

The Hundred *Times*

OCTOBER 2024

EDITION 6



Peregrine[™]
Capital

A Warm Welcome from *Jacques Conradie*, our CEO and Portfolio Manager

Welcome to the latest edition of Peregrine Capital's newsletter, where we share our views and news about our business, our funds, and why hedge funds should form part of a growing and diversified investment portfolio. This edition includes our perspective on Q3 of 2024, following the **semi-annual investor letter** we published in July 2024.

We share regular updates and insights on our **LinkedIn** page, so please follow us to stay updated with what we're working on as we continue to deliver on our purpose of creating wealth for our clients.



Peregrine Capital's Quarterly Review

Discover the market dynamics impacting our funds' performance during the third quarter of 2024, as discussed by Justin Cousins, portfolio manager at Peregrine Capital.

The Peregrine Capital High Growth QI and Pure Hedge QI Funds delivered net returns of 8.57% and 5.50%, respectively, for the third quarter of 2024*. This compares with the JSE Capped Swix All Share Index, which gained 8.56%**.

It is worth noting that the strong fund performance for the quarter was generated while assuming far less risk than the market as a whole.

Source: *Peregrine Capital and **Bloomberg for the period between 1 July 2024 – 30 September 2024.

Macro

The extreme anxiety that engulfed local markets in the first half of the year was replaced by relief and excitement in the third quarter. The formation of a credible Government of National Unity drove bond and equity markets materially higher as investors discounted the prospect of higher growth that may arise from the acceleration of market-oriented reforms. Hope springs eternal!

Internationally, the debate has centred on inflation, interest rates and Chinese stimulus in the third quarter. While incoming economic data in the West suggested that inflation has moderated, this has been accompanied by slowing economic momentum. Central banks in Europe and the USA commenced interest rate cuts in the quarter, suggesting we entered an economic easing cycle. After a prolonged period of sluggish growth in China, the government announced a slew of monetary interventions that have driven equity prices meaningfully higher in the most under-owned global equity market.

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Attribution

Returns were fairly broad based in Q3. Exposure to South African bonds and equities was a material contributor following the formation of the GNU. Companies in the real estate, financial services, industrials, and retail sectors drove the majority of the positive performance, while healthcare was the only negative local contributor. Our exposure to Chinese technology shares produced solid returns on the international front after Chinese policymakers announced meaningful stimulus measures. Our select exposure to technology names in the West also contributed to returns this quarter as AI continues to drive demand for products and services of companies we own in that category.



Portfolio Construction

We reduced exposure to South African bonds and equities this quarter as markets rallied and prices approached our fair value estimates. While we remain bullish about the trajectory of the South African economy under the stewardship of the GNU, we need to see evidence of higher growth rates to improve forward-looking return estimates from current prices. While we have trimmed our SA positions, we retain select exposure to undervalued mid-caps, real estate companies and select high quality names with high growth prospects. The funds were also net sellers of international equities in the quarter. While we still believe Chinese technology shares are undervalued and under-owned, we have trimmed some exposure to these names in light of the recent rally to manage our position sizes.

At the end of the quarter, net exposure to equities and real estate was 59% for high growth and 20% for pure hedge respectively, while net exposure to bonds stood at 13% for high growth and 16% for pure hedge.

Outlook

As global markets have rallied and expected returns have decreased, maintaining a higher exposure to cash feels prudent at this time. While we are not bearish about growth, either at a macro level or for the individual companies in our investment universe, we are less excited about the prospective returns offered by current asset prices. We remain on the lookout for attractive investment opportunities, and the funds are extremely well-positioned to deploy capital should prices fall or compelling new ideas arise.

1998

Our investment philosophy

Click below to watch Peregrine Capital's investment philosophy, anchored in a fundamental, bottom-up, valuation-focused approach. We continually refine our investment process, although the guiding principles never change. The diligent application of our investment process and industry-leading alignment of interests ensure that we remain true to our mission, which is to create wealth for our clients.

[WATCH HERE](#)



Why Hedge Funds should be part of your Investment Portfolio



The Rise of Hedge Funds in South Africa – *A guide to understanding this asset class*

In this Fund Hub article, our Investment Specialist, Kavita Patel, explores the Hedge Fund landscape in South Africa, highlighting the highly regulated environment within which hedge fund managers operate to ensure robust protection and attractive investment opportunities, contributing to record growth in 2023.

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Thinking outside the *Hedge Box*

Justin Cousins contributed his views to this Financial Mail Investor article. Hedge funds are experiencing a resurgence, with data from asset servicer Citco showing that Q1 2024 was the global sector's best quarter since the pandemic. Agility and the ability to see the less obvious make hedge funds attractive.

