

Fairtree Balanced Prescient Fund

Minimum Disclosure Document - Class A1

February 2018

FAIRTREE
CAPITAL

FUND PROFILE

The Fairtree Balanced Prescient Fund is an actively managed multi asset class fund. The fund is suitable for investors looking for moderate to high capital growth in excess of inflation with moderate to aggressive risk appetite. It suits investors with an investment horizon of more than 3 years and who prefer to have the asset allocation decision made for them. The fund complies with Regulation 28 and is therefore suitable for retirement savings.

INVESTMENT OBJECTIVE

The Fairtree Balanced Prescient Fund aims to generate long-term wealth for investors by producing inflation beating returns. The fund is managed against a composite benchmark that also forms the strategic asset allocation for the fund.

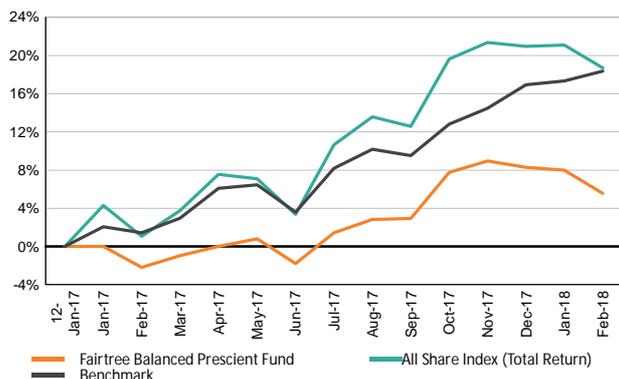
INVESTMENT POLICY

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 whilst up to 25% of the fund may be invested in foreign securities. 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.

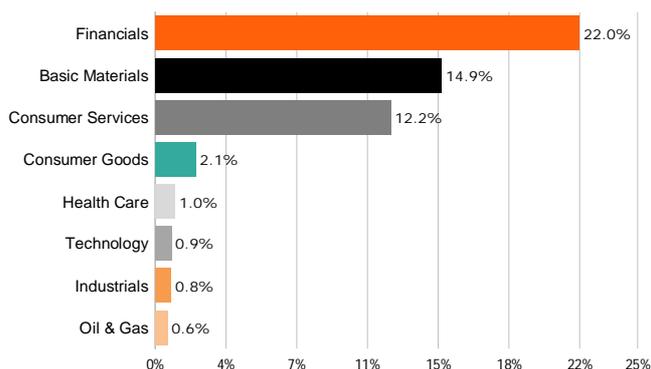
HISTORICAL PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2017	0.01%	-2.20%	1.27%	0.97%	0.81%	-2.59%	3.28%	1.39%	0.08%	4.69%	1.12%	-0.61%	8.29%
2018	-0.29%	-2.23%											-2.51%

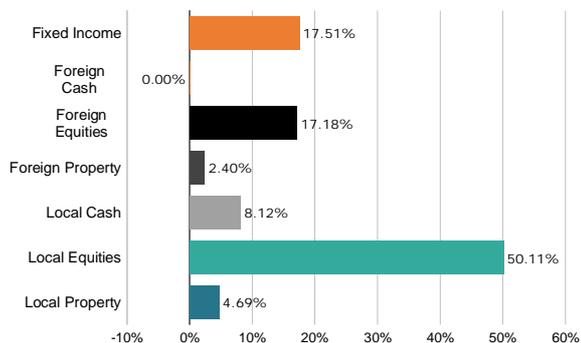
CUMULATIVE FUND RETURNS VS MARKET INDICES



