

SAFFRON SCI* ACTIVE BOND FUND

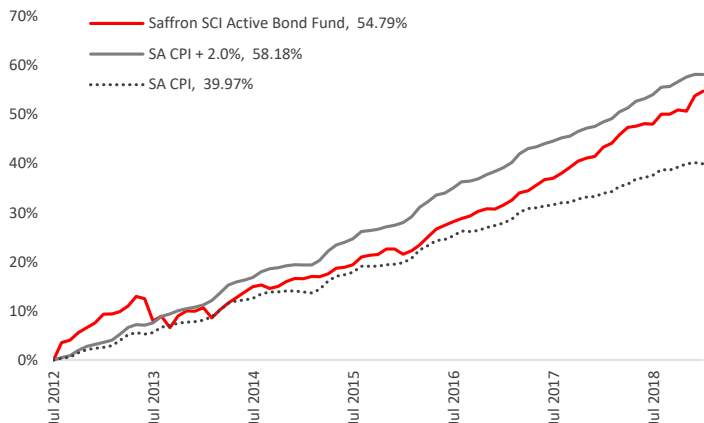
Class A I Minimum Disclosure Document (MDD)
As at 31 December 2018



Fund Performance

Since launch cumulative performance graph

The Saffron funds transitioned to Sanlam Collective Investments from MET Collective Investments on 02 December 2017.



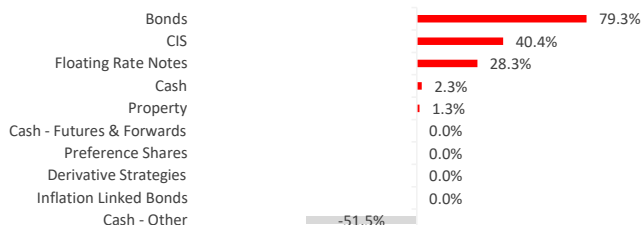
Monthly %	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18
Fund	0.57	1.14	1.07	0.16	0.33	-0.04	1.37	-0.01	0.58	-0.18	2.06	0.65
Benchmark	0.45	0.91	0.54	0.90	0.35	0.53	0.99	0.08	0.62	0.62	0.34	-0.01

Yearly (%)	Dec'09	Dec'10	Dec'11	Dec'12	Dec'13	Dec'14	Dec'15	Dec'16	Dec'17	Dec'18
Fund					1.20	5.36	4.25	8.25	8.99	7.96
Benchmark					7.40	7.31	7.23	8.76	6.70	6.50

	Cumulative Return (%)				Annualised Return (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 Year	7.97	6.50	6.57	4.50	7.97	6.50	6.57	4.50
3 Years	27.38	23.59	21.70	16.81	8.40	7.32	6.77	5.32
5 Years	39.93	42.22	35.73	29.45	6.95	7.30	6.30	5.30
Inception	54.81	58.18	45.68	39.97	6.95	7.31	5.96	5.31

Fund Holdings

Asset Allocation (%)



Risk Statistics (3 Year Rolling)

Standard Deviation	1.65
Sharpe Ratio	0.57
Information Ratio	0.82
Maximum Drawdown	-0.18

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2018

Highest Annual %	9.64 (Mar'18)
Lowest Annual %	-0.75 (Jan'14)

Risk Profile

Conservative

You prefer to receive stable income flows and are determined to keep your capital intact at all times. You understand that comfort means that you may not receive outsize returns but that your capital will be safe — and the likelihood of losing money is slim. The portfolio that gives you the most comfort consists primarily of income-oriented asset classes such as cash, nominal and inflation-linked bonds and property. You avoid too much exposure to equities because of their higher volatility.

Fees (Incl. VAT)

	(%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	-
Annual Management Fee	1.15
Performance Fee	No

*The legal registered name of this portfolio is: Saffron Sanlam Collective Investments Active Bond Fund
Saffron Sanlam Collective Investments Active Bond Fund I MDD as at 31 December 2018
Issue Date: 11 January 2019

Fund Objective

The portfolio is a specialist fixed interest portfolio that predominantly invests in nominal and inflation linked government and corporate bonds, and aims to provide inflation beating returns.

Fund Strategy

The portfolio may include interest bearing securities, money market instruments, preference shares, property shares and property related securities, non-equity securities and assets in liquid form. The manager may from time to time invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa and which are consistent with the portfolio's primary objective. For efficient portfolio management purposes, the Manager may invest in financial instruments (listed and unlisted) allowed by the Act in order to achieve its investment objective. In selecting securities for this portfolio, the Manager shall seek to secure a stable real capital growth in excess of the ruling inflation rate. The asset allocation will be actively managed and will continually reflect the portfolio manager's view of the relative attractiveness of the various asset classes and sectors. Exposure to property related securities will be capped to a maximum of 10% of the portfolio's net asset value. This portfolio will be managed in accordance with the regulations governing pension funds.

