

Fairtree Equity Market Neutral SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

31 December 2018

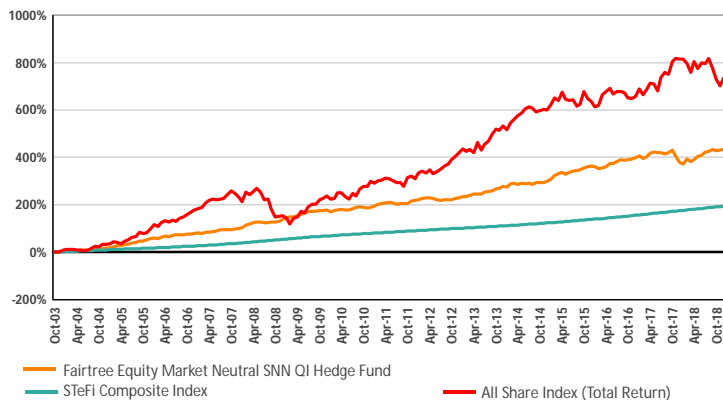
Fund Profile

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 December 2018
Index Source: Bloomberg as at December 2018

Return Analysis

	Fund	All Share Index	STeFi
1 Month	0.59%	4.25%	0.60%
3 Months	0.27%	-4.88%	1.78%
6 Months	4.78%	-6.94%	3.58%
1 Year	11.47%	-8.53%	7.25%
3 Years	15.53%	13.55%	23.89%
5 Years	41.80%	32.35%	39.67%
Since Inception	434.63%	736.07%	194.68%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.77	0.53	-0.70
Sortino Ratio	1.38	0.97	-1.01
Standard Deviation	5.18%	14.73%	0.47%
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)	78.02%	62.09%	n/a
Correlation (Monthly)	0.30		
Value at Risk (VaR) 95%	3.26%		

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

Fund Details

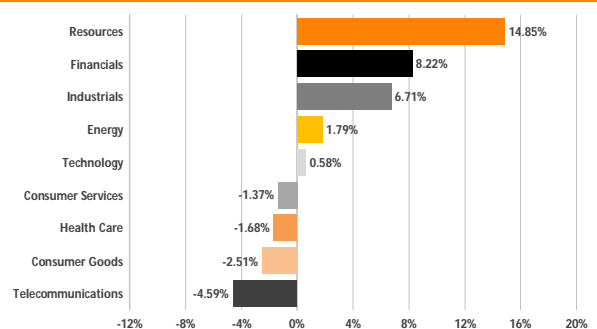
Risk Profile:	Medium
Portfolio Manager:	Andre Malan and Kobus Nel
Fund size (in Millions):	R 31.4
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 5,346.32
Number of Units:	5,311.06
JSE Code:	FTEQMN
ISIN Number:	ZAE000259081
Inception Date:	30 November 2003
CISCA Inception Date:	1 October 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%):	2.90%
Transactions Costs Ratio (TC%):	0.74%
* Total Investment Charges (TIC%):	3.64%
Performance Fee (PF) Included in TER:	0.98%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 cpu for December 2017
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 (%)

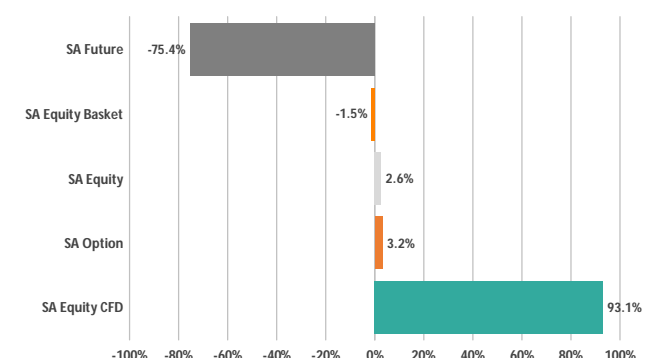
Portfolio Objective

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%	0.59%	11.47%

*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

2018 was the worst year in a decade for stock markets. The S&P 500 moved 14% lower in the fourth quarter to end the year down 4.4%. December was a particularly dreadful month: The S&P 500 was down 9%, the worst December since 1931. The market grew concerned about liquidity drying up as the Fed continued its rate hiking cycle. Brexit's impact on the United Kingdom and Europe also worried investors, as did a slowdown in the Chinese economy.

The Shanghai Composite entered a bear market in June, and has now declined nearly 25% since the start of the year. The Shenzhen Composite, which includes many of the country's tech firms, dropped by more than 33% over the same period. In Hong Kong, the Hang Seng is down 14%.

Volatility is back with a bang, as the S&P 500 was up or down more than 1% nine times in December alone, compared to eight times in all of 2017. For the year, this movement occurred 64 times. The Dow has swung 1,000 points in a single session only eight times in its history, and five of those took place in 2018.

Fear of an economic slowdown, as well as a supply glut, spooked the oil market this year. US crude closed up slightly on Monday, but ended the year down 24.9% at \$45.41 a barrel. From its \$77.41 peak late-June, oil is now down 41.3%.

The JSE All-Share did not manage to escape the global market turmoil, and ended the year 8.4% lower. Very few stocks delivered positive returns in 2018, mining stocks being the exception. Landmines were abundant and we saw various market darlings experience a fall from grace: Aspen (-50.3%), Mediclinic (-45.3%), NepiRockcastle (-43.7%), British American Tobacco (-42.1%), Tiger Brands (-40.5%) and MTN (-31.4%) to name a few.

On the back of this, we are pleased with the fund's performance during both December and 2018. We believe our strong research capability and flexibility will continue to stand us in good stead, as 2019 promises to be another tumultuous year in the stock market.

We have seen sections of the US bond yield curve invert, which has historically been a reliable leading indicator of a recession in the following 24 months. US corporate debt levels, liquidity drying up, the trade war and tight labour markets are our major concerns. As always, we will continue to exercise caution in the way we position the fund.

A healthy US consumer (strong balance sheet, high confidence levels), Fed pausing the hiking cycle and the possibility that sanity prevails in the trade war debacle, are some of the factors that may lead to the global economy staying stronger for longer, which may spark a stock market rally.

Heading into 2019, global markets are certainly trading on much more attractive valuation levels than a year ago. The S&P 500 is trading on a 14.5x forward price/earnings vs its 30-year average of 16x. It is, however, not screening attractive on other metrics such as price/sales and price/book. If we are indeed close to a recession, and earnings are peaking, it could take between three to five years to return to this earnings' peak. Therefore, the S&P 500 might actually be selling at 14.5 times 2023 earnings - a very different picture.

Based on the above, we advise our clients to exercise caution in what promises to be a low-return, volatile time ahead. We are confident that we will be able to take advantage of these trying times and continue to deliver superior risk-adjusted returns.

The percentages in brackets (unless otherwise stated) represent the year-to-date price move.

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). **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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