

Fairtree Equity Market Neutral SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

29 February 2020

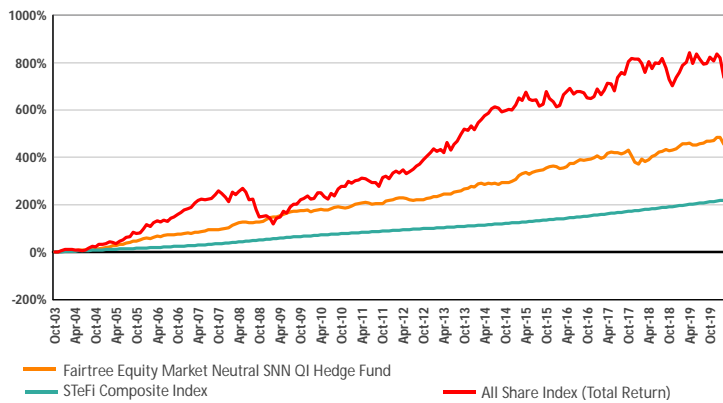
Fund Profile

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 February 2020

Index Source: Bloomberg as at February 2020

Return Analysis

	Fund	All Share Index	StEfi
1 Year	-0.53%	-5.71%	7.26%
3 Years	11.71%	9.74%	23.65%
5 Years	30.72%	11.55%	41.71%
Since Inception	454.33%	738.13%	219.71%

Risk Analysis

	Fund	All Share Index	StEfi
Sharpe Ratio	0.65	0.47	-0.63
Sortino Ratio	1.11	0.84	-0.91
Standard Deviation	5.29%	14.67%	0.45%
Best Month	4.98%	12.45%	1.04%
Worst Month	-5.40%	-13.24%	0.00%
Highest Rolling 12 Months	34.02%	73.00%	11.79%
Lowest Rolling 12 Months	-7.12%	-37.59%	5.16%
Largest Cumulative Drawdown	-10.96%	-40.44%	n/a
% Positive Months (Since Inception)	76.53%	61.73%	n/a
Correlation (Monthly)	0.34		
Value at Risk (VaR) 95%	3.50%		

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

Fund Details

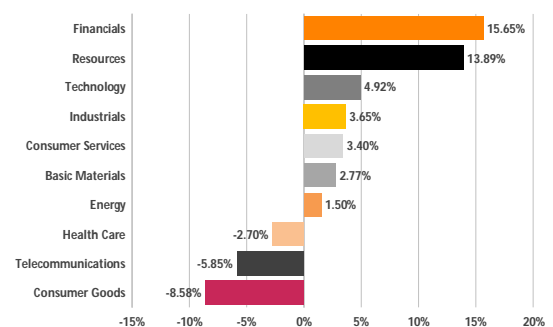
Risk Profile:	Medium
Portfolio Manager:	Andre Malan and Jacobus Nel
Fund size (in Millions):	R 47.4
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 5,773.93
Number of Units:	6,874.58
JSE Code:	FTEQMN
ISIN Number:	ZAE000259081
Inception Date:	November 2003
CISCA Inception Date:	November 2016
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%):	3.52
Transactions Costs Ratio (TC%):	0.10%
* Total Investment Charges (TIC%):	3.62
Performance Fee (PF) Included in TER:	1.43%
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 (%)

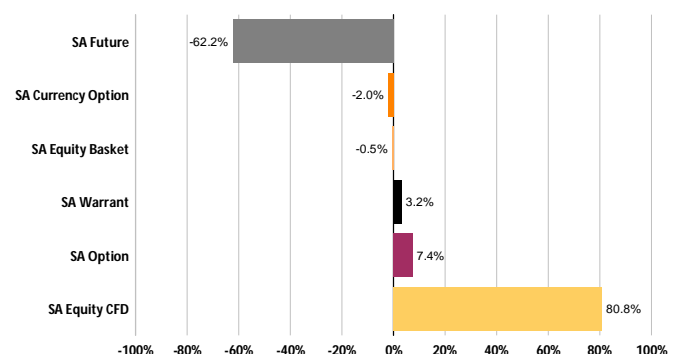
Portfolio Objective

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%	-1.32%	-0.04%	0.63%	0.57%	1.79%	-0.14%	0.27%	2.52%	9.01%
2020	-0.15%	-5.08%											-5.22%

