

Objective

The Fund is a US Dollar denominated, moderate risk, equity long/short hedge fund, which aims to achieve superior risk-adjusted returns on an absolute basis over any 12 month period by investing in Global Emerging Markets.

Capricorn GEM Fund comprises Capricorn GEM Fund Inc. and Capricorn GEM Fund L.P.

	CURRENT NAV PER SHARE	1 MONTH %	6 MONTH %	1 YEAR %	3 YEAR %	ANNUALISED SINCE LAUNCH	SINCE LAUNCH %
Class A (\$)	190,1	1,1%	(15,1%)	(25,2%)	(0,2%)	7,5%	90,1%
Class B (€)	182,9	0,6%	(16,7%)	(27,0%)	(2,7%)	7,0%	82,9%
Class C (£)	182,7	0,9%	(16,0%)	(26,4%)	(3,0%)	7,0%	82,7%

Date: as at 31/01/2017 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd
AUM of the Capricorn GEM Strategy: \$187m. The Strategy consists of Capricorn GEM Fund Inc., Capricorn GEM Fund LP (\$93m), Lyxor/Capricorn UCITS Fund (\$82m) and a managed account.

Manager's Comments

The fund started 2017 well, returning 1.1% over the month with relatively low volatility. We maintained a cautious stance through the month, with gross positioning at the lower end of the fund's historic range and opting to put on protection prior to President Trump's inauguration, thereby insulating the portfolio against a potential outbreak of a trade war had he followed through on his promises of tariffs. We opted not to reduce the net exposure of the fund significantly given some punchy shorts and much of our long book having been positions, particularly in South East Asia, that we increased on the indiscriminate sell-off at the end of 2016 due to the fundamentals and key narrative remaining sound. We were also cautious on increasing the short book as developed markets continued to hit highs, with the Dow breaking 20,000 and the post-election rally continuing in several areas despite lack of policy follow-through.

The largest contributor to performance over the month was real estate developer Double Dragon in the Philippines, which rose 30% over the month, recovering most of its unwarranted underperformance into the end of 2016. We remain constructive on their development pipeline and increased coverage of their plans to become one of the largest property companies in the Philippines. AKR Corporindo of Indonesia rose 14.5% over the month, retaining its low correlation to the broader Indonesian market. While we have been concerned over Indonesia, we are now becoming more constructive on the potential for the political overhang to dissipate in the coming months. African Rainbow Minerals in South Africa was the third largest contributor to performance, rising 17% as we slowly exited our trading position in this stock, capturing and crystallising gains from riding the reflation bull market. Portfolio stalwart Vakrangee, providing "last-mile" e-commerce services in rural India, continued its strong performance, rising 11% to fresh highs and delivering exceptional results. Finally, Glencore rounded out the top five gainers, rising 14% in January as solid copper prices translated into continued earnings upgrades.

As markets continued to move higher, 4 of our top 5 losers were in the short book of the fund, which we held back from increasing in recent months until the value and reflation rallies started to dissipate. Our Turkish short positions continued to move against us despite continued economic deterioration and apathy from the central bank in dealing with inflation that rose above 9% as the currency continued to fall. We exited our short Turkish ETF position at a profit on the month, but remain comfortable with our two major stock-specific shorts in this market given the disconnect between projections and reality. Two shorts in South Africa moved against us for idiosyncratic reasons and the losers were rounded off by another poor performance for Steinhoff, which fell 9% on the month as further details of their Shoprite deal were not forthcoming.

The markets are at an intriguing point as the impact of President Trump's likely actions in his first 100 days start to be digested. Tax cuts and infrastructure spending will allow the "reflation" trade to continue, whereas potential trade wars and border adjustment tax policies would hit markets hard. Volatility indicators are hitting fresh lows despite higher policy uncertainty and while we remain constructive on global markets over the medium to long term and in our core portfolio in particular, we are starting to increase the shorts in our book and reduce net exposure as key short names on our watch list start to show exhaustion and roll over. We have adjusted the book in the last few months to be far more nimble on a country and cross-country basis and expect volatility to start to tick up in the coming months, providing many more opportunities to deliver alpha.

