

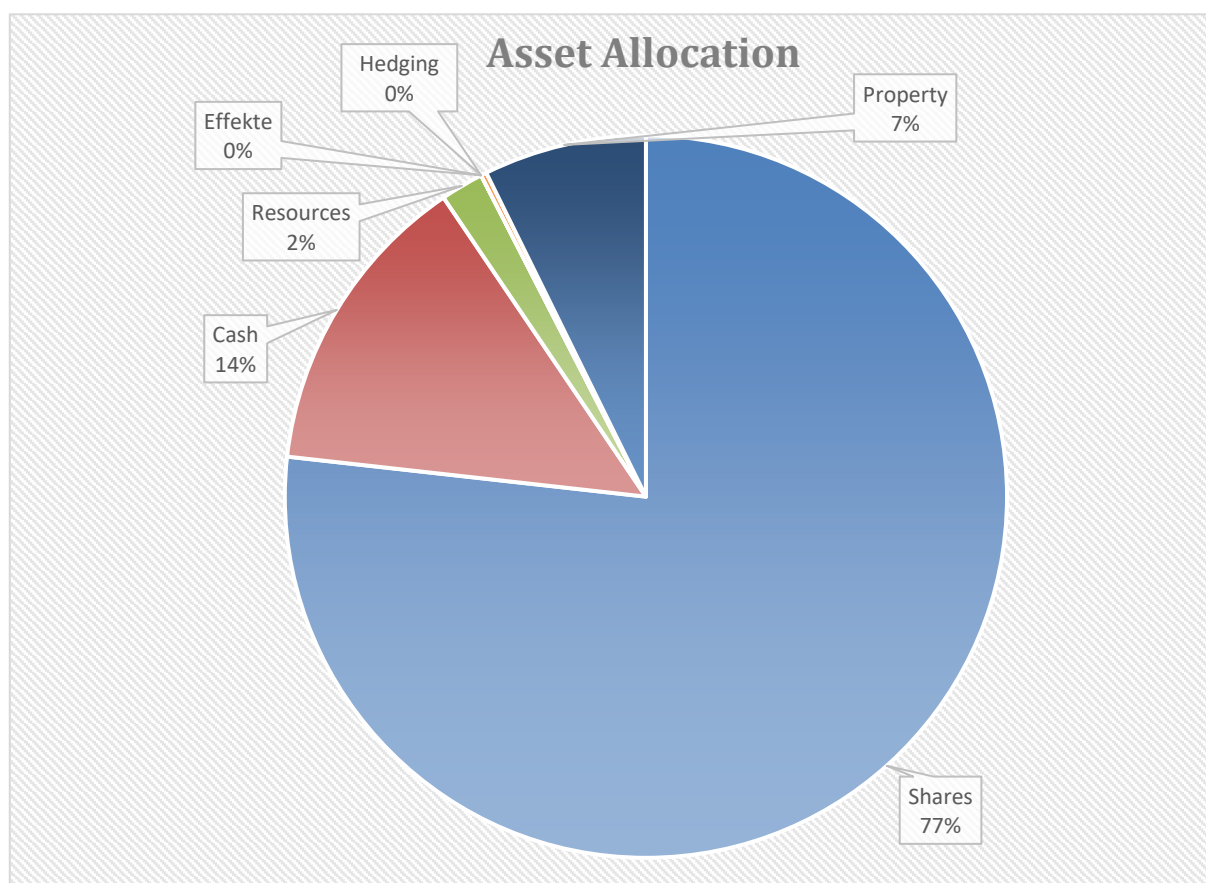
Capicraft Global Creator Fund – Fund feedback, February 2022

The Capicraft Global Creator fund was launched on the 26th of August 2021 and enough time has elapsed to provide feedback on the fund's composition and performance.

