



HEIJIN CAPITAL

ANNUAL INVESTOR LETTER

Year 2020

Annual Investor Letter 2020

Dear Investors, Clients, and Friends,

This past year was without question the unexpected start to the decade and certainly not a year that was easy to traverse with optimism. For 2020 our team had set out a bleak outlook given the overly inflated valuations across markets and over-stretched monetary & fiscal policies in some regions. But the potential risks we envisaged certainly did not include a virus that would put the entire world on its knees and make the world economy grind to a sudden halt for the majority of the year. COVID-19 had arduous impacts on those that were taken by surprise and on those less able or willing to adapt to a new environment. Even though the virus had crept up in November in the city of Wuhan very few anticipated the widespread impact it would have by February/March in every corner of the world.

In times like these it is paramount to embrace the environment you are conducting business in or living life in and finding new ways to adapt rather than trying to wait for the environment as a whole to change in your favour. Evidently, in COVID-19 everyone could make sure to follow the precautionary sanitary and safety measures in order to ensure the global environment (including the health of the global population and economy) would not deteriorate more than it should. But there is relatively little to no value-add in waiting around. It was for many firms and individuals a ‘wake-up call’.

At Heijin Capital, we therefore moved all of our operations to work-from-home like all other companies from very early on as our partners were residing in London, Dubai, and Milan during the pandemic. We worked extremely hard to find solutions for our clients during the worst of times whilst expanding our partnerships and relations with investors, funds, IBs and others.

Even though we wrote extensively about the equity markets during and post the COVID-19 induced crash in our commentaries, our clients in our Fund Management Division (‘FMD’) were only exposed to 7 different mezzanine debt investments in real estate in Germany. We allocated the capital in mid-February 2020 when we saw that COVID-19 was spreading at a faster rate globally and wanted to initiate our Vulture Fund’s crisis asset allocation strategy. All of these debt investments are in developments that pre-sold by >90-95% during the lockdown and are on track to delivering the 12% p/a by August 2021 when the term ends. Our team being overweight on real estate in Germany compared to the rest of Europe from the beginning of 2020 paid off. As the German economy held its ground with rapid fiscal stimulus packages and a significantly more controlled response to COVID-19 in contrast to other nations in the EU.

With regards to our Strategic Financing Advisory Division (‘SFAD’), the launch in January 2020 proved to evidently not be the most ideal by all measures but we took the time to curate our operations, partnerships, and relations superbly well during the crisis. Our activities in real estate in Q1, Q2 and Q3 were tough and for some of our clients the climate proved to be too uncertain for many lenders or investors we work with for the entirety of the lockdown. Despite this, in Q4 alone we saw a strong recovery with two VC convertible notes deals we closed and a real estate debt deal.

For 2021, we are more optimistic as the vaccine will be distributed on a global scale to stop the pandemic. We are already in talks with other funds and partners for deals to be realised in H1 2021 and even as far as into H2 2021. Activity is slowly beginning to pick up again, but certainly not in all regions yet. This year we are going to focus on a new JV with a London-based investment manager working on a last-mile-logistics portfolio in London, allocating our more than doubled FMD capital base into European real estate debt, and further expanding our client base for VC & RE deals managed by the SFAD.

With a larger and growing capital base in our FMD and high-quality deal flow matched with our active client base in MENA and Europe for the SFAD bodes well for the year ahead. It certainly was not an easy year, but through it we built even stronger relations with our investors & clients and has made our team able to expand Heijin Capital’s offerings.

We look forward to working in a hopefully more optimistic economic and social backdrop with our current clients and expanding our FMD & SFAD business.

The Heijin Capital Team wishes you an incredible year ahead full of joy, happiness, and fulfilment.

Sincerely,

Gregory Laurent Josi
Managing Director & CIO

Fund Management Division (FMD)

- ◆ Capital allocated in 2020 was diversified across 7 different mezzanine debt investments in real estate in Germany
- ◆ All of the developments were pre-sold for >90-95%
- ◆ Developer and projects on track to delivering the 12% p/a rolled up interest by August 2021
- ◆ With more than 2x of fresh capital we will be doing more real estate debt deals in Europe this year
- ◆ We will also allocate to senior debt in some developments or refinancing deals
- ◆ For the coming year, we are aiming to 4-5x the capital we started with at the beginning of 2020 that is focused on real estate debt

