



Investment lessons from a nutty childhood

LEARNING THE ART OF PATIENCE

GRANATE
ASSET MANAGEMENT

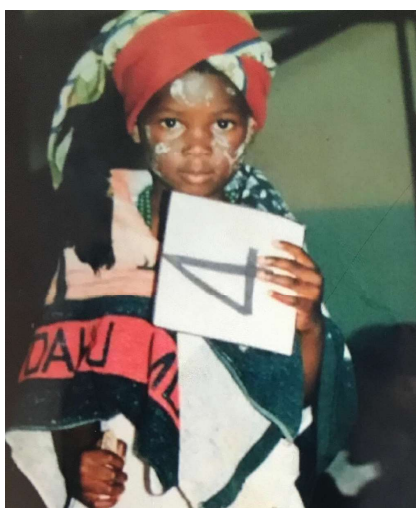
Many of my childhood memories involve a tree. The jacaranda tree was prime climbing real estate, regularly climbed to escape the wrath of my older sister. The avocado tree would once a year transform into a hazardous missile-hurling menace with the finest tasting ammunition. The lemon tree would be the starting point of the production line for Mum's killer lemon curd.

The macadamia tree was the prize tree. A pesky citizen with its sharply serrated leaves, it was closely monitored throughout the year for the arrival of its produce. When that time came, a process would begin. A process honed over what felt like centuries in our child minds.

First, you had to carefully select the right macadamia. The biggest were often a little hollow inside, so they were left for the novices to squabble over. Grubby fingers would pry open the fibrous husk and the hard-shelled nut dropped into a shallow excavation in the soil. Once half filled with the harvest, it would be covered with soil and on top, a fire larger than required would have life breathed into it.

At this stage, the happy cohesion would be tested and rigorous debate would ensue. The older kids would plead for silence while the younger kids would adamantly claim that the nuts were roasted. A perfectly roasted macadamia required patience.

Scraping the hot coals to the side would be the start of the next lesson in patience. The older kids would sit back and wait while the youngsters would attempt to burrow their hands into the biting-hot soil to retrieve their treasure. Fingers would burn and tears would roll, leaving behind a curious cheek-clinging paste composed of mud and the mysterious remnants of a previous meal.



Analyst **Phila Ntshiba**, aged 6, dressing up as a far older version of herself at a concert

Once the fiery spheres had cooled to scorching, the nutty treasure was exposed with the crushing forces of two rocks. The scene would calm to many happy, munching kids enjoying the fruits of their labour.

Philosophically, harvesting returns and harvesting nuts are not worlds apart. There are a few key common lessons that are as valuable to us today as investors as they were to that younger version of myself.

Philosophically, harvesting returns and harvesting nuts are not worlds apart

Learn from the older kids

The closest substitute for one's own experiences is being a scholar of someone else's. Our own investment philosophy is a tapestry of borrowed knowledge from some phenomenal minds, with our own personal experiences woven in. To get to this point requires a love of reading and the internalisation of the many lessons available. It is like asking one of the older kids why they are not digging for treasures in the lava-hot sand like the tear-stained others.

We think one of the biggest mistakes we have observed and experienced in our careers is determining if a stock is cheap before determining if it passes the hurdles that allow us to reasonably assess what it may be worth. These processes need to be separate, as it is incredibly tempting to reach out and grab the biggest perceived opportunity only to find that the nut is hollow and worthless inside. Its particularly bad news if you were selecting that nut for your clients.

Do not rush

Patience in investing deserves far more credit for returns than it is attributed. There is no line item for it on a fund fact sheet. Patience needs to be applied at multiple layers for its impact to be felt. We are yet to find any evidence that supports the notion that rushing to an investment conclusion generates the long-term returns our clients need. Sometimes it takes weeks, months or years of deep work and rigorous debate to finally reach an investment conclusion. Very often that conclusion may be to not invest, but we embrace the process and savour the patience it requires.



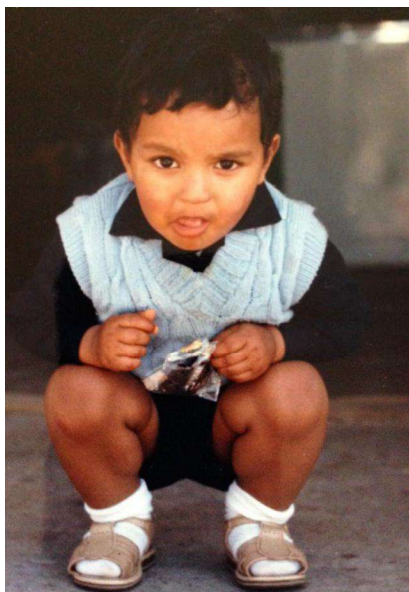
Engineer turned analyst **Catherine Blersch**, aged 10

When making an investment, it's unlikely that our purchase is going to magically result in immediate positive returns simply because our hard work deserves it. It is the passage of time that reveals if our conclusions were correct. Losing patience and selling early is catastrophic if our philosophy and process is sound. It was always the kids who chose the perfect macadamias but took them out of the fire too early that had the biggest regrets.

Today, we can walk into a shop and buy a packet of ready to eat roasted macadamia nuts. You can only marvel at our ability to take off nature's wrapping and replace it with wrapping that is harmful to nature – an example of the damaging consequence of a being in a hurried state causing convenience to trump patience.

It was always the kids who chose the perfect macadamias but took them out of the fire too early that had the biggest regrets.

The only thing worth rushing is learning the art of patience.



Head of Operations Ismail Vinoos, aged 3 and ready to pounce

Purpose

Watching my own children interact reminds me of the culture we had around that macadamia tree. It was completely natural and unlearned, yet deeply relevant to us today. To be successful, we need to be true to our culture and attuned to our purpose. Purpose is not a mystical internal force; it is the call to action to focus and collaborate exclusively on a shared goal. There can't be a sideshow. Many debates and disagreements are difficult yet vitally important to achieve success in both roasting nuts and investing for our clients. If we are not perfectly aligned in our purpose, the debates and disagreements will pull at the threads of our investment philosophy and process.

Our aligned purpose is being relentlessly committed to protect and grow our clients' savings. This ensures that at the end of the day, much like when I was a kid, there will be many happy faces munching the fruit it bears.



Analyst and Portfolio Manager Henno Vermaak, aged 3

Present tense

Today, I am fortunate to have the opportunity to repay my lemon curd debts to the chef and others in my family. They are our clients. I'm very proud of that. We ask ourselves if that young version of ourselves would trust today's version of ourselves to enable the much older version of ourselves to retire comfortably? It's a powerful reminder of the true nature of our purpose.

Kind regards,

Alex