*EuroHedge
Awards 2015*

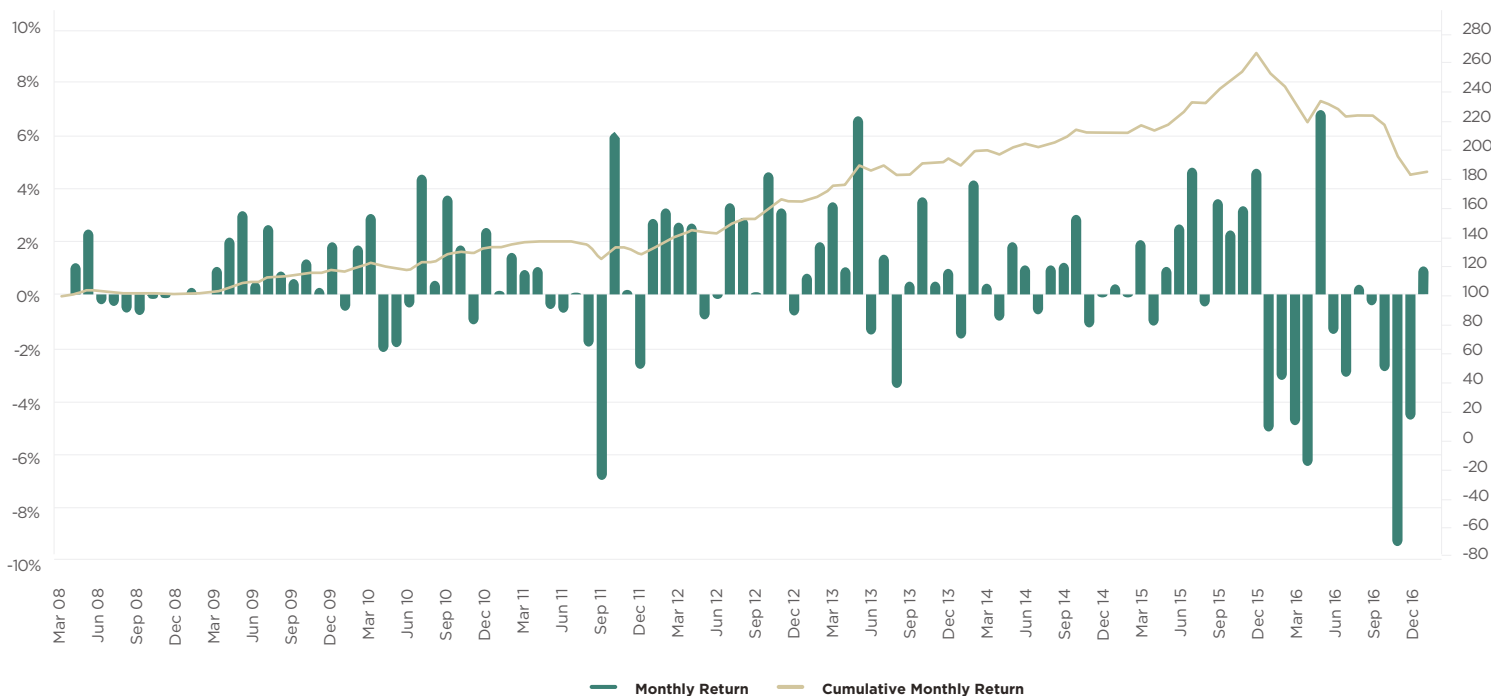
WINNER
UCITS EQUITY

HFM
AWARDS
WINNER 2016
EUROPEAN SERVICES AWARDS

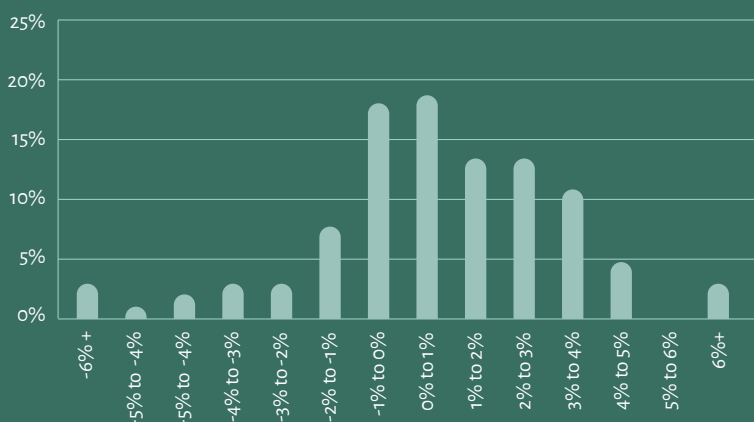
Historical Monthly Returns - Class A (USD)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008			0.1%	1.2%	2.5%	(0.4%)	(0.4%)	(0.7%)	(0.8%)	(0.1%)	(0.1%)	0.2%	1.6%
2009	0.2%	0.2%	1.0%	2.2%	3.2%	0.5%	2.7%	0.9%	0.7%	1.4%	0.3%	2.0%	16.3%
2010	(0.6%)	1.9%	3.1%	(2.1%)	(2.0%)	(0.5%)	4.6%	0.6%	3.8%	1.9%	(1.1%)	2.6%	12.6%
2011	0.2%	1.6%	1.0%	1.1%	(0.5%)	(0.6%)	0.1%	(1.9%)	(7.0%)	6.3%	0.2%	(2.8%)	(2.9%)
2012	3.0%	3.3%	2.8%	2.7%	(0.9%)	(0.1%)	3.5%	3.0%	0.1%	4.7%	3.3%	(0.7%)	27.4%
2013	0.8%	2.0%	3.6%	1.1%	6.9%	(1.5%)	1.6%	(3.5%)	0.5%	3.8%	0.5%	1.0%	17.7%
2014	(1.6%)	4.4%	0.5%	(1.0%)	2.0%	1.1%	(0.7%)	1.1%	1.2%	3.1%	(1.2%)	(0.0%)	9.2%
2015	0.4%	(0.1%)	2.1%	(1.1%)	1.1%	2.7%	4.9%	(0.4%)	3.7%	2.5%	3.5%	4.8%	26.7%
2016	(5.2%)	(3.2%)	(4.9%)	(6.5%)	7.1%	(1.4%)	(3.1%)	0.4%	(0.4%)	(2.9%)	(9.6%)	(4.4%)	(29.8%)
2017	1.1%												1.1%

Date: as at 31/01/2017 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd



Frequency Distribution of Monthly Returns Since Inception



Statistics

Assets Under Management (USD)	93m
Gross exposure	150%
Net Exposure	58%
% of positive months	64%
% of negative months	36%
Average positive monthly return	2.1%
Average negative monthly return	(1.9%)
Annualised monthly volatility (historic)	9.4%
Sharpe Ratio	0.8
Maximum monthly drawdown	(9.6%)
Maximum cumulative drawdown	(29.8%)

Exposure

Sector Exposure	Gross	Net
Financials	42%	15%
Industrials	21%	12%
Consumer Staples	20%	1%
Consumer Discretionary	19%	17%
Information Technology	18%	7%
