

AfriSyst

Systematic Trading for Africa

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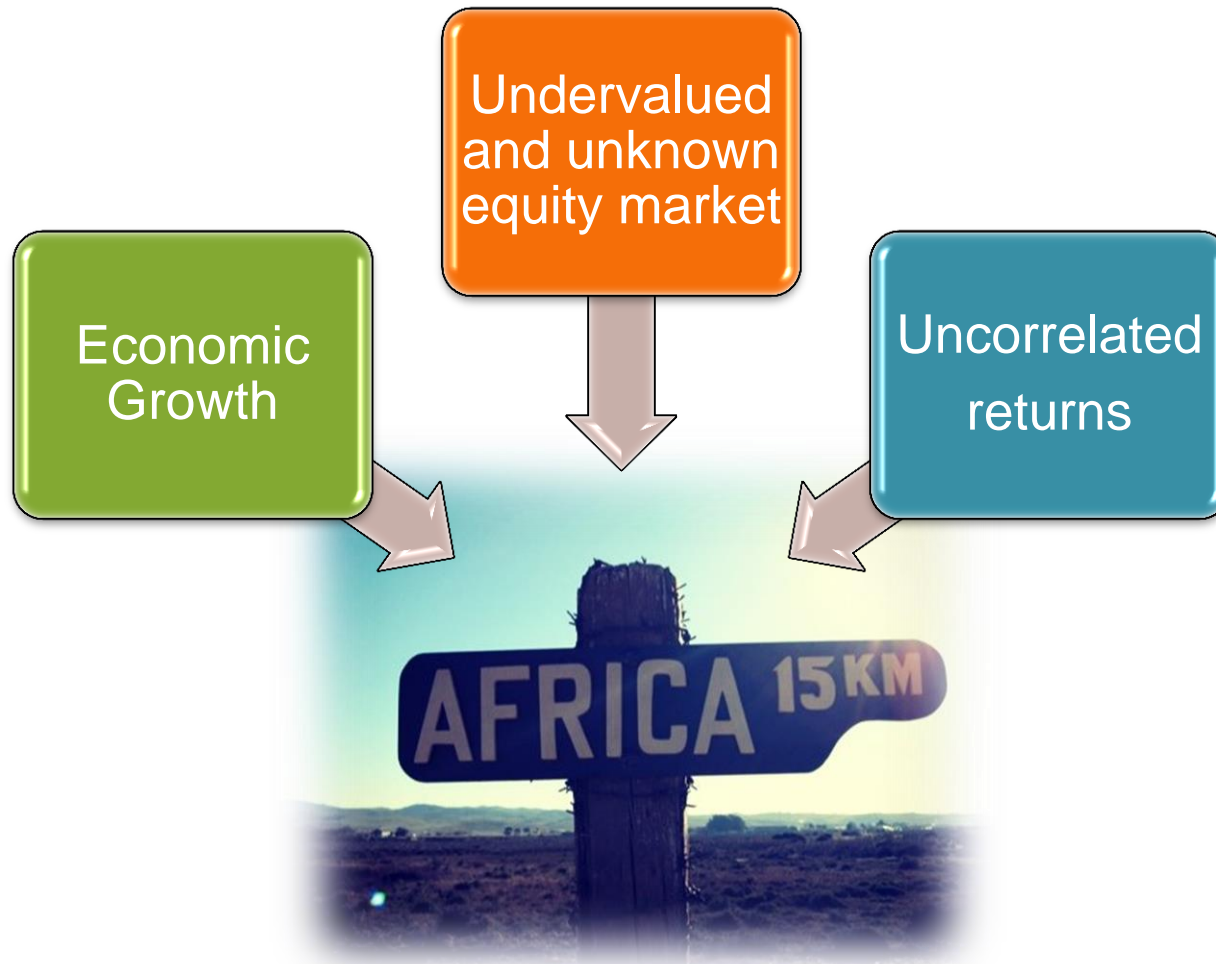
March 2017

Value proposition



- For high net-worth, risk-tolerant individuals
- Looking for uncorrelated, superior and alternative returns
- AfriSyst is a systematic investment fund that provide exposure to the most untapped (and exciting) equity market in the world
- Unlike traditional investment funds, AfriSyst is quantitative, systematic and one of its kind (so far) in Africa

Opportunity



Proposal



- Quantitative algorithmic fund
 - Fundamental factor-based algorithm
 - Systematic
 - Liquidity-cognisant
 - Risk-efficient
- Machine learning techniques
 - Identify potential future outperforming stocks
 - Estimate/predict liquidity using proprietary model
- Quantitative fundamentals
 - Risk-efficient portfolio construction
- Economic framework

