NOVARE®



ANNUAL SOUTH AFRICAN

HEDGE FUND REPORT

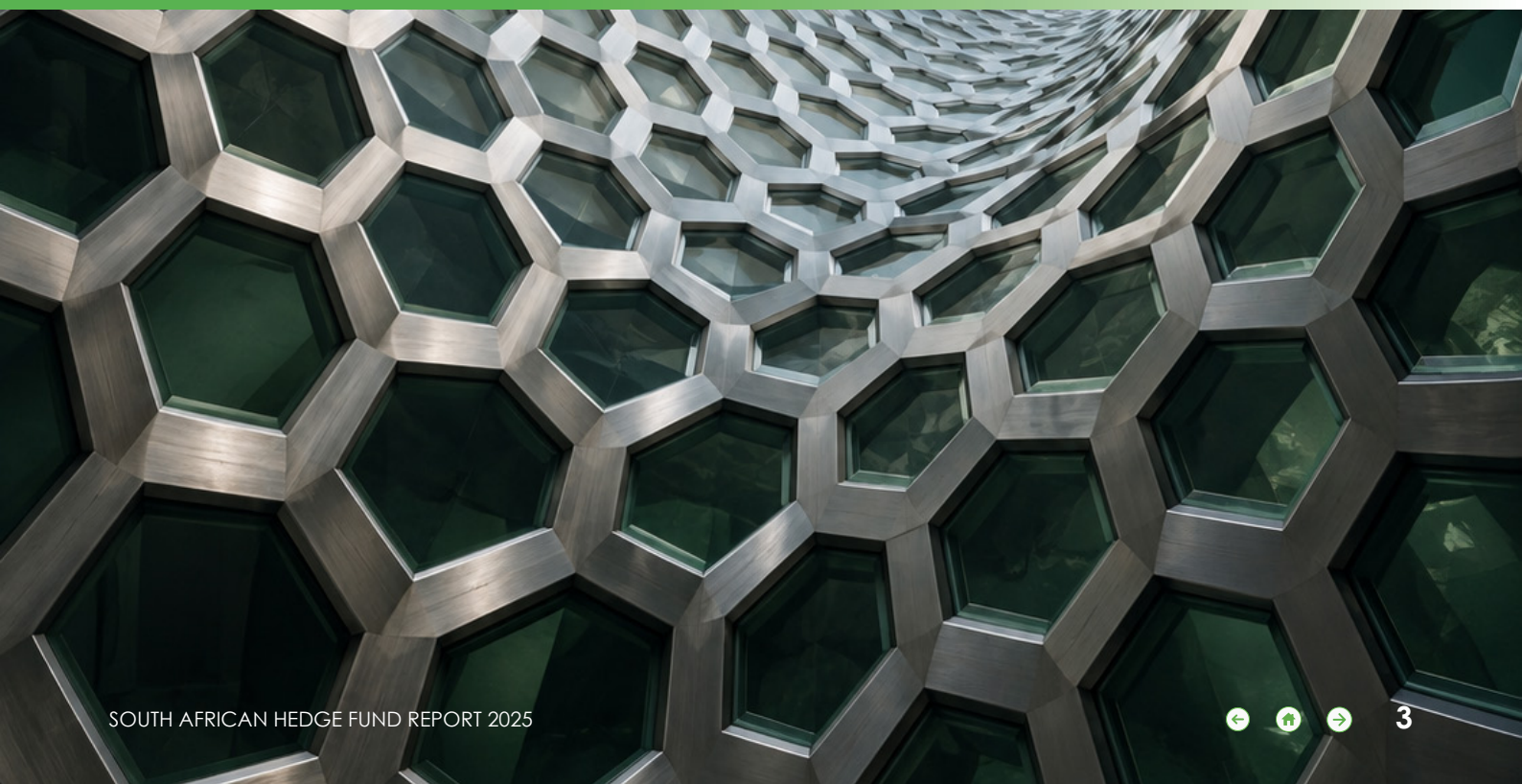
2025

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FOREWORD

There are milestones in the development of an industry that provide an opportunity not only to measure how far it has come, but also to reflect on what has been built along the way. For the South African hedge fund industry, 2025 represents one of those moments.

From relatively modest beginnings, the industry has developed into an established part of South Africa's investment landscape. Assets under management reached **R187.2 billion** in 2025, bringing the industry within sight of the **R200 billion** milestone. More important than the number itself is what it represents: years of investment performance, innovation, regulatory development, greater accessibility and, ultimately, the confidence of investors who have entrusted capital to South African hedge fund managers.

The industry of today also looks different from the one Novare began surveying more than two decades ago. What was once a relatively small and predominantly institutional segment of the market has progressively broadened. New fund structures have emerged, distribution has expanded, the investor base has evolved, and hedge funds have become accessible to a wider range of South African investors. At the same time, the industry's managers have continued to navigate changing markets, regulation and investor expectations while developing strategies designed to deliver differentiated sources of return.

For Novare Investments and the Mayibentsha team, observing and documenting this evolution has been particularly meaningful. Our relationship with the hedge fund industry extends beyond producing an annual publication. As allocators to hedge funds, we engage with managers throughout the year, assess their businesses and investment processes, allocate capital across strategies and experience first-hand the role these managers play in the portfolios entrusted to us. The Report is therefore an extension of a relationship with an industry in which we have participated for many years and whose development we remain committed to understanding.

The purpose of the Novare Hedge Fund Report has always been to provide the market with something that no individual manager, allocator or investor can easily produce alone: a collective picture of the South African hedge fund industry. By bringing together information on assets, strategies, investors, fund structures, performance, fees, transformation and the views of managers themselves, we hope to create a record that allows the industry to understand not only where it stands today, but how it continues to change over time. That record is only possible because of the managers who choose to participate.

We recognise that completing a detailed industry report requires time, resources and trust. The information we request is extensive, and in many cases requires managers and their teams to retrieve, reconcile and verify data across different parts of their businesses. We do not take that contribution for granted. To every manager and team who participated in the 2025 Report, and particularly those who have continued to support this research year after year, we extend our sincere appreciation. The quality and usefulness of this publication are directly linked to your willingness to contribute.

There are also managers and firms within the South African hedge fund universe that we have not yet been able to capture directly. We welcome them to participate in future reports. Broader participation does more than improve a dataset: it gives the industry a stronger collective voice and enables a more complete representation of its size, diversity and developments. As the industry grows, so too does the importance of having credible, consistent information through which investors, regulators, advisers, asset allocators and managers can understand it.

The approaching R200 billion milestone is worth celebrating, but it should also be viewed as another chapter rather than a destination. The South African hedge fund industry continues to evolve in who invests, how investors gain access, the strategies being offered and the firms managing those assets.

We are proud to present the 2025 Novare Hedge Fund Report as our contribution to that record.

We hope that the document provides useful insights, encourages discussion and, above all, offers an accurate reflection of an industry that has travelled a considerable distance while still having much ahead of it.

Kwazi Mbhele
Portfolio Manager
Novare Investments



ABBREVIATIONS

ALBI	All Bond Index
ALSI	All Share Index
ALSI (TR)	All Share Index Total Return
ASISA	The Association for Savings and Investment South Africa
AUM	Assets under management
B-BBEE	Broad-Based Black Economic Empowerment
BN	Board notice
CIS	Collective investment scheme
CISCA	Collective Investment Schemes Control Act, No.45 of 2002
DFM	Discretionary Fund Manager
ECP	En commandite partnership
ESG	Environmental, Social, Governance
ETF	Exchange-traded fund
FAIS	Financial Advisory & Intermediary Services
FI	Fixed income
FoF	Fund of funds
FoHF	Fund of hedge funds
FSCA	Financial Sector Conduct Authority
FSP	Financial Services Provider
GDP	Gross Domestic Product
GNU	Government of National Unity
G20	Group of Twenty
HNWI	High-net-worth Individuals
JSE	Johannesburg Stock Exchange
LISP	Linked Investment Service Provider
LLP	Limited liability partnership
LS	Long-short
MANCO	Management company
MAP	Managed account platform
MDD	Minimum disclosure document
MN	Market-neutral
MS	Multi-strategy
MSCI	Morgan Stanley Capital International
MTBPS	Medium Term Budget Policy Statement
NAV	Net asset value
QI	Qualified investor
QIHF	Qualified investor hedge fund
RI	Retail investor
RIHF	Retail investor hedge fund
SARB	South African Reserve Bank
SWIX	Shareholder-weighted Index
TER	Total expense ratio
VAR LIMIT	Value-at-risk limit
ZAR	South African rand

The purpose of the Novare Hedge Fund Report has always been to provide the market with something that no individual manager, allocator or investor can easily produce alone: a collective picture of the South African hedge fund industry.

HIGHLIGHTS

THE SOUTH AFRICAN HEDGE FUND INDUSTRY'S AUM

R187.2bn

R152.7bn in 2024 → **R187.2bn** in 2025

Representing an increase of 34.45 billion, or 22.6%

74.8%

of industry assets in 2025
(down from 79.2% in 2024)

Large hedge fund managers, with AUM exceeding **R2 billion**, remain dominant but saw their share of industry assets fall by **4.4%** – the first year-on-year reduction on record, following six consecutive years of growth.

R134.6bn

AUM managed by the 10 largest investment houses in 2025.

28.2%

28.2% up from R105.0 billion in 2024, an increase of R29.6 billion.

44.9%

of hedge funds offer daily pricing

44.9%	55.1%
70 funds	86 funds
Yes	No

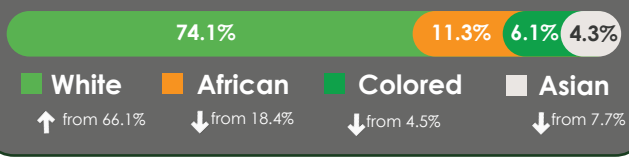
80.5%

male senior managers

19.5%

female senior managers

Compared with the previous survey, the reported representation of White senior managers increased from 66.1% to 74.1%, while African representation declined from 18.4% to 11.3%, Coloured representation declined from 7.7% to 4.3%, and Indian representation increased from 4.5% to 6.1%.



Funds charging exactly 1% p.a. rose sharply to 37% (57 funds) in 2025, up from 35.76% in 2024, the highest reading for this band since 2019 (53.9%).

1% p.a.

37%
(57 funds) in 2025
(up from 35.76% in 2024)

WHAT IS A HEDGE FUND?

Hedge funds are financial partnerships that pool capital from investors and utilise various sophisticated strategies to deliver optimal returns while minimising risk. Hedge funds employ unique approaches such as derivatives, short selling, and leveraging, with the goal of achieving positive financial returns in both rising and falling markets. While they may invest in the same asset classes as traditional unit trust funds, hedge funds have access to a wider range of investment tools, allowing them to generate additional sources of return. Due to their typically low correlation with traditional stock and bond portfolios, hedge funds serve as effective diversification instruments.

Under the Collective Investment Schemes Control Act (CISCA), hedge funds are classified into two categories: Retail Investor Hedge Funds (RIHFs) and Qualified Investor Hedge Funds (QIHFs). RIHFs are subject to stricter regulatory oversight, while QIHFs operate under more flexible regulations.

To further clarify the regulatory framework for hedge funds, the Financial Sector Conduct Authority (FSCA) provides specific criteria for identifying qualified investors.

According to FSCA Notice 52 of 2015, a qualified investor is defined as an individual or entity who invests a minimum of R1 million per hedge fund and either:

a. Possesses demonstrable knowledge and experience in financial and business matters, enabling them to assess the merits and risks of a hedge fund investment; or
b. Has appointed a Financial Services Provider (FSP) with the requisite expertise to advise on the merits and risks of hedge fund investments.

RIHFs, on the other hand, are designed for broader market participation and adhere to the more stringent regulatory framework set out by the FSCA. Some of the other characteristics of RIHFs and QIHFs are tabulated on the next page.

	Retail Investor Hedge Funds	Qualified Investor Hedge Funds
Investors	Available to general public (varying minimums)	Only available to qualified investors (>R1 000 000)
Gross exposure limit	< 200%	Not defined
VAR limit	< 20%	Not defined
Disclosure to clients	Monthly	Quarterly
Max equity holdings	< 10% per security	Not defined
Investor liquidity	Daily and Monthly	90 Days
Risk management	Daily	Daily
Marketing	Able to solicit investments from all investors	Only solicit and accept investments from a restricted pool of qualified investors

TAKING A LOOK AT INDUSTRY REGULATION

In the wake of the 2008 Global Financial Crisis, the Group of Twenty (G20) committed to strengthening the regulation and oversight of private pools of capital, including hedge funds. As a G20 member, South Africa undertook the necessary steps to introduce regulatory frameworks for hedge funds. This process involved comprehensive consultations between the FSCA, National Treasury, and key industry stakeholders to better understand the local hedge fund landscape and establish an efficient regulatory approach.

Given that many hedge funds in South Africa operate as collective investments, it was decided that hedge fund regulation should be harmonised with existing collective investment scheme (CIS) frameworks. As a result, hedge funds are now regulated by National Treasury under CISCA, which also governs the unit trust industry. The primary objective of hedge fund regulation is to monitor and mitigate systemic risk while strengthening product requirements to safeguard investor interests.

The Benefits of Regulation

- **Independent trustee appointment:**
  Hedge funds are required to appoint an independent trustee, typically a bank unaffiliated with the unit trust company or asset manager.
- **Independent risk management and compliance:**
  Additional risk management and compliance oversight of hedge funds are conducted independently from the asset manager, enhancing objectivity.
- **Ongoing FSCA supervision:**
  The FSCA provides continuous supervision to ensure that hedge fund regulations remain in alignment with those of the local unit trust industry.
- **Promotion of industry integrity:**
  Regulatory frameworks foster increased integrity within the hedge fund sector.
- **Enhanced transparency for investors:**
  Investors benefit from improved transparency, particularly regarding fees and portfolio turnover ratios, which are disclosed more frequently.

A central requirement in this regulatory environment is that all hedge funds must appoint a management company (Manco) to handle administrative, operational and risk monitoring functions. The appointed Manco must be approved by the FSCA, aligning with the setup of a unit trust fund.



STRATEGIES

Long/short equity: This strategy aims to generate positive returns by taking both long and short positions in the equity market, thereby reducing market risk while retaining company-specific risk. Most local equity long/short funds tend to be long biased. The strategy involves holding long positions in stocks expected to appreciate in value and short positions in stocks expected to decline. The goal of a long/short equity strategy is to minimise overall market exposure, while profiting from gains in the long positions and price declines in the short positions.

Market neutral: A market neutral equity strategy involves taking similarly sized long and short positions within related equity sectors to offset directional market risk. The goal is to generate profit from both rising and falling prices. This strategy is often achieved by holding matching long and short positions in different stocks, allowing the fund to capitalise on mispricing. By doing so, it seeks to deliver positive returns from both long and short stock selections while minimising exposure to broad market movements.

Fixed income: This strategy seeks to capitalise on arbitrage opportunities in interest rate securities. A fixed income arbitrage approach involves taking offsetting positions in the market to take advantage of small price discrepancies, while mitigating interest rate risk. This strategy can include various techniques such as basis trading (e.g. cash vs. futures), yield-curve arbitrage, credit spread trading, and volatility arbitrage in fixed income markets. The goal is to generate returns while hedging against significant interest rate risk, typically through matched long and short positions in related securities.

Statistical arbitrage: This strategy utilises quantitative models and statistical techniques to identify market inefficiencies and establish short-term positions across a broad universe of securities. By analysing historical data, price patterns, and correlations, statistical arbitrage seeks to profit from price movements that deviate from historical relationships or expected trends. Positions are often market-neutral, aiming to exploit temporary mispricings rather than directional market moves.

Volatility arbitrage: Volatility arbitrage aims to capitalise on discrepancies between the implied volatility of an option (or other derivative) and the expected, or realised, volatility of the underlying asset. The strategy often involves taking positions in options or other derivatives where the trader believes the market has mispriced future volatility. By going long or short on volatility across various assets, this strategy seeks to profit from volatility-driven price differences, regardless of the directional movement of the underlying assets.

Multi-strategy: A multi-strategy hedge fund deploys capital across a diverse range of investment strategies, often spanning multiple asset classes and trading styles. By combining approaches such as equity long/short, credit arbitrage, macro, and statistical arbitrage, the fund aims to achieve diversified, risk-adjusted returns. This flexible approach allows the manager to adapt to different market conditions and capitalise on opportunities across various strategies.

Commodities: Funds in this category predominantly invest in soft or hard commodities, using a range of strategies to generate alpha from the asset class – from trend-following approaches to non-directional, market-neutral plays.

Practical Example of Long and Short

LONG POSITION

The buying of a security such as a stock, commodity or currency, with the expectation that the asset will rise in value. For example, an owner of shares in Stock Water is said to "hold a long position in Stock Water", in industry terms, is "long Stock Water".

Example - Long position

Buy 10 stock shares @ R100 per share (with the expectation that the asset will rise in value).

Total investment	= R100 x 10 = R1000
Share price rises	= R135 per share
Portfolio value	= R135 x 10 = R1350
Profit when selling	= R1350 - R1000
	= R350 / R35 per share

SHORT POSITION

The sale of a borrowed security, commodity or currency with the expectation that the asset will fall in value.

Example - Short position

Borrows 10 shares in Stock Maone and sells them on the open market @ R100 each (with the expectation that the asset will fall in value).

Share price declines	= R75 per share
Portfolio value	= R75 x 10 = R750
Profit when selling	= R1000 - R750
	= R250 / R25 per share

STRATEGIES

Who we review

Included in this Report

SA Domiciled Managers
These are hedge fund managers based in South Africa, managing funds domiciled locally and denominated in rand.

Reason for inclusion: Focusing on South African-domiciled managers offers a comprehensive view of the domestic hedge fund landscape, including local market practices, regulatory compliance, and performance. Limiting the scope to local managers ensures that the data reflects the industry's unique characteristics and dynamics.

Single-Managed Funds
These are funds overseen by a single investment manager or team, typically following a distinct investment strategy.

Reason for inclusion: Including only single-managed funds enables a clearer assessment of strategy-specific performance, avoiding the complexity of multi-manager contributions. This provides a more straightforward view of individual manager performance and decision-making.

Registered and Unregistered Funds
The report includes both funds registered with South African regulatory bodies, such as the FSCA under CISCA, and those operating outside the formal regulatory framework.

Reason for inclusion: Including both registered and unregistered funds provides a holistic view of the market, capturing the full spectrum of fund types and strategies, regardless of regulatory status.

Excluded in this Report

Funds of Hedge Funds (FoHFs)
These are funds that invest in a portfolio of multiple hedge funds.

Reason for exclusion: FoHFs are excluded to avoid double-counting AUM as their underlying investments are often already captured in the report. This ensures a more accurate and undistorted picture of total industry AUM.

Multi-Managed Funds
Multi-managed funds are structured with multiple managers under one fund, often blending various strategies for diversification.

Reason for exclusion: Multi-managed funds can also lead to double counting in AUM figures, as assets may already be reported by single-managed funds as segregated mandates. By excluding these, the report maintains clarity on AUM reporting and reduces redundancy in data.

External Sub-Delegated or Mandated Funds
These are funds where assets are sub-delegated to external managers or held as part of broader mandate agreements. They are often used as building blocks internally by FoHFs or used as a separate vehicle marketed separately from the main strategy.

Reason for exclusion: Sub-delegated or mandate funds often include assets already counted by single-managed funds as part of their segregated mandates, leading to potential AUM inflation. Where it is not clear, these are listed separately.

Offshore Domiciled Funds
These funds are domiciled outside South Africa, often in jurisdictions with different regulatory or tax environments. ASISA and CISCA allow local managers to set up these structures in different jurisdictions for their clients.

Reason for exclusion: Offshore funds are excluded to keep the report focused on the South African hedge fund market. Including them would introduce additional regulatory and market complexities, detracting from the report's focus on the local industry.



What we review



01 **Assets Under Management**

This component considers the industry's growth in AUM since 2002, general growth in AUM since 2010, and net annual changes. The main drivers of AUM growth have varied over time, but the report aims to provide a comprehensive picture of these drivers each year.

02 **Strategy**

This is a representation of strategy as a portion of the total AUM. Assets are viewed by net flows and by growth in strategy. The aim is to measure which strategy houses the bulk of the assets.

03 **Structure**

This section examines the legal structure of a hedge fund to determine liability in instances of extreme losses.

04 **Operations**

This covers the operational aspects of the hedge fund industry. The report was grouped according to Manco responsibilities and non-Manco responsibilities. The aim is to provide insights into hedge funds' operational efficiency, transparency, capability and resources.

05 **Fees**

This section covers how fees are calculated and the latest cost trends.

