

ANCHOR PROPERTY LONG SHORT SNN QI HEDGE FUND

Minimum Disclosure Document (MDD) – Class 1 | Issued 10 March 2020

February 2020

FUND PROFILE

The fund is suitable for investors with a long-term investment horizon seeking exposure to primarily local property assets.

FUND OBJECTIVE

The investment goal of the Anchor Property Long Short SNN QI Hedge Fund (the “Fund”) is to benefit from the potential outperformance of property in excess of the long-term cost of borrowing as measured by South African interest rates (12m JIBAR) plus 100bps. The fund buys and sells South African listed property and also uses fixed income markets, either as a source of financing or a hedge against interest rate movements.

FUND PERFORMANCE

Annualised returns	Feb'20	12-month	3-year	5-year	Since inception (Annualised)
Anchor Property Long Short SNN QI Hedge Fund	-10.09%	-16.13%	-4.53%	-0.95%	4.20%
Benchmark (JIBAR + 100bps)	0.65%	9.11%	9.36%	9.39%	9.05%

Source of Data: Bloomberg Date: 29/02/2020

The performance figure 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. The annualized total return is the average return earned by an investment each year over a given time period. 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 any single calendar year since the original launch date of the fund. The annualised performance figures prior to 1 August 2016 include returns earned prior to the fund being regulated under CISCA.

MANAGER COMMENTARY

Amidst the tumult caused by COVID-19 (coronavirus), the South African (SA) Property Index recorded its worst-ever monthly return in February 2020 - down 15.7%. However, it would appear that it is not fundamentals driving investors’ exit from the listed property sector. SA companies that are reporting results or supplying trading updates, although all emphasizing the difficult economic circumstances locally, do not seem under an existential threat. Apart from a small group such as Rebois and Delta, dividends are also still being paid. Rather, it seems that confidence in the sector is at all-time lows and there are significantly more sellers than buyers.

The JSE ended February red across the board, with the FTSE JSE All Share Index closing the month 10.1% down. Most of this move came when fears really came to the fore in the last week of February. However, at this date the property sector was already down 10% on the back of relentless selling across all stocks in the sector. Some of the fund’s largest weightings recorded precipitous falls in the ensuing mayhem and the largest contributors to the negative performance (-9.25% MoM) were:

- Fortress B: -33.2%
- Redefine: -24.48%
- Vukile: -18.11%
- Growthpoint: -16.55%

There were no profitable long positions with some of the downside being mitigated by a short position in German property company Sirius, which was down 9.7%.

Locally, Finance Minister Tito Mboweni also delivered his highly anticipated 2020 Budget Speech and, for the most part, it was favourably received by market analysts and economists. Mboweni said SA intends to cut c. R160bn from its public sector wage bill to contain a rising budget deficit. Clearly implementation will be key, but the focus on the expenditure side is a first in many years. In addition, as growth remains under massive pressure, the SA Reserve Banks will be under the microscope to cut interest rates - particularly given emerging global growth threats.