SECTOR ALLOCATION



ASSET ALLOCATION



FUND INFORMATION

Inception date:	12 January 2017
Fund size (in Millions):	R 50.83
JSE code:	FBPA1
Unit Price:	105.57
ISIN Number:	ZAE000236360
Domicile:	South Africa
Fund Structure:	CISCA (Unit Trust)
Fund Category:	SA Multi-Asset High Equity
Regulation 28 Complaint:	Yes
Portfolio Manager(s):	
Stephen Brown (SA Equity):	B Comm, MBA, CFA Joined Fairtree in 2011
Jacobus Lacoek (Asset Allocation):	B Comm(Financial Economics), CFA Joined Fairtree in 2011
Bradley Anthony:	BA (Economic History), CAIA Joined Fairtree in 2011

Cost Ratios (incl. VAT):

Total Expense Ratio (TER%):	1.59%
Performance fee incl. in TER (%) (PF%):	N/A
Transactions Costs Ratio (TC%):	2.29%
Total Investment Charges (TIC%):	3.88%
Fees:	Initial Fee - Adviser (incl. VAT): 0% Annual management fee: 1.14% (incl. VAT) Performance fee: N/A
Benchmark:	60% FTSE/JSE Shareholder Weighted Total Return Index + 40% JSE/All Bond Total Return Index
Analysis Currency:	ZAR
Minimum Investment:	R50,000 Lump sum or R1,000 p/m debit order

Please see Disclosures and Glossary section for further information on Cost Ratios

Income Distribution:

Declaration:	Annually (March)
Payment:	1st working day of April
Distribution Total for the past 12 months:	N/A
Management and administration:	Prescient Management Company (RF) (Pty) Ltd
Valuation time of fund:	15:00
Transaction cut-off time:	15:00

RISK PROFILE



Risk Level: Moderate - Aggressive

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.

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PERFORMANCE SUMMARY

	Fairtree Balanced Prescient Fund	SWIX 60% ALBI 40%	All Share Index (Total Return)
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Performance comparison

	Jan-17	Jan-17	Jan-17
Inception date	Jan-17	Jan-17	Jan-17
Current month	Feb-18	Feb-18	Feb-18
Total period (No. months)	14	14	14
Analysis currency	ZAR	ZAR	ZAR

Return analysis

Return for current month	-2.23%	0.87%	-1.97%
Total return (since inception)	5.57%	18.35%	18.69%
Average annualised return (since inception)	4.76%	15.53%	15.82%
Current 12 month rolling return	7.93%	16.66%	17.44%
Highest rolling 1-year return (since launch)	8.29%	16.94%	20.95%
Lowest rolling 1-year return (since launch)	7.93%	14.95%	16.07%

Consistency analysis

% Up months (since inception)	64.29%	78.57%	57.14%
% Up months (last 12 months)	66.67%	83.33%	58.33%
Standard deviation (since inception - annualised for periods > 12 mths)	6.79%	6.02%	10.98%

Risk analysis

Downside deviation (since inception - annualised Risk free)	3.90%	3.08%	4.80%
Largest monthly drawdown	-2.59%	-2.68%	-3.49%
Average monthly drawdown	-1.58%	-1.30%	-1.70%
Largest cumulative drawdown	-3.11%	-2.68%	-3.90%

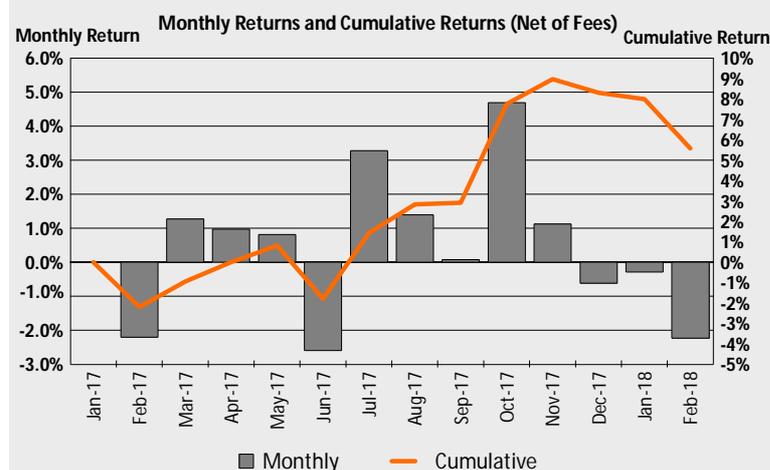
Risk/ return analysis

Total gain / Total loss	1.72	5.42	2.76
Average gain / Largest loss	0.58	0.71	1.01
Average gain / Average loss	0.96	1.48	2.07
Sharpe ratio (since inception - annualised for periods > 12 mths)	-0.21	1.25	0.74
Sortino ratio (since inception - annualised for periods > 12 mths)	-0.37	2.43	1.70

