

CAPRICORN SANLAM COLLECTIVE INVESTMENTS STABLE RETAIL HEDGE FUND



OBJECTIVE

The CAPRICORN SANLAM COLLECTIVE INVESTMENTS STABLE RETAIL HEDGE FUND is a Rand denominated South African long/short equity hedge fund. The primary objective of the CAPRICORN SANLAM COLLECTIVE INVESTMENTS STABLE RETAIL HEDGE FUND is to provide a stable return with as little volatility as possible. The Portfolio shall have a strong focus on capital preservation, targeting an absolute return in excess of cash.

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	R586m	(3.1%)	9.3%	30.7%	13.0%	237.9%	15.0%	546.1%
Benchmark (CPI)	N/A	6.1%	5.5%	17.6%	6.2%	82.3%	5.5%	102.0%

Date: 31/10/2016 **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



Political instability was the dominant force in the South African equity market in October. This was specifically evident in the volatility in the South African rand. The rand fluctuated dramatically as news flow broke from the one political event to the other. This environment is extremely difficult to navigate for a portfolio manager, as the key events driving the performance of the portfolio are binary in nature and at random intervals. A portfolio manager can only be defensively positioned in this environment. As such we saw the South African equity market losing 2.6% in the month with rand-hedged companies bearing the brunt of the decline.

Given the tough environment we were pleased with the performance of the fund. The Stable fund lost 0.5% in October. The option structure on rand that we entered into in September continues to protect the portfolio from these volatile movements in the currency. This allows us to focus on our key competency, which is to find good quality companies. We continue to feel very confident in our current portfolio structure. Once the political noise from South Africa and abroad has died down, we believe that the portfolio will continue to outperform the market and generate significant alpha to investors.

A significant portion of our profits were generated by our longs in the education sector. The ongoing protests regarding fees for tertiary education again

highlighted the massive opportunity for private education in South Africa. With new legislation in the pipeline to allow for private universities in South Africa the opportunity set has increased dramatically. We continue to like both Curro Holdings and AdvTech and it was pleasing to see them perform strongly in the month. Profits were also generated in our short positions in the South African Industrial sector.

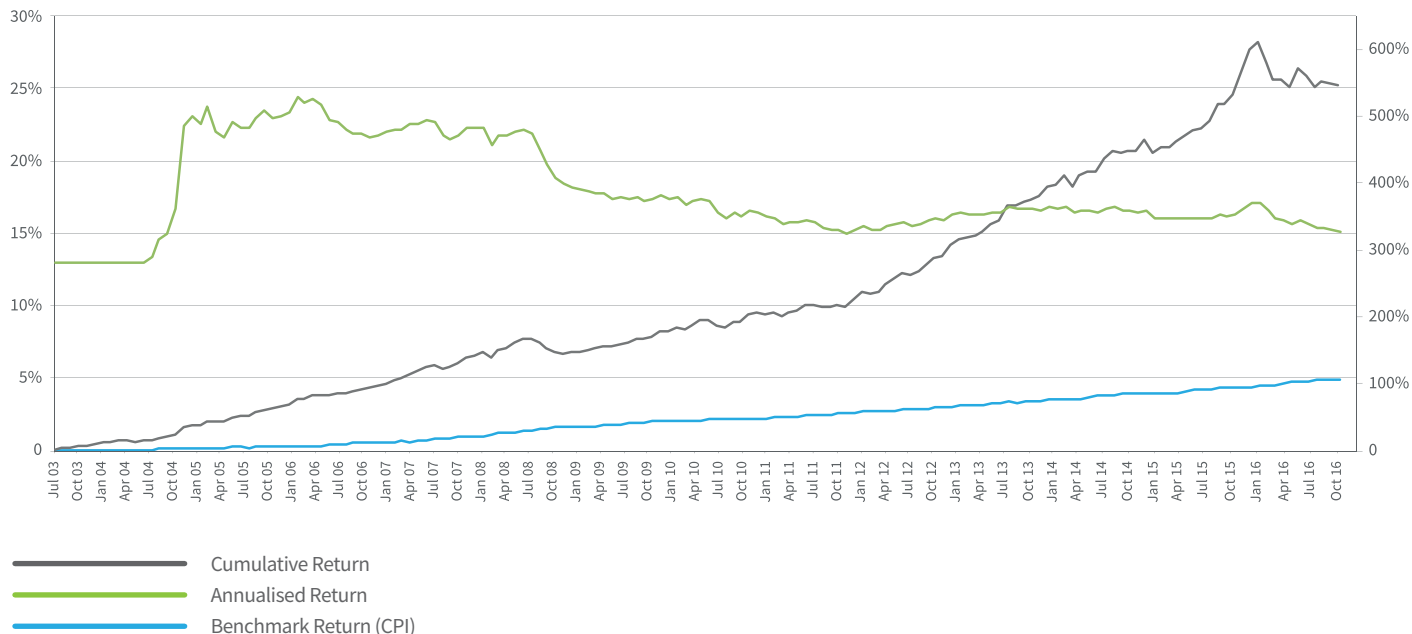
Losses were concentrated predominantly in our long positions in rand-hedged companies. We believe that the sell-off in many of these companies is overdone and that we will start to see a re-rating in the valuation of these companies once the rand stabilizes.

Volatility will likely continue as we move into 2017. With gravity-defying commodity prices, continued political uncertainty and questionable global monetary policy decisions, we continue to be defensively positioned. We believe it prudent to continue to keep our gross exposure levels at historically low levels, however, it is environments like these that can offer the greatest opportunities to generate alpha. The investment team will continue to stay single-mindedly focused on finding good quality companies and not get caught up in the hype of the volatility.

CAPRICORN SANLAM COLLECTIVE INVESTMENTS
STABLE RETAIL HEDGE FUND CONTINUED



Graphical Representation of Historical Monthly Returns



Date: 31/10/2016 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%	(0.2%)	(0.5%)			(9.1%)	5.8%

Date: 31/10/2016 Source: Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd

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

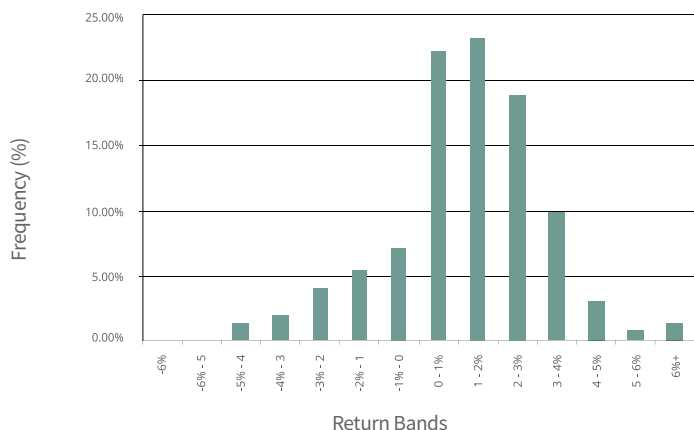
Important Information

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: 31/10/2016 **Source:** Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd

Statistics

Assets Under Management (R Million)	586m
Gross exposure	144%
Net Exposure	33%
% of positive months	80%
% of negative months	20%
Average positive monthly return	1.9%
Average negative monthly return	(1.6%)
Annualised monthly volatility (historic)	6.6%
Sharpe Ratio	1.1
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. Performance fees are calculated at 20% above the benchmark performance (CPI). Lump sum investment performances are being quoted. 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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