

## Fairtree Select Equity Prescient Fund

### Minimum Disclosure Document - Class A1

31 December 2019

#### FUND PROFILE

The Fairtree Select Equity Prescient Fund is a high conviction actively managed equity fund. The portfolio has a long-term focus invests in securities across all sectors of the JSE Securities Exchange which trade below intrinsic value or have capital appreciation potential. The portfolio will invest in offshore securities when the benefit of higher returns and portfolio diversification are available.

#### INVESTMENT OBJECTIVE

The objective of the Fairtree Select Equity Prescient Fund is to provide investors with medium to long term capital growth from a selection of high conviction, concentrated equity opportunities, predominantly within the South African market.

#### INVESTMENT POLICY

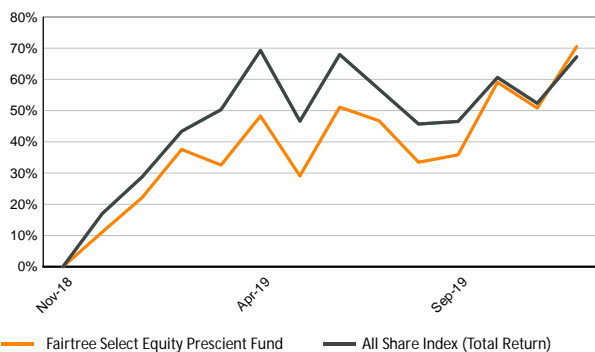
In order to achieve its objective, the portfolio will typically hold 25 shares. The fund is restricted to a maximum of 40 shares. The fund will invest across all industry sections ranging across large, mid and smaller cap shares.

Although the portfolio manager will predominantly investment in South African markets, the manager may also include investments in offshore jurisdictions.

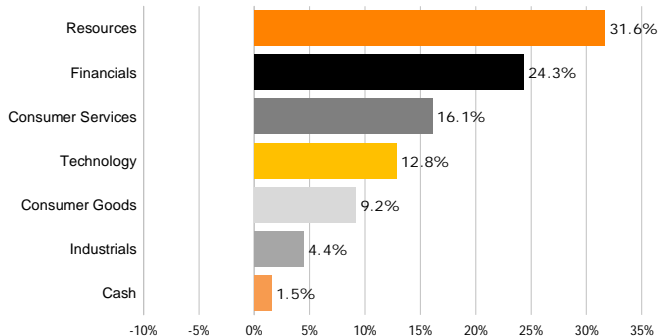
#### HISTORICAL PERFORMANCE SINCE INCEPTION

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2018													2.77%
2019	2.69%	3.64%	-1.13%	3.62%	-4.28%	5.13%	-0.98%	-2.96%	0.53%	5.35%	-1.80%	4.37%	14.45%

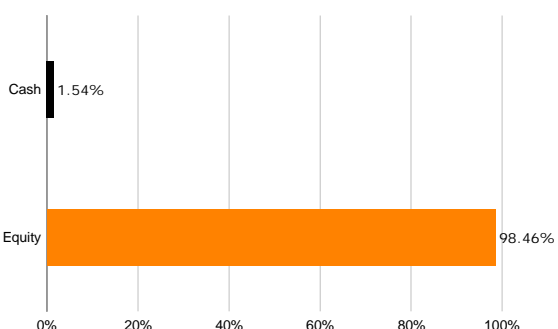
#### CUMULATIVE FUND RETURNS VS MARKET INDICES



#### INTEREST BEARING ALLOCATION (%)



#### ASSET ALLOCATION



#### FUND INFORMATION

##### Portfolio Manager(s):

Andre Malan	B Comm, MBA
Kobus Nel	CA (SA), CFA
Deon Botha	M Comm (Econ)

Inception date:

18 December 2018

Fund size (in Millions):

R 151.4

JSE code:

FSEA1

Unit Price:

103.27

ISIN Number:

ZAE000266664

Domicile:

South Africa

Fund Structure:

CISCA (Unit Trust)

Fund Category:

South African - Equity - General

Regulation 28 Complaint:

No

##### Cost Ratios:

Total Expense Ratio (TER%): 0.00%

Performance fee incl. in TER (PF%): N/A

Transactions Costs Ratio (TC%): 0.00%

Total Investment Charges (TIC%): 0.00%

Fees:

**Initial Fee - Adviser (incl. VAT):** 0% - 3.45%

**Annual management fee:** 1% (excl. VAT)

**Performance fee:** 15% outperformance over the FTSE/JSE Capped Shareholder Weighted All Share Total Return Index with a high-water mark \*Performance is capped at a max of 1.50% (excl. VAT)

