

# FAIRTREE FLEXIBLE BALANCED PRESCIENT FUND

## MINIMUM DISCLOSURE DOCUMENT - CLASS A1

### INVESTMENT OBJECTIVE

The objective of the Fairtree Flexible Balanced Prescient Fund is to create medium to long-term capital growth, within the constraints governing retirement funds - Regulation 28. To pursue its objective, the fund invests in a diversified and balanced range of asset classes. This is achieved through active asset allocation and blending together a collection of the best Fairtree strategies into a diversified portfolio. The portfolio will invest in offshore securities when the benefit of higher returns and portfolio diversification are available. The portfolio aims to provide returns above the benchmark while exhibiting a lower level of volatility in returns relative to the benchmark.

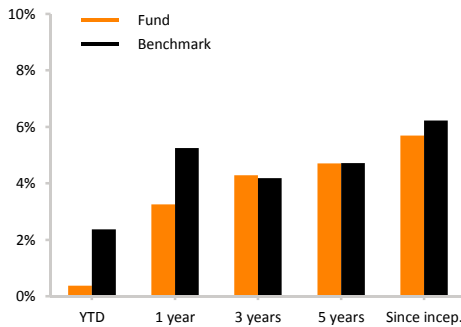
### INVESTMENT POLICY

The Fairtree Flexible Balanced Prescient Fund is a South African Multi Asset Medium Equity. The objective of the portfolio is to offer absolute returns in excess of the South African Multi Asset Medium Equity category average. This is achieved through active asset allocation and blending together a collection of the best Fairtree strategies into a diversified portfolio. While the fund invests predominately in domestic securities, a foreign exposure of up to 30% is allowed.

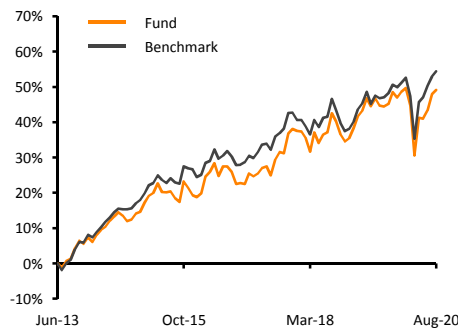
### RISK INDICATOR



### ANNUALISED PERFORMANCE (%)



### CUMULATIVE PERFORMANCE



### ANNUALISED PERFORMANCE (%)

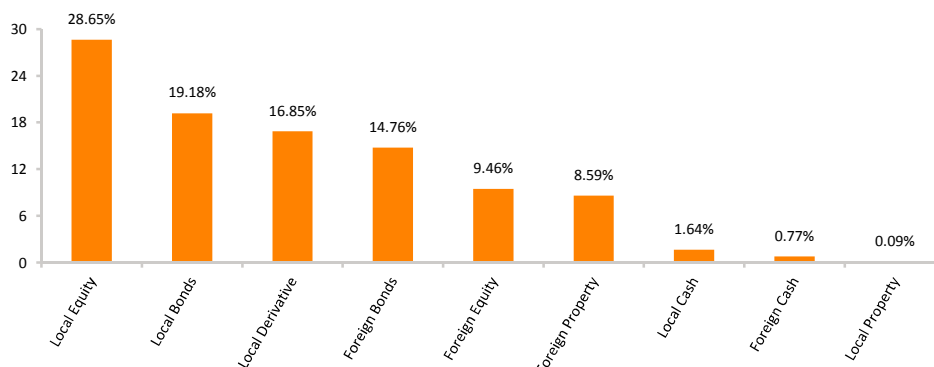
|                        | Fund  | Benchmark |
|------------------------|-------|-----------|
| 1 year                 | 3.26  | 5.25      |
| 3 years                | 4.28  | 4.18      |
| 5 years                | 4.70  | 4.72      |
| Since incep.           | 5.69  | 6.23      |
| Highest rolling 1 year | 14.68 | 16.75     |
| Lowest rolling 1 year  | -8.86 | -6.94     |

### RISK AND FUND STATS

| Since inception (p.a.) | Fund    | Benchmark |
|------------------------|---------|-----------|
| Alpha                  | -0.54%  |           |
| Sharpe Ratio           | -0.06   | -0.01     |
| Standard Deviation     | 7.83%   | 6.74%     |
| Max Drawdown           | -12.76% | -11.29%   |
| Max Gain               | 8.17%   | 7.87%     |
| % Positive Months      | 59.77%  | 66.67%    |
| Sortino Ratio          | -0.09   |           |

Benchmark risk statistics for funds with intra-month inceptions dates are calculated using the monthly return series.

### ASSET ALLOCATION (%)



# FAIRTREE

31 AUGUST 2020

## FUND INFORMATION

### Fund Manager:

Fairtree Asset Management (Pty) Ltd

### Fund Classification:

South African - Multi Asset - Medium Equity

### Benchmark:

South African - Multi Asset - Medium Equity Category Average

### JSE Code:

FFBA1

### ISIN Number:

ZAE000178653

### Regulation 28 Compliant:

Yes

### Fund Size:

R90 m

### No of Units:

36,919,782

### Unit Price:

131.06

### Inception Date:

June 2013

### Minimum Investment:

R50 000 lump-sum  
R1 000 per month

### Initial Fee:

0.00%

### Annual Management Fee:

0.65% (excl. VAT)

### Performance Fee:

N/A

### Fee Class:

A1

### Fee Breakdown:

|                                      |              |
|--------------------------------------|--------------|
| Management Fee                       | 0.65%        |
| Performance Fees                     | 0.00%        |
| Other Fees*                          | 0.71%        |
| <b>Total Expense Ratio (TER)</b>     | <b>1.36%</b> |
| <b>Transaction Costs (TC)</b>        | <b>0.44%</b> |
| <b>Total Investment Charge (TIC)</b> | <b>1.80%</b> |

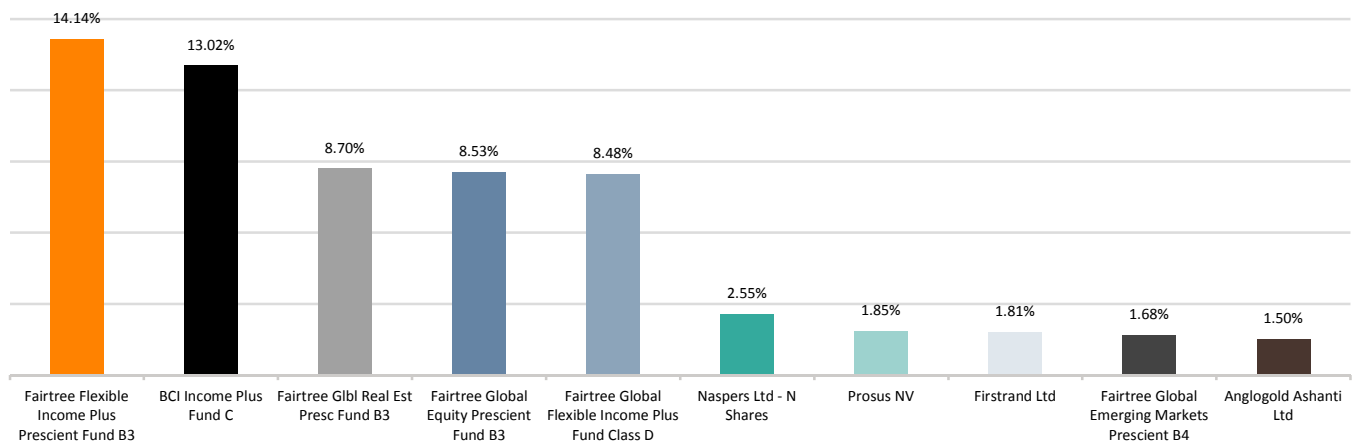
\*Other fees includes underlying fee (where applicable): Audit Fees, Custody Fees, Trustee Fees and VAT

