

# Capricorn Sanlam Collective Investments

## Market Neutral Retail Hedge Fund



September 2018 · Fund Performance

### Objective

The CAPRICORN SANLAM COLLECTIVE INVESTMENTS MARKET NEUTRAL RETAIL HEDGE FUND is a Rand denominated low risk, market neutral hedge fund that employs multiple investment methodologies to construct a portfolio. The primary objective of the CAPRICORN SANLAM INVESTMENTS MARKET NEUTRAL RETAIL HEDGE FUND is to deliver superior risk adjusted returns that are uncorrelated to the general market over any 12 (twelve) month period by investing in JSE listed equity instruments.

### 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>R13.7m</b> | <b>1.5%</b>   | <b>1.5%</b>              | <b>4.6%</b>              | <b>9.6%</b>                        | <b>78.9%</b>                      |
| <b>Benchmark (Stefi)</b> | <b>N/A</b>    | <b>7.2%</b>   | <b>7.3%</b>              | <b>23.6%</b>             | <b>6.5%</b>                        | <b>48.8%</b>                      |

Date: 30/09/2018 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 fund produced a strong return of 4.2% in the third quarter of 2018 compared to the FTSE/JSE All Share Index which declined by -2.2% over the same period. For the month of September the fund returned 1.3% in a challenging market while the FTSE/JSE All Share Index contracted substantially by 4.2% and the rand rallied 3.8% against the US Dollar. Other indices also disappointed including MSCI SA which pulled back 1.9% in USD terms and MSCI Emerging Markets Index which was down 0.5% in USD.

South Africa continued to suffer from net foreign outflows from the bond market. The outflows over the past 9 months are now the biggest net foreign outflow over any 9 month period since the emerging market crisis in 1998. On the macro front, recent consumer data continues to show positive but low growth in real spending. The Mastercard SpendingPulse retail sales growth for July was up 2.0% and NAAMSA new passenger vehicle sales were slightly down by -0.3%. Positively, manufacturing production is trending higher and now at 2.9% and we expect a better GDP data point in quarter 3 after the highly disappointing first and second quarter readings. On the international side global trade tensions continue, the fiscal situation in Italy continues to raise concerns and emerging market risks including Brazilian elections and instability in Turkey are playing havoc with global sentiment toward the emerging market asset class.

In the fund, significant contributors to performance stemmed from long positions in Anglo American and our mid-cap South African industrial and financial portfolio. In our view, the market participants are starting to recognize the value that these mid-cap South African Industrial companies with a reasonable earnings outlook are presenting.

Our positive outlook on the earnings profile for these companies was reinforced when we recently met numerous management teams at an investment conference in Cape Town. Anglo American enjoyed a strong month supported by attractive valuations and a supportive base metals environment. We continue to believe that the discount that Anglo American is trading on relative to other global diversified miners is unjustified and will continue to contract over time. The key detractor of performance in September was our long-held long position in Naspers. Naspers is now down 12% year to date despite having a relatively unique and enticing growth profile in the South African investment universe. We continue to see value in Naspers, driven by earnings growth from its maturing online classified businesses, continued growth from Tencent and the value unlock in closing the discount to NAV that the management of Naspers is pursuing.

We remain optimistic about the positioning of our high quality, growth portfolio into the last quarter of this year and into 2019. Valuations of high quality South African companies remain attractive and the indiscriminate selling when money flows out of South African equities provide good entry-points. We believe that very little of a potential economic recovery in South Africa is currently being priced in.

We thank you for your continued support.

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.

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### Graphical Representation of Historical Monthly Returns



Date: 30/09/2018 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

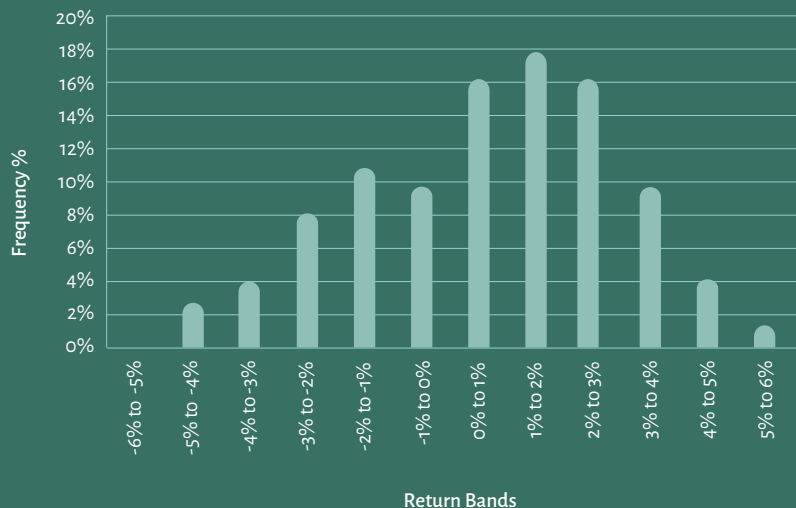
|      | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct  | Nov    | Dec    | YTD            | Benchmark YTD |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------|--------|--------|----------------|---------------|
| 2012 |        |        |        |        |        | (0.6%) | 2.3%   | 0.3%   | 1.2%   | 2.8% | 0.4%   | (2.6%) | <b>3.8%</b>    | <b>3.1%</b>   |
| 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%   | <b>25.8%</b>   | <b>5.2%</b>   |
| 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%   | <b>10.4%</b>   | <b>5.9%</b>   |
| 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%   | <b>34.8%</b>   | <b>6.5%</b>   |
| 2016 | (3.8%) | (4.0%) | (2.5%) | (2.6%) | 5.7%   | (2.6%) | (4.1%) | (0.4%) | (0.3%) | 0.4% | (2.4%) | (1.3%) | <b>(16.8%)</b> | <b>7.4%</b>   |
| 2017 | 0.5%   | 0.0%   | 1.1%   | 1.6%   | 0.7%   | (1.2%) | 1.7%   | 3.5%   | 0.6%   | 2.9% | 1.2%   | (3.9%) | <b>8.8%</b>    | <b>7.5%</b>   |
| 2018 | (2.3%) | 0.4%   | (0.1%) | (1.1%) | (1.1%) | 1.5%   | 0.3%   | 2.6%   | 1.3%   |      |        |        | <b>1.4%</b>    | <b>5.4%</b>   |

Italicized returns are net returns for the previously unregulated fund  
 Date: 30/09/2018 Source: Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd

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### Frequency Distribution of Monthly Returns Since Inception



### Statistics

|  |         |
|--|---------|
| Assets Under Management (R Million)      | 13.7 m  |
| Gross exposure                           | 126%    |
| Net Exposure                             | 18%     |
| % of positive months                     | 66%     |
| % of negative months                     | 34%     |
| Average positive monthly return          | 2.2%    |
| Average negative monthly return          | (1.8%)  |
| Annualised monthly volatility (historic) | 8.3%    |
| Sharpe Ratio                             | 0.4     |
| Maximum monthly drawdown                 | (4.2%)  |
| Maximum cumulative drawdown              | (17.1%) |

Date: 30/09/2018 Source: Maitland Fund Services (Pty) Ltd and Capricorn Fund Managers (Pty) Ltd

Launch Date: (Regulated Fund) 01/08/2016  
Inception: Date 01/06/2012



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### Contact Information

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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 (STEFI). 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.