Fund Information

Ticker	MSIL
12 Month Yield (%)	3.12
Fund Manager	Brandon Quinn
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Conservative
Benchmark	CPI plus 2% p.a. over a 12 month rolling period
Fund Size	R256,347,043
Portfolio Launch Date	02 July 2012
Fee Class Launch Date	02 July 2012
Minimum Lump Sum Investment	R 10,000.00
Minimum Monthly Investment	R 500.00
Income Declaration Date	June & December
Income Pricing Date	1st business day of July & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media
Repurchase Period	2-3 business days

Distribution History (cents per unit)

02/01/2019:	3.96 cpu	04/12/2017:	3.04 cpu	01/07/2016:	1.22 cpu
02/07/2018:	3.48 cpu	03/07/2017:	3.07 cpu	30/05/2016:	2.10 cpu
02/01/2018:	0.36 cpu	03/01/2017:	2.73 cpu	04/01/2016:	2.16 cpu

Cost Ratios

	(%)
TER	1.42
TC	0.03
TIC	1.45

Total Expense Ratio (TER) is the percentage value of the Financial Product that was incurred as expenses relating to the administration of the Financial Product. 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. The TER presented is for the period 1 January 2015 to 30 September 2018.

Transaction Cost (TC) is the percentage value of the Financial Product that was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. 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.

Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

Administered by:



Annualised Returns

Annualised return is the weighted average compound growth rate over the period measured.

Asset Allocation

Asset allocation is the percentage holding in different asset classes (i.e. equities, bonds, property, etc.). It is used to determine the level of diversification in a portfolio.

Distributions

The income that is generated from an investment and given to investors through monthly, quarterly, bi-annual or annual distribution pay-outs.

Derivatives

Derivatives are instruments generally used as an instrument to protect against risk (capital losses), but can also be used for speculative purposes. Examples are futures, options and swaps.

Liquidity

The ability to easily turn assets or investments into cash.

Information Ratio

The Information Ratio measures the market risk-adjusted performance of an investment or portfolio. The greater a portfolio's Information Ratio, the better its risk-adjusted performance has been compared to the market in general.

LISP (Linked Investment Service Provider)

A Linked Investment Service Provider is a financial institution which packages, distributes and administers a broad range of unit trust based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

Maximum Drawdown

The maximum drawdown measures the highest peak to trough loss experienced by the fund.

Money Market Instruments

A money market instrument is a low risk, highly liquid, short-term (one year or less) debt instrument, issued by financial institutions or governments, that tend to have lower returns than high-risk investments.

Participatory Interests

When you buy a unit trust, your money is pooled with that of many other investors. The total value of the pool of invested money in a unit trust fund is split into equal portions called participatory interests or units. When you invest your money in a unit trust, you buy a portion of the participatory interests in the total unit trust portfolio. Participatory interests are therefore the number of units that you have in a particular unit trust portfolio.

Regulation 28

Regulation 28 of the Pension Funds Act sets out prudent investment limits on certain asset classes in investment funds. It applies specifically to investments in Retirement Annuities and Preservation Funds. The allowed maximum exposures to certain asset classes is: 75% for equities, 25% for property, 25% for foreign (offshore) assets and 5% African assets.

Risk-adjusted returns

Risk-adjusted return refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating.

Sharpe Ratio

The Sharpe Ratio measures total risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio's returns are due to excessive risk or not. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been (i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns).

Standard Deviation

Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected of an investment.

All reasonable steps have been taken to ensure the information on this MDD is accurate. The information to follow does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Use or rely on this information at your own risk. Independent professional financial advice should always be sought before making an investment decision. The Sanlam Group is a full member of the Association for Savings and Investment SA. Collective investment schemes are generally medium- to long-term investments. Please note that past performances are not necessarily a guide to future performances, and that the value of investments / units / unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available from the Manager, Sanlam Collective Investments (RF) Pty Ltd, a registered and approved Manager in Collective Investment Schemes in Securities. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. Actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Forward pricing is used. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The performance of the portfolio depends on the underlying assets and variable market factors. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Lump sum investment performances are quoted. The portfolio may invest in participatory interests of other unit trust portfolios. These underlying funds levy their own fees and may result in a higher fee structure for our portfolio. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA"). The Manager may borrow up to 10% the market value of the portfolio to bridge insufficient liquidity. The fund may from time to time invest in foreign instruments which could be accompanied by additional risks as well as potential limitations on the availability of market information. Investments in foreign instruments are also subject to fluctuations in exchange rates which may cause the value of the fund to go up or down. The fund may invest in financial instruments (derivatives) for efficient portfolio management purposes. Income funds derive their income primarily from interest-bearing instruments. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. Management of the portfolio is outsourced to Saffron Wealth (Pty) Ltd, (FSP) Licence No. 34638, an Authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002. Sanlam Collective Investments (RF) (Pty) Ltd retains full legal responsibility for the co-named portfolio. Standard Bank of South Africa Ltd is the appointed trustee of the Sanlam Collective Investments scheme. Sources of Performance and Risk Data: Morningstar Direct, INET BFA and Bloomberg. The risk-free asset assumed for the calculation of Sharpe ratios: STEFI Composite Index. The highest and lowest 12-month returns are based on a calendar year period over 10 years or since inception where the performance history does not exist for 10 years. Obtain a personalised cost estimate before investing by visiting www.sanlamunittrustsmdd.co.za and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