### Income Distribution:

31 March 2020 - 5.05 cpu

# FAIRTREE FLEXIBLE BALANCED PRESCIENT FUND

## TOP 10 HOLDINGS



## FUND MONTHLY RETURNS

|             | JAN    | FEB    | MAR    | APR   | MAY    | JUN    | JUL    | AUG    | SEP    | OCT    | NOV    | DEC    | YTD    |
|-------------|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>2013</b> |        |        |        |       |        | -1.20% | 1.83%  | 0.66%  | 2.95%  | 2.12%  | -0.87% | 1.67%  | 7.31%  |
| <b>2014</b> | -1.18% | 1.92%  | 1.36%  | 0.71% | 1.61%  | 1.08%  | 1.05%  | -0.84% | -1.37% | 0.37%  | 1.58%  | 0.40%  | 6.82%  |
| <b>2015</b> | 2.30%  | 1.58%  | 0.71%  | 2.23% | -1.98% | -0.03% | 0.22%  | -1.58% | -0.96% | 4.93%  | -1.42% | -1.76% | 4.07%  |
| <b>2016</b> | -0.41% | 0.87%  | 3.98%  | 1.03% | 1.96%  | -2.82% | 2.22%  | -0.03% | -1.22% | -2.74% | 0.24%  | -0.22% | 2.69%  |
| <b>2017</b> | 2.44%  | -0.64% | 0.67%  | 1.17% | 0.37%  | -2.00% | 3.62%  | 1.63%  | -0.29% | 4.30%  | 0.96%  | -0.40% | 12.28% |
| <b>2018</b> | -0.12% | -1.36% | -2.87% | 4.18% | -2.18% | 1.73%  | 0.45%  | 3.98%  | -1.58% | -2.66% | -1.48% | 0.71%  | -1.50% |
| <b>2019</b> | 2.10%  | 2.42%  | 1.13%  | 2.47% | -1.56% | 1.49%  | -1.34% | -0.17% | 0.49%  | 2.28%  | -1.03% | 1.13%  | 9.69%  |
| <b>2020</b> | 0.73%  | -3.28% | -9.81% | 8.17% | -0.18% | 1.65%  | 3.22%  | 0.84%  |        |        |        |        | 0.38%  |

## MARKET COMMENTARY

At the start of the South African winter, when lockdowns were gradually lifted around the world, some hoped that the Covid-19 pandemic would recede during the hotter summer months. However, even though record temperatures were registered in August, the virus has unfortunately continued to spread. There have now been over 25 million cases globally, up from 10 million at the start of July. In the US, the epicentre of the disease, the number of infections surpassed 6 million, followed by Brazil (3,862,311) and India (3,621,245). The US has more than 180 thousand coronavirus-related deaths, followed by Brazil (120,828) and India (64,469).

Even though the number of new daily cases in the US has started to decline, some regions- including Europe-are now facing a second wave. So far, better testing and tracing capacity has allowed European policymakers to treat this second wave with targeted measures, including travel restrictions or the requirement to wear a face mask in public, instead of national lockdowns.

On the economic front, high-frequency data, such as travel and navigation app usage, point to continued global growth over the third quarter, albeit at a more moderate pace, particularly in the US, than in May and June. However, these challenges haven't dented investors' enthusiasm, which seems to have been lifted by a better-than-expected second-quarter earnings season and by the potential for a viable Covid-19 vaccine in the coming months.

In this context, risk assets continued to rally. Over the month, the MSCI Emerging Markets Index rose by 2.2% and the MSCI Developed Market Index rose by 6.7%. Credit also rallied, while global government bonds fell by 0.2% over the month.

One of the most significant events during August was the announcement from the Federal Reserve. The yield on the 30-year US government bond rose to 1.53%, its highest level on a closing basis since June 16th, boosted by prospects of higher inflation after Fed Chair Powell announced a flexible form of average inflation targeting last week. The new approach allows inflation to run moderately above or below the Fed's 2% target for some time and means that interest rates could be left lower for a longer period despite a rise in inflation. This raises expectations that the Federal Reserve will expand its purchases of long-dated Treasury bonds by mid-September or even earlier, as rising yields lead to higher cost of borrowing for companies and individuals and threaten economic growth.

