



MAY
2023

OVERVIEW OF DIFFERENT HEDGE FUND STRATEGIES

Glacier Summit | Parys

Jean-Pierre Matthews | Matrix Head of Product



INTELLIGENT IMPACT THAT MATTERS

www.amplify.co.za

WHAT IS A HEDGE FUND?

Regulatory vs practical definition

FAIS ACT

- Utilise investment strategies that may result in unlimited loss
- Includes but not limited to:
 - I. Leverage
 - II. Short selling



CISCA ACT

- Limited liability for retail investors
- Similar to traditional unit trusts

PRACTICAL DEFINITION:

Mandate advantage

- Positive returns in up or down markets
- Capitalise on relative returns
- Profit from small changes asset prices
- Access to specialist markets (IRD)
- Very wide application of investment styles



ASISA CLASSIFICATION

SA Long Only vs Retail Hedge Funds



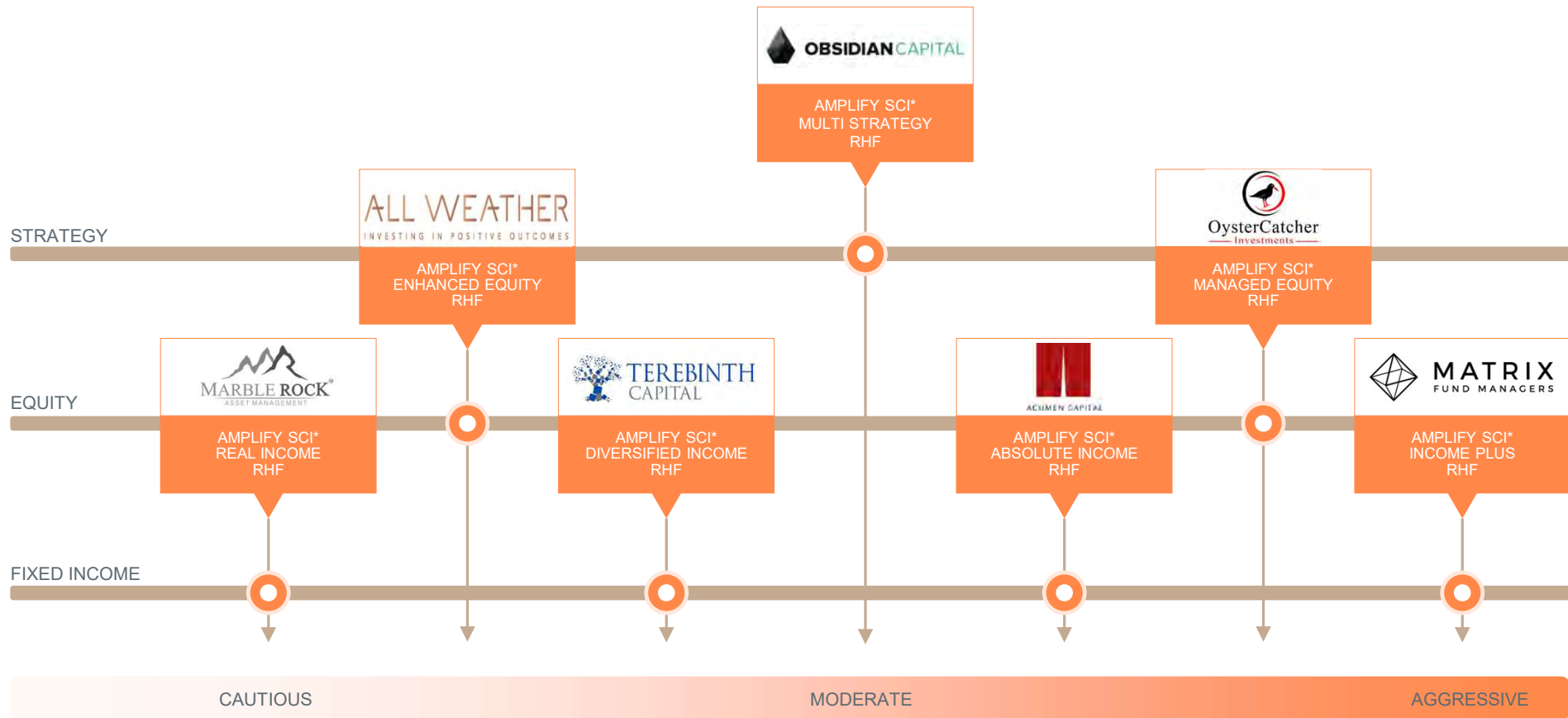
SA Unit Trust Category
Money Market
IB - Short Term
MA – Income
IB - Variable Term
MA – Low Equity
MA – Medium Equity
MA – High Equity
Equity General

SA Retail Hedge Funds
Long Short Equity
- Long bias
- Market neutral
- Other strategies
Fixed Income strategies
Multi Strategy
Other strategies



AMPLIFY RANGE

Hedge fund strategies to diversify your investment



INTELLIGENT IMPACT THAT MATTERS



RETAIL HEDGE FUND RISK

Leverage vs VAR

LEVERAGE

- Mostly relevant to equity long short
- **Gross exposure:**
Long Exposure + Short Exposure
- **Net exposure:**
Long Exposure - Short Exposure
- **Limit:**
Gross market exposure < 200%



VALUE AT RISK (VAR)

- 1Month 99% VAR < 20% potential loss
- **99% chance that you do not lose more than 20% over any given month**
- Used by FI and Multi strategy funds
- Standardized across asset classes





