

Fairtree Assegai Equity Long Short SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

30 June 2018

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 funds 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.

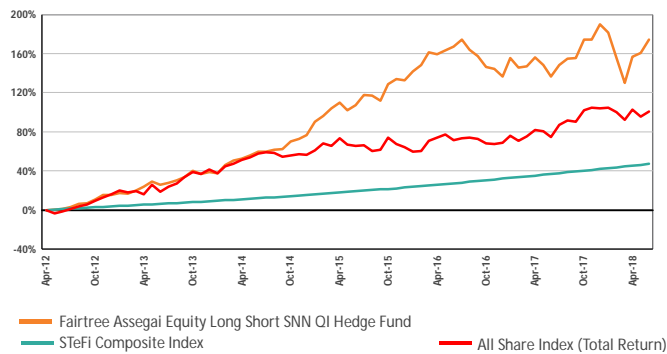
Investment Mandate

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



Fund Source: Sanne Fund Services SA (Pty) Ltd as at June 2018
Index Source: Bloomberg as at June 2018

Return Analysis

	Fund	All Share Index	STeFi
1 Month	5.37%	2.78%	0.57%
3 Months	19.26%	4.54%	1.76%
6 Months	-5.21%	-1.70%	3.54%
1 Year	16.11%	15.02%	7.35%
3 Years	32.39%	21.44%	23.49%
5 Years	118.53%	68.91%	38.38%
Since Inception	174.61%	100.72%	46.98%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.86	0.52	-0.14
Sortino Ratio	1.52	1.02	-0.20
Standard Deviation	12.75%	10.79%	0.26%
Best Month	11.44%	8.51%	0.66%
Worst Month	-9.92%	-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	-20.52%	-8.33%	n/a
% Positive Months (Since Inception)	71.62%	62.16%	n/a
Correlation (Monthly)	0.63		
Value at Risk (VaR) 95%	9.40%		

The above benchmark(s) are for comparison purposes with the fund's performance. The fund does not follow the benchmark(s).

Fund Details

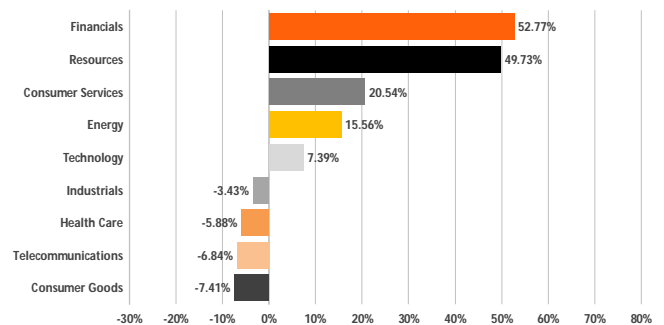
Risk Profile:	High
Portfolio Manager:	Stephen Brown
Fund size (in Millions):	R 677.8
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,670.76
Number of Units:	253,220.85
JSE Code:	FTASEQ
ISIN Number:	ZAE000259065
Inception Date:	31 May 2012
CISCA Inception Date:	1 October 2016
Fund Structure:	CIS Trust
Fund Category:	Multi - Strategy
Hurdle:	3 month JIBAR
Minimum Investment:	R 1 000 000 Lump sum
Fees	
Initial Fee - Adviser:	0% - 3.42% (excl. VAT)
Annual Base Fee:	1% (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%):	3.22%
Transactions Costs Ratio (TC%):	1.00%
* Total Investment Charges (TIC%):	4.22%
Performance Fee (PF) Included in TER:	1.64%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 cpu for December 2017
Investment Manager contact details	Fairtree Capital (Pty) Limited
Telephone Number:	+27 86 176 0760
Website:	www.fairtree.com

