

# Cape Optimal Equity Fund

Cape Capital SICAV-UCITS

# CAPE | CAPITAL

## Update December 2020

In December, building on the return on November, equity markets rose further to end the year on a positive note. Despite some last-minute hiccups, both the US fiscal stimulus deal and the UK Brexit deal were finally agreed on, thus removing two risks that had been hanging over the market. In addition, the approval and rollout of vaccines provided further support and eased concern about a new, possibly more contagious strain of the corona virus which has emerged. Both cyclical and growth sectors outperformed, while traditional defensives lagged.

The Fund returned 2.7% in December and detracted -11.8% for the full year. Disney (+22.4%) was the top-performing holding for the month, following the constructive update of its streaming service. Samsung (+20.5%) delivered strong returns as well on favorable industry trends in the memory market. On the negative side, Ericsson (-6.9%) was the largest detractor, as the company guided for lower IP licensing revenues next year. The fund's net exposure remained steady at 80%.

The Fund made no changes in holdings during the month.

Please see page 3 for the full monthly comments.

## Fund information

Current AUM	EUR 106MM
Fund Type	SICAV-UCITS
Fund Inception <sup>4</sup>	01 June 2015
Minimum Investment	5'000 EUR
Available Currency	EUR
Redemption	Daily by 3pm C.E.T
Fund Domicile	Luxembourg
Mgmt Company	MultiConcept Fund Management
Central Administration	Credit Suisse Fund Services
Auditor	PwC (Luxembourg)
Legal Advisor	Arendt & Medernach
Depository Bank	Credit Suisse (Luxembourg) S.A.

Please see page 2 for detailed share class information.

## Fund strategy

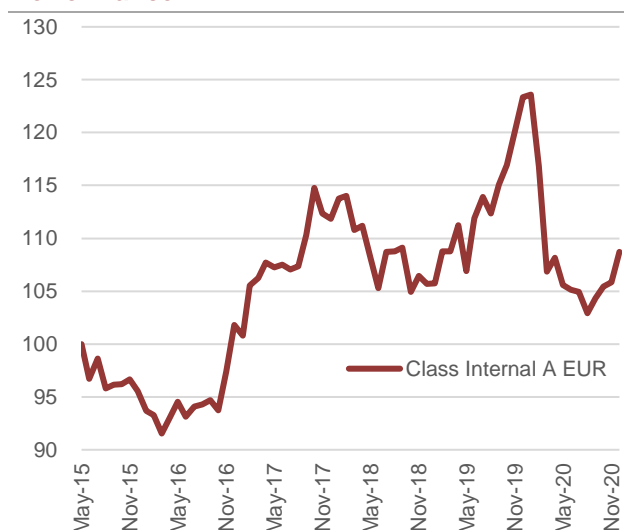
The objective of the Cape Optimal Equity Fund is to create long-term capital appreciation by investing in a global portfolio of equity securities.

The Fund holds 20-30 large-cap global quality firms with solid fundamentals and cash flow generation.

The Fund systematically adjusts its net exposure between -50% and 100%, by using a combination of long-term and short-term indicators.

ESG considerations are integrated into the investment process.

## Performance<sup>1</sup>



## Performance (in %)<sup>1</sup>

Current month	YTD 2020	2019	2018	2017	Since inception
2.72	-11.84	16.69	-5.52	9.87	8.73

## Fund statistics<sup>1</sup>

Return (% , annualized since inception)	1.51
Volatility (% , annualized) <sup>2</sup>	8.39
Max Drawdown (% , since inception)	-16.72
Sharpe ratio	0.22
Risk free rate <sup>3</sup>	-0.31

Past performance is not a reliable indicator of future results.

## Notes

1. Fund performance is shown based on the NAV (net of fees) of the share class Internal A EUR, inception 01 June 2015
2. Annualized standard deviation using monthly return since inception.
3. Risk free return is calculated as the annualized return of EURIBOR 3 month since the inception of the Fund.
4. Fund inception in June 2015 as Cape Capital SICAV-SIF. Converted to Cape Capital SICAV-UCITS in July 2017.

# Cape Optimal Equity Fund

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## Top Holdings

Company	Country	Weight (%)
Disney	USA	4.54
Nintendo	Japan	4.34
PayPal	USA	4.22
Samsung	South Korea	4.19
Sony	Japan	4.17
No. of positions		25
Gross long exposure		100
Gross short exposure		18
Net exposure		82
Net exposure (beta adj.)		80

## Geographic Distribution (%)

USA	39.8
Switzerland	16.1
Japan	12.3
Netherlands	8.1
Sweden	7.8
France	7.7
South Korea	4.2
Germany	4.1

## Sector Allocation (%)

Technology	23.8
Health Care	19.7
Industrials	15.8
Comm. Services	12.7
Financials	12.0
Cons. Disc.	8.0
Materials	7.9

## Currency Exposure (%)

USD	48.2	37.1
EUR	19.9	31.0
CHF	16.1	16.1
JPY	8.1	8.1
SEK	7.8	7.8

■ Investment Exposure  
■ Net Exposure

All allocations are calculated based on notional exposure (excl. cash), except for "Net exposure (beta adj.)".

