

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	205.2	1.1%	3.2%	12.2%	53.0%	11.7%	105.2%
CLASS B - EURO	202.3	1.1%	3.1%	11.8%	51.0%	11.4%	102.3%
CLASS C - GBP	202.7	1.1%	3.1%	11.9%	51.6%	11.5%	102.7%

Date: as at 31/08/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

MANAGER'S COMMENTS



The Fund turned in a solid positive performance for August returning 1.1% for the month taking the return for the year to 6.0%. World markets appear to have found some stability albeit in the face of extraordinary geopolitical events. Our view continues to be that Emerging Markets can take the limelight ahead of Developed Markets and show explosive growth in the months ahead. However, our positive view does not include South Africa where for the time being we remain bearish and are therefore preferring to look for opportunities in other markets within our universe.

The star performer of the month came from Indonesia, AKR Corporindo rallying 13%, a core Capricorn stock. This is a transformative company and as with many of the holdings within our portfolio the catalyst for the transformation began with changes in legislation and in the core environment. We are expecting further significant gains here.

Another pleasing outcome was a core book short in Vale falling 7%, a Brazilian diversified mining group with iron ore being a core product. We have had a negative stance on iron ore and in particular on Brazilian miners and this stock is now trading at 5-year lows. We expect further dislocation in the mining space although the joy was somewhat lessened by the long in Billiton of South Africa which also fell 7%. This has been such a good stalwart for the year but unexpectedly published disappointing earnings this month. At this point, we believe the mining sector needs to be watched for opportunities rather than making a fundamental call.

Shoprite continued to disappoint reflecting the pressure on consumers in South Africa. Our book is net short of the South African retail sector, so we benefit on the downside, however we have held a core long in Shoprite looking for the wider African story in this business to dominate.

Looking forward we can see benefits to increasing net exposure in the Philippines which has been a relative laggard to other Asian markets and have put on sizeable positions in the digital space. We said goodbye to Kalbe Farma after several years whilst the business adjusts to a slower growth environment.

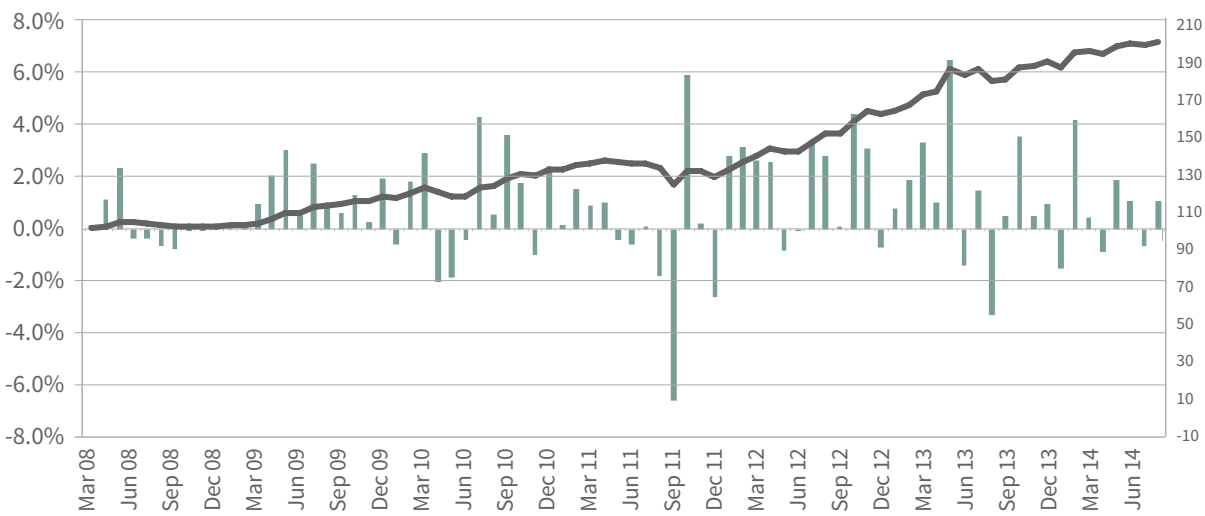
CAPRICORN GEM FUND CONTINUED



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%	1.6%
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%	16.3%
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%	12.6%
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%)	(2.9%)
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%)	26.1%
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%	17.7%
2014	(1.6%)	4.4%	0.5%	(1.0%)	2.0%	1.1%	(0.7%)	1.1%					6.0%

Date: as at 31/08/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd



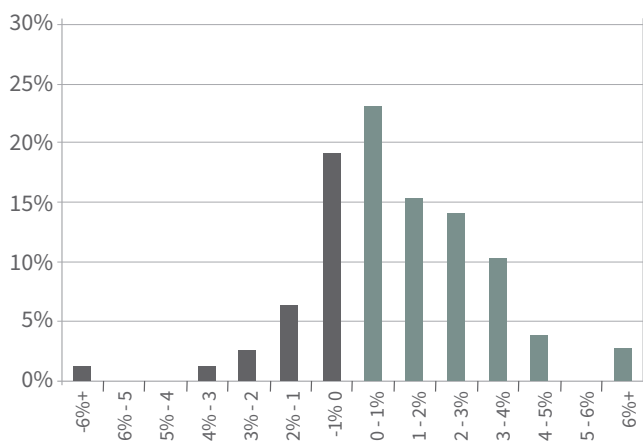
% Monthly Return

Cumulative Monthly Return

CAPRICORN GEM FUND CONTINUED



Frequency distribution of Returns



Statistics

Assets Under Management (USD)	162m
Gross exposure	242%
Net Exposure	59%
% of positive months	69%
% of negative months	31%
Annualised monthly volatility (historic)	7.5%
Average positive monthly return	2.0%
Average negative monthly return	(1.3%)
Sharpe Ratio	1.4
Maximum monthly drawdown	(7.0%)
Maximum cumulative drawdown	(9.8%)

Exposure

Sector Exposure	Gross	Net
Consumer Discretionary	52%	21%
Financials	47%	16%
Industrials	41%	24%
Materials	29%	2%
Consumer Staples	24%	(11%)
Healthcare	15%	15%
Telecommunications Services	12%	(3%)
Energy	11%	1%
Information Technology	7%	(2%)
Hedge	4%	(2%)
Grand Total	242%	59%

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	124%	10%
Europe	27%	15%
Asia Ex-China	23%	17%
Middle East	18%	6%
South America	10%	2%
Rest of World	8%	(1%)
North America	8%	1%
China	8%	7%
Australia	8%	3%
Russia	5%	(2%)
Japan	2%	0%
Eastern Europe	1%	1%
Grand Total	242%	59%

Date: as at 31/08/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

CAPRICORN GEM FUND CONTINUED



Important Information

ALL DATA:

as at 31 August 2014 (net of fees) Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

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