

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	R249m	(4.0%)	9.6%	20.8%	63.2%	17.0%	80.0%

MANAGER'S COMMENTS

The Fund experienced a very disappointing February, delivering a negative performance of (4.0%) versus the JSE All Share Index that returned 0.6%. Although we have been highlighting our fears of higher volatility in the market for some time and have been taking down the exposure levels of the Fund, the aggressive nature of the movements have wrong footed us. As an example, the Momentum Strategy used to optimise the portfolio weightings suffered its worst monthly performance since April 2009. The exposure to this strategy has been decreasing in line with a reduction in the overall portfolio exposure. Low exposure levels will be maintained until we see market movements more favourably inclined to our positioning.

The greatest contributor to losses resulted from our negative view on the resources sector and in particular the South African gold sector. We had reduced our positioning in these sectors aggressively, but the extreme movements in share prices still caused significant losses. We maintain our longer term bearish stance on these sectors, but given the volatility in the macro variables that drive these sectors we have reduced our positions for the foreseeable future.

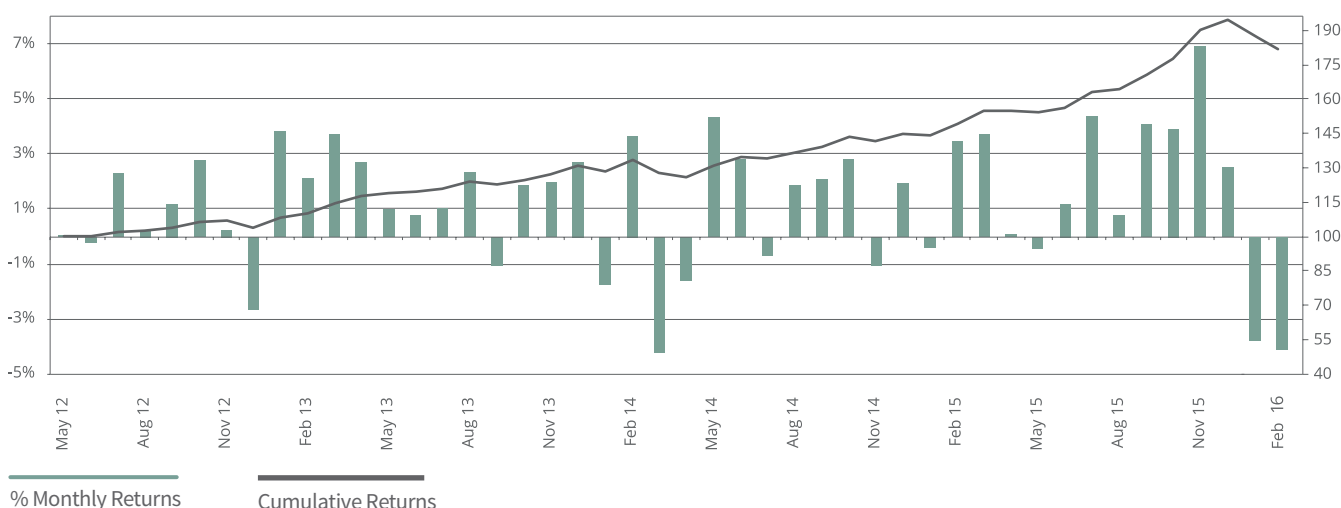
We suffered losses in our long positions in Woolworths and Discovery, these companies invested more than anticipated in their new growth vectors and the markets punished them for it. We struggle to understand the willingness of the market to punish investment for growth and remain constructive on both of these companies as they invest in exciting new opportunities.

On the positive side of the book, our long-held positions in Steinhoff, Mondi and Curro performed well after releasing very strong numbers. Another good performer was a long-held position in MediClinic, which finalised the acquisition of al-Noor, a hospital group focusing on the emirate of Abu Dhabi. This is another exciting growth vector for the company as it continues to build on its ambition to become one of the largest global hospital groups in the world.

In these volatile market conditions we continue to focus on risk management, but we will not hesitate to act when the market presents interesting investment opportunities.



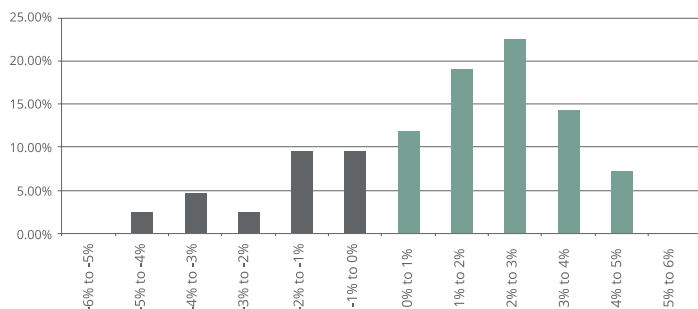
Historical Monthly Returns



CAPRICORN MARKET NEUTRAL FUND CONTINUED



Histogram of Returns



Statistics

Assets Under Management (R Million)	R249m
Gross exposure	151%
Net Exposure	8%
% of positive months	73%
% of negative months	27%
Annualised monthly volatility (historic)	8.4%
Average positive monthly return	2.5%
Average negative monthly return	(1.8%)
Sharpe Ratio	1.3
Maximum monthly drawdown	(4.2%)
Maximum cumulative drawdown	(7.6%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012						(0.6%)	2.3%	0.3%	1.2%	2.8%	0.4%	(2.6%)	3.8%
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%)	1.9%	10.4%
2015	(0.4%)	3.5%	3.7%	0.1%	(0.4%)	1.2%	4.4%	0.8%	4.1%	4.0%	6.9%	2.5%	34.8%
2016	(3.8%)	(4.0%)											(7.6%)

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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