

# 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>	241.1	3.7%	11.2%	16.0%	57.3%	12.3%	141.1%
<b>Class B - EURO</b>	238.5	4.0%	12.2%	16.5%	56.7%	12.1%	138.5%
<b>Class C - GBP</b>	237.7	4.4%	11.3%	15.7%	56.6%	12.1%	137.7%

Date: as at 30/09/2015 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

AUM of the Capricorn GEM Strategy: \$252m. The Strategy consists of Capricorn GEM Fund Inc., Capricorn GEM Fund LP (\$168m) and Lyxor/Capricorn UCITS Fund (\$84m).

## MANAGER'S COMMENTS



September was a very strong month for the Fund returning 3.7% against a weak backdrop with significant moves capturing the attention of market participants. Of particular mention was the riot in the commodity space, something which this Fund has been positioned for some time. The Federal Reserve Committee's decision to leave interest rates unchanged at 0.25% was a catalyst for the fallout due to the potential signalling effect of the Fed on China-led global weakness.

Much of the September performance was delivered by the short book with a short in the South African IT space providing our biggest individual gainer on the month. Further gains were extracted from a number of individual shorts in mining companies which, as has been highlighted previously, is a core theme of ours. Encouragingly in a tough month, we generated some handsome gains on the long side. We quickly realised a sizeable gain on our position in Xurpas in the Philippines which rallied 32% in the month upon the announcement of a transformative deal backed up by a continued delivery on its strategic promises. We would also like to introduce investors to Double Dragon, a Filipino based regional mall developer and operator,

which we believe has very strong long term fundamentals. This stock rallied 47% in September as it continued to execute on its aggressive mall rollout strategy. These two stocks were respectively our second and fifth best individual performers on the month.

Detractors from performance were geographically and sector diversified. Aspen Pharmacare fell 11% on the month seeing further weakness this month as the business deals with FX hedging on their balance sheet. Other detractors were Matahari Department stores and DNL Industries, the latter of which is taking a pause after a strong 2014 as it deals with a weaker commodity environment.

Looking ahead, although the structural outlook for many of our geographies is deteriorating, due to the extreme nature of the selloff we have seen, we have been reducing shorts and gross exposure as the risk of a beta rally is substantial. We do not know exactly when this rally will arise but it has the potential to be substantial. We will however use any rally in the commodity space to re-establish shorts.

Furthermore we are steadily growing our knowledge base of the Indian market and have been buying into the weakness in our favoured names. The breadth and depth of this market provides some meaningful opportunities for a Fund of our nature and we are excited about the names we believe will outperform going forward. We use this as an example of the bifurcation we find in emerging markets and the opportunity set that this provides, on both the long and short side.



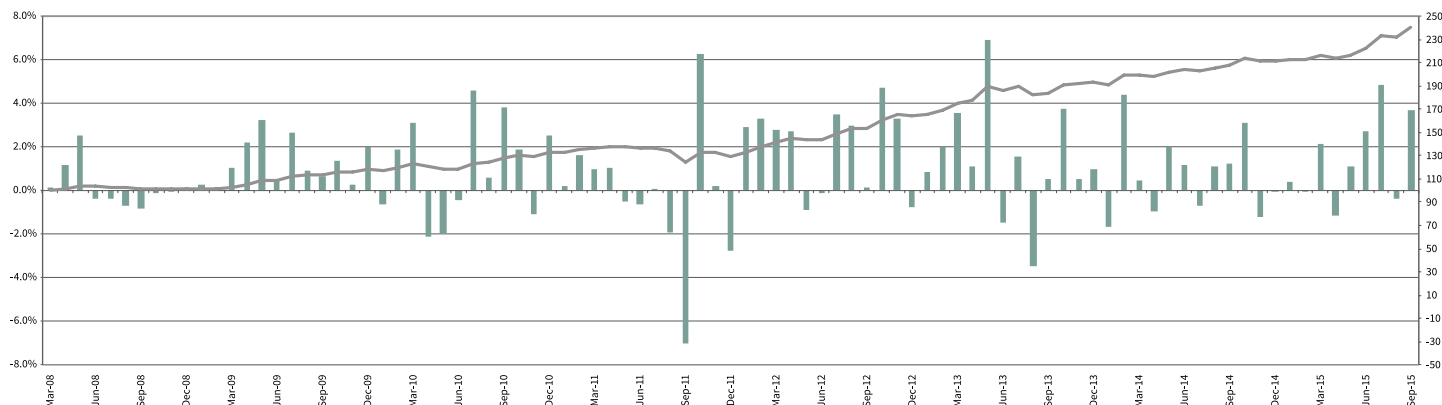
# CAPRICORN GEM FUND CONTINUED



## 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%				<b>14.0%</b>

Date: as at 30/09/2015 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd



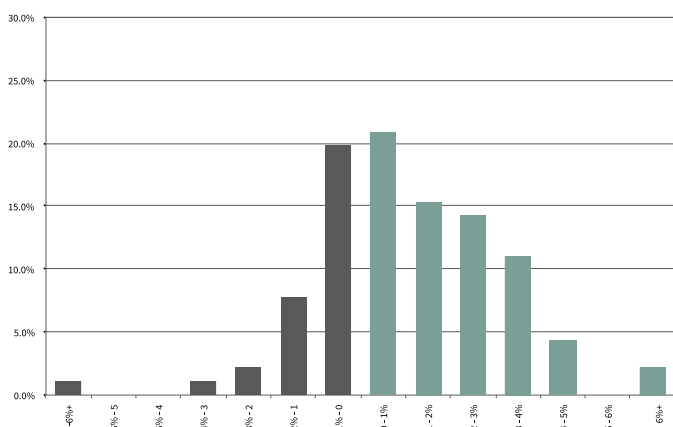
% Monthly Return

Cumulative Monthly Return

# CAPRICORN GEM FUND CONTINUED



## Frequency distribution of Returns



## Statistics

Assets Under Management (USD)	168m
Gross exposure	187%
Net Exposure	52%
% 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	38%	13%
Consumer Discretionary	35%	25%
Consumer Staples	27%	8%
Industrials	24%	9%
Materials	20%	(5%)
Health Care	14%	13%
Information Technology	12%	3%
Hedge	7%	(5%)
Energy	7%	(6%)
Telecommunication Services	2%	(2%)
Utilities	1%	(1%)
<b>Grand Total</b>	<b>187%</b>	<b>52%</b>

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	88%	14%
Asia Ex-China	27%	25%
Europe	16%	9%
Middle East	15%	0%
South America	11%	2%
ROW	9%	1%
China	6%	6%
Australia	4%	2%
Russia	4%	(3%)
North America	4%	(2%)
Eastern Europe	2%	(2%)
Japan	1%	0%
<b>Grand Total</b>	<b>187%</b>	<b>52%</b>

**All data:**

Date: as at 30/09/2015 (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 September 2015 (net of fees) Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

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