

Fairtree Balanced Prescient Fund

Minimum Disclosure Document - Class A1

May 2018

FAIRTREE
CAPITAL

FUND PROFILE

The Fairtree Balanced Prescient Fund is an actively managed multi asset class fund. The fund is suitable for investors looking for moderate to high capital growth in excess of inflation with moderate to aggressive risk appetite. It suits investors with an investment horizon of more than 3 years and who prefer to have the asset allocation decision made for them. The fund complies with Regulation 28 and is therefore suitable for retirement savings.

INVESTMENT OBJECTIVE

The Fairtree Balanced Prescient Fund aims to generate long-term wealth for investors by producing inflation beating returns. The fund is managed against a composite benchmark that also forms the strategic asset allocation for the fund.

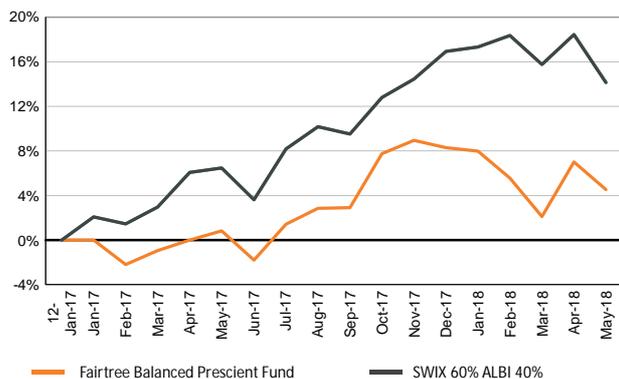
INVESTMENT POLICY

The fund invests in a diverse combination of equities, property, bonds and money market instruments. The portfolio has a long-term focus and invests predominately in domestic securities whilst up to 25% of the fund may be invested in foreign securities. The fund is actively managed, both at security and asset class level to create capital growth while preserving capital on a real (above inflation) and absolute basis.

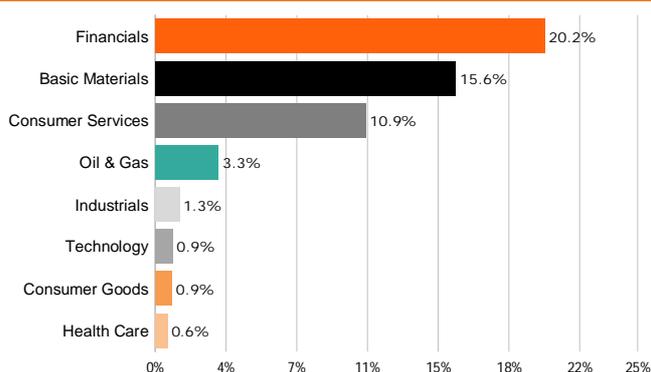
HISTORICAL PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2017	0.01%	-2.20%	1.27%	0.97%	0.81%	-2.59%	3.28%	1.39%	0.08%	4.69%	1.12%	-0.61%	8.29%
2018	-0.29%	-2.23%	-3.28%	4.82%	-2.33%								-3.47%

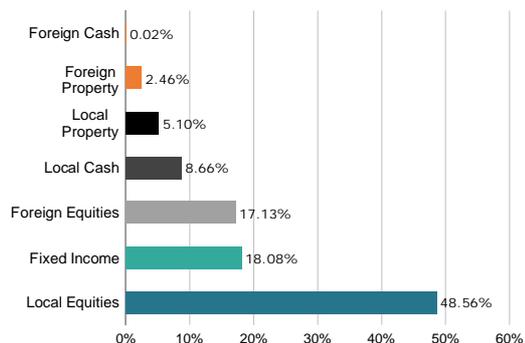
CUMULATIVE FUND RETURNS VS MARKET INDICES



