

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

30 September 2019

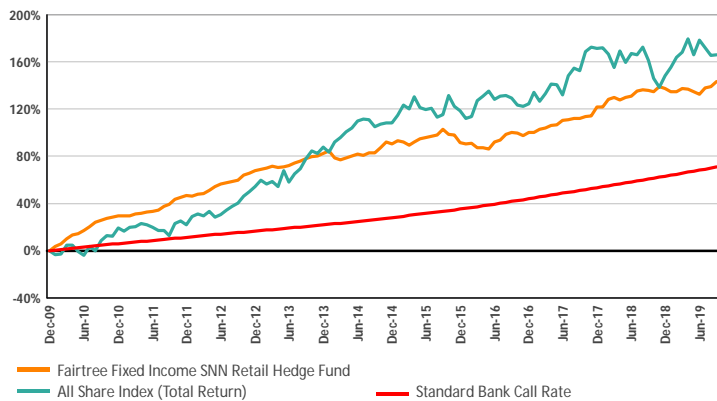
### Fund Profile

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 September 2019  
Index Source: Bloomberg as at September 2019

### Return Analysis

	Fund	Standard Bank Call Rate	All Share Index
1 Month	1.83%	0.52%	0.19%
3 Months	4.76%	1.56%	-4.57%
6 Months	2.71%	3.14%	-0.83%
1 Year	3.41%	6.38%	1.86%
3 Years	21.57%	20.63%	15.99%
5 Years	33.16%	35.17%	29.56%
Since Inception	143.72%	70.88%	166.07%

### Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	0.85	n/a	0.44
Sortino Ratio	1.57	n/a	0.89
Standard Deviation	4.43%	0.21%	11.88%
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)	76.07%	n/a	58.12%
Correlation (Monthly)	-0.06		
Value at Risk (VaR) 95%	2.10%		

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 73.8
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,346.11
Number of Units:	26,253.73
JSE Code:	FISNN
ISIN Number:	ZAE000259099
Inception Date:	January 2010
CISCA Inception Date:	1 December 2016
Fund Structure:	CIS Trust
Fund Category:	Fixed Income
Hurdle:	3 month JIBAR
Minimum Investment:	R 50 000 Lump sum or R 2000 monthly
Additional Lump sum:	R 10 000
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%):	4.09%
Transactions Costs Ratio (TC%):	N/A (Trading costs are not reported)
* Total Investment Charges (TIC%):	4.13%
Performance Fee (PF) Included in TER:	1.74%
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 (%)

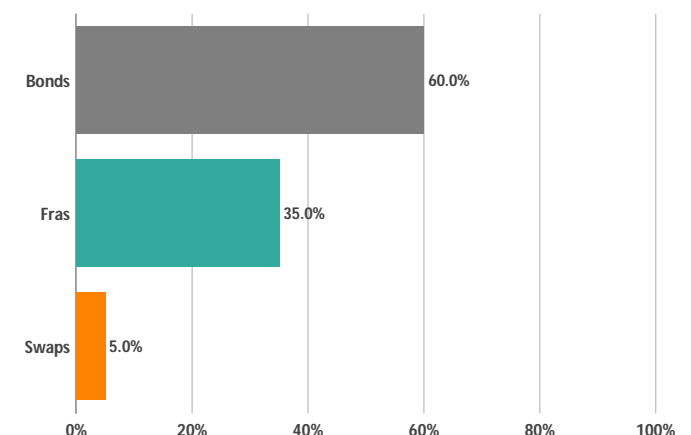
### Portfolio Objective

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 Retail 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%	-0.93%	-0.99%	2.43%	0.44%	1.83%				2.53%

The portfolio converted its valuation frequency from monthly to daily valuation effective 10 May 2019. The performance shown above includes historical performance of the fund prior to its conversion to daily valuation

\*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

The portfolio converted its valuation frequency from monthly to daily valuation effective 10 May 2019. The portfolio is now valued daily and the transactions cut-off time is 14:00pm on a business day. Investor instructions received after 14:00pm shall be processed the following business day.

### 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.

### Market Commentary

South Africa government bonds posted positive returns over September. The 10-year government bond (R2030) yield closed 7bps higher at 9.0%. The bond curve flattened as longer maturity yields dropped less. The All Bond Index returned 0.5% over the month to bring the year to date return to 8.4%, while the All Share Index rose 0.2% to bring the year to date return to 7.1%. The Rand lost around 0.4% against the US dollar. Foreigners continued to sell local assets.

Global equities recovered almost 2% over the month after the -5% drop the previous month. The year to date global equities return increased to 15.7% and 3.7% for emerging market equities. Market participants remained concerned about mounting recession risk as global manufacturing data points to contracting economic activity. Non-manufacturing data has been resilient in the face of the ongoing trade war, but has also started to show signs of weakening along with softer labour data. Despite the softening, the aggregate level of employment and consumption remain consistent with continued expansion and central banks globally have turned more dovish to support the current economic cycle. Global economic and policy uncertainty continue to increase; as tension in the Middle East saw the oil price briefly spike more than 10% during the month, Trump faces impeachment and the China/US trade war continued to escalate.

We view the more recent contraction in manufacturing as a result of deteriorating business confidence and weak business investment. Political uncertainty will continue to weigh on industrial production and trade. US growth may slow to well below trend, but given the strength of the US consumer and services side of the global economy we don't expect a US recession soon. We expect global central banks to cut rates and ease policy further. The Fed, ECB and PBOC is likely to cut rate again before year end and authorities are weighing up the need for more fiscal support in Europe and China.

In South Africa the data releases for Q3 suggest that growth may come in below 1% annualised for the quarter as business and consumer confidence continue to weigh on activity. We expect around 0.5-0.7% growth for 2019. Inflation data remains soft and may continue to surprise to the downside. However, despite low growth and inflation, we expect the SARB to remain cautious in cutting rates further. The SARB has expressed concern about the country's fiscal situation and would first want to have more clarity around the Eskom restructuring plan, the medium-term budget outcomes and credit ratings downgrade risk before embarking on further policy easing.

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)\*, G P Rate (Managing Director), I Burke\*, H J Pienaar\*, K de Bruin. **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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