

# 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 %
<b>Class A - USD</b>	223.8	-3.1%	-11.9%	-4.1%	18.1%	10.0%	123.8%
<b>Class B - EURO</b>	219.5	-3.3%	-12.4%	-4.6%	17.0%	9.8%	119.5%
<b>Class C - GBP</b>	217.5	-3.2%	-12.4%	-4.7%	15.9%	9.7%	117.5%

Date: as at 31/07/2016 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

AUM of the Capricorn GEM Strategy: \$316m. The Strategy consists of Capricorn GEM Fund Inc., Capricorn GEM Fund LP (\$133m), Lyxor/Capricorn UCITS Fund (\$158m) and a managed account.

## MANAGER'S COMMENTS



July saw the fund give up 3.1% of performance. This was disappointing as we believed that we had addressed many of the causes of underperformance this year. We took some stock specific blows this month, particularly in our South African stocks, as the Rand relentlessly strengthened.

Detractors from performance came from shorts in markets which continue to push higher as the risk on trade across the EM universe gathers momentum. The source of pain was largely contained to South Africa and Brazil. A short in the South African IT space was the largest detractor along with a South African mining short which hurt performance as the price of Iron Ore (up 43% ytd), continues to confound many experts.

Our long held position in Brait of South Africa continued to sell off post Brexit. With large investments in UK based businesses such as Iceland, Virgin and New Look, Brait's fortunes have become entwined with the UK economy and the pound which depreciated 20% against the Rand. The translation of its UK earnings into Rand as well as fears of an operational slowdown saw the stock sell off over 12%. In Brazil, shorts in the consumer and financial space were points of consternation as the market drives higher on a perceived inflection of earnings growth and the promise of political and economic reform from acting President Michel Temer and his economic team.

Mention must also be made of the events which unfolded in Turkey. Our Turkish book was unaffected by the selloff due to our net short position in the country. We maintain our belief that the structural problems the country faces are substantial and the political divide will lead to further economic strain. We retain a fair amount of gross in Turkey as we believe the dispersion between stocks will increase in uncertain times like these.

The biggest gain in the month hailed from India. Eicher Motors is an innovative company whose fortunes are tied to the premiumisation of the Indian two wheeler market. They reported very strong results and the stock rallied over 17%. Lojas Renner, one of the largest clothing retailers in Brazil, continued its momentum from June rallying another 13% to all-time highs. Xurpas of the Philippines, our blooming e-commerce platform business in the Philippines, rallied 10% after last month's pullback. Curro holdings and Woolworths of South Africa rounded off the top gainers after both had been poor performers this year.

Going forward most of our themes remain intact. While our year-to-date performance leaves us extremely disappointed, we are optimistic about the current positioning of our book and are excited about our prospects and opportunities given what has transpired in the market.

We thank all investors for their continued support.



