You cannot choose the *storm.* You can choose the *crew.*

by Bronwyn Blood

That is as true of a ten-year track record as it is of anything else, and it is the thing we keep coming back to as we celebrate the tenth birthday of the **Granate FR Multi Income Fund**, one of the first funds ever launched at Granate Asset Management.

Across 124 consecutive months the fund has delivered a 9.4% annualised return with a very high Sharpe ratio, a combination of above-median returns and below-median risk that has become the defining feature of its track record. But a ten-year track record only means as much as the conditions it survived, and the period from April 2016 to July 2026 was not an easy one for South African fixed income markets. The fund navigated five distinct and demanding environments. We did not choose any of them. What we did choose, each time, was the crew that got us through, and that is where the real lessons in this story live.

Forged in a storm
Nenegate and the aftermath

The Granate FR Multi Income Fund was launched shortly after the infamous December of 2015, when South Africa's finance minister was replaced, and replaced again, over the course of four days. The rand collapsed. Bond yields spiked. Investors fled to safe-haven assets. It was, by most measures, the worst possible moment to launch a new fixed income fund.

It was, however, as it turned out, exactly the right moment. The Granate FR Multi Income Fund was seeded with R20 million by Granate's sole shareholders at the time, RMI Investment Managers (now called Investment Management Group or IMG), into the aftermath of what became known as 'Nenegate'. The team used a market in shock to build a portfolio with very attractive yields from day one. It was a bit awkward explaining to the banks and brokers that the sizes of the trades we were placing were indeed that small, and think there were no zeros missing. Those were humble beginnings.

Political turbulence
and the Zuma years (2017–2019)

The years that followed brought additional pressures. The ratings agency Standard & Poor's downgraded South Africa to sub-investment grade (junk), due to political interference in the Treasury following the firing of Pravin Gordhan as Finance Minister. Fitch followed within days with its own downgrade to junk. That mattered, because it forced selling by funds mandated to hold only investment-grade sovereign debt, and it landed in a market swinging between despondency and the dawn of Ramaphoria.

These were also the years when we came to grips with the realities of building an asset manager, which was much harder than we ever imagined. In hindsight, our biggest mistake was believing that clients would automatically follow us when we left our previous employer. Even though former clients liked and trusted us as portfolio managers, investing in a new and unproven boutique comes with considerable and understandable risks for them. While we had proven ourselves as competent investors, we still had to prove that Granate was a company that deserved their trust and would withstand the forces of the highly competitive market in which we operate. This is something we had to prove over years, not days and weeks. It also meant that growth would take much longer than we had, perhaps naively, hoped. There were some clients who chose to invest in our capabilities in those early days, to whom we remain incredibly grateful.

After three-and-a-half years of building a track record, it was time to recognise the challenge of trying to build a company that was not owned by the people working there. It was also never the intention for Granate to remain a fixed-income-only asset manager. Our goal was to be an asset manager with skills across the many different asset classes available.

After many months of courtship, we were introduced to Henno and Paul. With years of experience managing multi-asset funds, they were exploring ways to realise their dream of building an asset manager. As much as we were looking for equity skills, they were looking for fixed-income skills. It was a seminal introduction, instrumental in transitioning the company to an independent, majority staff-owned business. 1 July 2019 was Granate's Independence Day, and we were off to the races… or so we thought.

COVID-19
and the liquidity crisis (2020)

We had barely settled into being a majority staff-owned business, barely moved into our new (yet very old) home at the Josephine Mill in Newlands, when Covid struck. This was a challenge we had not anticipated. We were two investment teams coming together and trying to find each other on many fronts, and then the pandemic stripped away all the informal moments that would normally help people build common ground: the shared lunches, the overheard debates, the connections, the ability to read the room. We doubled down our efforts and became creative in how we overcame this additional challenge. There were some highs and lows during this period of change, which was the necessary process of truly becoming a team. We invested time in each other as individuals and as a collective. Looking back, it was a time of significant personal growth for everyone.

