South African Hedge Fund Regulation: Retail Participation Assessment in an Emerging Market

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Abstract: Orientation: Too much regulation imposes high costs on financial institutions and markets thereby diluting their economic utility while too little fosters ill-placed confidence. How do South Africa's hedge fund regulations compare with international standards?

Research purpose: Alternative financial market investments have transitioned to the mainstream financial industry, but investor protection has not received much attention. Retailisation of these products is increasingly common and will drive future growth. Regulators face the challenge of shaping laws that protect investors from unnecessary investment risk exposures, while allowing them to access returns and diversification benefits.

Motivation for the study: To assess whether retail hedge funds in South Africa conform with international good practice under the recently enacted hedge fund regulatory framework.

Research design, approach and method: A detailed qualitative assessment of the South African regulatory retail hedge fund industry was performed and compared with international legislature.

Main findings: South Africa has entrenched good regulatory standards for retail hedge funds, comparing well with international good practice.

Practical/managerial implications: The results play an important role in establishing market confidence leading to increased investment inflows.

Contribution/value add: Compared with other alternative investments, hedge fund research within emerging markets is scarce, but since 2000 this has increased considerably. This work fills a literature gap literature by providing a perspective on regulatory practice of hedge fund retail investments in emerging markets. Less regulated markets enjoy considerable flexibility and a variety of investment opportunities.

Keywords: Alternative investments, emerging markets, hedge funds, financial regulation, retail investment, South Africa.

1. INTRODUCTION

The global investment industry is experiencing (2020) a movement towards retailisation, which is not a recent trend (IMF 2007:56; WEF 2015:23). Non-qualified (or retail) investors, invest in hedge funds as one of the investment structures available within the range of alternative investment opportunities. Continued regulatory assessment is thus required to ensure the safeguarding of retail investment within the dynamic, intricate global financial market system and complex investment landscape. Changes to the global financial architecture since the financial crisis has had a significant impact in both developed and emerging markets on supervision, regulation and risk management in general (Arner & Buckley 2010; Crotty 2009:563; Elson 2010:17; FSB 2017; Garicano, & Lastra 2010).

This impact affects the regulatory landscape considerably (Watanagase 2013:225) while movement of retail investment funds towards alternative investments continues to swell. This behavioural change validates the need for continued assessment of the robustness of retail protection measures:[1] interconnected, technologically advanced and highly fluid global financial marketspaces demand constant regulatory ingenuity. The development of financial systems and their conformance to international standards have a negative impact on future economic growth (Abdullahi 2016:43).[2] Many

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[1] By "retail" investment for purposes hereof, as and where applicable, the use thereof may indicate direct investment in hedge funds by individual investors subject to requisite regulatory requirements or what is generally understood as collective indirect investment of the assets of less sophisticated individuals into legal structures that are managed by investment entities such as pension funds.

[2] `See also Rajan and Zingales (1996); Levine (2003) and Bonfiglioli (2008) for further discussion.

African countries have enhanced the development of their financial to not only facilitate a conducive environment for investment and equity flows, but also to conform their financial systems to international standards to facilitate such (Abdullahi, 2016:43-44). The economic rationale behind continuous assessment of markets and associated regulation is that financial market activity creates externalities which cannot easily be addressed by private sector role players. This requires governments or regulatory authority intervention. A decisive symbiotic relationship therefore exists between the private sector and regulators in their combined pursuit of regulatory balance. The argument for uniformity of international financial regulation in general is thus not accepted due to different levels of tolerance of market instability and institutional failure (Davies & Green 2008:30-31).

The objectives of financial regulation dictate why countries regulate financial markets, and which regulatory reforms should be developed, updated or implemented. Regulation imposes a high cost on financial institutions and markets, intensifying the burden on the end user. Excessive regulation can thus damage the efficient functioning of financial markets and dilute their economic utility. During the latter half of 2015, hedge funds were designated as Collective Investment Schemes (CIS) in South Africa. The legislature made provision for retail investment hedge funds within this ambit. The main objective of this study is to assess whether retail hedge funds in South Africa, within the recently enacted hedge fund regulatory framework, conforms to international good practice. The assessment was conducted by the benchmarking or comparing domestic regulatory practices to international hedge fund regulatory reforms.

The remainder of this article proceeds as follows: The requirements for an international good practice framework are presented in Section 2 and Section 3 establishes the positioning and relevance of this framework to international financial regulation. The framework is assessed in the light of international coordination of securities reforms (identified by the International Organisation of Securities Commissions (IOSCO)). Section 4 discusses hedge fund regulation in South Africa as an emerging market and Section 6 concludes.

2. RESEARCH METHOD AND DESIGN

Financial Regulation

The 2008 financial crisis unearthed considerable challenges to financial regulation. As a result, financial systems are regulated and supervised more stringently than any other global system (Cannata & Quagliariello 2009; Elson 2010a:17). Porter (2005) argues that global finance and its governance have become extensively institutionalised and well established in transnational governance regimes. Public authorities are constantly faced with ever-changing global markets which have forced them to rely on hybrid blends of dispersed public and private regulation. This has occurred mostly through international forums or organisations such as the Financial Stability Board (FSB) and the Organisation for Economic Co-operation and Development (OECD) (Lutton 2011:37; Porter 2009).

