

Fairtree Assegai Equity Long Short SNN QI Hedge Fund

Minimum Disclosure Document - Class A1

28 February 2018

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.

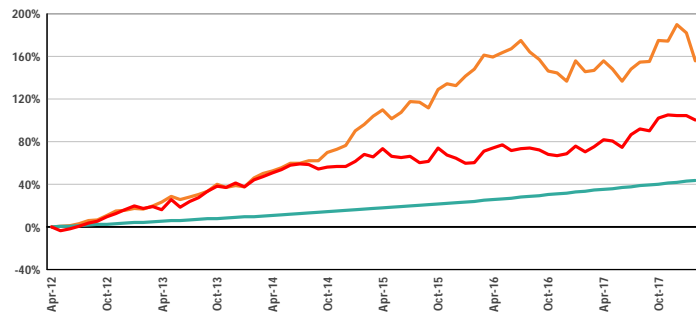
Investment Policy and Mandate

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.

Cumulative Performance Since Inception



Fund Source: Sanne Fund Services SA (Pty) Ltd as at February 2018
Benchmark(s) Source: Bloomberg as at February 2018

Return Analysis

	Fund	All Share Index	STeFi
1 Month	-9.28%	-1.97%	0.54%
3 Months	-6.76%	-2.20%	1.76%
6 Months	0.39%	4.51%	3.58%
1 Year	4.00%	17.44%	7.48%
3 Years	30.45%	19.37%	23.18%
5 Years	118.69%	70.25%	37.43%
Since Inception	155.62%	100.37%	43.58%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.93	0.59	-0.20
Sortino Ratio	1.69	1.18	-0.30
Standard Deviation	11.39%	10.54%	0.26%
Best Month	8.05%	8.51%	0.66%
Worst Month	-9.28%	-5.70%	0.00%
Best Rolling 12 Months	38.34%	32.74%	7.71%
Worst Rolling 12 Months	-11.48%	-4.37%	5.16%
Largest Cumulative Drawdown	-13.85%	-8.33%	n/a
% Positive Months (Since Inception)	71.43%	62.86%	n/a
Correlation (Monthly)	0.61		
Value at Risk - 95%	7.70%	4.83%	0.98%

Fund Details

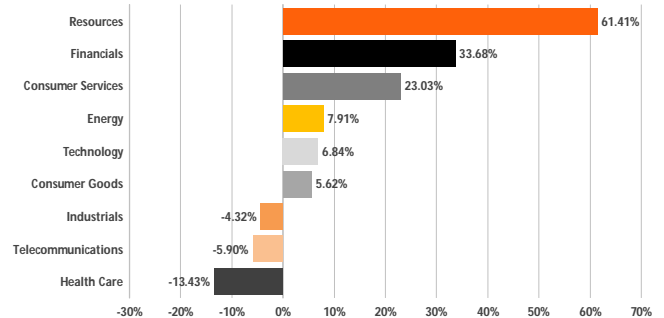
Risk Profile:	High
Portfolio Manager:	Stephen Brown
Fund size (in Millions):	R 694.2
NAV Price (Inception):	R 1000 (Class A1)
NAV Price (as at month end):	R 2,556.24
JSE Code:	
Inception Date:	31 May 2012
CISCA Inception Date:	1 October 2016
Fund Structure:	CIS Trust
Fund Category:	Multi - Strategy
Benchmark:	This portfolio does not follow a benchmark
Minimum Investment:	R1 000 000 Lump sum
Fees	
Initial Fee - Adviser:	0% - 3.42% (incl. VAT)
Annual Base Fee:	1% (excl. VAT)
Performance fee:	20% of the total performance (after deductions of the annual base fee) above the high water mark, subject to a hurdle rate of 3 months JIBAR (excl. VAT). The Performance Fee is uncapped.
Cost Ratios (incl. VAT)	
Total Expense Ratio (TER%):	1.58%
Transactions Costs Ratio (TC%):	1.15%
* Total Investment Charges (TIC%):	2.73%
Income Distribution (Declaration):	Last day of February & December
Distribution Total for the past 12 months:	0.00 cpu for December 2017
Investment Manager contact details	
Telephone Number:	+27 21 943 3760
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 equity based strategies.

