

Fairtree Assegai Equity Long Short SNN QI Hedge Fund

Minimum Disclosure Document - Class 2

31 July 2019

Fund Profile & Investment Policy

The fund is a directionally biased Long / Short equity fund which will not hesitate to capture equity market beta when conditions allow for it.

Investment Strategy

The portfolio is managed as a long/short hedge fund, focused on extracting alpha returns from the South African equity market. The fund's returns are delivered through fundamental knowledge of South African equities vis-à-vis economic growth and broad economic themes as well as medium to long-term relative valuation opportunities, generating the largest portion of its returns through its directional bias. Relative value pairs, together with absolute longs and shorts seek to stabilize returns in turbulent market conditions, supported by the adjustment to the net exposure.

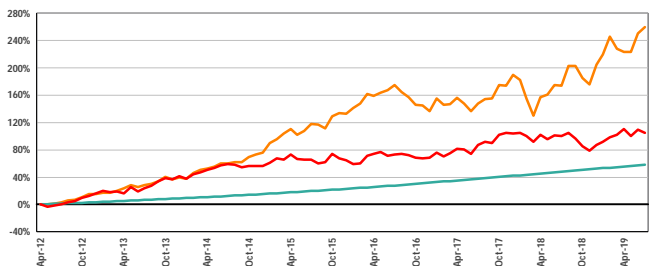
Investment Mandate

The portfolio may use leverage to a maximum of 4.5 times the net asset value of the portfolio. However, the portfolio has set an internal limit to use leverage up to a maximum of 3.5 times the net asset value. Excluded from this calculation shall be the investments in the portfolio solely used to enhance the interest earned by the portfolio.

Mandate 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 July 2019

Index Source: Bloomberg as at July 2019

Return Analysis

	Fund	All Share Index	STeFi
1 Month	2.72%	-2.37%	0.61%
3 Months	11.50%	-2.66%	1.82%
6 Months	12.68%	6.56%	3.60%
1 Year	31.65%	2.19%	7.33%
3 Years	31.11%	17.86%	24.06%
5 Years	125.26%	28.53%	40.98%
Since Inception	259.94%	104.61%	58.68%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.88	0.37	-0.09
Sortino Ratio	1.68	0.68	-0.13
Standard Deviation	13.96%	11.14%	0.26%
Best Month	11.44%	8.51%	0.66%
Worst Month	-9.92%	-5.76%	0.00%
Best Rolling 12 Months	42.26%	32.74%	7.71%
Worst Rolling 12 Months	-11.48%	-12.56%	5.16%
Largest Cumulative Drawdown	-20.52%	-12.56%	n/a
% Positive Months (Since Inception)	68.97%	60.92%	n/a
Correlation (Monthly)	0.62		
Value at Risk (VaR) 95%	8.96%		

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:	High
Portfolio Manager:	Stephen Brown
Fund size (in Millions):	R 1 000.1
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 1,796.85
Number of Units:	51,763,894.13
JSE Code:	FTASEQ
ISIN Number:	ZAE000259065
Inception Date:	31 May 2012
CISCA Inception Date:	1 October 2016
Fund Structure:	CIS Trust
Fund Category:	Multi - Strategy
Hurdle:	3 month JIBAR
Minimum Investment:	R 1 000 000 Lump sum
Fees	
Initial Fee - Adviser:	0% - 3.45% (incl. VAT)
Annual Base Fee:	1.25% (excl. VAT)
Performance fee (uncapped):	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).

Cost Ratios (incl. VAT)

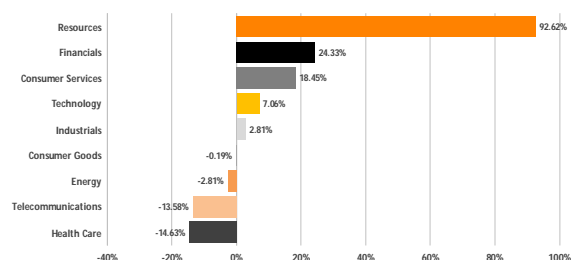
Total Expense Ratio (TER%):	4.47%
Transactions Costs Ratio (TC%):	1.44%
* Total Investment Charges (TIC%):	5.91%
Performance Fee (PF) Included in TER:	2.58%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 cpu for December 2018
Investment Manager contact details	Fairtree Asset Management (Pty) Ltd
Telephone Number:	+27 86 176 0760
Website:	www.fairtree.com

