

Fairtree Protea Worldwide Flexible Equity SNN QI Hedge Fund

Minimum Disclosure Document - Class A1

31 January 2018

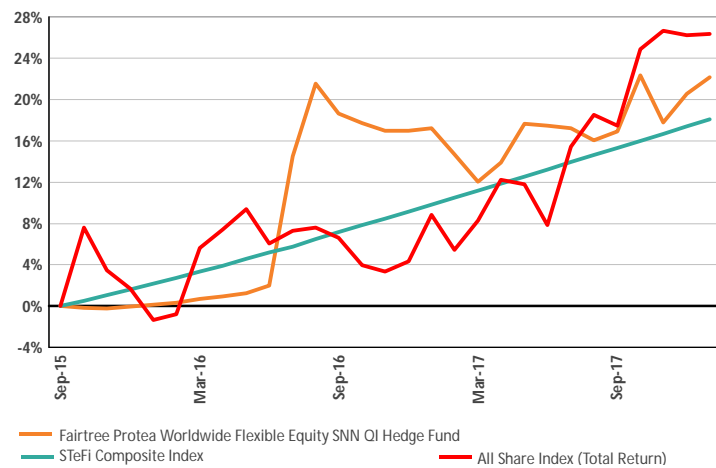
Fund Profile

The fund is a flexible 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 has exposure to listed securities worldwide.

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	1.32%	0.10%	0.60%
3 Months	-0.11%	1.21%	1.80%
6 Months	4.22%	9.43%	3.65%
1 Year	4.20%	16.07%	7.51%
3 Years	n/a	n/a	n/a
5 Years	n/a	n/a	n/a
Since Inception	22.17%	26.35%	18.10%

Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.19	0.32	0.14
Sortino Ratio	0.52	0.68	0.22
Standard Deviation	10.29%	11.13%	0.12%
Best Month	12.26%	7.61%	0.66%
Worst Month	-3.68%	-3.86%	0.00%
Best Annualised Rolling Return	18.62%	22.54%	7.71%
Worst Annualised Rolling Return	-4.52%	-3.42%	7.15%
Largest Cumulative Drawdown	-7.84%	-8.33%	n/a
% Positive Months (Since Inception)	57.14%	57.14%	n/a
Correlation (Monthly)	0.09		
Value at Risk - 95%	4.27%	4.97%	1.50%

Fund Details

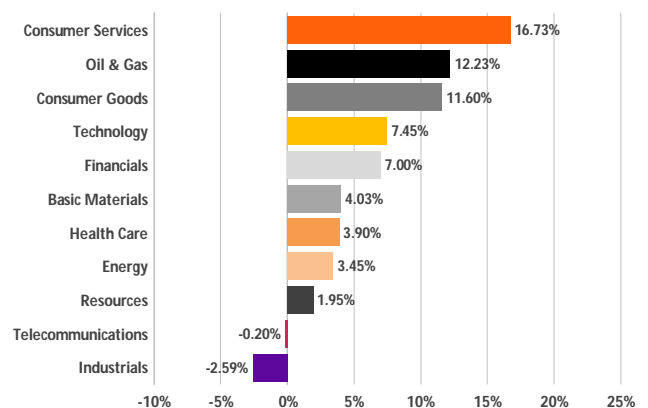
Risk Profile:	High
Portfolio Manager:	Jean Pierre Verster
Fund size (in Millions):	R 131.7
NAV Price (Inception):	R 1000 (Class A1)
NAV Price (as at month end):	R 1,221.66
JSE Code:	
Inception Date:	31 October 2015
CISCA Inception Date:	1 September 2016
Fund Structure:	CIS Trust
Fund Category:	Equity Long-Short
Benchmark:	This portfolio does not follow a benchmark
Minimum Investment:	R1 000 000 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%):	2.52%
Transactions Costs Ratio (TC%):	0.58%
* Total Investment Charges (TIC%):	3.10%
Performance Fee (PF) Included in TER:	0.27%
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

-25.9% SA Option, 1.8% SA Bond, 8.3% SA Equity, 21.1% SA Equity CFD, 62.0% Swap

Increase in NAV Attributable to Investors

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015										-0.17%	-0.04%	0.16%	-0.05%
2016	0.19%	0.20%	0.34%	0.27%	0.28%	0.78%	12.26%	6.15%	-2.42%	-0.78%	-0.59%	-0.04%	17.02%
2017	0.25%	-2.16%	-2.34%	1.68%	3.30%	-0.18%	-0.20%	-0.98%	0.74%	4.60%	-3.68%	2.35%	3.09%
2018	1.32%												1.32%

*The inception date for the portfolio is 1 October 2015. The historical performance figures until the end of 31 August 2016 reflect performance achieved prior to CISCA regulation. The portfolio has been transitioned under CISCA regulations on 1 September 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. Jean Pierre Verster took over as portfolio manager from 1 September 2016 and the performance before September 2016 does not necessarily reflect his investment style and approach.