The weakness of a pre-financial crisis approach towards financial regulation led the way to creating minimum international standards and an increased coordination amongst national regulators at G20 level. It also raised questions concerning the adequacy of financial regulation, an important component of global financial architectural reform (Naudé 2011:2). These standards also governed the oversight and supervision of a consolidated system of exchanges, integrated financial markets and whether private equity and hedge funds had created threats to financial stability and the integrity of traded markets. The system, however, failed to address these important questions (Davies & Green 2008:11-12). The general financial regulatory solutions that may be used for hedge funds are limited due to the complexity of investment strategies and models (King & Maier 2009:292).

The Transnational Regulation of Hedge Funds

Significant shifts in regulatory oversight have occurred over time due to large hedge fund failures (Fioretos 2010; Helleiner & Pagliari 2010; Lee 2015; Robotti 2006; Spalter 2007; Van Berkel 2008). Together with a reassessment of the robustness of the entire global financial system, hedge fund regulation gained pre-eminence post crisis. As an effective channel of non-bank intermediation, the increased popularity of hedge funds has led to a record level of capital invested in the global hedge fund industry during the 3rd quarter of 2018 to USD3.62tn (Preqin 2019).

Changes to international hedge fund regulations were supported by stakeholders as long ago as 1998. Excessive leverage and other trading operations resulted in the loss of USD2.1bn (Edwards 1999; Paredes 2006:983; Stoneham 1999:382). Initially proposals called for increased self-regulatory intervention measures to the dismay of critics based on its historical ineffectiveness (Edwards 1999; Stoneham 1999:388). Others, like Paredes (2006:983-986), argued that hedge fund malfeasance should be kept in perspective regarding abuses which have characterised the industry. General hedge fund behaviour should not be judged too harshly, as the entire industry cannot be collectively held to account (Athanassiou ed, 2012:51; Chincarini 2012:51). Buller and Lindstrom (2013:392) were puzzled that hedge funds not directly responsible for the 2008 crisis have become the target of increased regulation. Others such as Lysandrou (2012), however, argue that, had it not been for hedge funds' intermediary position between investors and banks, between yield seekers and suppliers of yield bearing securities, the proportions of the supply of the securities would not have reached the level it did (Lysandrou 2012). The financial crisis seemingly did not undermine the support for industry-driven codes of best practices and market-based regulatory reforms emanating therefrom (Pagliari 2012:57). At the outset of the crisis European leaders were the most vocal regarding the direct regulation of hedge fund investment vehicles. Self-regulatory initiatives drafted by a group of London-based hedge funds referred to as the Hedge Fund Working Group gained initial support (Pagliari 2012).

In April 2009, G20 leaders agreed that hedge funds and their managers had to be registered and would be required to disclose appropriate information to regulators and supervisors on an ongoing basis. This was instituted to stifle the build-up

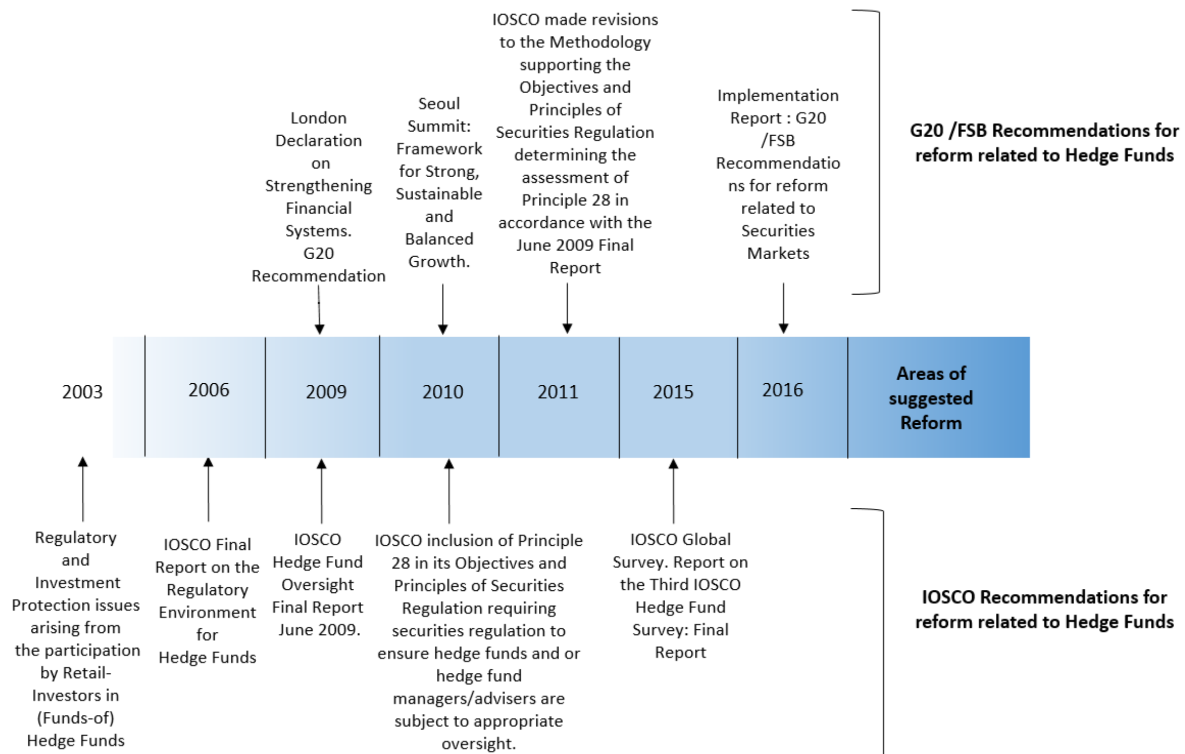

Fig. (1). G20 / IOSCO recommendations timeline.
Source: Author's representation.

