Fairtree Fixed Income SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

30 April 2018

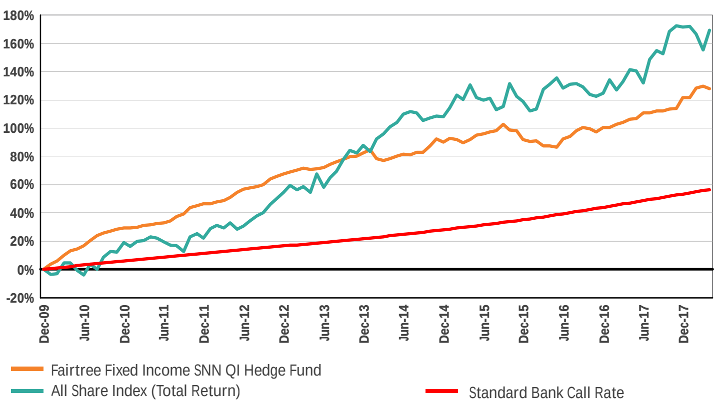
Fund Profile

The fund invests in South African fixed income instruments to take advantage of relative value opportunities across the short and long end of the FRA, bond and swap yield curve. Idea generation flows from jointly formulating a macro view of global and local South African macro parameters. These views are analysed against existing market expectations and tested against the portfolio. The long term return target of the fund is Cash plus 10%.

Investment Strategy

The portfolio is a long/short fixed income hedge fund. It is focused on extracting pure alpha returns from South African capital markets. These returns are accessed through fundamental knowledge of South African instruments 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 April 2018
Benchmark(s) Source: Bloomberg as at April 2018

Fund Details

Risk Profile:	Med-High
Portfolio Manager:	Ian Millard and Jacobus Lacock
Fund size (in Millions):	R 41.7
NAV Price (Inception):	R 1000 (Class A1)
NAV Price (as at month end):	R 2,288.62
JSE Code:	
Inception Date:	31 January 2010
CISCA Inception Date:	1 December 2016
Fund Structure:	CIS Trust
Fund Category:	Fixed Income
Benchmark:	This portfolio does not follow a benchmark
Minimum Investment:	R 1 000 000 Lump sum
Fees	
Management Fee:	1% (excl. VAT)
Performance fee:	20 % of excess above the high water mark, subject to a hurdle rate of 3 month JIBAR (excl.VAT) uncapped.
Cost Ratios (incl. VAT)	
Total Expense Ratio (TER%):	5.20%
Transactions Costs Ratio (TC%):	N/A (Trading costs are not reported separately for Fixed Income portfolios.)
* Total Investment Charges (TIC%):	5.23%
Performance Fee (PF) Included in TER:	2.63%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 cpu for December 2017
Investment Manager contact details	Fairtree Capital (Pty) Limited
Telephone Number:	+27 86 176 0760
Website:	www.fairtree.com

***Total Investment Charges (TIC%) = TER (%) + TC (%)**

Return Analysis

	Fund	Standard Bank Call Rate	All Share Index
1 Month	-0.86%	0.52%	5.40%
3 Months	2.77%	1.56%	-0.99%
6 Months	6.68%	3.14%	0.21%
1 Year	10.56%	6.44%	11.45%
3 Years	18.70%	20.10%	16.71%
5 Years	33.60%	32.36%	74.26%
Since Inception	127.91%	56.55%	169.21%

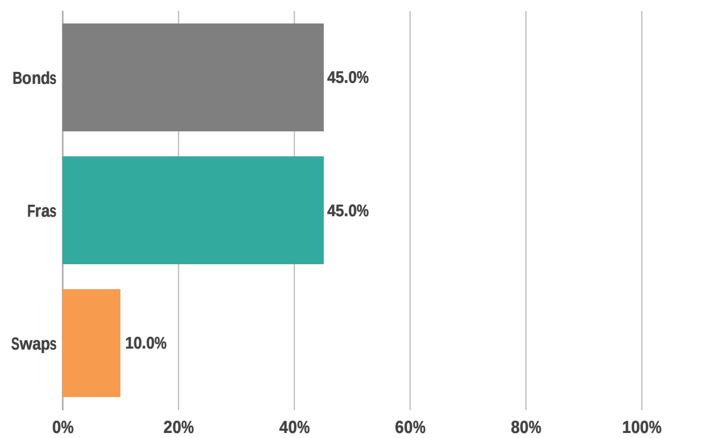
Portfolio Objective

The long-term objective of the portfolio is to achieve consistent absolute returns through investment in risk controlled strategies.

Sector Allocation

The Fairtree Fixed Income SNN QI Hedge Fund is 100% Government Bonds.