Materials	14%	9%
Hedge	5%	0%
Utilities	5%	(5%)
Energy	3%	1%
Health Care	2%	2%
Telecommunication Services	1%	(1%)
Grand Total	150%	58%

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Asia Ex-China	52%	38%
Africa	50%	17%
South America	10%	6%
Europe	9%	2%
Middle East	8%	(6%)
Russia	7%	6%
Eastern Europe	6%	(6%)
North America	3%	(2%)
China	3%	2%
ROW	2%	1%
Grand Total	150%	58%

All data:
Date: as at 31/01/2017 (net of fees).
Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

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Important information

ALL DATA:
as at 31 January 2017 (net of fees) Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

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Performance information for the month of the document is net of all fees and expenses, the performance data disclosed is not audited. Comparison to the index where shown is for information only and should not be interpreted to mean that there is a correlation between the portfolio and the index.

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The representative in Switzerland is ARM Swiss Representatives SA, Route de Cité-Ouest 2, 1196 Gland, Switzerland. The paying agent in Switzerland is Banque Cantonale de Genève (BCGE) 17 quai de l'Île, 1204 Geneva, Switzerland. The Memorandum and the articles of association and annual financial statements of the Fund can be obtained free of charge from the representative in Switzerland. The place of performance and jurisdiction is the registered office of the representative in Switzerland with regards to the Participating Shares distributed in and from Switzerland.