

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	R 180m	3.5%	9.2%	11.8%	52.1%	11.7%	167.4%

MANAGER'S COMMENTS

The South African market continued its strong start to 2015 in February printing a return of 3.5% after a strong January. The drivers were however very different with strong economic data and company results driving the market higher in the face of long term interest rates trending higher. This was a favourable environment for the Capricorn Market Neutral fund as reflected by the 3.5% return.

The greatest contributors to profits were long term holdings that reported during the month. Steinhoff continued on its path to become a major international furniture retailer. They increased their market share in a difficult environment while expanding their margin through efficiency gains. We continue to see an upside in Steinhoff and believe they are well placed for any improvement in the European economies.

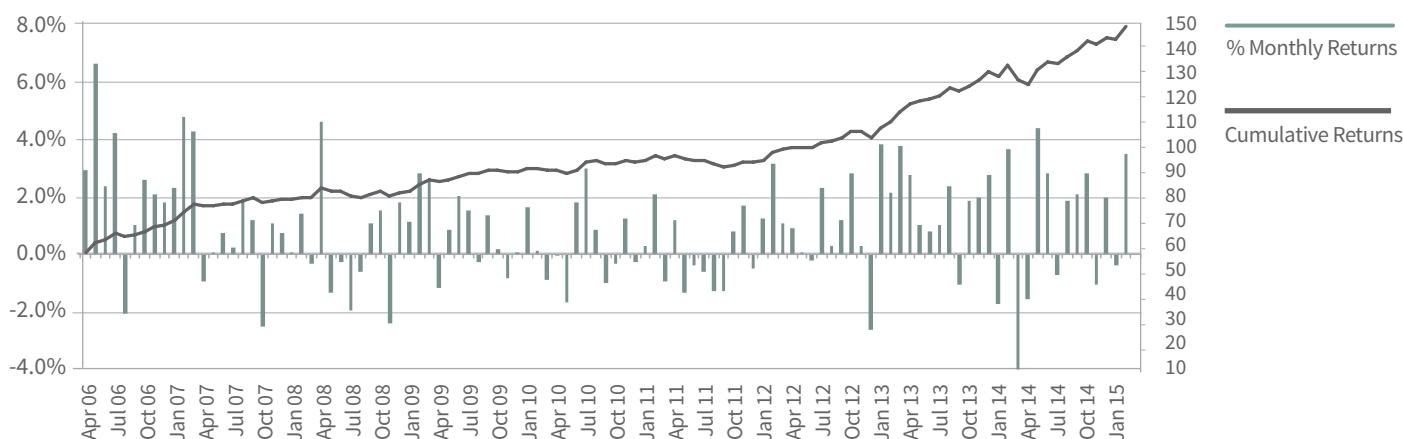
Our relative value position between international and South African property companies performed very strongly after the various result presentations highlighted our thesis of very poor growth opportunities in South Africa relative to their foreign counterparts.

Our decision to stand our ground in the face of the rally in South African gold miners in January paid off handsomely in February as the price action reversed. We continue to see structural problems in the South African gold sector and the looming wage negotiations does not bode well for them at this critical juncture.

Losses were suffered in our short positions in the South African consumer sector. Most of these companies reported during the period and beat market consensus expectations. We remain negative on these select companies as their results continued to reflect structural operational problems.

We expect volatility to increase over the coming period as we move closer to the potential rate hike in the United States. The economic data from the United States continues to reflect a growing economy. The prospect of rising yields and an improving world economy continues to bode well for equities as an asset class. For now however, we will have to endure increased volatility.

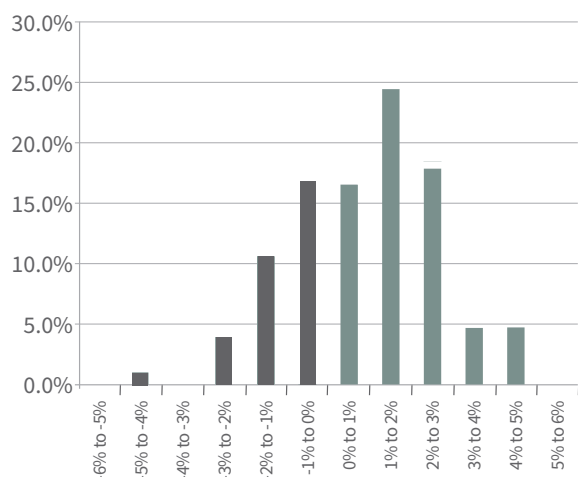
Historical Monthly Returns



CAPRICORN MARKET NEUTRAL FUND CONTINUED



Histogram of Returns



Statistics

Assets Under Management (R Million)	R180m
Gross exposure	177%
Net Exposure	9%
% of positive months	68%
% of negative months	32%
Annualised monthly volatility (historic)	6.4%
Average positive monthly return	1.9%
Average negative monthly return	(1.1%)
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%
2015	(0.4%)	3.5%											3.1%

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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