

## 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 %
<b>CLASS A - USD</b>	211.5	(0.0%)	3.6%	9.2%	63.8%	11.6%	111.5%
<b>CLASS B - EURO</b>	208.2	(0.1%)	3.3%	8.8%	61.6%	11.3%	108.2%
<b>CLASS C - GBP</b>	209.0	(0.1%)	3.5%	9.1%	62.6%	11.4%	109.0%

Date: as at 31/12/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

## MANAGER'S COMMENTS

December saw an unusual amount of nervousness in the financial markets resulting in significant under performance across many of the emerging markets. The MSCI EM index was down 3.9% on a total return basis for the year as many markets in December unravelled hard earned gains from the previous 11 months.

We are delighted to report a strong performance relative to emerging markets benchmarks with the fund delivering 9.2% for the year. Key global themes for our portfolio in December were the weakening emerging market currencies and of greater significance, the rout in the oil price which will have knock on effects in the months and years ahead.

We maintain our long held view that the "commodity supercycle" is over and that we will now start to see the casualties of a structurally weaker commodity space. Our view is reinforced by our largest gainer for the month, a short position in Russian state energy vehicle Rosneft which fell over 22%. Gazprom was another contributor falling 17%. Brazilian shorts also performed well; in particular Vale, a state controlled iron ore producer, and one of our other shorts in the Brazilian consumer space which was under pressure going into the Christmas period. In South Africa, long term favourites Naspers and Brait, contributed strongly on the long side.

Our methodology has been tested this year in difficult markets. We managed to deliver performance by diversifying into new territories, that we have been following for years, outside of our core market, South Africa. This has, and will continue to be, the strategy of the portfolio with an increasing number of our larger and higher conviction calls hailing from outside South Africa.

Going into 2015 it is our view that the lower oil price does not signify a weakening of global growth, but crucially a structural shift in where that growth takes place. The year ahead will remain bifurcated in the Emerging Markets universe. We are strongly of the opinion that indices do not capture the actual picture, and in light of this we will continue to locate exactly where the real emerging market stories are and where multi-year themes start to gather significant traction. We have positioned our book to be able to accommodate these moves. Compelling growth opportunities lie ahead for some of the less recognised emerging markets, which in recent times have paled in significance in terms of their performance and market capitalisation. We are becoming increasingly bullish on the Philippines which has a market capitalisation to GDP ratio of some 40%. This highlights the undercapitalised nature of the Philippines equity market and the potential significant room they have to grow in. Assisted by the prevailing tailwinds in the macro environment we expect their economy will continue to benefit over the course of 2015.

We want to take this opportunity to thank you for your continued support and we are delighted to have delivered another year of superior returns to our investors.

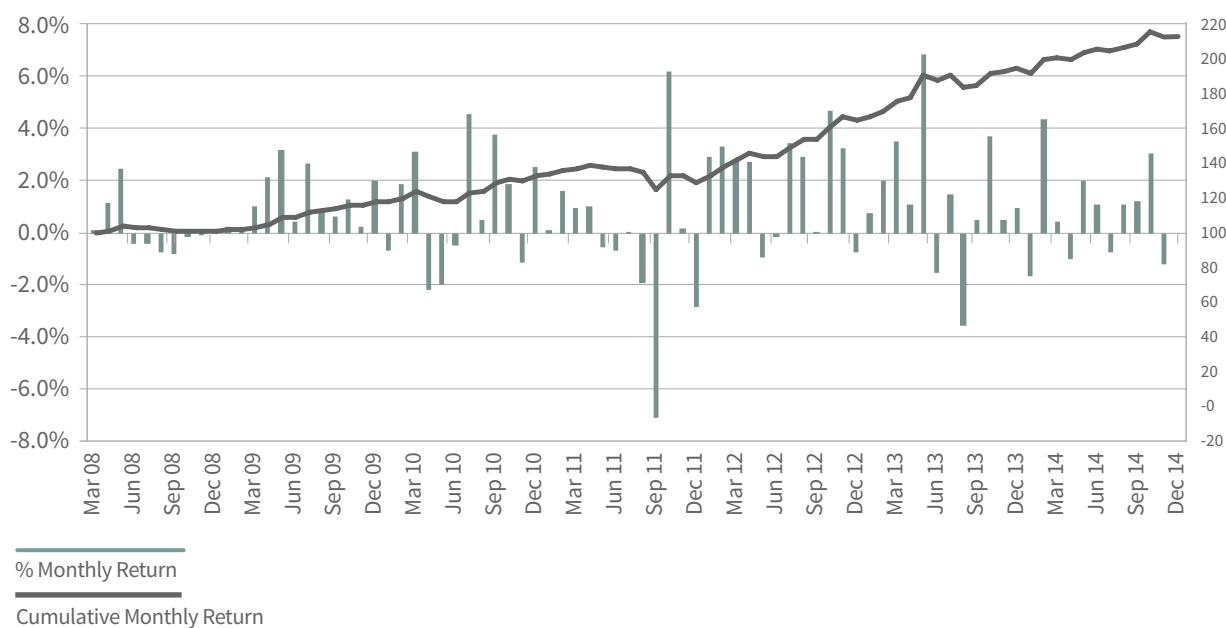
# CAPRICORN GEM FUND CONTINUED



## 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%	<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%)	2.0%	1.1%	(0.7%)	1.1%	1.2%	3.1%	(1.2%)	(0.0%)	<b>9.2%</b>

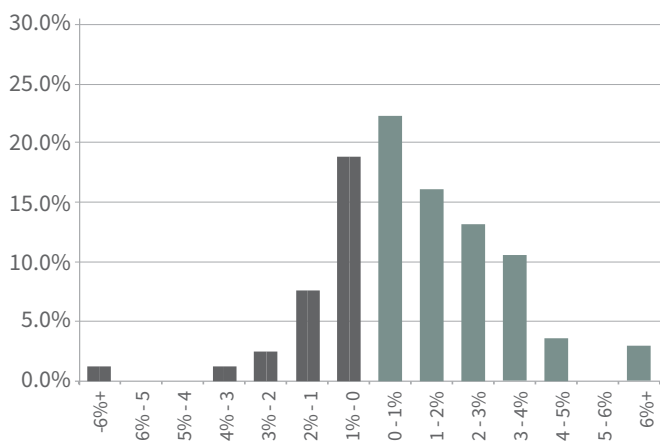
Date: as at 31/12/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd



# CAPRICORN GEM FUND CONTINUED



## Frequency distribution of Returns



## Statistics

Assets Under Management (USD)	157m
Gross exposure	219%
Net Exposure	67%
% of positive months	68%
% of negative months	32%
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	(8.8%)

## Exposure

Sector Exposure	Gross	Net
Financials	41%	14%
Consumer Discretionary	39%	27%
Industrials	36%	23%
Consumer Staples	29%	2%
Materials	22%	(6%)
Healthcare	17%	15%
Information Technology	9%	0%
Hedge	9%	(5%)
Energy	9%	(1%)
Telecommunications Services	8%	(2%)
<b>Grand Total</b>	<b>219%</b>	<b>67%</b>

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	108%	7%
Asia Ex-China	27%	23%
Europe	21%	14%
Middle East	18%	6%
South America	12%	5%
Rest of World	8%	1%
North America	7%	2%
China	7%	7%
Australia	5%	3%
Russia	4%	0%
Japan	2%	(1%)
<b>Grand Total</b>	<b>219%</b>	<b>67%</b>

Date: as at 31/12/2014 (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 31 December 2014 (net of fees) Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

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