

CAPRICORN SANLAM COLLECTIVE INVESTMENTS
MARKET NEUTRAL RETAIL HEDGE FUND



OBJECTIVE

The CAPRICORN SANLAM COLLECTIVE INVESTMENTS MARKET NEUTRAL RETAIL HEDGE FUND is a Rand denominated low risk, market neutral hedge fund that employs multiple investment methodologies to construct a portfolio. The primary objective of the CAPRICORN SANLAM INVESTMENTS MARKET NEUTRAL RETAIL HEDGE FUND is to deliver superior risk adjusted returns that are uncorrelated to the general market over any 12 (twelve) month period by investing in JSE listed equity instruments.

Summary Statistics

	Current NAV	1 year Return (%)	3 year annualised Return (%)	3 year cumulative Return (%)	Annualised* return since inception (%)	Cumulative return since inception (%)
Fund	R125m	(1.9%)	11.0%	36.8%	12.7%	67.7%
Benchmark (Stefi)	N/A	6.5%	5.7%	18.0%	5.4%	25.6%

Date: 30/09/2016 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

The fund ended the month down 0.3% in very difficult market conditions. The volatility in the market continued in September and was driven by significant movements in the rand as investors fluctuated from risk-on to risk-off positioning on any new, no matter how immaterial, macro-economic information.

Although we tried to have as neutral a stance as possible on the rand, many of our preferred quality growth companies remained those that started to expand into foreign markets while many of our short positions are companies that are reliant on the lackluster economic growth in South Africa. This made the portfolio very vulnerable to rand appreciation. We decided to hedge this inherent currency exposure with a put fence on the rand. This proved to be a very successful trade and the structure was our most profitable position for the month. Other profitable positions came from our short positions in London property sector that continue to underperform since the Brexit vote and from our long position in Capitec Bank that continued to show resilient growth in earnings in the face of some very tough macro-economic conditions.

Losses were suffered in two of our core long positions, Steinhoff and Mediclinic. Steinhoff 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.

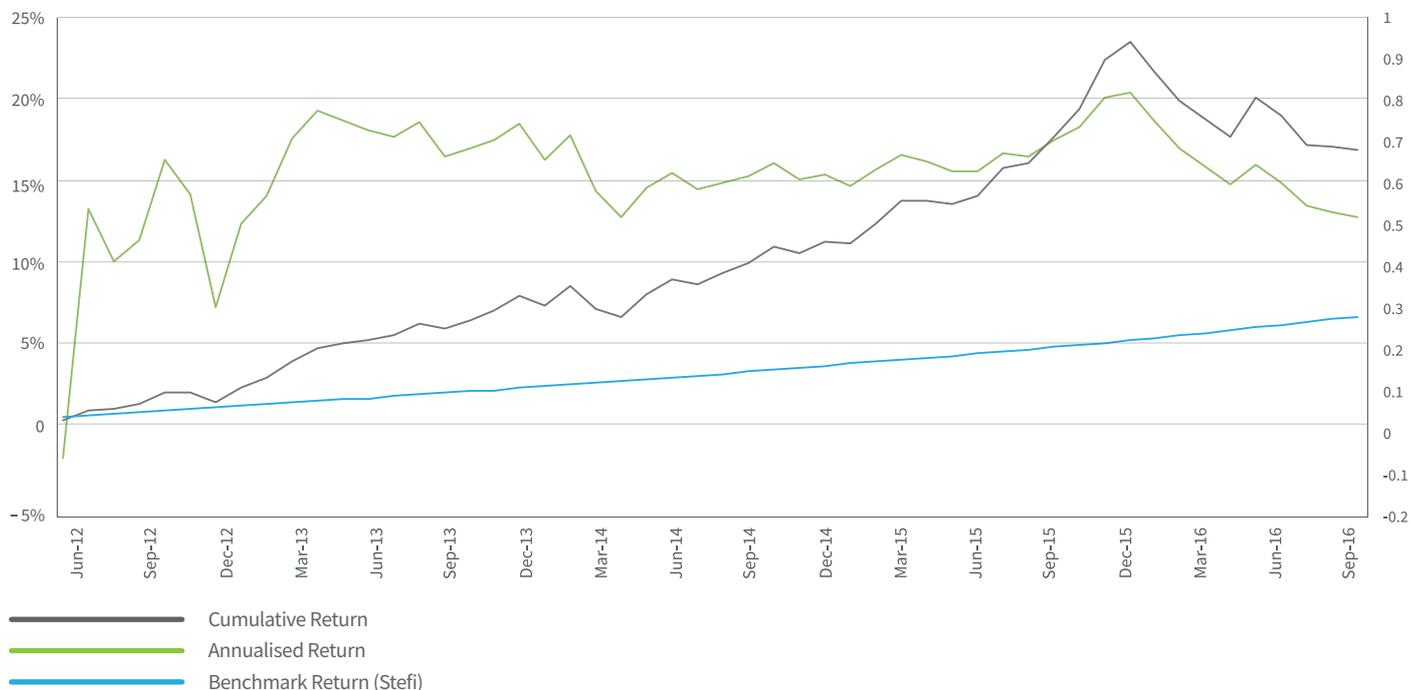
Mediclinic released a trading update that stated that the benefits from the acquisition of the Al Noor Hospital were going to be back-end loaded in this financial year. The market took this update very negatively and sold the stock down aggressively. We were protected to some degree from some of this 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.

The aggressive movements in the market continue to present attractive opportunities. However, given that this volatile environment can remain with us for some time, we continue to manage our portfolio conservatively. We remain very optimistic about the medium to longer term prospects of the portfolio, but we first need to navigate through the short term volatility.

CAPRICORN SANLAM COLLECTIVE INVESTMENTS
 MARKET NEUTRAL RETAIL HEDGE FUND CONTINUED



Graphical Representation of Historical Monthly Returns



Date: 30/09/2016 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%)	(0.3%)				(13.9%)	4.9%

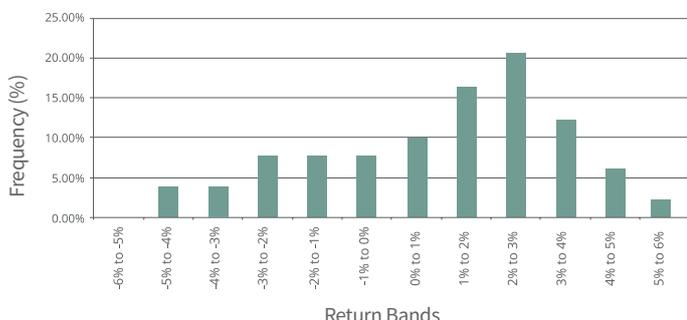
Italicized returns are net returns for the previously unregulated fund

Date: 30/09/2016 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)	125m
Gross exposure	159%
Net Exposure	10%
% of positive months	65%
% of negative months	35%
Annualised monthly volatility (historic)	9.1%
Average positive monthly return	2.6%
Average negative monthly return	(1.9%)
Sharpe Ratio	0.8
Maximum monthly drawdown	(4.2%)
Maximum cumulative drawdown	(14.0%)

Date: 30/09/2016 **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. Performance fees are calculated at 20% above the benchmark performance (STEFI). 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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