

# Chairman's report

Louis Fourie



“If you can meet triumph and adversity and treat those two imposters just the same... yours is the earth and everything that's in it.”

Rudyard Kipling

It is with gratitude that I report back on a splendid set of results for the Peregrine group for the past financial year. The results are a culmination of many years of hard work by many people and were made possible by the loyal support of all of our clients.

The group's total revenue for the period increased by 70% to R628,5 million, while attributable earnings increased by 135% to just over R250 million. Inherent to these results was exceptionally strong cash generation, putting the Peregrine board in a position to increase the annual dividend by 150% to 30 cents per share.

Although favourable investment market conditions bolstered the group's earnings, all of its subsidiaries enjoyed healthy organic growth in their asset bases during the year. The group's assets under management grew from R18 billion at 31 March 2005 to R23 billion at 31 March 2006.

We regard Peregrine's focused approach as the basis for its success. As communicated since the start of our refocusing process some 4 years ago, we prefer to be a leading wealth and asset management business in a well-defined niche market, instead of trying to be all things to all investors. Our strategy consequently is one of organic growth and appropriate joint ventures to sweat our entrepreneurial skill in our fields of expertise. We nurture this approach in all of our underlying businesses.

Part of the reality of being a specialised wealth and asset manager is that the behaviour of investment markets will always be a dominant exogenous variable affecting our earnings in a specific time period. We have repeatedly emphasised this correlation in all our communication with shareholders in recent years. We do nevertheless believe that the true quality of an asset manager is not only measured in good times, but in times of turmoil as well. Our strategy is therefore not blindly linked to participation in good markets, but to ensure proper returns under difficult conditions as well, through our blend of hedge funds and our wealth preservation strategy for private clients.

It is an open question how long the favourable market conditions of recent years will continue. In fact, 2006 has provided its fair share of warning signals that the local market may be overvalued and that we should gauge the high valuation of emerging market assets with appropriate caution. We are also very aware of the potential effect that a global increase in interest rates may eventually have on investment market liquidity.

On a more personal note, the business's most successful year ever is a historic one for me as Chairman as well. After careful reflection upon my nearly 13 years as part of the group's leadership team, I have requested the Peregrine board to allow me to step down as Chairman of the group from 1 November 2006. I will be taking a break from corporate life and am satisfied that I leave the group at the cusp of an exciting new phase in fulfilling its potential. I believe that real leadership is about making space for others to grow when the time is appropriate. I am confident that the business has the depth of leadership with the experience to successfully guide it through this next phase. Sean Melnick, current group CEO and Peregrine founder will take over the reign as group Executive Chairman, while Keith Betty will move into the position of Peregrine group CEO. This information was announced on SENS on 14 August 2006. I will spend my final months with the group ensuring the smooth transition of these leadership changes.

Finally, it is an honour to thank shareholders, clients, colleagues and associates for contributing to our success as a business over the past financial year. We are deeply aware that our success will always be determined by our ability to optimise the interest of every entity that forms part of our business's ecosystem.

A handwritten signature in dark ink, appearing to read 'Louis Fourie'.

**Louis Fourie**  
Chairman  
14 August 2006