

Fairtree Equity Market Neutral SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

30 April 2019

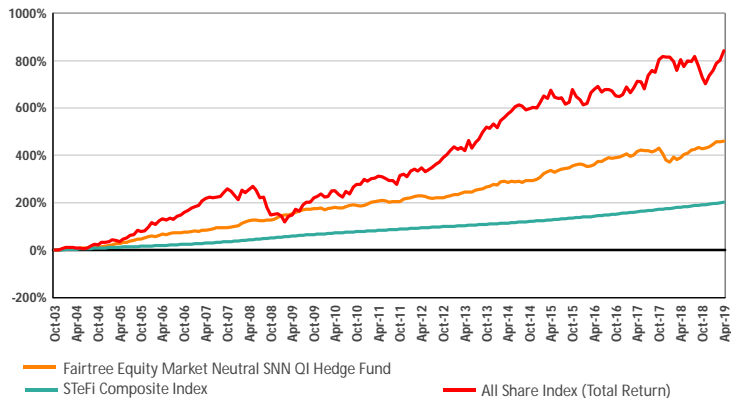
Fund Profile

The Fairtree Market Neutral SNN QI Hedge Fund was launched in 2003. The fund's portfolio typically spans all South African equity sectors, including financials, industrial, retailers and resources. The majority of exposure will be in the top 100 listed equities on the JSE, by market capitalisation. Our portfolio construction approach assigns exposures into different risk buckets; namely low risk intra-sector pairs, cross-sector pairs, themes and absolute value. Intra-sector pairs typically dominate the portfolio and position sizes rarely exceed 10%. Leverage rarely exceeds 2.5 times and net exposure, once beta adjusted is generally close to zero. The fund aims to return Cash plus 5 - 7% annually, on a rolling 3 year basis.

Investment Strategy

The portfolio is focused on extracting alpha returns from South African equity markets. These returns are accessed through a fundamental understanding of South African stock 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 April 2019

Index Source: Bloomberg as at April 2019

Return Analysis

	Fund	All Share Index	STeFi
1 Month	0.73%	4.23%	0.59%
3 Months	2.71%	9.47%	1.76%
6 Months	6.09%	13.60%	3.58%
1 Year	14.35%	3.87%	7.27%
3 Years	21.63%	20.97%	24.05%
5 Years	45.00%	39.14%	40.49%
Since Inception	460.72%	840.88%	201.66%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.79	0.57	-0.71
Sortino Ratio	1.42	1.04	-1.02
Standard Deviation	5.14%	14.61%	0.46%
Best Month	4.98%	12.45%	1.04%
Worst Month	-5.40%	-13.24%	0.00%
Best Rolling 12 Months	34.02%	73.00%	11.79%
Worst Rolling 12 Months	-7.12%	-37.59%	5.16%
Largest Cumulative Drawdown	-10.96%	-40.44%	n/a
% Positive Months (Since Inception)	77.96%	62.90%	n/a
Correlation (Monthly)	0.30		
Value at Risk (VaR) 95%	2.95%		

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

Fund Details

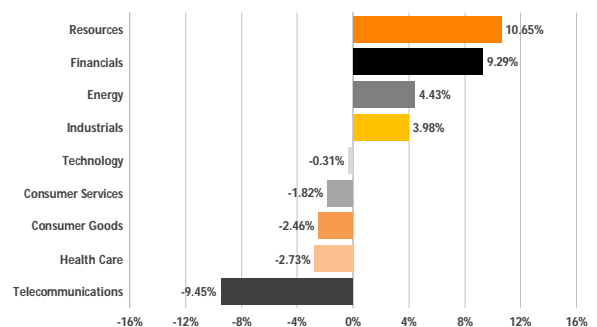
Risk Profile:	Medium
Portfolio Manager:	Andre Malan and Kobus Nel
Fund size (in Millions):	R 62.2
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 5,707.20
Number of Units:	9,283.10
JSE Code:	FTEQMN
ISIN Number:	ZAE000259081
Inception Date:	30 November 2003
CISCA Inception Date:	1 October 2016
Fund Structure:	CIS Trust
Fund Category:	Equity Market Neutral
Hurdle:	3 month JIBAR
Minimum Investment:	R1 000 000 Lump sum
Fees	
Management Fee:	1% p.a (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%):	3.38%
Transactions Costs Ratio (TC%):	0.69%
* Total Investment Charges (TIC%):	4.07%
Performance Fee (PF) Included in TER:	1.40%
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 0706
Website:	www.fairtree.com

