Laurium plans RIF and upcoming UCITS versions of aggressive long/short strategy

Laurium Capital has reached the 15-year milestone as a business, with total assets of R50 billion across its product range, including R4 billion in hedge funds.

"We started out just six weeks before the Lehman crisis in August 2008, it was a scary time," says Murray Winckler, who co-founded the business with ex-Deutsche colleague Gavin Vorwerg, launching their flagship South Africa long/short hedge fund.

"At the time, we expected hedge fund assets to grow strongly. Back then, hedge funds were about $3 trillion globally and they're now $4 trillion. South Africa has not seen the same kind of growth, which I still find surprising. Hedge funds are a great space to be. It is a more intelligent way of managing money, with more options than in the long-only space."

Four years on, Laurium launched its first long-only mandate – a flexible unit trust, the structure it felt was most suited to incorporating its hedge fund mindset.

Since then, Laurium has steadily added to its product range, successfully managing assets across the risk spectrum, from its aggressive long/short equity hedge fund on the one side through to flexible income products on the other.

Laurium manages three South African hedge fund strategies – the main long/short fund, an aggressive fund and a market-neutral fund, as well as the dollar-denominated Chobe Sub-Saharan Long Short Fund for the offshore market.

Its flagship Laurium Long Short Fund, which launched in August 2008, has returned a net annualised 10.1% since inception versus 6.5% from STeFI.

Launched in January 2013, the Laurium Aggressive Long Short Prescient QI Hedge Fund has returned a net annualised 14.7% since inception versus 6.2% from STeFI.

Laurium is launching a retail (RIF) version of the strategy and also plans a US dollar UCITS version in the coming months.

The Laurium Market Neutral Fund has added a net annualised 9.9% since inception in January 2009 versus 6.4% from STeFI.

"Our aggressive hedge fund is our highest risk product but it has also delivered the highest return," says Winckler. "Since inception, the strategy has had a similar standard deviation of returns as the SA Capped SWIX equity index. With the same risk, we've generated double the return. The fund has very good upside capture with limited downside capture."

The two long/short hedge funds differ in position sizing and gearing limits, particularly when it comes to event-driven situations, where the team is known to have an edge.

"Both our long/short hedge funds fit quite easily into the RIF format so the logical thing to do is to convert the Aggressive QIF into a RIF and make it available to the retail market," says Winckler. "They are both well diversified and invest in liquid markets – the aggressive fund dials it up a bit but we don't push the limits."

In 15 years, Laurium has steadily built its team, growing to 37 people in Johannesburg, Cape Town and London. It manages a mix of institutional and retail assets, with 55% domestic and 45% international investors.

Laurium has also broadened from an equity focus to include both global and fixed income capabilities, helped by the acquisition of Tantalum Capital in December 2020, which brought Rob Oellermann and Melanie Stockigt on to the investment team.

"In our 15 years, that's the only deal we've done," says Winckler. "The risk of doing deals is that it can bring different cultures into an organisation. Tantalum's culture was very similar to Laurium's. Our culture is about three things: purpose, passion and performance. And to maintain that, you need to hire the right people."

Domestically, Laurium has worked hard to attract institutional business, and last year achieved a BEE level 1 rating, showing a commitment to transformation.

Globally, it was appointed by Thornbridge Investment Management in December to run a $130 million global equity strategy, which Rob Oellerman manages in addition to the Laurium global fund he has run for more than two years.

Winckler notes that it has been a tough year in the markets, and its hedge funds were down in the first half. The team had expected a China rebound to benefit resources and SA Inc, as well as a stronger rand, with global equity markets "very full".

"We had a lot of put protection on our hedge funds particularly from a global perspective, yet the market has powered away," he says. "Locally, mid-caps have been under pressure. Gold and Richemont have been the places to be and we don't play much in resources.

"That said, we are fairly positive going into the second half. There should be some stimulus coming through from China and while sentiment in South Africa is still negative, relatively we think emerging markets will do better than developed markets."

"When interest rates start to come down and the cycle turns, we can expect a 10%-20% re-rating of SA domestic equities. It will be good for banks and retailers. South Africa presents a very good opportunity in that scenario."

The Laurium team