

CAPRICORN GEM FUND



OBJECTIVE

The Fund is a US Dollar denominated, moderate risk, equity long/short hedge fund, which aims to achieve superior risk-adjusted returns on an absolute basis over any 12 month period by investing in Global Emerging Markets.

Capricorn GEM Fund comprises Capricorn GEM Fund Inc. and Capricorn GEM Fund L.P.

	Current NAV per Share	1 month %	6 month %	1 year %	3 year %	Annualised since launch	Since launch %
Class A - USD	254.0	(5.2%)	8.8%	19.6%	53.1%	12.5%	154.0%
Class B - EURO	250.6	(5.3%)	8.9%	20.1%	52.4%	12.3%	150.6%
Class C - GBP	248.3	(5.4%)	8.8%	18.4%	51.4%	12.2%	148.3%

Date: as at 31/01/2016 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

AUM of the Capricorn GEM Strategy: (\$272m). The Strategy consists of Capricorn GEM Fund Inc., Capricorn GEM Fund LP (\$145m) and Lyxor/Capricorn UCITS Fund (\$127m).

MANAGER'S COMMENTS



January was a tumultuous start to 2016 with the aggressive selloff and heightened volatility providing a challenging backdrop for global markets. The GEMS fund was down 5.2% for the month which was especially disappointing for a number of reasons. Firstly, the fund had spent the latter part of 2015 de-risking the portfolio by bringing down both our gross and net exposure by between 15-20%. Secondly, the fund lost more on short positions than on our longs. This was especially disconcerting as it took place in a market that was crashing as several so called counter-cyclical trades began to unwind. As a consequence we have cut many positions on the both long and the short side.

The top gainers in January:

- A long-held short in the South African IT space.
- MYEG of Malaysia followed up its 19% rally in December with another strong performance in January rising 8%. We continue to be constructive on the evolution of the business model and the transformation the company is undertaking.

- Brazilian stalwart Raia Drogasil resumed its outperformance rising 18% after a weak close to 2015. We feel management has done a remarkable job of securing the pipeline for the incoming period and demonstrating their excellence in the most challenging of macro scenarios.
- Russian call options taken to exploit the dislocation, an aforementioned inflection point in the market. Our use of these instruments is infrequent, but in specific scenarios we will look to exploit cheaply priced upside risk which also serves to protect our underlying exposures at a portfolio level.

The primary driver of underperformance was driven by the extreme rally in the South African Gold Miners, as well as the significant rally in many of our other short positions. These positions have been contributors to performance over many years and periodic rallies are expected to occur. In general, we remain bearish on these businesses.

Another contributor to the negative return was the selloff in many of our favoured longs, including Naspers and Curro Holdings in South Africa and Xurpas in the Philippines. We remain holders and selectively added to position sizes where dislocations seemed irrational.

Looking forward into 2016, at the moment we remain cautious; reducing risk, keeping the portfolio leaner in anticipation of prolonged volatility surrounding weakness in Europe, continued Fed uncertainty and problems in China.

We feel the opportunity set of economies that continue to screen well in our models is narrowing, and whilst this is another contributing factor to higher volatility and market sensitivity, we believe our methodology of identifying transformational companies on both the upside and downside can preserve capital and outperform.



