



ALTERNATIVES

## A rarity in the local industry

As one of the few black-controlled managers with significant hedge fund capability, All Weather Capital hopes to build scale on its strong track record to date.

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by **STEPHEN CRANSTON**

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In a time of uncertainty, there is a strong case for investment in hedge funds, said [Shane Watkins](#), CIO of All Weather Capital.

All Weather is one of few black-controlled fund managers with significant hedge fund assets. It has R1bn in the All Weather H4 Performance Retail Hedge Fund, a long/short equity portfolio. This currently has a 53% net exposure to the market.

There is a further R440m in the All Weather Market Neutral Retail Hedge Fund, which aims to minimise exposure to market beta, and has a 37% net exposure.

Although this is the original core of the business, this is dwarfed by the R7.4bn the firm now manages in South African equity institutional mandates benchmarked against the Swix, and a further R1bn in the [All Weather BCI Equity fund](#). All Weather Capital also has \$112m (R1.76bn) in a Global Emerging Market fund.

'And we have recently started a global hedge fund aimed at international investors, a Shari'ah South African Equity fund and a specialist South African property fund,' Watkins (pictured) said.

In an interview with *Citywire South Africa*, Watkins said that since inception in 2014, the Performance hedge fund had outperformed its benchmark, the Stefi, by 7.1 percentage points, with a 13.4% annualised return. And the Market Neutral fund has outperformed the Swix by 10.8 percentage points a year over the same period, delivering a 17.1% return.

The Market Neutral fund was the winner in its category in the HedgeNews Africa awards in 2020 and 2021. Both funds are managed by Watkins and Chris Reddy.

### **'Secret sauce'**

'Hedge funds really come into their own when markets are flagging,' said Watkins

'In April 2022, for example, the All Weather H4 Performance Retail hedge fund was up 4.75% and the Market Neutral fund was up 4.27% when the Swix was down -3.95%.

'Our secret sauce is a combination of our South African equity expertise, our hedge fund mentality and our global emerging markets knowledge,' Watkins added.

'We have a small team, so we have an effective and efficient decision-making process and a flat structure which encourages rigorous debate – the hedge funds, long-only funds and emerging market funds are not operated as separate silos.

'And with continuous assessment of our portfolios, we aim to mitigate blind spots and group-think.'

The R1.3bn All Weather BCI Equity fund is 74th out of 189 funds in the Asisa general equity category over three years, placing it in the second quartile.

## Emerging markets

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A few years ago, All Weather also hired the former Denker Capital emerging markets team headed by Neal Smith. Since inception in 2019, the All Weather Global Emerging Market fund is 1.5% behind the MSCI Emerging Markets index, with a 1.9% annualised dollar return.

'But it has been a tough time for the active managers to beat the index, as few were unscathed by the events in Russia and China,' Watkins said.

Including the 50.4% of All Weather owned by the Third Way Asset Management group – controlled by executive chairman John Oliphant – and the portion of the senior staff equity scheme held by black staff, the BEE shareholding in the firm is now 61.65%.

The most senior black staff are deputy CIO Saneliswe Tofile and head of research Patsy David.

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Average Total Return: