

# Fairtree Protea Worldwide Flexible Equity SNN QI Hedge Fund

Minimum Disclosure Document - Class A1

30-November-2017

## 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.

## 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.

## Fund Details

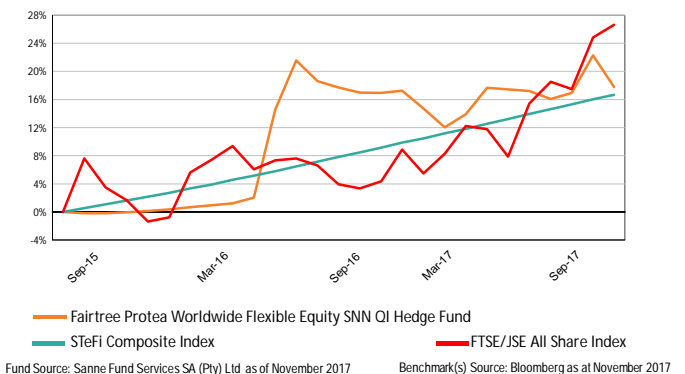
|   |   |   |  |
|---|---|---|--|
| <b>Investment Manager:</b>              | Fairtree Capital (Pty) Limited  | <b>Fund size (in Millions):</b>                   | R 125.2  |
| <b>Portfolio Manager:</b>               | Jean Pierre Verster   | <b>Benchmark:</b>                                 | This portfolio does not follow a benchmark     |
| <b>Inception Date:</b>                  | October 2015  | <b>Analysis Currency:</b>                         | ZAR  |
| <b>CISCA Inception Date:</b>            | September 2016  | <b>Minimum Investment:</b>                        | R1 000 000 Lump sum                            |
| <b>Cost Ratios (incl. VAT):</b>         |   | <b>Income Distribution:</b>                       |  |
| <b>Total Expense Ratio (TER%):</b>      | 2.33%   | <b>Distribution Frequency:</b>                    | Last day of February & December                |
| <b>Transactions Costs Ratio (TC%):</b>  | 0.63%   | <b>Payment:</b>                                   | No later than 14 days after distribution date. |
| <b>Total Investment Charges (TIC%):</b> | 2.96%   | <b>Distribution Total for the past 12 months:</b> | 0.00 cpu for February 2017                     |
| <b>Fees:</b>                            | <b>Initial Fee - Adviser (incl. VAT):</b> 0% - 3.42%  | <b>Domicile:</b>                                  | South Africa                                   |
|   | <b>Annual Base Fee:</b> 1% (excl. VAT)  | <b>Fund Structure:</b>                            | CIS Trust                                      |
|   | <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>Fund Category:</b>                             | Equity Long-Short                              |

## 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% |        | 0.72%  |

\*The inception date for the portfolio is 01 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 01 September 2016 and has since been managed as a regulated product. The annualized total return is the average return earned by an investor 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.

## Cumulative Performance Since Inception



## Investment Performance Summary

| Performance comparison    | Fairtree Protea Worldwide Flexible Equity SNN QI Hedge Fund | FTSE/JSE All Share Index | STeFi Composite Index |
|---------------------------|---|--------------------------|-----------------------|
| Inception date            | Oct-15  | Oct-15                   | Oct-15                |
| Current month             | Nov-17  | Nov-17                   | Nov-17                |
| Total period (No. months) | 26  | 26                       | 26                    |
| Analysis currency         | ZAR   | ZAR                      | ZAR                   |

## Return analysis

|   |        |        |        |
|---|--------|--------|--------|
| Return for current month                    | -3.68% | 1.46%  | 0.58%  |
| Total return (since inception)              | 17.80% | 26.66% | 16.69% |
| Average annualised return (since inception) | 7.85%  | 11.52% | 7.38%  |
| Current 12 month rolling return             | 0.68%  | 22.54% | 7.57%  |
| Best 12 month rolling return                | 18.62% | 22.54% | 7.71%  |
| Worst 12 month rolling return               | -4.52% | -3.42% | 7.15%  |

## Consistency analysis

|  |        |        |         |
|--|--------|--------|---------|
| % Up months (since inception)  | 53.85% | 57.69% | 100.00% |
| % Up months (last 12 months)   | 41.67% | 66.67% | 100.00% |
| Standard deviation (since inception - annualised for periods > 12 mnths) | 10.62% | 11.51% | 0.13%   |

| Risk analysis   | Fairtree Protea Worldwide Flexible Equity SNN QI Hedge Fund | FTSE/JSE All Share Index | STeFi Composite Index |
|---|---|--------------------------|-----------------------|
| Downside deviation (since inception - annualised Risk free) | 3.87%   | 5.36%                    | 0.06%                 |
| Largest monthly drawdown                                    | -3.68%  | -3.86%                   | n/a                   |
| Average monthly drawdown                                    | -1.13%  | -2.13%                   | n/a                   |
| Largest cumulative drawdown                                 | -7.84%  | -8.33%                   | n/a                   |