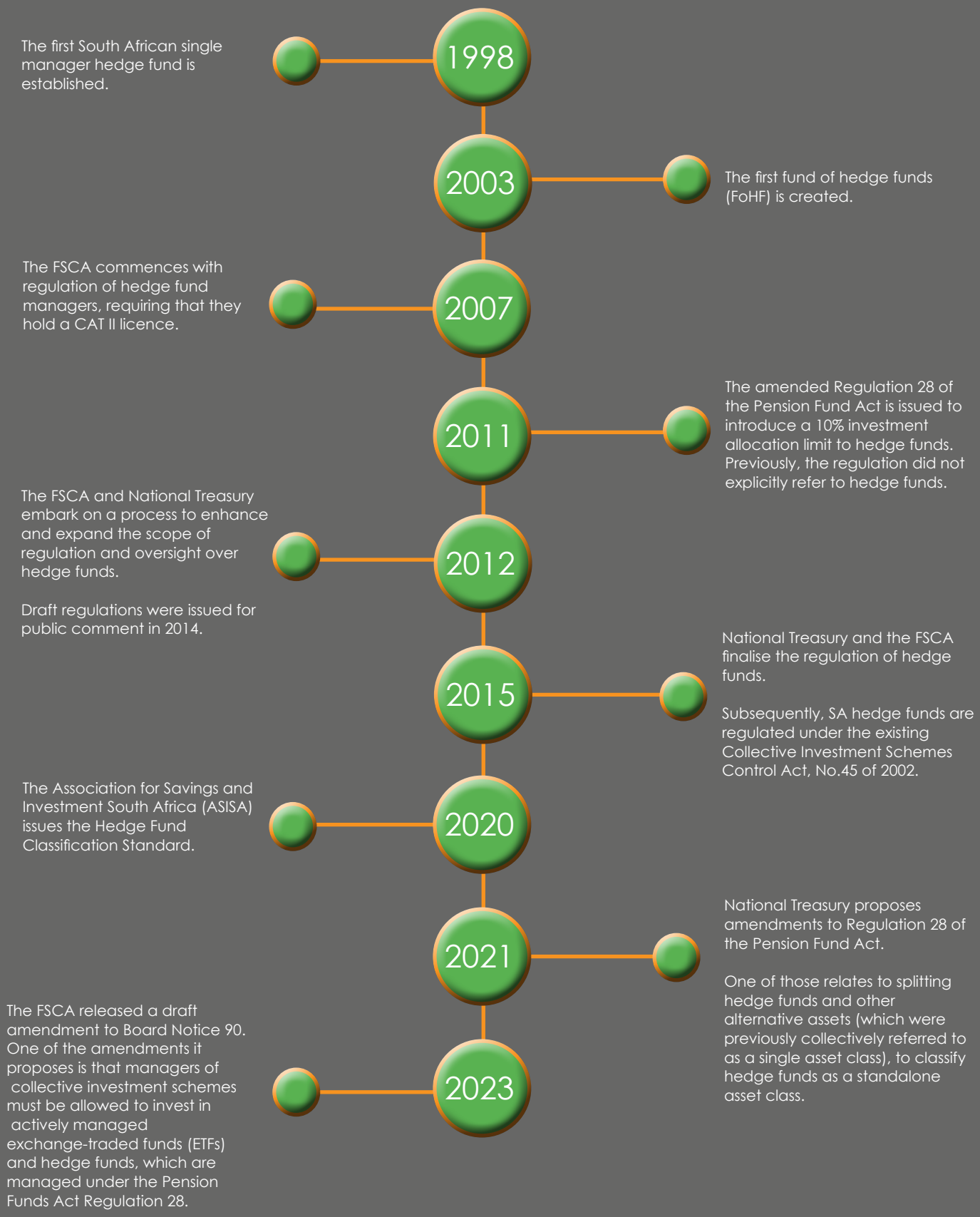
06 **Performance**

Here we investigate the performance of the industry across different strategies and fund sizes, to determine how industry returns are generated.

07 **Transformation**

This section investigates hedge fund managers' level of compliance with Broad-Based Black Economic Empowerment requirements and the diversity of their teams, especially in senior management.

The evolution of the South African Hedge Fund Industry

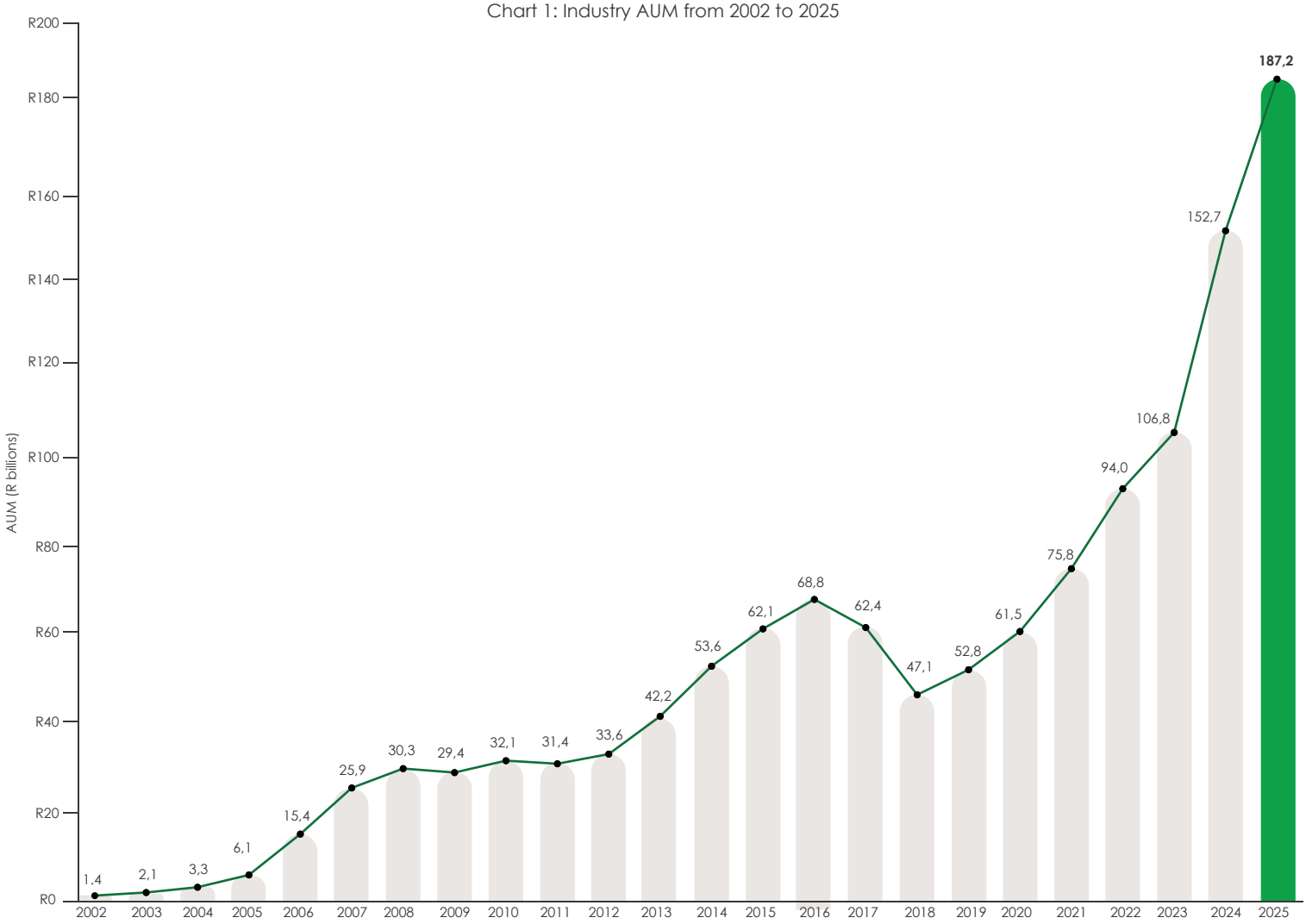


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ASSETS UNDER MANAGEMENT

INDUSTRY SIZE

Chart 1: Industry AUM from 2002 to 2025



R187.2 BILLION
Total Industry AUM in 2025

+22.6%
Growth in AUM during 2025

+R34.5 BILLION
Absolute increase year-on-year

The South African hedge fund industry continued its upward trajectory in 2025, with total assets under management (AUM) increasing from R152.7 billion in 2024 to R187.2 billion. This represents an increase of R34.5 billion, or 22.6%, over the year.

Since the inception of the Novare Hedge Fund Report in 2002, industry assets have grown from R1.4 billion to R187.2 billion, reflecting the continued expansion of the South African hedge fund industry over the past two decades.

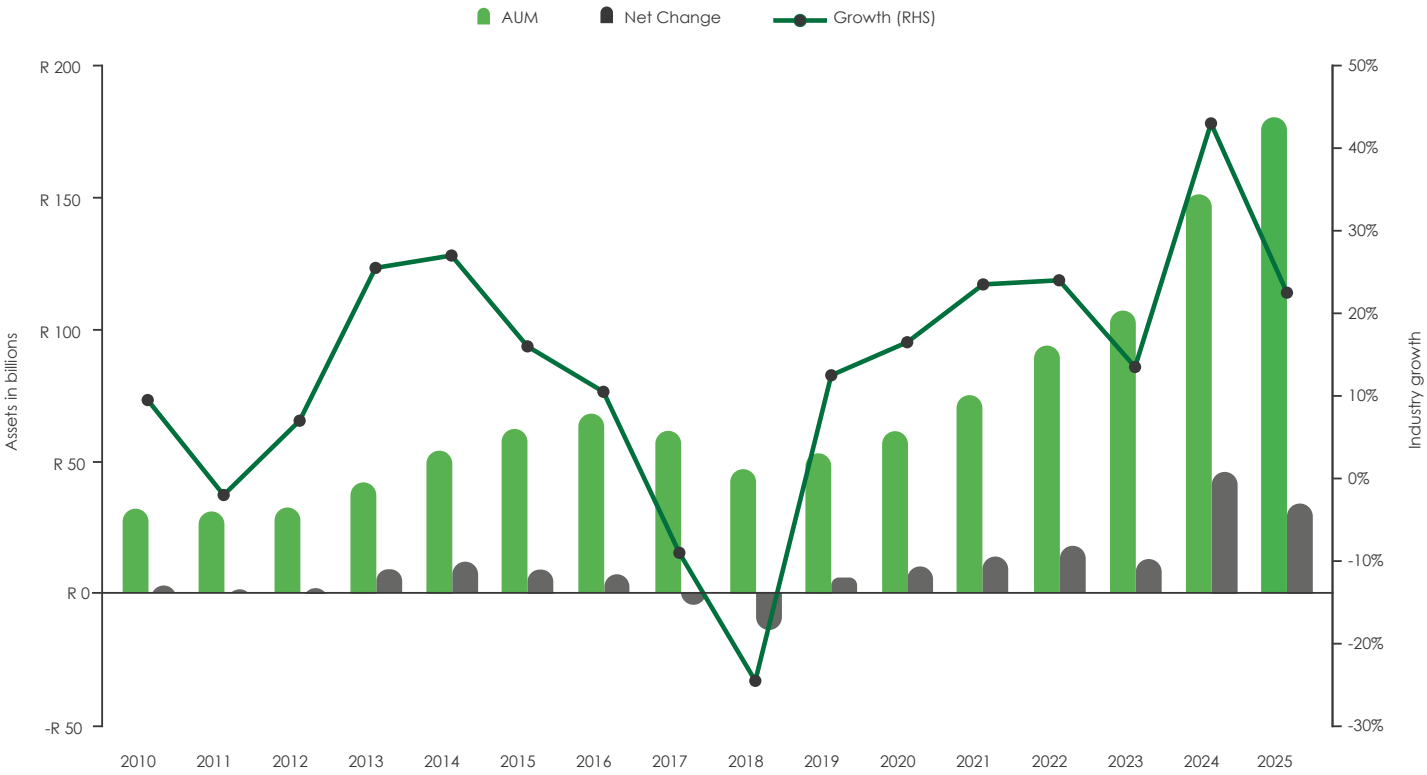
Following the record 42.9% growth recorded in 2024, the industry maintained strong momentum in 2025 with growth of 22.6%. This marks the seventh consecutive year of positive asset growth since 2019 and the second-largest annual increase in industry assets, in rand terms, over that period.

Over the past five years, industry AUM has increased from R61.5 billion at the end of 2020 to R187.2 billion in 2025, representing cumulative growth of R125.7 billion. Compared to 2021, when industry assets first exceeded R75 billion, total AUM has increased by R111.4 billion, more than doubling over four years.

At R187.2 billion, industry AUM in 2025 was the highest recorded since the inception of the report and brought total industry assets closer to the R200 billion milestone.

AUM CHANGE

Chart 2: AUM Growth Since 2010

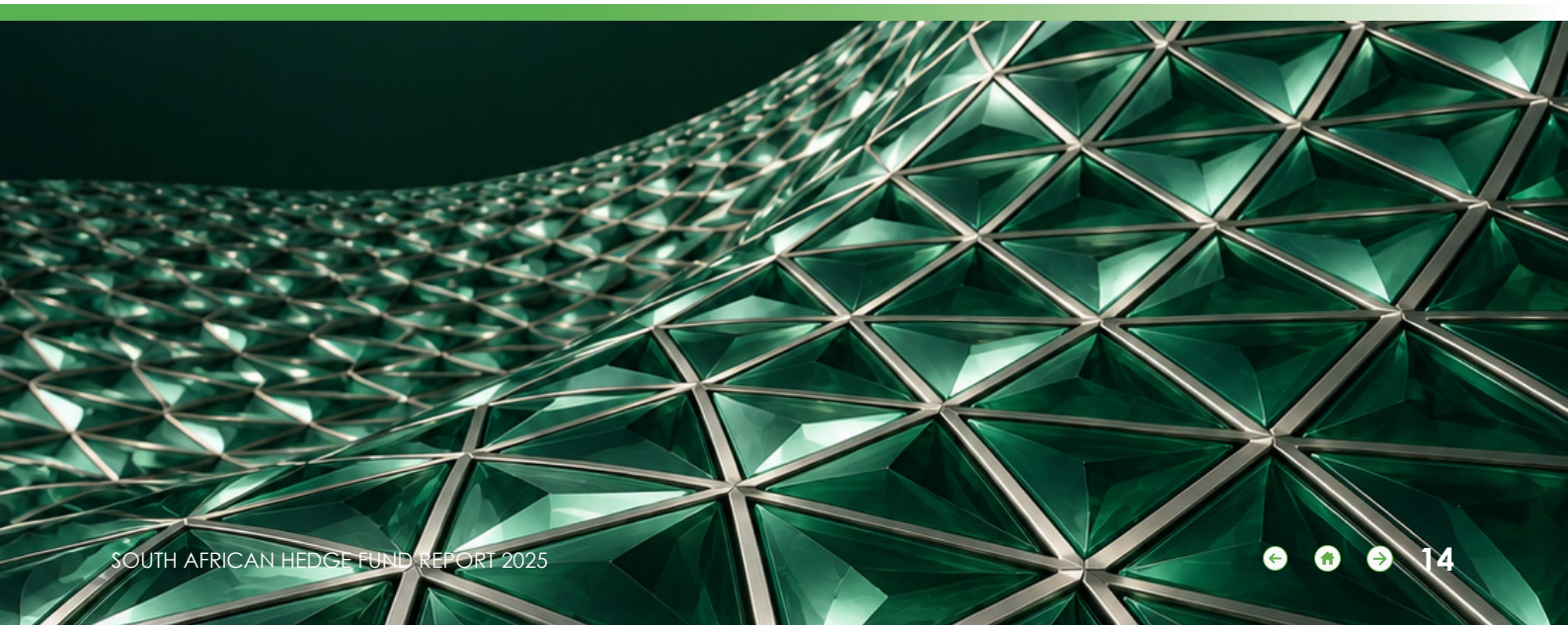


The South African hedge fund industry recorded 22.6% growth in assets during 2025, following the 42.9% increase recorded in 2024. In absolute terms, industry AUM increased by R34.4 billion during the year, compared with an increase of R45.8 billion in 2024.

The 2025 growth rate was lower than the previous year's record increase, but remained above the growth rates recorded in 2023 (13.7%) and 2020 (16.6%). The industry has recorded positive asset growth in each year since 2019, marking a sustained period of expansion following the declines experienced in 2017 and 2018.

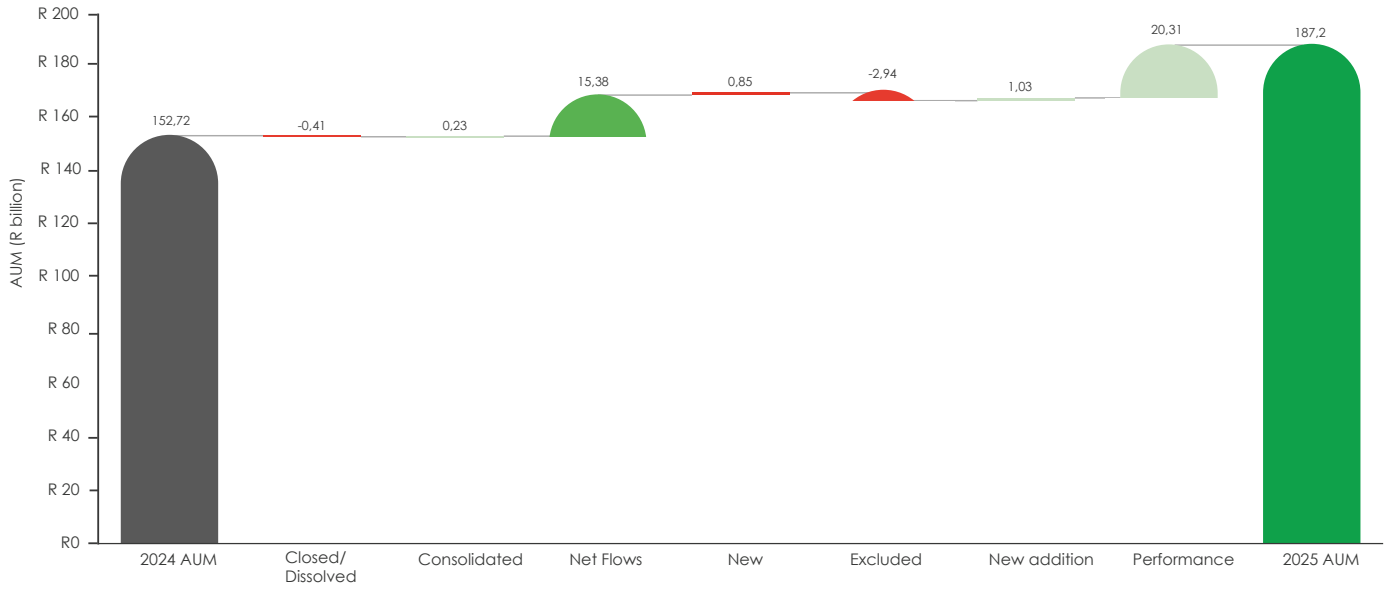
The strongest annual growth in the period shown was recorded in 2024 at 42.9% followed by 24.0% in 2022 and 23.3% in 2021, with 2025's growth of 22.6% ranking fourth-highest over the period shown. The largest contraction in the period was recorded in 2018, when assets declined by 24.5%.

In absolute terms, the R34.4 billion increase in 2025 represents the second-largest annual increase in industry AUM over the period shown, after the R45.8 billion increase recorded in 2024. This places the past two years among the strongest periods of asset growth recorded by the report.



COMPONENTS AFFECTING AUM

Chart 3: Factors Contributing to AUM Change



The South African hedge fund industry's AUM increased from R152.72 billion in 2024 to R187.2 billion in 2025, representing an increase of R34.45 billion, or 22.6%.

The change in industry AUM reflects a combination of net flows, investment performance, new fund launches, changes in report coverage and structural changes to existing funds. The individual components of the AUM movement are set out below:

- **Closed/Dissolved Funds:** This represents funds that ceased operations or were formally closed during the year. In 2025, closed or dissolved funds reduced industry AUM by R410 million.
- **Consolidated Funds:** This represents existing funds that were consolidated into other funds or investment vehicles during the year. Consolidation resulted in an increase of R230 million in reported industry AUM.
- **Net Flows:** This represents investor subscriptions less withdrawals into existing hedge funds during the year. Net flows contributed R15.38 billion to industry AUM in 2025, making it the second-largest positive contributor to the overall increase.
- **New Funds:** This represents funds launched during the year and included in the report for the first time. New funds contributed R850 million to industry AUM in 2025.
- **Excluded Funds:** This represents funds removed from the report as a result of reclassification, changes to their structure or strategy, or no longer meeting the report's inclusion criteria. Excluded funds reduced reported industry AUM by R2.94 billion in 2025.
- **New Additions (Report Coverage):** This represents funds that were already in existence but were not captured in the previous report and were subsequently identified and included in the current report. New additions increased reported industry AUM by R1.03 billion in 2025.

The report aims to capture the South African hedge fund industry as comprehensively as possible but relies on voluntary manager participation and publicly available information. Where managers do not participate or information is unavailable, alternative sources may be used to supplement the report. As a result, funds may be identified in subsequent report periods. The new additions category is included to distinguish changes arising from report coverage from new funds entering the industry.

- **Performance:** This represents the change in AUM attributable to investment performance during the year. Performance contributed R20.31 billion to industry AUM in 2025 and was the largest positive contributor to the overall increase.

