



THE BIRD'S EYE

APRIL 2023 | EDITION 3

A WARM WELCOME FROM OUR CEO JACQUES CONRADIE

Welcome to the third edition of The Bird's Eye, Peregrine Capital's bi-annual 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. In addition, we will share our perspective of the first quarter of 2023, following on from our review of 2022 which we shared with you in January in our annual 2022 Investor letter.

We share regular updates and insights on our LinkedIn page so please follow us to keep up to date with what we're working on as we continue to deliver on our purpose to create wealth for our clients.



WELCOME AND INSIGHTS FROM JACQUES CONRADIE

Jacques expands on an interesting first quarter, during which the Peregrine Capital Funds delivered reasonable performance, with the Pure Hedge Fund up 3% and the High Growth Fund up 4%, outperforming the JSE All Share Index, which was up 2%.

There were some noteworthy global developments, including the bailouts of Silicon Valley Bank and Credit Suisse. In South Africa, load shedding has been a considerable challenge, but one positive outcome is that companies and individuals have realized the need for private sector generation capacity, with renewables installation in the first quarter of 2023 already almost equalling the entire investment of 2022.

We entered the year with lower-than-normal equity exposure and high cash balances, which served us well as we deployed excess cash into attractive opportunities. We remain somewhat cautious on the year ahead and expect continued volatility in global markets but are optimistic about our ability to deliver strong returns for our investors.

Away from the markets, June 2023 marks an important milestone for Peregrine Capital as we will be celebrating our 25th birthday. While we take great pride in our performance track record over the past 25 years, our focus is now on delivering continued success for our investors in the next 25 years.

PEREGRINE CAPITAL'S QUARTERLY FUND PERFORMANCE REVIEW

Justin Cousins, Portfolio Manager at Peregrine Capital, reviews our funds' performance during quarter 1 of 2023.

After a difficult year in 2022, equity markets rebounded in the first quarter of 2023. The MSCI World Equity Index rallied by 8.2% while the JSE Capped Swix All Share Index rose by 2.2%. The Peregrine Capital High Growth and Pure Hedge funds delivered 4.2% and 3.5% respectively during this period.

Much of our commentary last year was focused on the negative effects of high inflation and the severe measures that central banks were forced to take to get inflation under control. Short term interest rates were hiked more aggressively than we have ever seen in modern financial history. Interest rate increases have continued in the first quarter of this financial year, but the pace of these hikes does appear to be moderating. Inflation seems to be cooling and growth has held up better than expected thus far. On the face of it, it appears central banks may achieve the elusive objective of taming inflation without tipping the global economy into a recession.

While the above assessment appears positive, some cracks have begun to appear in the edifice of the financial system. The collapse of Silicon Valley Bank and Credit Suisse is a direct consequence of the tightening of financial conditions imposed on us by central banks. March spending data in the US seems to indicate that consumers are now feeling the pinch of high inflation and higher interest rates. House prices in the UK fell in March, the first decline since the COVID-19 pandemic. These, and other, data points suggest that the global economy remains fragile, risks to growth are elevated, and caution is warranted. With high risks to growth, rising share prices and reduced equity risk premiums, exposure to developed market equities has fallen across our funds.

On the domestic front, we face the same inflationary pressures as the rest of the world but are also forced

to contend with the crippling effects of blackouts, crumbling logistics infrastructure and an incompetent and kleptocratic bureaucracy. While recent interactions with management teams on the ground paint a bleak picture for growth given these challenges, there are reasons to be optimistic. Recent legislative changes are likely to unleash massive private investment in power generation, ending Eskom's monopoly, improving the resilience of the economy in the medium term and creating a firmer foundation for growth. Transnet has commenced processes to introduce more private participation in the ports and railways. The reboot at SARS has been highly successful and seems to be sucking significant financial resources away from criminal syndicates that thrived in the Zuma years. While South Africa has a plethora of other challenges to contend with, company balance sheets are strong, and valuations remain extremely attractive. As such, we have selectively increased our exposure to resilient businesses in South Africa.

At a portfolio level, our net equity exposure increased moderately in the first quarter. We deployed additional capital into South African opportunities where valuations are attractive, and reduced exposure to international equities where the risk reward equation makes less sense. Exposure to fixed income opportunities remains elevated across corporate and government bonds. Gross exposure remains low in both the High Growth and Pure Hedge funds as pair trades have been unwound. We selectively purchased put option insurance at attractive prices to provide additional downside protection for the funds. While fund exposure remains cautious, we are confident that the current opportunity set will likely deliver strong returns for our investors. Our team continues looking for unique and differentiated opportunities to exploit in a market we consider an attractive hunting ground for bottom-up investors with a hedge fund toolkit!