Even through these challenges, 2020 was something of a defining year for the fund. When COVID-19 hit South African markets in March of that year, the local money market and credit market seized up. Liquidity evaporated even in the government bond market. People became nervous about their investments, resulting in the industry experiencing fund outflows. We were able to take advantage of this, as going into the crisis our fund had been building an ever-increasing cash position and could benefit by investing in the steep yield curve, we could also pick up attractive opportunities in the secondary market where forced sellers were showing their wares.

Sitting here today, one could argue that it was obvious to be buying when so many were selling. It wasn't as simple as that. It was a scary time, riddled with uncertainties. These decisions required teamwork, trust and belief in one another.

The Granate FR Multi Income Fund had reached its four-year track record, and clients started to take notice.

The SARB rate-hiking cycle
(2022–2023)

As global inflation surged in the aftermath of the pandemic, the South African Reserve Bank began one of its most aggressive rate-hiking cycles in recent history. In 2022, it became clear that inflation was proving stickier than anticipated, driven not just by the COVID-era supply disruptions, but also energy price shocks amplified by the Russia-Ukraine war. What made this environment particularly challenging for fixed-income investors was the speed and magnitude of the repricing. Markets had been positioned for a world of low-for-longer rates; instead, they faced one of the fastest hiking cycles in decades. For fixed-income funds with duration (fixed-rate bonds) exposure, rising rates meant mark-to-market losses on fixed-rate holdings. This was another opportunity to take advantage of a panicked market environment. The Granate FR Multi Income Fund continued its active management approach, using its flexibility and nimbleness to continue to build fixed-rate exposure into this weakness, again managing to find opportunities in times of market stress.

National government elections volatility
(2024)

May 2024 brought one of the most defining moments in South Africa's democratic political history. For the first time since 1994, the ANC lost its parliamentary majority, winning only 40% of the vote in the national elections. Markets had been bracing for the result, but the scale of the ANC's losses, and the uncertainty about what coalition government would follow, created another period of volatility in the bond market. South African government bonds (SAGBs) sold off sharply in the days around the election as investors priced in political risk. The rand weakened significantly. However, what followed was a huge relief to the market: the formation of the Government of National Unity (GNU), with the DA and several other parties joining the ANC in a coalition, was received by financial markets as a far better outcome than what was feared. Bond yields reversed course almost immediately. The ten-year SAGB, which had spiked above 13% in the pre-election anxiety, rallied sharply as the GNU took shape, one of the fastest sentiment reversals the local bond market had seen in years. We held our nerve and were positioned well enough going into the election that we were once again able to take advantage of this sharp reversal in yields.

What these storms have taught us

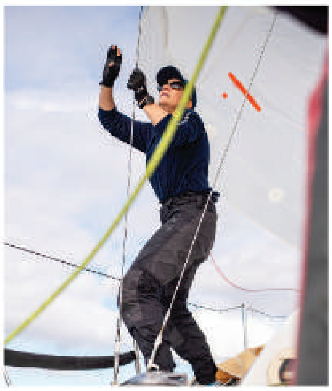
Of course, investment process and philosophy are the bedrock of any fund that performs well. Delivering strong risk-adjusted returns, and sustaining them across a full decade and multiple market regimes, is the hallmark of a disciplined, repeatable investment process. However, what we have learnt at Granate is that a philosophy and process in the absence of a team who share a purpose wrapped in an agreed set of values is a blunt tool. We have fostered a low-ego environment that allows curiosity and debate to flourish. This does not mean that it is a low-conviction or 'soft' environment; it means that the quality of the argument matters more than the seniority of the person making it. In practice, this shows up in performance outcomes.

What Granate's track record demonstrates is that the culture does not crack under pressure; if anything, it evolves in a positive direction. In a crisis, the absence of ego becomes a competitive advantage. There is no room for someone to protect a position because admitting they were wrong feels uncomfortable, and no space for the kind of paralysis that comes when a team is waiting for the most senior person in the room to tell them what to think. Being open and honest with each other means there is no space for office politics. The numbers tell you what happened, but the team and culture are the reason it happened.

So, when we look back on the good times and the challenging times, we are very thankful for the team we have built and the people who have joined along the way. **Weathering the storms is part of the job, but the joy is in the journey we have shared with the people at Granate and our clients, who have made it all possible.**





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.*