

## 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	153m	4.4%	3.0%	10.4%	37.1%	11.0%	134.6%

## MANAGER'S COMMENTS

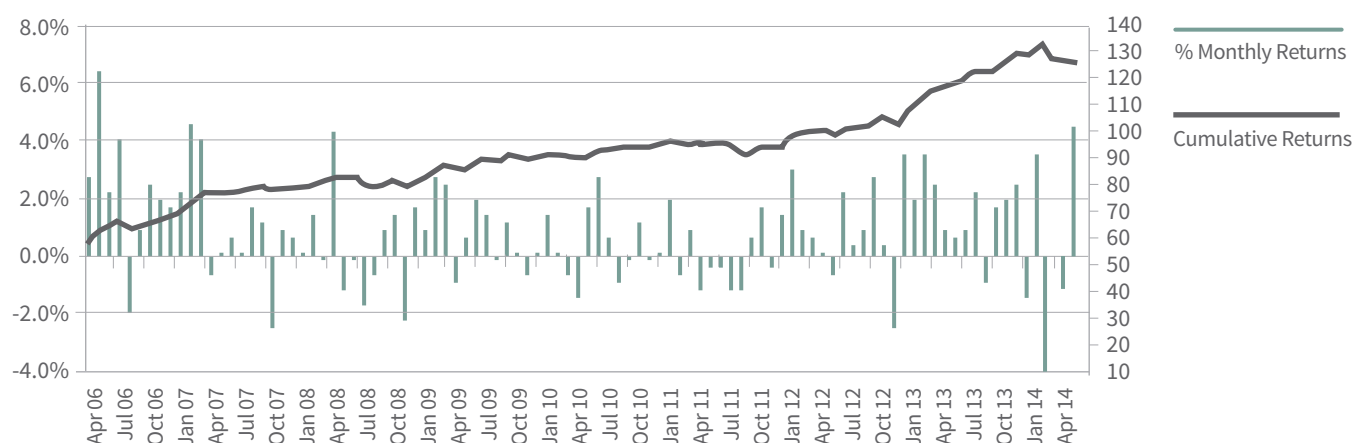
May was dominated by company specific news flow and the macro factors for once took a back seat. It was very pleasing that the fund performed very well in this environment with many of our core holdings reacting as we expected after their results announcements. On a broader context, the market continued to grind higher with the FTSE/JSE Index returning 1.6%. The industrial sector outperformed (5.1%) while the resources sector underperformed (-4.3%). The financial sector performed in line with the general market.

The fund performed very well returning 4.4%. The main contributors to the performance were short positions in the South African consumer sector, particularly short term credit and credit retail. We used the rally in the these sectors over the past two months to increase our short positions and this paid dividends as the companies' results disappointed the market. Other meaningful contributors to performance were long positions in Naspers and Netcare and our long standing short position in South African gold miners. Naspers surged upwards by 14.7% after its main investment, Tencent, released exceptional results beating the demanding expectations of the market. We are weary of the potential volatility in the global technology sector, but Naspers remains a core long in our investment

thesis. Netcare, the hospital operator with considerable UK optionality finished up 13.1% for the month after releasing a very strong set of numbers. A meaningful detractor of performance was our short position in Astral Foods. The company released a reasonable set of numbers and the operating environment for the company is improving. We do feel however that it operates in a very competitive industry and any benefits derived from the improved environment will quickly be traded away as competition heats up.

We still remain positive on the market in general although investors still remain skeptical of the liquidity fueled bull market. Interestingly cash balances of South African fund managers have now hit levels last seen in the 1980s. The high cash balances and low interest rate environment create a scenario where valuation metrics will continue to creep higher. This is a very dangerous environment to be short of value stocks with low growth prospects. We will however continue to invest in companies where we see strong growth prospects. The relative valuation between these groups of companies will be volatile over the short term (especially in a highly liquid market), but we remain convinced that over the medium to long term the market will reward the companies with superior growth prospects.

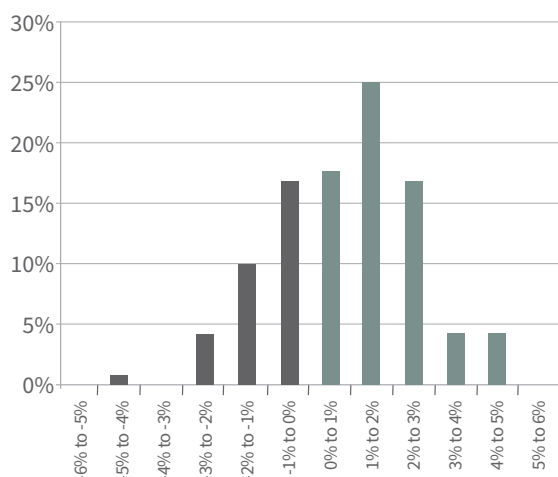
## Historical Monthly Returns



## CAPRICORN MARKET NEUTRAL FUND CONTINUED



## Histogram of Returns



## Statistics

Assets Under Management (R Million)	153m
Gross exposure	175%
Net Exposure	7%
% of positive months	68%
% of negative months	32%
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%	<b>23.6%</b>
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%	<b>14.5%</b>
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%	<b>3.4%</b>
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%	<b>10.7%</b>
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%)	<b>4.4%</b>
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%)	<b>(0.4%)</b>
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%)	<b>10.5%</b>
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%	<b>25.8%</b>
2014	(1.8%)	3.7%	(4.2%)	(1.6%)	4.4%								<b>0.2%</b>

**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

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