

## Oakhaven at three-year milestone

Johannesburg-based Oakhaven Capital has reached the three-year mark with its flagship fixed income hedge fund, which has delivered almost 10% annualised since inception.

The company was established in June 2011, launching its Strategic Fixed Income Hedge Fund in October 2012.

The fund has delivered a compound annual net return of 9.85%. It rose 19.7% in its first full year of trading while the following two years saw net returns of a respective 5.1% and 3.8%. The fund was under risked during the previous year, something the team has addressed over the past couple of months, with the value at risk (VAR) levels realigned back to those achieved during the first two years of trading.

The fund now has assets under management of R173 million and capacity for around R500 million.

It focuses on the South African fixed income market, looking across the yield curve to create returns blended from cyclical, secular relative value and directional opportunities across government bonds, cash and interest-rate derivatives.

The Oakhaven team has a combined 55 years' experience in South African fixed income and emerging markets. It comprises ex-Standard Bank trio Johan Roos, Jeremy Beriman and Bruce Thistlewhite, while Michael Creedon focuses on operations and business development.

According to Roos, market conditions have been particularly tricky, dominated by macro concerns that range from global growth to policy rates in developed and emerging markets amid speculation that a US Federal Reserve decision on rates may extend into 2016. South Africa also faced fiscal slippage and structural inefficiencies, which have raised concerns around its sovereign ratings, affecting markets.

"Such factors are uncertain in the near term but can be remedied if action is taken sooner rather than later, by limiting wage growth, remedying fiscal slippage and settling political uncertainty," Roos said.

He added that ongoing risks were being reflected in data points from both developed and emerging markets, playing through into currencies such as the rand, which had been fluctuating markedly intra-day.

"In this environment, we need to focus on broader ranges and capture value within those ranges without putting our investors at risk," he said. "We need to keep challenging ourselves to come up with the right ideas and stick to delta-neutral strategies so as not to create unnecessary business risks."

Roos said the fund's returns had been slightly below expectations due to its conservative stance. After significant backtesting, the team had of late started to increase VAR across trades to generate better returns. "Our calls have been right but we have realised that with higher-conviction positions we need to gear up," he said. "We are good at managing risks but we also need to exploit the benefits on the upside."

Oakhaven is also growing its product range to diversify its income streams. It now has a 10-month track record with the long-only Oakhaven Income Fund, which is running with internal capital and will open to outside investors in January. A conservative product, it invests in liquid local bank paper and does not include corporate credit.