

CAPRICORN SANLAM COLLECTIVE INVESTMENTS MARKET NEUTRAL RETAIL HEDGE FUND



OBJECTIVE

The fund is a South African long/short Rand denominated, low risk, market neutral hedge fund that employs multiple investment methodologies to construct a portfolio. It aims to deliver superior risk adjusted returns that are uncorrelated to the general market over any 12 month period by investing in JSE listed equity instruments. This portfolio aims to ensure stable income flows and capital preservation is of primary importance. The portfolio invests in a combination of low-risk asset classes, but exposure to equities is limited to protect against volatility and risk of capital losses. It aims to provide a high level of income, while maximising returns above cash. Capital preservation is achieved through diversification across a variety of high yielding assets.

Summary Statistics

	Current NAV	1 year Return (%)	3 year annualised Return (%)	3 year cumulative Return (%)	Annualised* return since inception (%)	Cumulative return since inception (%)
Fund	R136m	2.4%	11.6%	35.8%	13.0%	68.1%
Benchmark (Stefi)	N/A	6.4%	5.6%	17.9%	5.4%	24.9%

Date: 31/08/2016 **Source:** Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd

*Annualised Return is calculated from the historical returns of the fund since inception and is the annual growth rate that gets you from the initial investment value to the ending investment value if you assume that the investment has been compounding annually over the time period.

MANAGER'S COMMENTS

August was the first month the fund traded as a regulated hedge fund. Prior to this, since its inception in 2012, it traded as an unregulated vehicle. After a challenging start to the month, the fund improved in the latter part and ended down 0.4%. Many of our positions reported their financial results in August and we were pleased that the market returned some of its focus to more fundamental data and rewarded those companies exhibiting superior earnings growth. Despite these positives we continued to face political and macro volatility which continued to plague the market with uncertainty. Much work has been done to immunize the portfolio to the Rand, US dollar and global interest rates and we were very pleased that these endeavors helped to protect the portfolio during a volatile period.

The reporting season proved to be very satisfactory with most of the new data points supporting our investments theses. It is thus not surprising that the greatest contributors to profits arose from those companies that reported their results. The most pleasing set of numbers were reported by Tencent, of which Naspers owns 33%. Tencent outperformed market expectations in every business segment and they continued to grow their revenue from marketing, but most pleasing was the resilience of their core business, being gaming, that continued to grow earnings at a steady clip. Other contributors to profits came from our short positions in the South African retail, industrial and insurance space. The numbers reported by these companies continued to show

that the South African economy and the South African consumer in particular are under pressure. We have questioned the valuation multiples that these businesses trade on given their growth profile and are happy to remain short of these companies. Another notable contributor to profits was a more recent addition to the portfolio, Advtech, after reporting very strong numbers. After a period of significant investment over the past three years, Advtech is now very well placed to see significant earnings growth as they increase the utilization rate at their various campuses.

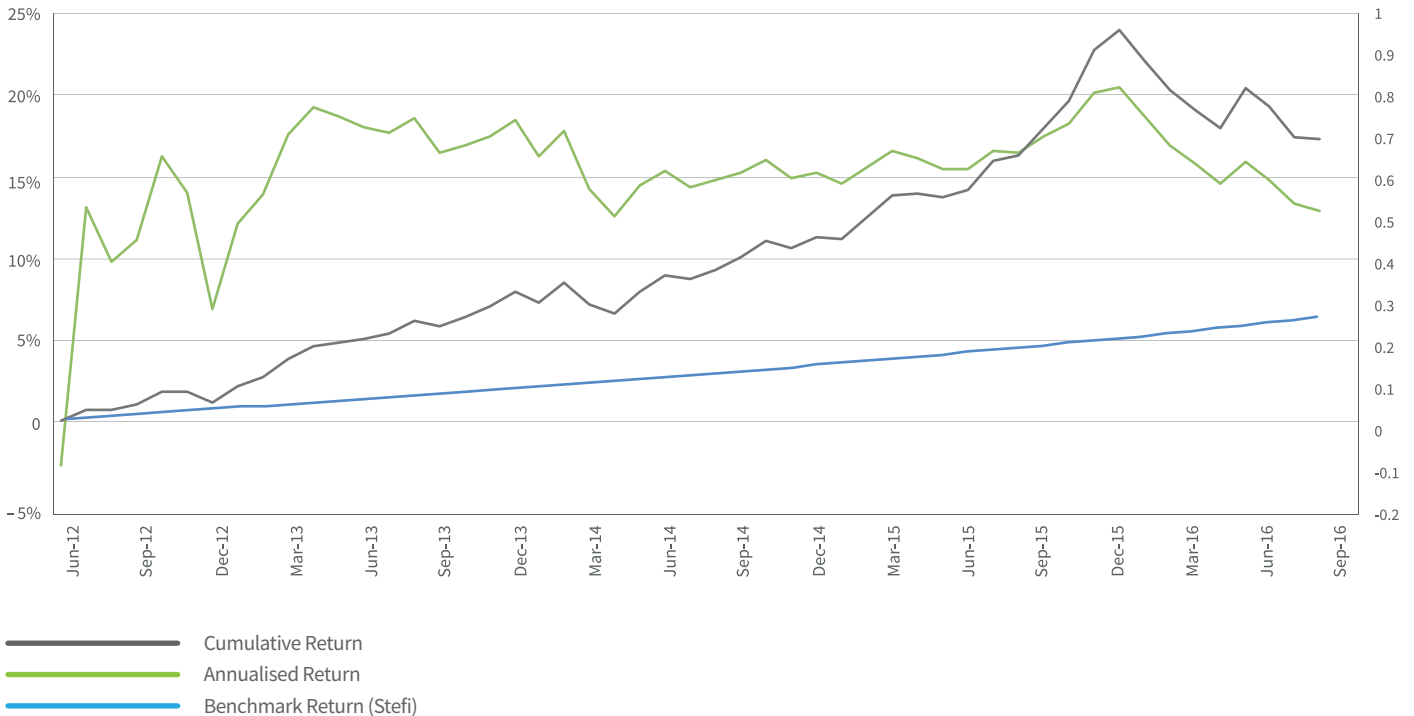
The largest detractors of performance stemmed from our long positions in the South African retail and banking space, as these companies were sold down in the face of the depreciating rand in the latter part of the month irrespective of fundamentals. We believe that once these companies report earnings in September or later in the year, the market will start to reward them for their superior business models.

