

Rozendal QIF aims for the long term

Cape Town-based Rozendal Partners is taking a partnership approach with clients as it seeks to deliver superior long-term returns over time, applying a flexible, opportunistic value-based investing style to the Rozendal Worldwide Flexible Prescient QI Hedge Fund.

Rozendal was formed in 2017, combining the skills of seasoned fund managers Paul Whitburn and Wilhelm Hertzog, both formerly with boutique house RECM where they invested in local and global markets, with the operational expertise of Jan Louw.

Whitburn graduated from UCT with honours in Finance and Portfolio Management, before becoming a founding partner at BlueAlpha Investment Management. During his seven years at BlueAlpha, he covered the industrial sector, and from 2007 was portfolio manager for both long-only and long/short mandates following a strong value philosophy. He attended an executive programme in value investing at Columbia University in the US, before joining RECM as an analyst and then as a portfolio manager in November 2010.

Hertzog qualified as a chartered accountant at PricewaterhouseCoopers, where he specialised in financial instruments and international financial reporting standards. He then spent 12 years working for and alongside some of the most renowned capital allocators in South Africa. He was at PSG Group from 2005, where he was a proprietary investment analyst and corporate advisor on numerous deep-value investments and a number of corporate transactions and then joined RECM in February 2007. He is a CFA charterholder.

Louw has a wealth of experience in both private equity and hedge fund operations with large international firms such as Deutsche Bank, UBS and BNY Mellon. He graduated from the University of Stellenbosch and worked as a fund accountant in the Cayman Islands, Luxembourg and Ireland before returning to South Africa in 2013. He was then an executive director at JTC Fund Solutions and managed the fund accounting department from 2013 until joining Rozendal in 2017.

The like-minded trio are passionate about building a great firm, and co-investing with their clients in compelling ideas. They have focused on putting the kinds of structures and processes in place that will maximise their potential to deliver market-beating returns over time.

The fund has been structured as a qualified investor hedge fund (QIF), which gives the managers flexibility to apply a broad toolkit to their global investment universe across a wide range of listed and unlisted financial instruments. Total exposure to the market is not allowed to exceed



Paul Whitburn, Wilhelm Hertzog and Jan Louw

700% of net asset value.

“We are opportunistic and we are performance-driven,” notes Louw. “We are not asset gatherers. We invest alongside our clients at the same fees, looking to deliver high absolute returns over long periods at acceptable levels of risk.”

The long-biased strategy, which is predominantly equity-focused, seeks to capitalise on investment opportunities across all asset classes and sectors.

It was seeded with funding from family, friends and the partners themselves, and currently has assets under management of R934 million (as of March 31).

Rozendal is also in the process of structuring an offshore fund, which is set to launch in the next few months.

Rozendal’s opportunistic approach focuses on bottom-up fundamental analysis, but is not oblivious to the impact of the macro economy on companies. Its long-term bias keeps portfolio turnover low.

“We don’t try to cover everything. Anyone can screen. For us, it is about connecting the dots to see where circumstances suggest value, and then to find good investment ideas. We have a flexible approach because we need to move the needle for our clients,” says Whitburn.

Hertzog and Whitburn see exciting opportunities in the South African market at present, as equity valuations have contracted

in recent years.

More than 60% of the portfolio is currently invested in South African equity, with a further gross exposure of around 25% in global equities (both long and short). The fund has around 25% in cash (local and global) and around 2% in fixed income.

“Some South African small caps are offering great value right now but they do need the economy to turn for them to appreciate,” says Hertzog. “We have the flexibility to move the portfolio around quite dramatically as and when we see good prospects come to light, though we typically have low portfolio turnover.”

Exposure to SA Inc includes baskets of small-cap positions in sectors such as financial services, construction and insurers. The fund has limited retail exposure and is overweight platinum.

“Our philosophy means we look for areas that are despised,” adds Hertzog. “Over the next five to 10 years there will be areas that offer value. It is our job to identify those. We are very flexible, but not very aggressive.”

“The market is tough and the economy is tough, but we are excited. Companies that can differentiate themselves stand to do well. In South Africa, share prices of many domestically focused businesses have been under substantial pressure for a long time now. That suggests great value.”

Rozendal also has a keen eye on the UK market, where Brexit uncertainty reigns, sending the value of the pound lower and increasing long-term purchasing power.

Emerging markets, particularly those that are not flavour of the month, are attractive too. Whitburn and Hertzog are finding interesting analogies between Turkey and South Africa today, compared with Greece in 2011 and Russia in 2014 as currencies depreciated.

They are steering clear of the US at present, where both the markets and the dollar are expensive, and currently have very limited exposure there.

Investment in the A Class (which is the class now open to investors) has gained a net 11.5% since the class was launched last April up to the end of February. During the same period the benchmark, FTSE JSE Total Return Index, returned 3.4%. It added a further 0.3% in March to take its first 12-month return to 11.8%.

The Rozendal fund offers monthly dealing and a three-month redemption period.

It is suitable for investors with a long-term investment horizon and higher-risk tolerance, who can tolerate short-term volatility and do not require income from their investment.

FUND FACTS

The Rozendal Worldwide Flexible Prescient QI Hedge Fund

Inception: February 1, 2018

Portfolio managers: Paul Whitburn, Wilhelm Hertzog

Strategy: Global multi-strategy

Structure: QIF

Manco: Prescient

Administrator: Prescient

Prime broker: RMB

Open to investment: Yes (to qualified investors)

Minimum investment: R1 million