

Fairtree Assegai Equity Long Short SNN QI Hedge Fund

Minimum Disclosure Document - Class 2

29 February 2020

Fund Profile & Investment Policy

The fund is a directionally biased Long / Short equity South African fund which will not hesitate to capture equity market beta when conditions allow for it.

Investment Strategy

The portfolio is managed as a long/short hedge fund, focused on extracting alpha returns from the South African equity market. The fund's returns are delivered through fundamental knowledge of South African equities vis-à-vis economic growth and broad economic themes as well as medium to long-term relative valuation opportunities, generating the largest portion of its returns through its directional bias. Relative value pairs, together with absolute longs and shorts seek to stabilize returns in turbulent market conditions, supported by the adjustment to the net exposure.

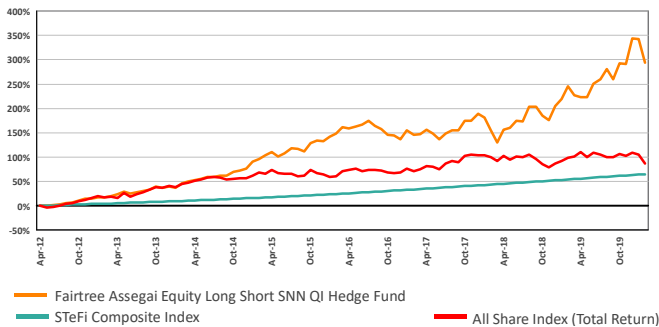
Investment Mandate

The portfolio may use leverage to a maximum of 4.5 times the net asset value of the portfolio. However, the portfolio has set an internal limit to use leverage up to a maximum of 3.5 times the net asset value. Excluded from this calculation shall be the investments in the portfolio solely used to enhance the interest earned by the portfolio.

Mandate limits and constraints:

- The portfolio is precluded from raising any debt funding over and above that achieved in terms of the long/short process;
- No net individual equity position shall exceed 15% of capital;
- Directional exposure limit to 120% of current underlying capital on the long side and up to 20% of current underlying capital on the short side;
- The portfolio shall at all times hold a minimum of 10 equity positions; and
- The portfolio will limit exposure to equities based upon liquidity.

Cumulative Performance Since Inception



Fund Source: Sanne Fund Services SA (Pty) Ltd as at February 2020

Index Source: Bloomberg as at February 2020

Return Analysis (annualised)

	Fund	All Share Index	STeFi
1 Year	13.94%	-5.71%	7.26%
3 Years	17.00%	3.15%	7.33%
5 Years	14.97%	2.21%	7.22%
Since Inception	19.12%	8.34%	6.62%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.81	0.20	0.05
Sortino Ratio	1.51	0.34	0.07
Standard Deviation	15.31%	11.47%	0.25%
Best Month	13.36%	8.51%	0.66%
Worst Month	-11.09%	-8.99%	0.00%
Highest Rolling 12 Months	45.49%	32.74%	7.71%
Lowest Rolling 12 Months	-11.48%	-12.56%	5.16%
Largest Cumulative Drawdown	-20.52%	-12.56%	n/a
% Positive Months (Since Inception)	67.02%	59.57%	n/a
Correlation (Monthly)	0.63		
Value at Risk (VaR) 95%	11.02%		

The above benchmark(s) are for comparison purposes with the fund's performance. The fund does not follow the benchmark(s).

Fund Details

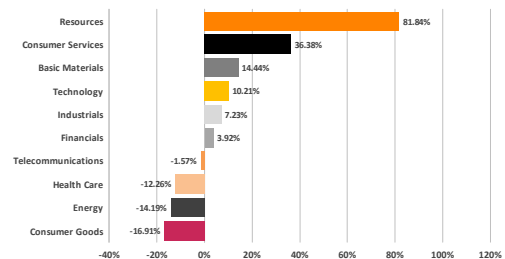
Risk Profile:	High
Portfolio Manager:	Stephen Brown
Fund size (in Millions):	R 1 034.8
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,148.68
Number of Units:	265,416.02
JSE Code:	FTASEQ
ISIN Number:	ZAE000259065
Inception Date:	May 2012
CISCA Inception Date:	1 October 2016
ASISA Classification:	Qualified Investor Hedge Fund - South African - Long/Short Equity -Long Bias
Hurdle/Benchmark:	3 month JIBAR
Minimum Investment:	R 1 000 000 Lump sum
Fees	
Initial Fee - Adviser:	0% - 3.45% (incl. VAT)
Annual Base Fee:	1.25% (excl. VAT)
Performance fee (uncapped):	20% of the total performance (after deductions of the annual base fee) above the high water mark, subject to a hurdle rate of 3 months JIBAR (excl. VAT).
Cost Ratios (incl. VAT)	
Total Expense Ratio (TER%):	8.82%
Transactions Costs Ratio (TC%):	0.0%
* Total Investment Charges (TIC%):	8.82%
Performance Fee (PF) Included in TER:	6.87%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 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 (%)

