



# Protea Worldwide Flexible SNN QI Hedge Fund

## Minimum Disclosure Document – Class 1

30 June 2020

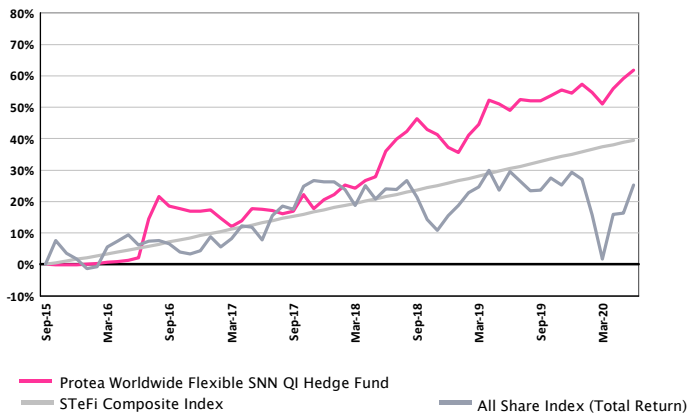
### Fund Profile

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.

### Investment Strategy

The portfolio is managed as a long/short hedge fund, focused on extracting alpha returns from equity markets worldwide. 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 June 2020  
Index Source: Bloomberg as at June 2020

### Return Analysis

	Fund	Stefi	ALSI TR Index
1 Year	8.64%	6.86%	-3.30%
2 Years (annualised)	9.06%	7.08%	0.48%
3 Years (annualised)	11.26%	7.17%	5.11%
5 Years (annualised)	n/a	n/a	n/a
Since Inception (annualised)	10.66%	7.24%	4.86%

### Risk Analysis

	Fund	Stefi	ALSI TR Index
Sharpe Ratio	0.50%	9.52%	-0.01%
Sortino Ratio	1.24	0.00	-0.02
Standard Deviation	9.16%	0.13%	14.94%
Best Month	12.26%	0.66%	13.98%
Worst Month	-3.68%	0.00%	-12.13%
Highest Rolling 12 Months	25.19%	7.71%	22.54%
Lowest Rolling 12 Months	-4.52%	6.86%	-18.42%
Largest Cumulative Drawdown	-7.84%	n/a	-21.72%
% Positive Months (Since Inception)	59.65%	n/a	54.39%
Correlation (Monthly)	-0.07		
Value at Risk (VaR) 95%	3.54%		

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 272.7
NAV Price (Inception):	R 1000
NAV Price (as at month end):	R 1,747.95
Number of Units:	156,562.93
JSE Code:	C1JL18
ISIN Number:	ZAE000271565
Inception Date:	1 October 2015
CISCA Inception Date:	1 September 2016
ASISA Classification:	Qualified Investor Hedge Fund – Worldwide – Long/Short Equity–Long Bias
Hurdle/Benchmark:	3 month JIBAR
Minimum Investment:	R 1 000 000 Lump sum
<b>Fees</b>	
Management Fee:	1% p.a (excl.VAT)
Performance fee (uncapped):	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)
<b>Cost Ratios (incl. VAT)</b>	
Total Expense Ratio (TER%):	3.85%
Transactions Costs Ratio (TC%):	0.37%
* Total Investment Charges (TIC%):	4.22%
Performance Fee (PF) Included in TER:	2.21%
Income Distribution (Declaration):	Last day of December
Distribution Total for the past 12 months:	0.00 cpu for December 2019
Investment Manager contact details	Protea Capital Management (Pty) Ltd
Telephone Number:	+27 11 822 2154
Website:	www.proteacapitalmanagement.com

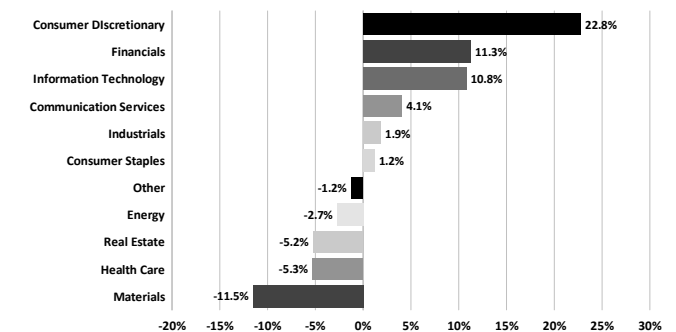
\*Total Investment Charges (TIC%) = TER (%) + TC (%)

