



# Protea South Africa SNN Retail Hedge Fund

## Minimum Disclosure Document - Class 1

31 July 2019

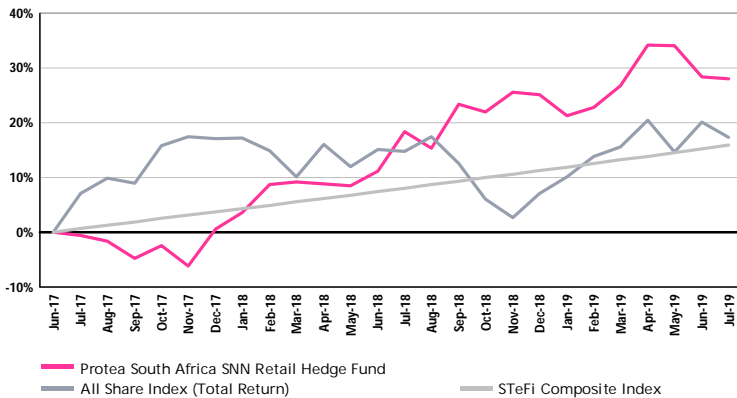
### Fund Profile

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 July 2019  
Index Source: Bloomberg as at July 2019

### Return Analysis

	Fund	All Share Index	STeFi
1 Month	-0.29%	-2.37%	0.61%
3 Months	-4.60%	-2.66%	1.82%
6 Months	5.57%	6.56%	3.60%
1 Year	8.12%	2.19%	7.33%
3 Years	n/a	n/a	n/a
5 Years	n/a	n/a	n/a
Since Inception	27.97%	17.25%	15.90%

### Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.55	0.18	14.46
Sortino Ratio	1.22	0.32	0.00
Standard Deviation	11.55%	12.64%	0.06%
Best Month	7.27%	7.03%	0.62%
Worst Month	-4.22%	-5.76%	0.00%
Best Rolling 12 Months	33.90%	15.02%	7.35%
Worst Rolling 12 Months	8.12%	-12.56%	7.25%
Largest Cumulative Drawdown	-6.24%	-12.56%	n/a
% Positive Months (Since Inception)	48.0%	56.0%	100.0%
Correlation (Monthly)	-0.19		
Value at Risk (VaR) 95%	5.15%		

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 68.2
NAV Price (Inception):	R 1000
NAV Price (as at month end):	1,305.83
Number of Units:	50,555.32
JSE Code:	FAIRC1
ISIN Number:	ZAE000272894
Inception Date:	1 July 2017
CISCA Inception Date:	1 July 2017
Fund Structure:	CIS Trust
Fund Category:	Equity Long-Short
Hurdle:	3 month STEFI
Minimum Investment:	R50,000 lump sum or R2,000 monthly
Fees	
Management Fee:	1% p.a (excl.VAT)
Performance fee (uncapped):	20% (excl. VAT) of the excess performance (after deductions of the annual base fee) above the perpetual hurdle rate, subject to a high-water mark
Cost Ratios (incl. VAT)	
Total Expense Ratio (TER%):	7.27%
Transactions Costs Ratio (TC%):	0.73%
* Total Investment Charges (TIC%):	8.00%
Performance Fee (PF) Included in TER:	5.11%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 cpu for December 2018
Investment Manager contact details	Protea Capital Management (Pty) Ltd
Telephone Number:	+27(0) 11 822 2154
Website:	www.proteacapitalmanagement.com

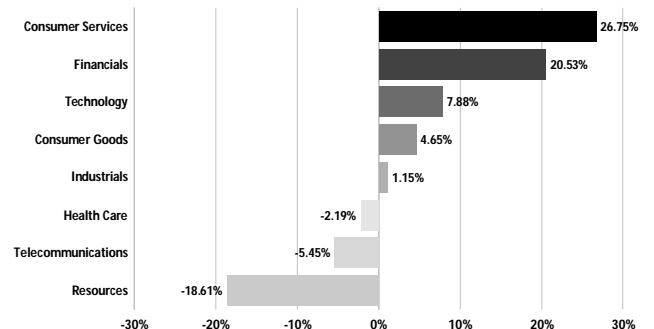
\*Total Investment Charges (TIC%) = TER (%) + TC (%)

Please note that Protea South Africa SNN Retail Hedge Fund was previously known as Fairtree Protea Equity Long Short SNN Retail Hedge Fund .