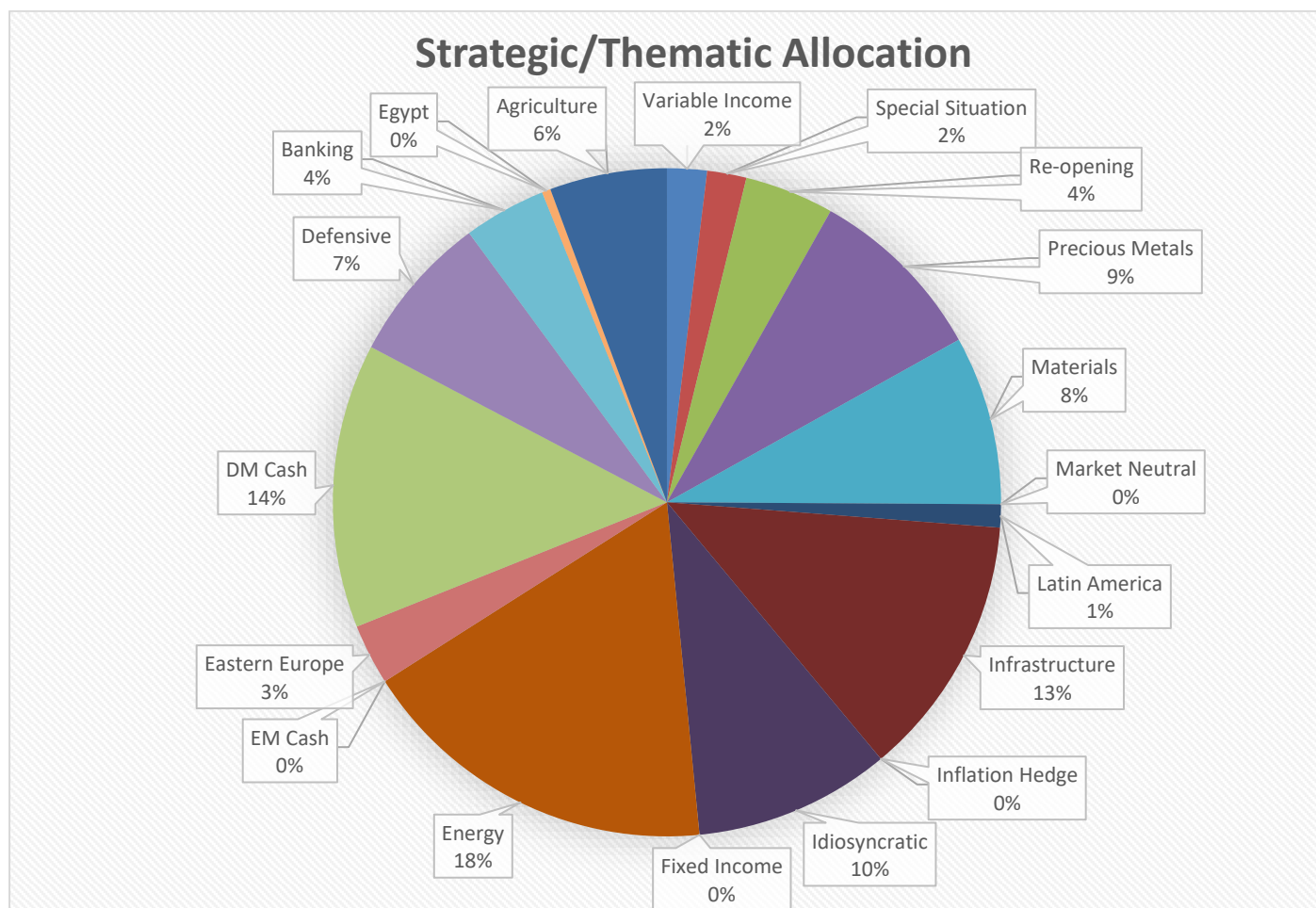
Client's would have already noticed the Global Creator on their statements. From now on, the statements should be read together with this feedback (quarterly) and/or with the fund fact sheets (monthly).

In terms of performance, the fund has been quick out of the blocks. Since the commencement date of 26 August 2021, the fund has generated a growth of 7.1% (as at 7 Feb 2022). This happened while several markets experienced decent sell-offs and the MSCI World All-Share Index declined 0.2%. Thus a good start in both absolute terms, but so much more so in relative terms.