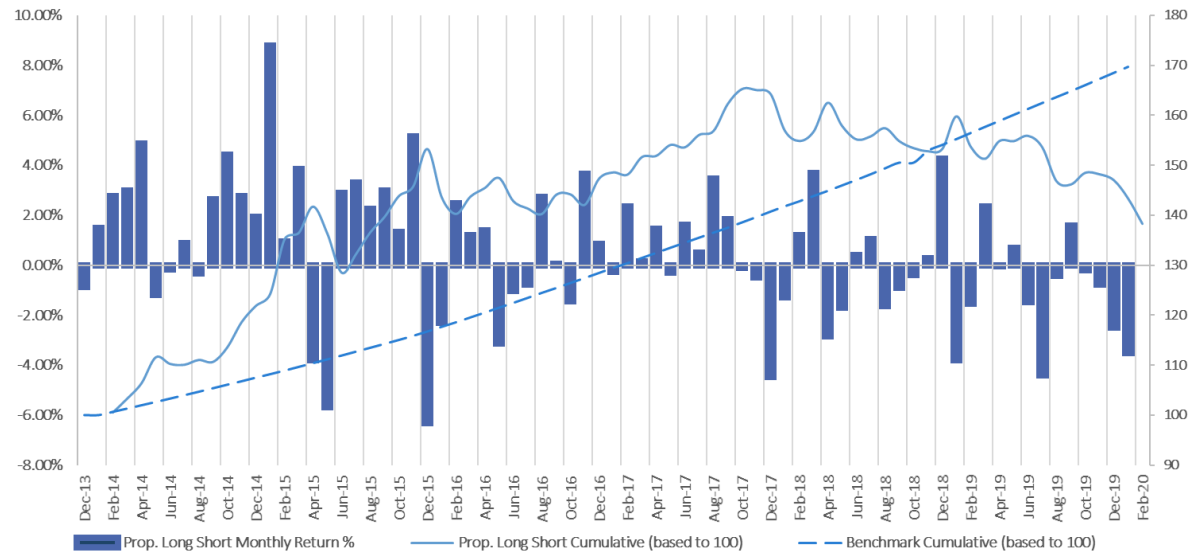
Although the outlook in SA is not positive, it would require an economic collapse for SA tenants not to pay any rent for property assets! Investors are thus advised to remain patient and calm and to take advantage of the largest yields available in the sector since the early 2000s.

MONTHLY RETURN PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	-0.88%	1.49%	2.75%	2.97%	4.88%	-1.19%	-0.16%	0.87%	-0.34%	2.62%	4.42%	2.75%	21.89%
2015	1.94%	8.78%	0.96%	3.84%	-3.82%	-5.70%	2.88%	3.30%	2.25%	2.98%	1.32%	5.25%	25.83%
2016	-6.31%	-2.30%	2.46%	1.19%	1.40%	-3.13%	-1.04%	-0.78%	2.73%	0.06%	-1.44%	3.67%	-3.86%
2017	0.85%	-0.29%	2.35%	0.16%	1.44%	-0.31%	1.61%	0.49%	3.44%	1.84%	-0.12%	-0.48%	11.47%
2018	-4.48%	-1.29%	1.19%	3.70%	-2.86%	-1.69%	0.39%	1.04%	-1.65%	-0.90%	-0.40%	0.27%	-6.70%
2019	4.27%	-3.81%	-1.55%	2.34%	-0.01%	0.68%	-1.47%	-4.42%	-0.43%	1.59%	-0.19%	-0.79%	-4.05%
2020	-2.49%	-10.09%											-12.33%

Performance stated net of management and performance fees. The annualised performance figures prior to 1 August 2016 include returns earned prior to the fund being regulated under CISCA.

INVESTMENT PERFORMANCE



Source of Data: Bloomberg Date: 29/02/2020

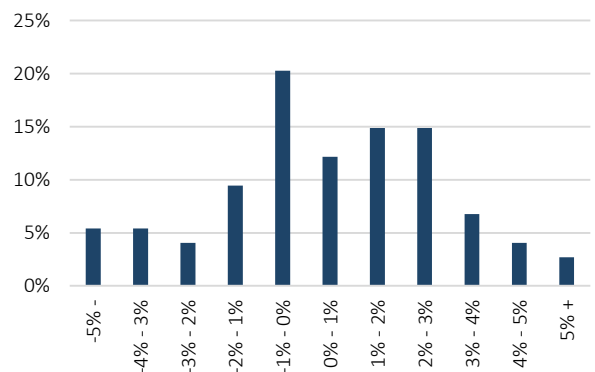
Note: the investment performance is for illustrative purposes only. The investment performance is calculated by taking the actual initial fees and all ongoing into account for the amount shown; and income is reinvested on the reinvestment date.

