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Steyn Capital

Think Tank · August 2026

A Hedge Fund Strategy Providing True Asymmetric Returns

Why limited downside and uncapped upside changes the math of compounding and quietly fixes investors behavior

Emerging & Frontier Equity Market Specialist

South Africa 2009	Africa 2011	Frontier 2018	Global Emerging 2022
Hedge Funds Long-only	Long-only	Long-only	Hedge Funds Long-only

WINNER Awards 2010 · WINNER Awards 2013 · WINNER Awards 2014 · WINNER Awards 2017 · WINNER Awards 2021 · WINNER Awards 2021 · WINNER Awards 2023 · WINNER Awards 2023 · WINNER Awards 2024 · WINNER Awards 2025 · WINNER Awards 2025 · WINNER Awards 2025

Source Steyn Capital Management. The full details and basis of the award are available from the manager.

Asymmetric Returns: The foundation of long-term compounding

Why it Matters: The "Maths" of recovery

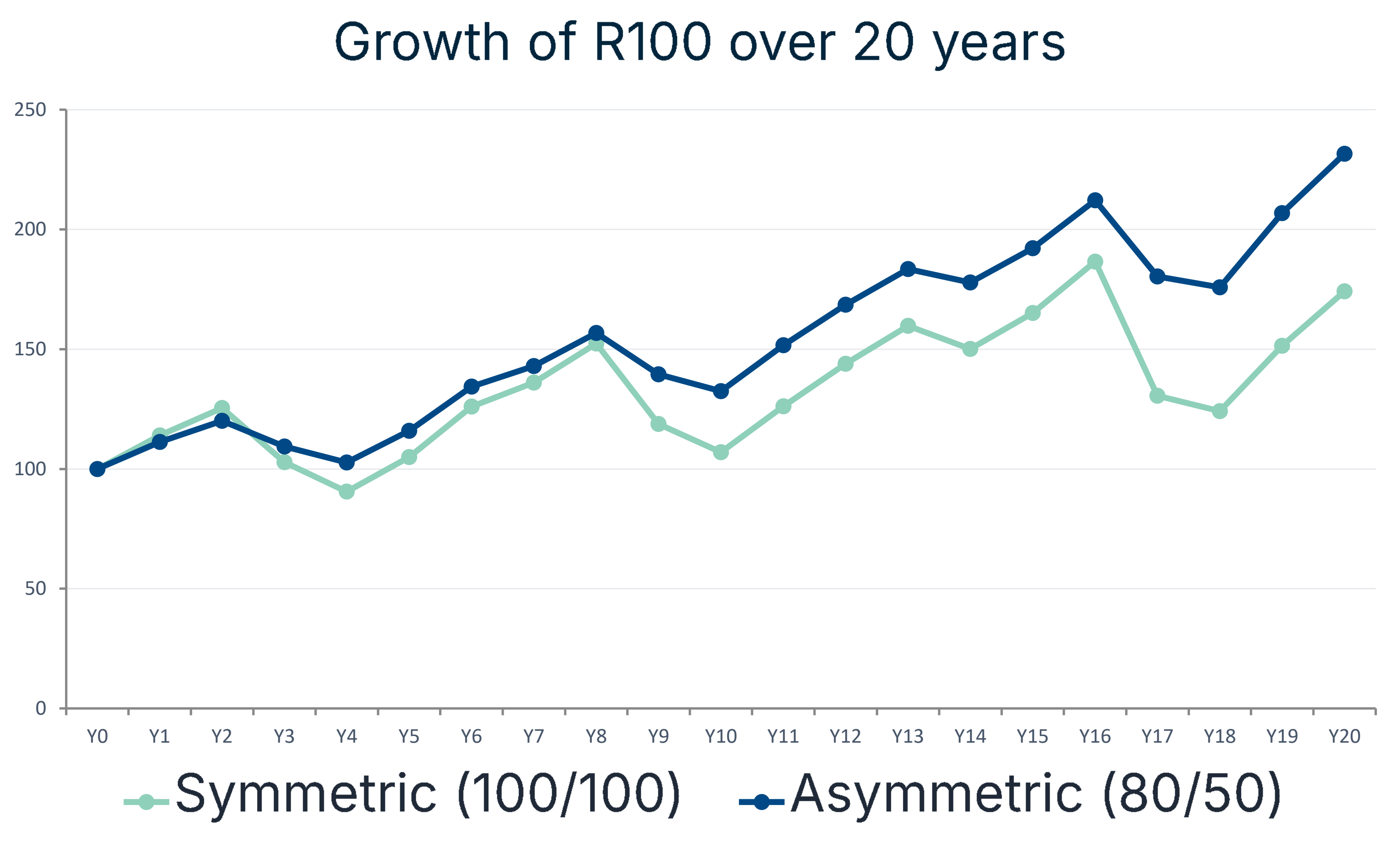
Drawdown	Required gain to break even
−10%	+11.1%
−20%	+25.0%
−50%	+100.0%
−70%	+233.3%

