2021 Investment Outlook

CAPRICORN
PRIVATE INVESTMENTS

SUMMARY

2020 was a year that will be with us for the rest of our lives (as it surely will be for everyone reading this letter). We are truly grateful that we came through the experience as a stronger organisation and that we were fortunate to have several new families decide to work with us despite the turmoil and uncertainty.

When we reviewed our own performance, we realised that leaning on our "golden rules" of investing really came to our aid in the more difficult moments of 2020, allowing us to keep cool, be rational and play offence where possible. These rules were:

1. You cannot time the market
2. Markets always overshoot both to the up and downside and regularly "disconnect" from fundamentals
3. When correlations go to one, there is really limited portfolio diversification available to investors

Everyone knows the above, but few investors are really prepared to deal with the environment when it happens. We also took away two other key points which are more a function of the environment post the last crisis of 2008, namely:

4. Never underestimate the willingness of governments in the modern age to support their economies and ultimately their population (i.e. voters)
5. Relying on traditional valuation metrics is not as meaningful as in the past when today's "risk-free" rate is zero and is expected to remain very low for the foreseeable future

Our performance was strong in 2020 with portfolios experiencing gains in the high single to low double-digit territory. Active manager outperformance in Technology and Healthcare equities was a key driver, supported by modest positive returns in our uncorrelated strategies and credit allocations, as well as our gold position.

Successful vaccine developments in Q4 2020 exceeded our expectations. Looking forward we are of the view that a reopening of economies in the second half of 2021 across developed countries, combined with on-going stimulus and low interest rates, will create a very favourable macro backdrop.

This then leaves us with a one key question: where to invest? Put succinctly, our investment portfolios are diversified and long-term in nature and we don't make dramatic shifts to client strategic allocations. Through 2020 we focussed our efforts more on identifying long-term partners within specific themes and asset classes that we believe will compound returns appropriately for our family and institutional portfolios. Many of our managers operate in small niches and are now hard closed to new investors. Our core themes remain in Technology, Healthcare, and Infrastructure (across asset classes) complemented by our exposures in uncorrelated strategies. Despite our positive outlook we are also mindful of high valuations and are concentrating exposure into those areas where we have the greatest long-term conviction.

The rest of this letter delves into the above points in greater details. As always, we welcome feedback on the comments within this letter so please get in touch with us, and we look forward to seeing as many of you face to face, rather than on our screens, as soon as possible.

Thank you for your continued support.

PERFORMANCE REVIEW

By July, our Q1 2020 losses had been largely recovered. Performance was particularly strong in Q4 as we benefitted from those asset classes and sectors which had previously lagged (such as some of our credit and absolute return strategies) recovering sharply, particularly after the US election and the successful vaccine announcements. We also experienced the benefit of mark-ups in our private markets exposures which are typically lagged by a quarter or two.

Our liquid model portfolio which is diversified across equity, credit and uncorrelated strategies returned a gross return of 13.6% relative to its Strategic Asset Allocation benchmark return of 9.6% and a return of a 60/40 Global Equity/Global Government Bond portfolio of 11.1%. The year-end returns should be seen in the context of a -12% first quarter.

Across portfolios our key winners were 1) active manager outperformance in equity long-only and long-short strategies 2) a skew to technology/software sectors across both public and private equity / venture capital and 3) our gold hedge implemented in 2019 which we held right through 2020. We also experienced modest positive returns in credit and absolute return strategies. On the negative ledger, the main detractor was a decision to cut back on directional equity exposure in the summer, largely via indices, as we felt markets had priced in a strong recovery which was against a backdrop of still significant uncertainty over a successful vaccination programme. Our base case scenario was exceeded on this front, but performance was more than compensated for by stock selection outperformance.

Fig. 1: Performance of key asset classes in 2020 – key drivers were technology stocks, which benefitted the US stock market over other regional stock markets. China also performed well due to strong growth and a high weighting to tech. The US Dollar experienced its worst year since 2017 as the Federal Reserve slashed interest rates and grew its balance sheet in response to the crisis.

Index	Q1	Q2	Q3	Q4	FY 2020
S&P 500	-19.6%	20.5%	8.9%	12.1%	18.4%
FTSE 100	-24.0%	9.6%	-4.0%	10.9%	-11.4%
DJStoxx 600	-22.5%	13.9%	0.7%	10.9%	-1.4%
Nasdaq 100	-13.9%	30.9%	11.2%	15.7%	45.1%
MSCI Emerging Markets (USD)	-23.6%	18.2%	9.7%	19.6%	18.5%
MSCI China (Local Currency)	-9.85%	15.2%	12.0%	10.7%	29.5%
US Treasuries	10.7%	0.2%	0.2%	-0.9%	10.1%
UK Gilts	6.8%	2.6%	-1.3%	0.5%	8.7%
Investment Grade Credit (USD)	-0.2%	8.7%	1.6%	2.9%	13.4%
Global High Yield (USD)	-12.0%	7.7%	4.3%	5.9%	4.7%
WTI Oil (USD)	-66.5%	91.7%	2.4%	20.6%	-20.5%
Gold	3.9%	12.9%	5.9%	0.7%	25.1%
US Dollar (DXY) Index	2.8%	-1.7%	-3.6%	-4.2%	-6.7%

Source: Deutsche Bank

OUTLOOK

Our investment horizon looks beyond what is written in this section. Nevertheless, we do spend time reflecting on the medium-term outlook as it helps us prioritise our research efforts and keeps us aware of potentially significant macro changes that may come down the line.

