Capricorn

GEM Fund

Capricorn Fund Managers

December 2017 · Fund Performance

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 %	YTD %	1 YEAR %	ANNUALISED SINCE LAUNCH	SINCE LAUNCH %
Class A ($)	211,3	2,0%	12,4%	12,4%	7,9%	111,3%
Class B (€)	198,3	1,6%	9,1%	9,1%	7,2%	98,3%
Class C (£)	199,3	1,7%	10,1%	10,1%	7,3%	99,3%

Date: as at 31/12/2017 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd
AUM of the Capricorn GEM Strategy: $143m. The Strategy consists of Capricorn GEM Fund Inc., Capricorn GEM Fund LP ($79m) and Lyxor/Capricorn UCITS Fund ($64m).

Manager's Comments

December was the highest volatility month of the year but the fund performed well, returning 2% for a total 2017 performance of 12.4%. The big news of the month was the announcement of a restatement of financials and resignation of the CEO and CFO of high profile South African company, Steinhoff, which fell 91% over the month. Unfortunately we bought in a short position in the name the day before the news broke as a 20% fall in the month seemed reasonable. The effects of billions of Rands being liquidated reverberated through the market before it caught a bid on the election of Cyril Ramaphosa to the head of the ANC. As such, the JSE All Share index ended the month down a mere 0.45%, while the South African portion of our portfolio, averaging 23% net, rose 2%.

After many months of disappointment Xurpas returned 51% in December as the foreign sellers cleared out and locals expressed renewed interest in the name given the low valuations versus its potential. Management is continuing along their strategic path with innovative plans and better communication to the market and we believe we could see the stock doubling from here. Our position in Turkish steel producer Kardemir rose 49% in December as the Lira strengthened and the company continued to pay down its debt load resulting in an improved cash flow outlook, highlighting its valuation at under 7 times earnings. Copper producer Kaz Minerals rerated again as they announced further low cost production capacity increases. Inflation appears to be making a comeback and we believe that hard and soft commodity strength could well extend into the new year however we choose to remain nimble in our holdings for when the time comes. The top five gainers were made up by two South African stocks, core position Discovery, up 13% and conglomerate PSG, which initially fell 20% due to its links to Steinhoff and bounced back to deliver -7% on the month. Steinhoff then placed some PSG stock in a private placement to investors. We participated in this, resulting in a fantastic trading opportunity which added 0.5% to performance, before exiting the position at a healthy profit.

The largest loser on the month was Vipshop in China, where having cemented in excess of 30% on our short position in 2017 , the company received a surprise investment from key competitors JD.com and Tencent at a significant premium to its trading share price. We immediately exited the position on the day as the deal completely changes the trajectory of the company from being one whose very existence is challenged in the years to come to one with a very favourable outlook at a reasonable price as traffic is directed from Tencent's WeChat behemoth platform. The second largest loser on the month was Steinhoff Africa Retail Limited (STAR), which fell 37% into the end of the month. We exited most of the position at a 20% pullback on the day after the Steinhoff International news broke as the CEO of Steinhoff Africa was also the CFO of Steinhoff International and resigned from both positions. Steinhoff Africa immediately switched loan lines from Steinhoff International and is a largely independent entity trading at a discount to its peers. The extent of the inter-relationships is difficult to ascertain so the stock is likely to trade under pressure until we see more clarity. An Asian short moved against us but is in a trading range where we are increasing the position as it goes to the top end of the range before buying it back whenever it falls and a Latin American short with higher volatility moved to truly astonishing levels, but is a position that we are confident will yield significant returns in 2018. Finally, the Naspers local line fell 6.4% on the month versus a 2% rise in Tencent as the rand appreciated 9.6% on the positive political outcome. While Naspers had a stellar year, rising 71% in Rand, Tencent rose 112% with the market cap of Naspers now equal to only 75% of the value of its stake in Tencent, having hit a low of 70% over the year. It is difficult to see what the catalyst will be to unlock this discount, although a reversal in the significant Rand strength seen in 2017 would help.

The portfolio has always been constructed to deliver the bulk of its performance from its core positions, but December showed the value of having a trading book to allow it to move rapidly and benefit from momentum to support overall returns when necessary. The current rally is consistently breaking records for a low volatility melt up, but we are maintaining a high net position and steadily increasing the liquidity of the book to be able to adjust as the market turns. We have chosen not to roll some of the options we have had on as protection having expanded the trading book in December and will look to bring the book back in during January to give us extra flexibility to deploy gross.

We would like to thank our investors for your confidence and patience in investing in us and are delighted to report a solid 2017 after the extremely trying 2016 year. We are more confident than ever in our process after seeing through this period and are excited for the remainder of 2018 and beyond.

