

Fairtree Equity Market Neutral SNN QI Hedge Fund Minimum Disclosure Document - Class 1

31 July 2019

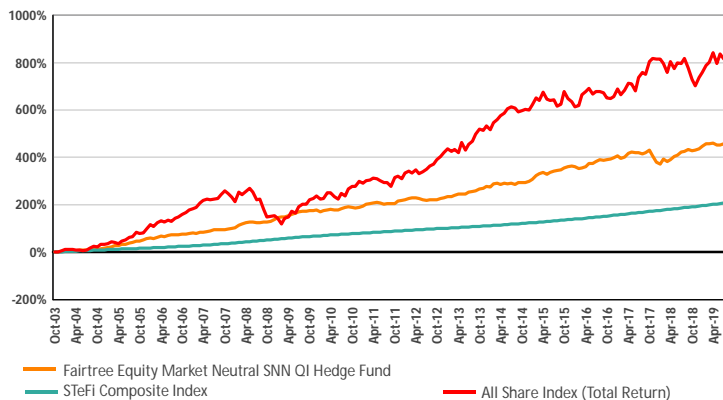
Fund Profile

The Fairtree Market Neutral SNN QI Hedge Fund was launched in 2003. The fund's portfolio typically spans all South African equity sectors, including financials, industrial, retailers and resources. The majority of exposure will be in the top 100 listed equities on the JSE, by market capitalisation. Our portfolio construction approach assigns exposures into different risk buckets; namely low risk intra-sector pairs, cross-sector pairs, themes and absolute value. Intra-sector pairs typically dominate the portfolio and position sizes rarely exceed 10%. Leverage rarely exceeds 2.5 times and net exposure, once beta adjusted is generally close to zero. The fund aims to return Cash plus 5 - 7% annually, on a rolling 3 year basis.

Investment Strategy

The portfolio is focused on extracting alpha returns from South African equity markets. These returns are accessed through a fundamental understanding of South African stock vis-à-vis economic growth and broad economic themes as well as medium and long term relative valuation opportunities.

Cumulative Performance Since Inception



Fund Source: Sanne Fund Services SA (Pty) Ltd as at July 2019
Index Source: Bloomberg as at July 2019

Return Analysis

	Fund	All Share Index	STeFi
1 Month	0.63%	-2.37%	0.61%
3 Months	-0.74%	-2.66%	1.82%
6 Months	1.95%	6.56%	3.60%
1 Year	6.41%	2.19%	7.33%
3 Years	15.64%	17.86%	24.06%
5 Years	42.62%	28.53%	40.98%
Since Inception	456.57%	815.87%	207.14%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.75	0.54	-0.68
Sortino Ratio	1.34	0.99	-0.98
Standard Deviation	5.14%	14.63%	0.46%
Best Month	4.98%	12.45%	1.04%
Worst Month	-5.40%	-13.24%	0.00%
Best Rolling 12 Months	34.02%	73.00%	11.79%
Worst Rolling 12 Months	-7.12%	-37.59%	5.16%
Largest Cumulative Drawdown	-10.96%	-40.44%	n/a
% Positive Months (Since Inception)	77.25%	62.43%	n/a
Correlation (Monthly)	0.30		
Value at Risk (VaR) 95%	2.62%		

The above benchmark(s) are for comparison purposes with the fund's performance. The fund does not follow the benchmark(s).

Fund Details

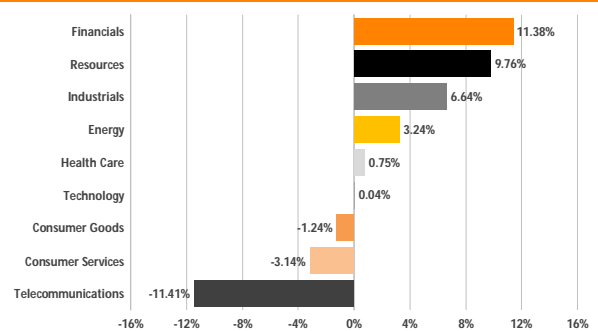
Risk Profile:	Medium
Portfolio Manager:	Andre Malan and Jacobus Nel
Fund size (in Millions):	R 61.5
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 5,665.00
Number of Units:	9,283.66
JSE Code:	FTEQMN
ISIN Number:	ZAE000259081
Inception Date:	30 November 2003
CISCA Inception Date:	1 October 2016
Fund Structure:	CIS Trust
Fund Category:	Equity Market Neutral
Hurdle:	3 month JIBAR
Minimum Investment:	R1 000 000 Lump sum
Fees	
Management Fee:	1% p.a (excl. VAT)
Performance fee (uncapped):	20 % of excess above the high water mark, subject to a hurdle rate of 3 month JIBAR (excl.VAT)
Cost Ratios (incl. VAT)	
Total Expense Ratio (TER%):	2.92%
Transactions Costs Ratio (TC%):	0.68%
* Total Investment Charges (TIC%):	3.60%
Performance Fee (PF) Included in TER:	0.93%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 cpu for December 2018
Investment Manager contact details	Fairtree Asset Management (Pty) Ltd
Telephone Number:	+27 86 176 0706
Website:	www.fairtree.com