of systemic risk posed individually or collectively (Brown, Green & Hand 2012; G20 2009; Horsfield-Bradbury 2008:5-6). Danielsson, Taylor and Zigrand (2005:523) attempted to identify key economic reasons for and against regulating hedge funds to identify the optimal form of regulation. With an increasing expansion in client base to include regulated institutions such as pension funds and small investors, regulation filtered into regulatory frameworks. Danielsson et al. (2005:523) argued that consumer protection might not be the most compelling reason for favouring the regulation of hedge funds due to the regulation of ancillary institutions (such as pension funds) that indirectly serves as a form of regulation to hedge funds.

Consumer protection forms part of the ultimate objective of financial regulation (Falkena et al. 2001). The IMF (2007:56) reiterated that the increasing use of hedge fund investment techniques employed by mainstream Collective Investment Schemes (CISs) will lead to increased retailisation of hedge funds. Regulatory concerns regarding investor protection and market integrity, particularly in the context of retail investments in hedge funds, were identified as a concern amongst jurisdictions where retail participation was possible (IMF 2007:58). The rise of retail investors, and non-high-net-worth individuals, is projected to become a key source of capital that might characterise an alternative investment landscape (WEF 2015:23). Social factors such as the rising number of pensioners and required returns on pensions have been identified as already having a substantial impact on the enlarged retail investor demand for alternative assets (Boon, Brière & Rigot 2018). Also, regulatory changes in the financial services and investment sector have made the pursuit of retail investor capital attractive to investment managers and allowed for the easing of restrictions usually associated with retail investor protection. Retailisation is thus likely to lead to large inflows of capital into alternative investments over the next decade, significantly affecting the competitive landscape, not reckoning in existential market shock or other further crises.

International Coordination of Financial and Securities Reforms: IOSCO

Despite global concerted efforts by regulators and standard setters, questions remain with respect to existing regulatory standards as well as how domestic regulatory regimes have transposed such efforts within individual country jurisdictions. During a period of major global financial instability, hedge fund regulation required clear and concise industry reaction whether related to financial stability or investor protection concerns. In November 2008, IOSCO established the Task Force on Unregulated Companies in support of G20 initiatives to reduce risk involved in unregulated entities and to develop an appropriate regulatory approach where needed (IOSCO 2015:4). This resulted in the publication of a consultation report that described the operating environment of hedge funds and associated regulatory risks (IOSCO 2009). The inquiry reviewed and illustrated work and recommendations issued by IOSCO and other international organisations and provided preliminary recommendations of principles to mitigate associated risks (IOSCO 2009).

IOSCO: Retail Investment Protection Measures

The relevant regulatory developments according to the dates on which the influential reports were published by IOSCO are shown in Fig. (**1**). These developments illustrate the

regulatory reform timeline for hedge funds, incorporating the G20 and IOSCO recommendations for securities reform that also have bearing on hedge funds.

Prior to the 2008 financial crisis, fact-finding research on the regulation of hedge funds was initiated by several international regulatory forums. After the Asian crisis and the collapse of LTCM in 1998, policy documents issued by the BCBS (1999a; 1999b), IOSCO (1999), and subsequently the Financial Stability Forum, which was updated in 2007 when the first signs of the financial crisis emerged, were implemented. Along with the review done in the US by the Presidents Working Group (PWG 1999), these documented efforts concluded that hedge funds had to be regulated indirectly. The existing self-regulatory principles were thus strengthened (Lee 2015; Quaglia 2011).

Two different policy approaches could be clearly distinguished from discussions by international forums after the financial crisis. The first forum in favour of direct regulation was sponsored by Germany and France while the second, championed by the UK and US, resisted regulation (Fioretos 2010). It was only during preparations for the April 2009 G20 summit when several European countries, led by France and Germany, called for hedge fund regulation and proposed that hedge funds be regulated in a similar way to banks (Quaglia 2011:670). In contrast, the UK and US position favoured greater disclosure instead of registration to increase transparency and, in this way, assist investors in making informed investment decisions. However, it became clear that the financial crisis and its effects on global financial markets revived the drive towards formal direct regulatory interventions. Drawing from the indirect, direct or combined regulatory approaches, the following table highlights the most relevant regulatory principles condensing best practice identified through the IOSCO structure and extracted from the discussion.

A total of ten overarching principles were identified and allocated a principle identifier. Each principle was described having regard to best practice in that specific ambit, as shown in Table **1**.

Table 1. Identified IOSCO Investor Protection Principles.

IOSCO Principle Identifier	IOSCO Principle
GP1	Registration
GP2	Ongoing regulatory oversight measures
GP3	Third-party registration and supervision
GP4	Information
GP5	Industry practice development
GP6	Global oversight and cross-border risk management
GP7	Hedge fund Definition
GP8	Investment position assessment
GP9	Investment Vehicles
GP10	Inherent risk

Source: Author's representation.

3. RESULTS AND DISCUSSION

South African fund managers were initially regulated under the Financial Advisory and Intermediary Services Act of 2002 (FAIS) that controlled the rendering of financial services since 2007 (South Africa National Treasury 2012a, 2012b; South Africa 2002b). FAIS regulations required that all fund managers be approved by the then FSB as Category II Discretionary Financial services providers (FSPs).

