

Fairtree Global Real Estate Prescient Fund Minimum Disclosure Document - Class A1

31 January 2020

FUND OBJECTIVE

The Fairtree Global Real Estate Prescient Fund objective is to provide our clients access to high quality, international real estate assets that should benefit from capital appreciation while also delivering solid dividends in USD. We aim to outperform our index by analyzing the central economic and political drivers in the various geographies, identifying global property sector trends and studying the specific physical property market and equity fundamentals.

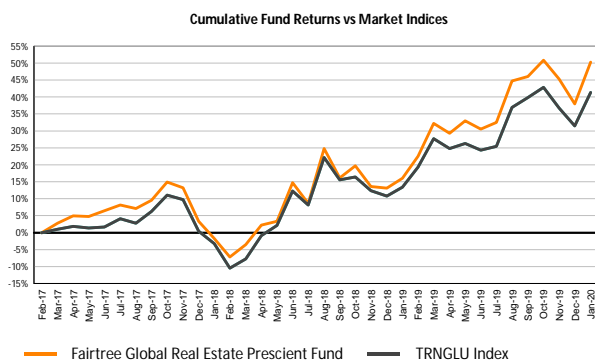
INVESTMENT POLICY

The portfolio has a long term focus, and is well diversified across geographic regions, currencies, real estate sectors and stocks. We will combine our top-down fundamental property market research with rigorous statistical valuation analysis using our proprietary models. We aim to lower portfolio volatility by adjusting the stocks and cash levels actively, while still outperforming our benchmark. We practice active risk management on a portfolio, sector and stock basis including the dynamic use of targets and stops. The fund will invest primarily in real estate equities in the United States, Japan, Hong Kong, Singapore, Australia, Europe and the UK.

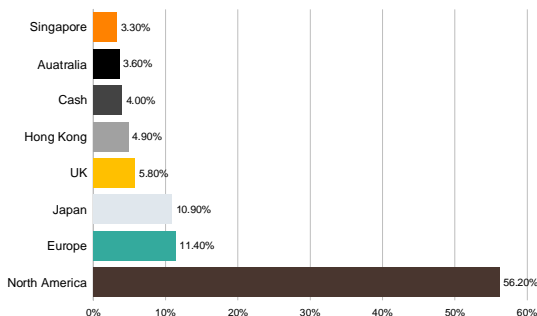
HISTORICAL PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2017			2.81%	2.07%	-0.15%	1.58%	1.61%	-0.92%	2.21%	4.97%	-1.50%	-8.70%	3.38%
2018	-4.96%	-5.52%	3.91%	5.95%	1.16%	10.99%	-5.33%	14.89%	-6.92%	3.06%	-5.11%	-0.43%	9.42%
2019	2.59%	5.61%	7.87%	-2.21%	2.87%	-1.86%	1.51%	9.23%	0.89%	3.32%	-3.70%	-5.04%	21.97%
2020	8.93%												8.93%

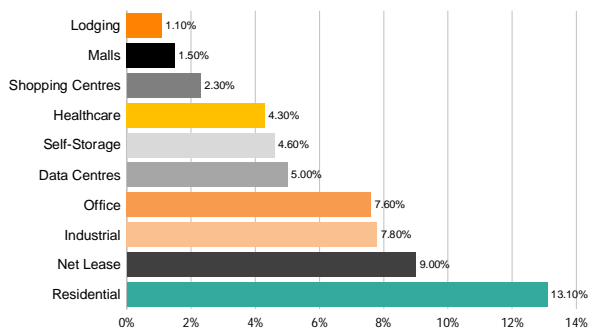
CUMULATIVE FUND RETURNS



PORTFOLIO COMPOSITION



US SECTOR ALLOCATION



ASSET ALLOCATION

4.00% Cash, 96.00% Global Real Estate Equities

FUND INFORMATION

Portfolio Manager:

Rob Hart
B.Bus Sci (Financial)



