

Fairtree Assegai Equity Long Short SNN QI Hedge Fund

Minimum Disclosure Document - Class 2

31 October 2020

Fund Profile & Investment Policy

The fund is a directionally biased Long / Short equity South African fund which will not hesitate to capture equity market beta when conditions allow for it.

Investment Strategy

The portfolio is managed as a long/short hedge fund, focused on extracting alpha returns from the South African equity market. The fund's returns are delivered through fundamental knowledge of South African equities vis-à-vis economic growth and broad economic themes as well as medium to long-term relative valuation opportunities, generating the largest portion of its returns through its directional bias. Relative value pairs, together with absolute longs and shorts seek to stabilize returns in turbulent market conditions, supported by the adjustment to the net exposure.

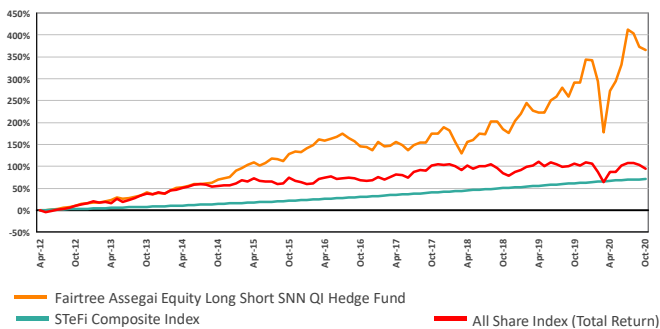
Investment Mandate

The portfolio may use leverage to a maximum of 4.5 times the net asset value of the portfolio. However, the portfolio has set an internal limit to use leverage up to a maximum of 3.5 times the net asset value. Excluded from this calculation shall be the investments in the portfolio solely used to enhance the interest earned by the portfolio.

Mandate limits and constraints:

- The portfolio is precluded from raising any debt funding over and above that achieved in terms of the long/short process;
- No net individual equity position shall exceed 15% of capital;
- Directional exposure limit to 120% of current underlying capital on the long side and up to 20% of current underlying capital on the short side;
- The portfolio shall at all times hold a minimum of 10 equity positions; and
- The portfolio will limit exposure to equities based upon liquidity.

Cumulative Performance Since Inception



Fund Source: Sanne Fund Services SA (Pty) Ltd as at October 2020

Index Source: Bloomberg as at October 2020

Return Analysis (annualised)

	Fund	All Share Index	STeFi
1 Year	18.67%	-5.77%	5.94%
3 Years	19.22%	-1.26%	6.84%
5 Years	15.26%	2.23%	7.07%
Since Inception	19.82%	8.13%	6.52%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.64	0.19	0.76
Sortino Ratio	1.14	0.32	1.68
Standard Deviation	22.56%	13.11%	0.27%
Best Month	34.26%	13.98%	0.66%
Worst Month	-29.59%	-12.13%	0.00%
Highest Rolling 12 Months	45.49%	32.74%	7.71%
Lowest Rolling 12 Months	-15.39%	-18.42%	5.16%
Largest Cumulative Drawdown	-37.46%	-21.72%	n/a
% Positive Months (Since Inception)	65.69%	58.82%	n/a
Correlation (Monthly)	0.73		
Value at Risk (VaR) 95%	18.76%		

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

Fund Details

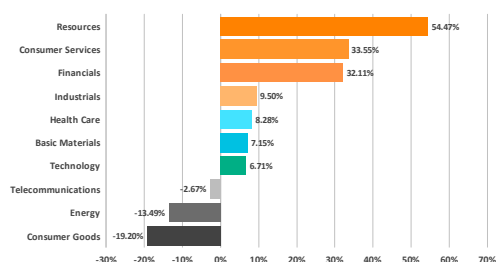
Risk Profile:	High
Portfolio Manager:	Stephen Brown
Fund size (in Millions):	R 1 174.4
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 2,539.13
Number of Units:	261,348.56
JSE Code:	FTASEQ
ISIN Number:	ZAE000259065
Inception Date:	May 2012
CISCA Inception Date:	1 October 2016
ASISA Classification:	Qualified Investor Hedge Fund - South African - Long/Short Equity -Long Bias
Hurdle/Benchmark:	3 month JIBAR
Minimum Investment:	R 1 000 000 Lump sum
Fees	
Initial Fee - Adviser:	0% - 3.45% (incl. VAT)
Annual Base Fee:	1.25% (excl. VAT)
Performance fee (uncapped):	20% of the total performance (after deductions of the annual base fee) above the high water mark, subject to a hurdle rate of 3 months JIBAR (excl. VAT).
Cost Ratios (incl. VAT)	
Total Expense Ratio (TER%):	6.50%
Transactions Costs Ratio (TC%):	0.01%
* Total Investment Charges (TIC%):	6.51%
Performance Fee (PF) Included in TER:	4.59%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 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 (%)

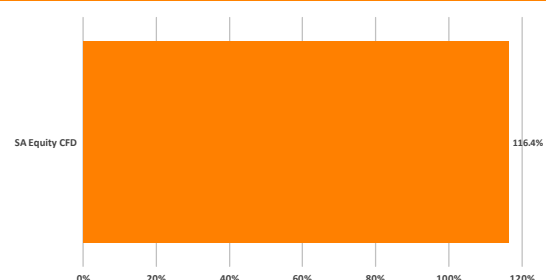
Portfolio Objective

The long-term objective of the portfolio is to achieve consistent absolute returns through investment in long/short equity based strategies.

