

## 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	214.2	3.1%	8.2%	12.3%	61.6%	12.1%	114.2%
CLASS B - EURO	211.1	3.1%	8.3%	11.9%	59.5%	11.8%	111.1%
CLASS C - GBP	211.7	3.1%	8.2%	12.1%	60.3%	11.9%	111.7%

Date: as at 31/10/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

## MANAGER'S COMMENTS



October's strong performance of 3.1% for the month was the culmination of some of the largest volatility movements since the fund's inception. We recorded some of our biggest daily and weekly drawdowns followed by some of our largest daily and weekly gains. The tried and tested methodology of the fund certainly came under examination.

We have always warned investors that because of the higher net exposure this fund runs and the thematic investment strategy that can often take years, if not decades to play out, the fund is always vulnerable to the inflection points and the very sharp moves that happen from time to time. When we have our investment manager meetings where we decide on the level of directional risk at net and gross level we make concerted efforts to bring the risk in to what we believe is appropriate in the prevailing conditions. Our fund has always been proactive rather than reactive in nature and this month saw that methodology once again employed which ultimately facilitated the strong rebound from mid-month lows. We viewed this sell-off as a healthy correction in a continuing bull market which provided an opportunity to buy more of our favoured longs.

The South African book saw a strong resurgence with old favourites leading by example such as: Aspen Pharmaceuticals rallying 17% with the healthcare space as a whole performing very well; Naspers rebounded strongly after a lull in performance rising 11% in October.

These stocks continued to break new highs off the back of results in the recent reporting season and we remain of the opinion that they still represent some of the best opportunities in our universe. Some of our favoured retailers also delivered strong performance.

We are becoming concerned with policy changes in South Africa and anxious regarding events currently unfolding. We are shorting several spaces in the South African market where we see significant downside.

Also worth highlighting this month was the performance of long term shorts in Brazil particularly in the commodity space which have been a consistent performer. We believe there are some bigger longer term opportunities appearing in Brazil which can play out for a sustainable period and we are increasing exposures accordingly. We remain very positive on Mexico having recently doubled our exposure to this market and we are looking to add significant new positions in the coming months.

Turkey continues the challenge of adjusting to a newer low growth environment meaning winners of years gone by may not be the same as those in the years to come. We have been adjusting our portfolio accordingly. There could however be a period of outperformance as the country, along with two other core markets of ours, Indonesia and Philippines, are expected to be major beneficiaries of the dramatic fall in the oil price.

Going into the last two months of the year we are approaching the market more cautiously. While we remain constructive on equity markets, we accept volatility will likely increase. However, this in itself will provide opportunities and good stock picking will continue to be rewarded.

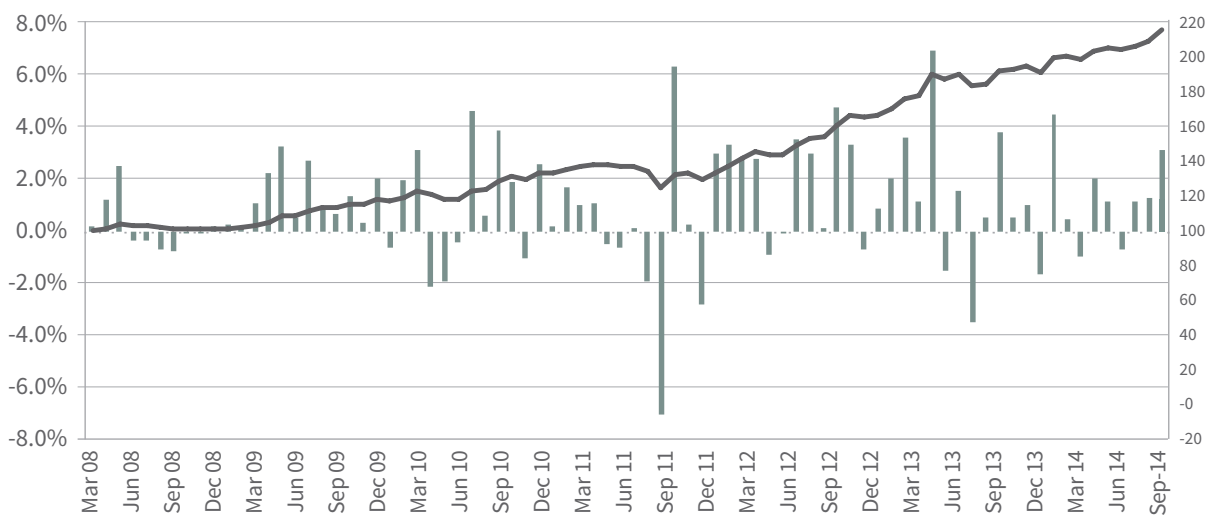
# CAPRICORN GEM FUND CONTINUED



## 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%			<b>10.6%</b>

Date: as at 31/10/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd



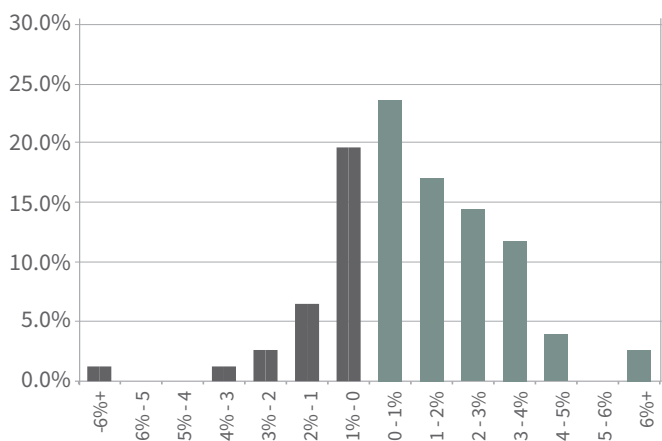
% Monthly Return

Cumulative Monthly Return

# CAPRICORN GEM FUND CONTINUED



## Frequency distribution of Returns



## Statistics

Assets Under Management (USD)	163m
Gross exposure	228%
Net Exposure	69%
% of positive months	70%
% of negative months	30%
Annualised monthly volatility (historic)	7.5%
Average positive monthly return	2.0%
Average negative monthly return	(1.3%)
Sharpe Ratio	1.5
Maximum monthly drawdown	(7.0%)
Maximum cumulative drawdown	(8.8%)

## Exposure

Sector Exposure	Gross	Net
Consumer Discretionary	50%	20%
Financials	44%	17%
Industrials	38%	24%
Consumer Staples	26%	(9%)
Materials	20%	5%
Healthcare	15%	15%
Energy	12%	(1%)
Information Technology	11%	1%
Telecommunications Services	9%	0%
Hedge	3%	(3%)
<b>Grand Total</b>	<b>228%</b>	<b>69%</b>

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	113%	14%
Europe	26%	13%
Asia Ex-China	20%	16%
Middle East	19%	11%
South America	11%	5%
China	8%	7%
Rest of World	8%	(1%)
North America	8%	1%
Australia	7%	2%
Russia	6%	1%
Japan	1%	(1%)
Eastern Europe	1%	1%
<b>Grand Total</b>	<b>228%</b>	<b>69%</b>

Date: as at 31/10/2014 (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 October 2014 (net of fees) Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

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