

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

30 September 2018

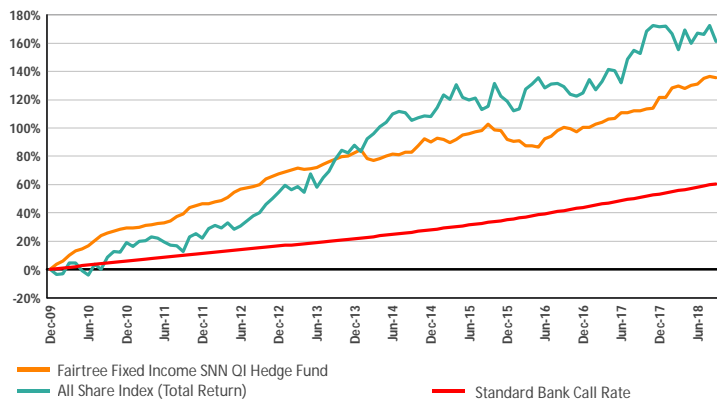
### Fund Profile

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 September 2018  
Index Source: Bloomberg as at September 2018

### Return Analysis

	Fund	Standard Bank Call Rate	All Share Index
1 Month	-0.25%	0.52%	-4.17%
3 Months	1.94%	1.56%	-2.17%
6 Months	2.53%	3.14%	2.27%
1 Year	11.17%	6.38%	3.32%
3 Years	16.14%	20.52%	21.38%
5 Years	32.54%	33.35%	46.84%
Since Inception	135.69%	60.64%	161.22%

### Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	1.02	n/a	0.47
Sortino Ratio	1.88	n/a	0.96
Standard Deviation	4.43%	0.21%	11.76%
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)	80.00%	n/a	58.10%
Correlation (Monthly)	-0.04		
Value at Risk (VaR) 95%	3.87%		

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 41.4
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,340.64
Number of Units:	15,028.85
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%):	5.06%
Transactions Costs Ratio (TC%):	N/A (Trading costs are not reported separately for Fixed Income portfolios.)
* Total Investment Charges (TIC%):	5.09%
Performance Fee (PF) Included in TER:	2.58%
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 (%)

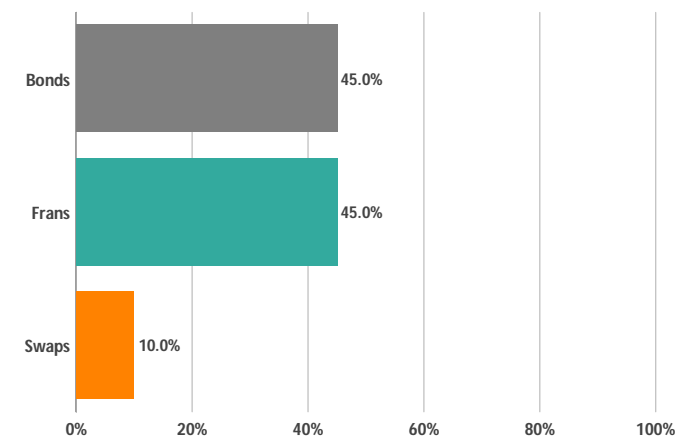
### Portfolio Objective

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%	0.45%	-0.25%				6.35%

\*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 African government bonds sold off over the first half of the month, but recovered well towards month-end to end the month almost unchanged. The 10 year government bond yield closed unchanged at 8.99%. However, the bond curve steepened by almost 10bps between the 10 and 30yr bond. The All Bond Index returned 0.3% over the month to bring the year to date return to +4.8%, outperforming the equity market by almost 9% over the same period. The Rand recovered around 3.5% as foreign outflows slowed to R2bn over the month.

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.

**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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