Overall, net flows and investment performance contributed R35.69 billion to industry AUM during 2025. This was partially offset by R3.35 billion from closed or dissolved funds and exclusions, while consolidated funds, new funds and new additions provided a further R2.11 billion of AUM. The resulting R34.45 billion increase took total industry AUM to R187.16 billion at year-end.

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INVESTOR BASE AND SOURCES OF CAPITAL

Chart 4: Composition of Hedge Fund AUM by Investor Type – 2025



- **37,7%** High net worth individuals
- **28,4%** Pension funds
- **21,1%** Funds of funds
- **5,6%** Other
- **2,2%** DFM
- **1,8%** Retail
- **1,8%** Manager co-investment
- **1,4%** Life funds
- **0,1%** Seeding/Proprietary

For 2025, the report improved insight into the sources of capital invested in South African hedge funds. Managers who completed this section represented **R161.5 billion** in AUM, equivalent to approximately **86.3%** of the **R187.2 billion** captured by the overall report. Given the historically limited response to this section, the analysis focuses on the 2025 findings and should be read as representative of participating managers' reported assets, rather than the industry.

High-net-worth individuals (HNWIs) were the largest individual investor category, accounting for 37.7%, or R60.9 billion of reported assets. When combined with capital classified as DFM (2.2%) and Retail (1.8%), HNWIs and retail-oriented/ intermediated channels represented approximately 41.7% of reported AUM, or R67.4 billion.

This represents a significant component of the industry's reported capital base and points to the growing importance of individual investors and intermediated distribution channels in the South African hedge fund market. This finding is particularly relevant when considered against the industry's historical development, where hedge fund capital was predominantly sourced from institutional investors.

Pension funds and Life Funds, which formed part of the industry's traditional institutional investor base, accounted for a combined 29.8% of reported assets, equivalent to approximately R48.1 billion. Pension funds remained the dominant institutional category at 28.4%, while Life Funds represented 1.4%.

Funds of funds remain another significant source of industry capital, accounting for 21.1%, or approximately R34.0 billion. Multi-manager structures have historically played an important role in providing investors with access to portfolios of underlying hedge fund managers and remain a substantial component of the industry's investor base.

Together, HNWIs and retail-oriented/intermediated channels (41.7%), pension and life funds (29.8%), and funds of funds (21.1%) accounted for approximately 92.6% of the assets reported in this section. The remaining assets were represented by Manager Co-investment, Seeding/Proprietary capital and Other investors.

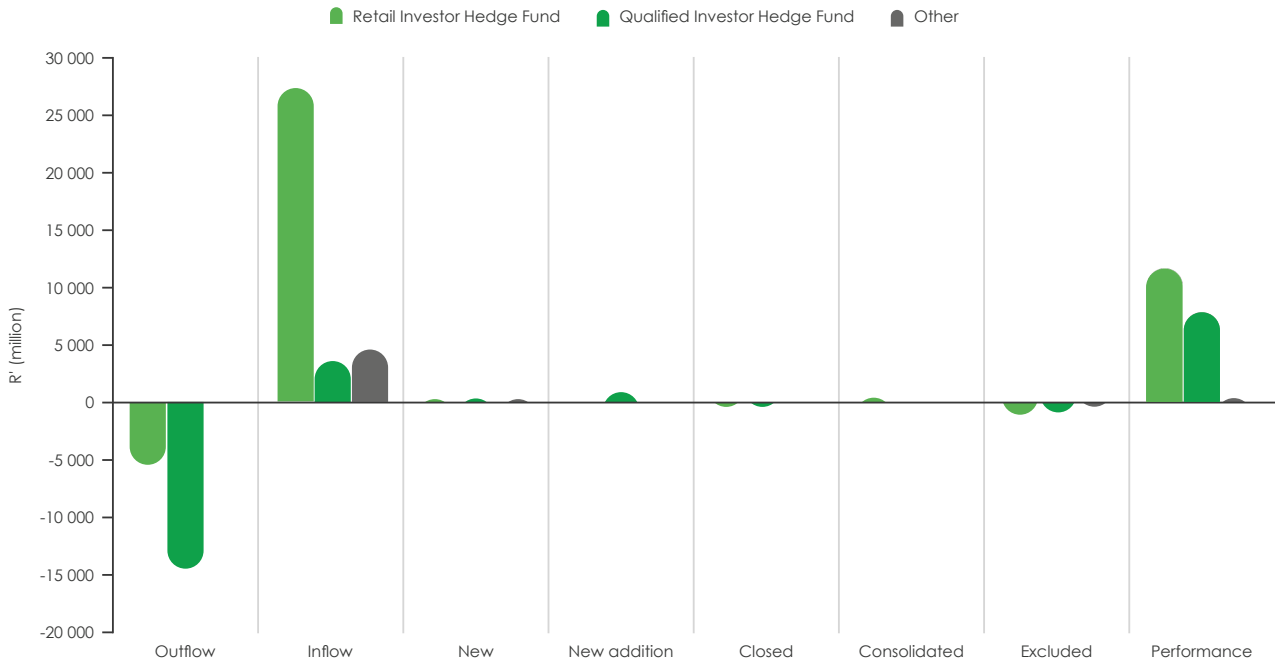
KEY INSIGHT

The investor composition captured in 2025 therefore shows an industry with a broader funding base than its historically institutional origins. Traditional institutional investors remain significant, while HNWIs and retail-oriented distribution channels now represent a substantial share of reported capital.

AUM BREAKDOWN

BREAKDOWN BY REGULATORY STRUCTURE

Chart 5.1: Industry Dynamics by Fund Structure



Inflows and Outflows

- RIFs were the primary recipients of new capital in 2025, recording R27.7 billion in inflows, substantially higher than the R3.8 billion received by QIFs and R4.6 billion in the Other category.
- RIFs also recorded R5.8 billion in outflows, resulting in a net inflow of R21.9 billion. This compares with QIFs, which experienced R14.8 billion in outflows, resulting in a net outflow of R11.0 billion despite the R3.8 billion of new capital raised.
- The Other category recorded relatively limited activity compared with RIFs and QIFs, with R4.6 billion of inflows and R84 million of outflows, resulting in a net inflow of R4.5 billion.

New Funds and Structural Changes

- QIFs accounted for the largest increase from new additions, with approximately R895 million added to the report through previously uncaptured funds, compared with R97 million for RIFs.
- New fund launches were relatively evenly distributed, with R384 million added through new QIFs and R257 million through new RIFs. The Other category contributed a further R210 million.
- Exclusions were the most significant negative structural adjustment, reducing RIF AUM by approximately R1.5 billion and QIF AUM by R1.1 billion. The Other category recorded a further R353 million reduction.
- Closed or dissolved funds had a comparatively limited impact, reducing RIF AUM by R232 million and QIF AUM by R181 million. Consolidations resulted in a R227 million increase for RIFs, with no material movement recorded for QIFs.

Performance Contribution

The performance contribution was positive across all fund structures:

- RIFs generated the largest performance contribution, adding R11.8 billion to AUM during 2025, compared with R8.3 billion for QIFs and R191 million for the Other category.
- The combination of positive performance and significant net inflows resulted in RIFs being the main contributor to overall AUM growth during the year.
- For QIFs, the R8.3 billion performance contribution partially offset the R11.0 billion net outflow, limiting the overall reduction in QIF AUM.

KEY INSIGHT

This represents a clear shift in the relative contribution of the two main fund structures: RIFs recorded significant net inflows and the largest performance contribution this year, while QIFs experienced substantial net outflows despite generating positive investment performance.

BREAKDOWN AT STRATEGY LEVEL

Chart 5.2: Strategy-Level Breakdown

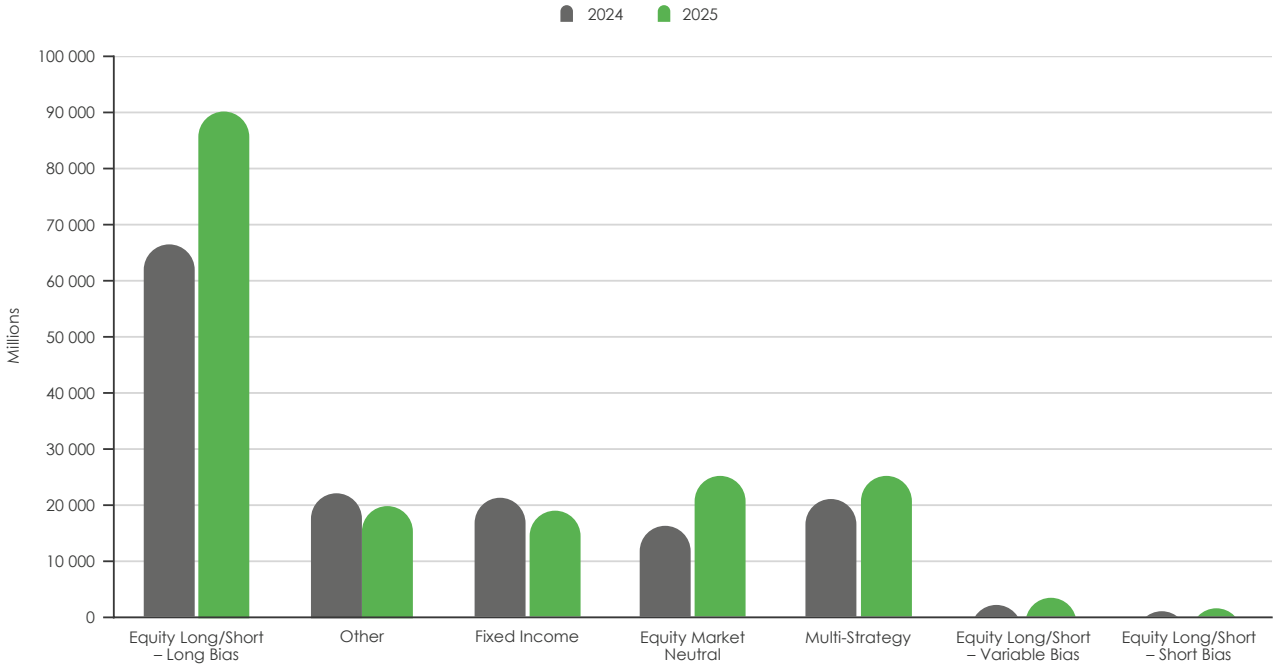


Chart 5.2 breaks down the growth in AUM by strategy, i.e. Tier 3 as per the ASISA Classification standards introduced in 2018 for the industry. Industry AUM increased by 22.6% in 2025, although the growth was not evenly distributed across strategies. The largest increases were recorded in Equity Long/Short – Long Bias, Equity Market Neutral and Multi-Strategy, while Fixed Income, Other and Equity Long/Short – Short Bias recorded declines. The results are as follows:

- **Equity Long/Short – Long Bias:** This strategy remained the largest by AUM, increasing from R66.7 billion in 2024 to R91.3 billion in 2025, an increase of R24.6 billion (+37%). The strategy accounted for approximately 49% of total industry AUM at the end of 2025, up from 44% in 2024. Since 2023, AUM in the strategy has increased by approximately R43.4 billion, making it the largest contributor to the industry's longer-term AUM growth.
- **Equity Market Neutral:** Equity Market Neutral recorded the second-largest absolute increase during 2025, with AUM increasing from R17.2 billion to R25.1 billion, representing growth of R7.9 billion (+46%). AUM in the strategy has more than doubled since 2023, when it stood at R11.4 billion. The strategy's share of total industry AUM increased from approximately 11% in 2024 to 13% in 2025.
- **Multi-Strategy:** Multi-Strategy funds recorded net inflows of R539.6 million, a markedly smaller net figure than 2024, despite gross inflows of R4.92 billion; redemptions of R4.38 billion were substantially higher than the prior year, pointing to greater churn within the strategy. Multi-Strategy did, however, lead the industry in new fund activity, with R345.3 million from new launches and R831.6 million from new additions, both the highest of any strategy. Closures totalled R90.0 million. Performance contributed a further R2.54 billion to Multi-Strategy AUM.
- **Fixed Income:** Fixed Income was one of the larger strategies to record a decline in 2025, with AUM decreasing from R22.3 billion to R20.7 billion, a reduction of R1.6 billion (-7%). Despite the decline, AUM remained above the R17.3 billion recorded in 2023, with the strategy accounting for approximately 11% of total industry AUM at year-end.
- **Other:** AUM in the Other category declined from R22.0 billion to R20.9 billion, representing a decrease of R1.1 billion (-5%). The category nevertheless remained a significant component of the industry, accounting for approximately 11% of total AUM in 2025.
- **Equity Long/Short – Variable Bias:** Variable Bias remained a relatively small component of the industry but recorded the highest percentage growth among the strategies that increased during the year. AUM rose from R2.1 billion to R3.3 billion, an increase of R1.2 billion (+59%). This follows growth of 19% in 2024, with AUM having increased from R1.7 billion in 2023.
- **Equity Long/Short – Short Bias:** Short Bias remained the smallest Equity Long/Short sub-strategy and was the only Equity Long/Short category to record a decline in AUM during 2025. AUM decreased from R1.2 billion to R427 million, representing a reduction of R773 million (-64%). This follows the significant increase recorded in 2024, when AUM rose from R350 million to R1.2 billion.

Overall, the increase in industry AUM in 2025 was concentrated in Equity Long/Short – Long Bias, Equity Market Neutral and Multi-Strategy, which together increased by approximately R36.7 billion. These increases more than offset the combined declines in Fixed Income, Other and Equity Long/Short – Short Bias. The continued growth in the three largest growth categories also resulted in greater concentration of industry AUM within these strategies, with their combined share increasing from approximately 69% in 2024 to 76% in 2025.

ACTIVITY AT STRATEGY LEVEL

Chart 6.1: Breakdown of AUM Change in 2025

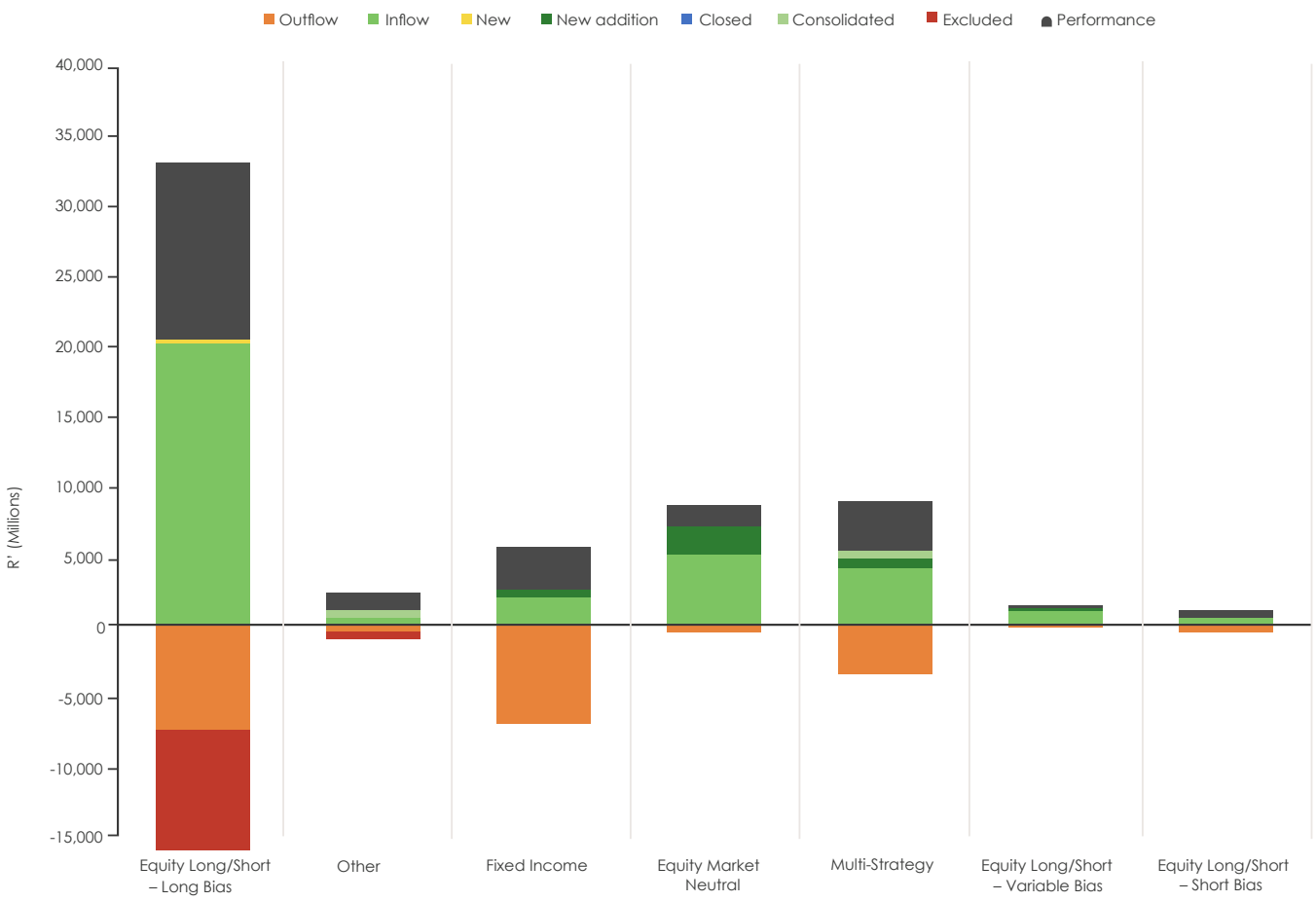


Chart 6.1 breaks down the movement in AUM by strategy, showing the contribution from investor flows, new funds and additions, structural changes and investment performance. The results highlight significant differences in the drivers of AUM growth across the various strategies:

- **Equity Long/Short – Long Bias:** Equity Long/Short – Long Bias again recorded the highest overall investor activity for the year. It saw gross inflows of R21.9 billion, the largest among all strategies, reaffirming its position as the dominant strategy in the South African hedge fund industry. Redemptions of R6.7 billion were also the highest across the peer group, but net inflows still reached R15.1 billion.

  Performance added a further R12.2 billion, making Long Bias the top contributor to AUM growth by performance for the second consecutive year. New fund launches were modest at R121.3 million, with no new additions reported. Closures were limited at R265.8 million, though the strategy recorded the largest exclusion adjustment of any category, at R2.6 billion.

- **Equity Market Neutral:** Equity Market Neutral was the standout grower of the year in relative terms, posting net inflows of R6.37 billion on gross inflows of R6.60 billion against just R223.3 million in outflows, the highest inflow-to-outflow ratio of any strategy. There were no new launches, additions, consolidations, or exclusions, and closures were negligible at R2.9 million. Performance added R1.52 billion, bringing total growth for the strategy to R7.9 billion (+46%), a broad-based combination of strong retention and steady returns.

- **Fixed Income:** Fixed Income Hedge Funds reversed sharply from their healthy 2024 growth, recording net outflows of R5.35 billion, with gross inflows of just R1.72 billion overwhelmed by redemptions of R7.07 billion. The strategy still saw meaningful product activity, with R385.0 million from new fund launches and R197.0 million from additions and was the only strategy to record a consolidation adjustment, at R227.0 million. Closures (R30.1 million) and exclusions (R48.0 million) were limited. Performance added R3.06 billion, the second-highest performance contribution industry-wide, which materially offset the net outflow.

- **Multi-Strategy:** Multi-Strategy funds recorded net inflows of R539.6 million, a markedly smaller net figure than 2024 despite gross inflows of R4.92 billion, redemptions of R4.38 billion were substantially higher than the prior year, pointing to greater churn within the strategy. Multi-Strategy did, however, lead the industry in new fund activity, with R345.3 million from new launches and R831.6 million from new additions, both the highest of any strategy. Closures totalled R90.0 million. Performance contributed a further R2.54 billion to Multi-Strategy AUM.

- **Other:** The Other category recorded a net outflow of R1.2 billion, driven primarily by R1.4 billion in outflows against only R133 million in inflows. Investment performance contributed R423 million, partially offsetting the reduction from investor flows. A further R305 million was removed through exclusions.

- **Equity Long/Short – Variable Bias:** Variable Bias reversed its 2024 position, moving from the only strategy with negative net flows to a net inflow of R846.3 million, driven by gross inflows of R855.5 million against minimal redemptions of R9.3 million. Closures of R23.4 million were the only structural adjustment recorded, with no new launches. Performance contributed a further R392.8 million.
- **Equity Long/Short – Short Bias:** Short Bias recorded a R931 million net outflow, with the movement entirely attributable to outflows, as no inflows were recorded during the year. Investment performance contributed approximately R158 million, partially offsetting the reduction from investor withdrawals.

KEY INSIGHT

In summary, the R34.4 billion net increase in hedge fund AUM during 2025 was driven almost entirely by two strategies, Equity Long/Short Long Bias and Equity Market Neutral, which together attracted R21.5 billion in net inflows, more than the industry's total net flow figure, effectively funding net outflows recorded in Fixed Income, Other, and Equity Long/Short Short Bias. The strongest performance contributions came from Long Bias (R12.2 billion) driven by strong JSE performance and Fixed Income (R3.1 billion). Notably, both Equity Long/Short Variable Bias and Short Bias switched positions relative to 2024, Variable Bias turning positive and Short Bias turning negative, showing how concentrated and shifting flows remain at the strategy level even as overall industry AUM continued to grow.

