

# Capricorn Sanlam Collective Investments Performer Qualified Hedge Fund

## Objective

The CAPRICORN SANLAM COLLECTIVE INVESTMENTS PERFORMER QUALIFIED HEDGE FUND is a Rand denominated South African long/short equity hedge fund. The Portfolio has a strong focus on long term capital appreciation, targeting an absolute return in excess of cash. The Portfolio aims to provide returns with lower volatility and lower drawdowns than equities.

## Summary Statistics

	CURRENT NAV	1 YEAR RETURN	3 YEAR ANNUALISED RETURN	3 YEAR CUMULATIVE RETURN	ANNUALISED* RETURN SINCE INCEPTION	CUMULATIVE RETURN SINCE INCEPTION
<b>Fund</b>	<b>R160m</b>	<b>3.4%</b>	<b>5.2%</b>	<b>16.4%</b>	<b>16.1%</b>	<b>139.4%</b>
<b>Benchmark (CPI)</b>	<b>N/A</b>	<b>4.5%</b>	<b>5.4%</b>	<b>16.9%</b>	<b>5.5%</b>	<b>36.9%</b>

Date: 31/05/2018 Source: Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd

\*Annualised Return is calculated from the historical returns of the fund since inception and is the annual growth rate that gets you from the initial investment value to the ending investment value if you assume that the investment has been compounding annually over the time period.

## Manager's Comments

The South African markets endured an extremely challenging month in May as we were caught in the cross winds of worldwide macro news flow, a shift in US retail investor flows and global reweighting of indices. These factors caused the market to be extremely volatile and ignore many of the fundamental data points that continue to paint a positive outlook for South African companies. A global risk-off environment dominated the month with massive global investment outflows from emerging markets, initially due to the US 10-year bond yield breaking through 3% and then the concerns raised from the Italian elections and a possible breakup of the European Union. The All Share Index shed 3.5% in May, but this was flattered by the Resource sector that returned 3.9%. The Financial and Industrial sectors shed 6.3% and 5.1% respectively. In this tough environment the fund returned -4.4%.

The magnitude of the political change that is currently sweeping through South Africa since the election of Mr Cyril Ramaphosa as the president of the ANC on the 18th of December 2017, and then as the president of the country on the 15th of February 2018 has surprised even the most optimistic pundits. South Africa still faces numerous fiscal, social and administrative challenges, but the message from government cannot be clearer. For the first time in more than a decade, they are open to engage with the private sector and other stakeholders to build a South Africa that can live up to its potential. Numerous data points released during the month continued to show that the outlook for the South African economy continues to improve. Yet, notwithstanding all of the positive news flow many of the South African focused companies are trading at similar price levels than on the 15th of December 2017. In our view, it is incomprehensible to think that the outlook for all of these companies did not improve dramatically since the election of Mr Ramaphosa and the

subsequent improvement in the economic indicators. Although the companies that have reported results thus far have disappointed marginally, it has to be kept in mind that these numbers only reflect three months of the new economic regime. The outlook statements of almost all of these companies remain optimistic albeit with a cautious undertone.

The main detractors of performance for the fund were from our overweight positioning to South African focused companies. Significant losses were experienced in our long positions in Massmart, Bidvest, Truworths and The Foschini Group. Our short book was the significant contributor to positive performance as our short positions in South African telecom industry, food retailers and South African Insurers dropped with the rest of the market.

Looking forward, we are extremely optimistic about the return profile of the portfolio from these levels. The drawdown in South African companies was not based on any fundamental factors and we believe that over time fundamentals will always trump the macro noise. We remain very constructive on the growth profile of South African companies and the current valuation levels provide very enticing entry points..

