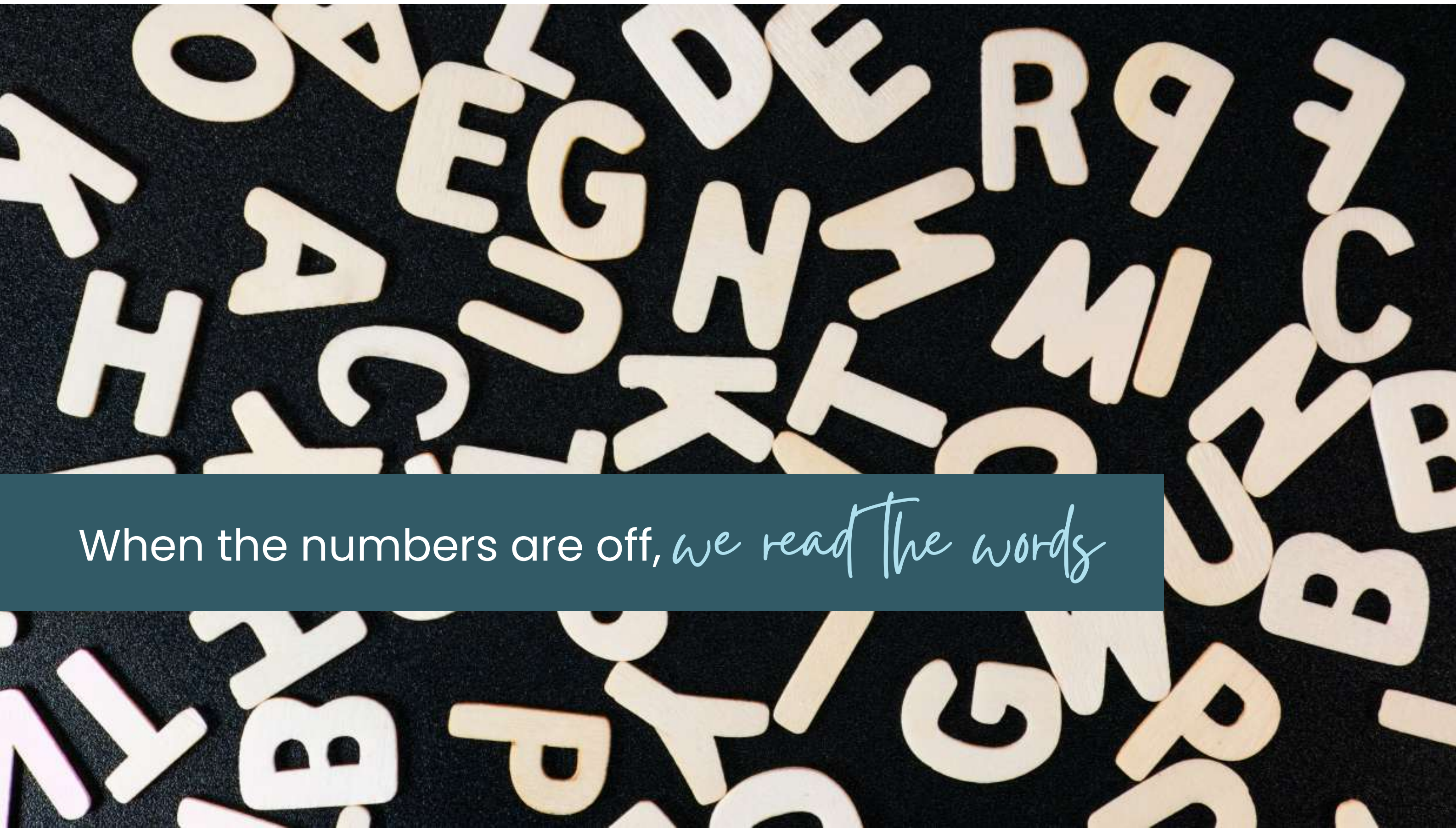

When the numbers are off, *we read the words*

When numbers are more or less what we expect them to be our minds are very unlikely to prioritise the accompanying words. In our industry, that means that when we are not delivering good investment returns, there is greater importance placed on the words we write. **Clients may wonder, "Why am I not enjoying the returns I was hoping for?" and will seek an explanation.**

by Paul Bosman

We are pleased by our funds' performance but caution against strong conclusions

The past 12 months have been particularly fruitful for our clients. Sometimes, many of the share prices in a given portfolio happen to go up in lockstep, even when these are shares in companies operating in a wide variety of industries and many different geographies. This is what happened over the last year to the shares in our funds. The largest contributors to our clients' returns over the last year were Capitec Bank, TSMC (a Taiwanese semi-conductor manufacturer), Unibail-Rodamco-Westfield (a French listed property company), Nedbank, SA Corporate Real Estate (a domestic property company), Growthpoint (a JSE-listed property company with interests in SA, the UK, Eastern Europe and Australia), Mr Price, Afrimat (a producer of hard commodities), Micron (a US memory chip manufacturer), Outsurance and CA Sales (a distributor of fast-moving consumer goods in southern Africa). So, a truly diverse group of companies not responding to any one or two drivers.

Such synchronised share price moves in a diversified portfolio are unusual. We would caution investors against expecting 12-month returns of this magnitude on a regular basis. We would, however, also caution against concluding that the shares held in our portfolios are now overpriced.

We cannot control share price movements, but can control where we invest your savings

We own many companies that are either clearly undervalued or that are such good companies that waiting for a discount before investing could be an expensive mistake. Every time a person sold Capitec Bank because it was deemed to be too expensive, it was a mistake. This is true for truly great companies all over the world. We own a few of those. Naturally, we continuously monitor these companies to be sure that they remain great.

Then we own many good companies that are, in fact, offering value, where we don't think the share price nearly reflects the true value of the company. Many of these portfolio constituents are JSE-listed and/or property companies.

Finally, our portfolio is diversified across industries and geographies, implying that there are many different drivers of returns rather than relying on specific drivers that result in spurts of returns.

Over longer periods, we target outperformance of inflation plus 5% and 6% respectively in the Granate BCI Balanced Fund and Granate BCI Flexible Fund. Our longer-term track record indicates that our investment philosophy and execution of that philosophy are working.

Our dream is that many people will be part of our long-term journey, which will put them in a much better financial position than they would have been otherwise.

Granate is a people business.

We are committed to creating a rich and rewarding culture through our shared values. Granate is configured thoughtfully and intentionally so that our team can thrive for the benefit of our clients. We care about the same things you do and are *relentlessly* **committed to protect and grow your savings**.