

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	224.7	0.4%	-8.6%	-3.4%	22.9%	10.0%	124.7%
Class B - EURO	220.1	0.3%	-9.3%	-4.0%	21.6%	9.7%	120.1%
Class C - GBP	218.2	0.3%	-9.2%	-4.1%	20.5%	9.6%	118.2%

Date: as at 31/08/2016 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

AUM of the Capricorn GEM Strategy: \$309m. The Strategy consists of Capricorn GEM Fund Inc., Capricorn GEM Fund LP (\$130m), Lyxor/Capricorn UCITS Fund (\$155m) and a managed account.

MANAGER'S COMMENTS



August saw the fund return +0.4%. We were pleased to see the market begin to focus on fundamental data and reward those companies exhibiting superior earnings growth, however, certain political events continued to generate unease in the market: i) The impeachment trial of Dilma Rouseff in Brazil, and ii.) The probe into alleged improprieties of the Financial and Fiscal Commission led by the South African Finance Minister, Pravin Gordhan, which caused a sharp movement in the South African Rand adding to volatility in what was an otherwise benign environment.

The biggest winner on the month was DNL Industries from the Philippines rallying 13%. Portfolio stalwart Naspers finally broke its year to date poor performance rallying 11% on the back of a strong report from Tencent and additional positive reaction to the Rand weakness. Liverpool of Mexico, which is the largest department store operator in the country, rallied 12% on the month as it completed a deal to purchase Suburbia from Walmart de Mexico, paving the way for it to cement its dominance (subject to regulatory approval) in this retail channel. MYEG of Malaysia pushed back towards its all-time high, after the publication of research with a bullish outlook under new coverage from a prominent Western bank. A short in the Polish utility space rounded out the largest gainers, reflecting fears of punitive regulation/direction from the Polish government.

The biggest detractor from performance in August was Xurpas in the Philippines, which fell 10.5%. The stock has seen weak price performance following a recent share placement by the company. Long held positions in Discovery and Raia Drogasil also traded lower falling 6% and 10% respectively. Cielo of Brazil fell 10% and a short in the Brazilian banking space rounded out the largest negative contributors for the month.

Looking ahead, we believe the portfolio is well positioned for the current market conditions and the respective drivers of technical and fundamental performance within each market. This is most notably supported by the recent passive flow of money finding its way in to our Emerging Market universe. To that end, we have spent the better part of the last quarter looking to not only stabilise the portfolio, but also to produce some incremental positive months. We have punctuated the portfolio with a number of new positions in the banks such as Itaú (Brazil), FSR/CPI (South Africa), HDFCB (India), Garanti (Turkey), and Sberbank (Russia). It seems appropriate at this stage in the cycle to add some market beta in to the portfolio whilst maintaining our tried and tested stock selection process under the Capricorn methodology.

We remain negative on the commodity space and positive on many of the emerging markets which we believe are undergoing positive structural changes. Of further note is our view on our home market of South Africa. The political environment is changing rapidly and it is difficult to determine the outcome. We traditionally don't position for these events, but are firm believers in our company views.

We are maintaining a gross exposure in the portfolio at around 180%, which for the moment we believe is appropriate due to the volatility and movement in markets today. Many of our high conviction names have underperformed this year and we are excited about their prospects in the months ahead. We will continue to look for monthly gains before becoming more expansive on both a portfolio level but also on a volatility level.

We thank all investors for their continued support.