EQUITY LONG SHORT MARKET NEUTRAL & LONG BIAS

- Mechanics
- Examples



INTELLIGENT IMPACT THAT MATTERS



EQUITY LONG SHORT

Mechanics | Market Neutral

Long

VKE	BVT	NTC	PRX	REM	BID	ANH	FSR	GRT	PIK
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

100%

exposure

RNI	WHL	CLS	DSY	GLN	SHP	SSW	CPI	GFI	CFR
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

-100%

Short

Cash
100

Gross Exposure = 200

Net Exposure = 0



INTELLIGENT IMPACT THAT MATTERS



EQUITY LONG SHORT

Mechanics | Market Neutral

Equity Market



Long

VKE	BVT	NTC	PRX	REM	BID	ANH	FSR	GRT	PIK
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

+15%

P/L

RNI	WHL	CLS	DSY	GLN	SHP	SSW	CPI	GFI	CFR
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

-5%

Short

Cash
100

STeFI

RHF Return = STeFI + 10%

RHF
100

=



EQUITY LONG SHORT

Mechanics | Market Neutral

Equity Market



Long

VKE	BVT	NTC	PRX	REM	BID	ANH	FSR	GRT	PIK
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

-5%

P/L

RNI	WHL	CLS	DSY	GLN	SHP	SSW	CPI	GFI	CFR
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

+15%

Short

Cash
100

STeFI

RHF Return = STeFI + 10%

RHF
100

=



EQUITY LONG SHORT

Mechanics | Market Neutral

RHF
100

=

Long

VKE	BVT	NTC	PRX	REM	BID	ANH	FSR	GRT	PIK
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

100%
exposure

RNI	WHL	CLS	DSY	GLN	SHP	SSW	CPI	GFI	CFR
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

-100%

Short

Cash
100

Gross Exposure = 200

Net Exposure = 0

CASH NEUTRAL vs BETA NEUTRAL

LONG AND SHORT BOOK vs PAIR TRADES



INTELLIGENT IMPACT THAT MATTERS



EQUITY LONG SHORT

Mechanics | Long Bias

RHF
100

=

Long

VKE	BVT	NTC	PRX	REM	BID	ANH	FSR	GRT	PIK
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

