

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	(1.0%)	8.1%	11.3%	50.3%	11.4%	154.4%

MANAGER'S COMMENTS

The Fund experienced a challenging month declining 1%. November was characterised by a collapse in the oil price after OPEC decided not to cut supply. Oil, already under pressure with the advent of the shale gas revolution, was not helped by the decision by OPEC and as a result oil collapsed by 7% on the day.

The Fund was reasonably positioned for the weakening oil price (having cut our long position in Sasol during the month) but the corporate action announced by Brait two days prior, indicating that they were disposing of their stake in value retailer Pepkor, unbalanced the book significantly going into the oil collapse.

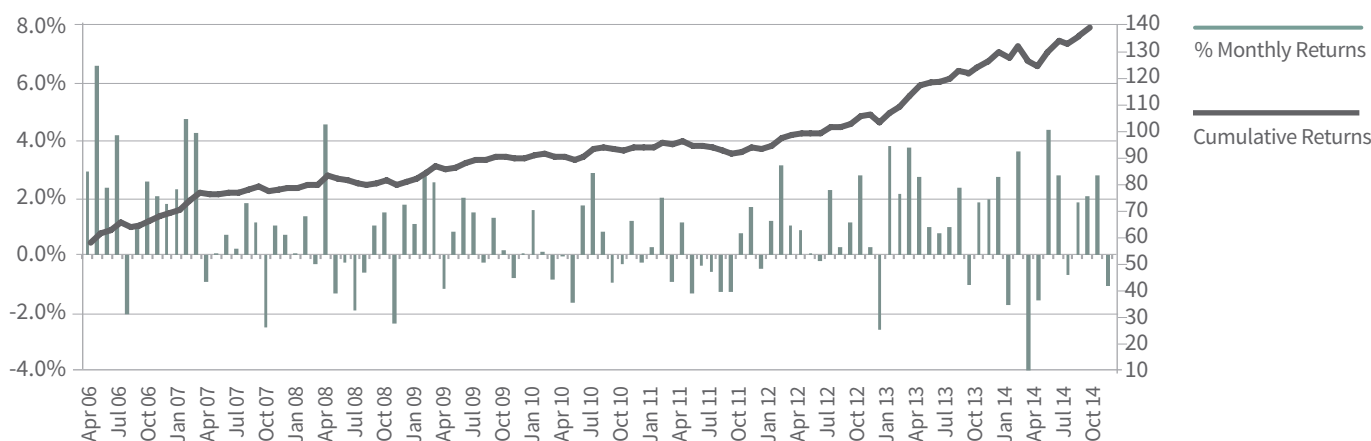
Brait was the hedge against our short positions in the SA consumer space. As oil collapsed the SA consumer space rallied and the Fund was fully exposed.

Excluding these events the portfolio performed well. Long-held positions like Discovery, Richemont and Netcare continued to contribute positively to the return of the Fund.

Discovery continues to expand its global presence entering another JV with a European life insurer Generali. Netcare released a very pleasing set of results and the investment case for Netcare is still unfolding with their South African operations continuing to improve. Our short positions in the South African construction sector also contributed positively to the return. The balance sheets of these companies continue to take strain and the deteriorating outlook for capital expenditure in the commodity and energy sectors does not bode well for these already fragile companies.

Our outlook on global equity markets remains bullish. Economic data from the United States continues to surprise on the upside and it is our view that the growth in the US combined with continued accommodative monetary policy in Japan, Europe and China will drive global economic growth and equity markets.

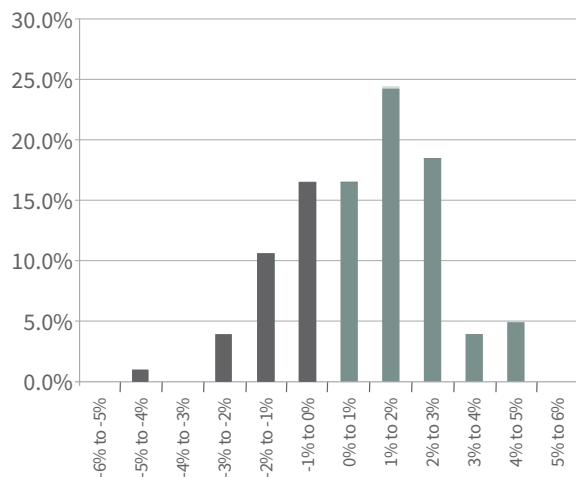
Historical Monthly Returns



CAPRICORN MARKET NEUTRAL FUND CONTINUED



Histogram of Returns



Statistics

Assets Under Management (R Million)	180m
Gross exposure	190%
Net Exposure	6%
% of positive months	68%
% of negative months	32%
Annualised monthly volatility (historic)	6.4%
Average positive monthly return	1.9%
Average negative monthly return	(1.2%)
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%)		8.3%

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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