

## Fairtree Protea Equity Long Short SNN Retail Hedge Fund

### Minimum Disclosure Document - Class A1

28 February 2018

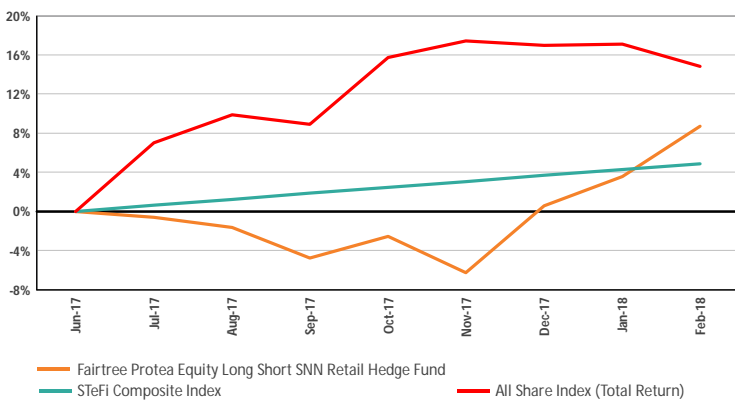
#### Fund Profile

The fund is a South African long/short equity hedge fund with the objective of generating above-average returns by following a 'quantamental' investment approach, combining traditional fundamental analysis with quantitative investment techniques. The investment manager systematically identifies individual mispriced securities whilst ensuring sufficient diversification to guard against inappropriate risk concentration. The fund focuses on JSE-listed securities and has a net equity exposure of 35-70% at most times, with a maximum gross exposure of 200% (i.e. maximum 2x leverage).

#### Investment Strategy

The fund's core strategy is to be long undervalued equities and short overvalued equities, whilst ensuring that there is sufficient diversification to guard against inappropriate risk concentration. The equities are selected by following a 'quantamental' investment approach, combining traditional fundamental analysis with quantitative investment techniques, which assists the portfolio manager in avoiding behavioural biases as it relates to investment decision-making.

#### Cumulative Performance Since Inception



Fund Source: Sanne Fund Services SA (Pty) Ltd as at February 2018  
 Benchmark(s) Source: Bloomberg as at February 2018

#### Return Analysis

	Fund	All Share Index	STeFi
1 Month	4.92%	-1.97%	0.54%
3 Months	15.93%	-2.20%	1.76%
6 Months	10.49%	4.51%	3.58%
1 Year	n/a	n/a	n/a
3 Years	n/a	n/a	n/a
5 Years	n/a	n/a	n/a
Since Inception	8.70%	14.82%	4.87%

#### Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.14	0.39	0.17
Sortino Ratio	0.31	1.37	0.24
Standard Deviation	3.67%	3.10%	0.02%
Best Month	n/a	n/a	n/a
Worst Month	n/a	n/a	n/a
Best Annualised Rolling Return	n/a	n/a	n/a
Worst Annualised Rolling Return	n/a	n/a	n/a
Largest Cumulative Drawdown	-6.24%	-2.20%	n/a
% Positive Months (Since Inception)	50.00%	62.50%	n/a
Correlation (Monthly)	-0.25		
Value at Risk - 95%	4.88%	4.96%	3.36%

#### Fund Details

<b>Risk Profile:</b>	<b>High</b>
<b>Portfolio Manager:</b>	Jean Pierre Verster
<b>Fund size (in Millions):</b>	R 57.9
<b>NAV Price (Inception):</b>	R 1000 (Class A1)
<b>NAV Price (as at month end):</b>	R 1,086.96
<b>JSE Code:</b>	
<b>Inception Date:</b>	1 July 2017
<b>CISCA Inception Date:</b>	1 July 2017
<b>Fund Structure:</b>	CIS Trust
<b>Fund Category:</b>	Equity Long-Short
<b>Benchmark:</b>	This portfolio does not follow a benchmark
<b>Minimum Investment:</b>	R50 000 Lump sum
<b>Fees</b>	
<b>Management Fee:</b>	1% p.a (excl. VAT)
<b>Performance fee:</b>	20% of the total performance (after deductions of the annual base fee) above the high-water mark, subject to a hurdle rate of 3-month JIBAR (excl. VAT). The Performance Fee is uncapped.
<b>Cost Ratios (incl. VAT)</b>	
<b>Total Expense Ratio (TER%):</b>	2.17%
<b>Transactions Costs Ratio (TC%):</b>	1.49%
<b>* Total Investment Charges (TIC%):</b>	3.66%