What a month it has been for U.S. equity investors. The DJIA closed out its best August since 1984, while the S&P 500 had its best August since 1986. That's the good news. What typically happens next — especially in election years — is not so good, according to LPL Financial. September is typically the worst month of the year for stocks, going all the way back to 1950. September and October are historically bad in presidential election years.

On the local front, South Africa's trade surplus decreased to ZAR 37.4 billion in July of 2020 from a downwardly revised ZAR 45.7 billion in the previous month. Still, it was the second-largest monthly trade surplus on record, helped by the further easing of coronavirus restrictions both at home and abroad. Imports surged 22.1 percent to ZAR 85.1 billion, boosted by purchases of vehicles & transport equipment (88%); original equipment components (86%); mineral products (37%); chemicals (17%) and machinery & electronics (15%). Meantime, exports rose at a much slower 6.1 percent to ZAR 122.5 billion, as higher shipments of vehicles & transport equipment (42%) and machinery & electronics (17%) were partly offset by a decrease in those of precious metals & stones (-5 percent).

On a political front, after nearly 1000 days in charge, it appears as if the president is finally pushing ahead to curb the levels of corruption in South Africa. News of more corruption during the lockdown period was met with huge levels of anger the country over and seems to have been the straw that broke the camel's back. President Cyril Ramaphosa appears to be undeterred from pushing ahead with his anti-graft strategy with his corrupt cadres at an ANC National Executive Committee meeting during the final weekend of the month. Ramaphosa reeled off an arsenal of measures to deal with the corruption besetting the party and the government it runs, not least of which the announcement that all party office-bearers who faced charges would be made to step aside or resign.

On markets, the All Share Index turned into the red on the last day of the month, delivering a return of -0.26% for the month. Financial were the main detractors during the month, falling 4.21%, bringing the year to date decline to 34.3%. Industrials and Resources managed to inch out some gains, returning 0.5% and 0.65% respectively. Property continues to suffer, further losing 8.6% in August, bringing its decline for the year to 44.7%. The ALBI delivered a 90bps return for the month, bringing the year to date figure to 1.9%. The rand appreciated against the USD by 50bps, bringing its year to date decline to 21%. On the commodity front, gold fell marginally, while oil enjoyed better fortunes as the global economy reopens. As the economy gets back to its feet, demand for copper and iron ore rises, benefitting the respective businesses with exposure to the metals.

# FAIRTREE FLEXIBLE BALANCED PRESCIENT FUND

## GLOSSARY

**Annualised Performance:** Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.

**Highest & Lowest Performance:** The highest and lowest performance for any 1 year over the period since inception have been shown.

**NAV:** The net asset value represents the assets of a Fund less its liabilities.

**Current Yield:** Annual income (interest or dividends) divided by the current price of the security.

**Alpha:** Denoted the outperformance of the fund over the benchmark.

**Sharpe Ratio:** The Sharpe ratio is used to indicate the excess return the portfolio delivers over the risk free rate per unit of risk adopted by the fund.

**Sortino Ratio:** A measure of the risk-adjusted return of a portfolio. It is a modification of the Sharpe ratio but only penalises the returns falling below a user specified target, or required rate of return, while the Sharpe ratio penalises both upside and downside volatility equally.

**Standard Deviation:** The deviation of the return stream relative to its own average.

**Max Drawdown:** The maximum peak to trough loss suffered by the Fund since inception.

**Max Gain:** Largest increase in any single month.

**% Positive Month:** The percentage of months since inception where the Fund has delivered positive return.

**High Water Mark:** The highest level of performance achieved over a specified period.

**Total Expense Ratio (TER%):** The Total Expense Ratio (TER) is the percentage of the net asset value of the class of the Financial Product incurred as expenses relating to the administration of the Financial Product.

**Performance fee incl. in TER (% PF (%):** The Performance Fee is a payment made to the Fund Manager for generating positive returns and is generally calculated as percentage of investment profits, often both realized and unrealized.