Sector Allocation



Asset Allocation

-28.3% SA Future, -7.3% SA Equity Basket, 150.5% SA Equity CFD

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%	15.37%
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%	20.61%
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%	26.70%
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%	31.82%
2016	3.98%	2.67%	5.32%	-0.81%	1.56%	1.50%	2.75%	-3.80%	-2.64%	-4.21%	-0.75%	-3.24%	1.80%
2017	8.05%	-3.84%	0.53%	3.60%	-3.10%	-4.65%	4.89%	2.63%	0.22%	7.59%	-0.14%	5.68%	22.47%
2018	-2.74%	-9.28%											-11.77%

*The inception date for the portfolio is 1 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 1 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.

Risk Profile

Risk Level:	Low	Low-Medium	Medium	Med-High	High
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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. The TER is reported excluding performance fees for the first six 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

The All Share fell 2% in February in rands. The ZAR was the second best-performing EM currency in the month, appreciating by 0.5%, which weighed on the rand hedges stocks. Naspers fell -3.3%, which also detracted from market performance. Sectors that did well during February included Banks (+8.7%), Div. Financials (+7.7%), Food Retail (+4.4%), Insurance (+3.0%) and Retailing (+0.6%).

The South African market remains emotionally charged following the collapse of Steinhoff in December. The Resilient group of property companies came under pressure this month, after an institutional investor released a report on the group. We are aware of the allegations against the companies, but we do not believe their asset bases or cash flow streams are impaired.

The transition from the Zuma presidency to the Ramaphosa presidency moved as smoothly as could have been expected. On the 14th, Zuma resigned as president. The budget, announced on 21 February, was better than the October MTBS in terms of a headline fiscal deficit for FY 18/19 at 3.8% of GDP vs. 4.5% at the MTBS even if the consolidated deficit only contracted by 0.3%. The key new item was the 1% hike in VAT. The cabinet reshuffle announced on 26 Feb brought back Nhlanhla Nene as Finance Minister and Pravin Gordhan as Public Enterprises Minister, as well as bringing Gwede Mantashe in as Mining Minister. All these events cemented the increase in positive sentiment we have seen in South Africa since Ramaphosa was chosen as ANC leader in December 2017.

Metals fell in February with the LME Metals Index down 2.7%. Nickel (+1.4%) recorded the largest monthly gain while Tin (-1.0%), Copper (-2.3%), Aluminium (-3.0%), Zinc (-3.3%) and Lead (-4.8%) declined during the month. Brent and WTI prices declined 5.6% and 4.5% to US\$64.73/bbl and US\$61.64/bbl respectively amid elevated US crude stockpiles and a rising oil rig count. Iron ore prices rose 8.8% during the month to US\$77.01/t. Gold fell 2.0% to \$1318/oz. amid strength in the US Dollar.

In February, SA equities continued to see inflows of \$1.3bn. SA bonds saw inflows of \$1.4bn. YTD, SA equities have received \$2.1bn of inflows. Meanwhile, EM equities also had a very strong start to the year with inflows of \$37.9bn ytd.

The Assegai fund fell 9.28% during February. Positive contributions came from our short position in Imperial (+1.5%), long positions in the retailers (most notably Massmart and The Foschini Group, which together added 2%), and long positions in EOH, Harmony and Assore. The principle detractor from performance were long positions in Resilient, Fortress and Nepi Rockcastle. This group of property companies detracted 6.2% from performance in the month. Our short position in Brait took 1.8% off fund performance in the month.

During February we took some profits on the banks, but increased exposure to Capitec. We increased our exposure to financials, mainly by closing short positions in the sector. The long positions in both Naspers and Vodacom were reduced materially, as we took profits in these names. Exposure to the retail sector was increased, as we became incrementally more bullish on SA Inc, and we bought into weakness in selected property companies.

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

Mandatory Disclosures

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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.sannegroup.co.za.

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*Non-Executive

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