While the longer-term macro playbook will be heavily marked by the impact of Covid-19, for the near term we expect some return to "normality" in our lives some time in Q3 2021. By this stage, we expect that not only will the most vulnerable people in developed economies be vaccinated, but a significant portion of the less impacted adult population will be as well, thus easing pressure on strained medical systems and hospital workers. This can't come soon enough for those nations impacted by recent more virulent strains such as the UK, Brazil and South Africa.

The vaccine progress has so far surpassed our expectations (with more vaccines becoming available in 2021), and now that the facts have changed – so has our analysis. Our base case view on the macro economic situation is broadly positive for 2021 (and heading into 2022) based on the following logic:

1. **Increased demand post lockdown –** we think with the majority of the global population having spent the best part of a year largely in their homes, the demand for travel, leisure, entertainment, socialising, etc. will be significant. The increase in savings rates across many developed countries as per Fig. 2 below highlights how much spending could materialise:

   Fig. 2: Savings rates across selected countries in 2020 versus long-term averages

Country	25-year average	2020 Peak	As at Q3 2020
United States	**6.5%**	**33.7%**	**14.4%**
United Kingdom	**8.4%**	**27.4%**	**16.9%**
Germany	**10.5%**	**21.0%**	**16.2%**
France	**14.7%**	**26.7%**	**16.5%**
Australia	**4.7%**	**22.1%**	**18.9%**

Source: Statista

   To put these numbers into some perspective, the NY Times[1] estimated that an additional $1Trillion was accumulated by personal households between March to November 2020, due mainly to increases in unemployment insurance and stimulus cheques. In the UK, the Bank of England estimated that over £100 Billion[2] had been saved (albeit not evenly across society given the large levels of unemployment in leisure, travel and entertainment sectors).

2. **Increased fiscal stimulus to come and high debt to GDP to remain.** With interest rates basically pegged at zero and with unemployment at extreme levels, once we adjust for furlough, there seems to us no better time than the present to spend money on whatever infrastructure needs upgrading or rebuilding. If the last decade has taught us anything it seems that, provided inflation remains muted, there is really nothing to stop further balance sheet expansion of "reserve currency" type countries such as the US or Euro area as long as interest rates are low. There is nothing wrong with this approach. The alternative, of

[1] https://www.nytimes.com/2021/01/01/upshot/why-markets-boomed-2020.html
[2] https://www.theguardian.com/business/2020/dec/07/uk-covid-savings-haldane-bank-of-england

vast sections of the population falling into poverty and losing skills, to us seems an outcome which will make everyone worse off in the longer term. The United States will see Gross Debt to GDP rise from an already high 109% to 131% in 2020. The G7 group of Advanced Economies is expected to see Debt to GDP rise 20% to 125% in 2020 and remain at this elevated level until 2023.[3] But what does this all mean? We liked the analysis from JPM's "Eye on the Market" which contextualises the issue quite neatly. For the US to achieve pre-Covid levels of Federal debt by 2030 it would have to take one of the following mutually exclusive actions:

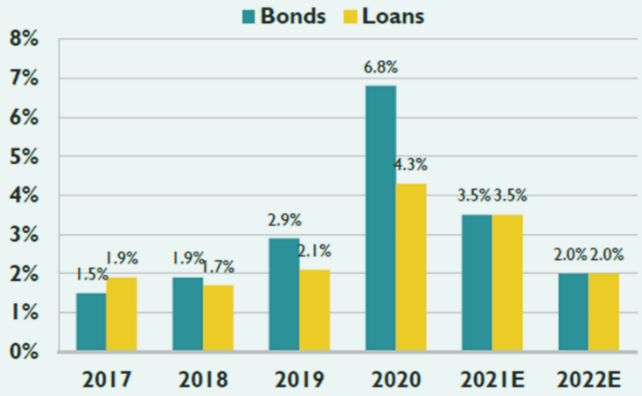
- Enact the largest tax hikes in history taking tax revenues as a % of GDP from c.12% to c.23%
- Slash Government spending as a % of GDP to the lowest levels in 80 years
- Generate real GDP growth of 6% last achieved in the 1960s
- Generate higher inflation of 5% - a level not seen since the 1980s

Delivering the above actions (or even moderated combinations of them) to us seems very difficult in the near term. In time, a combination of the above may be needed, though we think the likely outcome is for debt levels to remain high for some time to come.

3. **A further spike in corporate defaults is now unlikely.** Given low credit spreads (Fig.4), plenty of investor appetite and good market liquidity, most medium to large companies will have access to liquidity to "bridge" them to the post-Covid era. We do see defaults picking up in the SME/small company space, but it won't be significant enough to damage the banks whose stocks are recovering sharply in the first few weeks of 2021 following a strong run in November and December. Defaults per the JPM forecast below are expected to normalise by 2022 – by comparison defaults were in the double digits in 2008/09.

