

## Fairtree Equity Market Neutral SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

30 November 2019

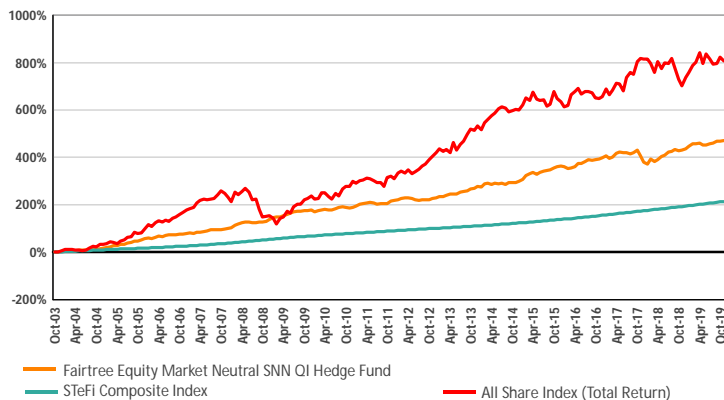
### Fund Profile

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 November 2019

Index Source: Bloomberg as at November 2019

### Return Analysis

	Fund	All Share Index	STeFi
1 Month	0.27%	-1.80%	0.56%
3 Months	1.93%	1.49%	1.74%
6 Months	3.11%	1.29%	3.57%
1 Year	7.34%	13.08%	7.31%
3 Years	15.66%	21.17%	23.81%
5 Years	45.15%	29.22%	41.47%
Since Inception	470.53%	806.84%	214.34%

### Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.74	0.52	-0.65
Sortino Ratio	1.33	0.95	-0.93
Standard Deviation	5.10%	14.54%	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)	77.20%	62.18%	n/a
Correlation (Monthly)	0.30		
Value at Risk (VaR) 95%	2.30%		

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

### Fund Details

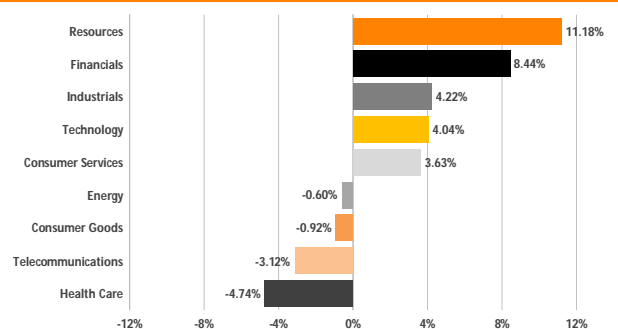
Risk Profile:	Medium
Portfolio Manager:	Andre Malan and Jacobus Nel
Fund size (in Millions):	R 52.6
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 5,806.99
Number of Units:	7,367.41
JSE Code:	FTEQMN
ISIN Number:	ZAE000259081
Inception Date:	30 November 2003
CISCA Inception Date:	1 October 2016
Fund Structure:	CIS Trust
Fund Category:	Equity Market Neutral
Hurdle:	3 month JIBAR
Minimum Investment:	R1 000 000 Lump sum
<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%):	3.54%
Transactions Costs Ratio (TC%):	0.10%
* Total Investment Charges (TIC%):	3.64%
Performance Fee (PF) Included in TER:	1.51%
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 (%)

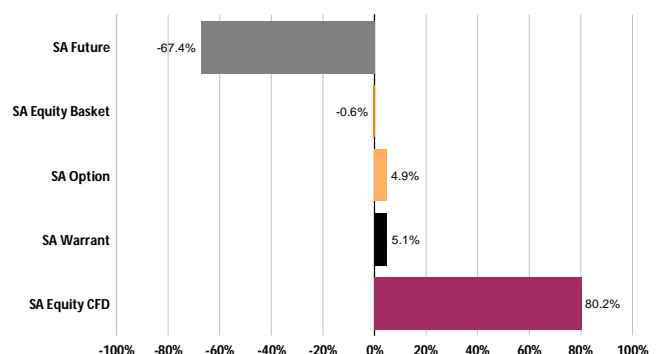
### Portfolio Objective

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%		<b>6.33%</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 CISC regulation. The portfolio has been transitioned under CISC 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

November was another flat month for the Capped Swix, with big divergence in the performance from the various constituents. The S&P 500 continued to post fresh highs, as fears of a recession are pushed out due to optimism around progress on a trade deal. It also looks like manufacturing PMI's have bottomed. Nonetheless, global uncertainty has curtailed big investment decisions, so the real impact of the trade war will still be felt for a number of years.

On the local front, we saw interesting restructuring announcements by some of the major holding companies, in an attempt to close the discounts to their respective sum-of-the-parts. Remgro (+13.1%) announced that RMH will unbundle FirstRand and that they will do the same with their banking interests. This proved effective and we saw a bounce in both shares.

Brait (-8.2%) announced a large rights issue to address unsustainable debt levels. Coupled with this, they also have a new strategy to unlock value by selling assets in an orderly fashion over the next five years.

The banking index came under pressure as Nedbank (-4.4%) and Standard Bank (-4.5%) gave pre-close updates that highlighted the tough economic conditions they need to navigate. The fund prefers SA Inc long exposure via the banks, as they have been delivering resilient performance despite the trying environment. This long position is balanced by short positions in the Telecommunications and Retail space, which we believe faces both structural and cyclical headwinds. Spar (+1.4%) is an example of a long position in this space, where we believe you need to be very selective. They posted another solid result.

On a political level, we are seeing some arrests and noise around investigations, which is very encouraging. Eskom also announced Andre de Ruyter as their new CEO. South Africa is definitely moving in the right direction, but we are still sitting with major unresolved issues like SAA. Hopefully the pace of reform can gain momentum in the new year.

Our net-long position in Resources served us well, as this was the only index that ended the month in the green. On a pairs view, Exxaro (+8.1%) and African Rainbow Minerals (+0.4%) outperformed Sasol (-3.7%) and Anglo American (-0.3%).

Naspers (-2.4%) and Prosus (-4.8%) continued to tread water, despite Tencent (+3.4%) posting gains on the back of another quarterly result that showed +24% growth. The market is unconvinced by the big R90bn bet which Naspers and Prosus want to place in the Food Delivery space via the JustEat deal. Prosus is hosting an investor day early in December, where they might be able to provide more colour on why they are so confident about this space. They are also entering two major European indices, which will lead to inflows into the name.

### 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)\*, G P Rate (Director), I Burke\*, H J Pienaar\*, K de Bruin (Managing Director). **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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