

Peregrine Capital prepares RIF launches as it celebrates 21 years

Johannesburg-based Peregrine Capital is launching two retail hedge funds (RIFs) on December 1, 2019, extending access to its top-ranked long/short equity and market-neutral strategies to a wider audience.

The new RIFs will be made available on various LISP platforms (linked investment service provider), facilitating access for financial advisors, who typically have strong and enduring relationships with their clients.

The funds will be known as the Peregrine Capital High Growth H4 Retail Hedge Fund and the Peregrine Capital Pure Hedge H4 Retail Hedge Fund. Lump sum investments of R25,000 and monthly debit orders of R1,000 will be available.

Peregrine Capital is the longest running hedge fund manager in the country and has recently celebrated its 21st birthday.

"We believe hedge funds are the best vehicle for compounding wealth over time, given that they have flexibility and are not benchmark cognisant," said David Fraser, Peregrine Capital's executive chairman and portfolio manager. "Having endured whatever the market has thrown at us over the past 21 years, we remain supremely confident about the resilience of our process."

Fraser notes that he and Peregrine Capital co-founder Clive Nates, both previously at Liberty Asset Management, started the business with the aim of ensuring that the best investment talent focuses on deriving returns from the markets, rather than spending time interfacing at a corporate level as is often the case in the traditional asset management space.

Peregrine Capital's flagship Pure Hedge Fund launched at inception of the business in July 1998, and is the top performing fund in the country over that period. It has outperformed all funds in the South African unit trust universe, which comprises more than 2,000 funds, by some margin, adding an annualised 20.83% versus 15.97% from the next best fund, with lower volatility.

The fund has not had a negative year in its history, versus five down years from the JSE All Share Index during the same period. It has a low correlation to the South African equity market, and has never had a drawdown of more than 5%.

Peregrine Capital's High Growth Fund, which launched in February 2000, has also been an exceptional wealth creator, adding a net annualised 25.33% versus 16.82% from the next best fund. The fund has achieved more than seven times the



Fund managers: Jacques Conradie, David Fraser and Justin Cousins

performance of the JSE All Share Index, with substantially lower risk, as measured by volatility.

The company also offers the Dynamic Alpha Fund, a geared version of the Pure Hedge Fund, and the multi-asset Flexible Opportunity Fund. Dynamic Alpha has added a net annualised 13.79% since inception in December 2014, versus 4.99% from the ASISA multi-asset medium equity category, with no down years. Flexible Opportunity has gained a net annualised 11.25% since inception in December 2015, compared with 3.59% from the ASISA multi-asset high equity category, again with no down years.

Peregrine Capital believes its edge is its dedicated and passionate team combined with a flat corporate structure, which allows for good ideas to come to the fore and rapid decision-making. It has a dedicated and skilled 16-strong team, with eight people on the investment side and eight in operations, finance and distribution.

Jacques Conradie, managing director and portfolio manager, said the team remained "resolutely focused" on its goal of delivering long-term returns for clients.

"We are proud of our long-term track record, which we believe has been achieved through the consistent application of our process in identifying mis-priced shares," he says. "Our core in-

vestment philosophy and dedication to the research process has stood the test of time, but we will never stop learning or seeking to improve. We make small adjustments and improvements on a regular basis and seek to identify any mistakes early and learn from them."

Staff and associates account for a significant portion of its AUM, compared with an estimated 0.5% from the average fund manager in South Africa. This, together with management's 50% share of the business, helps to support the alignment of interests with its investors.

"The longer I am in this industry the more I realise that investing is more of an art than a science," adds Fraser. "We start off by understanding the capital structure of companies. Yet more and more, it is softer issues such as management integrity and vision that can tip the risk-reward balance. We look to be a constructive force in the markets as we engage with company management. Our institutional memory has been built up over time and is hard to replicate, coupled with team cohesion and talent."

Peregrine Capital has in the past soft-closed its funds to new investors to remain nimble and preserve performance. All funds are currently open, with total assets under management of around R7 billion.