[READ MORE](#)



Unveiling the Power of Compounding: *Your Path to Wealth Through Hedge Funds*

Anne Holding, our Investment Specialist, wrote this article to demonstrate how Peregrine Capital uses the powerful tool of compounding through our hedge funds to help our clients achieve risk-adjusted returns and financial success through the performance of our funds.

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Peregrine Capital *in The News*



Price is what you pay, *value is what you get*

Alan Yates, our Head of Distribution, addresses the issue of fees in this Moneyweb article, explaining why fees aren't the only factor to consider when selecting the right investment vehicle.

 Moneyweb

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Good News *for South African Investors*

AJ Snyman, our Investment Analyst, spoke to Daily Investor about reasons to be optimistic about South African Equities and the key opportunity presented by undervalued local shares.

DAILY  INVESTOR

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Peregrine's CEO excited about *the benefits AI will bring*

Jacques Conradie spoke to BusinessDay's Mudiwa Gavaza about our investment strategy leading up to elections, reviewing the performance of our funds in the first half of 2024, trends in global technology, local versus international investments, and the outlook for the rest of the year.

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Industry events we participated in that you may have missed



Investment *Think Tank*

AJ Snyman presented his talk 'Smooth Seas Don't Make Goods Sailors' at this year's Investment Think Tank event series. His presentation highlighted the fact that hedge funds have a unique and differentiated ability to not only weather storms but thrive amidst a storm. When a recession hits, volatility rocks the market and a market drawdown comes, hedge funds have the right tools to shield investors from volatility, protect them against the downside and ultimately generate returns regardless of the "weather conditions."

The Investment Think Tank events took place in Mbombela - 15 August, Potchefstroom - 20 August, Bloemfontein - 22 August, Durban - 27 August and Port Elizabeth - 29 August.

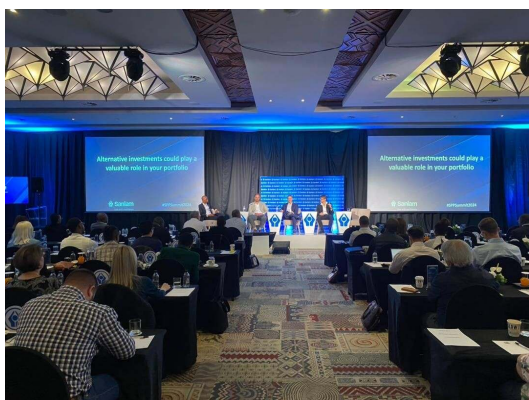
[VIEW THE PRESENTATION](#)



Sanlam Personal Portfolios Investment *Summit*

Our Investment Specialist, Marnus Briedenhann, was recently at the Sanlam Personal Portfolios Investment Summit in Windhoek. Together with other industry experts, they discussed the growing role of hedge funds in retail portfolios, emphasising their flexibility compared to traditional long-only unit trusts.

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***Peregrine Insider* Cape Town Event (August) and Johannesburg (October)**

Jacques Conradie and our investment team conversed with just under 100 advisors in the mother city and our Sandton office, where the beautiful views were almost as good as the insightful in-person conversations we had with investors.



Upcoming events where you can meet the Peregrine Capital team

Peregrine Padel

Our current Spring tournament for financial advisors is underway and ends on 11 November. The summer edition will commence in February 2025. If you would like to join us for an early Thursday morning session in Melrose James at Ethal Gray Park, contact Ayanda at ayandap@peregrine.co.za



Peregrine Investor Day – February 2025

We look forward to continuing our partnership on your wealth journey and investing in performance in 2025. Secure your financial future by attending our Annual Investor Day event in Johannesburg. Details will be shared with you shortly.



Contact Us about investing, today.

**Refers to the Peregrine Capital Pure Hedge H4 QI Hedge Fund. Pure Hedge Fund annualised return: 18.94% | SA Multi Asset - Low Equity Category annualised return: 9.78% | CPI annualised return: 5.53%, all since inception (July 1998).

*100X refers to the Peregrine Capital High Growth H4 QI Hedge Fund. R1m invested at inception is worth more than R100m today. The FTSE/JSE Capped SWIX generated R17,6 million while the SA Multi Asset - High Equity Category generated R11,9 million. (High Growth Fund annualised return: 23.20% | SA Multi Asset - High Equity Category annualised return: 10.56% | FTSE/JSE Capped SWIX annualised return: 12.32%, all since inception (February 2000)). Data to 30 September 2024 | Source: Peregrine Capital, Morningstar, Bloomberg

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