Inception date:	28 March 2017
Fund size (in Millions):	R 101.8
JSE code:	FGREA1
Unit Price:	147.71
ISIN Number:	ZAE000243390
Domicile:	South Africa
Fund Structure:	CISCA (Unit Trust)
Fund Category:	Global - Real Estate - General
Regulation 28 Compliant:	No

Cost Ratios:

Total Expense Ratio (TER%):	1.76%
Performance fee incl. in TER (%) (PF%):	N/A
Transactions Costs Ratio (TC%):	0.16%
Total Investment Charges (TIC%):	1.92%
Fees:	Initial Fee - Adviser: 0% Annual management fee: 1.25% (excl. VAT) Performance fee: N/A

Benchmark: TRNGLU Index (FTSE EPRA/NAREIT Developed Index Net TRI USD)

Analysis Currency:	ZAR
Minimum Investment:	R50,000 Lump sum or R1,000 p/m debit order

Please see Disclosures and Glossary section for further information on Cost Ratios

Income Distribution:

Declaration:	Annually (March)
Payment:	1st working day of April
Distribution Total for the past 12 months:	1.11 cents per unit
Management Company:	Prescient Management Company (RF) (Pty) Ltd
Valuation time of fund:	15:00
Transaction cut-off time:	15:00

RISK PROFILE



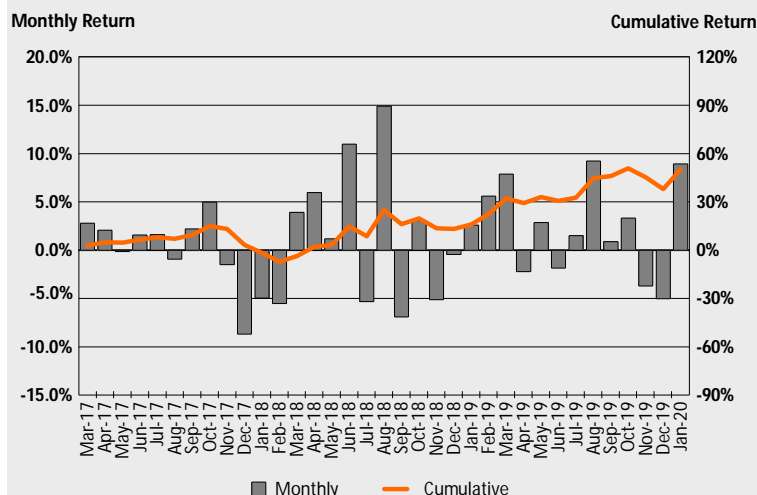
Risk Level: Aggressive

This portfolio is permitted to invest in foreign securities which, within portfolios, may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.

PERFORMANCE SUMMARY

	Fairtree Global Real Estate Prescient Fund	TRNGLU Index
Performance comparison		
Inception date	Mar-17	Mar-17
Current month	Jan-20	Jan-20
Total period (No. months)	35	35
Analysis currency	ZAR	ZAR
Return analysis		
Return for current month	8.93%	7.52%
Total return (since inception)	50.30%	41.35%
Average annualised return (since inception)	14.99%	12.60%
Current 12 month rolling return	29.51%	24.64%
Highest rolling 1-year return (since launch)	37.06%	38.40%
Lowest rolling 1-year return (since launch)	-7.17%	-10.47%
Consistency analysis		
% Up months (since inception)	60.00%	60.00%
% Up months (last 12 months)	66.67%	66.67%
Standard deviation (since inception - annualised for periods > 12 mths)	18.16%	16.69%
Risk analysis		
Downside deviation (since inception - annualised Risk Free)	9.17%	8.51%
Largest monthly drawdown	-8.70%	-8.45%
Average monthly drawdown	-3.74%	-3.47%
Largest cumulative drawdown	-19.25%	-19.40%
Risk/ return analysis		
Total gain / Total loss	1.87	1.80
Average gain / Largest loss	0.54	0.49
Average gain / Average loss	1.25	1.20
Sharpe ratio (since inception - annualised for periods > 12 mths)	0.47	0.37
Sortino ratio (since inception - annualised for periods > 12 mths)	0.94	0.73
Market correlation		
Index correlation (TRNGLU Index)	0.98	(Monthly)

Monthly and Cumulative Returns (Net of Fees)



Please note: Monthly return presented on the graph are rolling monthly returns.

