

# PURE HEDGE FUND

NEVER HAD A NEGATIVE YEAR SINCE INCEPTION IN JULY 1998\*

## ABOUT THE FUND

The Peregrine Capital Pure Hedge H4 QI Hedge Fund (The Pure Hedge Fund or the Fund) is our moderately conservative hedge fund offering; a multi-asset fund with limited equity exposure (restricted to a maximum of 20% net equity). This is a market-neutral fund, meaning that the fund does not rely on upward trending markets alone to make money. The investment team is able to generate positive returns in both rising and falling markets due to their expertise in making appropriate use of the tools available to them in the hedge fund space.

The goal of the Pure Hedge Fund is to offer investment stability and downside protection while growing investors' purchasing power. This is achieved by delivering returns above inflation over the medium term and managing negative volatility to preserve investors' wealth. The ideal investment period for this Fund is at least two years.

## INVESTORS CAN EXPECT:

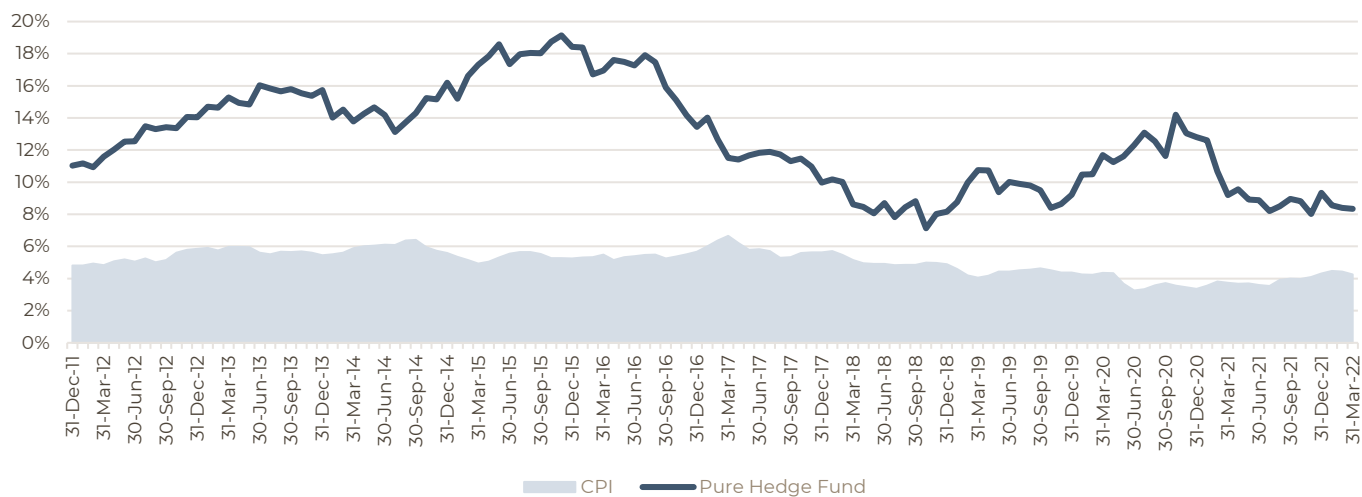
- Stable returns that exceed inflation
- Downside protection
- Moderate to low levels of market volatility

## INFLATION BEATING RETURNS

Since its inception in July 1998, the Pure Hedge Fund has produced an annualised return of 19.32% (SA Multi Asset – Low Equity Category: 9.78%) and has never had a negative year.

Considering the ideal investment horizon of two or more years, the Pure Hedge Fund consistently delivers on its primary objective of providing inflation-beating returns to investors. This is illustrated in the below graph comparing the Pure Hedge Fund's returns to inflation.

## 2 YEAR ROLLING RETURNS (ANNUALISED)



Data to 31 March 2022 | Source: Peregrine Capital, Bloomberg

Whilst the Pure Hedge Fund's two-year rolling return average is 12.72% per annum for the ten-year period 31 March 2012 to 31 March 2022, inflation averages 5.03% per annum over the same period. Investors in the Pure Hedge Fund have achieved real returns (above inflation) for each investment period of two or more years.