Strategic Financing Advisory Division (SFAD)

- ◆ With a larger client base in Europe & MENA we were able to be lead or co-underwriters in 3 VC deals (one LatAm deal and two US deals)
- ◆ We are also involving our SFAD clients in real estate debt underwritings where they can get exposure to similar deals that we do with our FMD clients but with smaller capital requirements
- ◆ For coming year, we are aiming to 2-3x capital from current clients or new clients being allocated into VC deals that we will co-underwrite with partners in New York, Dubai, and London – most notably Novos Capital and Xtellus Capital Partners that we have already worked with
- ◆ We will also be substantially growing our direct relationships with developers and consortiums of investors for the real estate side of the SFAD to deliver debt and equity solutions
- ◆ Most notably we will be forming a joint-venture with a London based investment manager that will aim to acquire a dozen assets that will be redeveloped for logistics usage mainly

Investment Commentary Performance

Ticker	Name	IC Date	Long/Short	IC Price	Price-to-Date	Return-to-Date	Best Price	Best Price return
BAESF	BAE Systems	11/01/20	L	8.02	6.8	-15.21%	8.55	6.61%
USO	US Oil	11/01/20	L	97.6	33.01	-66.18%	98.64	1.07%
YCL	Yen ETF	11/01/20	L	54.5	59.82	9.77%	62.14	14.02%
CBD	Companhia Brasileira de Distribuicao	25/01/20	L	19.83	14.32	-27.80%	20.38	2.75%
CUTR	Cutera Inc	25/01/20	L	28.84	24.11	-16.40%	29.04	0.69%
EUFN	Europe Financials	25/01/20	S	18.43	17.54	4.83%	10.88	40.97%
INMD	Inmode ltd	25/01/20	L	43.9	47.48	8.15%	48.87	11.32%
AACAF	AAC Technologies	08/02/20	L	7.26	5.38	-25.90%	8.09	11.43%
EL	Estee Lauder	08/02/20	S	208.68	266.19	-27.56%	144.38	30.81%
ENPH	Enphase Energy	08/02/20	L	38.61	175.47	354.47%	181.39	369.80%
ESOCF	ENEL Spa	08/02/20	L	8.92	10.25	14.91%	10.25	14.91%
LVS	Las Vegas Sands	08/02/20	S	68.16	59.6	12.56%	37.68	44.72%
MAR	Marriott International Hotels	08/02/20	S	145.73	131.92	9.48%	59.08	59.46%
MLCO	Melco Resorts	08/02/20	S	21.24	18.55	12.66%	11	48.21%
RCL	Royal Caribbean Cruises	08/02/20	S	109.7	74.69	31.91%	22.33	79.64%
SWKS	Skyworks Solutions	08/02/20	L	116.28	152.88	31.48%	157.09	35.10%
WYNN	Wynn Resorts	08/02/20	S	127.88	112.83	11.77%	43.02	66.36%
YUMC	Yum China Holdings	08/02/20	S	42.41	57.09	-34.61%	39.24	7.47%
AMT	American Tower Corp	22/02/20	L	245.11	224.46	-8.42%	271.29	10.68%
CCI	Crown Castle International	22/02/20	L	166.36	159.19	-4.31%	174.56	4.93%
PALL	Palladium	22/02/20	L	248.09	229.56	-7.47%	272.69	9.92%
APO	Apollo	21/03/20	L	23.8	48.98	105.80%	54.33	128.28%
BX	Blackstone	21/03/20	L	36.04	64.81	79.83%	65.34	81.30%
KKR	KKR	21/03/20	L	18.5	40.49	118.86%	40.49	118.86%
SGOL	Gold	21/03/20	L	14.96	18.28	22.19%	19.85	32.69%
RTPPF	Rio Tinto Pls	27/03/20	L	44.12	74.55	68.97%	77	74.52%
CTRE	Caretrust REIT	18/04/20	L	16.36	22.18	35.57%	23.49	43.58%
EXPE	Expedia Group	18/04/20	L	59.95	132.4	120.85%	132.4	120.85%
BBRYF	Burberry Group	02/05/20	L	17.24	23.75	37.76%	24.83	44.03%
CHDRF	Christian Dior	02/05/20	L	375	531.2	41.65%	537.24	43.26%
CSV	Carriage Services	02/05/20	L	14.77	31.32	112.05%	31.4	112.59%
ZM	Zoom	02/05/20	L	143.44	337.32	135.16%	568.34	296.22%
LUXE	Luxury Products ETF	16/05/20	L	25.13	27	7.40%	27.16	8.08%
CHKP	Check Point Software	30/05/20	L	108.39	132.91	22.62%	137.59	26.94%
KHNGY	Kuehne Nagel	13/06/20	L	29.77	45.49	52.80%	45.8	53.85%

