

# FAIRTREE GLOBAL REAL ESTATE PRESCIENT FEEDER FUND

## MINIMUM DISCLOSURE DOCUMENT - CLASS A1

### INVESTMENT OBJECTIVE

The Fairtree Global Real Estate Prescient Feeder Fund aims to provide access to high quality, international real estate assets that should benefit from capital appreciation while also delivering solid foreign dividends. The fund aims to outperform its benchmark 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.

# FAIRTREE

31 JANUARY 2021

### FUND INFORMATION

#### Fund Manager:

Rob Hart

#### Fund Classification:

Global - Real Estate - General

#### Benchmark:

FTSE EPRA/NAREIT Developed Net TRI (ZAR)

#### JSE Code:

FGREA1

#### ISIN Number:

ZAE000243390

#### Regulation 28 Compliant:

N/A

#### Fund Size:

R110.1 m

#### No of Units:

8,669,276

#### Unit Price:

128.99

#### Inception Date:

March 2017

#### Minimum Investment:

R50 000 lump-sum  
R1 000 per month

#### Initial Fee:

0.00%

#### Annual Management Fee:

1.25% (excl. VAT)

#### Performance Fee:

N/A

#### Fee Class:

A1

#### Fee Breakdown:

Management Fee	1.25%
Performance Fees	0.00%
Other Fees*	0.96%
<b>Total Expense Ratio (TER)</b>	<b>2.21%</b>
<b>Transaction Costs (TC)</b>	<b>0.10%</b>
<b>Total Investment Charge (TIC)</b>	<b>2.31%</b>

\*Other fees includes underlying fee (where applicable): Audit Fees, Custody Fees, Trustee Fees and VAT

#### Income Distribution:

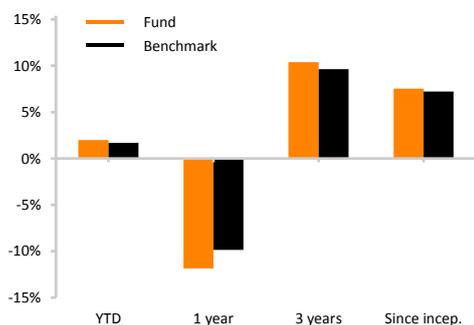
31 March 2020 - 1.25 cpu

### RISK INDICATOR

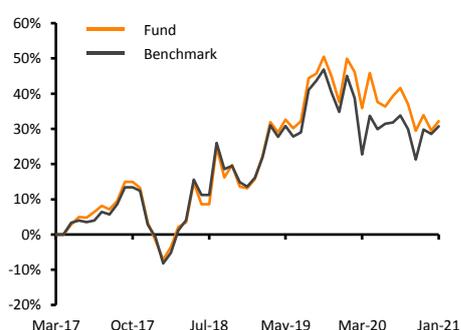


AGGRESSIVE

### ANNUALISED PERFORMANCE (%)



### CUMULATIVE PERFORMANCE



### ANNUALISED PERFORMANCE (%)

	Fund	Benchmark
1 year	-11.85	-9.85
3 years	10.39	9.63
Since incep.	7.53	7.21
Highest rolling 1 year	36.72	38.12
Lowest rolling 1 year	-13.98	-17.41

### RISK AND FUND STATS

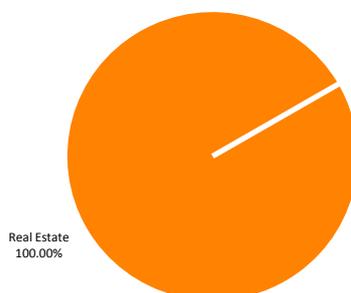
Since inception (p.a.)	Fund	Benchmark
Alpha	0.32%	
Sharpe Ratio	0.07	0.02
Standard Deviation	17.60%	17.71%
Max Drawdown	-19.26%	-19.09%
Max Gain	14.89%	13.32%
% Positive Months	55.32%	57.45%

Benchmark risk statistics for funds with intra-month inceptions dates are calculated using the monthly return series.

### ASSET ALLOCATION (%)

	S.A	Foreign	Total
Cash	0.32	2.49	2.81
Property	0.00	97.19	97.19
<b>Total</b>	<b>0.32</b>	<b>99.68</b>	<b>100.00</b>