South African hedge fund managers were required to be licensed and regulated by the FSB in accordance with FAIS and its regulations. The regulations determined that where any discretional financial services are to be provided, which included hedge funds, the Category IIA license would be mandatory with the designation "hedge funds FSP" (South Africa National Treasury 2012b, 2014:4). Through designating hedge funds as CIS during 2015, the requirements for registering as a CIS manager were altered. The declaration of hedge funds as CIS inaugurated the formal and direct regulation of this type of collective investment fund vehicle within South African borders (South Africa 2015). Fig. (**2**) illustrates the timeline of the regulatory development of hedge funds in South Africa.

In part and as a result of hedge funds being designated as CISs, National Treasury and the FSB provided a definition of 'hedge funds' for purposes of regulation by looking at its business activity. The term 'hedge fund' differs amongst countries and jurisdictions: in South Africa, initial proposals referred to funds that utilise some form of short asset exposures or short selling to reduce risk or volatility, preserve capital and enhance returns as hedge funds (Bouwmeester 2005:27). Later proposals referred to funds that use some sort of leverage which holds that the gross exposure of underlying assets exceeds the amount of capital in the fund (Bouwmeester 2005:31). The most distinct component of hedge funds relative to other CISs is the use of leverage (South Africa National Treasury 2012a, 2012b, 2014:4-5).

As early as 2004, discussions commenced between industry bodies and regulators concerning the regulation of hedge funds. The domestic hedge fund industry was growing and consisted mainly of high-net-worth individuals and, in the case of offshore investment, institutional investors such as investment managers and pension funds (FSCA, 2004:6). Hedge funds became a permanent addition to the South African fund management market at that stage. The FSB then considered how to accommodate hedge funds within the prevailing regulatory framework applying to investment managers and CISs, as well as the market conduct of product providers and financial intermediaries. As in the past, the South African hedge fund market currently is divided into two primary categories. The first provides access to offshore funds for South African citizens and institutions and the second provides for domestic hedge funds investing in local financial markets (FSCA 2004:9). The industry used several structures, including companies, trusts and limited liability partnerships, to provide investment products for mainly high-net-worth individuals. South Africa had no enabling legislation for hedge funds as an investment vehicle at that stage. The requisite framework came into being in March 2003.

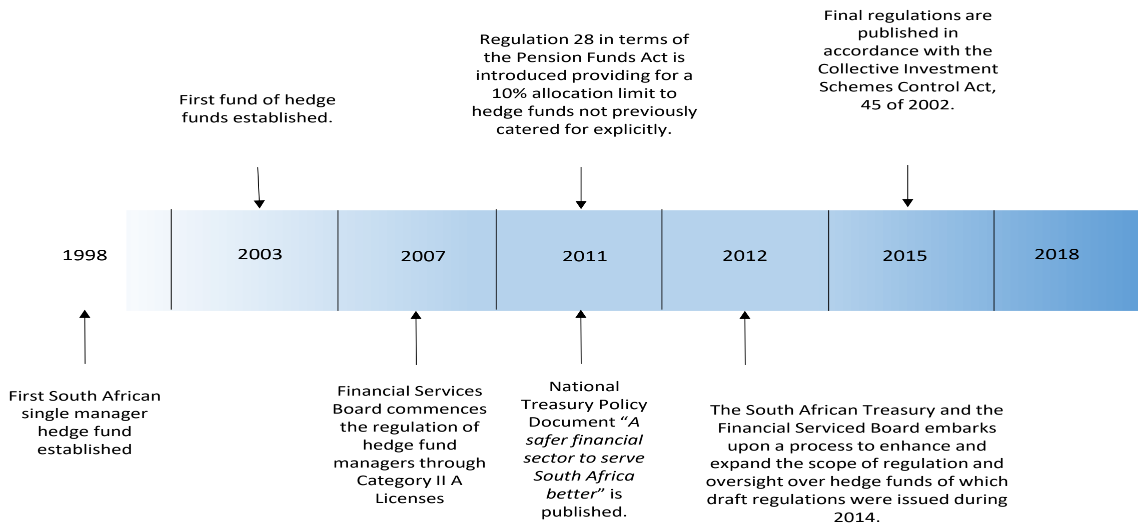

Fig. (2). Timeline of the regulatory development of hedge funds in South Africa.
Source: Author's representation