Fig. 3: Defaults are expected to trend down to a normalised level fairly quickly. In addition, most of these defaults have occurred in energy and retail companies, though not yet significantly in the travel, leisure and entertainment industries due to government support

JPM Default Forecasts



Source: JP Morgan

Most Impacted Industries

Industry	$Bn Affected	# of Actions
Cable & Satellite	14.4	1
Energy	49.1	35
Retail	15.3	12
Telecom	16.7	1

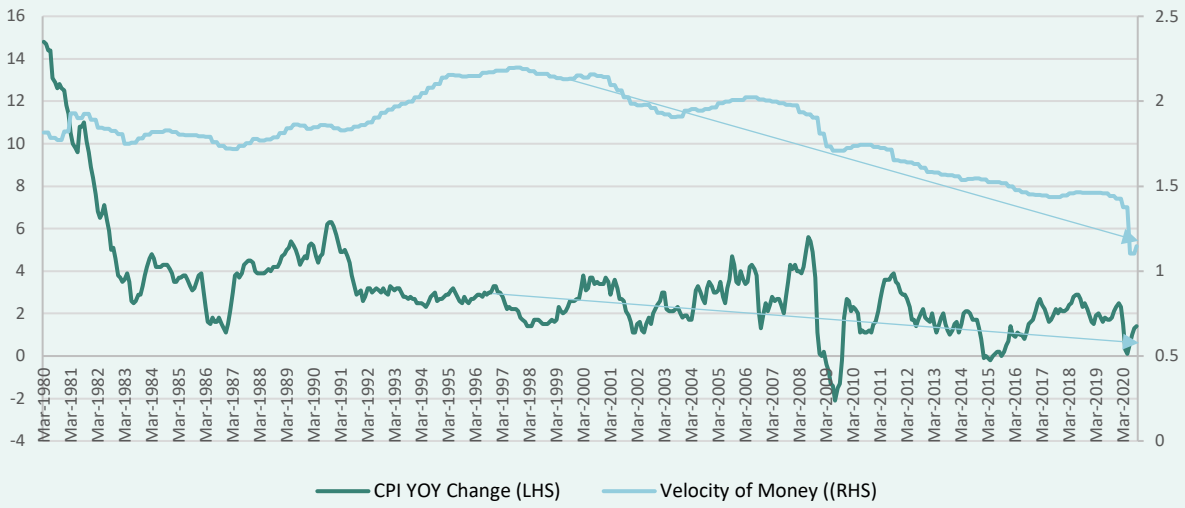
[3] Source: IMF

Fig. 4: The decline in high yield spreads results in financing becoming even more attractive and supports a low default environment

Source: Bloomberg LP

4. **The ingredients for higher inflation are there, but it is uncertain when it emerges.** This level and combination of fiscal and monetary stimulus has never been witnessed before and combined with the re-opening of economies potentially sets the scene for inflation to come – not hyperinflation, but higher than the 2% targets most central banks have. We do not know what the catalyst will be to spark it and are acutely aware of structural deflationary forces - most notably the stranglehold of capital over labour, societal ageing and technological advancements. For inflation to rise there needs to be a "reflexive" moment where the population believes prices will rise and, therefore, will start to spend in advance of higher prices – thereby pushing prices up. The velocity of money is a guide to this phenomenon – and while this remains low, the inflationary impulse is likely to remain low.

Fig. 5: The velocity of money (how quickly money circulates in an economy) remains subdued indicating low inflation expectations

