

HOLLARD STABLE FUND



OBJECTIVE

The Hollard Stable Fund is a South African long/short equity hedge fund. The fund has a strong focus on capital preservation, targeting an absolute return in excess of cash. The conservative, counter-cyclical nature of the fund could result in underperformance during equity bull markets, whilst outperforming in equity bear markets.

	Current NAV	1 month %	6 month %	1 year %	3 year %	Annualised since launch	Since launch %
HSF	R 1,360m	(0.0%)	6.2%	14.0%	73.7%	16.3%	446.5%

MANAGER'S COMMENTS



September was a pleasing month with the funds holding up well in weak financial markets. Intense volatility returned and the aggressive selling that took place caught most market participants by surprise. As of writing, most Emerging Markets are trading significantly lower, along with their developed market counterparts.

Given the market weakness that arose this month, significant profit was generated from our short book. Our long-held negative view on South African gold miners was affirmed 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.

Satisfyingly, our largest contributor to profits for the month was a long position in the form of Aspen Pharmacare. This was after it presented excellent results which confirm its continued international expansion and this continues to be a favoured long-term position of ours.

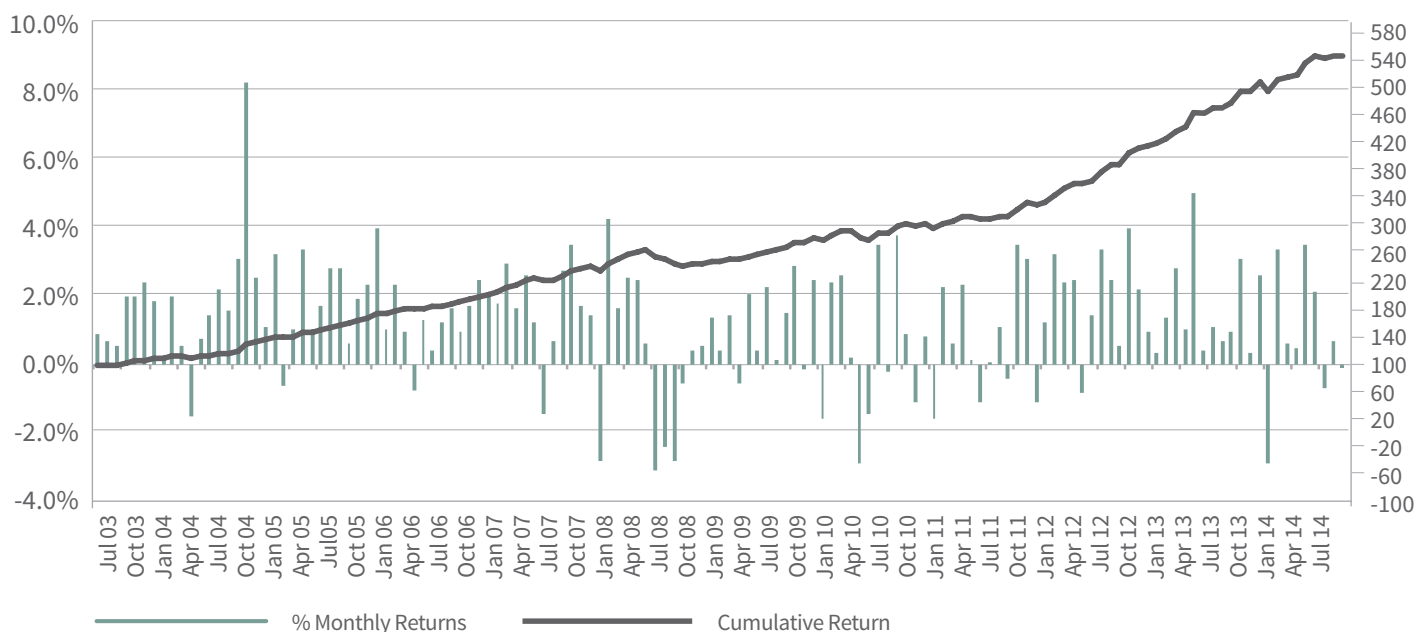
Detractors from performance were from many of our core long positions that have performed very strongly and could not be spared in the sell-off. This includes long positions in Naspers, Richemont, Woolworths and HCI. We are comfortable that when markets settle these companies will remain the best opportunities in our universe.