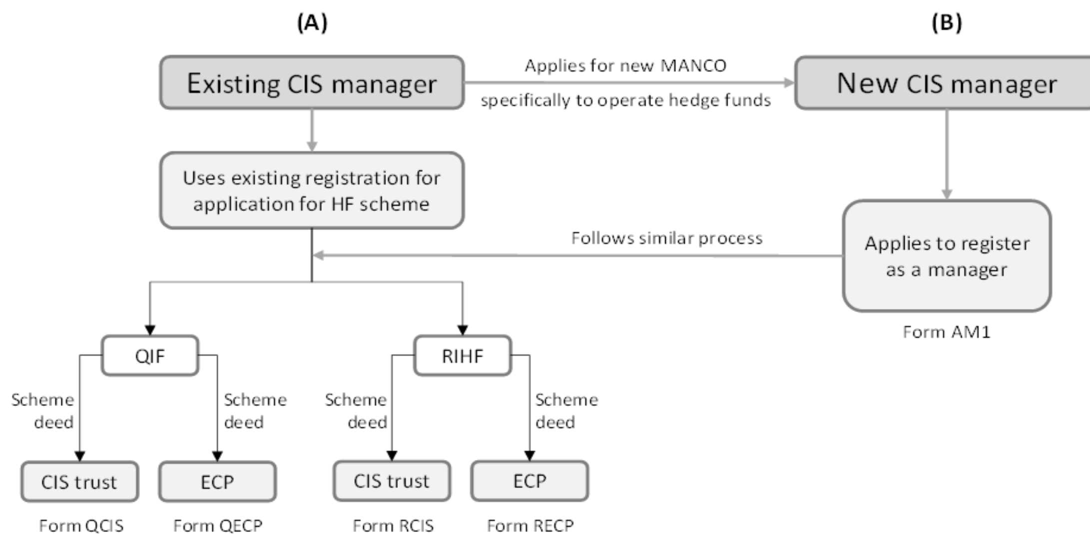

Fig. (3). Approval process for the operation of hedge funds in South Africa.
Source: FSB 2016.

The Collective Investment Schemes Control Act (CISCA) provides the framework for the introduction of collective investment products and, together with FAIS, the FSB was enabled to set minimum requirements for investment managers and, consequently, the theoretical framework for regulating hedge funds in South Africa (FSCA 2004:9; South Africa, 2002b).

This cohesive effort set the tone for existing legislative and regulatory provisions and formed the framework for how hedge funds and managers operate in South Africa. The designation of hedge funds as CIS brought about a different regulatory structure requiring different registration processes.

The Incorporation of Hedge Fund Schemes in South Africa

Hedge funds are incorporated and administered under the office of the Registrar of CISs in accordance with CISCA. Applicants are divided into two categories. One comprises CIS managers which pre-existed before hedge funds being declared CISs and who wished at the time of application to operate as hedge fund managers. The other applies to new managers that are required to register for the first time (FSB 2016).[3] This process is illustrated in Fig. (**3**).

The transition period allowed the formal registration of hedge funds in terms of the enacted legislation. At the onset of this period, existing CIS managers, as illustrated in process A above, had the option of either utilising the current CIS license to register a new scheme in hedge funds or lodge an application to register a new manager in accordance with section 42 of CISCA. In reaching their decision, managers had to decide whether they intend to register a hedge fund

[3] "Managers" for purposes of this paper refers to a CIS scheme manager and not an asset manager unless so specified.

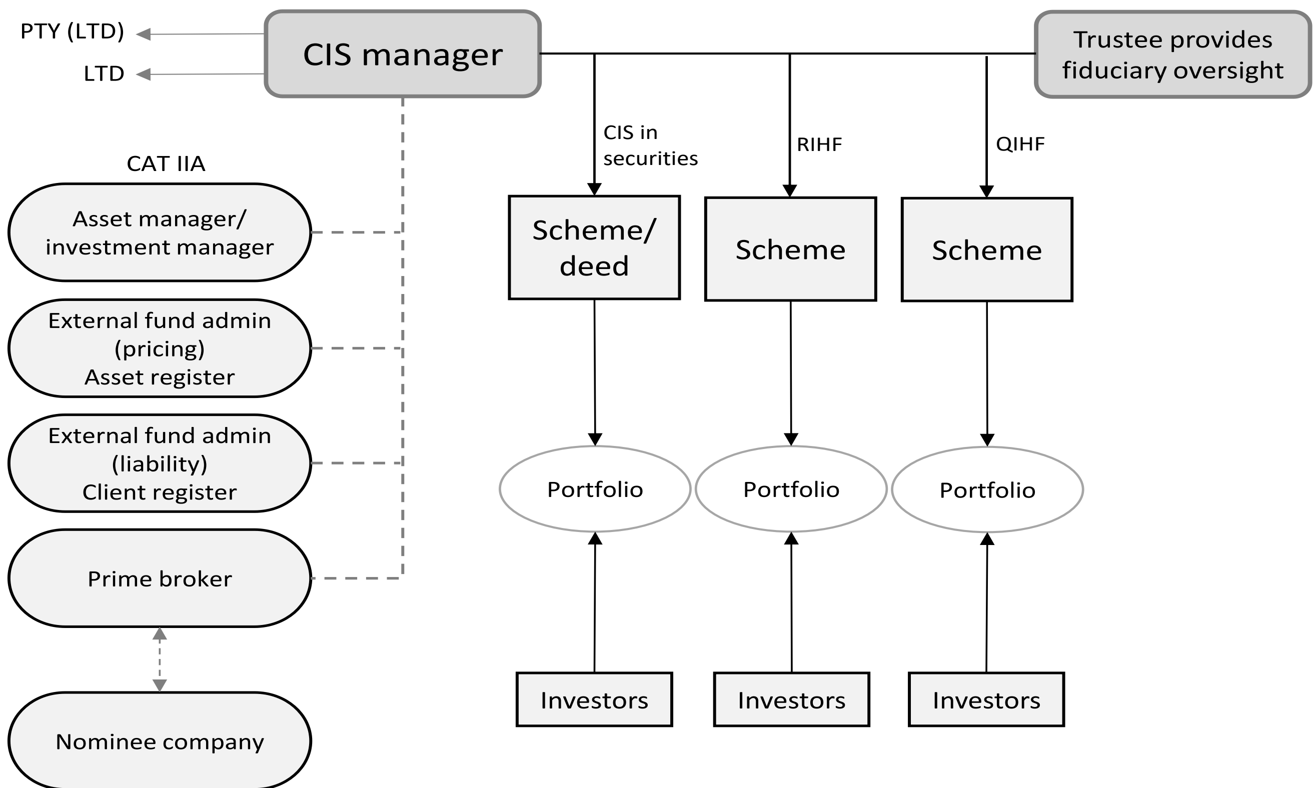

Fig. (4). Hedge funds adopting a CIS structure.
Source: FSB 2016.

scheme as a Qualified Investor Hedge Fund (QIHF) or a Retail Investor Hedge Fund (RIHF). Managers also had the option to register one or both available schemes and/or multiples of each type of scheme. If the latter option to register a new manager was selected, the application defaulted to that of a new manager applying to register as such for the first time.