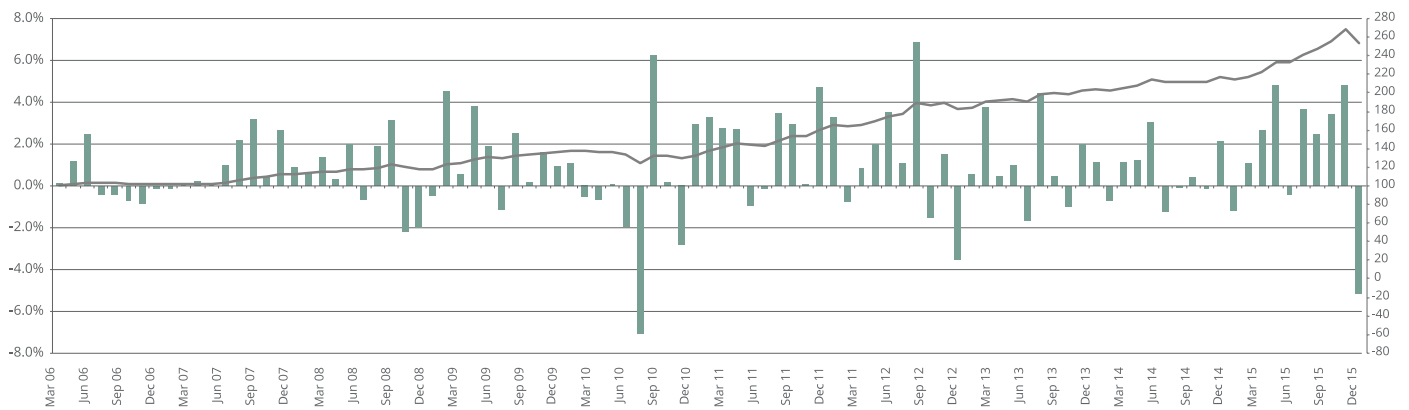
CAPRICORN GEM FUND CONTINUED



Historical Monthly Returns (Class A - USD)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008			0.1%	1.2%	2.5%	(0.4%)	(0.4%)	(0.7%)	(0.8%)	(0.1%)	(0.1%)	0.2%	1.6%
2009	0.2%	0.2%	1.0%	2.2%	3.2%	0.5%	2.7%	0.9%	0.7%	1.4%	0.3%	2.0%	16.3%
2010	(0.6%)	1.9%	3.1%	(2.1%)	(2.0%)	(0.5%)	4.6%	0.6%	3.8%	1.9%	(1.1%)	2.6%	12.6%
2011	0.2%	1.6%	1.0%	1.1%	(0.5%)	(0.6%)	0.1%	(1.9%)	(7.0%)	6.3%	0.2%	(2.8%)	(2.9%)
2012	3.0%	3.3%	2.8%	2.7%	(0.9%)	(0.1%)	3.5%	3.0%	0.1%	4.7%	3.3%	(0.7%)	26.1%
2013	0.8%	2.0%	3.6%	1.1%	6.9%	(1.5%)	1.6%	(3.5%)	0.5%	3.8%	0.5%	1.0%	17.7%
2014	(1.6%)	4.4%	0.5%	(1.0%)	2.0%	1.1%	(0.7%)	1.1%	1.2%	3.1%	(1.2%)	(0.0%)	9.2%
2015	0.4%	(0.1%)	2.1%	(1.1%)	1.1%	2.7%	4.9%	(0.4)%	3.7%	2.5%	3.5%	4.8%	26.7%
2016	(5.2%)												(5.2%)

Date: as at 31/01/2016 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd



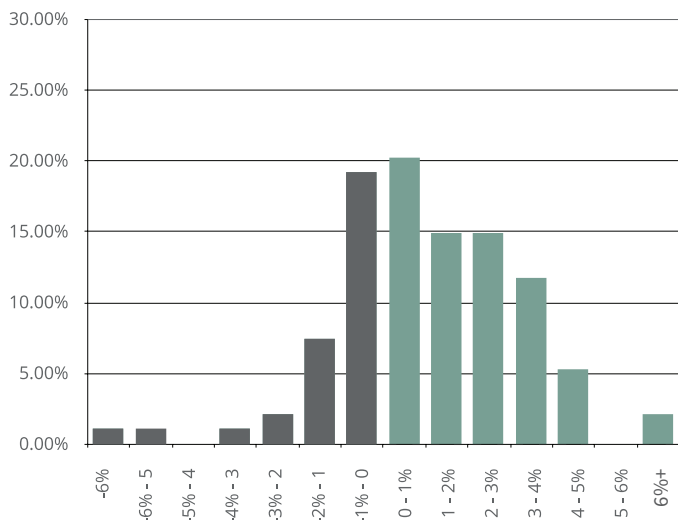
% Monthly Return

Cumulative Monthly Return

CAPRICORN GEM FUND CONTINUED



Frequency distribution of Returns



Statistics

Assets Under Management (USD)	145m
Gross exposure	206%
Net Exposure	45%
% of positive months	68%
% of negative months	32%
Annualised monthly volatility (historic)	7.8%
Average positive monthly return	2.1%
Average negative monthly return	(1.3%)
Sharpe Ratio	1.6
Maximum monthly drawdown	(7.0%)
Maximum cumulative drawdown	(9.8%)

Exposure

Sector Exposure	Gross	Net
Financials	43%	7%
Consumer Discretionary	37%	25%
Consumer Staples	30%	5%
Industrials	24%	10%
Materials	20%	-6%
Information Technology	17%	9%
Health Care	13%	13%
Hedge	8%	-5%
Energy	6%	-5%
Telecommunication Services	6%	-6%
Utilities	2%	-2%
Grand Total	206%	45%

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	89%	3%
Asia Ex-China	43%	36%
South America	19%	4%
Middle East	16%	-5%
Europe	12%	6%
ROW	8%	1%
Russia	5%	-2%
China	5%	5%
Australia	4%	1%
Eastern Europe	3%	-3%
North America	2%	-1%
Grand Total	206%	45%

All data:

Date: as at 31/01/2016 (net of fees).

Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

CAPRICORN GEM FUND CONTINUED



Important Information

ALL DATA:

as at 31 January 2016 (net of fees) Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

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