

# 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>	212.4	0.4%	4.7%	11.5%	59.8%	11.5%	112.4%
<b>CLASS B - EURO</b>	208.7	0.2%	4.3%	11.0%	57.4%	11.2%	108.7%
<b>CLASS C - GBP</b>	209.8	0.4%	4.6%	11.3%	58.6%	11.3%	109.8%

Date: as at 31/01/2015(net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

## MANAGER'S COMMENTS

We report a volatile beginning to the New Year with the sensitivity of markets in 2014 increasing with geopolitical events dominating. The fund returned 0.4% for the month of January as financial markets digest the materially lower inflation environment along with the lower oil price; the latter being partially responsible for the greater volatility and sharper price moves.

We had a balanced book of gainers and detractors across all our jurisdictions in January. One of the standout performers was the breakout and targeted trade in SM Investments of the Philippines. We had highlighted the underperformance for several months and the 14% rally on the month provided good returns. Strong performance was also extracted from our Malaysian internet platform business MYEG Services which rallied sharply after a stock split.

Our select South African retailers performed well during the month, driven by the rapid decline in oil, fuelling consumer stocks to new all-time highs. Our investment in the South African private school operator Curro Holdings rallied sharply due to an accretive deal completed in December.

Naspers yet again delivered strong performance off the back of a rally in its investment Tencent, which into the back-end of 2014 traded relatively weakly and this underperformance was reversed during the month.

On the negative side, we have spoken recently about the luxury trade which despite being a multi-year trade has had the lowest exposure since the fund's inception. Our long in Richemont experienced significant volatility off the back of softer results and the Swiss National Bank dropping the peg against the Euro on the

same day. The 15% appreciation of the Swiss Franc on a single day represents a watershed moment and will take time to digest.

Once again, significant pain was experienced in our short positions in the gold sector. With the gold companies reporting in the coming months, we look forward to economic sanity being restored once the true position of these businesses are shown. The rally in consumer names impacted our shorts in this space but we remain resolute that these select businesses face structural issues that will not be resolved easily.

Going forward we are balancing the book by increasing our conviction in longer term ideas such as Steinhoff as well as reducing our exposure to some broader based commodity trades as earnings visibility has become significantly reduced. Whilst this process is taking place we often see the emergence of new leaders in the book as we crystallise gains and consolidate positioning.

We expect markets to continue breaking all-time highs in this ultra-low interest rate environment with many of our markets showing potential multi-year bull markets. The exceptions being the troubling political outlook in South Africa and Turkey, where we have selectively increased exposure only in favoured stocks.

# 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>
2015	0.4%												<b>0.4%</b>

Date: as at 31/01/2015 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd



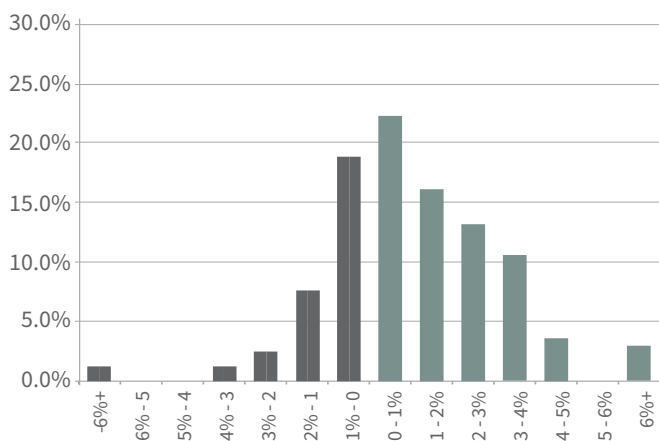
% Monthly Return

Cumulative Monthly Return

# CAPRICORN GEM FUND CONTINUED



## Frequency distribution of Returns



## Statistics

Assets Under Management (USD)	155m
Gross exposure	224%
Net Exposure	71%
% of positive months	69%
% of negative months	31%
Annualised monthly volatility (historic)	7.4%
Average positive monthly return	1.9%
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	42%	32%
Financials	39%	13%
Industrials	37%	22%
Consumer Staples	33%	6%
Materials	21%	(9%)
Healthcare	18%	15%
Information Technology	10%	(1%)
Telecommunications Services	9%	(2%)
Energy	8%	(1%)
Hedge	7%	(4%)
<b>Grand Total</b>	<b>224%</b>	<b>71%</b>

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	109%	11%
Asia Ex-China	27%	25%
Europe	23%	11%
Middle East	19%	7%
South America	13%	6%
Rest of World	9%	2%
North America	7%	1%
China	7%	6%
Australia	5%	3%
Russia	5%	(1%)
<b>Grand Total</b>	<b>224%</b>	<b>71%</b>

Date: as at 31/01/2015 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

# CAPRICORN GEM FUND CONTINUED



## Important Information

**ALL DATA:**

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

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