

Fairtree Balanced Prescient Fund

Minimum Disclosure Document - Class A1

October 2017

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

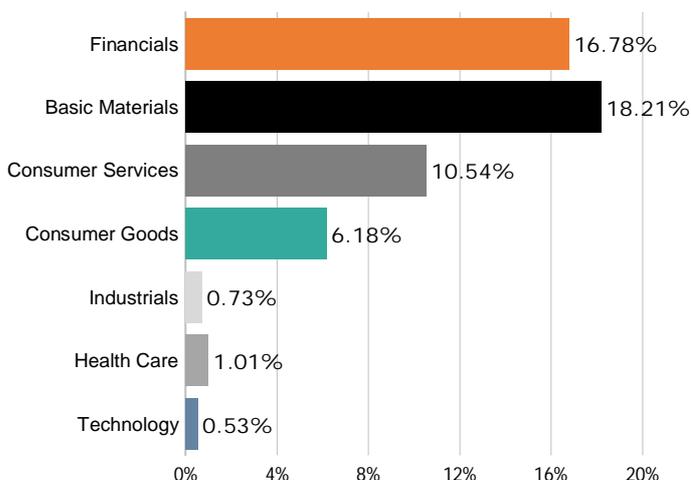
The fund invests in a diverse combination of equities, property, bonds and money market instruments. The portfolio has a long-term focus and invests predominantly in domestic securities whilst up to 25% of the fund may be invested in foreign securities.

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.

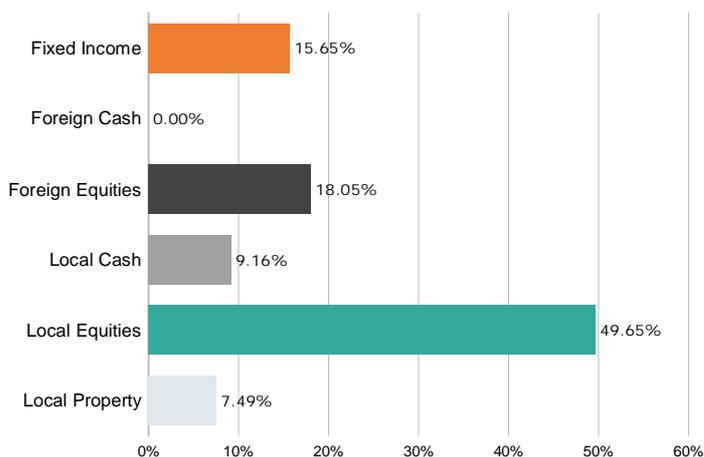
HISTORICAL PERFORMANCE SINCE INCEPTION

Performance data currently not available

SECTOR ALLOCATION(SA EQUITY)



ASSET ALLOCATION



FUND INFORMATION

Inception date:	12 January 2017
Fund size (in Millions):	R 41.24
JSE code:	FBPA1
Unit Price:	107.75
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 (incl. VAT):

Total Expense Ratio (TER%): Please note the Total Expense Ratio and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product and the funds TER will be available after one year.

Performance fee incl. in TER (PF%):

Transactions Costs Ratio (TC%):

Total Investment Charges (TIC%):

Fees:

Initial Fee - Adviser (incl. VAT): 0%
Annual management fee: 1.14% (incl. 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:	N/A
Management and administration:	Prescient Management Company (RF) (Pty) Ltd
Valuation time of fund:	15:00
Transaction cut-off time:	15:00

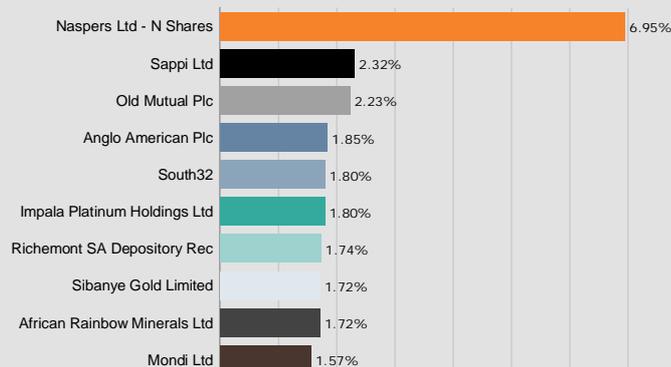
RISK PROFILE



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.