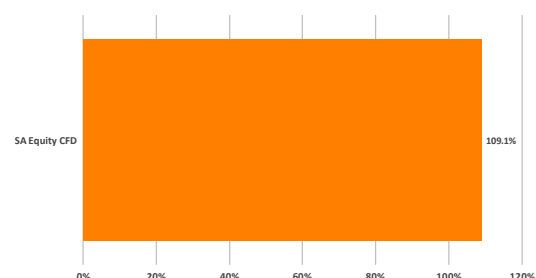
Portfolio Objective

The long-term objective of the portfolio is to achieve consistent absolute returns through investment in long/short equity based strategies.

Sector Allocation



Asset Allocation



Increase in NAV Attributable to Investors

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012					0.46%	0.63%	1.83%	2.97%	0.83%	3.83%	3.84%	0.12%	15.37%
2013	1.58%	-0.26%	2.64%	3.03%	4.19%	-2.43%	1.83%	1.77%	2.53%	5.02%	-2.22%	1.49%	20.61%
2014	-1.16%	5.97%	3.19%	1.36%	2.10%	2.59%	0.07%	1.30%	0.16%	4.76%	1.68%	2.08%	26.70%
2015	7.93%	2.99%	3.94%	3.11%	-3.91%	2.80%	4.96%	-0.38%	-2.37%	7.99%	2.37%	-0.72%	31.82%
2016	3.98%	2.67%	5.32%	-0.81%	1.56%	1.50%	2.75%	-3.80%	-2.64%	-4.21%	-0.75%	-3.24%	1.80%
2017	8.05%	-3.84%	0.53%	3.60%	-3.10%	-4.65%	4.89%	2.63%	0.22%	7.59%	-0.14%	5.68%	22.47%
2018	-2.74%	-9.28%	-9.92%	11.44%	1.56%	5.37%	-0.44%	10.85%	-0.05%	-5.82%	-3.29%	10.41%	5.15%
2019	4.87%	8.15%	-5.19%	-1.45%	0.07%	8.47%	2.72%	5.64%	-5.37%	8.94%	-0.26%	13.36%	45.49%
2020	-0.09%	-11.09%											-11.17%

*The inception date for the portfolio is 1 May 2012. The historical performance figures until the end of 30 September 2016 reflect performance achieved prior to CISCA regulation. The portfolio has been transitioned under CISCA regulations on 1 October 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**

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.

Fee Classes

Class 2 is a reportable class available to the general public. The portfolio has other fee classes available for investment.

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

The All Share fell 9% during February, as the rand weakened 4.0% to 15.66 versus the US dollar, and R186 yields rose 12bps to 8.13%. The ALBI (+1.8%) had its best month versus equities since October 2008. MSCI South Africa fell -12.9%, behind MSCI World (-8.6%) and MSCI EM (-5.3%) in US dollar terms.

The key news flow over the month was all about COVID-19. The main viral outbreak in China was coming slowly under control by end-February, but significant outbreaks became apparent in Iran, Italy, South Korea, and Japan, and the first fatalities were reported in numerous other countries. Moreover, the post-virus/post-lunar new year re-start of Chinese economic activity was sluggish, at best. The sharp slowdown in economic activity took US 10 year yields down 36bps to 1.15%, a new all-time low. More than 75 bps of Fed cuts are fully priced in versus 20 bps at the beginning of the year. EM FX tumbled 3.1% in February while GBI EM yields dropped 5bps to 4.95% with high-yielders seeing higher yields/low yielders tracking DM bonds. Commodities were not spared with Brent crude down US\$-6.3 to US\$50.0/bbl; Platinum down US\$-95 to US\$866/oz and even gold down US\$-3 to US\$1586/oz. Palladium rallied further US\$329 to US\$2617/oz.

In South Africa, Finance Minister Tito Mboweni delivered the Budget speech on 26 Feb, mostly focused on expenditure, particularly the wage bill where the ministry plans to cut R160bn in the wage bill over the next three years including R38bn in FY2020/1. The cuts have not been discussed or agreed with the union, and will be another test of the government's ability to execute on good plans. However, this budget may be strong enough to delay a ratings cut from Moody's to at least 2H20.

