



Together. **Adventure.** Growth.

Annual Letter to Investors

February 2026

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When we wrote Granate’s first annual letter in February 2020, our intention was simple: to explain who we are, what we believe and how we intend to behave when no one is watching. Those words were a set of promises, written carefully, with a clear understanding that one day they would be tested - by growth, by markets or (dare we hope) by success itself.

If you take a moment to read that first letter (scan the QR code on the left), what stands out most (besides the fact that our design work has significantly improved thanks to Caroline Sharp!) is how little it speaks about Granate in isolation, and how much it speaks about our clients. These are people, including ourselves, our families and our friends, who have entrusted us with something deeply personal: their savings, their future security and their peace of mind.

Our purpose is a simple promise to our clients: *“We are relentlessly committed to protect and grow your savings.”*

Everything else about the way Granate has been constructed - our culture, structure, investment process and ownership model - is shaped to support this purpose.

We are fortunate that our promise to our clients requires us to study many companies across the world. We are continuously confronted with the common denominators of success and, often more importantly, the reasons for failure. We are especially interested in the drivers of sustained success, for the purposes of our clients’ investments and for how we can apply these to Granate.

To this end, our little Granate library is well stocked with the wisdom of Warren Buffett and Charlie Munger. In their 2014 annual letter, they reflect on 50 years of Berkshire Hathaway and share lessons that resonate deeply with us; not only as investors, but as business builders.

Closer to home, we have long been an open secret admirer of Capitec Bank.

Our commitment...
to **protect** and **grow**
our clients' savings



At Granate, our explicit commitment to *'not growing faster than our ability to deliver excellent service'* reflects this thinking. At times, this decision has cost us short-term revenue growth and limited our ability to scale. We have seen these serpents of temptation and understand better than before why companies end up with jumbled alignment and complexity left by short-term decision making. Having a clear, agreed-upon purpose and embracing simplicity has kept us on the straight and narrow. Making the right decisions many times over has built trust, internally and externally. This is worth more than any short-term buck we resisted, many times over.

Focus can be uncomfortable. It forces trade-offs and it requires saying no – often repeatedly – to attractive distractions. But it also provides clarity; a decision-making anchor that can be relied on when it matters most.

The client *"wow"*

One of the most important lines in Granate's first letter is also one of the simplest: *"We want our clients to say: 'Wow!' – every time."* Our interpretation of 'Wow' may differ from the conventional one (surprise, surprise!). It's not about extravagance, polish, fancy suits or theatrics. It's not about trying to impress. Anyone who has walked into our office to see Alex lying on our couch in his shorts with his bare feet up can attest to this! To us, 'Wow' is about how it feels to deal with us, every time. It's the feeling that someone is genuinely paying attention. That communication is clear and simple, and responses are timely. That explanations make sense, and that decisions are made thoughtfully. That nothing feels rushed, hidden or self-serving. That no matter who you speak to, the experience feels unmistakably 'Granate'.

This is why we believe that *'client service is everyone's job'*. There is no handoff of care to a department. Nobody says, "That isn't my job." Every interaction with every Granatian – whether emails, meetings, reports or coffee – shapes the client experience.

Capitec expresses the same idea differently: *"Every single person in the bank is the CEO of what they are doing."* Ownership sits everywhere, and accountability and autonomy are not diluted by scale. Every person at the bank is encouraged to treat the business as though it is their own and to have a startup mindset.

In fact, Capitec is the largest single contributor to performance since inception of both our Granate BCI Balanced Fund and Granate BCI Flexible Fund – and even earned a place in our recently launched Granate Global Flexible Fund. When Gerrie Fourie retired last year after 25 years at Capitec, including the last 10 as CEO, we attended his final AGM. It was inspiring, moving and emotional. As he reflected on the journey of building Capitec, there were many lightbulb moments for us.

What we have come to appreciate from sources like these is that truly great businesses often arrive at similar truths, even when they take very different paths. This letter is about those shared truths, and what they have reinforced for us as we continue to build Granate.