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

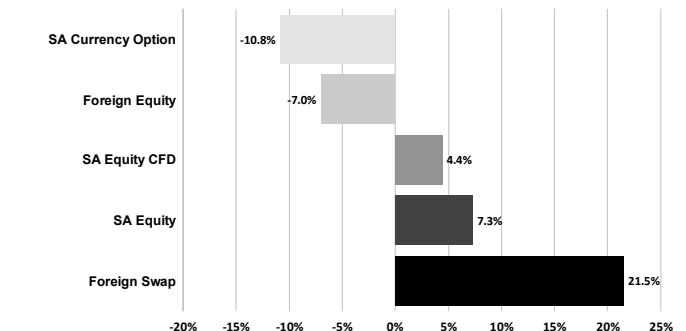
### Portfolio Objective

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
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%	2.35%	3.09%
2018	1.32%	2.61%	-0.84%	1.87%	0.96%	6.41%	2.84%	1.79%	2.80%	-2.30%	-1.24%	-2.76%	13.89%
2019	-1.24%	3.98%	2.43%	5.39%	-0.83%	-1.35%	2.32%	-0.18%	0.01%	1.03%	1.16%	-0.69%	12.43%
2020	1.92%	-1.71%	-2.34%	3.26%	1.98%	1.71%							4.79%

\*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 CISCAs regulation. The portfolio has been transitioned under CISCAs regulations on 1 September 2016 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 from 1 September 2016 and the performance before September 2016 does not necessarily reflect his investment style and approach.



#### Market Commentary

The fund had a good month, benefitting from good stock-picking across most regions that we have exposure to. The MSCI World Index was up by 2.6% in USD-terms, but by only 1.5% in ZAR-terms. The FTSE/JSE All-Share Index was up by 7.7% in ZAR-terms. The USDZAR exchange rate strengthened by more than 1% during the month of June. Our performance was especially pleasing given our low net exposure.

Longs (grouped by listed currency) all contributed positively to our return. As has been the case lately, Technology stocks did particularly well for the month, as did the share prices of smaller 'SA Inc' companies. We are being discerning when it comes to the slew of rights issues that have been announced by JSE-listed companies. We also benefitted from a takeover of a Swedish company, where we will be swapping our shares for those of the acquirer – an even better business in the Online Gaming industry.

Shorts (grouped by listed currency) in Canadian Dollars, Euros, Norwegian Krone, Swedish Krone, Singaporean Dollars, Australian Dollars and Japanese Yen contributed positively, while Shorts in USD, British Pounds, Swiss Francs, Danish Krone and ZAR detracted from our performance. We benefitted from a short position in a German Digital Payments Processor where fraud was uncovered. We had entered into the short position earlier this year immediately after Europe's short-selling ban was lifted, and covered our position after the stock had fallen by more than 90% from that level. Two of our Shorts (both in ZAR) detracted more than 1% from the fund's return for the month. One of these was in the property sector, and the other was in the Chemicals sector. Both these companies are embarking on significant asset sale programmes, but we believe that selling prices for the assets will not be sufficient for them to avoid rights issues.

Our Special Situations incurred a small loss overall. Merger arbitrage positions benefitted from corporate deals becoming more probable, but index shorts incurred losses as markets continued to rise. Our USDZAR put option made a small positive contribution, as did the currency translation effect related to fortuitous timing in converting ZAR fund inflows into USD.

We are pleased to announce that Shinhye Chang has joined the Protea Team as a Senior Data Scientist. Please see our website for Shinhye's bio.

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, e-mail [ProteaCapital@sannegroup.co.za](mailto:ProteaCapital@sannegroup.co.za).

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.