MARKET COMMENTARY

We kicked off the new year on a good note, outperforming the index by 67bps for January with the fund up 151bps versus the index which was up only 84bps. January's outperformance was largely driven by stock selection which contributed 41bps to the total outperformance, followed by the allocation effects with 27bps. The currency effects were flat for the month. The best performing market was the US, where we are overweight, and we were overweight the best performing sectors, namely self-storage, industrial and apartments. Hong Kong developers, which we were underweight, was the weakest market, down 9% because of the coronavirus. That said it is worth noting that despite us outperforming our index significantly, because our index has 2-3x as much Asia as that of our peers, we lagged some of them on performance last month. Hopefully once the effects of the coronavirus have passed, we will be at an advantage versus our peers.

The largest positive contributors to performance were a disparate collection of stocks in January. The largest positive contributor was Sun Communities, the US manufactured home stock, which bounced back 8% following falling a similar amount in December. We continue to favour this sector which has strong demand and limited supply due to NIMBY (not in my back yard). The second biggest contributor to performance was Mitsui Fudosan, the Japanese developer, which was up 9% on the back of attractive valuations and strong Tokyo office fundamentals. The third largest contributor to performance was Extra Space Storage, the US self-storage company, which rose 5%. We continue to believe that the sector is in the early stages of recovery from a supply glut, and that Extra Space has a technological advantage over its peers.

Unsurprisingly, two of our three largest detractors from performance in January were from Hong Kong. Swire Properties, the Hong Kong office and retail landlord, fell 10% as coronavirus concerns negatively affected the perceptions of the outlook for the overall Hong Kong economy and office and retail property in particular. Sun Hung Kai properties fell 8% in similar concerns, the slightly better performance was the result of it being more focused on the residential property market which is likely to hold up somewhat better than office and retail. Hong Kong has had a tough 12 months given trade disputes followed by anti-government protests, and stocks are now attractively valued should any of these negatives be alleviated. Rounding out the weakest performers for the month was Kimco, the US shopping centre operator, which fell 8% as investors took profit following on from strong performance in 2019 and on the back of continued negative retail news flow.

The US economy continues to lead the developed markets, with real GDP growth expected to be around 1.8% in 2020, far higher than Europe at less than 1% and HK/Singapore with likely negative GDP growth. Partially as a result of this we are most overweight the US market from a geographical perspective. However, during January after the coronavirus hit the Hong Kong stocks we have moved from UW to slightly OW as valuations look attractive and we believe that the coronavirus will pass much like SARS did in 2003. This is a buying opportunity. Looking forward in the US, we are in a challenging environment where most of the sectors we are keen on fundamentally are at close to record valuations. We are most overweight the sectors where we anticipate decent growth, namely industrials, datacentres and residential, as well as the net lease space where we find good value in the current low growth, low rate environment. We are underweight retail and lodging despite relatively attractive valuations because of weaker fundamentals. We are neutral in Japan where fundamentals are attractive and valuations for the developers are cheap, while tempering our enthusiasm on the back of Japan's economy and demographics.

**Commentary is based on USD returns, gross of investment charges, as at close of US markets (16h00 EST) on the last trading day of the month. This may differ from ZAR returns, which is shown net of investment charges, as at 15h00 CAT on the last trading day of the month.*