Sector Allocation



Asset Allocation



Increase in NAV Attributable to Investors

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012					0.46%	0.63%	1.83%	2.97%	0.83%	3.83%	3.84%	0.12%	15.37%
2013	1.58%	-0.26%	2.64%	3.03%	4.19%	-2.43%	1.83%	1.77%	2.53%	5.02%	-2.22%	1.49%	20.61%
2014	-1.16%	5.97%	3.19%	1.36%	2.10%	2.59%	0.07%	1.30%	0.16%	4.76%	1.68%	2.08%	26.70%
2015	7.93%	2.99%	3.94%	3.11%	-3.91%	2.80%	4.96%	-0.38%	-2.37%	7.99%	2.37%	-0.72%	31.82%
2016	3.98%	2.67%	5.32%	-0.81%	1.56%	1.50%	2.75%	-3.80%	-2.64%	-4.21%	-0.75%	-3.24%	1.80%
2017	8.05%	-3.84%	0.53%	3.60%	-3.10%	-4.65%	4.89%	2.63%	0.22%	7.59%	-0.14%	5.68%	22.47%
2018	-2.74%	-9.28%	-9.92%	11.44%	1.56%	5.37%	-0.44%	10.85%	-0.05%	-5.82%	-3.29%	10.41%	5.15%
2019	4.87%	8.15%	-5.19%	-1.45%	0.07%	8.47%	2.72%	5.64%	-5.37%	8.94%	-0.26%	13.36%	45.49%
2020	-0.09%	-11.09%	-29.59%	34.26%	5.85%	9.88%	18.41%	-1.62%	-6.30%	-1.53%			4.97%

*The inception date for the portfolio is 1 May 2012. The historical performance figures until the end of 30 September 2016 reflect performance achieved prior to CISCA regulation. The portfolio has been transitioned under CISCA regulations on 1 October 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**

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.

Fee Classes

Class 2 is a reportable class available to the general public. The portfolio has other fee classes available for investment.

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

Globally, the big story in October was the growth in COVID-19 cases in Europe and the US. France and Germany, among others in Europe, announced lockdowns while the daily case numbers in the US hit new highs. Economic Surprise indices remained in positive territory in EM, China, US and Europe and economic forecasts nudged higher, except in Europe. Investors began to price in a high chance of a Democratic sweep at the 3 Nov US elections. The dollar nudged higher with the DXY index up 0.09%, and US bond yields increased 19bps. Brent crude dropped US\$4.3 to US\$36.7/bbl as Libyan supply returned and fears of COVID-induced transportation slowdowns grew. Gold lost US\$7 to US\$1880/oz, its third straight down month. Palladium fell US\$95 to US\$2220/oz but base metals were firm with the LME Metals Index up 2.3%. We continue to believe that a successful vaccine could be in production by end 2020 and whilst the broader policy backdrop remains accommodative, we expect a new round of global fiscal and monetary policy injections to emerge later this year and into Q1-2021. With the US Elections now almost out of the way and Biden the likely winner, we expect the US dollar to come under further pressure and emerging market assets to outperform.

In South Africa, local stocks fell in rand terms in October with the All Share falling 4.7%, posting its worst month since March. The rand strengthened 3.1% to 16.24 versus the US dollar, while R214 yields rose 18bps to 11.44%. The ALBI rose 0.9% outperforming main equity indices with the curve steepening further (R214 yields +18 bps v R186 -13bps). Industrials (+0.4%) outperformed Financials (-5.8%) and Resources (-10.8%) this month. Key sector leaders were Media (+38.3%) and Tech (+6.7%) while Chemicals (-26.6%), Gold (-14.3%) and Paper (-14.2%) were the key laggards. In US dollar terms, MSCI SA rose 0.5% in October, underperforming MSCI EM (+2.1%) but ahead of MSCI World (-3.1%).

The President's Economic Reconstruction Plan (delivered on 15 Oct) was centered on infrastructure projects, the acceleration of pre-announced reforms, curbing corruption, supporting SMMEs and re-industrialization. The MTBPS (delivered on 28 Oct) promised spending cuts mostly predicated on civil service wage cuts, including this year's wage freeze, currently in litigation. Other big announcements included the bailout of SAA worth R10.5bn. Nothing was detailed on tax hikes, however, the MTBPS full report includes tax increases of R5bn in 2021/22 and R40bn in taxes over the next four years.

The Assegai fund fell 1.5% in October. The largest positive contribution came from the short position in Sasol (+5.2%). A long position in African Rainbow Minerals also contributed positively (+1.3%), as did short positions in Mondi (+1.1%), Sappi (+1.1%) and Discovery (+0.8%). A short position in Multichoice hurt fund performance most this month (-3.8%) as it emerged that French company Canal + had acquired an equity holding in the name. Long positions in gold equities also detracted (Goldfields -1.6%, AngloGold -1.5%) as did long positions in Resilient (-0.8%) and Northam (-0.7%).

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.
Leverage/Gearing:	The use of securities, including derivative instruments, short positions or borrowed capital to increase the exposure beyond the capital employed to an investment.

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 Sector Risk:	A large proportion of total assets invested in specific assets, sectors or regions. Concentrated positions or concentrated sectors 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.
Equity Risk:	Applies to investment in shares or derivatives based on shares. The market price of shares varies depending on supply and demand of the shares. Equity risk is the risk of loss due to the drop in the market price of shares. Equity risk can either be systematic risk which is risk to the entire market based on political and economic indicators or unsystematic risk which is company specific and includes risk relating to company profits, future prospects and general consensus on the company or sector.

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, South Africa. **Telephone Number:** +27 21 202 8282. **Website:** www.snnmanco.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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