Avoiding losses is mathematically more powerful than chasing gains

Source: Steyn Capital Management

Less downside compounds into more wealth

Sacrificing 20% upside to halve downside yields higher final wealth and a smoother path



ASYMMETRIC

R232

SYMMETRIC

R174

Source Steyn Capital Management

Investors don't earn what their funds earn

The Behaviour Gap

≈ 1.2%

Annualised shortfall between investor returns and the funds they invest in

Three recurring decisions destroy compounding

1 **Capitulation at the bottom**

Selling near drawdown lows locks in losses precisely when forward returns are highest

2 **Performance chasing at the top**

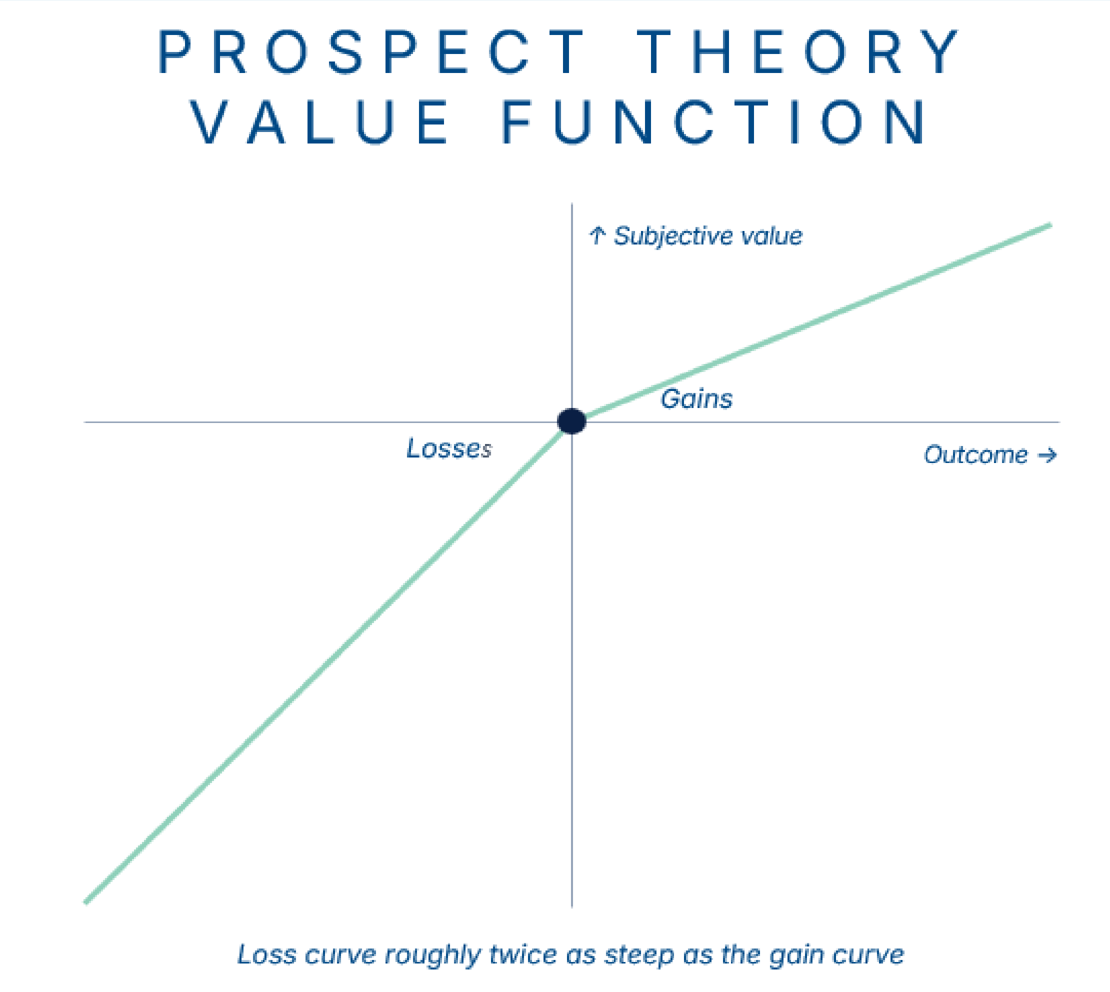
Buying after strong runs concentrates allocations at expensive valuations