SECTOR ALLOCATION



ASSET ALLOCATION



FUND INFORMATION

Inception date:	12 January 2017
Fund size (in Millions):	R 55.69
JSE code:	FBPA1
Unit Price:	102.32
ISIN Number:	ZAE000236360
Domicile:	South Africa
Fund Structure:	CISCA (Unit Trust)
Fund Category:	SA Multi-Asset High Equity
Regulation 28 Complaint:	Yes
Portfolio Manager(s):	
Stephen Brown (SA Equity):	B Comm, MBA, CFA Joined Fairtree in 2011
Jacobus Lacoek (Asset Allocation):	B Comm(Financial Economics), CFA Joined Fairtree in 2011
Bradley Anthony:	BA (Economic History), CAIA Joined Fairtree in 2011

Cost Ratios:

Total Expense Ratio (TER%):	0.84%
Performance fee incl. in TER (%) (PF%):	N/A
Transactions Costs Ratio (TC%):	1.61%
Total Investment Charges (TIC%):	2.45%
Fees:	Initial Fee - Adviser (incl. VAT): 0% Annual management fee: 1.00% (excl. VAT) Performance fee: N/A
Benchmark:	60% FTSE/JSE Shareholder Weighted Total Return Index + 40% JSE/All Bond Total Return Index
Analysis Currency:	ZAR
Minimum Investment:	R50,000 Lump sum or R1,000 p/m debit order

Please see Disclosures and Glossary section for further information on Cost Ratios

Income Distribution:

Declaration:	Annually (March)
Payment:	1st working day of April
Distribution Total for the past 12 months:	2.16 cents per unit
Management and administration:	Prescient Management Company (RF) (Pty) Ltd
Valuation time of fund:	15:00
Transaction cut-off time:	15:00

RISK PROFILE



Risk Level: Moderate - Aggressive

These portfolios generally hold more equity exposure than low risk portfolios but less than high risk portfolios. In turn the expected volatility is higher than the low risk portfolios but less than high risk portfolios. The probability of losses are higher than that of the low risk portfolios, but less than high risk portfolios. Expected potential long term investment returns could therefore be lower than high risk portfolios due to lower equity exposure, but higher than low risk portfolios.

PERFORMANCE SUMMARY

	Fairtree Balanced Prescient Fund	SWIX 60% ALBI 40%
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Performance comparison

Inception date	Jan-17	Jan-17
Current month	May-18	May-18
Total period (No. months)	17	17
Analysis currency	ZAR	ZAR

Return analysis

Return for current month	-2.33%	-3.62%
Total return (since inception)	4.53%	14.15%
Average annualised return (since inception)	3.18%	9.79%
Current 12 month rolling return	3.68%	7.22%
Highest rolling 1-year return (since launch)	8.29%	16.94%
Lowest rolling 1-year return (since launch)	3.09%	7.22%

Consistency analysis

% Up months (since inception)	58.82%	70.59%
% Up months (last 12 months)	50.00%	66.67%
Standard deviation (since inception - annualised for periods > 12 mths)	8.15%	7.29%

Risk analysis

Downside deviation (since inception - annualised Risk free)	4.63%	4.51%
Largest monthly drawdown	-3.28%	-3.62%
Average monthly drawdown	-1.93%	-1.94%
Largest cumulative drawdown	-6.29%	-3.62%

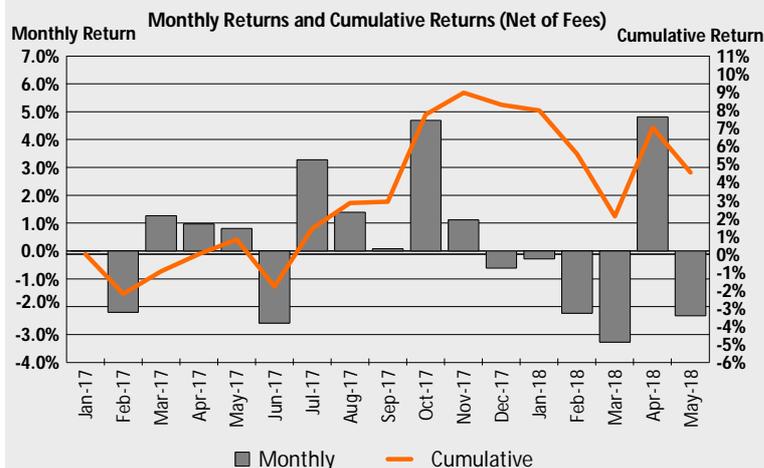
Risk/ return analysis

Total gain / Total loss	1.36	2.41
Average gain / Largest loss	0.56	0.54
Average gain / Average loss	0.95	1.00
Sharpe ratio (since inception - annualised for periods > 12 mths)	-0.35	0.34
Sortino ratio (since inception - annualised for periods > 12 mths)	-0.61	0.55