100%
exposure

RNI	WHL	CLS	DSY	GLN					
-----	-----	-----	-----	-----	--	--	--	--	--

-50%

Short

Cash
50

Gross Exposure = 150
Net Exposure = 50% long



INTELLIGENT IMPACT THAT MATTERS



EQUITY LONG SHORT

Mechanics | Market Neutral



Sir Douglas Bader



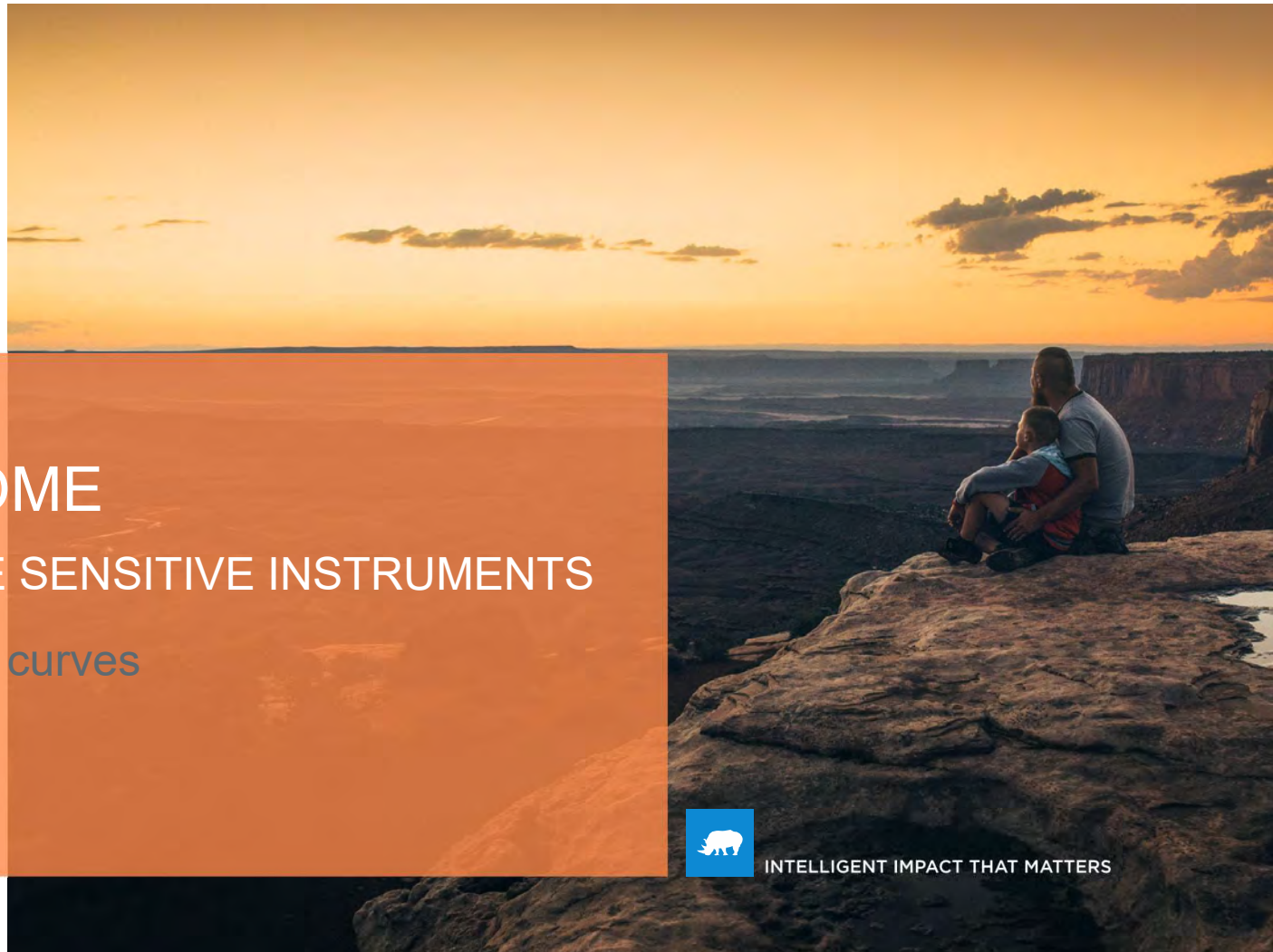