Market correlation

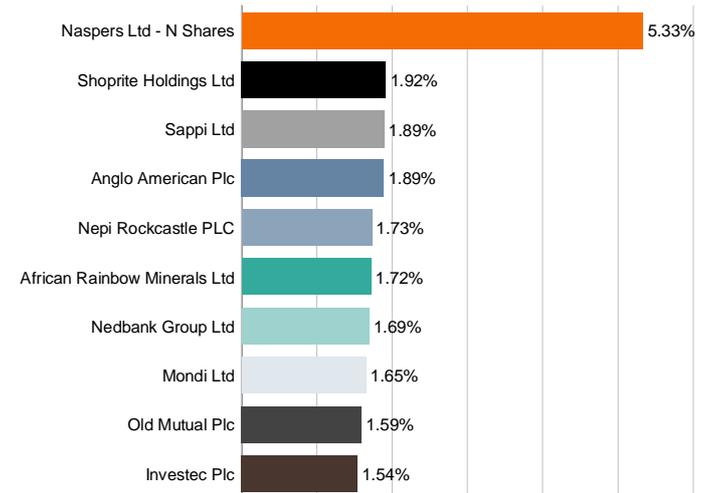
Index correlation (SWIX 60% ALBI 40%)	0.89	(Monthly)
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Monthly and Cumulative Returns



Please note: All fund returns quoted net of fees.

TOP 10 HOLDINGS



MARKET COMMENTARY

After entering 2018 on a strong footing, global risk appetite has faded. Global equity markets have experienced a sharp pull back (around -10%) during February, but recovered somewhat towards the end of the month. We believe the key catalysts have been expensive asset valuations combined with signs that global central banks will become less accommodative over the medium term as the economic expansion continues and inflation rise to above target levels. Concerns about rising inflation have also been stoked by weaker US dollar, increased tariffs on trade, rising oil price, tax cuts and accelerating wages. We believe the Fed will hike rates 3 to 4 times this year and next year while the ECB will halt asset purchases in December. However at this stage, global growth remains stable along with commodity prices and the US dollar weak and we believe markets have room to rally higher as financial conditions remain easy. We watch political risk introduced by Trump's announcement to increase import tariffs as it could spark a trade war that would be detrimental to risk assets.

Domestic sectors and assets rallied for a third consecutive month as a series of political and economic events boosted optimism that credit rating agencies would not downgrade South Africa's rating further and that the South African Reserve Bank (SARB) will cut interest rates. Bond outperformed other asset classes over the last 3 months. The All Bond Index returned almost +12%, while the All Share Equity Index returned -2% and the ZAR appreciated by 16%. Foreign investors that bought ZAR governments bonds early December would have seen a 30% return on their investment. We continue to see strong foreign flows into the South African bond market despite a softer backdrop for global emerging markets.

The rally in domestic assets that started toward the end of last year continued after Cyril Ramaphosa was chosen as president of the ANC, caught further momentum as; a new Eskom board was announced, Jacob Zuma resigned, Ramaphosa delivered the State of the Nation address, the Budget provided signs of a re-commitment towards fiscal consolidation, a new more credible Cabinet was chosen. Moody's and the SARB will both make announcements later this month that could further stoke momentum, but the new debate and uncertainty around Land Reforms and global risks attached to rising bond yields and US import tariffs have stalled some of the momentum.

