



# Protea South Africa SNN Retail Hedge Fund

## Minimum Disclosure Document – Class 1

31 October 2021

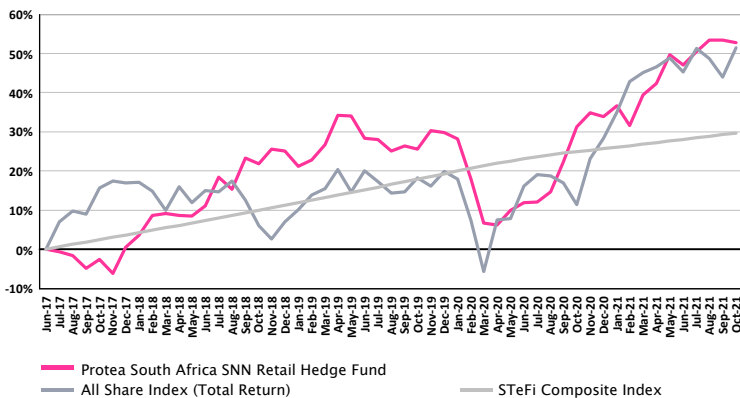
### Fund Profile

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 2021  
Index Source: Bloomberg as at October 2021

### Return Analysis

|                              | Fund   | ALSI TR Index | STeFi |
|------------------------------|--------|---------------|-------|
| 1 Year                       | 16.29% | 35.96%        | 3.78% |
| 2 Years (annualised)         | 10.27% | 13.19%        | 4.85% |
| 3 Years (annualised)         | 7.81%  | 12.62%        | 5.67% |
| 5 Years (annualised)         | n/a    | n/a           | n/a   |
| Since Inception (annualised) | 10.27% | 10.05%        | 6.18% |

### Risk Analysis

|                                     | Fund    | ALSI TR Index | STeFi   |
|-------------------------------------|---------|---------------|---------|
| Sharpe Ratio                        | 0.44    | 0.36          | n/a     |
| Sortino Ratio                       | 0.77    | 0.65          | n/a     |
| Standard Deviation                  | 12.39%  | 16.00%        | 0.42%   |
| Best Month                          | 7.30%   | 13.98%        | 0.62%   |
| Worst Month                         | -9.56%  | -12.13%       | n/a     |
| Highest Rolling 12 Months           | 36.10%  | 53.98%        | 7.35%   |
| Lowest Rolling 12 Months            | -20.87% | -18.42%       | 3.78%   |
| Largest Cumulative Drawdown         | -20.87% | -21.72%       | n/a     |
| % Positive Months (Since Inception) | 51.92%  | 57.69%        | 100.00% |
| Correlation (Monthly)               | 0.13    |               |         |
| Value at Risk (VaR) 95%             | 5.31%   |               |         |

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):     | R179.6                                                                                                                                            |
| NAV Price (Inception):       | R1,000                                                                                                                                            |
| NAV Price (as at month end): | R1479.30                                                                                                                                          |
| Number of Units:             | 118 664.13                                                                                                                                        |
| JSE Code:                    | FAIRC1                                                                                                                                            |
| ISIN Number:                 | ZAE000272894                                                                                                                                      |
| Inception Date:              | 1 July 2017                                                                                                                                       |
| ASISA Classification:        | Retail Hedge Fund – South African – Long/Short Equity – Long Bias                                                                                 |
| Hurdle/Benchmark:            | 3 month STEFI                                                                                                                                     |
| Minimum Investment:          | R50,000 lump sum or R2,000 monthly                                                                                                                |
| <b>Fees</b>                  |                                                                                                                                                   |
| 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)

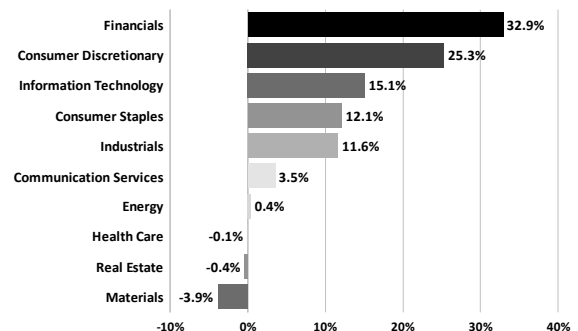
|                                            |                                     |
|--------------------------------------------|-------------------------------------|
| Total Expense Ratio (TER%):                | 1.80%                               |
| Transactions Costs Ratio (TC%):            | 0.10%                               |
| * Total Investment Charges (TIC%):         | 1.90%                               |
| Performance Fee (PF) Included in TER:      | 0.09%                               |
| Income Distribution (Declaration):         | Last day of December                |
| Distribution Total for the past 12 months: | 69.40 cpu for December 2020         |
| 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 (%)