NET FLOWS BY REGULATORY STRUCTURE

Chart 6.2: Net Flows by Fund Structure



Net flows into the South African hedge fund industry in 2025 were driven almost entirely by Retail Investor Hedge Funds, while Qualified Investor Hedge Funds recorded a significant net outflow.

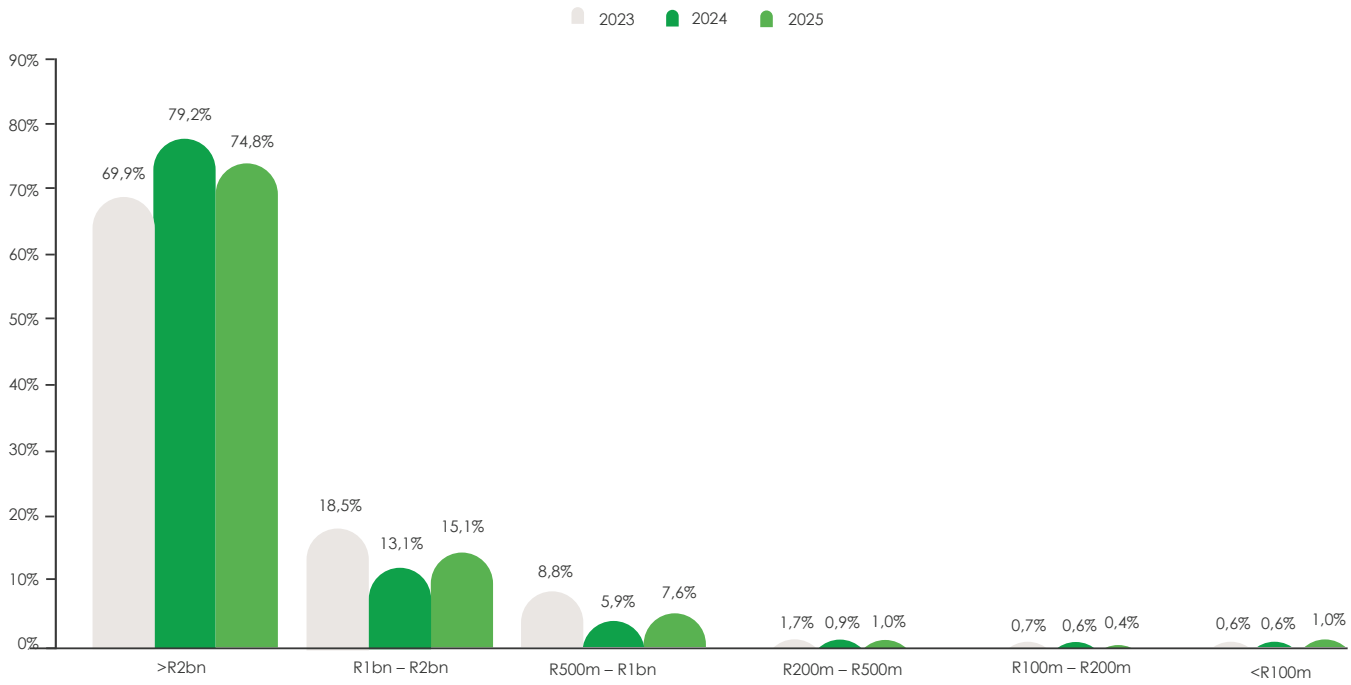
- Retail Investor Hedge Funds (RIFs) attracted net inflows of R21.9 billion, the largest of any structure and the primary driver of industry-wide net flows for the year.
- Qualified Investor Hedge Funds (QIFs) recorded a net outflow of R11.0 billion, the only structure to register a net reduction in AUM through flows during the year.
- Unregistered funds, those operating outside the formal RIF/QIF structures, recorded net inflows of R4.5 billion.

The divergence between RIFs and QIFs remained the defining feature of flow activity by structure in 2025, with retail-accessible vehicles continuing to attract the bulk of new capital while qualified investor funds faced sustained redemption pressure.

MANAGER BREAKDOWN

AUM BY SIZE

Chart 7.1: Share of Assets by Fund Manager Size



In terms of asset concentration, 2025 marked a break from the trend seen over the past several years, as the largest hedge fund managers ceded some ground for the first time since the report began tracking this concentration. Some observations include the following:

Large hedge fund managers, with AUM exceeding R2 billion, remain dominant but saw their share of industry assets fall from 79.2% in 2024 to 74.8% in 2025, a decline of 4.4%. This is the first year-on-year reduction in this category's market share on record, following six consecutive years of growth.

Mid-sized managers were the primary beneficiaries of this shift:

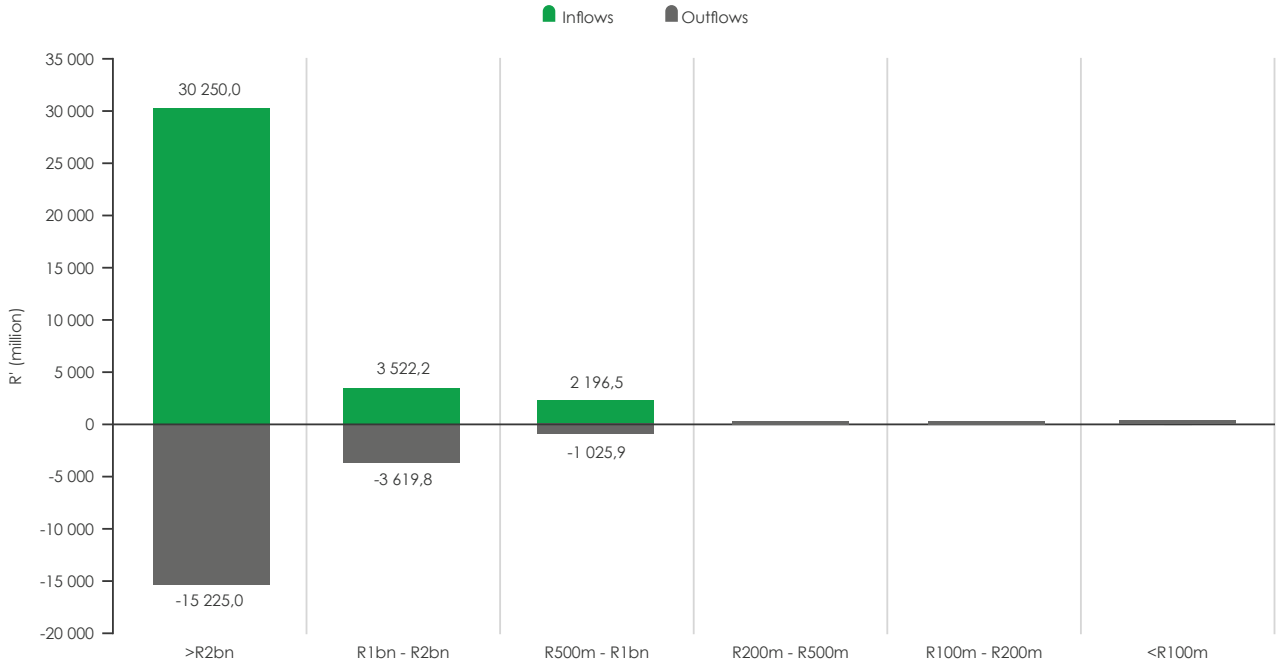
- Firms managing between R1 billion and R2 billion saw their share rise from 13.1% in 2024 to 15.1% in 2025, while those in the R500 million to R1 billion range increased from 5.9% to 7.6%.
- Combined, these two tiers absorbed almost exactly the share relinquished by managers above R2 billion, pointing to a rotation of assets toward established mid-sized players rather than a broadening of the industry toward smaller managers.
- Smaller manager tiers showed little change. The R200 million to R500 million band edged up marginally from 0.9% to 1.0%, while the sub-R200 million categories remained negligible, collectively contributing around 1.4% to total industry AUM.

KEY INSIGHT

This shift should be read with caution before being characterised as a reversal of the broader consolidation trend. A single year of rotation toward mid-sized managers, following six years of near-uninterrupted concentration at the top end, is not yet evidence that the industry's structural direction has changed. It may reflect flows toward a small number of well-established R1–R2 billion managers rather than any broader widening of the space to smaller or newer entrants, which continue to represent a negligible share of industry AUM. We would want to see this pattern persist over 2026 before concluding that the institutionalisation trend observed since 2018 is easing rather than merely pausing.

FLOWS BY SIZE

Chart 7.2: Net Flows by Hedge Fund Manager Size



In 2025, the South African hedge fund industry attracted R15.4 billion in net inflows, R8.7 billion or approximately 36% lower than the R24.1 billion recorded in 2024. Flows were increasingly concentrated among the largest managers, while several of the smaller AUM brackets recorded net outflows.

Managers with more than R2 billion in hedge fund AUM again captured the majority of new capital, recording R30.25 billion in inflows against R15.22 billion in outflows, resulting in a net inflow of R15.03 billion. This represented approximately 98% of total industry net inflows, up from 87% in 2024. Gross flow activity also increased materially, with combined inflows and outflows roughly doubling year-on-year.

Managers in the R1 billion to R2 billion bracket recorded a reversal from the previous year. The bracket moved from a R1.54 billion net inflow in 2024 to a R97.6 million net outflow in 2025, with R3.52 billion of inflows offset by R3.62 billion of outflows. This compares with the positive contribution made by the bracket in 2024, when it accounted for approximately 9% of industry net flows.

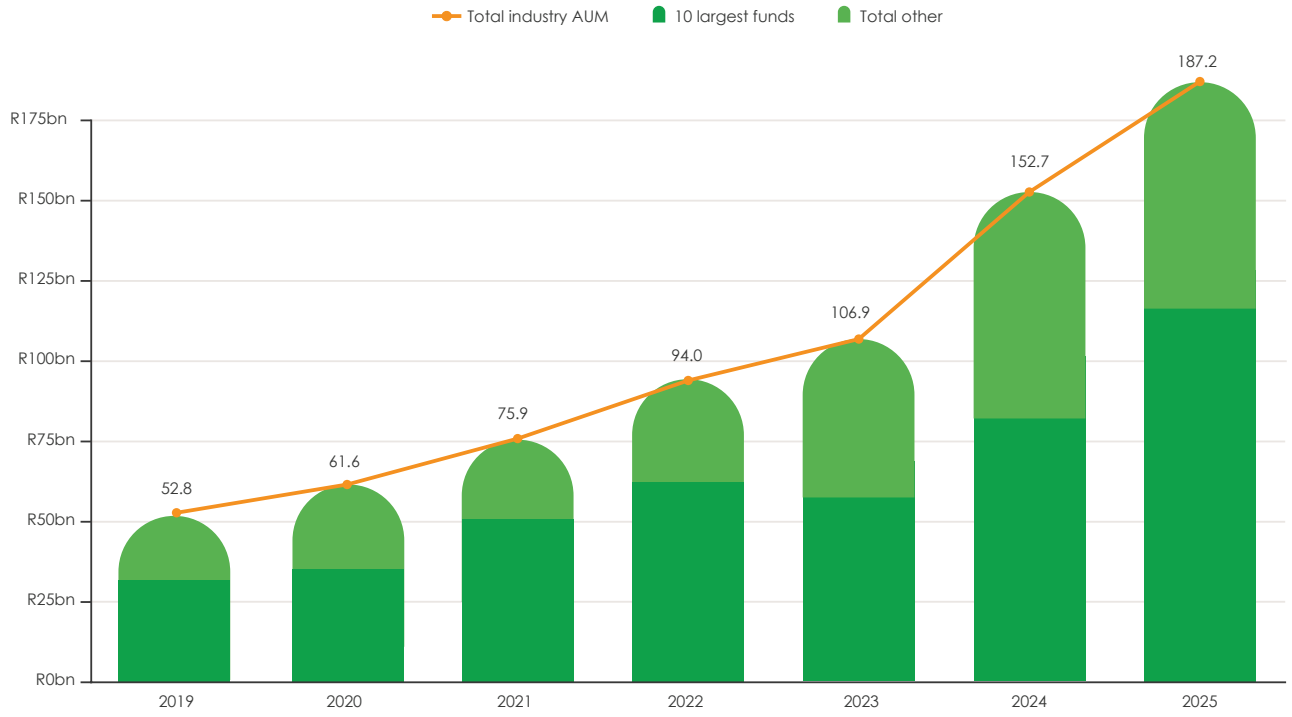
The remainder of the industry recorded more mixed outcomes:

- Managers in the R500 million to R1 billion bracket were the only other group to record a net inflow, attracting R1.17 billion in net capital, comprising R2.20 billion of inflows and R1.03 billion of outflows. This was substantially higher than the R160 million net inflow recorded in 2024.
- Managers in the R200 million to R500 million bracket recorded a R110 million net outflow, while the R100 million to R200 million bracket recorded a R22.8 million net outflow.
- Managers with less than R100 million in AUM recorded the largest net outflow relative to their inflows, with R47.3 million of inflows offset by approximately R631.8 million of outflows, resulting in a R584.5 million net outflow.

Overall, investor flows in 2025 remained heavily concentrated among the largest managers, with the more than R2 billion bracket accounting for almost the entire industry's net inflow. The R500 million to R1 billion bracket also recorded a notable increase in net inflows, while all other brackets below R2 billion, with the exception of this group, recorded net outflows. Compared with 2024, the data indicates a further concentration of investor capital towards larger managers, while smaller managers faced more challenging net flow conditions.

INDUSTRY CONCENTRATION

Chart 8: Top Ten Investment House Concentration



Concentration among the largest hedge fund managers continued to build in 2025, with the 10 largest investment houses further extending their share of industry assets. Some observations include the following:

- The 10 largest investment houses managed R134.6 billion in AUM in 2025, up from R105.0 billion in 2024, an increase of R29.6 billion, or 28.2%.
- As a proportion of total industry AUM, the top 10 houses' share rose from 68.8% in 2024 to 71.9% in 2025, an increase of 3.2%. This extends a broadly consistent upward trend seen since 2019, when the top 10 accounted for 60.8% of industry assets.

The remainder of the industry grew at a slower pace:

- AUM managed outside the 10 largest houses increased from R47.7 billion to R52.5 billion, a rise of 10.1%. While this represents continued growth in absolute terms, it was well below the pace of the top 10.
- The gap between the top 10 and the rest of the industry, already wide, widened further in 2025, with the top 10 houses now managing more than double the combined assets of all other participants.

This trend is consistent with the broader theme of scale becoming an increasingly decisive factor in the local hedge fund industry.

As highlighted elsewhere in this report, net inflows in 2025 were overwhelmingly directed toward the largest managers, with firms managing more than R2 billion capturing 98% of total industry net flows. The continued rise in the top 10 houses' share of AUM reflects this same dynamic playing out at the very top of the industry: investors are concentrating capital not simply among large managers as a category, but increasingly among a small number of the most established names. The 2025 findings therefore show that industry AUM and net flows remain concentrated among the largest investment houses.

NOVARE

ASSETS UNDER MANAGEMENT STRATEGY

AUM SPLIT BY ASISA CLASSIFICATION STANDARDS

Chart 9.1: AUM Split by Strategy

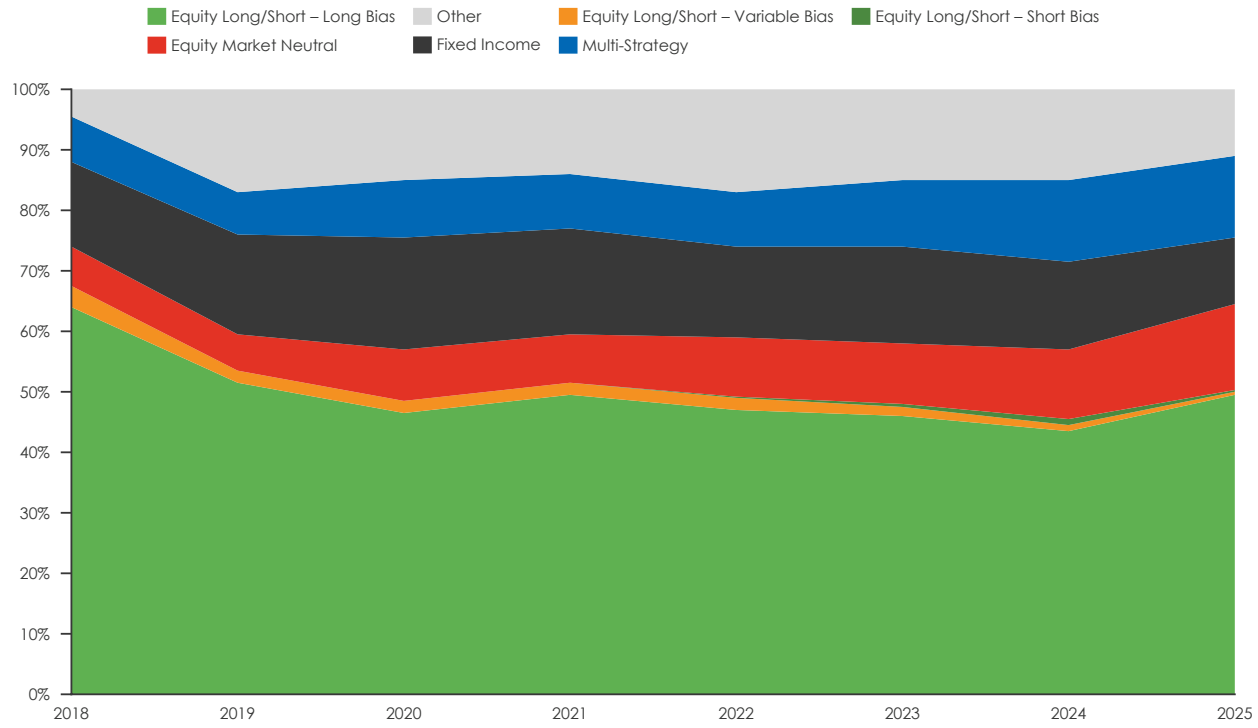


Chart 9.1 presents the percentage allocation of industry assets across the various hedge fund strategies from 2018 to 2025. The classification aligns with the Tier 3 strategy classifications introduced by the ASISA following the adoption of the CISCA regulations for the hedge fund industry.

The most notable change in 2025 was the reversal in the declining share of Equity Long/Short - Long Bias. After falling from 64.3% in 2018 to 43.7% in 2024, the strategy's share of industry AUM increased to 48.8% in 2025, an increase of 5.1%. The strategy remained by far the largest allocation within the industry.

Equity Market Neutral continued its longer-term growth trend, increasing from 11.3% in 2024 to 13.4% in 2025. Its share has approximately doubled since 2018, when it accounted for 6.8% of industry AUM, reflecting the continued expansion of this strategy within the South African hedge fund industry.

In contrast, Fixed Income recorded a notable decline in its share of industry AUM, falling from 14.6% to 11.1%. This follows a longer-term decline from its peak of 18.9% in 2020.

Multi-Strategy's share declined modestly, from 13.9% in 2024 to 13.6% in 2025, its first year-on-year decrease since 2021. Despite this, the strategy remains significantly above its 7.5% allocation in 2018.

The Other category also declined, from 14.4% in 2024 to 11.2% in 2025. This represents the lowest allocation to the category since 2021 and follows a decline in absolute AUM during the year.

Equity Long/Short - Variable Bias increased modestly from 1.4% to 1.8%, while Short Bias declined from 0.8% to 0.2%. Both strategies remain relatively small components of total industry AUM.



AUM SPLIT BY REGULATORY STRUCTURE

Chart 9.2: Structure as Percentage of AUM – Tier 1 Classification

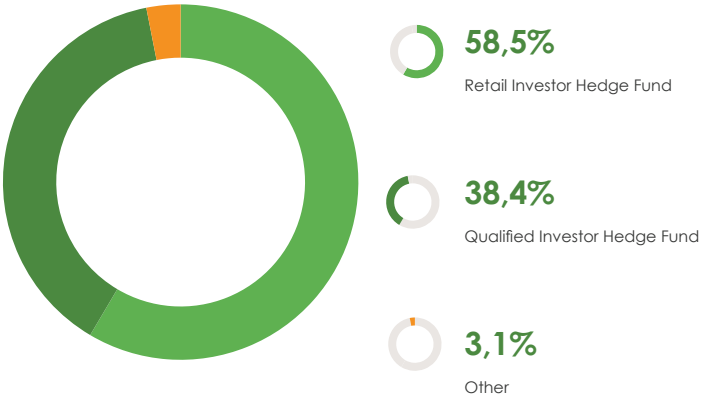
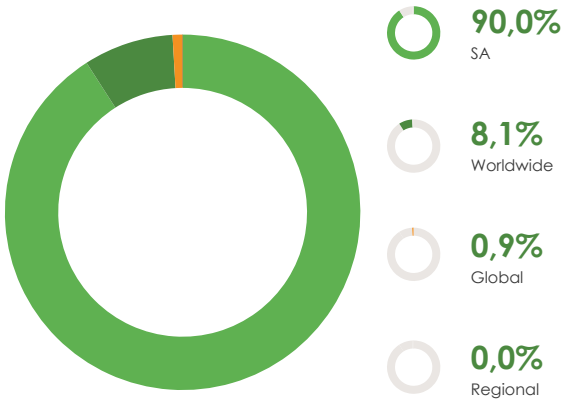


Chart 9.3: Tier 2 Classification – Geography



Out of the total 156 funds included in the 2025 report, 80 funds are classified as RIFs, managing R109.42 billion, which accounts for 58.5% of total industry assets. In comparison, 71 funds fall under the QIF category, managing R71.91 billion, or 38.4% of industry assets. The remaining R5.83 billion (or 3.1%) is managed across 5 funds categorised as "Other."