The dependable performance track-record of the Pure Hedge Fund is further evidenced as follows:

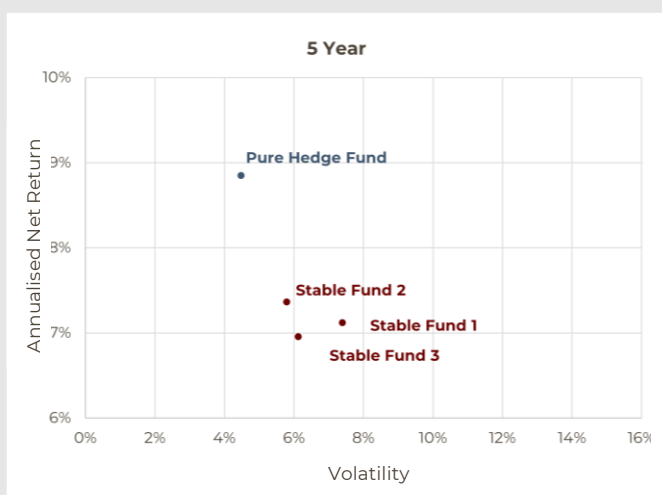
- Zero annual periods of negative fund performance
- The median annualised return over a two-year period is 15.18% per annum
- 96.56% of the two-year rolling return periods have produced returns in excess of 8% per annum



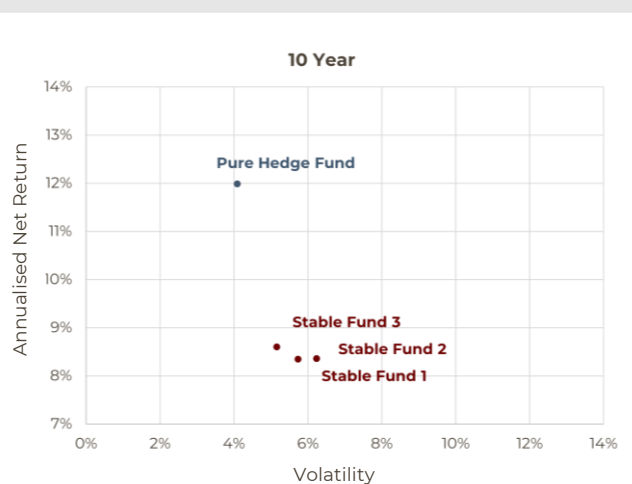
## RISK VS RETURNS

The consistency of returns is matched by the downside protection offered by the fund, with volatility and drawdown metrics in line with those of the low-equity multi-asset category, and potentially the multi-asset income fund space. To illustrate, below are the risk/return metrics of the Pure Hedge Fund against some of the largest low-equity multi-asset funds in South Africa:

### 5 YEAR RISK VS. RETURN METRIC



### 10 YEAR RISK VS. RETURN METRIC



Data as at 28 February 2022 | Source: Peregrine Capital, IRESS, Bloomberg

What the above illustrates is that the Pure Hedge Fund offers better performance for similar/less risk than the largest Stable Funds. This is due to the Peregrine Capital investment team's notable skillset and the implementation of our long-standing investment philosophy.

## TAX BENEFITS

For discretionary investment clients that are looking for consistent real returns, without the need for a distribution from their investment, the Peregrine Capital Pure Hedge Fund may be a tax efficient solution. This is due to the makeup of the fund returns. This historical attribution is highlighted in the below table whereby the returns for each bi-annual distribution period of the fund are broken down.