**Transaction Costs (TIC%):** The Transaction Costs (TC) is the percentage of the net asset value of the Financial Product incurred as costs relating to the buying and selling of the assets underlying the Financial Product.

**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).

## SPECIFIC RISK

**Default Risk:** The risk that the issuers of fixed income instruments may not be able to meet interest payments nor repay the money they have borrowed. The issuers credit quality is vital. The worse the credit quality, the greater the risk of default and therefore investment loss.

**Derivatives Risk:** The use of derivatives could increase overall risk by magnifying the effect of both gains and losses in a Fund. As such, large changes in value and potentially large financial losses could result.

**Developing Market (excluding SA) Risk:** Some of the countries invested in may have less developed legal, political, economic and/or other systems. These markets carry a higher risk of financial loss than those in countries generally regarded as being more developed.

**Foreign Investment Risk:** Foreign securities investments may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations.

**Interest Rate Risk:** The value of fixed income investments (e.g. bonds) tends to be inversely related to interest and inflation rates. Hence their value decreases when interest rates and/or inflation rises.

**% Property Risk:** Investments in real estate securities can carry the same risks as investing directly in real estate itself. Real estate prices move in response to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations.

**Currency Exchange Risk:** Changes in the relative values of individual currencies may adversely affect the value of investments and any related income.

**Geographic / Sector Risk:** For investments primarily concentrated in specific countries, geographical regions and/or industry sectors, their resulting value may decrease whilst portfolios more broadly invested might grow.

**Derivative Counterparty Risk:** A counterparty to a derivative transaction may experience a breakdown in meeting its obligations thereby leading to financial loss.

**Liquidity Risk:** If there are insufficient buyers or sellers of particular investments, the result may lead to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than expected.

**Equity Investment Risk:** Value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

## RISK INDICATOR DEFINITION

The Portfolio is diversified across asset classes, although the portfolio's volatility may be dominated by the equities and fixed income portions. The equity portions is concentrated which comes with the risk of more volatile returns relative to the broader market when the stocks invested in underperform. The fixed income exposure may cause permanent capital loss for investors if an issuer of one of the instruments held in the fund defaults. Significant widening in credit spreads on instruments held in the fund can result in short term capital volatility but not permanent capital loss. This portfolio is permitted to invest in foreign securities which, within portfolios, may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of the market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.

## DISCLAIMER

Collective Investment Schemes in Securities (CIS) should be considered as medium to long term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate.

CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's 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. During the phase in period TER's do not include information gathered over a full year. 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. It 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 and the TER.

The Manager retains full legal responsibility for any third party named portfolio. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macro economic risks, political risks, foreign exchange risks, tax risks, settlement risks; and potential limitations on the availability of market information. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient by or before 13:00 (SA), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Funds are priced at either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website. This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request. For any additional information such as fund prices, brochures and application forms please go to [www.fairtree.com](http://www.fairtree.com)

**Management Company:** Prescient Management Company (RF) (Pty) Ltd., **Registration number:** 2002/022560/07 **Physical address:** Prescient House, Westlake Business Park, Otto Close, Westlake, 7945 **Postal address:** PO Box 31142, Tokai, 7966 **Telephone number:** 0800 111 899 **E-mail:** [info@prescient.co.za](mailto:info@prescient.co.za) **Website:** [www.prescient.co.za](http://www.prescient.co.za)

**Trustee:** Nedbank Investor Services, **Physical address:** 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709 **Telephone number:** +27 11 534 6557 **Website:** [www.nedbank.co.za](http://www.nedbank.co.za)

The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments SA.

**Investment Manager:** Fairtree Asset Management (Pty) Ltd, **Registration number:** 2004/033269/07 is an authorised Financial Services Provider (25917) 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:** Willowbridge Place, Cnr. Carl Cronje and Old Oak Road, Bellville, 7530 **Postal address:** PO Box 4124, Tygervalley, 7536 **Telephone number:** +27 86 176 0760 **Website:** [www.fairtree.com](http://www.fairtree.com)

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