Portfolios may only use an investment scheme trust arrangement or an en commandite partnership as legal structures. Approval and registration processes require approval in both instances. With more than 90% of industry participants having transitioned to the regulated space, most funds have been structured as CIS trusts whilst certain larger asset managers have opted to structure in limited liability partnerships in accordance with CISCA as shown in Fig. (**4**). (Novare Investments 2017:19).

Retail Participation in Hedge Funds in South Africa

In 2012 National Treasury and the FSB published a joint proposal on hedge fund regulation (South Africa National Treasury 2012a, 2012b) aimed at regulating and supervising hedge fund structures under CISCA through the insertion of a separate chapter in the act dealing with hedge funds. As the act regulates different types of CISs, hedge funds were brought within the ambit thereof through the promulgation of subordinate legislation in accordance with Section 63 of this act.

Since 2011, when formal discussions on financial sector regulatory reform commenced, total hedge fund AUM in South Africa have almost doubled from an approximate R33.5bn in 2011 to R62.1bn in 2015. The increased asset allocation cannot be solely attributed to regulatory certainty as this was a period during which the required extent of the regulation of hedge funds was assessed and extensively debated.

Although managers of hedge funds were regulated under FAIS, the uniformity between the hedge fund industry and the unit trust industry, as well as the introduction of additional risk management, reporting and supervisory requirements through CISCA, was significant (Novare Investments 2016; South Africa 2002a and 2002b;). Much of the asset increase during the period can be attributed to a combination of strong positive performance from managers, and net inflows (Novare Investments 2014, 2015, 2016).

Fig. (**5**) illustrates South African hedge fund industry AUM between 2002 and 2017. Increases in allocation were attributable to a steady upsurge in investment by retail investors who added hedge fund strategies to their portfolios. Between 2016 and 2017, however, hedge fund assets decreased by 9.1%, attributed to in-house consolidation of product offerings, inadequate performance, or outflows due to global and/or local market conditions (Novare Investments 2017).

When the new regulation came into effect, the industry experienced much uncertainty, with a few trends emerging such as investors' changing mandates and moving capital offshore, the consolidation of smaller hedge funds, and some funds no longer classifying themselves as hedge funds. Hard fund closures increased from 15.9% to 19.5%, contributing to the decline between 2016 and 2017 (Novare Investments 2017).

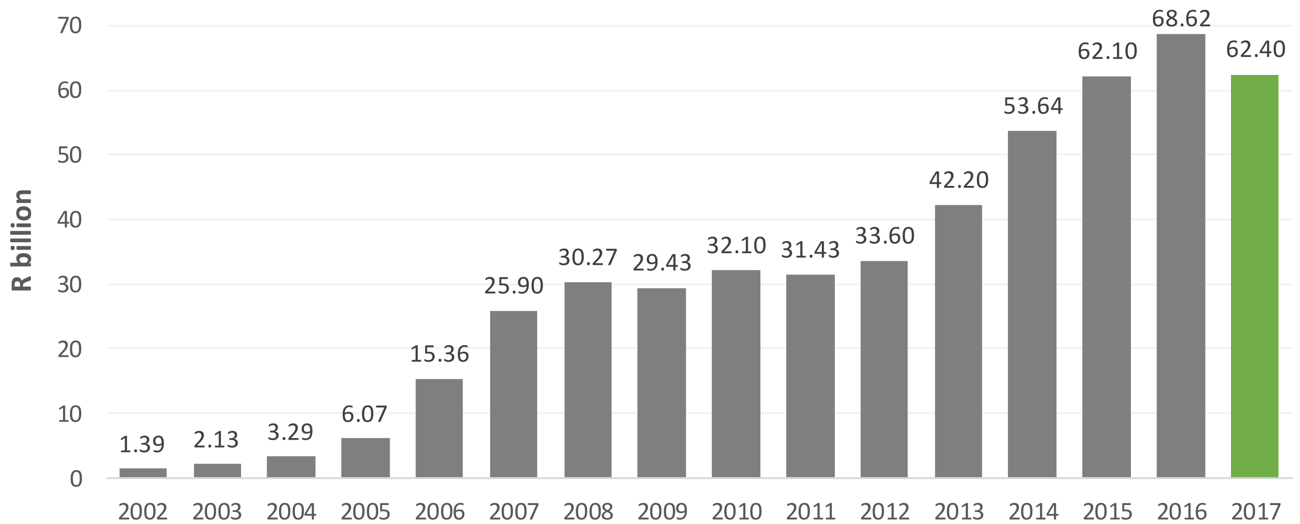

Fig. (5). South African hedge fund industry AUM, 2002-2017.
Source: Novare Investments (2017).