In the local market, Industrials were down 7%, followed by Financials (-9.5%) and Resources (-11.6%). Key sector leaders were Gold Mining (-1.7%) and Forestry & Paper (-2.6%) with key performing names including Mondi (+0.4%) and Naspers (-3.2%). Laggards included Chemicals (-20.5%) & Fixed Line Telecoms (-19.2%).

The Assegai fund fell 10.8% during February. Positive contributions during the month came mainly from short positions (Sappi +2.8%, Sasol +2.2%, Aspen +1.6%, Discovery +1.4%) and a long position in Harmony (+1.9%). Long positions in platinum equities detracted (Sibanye -2.8%, Impala -2.3%, Anglo American Platinum -1.8%) as well as long positions in the miners (African Rainbow Minerals -2.5%, Kumba -2.4%). Fortress B also detracted from performance (-2.5%) this month.

We decreased exposure to the resources sector during February, as we added to short positions in oil and paper. We remain bullish gold, platinum group metals and the diversified miners. During February we increased exposure to the retail sector, partly by buying back short positions. We decreased exposure to property, as we have become increasingly concerned about the fundamentals in some property companies, but increased exposure to financials. We maintained a short position in the healthcare sector, and sold out of our long position in the industrial sector during the month.

Please Note: The above commentary is based on reasonable assumptions and is not guaranteed to occur.

Glossary

Net Asset Value (NAV):	Means net asset value, which is the total market value of all assets in a portfolio including any income accruals and less and deductible expenses such as audit fees, brokerage and service fees.
Annualised Return:	Is the weighted average compound growth rate over the performance period measured.
Highest & Lowest Return:	The highest and lowest rolling twelve-month performance of the portfolio since inception.
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.
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.
Total Investment Charges (TIC):	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.
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).
Standard Deviation:	The deviation of the return of the portfolio relative to its average.
Drawdown:	The greatest peak to trough loss until a new peak is reached.
Sharpe Ratio:	The ratio of excess return over the risk-free rate divided by the total volatility of the portfolio.
Sortino Ratio:	The ratio of excess return over the risk-free rate divided by the downside deviation of the portfolio.
Correlation:	A number between -1 and 1 indicating the similarity of the dispersion of returns between the portfolio and another asset or index with 1 being highly correlated, -1 highly negatively correlated and 0 uncorrelated.
Value at Risk (VaR):	Value at risk is the minimum loss percentage that can be expected over a specified time period at a predetermined confidence level.
Leverage/Gearing:	The use of securities, including derivative instruments, short positions or borrowed capital to increase the exposure beyond the capital employed to an investment.

Fund Risk

Leverage Risk:	The Fund borrows additional funds, trades on margin or performs short sale trades to amplify investment decisions. This means that the volatility of a hedge fund portfolio can be many times that of the underlying investments due to leverage on a fund.
Derivative Risk:	Derivative positions are financial instruments that derive their value from an underlying asset. Derivatives are exposed to implicit leverage which could result in magnified gains and/or losses on the portfolio.
Counterparty Credit Risk:	Counterparty risk is a type of credit risk and is the risk of default by the counterparty associated with trading derivative contracts. An example of counterparty credit risk is margin or collateral held with a prime broker.
Volatility Risk:	Volatility refers to uncertainty and risk related to size of change of an instrument or portfolio. It is a statistical measure of the dispersion of returns for a given security or market index. Volatility is proportional to the directional exposure of a portfolio and is measured by Value at risk (VaR) which is a statistical technique used to measure and quantify the level of volatility.
Concentration and Sector Risk:	A large proportion of total assets invested in specific assets, sectors or regions. Concentrated positions or concentrated sectors in a portfolio will material impact the returns of the portfolio more so than diversified portfolios.
Correlation Risk:	A measure that determines how assets move in relation to each other. Correlation risk arises when the correlation between asset-classes change. Correlation risk also arises when the correlation within an asset-class changes. Examples of correlation within asset classes include equity pairs trading, fixed income curve trading and commodities pairs trading.
Equity Risk:	Applies to investment in shares or derivatives based on shares. The market price of shares varies depending on supply and demand of the shares. Equity risk is the risk of loss due to the drop in the market price of shares. Equity risk can either be systematic risk which is risk to the entire market based on political and economic indicators or unsystematic risk which is company specific and includes risk relating to company profits, future prospects and general consensus on the company or sector.

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). **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 (acting through its RMB Custody and Trustee Services Division). **Physical Address:** 3 Merchant Place, Ground Floor, Corner Fredman and Gwen Streets, Sandton, 2146 **Telephone:** +27 87 736 1732.

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