

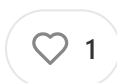
The boutique that doesn't want to be a boutique

All Weather Capital has ambitious growth plans. I spoke to CIO Shane Watkins about how the firm's approach in the long-only space has been set up to support these ambitions



PATRICK CAIRNS

JUN 04, 2025



All Weather Capital currently manages around R30 billion. CIO Shane Watkins says the business sees its way to AUM well beyond that.

"Our ambition is to manage R150 billion," Watkins says. "We've structured the business very systematically to enable it to grow."

All Weather started in 2013, initially with two hedge funds and a long-only South African equity offering. It has subsequently grown to a suite of eight funds, covering hedge, equity, multi-asset and fixed income.

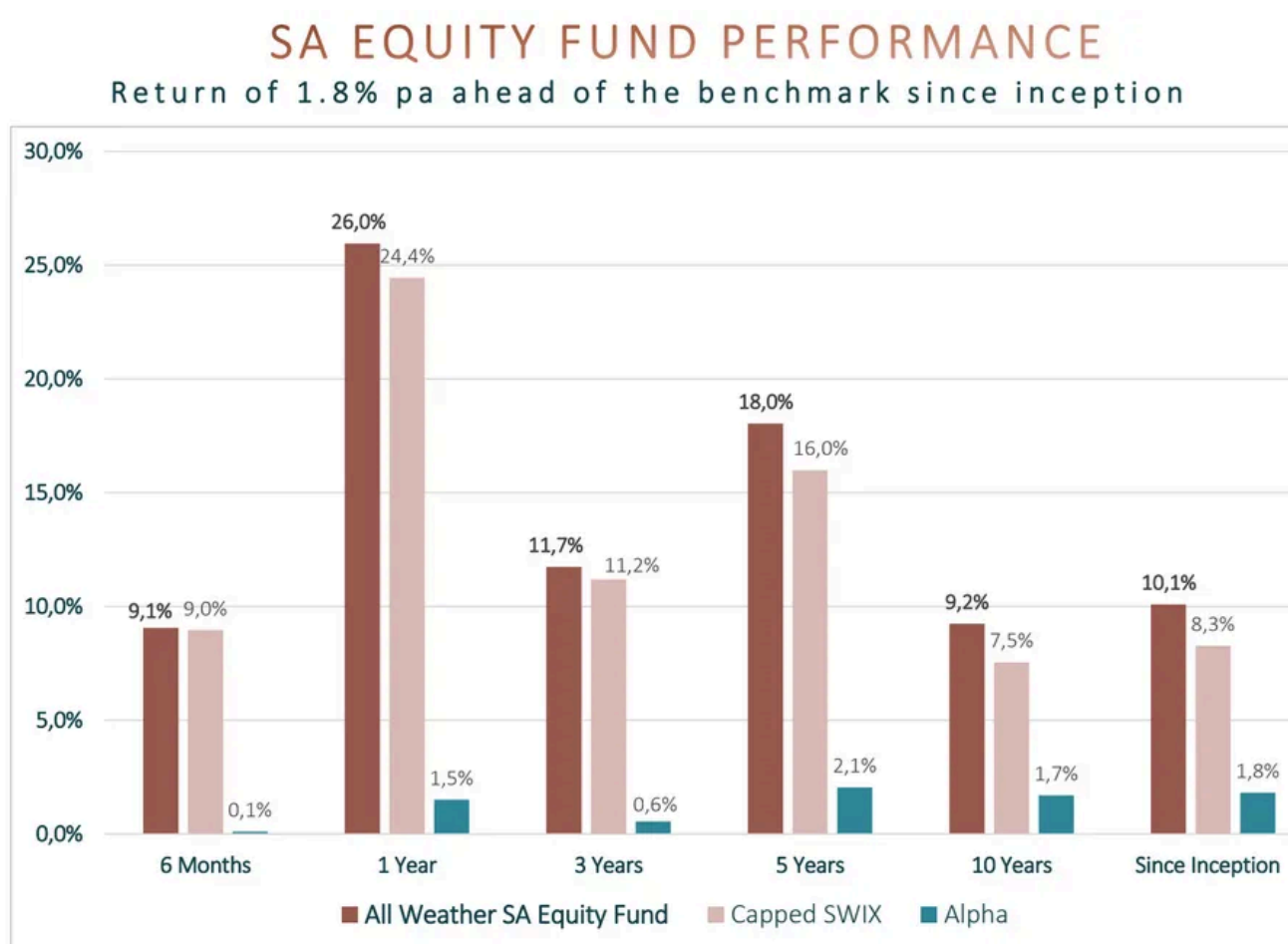
"We feel that we are now well positioned to grow."