STATISTICS

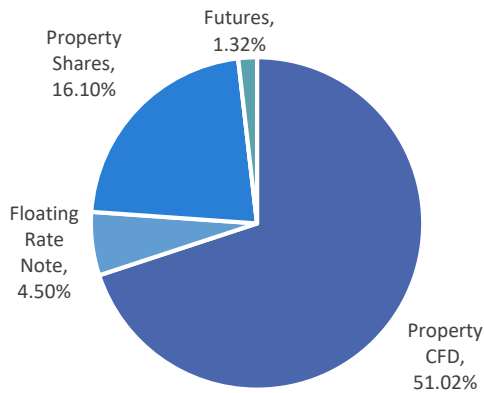
	End February 2020
Net Exposure	56.49%
Gross Exposure	78.83%
Cash + Net Exposure	143.20%
% of Positive Months	55%
% of Negative Months	45%
Sharpe Ratio (since inception)	-0.34
Annualised Daily Volatility (historic)	12.59%

Source of Data: Bloomberg Date: 29/02/2020

Frequency Distribution of Returns



ASSET ALLOCATION



HIGHEST/LOWEST 12-MONTH ROLLING RETURN

	Since Inception
HIGHEST 12-MONTH ROLLING RETURN	16.13%
LOWEST 12-MONTH ROLLING RETURN	-10.26%

RISK AND REWARD PROFILE



This indicator is based on historical data and may not be a reliable indication of the future risk profile of the portfolio. 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. The Manager does not provide financial advice. Our risk indicator does not imply that the portfolio is suitable for all types of investors. Please consult your financial adviser.

PORTFOLIO DETAILS

INVESTMENT MANAGER Anchor Capital (Pty) Ltd	ANNUAL MANAGEMENT FEE 1.0% (one percent)	BENCHMARK 12-month JIBAR + 100bps
PORTFOLIO MANAGER Glen Baker	PERFORMANCE FEE 20% over hurdle rate (benchmark) High watermark applies, uncapped	INCOME DISTRIBUTION (CPU) Annually
ASISA CLASSIFICATION Qualified Investor Hedge Fund – South African – Multi-Strategy	MINIMUM INVESTMENT R1,000,000.00	Dec 2019: 6 502.7183 cpu
LAUNCH DATE 29 January 2014 (Inception date) 1 August 2016 (CISCA transition date)	INITIAL FEE 0%	PORTFOLIO VALUATION Monthly
PORTFOLIO SIZE R28.79mn	TOTAL EXPENSE RATIO (incl. VAT)* Total Expense Ratio (TER): 1.86% Transaction Costs (TC): 0.33% Total Investment Charge (TIC): 2.19%	TRANSACTION CUT-OFF Last day of the month prior, for investment on the 1st day of the next month, 10:00am
PARTICIPATORY INTEREST 25 925 units	Performance Fee (PF) included in TER: 0.01%	
NAV PER UNIT 1 110.1384		

* 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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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).

Frequency Distribution: How often returns occur within a specified band.

Standard Deviation/Volatility: The deviation of the return of the portfolio relative to its average.

Sharpe Ratio: The ratio of excess return over the risk-free rate divided by the total volatility of the portfolio.

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 portion of total assets invested in specific assets, sectors or regions. Concentrated positions or concentrated sectors in a portfolio will materially 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 changes. 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.

Property Price Risk: Investments in real estate securities can carry the same risks as investing directly in real estate itself. Primary factors influencing property prices include supply and demand for property, the economic outlook and political landscape as well as interest rates.

MANDATORY DISCLOSURES

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 is available on request from the manager, as well as a detailed description of how performance fees are calculated and applied. The manager does not provide any guarantee in respect to the capital or the return of the portfolio. Excessive withdrawals from the fund may place the fund 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. Portfolios may be closed. Prices are published daily on our website and local media. Additional information, including Key Investor Information Documents, Minimum Disclosure Document, as well as other information relating to the portfolio is available, free of charge, on request from the manager.

Investors should note that 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 funds are invested in off-shore assets, performance is further affected by uncertainties such as changes in government policy, taxation, currency risk, 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. Should the portfolio invest into another Anchor co-named portfolio, the investing fund will be reimbursed for any net investment management fees incurred by this investment so that there is no additional fee payable to Anchor.

The manager is registered and approved by the Financial Sector Conduct Authority under the Collective Investment Schemes Control Act 45 of 2002. The manager retains full legal responsibility for the portfolio. Anchor Capital (Pty) Ltd (FSP No. 39834) is authorised under the Financial Advisory and Intermediary Services Act 37 of 2002 to render investment management services. FirstRand Bank Limited is the appointed trustee and can be contacted on 087 736 1732.

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