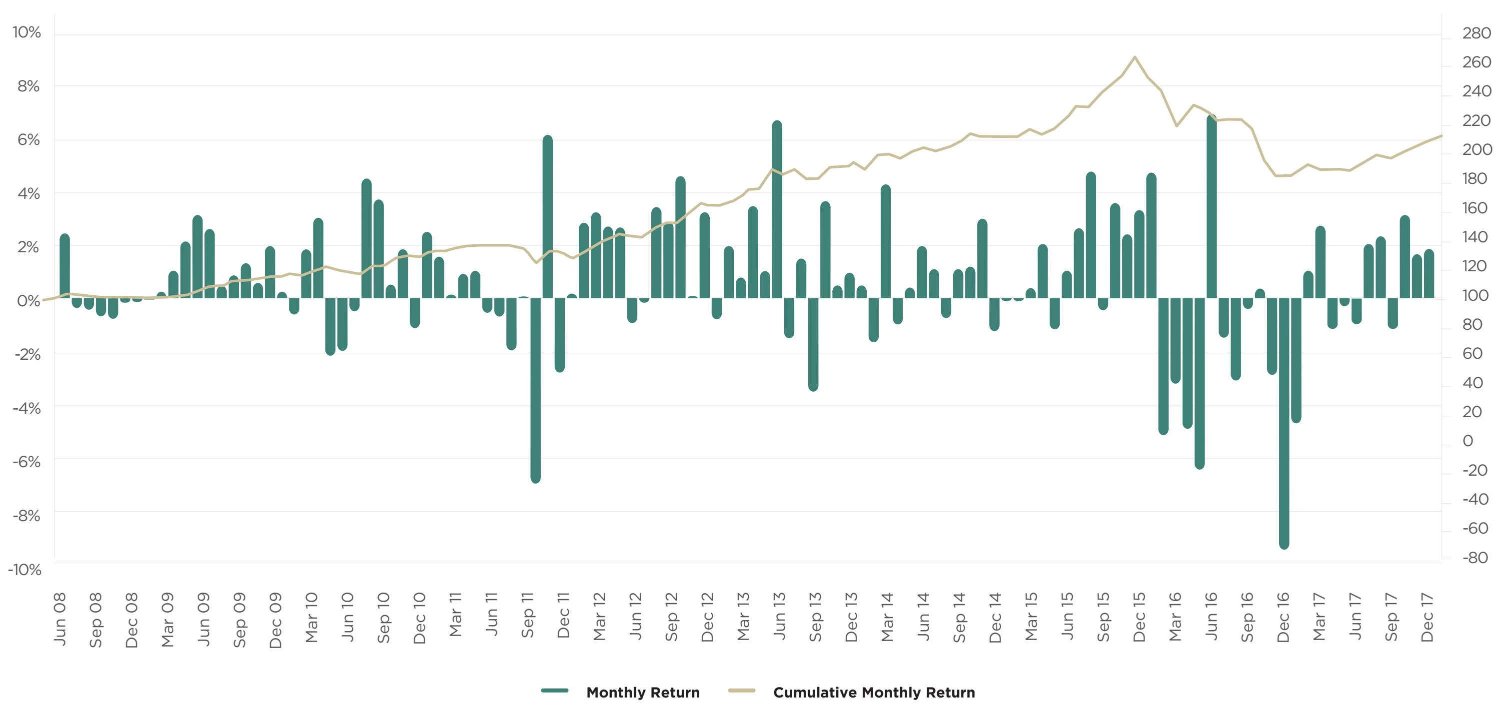
EuroHedge Awards 2015
WINNER
UCITS EQUITY

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%	0.0%	2,7%	(1.1%)	(0.1%)	(0.9%)	2.1%	2.4%	(1.2%)	3.3%	1.6%	2.0%	**12.4%**