Investment Manager**Saffron Wealth (Pty) Ltd**

(FSP) Licence No. 34638

Physical Address: B5 Octo Place, Electron Road, Technopark, Stellenbosch, 7599

Postal Address: Suite 426, Private Bag X5061, Stellenbosch, 7599

Tel: +27 (21) 880 7080

Email: info@saffronwealth.com

Website: www.saffronwealth.com

Manager Information**Sanlam Collective Investments (RF) (Pty) Ltd**

Physical Address: 2 Strand Road, Bellville, 7530

Postal Address: P.O. Box 30, Sanlamhof, Bellville, 7532

Tel: +27 (21) 916 1800

Email: service@sanlaminvestments.com

Website: www.sanlamunittrusts.co.za

Trustee Information**Standard Bank of South Africa Ltd**

Tel: +27 (21) 441 4100

Email: compliance-sanlam@standardbank.co.za

The fund returned 2.55% and 7.97% for the quarter and year respectively. In comparison, the benchmark (CPI plus 2% p.a. over a 12-month rolling period) returned 0.95% and 6.50%. Over a rolling 1-year period, the fund exceeded the benchmark return by 1.47%.

For the quarter the fund underperformed against the All Bond Index (ALBI), which returned 2.80%, but outperformed over the year (7.74%). The fund increased duration to 5.29 (vs ALBI duration of 7.20) from 3.50 years over the quarter, whilst also increasing the gross running yield to 11.01% from 10.00%.

The top-performing asset class for the quarter was nominal bonds (All Bond Total Return Index) which returned a strong 2.80%. Cash and Inflation Linked Bonds returns were also positive at 1.82% and 0.43% respectively, while Equities (ALSI Total Return) and Property (JSAPYTR Index) had negative returns of -4.88% and -3.99% respectively. The top performing asset class for the year was nominal bonds (+7.74%) followed closely by cash (+7.29%). The major losers were Property (-25.26%) and Equities (-8.53%).

Foreigners were net sellers of ZAR6bn and ZAR58bn worth of South African Government Bonds (SAGBs) over the month and year respectively. Record sales by foreigners reduced foreign holdings of SAGBs to the lowest level in 20 months (slightly more than 38%), according to National Treasury data. The nominal curve continued to steepen over the quarter as the generic 2-year bond yield traded lower at 5.95% (-160bps). The generic longer-dated bond yields traded slightly lower: 5-yr at 8.10% (-38bps), 10-yr at 9.69% (-12bps) and 30-yr at 9.90% (-1bp).

The market has been expecting a slowdown in the Fed's pace of hikes in 2019. Fed Chair, Jerome Powell, stated that the Fed Funds rate was close to the neutral rate in December, having made four rate hike announcements over the year totalling 100bps, lifting the target range to 2.25% - 2.50%. The FOMC median policy rate expectation has since been lowered to two rate hikes in 2019, one less than previously expected. The long run neutral rate for the Fed funds rate was reduced to 2.75% from 3.00%. Concerns of a trade war induced slowdown in global and US growth, financial market volatility, and geopolitical risks have motivated a slower pace of rate hike expectations. The Fed currently estimates growth at 3.0% and 2.3% and CPI at 1.9% and 2.0% in 2019 and 2020 respectively.

The US 10-year Treasury yield came off its calendar high of 3.24% to end the year at 2.68%. The Dollar Index traded slightly lower (-1.01), closing the quarter and year at 96.17. 3-Month USD Libor increased meaningfully over the quarter, closing at 2.81% (up 43bps). The US 30-year mortgage reached a seven-year high (4.82%) in the fourth quarter but traded 31bps lower at 4.51% at year-end.

