

## Fairtree Assegai Equity Long Short IDS QI Hedge Fund Minimum Disclosure Document - Class A1

April 2017

### Fund Profile

The fund is a directionally biased Long / Short equity fund which will not hesitate to capture equity market beta when conditions allow for it. The objective of the fund is to generate the largest portion of its returns through its directional bias, in so doing capturing 60% of the upside return of the market, while protecting against 60% of the downside. Relative value pairs, together with absolute longs and shorts seek to stabilise returns in turbulent market conditions, supported by the adjustment to the net exposure. Leverage is on average at 2.5 times and net exposure will vary with the fund manager's view of the market.

### 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. IDS 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.

### Fund Details

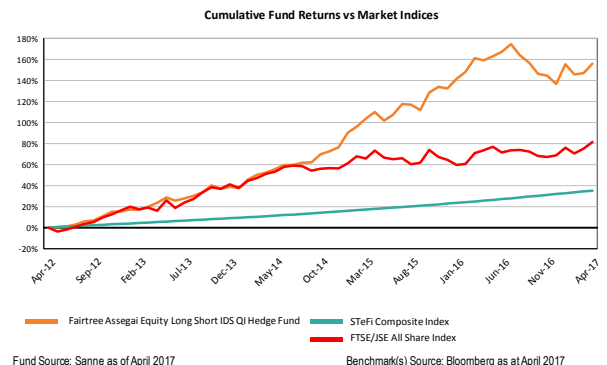
<b>Investment Manager:</b>	Fairtree Capital (Pty) Limited	<b>Fund size:</b>	R 1,370 billion
<b>Portfolio Manager:</b>	Stephen Brown	<b>Benchmark:</b>	The portfolio does not follow a benchmark
<b>Inception Date:</b>	May 2012	<b>Analysis Currency:</b>	ZAR
<b>CISCA Inception Date:</b>	1 October 2016	<b>Minimum Investment:</b>	ZAR 1,000,000.00
<b>Cost Ratios (incl. VAT):</b>		<b>Income Distribution:</b>	
<b>Total Expense Ratio (TER%):</b>	1.26%	<b>Declaration:</b>	Last day of February & December
<b>Transactions Costs Ratio (TC%):</b>	0.62%	<b>Distribution Total for the past 12 months:</b>	0.00 cpu for February 2017
<b>Total Investment Charges (TIC%):</b>	1.88%	<b>Domicile:</b>	South Africa
<b>Fees:</b>		<b>Fund Structure:</b>	CIS Trust
<b>Initial Fee - Adviser (incl. VAT):</b>	0% - 3.42%	<b>Fund Category:</b>	Equity Long-Short
<b>Annual Base Fee:</b>	1% (excl. VAT)	<b>Auditor:</b>	Deloitte
<b>Performance fee:</b>	20% of the total performance (after deductions of the annual base fee) above the high water mark, subject to a hurdle rate of 3 month JIBAR (excl. VAT). The Performance Fee is uncapped.		

### Increase in NAV Attributable to Investors

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012					0.46%	0.63%	1.83%	2.97%	0.83%	3.83%	3.84%	0.12%	<b>15.37%</b>
2013	1.58%	-0.26%	2.64%	3.03%	4.19%	-2.43%	1.83%	1.77%	2.53%	5.02%	-2.22%	1.49%	<b>20.61%</b>
2014	-1.16%	5.97%	3.19%	1.36%	2.10%	2.59%	0.07%	1.30%	0.16%	4.76%	1.68%	2.08%	<b>26.70%</b>
2015	7.93%	2.99%	3.94%	3.11%	-3.91%	2.80%	4.96%	-0.38%	-2.37%	7.99%	2.37%	-0.72%	<b>31.82%</b>
2016	3.98%	2.67%	5.32%	-0.81%	1.56%	1.50%	2.75%	-3.80%	-2.64%	<b>-4.21%</b>	<b>-0.75%</b>	<b>-3.24%</b>	<b>1.80%</b>
2017	<b>8.05%</b>	<b>-3.84%</b>	<b>0.53%</b>	<b>3.60%</b>									<b>8.21%</b>

\*The inception date for the portfolio is 01 May 2012. The historical performance figures until the end of 30 September 2016 reflect performance achieved prior to CISCA regulation. The portfolio has been transitioned under CISCA regulations on 01 October 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.

