

## 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>	247.1	2.5%	15.3%	15.4%	53.9%	12.5%	147.1%
<b>Class B - EURO</b>	244.3	2.4%	16.1%	15.7%	53.5%	12.3%	144.3%
<b>Class C - GBP</b>	243.2	2.3%	15.0%	14.9%	53.1%	12.3%	143.2%

Date: as at 30/10/2015 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

AUM of the Capricorn GEM Strategy: \$268m. The Strategy consists of Capricorn GEM Fund Inc., Capricorn GEM Fund LP (\$175m) and Lyxor/Capricorn UCITS Fund (\$93m).

## MANAGER'S COMMENTS



October saw another positive month where the Fund returned 2.5% following a strong September. Emerging markets remain increasingly volatile attracting sentiment grabbing headlines with the most immediate focus being an anticipated rate hike from the Federal Reserve (improving data via jobs and economic growth reports is pulling forward hawkish expectations). On the back of this the dollar has strengthened materially and many EM currencies are beginning to retest previously reached lows. Furthermore, the structural problems faced internally within many of the jurisdictions we invest in, necessitates a weakening in their currencies. The environment remains very much stock specific and we continue to actively manage these movements in the portfolio.

Much of the October performance was extracted from core holdings:

- Naspers, with a 17% rally in the month, a new all-time high, driven by the resurgence in the Chinese market.
- Brait had a good month rising 13% as they continue to employ a multi-year strategic deployment of capital leveraging internationally in a highly entrepreneurial fashion. Brait also broke a new high in the month.

- A recent addition Xurpas Inc. of the Philippines continues to perform well, adding to the digital consumer theme in the portfolio. We remain very excited by the future prospects of this business with acquisitions further fortifying their offering and optionality of their business.

Detractors from performance were predominantly led by the short book which was to be expected in a largely positive period for world markets. In the Turkish steel space we saw one of our short positions climb amidst the tragic terrorist attacks witnessed in the country as they reported in-line results for the third quarter. These results were followed by a slew of downgrades from the sell side as the business' margins came under increasing pressure. In South African retail we absorbed loss, notably with Shoprite falling 8% post a weaker than expected set of results as market conditions weakened.

Due to the uncertainty of world markets we have consolidated the portfolio by managing gross and net exposures resulting in a leaner portfolio. We continue to see the structurally challenged geographies fall victim of their circumstances and believe that any meaningful rally presents an opportunity to shore up downside protection.

