



Peregrine
Capital

SINCE 1998

JULY 2026

Semi-Annual Investor Letter

Dear Investor,



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The first half of 2026 was a difficult period for SA markets, with the JSE All Share Index ending down 3% for the 1H. The High Growth Fund was up 1.9% for the 1H, while the Pure Hedge Fund was up 1.2%, with the Vision Fund ending down 0.6%.

The past six months were, once again, eventful. The world is contending with two major forces at once: rising geopolitical uncertainty and the emergence of human-level machine intelligence. We believe the interaction of these forces will drive an extended period of exceptionally rapid change across the economic and political landscape. This will be a demanding, and genuinely interesting, environment for investors to navigate. All of us will need to adjust to a much faster pace of change than the world has been used to.

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Fund Performance

Annualised Net Returns*	High Growth Fund	SA Multi Asset - High Equity Category
Cumulative - Since Inception	20809.20%	1352.06%
Annualised - Since inception	22.42%	10.66%
Latest 15 years	16.91%	9.37%
Latest 5 years	13.80%	10.96%
Latest 3 years	15.19%	12.58%
Latest 1 year	10.54%	12.33%

Annualised Net Returns**	Pure Hedge Fund	SA Multi Asset - Low Equity Category
Cumulative - Since Inception	10929.59%	1293.28%
Annualised - Since inception	18.29%	9.86%
Latest 15 years	12.27%	8.48%
Latest 5 years	11.26%	9.88%
Latest 3 years	11.38%	11.72%
Latest 1 year	7.00%	11.98%

Annualised Net Returns***	Vision Fund	HFRX Equity Hedge Index
Cumulative - Since Inception	40.04%	24.73%
Annualised - Since inception	16.15%	10.32%
Latest 1 year	11.42%	14.64%

*inception date is 1 February 2000

**inception date is 1 July 1998

***inception date is 1 April 2024

Data to 30 June 2026 | Source: Peregrine Capital, Morningstar

First Half 2026 Political and Markets Overview

The stand-out event over the past 6 months was the US-Iran war that started on 28 February. The war and resultant spike in the oil price caused a concentrated decline in all 3 of the major themes we were excited about at the start of the year: the South African recovery story, store of value assets and AI. This caused one of the larger down months we have had in the funds' history during March.

Our view at the time was that there would be a delay to the South African recovery story and we cover how we tweaked portfolio exposure later on in this letter. The spike in oil prices also reversed some of the short-term momentum in store-of-value assets.

However, it was our very clear view that it did not have any material effect on the medium-term outlook and valuations of technology and semiconductor companies. The AI trend would continue and accelerate! (as covered in detail in the next section).

So, while the drawdown in March was unfortunate, the funds fully retraced this during April as the market realised that the war would not impact all parts of the market equally. While drawdowns are never pleasant, they often provide great opportunities for those who can keep cool heads and take advantage of the opportunities provided.

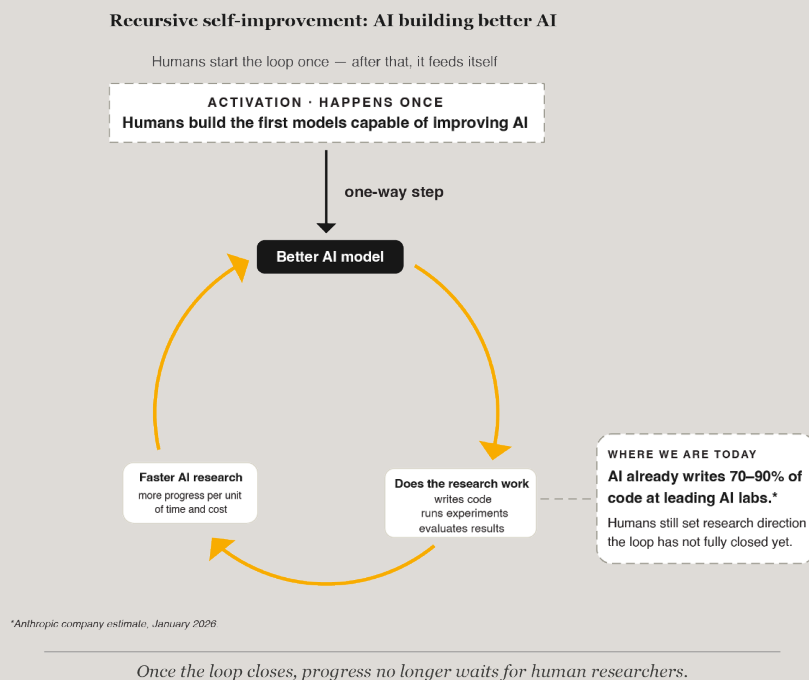
AI:

We have written about AI in our investor letters since 2022, and given the rate of progress over the past six months, it seems quite likely we will never again write one without commenting on AI and its impact on the world.

