

# 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	(0.4%)	(4.3%)	(7.1%)	21.8%	9.8%	123.8%
<b>Class B - EURO</b>	218.9	(0.6%)	(5.0%)	(8.2%)	20.4%	9.5%	118.9%
<b>Class C - GBP</b>	216.9	(0.6%)	(5.1%)	(8.7%)	19.2%	9.4%	116.9%

Date: as at 30/09/2016 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

AUM of the Capricorn GEM Strategy: \$308m. The Strategy consists of Capricorn GEM Fund Inc., Capricorn GEM Fund LP (\$130m), Lyxor/Capricorn UCITS Fund (\$153m) and a managed account.

## MANAGER'S COMMENTS



September was another stable month following on from August with the fund down (0.4%). The month was marked by significant events with global consequences, most notably the first of three presidential candidate debates between Donald Trump and Hilary Clinton. The volatility observed in the Mexican peso and subsequent monetary tightening enacted by the Central bank to ameliorate the speculative attack on the currency has been one of the most obvious effects felt thus far in our jurisdictions. We continue to evaluate our exposure to the region in the context of the possible outcomes. September also saw some uncertainty in markets surrounding the capital requirements of Deutsche Bank.

The portfolio's biggest gainer on the month was Vakrangee of India which rallied 24% in September, the company continues to present a significant opportunity to realise optionality in a market in which we are very positive. The second largest gainer was Eicher Motors also hailing from India, the stock rallied 9% amidst continued strong performance reaching an all-time high. A short in the South African protein/food space meaningfully contributed to September performance and Raia Drogasil of Brazil rounded out the biggest gainers rallying 11.5%.

The largest detractor from performance was Steinhoff after it reported a mixed bag of results, missing consensus expectations on the earnings line but coming in line with consensus expectations operationally. This set of results combined with a subsequent rights-issue to finance their recent acquisitions caused the share to underperform. Another poor performer was Mediclinic also from South Africa. The company released a trading update that stated that the benefits from the acquisition of the Al Noor Hospital were going to be back-end loaded in this financial year. The market took this update very negatively and sold the stock down aggressively. We were protected to some degree from some of this sell off by a protection structure we entered on Mediclinic in June, but still suffered some losses. We still strongly believe in the investment cases of these two companies and that the issues faced by them are temporary in nature. Xurpas of the Philippines also fell 8% on the month.

Heading in to the last quarter we are cognisant of the significant volatility to be expected in markets with the anticipated raising of interest rates in America along with the outcome of the Presidential election on November 8th. We are evaluating various methods of protecting against some of this expected volatility and still giving ourselves the freedom to build our high conviction ideas.

*EuroHedge*  
*Awards 2015*

WINNER

EMERGING MARKET EQUITY

**HFM**  
AWARDS  
WINNER 2015  
EUROPEAN PERFORMANCE AWARDS

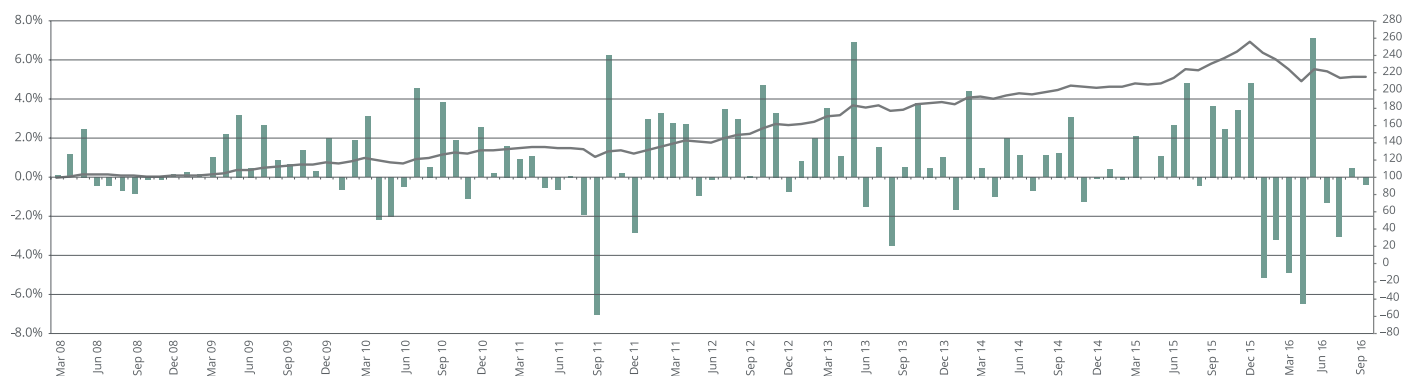
# CAPRICORN GEM FUND CONTINUED



## 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%)	0.4%	(0.4%)				<b>(16.5%)</b>

Date: as at 30/09/2016 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd



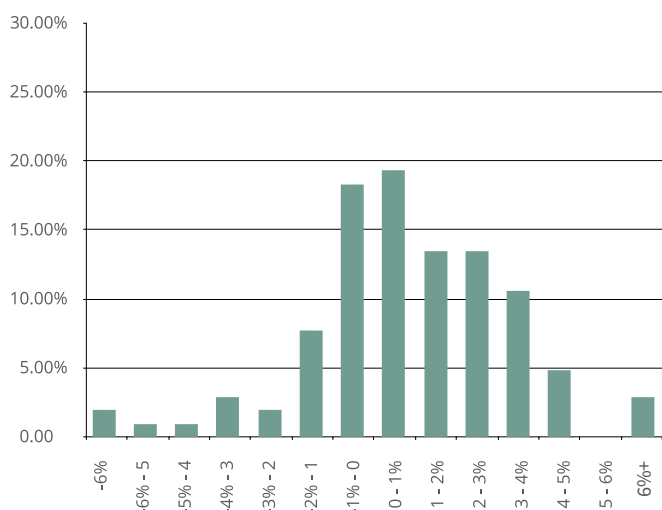
% Monthly Return

Cumulative Monthly Return

# CAPRICORN GEM FUND CONTINUED



## Frequency distribution of Returns



## Statistics

Assets Under Management (USD)	130m
Gross exposure	197%
Net Exposure	70%
% of positive months	65%
% of negative months	35%
Annualised monthly volatility (historic)	8.7%
Average positive monthly return	2.1%
Average negative monthly return	(1.6%)
Sharpe Ratio	1.1
Maximum monthly drawdown	(7.0%)
Maximum cumulative drawdown	(18.4%)

## Exposure

Sector Exposure	Gross	Net
Financials	41%	9%
Consumer Staples	35%	13%
Consumer Discretionary	34%	33%
Industrials	27%	14%
Information Technology	22%	12%
Materials	15%	-2%
Health Care	7%	7%
Energy	6%	-6%
Telecommunication Services	4%	-4%
Utilities	4%	-4%
Hedge	2%	-2%
<b>Grand Total</b>	<b>197%</b>	<b>70%</b>

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	68%	22%
Asia Ex-China	59%	43%
South America	26%	14%
Middle East	13%	-6%
Europe	9%	1%
ROW	5%	-1%
Eastern Europe	5%	-5%
Russia	4%	0%
China	3%	3%
North America	3%	-2%
Australia	2%	1%
<b>Grand Total</b>	<b>197%</b>	<b>70%</b>

### All data:

Date: as at 30/09/2016 (net of fees).

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

# CAPRICORN GEM FUND CONTINUED



## Important Information

**ALL DATA:**

as at 30 September 2016 (net of fees) Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

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