*Total Investment Charges (TIC%) = TER (%) + TC (%)

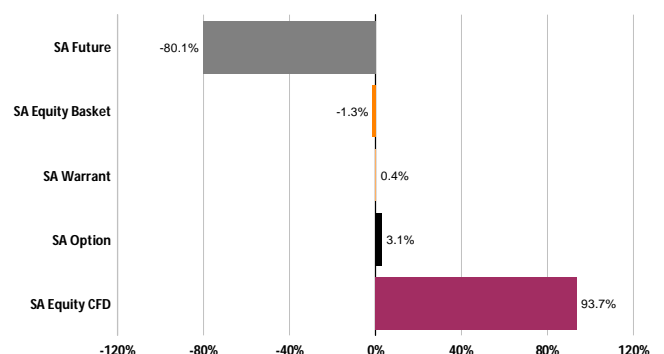
Portfolio Objective

The long-term objective of the portfolio is to achieve consistent absolute returns through investment in long/short equities based strategies.

Sector Allocation



Asset Allocation



Increase in NAV Attributable to Investors

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2003											0.05%	2.25%	2.30%
2004	1.00%	1.44%	2.03%	0.28%	0.21%	0.39%	0.23%	0.80%	1.33%	0.46%	1.86%	3.29%	14.11%
2005	2.52%	3.00%	3.78%	0.65%	3.08%	0.75%	4.19%	2.00%	3.26%	0.60%	2.60%	3.28%	34.01%
2006	1.48%	-0.19%	2.95%	2.46%	-1.30%	2.60%	2.91%	0.01%	-0.98%	1.41%	-0.07%	1.80%	13.76%
2007	1.25%	-0.27%	2.38%	0.75%	0.02%	2.41%	2.15%	0.42%	-0.54%	1.15%	0.22%	1.37%	11.86%
2008	1.97%	4.98%	2.85%	2.32%	1.29%	-0.21%	-0.65%	-0.19%	0.85%	0.72%	0.27%	4.01%	19.60%
2009	2.71%	1.23%	0.46%	1.77%	2.56%	1.53%	2.13%	1.76%	-0.44%	1.11%	-0.45%	1.21%	16.66%
2010	-2.29%	1.66%	0.70%	1.00%	-0.83%	0.00%	2.20%	1.84%	0.45%	-0.27%	-1.01%	0.60%	4.03%
2011	1.94%	2.23%	1.26%	1.18%	0.44%	-1.10%	-0.95%	0.66%	0.07%	-0.14%	3.10%	1.42%	10.49%
2012	0.46%	1.78%	0.54%	0.03%	-0.52%	-1.37%	-1.15%	0.57%	-0.11%	0.70%	1.57%	0.31%	2.79%
2013	1.61%	0.60%	1.08%	1.86%	0.18%	0.14%	2.15%	0.55%	0.97%	2.06%	0.48%	2.30%	14.88%
2014	-0.63%	3.55%	0.80%	-1.11%	0.93%	-0.23%	0.22%	-1.30%	2.06%	0.50%	-0.51%	1.73%	6.06%
2015	1.56%	4.42%	1.90%	1.12%	-1.73%	1.60%	1.34%	0.80%	0.26%	1.95%	0.89%	0.68%	15.73%
2016	-0.16%	-1.80%	0.67%	0.92%	3.12%	-0.32%	1.57%	1.66%	-0.09%	0.32%	0.59%	1.28%	7.95%
2017	1.62%	-2.26%	0.90%	3.12%	1.25%	-0.66%	0.24%	-0.96%	0.83%	1.87%	-4.26%	-5.40%	-4.00%
2018	-1.68%	4.61%	-2.22%	1.67%	2.57%	1.44%	2.52%	0.25%	1.68%	-0.87%	0.56%	0.95%	11.88%
2019	1.74%	2.08%	-0.11%	0.73%	-1.32%	-0.04%	0.63%						3.73%

*The inception date for the portfolio is 1 November 2003. The historical performance figures until the end of 31 October 2016 reflect performance achieved prior to CISCA regulation. The portfolio has been transitioned under CISCA regulations on 1 November 2016 and has since been managed as a regulated product. The annualized total return is the average return earned by an investment each year over a given time period, since date of the launch of the fund. Actual annual figures are available from the manager on request. The highest and lowest 1 year returns represent the highest and lowest actual returns achieved during a 12 month rolling period year since the original launch date of the portfolio. The performance figures given show the yield on a Net Asset value ("NAV") basis. The yield figure is not a forecast. Performance is not guaranteed and investors should not accept it as representing expected future performance. Individual investor performance may differ as a result of initial fees, time of entry/actual investment date, date of reinvestment, and dividends withholding tax. Performance is calculated for a lump sum investment on a Net Asset Value basis. The performance figures are reported net of fees with income reinvested.