While earlier AI tools were largely conversational assistants, the latest systems are beginning to operate more like digital workers: they can take a high-level objective, break it into sub-tasks, run multiple workstreams in parallel, use external tools, and iterate toward a finished result.

This is already most visible in software development, where agentic coding systems can read a codebase, edit files, run tests, and coordinate sub-agents across separate tasks. The result is a meaningful step-change in AI capability, particularly in domains such as coding, mathematics, science, and research-heavy knowledge work.

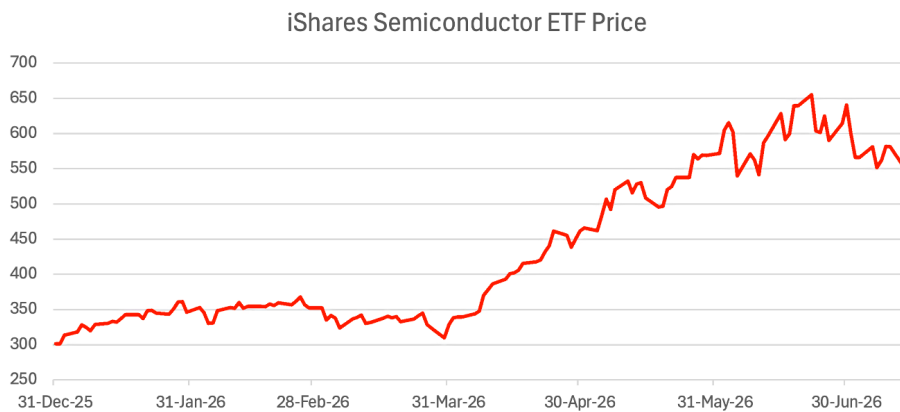
The broader significance is that agentic systems are an important bridge toward Recursive Self-Improvement, or "RSI". RSI describes a feedback loop in which AI systems become capable enough to help improve the next generation of AI systems - through better code, better training methods, better evaluation, and better research productivity. OpenAI and Anthropic have recently said that more than 80% of their code is now being written by AI, with the next step in the process being the automation of AI research. We are approaching RSI. In our view, this is one of the key concepts that investors need to understand when assessing the pace, scale, and potential economic impact of the current AI cycle.



We discussed in our 2025 annual letter how capital expenditure by large tech companies was revised upwards massively during the second half of 2025 and this has continued in the first half of 2026. This trend became clear to us early in the year and we felt the best way to take advantage of this was to increase exposure to semiconductor companies that would be the recipients of these capex dollars, specifically the memory and Hard Drive manufacturers. This worked out very well, as the iShares Semiconductor ETF (SOXX) ended the first half of 2026 up more than 100%. The market has rapidly priced in the higher profits these companies will make over the next few years.

The key debate now is how long demand for semiconductors will exceed supply, and how long super profits will last in these businesses. Given the strong performance, we have sold a large part of our holdings in DRAM and HDD businesses, with most of our remaining exposure to this space sitting in TSMC, the dominant manufacturer of leading edge logic chips, where profitability swings are less volatile and where we expect durable long-term growth.

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Source: Bloomberg

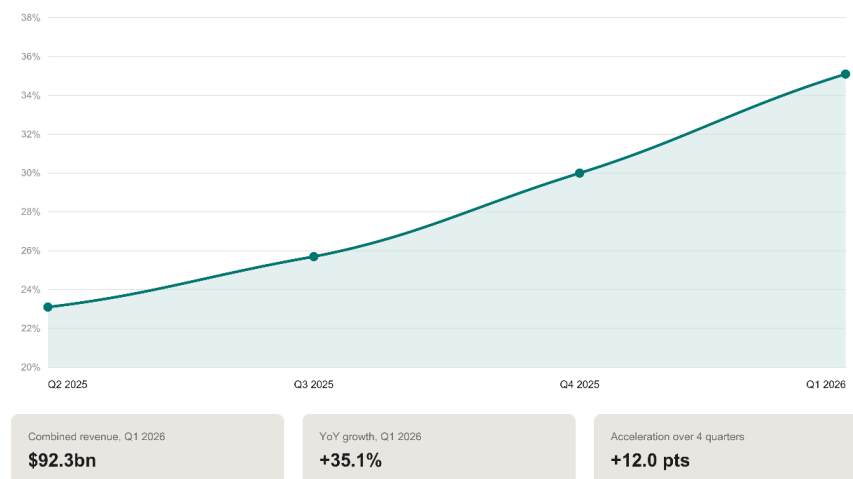
Several of our large consumer technology holdings, including Tencent and Meta, sold off meaningfully during the period, offsetting much of the gain we generated from our semiconductor exposure. The weakness reflected growing market concern about the scale of AI-related investment. Investors are questioning whether these companies are reinvesting too much of their current earnings and, in some cases, drawing on cash reserves or taking on debt, to fund compute infrastructure without a sufficiently visible near-term return.