Market correlation

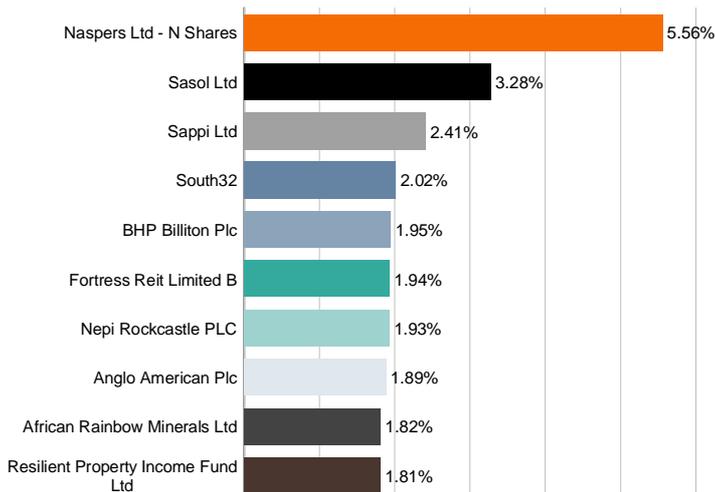
Index correlation (SWIX 60% ALBI 40%)	0.92	(Monthly)
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Monthly and Cumulative Returns



Please note: All fund returns quoted net of fees.

TOP 10 HOLDINGS



MARKET COMMENTARY

Market volatility has increased along with reflationary forces and gradual tightening of financial conditions. The synchronised uptrend in global growth since 2016 has peaked in the first quarter and has moderated and diverged since then as emerging markets and Europe struggled to stabilise in the current environment of heightened policy and geo-political uncertainty. Emerging market assets remained under pressure from a stronger US dollar, rising US bond yields, higher oil price and fears around global trade. The outlook for global growth received a further blow as the newly elected coalition party in Italy threatened the market with anti-European and fiscal expansion narratives.

Local assets sold off for a second consecutive month as the emerging market backdrop continued to deteriorate and local economic data disappointed. The All Bond Index returned -1.95% over the month bringing the year to date return to 5.2%, while the JSE All Share Index returned -3.5% for the month and -4.4% year to date. The Rand lost about 2% over the month as offshore investors sold more than R30bn local bonds, reversing the inflow seen since Ramaphosa took over leadership of the ANC and the country.

Central banks continue on a course to normalise monetary policy. The Fed will continue to gradually raise interest rates to counter inflationary pressures and tight labour market dynamics. We expect the Fed to hike rates 2-3 times this year and 4 times next year as core inflation moves above the Fed's 2% target and the economy continues to grow above trend at around 2.5-3% supported by the tax cuts, fiscal spending, increased investment and healthy household consumption. Recent economic data confirm that the labour market remains strong and that economic activity has improved to around 3% growth over Q2.

Above trend growth in Europe will also allow the ECB to further taper asset purchases. We expect the ECB to announce an end to their QE program during their next meeting. Given that core inflation in Europe remains around 1%, far below their "close to 2%" target, we only expect the first rate hike late in 2019. We believe the recent growth slowdown in Europe will fade and that manufacturing activity will improve although political events in Italy may weigh on confidence. With growth above 2% and the unemployment rate close to full employment at 8.5%, Eurozone demand should continue to support emerging markets once near term risk dissipate.