CLICK TO VIEW OUR FLAGSHIP FUNDS' FIRST QUARTER 2023 PERFORMANCE BELOW:

PEREGRINE CAPITAL HIGH GROWTH H4 Q1 HEDGE FUND

PEREGRINE CAPITAL PURE HEDGE H4 Q1 HEDGE FUND

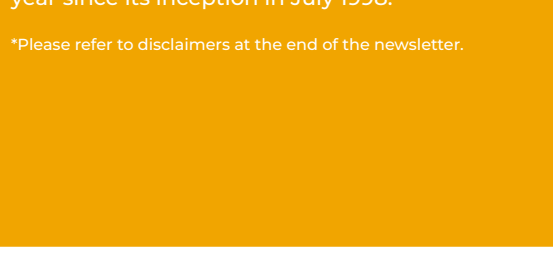
WANT TO LEARN MORE ABOUT OUR FLAGSHIP FUNDS?



PEREGRINE CAPITAL HIGH GROWTH H4 Q1 HEDGE FUND

Click above to view why you should continue to invest in Peregrine Capital's High Growth Fund - the first fund in South Africa to achieve 100X* an investor's initial investment, so R1 million invested in the fund in February 2000 is worth more than R100 million now.

*Please refer to disclaimers at the end of the newsletter.



PEREGRINE CAPITAL PURE HEDGE H4 Q1 HEDGE FUND

Click above to view the factsheet of the longest running hedge fund in South Africa, designed to offer investment stability and downside protection while growing investors' purchasing power. The fund aims to deliver returns above inflation over the medium term and has never had a negative year since its inception in July 1998.

*Please refer to disclaimers at the end of the newsletter.

WHY HEDGE FUNDS SHOULD BE PART OF YOUR INVESTMENT PORTFOLIO

HEDGE FUNDS 101

Our Portfolio Manager, Justin Cousins, wrote an article on why Hedge Funds should be included in your investment portfolio.

Justin spoke about how this alternative asset class continues to grow more mainstream locally and globally as investors continue to hunt for lower volatility, better returns, and capital preservation beyond traditional asset classes such as equities, fixed income, and bonds. Hedge Funds have gained popularity among investors in recent years due to their ability to provide consistent long-term performance while reducing overall portfolio risk.

READ THE ARTICLE



OUTLOOK 2023: ALTERNATIVE INVESTMENTS FORUM

Our Executive Chairman, David Fraser, recently participated in an Asset TV South Africa Outlook 2023 panel discussion.

Together with Cy Jacobs and Murray Winckler from the Hedge Fund industry, David discussed Peregrine Capital's wins and learnings from 2022.

WATCH THE DISCUSSION

PEREGRINE CAPITAL IN THE NEWS



Simon Brown from MoneywebNOW interviewed David Fraser on spotting a good value share.

The live interview covered why Peregrine Capital cut its Thungela Resources holding late last year in what Moneyweb called "a perfect exit" and the logic behind that decision. They also spoke about Outsurance, a stock Peregrine remains holding as it continues to offer great potential.

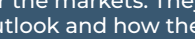
LISTEN TO THE INTERVIEW



Alec Hogg from BizNews spoke to Jacques Conradie about our investment approach.

The filmed interview spoke about Peregrine Capital's pioneering hedge funds, which in Alec's words "translated into unicorn-type returns for early investors" delivering a return of more than 100 times their capital. In this interview, Jacques Conradie, lifted the veil (a little), on some specific examples that got the fund to where it is today and how it has evolved over the past 25 years.

WATCH THE INTERVIEW



Gwyneth Roberts, the publisher from HedgeNews Africa, sat down with Jacques Conradie and David Fraser and discussed how staying flexible and humble remains key to Peregrine Capital's success.

An in-depth interview on Peregrine Capital's range of hedge funds that continued to deliver another solid year's performance in 2022, despite a tough period for the markets. They also discussed the market outlook and how their funds are positioned to keep building on their 25-year track record.

READ THE INTERVIEW

PAST EVENTS

INDUSTRY EVENTS WE PARTICIPATED IN THAT YOU MAY HAVE MISSED:

INVESTMENT FORUM 2023

Jacques Conradie spoke at the Investment Forum event in Cape Town and Johannesburg in March 2023. His presentation – Nowhere to Hide – how to generate returns in a bear market – included how to take the market risk out of your portfolio using pair trades, finding opportunities for alpha across the full capital structure and looking for uncorrelated return streams when traditional assets are falling short.

SEE MORE

PEREGRINE INVESTOR DAY

We hosted investors and IFAs at events in Johannesburg and Cape Town in February 2023. Alan Yates facilitated a panel discussion with our portfolio managers on our 25 years of performance and the audience engaged a live Q&A with the Peregrine team.

WATCH EVENT HIGHLIGHTS

WATCH PANEL DISCUSSION



GLACIER INVESTMENT SUMMIT PARYS

12 MAY 2023



MORNINGSTAR ADVISER FORUM ERINVALLE

18 MAY 2023



THE ALTERNATIVE INVESTMENT FORUM SANDTON

24 MAY 2023



MEET THE MANAGERS SANDTON

8 JUNE 2023

MEET THE MANAGERS CAPE TOWN

13 JUNE 2023