We believe the market is underestimating the long-term returns that AI investment will generate for leading technology companies.

We take a different view. While this investment cycle is clearly depressing near-term free cash flow, we believe the market is underestimating the medium-term benefits these businesses are likely to realise from AI. For the cloud service providers (Amazon, Google and Microsoft) the benefits should be most directly visible in cloud revenue growth, which has already shown signs of meaningful acceleration.

Hyperscaler cloud revenue growth is accelerating

Combined year-on-year revenue growth of Microsoft Intelligent Cloud, Amazon Web Services and Google Cloud — quarterly, calendar Q2 2025 to Q1 2026. Source: company filings.



Data as at 09 July 2026 | Source: Company filings

At current valuations, we believe these businesses are exceptionally attractive. The market is focusing heavily on the cost of AI infrastructure today, while giving too little credit to the revenue growth, productivity gains and strategic advantages that AI can unlock over the coming years. The key question is whether the significant capital expenditure incurred by these companies will ultimately result in attractive incremental returns – we think the answer is a resounding "yes".

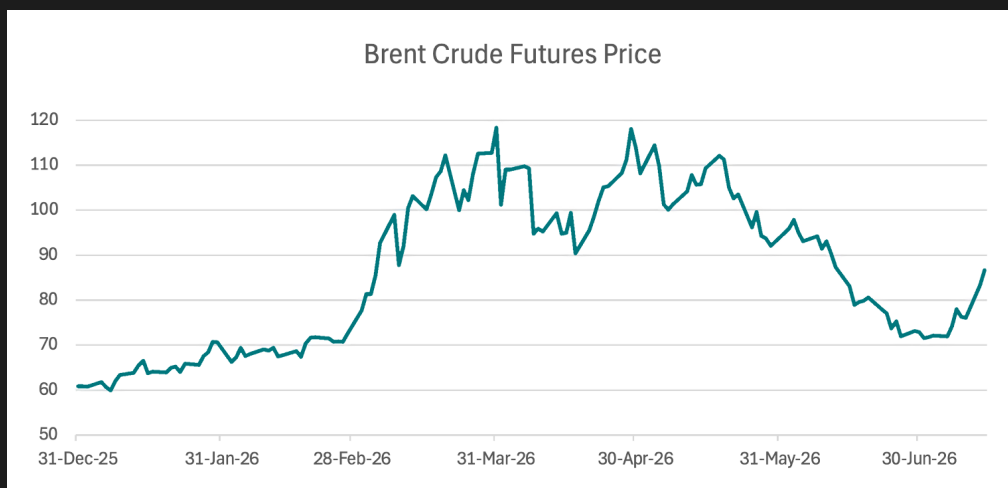
Geopolitics:

The US-Iran conflict highlighted the strategic importance of oil, with the Strait of Hormuz becoming the key variable for global markets.

The year started with a bang as the US captured the Venezuelan president on the 3rd of January. The success of this operation from a US perspective probably influenced the decision to go to war with Iran. The US and Israel did real damage to the Iranian military during the conflict, but they underestimated the leverage Iran could obtain by closing the Strait of Hormuz, impacting about 15% of global oil production. This meant that there was real pressure on the US to keep the conflict short, as an extended conflict would see the oil stockpiles fall to dangerously low levels which would eventually cause a huge spike in oil prices.

Fortunately for the world, Trump realised this and we saw the first ceasefire agreed on 8 April. The Strait was still effectively closed until a seemingly more final ceasefire was reached on 15 June, leading to the re-opening of the strait.