The economy are showing some sign of improvement with the PMIs printing above 50 and GDP for Q4-2017 surprising on the upside with 3.1% qoq annualised. The economy has been boosted by consumption and a rebound in agriculture. Consumers continue to enjoy lower inflation while wages continue to grow

We believe that the probability of a ratings downgrade by Moody's later this month has dropped further to 30%. During the Budget, a renewed focus on fiscal consolidation through a 1% VAT hike and R85bn cut in spending over the next 3 years was announced. The choice of Pravin Gordon as Minister of Public Enterprises and Nhlanhla Nene as Finance minister will also give foreign investors and rating agencies confidence that our SOE's and fiscal institutions are in better hands.

The South African Reserve Bank may cut rates by 25bps at its March meeting. Inflation continues to fall and should remain under control for the next two years. We believe the SARB will look through the upside effect of the VAT hike of inflation. The Rand has also shown further strength as the US dollar remains under pressure. Concerns that the Rand may get too strong and hurt exports have also emerged. We believe the SARB has limited scope to cut rates further over the short term. However, due to mounting risks that global inflation is rising and global central banks will turn more hawkish, the SARB will be vigilant to keep real rates high relative to the rest of the world.

Equities: The outlook for global earnings growth remains strong supported by the economic recovery and below target inflation. We expect global inflation to pick up over the medium term supported by easy financial conditions and looser fiscal policies. The global deflationary outlook created positive sentiment around cyclical and value orientated stocks, while the outlook for higher global bond yields will put pressure on high valuation defensive names. As yields rise and volatility increase valuations will be tested more frequently. We believe the overall South Africa equity index will follow global equity markets higher due to its externalised nature. We have turned more optimistic on domestic equities as we believe economic activity will improve over the next 12 months. We like global cyclical companies with global earnings growth potential and companies with the ability to generate cash sustainably.

Fixed Income: South Africa's inflation will continue to fall over the next few months driven by lower food prices, strong ZAR and weak demand. The SARB has cut interest rates once but paused due to political uncertainty. We believe the SARB will move towards rate cuts over the next few months. South Africa's level of yields remains attractive. The focus on the search for yield by global investors and healthy emerging market backdrop may support lower bond yields, however the fiscal outlook remains challenging and a cut to sub-investment grade by Moody's may still lead to foreign outflows later this year.

Currency: We believe the US dollar will strengthen over the short to medium term as the market price in a faster pace of rate hikes. However the ECB will also be looking to halt its asset purchase program later this year which may support the EUR. The short term outlook for the Rand is stable to stronger, but we believe the currency will depreciate towards the second half of 2018 as the emerging market backdrop turns less healthy.

Alternatives: Stronger global growth will allow less accommodative monetary policy and looser fiscal policies which should lead to higher interest rates, volatility and lower correlations amongst asset classes and securities. Market rotations and increased dispersion has typically led to a more favourable environment for alternative assets to perform.

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 return	The highest and lowest returns 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.
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.
Sortino Ratio	The Sortino Ratio is used to measure the risk-adjusted return of 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.
Average Duration	The weighted average duration of all the underlying interest bearing instruments in the Fund.
Average Credit quality	The weighted average credit quality of all the underlying interest bearing instruments in the Fund (internally calculated).
Dividend Yield	The weighted average dividend yield of all the underlying equity in the Fund. The dividend yield of each company is the dividends per share divided by the price per share.
PE Ratio	The weighted average price earnings ratio of all the underlying equity in the Fund. The price earnings ratio of each company is the price divided by the earnings per share.
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 a percentage of investment profits, often both realized and unrealized.
Transactions Costs (TC%)	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).

DISCLAIMER

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 **Website:** www.prescient.co.za

Trustees: Nedbank Trustees, 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

Investment Manager: Fairtree Capital (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 21 943 3760 **Website:** www.fairtree.com.

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. Money market Funds are priced at 1pm all other 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.

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

Contact details

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