

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

### 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

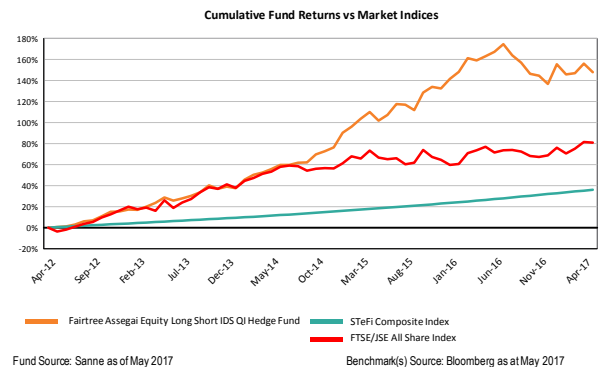
<b>Investment Manager:</b>	Fairtree Capital (Pty) Limited	<b>Fund size:</b>	R 1,419 billion
<b>Portfolio Manager:</b>	Stephen Brown	<b>Benchmark:</b>	The portfolio does not follow a benchmark
<b>Inception Date:</b>	May 2012	<b>Analysis Currency:</b>	ZAR
<b>CISCA Inception Date:</b>	1 October 2016	<b>Minimum Investment:</b>	ZAR 1,000,000.00
<b>Cost Ratios (incl. VAT):</b>		<b>Income Distribution:</b>	
<b>Total Expense Ratio (TER%):</b>	1.58%	<b>Declaration:</b>	Last day of February & December
<b>Transactions Costs Ratio (TC%):</b>	0.78%	<b>Distribution Total for the past 12 months:</b>	0.00 cpu for February 2017
<b>Total Investment Charges (TIC%):</b>	2.36%	<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>-3.10%</b>								<b>4.86%</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	May-17	May-17	May-17			
Total period (No. months)	61	61	61			
Analysis currency	ZAR	ZAR	ZAR			
<b>Return analysis</b>						
Return for current month	-3.10%	-0.42%	0.63%			
Total return (since inception)	148.06%	80.81%	36.09%			
Average annualised return (since inception)	19.57%	12.36%	6.25%			
Current 12 month rolling return	-5.76%	2.18%	7.65%			
Best 12 month rolling return	38.34%	32.74%	7.65%			
Worst 12 month rolling return	-5.76%	-4.37%	5.16%			
<b>Consistency analysis</b>						
% Up months (since inception)	73.77%	63.93%	100.00%			
% Up months (last 12 months)	41.67%	50.00%	100.00%			
Standard deviation (since inception - annualised for periods > 12 months)	10.06%	10.37%	0.26%			
<b>Risk analysis</b>						
Downside deviation (since inception - annualised Risk free)	4.86%	5.40%	0.06%			
Largest monthly drawdown	-4.21%	-5.70%	n/a			
Average monthly drawdown	-2.24%	-2.23%	n/a			
Largest cumulative drawdown	-13.83%	-8.33%	n/a			
<b>Risk/ return analysis</b>						
Total gain / Total loss	3.62	2.27	n/a			
Average gain / Largest loss	0.69	0.50	n/a			
Average gain / Average loss	1.29	1.28	n/a			
Sharpe ratio (since inception - annualised for periods > 12 months)	1.23	0.59	-0.29			
Sortino ratio (since inception - annualised for periods > 12 months)	2.55	1.14	-0.43			
<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.

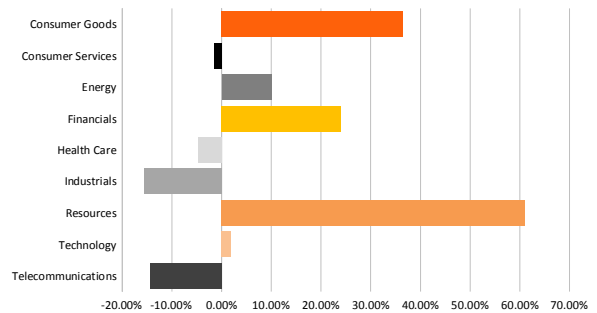
#### Limits and Constraints:

- 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, -7.5% SA Equity Basket, 115.6% SA Equity CFD, -0.3% SA Option, -10.9% SA Future

### 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

During May the SARB kept rates steady at 7%, but its tone was less dovish than markets had anticipated. In particular, the MPC highlighted risks from an uncertain global backdrop and domestic political developments, which appeared to dominate considerations of an increasingly benign inflation outlook. The SARB now expects inflation to average 5.7% in 2017 (previously 5.9%) and 5.4% in 2018 (5.5%), with core inflation projected at 5% this year (5.4%) and 5.1% next year (5.2%). The SARB also trimmed its growth projections 0.2%-pt in 2017 and 2018, to 1% and 1.5%, respectively, and to 1.7% (from 2%) in 2019, mainly due to weak business and consumer confidence and the expected impact of the sovereign downgrade on investment.

The ANC NEC decided not to vote on a no-confidence motion in President Zuma. Fifty-four members of the NEC spoke in favour of Zuma, with only eighteen saying they wanted him to quit. We think President Zuma's exit near-term appears unlikely. Mines Minister Mosebenzi Zwane has proposed raising the mandatory black ownership of mining assets to 30% from 26%, drawing opposition from some ruling party officials who fear it will deter investment. Zuma's cabinet approved the draft mining charter, which will be released for public comment once it has been gazetted. The rand was among the better performing currencies, appreciating 1.9% in May.

Near-term events include the upcoming ratings review by Moody's (we expect a downgrade) as well as a vote of no confidence in parliament, and the five yearly ANC policy conference in June.

The FTSE/JSE ALSI index fell by 0.4%, while the capped SWIX was down 0.9% in May. Media (Naspers +7.0%) was the best performing sector, as Tencent continued to improve its competitive position and market share in all of the key content categories. Pharma (Aspen +7.1%) outperformed, as the DA retracted claims that Aspen had been price gouging in SA, followed by household goods (Steinhoff +2.8%), which outperformed on the proposed listing of SA retail assets. Meanwhile, there was a rotation out of cyclical into defensives in May with Beverages (+4.9%), Tobacco (+4.8%), Real Estate (+1.7%) among the best performing sectors. In contrast, SA resources (-4.1%) were out of favour, given increasing concerns that Chinese regulators have been stepping up efforts to de-risk/ deleverage shadow banking. SA apparel retailers (-8.6%) continued to underperform, given risks to expectations of a recovery in consumer confidence, post the cabinet reshuffle. Specialty Chemicals (Sasol -4.5%) ended lower, as Brent lost US\$ -0.80 to close at US\$ 50.1/bbl, despite the nine month extension of the OPEC production cut, while weaker equity markets weighed on life insurers (-3.9%)

We remain of the view that the underlying economy in South Africa is weak. We are also concerned that the rand continues to shrug off a deterioration in fundamentals (ratings downgrade and increased political risk) which we would expect to lead to weakness over time. The fund is therefore positioned to take advantage of rand weakness, via exposure to global consumer companies like Anheuser-Busch, Naspers, Steinhoff, Richemont and British American Tobacco. We also have exposure to resource equities where we believe strong cash flows (free cash flow yields at spot commodity prices north of 10%) offer great value. We are however concerned about stocks in the platinum sector, which are not generating any cash at current prices, and so have a short position in the fund.

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### 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 (%)(PPF):** 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.

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