3 **Strategy abandonment**

Switching managers mid-drawdown converts paper losses into permanent ones

Source: Morningstar's annual Mind the Gap study (2014–present)

Loss aversion is hard-wired



Losses register psychologically twice as intense as equivalent gains

Source: Steyn Capital Management

Why asymmetry matters – two advantages

MATHEMATICAL

Avoiding deep drawdowns disproportionately accelerates compounding because recovery gains are non-linear in losses.

BEHAVIOURAL

Smoother returns generate less loss-averse pain, reducing capitulation, performance chasing, and strategy abandonment.

Asymmetric strategies don't just produce better numerical returns – They produce conditions that make better decisions more likely

Source: Steyn Capital Management

Equity-like returns with significant lower volatility

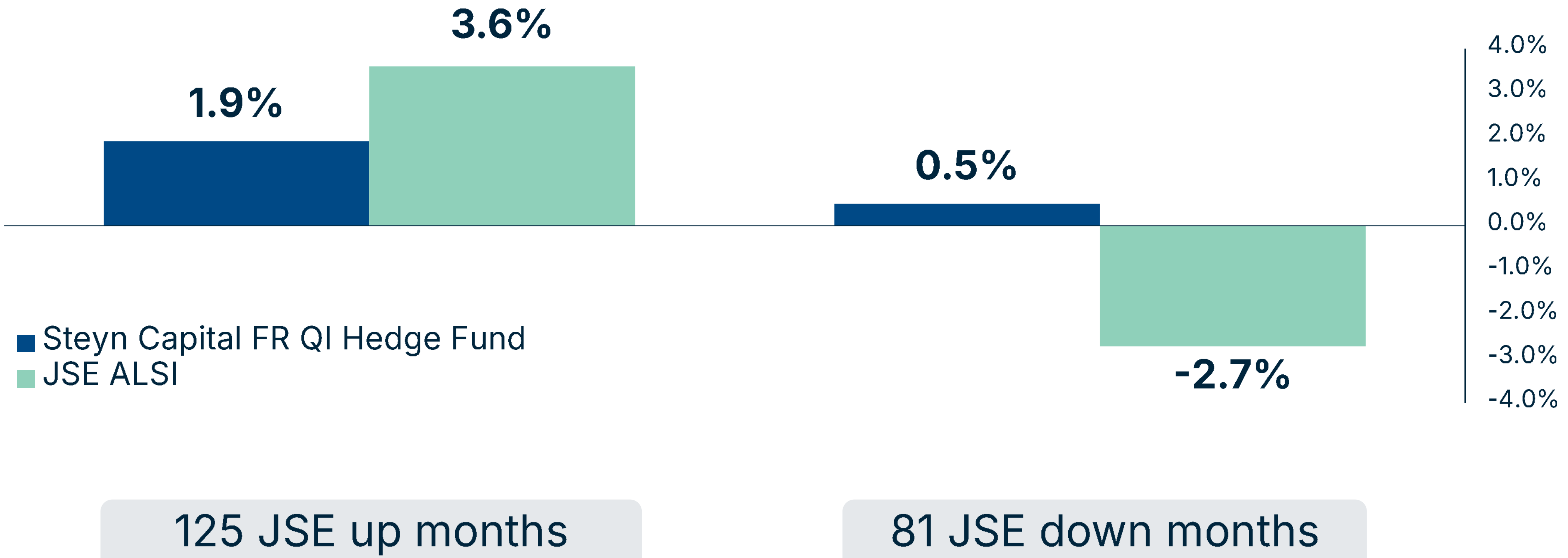
Average performance of Steyn QIF Hedge Fund in JSE up & down months

