

Not All Brown Bears Are Grizzlies – And Not All CIS Funds Are Built the Same

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Grizzly bears, a subspecies of the brown bear, may look similar to their relatives, but subtle differences in size, diet, and behaviour give them unique strengths. The same can be said for hedge funds.

While hedge funds are a type of collective investment scheme (CIS), they operate quite differently from traditional long-only funds – and those differences matter. Understanding how hedge funds work, and why they were historically hard to access for individuals, helps explain why they're becoming an increasingly valuable tool for investors today.

Like the grizzly – built for agility, adaptability, and resilience – hedge funds stand apart for good reason.

Let's explore how, and more importantly, why it matters to you as an investor.

Hedge funds: Different by design

In 2015, hedge funds were officially classified as CISs under the Collective Investment Schemes Control Act (Cisca). This regulatory shift brought greater transparency and accessibility.

But just as a grizzly bear isn't defined solely by its classification as a brown bear, hedge funds are not your typical CIS. How they behave – and what they're built for – makes all the difference.

Wider set of tools – more ways to generate returns whilst protecting your capital

As grizzlies forage beyond the coastline for a more varied diet, hedge funds go far beyond traditional investment strategies.

Where long-only unit trusts tend to follow a buy-and-hold approach – investing in shares, bonds, and property – hedge funds have a broader toolkit to protect capital and generate returns in both rising and falling markets.

These include:

Short selling: The ability to profit when asset prices fall.

Options and derivatives: Tools to manage risk and enhance returns.

Event-driven and special situations: Strategies that exploit temporary inefficiencies.

Pair trading: Profiting from performance differences between similar companies.



Waldo Booyesen, Investment Specialist at Peregrine Capital



Why this matters

Hedge funds aren't limited to tracking the herd. They can adapt to different market conditions, much like a grizzly adjusts its behaviour to changing environments – which means greater flexibility and consistency for investors.

Focus on absolute returns – not just beating an index

Most traditional funds aim to beat an index – even if the index is down.

Hedge funds take a different approach. They focus on absolute returns, growing your wealth regardless of how the broader market performs.

Why this matters

Your financial goals are measured in real money – rands and cents – not relative performance. Like a grizzly preparing for winter, hedge funds are focused on outcomes that matter in the real world: preserving and growing capital in all conditions.

Low correlation to traditional assets – true diversification

Grizzlies don't follow the same patterns as their coastal cousins, and hedge funds don't always move in tandem with equities or bonds.

Why this matters

When markets are turbulent, hedge funds can act as shock absorbers. Their low correlation to traditional asset classes helps smooth returns and add resilience to your portfolio, especially during market downturns.

Previously hard to access – now available to individual investors

Seeing a grizzly in the wild once meant an expensive trip to North America. Similarly, accessing hedge funds used to require institutional-level connections or complex investment vehicles.

Today, that's changed.

Why this matters

Hedge funds like those at Peregrine Capital are now accessible via all major linked investment service provider (Lisp) platforms. They have become a cornerstone for quality financial advisors who recognise the value hedge funds can offer their clients. Increased accessibility and much lower minimums mean private investors can gain exposure to strategies that have long been the preserve of institutions and professional asset allocators.

Smaller industry size – niche mastery and nimbleness

Grizzlies thrive in specific habitats where agility and focus are key. Likewise, hedge funds in South Africa represent a relatively small industry (around R80 billion vs. over R2 trillion in long-only CIS), and that can be an advantage.



Why this matters:

Smaller managers are often nimbler. They can move quickly, identify overlooked opportunities, and avoid larger institutions' crowding risks, providing investors with specialised expertise.

So, why should you care?

Because hedge funds are built differently, they behave differently – and that gives them the potential to deliver better outcomes:

More consistent returns

Improved downside protection

Diversification that actually works

Access to institutional-quality strategies

Alignment with real-world financial goals

In a world of rising volatility and complexity, hedge funds offer a more adaptive and resilient approach to investing. They're no longer the exclusive territory of the ultra-wealthy – and they're playing an increasingly important role in modern portfolios.

PS: No bears were harmed in the writing of this article.

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Peregrine Capital is an authorised financial services provider (FSP 607).

