

## Fairtree Equity Market Neutral SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

30 April 2020

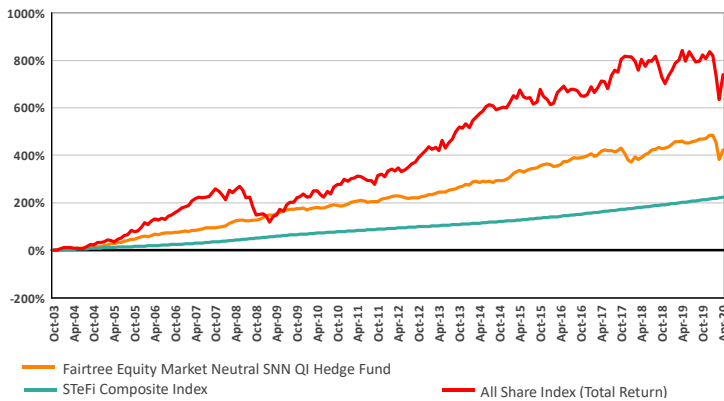
### Fund Profile

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 2020

Index Source: Bloomberg as at April 2020

### Return Analysis (annualised)

	Fund	All Share Index	STeFi
1 Year	-6.81%	-10.78%	7.14%
3 Years	0.40%	1.08%	7.28%
5 Years	3.64%	1.58%	7.23%
Since Inception	10.54%	13.76%	7.37%

### Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.47	0.45	-0.56
Sortino Ratio	0.69	0.80	-0.81
Standard Deviation	6.51%	15.29%	0.45%
Best Month	8.17%	13.98%	1.04%
Worst Month	-12.85%	-13.24%	0.00%
Highest Rolling 12 Months	34.02%	73.00%	11.79%
Lowest Rolling 12 Months	-13.22%	-37.59%	5.16%
Largest Cumulative Drawdown	-17.41%	-40.44%	n/a
% Positive Months (Since Inception)	76.26%	61.62%	n/a
Correlation (Monthly)	0.43		
Value at Risk (VaR) 95%	8.19%		

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

### Fund Details

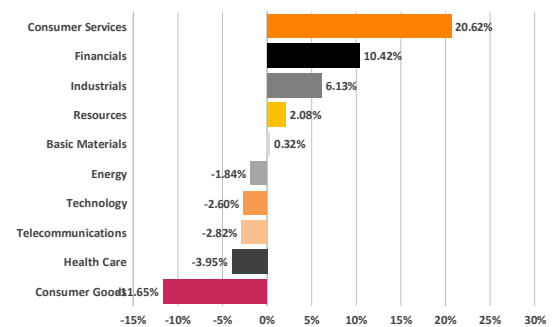
Risk Profile:	Medium
Portfolio Manager:	Andre Malan and Jacobus Nel
Fund size (in Millions):	R 44.8
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 5,442.87
Number of Units:	6,875.20
JSE Code:	FTEQMN
ISIN Number:	ZAE000259081
Inception Date:	November 2003
CISCA Inception Date:	November 2016
ASISA Classification	Qualified Investor Hedge Fund - South African - Long/Short Equity - Market Neutral 3 month JIBAR
Hurdle/Benchmark:	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%):	3.46
Transactions Costs Ratio (TC%):	0.10%
* Total Investment Charges (TIC%):	3.56
Performance Fee (PF) Included in TER:	1.21%
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 (%)