Market analysis



- Industry:
 - Significant growth in financial services industry
 - Hedge funds have more than doubled in size since 2005
 - Systematic trading funds have become very popular
- Competition
 - No known systematic trading fund operating purely in Africa
 - 78 traditional mutual funds (long only, benchmark cognisant)
 - Competition likely to increase as liquidity increase
- Marketing and sales:
 - Target customer is high net-worth individuals
 - Ideally find a trade partner (existing hedge fund or influential chairman)

Conclusion: Early bird will catch the worm

Technical feasibility

- Start-up requirements:
 - Research and development of algorithms
 - Reliable real-time data provider (Bloomberg, FactSet etc)
 - Trading platform: implementation of the algorithms
- Operating technical requirements
 - Powerful computing
 - Reliable execution-only broker or direct market access to order books
 - Strong internet connectivity to exchanges

Conclusion: Research and development of algorithm is key

Financial and legal



- Fund registration and compliance
 - Hedge fund managers must be established as alternative fund managers (AFMs)
 - Seek approval to establish new fund
 - Two options
 - Become part of an existing hedge fund firm (trade partner)
 - Hire an outside legal firm to ensure fund is fully compliant
- Initial set-up costs
 - Data subscription
 - Computing equipment
 - Administrative costs

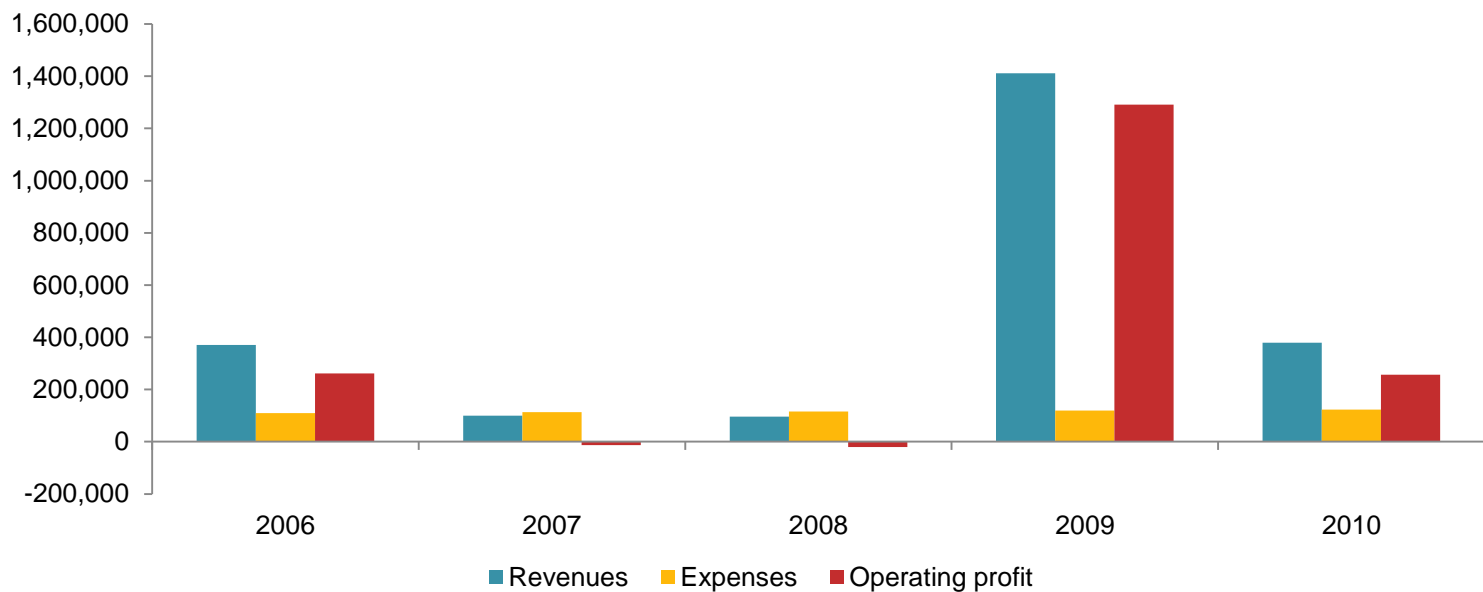
Financial and legal



Summary of start-up costs	Without trade partner	With trade partner
Fund registration	40,000	20,000
First-year legal and compliance cost	24,000	6,000
First-year data subscription	24,000	24,000
Computers	10,000	10,000
Other set-up costs	1,000	1,000
Total	99,000	61,000



Financial and legal (sensitivity analysis)



Conclusion: Need a trade partner

Organisational structure



- Team:
 - Renda Rundle: CTO and founding partner
 - Ashley Bendell: COO and founding partner, New York
 - Prof Phillip Treleaven: Special advisor
 - Programmer
- Company structure
 - Incorporated as partnership
 - Investments do not qualify for EIS relief....

Current stage and future



- Current stage:
 - Research and development
 - Identifying possible trade partners
 - Discussions with African exchanges to establish direct market access
 - Further research into compliance requirements

Conclusion: Pivot....