

# Fairtree Assegai Equity Long Short SNN QI Hedge Fund

## Minimum Disclosure Document - Class A1

31 January 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.

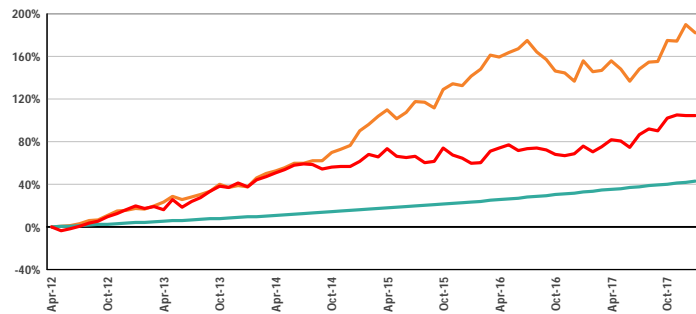
### Investment Policy and Mandate

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



— Fairtree Assegai Equity Long Short SNN QI Hedge Fund  
— STeFi Composite Index  
— All Share Index (Total Return)

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

### Return Analysis

	Fund	All Share Index	STeFi
1 Month	-2.74%	0.10%	0.60%
3 Months	2.64%	1.21%	1.80%
6 Months	13.58%	9.43%	3.65%
1 Year	10.24%	16.07%	7.51%
3 Years	43.80%	21.77%	22.51%
5 Years	141.06%	73.67%	36.69%
Since Inception	181.78%	104.40%	42.81%

### Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	1.18	0.65	-0.10
Sortino Ratio	2.45	1.28	-0.16
Standard Deviation	10.56%	10.54%	0.27%
Best Month	8.05%	8.51%	0.66%
Worst Month	-4.65%	-5.70%	0.00%
Best Annualised Rolling Return	38.34%	32.74%	7.71%
Worst Annualised Rolling Return	-11.48%	-4.37%	5.16%
Largest Cumulative Drawdown	-13.85%	-8.33%	n/a
% Positive Months (Since Inception)	72.46%	63.77%	n/a
Correlation (Monthly)	0.61		
Value at Risk - 95%	6.34%	4.98%	0.99%

### Fund Details

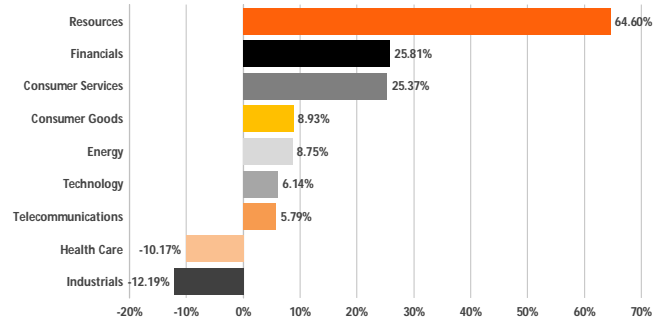
<b>Risk Profile:</b>	<b>High</b>
<b>Portfolio Manager:</b>	Stephen Brown
<b>Fund size (in Millions):</b>	R 765.2
<b>NAV Price (Inception):</b>	R 1000 (Class A1)
<b>NAV Price (as at month end):</b>	R 2,817.77
<b>JSE Code:</b>	
<b>Inception Date:</b>	31 May 2012
<b>CISCA Inception Date:</b>	01 October 2016
<b>Fund Structure:</b>	CIS Trust
<b>Fund Category:</b>	Multi - Strategy
<b>Benchmark:</b>	This portfolio does not follow a benchmark
<b>Minimum Investment:</b>	R1 000 000 Lump sum
<b>Fees</b>	
<b>Initial Fee - Adviser:</b>	0% - 3.42% (incl. VAT)
<b>Annual Base Fee:</b>	1% (excl. VAT)
<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 months JIBAR (excl. VAT). The Performance Fee is uncapped.
<b>Cost Ratios (incl. VAT)</b>	
<b>Total Expense Ratio (TER%):</b>	1.58%
<b>Transactions Costs Ratio (TC%):</b>	1.08%
<b>* Total Investment Charges (TIC%):</b>	2.66%
<b>Income Distribution (Declaration):</b>	Last day of February & December
<b>Distribution Total for the past 12 months:</b>	0.00 cpu for December 2017
<b>Investment Manager contact details</b>	
<b>Telephone Number:</b>	+27 21 943 3760
<b>Website:</b>	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

-29.2% SA Future, -6.9% SA Equity Basket, 1.9% SA Currency Option, 159.1% 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%												-2.74%

\*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.

### 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 rose 0.1% in January in Rands, however the Zar was the fourth best-performing EM currency during the month, appreciating by 4.5%. The heavyweight Media sector was down 2% during January, which weighed on market performance. A stronger rand also hindered Pharma (Aspen -2.5%), Diversified Financials (-1.8%) and Materials (-1.6%). Domestic sectors performed well, including Capital Goods (Bidvest +14.6%), Retail (+5.5%), Healthcare Equipment (+2.5%) and Food Producers (+0.9%). Market tensions remained high as rumors circulated that research house Viceroy would release another report, causing panic selling in companies suspected to be the target of this report. At month end a report was released, targeting Capitec. We think the analysis in this report is flawed, and that the large market movements arising from fears and rumors are providing unique buying opportunities in the South Africa market at present.

We expect the SARB to cut interest rates, as inflation recedes and there are further downward revisions to inflation projections. Key events for the South African market over the coming months are the potential removal of Zuma as country president (and changes to key ministers we would expect post such a move) and the potential Moodys downgrade in March (which we believe bond markets have already priced in).

Metals increased slightly in January with the LME Metals Index up 0.4%. Tin (+8.8%) recorded the largest monthly gain followed by Zinc (+7.7%), Nickel (+6.7%) and Lead (+5.5%). Meanwhile, Aluminium (-1.6%) and Copper (-1.8%) declined during the month. Brent and WTI prices increased 3.7% and 7.1% to US\$68.69/bbl and US\$64.73/bbl, respectively, on stronger demand and inventory drawdowns. Iron ore prices increased 4.8% to US\$75.86/t. Gold rose 3.2% to \$1345/oz. amid weakness in the US Dollar.

In January, SA equities continued to see inflows of \$791.1mn, while SA bonds saw outflows of \$347mn. Yet, dissecting the flows, it appears that excluding the flows from dual-listed stocks and Naspers, SA equities saw inflows of R11.5bn ytd. Meanwhile, EM equities also had a very strong start to the year with inflows of \$18.6ytd.

The Assegai fund fell 2.74% during January. Positive contributions came from long positions in Vodacom (1%), Anglo American (0.9%) retailers (most notably Mr Price, Shoprite and The Foschini Group) and Impala (0.7%). Short positions in Brait and Mediclinic also contributed positively to January performance. The short position in Imperial detracted 1.1% from performance, as SA Inc continued to perform on strong sentiment post December's political change. Nepi and Resilient long positions fell during the month, taking 1.4% off fund performance. A long position in Capitec detracted 0.9% from performance.

During January the overweight in resources was increased further, as this sector remains attractive based on supportive global macros and strong free cash flow yields. Exposure to the banking sector was also increased, as we expect improving sentiment and growth upgrades to drive earnings and ratings higher.

We sold down positions in rand hedge industrials during January. Small cuts were made to the long Vodacom position, as we took profits on this name. Retail sector exposure was increased and property sector exposure trimmed during the month.

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

### Mandatory Disclosures

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