

Fairtree Fixed Income SNN Retail Hedge Fund

Minimum Disclosure Document - Class 1

31 March 2020

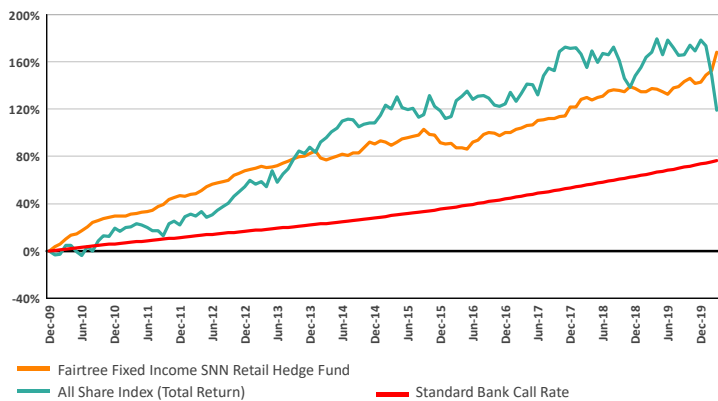
Fund Profile

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 March 2020
Index Source: Bloomberg as at March 2020

Return Analysis (annualised)

	Fund	Standard Bank Call Rate	All Share Index
1 Year	13.05%	6.38%	-18.42%
3 Years	9.54%	6.41%	-2.07%
5 Years	7.20%	6.31%	-0.13%
Since Inception	10.11%	5.68%	7.94%

Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	0.89	n/a	0.23
Sortino Ratio	1.74	n/a	0.40
Standard Deviation	4.74%	0.21%	12.74%
Best Month	6.24%	0.54%	9.35%
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)	76.42%	n/a	56.91%
Correlation (Monthly)	-0.17		
Value at Risk (VaR) 95%	3.78%		

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 71.7
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,499.76
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%):	4.22%
Transactions Costs Ratio (TC%):	0.11%
* Total Investment Charges (TIC%):	4.33%
Performance Fee (PF) Included in TER:	2.39%
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 (%)

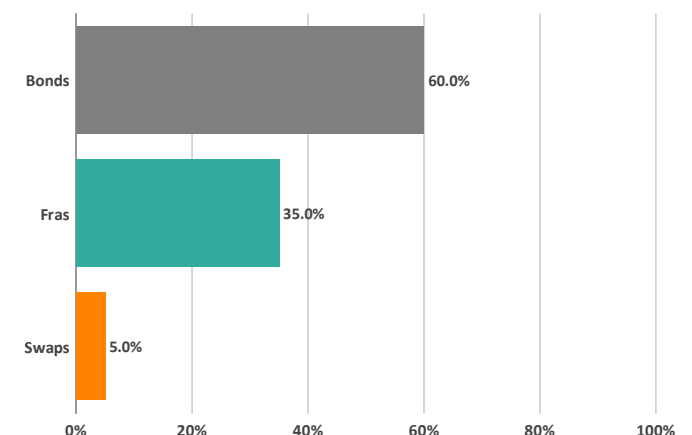
Portfolio Objective

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%										10.35%

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-off sentiment pushed equity markets further into bear territory while developed market bond yields fell aggressively. US 10-year treasury yields dropped -48bps taking the first quarter drop to -125bps as investors scrambled for US dollar safety. Global equities fell -13.5% over the month and -21.4% over the quarter while the South Africa All Share Index fell -12.1% and -21.4% respectively. The speed of the sell-off into bear territory was one of the fastest in history, even faster than 1929 crash. Market volatility measured by the VIX index reached levels higher than during the 2008 global financial crisis. Investors scrambled for cash, even selling safe liquid assets such as gold. Gold managed to recover and was only down 0.5% over the month. Investors were also big sellers of credit and emerging market bonds. The 10-year SA government bond (R2030) yield jumped 185bps to 10.96% and the All Bond Index dropped -9.75% as foreign selling accelerated against a backdrop of thin liquidity. The Rand lost more than -12% against the US dollar.

The current economic crisis started as a global health crisis and unlike previous recessions was not caused directly by tight financial conditions or weak consumer demand, but rather by command as authorities implemented aggressive containment measures such as lockdowns, social distancing and business closures. The biggest fallout from these measures are the global loss of income for households and businesses. Current GDP growth projections now forecast a deep recession with growth rates reaching negative double digits across the world in Q2, followed by a sharp rebound over the second half of the year. Over 2020 global growth is now expected to be down around -2%, far below the +3.2% expected earlier this year. In the US alone growth for Q2 is expected to fall by more than 30% leading to an unemployment rate close to 15% as more than 10mn workers is expected to lose their jobs.

To offset the economic hit central banks globally cut rates to record low levels, announced aggressive QE while governments announced several fiscal packages to help businesses, households and effected industries to cope with the loss of income. In total the amount of QE announced thus far exceed 6% of global GDP while fiscal packages in excess of 4% of global GDP has been announced and more is expected. Several liquidity and credit facility programs have also been announced to provide liquidity to funding and asset markets. These measures provided stability to asset markets, but more support may be needed as the economic and financial consequences deteriorate as the timeframe and re-opening of current lockdowns remains uncertain.

We take courage in China's re-opening of their economy. Supply side economic activity has recovered almost back to pre-crisis levels but the services and demand side of the economy still lags. We also believe that current low oil prices combined with historic low interest rates will provide much needed support to households over the medium to long term. We believe the oil price will remain low for a prolonged period and that the Fed and other central banks will keep rates low even if we do get a sharp recovery over the next 12 months. The current disruption to supply chains combined with lingering trade wars in the background and further potential for geo-political risks rising towards year-end will weigh on business confidence.

In South Africa the economic impact of the lockdown could lead to -5% GDP hit in 2020. With inflation likely to remain in the lower half of the target band the SARB is in a position to cut rates further by at least 100bps. With limited fiscal ability to provide support South Africa may have to rely on outside assistance like the World Bank, IMF or New Development Bank. As expected, Moody's downgraded South Africa into junk territory while Fitch downgraded the country further into junk. Both agencies kept the negative outlook view. Lack of progress on growth reforms and unsustainable debt dynamics has been the key reasons put forward.

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

Glossary

Net Asset Value (NAV):	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.
Annualised Return:	Is the weighted average compound growth rate over the performance period measured.
Highest & Lowest Return:	The highest and lowest rolling twelve-month performance of the portfolio since inception.
Total Expense Ratio (TER) :	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.
Transaction Costs (TC) :	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.
Total Investment Charges (TIC):	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.
Total Investment Charges (TIC%):	= 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).
Standard Deviation:	The deviation of the return of the portfolio relative to its average.
Drawdown:	The greatest peak to trough loss until a new peak is reached.
Sharpe Ratio:	The ratio of excess return over the risk-free rate divided by the total volatility of the portfolio.
Sortino Ratio:	The ratio of excess return over the risk-free rate divided by the downside deviation of the portfolio.
Correlation:	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.
Value at Risk (VaR):	Value at risk is the minimum loss percentage that can be expected over a specified time period at a predetermined confidence level.

Fund Risk

Leverage Risk:	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.
Derivative Risk:	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.
Counterparty Credit Risk:	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.
Volatility Risk:	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
Concentration and Maturity Segment Risk:	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.
Correlation Risk:	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.
Interest Rate Risk:	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.
Credit Default Risk:	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. **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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