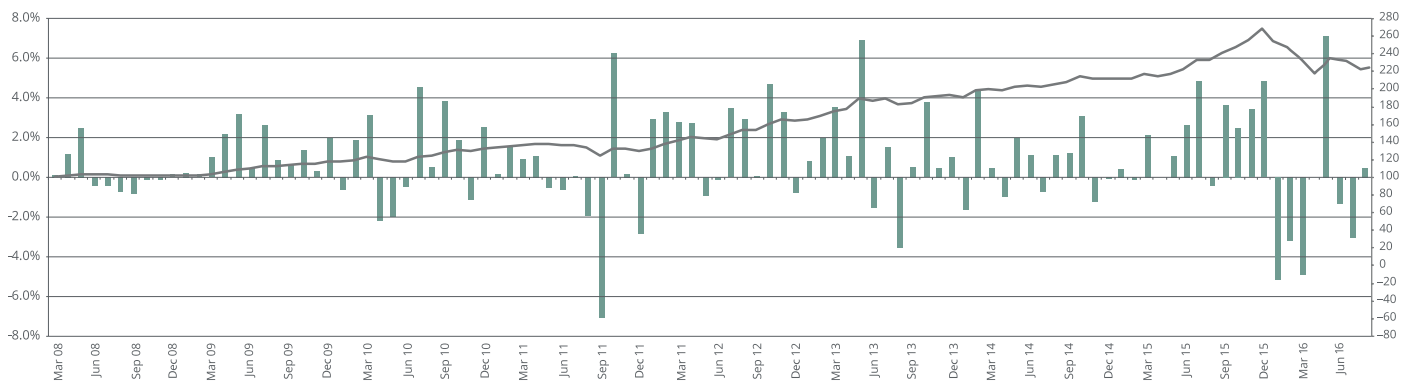
CAPRICORN GEM FUND CONTINUED



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%)	27.4%
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%)	(3.2%)	(4.9%)	(6.5%)	7.1%	(1.4%)	(3.1%)	0.4%					(16.1%)

Date: as at 31/08/2016 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd



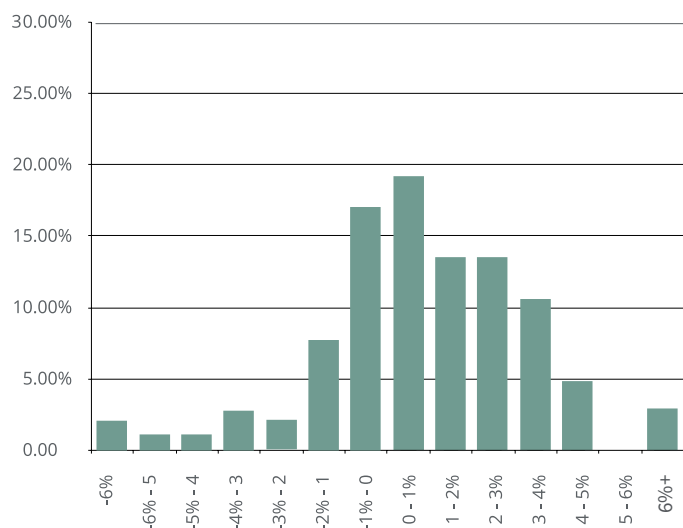
% Monthly Return

Cumulative Monthly Return

CAPRICORN GEM FUND CONTINUED



Frequency distribution of Returns



Statistics

Assets Under Management (USD)	130m
Gross exposure	186%
Net Exposure	66%
% of positive months	66%
% of negative months	34%
Annualised monthly volatility (historic)	8.7%
Average positive monthly return	2.1%
Average negative monthly return	(1.7%)
Sharpe Ratio	1.1
Maximum monthly drawdown	(7.0%)
Maximum cumulative drawdown	(18.4%)

Exposure

Sector Exposure	Gross	Net
Financials	40%	9%
Consumer Discretionary	35%	35%
Consumer Staples	32%	9%
Industrials	24%	12%
Information Technology	20%	11%
Materials	14%	-1%
Energy	6%	-6%
Health Care	6%	6%
Telecommunication Services	4%	-4%
Utilities	4%	-4%
Hedge	1%	-1%
Grand Total	186%	66%

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	60%	19%
Asia Ex-China	55%	39%
South America	26%	13%
Middle East	15%	-2%
Europe	9%	2%
ROW	6%	-1%
Eastern Europe	5%	-5%
Russia	4%	0%
China	3%	3%
North America	2%	-2%
Australia	1%	0%
Grand Total	186%	66%

All data:

Date: as at 31/08/2016 (net of fees).

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

CAPRICORN GEM FUND CONTINUED



 Important Information

ALL DATA:

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

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