5-YEAR	10-YEAR	SINCE INCEPTION
49%	**49%**	**52%**
of JSE gains in up months	*of JSE gains in up months*	*of JSE gains in up months*
-28%	**-8%**	**-18%**
fund GAINED in JSE down months	*fund GAINED in JSE down months*	*fund GAINED in JSE down months*

Source: Steyn Capital Management, June 30, 2026.
Annualised returns are the weighted average compounding growth rate over time. Actual annual figures are available to investors on request. Income distributions are declared on the ex-dividend date. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. The investment performance is for illustrative purposes only. income is reinvested on the reinvestment date. the investment performance is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date.

Hedge Strategy: Equity-like returns with significant lower volatility

Average performance of Steyn QIF Hedge Fund in JSE up & down months since inception



Source: Steyn Capital Management, June 30, 2026.
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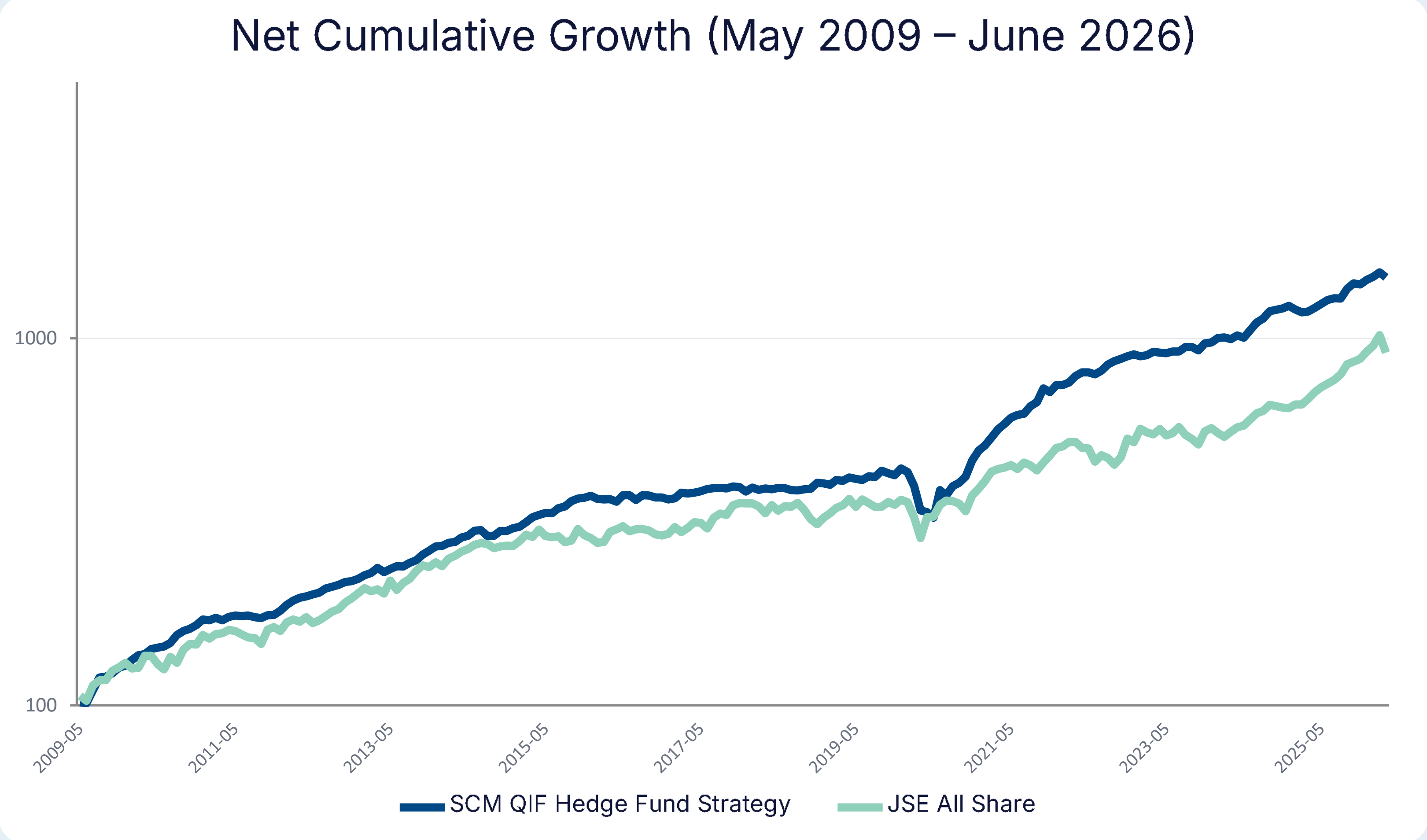
Hedge Fund Track record – Long-term investment consistency



