

Fairtree Mokala Macro SNN QI Hedge Fund

Minimum Disclosure Document - Class 1

31 August 2019

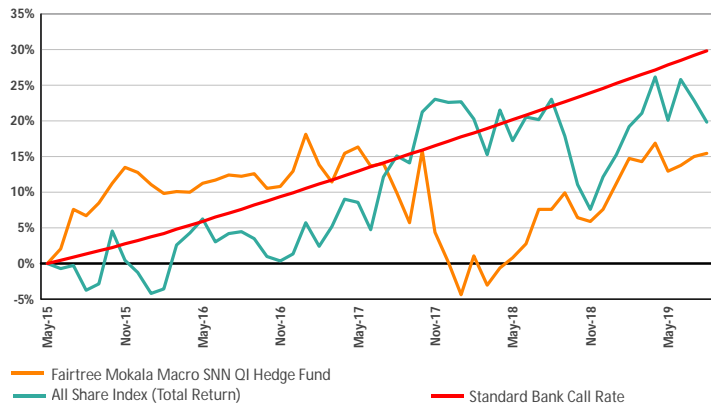
Fund Profile

The Fairtree Mokala Macro SNN QI Hedge Fund is a global macro multi-asset class portfolio. The long-term objective of the portfolio is to achieve superior risk adjusted returns through investment across a diverse set of investment strategies and asset classes. Although the portfolio aims to take advantage of macro economic themes, trends and investment opportunities globally, the majority of the risk is expressed in the South African equity market through an equity relative value strategy. A tactical risk allocation is expressed, from-time -to-time, to the most attractive non-South African, macro economic opportunities on an ad-hoc basis. This tactical allocation is expressed across asset classes in developed markets. The portfolio combines the strategic, South African relative value risk with a tactical, ad-hoc risk allocation to provide optimal diversification benefits.

Investment Strategy

The portfolio will combine a strategic risk allocation framework which provides the optimal diversification benefit across the various strategies, with tactical risk allocation to the most attractive opportunities as identified on a bottom up basis.

Cumulative Performance Since Inception



Fund Source: Sanne Fund Services SA (Pty) Ltd as at August 2019
Index Source: Bloomberg as at August 2019

Return Analysis

	Fund	Standard Bank Call Rate	All Share Index
1 Month	0.36%	0.52%	-2.44%
3 Months	2.18%	1.56%	-0.20%
6 Months	0.63%	3.14%	0.53%
1 Year	7.27%	6.38%	-2.58%
3 Years	2.87%	20.65%	14.68%
5 Years	n/a	n/a	n/a
Since Inception	15.44%	29.86%	19.86%

Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	-0.20%	n/a	-0.11%
Sortino Ratio	-0.31%	n/a	-0.19%
Standard Deviation	10.92%	0.09%	11.58%
Best Month	9.51%	0.54%	7.61%
Worst Month	-9.89%	n/a	-5.76%
Best Rolling 12 Months	17.87%	6.64%	22.54%
Worst Rolling 12 Months	-19.06%	5.91%	-12.56%
Largest Cumulative Drawdown	-19.06%	n/a	-12.56%
% Positive Months (Since Inception)	60.78%	n/a	52.94%
Correlation (Monthly)	0.36		
Value at Risk (VaR) 95%	4.24%		

The above benchmark(s) are for comparison purposes with the fund's performance. The fund does not follow the benchmark(s).

Fund Details

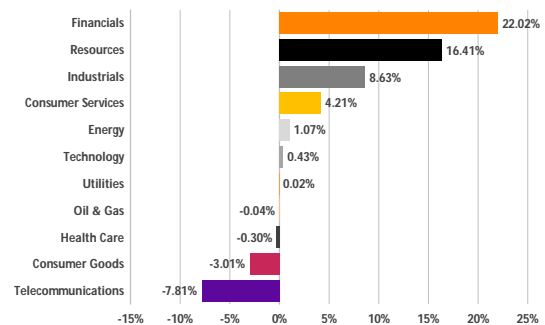
Risk Profile:	Med-High
Portfolio Manager:	Andre Malan
Fund size (in Millions):	R 69.9
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 992.96
Number of Units:	61,175.83
JSE Code:	FMOKA1
ISIN Number:	ZAE000255527
Inception Date:	June 2015
CISCA Inception Date:	1 February 2017
Fund Structure:	Equity Market Neutral
Fund Category:	QI Hedge Fund
Hurdle:	3 month JIBAR
Minimum Investment:	R1 000 000 Lump sum
Fees	
Management Fee:	1% p.a (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%):	2.61%
Transactions Costs Ratio (TC%):	0.71%
* Total Investment Charges (TIC%):	3.32%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 cpu for December 2018
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 (%)

