

Fairtree Assegai Equity Long Short SNN QI Hedge Fund

Minimum Disclosure Document - Class 2

31 January 2020

Fund Profile & Investment Policy

The fund is a directionally biased Long / Short equity 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.

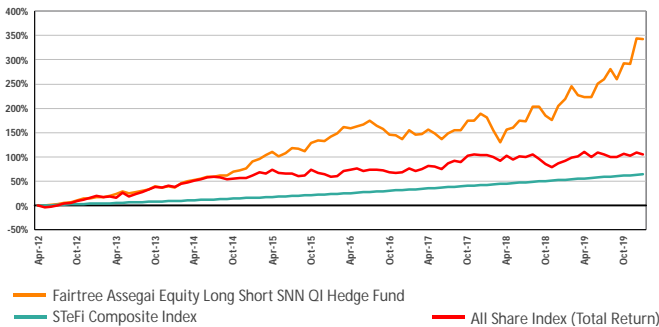
Investment Mandate

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 January 2020

Index Source: Bloomberg as at January 2020

Return Analysis

	Fund	All Share Index	STeFi
1 Month	-0.09%	-1.69%	0.58%
3 Months	12.95%	-0.27%	1.74%
6 Months	23.01%	0.55%	3.54%
1 Year	38.60%	7.14%	7.27%
3 Years	73.22%	16.83%	23.69%
5 Years	132.71%	27.55%	41.61%
Since Inception	342.77%	105.73%	64.29%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.95	0.32	0.06
Sortino Ratio	1.90	0.59	0.09
Standard Deviation	14.70%	10.99%	0.25%
Best Month	13.36%	8.51%	0.66%
Worst Month	-9.92%	-5.76%	0.00%
Best Rolling 12 Months	45.49%	32.74%	7.71%
Worst Rolling 12 Months	-11.48%	-12.56%	5.16%
Largest Cumulative Drawdown	-20.52%	-12.56%	n/a
% Positive Months (Since Inception)	67.74%	60.22%	n/a
Correlation (Monthly)	0.59		
Value at Risk (VaR) 95%	9.95%		

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 1 177.4
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,416.76
Number of Units:	268,275.53
JSE Code:	FTASEQ
ISIN Number:	ZAE000259065
Inception Date:	May 2012
CISCA Inception Date:	1 October 2016
Fund Structure:	CIS Trust
Fund Category:	Multi - Strategy
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)

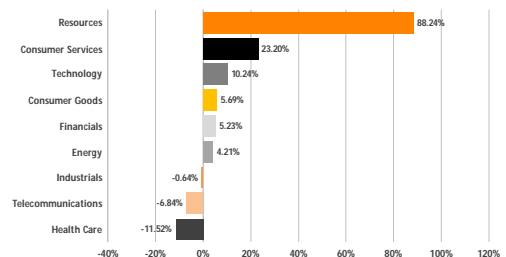
Total Expense Ratio (TER%):	6.38%
Transactions Costs Ratio (TC%):	0.00%
* Total Investment Charges (TIC%):	6.38%
Performance Fee (PF) Included in TER:	4.48%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 cpu for December 2018
Investment Manager contact details	Fairtree Asset Management (Pty) Ltd
Telephone Number:	+27 86 176 0760
Website:	www.fairtree.com

*Total Investment Charges (TIC%) = TER (%) + TC (%)

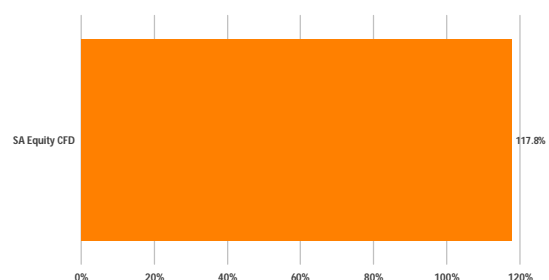
Portfolio Objective

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%												-0.09%

*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
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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.

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 index fell 1.7% in January, lagging cash (0.6%) and bonds (ALBI 1.2%). The rand weakened 6.8% to 15.03 to the US dollar, while R186 yields dropped 23bps to 8.02%. MSCI South Africa fell 8.9%, underperforming both MSCI World (-0.7%) and MSCI EM (-4.7%) in USD terms.

January saw the impeachment trial of US President Trump, the killing by the US of an Iranian general, and the start of the coronavirus outbreak centered in Wuhan, China. The killing of Revolutionary Guards leader General Soleimani on 2 January started the year by pushing Brent crude from US\$66 to >\$70 intra-day on fears of a broader Middle East conflict, which did not materialize. The spread of the Coronavirus brought down global growth expectations and commodity prices. China has closed off about 50 million people centered in Wuhan. The official death toll stood at 304 from 14,000 confirmed cases by end-January. The WHO declared a global virus emergency on 30 January. China was mostly shut down for the Lunar New Year holiday, but may delay the opening of factories and schools due to the virus. Commodities prices fell with the actual and expected drop in Chinese demand: copper -10%, LME Metals index -7.5% (worst month since '12), Brent -15% or US\$-10.1 to US\$56.3/bbl. Palladium's rally continued, up 18% in January to US2290/oz, but down 10% from the peak.

New Eskom CEO Andre De Ruyter's first press conference on 31 January highlighted the country's power capacity deficiency, as the leadership looks to halt poor plant performance (energy availability factor of 68%, although the target currently is 75%). This is down from 2017's 79%. Furthermore, South Africans can expect more load shedding in the medium term according to reports. On 16 January the MPC cut rates 25bps to 6.25% in a unanimous decision on a lowered inflation and growth trajectory, and a wider projected output gap. Moody's commented it was "a bit early" to judge the government and the rating and there was nothing to flag right now; the next scheduled assessment of Moody's IG-rating/negative watch is 27 March.

In the local market, Industrials (+1.6%) outperformed Financials (-5.2%) and Resources (-3.5%). Key sector leaders were Tobacco (+10.3%) and Technology (+6.6%), while laggards were Chemicals (-19.2%) and Media (-8.4%).

The Assegai fund returned -0.1% during January. The largest positive contributor to performance was the short position in Brait (+2.1%), while short positions in Sappi (+1.1%), Shoprite (+0.5%), Nampak (+0.5%), and Multichoice (+0.4%) also contributed. Long positions in Sibanye (+1.3%), Quilter (+0.6%) and Naspers (+0.6%) added positively. Detractors were long positions in miners (Kumba -1.4%) and the retailers (Woolworths -1%, Mr Price -0.8%, Foschini -0.7%).

During the month we increased exposure to the gold and platinum sectors, and increased our short position in the paper sector. We closed our short position in Sasol, and reduced exposure to the banks. We increased the long position in both the industrial sector and retailers.

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, Tygervally, 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, Johannesburg. **Telephone:** +27 87 736 1732.

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