

## Fairtree Balanced Prescient Fund

### Minimum Disclosure Document - Class A1

#### 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.

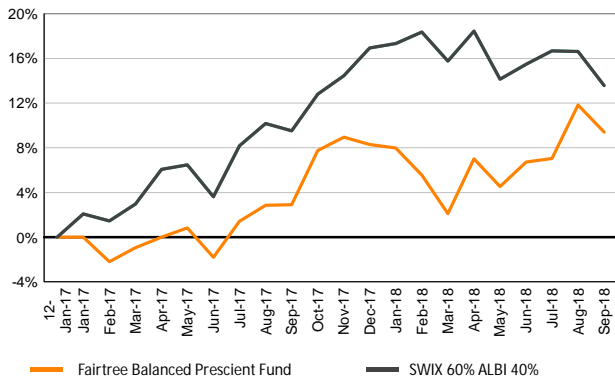
#### INVESTMENT POLICY

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.

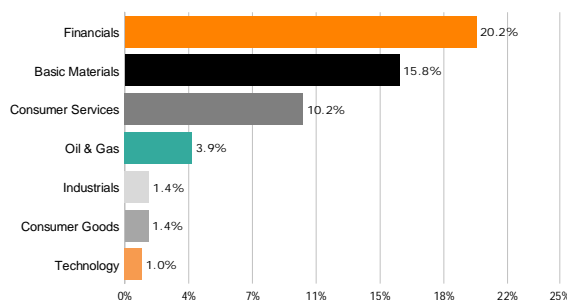
#### HISTORICAL PERFORMANCE SINCE INCEPTION

	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%	2.11%	0.29%	4.47%	-2.17%				1.03%

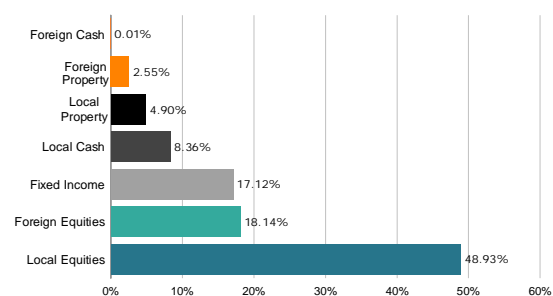
#### CUMULATIVE FUND RETURNS VS MARKET INDICES



#### SECTOR ALLOCATION



#### ASSET ALLOCATION



#### FUND INFORMATION

<b>Inception date:</b>	12 January 2017
<b>Fund size (in Millions):</b>	R 63.72
<b>JSE code:</b>	FBPA1
<b>Unit Price:</b>	107.09
<b>ISIN Number:</b>	ZAE000236360
<b>Domicile:</b>	South Africa
<b>Fund Structure:</b>	CISCA (Unit Trust)
<b>Fund Category:</b>	SA Multi-Asset High Equity
<b>Regulation 28 Complaint:</b>	Yes
<b>Portfolio Manager(s):</b>	
<b>Stephen Brown (SA Equity):</b>	B Comm, MBA, CFA Joined Fairtree in 2011
<b>Jacobus Lacock (Asset Allocation):</b>	B Comm(Financial Economics), CFA Joined Fairtree in 2011
<b>Bradley Anthony:</b>	BA (Economic History), CAIA Joined Fairtree in 2011

#### Cost Ratios:

<b>Total Expense Ratio (TER%):</b>	1.65%
<b>Performance fee incl. in TER (%) (PF%):</b>	N/A
<b>Transactions Costs Ratio (TC%):</b>	1.13%
<b>Total Investment Charges (TIC%):</b>	2.78%
<b>Fees:</b>	Initial Fee - Adviser (incl. VAT): 0% Annual management fee: 1.00% (excl. VAT) Performance fee: N/A
<b>Benchmark:</b>	60% FTSE/JSE Shareholder Weighted Total Return Index + 40% JSE/All Bond Total Return Index
<b>Analysis Currency:</b>	ZAR
<b>Minimum Investment:</b>	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:

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

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### PERFORMANCE SUMMARY

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

Inception date	Jan-17	Jan-17
Current month	Sep-18	Sep-18
Total period (No. months)	21	21
Analysis currency	ZAR	ZAR

