

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	163m	2.8%	3.1%	12.7%	41.5%	11.3%	141.2%

MANAGER'S COMMENTS

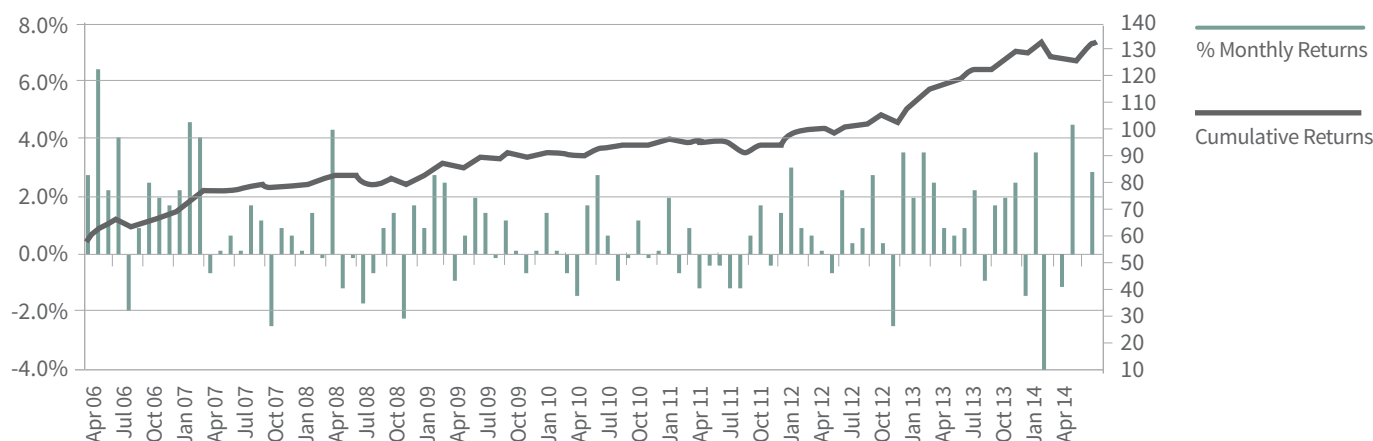
The strong market rally continued for yet another month in June as the FTSE/JSE All Share Index returned 2.8%. The strong market performance was broad-based with the Financial and Industrial Indices returning very similar numbers and the Resources Index outperforming slightly.

The Capricorn Market Neutral Fund performed very well in this environment returning 2.8%. Many of the long held positions in the fund contributed to the positive performance. The stand-out performance came from Brait, the investment holding company with its principle exposure to cash retailer Pep Stores. Brait released results early in June and this confirmed our thesis that the value retailers in South Africa and Africa will continue to benefit as the consumers trade down to adjust to more difficult macro environment. Another strong contributor was Rockcastle Global Real Estate Company that is focused on investing in retail properties in Eastern Europe and Africa. We are short

of South African property stocks against this, expressing our view that global (especially European) rates will be slower to increase compared to South Africa. Our short positions in select South African retailers continued to contribute positively to the performance. The funds short book performed well given the broad strength of the market.

We remain positive on equities in general over the medium term, but we are getting nervous about the sustained liquidity fueled market rally that we have experienced over the past 18 months in the face of some lackluster economic data. As a result of this the risk of a correction in the markets over the short term has increased. Consequently we have decreased the gross exposure of the fund to absorb weakness as well as to create capacity to exploit mispricing during a potential pullback.

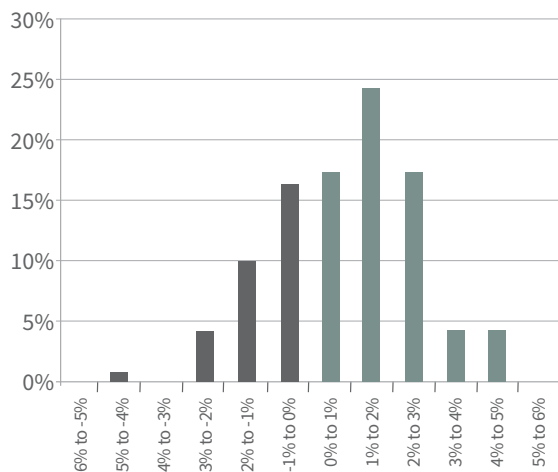
Historical Monthly Returns



CAPRICORN MARKET NEUTRAL FUND CONTINUED



Histogram of Returns



Statistics

Assets Under Management (R Million)	163m
Gross exposure	173%
Net Exposure	4%
% of positive months	69%
% of negative months	31%
Annualised monthly volatility (historic)	6.5%
Average positive monthly return	1.9%
Average negative monthly return	(1.2%)
Sharpe Ratio	0.6
Maximum monthly drawdown	(4.2%)
Maximum cumulative drawdown	(5.9%)

	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%							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.

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@capricorncapital.com

Licensed by the Financial Services Board
 License number: 863