The divergence of our returns with that of the broader market should not come as a surprise. The fund's composition does not look like the general market or mainstream institutional fund at all. Let's take a peek beneath the surface:



The asset allocation basically tells us how much growth/volatile assets versus income/stable assets we have. We have a fair amount of cash (14%) that can be used should the markets sell-off deepen and a small gold position (2%) that serves as a hedge. The 77% Equity Position, along with a 7% Real Estate Position, looks slightly aggressive given our mandate and similar funds in this category. We also feel that the market as a whole is expensive and the environment is ripe for a sell-off. However, only when we look a little deeper do we really see how diversification and portfolio construction are used to navigate the changing investment environment.



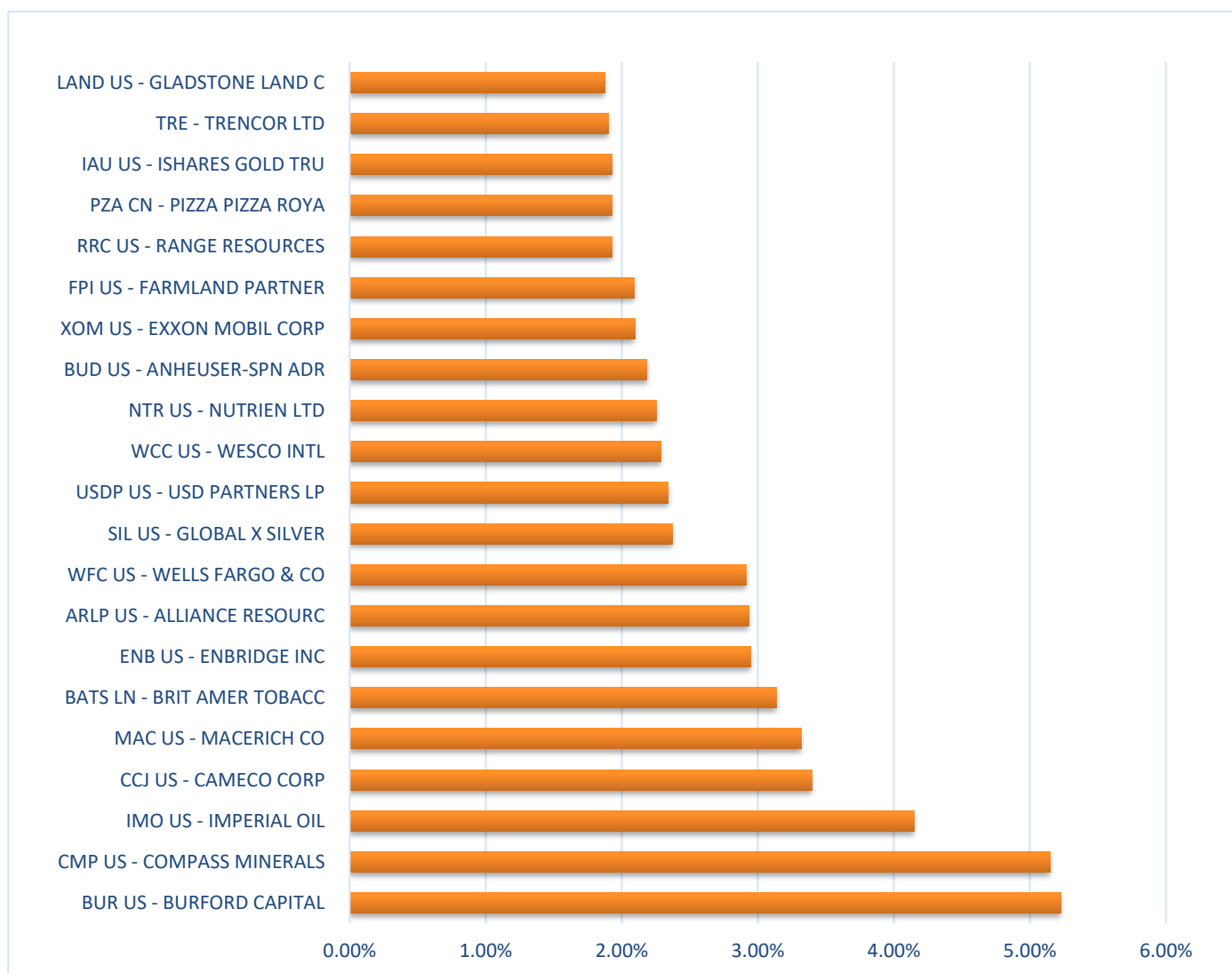
Herewith a breakdown of the 10 biggest exposures:

