

# FAIRTREE BALANCED PRESCIENT FUND

## MINIMUM DISCLOSURE DOCUMENT - CLASS A1

### INVESTMENT OBJECTIVE

The Fairtree Balanced Prescient Fund aims to generate long-term wealth for investors by producing inflation beating returns. The Fund is managed to outperform the South African - Multi Asset - High Equity peer group benchmark. The Fund's objective is to create medium to long-term capital growth, within the constraints governing retirement funds - Regulation 28. The Fund invests in a diversified and balanced range of asset classes and may invest in offshore securities when the benefit of higher returns and portfolio diversification are available.

### INVESTMENT POLICY

The fund invests in a diverse combination of equities, property, bonds and money market instruments. The portfolio has a long-term focus and invests predominately in domestic securities. The fund may invest a maximum net foreign exposure of 30% and 10% Africa (excl. South Africa). The fund is actively managed, both at security and asset class level to create capital growth while preserving capital on a real (above inflation) and absolute basis.

# FAIRTREE

31 MAY 2020

### FUND INFORMATION

#### Fund Manager:

Stephen Brown, Jacobus Lacoek

#### Fund Classification:

SA - Multi Asset - High Equity

#### Benchmark:

South African - Multi Asset - High Equity Category Average

#### JSE Code:

FBPA1

#### ISIN Number:

ZAE000236360

#### Regulation 28 Compliant:

Yes

#### Fund Size:

R255.8 m

#### No of Units:

105,801,121

#### Unit Price:

112.95

#### Inception Date:

January 2017

#### Minimum Investment:

R50 000 lump-sum  
R1 000 per month

#### Initial Fee:

0.00%

#### Annual Management Fee:

1.00% (excl. VAT)

#### Performance Fee:

N/A

#### Fee Class:

A1

#### Fee Breakdown:

Management Fee 1.00%

Performance Fees 0.00%

Other Fees\* 0.55%

**Total Expense Ratio (TER) 1.55%**

**Transaction Costs (TC) 0.51%**

**Total Investment Charge (TIC) 2.06%**

\*Other fees includes underlying fee (where applicable):  
Audit Fees, Custody Fees, Trustee Fees and VAT

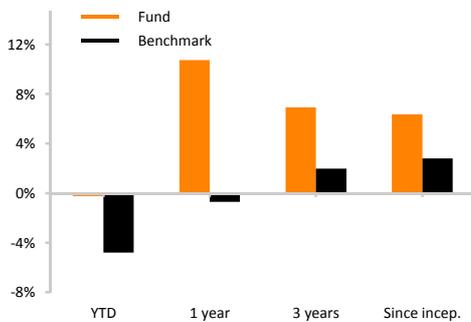
#### Income Distribution:

31 March 2020 - 3.37 cpu

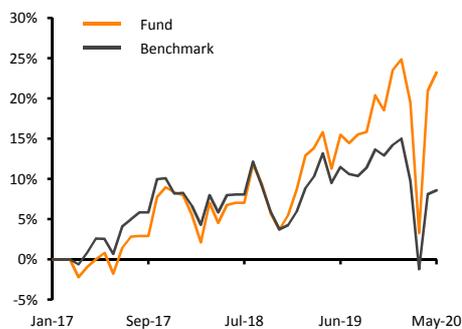
### RISK INDICATOR



### ANNUALISED PERFORMANCE (%)



### CUMULATIVE PERFORMANCE



### ANNUALISED PERFORMANCE (%)

	Fund	Benchmark
1 year	10.73	-0.71
3 years	6.91	1.97
Since incep.	6.36	2.81
Highest rolling 1 year	17.10	9.52
Lowest rolling 1 year	-9.29	-10.44

### RISK AND FUND STATS

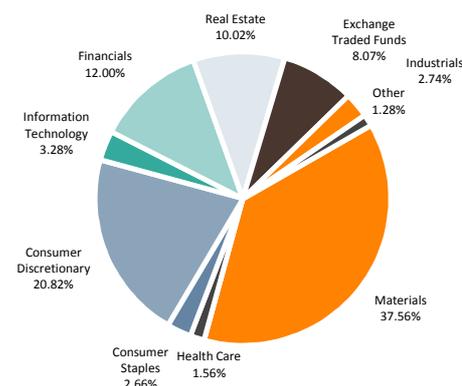
Since inception (p.a.)	Fund	Benchmark
Alpha	3.55%	
Sharpe Ratio	-0.02	-0.35
Standard Deviation	14.55%	10.20%
Max Drawdown	-17.28%	-14.12%
Max Gain	17.10%	9.60%
% Positive Months	63.42%	58.54%

Benchmark risk statistics for funds with intra-month inceptions dates are calculated using the monthly return series.