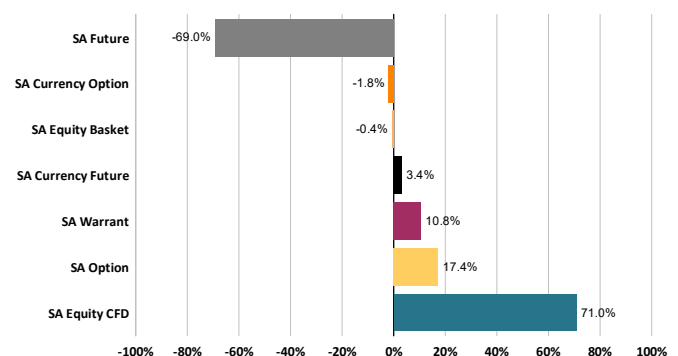
### Portfolio Objective

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
<b>2003</b>											0.05%	2.25%	<b>2.30%</b>
<b>2004</b>	1.00%	1.44%	2.03%	0.28%	0.21%	0.39%	0.23%	0.80%	1.33%	0.46%	1.86%	3.29%	<b>14.11%</b>
<b>2005</b>	2.52%	3.00%	3.78%	0.65%	3.08%	0.75%	4.19%	2.00%	3.26%	0.60%	2.60%	3.28%	<b>34.01%</b>
<b>2006</b>	1.48%	-0.19%	2.95%	2.46%	-1.30%	2.60%	2.91%	0.01%	-0.98%	1.41%	-0.07%	1.80%	<b>13.76%</b>
<b>2007</b>	1.25%	-0.27%	2.38%	0.75%	0.02%	2.41%	2.15%	0.42%	-0.54%	1.15%	0.22%	1.37%	<b>11.86%</b>
<b>2008</b>	1.97%	4.98%	2.85%	2.32%	1.29%	-0.21%	-0.65%	-0.19%	0.85%	0.72%	0.27%	4.01%	<b>19.60%</b>
<b>2009</b>	2.71%	1.23%	0.46%	1.77%	2.56%	1.53%	2.13%	1.76%	-0.44%	1.11%	-0.45%	1.21%	<b>16.66%</b>
<b>2010</b>	-2.29%	1.66%	0.70%	1.00%	-0.83%	0.00%	2.20%	1.84%	0.45%	-0.27%	-1.01%	0.60%	<b>4.03%</b>
<b>2011</b>	1.94%	2.23%	1.26%	1.18%	0.44%	-1.10%	-0.95%	0.66%	0.07%	-0.14%	3.10%	1.42%	<b>10.49%</b>
<b>2012</b>	0.46%	1.78%	0.54%	0.03%	-0.52%	-1.37%	-1.15%	0.57%	-0.11%	0.70%	1.57%	0.31%	<b>2.79%</b>
<b>2013</b>	1.61%	0.60%	1.08%	1.86%	0.18%	0.14%	2.15%	0.55%	0.97%	2.06%	0.48%	2.30%	<b>14.88%</b>
<b>2014</b>	-0.63%	3.55%	0.80%	-1.11%	0.93%	-0.23%	0.22%	-1.30%	2.06%	0.50%	-0.51%	1.73%	<b>6.06%</b>
<b>2015</b>	1.56%	4.42%	1.90%	1.12%	-1.73%	1.60%	1.34%	0.80%	0.26%	1.95%	0.89%	0.68%	<b>15.73%</b>
<b>2016</b>	-0.16%	-1.80%	0.67%	0.92%	3.12%	-0.32%	1.57%	1.66%	-0.09%	0.32%	0.59%	1.28%	<b>7.95%</b>
<b>2017</b>	1.62%	-2.26%	0.90%	3.12%	1.25%	-0.66%	0.24%	-0.96%	0.83%	1.87%	-4.26%	-5.40%	<b>-4.00%</b>
<b>2018</b>	-1.68%	4.61%	-2.22%	1.67%	2.57%	1.44%	2.52%	0.25%	1.68%	-0.87%	0.56%	0.95%	<b>11.88%</b>
<b>2019</b>	1.74%	2.08%	-0.11%	0.73%	-1.32%	-0.04%	0.63%	0.57%	1.79%	-0.14%	0.27%	2.52%	<b>9.01%</b>
<b>2020</b>	-0.15%	-5.08%	-12.85%	8.17%									<b>-10.66%</b>

\*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

<b>Risk Level:</b>	<b>Low</b>	<b>Low-Medium</b>	<b>Medium</b>	<b>Med-High</b>	<b>High</b>
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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.