INTELLIGENT IMPACT THAT MATTERS





FIXED INCOME INTEREST RATE SENSITIVE INSTRUMENTS

- Types of yield curves
- Examples
- Value at Risk



INTELLIGENT IMPACT THAT MATTERS

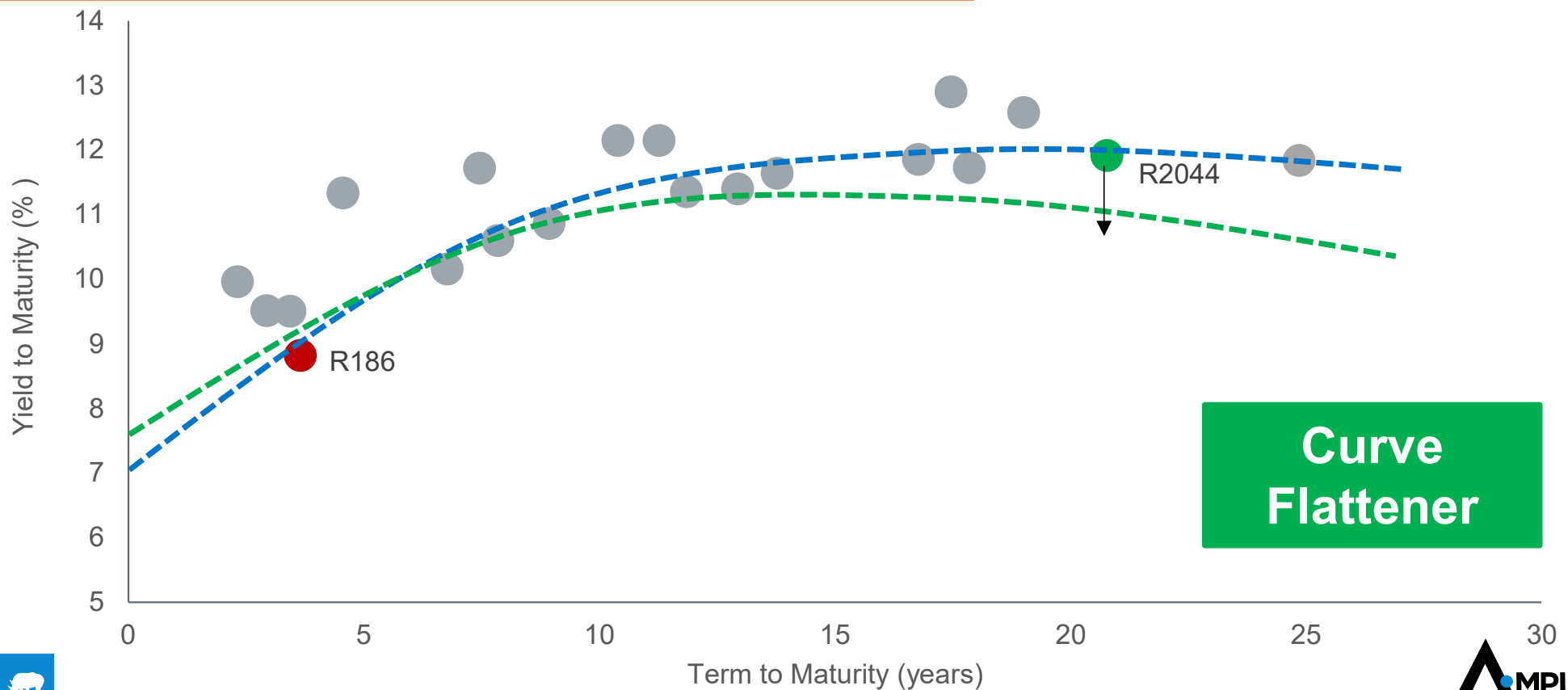
FIXED INCOME HEDGE

The yield curve



FIXED INCOME HEDGE

Expected yield curve changes