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

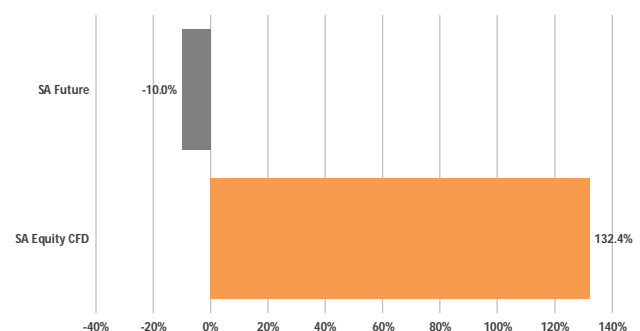
Portfolio Objective

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%							-5.21%

*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.

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 Index returned 2.8% in June, rebounding somewhat after a negative performance in May. The rand was the second worst performing EM FX, weakening by 7.5% in June to end the month at 13.73/USD. Resources (+6%) was again the strongest sector, outperforming Industrials (+4.2%) and Financials (-2.9%). Household Goods rebounded (+15.2%) during the month off a very low base. Media also outperformed (+15.2%), as did Chemicals (+8.9%), Beverages (+8.2%) and Tobacco (+8.1%). Laggard sectors this month were Automobiles and Parts (-22.5%), Industrial Engineering (-15.6%), Hospitals (-8%) and Construction (-8%).

SA CPI inflation remained steady in May, printing at 4.4% (expected: 4.6%). June saw a series of soft SA data releases, most notably the sharp Q1 contraction in SA GDP (-2.2% q/q). While agriculture (Cape drought), mining (infra bottlenecks) and manufacturing (refining outage) each faced negative one-offs, the GDP print was still below consensus. Some of the lower GDP spilled into exports and hurt the current account deficit, which was 4.8% of GDP in 1Q18 from 2.9% in 4Q17. The ABSA manufacturing PMI dipped further into contractionary territory to 47.9 in June from 49.8 in May. The SACCI business confidence index also declined from 96 (April'18) to 94 in May'18, and the BER business confidence reading fell to 39 in Q2 from 45 in Q1'18. Manufacturing production was 0.6% lower m/m, missing the survey estimate of a 0.3% expansion. Similarly, the June release suggested that SA retail sales fell 1.2% in April, compared to an expected increase of 0.6%.

Metals fell in June with the LME Metals Index down 4.4%. Zinc (-6.2%) recorded the largest monthly loss, followed by Aluminium (-5.9%), Tin (-3.9%), Copper (-3.2%), Nickel (-2.2%) and Lead (-1.7%). Iron Ore prices rose 0.2% during the month to US\$64.5/t. Gold fell 3.5% to \$1,253.2/oz. amid continued strength in the US dollar.

In June, SA equities had net foreign inflows of USD342mn; this came after large outflow of USD1.6bn in May. Meanwhile, SA bonds had their largest ever monthly foreign outflows of USD2.5bn. YTD, SA equities have received USD1.5bn of foreign inflows, while SA bonds have net foreign outflows of USD2.8bn. Meanwhile, EM equities have received YTD inflows of USD28.9bn, down from the peak of USD48.7 as of end-April.

The Assegai fund rose 5.37% in June. Naspers was strong in the month and contributed 1.9% to performance. Long positions in Sappi (1.3%) and Sasol (1.3%) and short positions in the hospital companies contributed positively in the month, as did the long gold position and exposure to the other mining companies. A short position in Brait detracted from fund performance this month (-0.9%), as did long positions in Sanlam and some of the retailers.

During June we decreased exposure to the resource sector, taking profits on some positions that have performed well, although the fund remains significantly overweight the sector. Exposure to SA Inc sectors (Banks and Retailers) was increased, as these sectors had pulled back significantly and were now offering value in our view. Rand hedge industrials were sold down into strength.

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

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 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.sannegroup.co.za. **Trustee:** Firstrand Bank Limited, Johannesburg, **Telephone:** +27 87 736 1732, **Website:** www.rmb.co.za

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*Non-Executive

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