

Fairtree Equity Market Neutral SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

31 May 2019

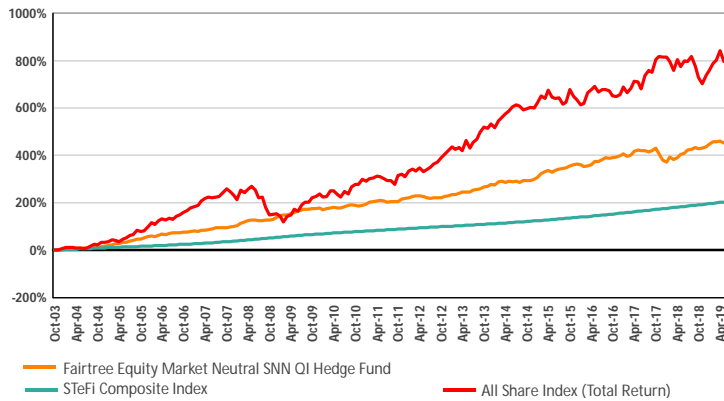
Fund Profile

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 May 2019
 Index Source: Bloomberg as at May 2019

Return Analysis

	Fund	All Share Index	STeFi
1 Month	-1.32%	-4.84%	0.61%
3 Months	-0.71%	0.73%	1.82%
6 Months	4.10%	11.64%	3.61%
1 Year	10.01%	2.43%	7.29%
3 Years	16.39%	13.03%	24.03%
5 Years	41.76%	30.32%	40.69%
Since Inception	453.31%	795.32%	203.50%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.76	0.54	-0.70
Sortino Ratio	1.36	0.98	-1.00
Standard Deviation	5.16%	14.65%	0.46%
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)	77.54%	62.57%	n/a
Correlation (Monthly)	0.31		
Value at Risk (VaR) 95%	2.88%		

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

Fund Details

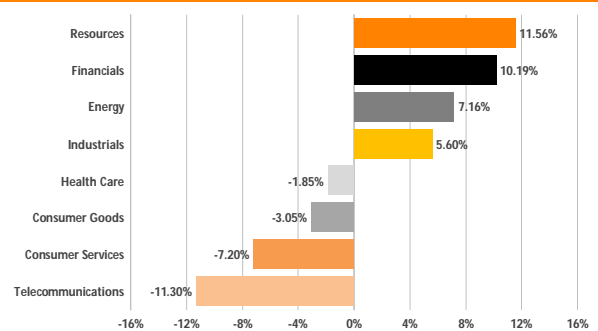
Risk Profile:	Medium
Portfolio Manager:	Andre Malan and Kobus Nel
Fund size (in Millions):	R 61.3
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 5,631.76
Number of Units:	9,283.38
JSE Code:	FTEQMN
ISIN Number:	ZAE000259081
Inception Date:	30 November 2003
CISCA Inception Date:	1 October 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%):	3.19%
Transactions Costs Ratio (TC%):	0.68%
* Total Investment Charges (TIC%):	3.87%
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 (%)

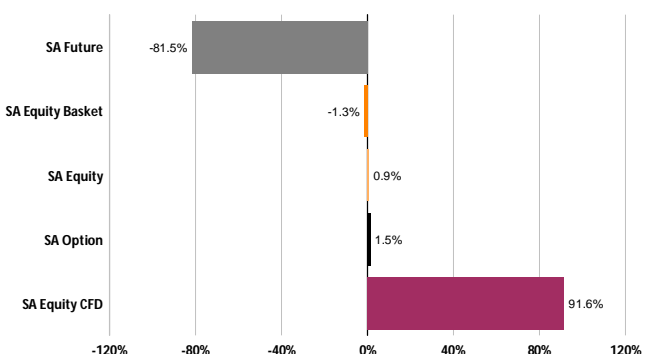
Portfolio Objective

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
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%								3.12%

*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

May was an extremely tough month. The All Share (-4.8%) aggressively gave back some gains after enjoying the strongest first quarter since 2009. The Rand (-1.7%) also weakened against the US Dollar. Various companies reported during May. Unsurprisingly, most of the results were quite weak, with outlook statements not instilling much confidence either.

The ANC won the national election after receiving just over 57% of the votes. The market was also pleased by President Cyril Ramaphosa's newly announced cabinet. The cabinet's size reduced from 36 to 28 departments with continuity in key roles, for example Tito Mboweni staying on as Minister of Finance. President Ramaphosa also removed some bad apples and included a few young promising candidates. It is definitely not the ideal cabinet, but there is enough to make us hopeful that policies and effective implementation thereof will be much better going forward. Focus now shifts to the President's state of the nation address on 20 June, as well as critical policy issues, starting with Eskom.

Globally the focus is still on the escalating trade war. Ultimately, we believe there will be a short term resolution this year, as Trump would be unwise to trigger an US recession while he is trying to win the US presidential election next year. This, however, does not guarantee an environment without noise and volatility. Global growth is stalling in a big way, with manufacturing PMI's negative in both Europe and China. The US 2 year bond yield dipped below 2% after almost reaching 3% less than a year ago. This means the market is pricing in interest rate cuts to stimulate the US economy.

Despite the iron ore price (+10.9%) continuing to push higher, the JSE Resources sector (-5.3%) sold off. Given the fund's net-long exposure in resources, it suffered some losses in this space. The long positions had mixed performances: African Rainbow Minerals (-3.0%), Exxaro (+7.6%), Glencore (-17.1%) and Impala (+1.3%). Our short hedges in this space, BHP (-2.3%) and Amplats (+1.5%), did not cover the full loss from the names above.

Telkom (+8.2%) reported a decent set of results and held a capital markets day. We continue to believe that the current valuation is unjustified, given the pedestrian growth and lack of free cash generation. Needless to say, they outperformed some of our long positions in the SA income space: Absa (+2.9%), RMI (-4.9%).

Sasol (-22.7%) sold off aggressively after issuing a very disappointing update on their LCCP project. They upgraded their cost estimates by \$1bn, after doing the same just 3 months ago. They also downgraded their EBITDA guidance over the short and medium term. The project is now costing >40% more than the initial plan suggested 6 years ago and points to poor execution and understanding from management. The fund incurred losses due to a position in Sasol over Brent crude denominated in Rand.

Given that we are now five months into the year, it is interesting to sit back and have a look at some of the major laggards this year: Mr Price (-18.4%), Netcare (-26.6%), Aspen (-28.8%), Sappi (-30.8%), Massmart (-34.5%), Brait (-42.7%) and Omnia (-48.4%). These names can largely be classified into two categories: companies with high gearing and therefore rights issue concerns, and companies without volume growth and therefore margin pressure given the squeeze of cost inflation. Mr Price does not fit into either of these buckets and we feel this is a quality company that has unfairly sold off. They reported a very credible HEPS growth of 6%, which led to a bounce in their share price of 11% on the last day of the month.

Markets are never boring, with this year certainly shaping up to be another very interesting one. We believe it is important to remain flexible in an environment with so much uncertainty and subsequent volatility.

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). **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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