

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	R320m	(2.6%)	(9.6%)	12.9%	47.1%	14.9%	76.1%

MANAGER'S COMMENTS

June proved to be another challenging and volatile month largely driven by unexpected macro events. The month was bound between dismal US job numbers at the beginning of the month, which dampened any expectations of an imminent interest rate hike in the US and a surprise result at the end of the month in the UK referendum to leave the EU. The latter resulted in a global market pull back as investors attempted to make sense of the repercussions of the vote, an impact which still seems to be reverberating through the markets. Several South African companies have material exposure to the UK and second round effects are also being seen through companies with European exposures.

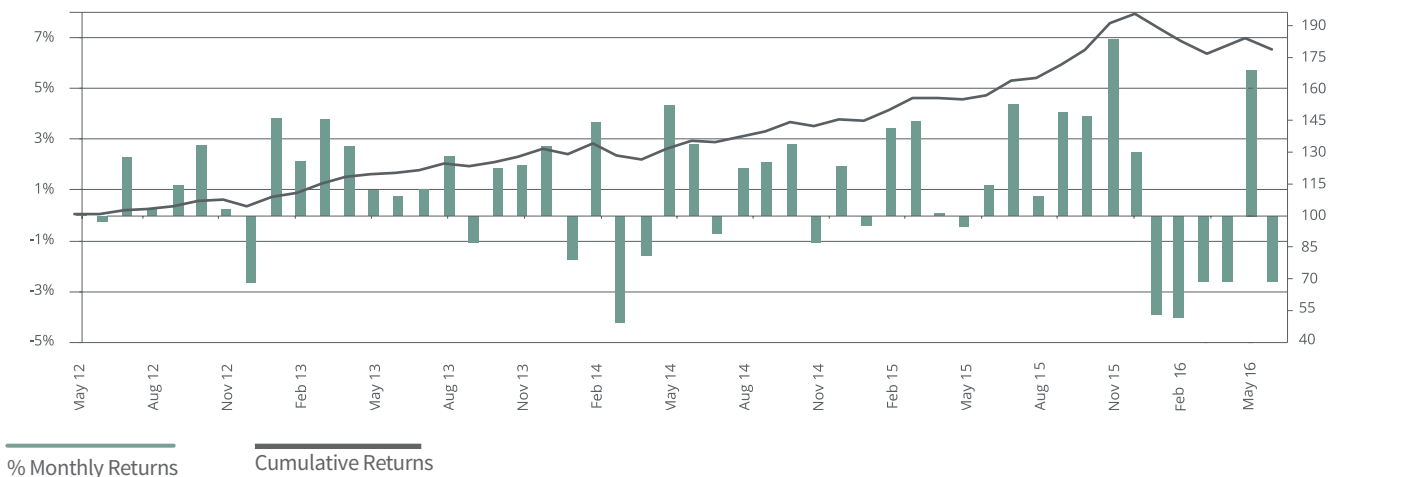
In the end the FTSE/JSE All Share Index ended the month down 3% while the fund suffered a loss of 2.6%. Losses were taken in our long book where a few of our positions were impacted by the Brexit vote as well as the consequent risk off environment. We have reduced our exposure to the companies where we feel the investment case has fundamentally changed as a result of the vote and continue to monitor where we are at risk as well as where new opportunities have arisen as a result of the outcome. Once we feel confident in our understanding of the new operating environment we will take decisive action.

Despite these events, the long book benefited through our more resilient and defensive positions that tend to outperform in times of uncertainty. Companies like Medi clinic with operations spread across four independent regions; South Africa, Switzerland, the United Arab Emirates and the United Kingdom, performed well. Another strong performer was our long-held position in Blue Label Telecoms. In the case of Blue Label Telecoms, the market has begun to price in the benefits and synergies that will likely result from their newly acquired stake in Cell C. Our short book generated profits in the sell-off post the Brexit results and protected our portfolio well during the month.

This year has, on many levels, proved to be a year of improbable outcomes becoming realities. Looking forward, the Brexit result has plunged the market back into an environment dominated by uncertainty. The state of UK politics seems to be at an all-time low with strong leadership desperately needed but there isn't any clear indication of where that will come from. We continue to run low gross exposure levels and prefer defensive companies while we endure this challenging period.



Historical Monthly Returns



CAPRICORN MARKET NEUTRAL FUND CONTINUED



Histogram of Returns



Statistics

Assets Under Management (R Million)	R320m
Gross exposure	128%
Net Exposure	10%
% of positive months	69%
% of negative months	31%
Annualised monthly volatility (historic)	8.9%
Average positive monthly return	2.6%
Average negative monthly return	(2.0%)
Sharpe Ratio	1.0
Maximum monthly drawdown	(4.2%)
Maximum cumulative drawdown	(12.3%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012						(0.6%)	2.3%	0.3%	1.2%	2.8%	0.4%	(2.6%)	3.8%
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%	3.7%	0.1%	(0.4%)	1.2%	4.4%	0.8%	4.1%	4.0%	6.9%	2.5%	34.8%
2016	(3.8%)	(4.0%)	(2.5%)	(2.6%)	5.7%	(2.6%)							(9.6%)

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.

CONTACT INFORMATION

Investment Manager

Capricorn Fund Managers (Pty) Limited
 Capricorn House
 32 Impala Rd
 Chislehurst
 2196
 South Africa

For enquiries please contact

Andrew Crawford
 T: +27 11 666 0716
 E: andrewc@capricornsa.com

Licensed by the Financial Services Board
 License number: 863