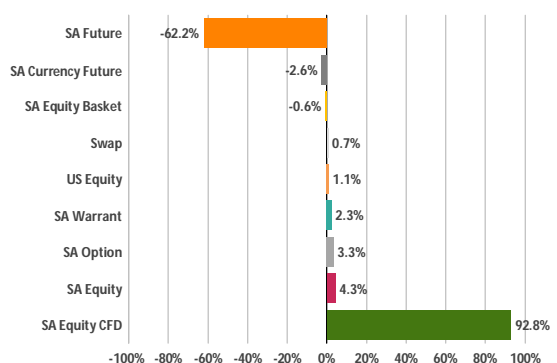
Portfolio Objective

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

Sector Allocation



Asset Allocation



Increase in NAV Attributable to Investors

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015						2.08%	5.41%	-0.87%	1.75%	2.53%	1.98%	-0.61%	12.79%
2016	-1.55%	-1.08%	0.28%	-0.15%	1.18%	0.35%	0.69%	-0.21%	0.38%	-1.88%	0.29%	1.95%	0.18%
2017	4.55%	-3.63%	-2.08%	3.57%	0.74%	-2.27%	0.31%	-3.64%	-3.76%	9.51%	-9.89%	-4.02%	-11.35%
2018	-4.54%	5.75%	-4.12%	2.54%	1.43%	1.92%	4.70%	0.00%	2.17%	-3.20%	-0.48%	1.54%	7.37%
2019	3.42%	3.13%	-0.39%	2.29%	-3.35%	0.69%	1.12%	0.36%					7.33%

*The inception date for the portfolio is 1 June 2015. The historical performance figures until the end of 31 January 2017 reflect performance achieved prior to CISCA regulation. The portfolio has been transitioned under CISCA regulations on 1 February 2017 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.

Market Commentary

August was a tough month to navigate. The trade war is still ongoing. Despite Trump trying to calm the markets sporadically with tweets, it does not look like we are getting closer to a resolution. Both sides have increased tariffs effective 1 September, and it looks like the end of year might get hairy again. The JSE All Share (-2.4%) continued its move lower with almost only Platinum and Gold stocks ending the month in the green.

The fund holds a small overweight in gold through positions in Harmony (+50.4%) and AngloGold (+36.4%). They are partly hedged through a short position in Goldfields (+19.5%). Goldfields hedged quite a bit of their 2020 production at unfavourable levels, limiting upside. We believe the investment case for gold remains compelling, as real rates continue to drop. On top of that, you have the tail risk of trade tensions getting out of hand.

The fund benefitted from long positions in Impala (+12.2%) and Northam (+24.8%) outperforming Anglo Platinum (+10.4%). The 3E PGM basket is moving higher thanks to all three PGM metals, however Rhodium's (+47.9%) surge means it is now 24% of the basket's value, despite making out only 8% of volumes. We remain constructive on these metal prices, because mining supply isn't growing, recycling growth will slow and demand is picking up due to higher loadings. To an extent, they are immune to the global slowdown. Furthermore, the market would have been much tighter if Chinese vehicle sales were not down double digits. The higher metal prices mean the companies still offer very healthy free cash flow profiles, despite their rally.

The fund incurred losses on some of the other resource pairs. Long positions in African Rainbow Minerals (-6.9%) and Exxaro (-18.6%) underperformed one of our biggest shorts, BHP Billiton (-4.7%).

The fund's underperformance this month can largely be explained by an overweight position in Financials, against some Industrial names. We believe financials like Absa (-3.8%), Nedbank (-6.3%) and PSG (-12.3%) are trading on very attractive valuations. The financial sector historically proved to be resilient during downturns, while offering good operating leverage when economic conditions in South Africa picks up. On the short side, we believe stocks like Multichoice (-1.0%) and Bidcorp (+8.3%) are trading on very rich PE multiples of ~20x. Their defensive characteristics are the main reason for their premium rating, but it also means expected upside from these levels are limited. On top of that, any disappointment can lead to a severe sell-off.

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)*, 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.snnmanco.com, **Trustee:** Firstrand Bank Limited, Johannesburg, **Telephone:** +27 87 736 1732.

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*Non-Executive

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