## Risk/ return analysis

|   |      |      |      |
|---|------|------|------|
| Total gain / Total loss   | 2.30 | 2.07 | n/a  |
| Average gain / Largest loss   | 0.60 | 0.84 | n/a  |
| Average gain / Average loss   | 1.97 | 1.52 | n/a  |
| Sharpe ratio (since inception - annualised for periods > 12 mnths)  | 0.09 | 0.39 | 0.08 |
| Sortino ratio (since inception - annualised for periods > 12 mnths) | 0.25 | 0.83 | 0.13 |

## Market correlation

|                          |                |
|--------------------------|----------------|
| Index correlation (ALSI) | 0.11 (Monthly) |
| Index correlation (ALSI) | 0.40 (Daily)   |

Please note: All fund returns quoted net of fees

### Objective and Investment Strategy

#### 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.

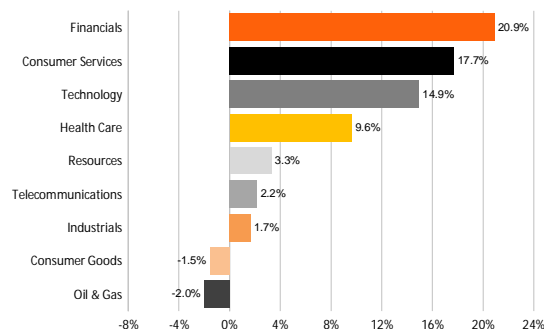
#### Investment Strategy

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.

### Asset Allocation

-57.9% SA Option, -8.5% SA Bond, 9.4% SA Equity, 53.2% Swap, 62.0% SA Equity CFD

### Sector Allocation



### 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 6 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 disappointing November, impacted negatively by some of our short positions surging in price and the Naspers versus Tencent 'stub' trade reaching record lows. The Rand also strengthened by over 3% against the US Dollar, negatively impacting many of our positions. We have significant exposure to the global technology sector, which performed poorly for the month and we also have a long position in a potential take-over target in the UK hospital sector which the South African acquirer did not follow through on, leading to a drop in the share price of the target.

Most South African domestically-focused companies' shares did particularly well this month, notwithstanding a credit rating downgrade and on the back of impressions that Cyril Ramaphosa was in a comfortable position running up to the ANC's elective conference. We are more circumspect in this regard and therefore less bullish on most domestic shares at current valuation levels.

This year has been particularly difficult for active managers, but I look forward to 2018 being a more profitable year during which our analytical 'edge' comes to the fore. The stated objective of the fund remains to compound our wealth at an above-average rate over the long-term while avoiding deeply negative returns over any 12-month period, and I am resolute in continuing to apply tried and testing methods of decision-making regarding which shares to buy, sell and short, even (especially!) in times when others seem to be making money so easily in things such as Bitcoin and other get-rich-quick endeavours. The problem is that get-rich-quick has a tendency to turn into get-poor-quick, so I prefer our get-rich-slowly-but-steadily approach...and so should you. The tortoise beats the hare in the end.

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

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### Glossary

**NAV:** The net asset value represents the assets of a Fund less its liabilities.

**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.

**Sortino Ratio:** the Sortino Ratio is used to measure the risk-adjusted return of 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.

**Average Duration:** The weighted average duration of all the underlying interest bearing instruments in the Fund.

**Average Credit quality:** The weighted average credit quality of all the underlying interest bearing instruments in the Fund (internally calculated).

**Dividend Yield:** The weighted average dividend yield of all the underlying equity in the Fund. The dividend yield of each company is the dividends per share divided by the price.

**PE Ratio:** The weighted average price earnings ratio of all the underlying equity in the Fund. The price earnings ratio of each company is the price divided by the earnings per share.

**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 Investment Manager for generating positive returns, and is generally calculated as a percentage of investment profits, often both realized and unrealized.

**Transactions Costs Ratio (TC%):** 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).

### Mandatory Disclosure

**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](http://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:** 5th Floor, 8 St. Georges Mall, Cape Town, 8001. **Telephone Number:** +27 21 202 8282. **Website:** [www.sannegroup.co.za](http://www.sannegroup.co.za).

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