

# Peregrine Capital under way with global fund after another strong year

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Johannesburg-based Peregrine Capital went live with its global long-only fund in November 2020, in response to investor demand, having expanded its investible universe into attractive offshore opportunities over the past five years.

The Peregrine Capital Global Equity Fund is currently available offshore in US dollars. The rand-based feeder fund will be available in the near future, with access via the major South African platforms as part of the strategy.

The new launch comes as the firm clocked another strong year with its flagship Peregrine Capital High Growth Fund and the Peregrine Capital Pure Hedge Fund, which ended the year a net 17.0% and 12.2% higher respectively. The Global Equity Fund will invest in names already included in the domestic funds' offshore allocations.

"We were pleased that both funds outperformed their peers and relevant market indices by a large margin during the year, while generating significant real returns for our clients," executive chairman David Fraser and CEO Jacques Conradie, who head the eight-strong investment team, noted in their recent letter to investors. "We remain focused on creating wealth over the medium to long term for our clients."

Peregrine Capital achieved a notable milestone in 2020 by becoming the first fund in South African history to achieve a 10,000% return for investors since its inception. This means that R1 million invested in the Peregrine Capital High Growth Fund on 1 February 2000, would be worth more than R100 million as at the end of December 2020.

"This shows the impact of compounding returns over extended periods and sticking with a manager that can deliver sustained returns through the consistent application of a tried and tested investment process," Fraser and Conradie noted.

The Global Equity Fund will be a best ideas portfolio investing in developed markets, with no focus on benchmark weightings.

"Given the muted growth outlook for the South African economy and the volatile geopolitical climate internationally, we believe that it is prudent to diversify expo-



Justin Cousins, David Fraser and Jacques Conradie

sure across geographies and asset classes, with partners that you can trust," said Fraser and Conradie. "In a world where global central banks have set interest rates at zero and insist on printing money to inject liquidity into the financial system, owning a high quality portfolio of companies, with strong real growth prospects and compelling expected returns, is an attractive means of preserving and growing wealth."

"Our Global Equity Fund will invest in enduring franchises that we understand deeply and that have attractive growth prospects, where we have unique and valuable investment insights obtained by doing detailed primary research, and where valuations are compelling," they said. "By applying these principles, and investing heavily alongside our investors in the fund, we aim to deliver industry-leading investment returns over the medium term."

In their annual letter to investors, the team notes that 2020 was a "unique and challenging" year, brought about by the rapid spread of the pandemic and global economic shutdowns that followed, creating one of the sharpest sell-offs in the history of financial markets (locally, the SA Capped Swix All Share Index ended the

first quarter of 2020 down 26%), followed by a remarkable rally in global markets.

The events resulted in two positive changes for its investors – notably the opportunity for a substantial portfolio upgrade, and secondly the amplified motivation and energy level of its investment team.

Throughout its 22-year history, the team has focused on incrementally building its circle of competence, leading it to explore offshore markets in recent years.

"The events of 2020 allowed for one of the best incremental improvements we have made in the history of our business. It has delivered a best of both worlds' scenario to our investors as we are now able to construct a more diversified portfolio, while also finding opportunities that will increase the future expected returns of the funds," they said.

The first-quarter sell-off provided a unique opportunity to exploit opportunities in a wider universe by including new companies at attractive valuations, reducing the funds' historic exposure to the South African macro environment, while increasing diversification by geography and business model in the hunt for new ideas that will take the portfolio into the next decade.

“We currently have one of the highest quality portfolios we have had over the past 22 years. Valuations are attractive, and our top 10 positions are likely to grow earnings at greater than 25% per annum over the next few years. This puts the funds in a great position to continue to deliver strong risk-adjusted returns in the years ahead.”

Going into a new year, the team remains focused on risk management, starting with detailed company analysis before investing and followed by continuous monitoring of positions to identify changes in a specific company, industry or management team, or at a macroeconomic level, that may alter the outlook for a company. This process worked to good effect early last year, with the team stress-testing portfolio companies, acting aggressively to identify shares that risked permanent capital loss and thus delivering strong Q1 returns while also giving them confidence to buy aggressively into the sell-off.

They also remain focused on optionality, or the ability for a company to increase its value in ways that the rest of the market doesn't recognise, which typically occurs in the technology space rather than among traditional businesses.

Fraser and Conradie expect an interesting year in the markets, based on a combination of factors, including Covid vaccine rollout versus how rapidly the virus will

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*David Fraser and  
Jacques Conradie*

continue to evolve. Achieving global herd immunity could lead to a sharp economic recovery, with travel and tourism standing to benefit from increased savings rates. They add that 2020 accelerated technol-

ogy adoption by at least five years, and it remains to be seen what the environment will look like once things normalise.

In addition, the impact of coordinated central bank action has made cash and government bonds the most unattractive they have ever been in the developed world, which stands to have a medium-term impact on asset prices.

“The rate of technological change has been accelerated by the events of 2020, and we believe old-world business models will continue to be disrupted by these changes,” they add. “Our team is working tirelessly to ensure that we will be at the leading edge of the change, and that our portfolios will benefit from these trends rather than be harmed. Despite placing enhanced focus on these businesses of the future, we remain grounded in our valuation-based investment principles.

“We are entering an era where we expect the great businesses that we own to utilise their strong balance sheets and dominant market positions to accelerate their growth in market share and profitability over the long run.”

Peregrine Capital has also focused on expanding its retail distribution, with the two retail versions of the High Growth and Pure Hedge strategies becoming the first South African hedge funds to be listed on all major LISP platforms.

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Peregrine Capital has proven its pedigree – R1m invested  
with Peregrine Capital in 2000 is worth R100m today\*

  
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[www.peregrinecapital.co.za](http://www.peregrinecapital.co.za)

\*Source: Peregrine Capital (Pty) Ltd as at 31 December 2020. Past performance is not indicative of future performance. Additional information is available at [www.peregrinecapital.co.za](http://www.peregrinecapital.co.za). Peregrine Capital (Pty) Ltd is an authorised financial services provider.