

Fairtree Fixed Income SNN Retail Hedge Fund

Minimum Disclosure Document - Class 1

31 August 2020

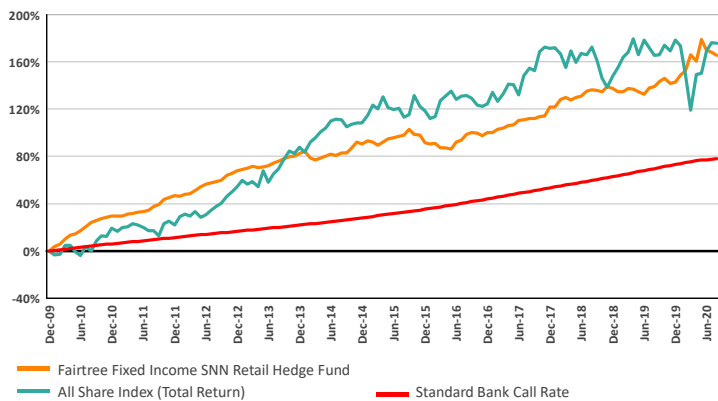
Fund Profile

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 August 2020
Index Source: Bloomberg as at August 2020

Return Analysis (annualised)

	Fund	Standard Bank Call Rate	All Share Index
1 Year	10.94%	5.07%	3.85%
3 Years	7.73%	5.87%	2.64%
5 Years	6.02%	6.09%	5.29%
10 Years	7.91%	5.52%	10.68%
Since Inception	9.59%	5.57%	9.98%

Risk Analysis

	Fund	Standard Bank Call Rate	All Share Index
Sharpe Ratio	0.75	n/a	0.37
Sortino Ratio	1.46	n/a	0.70
Standard Deviation	5.23%	0.23%	13.31%
Best Month	7.13%	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)	74.22%	n/a	57.81%
Correlation (Monthly)	-0.22		
Value at Risk (VaR) 95%	4.39%		

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 66.5
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,474.48
Number of Units:	21,817.20
JSE Code:	FFISNR
ISIN Number:	ZAE000273892
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%):	4.95%
Transactions Costs Ratio (TC%):	0.13%
* Total Investment Charges (TIC%):	5.08%
Performance Fee (PF) Included in TER:	3.18%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	74.73966 cents per unit (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 (%)

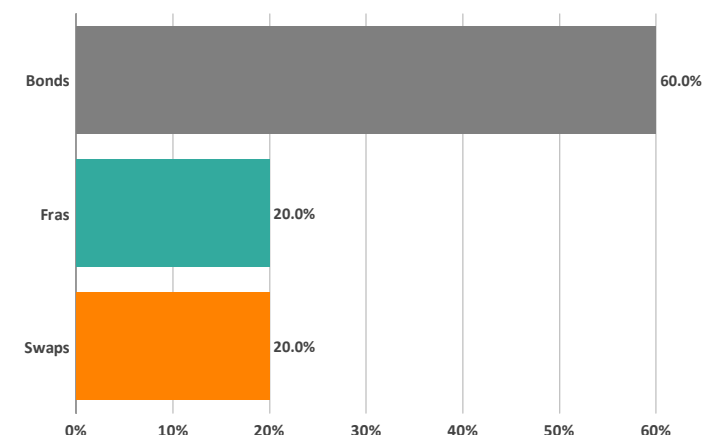
Portfolio Objective

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%	5.38%	-2.08%	7.13%	-3.21%	-0.73%	-0.98%					9.23%

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

The global economy continues to recover. Data continue to surprise to the upside. More monetary and fiscal easing are planned by policy makers. Covid-19 cases has surged again but deaths and hospitalisations remain significantly lower than the initial wave. Vaccine developers are getting closer to get an effective vaccine into production within the next 6 months.

These factors have pushed risk assets higher but was also supported by a weakening US dollar, -1.6% against a basket of major currencies. A weaker US dollar, low real yields and rising property and equity markets have eased global financial conditions and increased wealth effect on households.

US political and global geopolitical risks remain high and supportive of safe haven assets. However, after a strong rally in the previous month gold lost about -0.4%, while US treasury yields rose 18bps. The uptick in Treasury yields were driven by increase in real rate on the back of improving data. Real rates however should remain low as inflationary pressures are building. At the Jackson Hole symposium earlier in the month, Fed Chair Powell announced that monetary policy reaction function will change, allowing for inflation to run above the 2% target so as to achieve a 2% average inflation rate over the long term. We see this announcement as positive for risk assets and expect more policy easing by the Fed in coming meetings.

Global equity markets were up +6.6% over the month of August and 4.1% year to date driven to large extent by large names in the technology, consumer discretionary and communications sectors. Emerging markets underperformed and were up +2.1%. South Africa disappointed and fell -0.3%. Local sectors continue to struggle with Financials down -4.2% and Property down -8.6% and most still down more than -30% year to date. Retailers had a better month and was up 1.1%. Overall resources were mixed; Gold stocks lost around -5.7% while Platinum stocks rose 5.8%. Commodities rose in general with oil up 4.6% and base metals up 5.6%, supported by record low real rates, weak US dollar and outlook for increased demand from China. Global credit spreads also tightened.

US jobs continued to improve, driving the unemployment rate down to 8.4%. However, permanent job losses rose to 3.5mn as temporary unemployed workers became permanently unemployed. The Democrats and Republicans yet have to agree on a fiscal package to provide much needed income support to workers. The absence of a deal could start to weigh on markets, decreasing Trump's chance to win the US election. Biden remains in the lead according to polls but Trump has closed the gap recently. Forward looking manufacturing and services indicators suggested that economic activity has recovered to a large degree and broadened across most countries. A new wave of Covid-19 cases emerged in Europe which depressed real activity somewhat. The earlier rise of cases in the US have subsided. The outlook for an effective vaccine has improved and we now expect a vaccine to be commercially available early in 2021.

The Rand continued to appreciate (+0.8%) as the US dollar weakened while South African bond yield dropped and the yield curve flattened somewhat. The SARB is moving closer to the end of the cutting cycle and fiscal concerns and heavy bond issuance are more than fully priced by the back-end of the bond yield curve. The All Bond index returned +0.9%. Business and consumer confidence in SA have improved but remain close to historical lows. We remain hopeful that a fight against corruption remains the only viable option for the ruling party to remain relevant and we are seeing some positive movement on that front as several members were asked to step aside following reports of corruption. Eskom has also moved to suspend underperforming management at power plants.

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

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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, Heeregracht 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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