

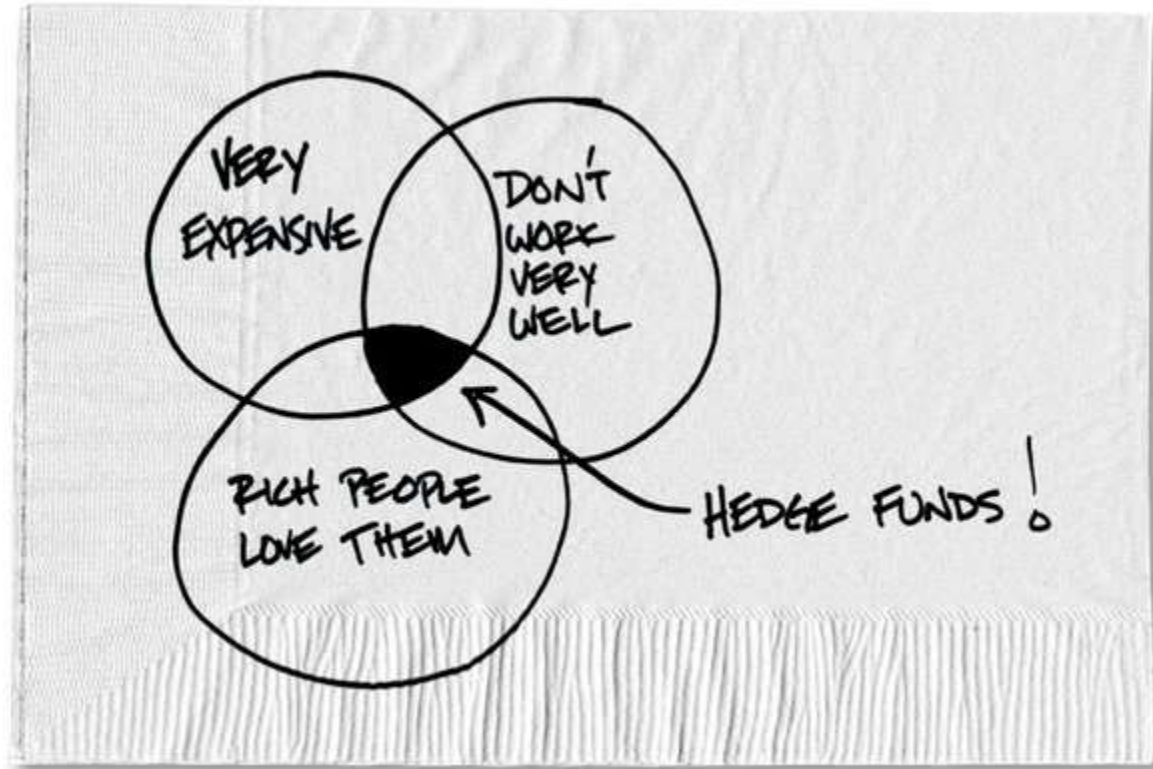
Hedge funds: Myths and mistakes

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October 2021

momentum
investments

Common misconceptions



Hedge fund toolbox



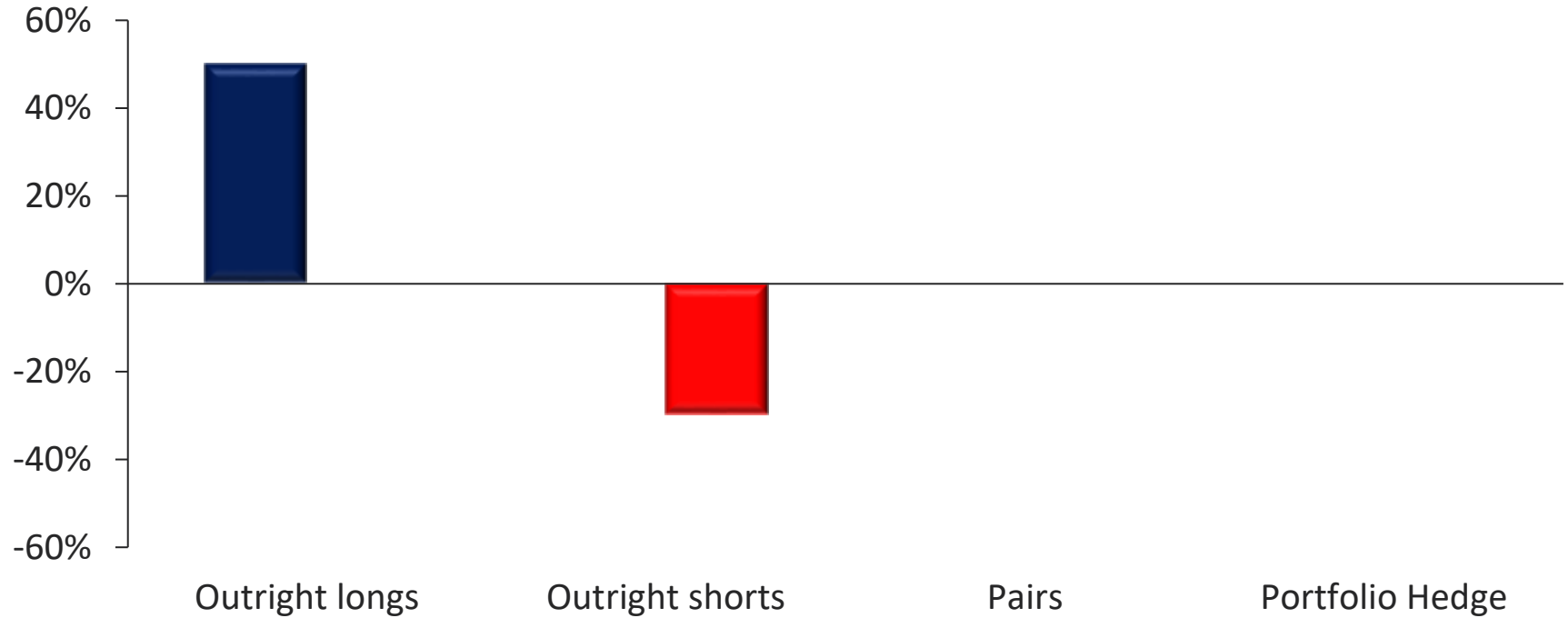
Myths:

- × All hedge funds are risky
- × Hedge funds can not keep up with markets
- × Shorting can destabilise markets

