

Fairtree Fixed Income SNN QI Hedge Fund Minimum Disclosure Document - Class 1

31 July 2018

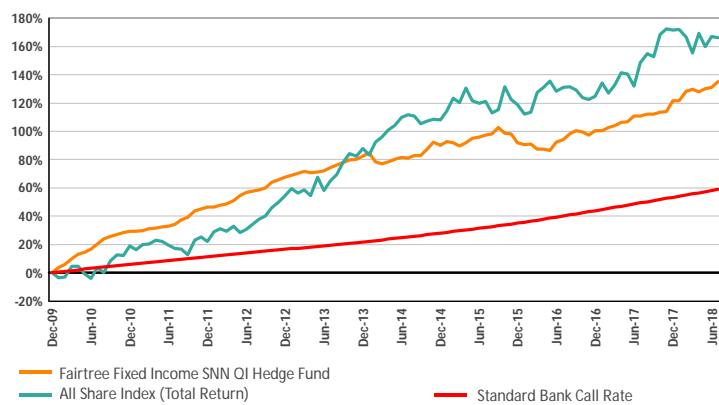
Fund Profile

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 July 2018
Index Source: Bloomberg as at July 2018

Return Analysis

	Fund	Standard Bank Call Rate	All Share Index
1 Month	1.73%	0.52%	-0.25%
3 Months	3.21%	1.56%	-1.06%
6 Months	6.06%	3.14%	-2.05%
1 Year	11.48%	6.38%	7.20%
3 Years	19.31%	20.38%	20.51%
5 Years	34.75%	32.95%	61.38%
Since Inception	135.23%	58.99%	166.35%

Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	1.06	n/a	0.51
Sortino Ratio	1.95	n/a	1.06
Standard Deviation	4.45%	0.21%	11.74%
Best Month	3.96%	0.54%	9.35%
Worst Month	-3.28%	0.00%	-5.70%
Best Rolling 12 Months	29.52%	6.64%	32.74%
Worst Rolling 12 Months	-4.49%	4.49%	-4.37%
Largest Cumulative Drawdown	-8.18%	n/a	-8.46%
% Positive Months (Since Inception)	80.58%	n/a	58.25%
Correlation (Monthly)	-0.05		
Value at Risk (VaR) 95%	2.21%		

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 44.4
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,336.01
Number of Units:	16,392.58
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%):	5.31%
Transactions Costs Ratio (TC%):	N/A (Trading costs are not reported separately for Fixed Income portfolios.)
* Total Investment Charges (TIC%):	5.34%
Performance Fee (PF) Included in TER:	2.80%
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 Asset Management (Pty) Ltd
Telephone Number:	+27 86 176 0760
Website:	www.fairtree.com

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

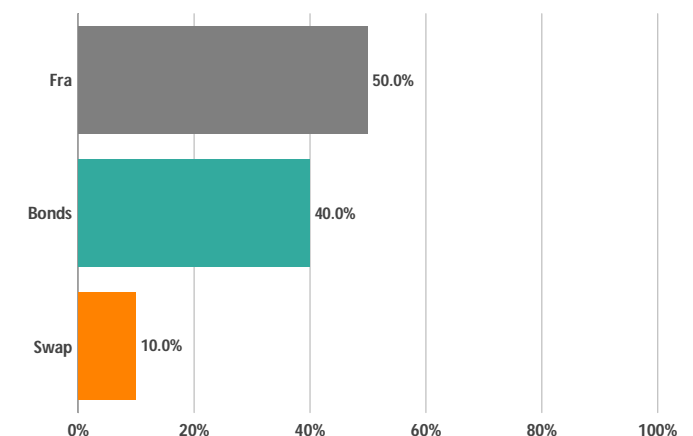
Portfolio Objective

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%						6.14%

*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 gained for the first time in four months after falling the previous three months along with emerging markets. The 10 year government bond yield closed -25bps lower at 8.58%. The bond curve flattened marginally, indicating support for the longer end of the yield curve. The All Bond Index returned +2.4% over the month bringing the year to date return to +6.5%, outperforming the equity market by more than 8% over the same period. The Rand gained about +3.4% over the month as offshore investor selling paused after more than R60bn outflows during May and June.

Emerging markets remained under pressure from a stronger US dollar, tighter global monetary policy, global trade conflict and signs that growth in China is slowing. The recent policy crisis in Turkey and effect of sanctions on Russia may also lead to contagion amongst emerging markets which may create a period of risk-off that may put a drag on global activity. The current outlook for global growth has softened as data from China and the EU remained mixed. To offset the China slowdown and counter tariff measures by the US, the Chinese central bank, PBOC, has eased monetary conditions and suggested that fiscal policy may also be eased. The Chinese Renminbi has depreciated more than 9% since first quarter of the year which may provide some support to the economy.

In Europe activity has stabilised at a lower level. The recent Euro depreciation should support activity while the ECB's forward guidance and overall policy stance remains very accommodative. 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. 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 trade risk dissipate.

The US remains the stand out performer as Q2 GDP came in at 4.1% qoq annualised, boosted by strong personal consumption. With the unemployment rate falling further to 3.8% and inflation on the rise the Fed should continue to hike rates gradually. We expect the Fed to hike rates 2 more times this year and at least 3 times next year as core inflation remains above the Fed's 2% target and the economy continues to grow above trend supported by the tax cuts, fiscal spending, increased investment and healthy household consumption. Concerns around increased trade tariffs and trade wars have increased and have started to impact business confidence and raise questions around the impact on growth.

With the external environment deteriorating and local backdrop also weak, the outlook for SA remains bleak and the risk of another negative qoq GDP print is rising. The longer term growth outlook for South Africa remains positive but the current economic data suggest that a high level of policy and political uncertainty still weigh on activity and investment. Policy uncertainty around land, mining, health and a unionised labour market will continue to weigh on investment while higher taxes, fuel and job losses will weigh on consumption. We expect policy and political noise to increase in the run up to the 2019 elections. We hope to see post-election political and economic reforms that will transform the long term investment landscape.

Given the external backdrop, monetary policy should remain fairly hawkish. The SARB remained focused at driving inflation expectations down towards 4.5%. However we don't expect any near term hikes as the SARB will first want to see evidence of the second round effects on inflation from the weaker Rand.

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

Mandatory Disclosures

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.
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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