TOP 10 HOLDINGS



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.
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).

MARKET COMMENTARY

The healthy emerging market backdrop has come under some pressure more recently as hard data from China point to some moderation and signs emerged that inflation is gradually increasing in the developed world, which may ultimately lead to higher interest rates. Higher developed market yields and inflation would put emerging market flows under further pressure. However, asset volatility remains low and the US dollar stable.

Scope for potential US tax cuts by year end has also lifted US bond yields. The market now fully discounts a rate hike by the Federal Reserve in December as economic activity remains strong. The third quarter US GDP growth of 3%, boosted by strong personal consumption and falling unemployment rate, now 4.1%, suggest that the US consumer remain in good health. We see scope for the US Federal Reserve to hike rates 2-3 times during 2018 and don't see the nomination of Jerome Powell as new Fed chair to replace Janet Yellen as changing the policy trajectory of the last few years.

Economic activity in Europe remains strong, but political uncertainty in Spain has increased as authorities in Catalonia pushed for independence. The European Central Bank has announced further tapering of their asset purchase program to EUR30bn, from EUR60bn. The reduced plan will run until September 2018.

In South Africa the growth outlook remains weak and well below potential growth. Some economic indicators have improved from low base, but overall confidence remains low due to political and policy uncertainty. Investor confidence came under further pressure after President Zuma announced another cabinet reshuffle, the second one this year. The reshuffle highlighted the division within the ANC tripartite alliance and signalled Zuma's eagerness to proceed with an unaffordable nuclear program. The new finance minister, Malusi Gigaba's Medium Term Budget Policy Statement also raised concerns about further credit rating downgrades. The budget revealed R51bn in revenue shortfall and a deterioration of the budget deficit for '17/18 to -4.3% from -3.1% previously. Borrowing requirements and planned issuance of government bond has also increased significantly. The budget did not include any corrective measures to curb fiscal slippage and therefore has put a question mark around the government's commitment towards fiscal consolidation.

The potential for credit ratings downgrades by year end have increased and have raised the risk that South Africa will be kicked out of the Citi WIGB Index. This scenario remains a key risk for the currency and has added to the SARB's hawkish rhetoric. Given the weak growth outlook and soft inflation outlook we believe the hurdle for the SARB to hike rates is high and that rate cuts remain more likely over the medium term.

Equities: The outlook for global earnings growth remains strong supported by the economic recovery and low inflation. We expect global inflation to pick up only gradually over the medium term supported by easy financial conditions and looser fiscal policies. The global deflationary 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. We believe the overall South Africa equity index will follow global equity markets higher due to its externalised nature. We remain cautious on domestic equities although we believe that economic activity will improve over the next 18 months. We will be more constructive once we have more political certainty. We favour global cyclical companies with global earnings growth potential and companies with the ability to generate cash sustainably.

Fixed Income: South Africa's inflation will continue to fall over the next 6 months driven by lower food prices and weak demand. The SARB has stated to cut interest rates but paused due to political uncertainty. Political risks and risks of further credit downgrades over the medium term will keep the SARB relatively cautious. We believe the SARB will move back towards rate cuts once a favourable political outcome has been achieved in December. South Africa's level of yields is very attractive. The focus on the search for yield by global investors and potential for a reduction in the political risk premium may support lower bond yields, however in the short term we remain cautious given the political uncertainty, fiscal deterioration and scope for potential foreign outflows.

Currency: We believe the US dollar will strengthen as the Fed move closer to a December rate hike while the ECB will take a gradual approach in reducing asset purchases. We see the risk for the Rand to depreciate further. Softer commodities and stronger US dollar will be balanced by an improving trade balance which should continue to support the Rand. Domestic political risk and a global policy mistake remain the key risks for the currency.

Alternatives: Stronger global growth will allow less accommodative monetary policy and less restrictive 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.

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 21 943 3760 **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.

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

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