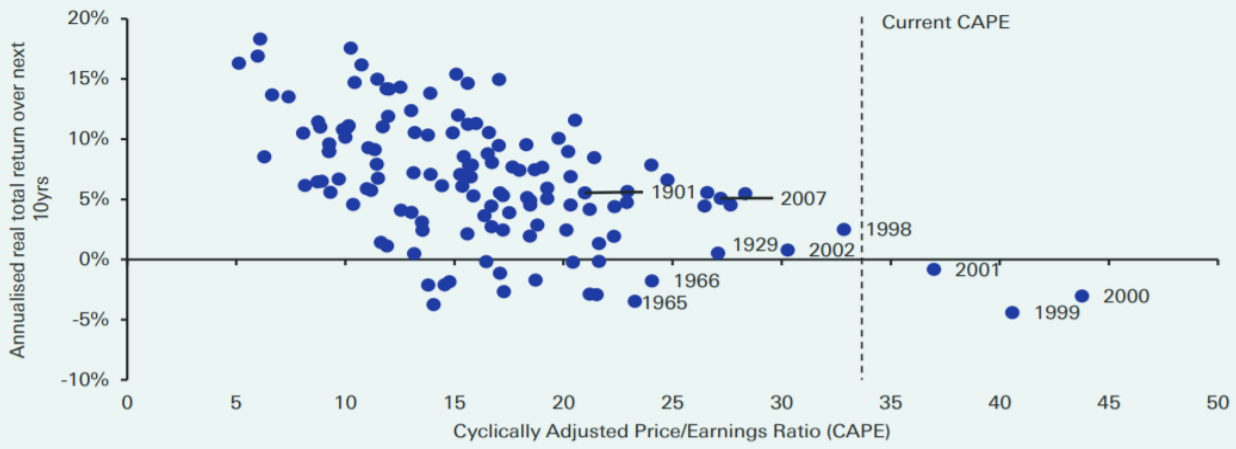


Source: Bloomberg LP

PORTFOLIO POSITIONING

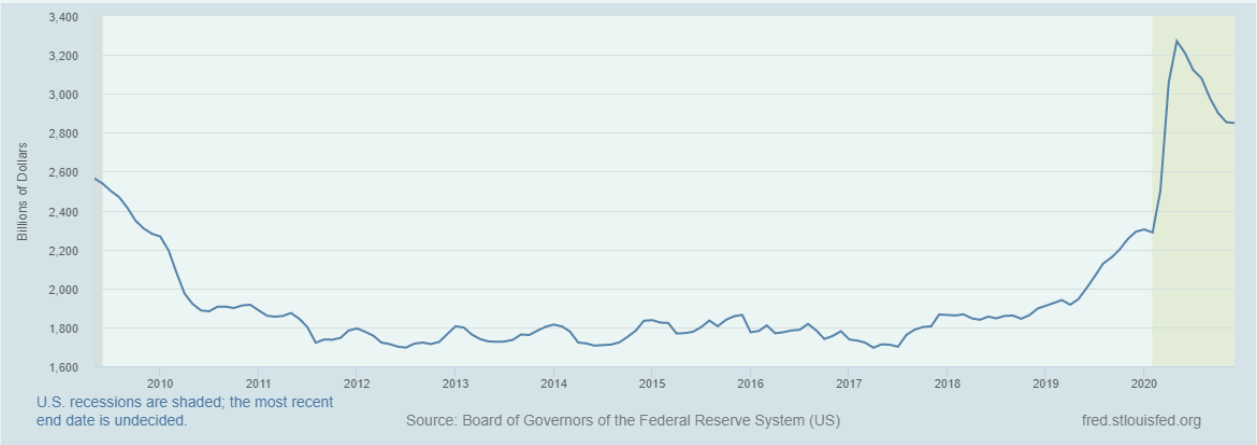
As summarised above, our positive view on the world, if correct, will likely support risky asset performance in 2021. Our main caution on this is that pricing does reflect some of this optimism already. When we look at traditional metrics (such as CAPE) the long-term future returns from broad markets look decidedly unappealing (see Fig. 6 below). However, with zero policy rates, good liquidity conditions likely to prevail for some time to come and factoring in high cash balances among investors (Fig. 7), the TINA ("There Is No Alternative") argument holds reasonably strong. Balancing these two competing factors leads us to remain at strategic weight for equity allocations.

Fig. 6: S&P 500 prospective returns vs S&P CAPE Ratio



Source: Deutsche Bank, Robert Shiller, Dec 2020

Fig. 7: Institutional Money Funds: historically, significant institutional investor cash balances will likely support risk assets despite high valuations



Source: St Louis Fed

In fixed income, entering 2021 we had limited investment grade or government bond exposure across unconstrained portfolios given the low absolute yields on offer. Instead we are focusing on private lending and other forms of alternative yield usually with a short duration. Our main sources of diversification are our hedges in the form of cash, gold and absolute return strategies which we expect to perform in a largely uncorrelated manner to our directional exposures.

It is essential to retain this kind of balance in our portfolios as any number of low probability negative events (a viral mutation, a slower than expected vaccine roll-out, a policy mis-step or simply something we haven't thought of) could happen and it is not our style to "load up" on any one particular idea / asset class / theme etc.

INVESTMENT THEMES

As we've stated in previous letters, we don't trade portfolios. We run fairly close to our strategic allocation weights. We look to invest with managers in which we have long-term conviction with an intended multi-year horizon. This requires significant upfront work to identify these managers, and in areas where we wish to focus our efforts.

Our key focus areas exhibit:

1. Significant change occurring which lends itself to specialist expertise (e.g. focussed private equity/venture capital and real estate)

2. Capital shortages due to structural changes in the banking landscape – this is mainly focussed on different forms of private lending, usually senior secured or asset-backed. This has been more challenging given the surfeit of liquidity that has become available in 2020

3. Uncorrelated returns – where we can generate return in an uncorrelated manner due to exposure to a different return driver (longevity risk, litigation risk) or via arbitrage / market neutral strategies

The section below highlights some of our core themes reflecting the above framework, before we end the letter with an update on our model portfolio construction.

