

CAPRICORN SANLAM COLLECTIVE INVESTMENTS  
STABLE RETAIL HEDGE FUND

## OBJECTIVE

The Capricorn Sanlam Collective Investments Stable Retail Hedge Fund is a South African long/short equity hedge fund. 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 (%)	10 year annualised Return (%)	10 year cumulative Return (%)	Annualised* return since inception (%)	Cumulative return since inception (%)
Fund	R641m	5.3%	11.1%	37.1%	13.3%	249.2%	15.3%	550.9%
Benchmark (CPI)	N/A	6.0%	5.8%	18.4%	6.3%	84.0%	5.5%	102.1%

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



The fund performed well in very difficult market conditions returning 1.5% for the month. Many companies report their financial results in August and 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. We remain cognisant of the fact that South Africa and indeed the world is in a very volatile environment and we continue to work on reducing sensitivities in the portfolio to macro factors such as the Rand, US dollar and global interest rates.

The reporting season proved to be satisfactory with most new data points supporting our investments theses. It is thus not surprising that the greatest contributors to profits arose from those companies that reported results. Tencent continued to produce exemplary results while 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 continued pressure.

We were pleased to see strong results from two of our more recent additions to the portfolio, Advtech and KAP Industries. We believe that both of these businesses have very strong earnings growth trajectories over the next few years and will entrench themselves in positions which will allow for them to exploit their strengths going forward.

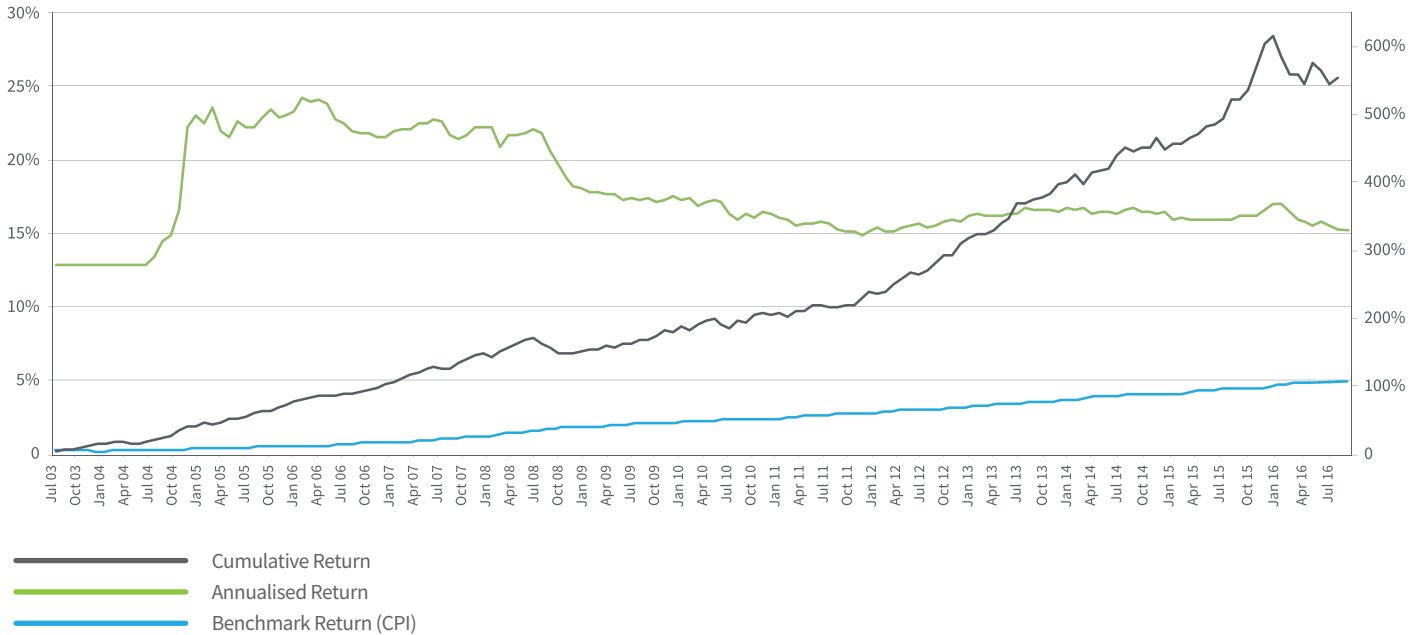
The largest detractors of performance stemmed from our long positions in the South African retail and banking space, as these companies were sold down irrespective of fundamentals in the face of the depreciating rand in the latter part of the month. We believe that once these companies report earnings,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

We continue to expect a volatile environment in South Africa in the short term however we will continue to look for opportunities while ensuring our exposure to the above mentioned macro risks are kept to a minimum.

