



**SELECT RETAIL
INVESTOR
HEDGE FUND
OF FUNDS**

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A part of the FirstRand Group



A fresh approach to alternative investing

SELECT RETAILS INVESTOR HEDGE FUND OF FUNDS

Fund features

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| Launch date | 1 October 2016 |
| Fund structure | Retail Investor Hedge Fund (CISCA) |
| Domicile | South Africa |
| Fund currency | ZAR |
| Fund benchmark | Stefi |
| Minimum investment | R50 000.00 |
| Dealing | Monthly |
| Number of underlying managers | 5-7 |

To view the fees for this fund, please refer to the minimum disclosure document (also known as fund fact sheet) available on our website.

Investment objective

The Ashburton Select Retail Investor Hedge Fund of Funds ("the Fund") is a hedge fund of funds that aims to outperform equities over a full cycle by balancing the protection characteristics of hedge funds with the return characteristics of the FTSE/JSE All Share Total Return Index.

By investing in a carefully-selected number of underlying single-manager hedge funds with various strategies, the Fund seeks to provide investors with the benefit of effective compounding within a considered risk management framework.

Investment philosophy and approach

Ashburton Investments takes a markedly different approach to hedge fund investing based on years of thorough research on the risk and return characteristics of hedge funds, as well as in response to how certain investors view hedge funds.

Some investors with a higher tolerance for risk are often reluctant to invest in hedge funds for two main reasons. Firstly, many hedge funds often lag the performance of equities in an upmarket. This is due to these funds sacrificing a portion of upside in favour of consistent, positive returns i.e. a higher focus on low-volatility returns.

Secondly, hedge funds with a higher risk profile can often be highly volatile as they are exposed to more concentrated risks.

The Ashburton Select Retail Investor Hedge Fund of Funds follows a unique approach to hedge fund investing. By allowing for some measured losses, but keeping to a disciplined framework of managing risk, so as not to sacrifice on effective compounding, the Fund delivers an alternative source of risk and return for investors. This approach is particularly suited to investors who are not in need of absolute returns all of the time, but who want to diversify their sources of return while maintaining a conservative focus on risk exposure.

As hedge funds have greater flexibility and access to a wider toolkit of instruments to include in a portfolio, their performance outcomes (even within the same strategy) can vary significantly.

Research has shown that the choice of hedge fund manager is a far greater determinant of performance than strategy allocation. While traditional asset managers usually perform within close range of their chosen benchmark, hedge fund managers following the same strategy can, and do, have vastly different return outcomes. It is this dispersion of returns that creates the greatest opportunity for selection. And it is fundamentally what the Fund's investment philosophy is based on.

We believe that choosing to invest in one hedge fund cannot span the entire opportunity set for investors. Rather, expertly combining different hedge funds (with different return profiles) can add value to investors through a differentiated source of returns.

A SNAPSHOT OF SOUTH AFRICA'S HEDGE FUND LANDSCAPE

What is a hedge fund?

Like traditional unit trusts, hedge fund unit trust funds pool investors' money to buy assets such as cash, bonds, property and equities. However, hedge funds have greater flexibility than traditional unit trust funds to utilise an array of strategies and instruments to either reduce certain specific risks in the portfolio while allowing other risks to remain. Each hedge fund is fairly unique, but key resemblances are that hedge funds typically apply investment strategies such as leverage and short selling to achieve returns less correlated to the directional exposure of the market and to gain performance in falling markets.

Steadily increasing assets under management:

Today, there are approximately 80 hedge funds in South Africa with R68.6 billion in assets under management as at 30 June 2016. By comparison, local unit trusts in South Africa manage R1.7 trillion in assets as at 30 June 2016.

Consistent performance over the long-term:

The HedgeNews Africa Long/Short Equity Index, which measures the performance of the most common hedge fund strategy (long/short equity) delivered returns of 17.1% for the year ending 31 December 2015. Over five years, it returned 15.1%, and over seven years has returned 14.5%. Comparatively, the JSE All Share Index (ALSI) posted a 5.1% return for the 12 months to December 2015, 13% over five years and 16.4% over seven years.

New regulation provides peace of mind:

Changes to legislation in 2015 classified hedge funds under the Collective Investment Schemes Control Act (CISCA), which is the same legislation that governs local unit trusts. This places the oversight and supervision of hedge funds under the jurisdiction of the Financial Services Board (FSB).

Ease of accessibility: Previously, hedge funds were only available to high-net-worth individuals and institutional investors. Now retail investors can gain access to registered retail investor funds.

As such, the Ashburton Select Retail Investor Hedge Fund of Funds invests in specially chosen underlying hedge fund managers with a bias towards equity strategies.

How we select underlying hedge fund managers is by:

- identifying the most desirable skills sets and investment strategies;
- optimising each of the respective skill sets and where necessary creating bespoke mandates for managers to follow;
- deciding on the optimal combination of these skills sets and diverse strategies.