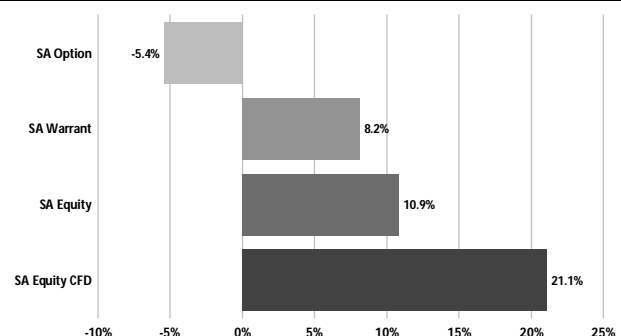
### Portfolio Objective

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





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### 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%	5.83%	-0.10%	-4.22%	-0.29%						2.32%

\*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

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### Risk Profile

Risk Level:	Low	Low-Medium	Medium	Med-High	<b>High</b>
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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

The portfolio is valued daily. The transaction cut-off time is 14:00pm on a business day. Investor instructions received after 14:00pm shall be processed the following business day.

### 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.

### Market Commentary

We were marginally down for July, while the FTSE/JSE All-Share Index was down by more than 2%. Our Longs, Special Situations and Options positions all detracted from performance, but our Shorts put in a strong showing to almost completely offset the drag.

On the Long side, our gains were mostly attributable to the shares of companies exposed to the domestic South African economy. This might seem counter-intuitive given how tough the business environment is locally, but one must keep in mind that investing is, in a certain sense, the exploitation of the gap between expectation and reality. The expectation, as discounted in share prices of many domestic companies, is very bearish. This means that any hint of reality not being as bad as expected often leads to a positive share price reaction. Our main losing positions on the Long side were also domestic companies across various sectors, indicating that one cannot view all domestic shares as necessarily offering value. Overall, our Long book performed in line with the market.

Our Shorts in the Mining and Telecommunications sectors did particularly well, while Shorts in the Property and Retail sectors also made contributions worth mentioning. Our Short book is well diversified, with 34 positions in the fund at month-end.

A slew of corporate transactions have been announced recently, allowing us to increase our number of Special Situations positions to five. Overall, we had a small negative mark-to-market on these positions for the month. We also had a small mark-to-market loss on our Options positions and continue searching for asymmetrical pay-off situations where theoretical option valuation models are more inclined towards symmetry.

The fund accepts investments on any business day, whether directly or via the Momentum Wealth platform - join us on the long-term wealth creation journey!

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

### Mandatory Disclosures

Investment Manager: Protea Capital Management (Pty) Ltd, Registration Number: 2015/327243/07 is an authorised Financial Services Provider (FSP49796) 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: 7 Northridge Avenue, Sunningridge, Germiston, 1401. Postal Address: 7 Northridge Avenue, Symridge, Germiston, 1401. Telephone Number: +27 (0) 11 822 2154. Website: www.proteacapitalmanagement.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.snnmanco.com, Trustee: FirstRand Bank Limited, Johannesburg, Telephone: +27 87 736 1732.

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 ensures fair treatment of investors by not offering preferential fee or liquidity terms to any investor within the same strategy. The Manager is registered and approved by the Financial Sector Conduct Authority under CISCA. The Manager retains full legal responsibility for the portfolio. FirstRand Bank Limited, is the appointed trustee. Protea Capital Management (Pty) Ltd, FSP No. FSP49796, is authorised under the Financial Advisory and Intermediary Services Act 37 of 2002 to render investment management services.

\*Non-Executive

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