FX investment exposure refers to the currency denomination of the security. Any FX exposure resulting from shorting index futures is hedged.

## Share class information

Share class	Bloomberg	ISIN	Inception	Fee p.a. (%)	Current NAV
Internal A EUR Acc.	CSCAEI LX Equity	LU1200256946	01/06/2015	0.50	108.73
Institutional B EUR Acc.	CACOEI LX Equity	LU1200256193	31/01/2020	1.00	86.35

## Investment Returns<sup>1</sup>

in %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015						-3.29	2.01	-2.89	0.37	0.06	0.48	-1.17	-4.46
2016	-1.93	-0.47	-1.84	1.64	1.61	-1.51	1.05	0.21	0.41	-1.03	3.98	4.48	6.56
2017	-0.97	4.68	0.64	1.42	-0.44	0.22	-0.41	0.29	2.76	4.03	-2.11	-0.44	9.87
2018	1.70	0.24	-2.84	0.37	-2.67	-2.73	3.26	0.04	0.36	-3.87	1.44	-0.70	-5.52
2019	0.06	2.84	0.04	2.25	-3.88	4.67	1.79	-1.38	2.45	1.62	2.69	2.69	16.69
2020	0.21	-5.49	-8.52	1.23	-2.36	-0.43	-0.20	-1.93	1.37	1.05	0.40	2.72	-11.84

## Clearing the Sky for 2021

### Monthly Update – December 2020

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*Equity markets ended 2020 on a positive note*

#### Equity Markets

In December, building on the return on November, equity markets rose further to end the year on a positive note. Despite some last-minute hiccups, both the US fiscal stimulus deal and the UK Brexit deal were finally agreed on, thus removing two risks that had been hanging over the market. In addition, the approval and rollout of vaccines provided further support and eased concern about a new, possibly more contagious strain of the corona virus which has emerged. Both cyclical and growth sectors outperformed, while traditional defensives lagged.

*Fund +2.7%, driven by individual stock performances*

#### Fund Performance

The Fund returned 2.7% in December and detracted -11.8% for the full year. Disney (+22.4%) was the top-performing holding for the month, following the constructive update of its streaming service. Samsung (+20.5%) delivered strong returns as well on favorable industry trends in the memory market. On the negative side, Ericsson (-6.9%) was the largest detractor, as the company guided for lower IP licensing revenues next year. The fund's net exposure remained steady at 80%.

*Disney – full st(ream) ahead*

#### Company Highlights

**Disney** (80bps contribution): Following the announcement of an organizational restructuring in October, Disney held an Investor Day to outline its strategy for streaming service Disney+. Apart from releasing around 100 new titles across all studios over the next several years, Disney expects to migrate towards a bundling strategy by integrating its vast library of TV series and films to Disney+, thus moving beyond the “kids-and-family” audience and increasing its attractiveness for adult viewers. Moreover, the company has substantially revised its subscriber guidance for 2024, which – if reached – would put it on par with Netflix, the main streaming rival.

*Ericsson – short-term volatility expected in licensing revenues*

**Ericsson** (-20bps deduction): Ericsson announced that it has filed a lawsuit against Samsung for non-compliance with commitments to renegotiate patent licensing terms on a “fair, reasonable, and non-discriminatory” basis. Consequently, and in anticipation of further complications from negotiations with other vendors such as Apple and Huawei, the company estimates a negative impact on operating profit for 2021 of approximately 20%. In the last two quarters, Ericsson has been warning that delays in IP licensing revenues could be a risk, and now the estimated impact appears to be larger than what investors expected. That being said, we note that lawsuits are quite common during licensing negotiations, and that once an agreement is reached, vendors have paid licensing fees retroactively.

*A robust backdrop paves the way for a brighter 2021*

#### Portfolio Activity

The Fund made no changes in holdings during the month.

Rarely has consensus been this optimistic heading into a new year, supported by the robust backdrop of a synchronized economic recovery, fading geopolitical uncertainties, and ongoing vaccine deployments. Accordingly, analyst consensus calls for a rotation from growth into value and cyclicals, and from US to non-US equities. However, buy-side positioning remains heavily tilted towards US Big Tech names and appears reluctant to change substantially. Our view is more aligned with the former, and the portfolio is positioned as such: we maintain a long-standing overweight in ex-US regions while having increased exposure to more cyclical companies over the recent months. As always, our focus remains on companies with secular growth drivers paired with solid balance sheets and attractive valuations.

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