

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	207.7	1.2%	3.9%	13.0%	66.6%	11.7%	107.7%
CLASS B - EURO	204.8	1.3%	3.9%	12.6%	64.2%	11.5%	104.8%
CLASS C - GBP	205.3	1.3%	3.9%	12.8%	64.8%	11.5%	105.3%

Date: as at 30/09/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

MANAGER'S COMMENTS



The Fund returned 1.2% for the month bringing the return for the year so far to 7.3%. Compared to the emerging market index, September marked one of our best relative performances we have achieved in Emerging Markets. Intense volatility returned and the exceptional selling that took place caught many pundits by surprise. As of writing most Emerging Markets are trading significantly lower along with their developed counterparts.

We maintain the view that we need to be very light in some of the more vulnerable EM countries, specifically our positions in our core South African market which have proved to be successful in September.

Our long-held negative view on South African gold miners was justified when the largest player in the market proposed a dramatic capital raise, which was later cancelled due to shareholder pressure. We remain of the view that these miners are structurally in decline and cannot see the rationale in the price of gold. Other shorts that performed well were

in the SA Inc space, where these companies are largely exposed to the South African economy with few levers to pull.

We are cautious at this stage of a continued shift in emerging markets; South Africa remains vulnerable and will be tested, whilst at the same time we are seeing the dislocation as an opportunity to buy into some of our preferred spaces where we expect strong outperformance. As a consequence we are further strengthening our book in the hospital, healthcare and pharmaceutical space which is a preferred sector across all geographies where market weakness is expected to continue.

In terms of themes we continue to be overweight the digital consumer play still maintaining a preference for Naspers in South Africa. We remain bearish in the commodity space however there has been a firming in the prices following the recent selloff which is generally a sign that there is potential for a meaningful rebound.

We believe the weakness in global energy markets is much more significant for the oil importing countries than it is for the commodity exporting countries and we are expecting a major shift of focus to countries perceived to be beneficiaries of a cheaper oil price e.g. India, China and especially Turkey. We shall be positioning accordingly to exploit any changes we perceive to be taking place.

The US economy continues to expand and the normalisation of interest rates draws closer. With real interest rates across the world still negative and US economic growth accelerating, it is difficult to see a pullback in equity markets as anything but a correction in a bull market. We expect volatility to increase but still remain constructive on equities.

As we move into the fourth quarter investors can expect further movement with regards to performance but also with regards to our portfolio construction.

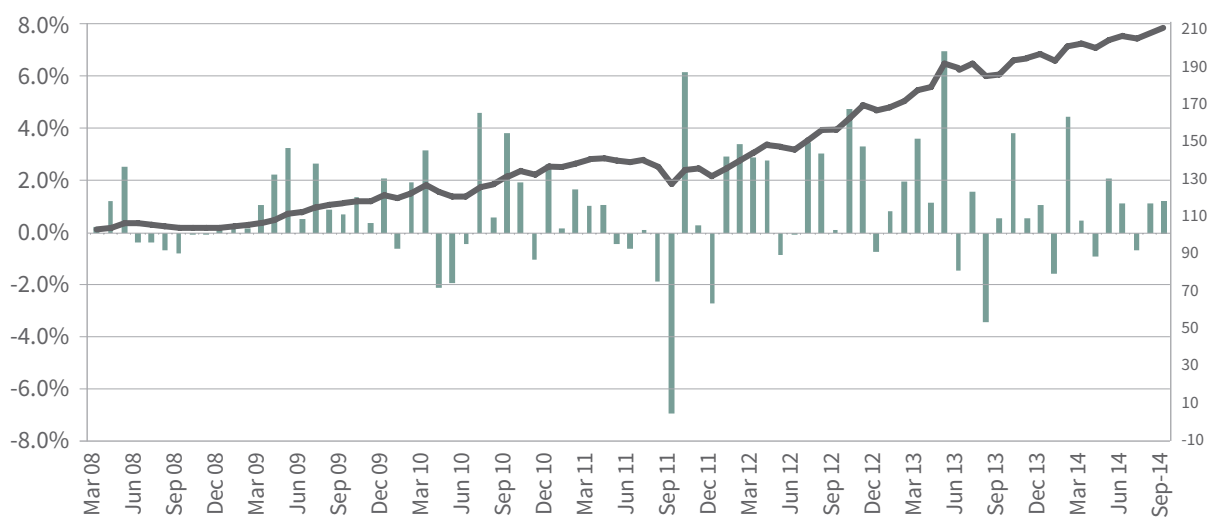
CAPRICORN GEM FUND CONTINUED



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%)	1.1%	1.2%				7.3%

Date: as at 30/09/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd



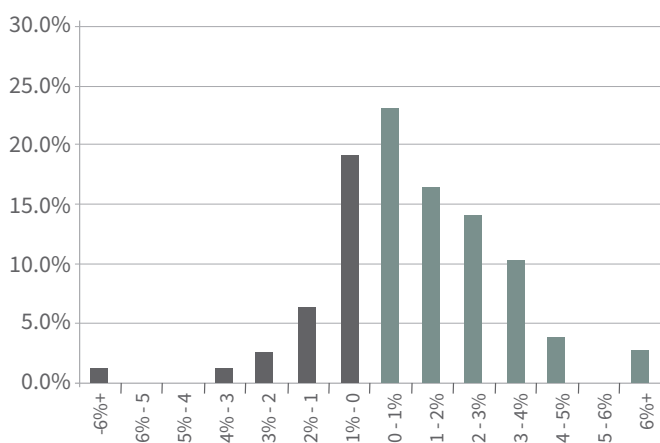
% Monthly Return

Cumulative Monthly Return

CAPRICORN GEM FUND CONTINUED



Frequency distribution of Returns



Statistics

Assets Under Management (USD)	162m
Gross exposure	227%
Net Exposure	61%
% of positive months	70%
% of negative months	30%
Annualised monthly volatility (historic)	7.5%
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	48%	18%
Financials	43%	17%
Industrials	38%	24%
Consumer Staples	25%	(11%)
Materials	22%	1%
Healthcare	15%	15%
Energy	11%	0%
Telecommunications Services	10%	(1%)
Information Technology	10%	0%
Hedge	5%	(2%)
Grand Total	227%	61%

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	113%	12%
Europe	25%	13%
Asia Ex-China	24%	19%
Middle East	16%	7%
South America	10%	2%
Rest of World	8%	(1%)
North America	8%	1%
China	7%	7%
Australia	7%	2%
Russia	6%	0%
Japan	2%	(2%)
Eastern Europe	1%	1%
Grand Total	227%	61%

Date: as at 30/09/2014 (net of fees). Source: BNY Mellon Investment Servicing (International) Limited & Capricorn Fund Managers (Pty) Ltd

CAPRICORN GEM FUND CONTINUED

CAPRICORN
FUND MANAGERS

Important Information

ALL DATA:

as at 30 September 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@capricorncapital.com

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