SPECIFIC RISK

- Default risk:** The risk that the issuers of fixed income instruments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The issuers credit quality is vital. The worse the credit quality, the greater the risk of default and therefore investment loss.
- Derivatives risk:** The use of derivatives could increase overall risk by magnifying the effect of both gains and losses in a Fund. As such, large changes in value and potentially large financial losses could result.
- Developing Market (excluding SA) risk:** Some of the countries invested in may have less developed legal, political, economic and/or other systems. These markets carry a higher risk of financial loss than those in countries generally regarded as being more developed.
- Foreign Investment risk:** Foreign securities investments may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations.
- Interest rate risk:** The value of fixed income investments (e.g. bonds) tends to be inversely related to interest and inflation rates. Hence their value decreases when interest rates and/or inflation rises.
- Property risk:** Investments in real estate securities can carry the same risks as investing directly in real estate itself. Real estate prices move in response to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations.
- Currency exchange risk:** Changes in the relative values of individual currencies may adversely affect the value of investments and any related income.
- Geographic / Sector risk:** For investments primarily concentrated in specific countries, geographical regions and/or industry sectors, their resulting value may decrease whilst portfolios more broadly invested might grow.
- Derivative counterparty risk:** A counterparty to a derivative transaction may experience a breakdown in meeting its obligations thereby leading to financial loss.
- Liquidity risk:** If there are insufficient buyers or sellers of particular investments, the result may lead to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than expected.
- Equity investment risk:** Value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

GLOSSARY

Annualised performance	Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.
Highest & Lowest return	The highest and lowest returns for any 1 year over the period since inception have been shown.
NAV	The net asset value represents the assets of a Fund less its liabilities.
Alpha	Denoted the outperformance of the fund over the benchmark.
Sharpe Ratio	The Sharpe ratio is used to indicate the excess return the portfolio delivers over the risk free rate per unit of risk adopted by the fund.
Sortino Ratio	The Sortino Ratio is used to measure the risk-adjusted return of the fund.
Standard Deviation	The deviation of the return stream relative to its own average.
Max Drawdown	The maximum peak to trough loss suffered by the Fund since inception.
Max Gain	Largest increase in any single month.
% Positive Month	The percentage of months since inception where the Fund has delivered positive return.
Average Duration	The weighted average duration of all the underlying interest bearing instruments in the Fund.
Average Credit quality	The weighted average credit quality of all the underlying interest bearing instruments in the Fund (internally calculated).
Dividend Yield	The weighted average dividend yield of all the underlying equity in the Fund. The dividend yield of each company is the dividends per share divided by the price.
PE Ratio	The weighted average price earnings ratio of all the underlying equity in the Fund. The price earnings ratio of each company is the price divided by the earnings per share.
High Water Mark	The highest level of performance achieved over a specified period.
Total Expense Ratio (TER%)	The Total Expense Ratio (TER) is the percentage of the net asset value of the class of the Financial Product incurred as expenses relating to the administration of the Financial Product.
Performance fee incl. in TER (% PF (%))	The Performance Fee is a payment made to the Fund Manager for generating positive returns, and is generally calculated as a percentage of investment profits, often both realized and unrealized.
Transactions Costs (TC%)	The Transaction Costs (TC) is the percentage of the net asset value of the Financial Product incurred as costs relating to the buying and selling of the assets underlying the Financial Product.
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).

DISCLAIMER

Management Company: Prescient Management Company (RF) (Pty) Ltd, **Registration number:** 2002/022560/07, **Physical address:** Prescient House, Westlake Business Park, Otto Close, Westlake, 7945 **Postal address:** PO Box 31144, Tokai, 7966. **Telephone number:** +27 800 111 899 **E-mail:** info@prescient.co.za **Website:** www.prescient.co.za

Trustees: Nedbank Trustees, Nedbank Investor Services, **Physical address:** 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709. **Telephone number:** +27 11 534 6557 **Website:** www.nedbank.co.za

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.

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate.

CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's 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. During the phase in period TER's do not include information gathered over a full year. 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. It 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 and the TER.

The Manager retains full legal responsibility for any third-party-named portfolio. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macro-economic risks, political risks, foreign exchange risks, tax risks, settlement risks; and potential limitations on the availability of market information. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient by or before 13:00 (SA), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Funds are priced at either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website.

This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act.

Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

For any additional information such as fund prices, brochures and application forms please go to www.fairtree.com

Contact details

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