During the first month of the conflict, oil spiked above \$100 - a level that, if sustained, would materially impact emerging markets like South Africa. It has since retreated to the high \$80s at the time of writing. The global fuel supply situation has been exacerbated by recent Ukrainian drone strikes on Russian refining capacity, which have further tightened the supply of liquid fuels. Given that South Africa now imports around 65% of its liquid fuel requirements, this is very negative for the country's balance of payments, inflation outlook and growth potential. Negotiations between the USA and Iran have broken down, hostilities are escalating as we write, and it remains unclear how, or on what timeline, this crisis will be resolved.



Data as at 14 July 2016 | Source: Bloomberg

South Africa:

We were particularly optimistic about the SA macro-outlook at the start of the year based on high gold and platinum prices, muted oil prices as well as the potential for continued cuts in interest rates. Gold has since fallen back to around \$4,000 after briefly going as high as \$5,500 at the start of the year, while platinum is back at \$1,600 after peaking briefly above \$2,600. These are still somewhat attractive levels for South Africa, but will not quite have the benefit on the trade surplus and government revenue at current levels vs the January peaks.

We initially reduced and hedged some of our South African exposure as the conflict started, given the risk to the SA economic outlook if high oil prices persisted.

The picture for South Africa remains unclear. With oil back in the high \$80s and hostilities escalating, the meaningful petrol and diesel price relief we had hoped for is unlikely to materialise in the near term, and fuel prices will continue to put upward pressure on inflation. A durable resolution to the conflict would change this quickly - but until then, the oil price remains the single biggest swing factor for the SA macro outlook.

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Outlook

We expect an eventful second half of the year. AI progress will continue at a rapid rate, but the forward-looking debate has already moved on from whether governments will get worried about the speed of progress, to how far they will go in controlling it. June gave us the first real case study. Anthropic had initially restricted its most capable model, Mythos, to a small group of trusted partners because of its cyber capabilities, and released a more guard-railed public version, Fable 5, in early June.

We expect the sector to remain volatile, which should provide a rich hunting ground.

Within days, the US government issued an export-control directive barring foreign access and forcing Anthropic to pull both models entirely, including for users here in South Africa. Two and a half weeks later, after Anthropic agreed to a set of security commitments, access was restored. The precedent is now set: frontier AI is being treated as a national security asset, and government action has become a variable that anyone investing in or around this sector needs to price in.

We are very excited about the outlook for our larger technology holdings, especially at current valuations. At the same time, we are also well positioned to take advantage of pull backs in the semiconductor space after locking in, in the second half of June, a material part of our gains. We expect the sector to remain volatile, which should provide a rich hunting ground.

Thank you, as always, for your trust and your long-term mindset. Faster change, more government involvement and more volatility all reward patient capital, and having investors who share that horizon allows us to treat volatility as opportunity rather than threat. We look forward to reporting back at year end.



With Thanks

We thank you for your commitment to the long term and for the trust you have placed in us.

Our team is invested in the funds alongside you (collectively, we are now the second largest investor in the funds), and our goals are 100% aligned with yours. This alignment is unique in the South African fund management industry.

Please contact us via ask@peregrine.co.za if you have any questions or comments.



David Fraser
Executive Chairman



Jacques Conradie
Chief Executive Officer



Justin Cousins
Executive Director

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*Fund Name	Inception date	Highest annual return	Lowest annual return
High Growth Fund	Feb 2000	71.61%	-16.20%
ASISA South Africa MA High Equity	Feb 2000	39.47%	-14.75%
FTSE/JSE Capped Swix All Share Index	Feb 2000	73.00%	-37.59%

**Fund Name	Inception date	Highest annual return	Lowest annual return
Pure Hedge Fund	July 1998	133.81%	0.59%
ASISA South Africa MA Low Equity	July 1998	40.59%	-3.10%

***Fund Name	Inception date	Highest annual return	Lowest annual return
Vision Fund	April 2024	36.52%	9.57%
HFRX Equity Hedge Index	April 2024	14.64%	4.52%

The calculation of all net returns from 1 February 2000 until 30 November 2016 relates to the Peregrine High Growth Fund, prior to its inclusion under CISCA. Thereafter, the data relates to the Peregrine Capital High Growth QI Hedge Fund* ("High Growth Fund"). The calculation of all net returns from 1 July 1998 until 30 November 2016 relates to the Peregrine Pure Hedge Fund, prior to its inclusion under CISCA. Thereafter, the data relates to the Peregrine Capital Pure Hedge QI Hedge Fund** ("Pure Hedge Fund"). The 'JSE Capped Swix All Share Index' referenced is the index from December 2016 to date, before that the JSE All Share TR Index is used.

Data to 30 June 2026 | Source: Peregrine Capital, Morningstar, Bloomberg

