

Out of a potential nominee list of six funds, two fell below the minimum asset size of \$40 million for this award &ndash; namely, Alpha Fixed Income and the Blue Ink Evergreen Fund, which both have strong three-year track records.

The TriAlpha Enhanced Fixed Income Fund was the biggest fund on the contender list, with the second highest Sharpe at 1.2. Ahead on return was the FRAIM ZAR Diversified Fund, with an annualised gain of 11.67%, with Sygnia Absolute also entering the fray with an annualised gain of 9.07%.

There was, however, a clear winner for this award in 2010, with the Blue Ink-ubator Diversified Fund, which allocates to early-stage innovative strategies, taking home the trophy.

## **NEW FUND OF THE YEAR**

**WINNER: Laurium Capital Zambezi Fund**

**Annualised return: 28.73%**

**Sharpe ratio: 1.32**

**Nominees:** AcuityOne Hedge Fund, Fairtree Fixed Income Fund, Green Oak Go Green, Kura Africa BMC Fund, Laurium Capital Zambezi Fund, Tower Fund

*Presented by: Investec Prime Broking*

This category recognises the best new funds operating in our geography, which have launched within the past 18 months. Fund needs a six-month track record to be nominated and there is no minimum AUM requirement.

The category combines different strategies, with this year's nominees including the three new fixed income funds, two specialist African portfolios and a South African equity fund.

The new fund award relies less on Sharpe ratio, due to the differing characteristics of underlying strategies, also taking other quantitative criteria into account such as performance against benchmark and peer group.

The Kura Africa BMC Fund delivered the top return at 47.12%, while fixed income funds Go Green and Fairtree Fixed Income were ahead on Sharpe.

The award went to the Laurium Capital Zambezi Fund, a Zimbabwe focused portfolio, which returned 28.73% on a Sharpe of 1.32 in a year in which the Zimbabwean market was flat.

## **FUND OF THE YEAR**

**WINNER: Steyn Capital Fund**

**2010 return: 33.63%**

**Sharpe: 5.65**

**Nominees:** Brait Multi-Strategy Fund, Insparo Africa and Middle East Fund, Steyn Capital Fund, Validus Plus Fixed Income Fund, Validus Fixed Income Fund

*Presented by: Nedbank Capital*

The Fund of the Year award looks across categories to highlight those funds that provided the most impressive risk-adjusted returns in 2010, and producing a strong contender list this year.

The two Validus portfolios were the top-performing fixed income funds in 2010, a year in which the category prospered, with gains of a respective 43.92% and 30.99%.

The Insparo Africa and Middle East earned its second nomination, delivering strong risk-adjusted returns at 18.91% on a Sharpe of 1.28, a solid performance for an almost \$200 million fund, one of the biggest in our database.

The race to the finish came down to Brait Multi-Strategy &ndash; with a solid 19.59% gain but which missed winning its category on Sharpe ratio &ndash; and the Steyn Capital Fund, easily the top South African equity fund in 2010 both in pure performance terms and in risk-adjusted return.

Given the difficult conditions for long/short equity funds in 2010, Steyn Capital took the coveted 2010 prize. **Copyright. HedgeNews Africa - April 2011**