Hedge fund toolbox



Shorting and leverage

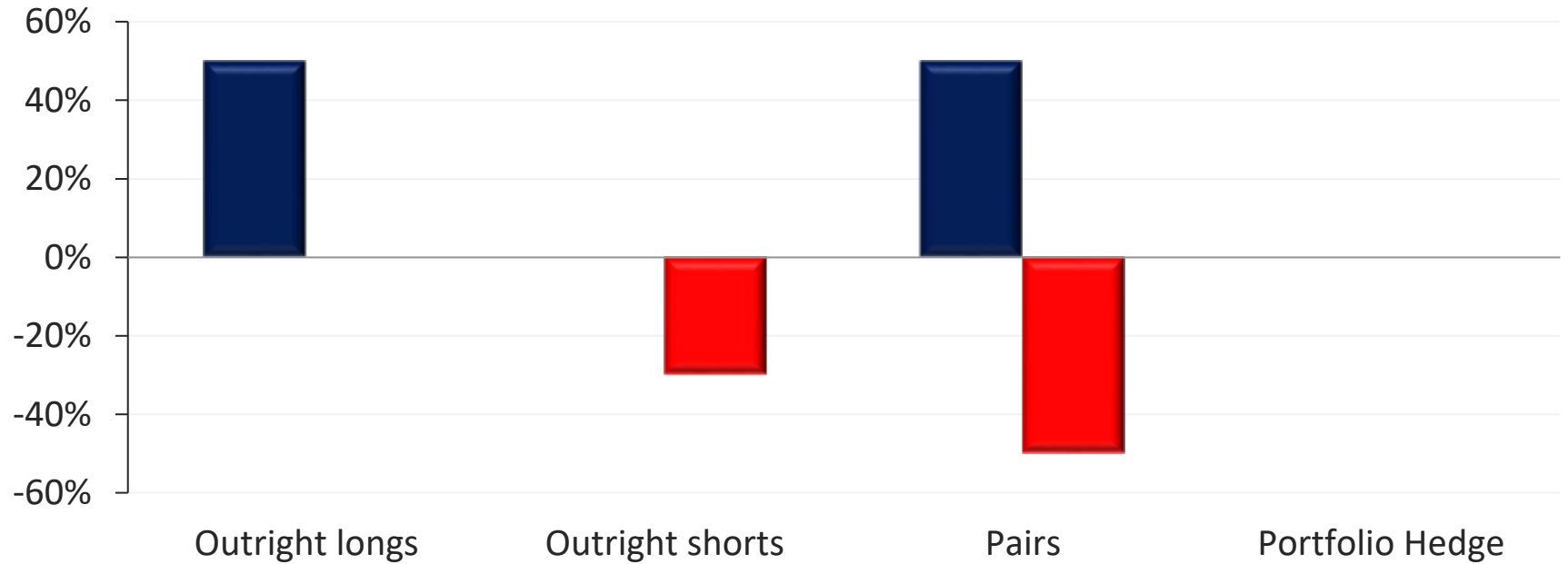


Source: Momentum Investments

Hedge fund toolbox



Shorting and leverage

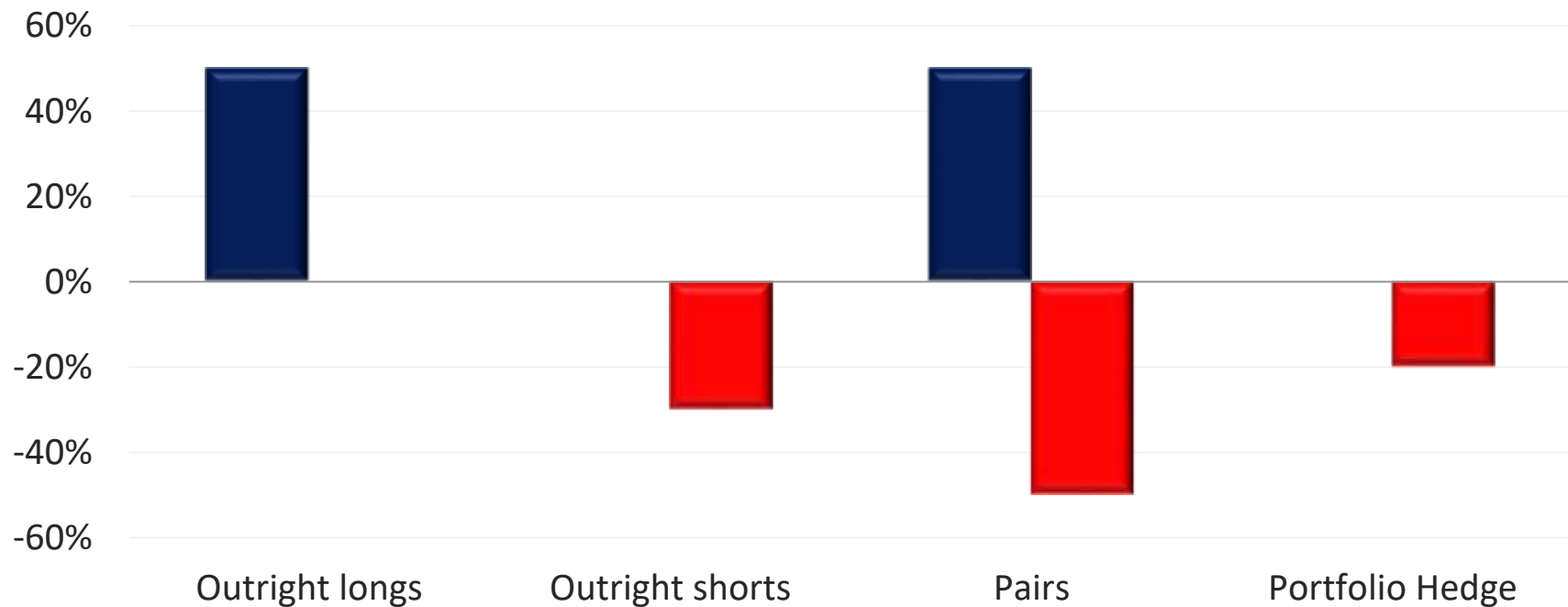


Source: Momentum Investments

Hedge fund toolbox



Shorting and leverage

