

Fairtree Fixed Income SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

31 January 2019

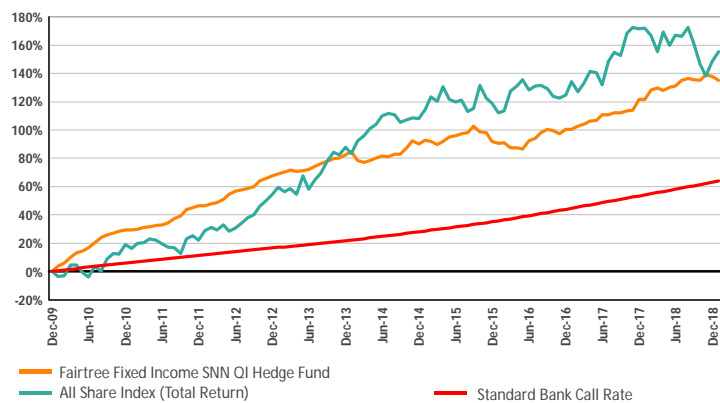
Fund Profile

The fund invests in South African fixed income instruments to take advantage of relative value opportunities across the short and long end of the FRA, bond and swap yield curve. Idea generation flows from jointly formulating a macro view of global and local South African macro parameters. These views are analysed against existing market expectations and tested against the portfolio. The long term return target of the fund is Cash plus 10%.

Investment Strategy

The portfolio is a long/short fixed income hedge fund. It is focused on extracting pure alpha returns from South African capital markets. These returns are accessed through fundamental knowledge of South African instruments vis-à-vis economic growth and broad economic themes as well as medium and long-term relative valuation opportunities.

Cumulative Performance Since Inception



Fund Source: Sanne Fund Services SA (Pty) Ltd as at January 2019
Index Source: Bloomberg as at January 2019

Return Analysis

	Fund	Standard Bank Call Rate	All Share Index
1 Month	-1.10%	0.52%	2.81%
3 Months	0.06%	1.56%	3.77%
6 Months	-0.06%	3.14%	-4.09%
1 Year	6.00%	6.38%	-6.06%
3 Years	23.29%	20.74%	20.33%
5 Years	27.40%	34.15%	39.36%
Since Inception	135.07%	63.98%	155.45%

Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	0.92	n/a	0.47
Sortino Ratio	1.69	n/a	0.96
Standard Deviation	4.45%	0.21%	11.91%
Best Month	3.96%	0.54%	9.35%
Worst Month	-3.28%	0.00%	-5.76%
Best Rolling 12 Months	29.52%	6.64%	32.74%
Worst Rolling 12 Months	-4.49%	4.49%	-12.56%
Largest Cumulative Drawdown	-8.18%	n/a	-12.56%
% Positive Months (Since Inception)	77.98%	n/a	57.80%
Correlation (Monthly)	-0.05		
Value at Risk (VaR) 95%	3.98%		

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:	Med-High
Portfolio Manager:	Ian Millard and Jacobus Lacock
Fund size (in Millions):	R 41.1
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,289.55
Number of Units:	15,533.84
JSE Code:	FISNN
ISIN Number:	ZAE000259099
Inception Date:	31 January 2010
CISCA Inception Date:	1 December 2016
Fund Structure:	CIS Trust
Fund Category:	Fixed Income
Hurdle:	3 month JIBAR
Minimum Investment:	R 1 000 000 Lump sum
Fees	
Management Fee:	1% (excl. VAT)
Performance fee (uncapped):	20% of excess above the high water mark, subject to a hurdle rate of 3 month JIBAR (excl.VAT)
Cost Ratios (incl. VAT)	
Total Expense Ratio (TER%):	4.57%
Transactions Costs Ratio (TC%):	N/A (Trading costs are not reported separately for Fixed Income portfolios.)
* Total Investment Charges (TIC%):	4.59%
Performance Fee (PF) Included in TER:	2.11%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	45.4568 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 (%)

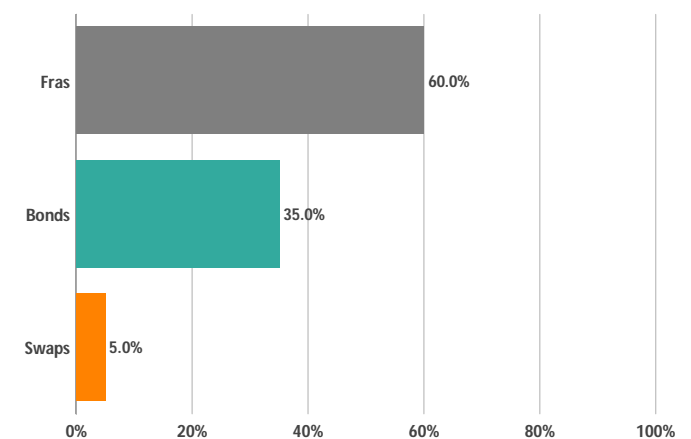
Portfolio Objective

The long-term objective of the portfolio is to achieve consistent absolute returns through investment in risk controlled strategies.