### ASSET ALLOCATION (%)

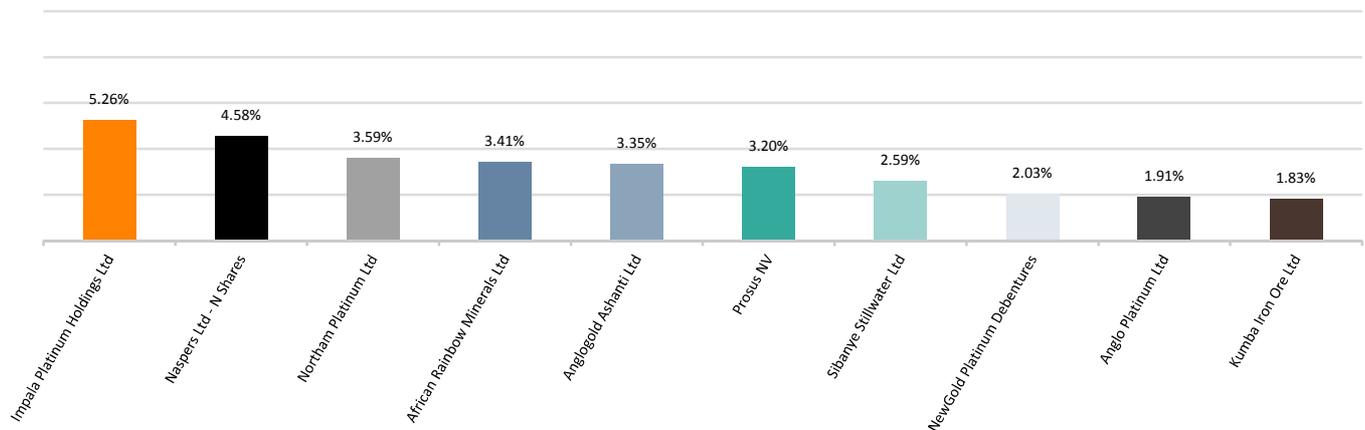
	S.A	Foreign	Total
Equity	54.28	9.79	64.07
Bonds	18.94	0.00	18.94
Cash	8.86	0.99	9.85
Property	4.12	3.01	7.13
<b>Total</b>	<b>86.20</b>	<b>13.79</b>	<b>100.00</b>

### EQUITY SECTOR EXPOSURE



# FAIRTREE BALANCED PRESCIENT FUND

## TOP 10 HOLDINGS



## FUND MONTHLY RETURNS

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017	0.02%	-2.21%	1.27%	0.98%	0.80%	-2.58%	3.28%	1.38%	0.08%	4.69%	1.13%	-0.62%	8.29%
2018	-0.29%	-2.23%	-3.28%	4.82%	-2.33%	2.11%	0.29%	4.47%	-2.17%	-3.37%	-1.92%	1.72%	-2.60%
2019	3.03%	3.91%	0.83%	1.70%	-3.92%	3.79%	-0.90%	0.96%	0.26%	3.95%	-1.56%	4.20%	17.10%
2020	1.09%	-4.28%	-13.57%	17.10%	1.87%								-0.24%

## MARKET COMMENTARY

Markets continued their rapid recovery over May. Ongoing policy interventions to offset the economic hit to household and corporate incomes, the re-opening of economies and accelerating economic activity from depressed levels boosted equity markets close to their pre-crisis levels.

