

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

31 March 2019

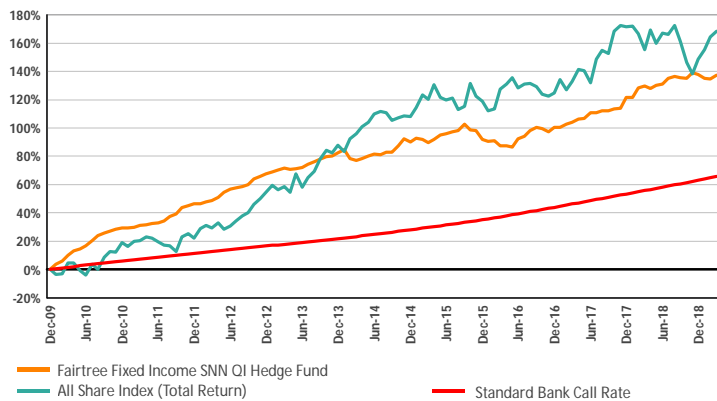
### Fund Profile

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 March 2019  
Index Source: Bloomberg as at March 2019

### Return Analysis

	Fund	Standard Bank Call Rate	All Share Index
1 Month	1.06%	0.52%	1.56%
3 Months	-0.18%	1.56%	7.97%
6 Months	0.67%	3.14%	2.71%
1 Year	3.22%	6.38%	5.04%
3 Years	26.56%	20.78%	18.03%
5 Years	34.05%	34.43%	37.03%
Since Inception	137.28%	65.68%	168.29%

### Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	0.91	n/a	0.50
Sortino Ratio	1.67	n/a	1.02
Standard Deviation	4.42%	0.21%	11.83%
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)	77.48%	n/a	58.56%
Correlation (Monthly)	-0.05		
Value at Risk (VaR) 95%	2.81%		

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 41.5
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,311.01
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
<b>Fees</b>	
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)
<b>Cost Ratios (incl. VAT)</b>	
Total Expense Ratio (TER%):	4.40%
Transactions Costs Ratio (TC%):	N/A (Trading costs are not reported separately for Fixed Income portfolios.)
* Total Investment Charges (TIC%):	4.43%
Performance Fee (PF) Included in TER:	1.96%
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 (%)

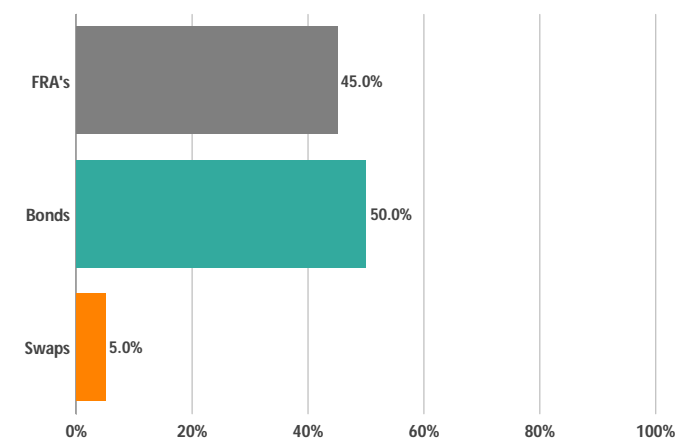
### Portfolio Objective

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%	-0.12%	1.06%										-0.18%

\*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 alongside global government bonds as investors became more concerned about weakening global growth and global central banks taking a more dovish stance. The 10-year government bond yield (we now use the R2030 as 10yr proxy instead of the R186 which has now become a 7yr bond) closed 10bps lower at 9.15%. The All Bond Index returned +1.3% over the month to bring the year to date return to 3.8%, while the All Share Index rose 1.6% to bring the year to date return to 8.0%. The Rand lost around 3% against the US dollar. Foreigners continued to be net buyers of local bonds but seller of local equities.

Global equities also posted another solid month, up 1.1% as risk assets benefitted from a more dovish tone by global central banks and signs that a trade deal between the US and China may be reached soon. The US Fed dropped their outlook for the policy rate as it signals only one more rate hike over the next 3 years, down from three previously. The market on the other hand has moved to price in more than 2 rate cuts over the next 3 years. We believe that economic activity will recover and labour market will remain strong enough to allow the Fed to remain on pause with a higher risk of a rate hike than a rate cut over the next year.

More evidence from leading indicators that China's reflationary policies are starting to work also boosted sentiment.

China's credit growth continue to strengthen while infrastructure investment is recovering in the first months of the year along with an increase in infrastructure projects. We believe the Chinese economy will continue to recover over the next few quarters. This should support emerging markets, commodity demand and manufacturing activity in Europe.

We believe the recent soft patch in global manufacturing will fade and that Europe will improve on the back of more fiscal spending and a dovish stance by the ECB. Uncertainty around Brexit and politics in Europe has weighed on confidence and threats by the Trump Administration to put tariffs on EU goods remains a risk to the EU.

Locally, economic data remains weak on aggregate with leading and confidence indicators falling. The impact of stage 4 load shedding, higher than expected electricity tariffs, higher fuel prices and taxes, will weigh on growth over the first half of the year. With elections next month, political uncertainty may soon start to fade as polls indicate the ANC led by Ramaphosa may achieve around 60% of the vote, allowing for the president to be bold on reforms. Moody's credit review was due late last month and chose to not downgrade South Africa's rating and kept the outlook at Stable. S&P also confirmed its Stable outlook on the country and sounded more positive about the potential for reforms. Eskom remains a key risk to the fiscal health of the economy and along with growth will be closely monitored by ratings agencies. The SARB acknowledged the weak growth outlook and decided to keep rates on hold. Inflation continue to surprise to the downside but the outlook for inflation has deteriorated.

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.snnmanco.com **Trustee:** Firstrand Bank Limited, Johannesburg, **Telephone:** +27 87 736 1732.

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\*Non-Executive

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