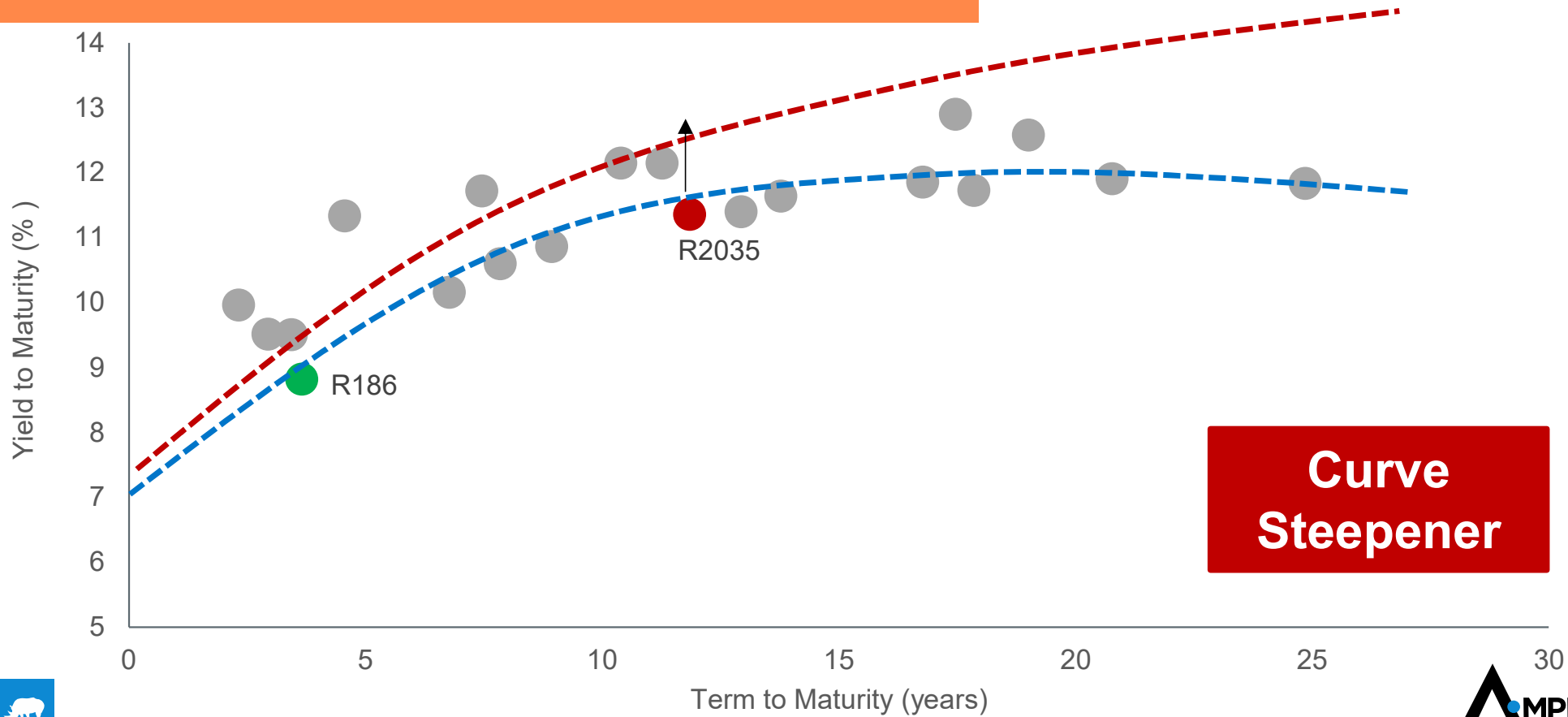


INTELLIGENT IMPACT THAT MATTERS



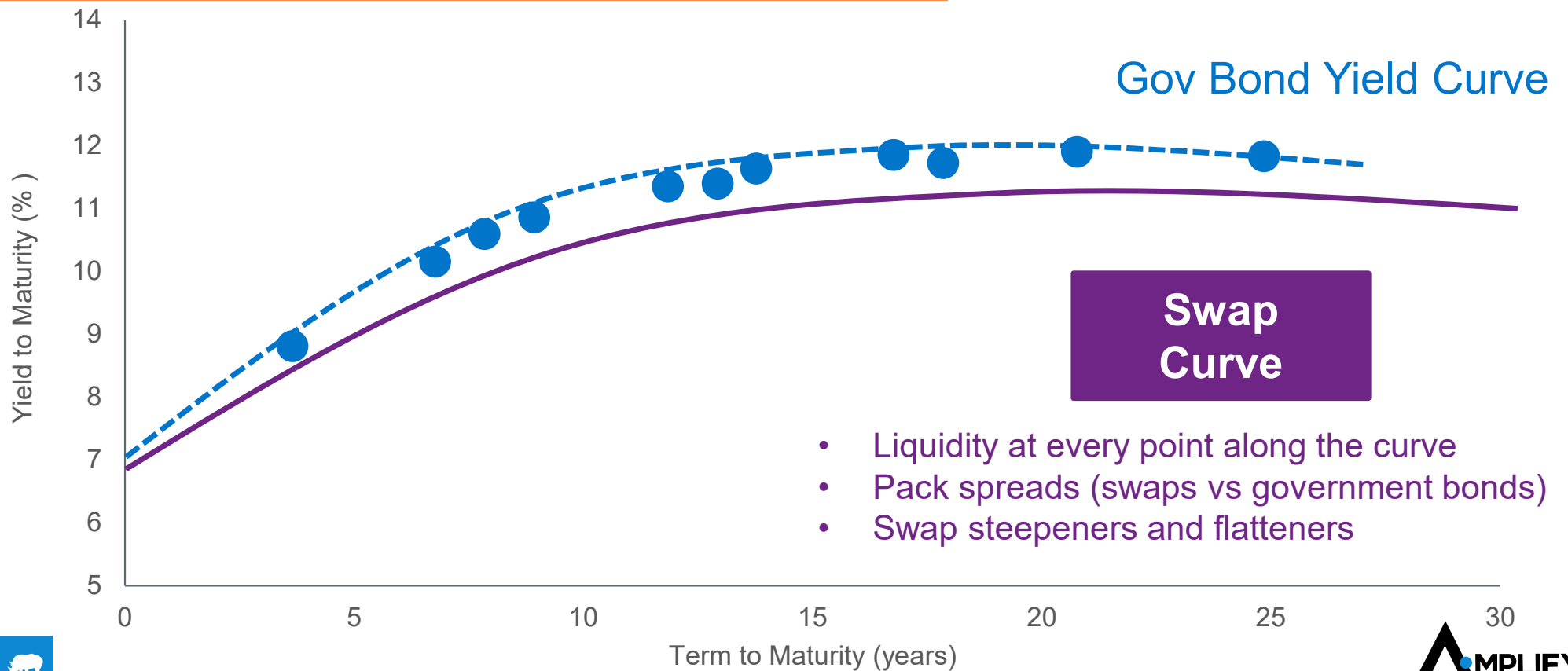
FIXED INCOME HEDGE

Expected yield curve changes



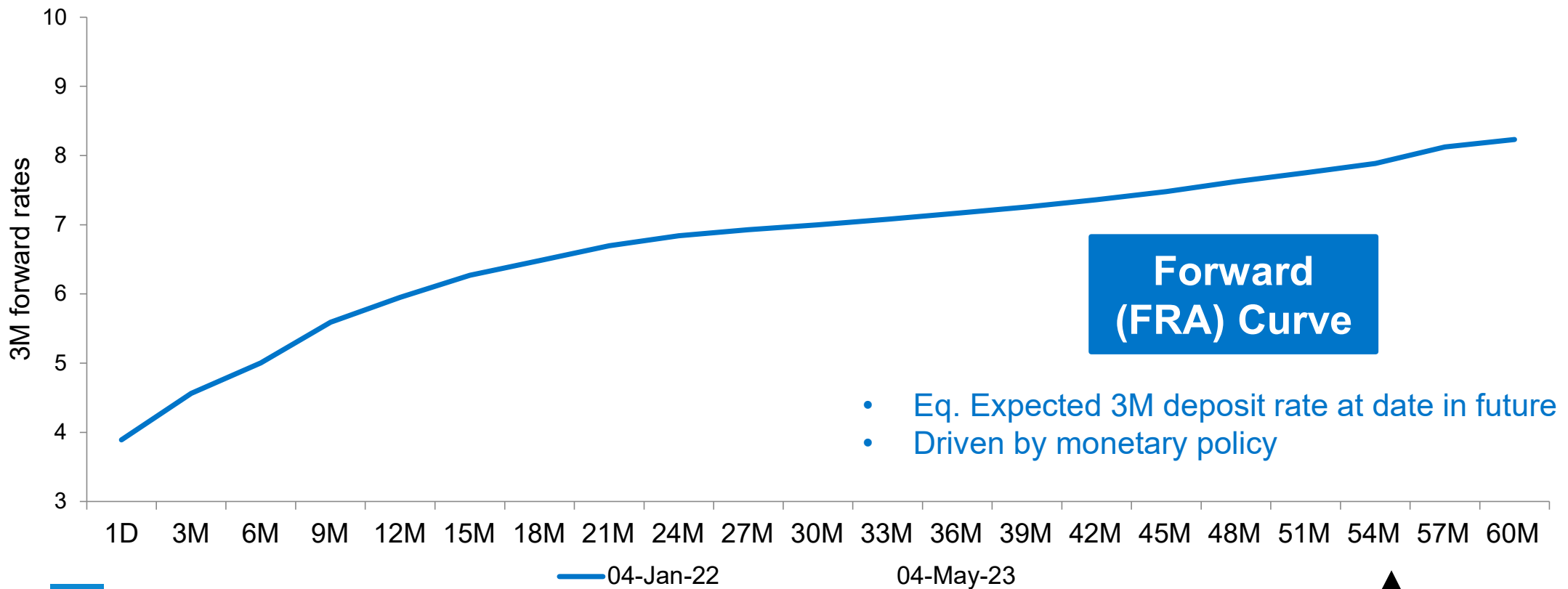
INTEREST RATE DERIVATIVES

Dramatically expanding the opportunity set