### Cumulative Performance Since Inception



### Investment Performance Summary

	Fairtree Assegai Equity LS IDS QI Hedge Fund	FTSE/JSE All Share Index	STeFi Composite Index	Fairtree Assegai Equity LS IDS QI Hedge Fund	FTSE/JSE All Share Index	STeFi Composite Index
<b>Performance comparison</b>						
Inception date	May-12	May-12	May-12			
Current month	Apr-17	Apr-17	Apr-17			
Total period (No. months)	60	60	60			
Analysis currency	ZAR	ZAR	ZAR			
<b>Return analysis</b>						
Return for current month	3.60%	3.64%	0.61%			
Total return (since inception)	155.99%	81.58%	35.24%			
Average annualised return (since inception)	20.68%	12.67%	6.22%			
Current 12 month rolling return	-1.23%	4.50%	7.64%			
Best 12 month rolling return	38.34%	32.74%	7.64%			
Worst 12 month rolling return	-5.44%	-4.37%	5.16%			
<b>Consistency analysis</b>						
% Up months (since inception)	75.00%	65.00%	100.00%			
% Up months (last 12 months)	50.00%	58.33%	100.00%			
Standard deviation (since inception - annualised for periods > 12 months)	9.92%	10.43%	0.25%			
<b>Risk analysis</b>						
Downside deviation (since inception - annualised Risk free)	4.72%	5.45%	0.06%			
Largest monthly drawdown	-4.21%	-5.70%	n/a			
Average monthly drawdown	-2.18%	-2.32%	n/a			
Largest cumulative drawdown	-13.83%	-8.33%	n/a			
<b>Risk/ return analysis</b>						
Total gain / Total loss	3.97	2.29	n/a			
Average gain / Largest loss	0.69	0.50	n/a			
Average gain / Average loss	1.32	1.23	n/a			
Sharpe ratio (since inception - annualised for periods > 12 months)	1.34	0.62	-0.33			
Sortino ratio (since inception - annualised for periods > 12 months)	2.83	1.18	-0.49			
<b>Market correlation</b>						
Index correlation (ALSI)	0.59 (Monthly)					
Index correlation (ALSI)	0.67 (Daily)					

Please note: All funds returns quoted net of fees.

### Objective/Investment Policy and Mandate

The long-term objective of the portfolio is to achieve consistent absolute returns through investment in long/short equity based strategies. The portfolio may use leverage to a maximum of 3.5 times the net asset value of the portfolio. Excluded from this calculation shall be the investments in the portfolio solely used to enhance the interest earned by the portfolio.

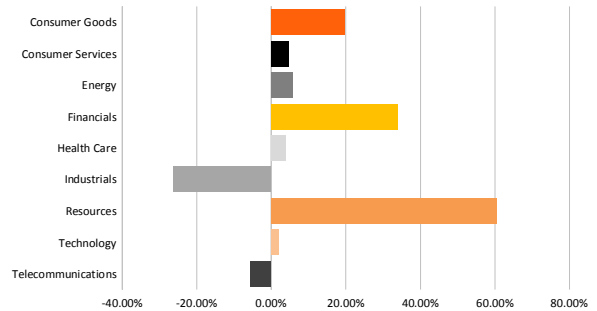
#### Limits and Constraints:

- The portfolio is precluded from raising any debt funding over and above that achieved in terms of the long/short process;
- No net individual equity position shall exceed 15% of capital;
- Directional exposure limit to 120% of current underlying capital on the long side and up to 20% of current underlying capital on the short side;
- The portfolio shall at all times hold a minimum of 10 equity positions; and
- The portfolio will limit exposure to equities based upon liquidity.

