

Fairtree Sequoia Macro IDS QI Hedge Fund
Minimum Disclosure Document - Class A1

February 2017
-2.16%



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 may also invest in securities listed outside of South Africa.

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. IDS 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

Investment Manager:	Fairtree Capital (Pty) Limited	Domicile:	South Africa
Portfolio Manager:	Jean Pierre Verster	Fund Structure:	CIS Trust
Inception Date:	October 2015	Fund Category:	Equity Long-Short
CISCA Inception Date:	September 2016	Cost Ratios (incl. VAT):	
Fund size (in millions):	R 36	Total Expense Ratio (TER%):	2.75%
Benchmark:	This portfolio does not follow a benchmark	Transactions Costs Ratio (TC%):	0.73%
Analysis Currency:	ZAR	Total Investment Charges (TIC%):	3.48%
Minimum Investment:	R1 000 000 Lump sum	Performance Fee incl. in TER (%) (PF%):	0%
Income Distribution:		Fees:	
Declaration:	Last day of February & December	Initial Fee - Adviser (incl. VAT):	0% - 3.42%
Distribution Total (past 12 months):	0.00 cpu for December 2016	Annual Base Fee:	1% (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

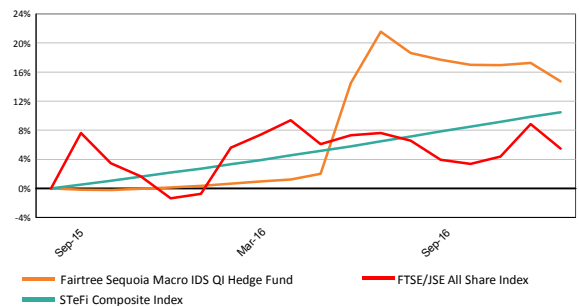
Increase in NAV Attributable to Investors

	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%											

*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. 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.

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. Performance is not guaranteed and investors should not accept past performance as representing expected future performance.

Cumulative Performance Since Inception



Fund Source: Sanne as of February 2017

Benchmark(s) Source: Bloomberg as at February 2017

Asset Allocation

Contract for difference - Future	96.75%	Equity	- 1.23%
	- 2.02%		

Objective and Investment Strategy

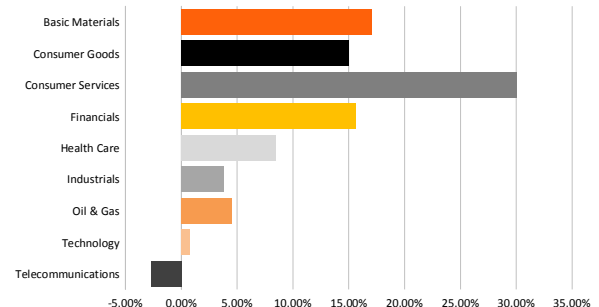
Investment Objective

The long-term objective of the fund is to compound investment returns, after all fees, at an above-average rate when compared to other funds which invest primarily in South African equities (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.

Sector Allocation



Market Commentary

Even though we outperformed the FTSE/JSE All-Share's drop of 3.1% for the month, I am not satisfied with our result. Long positions in commodity companies detracted significantly from our performance. I generally favour to be short commodity companies, rather than long, but a lesson learnt over the past year was that one shouldn't be short these companies when they get to extremely cheap levels based on spot commodity prices. Over the past 15 months, the (positive) double-whammy of operational and financial leverage have propelled these commodity producers' share prices higher on the back of rising commodity prices. It will be interesting to see what happens in the sector from here on out, especially in the context of rising interest rate expectations in the USA.

It was also disappointing that our equity put option positions did not protect our investment value more efficiently. I have reviewed some academic literature and adjusted our hedging programme towards buying smaller put structures more often, rather than the typical strategy of rolling over large structures on a quarterly basis. This will benefit us in times of higher volatility.

Investment Performance Summary

	Fairtree Sequoia Macro IDS QI Hedge Fund	FTSE/JSE All Share Index	STeFi Composite Index	Fairtree Sequoia Macro IDS QI Hedge Fund	FTSE/JSE All Share Index	STeFi Composite Index
Performance comparison				Risk analysis		
Inception date	Oct-15	Oct-15	Oct-15	Downside deviation <small>(since inception - annualised Risk free)</small>	3.00%	5.60%
Current month	Feb-17	Feb-17	Feb-17	Largest monthly drawdown	-2.42%	-3.86%
Total period (No. months)	17	17	17	Average monthly drawdown	-0.89%	-2.33%
Analysis currency	ZAR	ZAR	ZAR	Largest cumulative drawdown	-3.79%	-8.33%
Return analysis				Risk/ return analysis		
Return for current month	-2.16%	-3.11%	0.57%	Total gain / Total loss	3.37	1.33
Total return <small>(since inception)</small>	14.72%	5.47%	10.47%	Average gain / Largest loss	0.86	0.72
Average annualised return <small>(since inception)</small>	10.18%	3.83%	7.28%	Average gain / Average loss	2.36	1.18
Current 12 month rolling return	14.34%	6.28%	7.54%	Sharpe ratio <small>(since inception - annualised for periods > 12 mths)</small>	0.28	-0.24
Best 12 month rolling return	18.62%	10.35%	7.54%	Sortino ratio <small>(since inception - annualised for periods > 12 mths)</small>	1.08	-0.49
Worst 12 month rolling return	14.34%	-3.42%	7.15%	Market correlation		
Consistency analysis				Index correlation (ALSI)	0.12	(Monthly)
% Up months <small>(since inception)</small>	58.82%	52.94%	100.00%	Index correlation (ALSI)	0.69	(Daily)
% Up months <small>(last 12 months)</small>	58.33%	58.33%	100.00%	Please note: All fund returns quoted net of fees		
Standard deviation <small>(since inception - annualised for periods > 12 mths)</small>	11.52%	11.20%	0.14%			

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 12 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.

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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.
Management Company: IDS Management Company (RF) (Pty) Ltd, **Registration Number:** 2013/096377/07, **Physical Address:** 5th Floor, Sanne, 8 St. Georges Mall, Cape Town, 8001. **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 IDS 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 CISC. 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.

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