Date: as at 31/12/2017 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

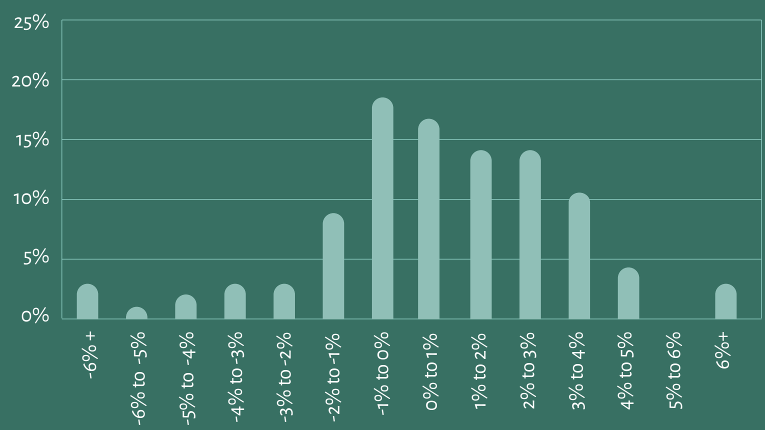


Capricorn

GEM Fund

December 2017 · Fund Performance

Frequency Distribution of Monthly Returns Since Inception



Statistics

Assets Under Management (USD)	79.3m
Gross exposure	223%
Net Exposure	76%
% of positive months	63%
% of negative months	37%
Average positive monthly return	2.1%
Average negative monthly return	(1.8%)
Annualised monthly volatility (historic)	9.1%
Sharpe Ratio	0.9
Maximum monthly drawdown	(9.6%)
Maximum cumulative drawdown	(29.8%)

Exposure

Sector Exposure	Gross	Net
Financials	52%	24%
Information Technology	32%	17%
Consumer Discretionary	30%	22%
Consumer Staples	25%	1%
Industrials	23%	18%
Materials	23%	9%
Real Estate	9%	(9%)
Hedge	9%	5%
Utilities	8%	(8%)
Health Care	5%	(5%)
Energy	4%	(1%)
Telecommunication Services	3%	3%
Grand Total	**223%**	**76%**

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Asia Ex-China	74%	23%
Africa	61%	31%
Eastern Europe	24%	(11%)
South America	14%	4%
Middle East	14%	12%
China	14%	8%
Europe	12%	5%
ROW	5%	2%
Russia	4%	1%
Australia	1%	1%
North America	0%	0%
Japan	0%	0%
Grand Total	**223%**	**76%**

All data:
Date: as at 31/12/2017 (net of fees).
Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

Capricorn

GEM Fund

Capricorn Fund Managers

December 2017 · Fund Performance

Contact Information

Investment Manager

Capricorn Fund Managers Limited
Malta House
36-38 Piccadilly
London
W1J ODP
United Kingdom

Investment Adviser

Capricorn Fund Managers (Pty) Limited
Capricorn House
32 Impala Rd
Chislehurston
2196
South Africa

For enquiries please contact

Jonty Campion
T: +44 207 317 4411
E: jcampion@capricorncapital.com

Authorised and regulated by the Financial Conduct Authority
FRN: 505252

For enquiries please contact

Stephan Engelbrecht
T: +27 11 666 0748
E: stephane@capricorncapital.com

Licensed by the Financial Services Board
License number: 863

Important information

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

Important Notice: This document is prepared by Capricorn Fund Managers Limited ("CFM") authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom. The investment products and services of CFM are only available to persons who are professional clients and eligible counterparties as defined in FCA's rules. They are not available to retail clients.

This document is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. The fund referred to in this document is a Cayman Limited Partnership and has not been registered under the securities laws, or authorized or approved by any regulatory authority, of any other jurisdiction. The fund is an unregulated collective investment scheme for the purposes of the Financial Services and Markets Act 2000. UK Investors should be aware that the fund is not covered by the Financial Services Compensation Scheme.

In particular, this document is not intended for distribution in the United States or for the account of U.S. persons (as defined in Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act")) except to persons who are "qualified purchasers" (as defined in the United States Investment Company Act of 1940, as amended (the "Companies Act")) and "accredited investors" (as defined in Rule 501(a) under the Securities Act).

This document is provided for information purposes only and should not be regarded as an offer to buy or a solicitation of an offer to buy shares in the funds managed by CFM (the "Funds"). Investment in the Funds managed by CFM carries significant risk of loss of capital and investors should carefully review the terms of the Funds' offering documents for details of these risks. The prospectuses of the Funds are the only authorised documents for offering of shares of the Funds and may only be distributed in accordance with the laws and regulations of each appropriate jurisdiction in which any potential investor resides. Nothing described herein is intended to imply that an investment in the Funds is "safe", "conservative", "risk free" or "risk averse". This document does not consider the specific investment objective, financial situation or particular needs of any investor and an investment in the Funds is not suitable for all investors. Investors are reminded that past performance should not be seen as an indication of future performance and that they might not get back the amount that they originally invested. The price of shares can go up as well as down and can be affected by changes in the rates of exchange.

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.

The views expressed in this document are the views of CFM at time of publication and may change over time. Nothing in this document constitutes investment, legal tax or other advice nor is it to be relied upon in making an investment decision. No recommendation is made positive or otherwise regarding individual securities mentioned herein. CFM does not provide investment advice to clients for the purposes of the FCA's rules. No guarantee is made as to the accuracy of the information provided which has been obtained from sources believed to be reliable. The information contained in this document is strictly confidential and is intended only for use of the person to whom CFM has provided the material. No part of this document may be divulged to any other person, distributed, and/or reproduced without the prior written permission of CFM.

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'Ile, 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.