Since Inception Annualised Return

16.8%

QIF Annualised Alpha

~%3

Volatility vs JSE ALSI Index

27% Less volatile

Source: Steyn Capital Management, June 30, 2026. Since Inception in May 2009 - Highest 87.04% I Lowest -21.63%
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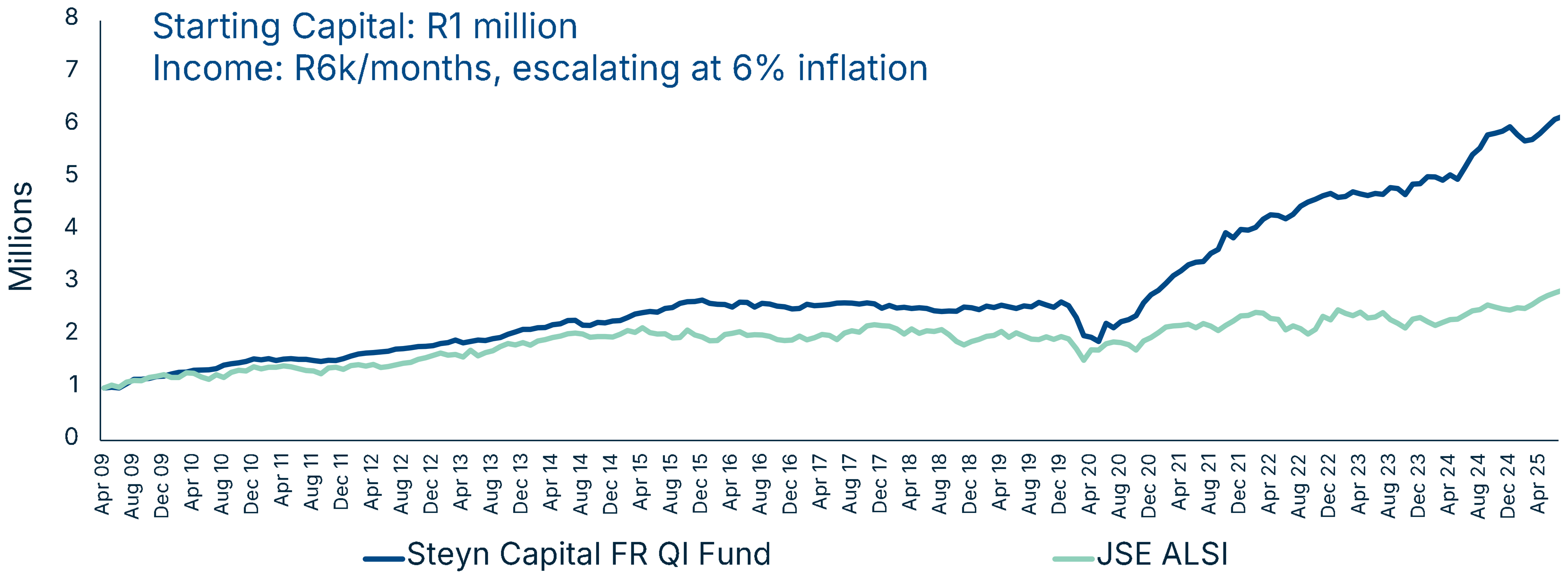
Reduce sequence risk