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

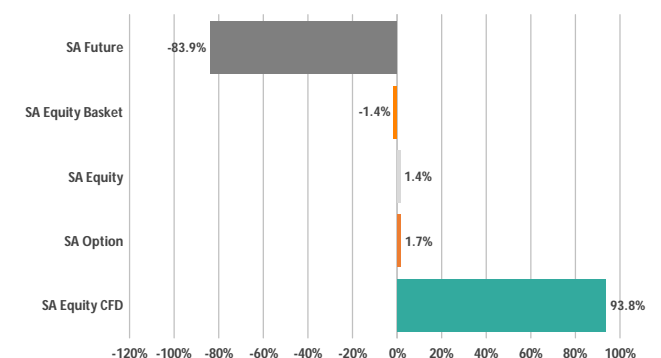
Portfolio Objective

The long-term objective of the portfolio is to achieve consistent absolute returns through investment in long/short equities 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
2003											0.05%	2.25%	2.30%
2004	1.00%	1.44%	2.03%	0.28%	0.21%	0.39%	0.23%	0.80%	1.33%	0.46%	1.86%	3.29%	14.11%
2005	2.52%	3.00%	3.78%	0.65%	3.08%	0.75%	4.19%	2.00%	3.26%	0.60%	2.60%	3.28%	34.01%
2006	1.48%	-0.19%	2.95%	2.46%	-1.30%	2.60%	2.91%	0.01%	-0.98%	1.41%	-0.07%	1.80%	13.76%
2007	1.25%	-0.27%	2.38%	0.75%	0.02%	2.41%	2.15%	0.42%	-0.54%	1.15%	0.22%	1.37%	11.86%
2008	1.97%	4.98%	2.85%	2.32%	1.29%	-0.21%	-0.65%	-0.19%	0.85%	0.72%	0.27%	4.01%	19.60%
2009	2.71%	1.23%	0.46%	1.77%	2.56%	1.53%	2.13%	1.76%	-0.44%	1.11%	-0.45%	1.21%	16.66%
2010	-2.29%	1.66%	0.70%	1.00%	-0.83%	0.00%	2.20%	1.84%	0.45%	-0.27%	-1.01%	0.60%	4.03%
2011	1.94%	2.23%	1.26%	1.18%	0.44%	-1.10%	-0.95%	0.66%	0.07%	-0.14%	3.10%	1.42%	10.49%
2012	0.46%	1.78%	0.54%	0.03%	-0.52%	-1.37%	-1.15%	0.57%	-0.11%	0.70%	1.57%	0.31%	2.79%
2013	1.61%	0.60%	1.08%	1.86%	0.18%	0.14%	2.15%	0.55%	0.97%	2.06%	0.48%	2.30%	14.88%
2014	-0.63%	3.55%	0.80%	-1.11%	0.93%	-0.23%	0.22%	-1.30%	2.06%	0.50%	-0.51%	1.73%	6.06%
2015	1.56%	4.42%	1.90%	1.12%	-1.73%	1.60%	1.34%	0.80%	0.26%	1.95%	0.89%	0.68%	15.73%
2016	-0.16%	-1.80%	0.67%	0.92%	3.12%	-0.32%	1.57%	1.66%	-0.09%	0.32%	0.59%	1.28%	7.95%
2017	1.62%	-2.26%	0.90%	3.12%	1.25%	-0.66%	0.24%	-0.96%	0.83%	1.87%	-4.26%	-5.40%	-4.00%
2018	-1.68%	4.61%	-2.22%	1.67%	2.57%	1.44%	2.52%	0.25%	1.68%	-0.87%	0.56%	0.95%	11.88%
2019	1.74%	2.08%	-0.11%	0.73%									4.50%

*The inception date for the portfolio is 1 November 2003. The historical performance figures until the end of 31 October 2016 reflect performance achieved prior to CISCA regulation. The portfolio has been transitioned under CISCA regulations on 1 November 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.

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. The TER is reported excluding performance fees for the first six months of the portfolio. The Manager has applied its mind hereto and is of the view that any reporting of TER with performance fee at this stage may be inaccurate and potentially misleading to investors.

Market Commentary

The ALSI (+4.2%) rally continued during April as the market remained optimistic about a US-China trade deal. Early in May however Donald Trump tweeted about raising import duties on the back of his frustration with the pace of negotiations. This might cause equity markets to take a breather after what has been a sterling start to the year.

An important driver of the rally has been falling bond yields, as expectations of a US rate cut rose. The recent Fed minutes suggested that the market might have been premature pricing in such a move. Our base case is that no rate cuts are imminent. The US economy has now added jobs for 103 straight months, taking unemployment down to 3.6% (lowest since 1969). We would expect wage inflation to head higher which will underpin consumption. The USA is powering ahead, growing 3.2% in the first quarter of 2019, and thereby smashing expectations. European and Chinese PMI's look like they have bottomed in expansionary territory. These aren't scenarios that warrant a rate cut.

We therefore remain positioned in pro-growth names like Resources and select SA Inc names. There was limited success in the Resource space in April as long positions in African Rainbow Minerals (+2.5%), Glencore (-4.0%), Implats (-6.1%) and Sappi (+2.3%) offered mixed returns. We prefer stocks offering high free cash flow yields and these names continue to do so. Losses were mitigated by short positions in BHP Billiton (-2.8%) and Anglo American Platinum (-1.9%).

In the global consumer space the fund had mixed success with short positions in Bidcorp (+1.4%) and British American Tobacco (-6.8%). US cigarette volume declines are accelerating at an alarming pace. This coupled with the regulatory uncertainty, gives us comfort that other counters offer better return profiles than BAT does.

The South African election takes place during May. Polls have varied dramatically with Ipsos (61%) and IRR (51%), coming out with very different estimates for the ANC. During April, SA Inc names started a recovery rally, in anticipation that Cyril Ramaphosa will receive a mandate to root out the widespread corruption. The fund benefited from moves in Mr Price (+14.3%) and Bidvest (+12.2%). Shorts in Multichoice (+6.4%) and Telkom (+16.3%) have continued to hurt the fund. Telkom reports their full year result at the end of May. At interim, they didn't grow revenue or EBITDA by more than 6% and they aren't generating sufficient free cash-flow to cover the dividend. We therefore believe the stock is grossly overvalued at this stage. The South African telecom space is extremely tough at the moment, and their share price actions have been out of kilter with global peers and the market as a whole.

We remain excited about the opportunities we are seeing and believe the fund's momentum will continue due to our active, conservative fund management style.

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). **Directors:** J F Louw (Chairman)*, L Fourie, G P Rate (Managing Director), I Burke*, H J Pienaar*. **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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