This represents a decisive shift from the near parity observed in 2024, when QIFs held a marginally larger share of industry AUM (51.7%) than RIFs (47.2%). In 2025, RIFs overtook QIFs as the dominant structure by a wide margin, with their share of industry assets rising by more than 11% while QIFs' share fell by a similar amount.

The fund count tells a more modest story than the AUM shift, RIFs grew from 78 to 80 funds and QIFs increased slightly from 70 to 71, showing the change was driven overwhelmingly by capital movement between existing funds rather than a wave of new RIF launches or QIF closures.

2025 marked a clear inflection point for the South African hedge fund industry, RIFs have moved from a position of near parity with QIFs to clear dominance in a single year, reflecting continued strong demand for retail-accessible, diversified hedge fund solutions, a trend also visible in the strategy allocation and multi-strategy growth. Qualified investor structures faced sustained redemption pressure despite remaining an important vehicle for new product launches.

Funds that allocate at least 60% of their total exposure to South African assets continue to dominate the local hedge fund landscape and did so even more decisively in 2025.

In terms of assets:

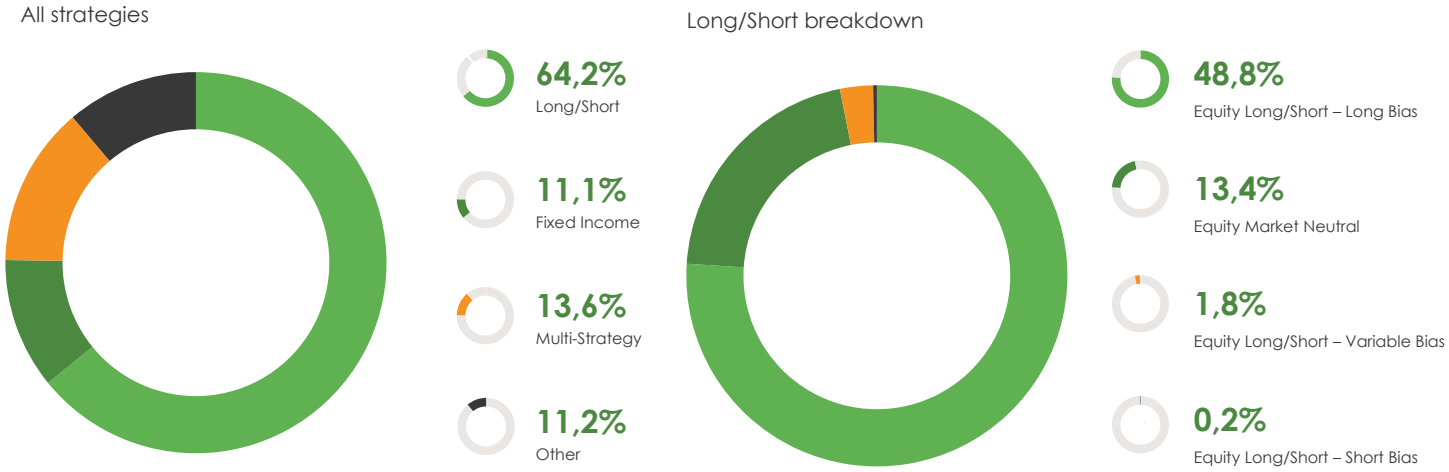
- R168.97 billion (90.3%) of the industry's assets are managed by South African portfolios that invest at least 60% of their total exposure in local investment markets, up from 88.4% in 2024.
- R15.88 billion (8.5%) of the industry's assets are managed by worldwide funds, which have flexible mandates with no restrictions on the allocation between domestic and foreign assets, down from 10.2% in 2024.
- R2.29 billion (1.2%) is managed by global funds that primarily invest offshore (at least 80% of exposure outside South Africa), broadly consistent with the 1.4% recorded in 2024.
- A negligible amount, R24 million (0.0%), is allocated to regional strategies focused on neighbouring or continental markets, down from R57 million in 2024.

The continued rise in the SA-focused share, now over 90% of industry AUM, reinforces the strongly domestic orientation of the South African hedge fund industry. This shift came primarily at the expense of worldwide-mandate funds rather than global or regional strategies, both of which remained marginal and broadly stable year-on-year. Given the strong performance of South African markets, this increased domestic concentration is consistent with the broader pattern seen in 2025, where both flows and performance favoured funds and strategies with greater exposure to local market conditions.



AUM CLASSIFICATION BY INVESTMENT STRATEGY

Chart 9.4: Third & Fourth Tiers of Classification – Strategy Type



The South African hedge fund industry remained concentrated in Equity Long/Short strategies in 2025, which accounted for 64.2% of total industry assets, or R120.1 billion. This represents an increase from 57.1% in 2024, indicating a greater proportion of industry assets allocated to Equity Long/Short strategies during the year.

The increase in the share of Equity Long/Short strategies occurred against a backdrop of strong performance from South African equities during 2025. Managers with exposure to the local equity market therefore operated in an environment that was supportive of equity-oriented strategies. The increase in the proportion of industry assets allocated to Equity Long/Short strategies should, however, be considered alongside both investment performance and investor flows, as the strategy allocation reflects the total assets managed within each strategy at year-end.

At the Tier 3 level, Fixed Income accounted for 11.1% of industry assets, equivalent to R20.7 billion, down from 14.6% in 2024. Multi-Strategy funds represented 13.6%, with R25.4 billion in assets, compared with 13.9% in 2024. The Other category accounted for 11.2%, or R20.9 billion, compared with 14.4% in the previous year.

Equity Long/Short Breakdown

The Tier 4 classification provides a more detailed view of the R120.1 billion allocated to Equity Long/Short strategies. Equity Long/Short – Long Bias remained the dominant strategy, accounting for R91.3 billion, or 48.8% of total industry assets. Within the broader Equity Long/Short grouping, Long Bias represented approximately 76% of assets.

Equity Market Neutral accounted for R25.1 billion, or 13.4% of total industry assets, representing approximately 21% of the broader Equity Long/Short grouping. Variable Bias strategies accounted for R3.3 billion (1.8%), while Short Bias strategies represented R427 million (0.2%).

The data therefore shows that the increase in Equity Long/Short's overall industry allocation was predominantly reflected in Long Bias strategies, which remained the largest individual strategy classification. This is notable given the strong performance of the South African equity market during the year and the resulting performance environment for managers with local equity exposure.

Overall, Equity Long/Short strategies increased their share of industry assets by 7.1%, from 57.1% in 2024 to 64.2% in 2025, while the combined share of Fixed Income and Other strategies declined. Multi-Strategy remained broadly stable. The strategy mix in 2025 was therefore more concentrated in Equity Long/Short strategies than in the previous year.

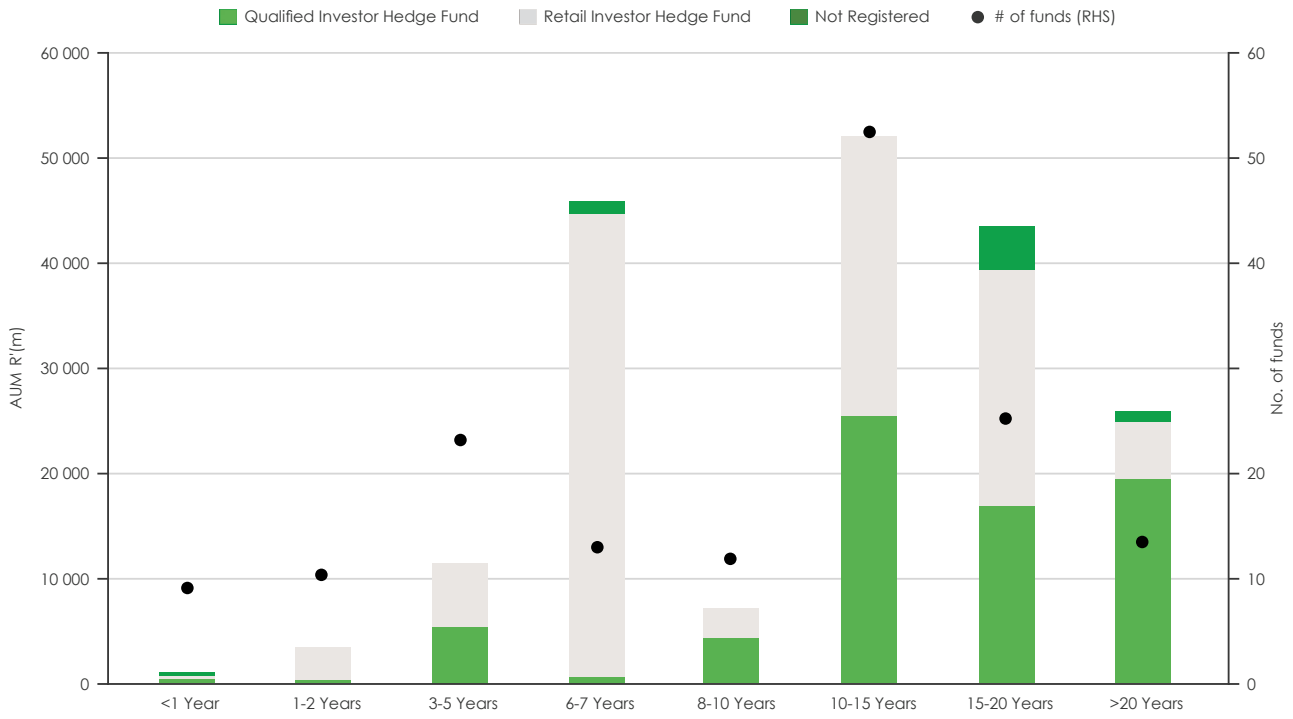


Given the strong performance of South African markets, this increased domestic concentration is consistent with the broader pattern seen in 2025, where both flows and performance favoured funds and strategies with greater exposure to local market conditions.

TRACK RECORD

AUM DISTRIBUTION BY FUND TRACK RECORD

Chart 10: Track Record and AUM Distribution



The 2025 report covers 156 hedge funds, with combined assets under management of R187.2 billion. The distribution of funds and assets across age brackets provides an indication of the maturity of the South African hedge fund industry, as well as the extent to which assets are concentrated among established funds.

Newer funds: less than five years

- There are 18 funds with a track record of less than two years, managing a combined R4.4 billion. This represents approximately 2.3% of total industry AUM. Of these assets, R3.4 billion is held in RIFs, compared with R0.8 billion in QIFs and R210 million in unregistered funds.
- The 3–5 year cohort comprises 23 funds with total AUM of R11.1 billion. RIFs account for R5.9 billion, while QIFs account for R5.3 billion, resulting in a relatively balanced split between the two structures.
- Combined, funds with a track record of less than five years account for 41 funds and R15.5 billion, or approximately 8.3% of total industry AUM. This indicates that most industry assets remain concentrated in funds with longer operating histories.

Established funds: 6–10 years

- The 6-7 year cohort comprises 13 funds managing R45.6 billion, making it one of the largest AUM cohorts despite representing only 8.3% of the funds in the report. RIFs account for R43.9 billion of the assets in this group, while QIFs account for R1.0 billion and unregistered funds account for R686 million.
- The concentration of assets in RIFs is particularly pronounced in this cohort, with approximately 96% of the group's AUM held in RIF structures.
- The 8-10 year cohort consists of 12 funds with AUM of R7.1 billion. QIFs account for R4.3 billion, while RIFs account for R2.8 billion. The distribution between the two structures is therefore more balanced than in the 6- 7 year cohort.

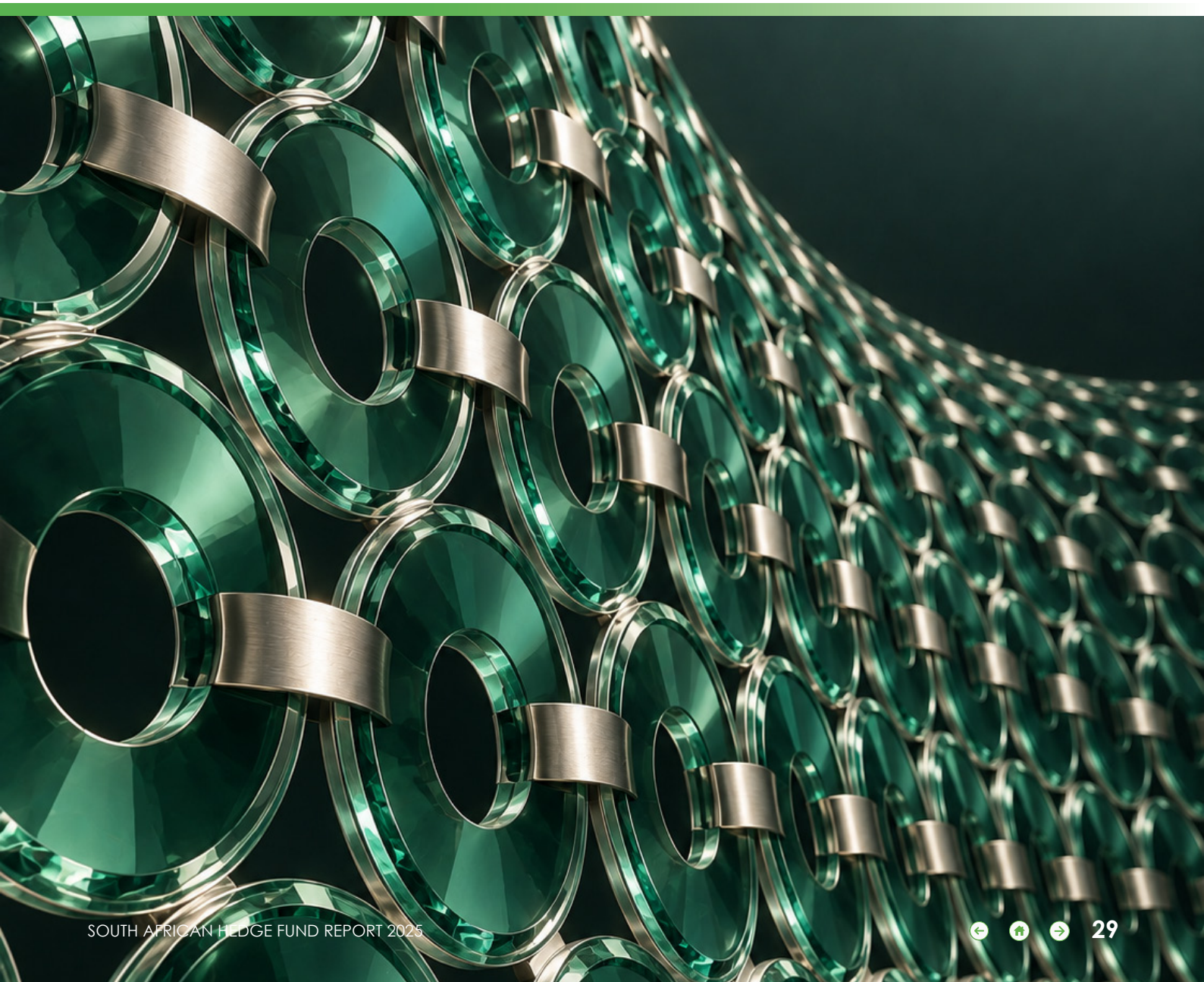
10-20 year funds

- Funds with 10-15 year track records represent the largest cohort by number, with 52 funds, or one-third of all funds in the report. Collectively, they manage R51.7 billion, representing approximately 27.6% of total industry AUM.
- The cohort is relatively evenly divided between QIFs and RIFs, with R25.0 billion and R26.6 billion, respectively. A further R37 million is held in unregistered funds.
- The 15-20 year cohort comprises 25 funds managing R43.0 billion, or approximately 23.0% of total industry AUM. RIFs account for R22.2 billion, while QIFs account for R16.8 billion and unregistered funds for R4.0 billion.
- Combined, funds with track records of 10–20 years account for 77 funds and R94.7 billion, representing approximately 50.6% of total industry AUM.

Funds with more than 20 years of history

- The >20-year cohort consists of 13 funds managing R24.2 billion, equivalent to approximately 13.0% of industry AUM. QIFs account for the majority of assets in this group, at R18.8 billion, while RIFs account for R4.5 billion and unregistered funds for R900 million.
- The 2025 data shows that industry assets are concentrated among funds with established track records. Funds operating for 10 years or more account for 90 funds, representing approximately 58% of all funds, but manage R119 billion, or approximately 63.5% of total industry AUM.
- By comparison, funds with track records of less than five years account for 26% of all funds but only 8.3% of industry AUM. The data therefore shows a significant difference between the number of newer funds in the industry and the proportion of assets they manage.

The data also shows a substantial presence of Retail Investor Hedge Funds among newer and established funds. Across the entire report, RIFs account for R109.4 billion, or 58.5% of industry AUM, compared with R71.9 billion (38.4%) for QIFs. The remaining R5.8 billion (3.1%) is held in unregistered funds.



STRUCTURE

REGULATORY SCHEMES

Table 1: RIHF vs QIHF – Regulatory Classification and Market Share



58,5%

Retail Investor Hedge Fund

80 funds | R109,4bn AUM



38,4%

Qualified Investor Hedge Fund

71 funds | R71,9bn AUM

3,1%

Other

5 fund | R5,8bn AUM



100%

TOTAL

156 funds | R187,1bn AUM

The South African hedge fund industry is classified primarily into QIFs and RIFs, with a smaller number of funds falling outside these classifications. In 2025, the report recorded 156 funds with total assets under management of R187.2 billion.

Retail funds represent the majority of funds

RIFs accounted for 80 funds, or 51.3% of the total number of funds, compared with 71 QIFs, or 45.5%. A further five funds, representing 3.2% of the fund universe, were classified as Other.

The distribution of funds was broadly consistent with 2024, when RIFs represented 51.3% of the fund universe. The number of RIFs increased from 78 to 80 funds, while QIFs increased from 70 to 71 funds. The Other category increased from four to five funds.

RIFs now account for the majority of industry AUM

The distribution of assets differs more significantly from the fund count. RIFs accounted for R109.4 billion, or 58.5% of total industry AUM, while QIFs accounted for R71.9 billion, or 38.4%. The Other category represented R5.8 billion, or 3.1%.

This represents a change from 2024, when QIFs accounted for 51.7% of industry AUM, compared with 47.2% for RIFs. RIFs therefore moved from representing a smaller share of industry assets than QIFs in 2024 to becoming the largest fund structure by AUM in 2025.

The change was driven by a substantial increase in RIF assets, which rose from approximately R72.1 billion in 2024 to R109.4 billion in 2025, an increase of approximately R37.3 billion. Over the same period, QIF assets declined from approximately R79.0 billion to R71.9 billion.

Increasing prominence of RIF structures

The 2025 data shows that the growth in industry assets was increasingly reflected in Retail Investor Hedge Fund structures. While RIFs represented just over half of the number of funds, they accounted for nearly three-fifths of total industry AUM.

This represents a notable change from the previous year's position, when QIFs remained the larger category by assets despite RIFs already representing most funds. The 2025 results therefore show a continued expansion in the role of RIFs within the South African hedge fund industry, both in terms of fund numbers and, more significantly, assets under management.

The Other category remained relatively small, comprising five funds and R5.8 billion, or 3.1% of total AUM. Its share of assets increased from approximately 1.1% in 2024, although it remains a small component of the overall industry.

Overall, the 2025 report shows a clear shift in the industry's asset distribution towards RIFs. RIFs now represent the majority of both the number of funds and industry AUM, whereas in 2024 they represented the majority by fund count but remained behind QIFs in terms of assets.

OPERATIONS

PRICING

Chart 11: Daily Pricing



55,1%
No

44,9%
Daily priced

The 2025 report results show that 44.9% of hedge funds, or 70 out of 156 funds, offer daily pricing, while 55.1%, or 86 funds, do not.

Compared with 2024, the number of daily-priced funds remained unchanged at 70, although the proportion declined from 46.1% to 44.9% as the total number of funds in the report increased from 152 to 156. The share of funds not offering daily pricing consequently increased from 53.9% to 55.1%. This marks a pause in the steady year-on-year increase in daily pricing reporting seen since 2023, when only 40.3% of funds (around 57 of 159) were daily priced.