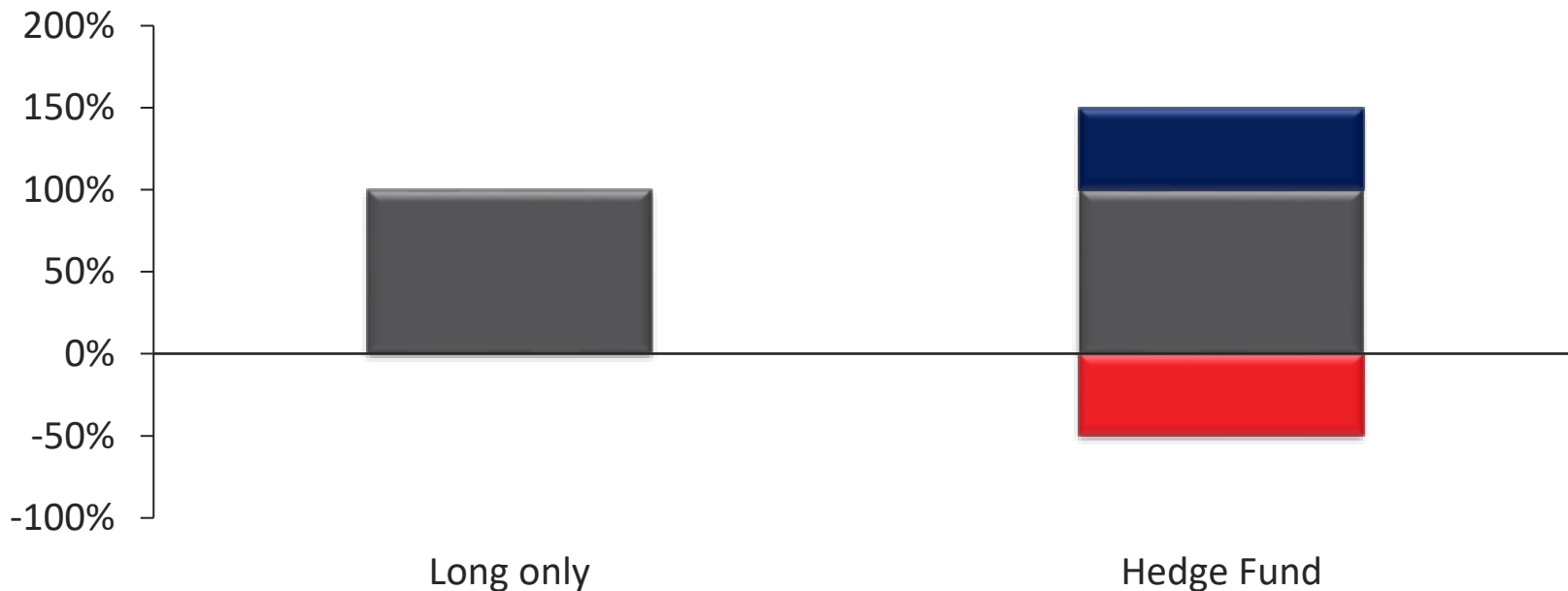


Source: Momentum Investments

Hedge fund toolbox



Net equity exposure

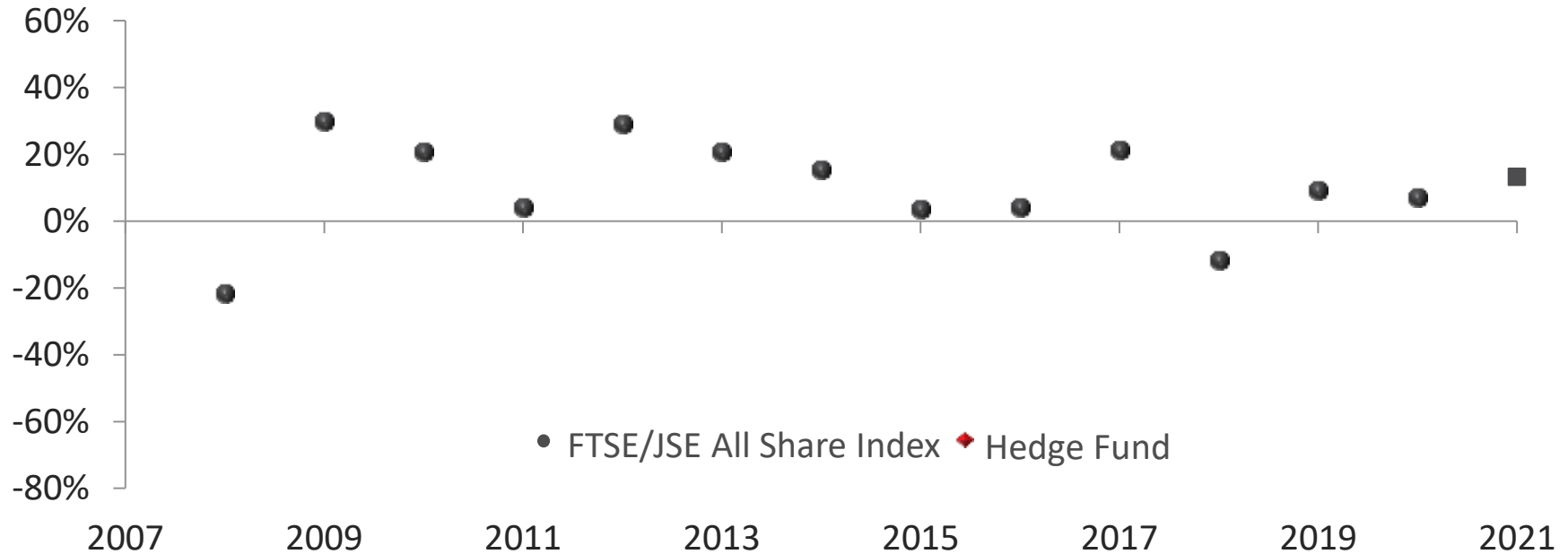


Source: Momentum Investments

Wider mandates = Wider outcomes



Equity long/short hedge fund manager return dispersion over time

