

CAPRICORN MARKET NEUTRAL FUND CAPRICORN FUND MANAGERS

OBJECTIVE

The Fund is a Rand denominated, low risk, market neutral hedge fund that employs multiple investment methodologies to construct a portfolio. It aims to deliver superior risk adjusted returns that are uncorrelated to the general market over any 12 month period by investing in JSE listed equity instruments.

	Current NAV	1 month %	6 month %	1 year %	3 year %	Annualised since launch	Since launch %
MNF	R 187m	1.9%	7.1%	10.4%	54.0%	11.5%	159.4%

MANAGER'S COMMENTS

The Capricorn Market Neutral Fund closed 2014 with a pleasing return of 1.9% in December bringing the result for the year to 10.4%. The volatility during the month remained at elevated levels as the market continued to grapple with the repercussions of the crash in the oil price.

Naspers, our largest long position, was the biggest contributor to the performance of the Fund. The counter continues to perform strongly as investors are starting to place greater value on their investments in e-tailers and platforms. Other notable contributors were our long positions in European property and our short positions in select South African retailers that pulled back after their sharp rally in November.

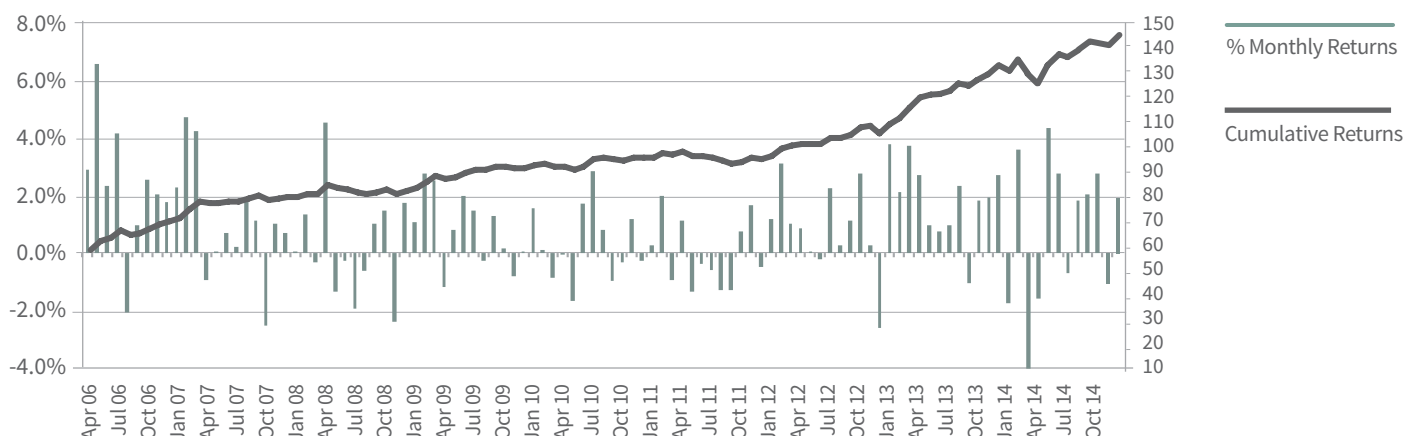
The largest detractors from performance came from our short positions in the South African property unit trusts. These companies rallied strongly as people started to price in the prospect of lower yields for longer in South Africa. These companies have however rallied to levels that we believe are unsustainable, especially relative to where the South African 10 year bonds are trading.

The continued weakness in the price of oil is changing the macro outlook considerably. The repercussions will be far and wide: from higher consumer spending, lower inflation and global yields to lower production costs for manufacturers and miners.

More importantly is the question of why the oil price is under so much pressure. If it is because of a lack of demand then the global growth story may be weaker than many anticipated and will have severe effects on the global equity markets. We remain of the opinion however that it is because of excess supply from the U.S. shale gas revolution. If that is the case, this is a further shot in the arm for the global economy and will turn out to be a significant tailwind for equity markets, especially in the emerging market economies.

We want to take this opportunity to thank you for your continued support and we are delighted to have delivered another year of superior returns to our investors.

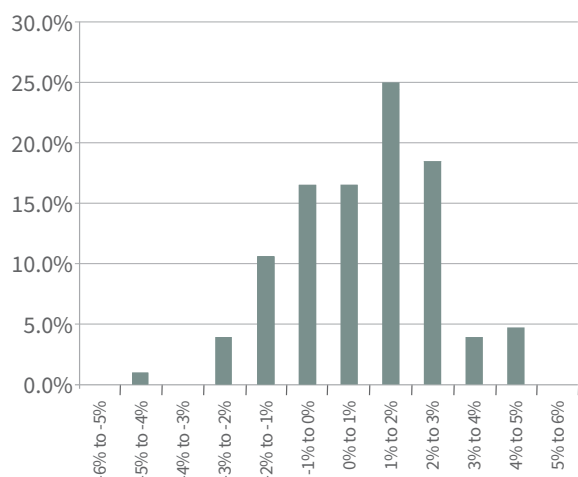
Historical Monthly Returns



CAPRICORN MARKET NEUTRAL FUND CONTINUED



Histogram of Returns



Statistics

Assets Under Management (R Million)	R187m
Gross exposure	163%
Net Exposure	7%
% of positive months	69%
% of negative months	31%
Annualised monthly volatility (historic)	6.4%
Average positive monthly return	1.9%
Average negative monthly return	(1.2%)
Sharpe Ratio	0.7
Maximum monthly drawdown	(4.2%)
Maximum cumulative drawdown	(5.7%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2006				2.9%	6.7%	2.4%	4.2%	(2.1%)	1.0%	2.6%	2.1%	1.8%	23.6%
2007	2.3%	4.8%	4.3%	(0.9%)	0.1%	0.8%	0.3%	1.8%	1.2%	(2.5%)	1.1%	0.7%	14.5%
2008	0.0%	1.4%	(0.3%)	4.6%	(1.4%)	(0.3%)	(2.0%)	(0.6%)	1.1%	1.5%	(2.4%)	1.8%	3.4%
2009	1.1%	2.8%	2.6%	(1.1%)	0.9%	2.0%	1.5%	(0.3%)	1.4%	0.2%	(0.8%)	0.0%	10.7%
2010	1.7%	0.1%	(0.9%)	0.0%	(1.7%)	1.8%	3.0%	0.8%	(1.0%)	(0.3%)	1.2%	(0.3%)	4.4%
2011	0.3%	2.1%	(0.9%)	1.2%	(1.3%)	(0.4%)	(0.6%)	(1.3%)	(1.3%)	0.8%	1.7%	(0.5%)	(0.4%)
2012	1.2%	3.2%	1.1%	0.9%	0.1%	(0.6%)	2.3%	0.3%	1.2%	2.8%	0.4%	(2.6%)	10.5%
2013	3.8%	2.2%	3.8%	2.8%	1.0%	0.8%	1.0%	2.4%	(1.0%)	1.9%	2.0%	2.8%	25.8%
2014	(1.8%)	3.7%	(4.2%)	(1.6%)	4.4%	2.8%	(0.7%)	1.9%	2.1%	2.8%	(1.0%)	1.9%	10.4%

Notes: Italicized performance numbers are actual returns earned while the "fund" managed internal money. Returns during this period have been adjusted to account for a notional management fee of 1.5% per annum and a performance fee of 20% of all profits earned in excess of the overnight cash return, while taking account of a high-water mark. No adjustment has been made for third party administration cost prior to February 2010 when the independent administrator was appointed.

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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