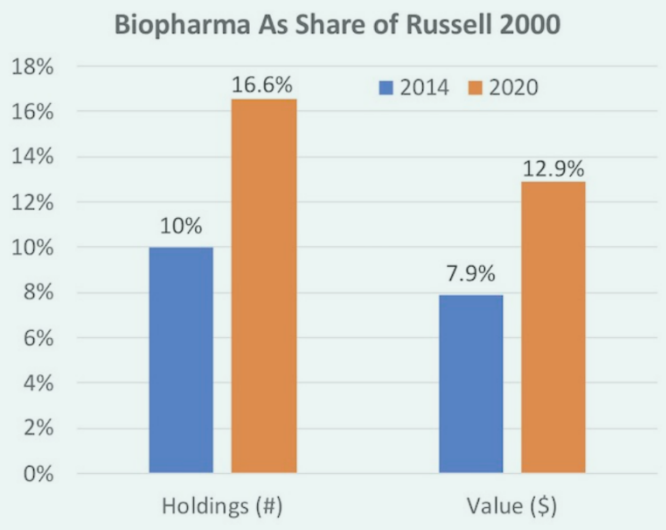
BioTech and Pharma

This had been an area of focus for us prior to the pandemic – and really proved its worth in 2020. Never before has a major vaccine been developed so quickly. Much of this was possible from recent developments in the sector aiding genetic sequencing. We are long-term believers that innovation is leading to significant opportunity across multiple parts of the healthcare / bio-tech sphere, for example the aforementioned genetic sequencing technologies decreasing the cost of R&D to isolate and treat a multitude of rare diseases.

We also believe the onset of Covid-19 provides benefit for the sector as drug pricing will become less politicised for the time being and healthcare/pharma will have less immediate pressure on margins given the sector's contribution to the management and eventually resolution of the Covid-19 problem (though at some point we'd expect the issue of drug prices to resurface).

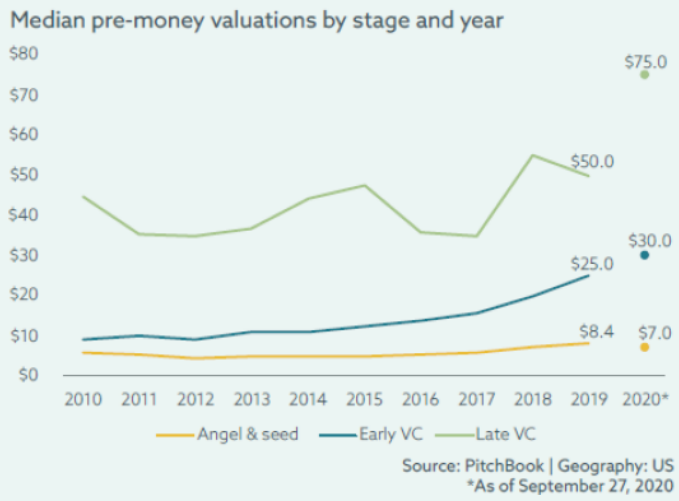
The increase in innovation and subsequent new company formation has also improved the opportunity set for specialist investors. Biopharma (i.e. biotech and pharma sectors) have grown considerably as a share of indices in the last 5 years, both in terms of stock number and size within the index (Fig. 8). On the negative side, extra capital coming into the space has pushed up prices, particularly in the late-stage private sphere – however, this kind of price pressure is absent at the early-stage life cycle (Fig. 9).

Fig. 8: Biopharma (defined as BioTech and Pharmaceuticals) have increased as a share of Russell 2000 by number of companies and value increasing the opportunity set for the active investor



Source: Bloomberg, (12/31/14 and 11/19/20)

Fig. 9: Within healthcare venture, much like other sectors, the best value is found in early-stage space which hasn't seen the same kind of price appreciation as other parts of the private market



Source: Perceptive Advisors

The M&A activity within the sector also supports our investment thesis. M&A for both large and emerging biotech was strong in 2020: examples included Astra Zeneca's agreement to acquire Alexion for $39B, Gilead's take out of Immunomedics for $21B, Myokardia's acquisition by Bristol Meyer Squibb for $13B,

Momenta by J&J for $6.5B, just to name a few. With R&D in a rich phase, larger, slower growth pharma companies can't really afford to miss out so end up acquiring.

We have been increasing our exposure to biopharma in 2020 and will continue to do so in 2021 with our small selection of specialist funds across public equity, private equity/venture and private debt. We aim for 10-15% exposure where possible.

Technology

The resilience and strong growth of technology has been one of the headline themes of the pandemic. Covid has dramatically accelerated the use of e-commerce, cashless payments, working from home, and all the physical and virtual infrastructure required to support these shifts (data centres, cloud software, etc). We believe that this "digitisation" is irreversible due to its powerful combination of increased convenience and lower cost to the end consumer.

Our overarching thesis can be summarised as follows:

1. **The global technology market can still get a lot larger:** In recent years, the 5 largest US technology stocks (Apple, Microsoft, Amazon, Google and Facebook) have driven a disproportionate share of investor returns and now represent a very high percentage (~25%) of the aggregate market cap of the S&P 500. This has led some to question whether the technology space has had its day in the sun and investors should now look elsewhere for returns. Our view is that this is underestimating the level of change to come. To illustrate the point in the US, the percentage of consumer spending online has risen from 4.5% in 2011 to 10.5% in Q1 2020 before accelerating to 16% in Q2 2020[4]. If we assume that this penetration rises to 30% by 2030 and apply a 5% profit margin to this number, this implies a market valuation over 5x the current value of all US e-commerce companies (using a multiple of 20x profits). We also note that only 10% of the global market value of technology stocks is outside the US (which vastly under-represents the fact that >80% of world GDP and >90% of the world's population are outside the US) so there is significant scope for this to rise as well. Clearly there are many and various challenges investing across emerging markets, particularly China, but we are somewhat persuaded by the Bridgewater view that the world is materially under-invested in these markets and that gap will narrow over the next decade. Recent moves towards protectionism and a desire for less reliance on the US are also likely to encourage smaller economies to invest in their local tech economy. Expect many more companies like Alibaba, Tencent, and Baidu to become household names in the years ahead.