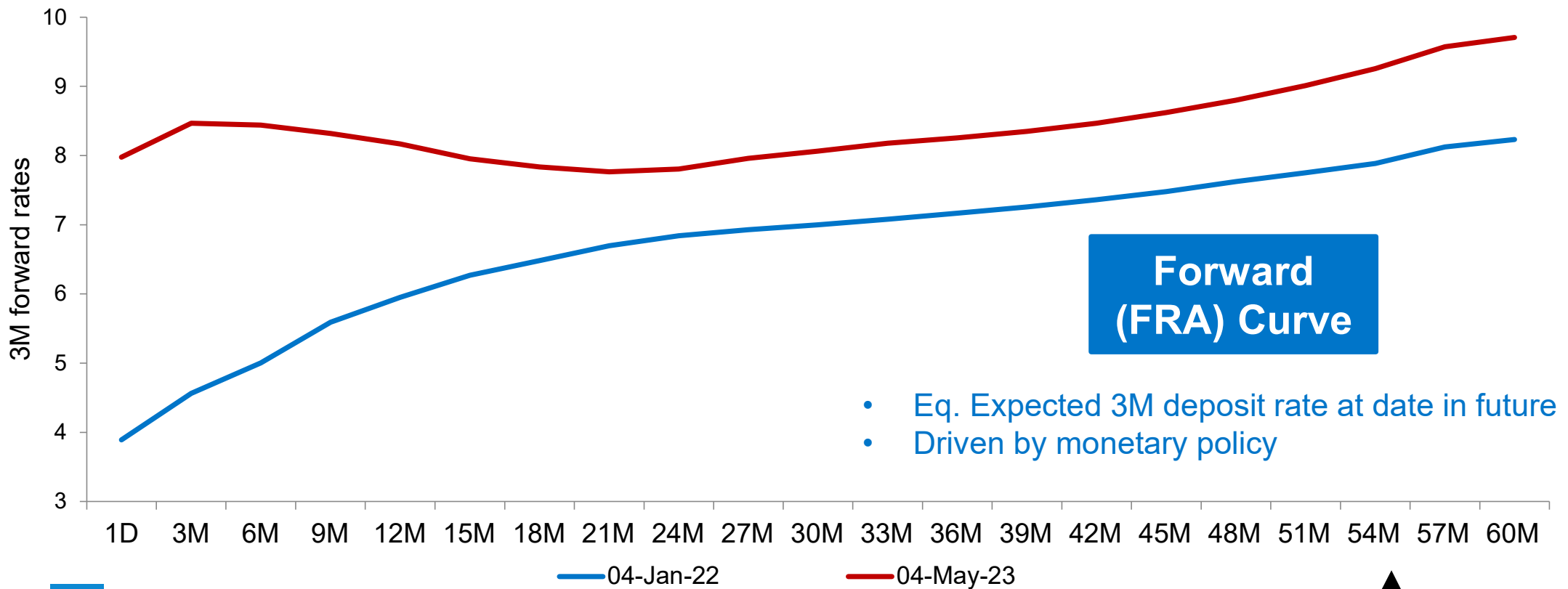
INTEREST RATE DERIVATIVES

Dramatically expanding the opportunity set



INTEREST RATE DERIVATIVES

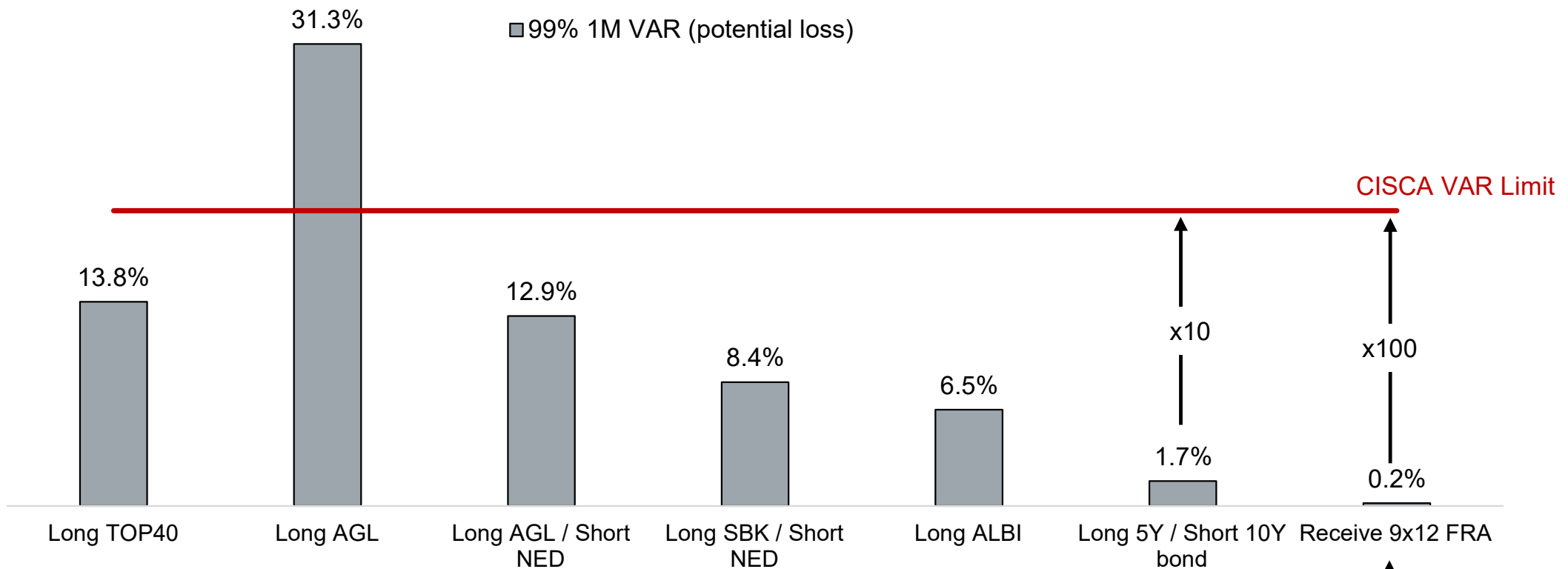
Dramatically expanding the opportunity set



RISK: LEVERAGE VS VAR

Hedge fund trades not as risky as you think...