1. **Precious Metals:** We have precious metal exposure of 9% and not just 2% gold bullion as shown above. These include shares in senior and junior miners as well as gold and silver royalty companies. Royal companies are not exposed to cost pressures like the miners.
2. **Energy:** Energy exposure of 18% serves as a hedge against energy shortages and inflation. In the 1970s, resources, especially energy, served as a very good hedge against the prevailing inflationary market environment. In this grouping are of course oil companies like ExxonMobil and Imperial Oil, but also medium-sized producers in Canada that are still very cheap. We also own Range Resources, one of the best natural gas producers / reserves in North America. Uranium producer Cameco is included here, and we also recently bought Kazatomprom after the share price offered us a buying opportunity. Smaller positions include oilfield

services companies that have been priced as if no new oil wells will ever be sunk into the ground (or into the sea) again.

3. **Infrastructure:** Infrastructure (13%) includes our oil-and-gas pipeline and railway companies (7.3%) because they are more stable and have high dividend yields - but still offer potential should energy companies boost production again. Within this category is a new position, *Grupo Aeroportuario del Centro Norte*, or better known as OMAB. It is one of Mexico's busiest and fastest growing airports. Airports, like other infrastructure plays, have a particular competitive advantage that results in pricing power. They are also fantastic inflation hedges. OMAB has already delivered 11% of our capital growth since purchase and also paid 7.8% in the form of special dividends. Our agricultural land (4%) is also in this category, but this is certainly not where our agricultural and food exposure stops.
4. **Agriculture & Defensive:** Farmers, fertilizer producers, and other agricultural suppliers make up about 6% of the fund. But among "Defensive" companies, there is also a food processing company, Ingredion. Other defensive companies include British American Tobacco and AB Imbev.
5. **Raw Materials:** Among raw materials we have relatively little metal exposure. Only about 2%, and it consists of Glencore and Tharisa mining. The largest exposure here is in Compass Minerals (5.2%) which owns the world's best salt reserves but has also recently discovered giant Lithium reserves.
6. **Eastern-Europe:** Something that catches the eye is our 3% Eastern European exposure, which mostly represents Russia. In the quarterly newsletter, we touched on the situation on the border with Ukraine and possible sanctions. The beauty of portfolio construction comes into play here. Serious sanctions against the Russians will degenerate into enormous energy (and fertilizer) shortages. Thus our other positions mentioned above create more than enough hedging to own deeply discounted Russian shares.
7. **South America & Egypt:** In addition to Eastern Europe, we have already added several positions in South America, Mexico and even Egypt. We are currently considering equities in Japan. We will continue to diversify geographically.
8. **Banking:** One of the better ways to gain exposure to a new geography is via the banking sector. Our exposure to Western banks is currently 4%. These banks' balance sheets are very strong, interest rates are rising and credit extension still looks very healthy. A great environment for bank profitability.
9. **Reopening:** We also have companies that could benefit from the reopening of the services sector in the post-covid economy (4%). The most important is Macerich Properties, which is the second largest owner of shopping malls in the US. The other one is Sabre Corp. which verifies 40% of the world's aviation bookings.
10. **Idiosyncratic:** Of course, there are also companies that do not really fall into a theme or risk segment. We refer to them as "idiosyncratic" opportunities. The most important is Burford Capital which is currently also the largest single company in the entire fund. Burford, the world's largest litigation financier, does not have a strong link to the world economy. Burford runs a portfolio of multiple litigations, each with unique potential outcomes. In essence, it is an investment company that is already well diversified. The risks are relatively low and the return potential large. This is how we like the biggest positions in the portfolio.

The portfolio currently consists of about 60 different positions, but each one's exposure is calibrated to reconcile the investment's **risks, return potential, and our degree of conviction**. This is the top 20 positions in the fund:



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