Choosing *"one thing"*

Over time, we've learned that most organisations genuinely want to be client centric. In our experience, the challenge to achieve this rarely lies in intention but rather in a lack of alignment and in organisational complexity. Balancing the interests of clients, employees' bonuses and shareholders is indeed an art (disappointingly, practiced as dark art by some). Companies that don't specifically target simplicity achieve complexity, with clients' interests wandering somewhere in the maze.

This is why having our 'one thing' is so important to us. It keeps us grounded in our decision making. From day one, we made a conscious commitment to *'protect and grow our clients' savings'* and then to be almost stubbornly disciplined about what that meant in practice. Especially when it got hard.

We have seen this same discipline in the businesses we admire most. Buffett and Munger designed Berkshire around one overriding objective: the long-term compounding of intrinsic value per share. Not quarterly performance. Not deal activity. Buffett took the decision to limit Berkshire's activity to a few things and to maximise its attention on these. The focus was on patient, rational capital allocation over decades.

Capitec's management is equally clear on their 'one thing' – to make a meaningful difference in people's lives, empowering them to grow by unlocking opportunities for everyone. One of the insights Fourie shared was that Capitec always puts the client before the process, considering what value can be created for the client. Simplicity, transparency, fixed pricing and consistency weren't branding choices. They were decisions made to remain committed to Capitec's purpose.

The Chair of Capitec, Santie Botha, notes, "People should love the business, the brand and the people in equal measure."

Berkshire's version is quieter, but no less powerful. Buffett writes his letters to share information the way he would have wanted to receive it as a shareholder: clear, honest and direct. That, too, is 'Wow' – respect expressed through clarity. Both him and Munger have been brutally honest in their notes, admitting freely to their mistakes and acknowledging their fallibility. They frequently reaffirmed that, "Although our form is corporate, our attitude is partnership."

We also know that we don't always get it right. There are moments when we fall short of our own standards, miss a detail, or could have handled something better. When that happens, we don't brush it aside or blame someone else. We talk about it, we learn from it and when necessary, we change how we do things. Our commitment is not to perfection, but to constant improvement.

Culture code

Daniel Coyle's *The Culture Code*, one of the books covered at Granate's Book Club, captures something we have come to believe deeply: "Culture is not what you say, it is what people do when no one is correcting them."

Granate's culture principles from our 2020 letter are explicit. While that letter was penned six years ago, we are proud that each of the points remains a guiding light for us today, even though living them hasn't always been easy:

- We will never swap integrity for money.
- We will support each other and our clients.
- We will collaborate to ensure we execute on our 'one thing'.
- Team members will be given autonomy. We will therefore always appoint people who share the passion for our 'one thing'.
- Granate will be a meritocracy to ensure we keep ourselves sharp for the benefit of our clients.
- We will always be honest.
- We will not grow faster than our ability to provide every client with excellent service.
- We will always communicate in simple language. Complexity creates misunderstanding.
- We will be positive. Even when it is hard.
- We will do good: to our colleagues, our clients and in our community.
- We will never give clients bad coffee.

That last line is not a joke. It's a signal. It says that details matter, that experience matters and that respect shows up in small things. What happens in the small, happens in the big.

Berkshire's culture is communicated differently. Buffett firmly believes that 'tone at the top' is key to maintaining this culture, and he is the first to model this through patience, humility, restraint and long-term thinking. Over time, Berkshire's culture became self-reinforcing: it attracted the right people and repelled the wrong ones. As a cultural non-negotiable, they resist the ABCs of business decay: Arrogance, Bureaucracy and Complacency. They don't believe in committees, and they interact with all their managers and businesses in a way consistent with what they would wish for if the positions were reversed. They make sure they live their cultural principles every day.





Capitec reinforces culture through relentless communication. Through that communication, everyone understands what matters most. Botha notes, “There is no confusion about what matters most. They focus on getting the basics right, don’t sweat nonsense and don’t allow any politicians inside. Integrity is non-negotiable; trust is everything.” That confidence in its foundations has allowed Capitec to be bold about its future.

