

# HOLLARD STABLE FUND\*



\*Comprises Blue Ink Vesting Trust No 37, Caveo Stable Portfolio Trust, The Novare Capricorn Hollard Hedge Fund en commandite partnership and Silver Cluster Loan Stock Company (Proprietary) Ltd.

## OBJECTIVE

The Hollard Stable Fund is a South African long/short equity hedge fund. The Fund has a strong focus on capital preservation, targeting an absolute return in excess of cash. The conservative, counter-cyclical nature of the fund could result in underperformance during equity bull markets, whilst outperforming in equity bear markets.

|     | Current NAV | 1 month % | 6 month % | 1 year % | 3 year % | Annualised since launch | Since launch % |
|-----|-------------|-----------|-----------|----------|----------|-------------------------|----------------|
| HSF | R 1,542m    | (3.7%)    | 5.9%      | 16.6%    | 53.6%    | 16.0%                   | 554.1%         |

## MANAGER'S COMMENTS



February was a disappointing month, where the Fund lost 3.7% against the JSE All Share Index which returned 0.6%. Relative underperformance was largely driven by our positioning in the resource sector and insurers, as well as a few disappointments off the back of results. As a consequence of the recent drawdowns experienced, we have reduced our exposures significantly and will only look to increase these again as the market moves more favourably towards how we are positioned. Whilst the book has on balance remained the same, we have taken this opportunity to exit several positions that are no longer appropriate given the volatility and risks. This includes relative positions in the diversified commodity space as well as short positions in the gold sector.

Our negative stance on local gold miners was the biggest contributor to losses in the month. The uncertainty in financial markets drove the price of gold higher, but the bigger factor in driving the gold stocks was the extreme level of Rand depreciation. While we retain our fundamentally negative view on these businesses, they are very sensitive to the Rand gold price in the shorter term and this has driven the stocks to rally.

The relative long position in Discovery against shorts in other South African Insurers also contributed negatively to the month. Discovery delivered results which disappointed investors owing to further costs associated with investment. We believe management is executing against their strategy and that the additional spend is appropriate given the scale of the opportunities that present themselves. A similar theme played out in Woolworths which delivered results that showed significant investment into their Australian business. It appears that the market is no longer willing to reward longer term growth and rather favouring short term management decisions, which will ultimately prove to be an incorrect view.

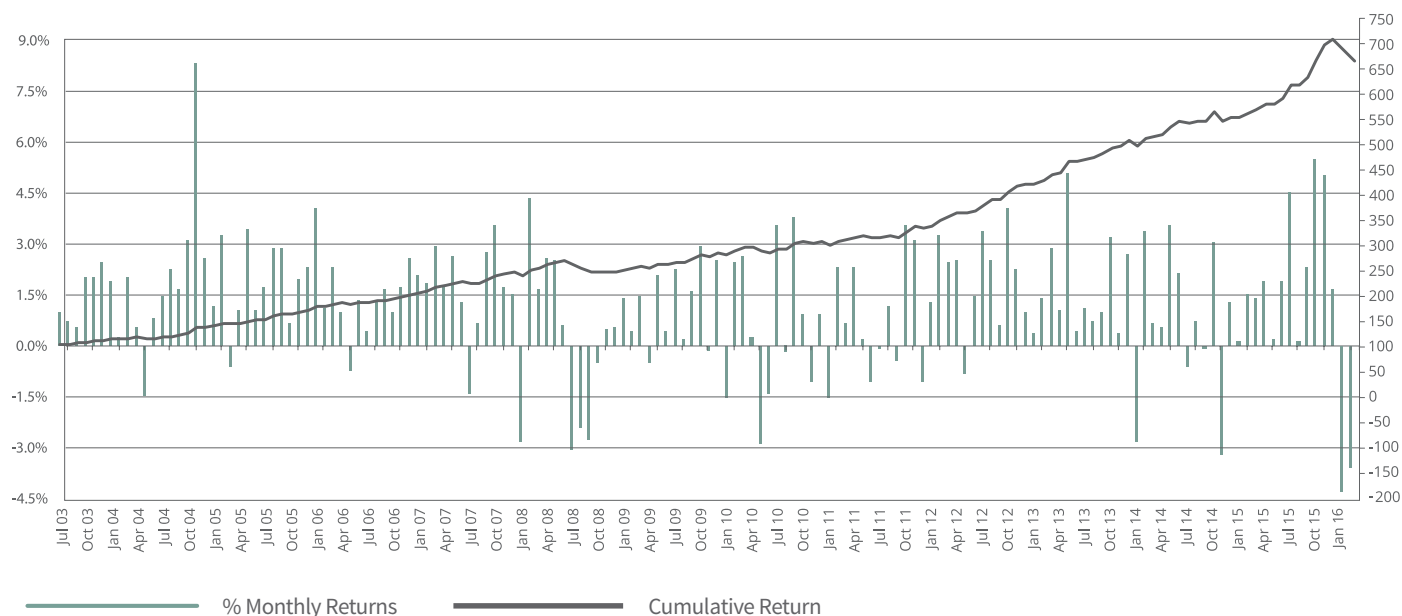
A long in BHP Billiton was unable to protect us against a very aggressive rally in another diversified miner which was a short position. This relative position was taken off early during the month as we realised the relative risks were too great.

On the positive side of the book, strong performance was delivered off the back of results delivered by Steinhoff, Curro, Blue Label Telecoms and Mondi. All these businesses delivered the growth we expected from them and were accordingly rewarded for this.