Benchmark:

FTSE/ JSE Capped Shareholder Weighted All Share Total Return Index

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 at the end of March

Payment:

1st Working Day of April

Distribution Total for the past 12 months:

0.60 cents per unit

Management Company:

Prescient Management Company (RF) (Pty) Ltd

Administration:

Prescient Fund Services (Pty) Ltd

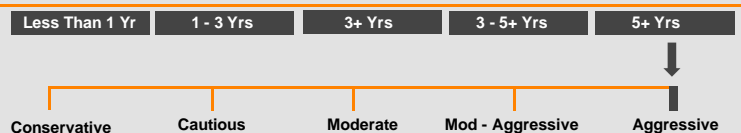
Valuation time of fund:

15:00

Transaction cut-off time:

15:00

#### RISK PROFILE



Risk Level: Cautious

The portfolio is a high conviction, concentrated portfolio of listed equities across all sectors of the JSE. The portfolio is comprised of our best bottom-up ideas, whilst balancing sector specific risks and macro influences. The combination of macro factors and a bottom-up fundamental research driven approach, helps us to identify exceptional investment cases that should deliver market beating performance. We actively manage risk and optimize return by managing position sizing. We continually reassess risks and potential returns in changing circumstances, ensuring appropriate portfolio changes to protect capital, while keeping a firm focus on longer term compounding of returns.

PERFORMANCE SUMMARY

Performance comparison

	Dec-18	Dec-18	Dec-18
Inception date	Dec-18	Dec-18	Dec-18
Current month	Dec-19	Dec-19	Dec-19
Total period (No. months)	13	13	13
Analysis currency	ZAR	ZAR	ZAR

Return analysis

Return for current month	4.37%	3.30%	3.30%
Total return (since inception)	17.62%	16.81%	16.81%
Average annualised return (since inception)	16.16%	15.42%	15.42%
Current 12 month rolling return	14.45%	12.05%	12.05%
Highest rolling 1-year return (since launch)	14.45%	13.08%	13.08%
Lowest rolling 1-year return (since launch)	12.70%	12.05%	12.05%

Consistency analysis

% Up months (since inception)	61.54%	69.23%	69.23%
% Up months (last 12 months)	58.33%	66.67%	66.67%
Standard deviation (since inception - annualised for periods > 12 mnths)	10.78%	10.50%	10.50%

Risk analysis

Downside deviation (since inception - annualised Risk free)	5.34%	5.80%	5.80%
Largest monthly drawdown	-4.28%	-4.84%	-4.84%
Average monthly drawdown	-2.23%	-2.86%	-2.86%
Largest cumulative drawdown	-4.28%	-5.03%	-5.03%

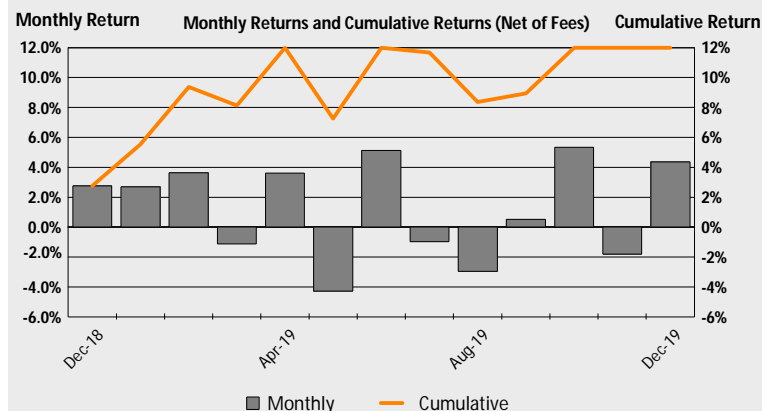
Risk/ return analysis

Total gain / Total loss	2.52	2.42	2.42
Average gain / Largest loss	0.82	0.64	0.64
Average gain / Average loss	1.58	1.07	1.07
Sharpe ratio (since inception - annualised for periods > 12 mnths)	0.88	0.84	0.84
Sortino ratio (since inception - annualised for periods > 12 mnths)	1.77	1.51	1.51

