

Fairtree Fixed Income SNN QI Hedge Fund Minimum Disclosure Document - Class 1

30 November 2018

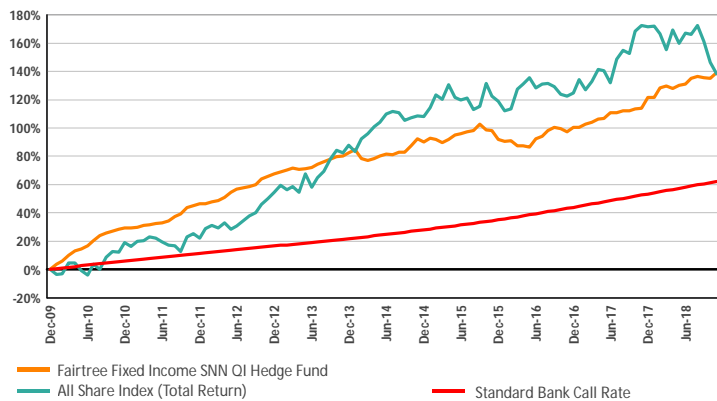
Fund Profile

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 November 2018
Index Source: Bloomberg as at November 2018

Return Analysis

	Fund	Standard Bank Call Rate	All Share Index
1 Month	1.89%	0.52%	-3.17%
3 Months	1.31%	1.56%	-12.56%
6 Months	4.07%	3.14%	-8.25%
1 Year	11.79%	6.38%	-12.56%
3 Years	20.73%	20.65%	7.05%
5 Years	32.73%	33.75%	30.75%
Since Inception	139.37%	62.30%	138.35%

Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	1.02	n/a	0.42
Sortino Ratio	1.88	n/a	0.86
Standard Deviation	4.41%	0.21%	11.95%
Best Month	3.96%	0.54%	9.35%
Worst Month	-3.28%	0.00%	-5.76%
Best Rolling 12 Months	29.52%	6.64%	32.74%
Worst Rolling 12 Months	-4.49%	4.49%	-12.56%
Largest Cumulative Drawdown	-8.18%	n/a	-12.56%
% Positive Months (Since Inception)	79.44%	n/a	57.01%
Correlation (Monthly)	-0.03		
Value at Risk (VaR) 95%	3.09%		

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:	Med-High
Portfolio Manager:	Ian Millard and Jacobus Lacock
Fund size (in Millions):	R 42.0
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,377.18
Number of Units:	14 933.71
JSE Code:	FISNN
ISIN Number:	ZAE000259099
Inception Date:	31 January 2010
CISCA Inception Date:	1 December 2016
Fund Structure:	CIS Trust
Fund Category:	Fixed Income
Hurdle:	3 month JIBAR
Minimum Investment:	R 1 000 000 Lump sum
Fees	
Management Fee:	1% (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%):	5.07%
Transactions Costs Ratio (TC%):	N/A (Trading costs are not reported separately for Fixed Income portfolios.)
* Total Investment Charges (TIC%):	5.09%
Performance Fee (PF) Included in TER:	2.59%
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 Asset Management (Pty) Ltd
Telephone Number:	+27 86 176 0760
Website:	www.fairtree.com

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

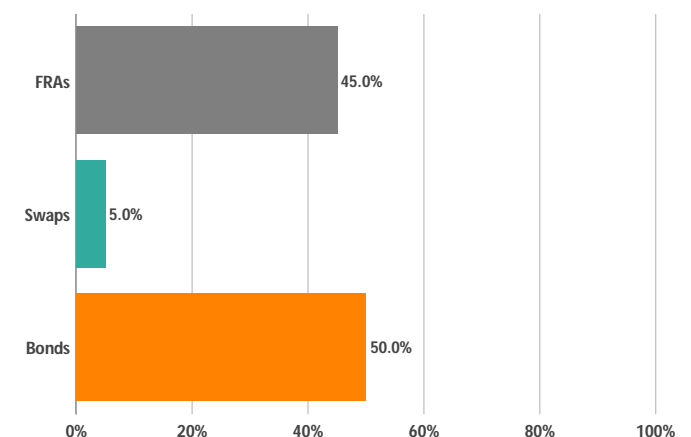
Portfolio Objective

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

Sector Allocation

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

Asset Allocation



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%	0.92%	0.52%	1.73%	0.45%	-0.25%	-0.32%	1.89%		8.01%

*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
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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. 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

South Africa government bonds rallied over the month as the outlook for emerging markets improved. The 10 year government bond yield closed 41bps lower at 8.93%. The All Bond Index rose 3.9% over the month to bring the year to date return to 7.0%, while the All Share Index dropped -3.2% to bring the year to date performance to -12.3%. The Rand rose and gained around 6.5% along with other emerging markets.

Emerging market assets outperformed developed markets over the month as sentiment improved. Early in the month the US mid-term elections produced a split congress with the Republicans retaining the Senate but losing the House to the Democrats. These results dampened expectations of a fresh round of tax cuts and raised expectations of a cease fire on the trade conflict between the US and China. This backdrop along with softer incoming US data gave the Fed some scope to dial back on their hawkish narrative. The market responded by reducing the number of hikes expected by the Fed during 2019, from two to one and the real rate dropped taking US 10 year bond yields from a 3.25% peak to below 3%. Lower rates and softer outlook for the US has also added pressure on the US dollar to weaken. Other factors supporting emerging markets has been 30% drop in oil price over the last two months and policy makers in China announcing measures to support the consumer via lower taxes.

Growth outside the US remains weak. Weakening Chinese economic activity and the threat of increased tariffs should be offset by easing measures taken by Chinese authorities. However we only expect the Chinese data to stabilise during H1-2019. European economic activity has also slowed with Germany recording negative growth over the third quarter and political and fiscal challenges in France and Italy curbing investor confidence. We expect the ECB to remain accommodative for a prolonged period with the possibility of announcing another round of low interest lending measures (i.e. LTRO's) to support activity. In the UK uncertainty around Brexit is also weighing on growth. However, the biggest risk to emerging markets and global risk assets remains deterioration in the US/China relationship.

Locally economic data remains weak, while concerns around fiscal and reform policies have grown. Renewed operational and financial challenges around Eskom and uncertainty around land policies continue to weigh on investor confidence and the country's credit rating. After two quarters of negative growth South Africa recorded stronger than expected growth over Q3 of 2.2% annualised supported by manufacturing, retail activity, financial services and agriculture. The SARB decided to hike rates to 6.75% earlier in the month, noting that the risks to inflation have increased enough to act. No mention was made about future hikes. We believe any further hikes depend on some of the upside risks mentioned actually materialising. Currently inflation has been well behaved and continues to surprise somewhat to the downside but the risks remain to the upside.

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

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). **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. **Trustee:** FirstRand Bank Limited, Johannesburg, **Telephone:** +27 87 736 1732, **Website:** www.rmb.co.za

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*Non-Executive

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