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Trust, autonomy and incentivisation go hand in hand

At Berkshire and Capitec, one theme appears repeatedly: trust. Both have learned, through experience, that the fastest way to damage decision-making and culture is to over-incentivise, over-monitor and over-manage the wrong people. At Granate, we learn from these greats.

Autonomy is how we unlock the full potential of people who share our values but think independently. In our Granate cultural handbook we note that we ‘... use autonomy to harness the strengths of highly capable individuals who share values but think independently. Our purpose and values provide the guardrails for us. If we are operating within those guardrails, each person is encouraged to think independently and move freely to get to the best possible outcome for our clients’. For Granate, this creates a powerful client outcome: decisions are made by people who care, who understand the context and who don’t need layers of approval to do the right thing. Of fundamental importance to us is hiring caring personalities who place client gain over personal gain, and we align our incentives accordingly. We hire people we like and trust.

Berkshire avoids complex incentive systems. Buffett believes that if you need heavy monitoring and elaborate rewards, you hired the wrong people. “A Berkshire CEO must be ‘all in’ for the company, not for themselves. We know that their behaviour has a huge impact on managers down the line. If it’s clear to them that shareholders’ interests are of paramount importance to them, they will, with few exceptions, also embrace this way of thinking.” Trusting capable managers to act as stewards has proven far more effective than bureaucracy.

Capitec lives these principles at scale. Despite being South Africa’s largest bank by customer base, it continues to think and act like a startup. Fourie repeatedly emphasised at his last AGM that people are everything Capitec has. While individual energy and ownership are encouraged, incentivisation is deliberately structured at a company level rather than in silos. Every person in the bank is treated as the CEO of their role, fully accountable for their space. Capitec’s transparency – the same products and same pricing for all clients – removes the temptation to optimise for anything other than the client experience.



Aligning long-term thinking and decision making

If there is one idea that binds all these perspectives together, it is a deep respect for long-term thinking and an unwillingness to sacrifice it for short-term gain or momentum.

In our context, our refusal to grow faster than our ability to service our clients, not being willing to swap integrity for money, and maintaining operational control through ownership are all long-term decisions. When we set up Granate, it was key that we aligned long-term thinking around investment returns with long-term thinking and decision making around how we managed our business. It was vital that we were the masters of our own destiny. If these things were not aligned, we knew that our bar for success was so much higher. Decision making at Granate tends to be considered, and those of us who like to gallop along (no names mentioned) sometimes need to have our reins tugged a bit. However, once a decision is made, execution excellence is a strength we are proud of.

Another principle we have come to admire deeply is how owner-managed or founder-led businesses preserve the freedom to move quickly, while staying anchored to their well-articulated long-term intent. Tobias Lütke, the founder and CEO of Shopify, speaks about this beautifully in a recent podcast. He notes that the job of leadership is not to preserve today's version of the company, but to preserve its intent. Sometimes that means making changes that look, at the time, like a departure from the company's original DNA. Over the long term, however, those decisions often prove to have been exactly what was required to protect that DNA in a changing world.

Closely related to this are our thoughts around first-principle thinking. In each decision we make, we try to work backwards from our actual intent. Thomas Peterffy, the founder of Interactive Brokers, speaks about this approach. He describes how many of Interactive Brokers' defining decisions came not from copying what other financial institutions were doing, but from asking: "If we were building this from scratch, knowing what we know now, what would we do differently?"

We have learned that if you do not, at the very least, think about things differently, you will inevitably end up doing most things the same.

And if you do most things the same, you should not expect a meaningfully different outcome. Working from intent backwards is slower at the start. It can create friction. But over time, it produces organisations that rhyme, internally and externally, and that are structurally aligned with their long-term purpose.

Berkshire's letters are an ode to long-term thinking. Many of Buffett's biggest 'mistakes' were sins of omission - of not acting - rather than commission, because patience was preferred to forced action. Munger noted that they wanted decisions that maximised long-term results, seeking these from decision makers who usually stayed in place long enough to bear the consequences of their decisions. The system itself is designed to endure leadership transitions, market cycles and human error, which explains why it remains intact more than six decades after inception.