The investment decision making process is aimed at ensuring a balance between downside protection and upside participation using hedge fund investments.

The ultimate investment objective of the Fund is to generate a return that compares well to that of South African equities over time, but with lower volatility and better downside protection.

Suitable investors

The Ashburton Select Retail Investor Hedge Fund of Funds is suited to investors looking to diversify a portion of their portfolio away from the directional movements of equity markets in favour of a strategy that can add gains in a falling market, while offering overall consistency of returns and lower volatility than a pure-equity fund.

This Fund can benefit investors who:

- are looking to add more growth potential to their portfolios but are wary of extreme market swings;
- are looking for broader diversification into equity markets using a more diverse range of instruments, such as shorting, but within the regulatory framework that governs unit trust funds – the Collective Investment Schemes Control Act (CISCA);
- are seeking a low volatility way to access equity markets.

Why invest in a hedge fund?

Hedge funds respond differently to varying market conditions when compared to traditional asset classes. Including hedge funds in an investment portfolio offers investors diversification benefits and access to different sources of return.

Why invest in the Ashburton Select Retail Investor Hedge Fund of Funds?

True diversification: The Fund follows a disciplined approach to diversifying risk and generates returns from different managers employing different types of hedge fund strategies. Investors benefit from in-depth research and ongoing portfolio construction.

Access to a complementary return stream to equities: The Fund is built on the premise of creating a robust return stream while avoiding permanent loss of capital. This allows investors with moderate to higher levels of risk appetite to benefit from a diversified risk exposure into equity markets at lower levels of volatility.

Risk management: The Fund offers risk management benefits by diversifying across managers and strategies. In-depth analysis and research provides a deep understanding of each manager's investment style as well as their strategy's risk exposure. The portfolio construction process is based on thorough research that stems from the investment philosophy and is designed to create the right balance of managers and strategies to ensure the highest returns for investors at a moderate level of risk. The Fund manager will calculate the portfolio's total exposure and leverage by the value-at-risk approach.

Proven expertise: The Fund is managed by a talented and knowledgeable team that has been actively investing into and researching hedge funds locally and globally for over a decade. The team has the proven skills set and experience required to select, blend and continuously monitor hedge fund managers within a hedge fund of funds structure.

The team

Rudigor Kleyn

Ashburton Fund Managers

Co-Head: Fixed Income and Alternatives

Rudigor Kleyn is co-responsible for Alternative Investments that include Unlisted Credit, Private Equity, Hedge Funds and Unlisted Property. He joined FirstRand Bank's Group Treasury, Third Party Funds in 2010 and has over 19 years' experience in the finance industry. Prior to this, Rudigor joined RMB in 1999 where he gained extensive portfolio management, product development and distribution experience in various alternative and traditional asset classes in the South African and global markets. Rudigor is a member of the South African Institute of Chartered Accountants and is also a Chartered Financial Analyst (CFA) charterholder. Rudigor completed his articles at KPMG and holds a BCom degree in Accounting from the University of Pretoria. He also holds a BCompt (Hons) degree and CTA from the University of South Africa.

Elmien Wagenaar

THINK.CAPITAL Investment Management

Portfolio Manager: Ashburton Select Retail Investor Hedge Fund of Funds

Elmien has 16 years' experience in analysing and investing in hedge funds. She founded THINK.CAPITAL Investment Management in 2013, which advocates investments into, and knowledge sharing of, hedge funds through prudent investment into this grouping of assets. THINK.CAPITAL has been appointed to manage the Ashburton Select Retail Investor Hedge Fund of Funds based on the depth of expertise and years of experience in alternative investments.

Prior to establishing THINK.CAPITAL in 2013, Elmien spent the majority of her professional career at Citadel Wealth Management where she was a Fund Manager and Head of Alternative Investments, managing local and global hedge funds for more than 11 years and representing alternative assets in the global asset allocation solution.

She obtained both her BSc Hons and MSc in Applied Mathematics degrees (cum laude) at the University of Stellenbosch. Her thesis (Quantitative and Qualitative Measures in Fund Manager Selection) was awarded the prize for the Best project in the Honours Category of the 1999 Operations Research Student Competition by the Operations Research Society of South Africa (ORSSA). The subject for her MSc thesis was Asset allocation in the South African context - the research performed for this thesis laid a strong technical foundation to build on throughout her professional career to date. In 2005, she became a Chartered Financial Analyst (CFA) charterholder.

Why Ashburton Investments?

Ashburton Investments is a new generation investment manager and the investment management arm of the FirstRand Group, one of Africa's largest financial services companies.

Our offering spans traditional and alternative investment strategies, as well as active and passive investment styles.

Ashburton Investments offers clients access to unique investment opportunities not previously available to retail or institutional investors. With us, investors gain access to more sources of return, broader investment capabilities, considered risk management and deeper investment insights.

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