

## Fairtree Equity Market Neutral SNN QI Hedge Fund Minimum Disclosure Document - Class 1

31 January 2020

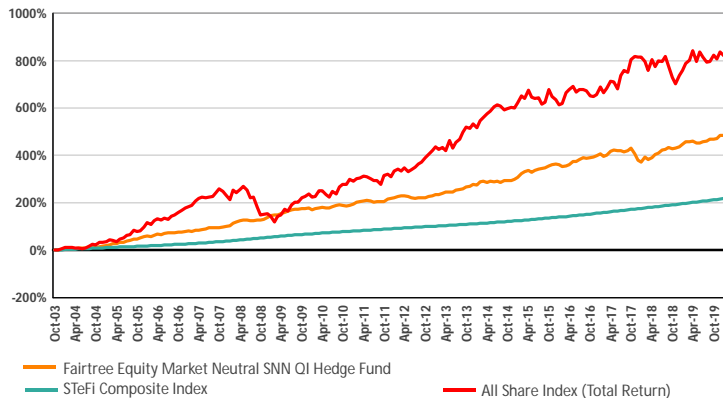
### Fund Profile

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 January 2020  
Index Source: Bloomberg as at January 2020

### Return Analysis

	Fund	All Share Index	SteFi
1 Month	-0.15%	-1.69%	0.58%
3 Months	2.64%	-0.27%	1.74%
6 Months	4.93%	0.55%	3.54%
1 Year	6.98%	7.14%	7.27%
3 Years	15.04%	16.83%	23.69%
5 Years	43.82%	27.55%	41.61%
Since Inception	484.03%	820.90%	218.00%

### Risk Analysis

	Fund	All Share Index	SteFi
Sharpe Ratio	0.75	0.52	-0.63
Sortino Ratio	1.35	0.95	-0.90
Standard Deviation	5.09%	14.49%	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)	76.92%	62.05%	n/a
Correlation (Monthly)	0.31		
Value at Risk (VaR) 95%	2.40%		

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

### Fund Details

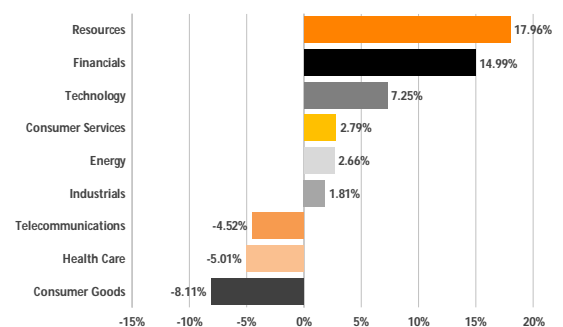
Risk Profile:	Medium
Portfolio Manager:	Andre Malan and Jacobus Nel
Fund size (in Millions):	R 49.9
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 6,083.21
Number of Units:	6,874.32
JSE Code:	FTEQMN
ISIN Number:	ZAE000259081
Inception Date:	November 2003
CISCA Inception Date:	November 2016
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%):	3.34%
Transactions Costs Ratio (TC%):	0.10%
* Total Investment Charges (TIC%):	3.44%
Performance Fee (PF) Included in TER:	1.27%
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 (%)

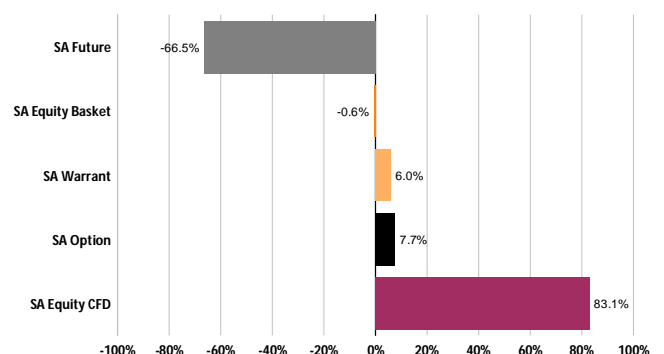
### Portfolio Objective

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%												-0.15%

\*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.

Market Commentary

Markets continued where it left off last year, enjoying a strong start. This is due to monetary and fiscal stimulus and an inflection of global PMI's, signalling a pick-up in global growth. However, the outbreak of the Coronavirus is threatening the status quo and caused the Capped Swix (-2.6%) and S&P 500 (-0.04%) to finish in the red. The virus has now infected more than 14 000 people, comfortably exceeding the 2003 SARS outbreak. We have not seen peak daily infections, which is worrying. Containment is difficult because the virus is contagious, despite the fact that infected people can go up to 14 days without presenting symptoms. Until now, 300 people have passed away, with deaths mainly occurring amongst the elderly. The size of China's economy, their importance to trade, metal demand and equity markets are multiples of what it was 17 years ago.

We are monitoring the outbreak closely and feel that markets have been very sanguine about the situation. There is a growing list of countries that have placed a ban on travel to and from China. At least two-thirds of China's economy will remain shut next week, although the stock markets in both Shanghai and Shenzhen will open for the first time since 23 January. Fourteen provinces (the source of 78% of China's exports in December last year) and cities have said businesses need not start operations until at least the second week of February. Those same provinces account for 90% of copper smelting, at least 60% of steel production, 65% of crude oil refining and 40% of coal output. This sparked a sell-off in commodities like Oil (-14.8%) and Copper (-10.0%).

Our long position in Exxaro (-7.5%), therefore experienced a tough month. Short positions in big diversified companies like Anglo American (-2.1%) and BHP Billiton (-1.2%) cushioned the blow. Sasol (-21.2%) issued a weak trading statement and also dealt with an explosion at their LCCP plant. We don't feel you can be long Sasol, as they are facing a lot of environmental pressures and we have a bearish outlook for Chemical markets.

In more positive news, the PGM basket reached all-time highs. Despite this, we saw some profit taking, especially early in the month in these equities. We used this as an opportunity to increase our positioning in this space as the spot free cash flow yields are extremely attractive. We still prefer to hold Impala (-1.4%) and Northam (+1.7%) over Anglo Platinum (-8.3%).

On the local front, the SA retail reporting season had one consistent message: things are extremely tough for the SA consumer. Volume growth and real revenue growth was scarce. Private companies are retrenching to protect profitability and the government's gravy train has also stopped, since money has run out. This, coupled with low consumer confidence, means it is tough to see what will spark a pick-up in demand.

Load shedding is also back, crippling an already-struggling economy. The Rand was therefore under a lot of pressure. These two realities lead to a further sell-off in banks and other SA Inc. names. South African stocks screen as very cheap versus the rest of the world, so we hold a net-long position. Long positions in Absa (-7.9%), PSG (-8.5%) and Old Mutual (-12.0%) were a big drag on the fund.

It is tough to feel positive in this environment however, let's hope it is darkest before dawn. With a struggling local economy, elevated US markets and global risks abound, we feel the fund will see many active management opportunities.

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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