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Ticker	Name	IC Date	Long/Short	IC Price	Price-to-Date	Return-to-Date	Best Price	Best Price return
NKLA	Nikola Corp	13/06/20	S	68.13	15.26	77.60%	13.75	79.82%
SITIY	SITC Holdings	13/06/20	L	9.82	19.84	102.04%	20.35	107.23%
DEO	Diageo	27/06/20	L	131.93	158.81	20.38%	163.22	23.72%
EQIX	Equinix	27/06/20	L	688.92	714.18	3.67%	835	21.20%
ESRT	Empire State Realty Trust	27/06/20	S	6.88	9.32	-35.47%	5.38	21.80%
JDWPF	Wetherspoon	27/06/20	L	13.5	11.75	-12.96%	13.5	0.00%
SLG	SL Green Realty	27/06/20	S	50.08	59.58	-18.97%	41.65	16.83%
FIT	FitBit	11/07/20	L	6.63	6.8	2.56%	7.25	9.35%
MASI	Masimo Corp	11/07/20	L	220.53	268.38	21.70%	271.35	23.04%
NFLX	Netflix	11/07/20	S	525.5	540.73	-2.90%	466.93	11.15%
RYAAY	RyanAir	25/07/20	L	73	109.98	50.66%	117.64	61.15%
SYK	Stryker	25/07/20	L	197.34	245.04	24.17%	245.04	24.17%
SY	Sysco	25/07/20	L	53.99	74.26	37.54%	78.12	44.69%
PLUG	Plug Tower Inc	08/08/20	L	12.04	33.91	181.64%	36.14	200.17%
EPD	Enterprise Product Partners	22/08/20	L	18.08	19.59	8.35%	21.61	19.52%
PLG	Platinum	05/09/20	L	2.14	4.64	116.82%	5.68	165.42%
VCEL	Vericel Corp	05/09/20	L	15.88	30.88	94.46%	31.5	98.36%
FUBO	FUBO TV	19/09/20	L	9.6	28	191.67%	62	545.83%
SWI	Solarwinds	19/09/20	L	19.41	14.95	-22.98%	23.7	22.10%
PLTR	Palantir	28/09/20	L	9.5	23.55	147.89%	29.05	205.79%
ALGN	Align Technology	03/10/20	L	319.51	534.38	67.25%	536.59	67.94%
SBE	Chargepoint	03/10/20	L	14.96	40.08	167.91%	46.1	208.16%
MTLS	Materialise	17/10/20	L	48.03	54.21	12.87%	58.79	22.40%
OPYGY	Polyus	17/10/20	L	110.39	106	-3.98%	115.5	4.63%
U	Unity Software	17/10/20	L	89.3	153.47	71.86%	172.29	92.93%
AMZN	Amazon	14/11/20	L	3,131.06	3,256.93	4.02%	3,322.00	6.10%
BABAF	Alibaba Group	14/11/20	L	32.84	29.5	-10.18%	34.99	6.53%
RHHBF	Roche	14/11/20	L	349.46	354.1	1.33%	354.26	1.37%
ACB	Aurora Cannabis	28/11/20	L	11.68	8.31	-28.85%	11.68	0.00%
CURLF	Curleaf Holdings	28/11/20	L	11	11.97	8.83%	12.75	15.95%
FEEXF	Ferrexpo	28/11/20	L	2.65	3.93	48.30%	4	50.94%
GTBIF	Green Thumb Industries	28/11/20	L	21.25	24.5	15.29%	25.29	19.01%
KGC	Kinross Gold	28/11/20	L	7.14	7.34	2.80%	7.73	8.26%
CHWY	Chewy Inc	12/12/20	L	82.81	89.89	8.55%	107.49	29.80%
DHI	Dr Horton	12/12/20	L	70.4	68.92	-2.10%	73.47	4.36%
ETSY	Etsy	12/12/20	L	169.97	177.91	4.67%	197.38	16.13%

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