

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	202.0	2.0%	5.3%	6.6%	46.8%	11.9%	102.0%
CLASS B - EURO	199.3	2.2%	5.1%	6.2%	45.0%	11.7%	99.3%
CLASS C - GBP	199.8	2.1%	5.3%	6.5%	45.5%	11.7%	99.8%

Date: as at 31/05/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

MANAGER'S COMMENTS



After the slump in April, world markets began to resume their upward trajectory with significant buying in equities across many emerging markets. We had positioned our Fund for this uptick but the explosive moves in some of our less favoured markets caused us some discomfort. Many of the themes that began to take shape in April continued into May but many of the significant rotations began to slow down. As we advocated in April we believe that this slower rotation is simply a pause in a much larger bull market in the spaces which have sold off.

The Fund remains exposed to the higher growth sectors and we are still of the belief that growth will triumph over value. Conditions are seemingly benign with volatility trading at historical lows which is very bullish for equity markets as well as for bond markets which is interesting. We have taken full advantage of the shift in markets to overweight parts of the market where we believe the strength will come. Our core South African market remains an underweight to other managers at some cost. This year has seen all of the so called "Fragile Five" countries rebound strongly with two of them (India and South Africa) breaking record highs. We believe that this may continue for the foreseeable future.

Our star performer this month was Naspers which surged 14.7% after a weak April. We had reduced our holding by 1.5% to 5.5% over the few months of underperformance but it still remains our largest holding. Netcare, our South African hospital group operator with considerable UK exposure, finished up 13.1% on the month. Our short book contributed with South African credit retailers and industrials underperforming along with our negative view of gold miners coming to the fore. We believe that gold is a non-core global asset and that any meaningful rallies should be shorted.

Our Philippine positions performed well and we enjoyed a large gain this month from our holding in SM Investments rallying over 8%.

Of particular disappointment this month was our investment idea surrounding the emerging market social media user and how they were adopting international technologies such as Twitter and Facebook. We took a position in Twitter off the back of the

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phenomenon in emerging markets where tweeting became the favoured medium of communication, particularly as an unfettered tool by which to express politically related views. This did not turn out to be the case and we have exited this position. Core long Shoprite continues to underperform. We are watching the position carefully but are not concerned with the long term prospects of the business and continue to back management to execute their strategy.

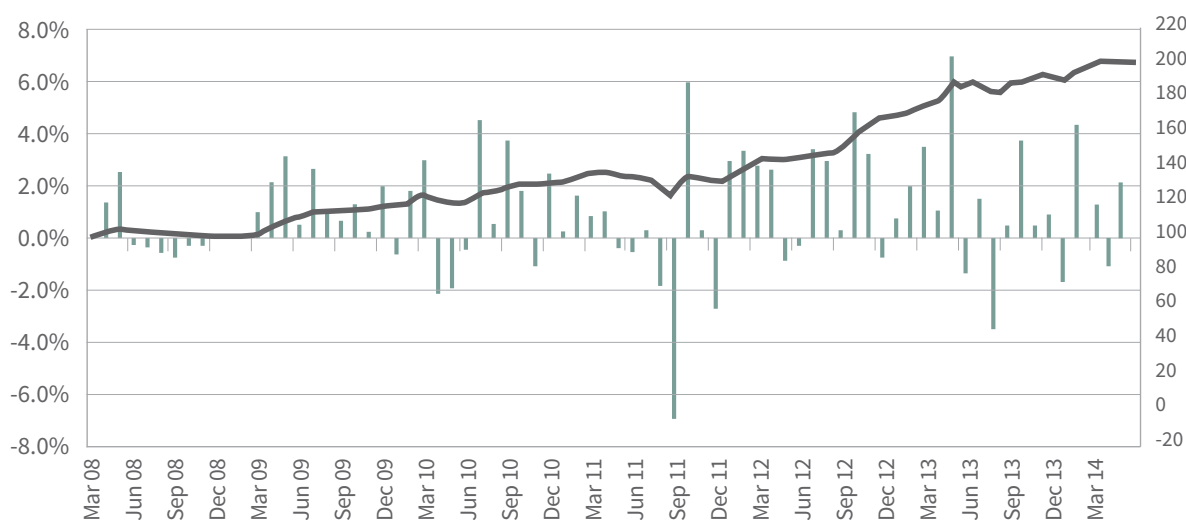
The last day of the month was subject to the randomness of a biannual MSCI index reweighting and we suffered some unfortunate markdowns particularly in some of our Indonesian stocks - AKR Corpindo for example fell 8% in the final closing auction when it was reduced/removed from the index.

