

The Real Power of Asymmetric Returns

PeregrineTM
INVEST IN
PERFORMANCE Capital

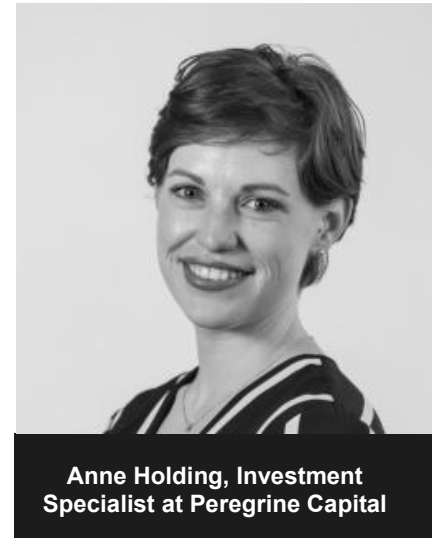
Winning more by losing less

Reviewing Peregrine Capital's performance history over the years has reinforced a simple yet powerful truth: you do not need to win all the time to build wealth.

What are asymmetric returns?

In investing, asymmetric returns arise when the potential upside of a portfolio meaningfully exceeds the potential downside. The key lies in risk management – minimising losses so the power of compounding can work more effectively during growth periods.

Rather than simply tracking market fluctuations, an asymmetric return profile seeks to capture a significant portion of the upside in strong markets while limiting drawdowns, or even generating positive returns, during downturns.



Anne Holding, Investment Specialist at Peregrine Capital

This matters because losses compound more painfully than gains.

For example, a portfolio that loses 50% requires a 100% gain just to break even. Large drawdowns not only erode capital but also delay the recovery process and hinder long-term compounding. Reducing the severity or frequency of these drawdowns can dramatically shift a portfolio's long-term trajectory.

Hedge funds as portfolio insurance

I view hedge funds as a form of insurance within an investment portfolio. Just as you don't buy home or car insurance expecting disaster, you don't invest in hedge funds expecting markets to collapse – but you recognise that the cost of being unprotected is too high.

The core strength of hedge funds lies in their ability to protect, and in some cases, enhance capital during market stress.

In rising markets, they can still participate in gains – often modestly compared to long-only equity funds – but in downturns, the right hedge fund can reduce losses or even deliver gains. This asymmetry compounds into stronger overall portfolio returns across market cycles.

Measuring asymmetry in practice

Two common measures of asymmetric returns are the upside and downside capture ratios, which assess how much of the market's movements a fund captures during positive and negative months, respectively.

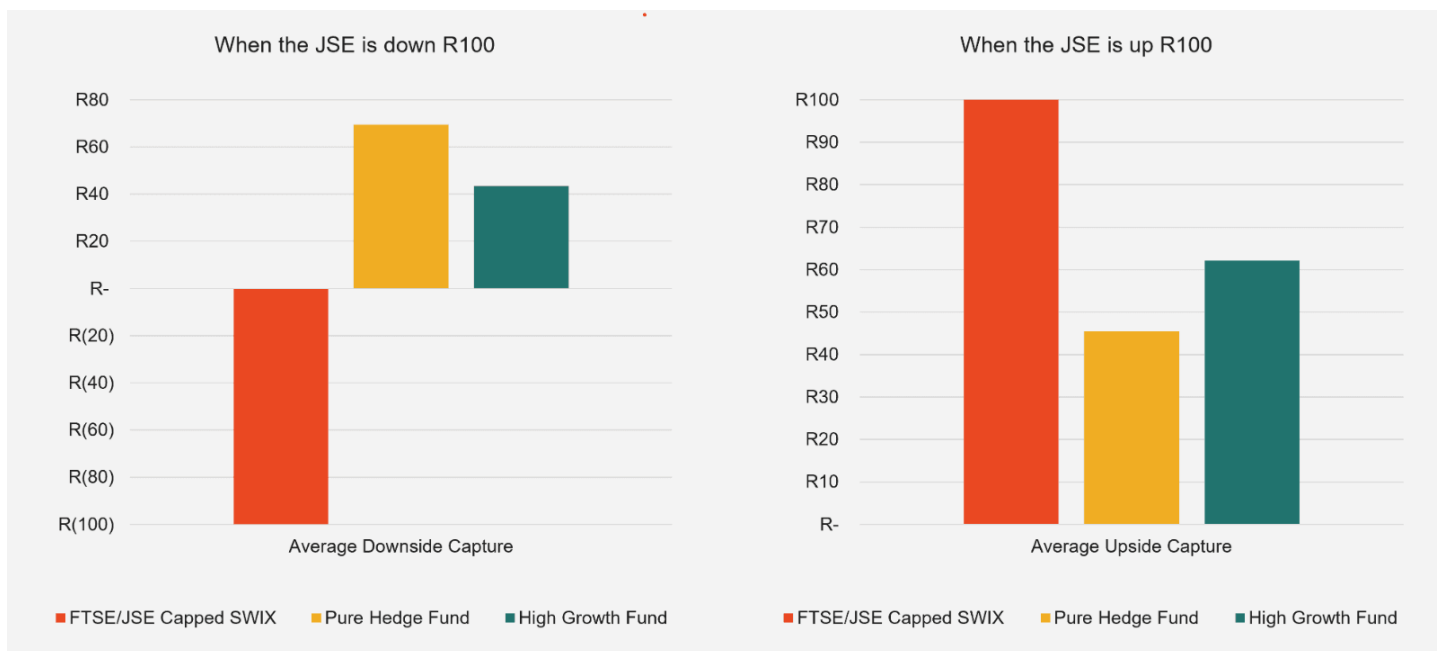
A downside capture below 100% means the fund loses less than the market in down periods.