*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**

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

February was one of the toughest months in the fund's history. In January, global markets shrugged off the Covid-19 outbreak in China, but everything changed in February. As the virus spread aggressively to Korea, Iran and Italy, the market started to take notice. The reality of how big and crippling the containment measures can be on the economy, hit home. Markets panicked and everything sold off indiscriminately. Not even Gold managed to live up to its reputation as a safe haven. The Capped Swix (-9.6%) followed the S&P 500 (-8.3%) lower. The market is a funny place, because this sharp sell-off came after we've seen the blueprint of how China managed to contain the virus. Warren Buffet said, "Mr. Market is kind of a drunken psycho. Some days he gets very enthused, some days he gets very depressed. And when he gets really enthused you sell to him, and if he gets depressed, you buy from him. There's no moral taint attached to that."

Although hedge funds generally perform well during volatile times, it is difficult when correlations converge and markets behave extremely irrational. Impala (-11.9%), sold off further, despite the PGM basket being +45% year-to-date. Mining companies are very exposed to the price of the commodities they sell. One would therefore expect, the market to recognise the positive operating leverage a company enjoys from these price moves. Instead, the market focussed on the potential impact of Chinese auto sales plunging 80% in February. Severe dislocations like this, provide fantastic opportunities, but make it difficult to deliver steady returns. We remain positive on the PGM names, due to their attractive free cash flow yields. We used this opportunity, to add to our position. The following PGM exposed names, Northam (-11.5%) and African Rainbow Minerals (-19.2%), also underperformed the short positions we hold in the resources space.

Our Finance Minister, Mr. Tito Mboweni, delivered an excellent budget speech. Through not introducing tax increases, he showed an understanding of the tough reality that the SA consumer is facing. Time will tell, however, whether the unions will allow him to cut government wages, as announced. The only disappointment from the Budget was the lack of progress at SOE's. Feedback from SA corporates, is that interaction with Eskom's new CEO, Andre de Ruyter, has been very encouraging. Hopefully the government will support him in his near-impossible task of turning Eskom around.

The SA economy is again in a technical recession, after contracting by 1.4% in Q4 2019. Nedbank (-9.8%) and Super Group (-14.3%) delivered negative earnings growth in their recent result, and PSG's (-12.9%) discount to its underlying assets continue to widen to 35%. These names were a drag on the fund, as they meaningfully underperformed Clicks (-3.6%).

February was a big disappointment, but we feel that these market conditions will present many opportunities. It is merely a more volatile ride. "Nothing to fear but Fear Itself" - Franklin D. Roosevelt.

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

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FAIRTREE

Glossary

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

Leverage Risk:	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.
Derivative Risk:	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.
Counterparty Credit Risk:	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.
Volatility Risk:	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.
Concentration and Sector Risk:	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.
Correlation Risk:	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.
Equity Risk:	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.

Collective Investment Schemes are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investments are traded at ruling prices and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions, as well as a detailed description of how performance fees are calculated and applied, is available on request from Sanne Management Company (RF)(Pty) Ltd ("the Manager"). The Manager does not provide any guarantee in respect to the capital or the return of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressure and in such circumstances, a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. Commission and incentives may be paid, and if so, are included in the overall costs. The Manager may close the portfolio to new investors in order to manage it efficiently according to its mandate. Prices are published monthly on our website and local media. Additional information, including key investor information documents, minimum disclosure documents, as well as other information relating to the basis on which the manager undertakes to repurchase participatory interests offered to it, and the basis on which selling and repurchase prices will be calculated, is available, free of charge, on request from the Manager. The value of an investment is dependent on numerous factors which may include, but not limited to, share price fluctuations, interest and exchange rates and other economic factors. Where foreign investments are included in the portfolio, performance is further affected by uncertainties such as changes in government policy, political risks, tax risks, settlement risks, foreign exchange risks, and other legal or regulatory developments. The Manager ensures fair treatment of investors by not offering preferential fee or liquidity terms to any investor within the same strategy. The Manager is registered and approved by the Financial Sector Conduct Authority under CISCA. The Manager retains full legal responsibility for the portfolio. FirstRand Bank Limited, is the appointed trustee. Fairtree Asset Management (Pty) Ltd, FSP No. 25917, is authorised under the Financial Advisory and Intermediary Services Act 37 of 2002 to render investment management services.

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