

CAPRICORN SCI STABLE RETAIL HEDGE FUND



OBJECTIVE

The Capricorn SCI Stable Retail Hedge Fund is a South African long/short equity hedge fund. This portfolio aims to ensure stable income flows and capital preservation is of primary importance. The portfolio invests in a combination of low-risk asset classes, but exposure to equities is limited to protect against volatility and risk of capital losses. It aims to provide a high level of income, while maximising returns above cash. Capital preservation is achieved through diversification across a variety of high yielding assets.

	Current NAV	1 month %	6 month %	1 year %	3 year %	Annualised since launch	Since launch %
CSF	R 640m	(2.7%)	(5.6%)	3.9%	36.1%	15.3%	541.5%

MANAGER'S COMMENTS



July was another difficult month for the fund, as the same general themes experienced during the first half of the year continued to impact performance. The fund returned (2.7%) while the JSE All Share Index returned 1.2% on a total return basis.

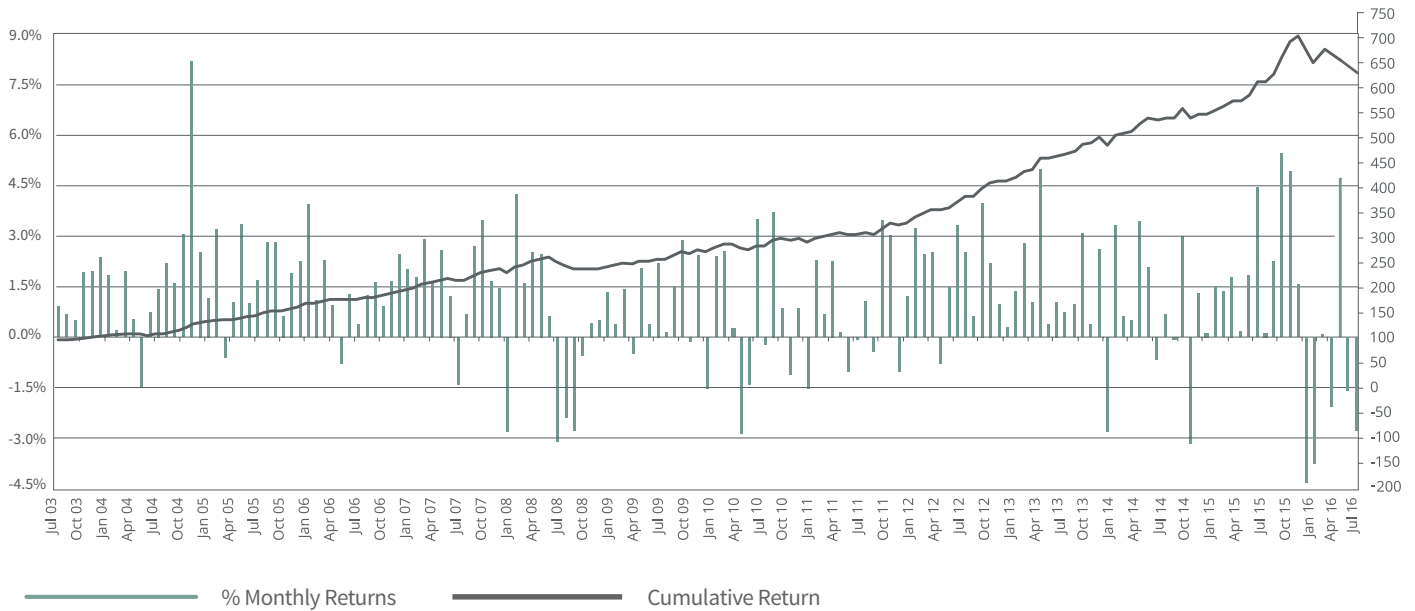
Gains were driven by best-of-breed domestic South African focused positions including Firstrand, Mr Price and Woolworths, driven off the back of the strengthening Rand and inflows of capital to domestically focused counters and South African bonds. Very pleasingly, we had significant gains on both the long and short side on companies including Shoprite and Curro that reported stronger than anticipated results. Weaker results from a Telecom operator, a South African Food Producer and a South African domestic Insurer contributed to gains from the short side.

A material portion of losses were incurred in South African domestic focused short positions and Rand hedge long positions as the strengthening of the Rand and the rally in domestic counters generated significant negative returns. In addition a short position to a diversified South African focused miner impacted performance as the price of Iron Ore continued to rally, confounding many experts and conventional wisdom.