#### Return analysis

Return for current month	-2.17%	-2.60%
Total return (since inception)	9.41%	13.57%
Average annualised return (since inception)	5.27%	7.54%
Current 12 month rolling return	6.30%	3.69%
Highest rolling 1-year return (since launch)	8.74%	16.94%
Lowest rolling 1-year return (since launch)	3.09%	3.69%

#### Consistency analysis

% Up months (since inception)	61.90%	66.67%
% Up months (last 12 months)	50.00%	66.67%
Standard deviation (since inception - annualised for periods > 12 mths)	8.29%	7.06%

#### Risk analysis

Downside deviation (since inception - annualised Risk free)	4.52%	4.53%
Largest monthly drawdown	-3.28%	-3.62%
Average monthly drawdown	-1.96%	-1.76%
Largest cumulative drawdown	-6.29%	-4.11%

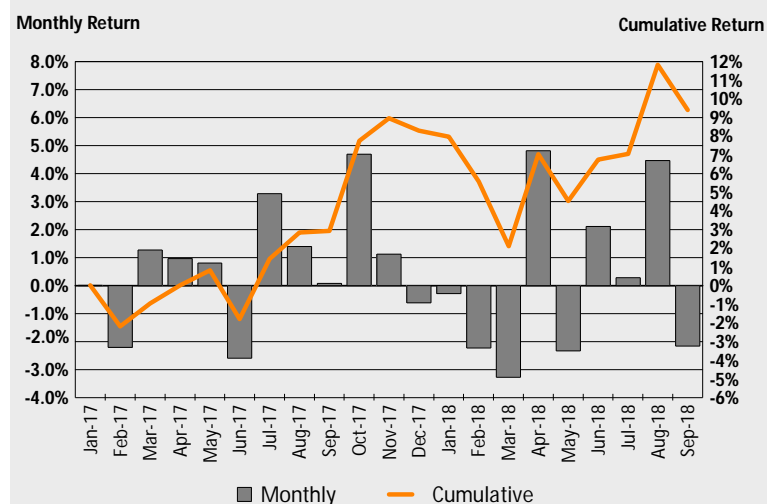
#### Risk/ return analysis

Total gain / Total loss	1.61	2.07
Average gain / Largest loss	0.59	0.50
Average gain / Average loss	0.99	1.04
Sharpe ratio (since inception - annualised for periods > 12 mths)	-0.10	0.06
Sortino ratio (since inception - annualised for periods > 12 mths)	-0.17	0.09

#### Market correlation

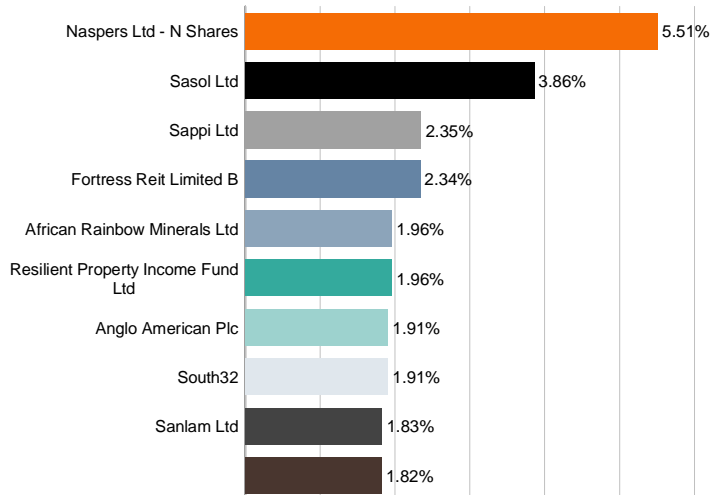
Index correlation (SWIX 60% ALBI 40%)	0.88	(Monthly)
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#### Monthly and Cumulative Returns (Net of Fees)



Please note: Monthly return presented on the graph are rolling monthly returns.