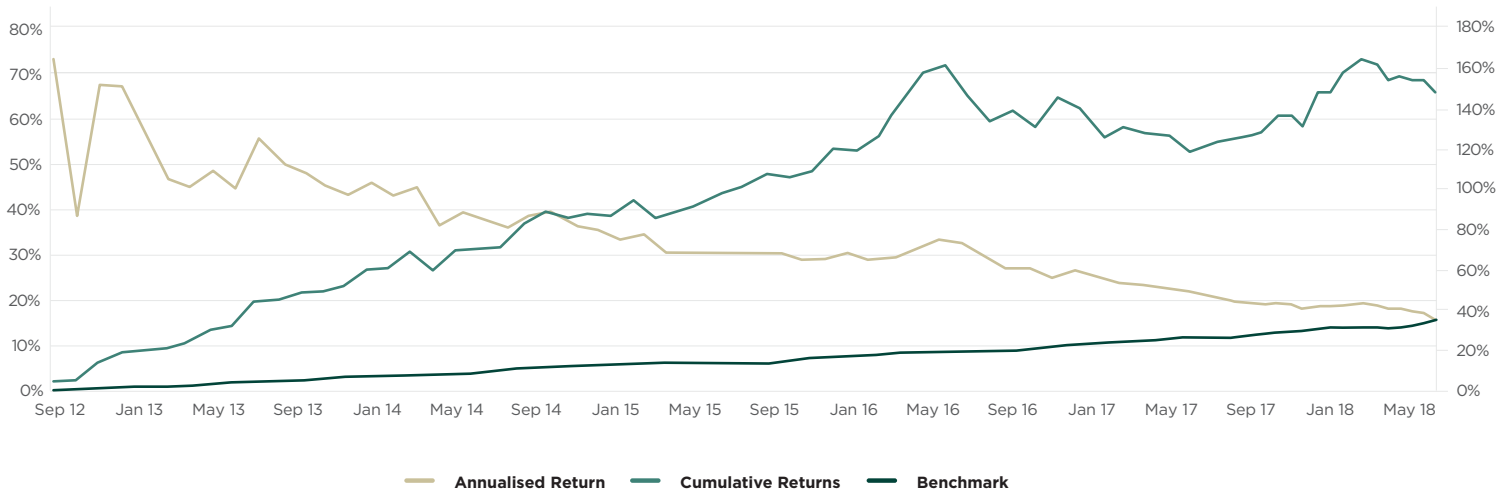


The information contained in this document are the views of the fund manager and does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act, and should be read in conjunction with the MDD. Use of or reliance of this information is at own risk. Independent professional financial advice should be sought before making any investment decision.

# Capricorn Sanlam Collective Investments

## Performer Qualified Hedge Fund

### Graphical Representation of Historical Monthly Returns



Date: 31/05/2018 Source: Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd  
 Important Information: Past performance is not necessarily a guide to future performance.