Sector Allocation

The Fairtree Fixed Income SNN QI Hedge Fund is 100% Government Bonds.

Asset Allocation



Increase in NAV Attributable to Investors

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2010	3.62%	2.18%	3.96%	2.70%	1.38%	2.04%	2.75%	3.23%	1.40%	1.19%	0.95%	0.81%	29.52%
2011	0.05%	0.13%	1.14%	0.38%	0.61%	0.46%	0.72%	2.56%	1.14%	3.30%	1.02%	0.96%	13.14%
2012	-0.09%	1.04%	0.47%	1.54%	2.32%	1.47%	0.57%	0.64%	0.79%	2.73%	0.90%	1.25%	14.48%
2013	0.82%	0.59%	0.88%	-0.60%	0.44%	0.42%	1.45%	0.80%	1.06%	1.13%	0.28%	1.13%	8.72%
2014	1.17%	-3.28%	-0.82%	0.82%	1.03%	0.83%	-0.43%	1.17%	-0.06%	2.41%	2.63%	-1.08%	4.33%
2015	1.42%	-0.53%	-1.30%	1.34%	1.61%	0.53%	0.53%	0.54%	2.38%	-2.03%	-0.27%	-3.28%	0.77%
2016	-0.57%	0.14%	-1.81%	-0.01%	-0.61%	3.12%	0.96%	2.26%	1.05%	-0.44%	-1.06%	1.50%	4.52%
2017	0.01%	1.15%	0.66%	1.02%	0.27%	1.91%	0.16%	0.66%	-0.17%	0.77%	0.23%	3.50%	10.58%
2018	0.07%	2.88%	0.76%	-0.86%	0.92%	0.52%	1.73%	0.45%	-0.25%	-0.32%	1.89%	-0.70%	7.26%
2019	-1.10%												-1.10%

*The inception date for the portfolio is 1 January 2010. The historical performance figures until the end of 30 November 2016 reflect performance achieved prior to CISCA regulation. The portfolio has been transitioned under CISCA regulations on 1 December 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
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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

South Africa government bonds rallied over the month as the macro drivers for increased risk appetite returned. The 10-year government bond yield closed 31bps lower at 8.56%. The All Bond Index rose 2.9% over the month to bring the 3 month return to 7.6%, while the All Share Index rose 2.8% to bring the 3 month return to 3.8%. The Rand gained around 8.5% against the US dollar. Foreigners were buyers of local bonds with more than R10bn inflows over the month.

Global equities recorded their best month in more than 3 years, up 7.7%, led by emerging markets. Risk assets benefited as the US Fed removed their tightening bias on monetary policy towards neutral and acknowledged that balance sheet reduction may end earlier. The Fed clearly signalled that policy normalisation has moved from autopilot to data dependency. With the recent weakness in the US and global economy coupled with softer inflation, the market now expects the Fed to be on hold for the rest of the year. Not only the US Fed, but also the Bank of Japan, Reserve Bank of Australia, Bank of England and European Central Bank have sounded more dovish recently. Expectations of a trade deal between the US and China have also increased. More accommodative central banks and reduced risk of trade conflict have pushed market volatility down. Risk and yield appetite seemed to have returned to the market. Commodity prices and emerging markets have also benefitted from a weaker US dollar and expectations that China will continue to perform targeted monetary and fiscal easing to stabilise their economy.

We believe the soft patch in global manufacturing may continue for a while and it may start to weigh on the services side of the global economies. We expect US activity to rebound later this year as the labour market remains strong and the consumer remains in a healthy space. The slowdown in Europe has been more severe than expected and even core European countries like Germany, Italy and France have showed sign of a severe slowdown. We expect the ECB to turn even more dovish and announce a package to stimulate lending. We also believe that there is scope for Germany to boost fiscal spending. Improved demand from China and Asia will help boost European production which is largely dependent on exports. China is likely to provide more stimulus to stabilise economy, but it may take some time to impact the local and global economy.

Locally economic data has improved on aggregate but remains mixed. Consumer and business confidence have stabilised and activity surveys continue to show a general improvement. Retail sales have improved but credit growth and vehicle sales have weakened. The inflation outlook has improved and the SARB have backed-off from their hawkish stance. We believe investor confidence will return once results from the local election prove that economic reforms will be implemented. The SOE's continue to weigh on the economy and credit quality. Eskom is likely to be restructured but question marks around their debt overhang will continue.

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

Mandatory Disclosures

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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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