CISCA Reg 52 limit:
1 Month 99% VAR less
than 20%



INTELLIGENT IMPACT THAT MATTERS

Source: Bloomberg, RiskCafe, Matrix Risk, position sizes based on 100% Gross Exposure



SUMMARY



Regulation

Hedge funds are well regulated under CISCA and FAIS



Diversification

Hedge funds styles, risk and returns vary widely



Risk Limits

Retail Hedge Funds risk limits are conservative and world class



Uncorrelated

Hedge funds can generate uncorrelated returns to CIS funds



Mandate Advantage

More degrees of freedom with additional sources of returns



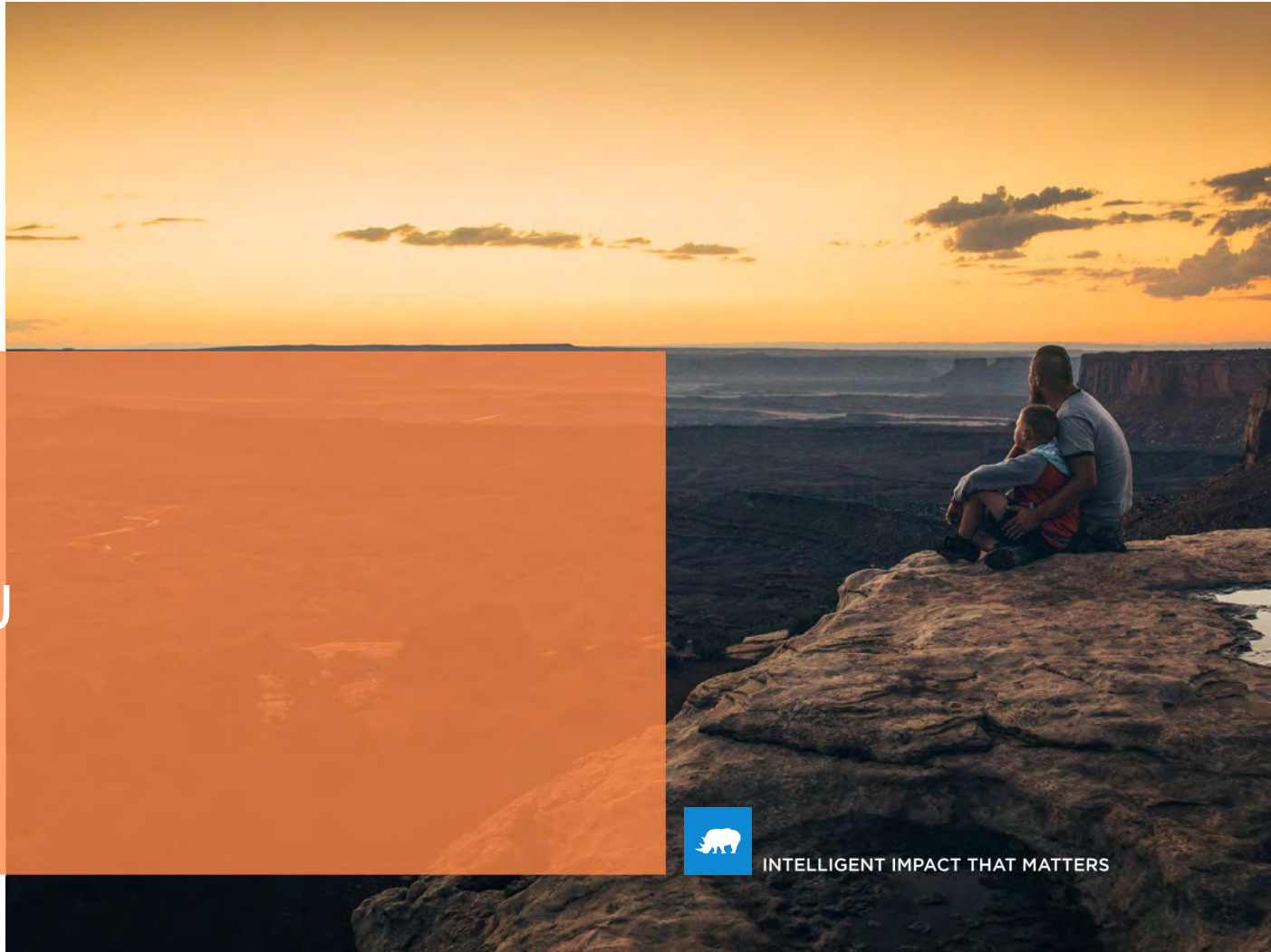
Blend

A blend of different hedge funds can provide asymmetrical returns to help combat sequence risk