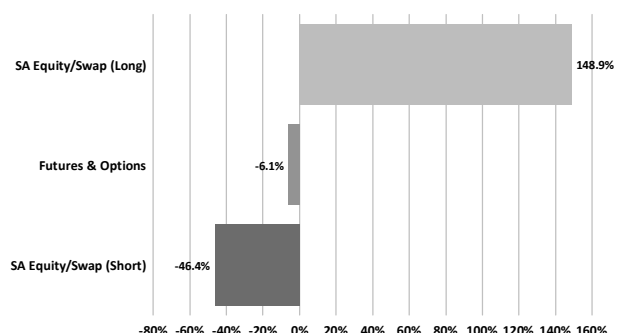
### Portfolio Objective

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%  |
| 2020 | -1.29% | -7.99% | -9.56% | -0.45% | 3.57%  | 1.74%  | 0.17%  | 2.37%  | 6.71%  | 7.30%  | 2.64%  | -0.70% | 3.11%  |
| 2021 | 2.09%  | -3.65% | 5.95%  | 2.10%  | 5.06%  | -1.66% | 2.28%  | 1.95%  | -0.04% | -0.41% |        |        | 14.11% |

\*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

The fund was marginally lower for the month of October, while the FTSE/JSE All-Share Total Return Index rose by 5.2%, driven by a rebound in mining shares. In terms of our sub-strategies, Longs contributed 3.6% to the fund's return, Shorts detracted 3.8%, Special Situations added 0.4% and Futures & Options detracted 0.5%.

Our top five Longs for the month were a global internet group, an insurance holding company, a casino operator, a home improvement retailer and a food franchisor. Our five worst-performing Longs were a bank, a life assurer, a packaged foods producer, a chemicals group and a beverages wholesaler. The fund is well diversified across 40 Long positions.

Our three most profitable Shorts for the month were a pharmaceuticals group, a life assurer and a REIT. Our worst-performing Shorts were a casino operator, a luxury goods company and an apparel retailer. Our Short positions are well diversified, with 23 individual holdings.

Special Situations made another positive contribution. We hold 19 individual Special Situations, which includes merger arbitrage positions, activist positions, unbundlings and other opportunities where a value-unlock catalyst is present. Futures & Options made a small loss as indices surged higher.

The fund is up 14.1% year-to-date and 16.3% over the past year. We manage the fund for the long-term, rather than with an investment horizon as short as one year in mind. Still, there is a clear trend in analysing our performance versus the market over the past 12 months. While our Longs have generally done well, our Shorts have been a significant drag on performance. This trend started to accelerate in November 2020, exactly a year ago. Typically, Shorts detract the most during the late stages of a bull market, but start to contribute positively once the market peaks. We do not have the precognition to call a market top (no one does), but we expect that our Shorts will come into their own again when current lofty investor expectations normalise.

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).

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.

### 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**

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Leverage Risk:                 | 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.                                                                                                                                                                                                                                                           |
| Derivative Risk:               | 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.                                                                                                                                                                                                                                                                                                   |
| Counterparty Credit Risk       | 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.                                                                                                                                                                                                                                                                                      |
| Volatility Risk:               | 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.                                                                                                                 |
| Concentration and Sector Risk: | 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.                                                                                                                                                                                                                                                                              |
| Correlation Risk:              | 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.                                                                                                                                                 |
| Equity Risk:                   | 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. |
| Currency/Exchange Rate Risk:   | 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**

|                                 |                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Net Asset Value (NAV)           | 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.                                                                                                                                          |
| Annualised Return:              | Is the weighted average compound growth rate over the performance period measured.                                                                                                                                                                                                                                                          |
| Highest & Lowest Return         | The highest and lowest rolling twelve-month performance of the portfolio since inception.                                                                                                                                                                                                                                                   |
| Total Expense Ratio (TER)       | 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. |
| Transaction Costs (TC)          | 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.                                                                                                                 |
| Total Investment Charge (TIC)   | 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.                                                                                                                                                |
| 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).                                 |
| Leverage/Gearing:               | The use of securities, including derivative instruments, short positions or borrowed capital to increase the exposure beyond the capital employed to an investment.                                                                                                                                                                         |
| Alpha                           | Denoted the outperformance of the fund over the benchmark.                                                                                                                                                                                                                                                                                  |
| Sharpe Ratio                    | The ratio of excess return over the risk-free rate divided by the total volatility of the portfolio.                                                                                                                                                                                                                                        |
| Sortino Ratio:                  | The ratio of excess return over the risk-free rate divided by the downside deviation of the portfolio.                                                                                                                                                                                                                                      |
| Standard Deviation:             | The deviation of the return of the portfolio relative to its average.                                                                                                                                                                                                                                                                       |
| Drawdown:                       | The greatest peak to trough loss until a new peak is reached.                                                                                                                                                                                                                                                                               |
| Correlation                     | 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.                                                                                                                       |
| Value at Risk (VaR)             | Value at risk is the minimum loss percentage that can be expected over a specified time period at a predetermined confidence level.                                                                                                                                                                                                         |



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### 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](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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