2. **As the largest Tech stocks come under increasing pressure, the biggest opportunities lie in the second wave of mid-cap disruptors:** Over the last two decades, the largest US tech companies have successfully dominated the early categories of the internet – phone operating systems, internet search, email, social media, online video, etc (Fig. 10). We believe that despite the inevitable backlash from government and consumers their position in these core categories is largely unassailable as the economic "moat" around these platform businesses is just too large. To illustrate, the DOJ filed an antitrust lawsuit against Google last October alleging that Google's distribution agreements with smartphone OEMs, primarily revenue share agreements linked to the default search engine position, are exclusionary and limit competition. The trial is expected to begin in late 2023 and conclude in 2024. Appeals processes will likely push any remedy out to 2025 at the earliest (source: TCI). By this time, the scope of Google's activities will have spread even further into other categories like video (through You Tube) or storage (Google Cloud). Nevertheless, we do feel that these larger players now represent the equivalent of "virtual" toll roads in the global technology ecosystem – and as such their return profile, while still attractive, is more utility-like and rather less exponential than has been the case historically. In their place, we are seeing the next generation of companies come to market across a range of automation, cloud, digital enablement and healthcare categories. The recent positive reception for VC backed technology IPOs – Snowflake ($81B), Palantir ($56B), and Asana ($23B) underscores the current robust environment.

[4] Source: www.fred.stlouifed.org, E-commerce retail sales as a percent of total sales

Fig. 10: Market share by online category – dominated by the mega cap tech stocks

Category	Google	Apple	Facebook	Amazon	Subtotal	Microsoft	Total
Phone operating systems	**52%**	**47%**			99%	1%	100%
Video game streaming	21%		3%	**73%**	97%	3%	100%
Internet search incl. images, maps, YouTube	**91%**		1%	2%	95%	2%	97%
Navigation applications	**80%**	10%			90%		90%
eBooks		20%		**70%**	90%		90%
Web browsers	**51%**	**33%**			84%	7%	91%
e-Readers				**84%**	84%		84%
Email	**29%**	**46%**			75%	10%	85%
Internet search	**62%**				62%	**25%**	87%
Digital advertising	**39%**		20%	2%	61%	4%	65%
e-Commerce		6%		**54%**	60%		60%
Social media	1%		**51%**		52%	1%	53%
Digital storage	4%			**47%**	51%	10%	61%
Social media digital photos			**50%**		50%		50%
Mobile video and music	**34%**	8%		7%	49%		49%
Internet video	**29%**		11%	8%	48%	7%	55%

Source: JP Morgan

We are acutely aware of pockets of irrational exuberance in certain market segments, so partnering with disciplined managers is part of our process to ensure these are avoided. On a look-through basis, we want our families to have 20-25% of their portfolios exposed to the best opportunities across the technology sector. In decreasing order of risk and return, we achieve this through:

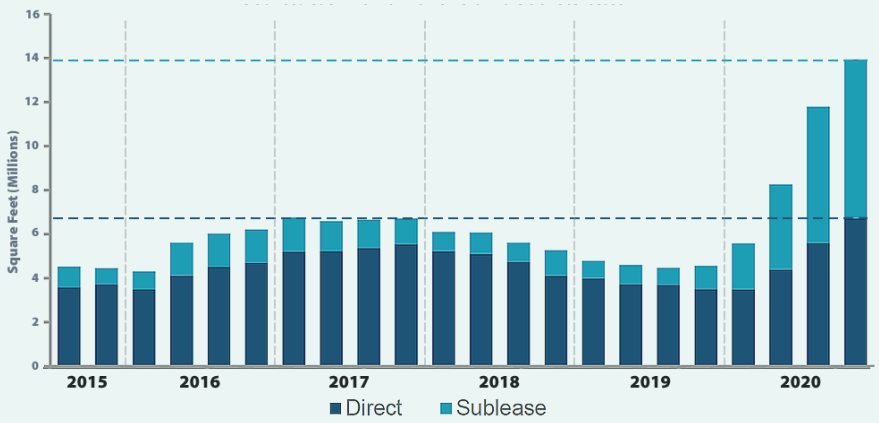
- **Venture Capital** fund allocations in the US and Europe (where we have longstanding and deep relationships with the best managers, who are closed to new capital)
- **Public equity** allocations to a small number of high conviction strategies with concentrated portfolios of 10-15 stocks, largely in the US and Emerging Markets
- **Real Estate** thematic plays (e.g. data centres) which we believe are (and will continue to be) fundamental to supporting the infrastructure of this ecosystem

Real Estate / Infrastructure

If biotech and tech/e-commerce were undoubted Covid winners, then commercial real estate was one of the long-term losers. In our mid-year letter, we wrote "it is hard to tell at this point what the level of excess capacity will be in commercial property though experts estimate office usage may decline by 20-25% in the future". If anything, our view has hardened on this particular point and we believe there are massive shockwaves to come.

