

## Fairtree Protea Equity Long Short SNN Retail Hedge Fund

### Minimum Disclosure Document - Class 1

31 March 2019

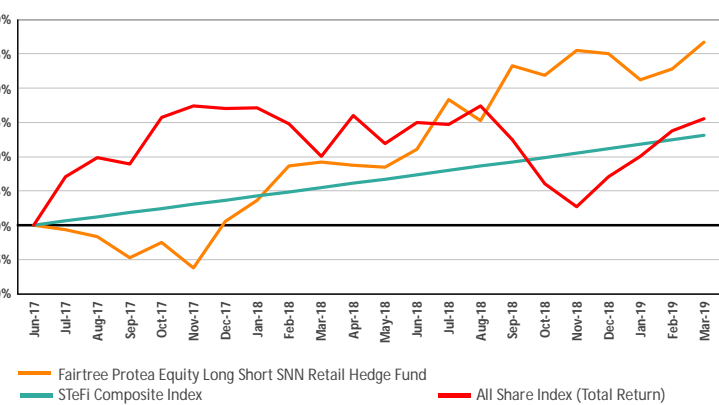
#### Fund Profile

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 portfolio is managed as a long/short hedge fund, predominantly focused on extracting alpha returns from the South African equity market. Its 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, which combines a traditional fundamental understanding of the fair value of listed equity shares with analysis of the business's competitive environment, economic growth, broad economic themes and relative valuations.

#### Cumulative Performance Since Inception



Fund Source: Sanne Fund Services SA (Pty) Ltd as at March 2019  
Index Source: Bloomberg as at March 2019

#### Return Analysis

	Fund	All Share Index	STeFi
1 Month	3.24%	1.56%	0.61%
3 Months	1.35%	7.97%	1.77%
6 Months	2.82%	2.71%	3.59%
1 Year	16.08%	5.04%	7.26%
3 Years	n/a	n/a	n/a
5 Years	n/a	n/a	n/a
Since Inception	26.75%	15.57%	13.16%

#### Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.64	0.16	0.38
Sortino Ratio	1.45	0.29	0.51
Standard Deviation	11.31%	12.27%	0.07%
Best Month	7.27%	7.03%	0.62%
Worst Month	-3.80%	-5.76%	0.00%
Best Rolling 12 Months	33.90%	15.02%	7.35%
Worst Rolling 12 Months	11.11%	-12.56%	7.25%
Largest Cumulative Drawdown	-6.24%	-12.56%	n/a
% Positive Months (Since Inception)	52.4%	57.1%	100.0%
Correlation (Monthly)	-0.26		
Value at Risk (VaR) 95%	4.98%		

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

#### Fund Details

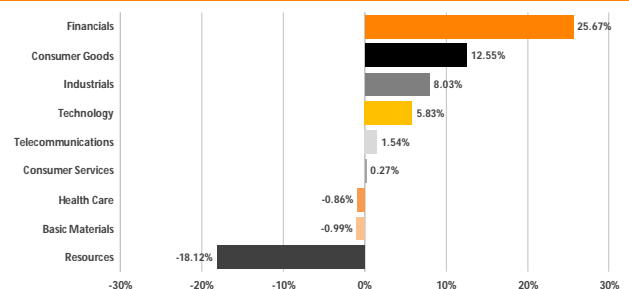
Risk Profile:	High
Portfolio Manager:	Jean Pierre Verster
Fund size (in Millions):	R 63.5
NAV Price (Inception):	R 1000
NAV Price (as at month end):	1,301.89
Number of Units:	47,645.07
JSE Code:	FPROQ1
ISIN Number:	ZAE000255543
Inception Date:	1 July 2017
CISCA Inception Date:	1 July 2017
Fund Structure:	CIS Trust
Fund Category:	Equity Long-Short
Hurdle:	3 month JIBAR
Minimum Investment:	R 50 000 Lump sum
Fees	
Management Fee:	1% p.a (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-month JIBAR (excl.VAT)
Cost Ratios (incl. VAT)	
Total Expense Ratio (TER%):	7.08%
Transactions Costs Ratio (TC%):	0.74%
* Total Investment Charges (TIC%):	7.82%
Performance Fee (PF) Included in TER:	4.88%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 cpu for December 2018
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 (%)

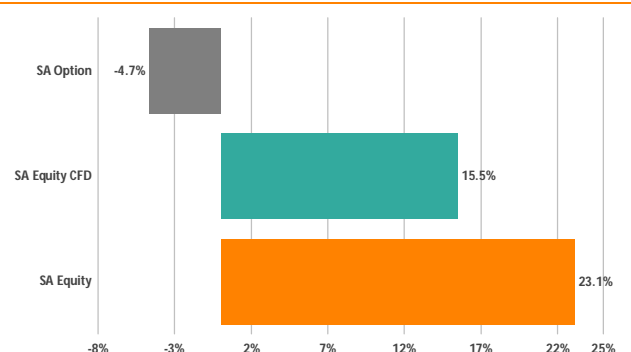
#### Portfolio Objective

The long-term investment objective of the portfolio is to achieve consistent absolute returns by investing according to a long/short equity investment strategy.

#### 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%	0.46%	-0.42%	-0.23%	2.43%	6.52%	-2.59%	6.92%	-1.13%	3.01%	-0.38%	24.35%
2019	-3.08%	1.28%	3.24%										1.35%

\*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

We had a good March, gaining more than 3%. Investors who joined us on 1 February and 1 March gained slightly less, since they incurred a performance fee (investors who joined before February were below their 'high watermarks' so had already incurred a performance fee before March). Now that the fund has reached a new all-time high, all investors are in the same net position again.

Our Longs, Shorts and Options strategies generated gains for the month, while our Special Situations detracted from performance.

3 of our top 5 performing Long positions for March were positions in some of the largest companies listed on the JSE, while all 5 of our worst-performing Longs were in smaller companies exposed to the domestic economy. We had indicated in last month's commentary that we were concerned about smaller domestic companies, but we still maintain some exposure to higher-quality smaller companies due to our diversified approach - we have an acute awareness that the future is inherently uncertain, so we hold many different positions in the fund where we think the risk/return probabilities are in our favour.

Shorts generated meaningful gains, with our exposure to companies with too much debt due to past acquisitions and to the Retail sector (both Food and Clothing) benefitting us. Our Short exposure in the Resources sector roughly broke even, and we have increased our exposure to the sector slightly.

Our Special Situations positions performed disappointingly, notwithstanding an announced corporate action that was initially expected to unlock value, but turned out to be less of a catalyst than what was hoped for. We are spending a lot of time on one particular Special Situation, which might include taking a more activist or legal approach.

Option structures contributed positively in aggregate for the month as well, as our March structures expired. We currently have one Option structure in the fund which expires in September and will look to add more as opportunities arise.

We are planning on transitioning the fund to daily liquidity before month-end (i.e. investors can then invest in the fund on any day, not just at month-end), and we will also start using a continuously-compounding 'hard' hurdle that we need to exceed before being allowed to charge performance fees. These changes benefit our fund investors and will hopefully assist in attracting more interest in the fund, which I believe offers a compelling proposition for investors.

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

### 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, Tygervally, 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). **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.snnmco.com, **Trustee:** FirstRand Bank Limited, Johannesburg, **Telephone:** +27 87 736 1732.

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\*Non-Executive

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