

## 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 (\$)	210,0	2,4%	(0,6%)	7,6%	7,6%	110,0%
Class B (€)	195,8	2,1%	(1,3%)	4,6%	6,9%	95,8%
Class C (£)	197,1	2,1%	(1,1%)	5,3%	7,0%	97,1%

Date: as at 31/03/2018 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd  
AUM of the Capricorn GEM Strategy: \$144m. The Strategy consists of Capricorn GEM Fund Inc., Capricorn GEM Fund LP (\$76m) and Lyxor/Capricorn UCITS Fund (\$68m).

## Manager's Comments

We were pleased with the portfolio's 2.4% performance in March specifically as global markets staged a broad pullback. Unsurprisingly, the bulk of the strength was in the short book, particularly in Indonesia, South Africa and Poland. The overall beta of our portfolio to the market is lower than would be expected from the net position, which tends to be in the 50-70% range due to the nature of the longs that we hold. Some of these names disappointed in January and February but in March, with a few exceptions, the long book started to show outperformance once more.

The largest gainer in the month was a core, structural short in Indonesian cement that derated dramatically with a 27% fall on the month. We have spoken widely on this name which had traded at double the valuation of its peers despite a bleak outlook in terms of competition, pricing and costs. The second and third largest contributors were South African names being punished for a lack of transparency on operations and concerns over related party transactions respectively. A short in a Polish alternative finance company provided us with a substantial gain as questions over its business model and solvency arose. Finally, our long position in Kardemir in Turkey continued to perform, rising 11% on the month. Other gainers included core stocks such as My EG in Malaysia (+9%) and MakeMyTrip in India (+11%).

Three core longs made up the bulk of drag over the month, with Naspers in South Africa (-12%), Edelweiss in India (-11%) and Discovery (-4%) leading the way down. Naspers in particular has been a disappointment, underperforming its core position in Tencent yet again (-5% on the month), which still accounts

for 50% more than the entire market cap of Naspers. These levels are extreme, but there are structural headwinds to them narrowing this discount, as other names such as Yahoo! and Softbank, both worth less than their key stakes, have shown. Other losers were a long position in tertiary education provider Stadio (-15%) and in Tsogo Sun Holdings (-9%), both in South Africa.

The South African market has surprised on the downside as one of the worst performing markets globally, falling 7% in Rand terms. While the South African portion of our portfolio has significantly outperformed the local market, returning a positive performance year to date, we believe there is still significant potential in core names in our long book that have underperformed year to date due to positive reforms that will start to accelerate their growth.

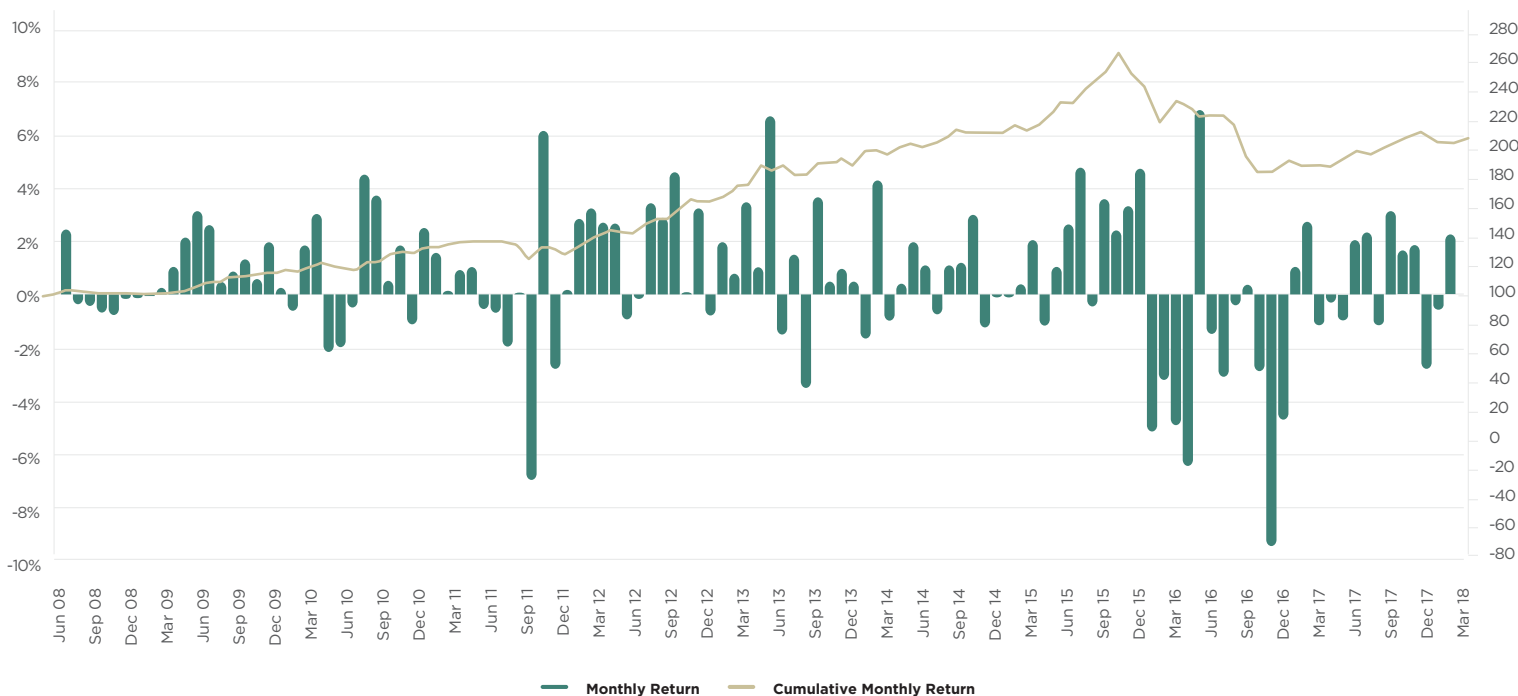
Indeed, much of the performance in the book year to date has been on the short book, where some of the lower volatility and through-the-cycle short positions that rose last year started to sell off aggressively, giving us a good buffer in increasingly choppy markets. We have taken advantage of sell-offs to add to core longs at attractive prices and take some profits in our short names.