Global credit experienced a challenging fourth quarter. The US AAA 10-year Corporate spread increased by 38bps to 130bps over the quarter whilst on the lower end of the credit spectrum, the Markit iBoxx USD Liquid High Yield Index lost 3.06% over the period but managed to nonetheless finish the year in positive territory (+0.66%). The VIX Index, which measures risk sentiment, surged to 25.4 at year-end, from 12.1 at the end of 3Q18.

The European Central Bank (ECB) announced at the December meeting that it has ended its QE programme. The ECB will however continue reinvesting proceeds from maturing bonds, maintaining the size of their balance sheet. Inflation in the Eurozone is expected to reach 1.7% and 1.8% in 2019 and 2020 respectively. The ECB expects growth to print at 1.7% in 2019 but cited increasing downside risks to the forecast. The bank remains very dovish and continues to emphasise an unchanged policy rate view until at least 3Q19. If Eurozone growth weakens and inflation falls below projections, no hikes are expected for 2019.

The Bank of England (BoE) kept the bank rate on hold at 0.75% however remains committed to tighter monetary policy over the medium term. The bank remains concerned with the outcome of Brexit, rising inflationary pressures, and softer growth.

Oil had an extremely volatile fourth quarter, reaching a four-year high of USD86.00 per barrel, followed by a 35% decrease to below USD54.00 per barrel. An oversupply and lack of demand remain major concerns for the industry. At their December meeting, OPEC and a few non-members, agreed to cut production by 1.2mpbd, effective January 2019, for an initial period of six months. China's Manufacturing PMI fell to 49.7 in December, marking the first time that the measure has been in contractionary territory. A further slowdown in the world's second largest economy and biggest oil importer, could contribute to a further decline in the oil price.

On balance, Emerging Markets returns were negative over the fourth quarter. The J.P. Morgan Emerging Market Bond Spread increased to 445bp (+61bps) over the period. Credit default spreads, including Mexico (+42bps), South Africa (+20bps), China (+11bps) and Russia (+7bps), widened slightly over the quarter.

SA headline and core inflation printed at 5.2% YOY (previously 5.1%) and 4.4% (previously 4.2%) respectively. The increases were due to higher contributions from the alcoholic beverages and tobacco as well as miscellaneous goods and services components. Transport inflation lifted to 10.7% YOY from 10.5% but is expected to drop in the coming months as the price of fuel declined significantly in December (184c/litre and 145c/litre drop in petrol and diesel prices respectively). The Department of Energy is expecting another sizeable price cut of c. 130c/litre in January 2019. Eskom has applied to NERSA for the approval of a 15.0% tariff increase over the 2019/20 to 2021/22 periods. Subsidising fuel price pressures should contribute to an improvement in the inflation profile, but administered prices, especially electricity tariffs, will continue to put pressure on inflation. Consensus is for inflation to print above the mid-point of the target range over the twelve to eighteen month forecast horizon.

The South African Reserve Bank (SARB) hiked the repo rate by 25bps to 6.75%, citing that it sees risks to the upside for longer-term inflation. Factors contributing to this higher inflation outlook include tighter global financial conditions; a weaker rand; higher wage growth; higher oil prices; and rising electricity and water tariffs. The vote was split 50/50 in favour/against a rate hike among the 6-member committee. The SARB continues to have four 25bp hikes reflected in its quarterly projection model (QPM) by end-2020 whilst inflation was revised downwards to 4.7%, 5.5% and 5.4% in 2018, 2019 and 2020 respectively. Growth was also revised downwards to 0.6% in 2018 (previously 0.7%) and unchanged at 1.9% in 2019 and 2.0% in 2020.

S&P affirmed SA's sovereign credit rating at BB foreign-currency and BB+ local-currency with a stable outlook. Fitch also affirmed the sovereign rating at BB+ with a stable outlook. The agencies note that the country has a flexible monetary system, a well-capitalised financial sector and deep local capital markets, but persistently low GDP growth as well as the increased risk posed by SOEs, remains a concern.

SA officially exited a recession as 3Q18 GDP printed at 2.2% QOQ. The rebound was broad-based however the growth outlook for SA still remains poor as Eskom announced nation-wide power outages as a "last resort to protect the power system from a total collapse or blackout" due to coal shortages. This will weaken growth in key areas such as manufacturing. The current account deficit for 3Q18 printed at 3.5% of GDP, from 3.4% previously. Some improvement should be seen as subdued domestic demand and the lagged impact of a weaker rand supports the trade balance, but the bleak outlook for the SA mining sector remains a key risk.

On a rolling one-year basis, the fund aims to exceed a benchmark of CPI +2.0% and the total return of the South African All Bond Index.

Portfolio Manager

Brandon Quinn
BCom, CFA

Assistant Manager

Anina Swiegers
BCom (Hons), CFA