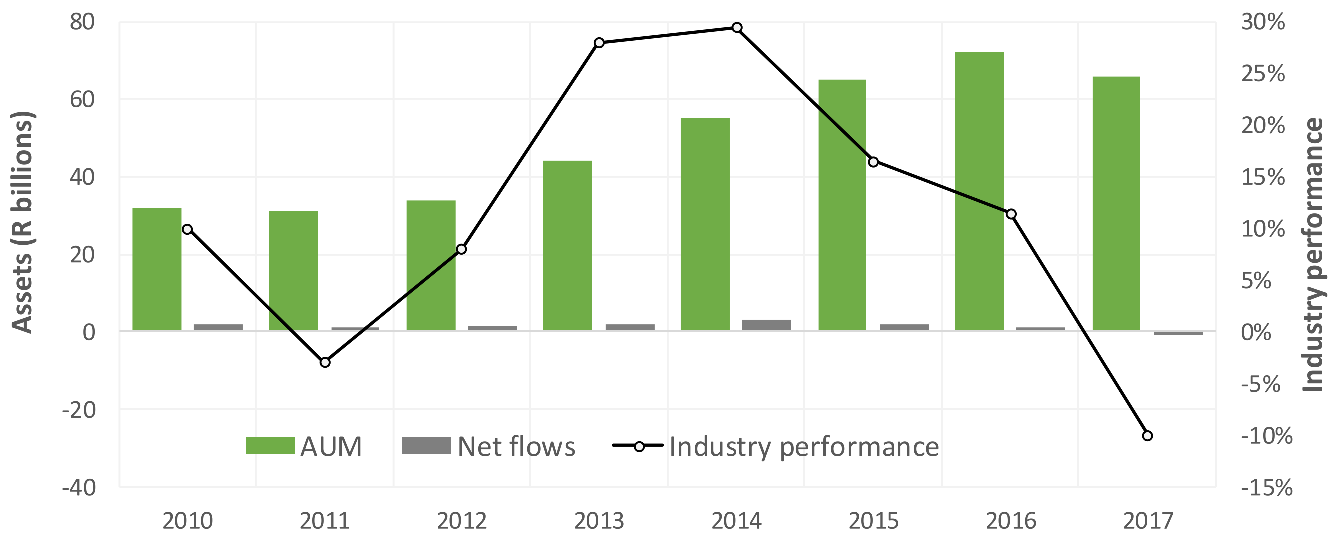

Fig. (6). South African growth in AUM in hedge funds, 2010-2017.
Source: Novare Investments (2017)

Fig. (**6**) illustrates hedge fund AUM for 2010 to 2017. Net flows are shown on the left axis and year-on-year growth rate of assets on the right. The impact of new funds and fund closures were not significant regarding industry growth; the economic climate is the main catalyst for meagre fund performance over the last few years.

Most of South Africa's largest financial service providers offer hedge fund products counter to the belief that only boutique or niche investment houses attract hedge funds. Fig. (**7**) illustrates that most hedge fund assets as at 2017 were managed by financial firms that have in excess of R2bn worth of total AUM (Novare Investments 2018).

Since the inception of the new regulatory regime for hedge funds in South Africa, RIHFs have fared well. About 30% of industry assets have been allocated to retail investment in hedge funds based on the regulations (Novare Investments 2017:19). The allocation of assets amongst schemes within the South African hedge fund industry indicated that approximately 1.3% of managers opted not to launch new funds post the enactment of the new regulatory context (Novare Investments 2017:19-20).

RIHFs

CISCA captures specific or increased regulatory requirements attributable to RIHFs and/or managers directly. These requirements relate to liquidity and repurchases, fees, counterparty exposures, permitted asset classes, short selling and risk management, to name but a few. The requirements regulate the administration of a RIHF in greater detail over and above the prescribed registration and other general requirements under CISCA.

CISCA: Requirements for Hedge Funds Deemed as Collective Investment Schemes in South Africa

CISCA contains restrictions prohibiting the use of certain OTC instruments, short selling and leverage. This has al-

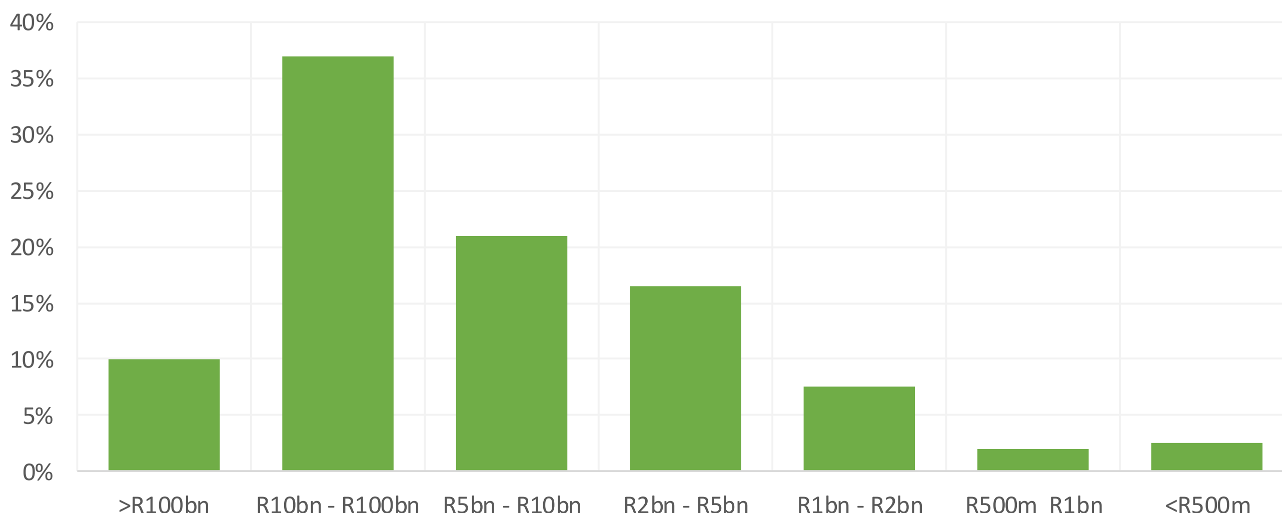

Fig. (7). Distribution of hedge fund AUM according to asset managers' total AUM, 2017.
Source: Novare Investments (2017).