Global equity markets were up almost 5% over the month and down only 8% year to date, after being down more than 30% earlier this year. Emerging markets and South Africa did not participate in the May equity rally and were still down 16% and 10% since the start of the year. However, early signs of market rotation into value and cyclicals pushed Emerging market and South Africa equities higher early in June. The US dollar, a counter cyclical currency weakened into June as global activity data surprised to the upside. The Rand appreciated by 5.5% along with other EM currencies. After months of outflows, foreign inflows have returned to the local bond markets. South African government bonds (10yr) rallied more than 1.3% as the market priced in weaker GDP growth for 2020, now as low as -10%, and inflation potentially below 3% for the next few months. The local curve steepened as weak fiscal dynamics remain a concern. Despite the overall improvement in sentiment, worries about a second global covid-19 wave, the run up to the US election and deteriorating US/China relationship still weigh on markets. The US 10-year treasury yield remained at around 0.65% and the gold price remain around \$1700 as market participants remain cautious.

The current recovery is driven by three factors; policy intervention, re-opening of economies and economic data confirming the effectiveness of monetary and fiscal policies and safety of re-opening. On the policy front the US Democrats have come up with an additional \$3trn fiscal package which got blocked by the Senate, but we expect some of that will be announced this year. In Europe, Germany has come up with a EUR130bn package and together with France are working on a EUR750bn EU Recovery Fund that could be active by the end of this year. In China the additional special local government and treasury issuance has been announced together with an increased budget deficit. Much of this will go towards infrastructure. News about potential vaccines has given some confidence to markets, but the peak in cases in Europe, China and US and subsequent re-opening has seen activity bounce back quickly, not across all service sectors yet, but in industrial activity and manufacturing predominantly. Economic survey data suggest that most developed economic have bottomed and are on the mend at a faster pace than expected. The latest US jobs report was a significant upside surprise.

Locally, the shutdown and phased re-opening has caused economic activity to collapse and some signs suggest that activity is on the rise again from very low levels. The hit to jobs is expected to be around 2 million and many businesses face permanent closure. The R500bn fiscal package announced by government will go a long way in helping small business and the unemployed and together with 275bps in rate cuts and 50% drop in oil should provide some support to the consumer over the next few months. We expect the SARB to cut further but at a more measured pace. With growth expected to come in at around -10% for the year the fiscus is set to deteriorate rapidly. We expect government to announce radical steps to provide support to the budget at the June budget meeting.

**Equities:** The outlook for global earnings growth has weakened along with earnings certainty. However, aggressive central bank and fiscal policies have provided support to global equity prices. Current global valuations contain little safety margin. Valuations of domestic equities are attractive but we remain cautious given the poor growth outlook. The domestic economy will only start to benefit from policy intervention, interest rate cuts and lower fuel prices when activity normalises. We like selected local and global exposed cyclical assets with strong balance sheets and global earnings growth potential. We like resources given tight supply and relative attractiveness of China vs other markets.

**Fixed Income:** South Africa's inflation remain low while inflation expectation decreases further. Given current weak economic activity and downside risk to inflation the SARB may continue with its rate cut cycle. Liquidity in the bond market remain a concern. Bond have rallied as rate cuts and lower credit risk premium were priced by the market. Credit remains under pressure.

**Currency:** We believe the US dollar strength has stabilised and that recent uncertainty around US growth and potential for aggressive policy action could drive US dollar lower. Fundamentals for the ZAR is improving and we believe the currency is undervalued at current levels. Improving current account and term of trade should provide support to the currency along with the attractive real yield it offers.

**Alternatives:** We believe higher levels of volatility amongst asset classes and securities will increase dispersion and lead to a more favourable environment for alternative assets to perform.

# FAIRTREE BALANCED PRESCIENT FUND

## GLOSSARY

**Annualised Performance:** Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.

**Highest & Lowest Performance:** The highest and lowest performance for any 1 year over the period since inception have been shown.

**NAV:** The net asset value represents the assets of a Fund less its liabilities.

**Current Yield:** Annual income (interest or dividends) divided by the current price of the security.

**Alpha:** Denoted the outperformance of the fund over the benchmark.

**Sharpe Ratio:** The Sharpe ratio is used to indicate the excess return the portfolio delivers over the risk free rate per unit of risk adopted by the fund.

**Standard Deviation:** The deviation of the return stream relative to its own average.

**Max Drawdown:** The maximum peak to trough loss suffered by the Fund since inception.

**Max Gain:** Largest increase in any single month.

**% Positive Month:** The percentage of months since inception where the Fund has delivered positive return.

**High Water Mark:** The highest level of performance achieved over a specified period.

**Total Expense Ratio (TER%):** The Total Expense Ratio (TER) is the percentage of the net asset value of the class of the Financial Product incurred as expenses relating to the administration of the Financial Product.

