



Protea South Africa SNN Retail Hedge Fund

Minimum Disclosure Document – Class 1

31 December 2019

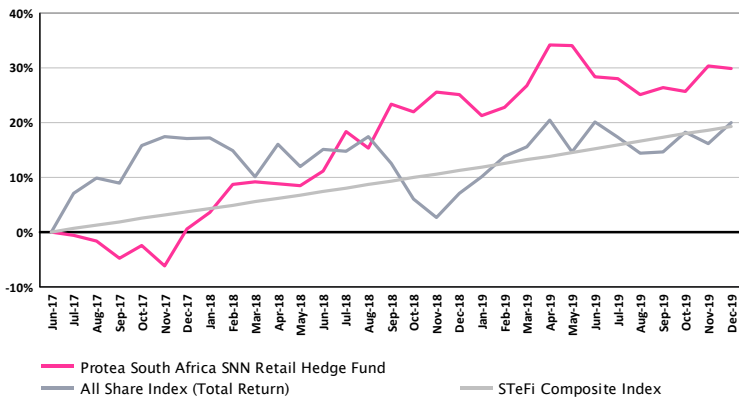
Fund Profile

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 December 2019
Index Source: Bloomberg as at December 2019

Return Analysis

	Fund	ALSI TR Index	STeFi
1 Month	-0.42%	3.30%	0.58%
6 Months	1.14%	-0.14%	3.56%
1 Year	3.80%	12.05%	7.29%
2 Years	29.07%	2.49%	15.07%
3 Years	n/a	n/a	n/a
5 Years	n/a	n/a	n/a
Since Inception	29.81%	19.93%	19.30%

Risk Analysis

	Fund	ALSI TR Index	STeFi
Sharpe Ratio	0.44	0.15	14.51
Sortino Ratio	0.98	0.27	0.00
Standard Deviation	10.98%	12.03%	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)	46.7%	56.7%	100.0%
Correlation (Monthly)	-0.18		
Value at Risk (VaR) 95%	4.50%		

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 101.8
NAV Price (Inception):	R 1000
NAV Price (as at month end):	1,324.67
Number of Units:	73 744.54
JSE Code:	FAIRC1
ISIN Number:	ZAE000272894
Inception Date:	1 July 2017
Fund Structure:	CIS Trust
Fund Category:	Equity Long-Short
Hurdle/Benchmark:	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%):	4.85%
Transactions Costs Ratio (TC%):	0.11%
* Total Investment Charges (TIC%):	4.96%
Performance Fee (PF) Included in TER:	2.88%
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

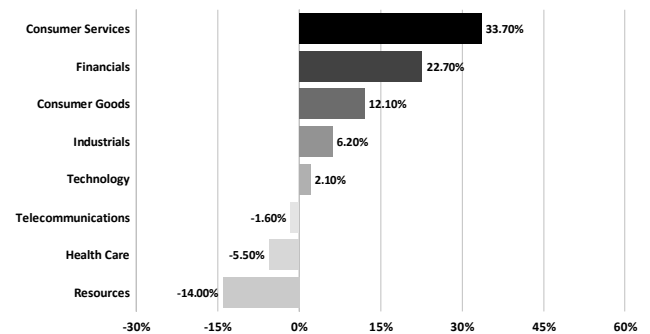
*Total Investment Charges (TIC%) = TER (%) + TC (%)

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

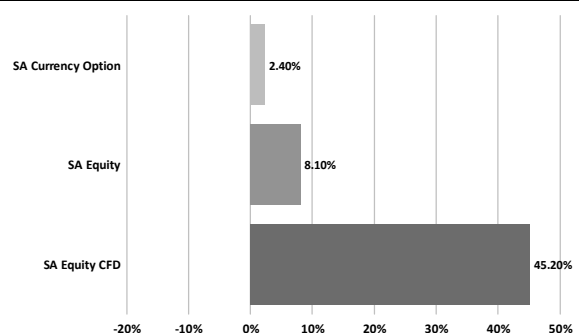
Portfolio Objective

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%	3.78%	-0.42%	3.80%

*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.

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.

Market Commentary

It wasn't the best end to the year, as the fund was slightly down for the month while the JSE was up strongly. As has been the trend for 2019, the best performing shares for the month were those in the Gold and Platinum Mining sectors, where we are short. Our Long positions contributed more than 1%, but our other strategies (Short positions, Special Situations and Options) detracted from our return for the month, albeit only slightly for each strategy category.

Looking back at the year, our return for calendar 2019 did not match our outstanding performance for 2018. The contribution per strategy for 2019 was as follows: Long positions +1.1%, Short positions +0.8%, Special Situations +3.6%, Options -1.7%. With the JSE returning 12% for 2019, our underperformance was clearly due to not holding the best-performing shares in our Long book. Indeed, we were short most of the best performers for the year! Our robust risk management framework ensured that we still made money on both our Long and Short books, which gives us comfort that our approach works over the long-term. We are building an impressive track record, with the fund performing significantly better than the JSE since inception, and over a rolling 2-year period. Our focus remains on generating above-average long-term returns for investors.

Marelise Botha, our Client Services & Marketing Liaison, has decided to follow her calling & become a foundation phase teacher from mid-January. We thank her for having been a great member of the team. At the same time, we welcome Cecile Hechter to Protea Capital Management, who joins us to take over the role. See our website for more on Cecile's background.

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

Portfolio Valuation & Transaction Cut-Off

To invest in the portfolio, ProteaCapital@sannegroup.co.za.

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.



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Risk Profile

Risk Level:	Low	Low-Medium	Medium	Med-High	High
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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.

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.

Mandatory Disclosures

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