

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	202.9	(0.7%)	6.5%	7.1%	48.3%	11.6%	102.9%
CLASS B - EURO	200.0	(0.7%)	6.4%	6.6%	46.2%	11.4%	100.0%
CLASS C - GBP	200.5	(0.7%)	6.4%	6.9%	46.9%	11.4%	100.5%

Date: as at 31/07/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

MANAGER'S COMMENTS



July presented us with several challenging events from a political and cultural standpoint with the Russia/Ukraine crisis deepening as well as the situation in Iraq escalating. July also saw the occurrence of a successful outcome (in our view) in the Indonesian election.

There was pleasing performance from our long time favourite retailer Brait, which continued its strong performance off the back of its results presented in June. Nampak, with significant African exposure, performed strongly following the recent unveiling of their new CEO and as they start delivering in Angola and Nigeria. Long term holding Naspers continued its surge towards a new all time high.

Our short positions in Russia, particularly in oil and gas, showed strong gains as sanctions were enacted pre and post the downing of the Malaysian Airlines flight MH17. In Indonesia there was very good performance from large cap pharmaceutical Kalbe Farma as it maintained its run of strong gains into the election.

Detractors from performance most notably came from South African industrial stocks on the short side as well as some losses in core holdings Steinhoff (post South Africa's largest ever rights issue) and Richemont, after below expectation results were released by its global luxury peers. Despite having significantly cut our position in Banco Espirito Santo, the decision by the Portuguese government to effectively nationalize the company resulted in losses in the month.

Looking ahead into August in South Africa we have the results season which we expect will verify the continued weakness of the domestic economy. We also have the Turkish presidential election in which we expect Prime Minister Erdogan to win comfortably in its first democratic presidential elections. To reiterate our view on Turkey – we are not constructive near term as political pressures, monetary policy risks and a slower economic environment lead us to believe this market will underperform for a period. We continue to remain negative on Russia given the current economic and political environment and we believe the economy will be under immense pressure. Post the election in Indonesia, we are very optimistic that new president, Joko Widodo, will deliver the much needed reforms and this will create an environment where Indonesian assets can outperform.

The divergence between the individual emerging markets is growing as we had predicted and we have adjusted our portfolio over previous months to reflect this.

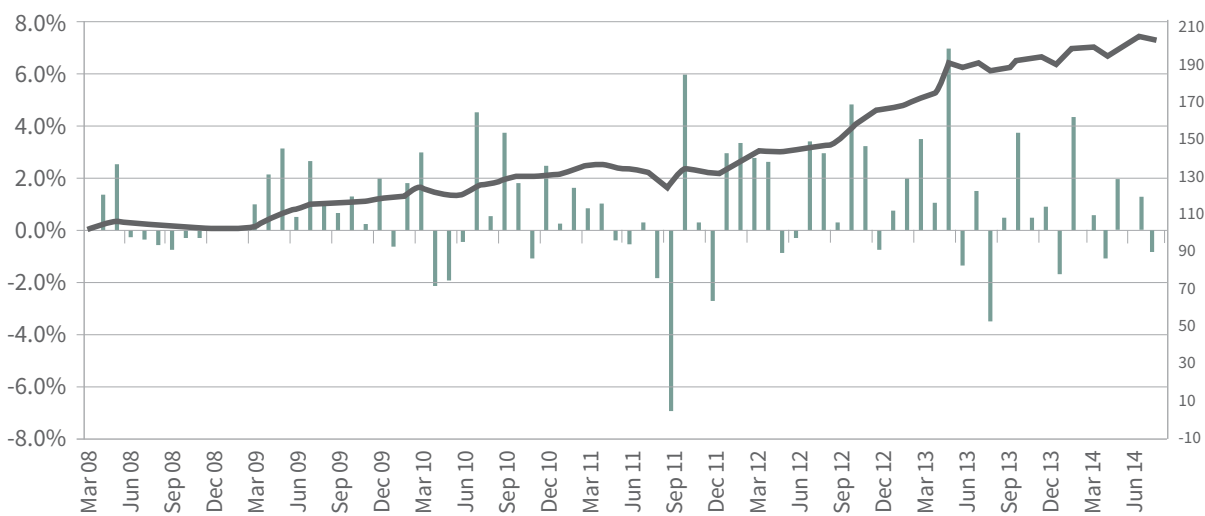
CAPRICORN GEM FUND CONTINUED



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%)						4.8%

Date: as at 31/07/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd



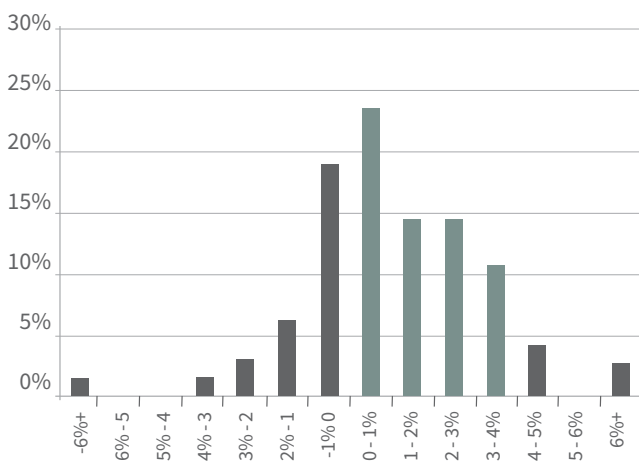
% Monthly Return

Cumulative Monthly Return

CAPRICORN GEM FUND CONTINUED



Frequency distribution of Returns



Statistics

Assets Under Management (USD)	162m
Gross exposure	236%
Net Exposure	59%
% 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
Financials	50%	18%
Consumer Discretionary	46%	18%
Industrials	41%	25%
Materials	30%	0%
Consumer Staples	22%	(10%)
Healthcare	18%	17%
Telecommunications Services	10%	(3%)
Energy	9%	0%
Information Technology	6%	(3%)
Hedge	4%	(3%)
Grand Total	236%	59%

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	120%	12%
Europe	28%	16%
Asia Ex-China	23%	18%
Middle East	17%	7%
Rest of World	10%	(1%)
North America	8%	0%
Australia	8%	3%
China	7%	7%
South America	7%	0%
Russia	6%	(3%)
Japan	2%	0%
Eastern Europe	0%	0%
Grand Total	236%	59%

Date: as at 31/07/2014 (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 July 2014 (net of fees) Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

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