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STABLE 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

Historical Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Benchmark YTD
2003							0.9%	0.7%	0.5%	2.0%	2.0%	2.4%	8.8%	-1.6%
2004	1.8%	0.2%	2.0%	0.5%	(1.5%)	0.8%	1.4%	2.2%	1.6%	3.1%	8.2%	2.5%	25.1%	3.7%
2005	1.1%	3.2%	(0.6%)	1.0%	3.4%	1.0%	1.7%	2.8%	2.8%	0.6%	1.9%	2.3%	23.5%	3.4%
2006	4.0%	1.1%	2.3%	1.0%	(0.8%)	1.3%	0.4%	1.3%	1.6%	0.9%	1.7%	2.5%	18.6%	5.3%
2007	2.1%	1.8%	2.9%	1.7%	2.6%	1.3%	(1.4%)	0.7%	2.7%	3.5%	1.7%	1.5%	23.0%	8.6%
2008	(2.8%)	4.3%	1.6%	2.6%	2.5%	0.6%	(3.1%)	(2.4%)	(2.8%)	(0.5%)	0.5%	0.5%	0.7%	10.6%
2009	1.3%	0.4%	1.4%	(0.5%)	2.1%	0.4%	2.2%	0.1%	1.5%	2.9%	(0.1%)	2.5%	15.7%	5.9%
2010	(1.5%)	2.4%	2.6%	0.2%	(2.9%)	(1.4%)	3.5%	(0.2%)	3.7%	0.9%	(1.1%)	0.9%	7.1%	3.5%
2011	(1.5%)	2.3%	0.7%	2.3%	0.2%	(1.1%)	0.0%	1.1%	(0.4%)	3.5%	3.1%	(1.1%)	9.2%	6.2%
2012	1.2%	3.2%	2.4%	2.4%	(0.8%)	1.5%	3.3%	2.5%	0.6%	4.0%	2.2%	1.0%	26.1%	5.6%
2013	0.3%	1.4%	2.8%	1.0%	5.0%	0.4%	1.1%	0.7%	1.0%	3.1%	0.4%	2.6%	21.6%	5.3%
2014	(2.8%)	3.3%	0.6%	0.5%	3.5%	2.1%	(0.7%)	0.7%	(0.0%)	3.0%	(3.1%)	1.3%	8.5%	5.8%
2015	0.1%	1.5%	1.4%	1.8%	0.2%	1.9%	4.5%	0.1%	2.3%	5.5%	4.9%	1.6%	28.6%	4.8%
2016	(4.3%)	(3.7%)	0.1%	(2.0%)	4.6%	(1.7%)	(2.7%)	1.5%					(8.4%)	5.4%

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

Italicized returns are pre-tax net returns for the previously unregulated fund

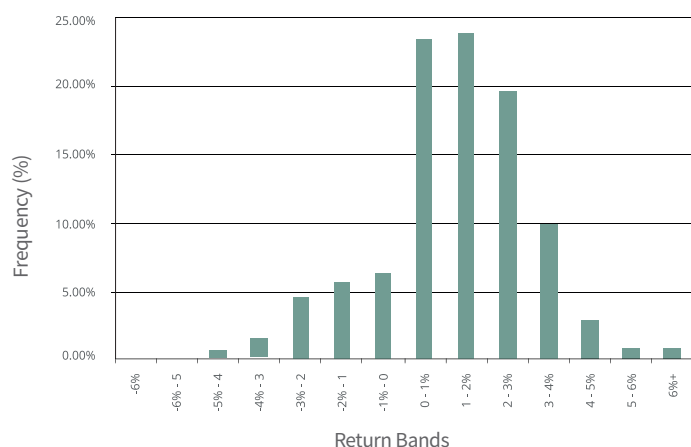
Important Information

Past performance is not necessarily a guide to future performance.

## CAPRICORN SANLAM COLLECTIVE INVESTMENTS STABLE RETAIL HEDGE FUND CONTINUED



### Frequency Distribution of Monthly Returns Since Inception



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

### Statistics

Assets Under Management (R Million)	641m
Gross exposure	133%
Net Exposure	44%
% of positive months	81%
% of negative months	19%
Average positive monthly return	1.9%
Average negative monthly return	(1.7%)
Annualised monthly volatility (historic)	6.6%
Sharpe Ratio	1.2
Maximum monthly drawdown	(4.3%)
Maximum cumulative drawdown	(9.7%)

**Launch Date (Regulated Fund)** 01/07/2016  
**Inception Date** 01/07/2003

### 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.

## CONTACT INFORMATION

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