Asset Allocation



Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	1.03	n/a	0.55
Sortino Ratio	1.90	n/a	1.15
Standard Deviation	4.50%	0.21%	11.78%
Best Month	3.96%	0.54%	9.35%
Worst Month	-3.28%	0.00%	-5.70%
Best Rolling 12 Months	29.52%	6.64%	32.74%
Worst Rolling 12 Months	-4.49%	4.49%	-4.37%
Largest Cumulative Drawdown	-8.18%	n/a	-8.46%
% Positive Months (Since Inception)	80.00%	n/a	59.00%
Correlation (Monthly)	-0.05		
Value at Risk - 95%	3.37%		

Increase in NAV Attributable to Investors

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2010	3.62%	2.18%	3.96%	2.70%	1.38%	2.04%	2.75%	3.23%	1.40%	1.19%	0.95%	0.81%	**29.52%**
2011	0.05%	0.13%	1.14%	0.38%	0.61%	0.46%	0.72%	2.56%	1.14%	3.30%	1.02%	0.96%	**13.14%**
2012	-0.09%	1.04%	0.47%	1.54%	2.32%	1.47%	0.57%	0.64%	0.79%	2.73%	0.90%	1.25%	**14.48%**
2013	0.82%	0.59%	0.88%	-0.60%	0.44%	0.42%	1.45%	0.80%	1.06%	1.13%	0.28%	1.13%	**8.72%**
2014	1.17%	-3.28%	-0.82%	0.82%	1.03%	0.83%	-0.43%	1.17%	-0.06%	2.41%	2.63%	-1.08%	**4.33%**
2015	1.42%	-0.53%	-1.30%	1.34%	1.61%	0.53%	0.53%	0.54%	2.38%	-2.03%	-0.27%	-3.28%	**0.77%**
2016	-0.57%	0.14%	-1.81%	-0.01%	-0.61%	3.12%	0.96%	2.26%	1.05%	-0.44%	-1.06%	1.50%	**4.52%**
2017	0.01%	1.15%	0.66%	1.02%	0.27%	1.91%	0.16%	0.66%	-0.17%	0.77%	0.23%	3.50%	**10.58%**
2018	0.07%	2.88%	0.76%	-0.86%									**2.84%**

*The inception date for the portfolio is 1 January 2010. The historical performance figures until the end of 30 November 2016 reflect performance achieved prior to CISCA regulation. The portfolio has been transitioned under CISCA regulations on 1 December 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. The TER is reported excluding performance fees for the first six months of the portfolio. The Manager has applied its mind hereto and is of the view that any reporting of TER with performance fee at this stage may be inaccurate and potentially misleading to investors.

Market Commentary

The rally in South Africa government bonds since November last year came to halt last month as global bonds came under renewed pressure. The 10 year government bond yield closed +21bps higher at 8.18%. The bond curve flattened as short dated 3yr bonds increased +28bps while long end 30yr bonds rose +19bps. The All Bond Index returned -0.7% over the month, after more than 14% in the preceding 4 months. Year to date, local bonds (+7%) continue to outperform the local equities (-1%). The Rand lost about 5% over the month. Foreign flows have slowed with no significant outflows.

Both local and global forces have led to higher bond yield. On the global front, increased supply by the US Treasury, an improved growth outlook and concerns around higher inflation have pushed US 10yr bond yields to 3%. Locally, the risk of a negative outcome to current wage negotiations and concerns that the market had priced in too much in terms of good news and potential rate cuts has weight on local bond yields.

Since the SARB deliver a hawkish 0.25% rate cut in March the market has reduced the probability of another interest rate cut to less than 30% over the next 12 months. We believe the hurdle for another cut remains high and that risk to future inflation is tilted to the upside. A weaker ZAR, higher oil price and reduced output gap will keep the SARB from delivering another cut in May. The outcome of the latest round of wage negotiations will be important to future inflation expectations.

While some economic data points have improved over the last few months and analysts have upgraded their growth forecast, data remains mixed on aggregate. Manufacturing is performing worse than expected and the forward looking PMI's does not yet reflect a faster growing economy. Retail sales, credit extension and vehicle sales have improved more than expected but remains at low levels. Consumer and business confidence have improved over the last few months and point to potential future upside. Concerns around the most recent round of wage negotiations and uncertainty around land reforms has cautioned some investors.

The outlook for developed market growth remains strong. Growth in Europe has moderated somewhat as deflationary forces continue to weigh on the economy. The effect of recent Euro strength, higher oil prices and rising bond yields will work its way through the economy before we see renewed strength later this year. In the US we expect growth to moderate but to remain at a solid pace supported by growth in household consumption, investment and government spending. The Fed remains on course to hike rates 3 more times this year while the ECB will halt asset purchases in December. Overall we believe financial conditions remain accommodative and should see risk assets rise over the next few months. We also expect conditions to turn tight in 18 to 24 months.

Commodity prices are holding up despite a stronger US dollar as demand remains strong and the Chinese growth outlook stable. The oil price has risen on the back of increased demand, the risk that Iran may be sanctioned and that OPEC will continue with current production cuts.

The combination of higher yields and stronger US dollar has put pressure on global risk assets including high yielding emerging market assets. Both Turkey and Argentina has fallen into crisis and had to hike rates to protect against capital outflows. South African assets have also come under pressure but we believe the continued improvement in global growth and gradual rise in inflation will contain the recent emerging market sell-off. However, we continue to watch risks around the continued trade conflict between the US and China, higher oil prices and the pace of US rate hikes.

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

FAIRTREE CAPITAL

Mandatory Disclosures

Investment Manager: Fairtree Capital (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 (N0.37 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). **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.sannegroup.co.za

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*Non-Executive

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