THINK.

THINK.CAPITAL

THINK Flexible Growth RCIS Retail Hedge Fund

RCIS THINK Growth QI Hedge Fund

BEYOND BASICS: THE REALITY OF LONG-TERM HEDGE FUND RETURNS

A critical look into the stories

Last month we argued that the deliberate consideration of alternative sources of return delivered by hedge funds should be an integral part of asset allocation, not an optional afterthought. We established that combining different hedge funds is the most robust approach. However, hedge fund returns are diverse. **Not every investor needs the same allocation, and not every hedge fund deserves a place in a portfolio.**

The RCIS THINK Growth QI Hedge Fund, our first hedge fund of funds, celebrated its **12-year track record** at the end of October 2026.

Our accompanying graph compares the risk and returns of the RCIS THINK Growth QI Hedge Fund over from 1 November 2014 to 30 September 2026* with all South African funds of hedge funds and the South African hedge funds currently in existence and with the same or longer returns history. Over this period, the THINK fund delivered the **strongest return outcome at low-end risk among its fund of hedge funds peers.**

The graph also provides an opportunity to consider how hedge fund performances should be interpreted and what returns are realistic to expect.

Managing expectations does not reduce value. Using the correct expectations in the asset allocation process will ensure sustainable benefits to investors.

Compare like with like. Understand whose track record you are looking at. And, above all, manage expectations for the good of the investor.

* SA Hedge Fund peer data was only available to 30 September 2026 at time of writing.

Source: HedgeNews Africa, Morningstar

Contents

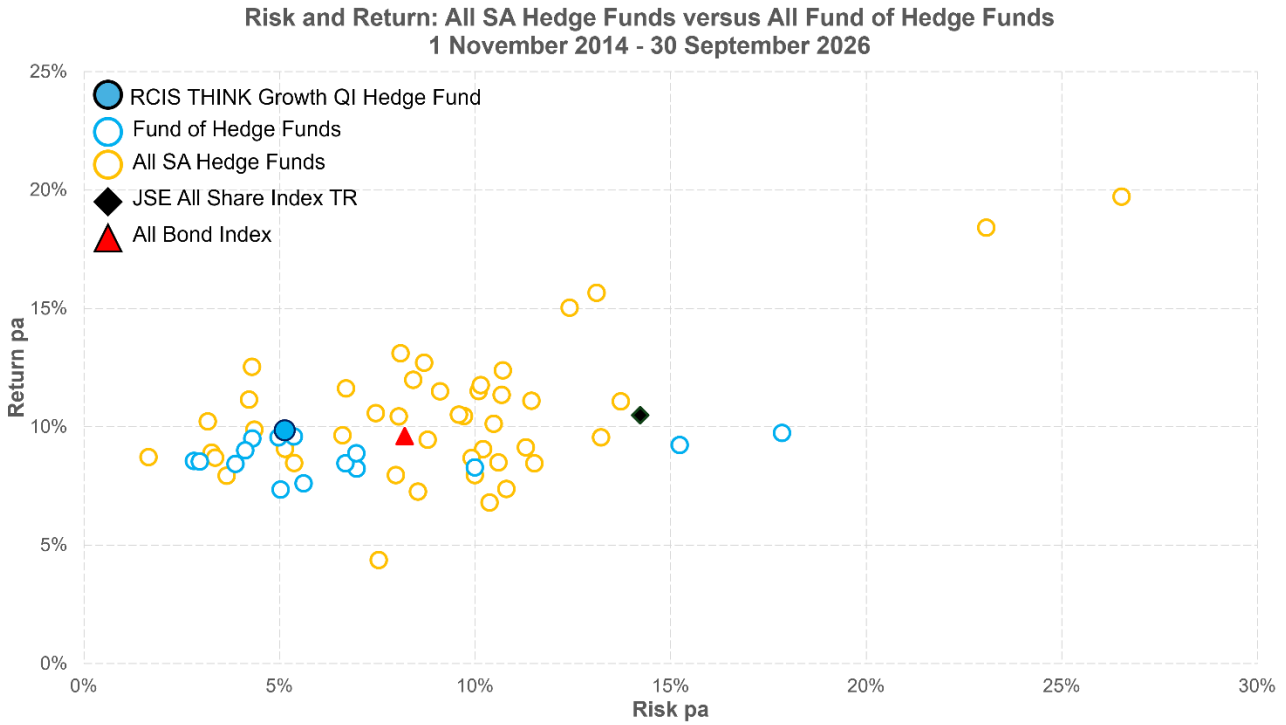
Investors need to understand what they are being sold 2

Successful funds of hedge funds give valuable information about realistic hedge fund expectations 3

Ask your allocator whose track record they are showing you 3

Contact 3

Investors need to understand what they are being sold



At first glance, the returns of individual hedge funds appear considerably more attractive than those of funds of hedge funds. Some individual funds have delivered exceptional returns, making the comparison seem unfavourable to diversified portfolios.