### Market Commentary

April was the best month in the fund's history. Equity markets continued the recovery that started mid-March, with the JSE Capped Swix ending +14.2%. The US Federal Reserve Bank's unprecedented stimulus eased liquidity concerns and the 'don't fight the Fed' held as true as ever. The market also reacted positively to global covid-cases that plateaued, thanks to the various lockdown measures. The rally in equity markets seems extreme, since the severity of the economic impact of the virus and the interventions will only become clear in the next few years.

The fund benefited from a 50% move higher by Impala, as it became clear that they would be allowed to reopen mines on a gradual basis. Sasol (+136.3%) was a big detractor from the fund. Sasol will approach 6x net debt/EBITDA even if oil prices were to recover to \$30. They are under a lot of pressure to cut costs and sell their best assets in order to reduce the size of the rights issue needed. This will of course impact the long-term earnings potential of the company.

Naspers (+13.5%) enjoyed another strong month. Tencent benefited in the near-term from people staying home and playing games. In the long term, they benefit from the acceleration of structural trends to online advertising, and payments. Naspers is also making positive moves in the classified space, where they've announced more mergers. This adds scale to the segment, and will enable them to monetize more effectively. We hold a short position in Richemont (+7.6%) against our Naspers position, as consumers will cut back on luxury spending during the recession. Richemont has a largely fixed cost base, which means margins will come under pressure.

The fund enjoyed gains in the financial sector. PSG (+23.1%) announced that they are considering to unbundle a stake in Capitec to address the steep discount to sum-of-the-parts, as well as to avoid a potential increased regulatory burden. Absa (+30.3%) saw its share price rally, after the market realised that the conservative, profitable SA banks should not trade below 0.5 price/book. To hedge the SA Inc. risk, we hold a short position in Clicks (-10.5%). They delivered another strong set of results, but the counter was priced for perfection. The share price came under pressure after the market realised, that even Clicks won't be immune to the lockdown.

These are uncertain times, and we expect volatility to remain elevated. Although some economies are reopening, tensions between the United States and China are rising again. President Trump will look for someone to blame, and the Democrats are also jumping on the anti-China bandwagon. There is a good chance that the animosity will pick up as we approach the US presidential election, which will spook the markets. The fund is conservatively positioned, and ready to take advantage of any trading opportunities that might present themselves.

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

### Glossary

<b>Net Asset Value (NAV):</b>	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.
<b>Annualised Return:</b>	Is the weighted average compound growth rate over the performance period measured.
<b>Highest &amp; Lowest Return:</b>	The highest and lowest rolling twelve-month performance of the portfolio since inception.
<b>Total Expense Ratio (TER) :</b>	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.
<b>Transaction Costs (TC) :</b>	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.
<b>Total Investment Charges (TIC):</b>	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.
<b>Total Investment Charges (TIC%):</b>	= 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).
<b>Standard Deviation:</b>	The deviation of the return of the portfolio relative to its average.
<b>Drawdown:</b>	The greatest peak to trough loss until a new peak is reached.
<b>Sharpe Ratio:</b>	The ratio of excess return over the risk-free rate divided by the total volatility of the portfolio.
<b>Sortino Ratio:</b>	The ratio of excess return over the risk-free rate divided by the downside deviation of the portfolio.
<b>Correlation:</b>	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.
<b>Value at Risk (VaR):</b>	Value at risk is the minimum loss percentage that can be expected over a specified time period at a predetermined confidence level.
<b>Leverage/Gearing:</b>	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

<b>Leverage Risk:</b>	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.
<b>Derivative Risk:</b>	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.
<b>Counterparty Credit Risk:</b>	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.
<b>Volatility Risk:</b>	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.
<b>Concentration and Sector Risk:</b>	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.
<b>Correlation Risk:</b>	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.
<b>Equity Risk:</b>	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) 3 Merchant Place, Ground Floor Corner Fredman and Gwen Streets, Sandton, 2146 **Telephone** +27 87 736 1732.

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