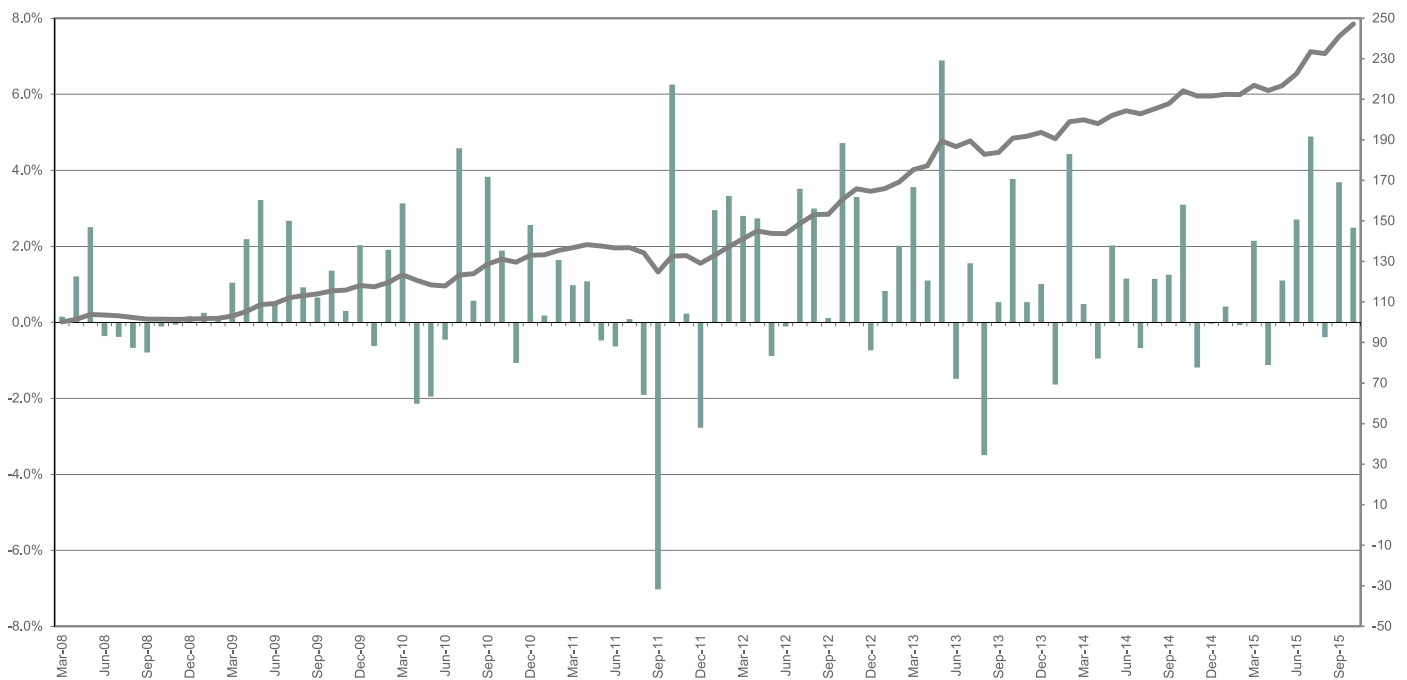
# CAPRICORN GEM FUND CONTINUED



## 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%	(0.1%)	2.1%	(1.1%)	1.1%	2.7%	4.9%	(0.4)%	3.7%	2.5%			<b>16.8%</b>

Date: as at 30/10/2015 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd



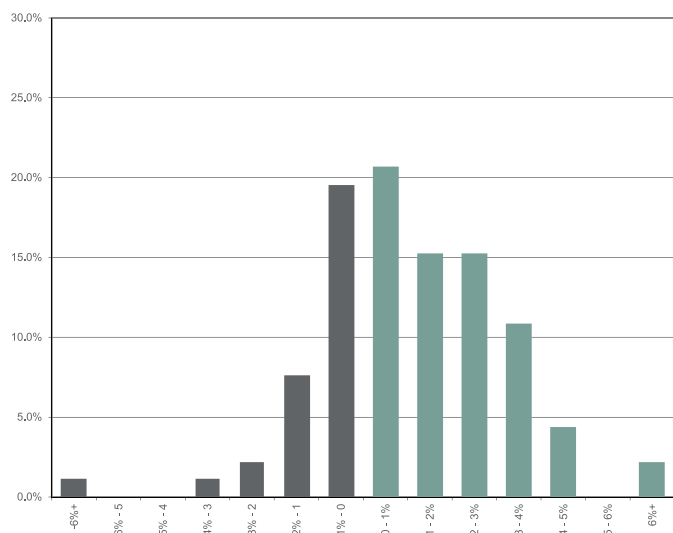
% Monthly Return

Cumulative Monthly Return

# CAPRICORN GEM FUND CONTINUED



## Frequency distribution of Returns



## Statistics

Assets Under Management (USD)	175m
Gross exposure	200%
Net Exposure	48%
% of positive months	68%
% of negative months	32%
Annualised monthly volatility (historic)	7.4%
Average positive monthly return	2.0%
Average negative monthly return	(1.2%)
Sharpe Ratio	1.6
Maximum monthly drawdown	(7.0%)
Maximum cumulative drawdown	(8.8%)

## Exposure

Sector Exposure	Gross	Net
Financials	40%	14%
Consumer Discretionary	38%	26%
Consumer Staples	29%	6%
Industrials	24%	9%
Materials	21%	-9%
Health Care	15%	14%
Information Technology	12%	4%
Hedge	9%	-6%
Energy	7%	-7%
Telecommunication Services	4%	-2%
Utilities	1%	-1%
<b>Grand Total</b>	<b>200%</b>	<b>48%</b>

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	93%	12%
Asia Ex-China	28%	25%
Middle East	19%	0%
Europe	16%	9%
South America	14%	2%
ROW	10%	0%
Russia	5%	-3%
China	5%	5%
Australia	4%	2%
North America	3%	-1%
Eastern Europe	3%	-3%
Japan	0%	0%
<b>Grand Total</b>	<b>200%</b>	<b>48%</b>

**All data:**

Date: as at 30/10/2015 (net of fees).

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

## CAPRICORN GEM FUND CONTINUED



## Important Information

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**ALL DATA:**

as at 30 October 2015 (net of fees) Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

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