A great example is what happened to San Francisco which, in the space of a year, went from the tightest market in recent history to the largest amount of vacant space on record.

Fig. 11: San Francisco available office space went from a record low at the end of 2019 to a record high in 2020



Source: Cushman and Wakefield, www.socketsite.com

Staying in San Francisco, Pinterest paid $90M[5] to cancel a new lease as they moved to remote working and fellow tech companies including Facebook and Slack have also gone 100% remote. This likely paves the way for others to do the same.

We believe this change is structural and enduring, and the impact will be just as significant in other prime global cities like London and New York. So who are the beneficiaries of this change? The main asset class is clearly residential focussed on larger homes outside of the major urban cities. Other winners are likely to be regional offices and flexible working spaces.

In addition to the residential boost, the move to use significantly more e-commerce and "software as a service" raises the demand for logistics and data centres. The CBRE 2020 on the outlook for US real estate outlines that the top 5 data centres experienced 28% year-on-year revenue growth in 2020 – while we wouldn't expect that kind of momentum to continue, further growth is expected. Capacity is expected to increase in the US by 14% in 2021 with experts suggesting this may not be sufficient to meet demand.

The core investments within real estate in our portfolios are focussed on 1) senior secured bridge lending usually for conversion of commercial to mixed use or residential projects in the UK, 2) build out of infrastructure assets focussed on transport, logistics and social good assets (care, education), and 3) data centre and technology related assets. We also expect to take some exposure to distressed assets within the real estate sector to benefit from opportunities relating to restructuring or repositioning assets.

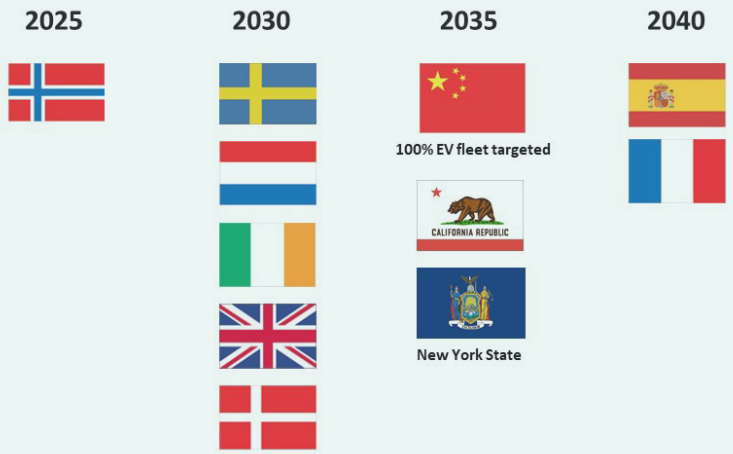
The beneficiaries of stimulus spending

A new area of research for us is the direction of travel on fiscal stimulus. Quite clearly one of the key beneficiaries is going to be infrastructure with a focus on clean energy (defined as non-fossil fuel related). The way we travel, the way items are set to be delivered and how this is all going to be powered is about to undergo a major shift. With the Biden administration's re-entry to the Paris accord (and accompanying pledge of $2Tr to fix roads/bridges/build an EV network[6]) and the EU taking a strong lead to reduce greenhouse gases (30%

[5] https://www.sfgate.com/business/article/Pinterest-terminate-SF-office-lease-88-Bluxome-15525421.php
[6] https://www.nytimes.com/2020/07/14/us/politics/biden-climate-plan.html

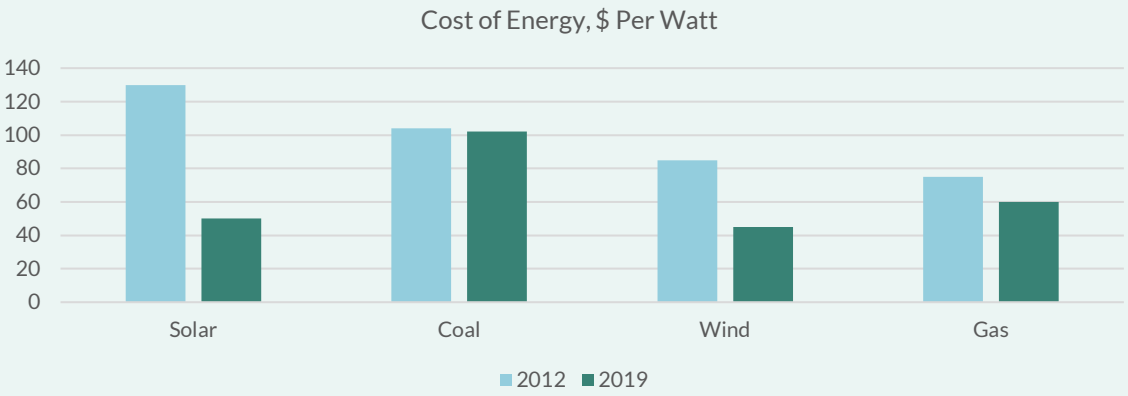
of the EU's €750B Covid recovery fund is targeted at green projects[7]), reducing the planet's carbon footprint is now a matter of priority. Other countries will eventually join. The tech is now there to make this happen but needs massive scaling.