lowed limited exposure to derivative instruments for example. Owing to the restrictions placed on collective investments through CISCA, as well as the expanded mandates conferring broad investment powers on fund managers to pursue their alternative strategies, most hedge funds chose, and still choose, to operate outside the regulated environment provided for by CISCA.

Regulatory Framework in Accordance with the Determination on the Requirements on Hedge Funds in South Africa

The objective of the Determination on the Requirements on Hedge Funds has several aims that include investor protection, a focus on systemic risk, the promotion of financial market improvement and the enhancement of transparency whilst simultaneously promoting integrity within the hedge fund industry. Certain general provisions within the regulations apply equally to both types of hedge funds. Other provisions apply to QIHFs and RIHFs respectively. Certain general requirements find application to all types of hedge funds specifically.

Identifying regulatory best practice on retail investment in hedge funds in South Africa

Table **2** contains principles extracted from the literature and sets out the requisite principle identifier, the principle, the source and a description of the content.

Table 2. Investor Protection Best Practice Principles for South African Hedge Funds.

SA principle identifier	SA principle
SAP1	Registration for managers and/or investment companies
SAP2	Ongoing regulatory oversight measures
SAP3	Third-party services provision, registration and supervision
SAP4	Information disclosure
SAP5	Industry practice development
SAP6	Global oversight and cross-border risk management
SAP7	Hedge fund conceptualisation and definition
SAP8	Investment qualification criteria
SAP9	Investment vehicles
SAP10	Risk management and counterparty exposure

Source: Author's representation.

South Africa is one of the first countries in the world to regulate hedge fund products directly. The provisions incorporated solely under CISCA are different from those of other regimes such as UCITS in that their application is exclusive even though the UCITS regime is wide-ranging.

The objectives of financial regulation are important. Regulatory cost implications on financial institutions and markets intensify the financial burden on the end user. Excessive regulation could also damage the efficient functioning of financial markets, diluting their economic utility. The general objectives of international financial regulation require the setting of prudential standards, regulating business conduct and maintaining and promoting financial stability. South Africa integrated all these objectives during its financial structural reform process, as well as incorporated hedge funds into the primary regulatory domain through their declaration as CISs. Countries have different views or levels of tolerance for market instability and institutional failure and, therefore, construct financial regulation to suit to their circumstances. This variance could impact uniformity and cooperation across jurisdictions. South Africa has, however, incorporated most practices in this regard and in certain areas to greater degrees. The extent to which South Africa has legislated and regulated hedge funds is foreseen to affect growth in the industry in the short term due to transition

pains into the legislated environment. For this reason, many existing funds chose not to enter the regulated hedge fund environment.

4. CONCLUSION

This paper endorses the structural reforms to the South African financial system after the 2008 financial crisis that led to the inclusion of hedge funds as CISs. Such a direct legislative or regulatory approach, although not preferred by most developed financial market jurisdictions, has been recognised by local industry role players and stems from the historical development of the approach followed within the broader South African financial market. Certainty provided thereby could facilitate trust and possibly increased investment inflow for this incumbent emerging African hedge fund market. The regulatory environment for hedge funds has seen a transference of assets into retail investor hedge funds, which can be ascribed to investor confidence growing as a result of this very same regulation. Another reason could be that, by providing certainty, market confidence has increased and that the general stigma regarding risk and the overall "alternative" nature of hedge funds might be dissipating. Predicted increases in retailisation of investments overall (including alternative investments such as hedge funds), require the establishment of a clear, well-regulated framework for access to these investments. Given existing asset allocation towards retail hedge funds highlights the need for sound regulatory practice that would facilitate access for retail investment in alternative investment markets. This is where South African retail hedge fund regulatory positioning establishes the hedge fund market as a well-regulated emerging African investment market. Sound preparation for investment inflows should, amongst other economic and market influences, support increased expansion into retail hedge fund market investment. Necessary time must elapse to attempt to evaluate investment related data. Richer classification of hedge funds into different investment categories and geographical exposures during the end of 2019 will allow the South African hedge fund landscape not only to measure asset inflows more accurately but may assist in curbing outflows in future. The discourse surrounding hedge funds needs to change from the once perceived dissident investment product to a substantially regulated asset class that has been unlocked for retail investment.

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COMPETING INTERESTS

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AUTHOR CONTRIBUTIONS

PS conceived of the presented idea and developed the approach and analysis.

GvV was responsible for the overall supervision of the project and proofreading of the manuscript.

All authors discussed the results and contributed to the final manuscript.

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study are openly available in the sources mentioned in the bibliography.

DISCLAIMER

The views expressed in the submitted article are our own and not an official position of our affiliated institution.

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