Capitec's journey tells a similar story. From Michiel le Roux's early comment that "*Capitec will either be a small failure or a big success*" to Fourie's relentless focus on fundamentals, consistency and trust, the long game has dominated decision making. Capitec has continued to live its fundamentals and build on its strengths. The team have been disciplined about staying within their circle of competence and resisting expansion into areas where they lacked the necessary skills or understanding. At the same time, Capitec has been willing to experiment when opportunities looked worthwhile. Where Capitec differs from Berkshire is in speed: Botha highlighted decisiveness and rapid execution as core strengths. Once Capitec is comfortable with the fundamentals, it moves quickly.

Back to the future *Together*

As we look back on the first ten years of Granate, it would be dishonest not to acknowledge the role of luck. We were fortunate in our timing, in the people who crossed our path, in the clients who trusted us early on, and in the service providers we were able to partner with. As Munger so often reminded us, luck matters – sometimes enormously – and anyone who attributes success solely to skill is fooling themselves.

But luck, on its own, is never enough. What matters is how you behave when luck shows up, and how you prepare for the moments when it doesn't. What gives us comfort is not that things have gone well, but that we have tried, consistently and deliberately, to behave in a way we would be proud of regardless of the outcome.

Granate today is deeply aligned around a common purpose that shows up in our decisions, every time. We have been intentional about how we

grow, how we hire, how we incentivise, how we communicate and how we treat our clients and each other. That intentionality has not always been easy. It has required patience, restraint and, at times, the willingness to walk away from opportunities that did not sit comfortably with who we are.

Of course, there is an unavoidably simple truth: ultimately, our clients are not partnering with us for good intentions, good culture or good coffee. They are trusting us to make their money worth more over time, with returns that are appropriate for the level of risk they have chosen to take. We are proud that this relentless commitment has, so far, translated into outcomes we believe are worthy of that trust. Since inception, our various unit trusts have delivered returns that we think are both competitive and, more importantly, consistent with the risk profiles they were designed for.

Funds	1 year	2 year	3 year	4 year	5 year	9 year	Since inception
Granate BCI Balanced Fund	23.0%	22.1%	21.7%	17.9%	18.5%		18.2%
CPI + 5%	8.6%	8.3%	9.0%	9.7%	9.9%		9.5%
Granate BCI Flexible Fund	21.3%	21.6%	21.9%	18.0%	19.0%		18.5%
CPI + 6%	9.6%	9.3%	10.0%	10.6%	10.9%		10.5%
Granate BCI Multi Income Fund	13.3%	12.1%	11.3%	10.4%	9.8%	10.8%	9.5%
STeFI + 1%	8.4%	8.9%	9.0%	8.4%	7.7%	8.7%	7.8%
Granate BCI Active Bond Fund	23.8%	20.3%	16.0%				14.2%
70% ALBI, 20% Igov, 10% STeFI	22.4%	18.2%	14.6%				13.1%

Performance figures quoted for the portfolio are from Morningstar, as at 31 January 2026. Annualised returns net of B class fees. The annualised return is the weighted average compound growth rate over the period measured.

We are particularly grateful to our clients. Your trust is not something we take lightly. You have entrusted us with your hard-earned savings, and we know that is a privilege, not a right. Your support, your engagement, your questions and even your challenges have helped shape Granate into the business it is today. We know that we don't always nail it. What we can promise is that we will always care enough to notice, be humble enough to admit when we get it wrong and committed enough to improve. We are better because of you. As we look ahead, our ambition remains to be relentlessly committed, every day, to protecting and growing your savings and delivering a client experience that makes you feel confident, understood and cared for.

If the next ten years are anything like the first, they will bring surprises, mistakes, lessons and undoubtedly more luck – good and bad. What we can promise is that we will continue to show up with clarity of purpose, integrity in our actions and deep respect for the responsibility you have placed in us. And we will keep striving, in all the small and big ways, to make you say: "Wow." Every time.

We will keep striving, in all the *small* and *big* ways, to make you say: **"Wow." Every time.**