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.

HOLLARD STABLE FUND CONTINUED



Historical Monthly Returns

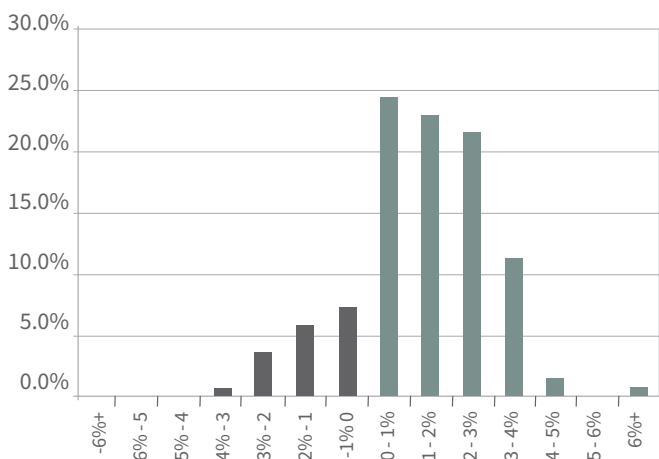


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2003							0.9%	0.7%	0.5%	2.0%	2.0%	2.4%	8.8%
2004	1.8%	0.2%	2.0%	0.5%	(1.5%)	0.8%	1.4%	2.2%	1.6%	3.1%	8.2%	2.5%	25.1%
2005	1.1%	3.2%	(0.6%)	1.0%	3.4%	1.0%	1.7%	2.8%	2.8%	0.6%	1.9%	2.3%	23.5%
2006	4.0%	1.1%	2.3%	1.0%	(0.8%)	1.3%	0.4%	1.3%	1.6%	0.9%	1.7%	2.5%	18.6%
2007	2.1%	1.8%	2.9%	1.7%	2.6%	1.3%	(1.4%)	0.7%	2.7%	3.5%	1.7%	1.5%	23.0%
2008	(2.8%)	4.3%	1.6%	2.6%	2.5%	0.6%	(3.1%)	(2.4%)	(2.8%)	(0.5%)	0.5%	0.5%	0.7%
2009	1.3%	0.4%	1.4%	(0.5%)	2.1%	0.4%	2.2%	0.1%	1.5%	2.9%	(0.1%)	2.5%	15.7%
2010	(1.5%)	2.4%	2.6%	0.2%	(2.9%)	(1.4%)	3.5%	(0.2%)	3.7%	0.9%	(1.1%)	0.9%	7.1%
2011	(1.5%)	2.3%	0.7%	2.3%	0.2%	(1.1%)	0.0%	1.1%	(0.4%)	3.5%	3.1%	(1.1%)	9.2%
2012	1.2%	3.2%	2.4%	2.4%	(0.8%)	1.5%	3.3%	2.5%	0.6%	4.0%	2.2%	1.0%	26.1%
2013	0.3%	1.4%	2.8%	1.0%	5.0%	0.4%	1.1%	0.7%	1.0%	3.1%	0.4%	2.6%	21.6%
2014	(2.8%)	3.3%	0.6%	0.5%	3.5%	2.1%	(0.7%)	0.7%	(0.0%)				7.3%

HOLLARD STABLE FUND CONTINUED



Frequency distribution of Returns



Statistics

Assets Under Management (R Million)	1,360m
Gross exposure	175%
Net Exposure	46%
% of positive months	82%
% of negative months	18%
Average positive monthly return	1.8%
Average negative monthly return	(1.3%)
Annualised monthly volatility (historic)	5.9%
Sharpe Ratio	1.4
Maximum monthly drawdown	(3.1%)
Maximum cumulative drawdown	(8.5%)

Important Information

Past performance is no guarantee of future returns - values can go up and down. The information contained above has been prepared by Capricorn Fund Managers (Pty) Limited and is unaudited. Returns as shown are the weighted average of all issued series.

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