Fig. 12: Countries/Regions target dates to ban sales of new Internal Combustion Engine cars



Source: Coatue

Fig. 13: Cost declines of ~60% in Solar and ~47% in Wind significantly decrease reliance on subsidies for renewable energy sources



Source: BNEF, Sept 2020

[7] https://ec.europa.eu/info/strategy/recovery-plan-europe_en

Our caution on this theme is finding suitable vehicle(s) through which to invest – publicly listed "ESG" stocks are showing extreme signs of over-valuation / mania particularly in the last few months – our expectation is for there to be a shake-out and consolidation here, but believe earnings growth within these sectors to be fairly significant in the years ahead.

Investing in uncorrelated strategies

A cornerstone in our portfolios continues to be exposure to different strategies that are less correlated to the overall direction of markets. Our goal is not to sacrifice return in doing so, so these investments have risk, it's just that they are different to traditional risks. Key allocations here include insurance-linked funds (with a tilt to longevity risk) and actively managed low net market/beta neutral strategies. We expect these strategies to do their "own thing" and while from time to time they may correlate (e.g. in Q1) over time this usually holds. Through this allocation we improve the overall risk adjusted returns of our portfolios and we also help to suppress drawdowns in times of broader market volatility. This portfolio function is something that bonds used to do, but with yields so low the ability to contribute return and be a diversifier has significantly diminished.

Model Portfolio (in USD for a non-taxable investor)

Our model portfolio for 2021 is actually quite similar to our 2020 allocation as we believe many of the same issues facing investors remain (e.g. low yields in fixed income, high valuations in public and private equity etc). We have reduced our credit allocation as returns have compressed and instead reallocate to long-short equity where we see better long-term opportunities.

Asset Class	Long-Term Strategic Allocation	2021 Tactical Asset Allocation	2020 Tactical Asset Allocation
Cash / Money Markets	2%	**5%**	5%
Government Bonds	13%	**0%**	0%
Credit (Liquid and Private)	15%	**13%**	15%
Absolute Return	10%	**20%**	20%
Long-Short Equities	5%	**7%**	5%
Public Equities	30%	**30%**	30%
Private Equity / Venture Capital	20%	**15%**	15%
Real Estate	5%	**5%**	5%
Gold	0%	**5%**	5%
Total	**100%**	**100%**	**100%**

OVERALL CONCLUSIONS

Therefore, to reiterate our conclusions, we believe that:

1. The speed of vaccine development surpassed our expectations and will pave the way for a re-opening of economies in 2021 – albeit risks remain on virus mutation and vaccine roll-out speed

2. The significant savings boom will result in high demand for services not used in the pandemic – and we could see price inflation in the areas of leisure, travel and entertainment

3. The financing environment looks fair for most mid to large companies. Low rates and low corporate default rates are a positive

4. We retain strong conviction in our long-term themes in Technology, Healthcare and Infrastructure across asset classes

5. The unprecedented fiscal and monetary stimulus raises the risks of inflation in the future – and for that reason we continue to keep a short duration stance in fixed income and hold Gold in portfolios

DISCLAIMER

This document is issued by Capricorn Private Investments, a trading name of Capricorn Capital Partners UK Limited ("Capricorn" or "CPI"), authorised and regulated by the Financial Conduct Authority and is intended for Professional clients or Eligible Counterparties. It is not intended for distribution or use by any person in any jurisdiction where such distribution would be contrary to local law or regulation.

The information and opinions contained in this document are for background purposes only and do not constitute any offer or solicitation of an offer to buy or sell any investment. It does not purport to be full or complete and does not constitute investment advice. No reliance may be placed for any purpose on the information and opinions contained in this document or their accuracy or completeness. No representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this document by any of Capricorn, its members or employees or affiliates and no liability is accepted by such persons for the accuracy or completeness of any such information or opinions.

The value of an investment and any income derived from it may go down as well as up and you may not receive back the amount invested. Changes in the rates of exchange between the US Dollar and/or the Euro and/or GBP and the currencies in which the investments are denominated in may cause the value of an investment to go up and down. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities mentioned herein.

Comparisons to any index noted in this document are for purposes of comparison only there will not necessarily be a correlation between the investment's net return and the indices mentioned herein. This document may include forward looking statements that are based upon our current opinions, expectations and projections but actual results could differ from those anticipated in the forward-looking statements.

The information is provided for information purposes only and on the basis that you make your own investment decisions and do not rely upon it.

Capricorn Private Investments

https://www.capricornprivateinvestments.com

+44 (0)207 317 4416

Malta House, 36-38 Piccadilly, London W1J 0DP