



# Protea South Africa SNN Retail Hedge Fund

## Minimum Disclosure Document - Class 1

31 October 2019

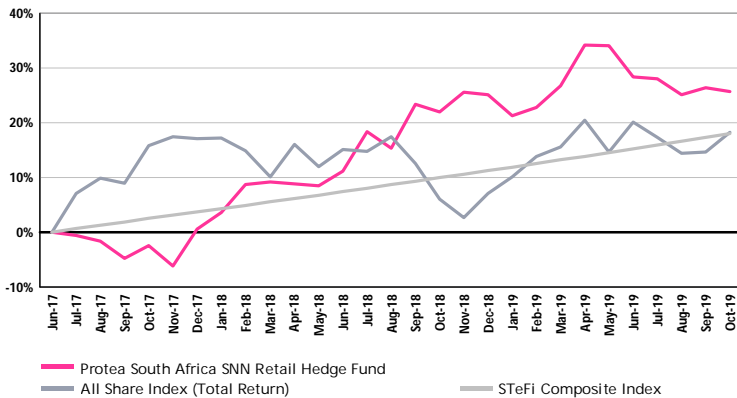
### Fund Profile

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 October 2019  
Index Source: Bloomberg as at October 2019

### Return Analysis

	Fund	All Share Index	STeFi
1 Month	-0.64%	3.14%	0.59%
3 Months	-1.85%	0.82%	1.77%
6 Months	-6.36%	-1.86%	3.62%
1 Year	3.06%	11.49%	7.33%
3 Years	n/a	n/a	n/a
5 Years	n/a	n/a	n/a
Since Inception	25.61%	18.22%	17.95%

### Risk Analysis

	Fund	All Share Index	STeFi
Sharpe Ratio	0.38	0.14	14.84
Sortino Ratio	0.83	0.25	0.00
Standard Deviation	11.17%	12.23%	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	2.54%	-12.56%	7.25%
Largest Cumulative Drawdown	-6.80%	-12.56%	n/a
% Positive Months (Since Inception)	46.4%	57.1%	100.0%
Correlation (Monthly)	-0.16		
Value at Risk (VaR) 95%	4.58%		

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 68.9
NAV Price (Inception):	R 1000
NAV Price (as at month end):	1,281.72
Number of Units:	51,955.80
JSE Code:	FAIRC1
ISIN Number:	ZAE000272894
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%):	6.70%
Transactions Costs Ratio (TC%):	0.73%
* Total Investment Charges (TIC%):	7.43%
Performance Fee (PF) Included in TER:	4.56%
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 11 822 2154
Website:	www.proteacapitalmanagement.com
Auditor:	PricewaterhouseCoopers

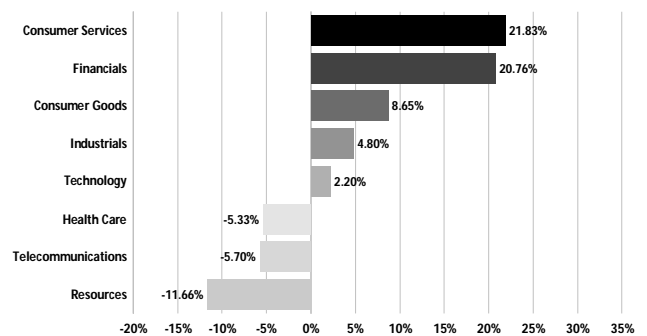
\*Total Investment Charges (TIC%) = TER (%) + TC (%)

Please note that the auditors (from Deloitte to PricewaterhouseCoopers) changed from August 2019.

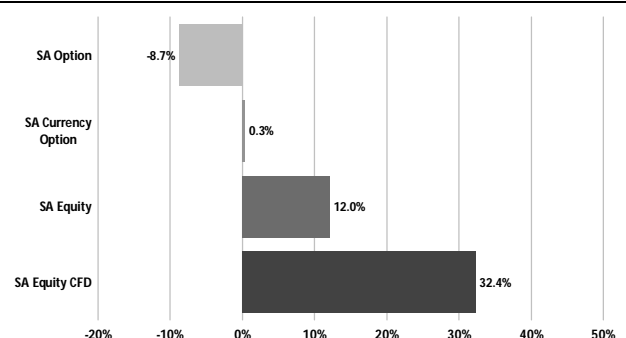
### Portfolio Objective

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%	-2.30%	1.11%	-0.64%			0.43%

\*The inception date for the portfolio is 1 July 2017. The portfolio has been transitioned under CISCAs 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

Please note that Protea South Africa SNN Retail Hedge Fund was previously known as Fairtree Protea Equity Long Short SNN Retail Hedge Fund, name change effective 13 June 2019.

### 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

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

The fund was slightly down for month, while the FTSE/JSE All-Share Index rose by just over 3%. The difference in performance was mainly due to our positioning in the Precious Metals sector. Our Long positions and Special Situations contributed more than 3% in aggregate, while our Shorts and Options together detracted almost 4%.

There was no discernible trend in the performance of our Long positions for the month - 19 positions made gains while 13 incurred mark-to-market losses. We see particular value in the shares of South African domestic-focused companies, but are keeping our position sizing prudent in the face of macro-economic risks which could have a significant negative impact on our assessment of 'fair' value.

Short positions performed disappointingly during October. 11 positions generated a gain while 22 generated a mark-to-market loss, including some positions which had generated significant gains for us over the past year but bounced off their lows during the month.

Our Special Situations did well as the probability of corporate action involving some of these positions increased. We are also inching closer to a court hearing regarding the appraisal of 'fair' value for a security we hold in the fund.

Our Options contributed a small mark-to-market loss for the month, with profits from a currency option not sufficient to offset losses from a single-stock option structure.

The fund is open to investments directly, via the Momentum Wealth platform or via the Ashburton Equity-Linked Note platform. Our funds can also be accessed via 27four Life or Hollard endowment policies.

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, Sunnyside, Germiston, 1401. Postal Address: 7 Northridge Avenue, Symridge, Germiston, 1401. Telephone Number: +27 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), G P Rate (Director), I Burke, H J Pienaar, K de Bruin (Managing Director). 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.

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 CISCAs. 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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