

Belmont offers best-of-breed hedge fund access to South African investors

By packaging strategies and negotiating capacity with bigger hedge funds, Belmont has access to leading global names such as Point72 and Winton

New York headquartered Belmont Investments, which offers access to best-of-breed global hedge fund managers, has established a qualified investor hedge fund (QIF) for South African rand-based investors, in addition to its Section 65 approved Mauritius vehicle for dollar-based investors.

Founder and managing director Jeremy O’Friel has had a long association with the South African market, having previously managed a currency-focused hedge fund which was acquired by South Africa’s Appleton Group in 1999. When the Appleton Group was acquired by PSG in 2002, he and his partners bought out the remainder of the equity in the hedge fund and continued trading as Appleton Capital Management. In 2009, he sold his stake in the company and founded Belmont Investments on his own.

“We have long wanted to package these strategies in a way that South African investors could understand, and the QIF format has done just that,” he says. “This is our first South African fund – a unit trust that invests into one underlying hedge fund. We have seven funds in Cayman and we would like to be able to repeat that spectrum of



Jeremy O’Friel

choice for South African investors.”

Working with CAEP for operational and back-office support, Belmont aims to offer a series of FSCA-approved single-manager feeder funds in South Africa via a franchise initiative. Its existing South African investor base allocates via a series of offshore dollar-based Cayman vehicles.

O’Friel notes that hedge fund regula-

tions in South Africa, introduced in 2016, have helped Belmont package strategies into a format that domestic investors can access and understand.

“At Belmont, we negotiate capacity with bigger hedge funds,” says O’Friel. “All of our funds but one are single-manager feeder funds, giving clients direct access to leading global hedge fund managers such as Point72 Asset Management and Winton Capital Management rather than via a fund of funds construct.”

The first QIF provides access to Winton Capital Management, a quantitative multi-strategy fund with around \$10 billion under management. It started in the 1980s as a CTA before evolving into its current model. Winton has a 25-year track record of strong risk-adjusted returns that are uncorrelated with fixed income and equity markets. It has a proven process and a team of 250 people.

“We want to invest with managers that have little or no correlation to the markets,” says O’Friel. “A lot of hedge funds out there are not really hedge funds – they are very long biased. We want pure alpha.”

“People looking for single-manager exposure often don’t have the ticket size

Compliance and regulation platform CAEP facilitates access to offshore products

CAEP, founded by Stephen Pratt, offers a South African regulatory hosting platform, partnering with advisors and portfolio managers to provide regulatory, compliance and business support.

The hosting solution allows investment professionals to focus on their core activities, while having confidence in the operational framework of compliance and governance.

“One area we are particularly excited to be involved in is bringing offshore alternative products to the South African space so that domestic investors can have access to global alternatives,” says Pratt. “Our hosting solution offers speed to market, leveraging our established contacts and networks. We look to cultivate sustainable partnerships by building long-term relation-

ships to help bring growth and success for our partners.”

CAEP has partnered with New York-headquartered Belmont Capital to offer regulated access to top-class global hedge fund strategies (see above).

It is also working with Garrington Capital, a North American based private credit operator that provides financing solutions to small and medium-sized enterprises in the US and Canada. CAEP aims to make Garrington’s Coral Cove Private Credit Fund available to South African investors via its platform.

With the CAEP platform business up and running, Pratt is in the process of incorporating Prime Asset Managers into the CAEP group, which has until now been run as a joint venture with the Prime Investments

group. CAEP’s business operations team includes Nicky Oates, Alex Lombaard, Claudine Stollarz and Nicoleen Jacobs.

“As a global consultancy and enablement platform, CAEP provides bespoke solutions to the financial services industry, enabling business and individuals to operate optimally,” says Pratt. “Our strong relationships and broad experience enable us to build effective solutions for traditional and alternative asset managers, enabling portfolio managers to focus on their core business while partnering with a service provider that enhances and complements their processes.”

CAEP has representation nationally in South Africa, and globally in Mauritius, Guernsey, Europe and the United Kingdom.

or experience to pick and choose,” says O’Friel. “A lot of hedge funds take the view: Let the investors come to us. A big hedge fund based in London or New York is not going to go through the hassle of travelling all the way to a smaller market like South Africa, which we think is a mistake.”

Today, Belmont has assets of \$215 million with a 100% non-US client base.

O’Friel notes that last year all of its underlying funds were strongly positive, a good test of the strategies. He expects markets to move sideways for the next five years as higher global interest rates take time to be absorbed. Belmont continues to favour managers that are equity-market agnostic or market neutral in nature.

“We don’t think equities will be as bad as they were last year, but a 5-6% increase in rates will impact on everything and it will take five years to work through the system. We don’t predict an equity market crash – both interest rates and economic growth are increasing – but the two forces will cancel each other out. The world has moved on from zero interest rates, which central banks needed to implement to save the global economy – but they didn’t intend for the stock markets to have the crazy upwards ride that they have had. The S&P had its best 12 years in history and that won’t happen again. Investors need to look for uncorrelated returns.”

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The Belmont team spend their time identifying best-of-breed managers for inclusion into its feeder funds, with around 60% of global hedge fund assets managed in close proximity of its Manhattan offices. “We meet managers all the time. If you know what you are looking for, you have the parameters in place for longevity, asset size and the markets traded. There are around 7,000 hedge funds in the world, but we believe 6,000 are not even worth looking at. If they are long biased and depend on what the equity market is doing, to us they are not hedge funds.”

O’Friel also believes that a track record of less than 10 years is “not much use to anyone”.

“It’s too short a time period,” he notes.

“You can get lucky for 10 years but it is difficult to do so for much longer.”

O’Friel has a strong appreciation of the South African markets, which he says are home to a great deal of trading, research and analytical talent and a very sophisticated investment community, yet there is a scarcity of knowledge on global hedge funds.

“My overriding message for South Africans is that we in the international hedge fund community owe you an apology,” he says. “We haven’t serviced this market properly, there is a gap in terms of expertise. Not enough global managers have brought their wares and, while investors have great access to local hedge fund managers, they do not have enough offshore exposure.”

“We want to address that gap and provide the intelligence and access to some of the world’s bigger hedge funds.”

Belmont is looking forward to building on its existing South African investor base, focusing on the independent advisory market and the institutional private wealth market.

“We are pleased that the regulatory balls have bounced in our direction in the last few years making it easier for South African investors to have money with us.”

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