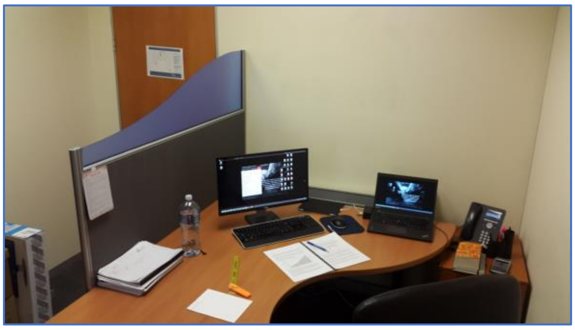
April 2021

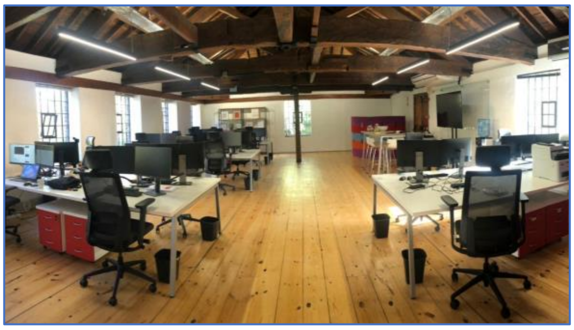
Dear Investor,

FIRST QUARTER OF 2021

This quarter marks the fourth birthday of Capensis Capital. Four years still places us firmly in the early years of our dream, so we remain grateful to all of you who decided to join us so early on the journey. We wrote our introductory letter that "our aim for Capensis is to build our corporate home for the next 40 years or more. We love what we do, and we hope to continue doing it for decades to come". Thank you for making this dream a reality.

Capensis started in a very drab shared office in 2017. By 2019 we joined Granate Asset Management and by 2020 we settled into the historic Josephine Mill. We finally felt home. Unfortunately, the pandemic prevented us from sharing much of this space with you, but we hope to meet you in The Mill as soon as conditions allow.


Capensis 1.0


Capensis 2.0

Over the four years, we also added more people to the effort: Paul joined in 2019, Catherine and Alex in 2020 and together with Henno, our quartet forms the official representatives of Capensis. However, it is important to know that the whole team at Granate Asset Management remain relentlessly committed to our purpose: to protect and grow your savings.

Investment Performance

Over the past four years, the portfolio has grown at 12.4% per annum. This is ahead of out benchmark of US inflation plus 6% which increased at 8.1% per annum.

Return (since 3 April 2017)	Capensis Capital (consolidated)	Benchmark (US inflation + 6%)
Total	+59.5%	+36.5%
Total annualised	+12.4% p.a.	+8.1% p.a.

Source: Interactive Brokers, US Bureau of Labour Statistics, Capensis

This letter is designed to be read in conjunction with your quarterly investment statement, which contains all the financial information. As always, feel free to contact us if you would like to discuss your portfolio.

Portfolio Updates

During the quarter we added one new business, Applied Materials (AMAT), to the portfolio.

2nd Floor, Josephine Mill, 13 Boundary Road, Newlands, 7700 | POBox 51868, Waterfront, 8002, South Africa
email: info@capensiscapital.com | www.capensiscapital.com
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Director: PJ Bosman, HP Vermaak

Applied Materials (AMAT)

AMAT is another of the major semiconductor equipment manufacturers globally.

The investment case is largely the same as that of Lam Research (LRCX): the semiconductor industry is a long-term, structural growth industry in which a small number of firms operate to enable life as we know it.

AMAT is a very cash generative business and has no net debt. The management team has been with the business for many years and have seen cycles come and go.

Together with LRCX and Tokyo Electron (TEL), AMAT sells nearly all the etch and deposition equipment used in this manufacturing process. Semiconductor chips are produced by repeated cycles of depositing layers of material onto a silicon wafer and etching patterns into it. AMAT is the largest and most diversified of the three companies.

The industry is attractive as the past few years have seen an explosion in the end markets for semiconductor chips. Furthermore, there has been a proliferation of companies designing and building (via contract manufacturers like TSMC) new chips for these new applications. Both these factors have led to a reduction in the cyclicality of the industry and the pandemic has accelerated the adoption of many of these applications. Currently there is a shortage in certain of these chips and several companies (TSMC, Intel and SK Hynix, UMC and others) have announced significantly expanded capital expansion plans. These manufacturers will buy the required equipment from a small number of companies including AMAT and LRCX.

So why add AMAT to LRCX? AMAT offers a more diversified income stream compared to LRCX. It sells more equipment to logic chip manufacturers while LRCX is more concentrated in memory chips. LRCX saw strong growth in the previous memory cycle when 3D structures were being incorporated into storage memory. We expect logic chips and dynamic memory to see a similar conversion cycle and we think AMAT could be better positioned to benefit this time around.

In addition to the new purchase, we expect to gradually convert some of your LRCX to AMAT when the market gives us the opportunity to do so.

Cash

Your cash level has reduced further during the quarter.

As previously explained, cash is our default position, and we allocate from cash as and when we find investment opportunities matching our specific investment criteria. Your cash position will fluctuate with the purchase and sale of individual securities and not according to some predetermined target level.

Additionally, we expect the portfolio to have cash available most of the time. The account is managed according to a flexible mandate which means that we are not bound to being fully invested. Cash adds resilience during market downturns and the ability to act quickly when opportunities arise.

Conclusion

It continues to be a pleasure and a privilege to manage your investment. Please do not hesitate to contact us if you have any questions regarding your portfolio.

Your partners in long-term value,

Alex, Catherine, Henno and Paul

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Disclaimer

This document is intended for the clients of Capensis Capital (Pty) Ltd. All data provided by Capensis, unless otherwise stated, is current as at 31 March 2021.

Capensis Capital (Pty) Ltd is an Authorised Financial Services Provider, regulated by the South African Financial Services Board. Registered office: 2nd Floor, Josephine Mill, 13 Boundary Road, Newlands, 7700.

More information about Capensis can be found at http://www.capensiscapital.com.

The value of your investments and the income from them may go down as well as up. It is possible that you may receive less than you invested. Past performance is not indicative of future performance.