### Historical Monthly Returns

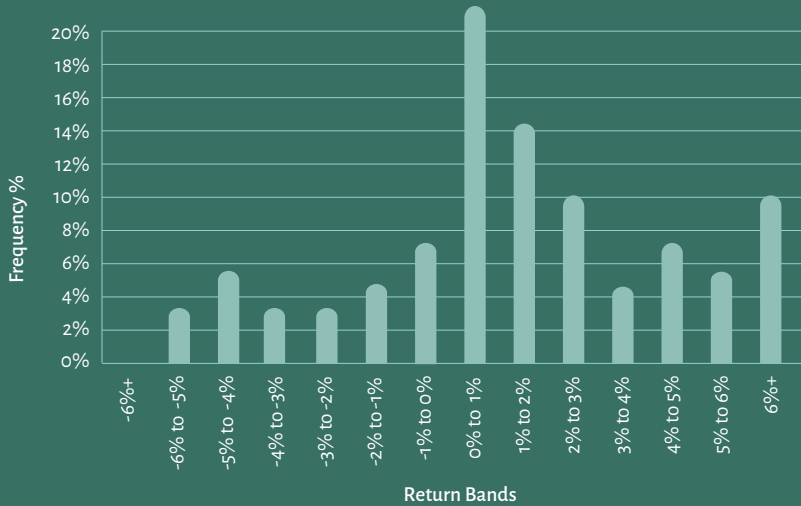
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Benchmark YTD
2012								4.7%	0.8%	7.8%	4.3%	1.4%	<b>20.4%</b>	<b>2.4%</b>
2013	0.6%	2.5%	4.8%	1.3%	9.5%	0.6%	2.0%	0.9%	1.6%	5.5%	0.6%	5.0%	<b>40.6%</b>	<b>5.3%</b>
2014	(5.7%)	6.2%	0.5%	0.5%	6.6%	3.9%	(1.7%)	0.9%	(0.4%)	4.1%	(4.8%)	2.2%	<b>11.9%</b>	<b>5.8%</b>
2015	1.7%	2.9%	2.0%	2.7%	(0.9%)	1.8%	5.1%	(0.5%)	3.3%	7.6%	6.1%	1.3%	<b>38.0%</b>	<b>4.8%</b>
2016	(5.7%)	(4.9%)	1.9%	(3.3%)	6.4%	(2.2%)	(3.3%)	1.2%	(1.4%)	(0.4%)	(4.7%)	0.4%	<b>(15.5%)</b>	<b>6.6%</b>
2017	0.2%	1.0%	0.7%	2.6%	0.2%	(2.2%)	3.1%	5.3%	0.0%	5.9%	2.4%	(0.8%)	<b>19.6%</b>	<b>4.6%</b>
2018	(4.6%)	1.0%	(1.7%)	0.1%	(4.4%)								<b>(9.4%)</b>	<b>2.7%</b>

Italicized returns are net returns for the previously unregulated fund  
 Date: 31/05/2018 Source: Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd.

# Capricorn Sanlam Collective Investments

## Performer Qualified Hedge Fund

### Frequency Distribution of Monthly Returns Since Inception



### Statistics

Assets Under Management (R Million)	160m
Gross exposure	199%
Net Exposure	74%
% of positive months	73%
% of negative months	27%
Average positive monthly return	2.9%
Average negative monthly return	(2.8%)
Annualised monthly volatility (historic)	11.8%
Sharpe Ratio	0.8
Maximum monthly drawdown	(5.7%)
Maximum cumulative drawdown	(15.9%)

Date: 31/05/2018 Source: Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd

Launch Date: (Regulated Fund) 01/09/2016  
Inception Date: 01/08/2012





# Capricorn Sanlam Collective Investments

## Performer Qualified Hedge Fund



May 2018 · Fund Performance

## Contact Information

### Investment Manager

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

### Management Company

Sanlam Collective Investments  
(RF) (Pty) Limited  
T: +27 21 916 6910  
E: [service@sanlamhedgefunds.com](mailto:service@sanlamhedgefunds.com)

## For enquiries please contact

Stephan Engelbrecht

T: +27 11 666 0748

E: [stephane@capricorncapital.com](mailto:stephane@capricorncapital.com)

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## Important Information

Sanlam Collective Investments (RF) (Pty) Ltd registered and approved Manager in Collective Investment Schemes in Securities. Collective investment schemes are generally medium- to long-term investments. Past performance is not necessarily a guide to future performance, and that the value of investments / units / unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available from the Manager on request. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Performance is calculated for the portfolio and the individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax. Performance fees are calculated at 20% above the benchmark performance (CPI). Lump sum

investment performances are being quoted. Sanlam Collective Investments retains full legal responsibility for this co-named portfolio. The portfolio management of the fund is outsourced to Capricorn Fund Managers, an authorised financial services provider in terms of the FAIS Act. The Manager has a right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. The information contained within this document has been prepared by Capricorn Fund Managers (Pty) Ltd and is unaudited. Returns as shown are the weighted average of all issued series. The 2015 fund of the year Award was given in February 2016 and full details and basis of the award are available from the Manager. The 2017 South African Long/Short Equity Fund award was given in February 2018 and full details and basis of the award are available from the manager.