

## Fairtree Fixed Income SNN Retail Hedge Fund

### Minimum Disclosure Document - Class 1

30 April 2020

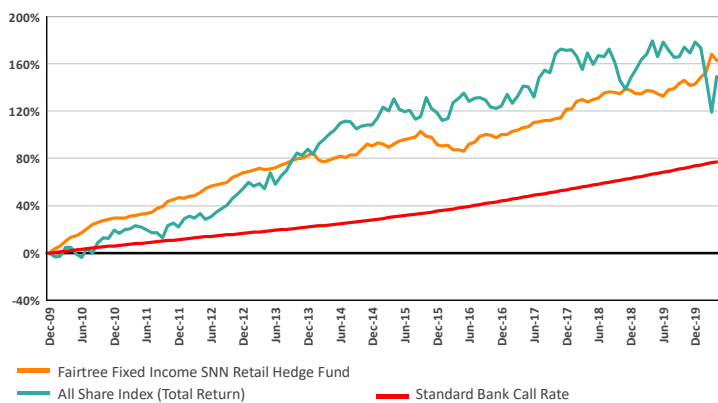
#### Fund Profile

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 2020  
Index Source: Bloomberg as at April 2020

#### Return Analysis (annualised)

	Fund	Standard Bank Call Rate	All Share Index
1 Year	10.75%	6.38%	-10.78%
3 Years	8.41%	6.40%	1.08%
5 Years	6.47%	6.33%	1.58%
Since Inception	9.80%	5.69%	9.25%

#### Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	0.82	n/a	0.32
Sortino Ratio	1.57	n/a	0.58
Standard Deviation	4.81%	0.21%	13.34%
Best Month	6.24%	0.54%	13.98%
Worst Month	-3.28%	0.00%	-12.13%
Highest Rolling 12 Months	29.52%	6.64%	32.74%
Lowest Rolling 12 Months	-4.49%	4.49%	-18.42%
Largest Cumulative Drawdown	-8.18%	n/a	-21.72%
% Positive Months (Since Inception)	75.81%	n/a	57.26%
Correlation (Monthly)	-0.22		
Value at Risk (VaR) 95%	3.74%		

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 70.4
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,427.88
Number of Units:	23,585.05
JSE Code:	FISNN
ISIN Number:	ZAE000259099
Inception Date:	January 2010
CISCA Inception Date:	1 December 2016
ASISA Classification	Retail Hedge Fund - South African - Fixed Income
Hurdle/Benchmark:	3 month JIBAR
Minimum Investment:	R 50 000 Lump sum or R 2000 monthly
Additional Lump sum:	R 10 000
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%):	5.26%
Transactions Costs Ratio (TC%):	0.12%
* Total Investment Charges (TIC%):	5.38%
Performance Fee (PF) Included in TER:	3.52%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	74.73966 cpu for December 2019
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 (%)

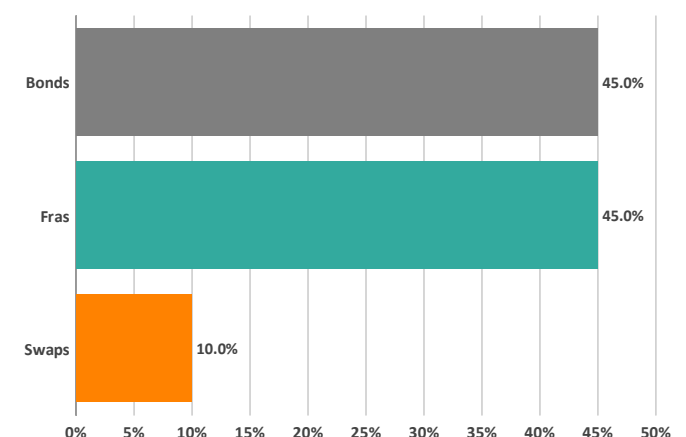
#### Portfolio Objective

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 Retail 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%	-0.70%	7.26%
2019	-1.10%	-0.12%	1.06%	-0.05%	-0.93%	-0.99%	2.43%	0.44%	1.83%	1.00%	-1.80%	0.57%	2.27%
2020	2.30%	1.53%	6.24%	-2.08%									8.05%

The portfolio converted its valuation frequency from monthly to daily valuation effective 10 May 2019. The performance shown above includes historical performance of the fund prior to its conversion to daily valuation

\*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

The portfolio converted its valuation frequency from monthly to daily valuation effective 10 May 2019. The portfolio is now valued daily and the transactions cut-off time is 14:00pm on a business day. Investor instructions received after 14:00pm shall be processed the following business day.

### 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

Global risk sentiment recovered sharply in April. Aggressive policy intervention by central banks and governments reduced financial market stress and volatility and improved liquidity. Equity markets rallied aggressively and recovered about half of their first quarter losses. However, emerging market currencies remain under pressure and developed market bond yields are stuck at historical low levels as interest rates are set to fall further in emerging markets and remain low for an extended time in developed markets.

US 10-year treasury yields dropped only -3bps while global equities jumped 11% over the month to bring the year to date return to -13%. The South Africa All Share Index rallied 14% (YTD -9%) while the All Bond Index returned +4%, but still -6% down on the year. The 10-year SA government bond (R2030) yield dropped -70bps despite the ratings downgrade to junk late in March and risk of WGBI exclusion end of April. The Rand lost almost -4% against the US dollar. Gold managed to rally more than 6%.