A negative downside capture – which some of our funds have delivered – means the fund has, on average, generated positive returns when the broader market was negative.

Consider our performance over the 10 years to 31 August 2025 (net of fees, using monthly returns versus the JSE Capped SWIX):

High Growth Fund - Upside capture: 62.1% - Downside capture: -43.5% This fund often delivered positive returns during months when the market declined – reversing the usual pattern.

Pure Hedge Fund - Upside capture: 45.5% - Downside capture: -69.6% With a more defensive profile, this fund still participated in nearly half the market’s gains, while posting positive returns in many of the negative months.



Data to 31 August 2025 | Source: Peregrine Capital, Bloomberg

Why this matters?

These results are compelling for three key reasons:

They demonstrate two-way asymmetry, with participation in rising markets and resilience in falling ones;

They provide real protection during crises, helping to offset losses in other parts of a portfolio; and

They enhance compounding by adding returns precisely when most investors are losing capital.

This profile is extremely difficult to replicate with traditional long-only strategies, which tend to suffer in line with market drawdowns.

The flexibility behind hedge funds

The ability of hedge funds to deliver asymmetric returns stems from their flexibility.

Unlike traditional strategies, hedge funds can go long and short, utilise hedging instruments, and diversify across strategies that do not all respond to the same economic cycle.



This flexibility enables hedge funds not only to protect capital in challenging conditions, but also to capitalise on volatility – turning it into an opportunity rather than a setback.

Asymmetric returns in the South African context

For South African investors, market volatility, political uncertainty, currency fluctuations and global shocks are a consistent reality.

Having an allocation to strategies that can protect capital in difficult times while still growing in good times is not just reassuring, it's a real competitive advantage.

That is the quiet strength of asymmetric returns: not merely riding the market higher, but using even the toughest months to grow wealth.

At Peregrine Capital, our hedge funds have consistently demonstrated this profile, protecting on the downside while still capturing meaningful upside and helping clients grow and preserve their wealth across market cycles.

Name	Inception date	Highest annual return	Lowest annual return	Latest 1 year	Latest 5 years	Latest 10 years
High Growth Fund	Feb 2000	53.01% (2004)	-11.98% (2008)	16.92%	14.62%	12.13%
FTSE/JSE Capped Swix All Share Index	Feb 2000	47.25% (2005)	-23.23% (2008)	25.06%	17.08%	9.03%
Pure Hedge Fund	Jul 1998	67.90% (1999)	1.61% (2008)	13.04%	11.03%	11.01%

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.

Disclaimer:

Fund performance: Returns are quoted net of fees | Fund performance provided as at 31 August 2025 | Performance fee: 20% subject to High Water Mark | 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@peregrine.co.za. Investment performance calculations are available for verification upon request by any person. 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. The High Growth QI Fund is a medium to high-risk investment. The Pure Hedge QI Fund is a low to medium risk investment. The value of participatory interests or the investment may go down as well as up. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. The manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The manager has a right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. The figures, examples and comparisons shown are illustrative only. Nothing herein constitutes financial advice, a recommendation, or an offer to buy or sell any security. Past performance is not a guide to future returns. Please refer to the latest MDD/factsheet for further information. www.peregrine.co.za

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