Market correlation

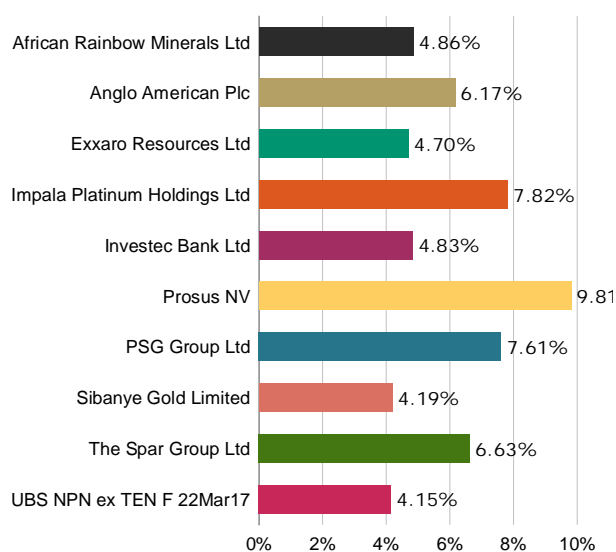
Index correlation (ALBI)	0.92	(Monthly)
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Monthly and Cumulative Returns



Please note: All fund returns quoted net of fees.

TOP 10 HOLDINGS



MARKET COMMENTARY

The fund had a strong close to the calendar year delivering +5.7% for the month of December and ending +14.5% for the year. Our key reference benchmark closed +6.8% for the year. Our outperformance can still largely be ascribed to our holdings in Precious metals.

The scarcity in Palladium and Rhodium has driven to extreme positive price movements supporting generous cash flow gains for our holdings. Gold and Platinum have also been supported in an environment where Dollar strength seems to be abating after a five year period of outperformance. Most of the key risks to the Global economic outlook has abated, while new Geopolitical risks in US foreign policy has emerged. Globally monetary policy in key Developed and Emerging markets has been accommodative.

The sustainability of continuous liquidity provisions in the face of rerating leaves markets sensitive to any economic revisions. The US and China have come to a first agreement on trade policy. The US consumer continues to drive expansion in the wake of a slowing destocking cycle in manufacturing. The domestic environment has been plagued by the same structural problems that we have highlighted in earlier commentary. First and foremost, Eskom's inability to guarantee stable electricity supply remains one of the key risks to the domestic economy. We are encouraged by the movement on the part treasury to start addressing the Fiscal deficit of which the budget statement.

The SARB will meet early in January to discuss the merits for a rate cut as inflation has pulled into the lower half of the traditional target. Improving terms of trade in our export basket and global monetary policy continues to support the Rand. Real bond yields is proving attractive for foreign investors despite some of the tail risks.

We have not made any large changes to the portfolio over the month of December apart from weighting down British American tobacco on the back of strong performance and the counter exceeding our fair value. Proceeds have largely been distributed into Exxaro which we believe offers an attractive dividend, rerating and earnings growth profile. Investec is another one of our holdings that we believe offers good value at current levels. Marginal delivery on the UK banks and the unbundling of the Asset management business could see to strong value being unlocked. Our largest holding remains Prosus which offers attractive value in our view. Tencent and the unlisted growth investments are attractively valued as investors sentiment took a turn for the worse post the Just Eat offer. We are comfortable that management will not overpay for these developed market assets and would most likely expect the transaction to not be approved.

### 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

<b>Annualised performance</b>	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.
<b>Highest &amp; Lowest return</b>	The highest and lowest returns for any 1 year over the period since inception have been shown.
<b>NAV</b>	The net asset value represents the assets of a Fund less its liabilities.
<b>Alpha</b>	Denoted the outperformance of the fund over the benchmark.
<b>Sharpe Ratio</b>	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.
<b>Sortino Ratio</b>	The Sortino Ratio is used to measure the risk-adjusted return of the fund.
<b>Standard Deviation</b>	The deviation of the return stream relative to its own average.
<b>Max Drawdown</b>	The maximum peak to trough loss suffered by the Fund since inception.
<b>Max Gain</b>	Largest increase in any single month.
<b>% Positive Month</b>	The percentage of months since inception where the Fund has delivered positive return.
<b>Average Duration</b>	The weighted average duration of all the underlying interest bearing instruments in the Fund.
<b>Average Credit quality</b>	The weighted average credit quality of all the underlying interest bearing instruments in the Fund (internally calculated).
<b>Dividend Yield</b>	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.
<b>PE Ratio</b>	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.
<b>High Water Mark</b>	The highest level of performance achieved over a specified period.
<b>Total Expense Ratio (TER%)</b>	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.
<b>Performance fee incl. in TER (%) PF (%)</b>	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.
<b>Transactions Costs (TC%)</b>	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.
<b>Total Investment Charges (TIC%) = TER (%) + TC (%)</b>	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 31142, 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.

### Contact details

#### Client Services

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