#### Asset Allocation

0.3% SA Equity, -7.7% SA Equity Basket, 130.3% SA Equity CFD, -23.4% SA Future, -1.4% SA Option

### Sector Allocation



### 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. The TER is reported excluding performance fees for the first 12 months of the portfolio. The Manager has applied its mind hereto and is of the view that any reporting of TER with performance fee at this stage may be inaccurate and potentially misleading to investors.

### Market Commentary

April was an eventful month in South Africa, with both S&P and Fitch downgrading SA's credit rating to junk after President Zuma's cabinet reshuffle on 30 March. This included the replacement of well-regarded Finance Minister Pravin Gordhan with Zuma loyalist Malusi Gigaba. In addition, Moody's has placed South Africa on review for possible downgrade. Politics and popular protests over the cabinet re-shuffle dominated the headlines during the month. On 26 April the Western Cape High Court ordered the government to cancel its nuclear build program saying it must hold hearings and debate the ≈ZAR 1tn (\$76 billion) program in Parliament. March CPI at 6.1% came lower than consensus of 6.3% driven by both lower food and core inflation.

As expected, the rand weakened on news of the credit rating downgrades, but rebounded to end the month up 0.3% at 13.37 as very strong buying of SA bonds by foreign investors supported the currency. SA equities recorded outflows both in April (R4.1bn) and YTD (R38.6bn), lagging EM equity inflows of \$22.8bn YTD, the fastest start to a year since 2013.

Consumer Services (+7.3%), Technology (+6.0%), Specialty Chemicals (+4.6%), Healthcare (+4.5%) and Consumer Goods (+4.0%) outperformed while Financials (+3.6%), Industrials (+2.8%), Telecoms (+2.2%) and Basic Materials (+0.0%) lagged FTSE JSE/ALSI (+3.6%) in April. Mediclinic was a strong performer, up 18.6%, on news that a 20% co-pay on private treatment in Abu Dhabi had been scrapped. Iron ore producers Kumba, Assore and African Rainbow were some of the weakest stocks in April, all down over 10% in response to the fall in the iron ore price.

We are concerned about GDP growth in South Africa, with increased taxes, a delay in interest rate cuts, pressure on the consumer and weak credit extension all contributing to subdued consumption. Weak business confidence and a lack of investment in capital for growth means that investment levels are not supportive of growth. The rand has shrugged off the cabinet reshuffle and ratings downgrade, but these events do indicate a significant deterioration in political risk. We would expect rand weakness and an increase in funding costs to follow, and so have cut exposure to banks and retailers in the portfolio, while increasing positions in life insurers and rand hedges.

We continue to believe that the global economy is strong, with PMIs in the US and Europe increasing nicely from levels seen last year, and the return of fiscal stimulus in the US a tailwind. Chinese growth is also expected to remain robust, with property market resilience evident in floor space sold increasing at annualized rates of c30%. With economic growth underpinning demand, and growth capex for supply expansion constrained, we remain constructive on commodity prices. Equities in the resource sector are attractive at present, with free cash flow yields at spot commodity prices north of 10% and EV/EBITDA multiples at low levels across the sector. In addition, local resource companies are operationally geared to a weaker rand.

Please Contact: **Melanie Louw** Tel: +27 21 943 3760 or e-mail: clients@fairtree.com