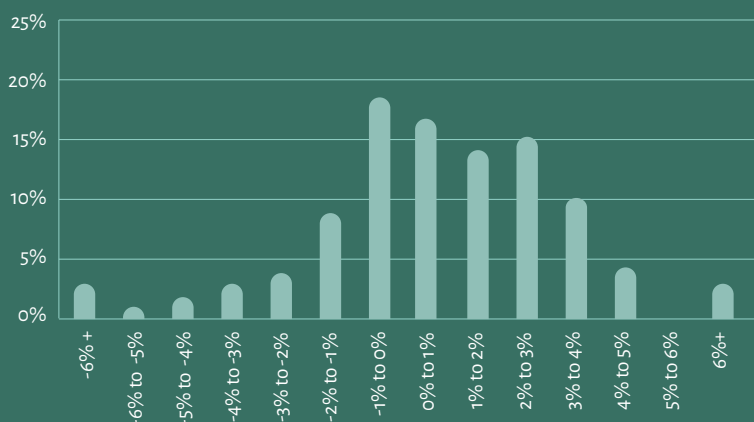
## Historical Monthly Returns - Class A (USD)

	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%	<b>1.6%</b>
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%	<b>16.3%</b>
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%	<b>12.6%</b>
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%)	<b>(2.9%)</b>
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%)	<b>27.4%</b>
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%	<b>17.7%</b>
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%)	<b>9.2%</b>
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%	<b>26.7%</b>
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%)	<b>(29.8%)</b>
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%	<b>12.4%</b>
2018	(2.6%)	(0.3%)	2.4%										<b>(0.6%)</b>

Date: as at 31/03/2018 (net of fees). Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd



## Frequency Distribution of Monthly Returns Since Inception



## Statistics

Assets Under Management (USD)	76.0m
Gross exposure	192%
Net Exposure	81%
% of positive months	62%
% of negative months	38%
Average positive monthly return	2.1%
Average negative monthly return	(1.8%)
Annualised monthly volatility (historic)	9.1%
Sharpe Ratio	0.8
Maximum monthly drawdown	(9.6%)
Maximum cumulative drawdown	(29.8%)

## Exposure

Sector Exposure	Gross	Net
Financials	46%	21%
Consumer Discretionary	31%	16%
Information Technology	29%	19%
Consumer Staples	28%	9%
Materials	21%	14%
Hedge	13%	1%
Industrials	12%	9%
Energy	5%	(5%)
Telecommunication Services	2%	2%
Utilities	2%	(2%)
Real Estate	2%	(2%)
Health Care	1%	(1%)
<b>Grand Total</b>	<b>192%</b>	<b>81%</b>

Country Exposure (based on Revenue split of Invested Companies)	Gross	Net
Africa	55%	30%
Asia Ex-China	51%	30%
Middle East	27%	5%
China	16%	15%
South America	13%	-2%
Eastern Europe	14%	-2%
Europe	7%	6%
ROW	6%	0%
Russia	2%	-2%
Australia	1%	1%
<b>Grand Total</b>	<b>192%</b>	<b>81%</b>

All data:  
Date: as at 31/03/2018 (net of fees).  
Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

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## Important information

ALL DATA:  
as at 31 March 2018 (net of fees) Source: Quintillion Limited & Capricorn Fund Managers (Pty) Ltd

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