The risk-adjusted benefit produced by hedge fund is a compelling reason to use hedge funds in a client's income drawing portfolios



Source: Steyn Capital Management, June 30, 2026.
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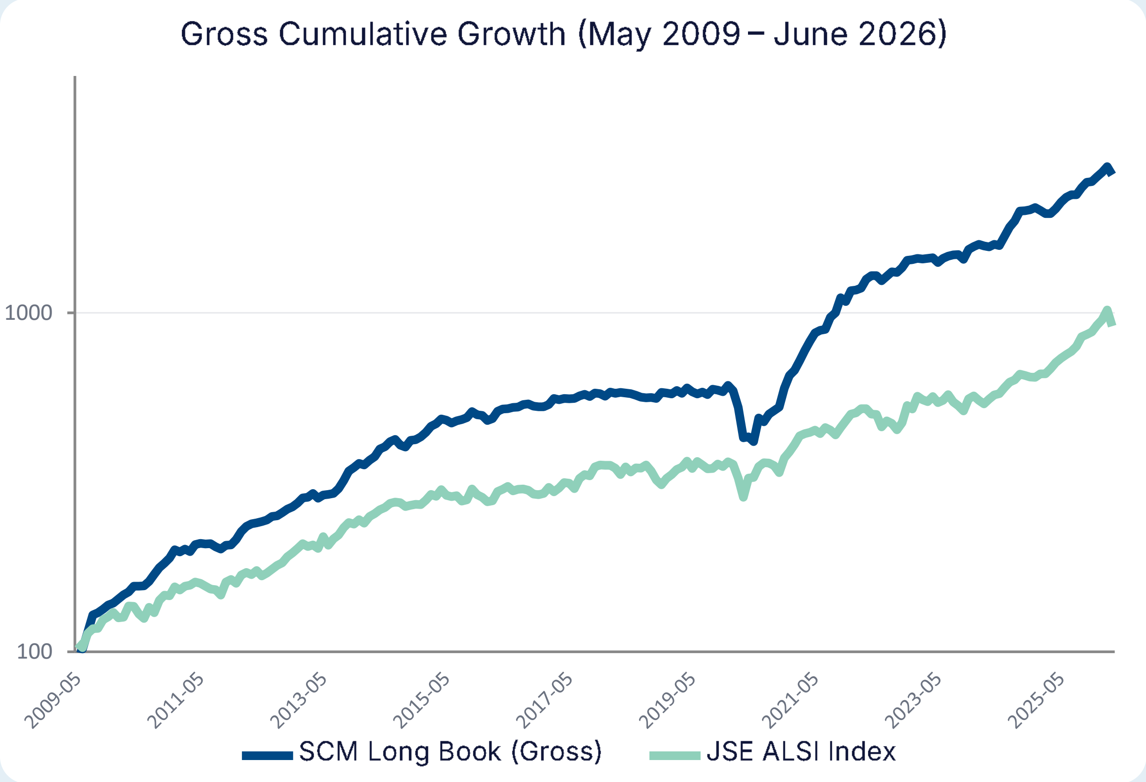
Mitigating downside risk in SA & Global Emerging Markets

Independent Long Strategy



Quality-value Orientated Philosophy

Independent Short Strategy

Catalyst Driven, never valuation shorts

Source: Steyn Capital Management, June 30, 2026.
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