

Alternative investments

Investment management capabilities

Alternative investments don't fall into any of the traditional asset classes of equity, bonds or cash. There are many alternative investments, but the common examples include hedge funds, private equity, infrastructure and commodities.

The typical characteristics common to most alternative investments, compared to traditional investments are:

- Less sensitivity to the ups and downs of financial markets
- Different return expectations
- Market prices are not readily available
- Not as transparent
- Less regulated
- Limited historical data

Alternative investments are typically more complex, and consequently require a greater degree of research and due diligence than traditional investments.



Portfolio outcomes
Capital preservation
Uncorrelated returns
Lower volatility



Investment horizon
Long term



Risk
Medium to high

Alternative investments landscape

Between the various securities exchanges in South Africa, there are only about 450 listed companies. When compared to the total number of companies registered in South Africa, it becomes clear that a large proportion of South African businesses can potentially only be accessed through private markets. We source these opportunities in private markets and over the years, together with our partners, we have been able to add significant value for our stakeholders.

Rules and regulations

Alternative investments are managed in accordance with acts and regulations controlled by the Financial Sector Conduct Authority (FSCA). The FSCA is the regulator for all financial institutions. In addition, the Association for Savings and Investment South Africa (Asisa) and the Southern Africa Venture Capital and Private Equity Association (Savca), provide best practice guidelines to make sure the investor is the focal point of everything we do. Our alternative investments portfolios are compliant with Regulation 28 of the Pensions Fund Act.

The role of an alternative strategy in a client's investment portfolio

Alternative investments are expected to behave differently from traditional investments. Investors in alternative investments are usually looking for absolute or relative returns for their portfolios. An absolute return objective means that investments should provide a positive return throughout the economic cycle, while a relative return objective means returns are relative to an equity or fixed income benchmark.

The key benefit of including alternative investments in your portfolio is to provide portfolio diversification from traditional investments. In addition to diversification, alternative investments can offer enhanced return opportunities and a measure of inflation protection.

Investment horizons for our different portfolios

Aggressive Hedge Solutions: Market cycle

Moderate Hedge Solutions: Three years

Portable Alpha: Three years

Private Equity: Eight to twelve years

Special Opportunities: Six years

Commodity: Three years

Understanding the risk profile

Alternative investments are long-term investments and aimed at investors who will not need access to their capital in the short, or even medium term. Reasons for this are that investments are illiquid and your capital is locked in. It also takes time for the private equity companies to see value in the enhancement strategies they implement.

There are risks to investing outside traditional investments and managing these risks can be challenging. The risk exposures of alternative investments are usually more complicated to analyse because of lack of historical data, limited transparency and irregular risk-return profiles.

Our investment philosophy and process

Your interests are core to our investment philosophy, and we are able to tailor our investment strategies to specific investment objectives. Our philosophy is that of capital preservation first and capital appreciation second.

Our alternative investments are managed according to our outcome-based investing philosophy. The focus of this approach is on long-term time horizons and strategies, which consistently maximise the likelihood of achieving the return objective.

We believe the foundation of good investment management is based on in-depth empirical research combined with stringent quantitative and qualitative analysis. We have a strong focus on diversification and correlation management and, most importantly, our robust risk management is central to our investment process.

We measure success by how consistently our portfolios can achieve their specific outcomes, whether a real absolute return, enhanced growth or capital preservation.

Alternatives benchmark

Our outcome-based investing approach means constructing portfolios that are capable of meeting your needs. To that end, benchmarks are relevant to helping solve your specific investor needs. Our strategies do not prioritise outperforming generic market benchmarks, unless those benchmarks contribute to achieving the investment goal.

Responsible investing

Environmental, social, and governance (ESG) investing is integral in our investment process. Our investment process is supported by an experienced and highly rated team of ESG specialists. We see ESG as part of our duty to protect your money. We actively engage investment management teams on ESG issues. We have and will in future decline investment opportunities where our criteria for ESG are not met.

Awards and achievements

ZAR Diversified: HedgeNews Africa Fund of Fund of the Year (2008)

ZAR Diversified: HedgeNews Africa Fund of Fund of the Year (2019)

Alternative strategy team



Motlatsi Mutlanyane
 Head: Alternative Investments
 FIA FASSA
 Industry experience: 24 years



Rian Smit
 Portfolio manager: Private equity
 Chartered Account (SA)
 Industry experience: 24 years



Kamini Naidoo
 Portfolio manager: Hedge fund programme
 CAIA charter holder
 Industry experience: 17 years



Kris Adams
 Portfolio manager: Special Opportunities Fund
 CFA charter holder
 Industry experience: 16 years



Godfrey Albertyn
 Portfolio manager: Infrastructure investments
 CFA charter holder
 Industry experience: 31 years



Tsepo Mandlazi
 Investment Analyst
 Associate member (ACMA, CGMA) of CIMA
 Industry experience: 9 years



Riaan Bosch
 Investment analyst
 CFA charter holder
 Industry experience: 9 years

Alternative strategy portfolio range

Name	Portfolio manager	Inflation target	Risk	Term
Aggressive Hedge Solutions	Kamini Naidoo	Participate in two thirds of equity upside, while limiting participation to a third of the downside	Medium to high	Market cycle
Moderate Hedge Solutions	Kamini Naidoo	Cash plus 3% after fees	Medium	3 years
Portable Alpha	Kamini Naidoo	Capped Swix plus 2% after fees	High	3 years
Private Equity	Rian Smit	CPI plus 7%	High	8 to 12 years
Special Opportunities	Kris Adams	CPI plus 6% before fees	High	6 years
Commodity	Kris Adams	Stefi	Medium to high	3 years

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