Risk Profile

Risk Level: **Low** **Low-Medium** **Medium** **Med-High** **High**

The risk category shown is not guaranteed and may change over time. The lowest category does not mean the investment is risk free. There may be other special areas of risk relating to the investment including liquidity risk, credit risk, market risk, and settlement risk. Sanne Management Company (RF) (Pty) Ltd, ("the manager"), and the investment manager do not render financial advice. Our risk indicator does not imply that the portfolio is suitable for all types of investors. You are advised to consult your financial adviser.

Portfolio Valuation & Transaction Cut-Off

Portfolios are valued monthly. The cut off time for processing investment subscription is 10:00am on the last day of the month prior to enable processing for investment on the first day of the next month.

Total Expense Ratio

A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. Transaction Costs are a necessary cost in administering the financial product and impacts financial product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER.

Market Commentary

The fund had a decent performance, despite the JSE All share (-2.4%) ending in the red. There were many stock specific events that led to many extreme diverging moves. The fund was not too exposed to the names discussed below.

On the positive side, PepsiCo made a handsome R110 bid for Pioneer (+49.5%). They are clearly taking a constructive longer-term view on South Africa. This is encouraging, as South Africa is desperate for Foreign Direct Investment.

Woolworths (+12.5%) issued a trading update that indicated that the South African business might be getting some positive momentum. It is too early to tell whether it is specific to them, or driven by the general retail environment. The Massmart (-17.5%) trading statement would suggest that things are still extremely tough out there. Our unemployment numbers hit record highs, and South Africans are seeing negative real wage growth. Speaking to corporates, the majority are laser-focused on controlling costs and reducing headcount. It is therefore tough to see where the spending power will come from.

The following long positions were the biggest drag on the fund: Mr Price (-11.01%), Rand Merchant Insurance (-9.0%), Nedbank (-4.8%). They underperformed against our short positions in Clicks (-0.5%), Foschini (-5.6%) and Multichoice (+0.3%). Most SA Inc stocks are selling off due to a general risk-off sentiment. Furthermore, South Africa is facing a credit rating downgrade, as Eskom becomes a bigger drag on the fiscus.

Our constructive view on the Platinum sector paid off, with Impala (+10.5%) and Northam (+6.8%) performing well. This sector's investment case is largely independent on the slowing global economy, with the PGM market becoming tighter due to falling mine supply, and increased demand due to regulation.

Sasol (-11.3%) dropped further after a very poor trading statement. Poor execution of their cracker project has placed their balance sheet under pressure. On top of that, the chemicals market is struggling, because of weak demand, while a lot of new capacity is being added.

Anglo American's (-12.6%) results were decent, and they announced a buyback to boost shareholder returns. De Beers delivered a weak result, due to the diamond industry that is going through a destocking cycle. There is also an overhang due to Agarwal's announcement that he will be selling his direct stake, and unwinding the structure that gave him 19% of the voting rights. We believe this offers an attractive entry point.

We are entering results' season, which is supposed to determine the direction for stocks. But Donald ("tariff man") Trump decided to spice things up with a tweet about an additional 10% tariff on Chinese goods. China responded by weakening their currency and to stop importing US Agriculture products. Time will tell whether this is part of hard negotiations, or a big step closer to the next recession.

Please Note: The above commentary is based on reasonable assumptions and is not guaranteed to occur.

Mandatory Disclosures

Investment Manager: Fairtree Asset Management (Pty) Ltd, **Registration Number:** 2004/033269/07 is an authorised Financial Services Provider (FSP25917) under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No.37 of 2002). Please be advised that there may be representatives acting under supervision. **Physical Address:** Willowbridge Place, Cnr. Carl Cronje and Old Oak Road, Bellville, 7530. **Postal Address:** PO Box 4124, Tygervalley, 7536. **Telephone Number:** +27 86 176 0760. **Website:** www.fairtree.com.
Management Company: Sanne Management Company (RF) (Pty) Ltd (the "Manager"), **Registration Number:** 2013/096377/07, is authorised in terms of the Collective Investment Schemes Control Act (CISCA) to administer Collective Investment Schemes (CIS). **Directors:** J F Louw (Chairman)*, L Fourie, G P Rate (Managing Director), I Burke*, H J Pienaar*. **Physical Address:** Pier Place, Heerengracht Street, Foreshore, Cape Town, South Africa. **Telephone Number:** +27 21 202 8282. **Website:** www.snnmanco.com, **Trustee:** FirstRand Bank Limited, Johannesburg, **Telephone:** +27 87 736 1732.

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*Non-Executive

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