	31 Mar 17	30 Sep 17	31 Mar 18	30 Sep 18	31 Mar 19	30 Sep 19	31 Mar 20	30 Sep 20	31 Mar 21	30 Sep 21	Total	Split
<b>Interest Income</b>	0.3%	0.1%	0.9%	0.6%	0.0%	0.8%	1.0%	0.0%	0.0%	0.1%	<b>3.9%</b>	6.7%
<b>Dividends</b>	0.3%	0.2%	1.0%	0.8%	0.0%	0.5%	0.6%	0.0%	0.0%	1.4%	<b>4.8%</b>	8.4%
<b>Capital Gain</b>	4.1%	5.6%	-3.7%	7.4%	8.4%	2.2%	0.6%	8.7%	3.7%	1.6%	<b>45.2%</b>	78.1%
<b>Total Return to Client</b>	4.7%	5.9%	-1.8%	8.8%	8.4%	3.5%	2.2%	8.7%	3.7%	3.1%	<b>57.9%</b>	100.0%

Data source: Peregrine Capital

The majority of the return has been capital gains in nature, should be subject to capital gains tax on withdrawal, as opposed to income tax. For clients in the discretionary space who are currently reinvesting income and are in a relatively high income-tax bracket, an investment in the Pure Hedge Fund, as compared to more traditional income

## CORRELATION TO THE MARKET

Another point of consideration is that due to the unique structure of this fund, returns are delivered in a manner with little to no correlation to the market. In fact, there have been numerous instances of negative correlation to the market, proving the diversification benefit of the fund in an investor's overall portfolio mix.



## ACCESS

In prior years the Pure Hedge Fund was only available to high-net-worth individuals and family trusts, as well as institutional clients. With the introduction of additional regulation and daily trading retail funds, you may now access the Pure Hedge Fund either direct, or via most South African investment platforms.

In summary, the Pure Hedge Fund is a moderately conservative investment option, offering reliable risk-adjusted returns in an uncorrelated manner. Due to the moderately low risk nature, and extensive track record of consistent returns, the Pure Hedge Fund is a compelling medium-term investment option for an investment portfolio.

### Disclaimer:

This document has been compiled for information purposes only and does not take into account the needs or circumstances of any person or constitute advice of any kind. Peregrine Capital Proprietary Limited ("Peregrine Capital") is an authorised financial services provider and is the investment manager of the Peregrine Capital Pure Hedge H4 QI Hedge Fund ("Pure Hedge Fund"). H4 Collective Investments (RF) Proprietary Limited, is an approved manager of collective investment schemes in terms of the Collective Investment Schemes Control Act, 2002. Returns are quoted net of fees and as at 31 March 2022. Annual management fee is charged at 1% while performance fees are charged at 20% subject to High Water Mark and above hurdle (STEFOCAD). Fee class Status: Class A, distributing. Net asset value figures (NAV to NAV) have been used for the performance calculations, as calculated by the manager at the valuation point defined in the deed, over all reporting periods. The performance is calculated for the portfolio. Individual investor performance may differ, as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Performance is based on a lump sum contribution and is shown net of all fund charges and expenses and includes the reinvestment of distributions. Actual annual figures are available to the investor, on request at [info@h4ci.co.za](mailto:info@h4ci.co.za). A schedule of fees, charges and maximum commission is also available on request from the manager. The rate of return is calculated on a total return basis, and the following elements may involve a reduction of the investor's capital: interest rates, economic outlook, inflation, deflation, economic and political shocks or changes in economic policy. Annualisation is the conversion of a rate of any length of time into a rate that is reflected on an annual basis. Past performance is not indicative of future performance. This is a medium to high-risk investment.

* Fund Name	Inception date	Highest annual return	Lowest annual return	Latest 1 year	Latest 3 years	Latest 5 years	Latest 10 years
Pure Hedge Fund	Jul-1998	67.90% (1999)	1.61% (2008)	4.15%	7.49%	8.78%	11.83%
Inflation (CPI)	Jul-1998	12.97% (2002)	0.21% (2008)	5.65%	4.38%	4.24%	5.02%
ASISA South Africa MA Low Equity	Jul-1998	40.59% (1999)	-10.69% (2008)	8.41%	7.07%	6.54%	7.62%