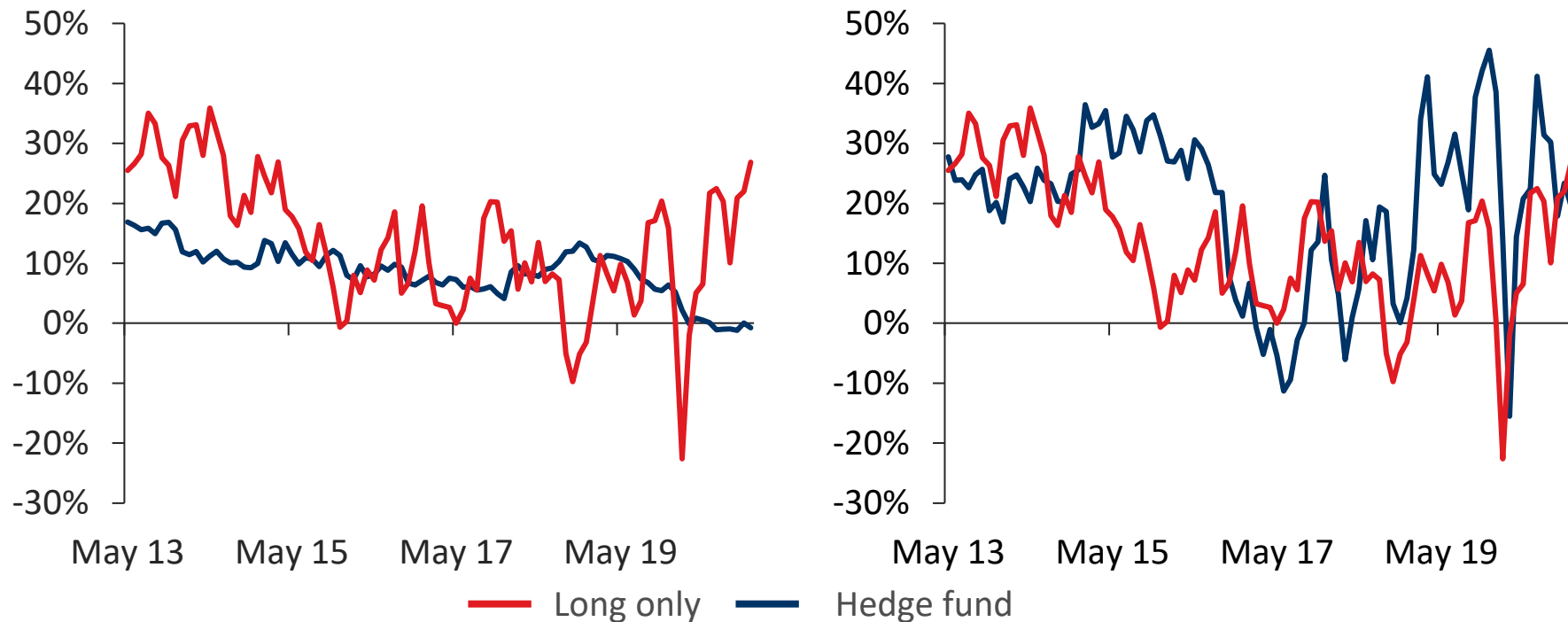


Source: Momentum Investments, HedgeNews Africa, IRESS

Guess the mandate



Rolling one-year returns of long-only and equity long/short mandates



Source: Momentum Investments

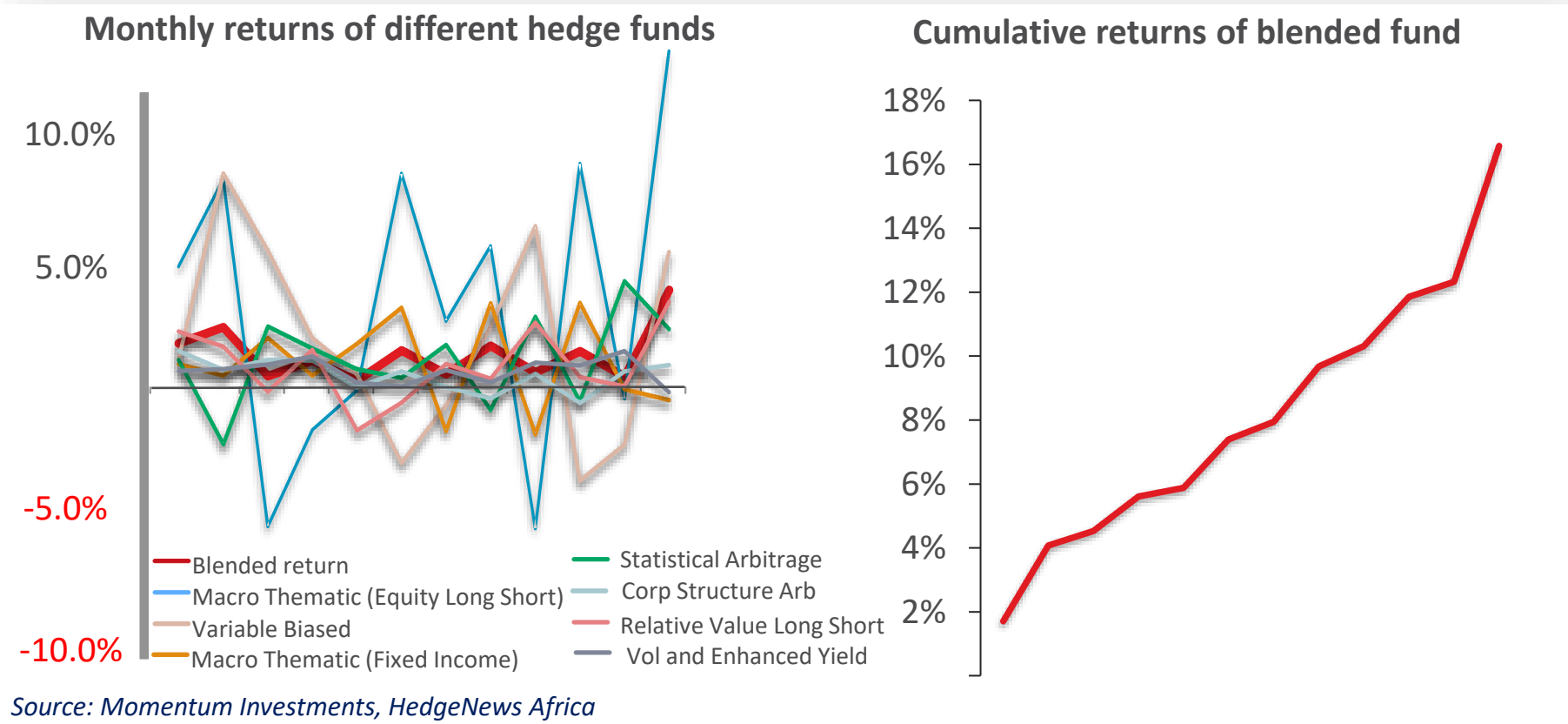
Feessss



Typical fee structure:

- Management fee: 0% to 1%
- Performance fee: 10% to 20%
- Hurdles and high watermarks in place

Blending together to achieve target profile TM



What to look out for



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Hedge funds are not a substitute for a portfolio of traditional assets. However, due to their unique risk/ return characteristics, they do warrant an allocation in a diversified portfolio.

Sources: Momentum Investments, IRESS



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