Daily pricing therefore remains a significant feature of the South African hedge fund industry, with almost 45% of funds providing daily valuations, though the 2025 results do not show further growth in adoption compared with the previous survey. Daily pricing continues to be most relevant to funds targeting distribution via LISPs and DFMs, which require frequent NAV updates for inclusion in model portfolios and client dashboards, a profile concentrated within the RIF segment, and particularly among funds launched in the last few years as LISP-ready versions of existing QIF strategies.

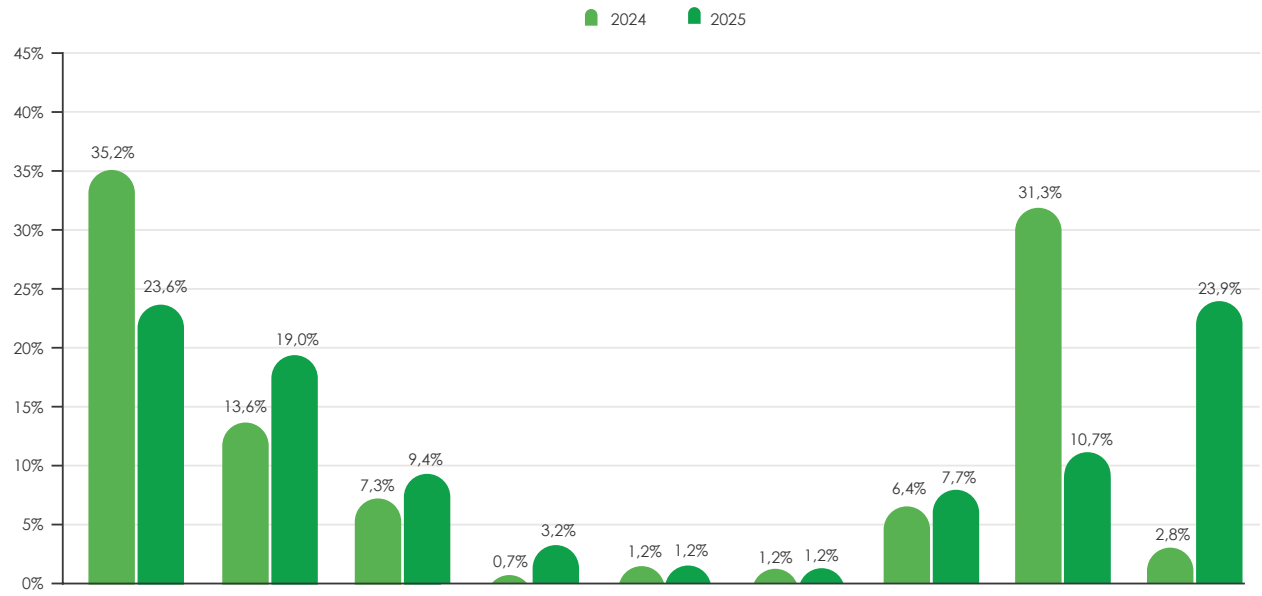
This is consistent with the broader increase in RIF assets observed in the 2025 report, with RIFs accounting for 58.5% of total industry AUM.

At the same time, most funds, 86 or 55.1%, continue to operate without daily pricing. This group remains dominated by QIFs, which are typically priced monthly or quarterly in line with their more institutional investor base, as well as RIFs employing less liquid or more complex instruments that do not lend themselves to daily valuation. The 2025 results therefore indicate that, while daily valuation is well established within the industry, monthly or less frequent pricing remains the more prevalent practice overall.

MANAGEMENT COMPANIES

In South Africa, hedge fund regulations require that all funds operate through a registered Manco, which is responsible for operational, risk, compliance, and back-office functions, with the appointed Manco subject to approval by the FSCA. This requirement has helped to reduce the operational risks associated with hedge funds.

Chart 12: Manco Administered AUM



The 2025 data in Chart 12 reveals a significant reshaping of the Manco landscape, most notably a large-scale migration of assets from Manco 8 to internal administration.

Manco 1 remains the largest administrator by number of funds, servicing 53 hedge funds, though its asset base declined to R44.1 billion, or 23.6% of industry AUM, down sharply from 35.2% in 2024. This is the second consecutive year of movement in Manco 1's share, following the increase from 28.55% in 2023 to 35.24% in 2024.

The most striking development this year is at **Manco 8**, previously one of the industry's dominant administrators. Its share of industry assets fell from 31.34% in 2024 to just 10.7% in 2025, with AUM declining from R47.9 billion to R20.0 billion across only 4 funds. This reverses the relative stability the company had shown in prior years (30.19% in 2023, 31.34% in 2024).

This decline at **Manco 8** corresponds almost exactly to the rise of "Internal Manco" arrangements, which jumped from R4.3 billion (2.84%) in 2024 to R44.8 billion (23.9%) in 2025, across just 10 funds. This movement is consistent with a large manager transitioning assets from **Manco 8** to an internal Manco arrangement during the year. Internal Manco is now effectively tied with **Manco 1** as the largest single administrator category by assets, despite covering a fraction of the number of funds.

Manco 2, by contrast, reversed its prior decline, with market share rising from 13.61% in 2024 to 19.0% in 2025, on 39 funds and R35.6 billion in AUM. This follows two years of decline (16.15% in 2023, 13.61% in 2024).

Manco 3 grew modestly, from 7.27% in 2024 to 9.4% in 2025, while **Manco 7** also edged higher, from 6.41% to 7.7%. Both administrators have now recorded two consecutive years of relatively stable-to-improving share.

Smaller Mancos remain a marginal part of the landscape. **Manco 5** (1.2%) and **Manco 6** (1.2%) were broadly unchanged from 2024, while the "Other" category increased from 0.7% to 3.2%, a notable but still small movement in absolute terms.

Overall, the 2025 figures mark a departure from the pattern of continued concentration among Management Companies 1 and 8 observed in 2024. While Manco 1 and Internal Manco arrangements are now the two largest categories by AUM, the defining story of the year is the transition of a major manager's funds from Manco 8 to internal administration, a shift that, on its own, accounts for the majority of the year-on-year movement across the entire Manco landscape, and one worth watching closely.

FEES

Regulations require hedge fund managers to compile and regularly update MDDs that disclose the funds' TERs. This disclosure includes, but is not limited to, management and performance fees incurred over 12 months. If a fund offers multiple fee classes, the highest fee class is the one that gets published.

MANAGEMENT FEES

Chart 13: Management Fees

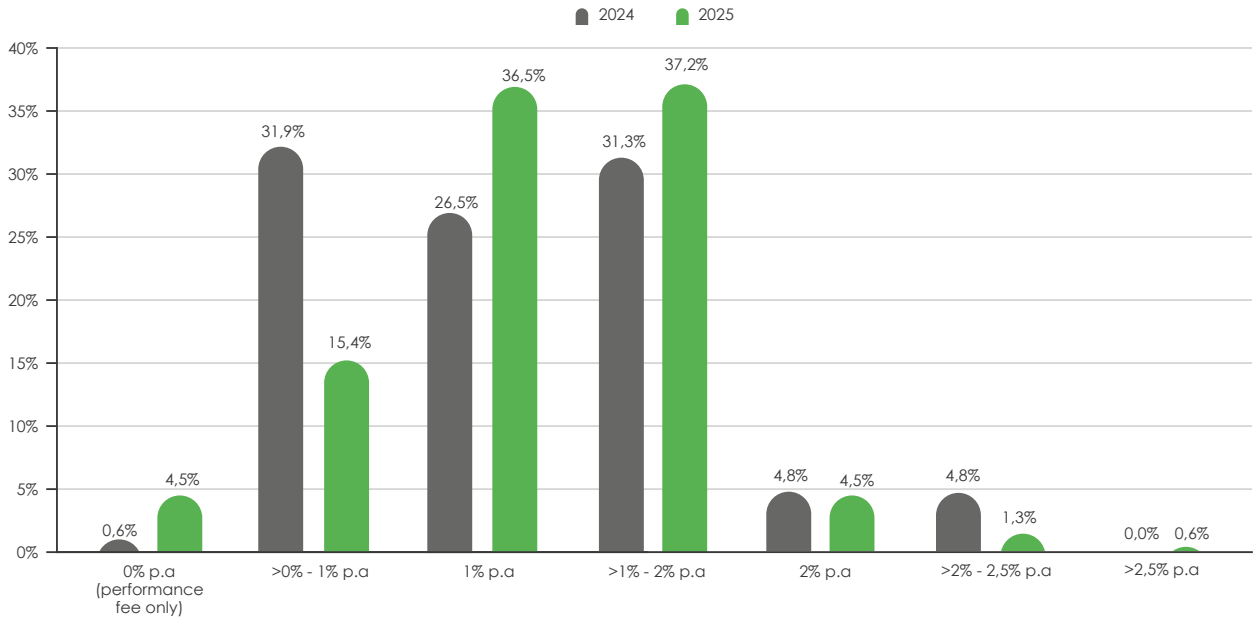


Chart 13 presents the distribution of hedge funds by management fee band from 2024 to 2025, based on the percentage of funds charging within each fee range.

The 2025 results mark a notable reversal of the previous year's movement, and in several respects a return to the industry's longer-term pattern:

- Funds charging exactly 1% p.a. rose sharply to 37% (57 funds) in 2025, up from 35.76% in 2024, the highest reading for this band since 2019 (53.9%).
- Funds in the >0%–1% p.a. band held broadly steady at 15% (24 funds) in 2025, little changed from 15.23% (23 funds) in 2024, itself a rise from 11.5% in 2023. Unlike the 1% p.a. and >1%–2% p.a. bands, this segment shows no significant year-on-year movement
- The >1%–2% p.a. band, the largest single category by AUM-relevance in recent years, held broadly steady at 37% (58 funds) in 2025 versus 37.75% (57 funds) in 2024 remaining the joint-largest fee band alongside the 1% p.a. category.
- Performance-fee-only structures (0% p.a. management fee) rose to 4.5% (7 funds) in 2025, up from 4.64% in 2024 and back in line with the 2019–2023 range of roughly 3.0%–3.7%.
- The 2% p.a. band continued its gradual long-term decline, falling to 4% (7 funds) in 2025 from a high of 17.4% in 2017, consistent with the broader move away from higher flat fees seen industry-wide.
- Funds charging above 2% remain a small minority, with the >2%–2.5% band at 1% (2 funds) and the >2.5% band at 1% (1 fund) in 2025, both broadly consistent with prior years, in which these bands have never exceeded 4.8% combined.

PERFORMANCE FEES

Chart 14: Performance Fee Structures

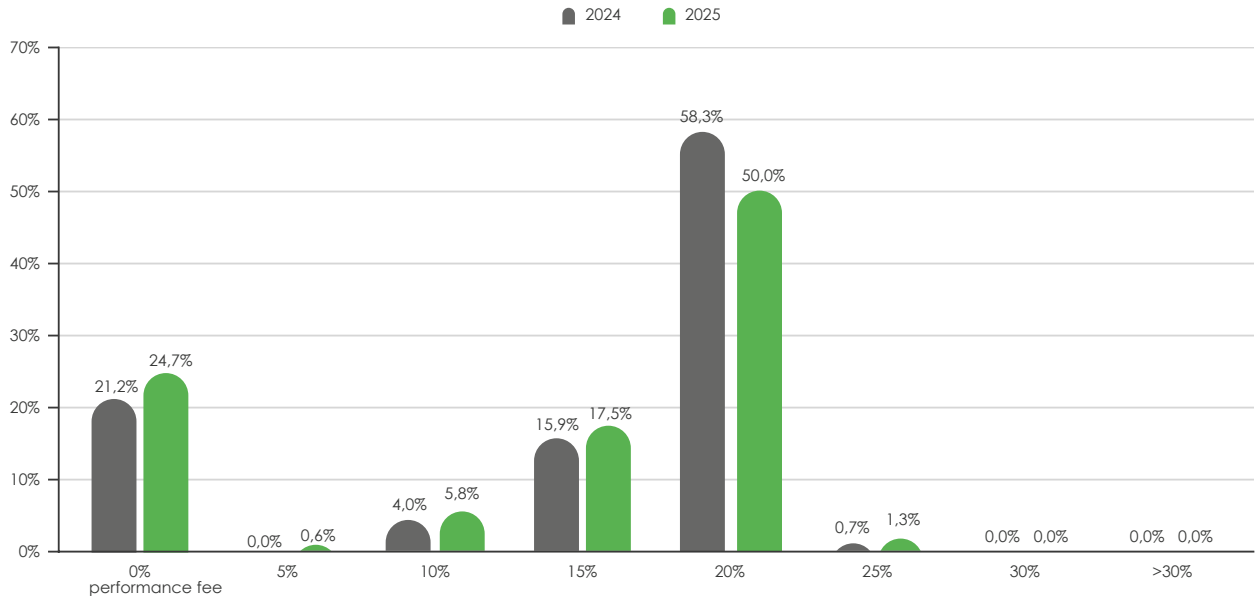
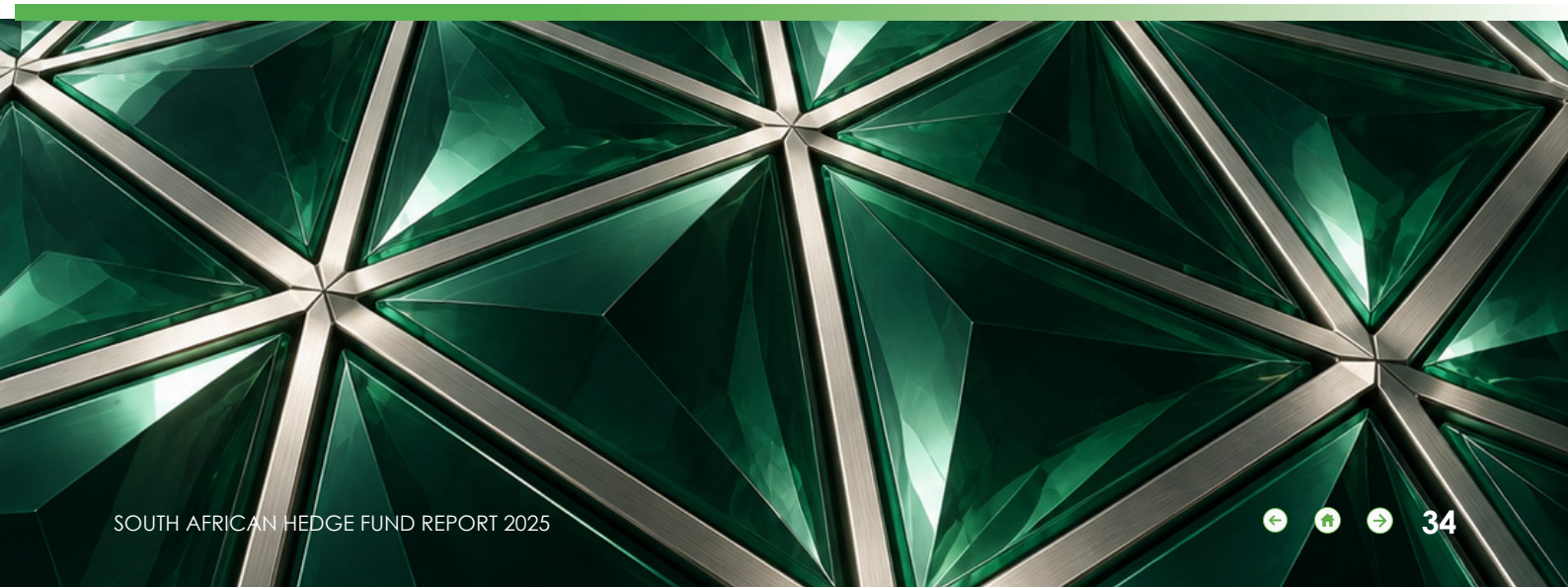


Chart 14 analyses the performance fees charged by hedge fund managers in 2025 based on report data covering 156 funds. Performance fees remain a core feature of local hedge fund pricing structures, designed to align manager and investor interests by rewarding outperformance relative to a benchmark or hurdle rate. Importantly, in the South African context, performance fees are only charged when a manager exceeds a hurdle rate, and a high watermark is enforced, ensuring that investors are not charged performance fees on the recovery of prior losses.

Key Findings:

- The 20% performance fee, long the industry standard, remained the most common structure by a wide margin in 2025, charged by 50% of funds (77 of 156), but this represents a decline from 58% in 2024, the largest single movement in the charges.
- Funds charging no performance fee (0%) rose to 25% (40 funds) in 2025, up from 21% in 2024, making this the second-largest category and continuing a position it already held the prior year. Combined with the 20% band, these two categories account for 75% of the industry (117 of 156 funds), meaning performance fees remain fundamentally a binary choice between "none" and "the standard 20%" for three-quarters of funds.
- The 15% band increased to 18% (27 funds) from 16% in 2024, a modest but continued rise.
- The 10% band grew to 6% (9 funds) from 4% in 2024, roughly a 50% relative increase, though off a small base.
- The 5% band appeared for the first time at a measurable level, at 1% (1 fund), having been negligible in 2024.
- The 25% band held steady at 1% (2 funds), while the 30% and >30% bands recorded no funds in either year, confirming that performance fees above 25% remain effectively nonexistent in the South African hedge fund industry.



MARKET REVIEW

2025 was a strong year for South African financial markets, with substantial gains recorded across domestic equities, bonds, listed property and the rand. The year was characterised by improving domestic macroeconomic conditions, continued progress on structural reforms, a lower inflation environment and strong commodity prices, particularly for precious metals. These factors contributed to significant returns across several South African asset classes.

South Africa continued to operate under the GNU during 2025, while the country also held the G20 Presidency, culminating in the G20 Leaders' Summit in Johannesburg in November. South Africa's G20 Presidency was the country's first and included a programme of working group and ministerial meetings throughout the year.

Progress on structural reforms also continued during the year, particularly in the electricity and transport sectors. Government and business initiatives focused on improving the performance of Eskom and Transnet, while measures to increase private-sector participation in infrastructure remained part of the reform programme. Government reported continued improvements in electricity availability, while reforms to the freight rail and port sectors remained a focus during the year.

Monetary policy also became more supportive. The South African Reserve Bank continued its easing cycle during 2025, with the repo rate reaching 6.75% by November. In November, the SARB formally adopted a 3% inflation target, with a tolerance band of one percentage point on either side, replacing the previous 3–6% target range. Average inflation for 2025 was approximately 3.2%, placing inflation close to the new target.

Domestic markets

The FTSE/JSE ALSI delivered a strong 42% return in 2025, making it one of the strongest calendar years for South African equities in recent history. The performance followed a 13.7% increase in 2024 and represented a significant acceleration in domestic equity returns. The strength of the equity market was particularly evident in the resources sector, with precious metals contributing significantly to the overall market performance. Gold and platinum prices increased substantially during the year, supporting the performance of South African-listed precious metals producers. The Resources Index gained approximately 126% during 2025, while financials and industrials also recorded positive returns of approximately 27% and 18%, respectively. Listed property also delivered a strong performance, with the FTSE/JSE API gaining approximately 30% during the year. This was supported by the broader improvement in domestic financial assets and lower interest-rate expectations.

The domestic bond market also recorded a strong year. The FTSE/JSE ALBI returned approximately 24% in 2025, following a 17% return in 2024. This represented the strongest calendar-year performance for the index since its inception in 2000. The decline in inflation expectations, lower interest rates and a reduction in South Africa's risk premium supported the performance of longer-duration government bonds.

The rand strengthened materially against the US dollar, appreciating by approximately 12–14% during 2025. It also strengthened against the British pound, while remaining broadly stable against the euro. The stronger rand had the effect of reducing the rand-denominated returns earned by South African investors from offshore assets.

Global markets and commodities

Global markets also recorded positive returns during 2025. The year was characterised by continued investment in artificial intelligence, changing expectations around global interest rates, a weaker US dollar and elevated geopolitical uncertainty. The US Federal Reserve reduced interest rates during the year, with the federal funds rate ending 2025 at 3.50–3.75%. Commodities were an important contributor to the performance of South African assets. Gold and platinum prices increased substantially during the year, supporting the strong performance of precious metals mining companies listed on the JSE. Gold increased from approximately US$2,625 per ounce at the beginning of 2025 to around US$4,324 at year-end, while platinum increased from approximately US$914 to US$2,024 per ounce. The resulting increase in precious metals prices was an important contributor to the performance of the South African resources sector.

Implications For the South African Hedge Fund Industry

The market environment in 2025 was supportive of a broad range of hedge fund strategies, particularly those with exposure to South African equities, resources and fixed income. The HedgeNews Africa South African Single Manager Composite recorded a median return of 15.07% for the year, compared with 15.56% in 2024. This represented the second consecutive year in which the composite recorded a median return of more than 15%.

The strong performance of South African equities is also relevant when considering the increase in the proportion of industry assets allocated to Equity Long/Short strategies. In the 2025 Novare annual report, Equity Long/Short strategies accounted for 64.2% of industry AUM, compared with 57.1% in 2024. Within this classification, Long Bias strategies accounted for 48.8% of total industry assets, compared with 43.7% in the previous year.

