

Fairtree Protea Equity Long Short SNN Retail Hedge Fund

Minimum Disclosure Document - Class A1

31 January 2018

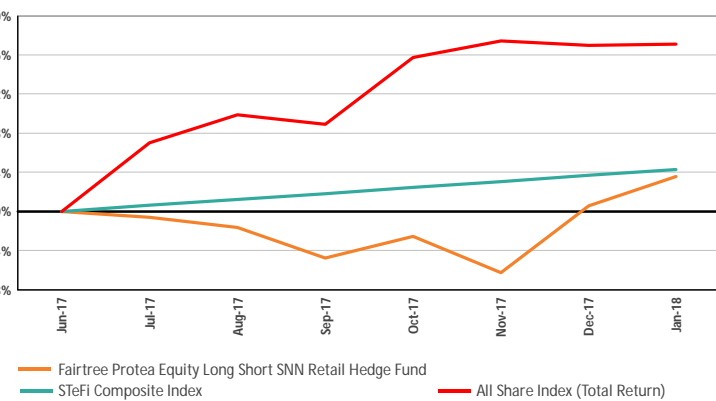
Fund Profile

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 January 2018
Benchmark(s) Source: Bloomberg as at January 2018

Return Analysis

	Fund	All Share Index	STeFi
1 Month	3.00%	0.10%	0.60%
3 Months	6.29%	1.21%	1.80%
6 Months	4.24%	9.43%	3.65%
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	3.59%	17.13%	4.30%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	-0.01	0.59	0.66
Sortino Ratio	-0.01	3.21	2.38
Standard Deviation	3.61%	2.95%	0.02%
Best Month	n/a	n/a	n/a
Worst Month	n/a	n/a	n/a
Largest Cumulative Drawdown	-6.24%	-0.87%	n/a
% Positive Months (Since Inception)	42.86%	71.43%	n/a
Correlation (Monthly)	-0.09		
Value at Risk - 95%	4.46%	4.93%	3.51%

Fund Details

Risk Profile:	High
Portfolio Manager:	Jean Pierre Verster
Fund size (in Millions):	R 54.5
NAV Price (Inception):	R 1000 (Class A1)
NAV Price (as at month end):	R 1,035.94
JSE Code:	
Inception Date:	1 July 2017
CISCA Inception Date:	1 July 2017
Fund Structure:	CIS Trust
Fund Category:	Equity Long-Short
Benchmark:	This portfolio does not follow a benchmark
Minimum Investment:	R50 000 Lump sum
Fees	
Management Fee:	1% p.a (excl. VAT)
Performance fee:	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.
Cost Ratios (incl. VAT)	
Total Expense Ratio (TER%):	2.17%
Transactions Costs Ratio (TC%):	1.63%
* Total Investment Charges (TIC%):	3.80%

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

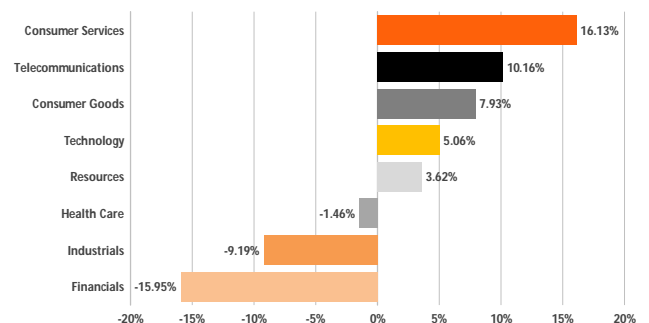
Telephone Number: +27 21 943 3760
Website: www.fairtree.com

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

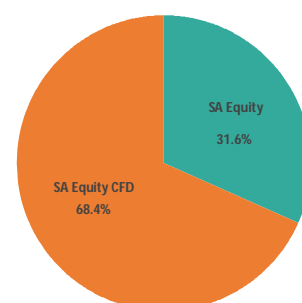
Portfolio Objective

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%												3.00%

*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
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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

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 a strong start to the year, aided by good stock-picking. Both the Long and the Short books generated gains, as did Options positions, with only the Special Situations positions detracting from performance.

On the Long side, the Telecommunications sector contributed the biggest gain. We also benefitted from the recovery in the share prices of companies associated with Steinhoff that had been excessively punished in the scandal. It is always pleasing when a specific situation, where one has a good understanding of the facts, leads to multiple opportunities for profit. Our gains on the Short side were spread across a few sectors, assisted by adjustments in share prices due to Rand strength and higher global interest rates.

We should perhaps consider renaming our Special Situations positions 'not-so-special' situations, since we have incurred significant losses in the notorious Naspers versus Tencent 'stub' trade over the past few months. The discount implied in Naspers' share price relative to its sum-of-the-parts valuation has reached unprecedented levels recently, so we constantly ask ourselves if there isn't something we are missing here. For now, we are holding on to a small position in the instrument.

Bearish Options positions were the single largest contributor to our gains, which was a welcome relief from the recent experience where the Option strategies detracted significantly from performance. We mostly utilise two types of structures, namely bear fences and put spreads to lock in gains from shares where we estimate a higher-than-average probability of share prices dropping by 5-15% during a prospective 3-month period. The use of these structures also assists in decreasing the probability of sharp draw-downs in the performance of the fund.

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

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). **Directors:** J Louw, S Greeff, I Burke, L Fourie, G Rate. **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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