

Fairtree Fixed Income SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

30 April 2019

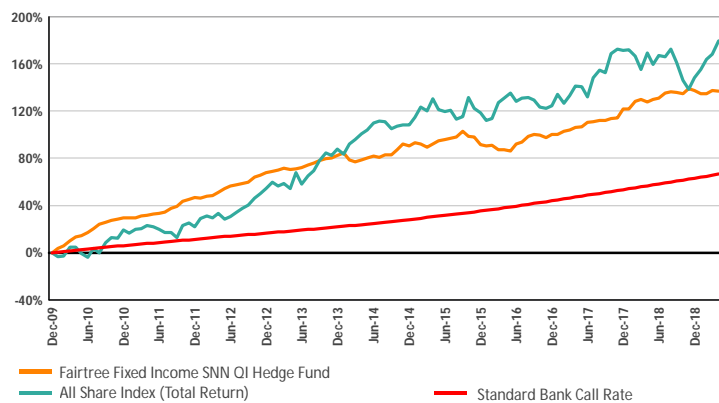
Fund Profile

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 April 2019
Index Source: Bloomberg as at April 2019

Return Analysis

	Fund	Standard Bank Call Rate	All Share Index
1 Month	-0.05%	0.52%	4.23%
3 Months	0.89%	1.56%	9.47%
6 Months	0.95%	3.14%	13.60%
1 Year	4.06%	6.38%	3.87%
3 Years	26.51%	20.75%	20.97%
5 Years	32.90%	34.57%	39.14%
Since Inception	137.16%	66.54%	179.63%

Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	0.89	n/a	0.53
Sortino Ratio	1.64	n/a	1.08
Standard Deviation	4.41%	0.21%	11.82%
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)	76.79%	n/a	58.93%
Correlation (Monthly)	-0.06		
Value at Risk (VaR) 95%	2.80%		

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 2,309.89
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%):	4.35%
Transactions Costs Ratio (TC%):	N/A (Trading costs are not reported separately for Fixed Income portfolios.)
* Total Investment Charges (TIC%):	4.38%
Performance Fee (PF) Included in TER:	1.90%
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 (%)

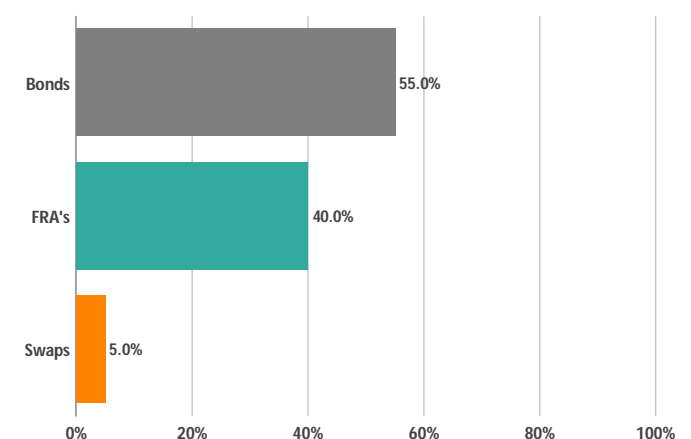
Portfolio Objective

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%	-0.05%									-0.22%

*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 improved over the month in the build-up to the local election and ongoing dovish talk by global central banks. The 10-year government bond yield (R2030) closed 3bps lower at 9.12%. The All Bond Index returned +0.8% over the month to bring the year to date return to 4.6%, while the All Share Index rose 4.2% to bring the year to date return to 12.5%. The Rand gained around 1.4% against the US dollar. Foreigners continued to be net buyers of local bonds, with year to date inflows in excess of R20bn. Foreigners continue to be net sellers of local equities.

Global equities also posted another solid month, up more than 3% as risk assets continue to benefit from the dovish tone by global central banks, signs that activity in both China and Europe are improving and talks about a potential trade deal between US and China. However, this positive sentiment gave way at month-end as increased uncertainty about Fed policy and the US / China trade deal caught the market by surprise.

The US Fed stated during their FOMC meeting that current low inflation is "transitory" and that they don't see a strong argument to either hike or cut rates. The market was pricing in a near 70% probability of a rate cut by year end and had to reprice some of that. Incoming US data has not justified rate cut expectations as the labour market remain strong, inflation continue close to target and economic activity continue to grow at a decent pace. Q1 GDP surprised the market at 3.2% qoq ann. vs. 2.3% expected. However, the re-emergence of trade conflict between US and China which dented sentiment at month-end into May, may again raise expectation of slower global growth activity and potential action by the Fed. We expect the trade conflict to overshadow headline over the next month, but continue to believe that a trade deal is possible before end of May as neither party can afford to ignite a full-on trade war that would lead to a global economic contraction.

Data from China continue to show that activity may have bottomed. We expect a pick-up over the next few quarters on the back of stimulus already implemented and the potential for more stimulus to be unleashed on the back of the trade conflict. Data from EU remain weak, but there are signs that service economy is improving and manufacturing are bottoming. We expect Europe to further improve on the back of Chinese stimulus, robust consumer, weak Euro and fading idiosyncratic events that negatively impacted German activity.

Locally, hard economic data remained weak and suggest a potential contraction over Q1 GDP. Leading indicators however suggest that activity may pick up over the second half of the year as the services PMI is improving along with the SA Leading Indicator. Concerns around Eskom continue to weigh on long end bonds and caused the yield curve to steepen. We expect to soon hear about a turnaround plan for Eskom. In our view the national election results suggest that Cyril Ramaphosa will continue on the path of gradual reform. We expect growth to remain weak over the near term but improve towards year end. With inflation low and inflation expectations falling the SARB will continue to be on hold as those expectations has not yet reset sufficiently and future inflation risks and second round effects from weaker rand remain uncertain.

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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