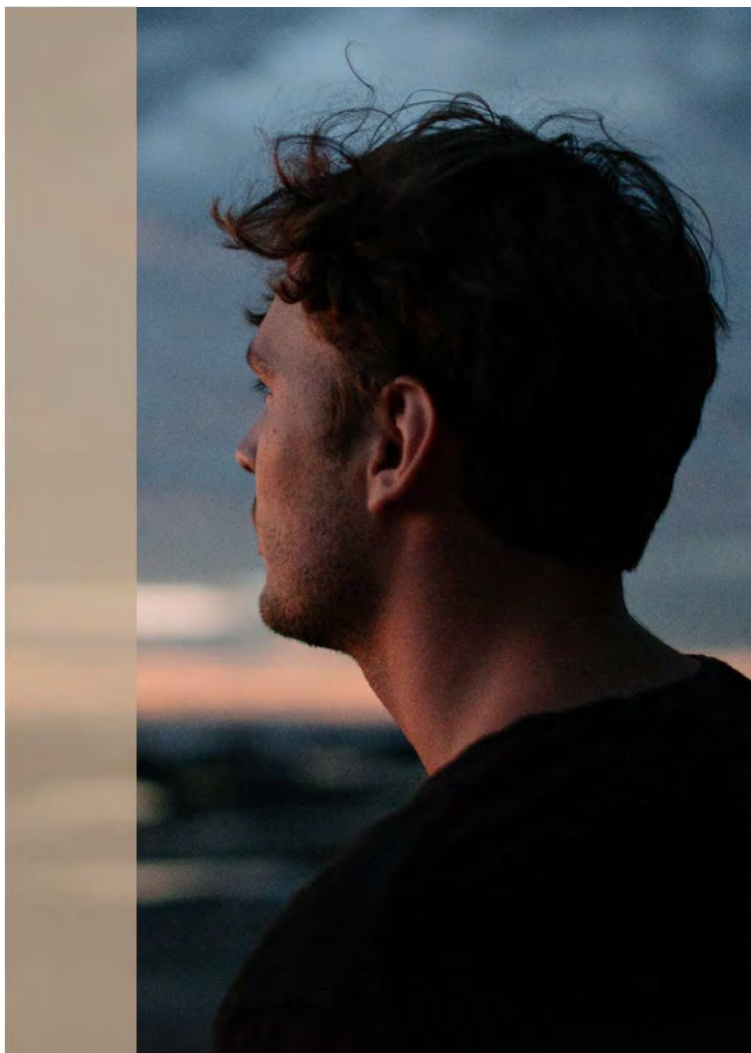




THANK YOU



INTELLIGENT IMPACT THAT MATTERS



DISCLAIMER

Although all reasonable steps have been taken to ensure the information on this presentation is accurate, the Sanlam Collective Investments (RF) (Pty) Ltd (Sanlam Collective Investments) does not accept any responsibility for any claim, damages, loss or expense; however it arises, out of or in connection with the information. Sanlam Collective Investments retains full legal responsibility for the third-party-named portfolio. No member of Sanlam gives any representation, warranty or undertaking, nor accepts any responsibility or liability as to the accuracy of any of this information. The information to follow does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act, No 37 of 2002 ("FAIS"). Use or rely on this information at your own risk. Consult your financial advisor before making an investment decision.

The Sanlam Group is a full member of the Association for Savings and Investment SA. Collective investment schemes are generally medium- to long-term investments. Past performances is not necessarily a guide future performances, and that the value of investments / units / unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available from the Manager. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Forward pricing is used. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The performance of the portfolio depends on the underlying assets and variable market factors and may from time to time invest in foreign instruments and therefore it may have risks regarding liquidity, the repatriation of funds, political and macroeconomic situations, foreign exchange, tax, settlement and potential limitations on the availability of market information. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Lump sum investment performances are quoted. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. Should a fund be subject to performance fees, the way in which it is calculated can be viewed on the Minimum Disclosure Document of the respective fund and a copy of the Performance Fee Frequently Asked Questions can be obtained from the Sanlam Investments website: www.sanlaminvestments.com.

The portfolio management of respective portfolio is outsourced to relevant authorised Financial Service Provider in terms of the FAIS Act, 2002:

- Abax Investments is an authorised Financial Service Provider regulated by the Financial Sector Conduct Authority (FSP no: 856)
- Acumen Capital is an authorised Financial Service Provider regulated by the Financial Sector Conduct Authority (FSP no: 14927)
- Laurium Capital is an authorised Financial Service Provider regulated by the Financial Sector Conduct Authority (FSP no: 34142)
- Marble Rock is an authorised Financial Service Provider regulated by the Financial Sector Conduct Authority (FSP no: 45906)
- Matrix Fund Managers is an authorised Financial Service Provider regulated by the Financial Sector Conduct Authority (FSP no: 44663)
- Obsidian Capital is an authorised Financial Service Provider regulated by the Financial Sector Conduct Authority (FSP no: 32444)
- Oystercatcher Investments is an authorised Financial Service Provider regulated by the Financial Sector Conduct Authority (FSP no: 50509)
- Peregrine Capital is an authorised Financial Service Provider regulated by the Financial Sector Conduct Authority (FSP no: 32444)
- Terenth Capital is an authorised Financial Service Provider regulated by the Financial Sector Conduct Authority (FSP no: 47909)
- Truffle Asset Management is an authorised Financial Service Provider regulated by the Financial Sector Conduct Authority (FSP no: 36584)

While CIS in hedge funds differ from CIS in securities (long-only portfolios) the two may appear similar, as both are structured in the same way and are subject to the same regulatory requirements. The ability of a portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. A manager may, in exceptional circumstances, suspend repurchases for a period, subject to regulatory approval, to await liquidity and the manager must keep the investors informed about these circumstances. Further risks associated with hedge funds include: investment strategies may be inherently risky; leverage usually means higher volatility; short-selling can lead to significant losses; unlisted instruments might be valued incorrectly; fixed income instruments may be low-grade; exchange rates could turn against the fund; other complex investments might be misunderstood; the client may be caught in a liquidity squeeze; the prime broker or custodian may default; regulations could change; past performance might be theoretical; or the manager may be conflicted.

Annualised return is the weighted average compound growth rate over the period measured.
Cumulative return is aggregate return of the portfolio for a specified period.

*Sanlam Collective Investments

¹The stated fund manager is the investment manager of a similar Retail Hedge Fund on another Manager's platform. The said RHF's employ the same investment strategy as the relative Amplify SCI[®] Retail Hedge Fund (i.e. the investable universe and investment policy of the funds are the same). The performance quoted includes that of the Amplify A1 class since its launch with prior performance that of the other RHF managed by stated fund manager | *Since inception indicates performance since 1 January 2016, the point at which all strategies were allocable to form the blend portfolio made up of equal weighting of each manager



INTELLIGENT IMPACT THAT MATTERS



