

## 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 %
CLASS A - USD	198.0	-1.0%	3.8%	11.7%	43.2%	11.7%	98.0%
CLASS B - EURO	195.0	-1.0%	3.4%	11.1%	41.2%	11.4%	95.0%
CLASS C - GBP	195.7	-1.0%	3.6%	11.7%	42.1%	11.5%	95.7%

Date: as at 30/04/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

## MANAGER'S COMMENTS



The second quarter of 2014 is proving to be significantly more challenging for markets due to the market rotation that has persisted since March. The main source of surprise came from the flow of money out of the high tech stocks and the well owned consensus names.

The sell-off in emerging markets was exaggerated in April by large movements in developed markets since most emerging markets are a levered play on their developed counterparts. As a result, many of the commonly viewed momentum high conviction stocks have experienced dizzying reversals.

Within our investment universe there were a number of key events, namely the Crimean referendum and elections in Turkey and Indonesia. Indonesia, as mentioned in previous factsheets, has been taken to a record high exposure based on our belief that the structural reforms to be implemented which are predicated on the likely election of "Jokowi" of the PDIP are transformational in nature offering huge optionality. In Turkey the market rallied strongly into the local elections which were won by the AKP convincingly with a 44% majority. Their retention of power will now provide greater perceived political stability in the region and is positive for markets. Furthermore, our short conviction in Russia proved to be a boon and we used the massive weakness experienced in the month to buy in several of our long held short positions.

Our top performers were by and large negated by our top detractors. Interestingly most of the top performers were in the South African consumer space which has seen a resurgence contrary to our expectations. We maintain our long held view that the South African consumer is constrained and that some of these stocks still have downside.

Perhaps of greater importance is that several of our key longer term strategic plays, namely Steinhoff and Discovery, started to perform. However, Naspers deserves special mention due its notable underperformance this month. This was not unexpected as we were always mindful that there was going to be a month or two where there would be churn due to the vast outperformance of the

# CAPRICORN GEM FUND CONTINUED



stock over the last 30 months. We remain confident in our Naspers position although we came into the month having trimmed our position down having sold just over two percent of our holding. We will use this current weakness to accumulate when the opportunity presents itself and will continue to actively trade around this position as we have done since the fund's inception.

It is very pleasing to record the outperformance of non-SA stocks such as DNL Industries up 8.2% this month, a Filipino product customisation and chemicals business serving the food, plastics and aerosols markets in the Philippines, as well as longer held core positions like Kalbe Farma and Turkcell showing the resilience of our model and our diversified thinking.

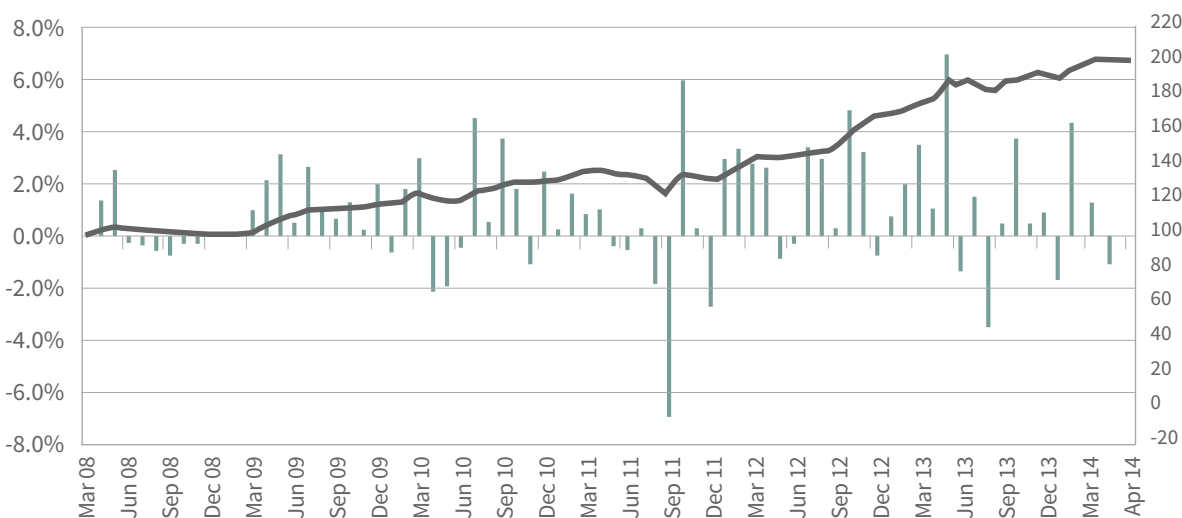
We continue to see elevated risks with choppy and volatile markets substantiated in the portfolio by the reduced exposures at gross and net level. This is mainly a function of global fund managers evaluating the re-pricing of previous trades and markets. The dislocation in prices has presented us with real opportunities to accumulate good stock.

We do see further short term downside risks to markets generally however we believe there are positive indicators for second half 2014 performance.

## 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>26.1%</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%									<b>2.2%</b>

Date: as at 30/04/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd



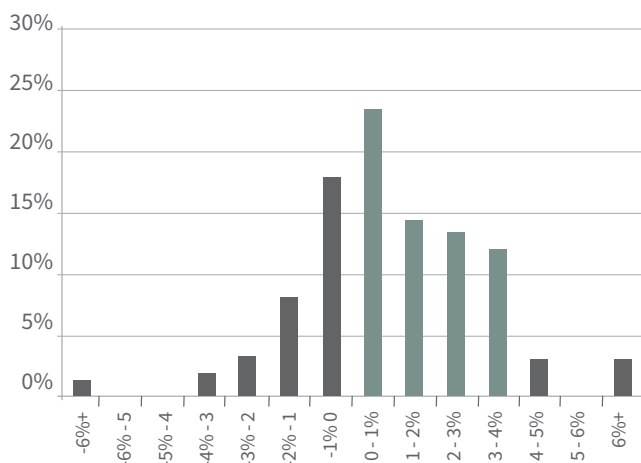
**% Monthly Return**

**Cumulative Monthly Return**

# CAPRICORN GEM FUND CONTINUED



## Frequency distribution of Returns



## Statistics

Assets Under Management (USD)	147m
Gross exposure	248%
Net Exposure	63%
% of positive months	69%
% of negative months	31%
Annualised monthly volatility (historic)	7.6%
Average positive monthly return	2.0%
Average negative monthly return	-1.3%
Sharpe Ratio	1.4
Maximum monthly drawdown	-7.0%
Maximum cumulative drawdown	-8.8%

## Exposure

Sector Exposure	Gross	Net
Consumer Discretionary	51%	10%
Consumer Staples	26%	-5%
Energy	10%	2%
Financials	51%	23%
Healthcare	15%	15%
Hedge	5%	-3%
Industrials	41%	21%
Information Technology	8%	-1%
Materials	30%	-2%
Telecommunications Services	11%	3%
<b>Grand Total</b>	<b>248%</b>	<b>63%</b>

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	129%	8%
Europe	28%	16%
Asia Ex-China	22%	17%
Middle East	20%	9%
Rest of World	12%	2%
North America	10%	3%
Australia	8%	3%
China	7%	6%
South America	5%	2%
Russia	4%	-3%
Japan	2%	0%
Eastern Europe	1%	0%
<b>Grand Total</b>	<b>248%</b>	<b>63%</b>

Date: as at 30/04/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

## CAPRICORN GEM FUND CONTINUED



## Important Information

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**ALL DATA:**

as at 30 April 2014 (net of fees) Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

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