

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	267.9	4.8%	20.4%	26.7%	62.8%	13.4%	167.9%
Class B - EURO	264.7	4.4%	20.4%	27.1%	62.3%	13.2%	164.7%
Class C - GBP	262.5	4.2%	20.1%	25.6%	61.2%	13.1%	162.5%

Date: as at 31/12/2015 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

AUM of the Capricorn GEM Strategy: (\$274m). The Strategy consists of Capricorn GEM Fund Inc., Capricorn GEM Fund LP (\$147m) and Lyxor/Capricorn UCITS Fund (\$127m).

MANAGER'S COMMENTS



December was a pleasing finish to a positive year for the GEMS Fund returning 4.8% against the MSCI EM performance of -4.5% as the emerging market universe continued to deteriorate. The month was characterised by political malaise across our geographies:

- Dilma Rouseff of Brazil struggled to expedite the vote on her impeachment proceedings prior to adjournment of Congress for the festive period. The economy continues to struggle with deteriorating data prints & consensus with market sensitivity to her removal elevated amongst perceived deterioration in the fiscal accounts and economic outlook.
- Jacob Zuma sent shivers through the South African market overseeing the tenure of three separate finance ministers in the space of one week causing a rout in the South African market.
- Finally, tension between Vladimir Putin and Recep Erdogan ratcheted higher in December over the downing of a warplane resulting in pugnacious rhetoric from both parties and the return of Russian holidaymakers in Turkey.

The geopolitical overlay taking place amidst the much anticipated December interest rate hike of the Federal Reserve paved the way for a tumultuous

month and close to 2015. Currency markets responded and have given birth to somewhat of a one horse race with the US Dollar strengthening considerably. The EM currency basket continued to weaken through December however there is significant divergence across our markets which we observe and highlight. Volatility remains high in to the close of 2016 and uncertainty lingers throughout the market with the underlying anxiety surrounding global growth at the forefront of investors' minds.

The top gainers on the month were well diversified geographically with previously mentioned MYEG of Malaysia rallying 19% in December capping a stellar performance in 2015. A significant short in the Turkish steel space also delivered meaningful performance falling 18% in December as delayed weaker pricing starts to feed its way into their business. Long held favourite AKR Corporindo of Indonesia surged 15% which has defied the overall negative sentiment in the Indonesian market this year. Mining shorts continued to deliver as the sustained rout in the commodity space plays out.

Losers in December were also sectorally and geographically diverse. Long term favourite Raia Drogasil which is the largest drugstore group in Latin America gave up some of its very strong gains this year against the grain in the Brazilian market falling 12% in December. Portfolio stalwart Steinhoff also suffered in December amidst an investigation and new listing giving up 8% in to year end. South African mining shorts rallied aggressively against us in the month eroding some of the large gains made in the year.

Heading into 2016 we are reducing risk and keeping the portfolio leaner in anticipation of prolonged volatility surrounding the weakness in Europe, continued Fed uncertainty and problems in China. We feel the opportunity set of economies that continue to screen well in our models is narrowing somewhat, and whilst this is another contributing factor to higher volatility and market sensitivity, we continue to believe our methodology of identifying transformational companies on both the upside and downside can preserve capital and outperform. We again wish to thank our investors for their continued faith in their managers.



