Field notes from New York

Granate is a people business. As you will likely note in this article, we are excited about the power and potential of technology. However, we think that when it comes to building relationships and broader learning, face-to-face interactions are very important. This applies to our relationships with our fellow Granatians, partnerships with our clients, and connection to the broader investment landscape.

Catherine Blersch

To find the best investment ideas around the world, we need to occasionally leave our comfortable home at the Josephine Mill to venture abroad and meet new people. It is for this reason that, in May, I exchanged the quiet of Cape Town for the incessant chaos of New York to attend Bernstein's Strategic Decisions Conference for the first time.

Over multiple days, the conference offers the opportunity to attend fireside chats and small group meetings with CEOs of some of the best American companies across a wide range of sectors. I also found being in the company of over 1 000 very smart investors both humbling and inspiring. It was great to discuss investment ideas, but it was also a reminder of our privileged position – you could have chosen many capable people to manage your money, but you have chosen us. We are grateful for this and take this responsibility very seriously.

After 30+ hours of presentations, meetings and site visits, along with lots of frantic note typing, we thought it would be a good idea to share just a few of the key takeaways from the conference.

The pace of innovation is accelerating

Across many different areas, CEOs noted that they are having to step up their innovation cadence as the world marches relentlessly forward. The automakers highlighted the impressive product cycles that Chinese companies have been able to achieve, which are setting a new bar for the industry. Within the semiconductor industry, one CEO said that the pace of advancement is the fastest it has ever been. As Qualcomm's CEO explained, it is being able to innovate at the leading edge that matters most and that gives a company a competitive advantage and pricing power. This is why TSMC, currently the largest position in our funds, continues to power ahead.

Because of this relentless pace of innovation, we have typically preferred to invest in the companies that are the picks and shovels, or enablers, of innovation in the broader

ecosystem. Within semiconductors, this includes the semiconductor equipment makers like Lam Research and Applied Materials. It has also sparked recent research into others we met with, like Entegris (a semiconductor chemicals supplier) and TE Connectivity (a connector supplier).

Customer relationships are key

These companies all highlighted the importance of close customer relationships. Success depends on proximity, scale, and specialist skills to deliver on increasingly demanding technology roadmaps. The semiconductor manufacturing ecosystem is deeply integrated, with each company working to innovate within their field of expertise to enable technology to move forward as a whole. As Applied Materials' CEO explained, they are working with customers a decade out to anticipate and prepare for future inflections. Ford's CEO noted how they are having to work ever more closely with their supplier base to solve the technical challenges in electric vehicles. The nature of these long-term partnerships creates a strong moat for suppliers.

AI is a secular growth driver in its early days

Bus stop billboards advertising AI agents with slogans like "Stop Hiring Humans" and "The Era of AI Employees is Here" were everywhere. I wrote AI at least 30 times in my notes and it was mentioned by every company. Companies like Mastercard and ServiceNow asked us to imagine a future where bots talk to other bots — so-called Agentic AI. In this wild future, everything from business processes to personal shopping could be automated without human involvement. Applied Materials called it the "biggest productivity driver of our lifetime".

It is hard to predict who will win in the ultimate development and monetisation of the AI boom, but what we know is that it is driving a significant wave of investment in technological infrastructure, with no signs of slowing down. This is driving demand for leading-edge semiconductors, benefiting the leaders in all parts of the ecosystem. We continue to hunt for wide-moat businesses that are becoming increasingly important as chips advance, and have recently added a Japanese equipment maker called DISCO to the portfolio, which boasts over 70% market share in supply of critical wafer grinding and dicing equipment.

Resilient businesses think long term

The analysts' questions invariably touched on the near-term risks – tariffs, geopolitical uncertainty, or the outlook for quarterly earnings. With strong balance sheets, flexible supply chains and pricing power, good companies can comfortably manage these sorts of risks. CEOs were, instead, focused on how to build the best businesses for the long term. Mastercard's CEO closed his session by explaining that while the market is fixated on the macro, what their customers want is a partner that can develop solutions now to help them pivot and grow. This is where most companies are focusing their time and energy.

We continue to believe that to maximise the odds of delivering good investment returns for our clients, we need to keep hunting for well-managed businesses with wide moats in growth areas and buy them for a reasonable price. This search will drive us into distant time zones many more times, because one great investment is always a bargain, regardless of the cost of the pursuit.

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**.