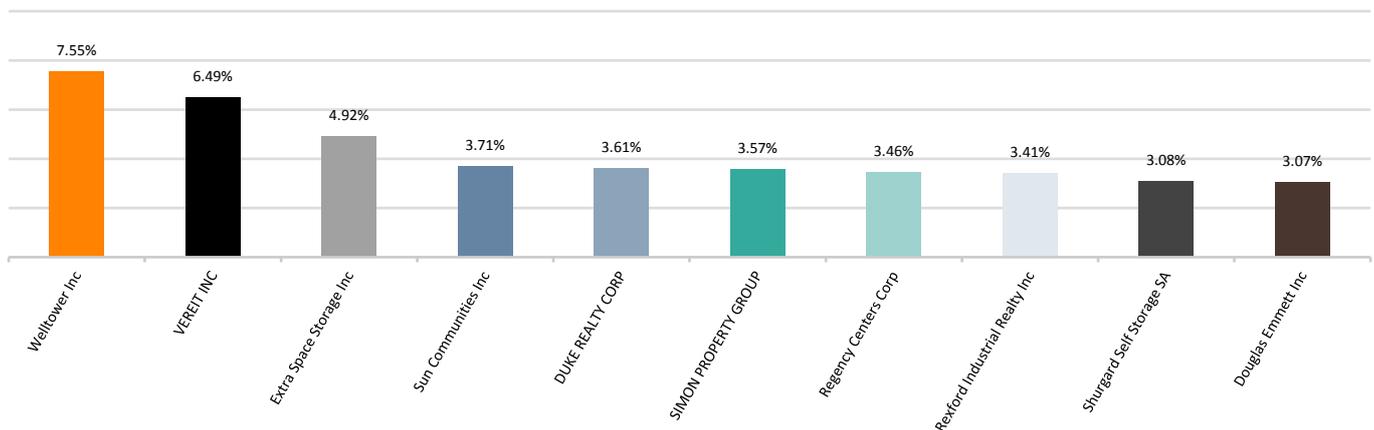
### EQUITY SECTOR EXPOSURE



Real Estate  
100.00%

# FAIRTREE GLOBAL REAL ESTATE PRESCIENT FEEDER FUND

## TOP 10 HOLDINGS



## FUND MONTHLY RETURNS

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017			2.81%	2.07%	-0.15%	1.58%	1.61%	-0.92%	2.21%	4.97%	-1.50%	-8.71%	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	2.34%	5.61%	7.87%	-2.21%	2.87%	-1.86%	1.51%	9.23%	0.89%	3.32%	-3.70%	-5.04%	21.67%
2020	8.93%	-2.56%	-6.98%	7.34%	-5.66%	-0.95%	2.24%	1.58%	-3.26%	-5.46%	3.46%	-3.25%	-5.85%
2021	1.99%												1.99%

## MARKET COMMENTARY

The fund recorded a decline of 1.45% for the month of January while the benchmark fell by 0.81%, translating into an underperformance of 64bps. The underperformance recorded for the month of January largely stems from the third bite of the apple, namely stock selection. Stock selection detracted 83bps from overall performance while country and sector allocation, the first and second bites of the apple, contributed 17bps. The positive contribution from the first bite of the apple is largely attributable to the fund's underweight positions in Europe, Australia and Japan. All three countries underperformed the benchmark by 4%, 3% and 1% respectively. We maintain our underweight positioning in Europe on the back of extended lockdown restrictions, depressed business and consumer confidence. We continue to remain underweight Australia on account of our bearish view on the cyclically and structurally challenged office and retail markets. Owing to a subdued economic growth outlook and challenged demographics, we remain underweight Japan.

The positive contribution from the second bite of the apple was largely driven by our overweight positioning in US malls, shopping centres and our underweight exposure to the US lodging sector. US malls and shopping centres both outperformed the US REIT index by 14% and 5% respectively, while the US lodging sector underperformed the index by 5%. We maintain our overweight positioning in the US retail sector on the back of attractive valuations. We continue to remain underweight the US lodging sector on account of challenged operating fundamentals, and growing concerns about the adverse impact of the continued use of virtual meeting platforms on corporate demand.

Leading among the fund's top performing stocks for the month is Hong Kong Land, the diversified investment property landlord and developer with a strong focus in the office sector, rose 12% and outperformed its respective benchmark by 9%. Retail stocks continued to rally on the back of attractive valuations despite poor operating fundamentals. Simon Property Group, the US premier retail landlord, rallied 9%. Unibail Rodamco Westfield, the European retail landlord, recorded a return of 7% and in turn outperformed the European (excluding the UK) property index by 11%.

The worst performing stock for the month is Mirvac Group, the diversified Australian property company, fell 11% and in turn underperformed the Australian benchmark by 7%. City Developments, the Singaporean listed developer declined by 10% and underperformed the Singaporean non-REITs index by 5%. Rounding out our list of detractors for the month is Vonovia, the German residential landlord fell 9% and underperformed the European property index by 5%. We continue to favour the German residential market on account of the structurally supported supply-demand imbalance across the sector.

We maintain our barbell approach between value and growth stocks with a preference for countries that are better positioned to deliver on their vaccine rollout plans. We are overweight the US, where we believe the government is better equipped to have an adequate supply of vaccines by the second half of the year, as per the US president's pronouncement. In addition, Pfizer and BioNTech have agreed to double supply of their vaccine to the US. We are also overweight the UK, which so far has the highest vaccine rollout per 100 of population across Europe. Lastly, we are overweight Singapore where we believe that the government is likely to be able to resuscitate the economy.

*\*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.*

# FAIRTREE GLOBAL REAL ESTATE PRESCIENT FEEDER FUND

## 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 Performance:** The highest and lowest performance 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.

**Current Yield:** Annual income (interest or dividends) divided by the current price of the security.

**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.

**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.

**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 percentage of investment profits, often both realized and unrealized.

**Transaction Costs (TIC%):** 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).

## SPECIFIC RISK

**Default Risk:** The risk that the issuers of fixed income instruments 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.

## RISK INDICATOR DEFINITION

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.

## DISCLAIMER

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.

A Feeder Fund is a portfolio that invests in a single portfolio of a collective investment scheme which levies its own charges, and which could result in a higher fee structure for the feeder fund.

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](http://www.fairtree.com)

**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:** 0800 111 899 **E-mail:** [info@prescient.co.za](mailto:info@prescient.co.za) **Website:** [www.prescient.co.za](http://www.prescient.co.za)

**Trustee:** 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](http://www.nedbank.co.za)

The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments SA.

**Investment Manager:** Fairtree Asset Management (Pty) Ltd, **Registration number:** 2004/033269/07 is an authorised Financial Services Provider (25917) 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](http://www.fairtree.com)

*This document is for information purposes only and does not constitute or form part of any offer to issue or sell or any solicitation of any offer to subscribe for or purchase any particular investments. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable directly or indirectly to the use of or reliance upon the information. Issue date 12 February 2021*