The market continues to be dominated by macro and political events. Much work has been done to protect the portfolio from the macro and political events and we believe that we go into the latter part of the year with a far more balanced portfolio. We continue to see many opportunities in the market on the long and the short side, but believe a much more focused approach is required in these markets. We will thus maintain our gross exposure at historic low levels and look to minimize the number of positions we hold in the portfolio.

CAPRICORN SANLAM COLLECTIVE INVESTMENTS
 MARKET NEUTRAL RETAIL HEDGE FUND CONTINUED



Graphical Representation of Historical Monthly Returns



Date: 31/08/2016 Source: Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd
 Important Information: Past performance is not necessarily a guide to future performance.

Historical Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Benchmark YTD
2012						(0.6%)	2.3%	0.3%	1.2%	2.8%	0.4%	(2.6%)	3.8%	2.8%
2013	3.8%	2.2%	3.8%	2.8%	1.0%	0.8%	1.0%	2.4%	(1.0%)	1.9%	2.0%	2.8%	25.8%	4.7%
2014	(1.8%)	3.7%	(4.2%)	(1.6%)	4.4%	2.8%	(0.7%)	1.9%	2.1%	2.8%	(1.0%)	1.9%	10.4%	5.3%
2015	(0.4%)	3.5%	3.7%	0.1%	(0.4%)	1.2%	4.4%	0.8%	4.1%	4.0%	6.9%	2.5%	34.8%	5.6%
2016	(3.8%)	(4.0%)	(2.5%)	(2.6%)	5.7%	(2.6%)	(4.1%)	(0.4%)					(13.7%)	4.4%

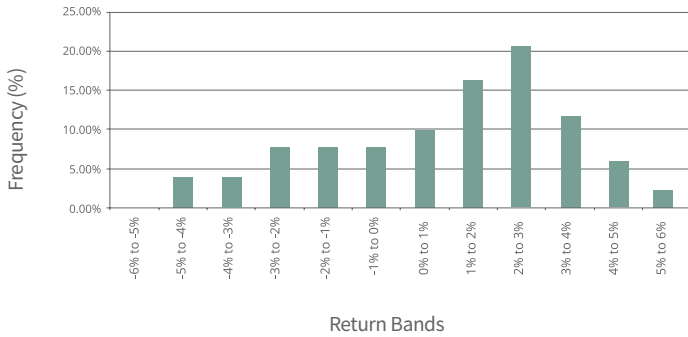
Italicized returns are net returns for the previously unregulated fund

Date: 31/08/2016 Source: Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd

CAPRICORN SANLAM COLLECTIVE INVESTMENTS
 MARKET NEUTRAL RETAIL HEDGE FUND CONTINUED



Frequency Distribution of Monthly Returns Since Inception



Statistics

Assets Under Management (R Million)	136m
Gross exposure	140%
Net Exposure	10%
% of positive months	67%
% of negative months	33%
Annualised monthly volatility (historic)	9.2%
Average positive monthly return	2.6%
Average negative monthly return	(2.0%)
Sharpe Ratio	0.8
Maximum monthly drawdown	(4.2%)
Maximum cumulative drawdown	(13.7%)

Date: 31/08/2016 Source: Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd

Launch Date (Regulated Fund) 01/08/2016
 Inception Date 01/06/2012

Important Information

Sanlam Collective Investments (RF) (Pty) Ltd registered and approved Manager in Collective Investment Schemes in Securities. Collective investment schemes are generally medium- to long-term investments. Past performance is not necessarily a guide to future performance, and that the value of investments / units / unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available from the Manager on request. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Performance is calculated for the portfolio and the individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax. Sanlam Collective Investments retains full legal responsibility for this co-named portfolio. The portfolio management of the fund is outsourced to Capricorn Fund Managers, an authorised financial services provider in terms of the FAIS Act. The Manager has a right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. The information contained within this document has been prepared by Capricorn Fund Managers (Pty) Ltd and is unaudited. Returns as shown are the weighted average of all issued series.

CONTACT INFORMATION

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