

## Fairtree Equity Market Neutral SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

31 December 2019

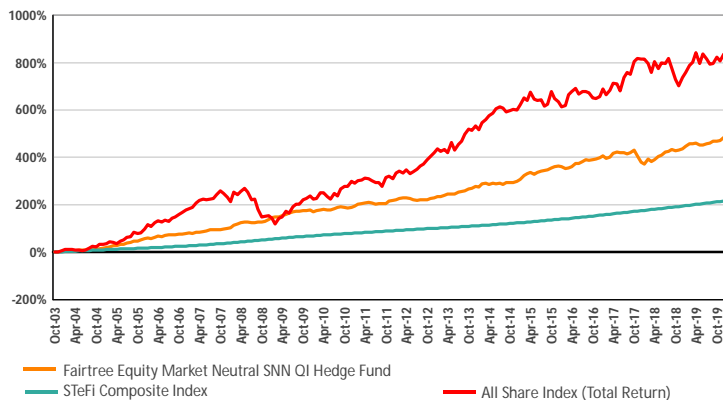
### Fund Profile

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 December 2019

Index Source: Bloomberg as at December 2019

### Return Analysis

	Fund	All Share Index	STeFi
1 Month	2.52%	3.30%	0.58%
3 Months	2.66%	4.64%	1.74%
6 Months	5.75%	-0.14%	3.56%
1 Year	9.01%	12.05%	7.29%
3 Years	17.08%	23.97%	23.75%
5 Years	46.27%	33.75%	41.51%
Since Inception	484.89%	836.77%	216.17%

### Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.76	0.53	-0.64
Sortino Ratio	1.37	0.97	-0.92
Standard Deviation	5.10%	14.51%	0.45%
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)	77.32%	62.37%	n/a
Correlation (Monthly)	0.30		
Value at Risk (VaR) 95%	2.52%		

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

### Fund Details

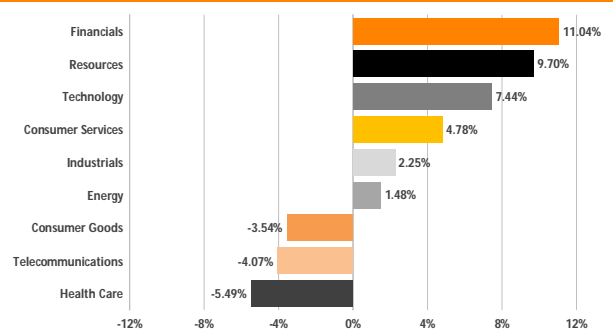
Risk Profile:	Medium
Portfolio Manager:	Andre Malan and Jacobus Nel
Fund size (in Millions):	R 49.9
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 5,953.23
Number of Units:	6,813.48
JSE Code:	FTEQMN
ISIN Number:	ZAE000259081
Inception Date:	November 2003
CISCA Inception Date:	November 2016
Fund Structure:	CIS Trust
Fund Category:	Equity Market Neutral
Hurdle/Benchmark:	3 month JIBAR
Minimum Investment:	R1 000 000 Lump sum
<b>Fees</b>	
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)
<b>Cost Ratios (incl. VAT)</b>	
Total Expense Ratio (TER%):	3.47%
Transactions Costs Ratio (TC%):	0.10%
* Total Investment Charges (TIC%):	3.57%
Performance Fee (PF) Included in TER:	1.42%
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 (%)

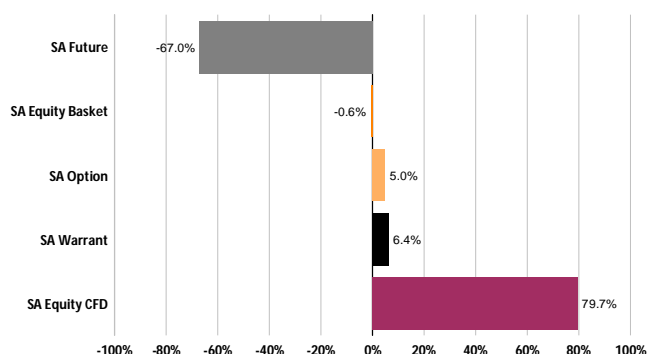
### Portfolio Objective

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>

\*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

December's Christmas rally meant that the JSE Capped Swix posted a gain of +6.8% during 2019. This is a welcome return post a tough 2018, however the index still only delivered an annualised return of +3.7% p.a. over the past five years - less than inflation. The +6.8% is also disappointing if you compare it to the impressive return of 31.5% for the S&P 500.

There were mixed fortunes for the sub-indices. Resources 10 (+31.5%) enjoyed another stellar year, with the Platinum Index posting a +202.9% gain. We have been constructive on the PGM space the entire year, hence Implats (+27.5%) has been the biggest contributor to the fund's performance, up 291.3% for the year. African Rainbow Minerals (+7.8%) extended its gains for the year and was also one of the fund's stalwarts this year. We maintain a net-long position in the Gold sector, due to the geopolitical risks and low return environment. AngloGold (+15.5%) had another good month, ending the year +75.0% higher.

On the flip side, Financials 15 (+0.9%) barely managed to end in the green. The banking index is normally positively correlated with Rand strength, so the decoupling over the past month has been an interesting phenomenon. We retain a net-long position in Financials through Absa (+1.4%) and PSG (+0.4%). South Africa's financial institutions are conservatively run and offering attractive dividend yields. This is on the back of earnings levels being maintained, as well as the pullback we've seen in stocks like Nedbank, ending the year -17.3% lower. Despite the anaemic growth prospects, we feel the risk lies to the upside for some of these counters. Having said that, the Rand looks too strong, given the record capacity outages at Eskom. The only thing saving us from load shedding is the weak seasonal demand.

One of the main detractors from the fund's performance has been Clicks (+2.5%), which posted an impressive +36.7% gain this year. They are on a forward Price/Earnings ratio of 32x. Although they are delivering very consistent growth despite the tough macro environment, this premium to other SA Inc. stocks appear too extreme. On the opposite side of the spectrum is Massmart (+19.9%), ending the year 49.5% lower despite a bounce in December. We have concerns about this business that appear structurally challenged.

The markets are always interesting. 2019 was no different with Trump's tweets, Brexit, the Trade War and Eskom dominating headlines. 2020 will surely be no different, with the coming US election that will influence decision making as well as perception. "Successful investing is about managing risk, not avoiding it" - Benjamin Graham.

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

### Mandatory Disclosures

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**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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\*Non-Executive

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