

AcuityOne reaches four years with solid performance

Johannesburg-based Acumen Capital has delivered a solid four years with its AcuityOne Hedge Fund, producing a net annualised 22.92% since inception in September 2009 to the end of August. This includes a net 10.53% gain so far this year.

The relative-value South African fixed income strategy, with R575 million in assets, is managed by experienced trio Stuart Conway, Greg Kamstra and Mark O'Brien.

January was the fund's best month this year when it gained 4.31%, helped by a position in R157 South African government bonds against shorter swaps. Its worst month was in May when the fund dropped 2.14% as concern spread that the US Federal Reserve would start reducing its monthly purchases of government bonds.

"As a relative-value fund, we perform well when markets go out of kilter. When panic takes hold, value goes out the window and we try to take advantage of what we perceive to be the mispricing of assets," says Conway.

Despite the US Federal Open Market Committee (FOMC) deciding against tapering in September, which revived emerging-market sentiment, Conway believes longer-dated South African government bonds face heavy headwinds. And while a slight recovery in the rand recently has helped longer-dated bonds, this is unlikely to continue over the long term. He predicts a reasonable chance of a sovereign downgrade in the first half of next year.

The fund currently has two major structures on the book, which it has kept consistent for the past four to five months.

Conway believes an imminent rate hike is unlikely and emerging-market long-dated bonds could be facing a bubble, which he says is masked by short-term euphoria for emerging markets following the FOMC's announcement.

The fund's assets have grown steadily with capacity to reach R1 billion before soft closing, says Conway.

Before setting up Acumen, Conway was head of interest-rate trading at Absa Bank while O'Brien was chief dealer at Absa Capital Markets and Kamstra was previously at Merrill Lynch. **Copyright.** *HedgeNews Africa* - September 2013.

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