### Glossary

- NAV:** The net asset value represents the assets of a Fund less its liabilities.
- Alpha:** Denoted the outperformance of the Fund over the benchmark.
- Sharpe Ratio:** The Sharpe ratio is used to indicate the excess return the portfolio delivers over the risk free rate per unit of risk adopted by the fund.
- Sortino Ratio:** The Sortino Ratio is used to measure the risk-adjusted return of the fund.
- Standard Deviation:** The deviation of the return stream relative to its own average.
- Max Drawdown:** The maximum peak to trough loss suffered by the Fund since inception.
- Max Gain:** Largest increase in any single month.
- % Positive Month:** The percentage of months since inception where the Fund has delivered positive return.
- Average Duration:** The weighted average duration of all the underlying interest bearing instruments in the Fund
- Average Credit quality:** The weighted average credit quality of all the underlying interest bearing instruments in the Fund (internally calculated).
- Dividend Yield:** The weighted average dividend yield of all the underlying equity in the Fund. The dividend yield of each company is the dividends per share divided by the price.
- PE Ratio:** The weighted average price earnings ratio of all the underlying equity in the Fund. The price earnings ratio of each company is the price divided by the earnings per share.
- High Water Mark:** The highest level of performance achieved over a specified period.
- Total Expense Ratio (TER%):** The Total Expense Ratio (TER) is the percentage of the net asset value of the class of the Financial Product incurred as expenses relating to the administration of the Financial Product.
- Performance fee incl. in TER (%)(PP%):** The Performance Fee is a payment made to the Investment Manager for generating positive returns, and is generally calculated as a percentage of investment profits, often both realized and unrealized.
- Transactions Costs Ratio (TC%):** The Transaction Costs (TC) is the percentage of the net asset value of the Financial Product incurred as costs relating to the buying and selling of the assets underlying the Financial Product.
- Total Investment Charges (TIC%) = (TER (%) + TC (%)):** The Total Investment Charges (TIC), the TER + the TC, is the percentage of the net asset value of the class of the Financial Product incurred as costs relating to the investment of the Financial Product. It should be noted that a TIC is the sum of two calculated ratios (TER+TC).

### Mandatory Disclosures

**Investment Manager:** Fairtree Capital (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 21 943 3760. **Website:** www.fairtree.com.

**Management Company:** IDS 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) in Securities. **Physical Address:** 5th Floor, 8 St. Georges Mall, Cape Town, 8001. **Telephone Number:** +27 21 202 8282. **Website:** www.sannegroup.co.za.

Collective Investment Schemes are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investments are traded at ruling prices and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions, as well as a detailed description of how performance fees are calculated and applied, is available on request from IDS Management Company (RF)(Pty) Ltd ("the Manager"). The Manager does not provide any guarantee in respect to the capital or the return of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressure and in such circumstances, a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. Commission and incentives may be paid, and if so, are included in the overall costs. The Manager may close the portfolio to new investors in order to manage it efficiently according to its mandate. Prices are published daily on our website and local media. Additional information, including key investor information documents, minimum disclosure documents, as well as other information relating to the basis on which the manager undertakes to repurchase participatory interests offered to it, and the basis on which selling and repurchase prices will be calculated, is available, free of charge, on request from the Manager. The value of an investment is dependent on numerous factors which may include, but not limited to, share price fluctuations, interest and exchange rates and other economic factors. Where foreign investments are included in the portfolio, performance is further affected by uncertainties such as changes in government policy, political risks, tax risks, settlement risks, foreign exchange risks, and other legal or regulatory developments. The Manager is registered and approved by the Financial Services Board under CISCA. The Manager retains full legal responsibility for the portfolio. FirstRand Bank Limited, acting through the RMB Custody and Trustee Division, is the appointed trustee. Fairtree Capital (Pty) Limited, FSP No. 25917, is authorised under the Financial Advisory and Intermediary Services Act 37 of 2002 to render investment management services.

### Disclaimer

This document is confidential and issued for the information of the addressee and clients of the Manager only. It is subject to copyright and may not be reproduced in whole or in part without the written permission of the Manager. The information, opinions and recommendations contained herein are and must be construed solely as statements of opinion and not statements of fact. No warranty, expressed or implied, as to the accuracy, timeliness, completeness, fitness for any particular purpose of any such recommendation or information is given or made by the Manager in any form or manner whatsoever. Each recommendation or opinion must be weighed solely as one factor in any investment or other decision made by or on behalf of any user of the information contained herein and such user must accordingly make its own study and evaluation of each strategy/security that it may consider purchasing, holding or selling and should appoint its own investment or financial or other advisers to assist the user in reaching any decision. The Manager will accept no responsibility of whatsoever nature in respect of the use of any statement, opinion, recommendation or information contained in this document. This document is for information purposes only and does not constitute advice or a solicitation for funds.