The strong performance of the domestic equity market, particularly resources and precious metals shares, provided a favourable market environment for managers with South African equity exposure. The increase in the industry's allocation to Equity Long/Short strategies therefore occurred alongside a year in which the underlying asset class delivered substantial returns. The AUM allocation data, however, reflects the combined effect of investment performance and investor flows, rather than performance alone. Fixed Income also delivered a strong absolute return during 2025, with the ALBI gaining approximately 24%. Despite this, the proportion of industry AUM allocated to Fixed Income declined from 14.6% in 2024 to 11.1% in 2025. This indicates that the strong performance of the asset class did not translate into an increase in its share of total industry AUM.

NOVARE

INDUSTRY PERFORMANCE

Performance remains a key driver of asset growth within the hedge fund industry. For the 2025 calendar year, we collected and analysed manager returns, grouping them by AUM size, fund structure and strategy.

INDUSTRY PERFORMANCE BY SIZE

Chart 15: 2025 Hedge Fund Performance by AUM Band

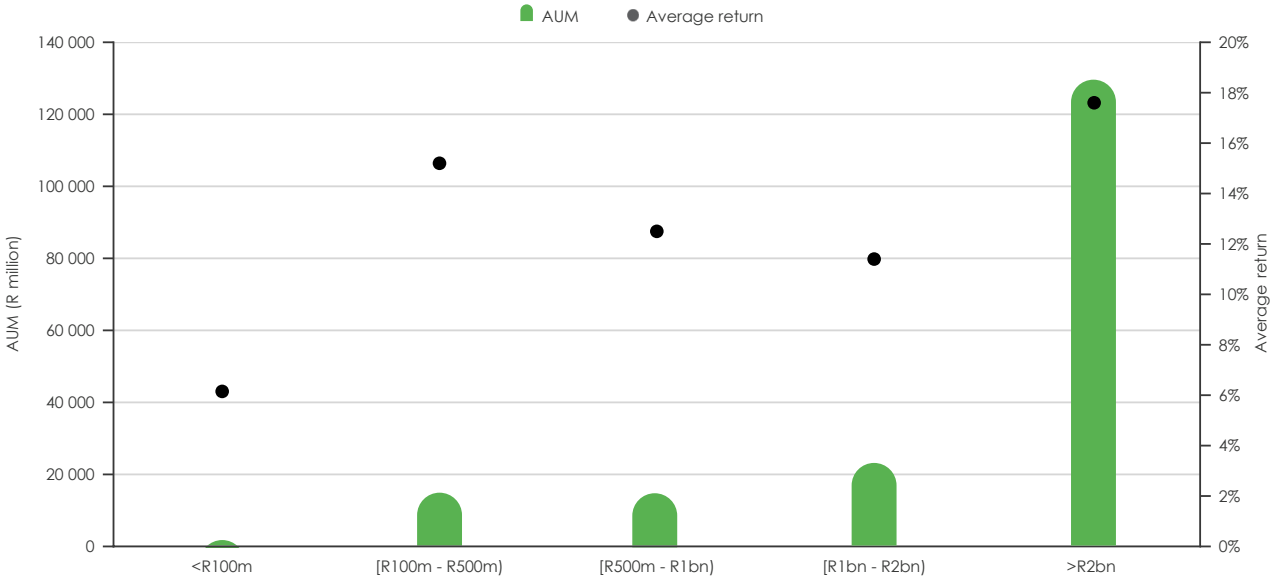


Chart 15 examines average fund performance across different manager AUM categories to assess the relationship between manager size and returns in 2025. The results show meaningful dispersion across the size brackets, with the smallest and largest managers at opposite ends of the performance range and the middle categories producing more moderate returns.

- Funds below R100 million recorded the lowest average return, at 6.17%, despite representing only 0.91% of industry AUM, or R1.70 billion. This was the weakest-performing size bracket in the dataset.
- The R100 million–R500 million bracket delivered an average return of 15.18%, the second-highest return among the size categories. These managers accounted for R16.09 billion, or 8.60% of industry AUM. The performance of this group was notably higher than that of the two larger middle-market categories.
- Average returns declined across the next two brackets, falling to 12.52% for managers with R500 million–R1 billion in AUM and 11.35% for those with R1 billion–R2 billion. Together, these categories managed R38.20 billion, equivalent to 20.4% of industry AUM. The R1 billion–R2 billion category recorded the lowest average return among the four larger size brackets.
- Performance increased sharply among the largest managers, with funds managing more than R2 billion recording the highest average return in the dataset at 17.56%. This category managed R131.17 billion, representing 70.1% of total industry AUM.

Overall, the 2025 data indicate that larger funds were both the dominant holders of industry AUM and the strongest-performing AUM category on average, while smaller managers recorded comparatively lower average returns. The results also highlight the significant performance dispersion between manager-size categories.

INDUSTRY PERFORMANCE BY REGULATORY STRUCTURE

Chart 16: Average Fund Performance by Regulatory Structure

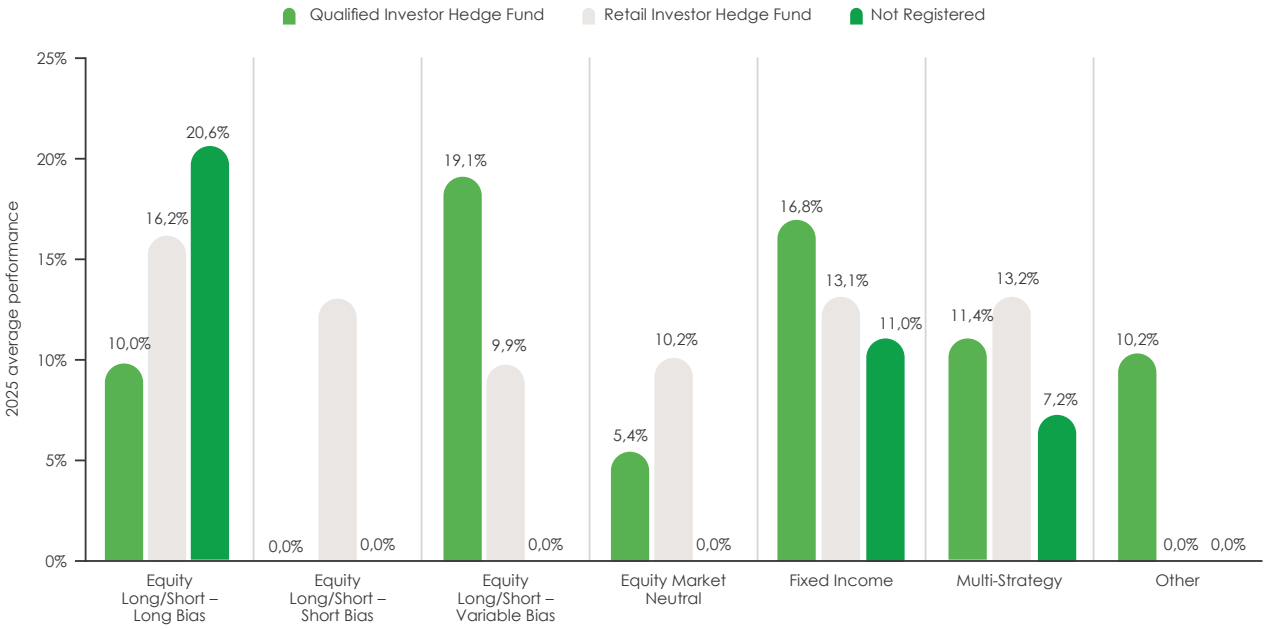


Chart 16 compares 2025 average returns across Qualified Investor Hedge Funds (QIFs), Retail Investor Hedge Funds (RIFs), and Unregistered funds. Performance varied across structures and strategies, with no single regulatory structure consistently outperforming across the categories.

- Equity Long/Short – Long Bias showed the widest dispersion among strategies represented across all three structures. Unregistered funds recorded the highest average return at 20.6%, followed by RIFs at 16.2% and QIFs at 10.0%, a spread of 10.6%. This differs from 2024, when QIFs marginally outperformed RIFs in this strategy.
- Variable Bias recorded the largest QIF/RIF performance gap, with QIFs averaging 19.1% compared with 9.9% for RIFs, a difference of 9.2%. QIFs therefore maintained their relative lead in this strategy from 2024, although average returns for both structures were lower.
- In Equity Market Neutral, RIFs again outperformed QIFs, returning 10.2% compared with 5.4%, extending the relative performance pattern observed in 2024.
- Fixed Income was led by QIFs at 16.8%, followed by RIFs at 13.1% and Unregistered funds at 11.0%. This represents a reversal from 2024, when the Unregistered category recorded the highest average return.
- Within the Multi-Strategy category, RIFs recorded the highest average return at 13.2%, followed by QIFs at 11.4% and Unregistered funds at 7.2%. This also contrasts with 2024, when the Unregistered fund recorded the strongest return within the category.

Overall, across the five strategies where QIFs and RIFs could be directly compared, RIFs recorded higher average returns in three, Long Bias, Market Neutral and Multi-Strategy, while QIFs led in Variable Bias and Fixed Income. The results continue to show that performance differences vary materially by strategy rather than displaying a consistent advantage for a particular regulatory structure.



PERFORMANCE BY INVESTMENT STRATEGY

Chart 17: Performance Dispersion by Strategy

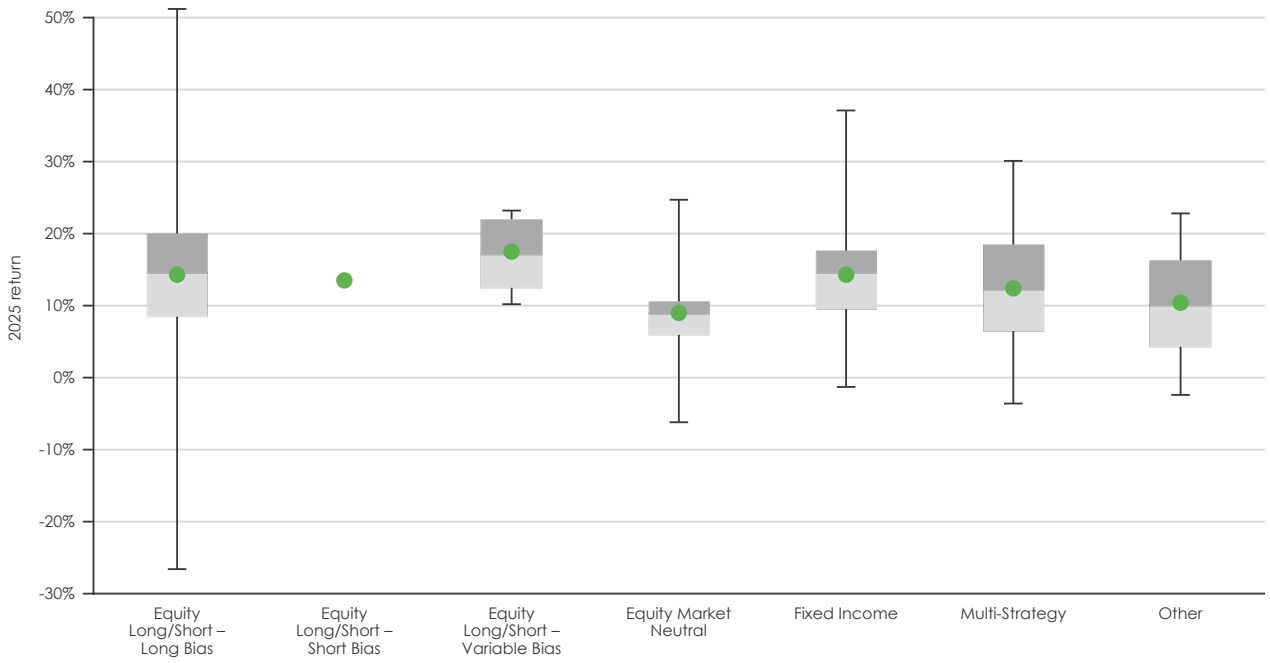


Chart 17 illustrates the distribution of fund returns across strategies in 2025. Performance returns differed materially both between strategies and among managers operating within the same strategy, highlighting the dispersion in returns across the South African hedge fund universe.

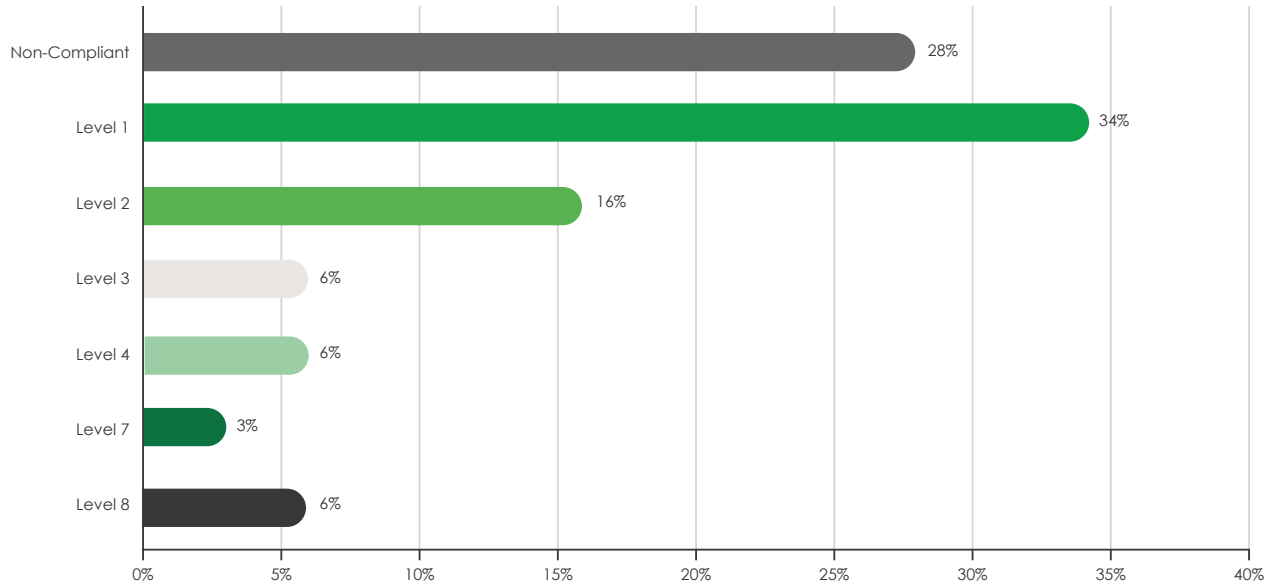
- Equity Long/Short – Variable Bias recorded the highest median return at 17.4%, with returns ranging from 10.1% to 23.1%. The relatively narrow range compared with other equity strategies indicates that returns were more concentrated across the managers represented in this category. The strategy nevertheless represents a relatively small portion of industry assets, accounting for only 1.8% of total AUM.
- Equity Long/Short – Long Bias recorded a median return of 14.3%, but displayed the widest range in performance, from -26.4% to 51.1%. The middle 50% of funds returned between 8.6% and 19.9%, showing considerable manager-level dispersion even within the industry's largest strategy. This occurred during a particularly strong year for South African equities, with the JSE benefiting significantly from the rally in resources and precious metals.
- The Long Bias results are particularly relevant given the industry's asset concentration. Long Bias accounted for 48.8% of total hedge fund AUM in 2025, while managers with more than R2 billion in AUM accounted for 70.1% of industry assets and recorded an average return of 17.6%. The strong equity market therefore coincided with both strong performance among the industry's largest managers and an increase in the proportion of industry assets represented by Long Bias strategies.
- Fixed Income also recorded a median return of 14.3%, supported by a strong year for South African bonds. Returns nevertheless ranged from -1.2% to 37.0%, demonstrating that the favourable bond-market backdrop did not result in uniform outcomes across managers. The middle 50% of Fixed Income funds returned between 9.6% and 17.7%.
- Multi-Strategy recorded a median return of 12.2%, with a relatively wide range of -3.7% to 30.2%. The dispersion is consistent with the broad nature of the classification, as managers within Multi-Strategy can allocate across different asset classes and investment approaches.
- Equity Market Neutral recorded the lowest median return among strategies with multiple observations, at 8.8%, compared with the stronger returns recorded by the more directionally exposed equity categories. The middle 50% of Market Neutral funds returned between 5.8% and 10.7%, although the full range extended from -6.2% to 24.4%. In a year characterised by a strong directional equity rally, the difference between Market Neutral and Long/Variable Bias returns provides useful context on performance across different equity risk profiles.
- Short Bias recorded 13.2%, although the category contains too few observations to conclude about performance dispersion. The same caution applies when comparing smaller strategy categories with the larger Long Bias, Fixed Income and Multi-Strategy universes.

Overall, the 2025 results show that the strong domestic market environment was reflected differently across hedge fund strategies. More directionally exposed equity strategies generally recorded higher median returns, while Market Neutral produced a lower median but a tighter interquartile range. At the same time, the substantial dispersion within Long Bias, Fixed Income and Multi-Strategy demonstrates that manager returns varied considerably even when operating within the same broad market environment and strategy classification.

TRANSFORMATION

B-BEE RATINGS

Chart 18: BBBEE Rating of Hedge Fund Managers



The 2025 report again experienced limited participation in the B-BBEE section. Of approximately 64 hedge fund management firms identified in the report universe, only 32 firms provided their B-BBEE level, representing approximately 50% of the industry universe. The findings below should therefore be interpreted as reflecting the responding firms rather than the South African hedge fund industry.

- Among the 32 respondents, Level 1 was the most reported B-BBEE status, with 11 firms (34.4%) achieving this level. A further five firms (15.6%) reported Level 2 status. Combined, 50.0% of respondents were classified as Level 1 or Level 2 contributors.
- Nine firms (28.1%) reported being non-compliant, making this the second-largest category after Level 1. The results therefore remain relatively concentrated at the two ends of the reported B-BBEE spectrum.
- Levels 3 and 4 each accounted for 6.3% of respondents, with two firms in each category. No firms reported Levels 5 or 6, while one firm (3.1%) reported Level 7 and two firms (6.3%) reported Level 8.
- Compared with the previous report, the proportion of Level 1 respondents increased from approximately 32% to 34.4%, while the proportion reporting non-compliant status declined from approximately 32% to 28.1%. Given the limited and potentially changing respondent sample, these movements should not necessarily be interpreted as an industry-wide improvement in B-BBEE status.

The results show a mixed distribution of B-BBEE ratings among participating firms, with half of the respondents reporting Level 1 or Level 2 status, while more than a quarter reported being non-compliant. However, with only half of the identified manager universe providing B-BBEE information, the response rate remains an important limitation when assessing transformation across the broader industry.

Expected Change in B-BBEE Status

The report also asked participating firms whether they expected their B-BBEE level to change over the next 12 months. Twenty-nine firms responded to this question.

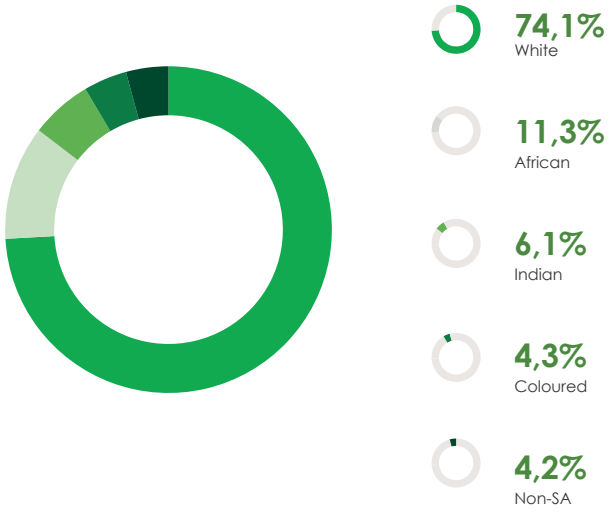
- Most respondents, 22 firms (75.9%), expect their B-BBEE level to remain unchanged over the next 12 months.
- Seven firms (24.1%) expect their B-BBEE level to improve, while no respondents indicated that they expected their rating to deteriorate.

Compared with the previous report, a larger proportion of respondents expect their B-BBEE status to remain unchanged. In the prior report, 68.6% expected no change and 31.4% expected an improvement.

ETHNICITY & GENDER

Ethnicity Representation

Chart 19: Senior Management by Ethnicity



Gender Diversity

Chart 20: Senior Management by Gender



The 2025 report also experienced limited participation in the transformation section, and the ethnicity data should therefore be interpreted as representative of the firms that responded to this question rather than the South African hedge fund industry.

- White senior managers accounted for 74.1% of the reported senior management population, representing the largest ethnic group in the 2025 responses.
- African senior managers represented 11.3%, followed by Indian senior managers at 6.1% and Coloured senior managers at 4.3%. Non-South African senior managers accounted for the remaining 4.2%.
- Collectively, African, Indian and Coloured senior managers represented 21.7% of the senior management population reported by participating firms.
- Compared with the previous report, the reported representation of White senior managers increased from 66.1% to 74.1%, while African representation declined from 18.4% to 11.3%, Coloured representation declined from 7.7% to 4.3%, and Indian representation increased from 4.5% to 6.1%.