Looking to the end of Q2 most investors appear underweight equities again and the pain trade (i.e. market participants watching the rally from the side-lines) means the possibility of some explosive moves. Finally, we remain bullish on emerging markets over developed markets and have a belief that many international investors looking for value will allocate further funds to emerging market strategies. We remind investors however that in the world we find ourselves in, markets have very divergent prospects, especially amongst different emerging markets, and we are moving our capital around to take advantage of where we see pockets of strength versus pockets of weakness.

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%								4.3%

Date: as at 31/05/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd



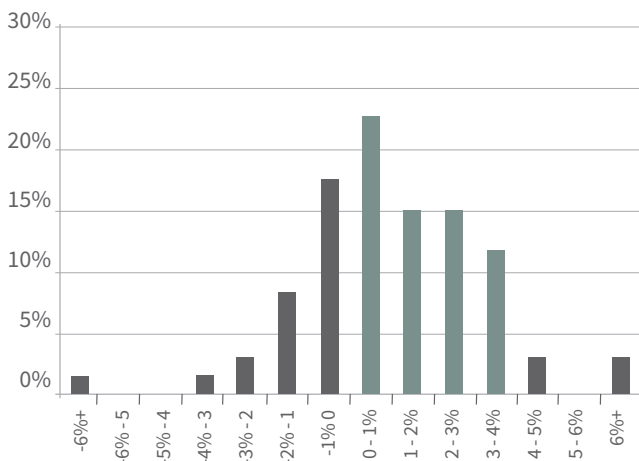
% Monthly Return

Cumulative Monthly Return

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Frequency distribution of Returns



Statistics

Assets Under Management (USD)	157m
Gross exposure	239%
Net Exposure	71%
% of positive months	69%
% of negative months	31%
Annualised monthly volatility (historic)	7.7%
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
Consumer Discretionary	44%	18%
Consumer Staples	27%	(4%)
Energy	10%	1%
Financials	50%	24%
Healthcare	15%	15%
Hedge	6%	(6%)
Industrials	42%	25%
Information Technology	6%	(3%)
Materials	29%	(1%)
Telecommunications Services	10%	2%
Grand Total	239%	71%

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	125%	15%
Europe	29%	15%
Asia Ex-China	22%	17%
Middle East	17%	11%
Rest of World	10%	1%
North America	8%	1%
Australia	7%	4%
China	8%	7%
South America	6%	3%
Russia	4%	(3%)
Japan	2%	(1%)
Eastern Europe	1%	1%
Grand Total	239%	71%

Date: as at 31/05/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

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Important Information

ALL DATA:

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

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CONTACT INFORMATION

Investment Manager

Capricorn Capital Partners UK Ltd
Malta House
36-38 Piccadilly
London
W1J ODP
United Kingdom

For enquiries please contact**Jonty Champion**

T: +44 207 317 4411

E: jcampion@capricorncapital.com

Authorised and regulated by the Financial Conduct Authority

FRN: 505252

Investment Adviser

Capricorn Fund Managers (Pty) Limited
Capricorn House
32 Impala Rd
Chislehurst
2196
South Africa

For enquiries please contact**Andrew Crawford**

T: +27 11 666 0716

E: andrewc@capricornsa.com

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