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 a reasonable start to the year, with the South African exposure performing strongly but the non-SA exposure delivering a slightly negative return for the month in Rand terms. A good stock-picking performance was negated by the Rand's 4.5% strengthening against the US Dollar. Just over half of the fund is invested in ZAR (i.e. in JSE-listed instruments denominated in Rand).

Our Long positions in ZAR and USD generated strong gains, especially positions in the Telecommunications and Technology sectors. Longs in CAD, EUR, CHF, AUD, NZD, TWD and HKD added to gains while Longs in GBP, NOK and KRW incurred losses. We benefitted from the recovery in the ZAR 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 Long exposure to the UK Healthcare sector was the most significant detractor from performance on the Long side.

On the Short side, our ZAR, USD, AUD, NZD, SGD and JPY Shorts generated gains while our EUR, GBP, CHF, KRW and TWD Shorts incurred losses for the month. It is particularly pleasing that our USD Shorts contributed positively in a month that the S&P500 Index generated a total return of 5.7% (including dividends). Shorts in the German Automobile sector were a notable detractor from performance.

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 in ZAR 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

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, **Directors:** J Louw, S Greeff, I Burke, L Fourie, G Rate. **Registration Number:** 2013/096377/07. **Physical Address:** Pier Place, Heerengracht Street, Foreshore, Cape Town, South Africa. **Telephone Number:** +27 21 202 8282. **Website:** www.sannegroup.co.za.

Collective Investment Schemes are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investments are traded at ruling prices and can engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions, as well as a detailed description of how performance fees are calculated and applied, is available on request from Sanne Management Company (RF) (Pty) Ltd ("the Manager"). The Manager does not provide any guarantee in respect to the capital or the return of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressure and in such circumstances, a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. Commission and incentives may be paid, and if so, are included in the overall costs. The Manager may close the portfolio to new investors in order to manage it efficiently according to its mandate. Prices are published daily on our website and local media. Additional information, including key investor information documents, minimum disclosure documents, as well as other information relating to the basis on which the manager undertakes to repurchase participatory interests offered to it, and the basis on which selling and repurchase prices will be calculated, is available, free of charge, on request from the Manager. The value of an investment is dependent on numerous factors which may include, but not limited to, share price fluctuations, interest and exchange rates and other economic factors. Where foreign investments are included in the portfolio, performance is further affected by uncertainties such as changes in government policy, political risks, tax risks, settlement risks, foreign exchange risks, and other legal or regulatory developments. The Manager is registered and approved by the Financial Services Board under CISCA. The Manager retains full legal responsibility for the portfolio. FirstRand Bank Limited, acting through the RMB Custody and Trustee Division, is the appointed trustee. Fairtree Capital (Pty) Limited, FSP No. 25917, is authorised under the Financial Advisory and Intermediary Services Act 37 of 2002 to render investment management services.

Disclaimer

This document is confidential and issued for the information of the addressee and clients of the Manager only. It is subject to copyright and may not be reproduced in whole or in part without the written permission of the Manager. The information, opinions and recommendations contained herein are and must be construed solely as statements of opinion and not statements of fact. No warranty, expressed or implied, as to the accuracy, timeliness, completeness, fitness for any particular purpose of any such recommendation or information is given or made by the Manager in any form or manner whatsoever. Each recommendation or opinion must be weighed solely as one factor in any investment or other decision made by or on behalf of any user of the information contained herein and such user must accordingly make its own study and evaluation of each strategy/security that it may consider purchasing, holding or selling and should appoint its own investment or financial or other advisers to assist the user in reaching any decision. The Manager will accept no responsibility of whatsoever nature in respect of the use of any statement, opinion, recommendation or information contained in this document. This document is for information purposes only and does not constitute advice or a solicitation for funds.