# HOLLARD STABLE FUND CONTINUED



## Historical Monthly Returns

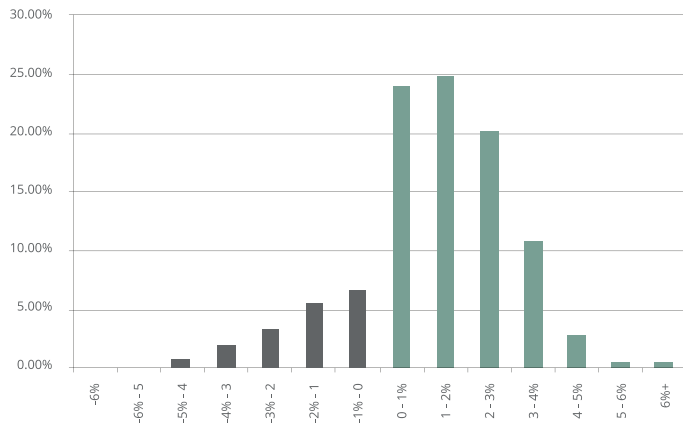


|      | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct    | Nov    | Dec    | YTD           |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|
| 2003 |        |        |        |        |        |        | 0.9%   | 0.7%   | 0.5%   | 2.0%   | 2.0%   | 2.4%   | <b>8.8%</b>   |
| 2004 | 1.8%   | 0.2%   | 2.0%   | 0.5%   | (1.5%) | 0.8%   | 1.4%   | 2.2%   | 1.6%   | 3.1%   | 8.2%   | 2.5%   | <b>25.1%</b>  |
| 2005 | 1.1%   | 3.2%   | (0.6%) | 1.0%   | 3.4%   | 1.0%   | 1.7%   | 2.8%   | 2.8%   | 0.6%   | 1.9%   | 2.3%   | <b>23.5%</b>  |
| 2006 | 4.0%   | 1.1%   | 2.3%   | 1.0%   | (0.8%) | 1.3%   | 0.4%   | 1.3%   | 1.6%   | 0.9%   | 1.7%   | 2.5%   | <b>18.6%</b>  |
| 2007 | 2.1%   | 1.8%   | 2.9%   | 1.7%   | 2.6%   | 1.3%   | (1.4%) | 0.7%   | 2.7%   | 3.5%   | 1.7%   | 1.5%   | <b>23.0%</b>  |
| 2008 | (2.8%) | 4.3%   | 1.6%   | 2.6%   | 2.5%   | 0.6%   | (3.1%) | (2.4%) | (2.8%) | (0.5%) | 0.5%   | 0.5%   | <b>0.7%</b>   |
| 2009 | 1.3%   | 0.4%   | 1.4%   | (0.5%) | 2.1%   | 0.4%   | 2.2%   | 0.1%   | 1.5%   | 2.9%   | (0.1%) | 2.5%   | <b>15.7%</b>  |
| 2010 | (1.5%) | 2.4%   | 2.6%   | 0.2%   | (2.9%) | (1.4%) | 3.5%   | (0.2%) | 3.7%   | 0.9%   | (1.1%) | 0.9%   | <b>7.1%</b>   |
| 2011 | (1.5%) | 2.3%   | 0.7%   | 2.3%   | 0.2%   | (1.1%) | 0.0%   | 1.1%   | (0.4%) | 3.5%   | 3.1%   | (1.1%) | <b>9.2%</b>   |
| 2012 | 1.2%   | 3.2%   | 2.4%   | 2.4%   | (0.8%) | 1.5%   | 3.3%   | 2.5%   | 0.6%   | 4.0%   | 2.2%   | 1.0%   | <b>26.1%</b>  |
| 2013 | 0.3%   | 1.4%   | 2.8%   | 1.0%   | 5.0%   | 0.4%   | 1.1%   | 0.7%   | 1.0%   | 3.1%   | 0.4%   | 2.6%   | <b>21.6%</b>  |
| 2014 | (2.8%) | 3.3%   | 0.6%   | 0.5%   | 3.5%   | 2.1%   | (0.7%) | 0.7%   | (0.0%) | 3.0%   | (3.1%) | 1.3%   | <b>8.5%</b>   |
| 2015 | 0.1%   | 1.5%   | 1.4%   | 1.8%   | 0.2%   | 1.9%   | 4.5%   | 0.1%   | 2.3%   | 5.5%   | 4.9%   | 1.6%   | <b>28.6%</b>  |
| 2016 | (4.3%) | (3.7%) |        |        |        |        |        |        |        |        |        |        | <b>(7.9%)</b> |

# HOLLARD STABLE FUND CONTINUED



## Frequency distribution of Returns



## Statistics

|  |         |
|--|---------|
| Assets Under Management (R Million)      | R1,542m |
| Gross exposure                           | 143%    |
| Net Exposure                             | 38%     |
| % of positive months                     | 82%     |
| % of negative months                     | 18%     |
| Average positive monthly return          | 1.9%    |
| Average negative monthly return          | (1.6%)  |
| Annualised monthly volatility (historic) | 6.4%    |
| Sharpe Ratio                             | 1.3     |
| Maximum monthly drawdown                 | (4.3%)  |
| Maximum cumulative drawdown              | (8.5%)  |

## Important Information

Past performance is no guarantee of future returns - values can go up and down. The information contained above has been prepared by Capricorn Fund Managers (Pty) Limited and is unaudited. Returns as shown are the weighted average of all issued series.

## CONTACT INFORMATION

### Investment Manager

Capricorn Fund Managers (Pty) Limited  
 Capricorn House  
 32 Impala Rd  
 Chislehurst  
 2196  
 South Africa

### For enquiries please contact

**Andrew Crawford**  
 T: +27 11 666 0716  
 E: [andrewc@capricornsa.com](mailto:andrewc@capricornsa.com)

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