#### 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.



#### 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.



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#### Fund Risk

<b>Leverage Risk:</b>	The Fund borrows additional funds, trades on margin or performs short sale trades to amplify investment decisions. This means that the volatility of a hedge fund portfolio can be many times that of the underlying investments due to leverage on a fund.
<b>Derivative Risk:</b>	Derivative positions are financial instruments that derive their value from an underlying asset. Derivatives are exposed to implicit leverage which could result in magnified gains and/or losses on the portfolio.
<b>Counterparty Credit Risk:</b>	Counterparty risk is a type of credit risk and is the risk of default by the counterparty associated with trading derivative contracts. An example of counterparty credit risk is margin or collateral held with a prime broker.
<b>Volatility Risk:</b>	Volatility refers to uncertainty and risk related to size of change of an instrument or portfolio. It is a statistical measure of the dispersion of returns for a given security or market index. Volatility is proportional to the directional exposure of a portfolio and is measured by Value at risk (VaR) which is a statistical technique used to measure and quantify the level of volatility.
<b>Concentration and Sector Risk:</b>	A large proportion of total assets invested in specific assets, sectors or regions. Concentrated positions or concentrated sectors in a portfolio will material impact the returns of the portfolio more so than diversified portfolios.
<b>Correlation Risk:</b>	A measure that determines how assets move in relation to each other. Correlation risk arises when the correlation between asset-classes change. Correlation risk also arises when the correlation within an asset-class changes. Examples of correlation within asset classes include equity pairs trading, fixed income curve trading and commodities pairs trading.
<b>Equity Risk:</b>	Applies to investment in shares or derivatives based on shares. The market price of shares varies depending on supply and demand of the shares. Equity risk is the risk of loss due to the drop in the market price of shares. Equity risk can either be systematic risk which is risk to the entire market based on political and economic indicators or unsystematic risk which is company specific and includes risk relating to company profits, future prospects and general consensus on the company or sector.
<b>Currency/Exchange Rate Risk:</b>	Assets of a fund may be denominated in a currency other than the Base Currency of the fund and changes in the exchange rate between the Base Currency and the currency of the asset may lead to a depreciation of the value of the fund's assets as expressed in the Base Currency.

#### Glossary

<b>Net Asset Value (NAV):</b>	Means net asset value, which is the total market value of all assets in a portfolio including any income accruals and less and deductible expenses such as audit fees, brokerage and service fees.
<b>Annualised Return:</b>	Is the weighted average compound growth rate over the performance period measured.
<b>Highest &amp; Lowest Return:</b>	The highest and lowest rolling twelve-month performance of the portfolio since inception.
<b>Total Expense Ratio (TER):</b>	Reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's.
<b>Transaction Costs (TC):</b>	Is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns.
<b>Total Investment Charge (TIC):</b>	Should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, investment decisions of the investment manager.
<b>Total Investment Charges (TIC%):</b>	= 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).
<b>Leverage/Gearing:</b>	The use of securities, including derivative instruments, short positions or borrowed capital to increase the exposure beyond the capital employed to an investment.
<b>Alpha:</b>	Denoted the outperformance of the fund over the benchmark.
<b>Sharpe Ratio:</b>	The ratio of excess return over the risk-free rate divided by the total volatility of the portfolio.
<b>Sortino Ratio:</b>	The ratio of excess return over the risk-free rate divided by the downside deviation of the portfolio.
<b>Standard Deviation:</b>	The deviation of the return of the portfolio relative to its average.
<b>Drawdown:</b>	The greatest peak to trough loss until a new peak is reached.
<b>Correlation:</b>	A number between -1 and 1 indicating the similarity of the dispersion of returns between the portfolio and another asset or index with 1 being highly correlated, -1 highly negatively correlated and 0 uncorrelated.
<b>Value at Risk (VaR):</b>	Value at risk is the minimum loss percentage that can be expected over a specified time period at a predetermined confidence level.



## 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, Sunnyridge, Germiston, 1401. Postal Address: 7 Northridge Avenue, Symridge, Germiston, 1401. Telephone Number: +27 11 822 2154. Website: [www.proteacapitalmanagement.com](http://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). Physical Address: Pier Place, Heerengracht Street, Foreshore, Cape Town, South Africa. Telephone Number: +27 21 202 8282. Website: [www.snnmanco.com](http://www.snnmanco.com), Trustee: FirstRand Bank Limited, (acting through its RMB Custody and Trustee Services Division). Physical Address: 3 Merchant Place, Ground Floor, Corner Fredman and Gwen Streets, Sandton, 2146, 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.

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