### TOP 10 HOLDINGS



### MARKET COMMENTARY

Emerging markets remained under pressure from stronger US dollar, tighter US monetary policy, China trade conflict, higher oil price and slower growth outlook for China and Europe. Some of these pressures briefly faded mid-month as Trump announced a 10% tariff on \$200bn of Chinese imports after the market expected a 25% tariff. Trade deals with Mexico and Canada and surprised interest rate hikes in Turkey and Russia also helped to curb some of the negative sentiment towards emerging markets. The relief was short lived as strong US data and continued Fed hawkish rhetoric combined with potential political risk stemming from Italy (budget), Brazil (elections) and the UK (Brexit) caused the US dollar to strengthen further. Risk of higher oil prices in the wake of Iran sanctions and supply constraints in US shale added further pressures to emerging markets.

Economic data from South Africa remains weak. A lack of confidence and political uncertainty continue to weigh on economic activity and the Rand. The SARB decided to keep rates on hold last month but struck a fairly hawkish tone. Three out of seven members voted for a hike despite the weak economy. The committee see the risk to inflation to the upside given higher petrol price and weaker Rand. We expect the SARB to hike rates within the next two meetings. The SARB can do little to boost growth as the cause is structural in nature. The Treasury has little room to support growth. However, Ramaphosa announced a fiscal package of R48bn last month. The package will be funded by reprioritising some fiscal spending and will be focussed on labour intensive sectors. We believe the package will marginally support growth and along with some of the other measures around starting an infrastructure fund, smoothing tourist entries and the new Mining Charter will help securing some certainty. The MTBPS will be delivered later this month. Early indications are that revenues are only marginally lagging estimates, however SOE's need for funding will be closely watched.

US data remain strong, unemployment is the lowest on almost 50 years and the fiscal boost from earlier this year will ensure growth remain on solid footing well into 2019. The Fed has gained more confidence in continuing to gradually adjust policy rates higher. For the rest of the world, the additional Fed tightening, higher interest rates and higher oil price is having an adverse effect. China has responded by easing both fiscal and monetary policy as well as allowing for a weaker currency. Europe is divided between a stronger German/French and weaker Italy/Spain. The ECB may find it hard to debate future rate hikes in this environment, but inflation is gradually rising and overall activity remains above trend.

**Equities:** The outlook for global earnings growth remains positive supported by above trend growth and accommodative financial conditions. We expect global inflation to pick up gradually over the medium term, supported looser fiscal policies and higher input costs. The global reflationary outlook favours cyclical and value orientated stocks, while the outlook for higher global bond yields weighs 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 cautiously 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 rise over the next few months. Given current weak economic activity the SARB will remain on hold for now, but may still hike rates before year end. The SARB remains focussed on anchoring inflation expectations closer to 4.5%. Yields have risen to reflect growth and fiscal weakness. We look for signs of an improvement in the emerging market back drop and the local economic environment to become more constructive on bonds.

**Currency:** We believe the US dollar strength has stabilised but could remain strong over the short term as policy divergence persists. Longer term the US dollar could weaken as economic data in the rest of the world improves.

**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

<b>Annualised performance</b>	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.
<b>Highest &amp; Lowest return</b>	The highest and lowest returns for any 1 year over the period since inception have been shown.
<b>NAV</b>	The net asset value represents the assets of a Fund less its liabilities.
<b>Alpha</b>	Denoted the outperformance of the fund over the benchmark.
<b>Sharpe Ratio</b>	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.
<b>Sortino Ratio</b>	The Sortino Ratio is used to measure the risk-adjusted return of the fund.
<b>Standard Deviation</b>	The deviation of the return stream relative to its own average.
<b>Max Drawdown</b>	The maximum peak to trough loss suffered by the Fund since inception.
<b>Max Gain</b>	Largest increase in any single month.
<b>% Positive Month</b>	The percentage of months since inception where the Fund has delivered positive return.
<b>Average Duration</b>	The weighted average duration of all the underlying interest bearing instruments in the Fund.
<b>Average Credit quality</b>	The weighted average credit quality of all the underlying interest bearing instruments in the Fund (internally calculated).
<b>Dividend Yield</b>	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.
<b>PE Ratio</b>	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.
<b>High Water Mark</b>	The highest level of performance achieved over a specified period.
<b>Total Expense Ratio (TER%)</b>	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.
<b>Performance fee incl. in TER (%) PF (%)</b>	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.
<b>Transactions Costs (TC%)</b>	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.
<b>Total Investment Charges TIC (%) = (TER (%) + TC (%)</b>	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 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, 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. 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](http://www.fairtree.com)

Contact details

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