**Performance fee incl. in TER (%) PF (%):** The Performance Fee is a payment made to the Fund Manager for generating positive returns and is generally calculated as percentage of investment profits, often both realized and unrealized.

**Transaction Costs (TIC%):** The Transaction Costs (TC) is the percentage of the net asset value of the Financial Product incurred as costs relating to the buying and selling of the assets underlying the Financial Product.

**Total Investment Charges TIC (%) = TER (%) + TC (%):** The Total Investment Charges (TIC), the TER + the TC, is the percentage of the net asset value of the class of the Financial Product incurred as costs relating to the investment of the Financial Product. It should be noted that a TIC is the sum of two calculated ratios (TER+TC).

## SPECIFIC RISK

**Default Risk:** The risk that the issuers of fixed income instruments may not be able to meet interest payments nor repay the money they have borrowed. The issuers credit quality is vital. The worse the credit quality, the greater the risk of default and therefore investment loss.

**Derivatives Risk:** The use of derivatives could increase overall risk by magnifying the effect of both gains and losses in a Fund. As such, large changes in value and potentially large financial losses could result.

**Developing Market (excluding SA) Risk:** Some of the countries invested in may have less developed legal, political, economic and/or other systems. These markets carry a higher risk of financial loss than those in countries generally regarded as being more developed.

**Foreign Investment Risk:** Foreign securities investments may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations.

**Interest Rate Risk:** The value of fixed income investments (e.g. bonds) tends to be inversely related to interest and inflation rates. Hence their value decreases when interest rates and/or inflation rises.

**% Property Risk:** Investments in real estate securities can carry the same risks as investing directly in real estate itself. Real estate prices move in response to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations.

**Currency Exchange Risk:** Changes in the relative values of individual currencies may adversely affect the value of investments and any related income.

**Geographic / Sector Risk:** For investments primarily concentrated in specific countries, geographical regions and/or industry sectors, their resulting value may decrease whilst portfolios more broadly invested might grow.

**Derivative Counterparty Risk:** A counterparty to a derivative transaction may experience a breakdown in meeting its obligations thereby leading to financial loss.

**Liquidity Risk:** If there are insufficient buyers or sellers of particular investments, the result may lead to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than expected.

**Equity Investment Risk:** Value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

## RISK INDICATOR DEFINITION

These portfolios generally hold more equity exposure than low risk portfolios but less than high risk portfolios. In turn the expected volatility is higher than the low risk portfolios but less than high risk portfolios. The probability of losses are higher than that of the low risk portfolios, but less than high risk portfolios. Expected potential long term investment returns could therefore be lower than high risk portfolios due to lower equity exposure, but higher than low risk portfolios.

## DISCLAIMER

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate.

CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. During the phase in period TER's do not include information gathered over a full year. Transaction Costs (TC) is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund 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 Fund, investment decisions of the investment manager and the TER.

The Manager retains full legal responsibility for any third-party-named portfolio. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macro-economic risks, political risks, foreign exchange risks, tax risks, settlement risks; and potential limitations on the availability of market information. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient by or before 13:00 (SA), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Funds are priced at either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website.

This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act.

Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

For any additional information such as fund prices, brochures and application forms please go to [www.fairtree.com](http://www.fairtree.com)

**Management Company:** Prescient Management Company (RF) (Pty) Ltd., **Registration number:** 2002/022560/07 **Physical address:** Prescient House, Westlake Business Park, Otto Close, Westlake, 7945 **Postal address:** PO Box 31142, Tokai, 7966 **Telephone number:** 0800 111 899 **E-mail:** [info@prescient.co.za](mailto:info@prescient.co.za) **Website:** [www.prescient.co.za](http://www.prescient.co.za)

**Trustee:** Nedbank Investor Services, **Physical address:** 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709 **Telephone number:** +27 11 534 6557 **Website:** [www.nedbank.co.za](http://www.nedbank.co.za)

The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments SA.

**Investment Manager:** Fairtree Asset Management (Pty) Ltd, **Registration number:** 2004/033269/07 is an authorised Financial Services Provider (25917) 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](http://www.fairtree.com)

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