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

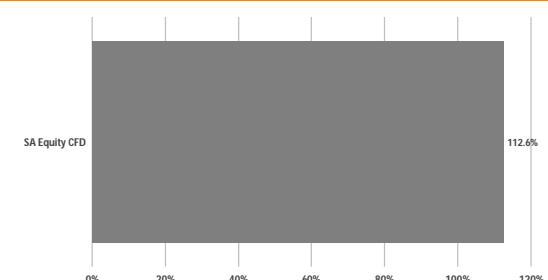
Portfolio Objective

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



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%	-9.92%	11.44%	1.56%	5.37%	-0.44%	10.85%	-0.05%	-5.82%	-3.29%	10.41%	5.15%
2019	4.87%	8.15%	-5.19%	-1.45%	0.07%	8.47%	2.72%						18.16%

*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**

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.

Fee Classes

Class 2 is a reportable class available to the general public. The portfolio has other fee classes available for investment.

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 All Share index fell 2.4% in July, with cash (STEFI +0.6%) and bonds (ALBI -0.7%) both outperforming equities. MSCI SA fell 2.8% in July, underperforming MSCI EM (-1.2%) and MSCI World (+0.5%) in US dollars, as the rand weakened by 1.8% to 14.34 while R186 yields rose by 21 bps to 8.29%. Global equities rebounded as global growth fears moderated. US yields rose slightly (2 year yields up 12bps to 1.87% & 10 year yields up 1bps to 2.02%, as markets priced in a 25 basis point move in US rates (as opposed to a 50 basis point move) at the US Federal Reserve's meeting on 31 July. The trade war stuttered along with both new meetings between US and Chinese officials, and ongoing Trump tweets. Economic surprise indices for Emerging Markets and the United States rose in July, but remained below zero. However, in Europe, flat Manufacturing PMI in July was well into contractionary territory and below consensus, while the German IFO Survey Expectation index at 92.2 was a post-Global Financial Crisis low. In England, the new Prime Minister Boris Johnson talked up the prospect of a no-deal Brexit, which sent sterling close to multi-decade lows on a trade-weighted basis. Global bond yields shrugged off stronger US yields and continued to fall, down 8 bps to 1.45% with more and more bonds globally bearing negative yields.

In the local equity market, Industrials (1.2%) outperformed in July, with Resources (-5.2%) and Financials (-6.4%) finishing the month in negative territory. Beverages (+11.9%) and Platinum (+6%) outperformed, while Banks (-8.8%), Pharmaceuticals (-9%) and Specialty Chemicals (-10.5%) underperformed.

On 30 July, Eskom reported a R21bn loss for Fiscal 2019 (to end-March), while the government appointed Freeman Nomvalo to be Eskom's Chief Restructuring Officer. A week earlier Finance Minister Tito Mboweni announced a R59 billion Eskom bailout (R26bn in the current fiscal year/R33bn next year). The SARB cut rates by 25 bps to 6.5%, in line with consensus, at its 18 July meeting. Fitch cut its outlook for South Africa to Negative on its BB+ sovereign rating. SA equities saw outflows of \$3.9bn YTD (\$1bn outflows in July), while SA bonds saw outflows of \$1.1bn YTD (-\$0.2bn outflows in July).

The Assegai fund rose 2.72% in July. The short position in Brait contributed 3.3% to fund performance, while short positions in Telkom (+0.9%) and Massmart (+0.9%) also contributed strongly. Long positions in gold and platinum stocks (Harmony +1.8%, Impala +1%) added to performance. A long position in Anglo American detracted 1.2%, while exposure to EOH detracted 0.7%. Long positions in Sappi and Mr Price, and a short position in British American Tobacco also hurt performance during July.

We continue to trim exposure to the resource sector - although this remains a large overweight in the fund. We increased exposure to the banks, and took profits on some of our financials positions. Media sector exposure increased, although we remain cautious on the prospects for companies in the telco sector. During July we increased exposure to the retail sector and became incrementally more negative on healthcare counters.

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, Tygervally, 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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