**Income Distribution (Declaration):** Last day of February & December  
**Distribution Total for the past 12 months:** 0.00 cpu for December 2017

#### Investment Manager contact details

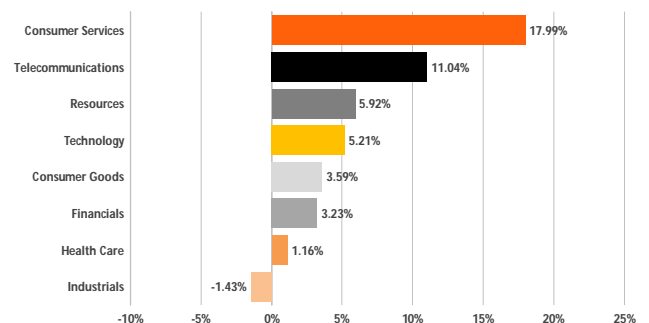
**Telephone Number:** +27 21 943 3760  
**Website:** www.fairtree.com

\*Total Investment Charges (TIC%) = TER (%) + TC (%)

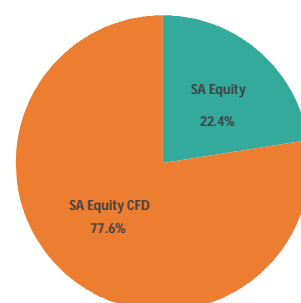
#### Portfolio Objective

The long-term objective of the fund is to compound investment returns, after all fees, at an above-average rate when compared to other equity funds (both active and passive), while avoiding deeply negative returns over any 12-month rolling period.

#### Sector Allocation



#### Asset Allocation



### Increase in NAV Attributable to Investors

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2017							-0.62%	-1.02%	-3.21%	2.37%	-3.80%	7.27%	0.58%
2018	3.00%	4.92%											8.07%

\*The inception date for the portfolio is 1 July 2017. The portfolio has been transitioned under CISCA regulations on 1 July 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. Jean Pierre Verster took over as portfolio manager since inception of the fund.

### 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. The TER is reported excluding performance fees for the first six months of the portfolio. The Manager has applied its mind hereto and is of the view that any reporting of TER with performance fee at this stage may be inaccurate and potentially misleading to investors.

### Market Commentary

The fund had an excellent month, with gains across all our main categories of performance attribution. The Long and the Short books generated gains, as did our Options and Special Situations positions.

On the Long side, our performance was boosted by select positions in shares of companies which fall outside of the Top 40 Index. Pleasingly, we had only 3 performance detractors of significance - a position in the Construction sector, one in the Media sector and one in the European Property sector.

Shorts in the General Industrials sector generated significant gains for the month, offset by positions in the Financials sector which rose to levels above our estimation of intrinsic value.

Our Special Situations positions benefitted from the Naspers versus Tencent 'stub' trade moving higher, while our exposure to specific preference shares ended lower.

Bearish Options positions generated meaningful gains, as we benefitted from a spike in volatility and unwound certain option structures at attractive prices when the market dropped mid-month.

**Please Note:** The above commentary is based on reasonable assumptions and is not guaranteed to occur.

### Mandatory Disclosures

**Investment Manager:** Fairtree Capital (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 21 943 3760. **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)\*, L Fourie, 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.sannegroup.co.za.

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\*Non-Executive

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