"Each product is set up as a unit trust and each is managed by a three-person team, myself and two fund managers," Watkins says. "We feel that we are now well positioned to grow, both in terms of how we have capacitated the business with staff and having the right product categories."

The bulk of All Weather's AUM still sits in its local equity mandates. Watkins says that account for R20 billion.

"We have four offerings – a long-short hedge fund; a market neutral hedge fund; a traditional, more institutional SA equity product that is benchmark cognisant and tracking error constrained, with around 60 positions; and the SA equity best ideas that is more concentrated, with 20 to 25 positions."

Over 12 years, the general SA equity fund has delivered annualised returns of 1.8% ahead of its Capped SWIX benchmark. The All Weather BCI Best Ideas Equity Fund launched in April last year, and returned 38% in its first 12 months.



Source: AWC, Bloomberg. Gross annualised returns as at 30 April 2025

Both of these strategies align with what All Weather is doing in its hedge funds.

"In general, what you would expect is that the long positions in our hedge fund would be the overweights in our general equity fund, and the shorts would be the underweights," Watkins says. "The best ideas fund would just be concentrated versus of long positions."

Notably for a smaller manager, All Weather does not see any advantage in playing the small cap space.

"We don't want to look at small, illiquid companies that don't really move the dial for us."

"We very seldom stray into small caps because on a risk-adjusted and liquidity-adjusted basis you seldom get good returns," Watkins says.

"I also don't think you have a scalable business if you focus on companies under \$1 billion. We don't want to be a boutique. We want to be a large, mainstream fund manager. We don't want to look at small, illiquid companies that don't really move the dial for us.

"Let's say we wanted to take a 1% position in a tiny company. We manage \$20 billion so that would mean buying \$200 million. If the market cap of the company was \$1 billion, we'd own 20% of the business, and we wouldn't want to do that."



Watkins (pictured above) adds that they select and weight stocks on a three-factor basis. The first is the analyst's forecast return, which is then modified by a risk adjustment and the analyst's level of conviction.

"For example, let's say our analyst thinks Sasol has a 100% upside from here. We would take that and put in a risk adjustment factor, given that the company has \$5 billion offshore debt. That might bring the forecast return down to 60%. Then we ask the analyst for their level of conviction, which is probably extremely low because anything can happen. So, despite a very high forecast annual return, we would have a small position in the stock.

"But we might then look at the Foschini Group and say the forecast return is 25%. lower forecast return, but the risk adjustment factor would be low and analyst conviction would be very high. That means we would have quite a large position.

"It's a question of adjusting between the countervailing forces of the forecast return and the conviction we can have in that."

Macro cognisance

This bottom-up process is also supported by macroeconomic work done by head strategy Nick van Rensburg.

"When I started out in the industry 30 years ago, a dominant portion of a share's return was determined by whatever was going on at the company itself," Watkins says. "Now, a much larger portion of the R-squared that explains share price behaviour is determined by macro or geopolitical events."

In recognising this, All Weather has seen the importance of being macro cognisant in its stock selection.

"We look for the canaries in the coal mine."

"We look for the canaries in the coal mine," Watkins says. "For example, our global emerging markets equity team had a significant position in Russia leading up to the war in Ukraine. Nick was monitoring events on the Russian border, and the canary in the coal mine was when the Russian army started to export expiring blood units to the western front. That's when we realised that they were going to invade, so we cut our Russian exposure from 8% to basically zero. Three days later Russia invaded."

"Another example would be the Chinese lockdown for Covid that extended way beyond the rest of the world. But then Xi Jinping approved the running of Beijing marathon, which would be 40 to 50 thousand people in basically a super-spreader event. We said that if they are going to allow that, then the lockdown is fundamentally over."

"Those are the kinds of signposts that give us some idea of what might be coming."

Subscribe to Running Yield

By Patrick Cairns · Launched 2 months ago

Running Yield by Patrick Cairns provides professional South African investors - including multi-managed DFMs, financial advisers, asset consultants and institutional investors - with focused insights on asset managers and their capabilities.

Pledge your support

By subscribing, I agree to Substack's [Terms of Use](#), and acknowledge its [Information Collection Notice](#) and [Privacy Policy](#).



1 Like

Discussion about this post

Comments

Restacks



Write a comment...

© 2025 Patrick Cairns · [Privacy](#) · [Terms](#) · [Collection notice](#)
[Substack](#) is the home for great culture