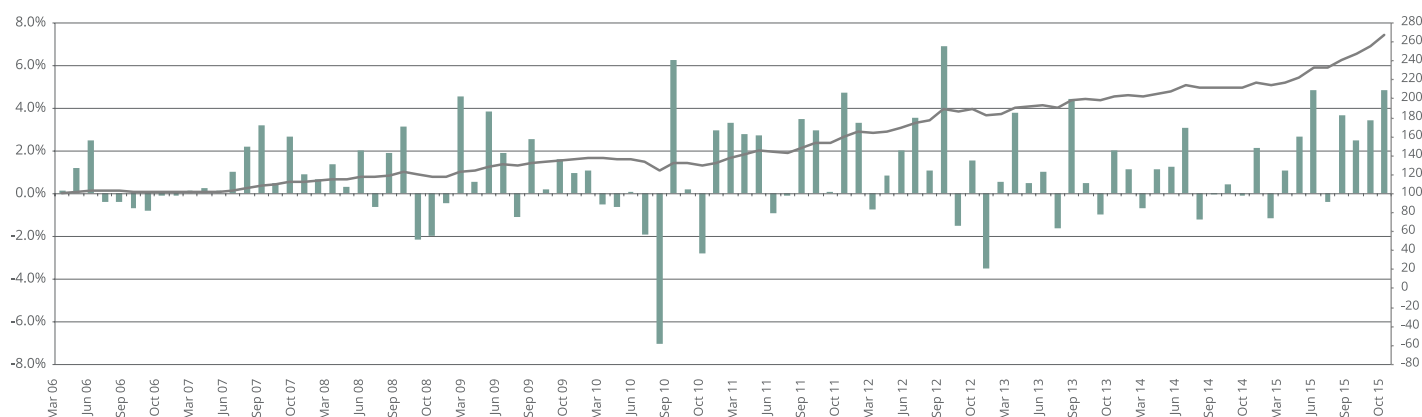
CAPRICORN GEM FUND CONTINUED



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%	1.2%	3.1%	(1.2%)	(0.0%)	9.2%
2015	0.4%	(0.1%)	2.1%	(1.1%)	1.1%	2.7%	4.9%	(0.4)%	3.7%	2.5%	3.5%	4.8%	26.7%

Date: as at 31/12/2015 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd



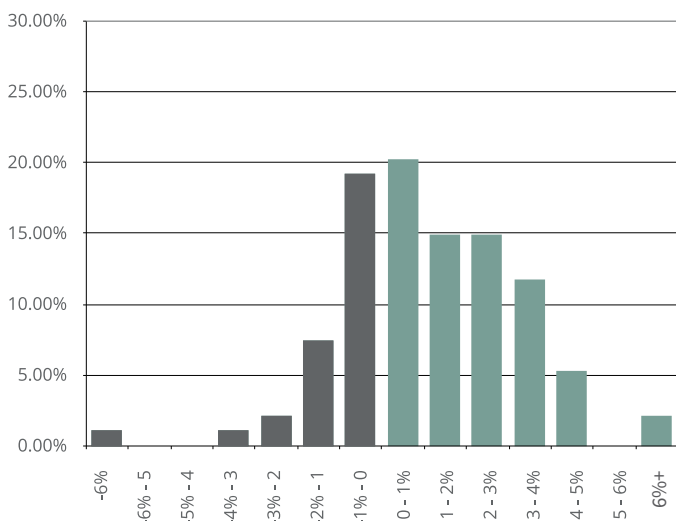
% Monthly Return

Cumulative Monthly Return

CAPRICORN GEM FUND CONTINUED



Frequency distribution of Returns



Statistics

Assets Under Management (USD)	147m
Gross exposure	206%
Net Exposure	56%
% of positive months	69%
% of negative months	31%
Annualised monthly volatility (historic)	7.5%
Average positive monthly return	2.1%
Average negative monthly return	(1.2%)
Sharpe Ratio	1.7
Maximum monthly drawdown	(7.0%)
Maximum cumulative drawdown	(8.8%)

Exposure

Sector Exposure	Gross	Net
Financials	44%	12%
Consumer Discretionary	41%	27%
Consumer Staples	33%	8%
Industrials	24%	10%
Materials	17%	-5%
Information Technology	16%	7%
Health Care	14%	13%
Hedge	7%	-6%
Energy	5%	-5%
Telecommunication Services	4%	-4%
Utilities	1%	-1%
Grand Total	206%	56%

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	92%	13%
Asia Ex-China	39%	34%
South America	19%	2%
Middle East	15%	-2%
Europe	14%	8%
ROW	8%	1%
China	6%	5%
Russia	5%	-2%
Australia	4%	1%
North America	2%	-1%
Eastern Europe	2%	-3%
Japan	0%	0%
Grand Total	206%	56%

All data:

Date: as at 31/12/2015 (net of fees).

Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

CAPRICORN GEM FUND CONTINUED



Important Information

ALL DATA:

as at 31 December 2015 (net of fees) Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

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