We came into 2016 with a more balanced view on the Rand but remained concerned on the South African economies' ability to grow. This view has been validated by the continued worsening of GDP throughout the year. Capital markets have however largely ignored this and those counters with large South African exposure have rallied sharply. Our Rand hedge long positions are favoured not for their negative stance on the Rand, but rather their exposure to stronger growth economies. Whilst we largely retain our view as being appropriate, our risk management process has necessitated the reduction of exposures and we have carefully reassessed all positions. While our year-to-date performance leaves us extremely disappointed, we consider our current positioning to be optimal and are excited about our prospects and opportunities given what has transpired in the market.

We thank all investors for their continued support.

Historical Monthly Returns

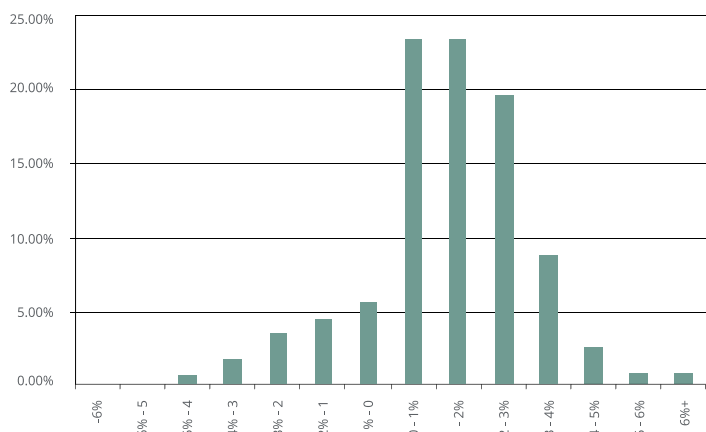


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2003							0.9%	0.7%	0.5%	2.0%	2.0%	2.4%	8.8%
2004	1.8%	0.2%	2.0%	0.5%	(1.5%)	0.8%	1.4%	2.2%	1.6%	3.1%	8.2%	2.5%	25.1%
2005	1.1%	3.2%	(0.6%)	1.0%	3.4%	1.0%	1.7%	2.8%	2.8%	0.6%	1.9%	2.3%	23.5%
2006	4.0%	1.1%	2.3%	1.0%	(0.8%)	1.3%	0.4%	1.3%	1.6%	0.9%	1.7%	2.5%	18.6%
2007	2.1%	1.8%	2.9%	1.7%	2.6%	1.3%	(1.4%)	0.7%	2.7%	3.5%	1.7%	1.5%	23.0%
2008	(2.8%)	4.3%	1.6%	2.6%	2.5%	0.6%	(3.1%)	(2.4%)	(2.8%)	(0.5%)	0.5%	0.5%	0.7%
2009	1.3%	0.4%	1.4%	(0.5%)	2.1%	0.4%	2.2%	0.1%	1.5%	2.9%	(0.1%)	2.5%	15.7%
2010	(1.5%)	2.4%	2.6%	0.2%	(2.9%)	(1.4%)	3.5%	(0.2%)	3.7%	0.9%	(1.1%)	0.9%	7.1%
2011	(1.5%)	2.3%	0.7%	2.3%	0.2%	(1.1%)	0.0%	1.1%	(0.4%)	3.5%	3.1%	(1.1%)	9.2%
2012	1.2%	3.2%	2.4%	2.4%	(0.8%)	1.5%	3.3%	2.5%	0.6%	4.0%	2.2%	1.0%	26.1%
2013	0.3%	1.4%	2.8%	1.0%	5.0%	0.4%	1.1%	0.7%	1.0%	3.1%	0.4%	2.6%	21.6%
2014	(2.8%)	3.3%	0.6%	0.5%	3.5%	2.1%	(0.7%)	0.7%	(0.0%)	3.0%	(3.1%)	1.3%	8.5%
2015	0.1%	1.5%	1.4%	1.8%	0.2%	1.9%	4.5%	0.1%	2.3%	5.5%	4.9%	1.6%	28.6%
2016	(4.3%)	(3.7%)	0.1%	(2.0%)	4.6%	(1.7%)	(2.7%)						(9.7%)

CAPRICORN SCI STABLE RETAIL HEDGE FUND CONTINUED



Frequency distribution of Returns



Statistics

Assets Under Management (R Million)	640m
Gross exposure	138%
Net Exposure	35%
% of positive months	81%
% of negative months	19%
Average positive monthly return	1.9%
Average negative monthly return	(1.7%)
Annualised monthly volatility (historic)	6.6%
Sharpe Ratio	1.2
Maximum monthly drawdown	(4.3%)
Maximum cumulative drawdown	(9.7%)

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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