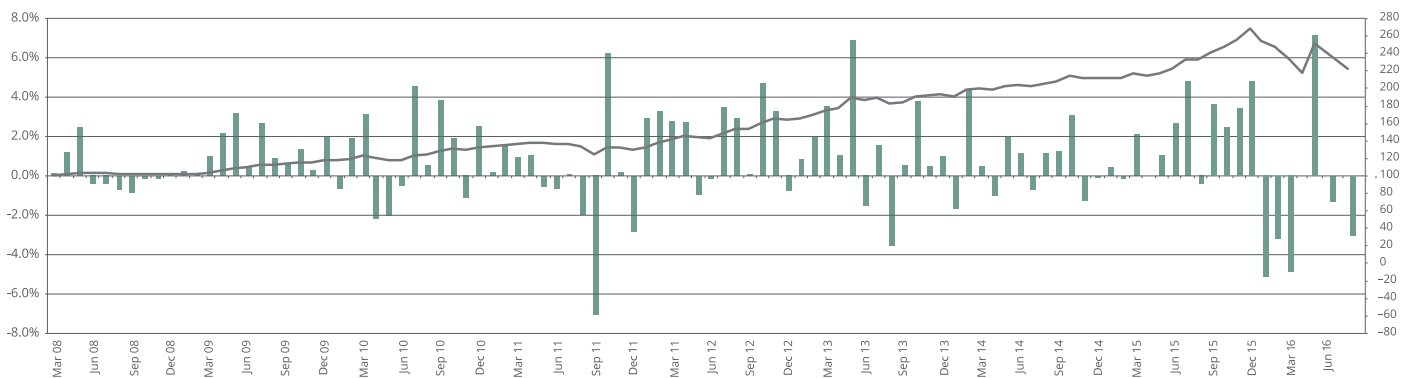
# CAPRICORN GEM FUND CONTINUED



## 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%	<b>1.6%</b>
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%	<b>16.3%</b>
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%	<b>12.6%</b>
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%)	<b>(2.9%)</b>
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%)	<b>27.4%</b>
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%	<b>17.7%</b>
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%)	<b>9.2%</b>
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%	<b>26.7%</b>
2016	(5.2%)	(3.2%)	(4.9%)	(6.5%)	7.1%	(1.4%)	(3.1%)						<b>(16.5%)</b>

Date: as at 31/07/2016 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd



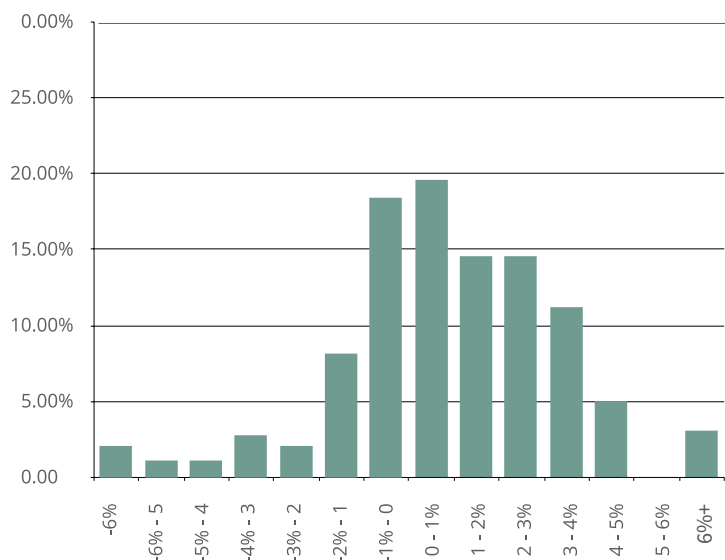
% Monthly Return

Cumulative Monthly Return

# CAPRICORN GEM FUND CONTINUED



## Frequency distribution of Returns



## Statistics

Assets Under Management (USD)	133m
Gross exposure	194%
Net Exposure	61%
% of positive months	65%
% of negative months	35%
Annualised monthly volatility (historic)	8.7%
Average positive monthly return	2.2%
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	45%	10%
Consumer Discretionary	35%	34%
Consumer Staples	32%	8%
Industrials	24%	10%
Information Technology	21%	10%
Materials	13%	-1%
Energy	7%	-7%
Health Care	7%	7%
Telecommunication Services	5%	-5%
Utilities	4%	-4%
Hedge	1%	-1%
<b>Grand Total</b>	<b>194%</b>	<b>61%</b>

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	70%	16%
Asia Ex-China	52%	37%
South America	26%	14%
Middle East	13%	-1%
Europe	9%	0%
ROW	6%	-1%
Eastern Europe	5%	-5%
Russia	4%	0%
China	4%	3%
North America	3%	-2%
Australia	2%	0%
<b>Grand Total</b>	<b>194%</b>	<b>61%</b>

### All data:

Date: as at 31/07/2016 (net of fees).

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

## CAPRICORN GEM FUND CONTINUED



## Important Information

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### ALL DATA:

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

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