However, **these returns represent very different investment stories.**

An individual fund's historical return assumes an investor was invested 100% in that strategy throughout the entire measurement period. It does not reflect on whether, with the information at the time, an investment would have been made into that fund later or exited earlier.

A fund of hedge funds, on the other hand, reflects the actual investment decisions of the allocator over time: **selecting managers, allocating and reallocating capital, introducing new strategies and removing existing exposures as opportunities and risks change.**

A further complication is **survivorship bias.** The individual funds shown in the graph are those currently in existence. They do not represent the full population of hedge funds that operated during the 12-year period.

Some funds subsequently closed, their historical returns are therefore absent from the individual-fund comparison.

This can create an overly favourable impression of what investors could realistically have achieved by selecting individual managers.

The performance of a fund of funds represents what an investment team achieved through the decisions it made along the way. Looking at individual fund returns in hindsight ignores this level of impact completely.

Successful funds of hedge funds give valuable information about realistic hedge fund expectations

This brings us to what we believe is significant information provided in the graph: the historical returns of Fund of hedge funds as a measure of hedge fund expectations.

Relatively lower Fund of Hedge returns is not necessarily a result of bad decisions.

It compares actual investment outcomes rather than the benefit of hindsight. A fund-of-funds track record retains the consequences of its historical investment decisions, including exposure to managers that were subsequently removed or ceased operating. It therefore provides a more complete account of the actual investment journey.

Although skill, mandates, fees and risk budgets can differ, **fund of hedge fund returns are considerably closer to realistic long term hedge fund combinations than retrospectively selecting the highest-performing individual managers.**

None of this diminishes the importance of understanding individual hedge fund performance. It is essential when assessing managers, their investment processes and their behaviour across different market conditions.

However, **investors should be careful not to use the highest historical returns of individual hedge funds as the benchmark for what they should reasonably expect from their allocation to hedge funds from any point forward.**

Ask your allocator whose track record they are showing you

When evaluating a fund of hedge funds, investors should distinguish between **the allocator's own historical performance and the historical returns of the individual funds in which it is currently invested.**

An allocator who cannot demonstrate a long-term track record of its own but presents the historical returns of its current underlying managers as evidence of its investment success, deserves closer scrutiny.

Investors should ask whether those managers would have been held throughout the period, what the other opportunities were at the time, and what would have happened to managers that were subsequently removed or closed.

There is a fundamental difference between presenting the returns of successful managers retrospectively and demonstrating which managers the investment team identified early on and what the team achieved through its decisions over time.

Contact

Elmien Wagenaar elmien@thinkcapital.co.za

IMPORTANT INFORMATION

Collective Investment Schemes are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to future performance. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions, is available on request from RCIS. RCIS does not provide any guarantee in respect to the capital or the return of the portfolio. RCIS reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Calculations are based on actual data where possible and best estimates where actual data is not available. The manager has applied its mind in the calculation of the TER, taking into account the application of the ASISA standard for CIS securities and applying it in the context of hedge fund portfolios, and using fair estimates, where necessary, to arrive at a figure that is materially correct without being misleading. The Manager holds the view that the TER excl. performance fees represent a reliable figure until a 12-month track record exists, as any TER reporting including performance fees is likely to be unreliable and potentially misleading as performance fees cannot be estimated/annualised without forecasting portfolio growth and misleading investors. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request. The investment performance is for illustrative purposes only. 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. Other fees include the permissible deductions of brokerage, STT, VAT, bank charges, trustees and custodian fees incurred in the ordinary course of running the Fund. The Portfolios are third-party named portfolios, managed by Think Capital Investment Management Proprietary Limited ("THINK.CAPITAL"), an authorised financial services provider. RCIS retains full legal responsibility for these Portfolios as manager in terms of CISCA. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Where you select a Portfolio which is a fund of funds portfolio, it invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure for the fund of funds. Excessive withdrawals from the fund may place the fund under liquidity pressure and in such circumstances, a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. Where all required documentation is not received before the stated cut off time RCIS shall not be obliged to transact at the net asset value price as agreed to. Funds are priced monthly depending on the nature of the Fund. Prices are published monthly and are available on the RCIS website. RealFin Collective Investment Schemes (RF) Proprietary Limited is registered and approved by the Financial Sector Conduct Authority as a manger of Collective Investment Schemes approved in terms of the Collective Investment Schemes Control Act and has delegated the investment management function to THINK.CAPITAL an authorised financial services provider (FSP 46714) in terms of the FAIS Act, a category IIA financial services provider. For further information and documentation on the RCIS THINK Growth QI Hedge Fund please email clientservices@realfin.co.za.

.

Website: www.thinkcapital.co.za
Email: info@thinkcapital.co.za
Telephone: +27 21 001 2372



THINK.CAPITAL