



August 2020 - Fund Update - Capital Appreciation Fund LP

For the month of August, the Capital Appreciation Fund gained 6.6% and is now up 5% YTD. We are pleased with both our performance and our current holdings and note that we remain 78% long equities and 20% long gold.

The market effects of the COVID crisis have been disparate, with capital-intensive, debt-laden and rigid firms being worse affected than companies that are capital efficient and flexible. We have seen this play out in the returns generated across sectors, industries and regions. Through September 9th and despite the recent sell-off, the technology sector is 12% higher than pre-COVID levels, while the bulk of the non-tech constituents have struggled to get back to flat.

The economic shut down has left people home bound and more dependent than ever before on technology companies to get through the day. This has increased the power of the user platforms and allowed the data collected by these companies to be monetized. As an example, one of our holdings Peloton (Nasdaq: PTON) continues to benefit greatly from COVID. During the crisis, Peloton has both increased its user base and expanded its offerings, enabling it to capture a significantly larger share of the exercise market.

Economics today is about using technology to increase everyone's standard of living. The innovation and value that technology companies have brought into the world are now integral parts of people's everyday lives. The combination of artificial intelligence (AI), internet of things (IOT) and fifth generation mobile networks (5G) all reinforce each other while allowing these businesses to advance their business models.

In our opinion, there continues to be optionality in the technology companies of today. The flexibility of their balance sheets combined with big data and AI will, in our opinion, allow them to continue stepping up their game by connecting consumers and devices in multiple ways. This, in turn, will generate large profits and huge amounts of cash for their shareholders.

We continue to have the predominance of our equity allocation committed to technology companies and have been sharpening our pencils to deploy further capital in this sector when opportunity arises.

Steven Tuchner, CEO