Market volatility measured by the VIX index, high yield spreads and interbank funding rates have reduced sharply as financial market tail risks were priced out and signs of the spread of the virus peaking in Europe and the US. Despite the sharp hit to economic activity, jobs and earnings, the market has looked through these near-term risks and continue to expect a sharp recovery over H2-2020. According to the IMF global growth is expected to contract by -3% this year and expand by close to 6% next year. Economic data suggest that activity may have bottomed in April as many countries and states look to reopen over May. In the US more than 20.5mn jobs were lost over April. Around 80% of those job losses were classified as temporary and will most likely go back to their previous employer in the case of a sharp recovery. However, the risk of a resurgence in Covid-19 cases remains elevated as economies start to re-open. The policy response by monetary and fiscal authorities continue to grow as the amount of asset purchases to global GDP exceed 6% while the fiscal response is in excess of 5% of global GDP. We expect more asset purchases and fiscal programs to be announced soon, including from China. We continue to monitor China's re-opening of their economy. Industrial activity has now normalised but weak global demand is weighing on manufacturing. The services side of the economy is still on the mend. As we move closer to the US election, we believe the relationship between the US and China is likely to deteriorate further. A resurgence of the trade war will weigh on markets.

In South Africa the economic impact of Covid-19 and the phased-out lockdown is now estimated to be -7% GDP growth over 2020. With inflation likely to fall below 3%, the SARB can cut rates further by 50-100bps. The fiscal dynamics are set to deteriorate and the budget deficit may hit -12% of GDP this year. South Africa may have to rely on further outside assistance from the World Bank, IMF or New Development Bank to consolidate its debt.

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

### Glossary

<b>Net Asset Value (NAV):</b>	Means net asset value, which is the total market value of all assets in a portfolio including any income accruals and less and deductible expenses such as audit fees, brokerage and service fees.
<b>Annualised Return:</b>	Is the weighted average compound growth rate over the performance period measured.
<b>Highest &amp; Lowest Return:</b>	The highest and lowest rolling twelve-month performance of the portfolio since inception.
<b>Total Expense Ratio (TER) :</b>	Reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's.
<b>Transaction Costs (TC) :</b>	Is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns.
<b>Total Investment Charges (TIC):</b>	Should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, investment decisions of the investment manager.
<b>Total Investment Charges (TIC%):</b>	= TER (%) + TC (%): The Total Investment Charges (TIC), the TER + the TC, is the percentage of the net asset value of the class of the Financial Product incurred as costs relating to the investment of the Financial Product. It should be noted that a TIC is the sum of two calculated ratios (TER+TC).
<b>Standard Deviation:</b>	The deviation of the return of the portfolio relative to its average.
<b>Drawdown:</b>	The greatest peak to trough loss until a new peak is reached.
<b>Sharpe Ratio:</b>	The ratio of excess return over the risk-free rate divided by the total volatility of the portfolio.
<b>Sortino Ratio:</b>	The ratio of excess return over the risk-free rate divided by the downside deviation of the portfolio.
<b>Correlation:</b>	A number between -1 and 1 indicating the similarity of the dispersion of returns between the portfolio and another asset or index with 1 being highly correlated, -1 highly negatively correlated and 0 uncorrelated.
<b>Value at Risk (VaR):</b>	Value at risk is the minimum loss percentage that can be expected over a specified time period at a predetermined confidence level.

### Fund Risk

<b>Leverage Risk:</b>	The Fund borrows additional funds, trades on margin or performs short sale trades to amplify investment decisions. This means that the volatility of a hedge fund portfolio can be many times that of the underlying investments due to leverage on a fund.
<b>Derivative Risk:</b>	Derivative positions are financial instruments that derive their value from an underlying asset. Derivatives are exposed to implicit leverage which could result in magnified gains and/or losses on the portfolio.
<b>Counterparty Credit Risk:</b>	Counterparty risk is a type of credit risk and is the risk of default by the counterparty associated with trading derivative contracts. An example of counterparty credit risk is margin or collateral held with a prime broker.
<b>Volatility Risk:</b>	Volatility refers to uncertainty and risk related to size of change of an instrument or portfolio. It is a statistical measure of the dispersion of returns for a given security or market index. Volatility is proportional to the directional exposure of a portfolio and is measured by Value at risk (VaR) which is a statistical technique used to measure and quantify the level of volatility
<b>Concentration and Maturity Segment Risk:</b>	A large proportion of total assets invested in specific assets and/or maturity segments on the yield curve. Concentrated positions in a portfolio will material impact the returns of the portfolio more so than diversified portfolios.
<b>Correlation Risk:</b>	A measure that determines how assets move in relation to each other. Correlation risk arises when the correlation between asset-classes change. Correlation risk also arises when the correlation within an asset-class changes. Examples of correlation within asset classes include equity pairs trading, fixed income curve trading and commodities pairs trading.
<b>Interest Rate Risk:</b>	The values of bonds and other debt securities are inversely proportional to the change in interest rates. Interest rate risk is generally greater for investments with longer maturities as well as when the market does not expect a change in the interest rates.
<b>Credit Default Risk:</b>	The risk that the government entity or company that issued the bond will run into financial difficulties and won't be able to pay the interest or repay the principal at maturity. Credit risk applies to debt investments such as bonds. The higher credit rating the less likely the possibility of the issuing company defaulting.

### 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). **Physical Address:** Pier Place, Heerengracht Street, Foreshore, Cape Town, South Africa. **Telephone Number:** +27 21 202 8282. **Website:** www.snmmanco.com **Trustee:** FirstRand Bank Limited, (acting through its RMB Custody and Trustee Services Division). **Physical Address:** 3 Merchant Place, Ground Floor, Corner Fredman and Gwen Streets, Sandton, 2146, **Telephone:** +27 87 736 1732.

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