The gender composition of senior management among responding hedge fund firms remained predominantly male in 2025, with women representing a smaller proportion of reported senior management positions.

- Male senior managers accounted for 80.5% of the reported senior management population, while female senior managers represented 19.5%.
- Compared with the previous report, when the reported split was 72.5% male and 27.5% female, female representation declined by approximately 8 percentage points, while male representation increased by the same margin.

As with the ethnicity and B-BBEE findings, the year-on-year comparison should be treated with caution. Participation in the transformation section remains limited, and changes in the responding manager population can materially affect the reported composition from one report to the next.



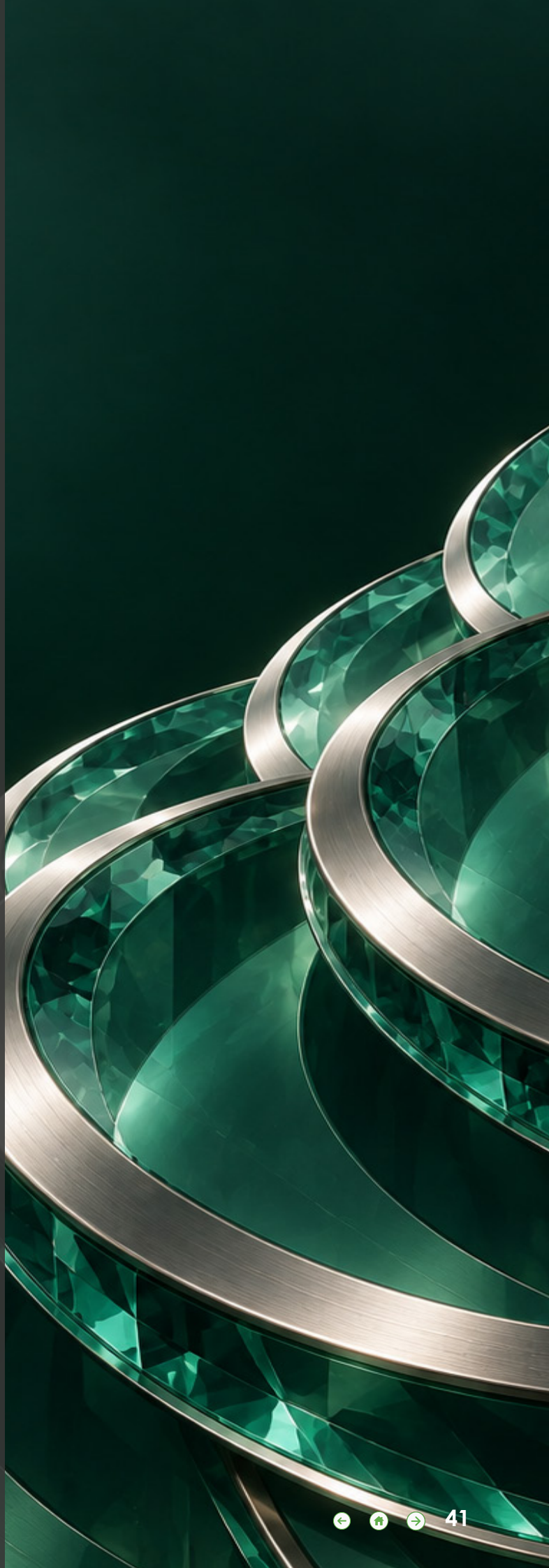
TRANSFORMATION - CONCLUSION

The 2025 transformation findings continue to highlight the uneven representation across ownership and senior management within the South African hedge fund industry. Among respondents, half of firms reported Level 1 or Level 2 B-BBEE status, while 28.1% were non-compliant. At senior management level, African, Indian and Coloured representation collectively accounted for 21.7% of reported positions, while women represented 19.5%.

An important limitation remains the level of participation in the transformation component of the report. Only 32 of approximately 64 hedge fund management firms provided B-BBEE information, and participation in the demographic questions was similarly limited. The findings should therefore be regarded as a reflection of the responding firms and not necessarily as representative of the entire South African hedge fund industry. This limitation also makes year-on-year comparisons sensitive to changes in the respondent population.

Novare has consistently monitored and reported on transformation within the South African hedge fund industry through its annual report. Transformation remains an area of focus for industry stakeholders as the hedge fund sector continues to develop and broaden its investor base. The report findings indicate that further progress will require continued investment, skills development and transfer, talent development, and broader participation across the industry.

Transformation is a long-term process, and sustainable change is likely to take time. Initiatives and innovations that support a more inclusive and representative hedge fund industry, while developing the specialist investment and operational skills required within the sector, remain important as the industry enters its next phase of development. The fact that 24.1% of responding firms expect their B-BBEE level to improve over the next 12 months provides an additional measure that future reports can track as part of this progression.



THE PATH AHEAD

Regulation, access and capacity: building on a decade of progress

Managers were asked about the risks, opportunities and structural changes expected to shape the industry. Responses were voluntary and uneven; the themes below represent recurring manager observations rather than a statistically representative industry consensus.



REGULATION & TAX

Credibility gained; evolution still required

- CISCA regulation credited with strengthening governance, transparency and oversight
- RIF / QIHF structure seen as part of a more recognised industry framework
- Tax clarity and BN90 alignment are the most frequently recurring requests, particularly where they affect CIS allocations to hedge funds
- Managers want adviser-licensing support and more proportionate without weakening invest

"Well-regulated most likely supports higher trust."



ACCESS & EDUCATION

The product has evolved, distribution must follow

- SA investors remain under-allocated to hedge funds relative to their portfolio role
- Persistent 'high risk, high return' perception overlooks capital-preservation-focused funds
- Adviser licensing and limited platform access remain distribution barriers
- RIFs already account for 58.5% of industry AUM, raising the stakes for clear investor communication

"Investor education is critical."



MARKET CAPACITY

Growth brings a new constraint: scale

- Index concentration in volatile sectors is making hedging and risk management harder
- Mid-cap liquidity specifically flagged as a shrinking, tradeable universe
- Capacity constraints must be actively managed as managers grow
- Global Macro, systematic and other diversified strategies seen as ways to broaden the domestic opportunity set

"Funds above R2bn already manage 70.1% of industry AUM."

Fees, skills and the next phase: from institutionalisation to expansion

FEES & VALUE

Beyond headline returns

- Fee sensitivity is a recurring concern, especially when long-only indices deliver strong returns
- Value must be demonstrated through capital preservation, diversification, lower volatility and differentiated return streams
- Product development is broadening - Fixed Income Relative Value, Global Macro, Credit Long/Short, portable alpha, private debt - rather than converging on one strategy
- Some firms report no planned additions, showing innovation is uneven across the industry

"A deep drawdown is a death sentence for a hedge fund that values and advertises capital preservation."

SKILLS & INNOVATION

The skill set is changing

- Core investment skills remain in demand: research, portfolio management, Global Macro and CTA capability
- Growing need for black and female investment professionals alongside quant, derivatives and risk expertise
- AI adoption requires blending computer-science skill with financial-market experience
- ESG and transformation approaches vary materially - from dedicated specialists to case-by-case relevance

"The industry requires talent that can bring both technical computer science skills and financial market experience."

Chart 21: The Thermometer Reading: From Institutionalisation to Expansion



Credibility
A decade of regulation has strengthened governance and investor confidence.

Access
Easier platform access and adviser capability are seen as the next growth lever.

Scale
Domestic liquidity and market concentration put focus on capacity

Value
Fee pressure reinforces the need to prove risk-adjusted, downside-protected outcomes.

Capability
Technology, specialist skills and transformation are becoming competitive infrastructure.

CONCLUSION

The **2025 Novare Hedge Fund Report** captures an industry that is not only larger than it was a year ago, but meaningfully different in who is putting capital to work and how that capital moves through the market. Total AUM increased from **R152.7 billion in 2024 to R187.2 billion in 2025**, representing growth of **22.6%, or R34.4 billion**. Investment performance contributed **R20.3 billion** to the increase in AUM, while **net investor flows of R15.4 billion** provided a further meaningful contribution. Industry growth during the year was therefore supported by both investment returns and additional investor capital.

The 2025 report also provides the clearest view in recent years of **who is investing in South African hedge funds.** Managers that completed the investor section represented **R161.5 billion, or 86.3% of total report AUM**, providing meaningful coverage of the industry's sources of capital. HNWIs were the largest reported investor category at 37.7%, while HNWIs, DFMs and Retail investors collectively represented approximately **41.7% of reported assets**. By comparison, pension funds and Life Funds, historically important sources of capital during the industry's institutional development, accounted for a combined **29.8%**, while funds of funds remained significant at **21.1%**.

These findings point to a **broadening of the industry's investor base beyond its traditional institutional origins**. Institutional capital remains substantial, but individual investors and retail-oriented distribution channels now represent a meaningful component of reported industry assets. This development is reflected elsewhere in the report, with **Retail Investor Hedge Funds (RIFs) accounting for 58.5% of total industry AUM and 51.3% of funds.** For the first time in the report, RIFs therefore represent most industry assets, marking an important development in the structure of the South African hedge fund market.

The expansion of RIF structures, together with greater access through **LISPs, DFMs and other distribution channels**, has progressively widened the routes through which investors can access hedge fund strategies. Daily pricing has also become well established, although adoption was broadly unchanged in 2025, with **44.9% of funds offering daily valuations**. Taken together, the investor and fund-structure findings suggest that accessibility and distribution are becoming increasingly important alongside the industry's traditional institutional channels.

The strong domestic market environment provided an important backdrop to industry performance. South African equities and bonds delivered substantial returns during 2025, while the strength of resources and precious metals supported managers with domestic equity exposure. **Equity Long/Short remained the dominant strategy**, with Long Bias accounting for **48.8% of total industry AUM**. Performance nevertheless varied materially both between strategies and among managers within the same strategy, highlighting the importance of manager selection and underlying positioning.

Industry assets also remain concentrated among larger and more established managers. Funds managing more than **R2 billion accounted for 70.1% of industry AUM** and recorded the highest average return of the manager-size categories at **17.6%**. At the same time, the performance analysis showed that neither size nor regulatory structure consistently determined outcomes across the fund universe, with performance differences remaining strongly influenced by strategy and manager-specific results.

Transformation remains an important area of development. Participation in this section continued to be limited, with only 32 of approximately 64 management firms providing B-BBEE information. Among respondents, half reported Level 1 or Level 2 status, while 28.1% were Non-Compliant. Senior management among responding firms remained predominantly white and male. Novare has continued to monitor and report on transformation within the hedge fund industry, recognising that sustainable progress requires **time, investment, skills development and transfer, and continued collaboration among industry stakeholders**. Initiatives and innovations that broaden participation and develop the industry's talent base remain important as the sector progresses.

The **Industry Thermometer** provides a further perspective on what managers believe will shape the industry's next phase. While responses were voluntary and uneven, recurring themes included **regulatory and tax certainty, broader distribution and platform access, investor and adviser education, domestic market capacity and liquidity, fee pressure, specialist skills, technology and product innovation**. These observations are particularly relevant alongside the investor-base findings: as the sources of industry capital broaden, the infrastructure supporting access, advice, education and product development will increasingly need to evolve alongside them.

Overall, the 2025 report depicts an industry that is not just larger but **broader in how capital enters and is accessed within the hedge fund market.** The industry has grown from its predominantly institutional origins into a market in which pension funds and funds of funds remain important, while HNWIs and retail-oriented distribution channels have become increasingly significant. The rise of RIFs alongside this changing investor composition represents one of the most notable structural developments captured in this year's report.

As the industry approaches **R200 billion in assets**, its next phase of development will depend on more than continued AUM growth and investment performance. **Accessibility, investor education, distribution, transformation, specialist skills, regulatory development and the industry's ability to demonstrate its role within diversified portfolios** will all contribute to determining the sustainability and breadth of future growth.

Novare extends its sincere appreciation to all hedge fund managers and industry participants who contributed to the **2025 Novare Hedge Fund Report**. Their continued willingness to provide data and share their perspectives enables the report to document not only the industry's growth, but also its changing composition and development over time. This participation remains central to Novare's objective of promoting greater **transparency, understanding and informed discussion** across the South African hedge fund industry.

As South Africa entered 2025, investors remained focused on three key uncertainties: the trajectory of global interest rates, the durability of coalition governance, and the outcome of the US election. Despite these risks, opportunities across local equities, fixed income, and select alternatives remain compelling for long-term investors.

TECHNICAL TERMS

A **collective investment scheme (CIS)** is an investment product that allows many different investors to pool their money into a portfolio. Unit trusts were the first CIS that was offered to investors in South Africa and remains the most popular form of CIS in the country.

A **multi-manager fund** combines multiple professionally managed investment funds into a single offering. Multi-manager funds provide a cost-effective way to achieve breadth in an investment portfolio, without having to constantly re-evaluate the holdings.

Regulation 28 of the Pension Funds Act imposes limits on the investments of retirement funds. These were intended to protect funds against making imprudent investments. For example, a retirement fund can only invest up to 75% in equities, 25% in property, and no more than 10% of the fund's assets in hedge funds.

A **Financial Advisory & Intermediary Services (FAIS) CAT II licence holder** is an authorised financial services provider (FSP) that renders intermediary services of a discretionary nature about the choice of a particular financial product.

A **FAIS CAT IIA licence holder** is an authorised hedge fund and FSP that renders intermediary services of a discretionary nature about a particular hedge fund of hedge funds (FoHF), in connection with a particular financial product.

A **lock-up period** refers to a window of time or a period within which hedge funds or other closely held investment vehicles are not allowed to redeem or sell shares.

Asset administration is an important function of all investment firms. This function is generally responsible for administrative tasks such as performance reports, compliance duties, risk monitoring and analysis reports.

The **Financial Advisory and Intermediary Services (FAIS)** is a division within the FSCA responsible for administering the FAIS Act, 37 of 2002. FAIS registers Financial Services Providers (FSPs) after confirming they meet the fit and proper requirements, supervises these providers on an ongoing basis to ensure compliance with the Act, and takes necessary regulatory action against non-compliant entities or individuals, including unregistered ones.

The **prime broker** provides a consolidation service, including services such as custody of securities, loaning of securities for short sales, margin financing, and back-office technology and reporting.

Fund administrators are service providers whose main responsibility is to provide certain accounting and back-office services to a hedge fund.

An ***en commandite partnership* (ECP)** is created when parties agree to carry on the partnership in the name of one or some of the partners, while the partners whose names are not disclosed are known as en commandite partners.

The **hurdle rate refers** to the rate of return that a fund manager must beat to collect performance fees.

The **hard hurdle** is only calculated on returns above the hurdle rate, while the opposite of that is a soft hurdle, which is calculated on the whole return.

Using **"cash as a hurdle"** means that the performance of the hedge fund is compared to that of the performance of cash investments, thereby comparing and determining whether the hedge fund performance is above the hurdle rate. The performance, or incentive, fee may only be charged when the hedge fund's returns are above the hurdle rate.

Gross exposure is the absolute level of a fund's investments. It indicates the total exposure to financial markets, thereby providing insight into the amount of risk the investment is subject to, due to possible market fluctuations. The higher the gross exposure, the greater the potential loss or gain.

Net exposure is the percentage difference between a hedge fund's long and short exposure.

NAV refers to **net asset value**. This is the value per share of a fund on a specific date or time. The value per share amount is based on the total value of all the securities in its portfolio, any liabilities the fund has, and the number of fund shares outstanding.

Retail investor hedge funds (RIHFs)* are collective investment hedge funds that are available for retail investors as per the classification set out in BN 52.

Qualified investor hedge funds (QIHFs)* are collective investment hedge funds that are available for qualified investors only as per the definitions set out in BN 52.

South African portfolios* are collective investment hedge fund portfolios that invest at least 60% of their total exposure in South African investment markets. These collective investment portfolios may invest a maximum of 45% of their assets outside of South Africa.

Worldwide portfolios* are collective investment hedge fund portfolios that invest in both South African and foreign markets. There are no limits set for either domestic or foreign assets.

Global portfolios* are collective investment hedge fund portfolios that invest at least 80% of their total exposure outside South Africa, with no restriction to assets of a specific geographical country (for example the US) or geographical region (for example Africa).

Regional portfolios* are collective investment hedge fund portfolios that invest at least 80% of the total exposure in assets in a specific country (for example the US) or a geographical region (for example Africa, outside South Africa).

Long-short equity hedge funds* are portfolios that predominantly generate their returns from positions in the equity market. Regardless of the specific strategy employed, these funds will all look to the equity market for investment opportunities over time.

Long-bias equity hedge funds* are portfolios that will have had or aim to have a net equity exposure in excess of 25%, over time.

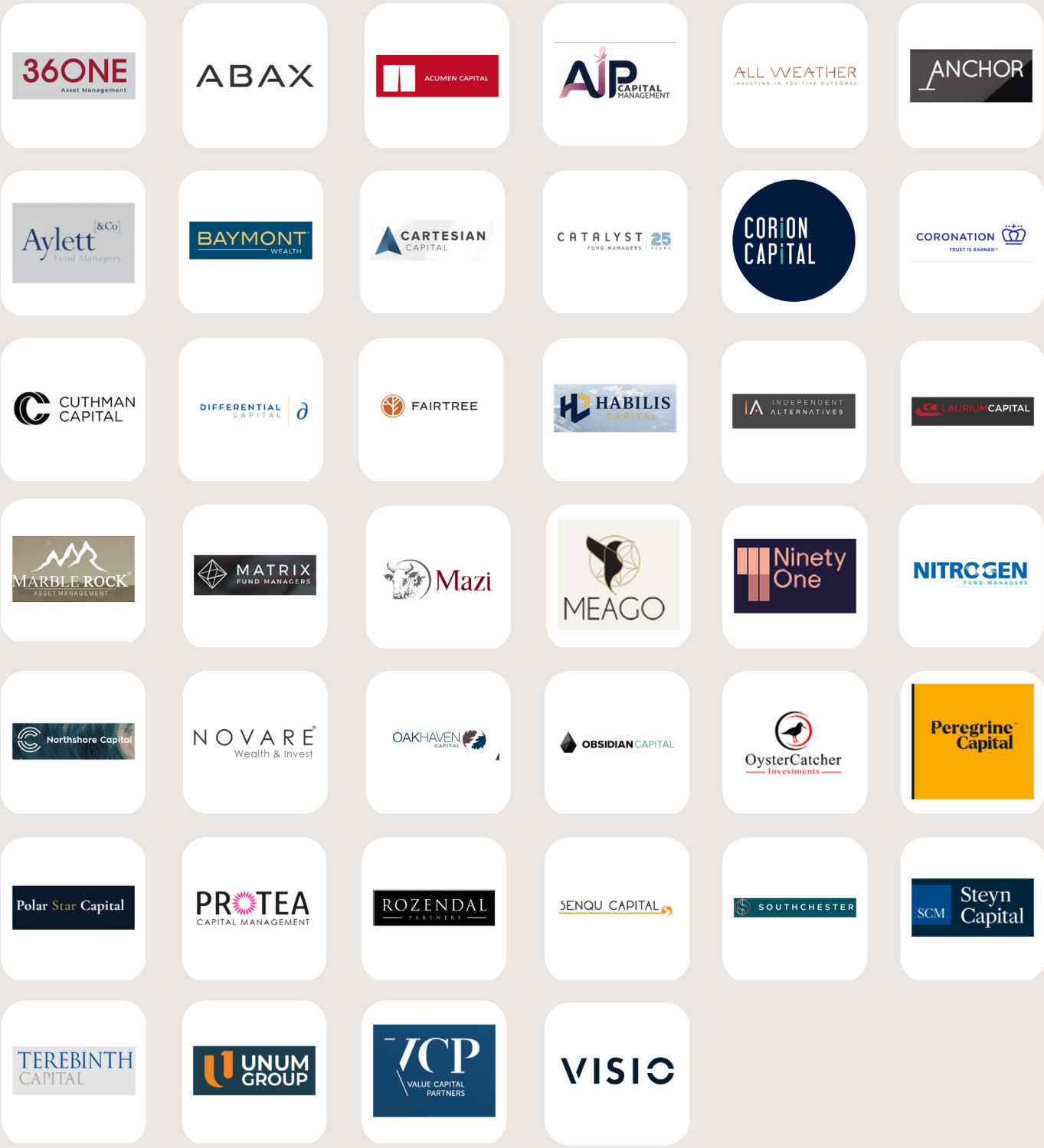
Market-neutral hedge funds* are portfolios that have had, or expect to have, very little directional exposure to the equity market over time. On average, the net equity exposure should be less than 25% but greater than -25%. They aim to minimise market risk by balancing long and short positions.

Other equity hedge funds* is a category for portfolios that follow a very specific strategy within the equity market, such as listed property or sector-specific strategies.

*As described by ASISA (More details on these classifications were published on September 9, 2019 and are available on ASISA's website: www.asisa.org.za).

PARTICIPATION

This report would not be possible without the South African hedge fund managers who contribute their data every year. Our thanks to the participating firms below.



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