

CAPRICORN MARKET NEUTRAL FUND



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	156.4m	3.7%	7.6%	20.8%	37.8%	11.6%	138.4%

MANAGER'S COMMENTS



The South African equity market recovered strongly in February posting a return of 4.9%. The recovery was broad based with the resource and industrial sector both producing similar returns to the overall market while the financial sector was the star performer returning 8.4% for the month. The rand recovered in February after the strong sell off the previous month.

The Capricorn Market Neutral Fund performed well returning 3.7% for the month. Our core long and short positions again made the biggest contribution to the return, but our opportunistic entry into some oversold companies in January provided some extra alpha. Of our core positions, Naspers continued to perform on the back of the strong performance in its investment, Tencent. Our long position to the European furniture retailer, Steinhoff, relative to a short position in South African furniture retailers, JD Group and Lewis, also performed very strongly after our hypothesis

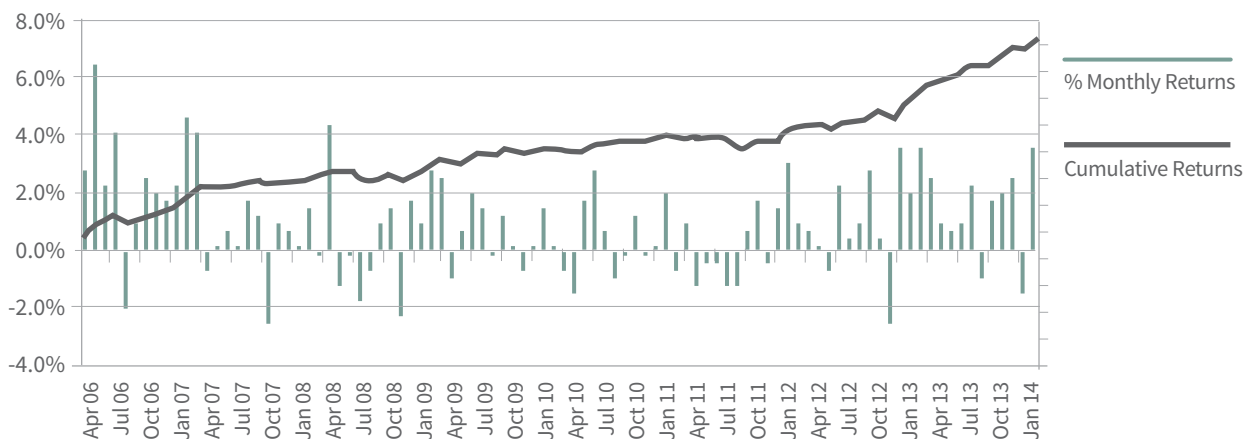
was confirmed in their trading updates. During the weakness in January, we increased our positions in Reinet and the FirstRand Group. We believe that these are very well managed businesses with strong earnings drivers and they contributed handsomely to profits this month. Our short position in South African gold miners continued to detract from performance.

We maintain our negative stance on the South African consumer. Rising inflation and a tightening interest rate cycle will continue to negatively impact the purchasing power of the South African consumer. Given the deteriorating consumer we believe that the South African economic growth will continue to disappoint over the short to medium term. As such, although we do not expect the rand to depreciate materially from current levels, we continue to prefer companies exposed to economies outside of South Africa.

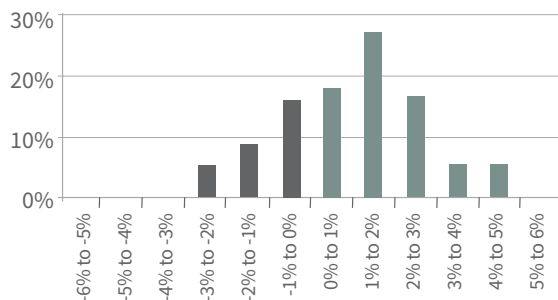
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Historical Monthly Returns



Histogram of Returns



Statistics

Assets Under Management (R Million)	156.4m
Gross exposure	193%
Net Exposure	7%
% of positive months	69%
% of negative months	31%
Annualised monthly volatility (historic)	6.1%
Average positive monthly return	1.8%
Average negative monthly return	-1.1%
Sharpe Ratio	0.7
Maximum monthly drawdown	-2.6%
Maximum cumulative drawdown	-4.8%

	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%											1.9%

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.

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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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