The growth outlook for South Africa remains healthy but the current economic data suggest that a high level of uncertainty still weigh on activity. The -2.2% Q1 growth number disappointed after the market expected -0.5%. The weak number can in part be attributed to seasonality and a negative contribution from the agriculture sector. However, the soft household consumption and negative fixed investment numbers were disappointing and points towards lower growth estimates for the year. Early indications for Q2 do not look promising as manufacturing activity remains weak and business confidence softened. As long as the emerging market backdrop remains under pressure South Africa will struggle to benefit from the economic reforms it has embarked on. The recent wage and labour bills passed contained vital ingredients to labour market reform and together with a new mining charter and stronger SOE boards will help to put longer term growth on stronger footing. Land reform remains a key uncertainty that needs to be dealt with by the ruling party.

Like most other emerging market central banks, the SARB has delivered a hawkish message at its MPC meeting last month. The seven member board voted to keep rates on hold at 6.5% but emphasised that risks to inflation are on the upside. The SARB remained focused at driving inflation expectations down towards 4.5%. The impact of the VAT hike in April was less than expected, but we anticipated the full effect to only come through over the next two to three months. Along with higher oil prices and a weaker Rand the risk of higher inflation remains a concern for the SARB.

We believe that global growth uptrend remains intact and that the US will continue to lead the cycle and Europe and emerging markets will follow although a healthy degree of differentiation is warranted. Commodity prices are holding up well despite the stronger US dollar, which affirms our positive view on the cycle.

Equities: The outlook for global earnings growth remains positive supported by the economic expansion and below target inflation. We expect global inflation to pick up over the medium term supported by easy financial conditions and looser fiscal policies. The global reflationary outlook created positive sentiment around cyclical and value orientated stocks, while the outlook for higher global bond yields will put pressure on high valuation defensive names. As yields rise and volatility increase valuations will be tested more frequently. We believe the overall South Africa equity index will follow global equity markets higher due to its externalised nature. We remain optimistic on domestic equities as we believe economic activity will improve over the next 12 months. We like global cyclical companies with global earnings growth potential and companies with the ability to generate cash sustainably.

Fixed Income: South Africa's inflation will remain low over the next few months but the risk to inflation sits to the upside. The SARB has cut interest rates twice during this cycle but will be hard pressed to cut again as they aim to drive inflation expectations down. Yields have risen and are at attractive levels given the positive outlook on the local and global economy and economic reform agenda.

Currency: We believe the US dollar will strengthen over the short to medium term as the market price in a faster pace of rate hikes. However the ECB will also be looking to halt its asset purchase program later this year which may support the EUR. The short term outlook for the Rand is unattractive given the pressure on emerging market assets. Over the medium term the currency may appreciate.

Alternatives: Stronger global growth will allow less accommodative monetary policy and looser fiscal policies which should lead to higher interest rates, volatility and lower correlations amongst asset classes and securities. Market rotations and increased dispersion has typically led to a more favourable environment for alternative assets to perform.

GLOSSARY

Annualised performance	Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.
Highest & Lowest return	The highest and lowest returns for any 1 year over the period since inception have been shown.
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 per share.
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 (%) PF (%)	The Performance Fee is a payment made to the Fund Manager for generating positive returns, and is generally calculated as a percentage of investment profits, often both realized and unrealized.
Transactions Costs (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).

DISCLAIMER

Management Company: Prescient Management Company (RF) (Pty) Ltd., **Registration number:** 2002/022560/07, **Physical address:** Prescient House, Westlake Business Park, Otto Close, Westlake, 7945 **Postal address:** PO Box 31142, Tokai, 7966. **Telephone number:** 0800 111 899 **E-mail:** info@prescient.co.za **Website:** www.prescient.co.za

Trustees: Nedbank Trustees, Nedbank Investor Services. **Physical address:** 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709. **Telephone number:** +27 11 534 6557 **Website:** www.nedbank.co.za

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.

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate.

CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. During the phase in period TER's do not include information gathered over a full year. Transaction Costs (TC) is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund 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 Fund, investment decisions of the investment manager and the TER.

The Manager retains full legal responsibility for any third-party-named portfolio. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macro-economic risks, political risks, foreign exchange risks, tax risks, settlement risks; and potential limitations on the availability of market information. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient by or before 13:00 (SA), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Money market Funds are priced at 1pm all other Funds are priced at either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website.

This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act.

Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

For any additional information such as fund prices, brochures and application forms please go to www.fairtree.com

Contact details

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