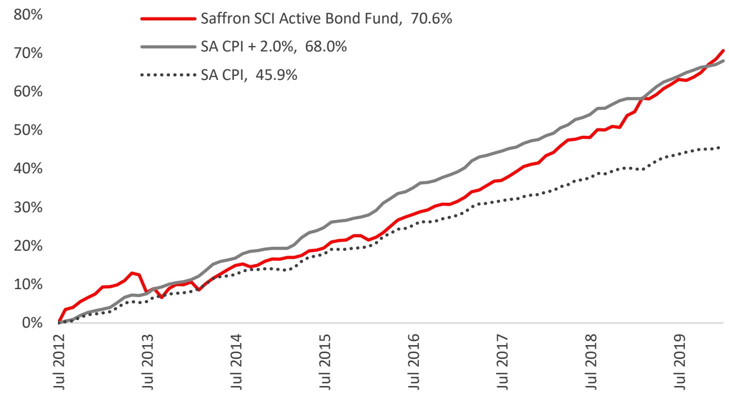
SAFFRON SCI* ACTIVE BOND FUND

Class A | Minimum Disclosure Document (MDD)
As at 31 December 2019

Fund Performance

Since launch cumulative performance graph

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



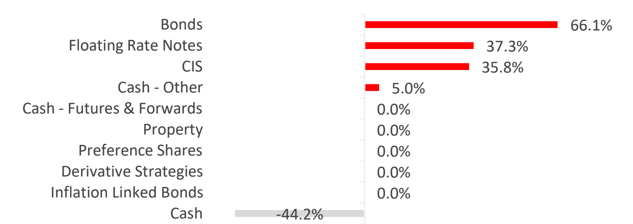
Monthly %	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19
Fund	2.27	-0.11	0.68	1.02	0.68	0.75	-0.15	0.54	0.69	1.27	0.83	1.34
Benchmark	-0.01	0.97	0.97	0.78	0.43	0.52	0.52	0.43	0.43	0.17	0.25	0.58

Yearly (%)	Dec'10	Dec'11	Dec'12	Dec'13	Dec'14	Dec'15	Dec'16	Dec'17	Dec'18	Dec'19
Fund			9.33	1.20	5.36	4.25	8.25	8.99	7.96	10.24
Benchmark			3.56	7.40	7.31	7.23	8.76	6.70	6.49	6.20

	Cumulative Return (%)				Annualised Return (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 Year	10.24	6.19	6.64	4.19	10.24	6.19	6.64	4.19
3 Years	29.72	20.66	21.47	13.99	9.06	6.46	6.70	4.46
5 Years	46.40	40.72	37.30	28.06	7.92	7.07	6.55	5.07
Inception	70.66	67.96	55.35	45.83	7.39	7.16	6.05	5.16

Fund Holdings

Asset Allocation (%)



Risk Statistics (3 Year Rolling)

Standard Deviation	1.95
Sharpe Ratio	0.82
Information Ratio	1.06
Maximum Drawdown	-0.18

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2019	
Highest Annual %	10.82 (Oct'19)
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	-
Maximum Annual Advice Fee	1.15
Annual Management Fee	1.15
Performance Fee	No

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 (%)	5.98
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
Regulation 28 Compliant	Yes
Fund Size	R273,709,239
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)

02/01/2020:	4.71 cpu	02/07/2018:	3.48 cpu	03/07/2017:	3.07 cpu
01/07/2019:	3.66 cpu	02/01/2018:	0.36 cpu	03/01/2017:	2.73 cpu
02/01/2019:	3.96 cpu	04/12/2017:	3.04 cpu	01/07/2016:	1.22 cpu

Cost Ratios	(%)
TER	1.55
TC	0.05
TIC	1.60

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 October 2016 to 30 September 2019.

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:

*The legal registered name of this portfolio is: Saffron Sanlam Collective Investments Active Bond Fund

Glossary Terms

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.

Additional Information

Investment Manager
Saffron Wealth (Pty) Ltd
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SAFFRON WEALTH
FUND MANAGEMENT

Administered by:
Sanlam

Fund Manager Quarterly Comment - As at 31 December 2019

The fund returned 3.48% and 10.24% for the quarter and year respectively. In comparison, the benchmark (CPI plus 2% p.a. over a 12-month rolling period) returned 1.00% and 6.19%. Over a rolling 1-year period, the fund exceeded the benchmark return by 4.05%. For the quarter, the fund outperformed the All Bond Index (ALBI) which returned 1.73%. The fund increased duration to 3.92 years from 2.78 years versus the ALBI's duration which decreased by 23bps to 6.83 years. The running yield was increased to 10.66% from 10.10% over the quarter, compared to the ALBI's running yield at 9.15% as at quarter end.

Equities (ALSI Total Return) were the top performer for the quarter at +4.64%, followed by Cash at +1.74% (STEFI Total Return), Bonds at +1.73% (ALBI Total Return Index) and Property at +0.58%. Inflation-linked bonds returned -0.91% for the quarter. Over a rolling 12-month basis, Equities were the top performer at +12.05%, followed by Bonds at +10.32% and Cash at +7.29%. Property posted the lowest return of +1.93%.

The US Federal Reserve announced its last policy rate decision for the year, maintaining the Fed Funds target rate range at 1.50% to 1.75%. The Fed cut rates three times over the course of 2019. The FOMC stated that the labour market continues to remain strong, household spending is rising at a strong pace, but that business investment remains weak. Inflation continues to remain below the 2.0% target. The dot plot now expects rates to remain unchanged in 2020, with one hike each in 2021 and 2022. The US House of Representatives impeached President Donald Trump on charges of abuse of power and obstructing of Congress. The Senate will hold a trial early in 2020 to decide whether the president should be convicted on the charges and removed from office. With the Republicans holding the majority in the chamber, the expectation is for President Trump to be acquitted. The US 10-year Treasury yield traded 25 bps higher (1.67% to 1.92%) at quarter end, while the Dollar Index weakened significantly from 99.38 to 96.39. 3-Month USD Libor decreased to 1.91%, down 18 bps and 90 bps QTD and YTD respectively.

European yields continue to move higher: the German 10-year generic yield became less negative, trading 18 bps higher at month-end at -0.19%, while the French 10-year yield rose 17 bps and moved into positive territory, closing the month at 0.12%. The Bank of England (BOE) kept interest rates unchanged at 0.75% at their last meeting of the year on the 19th of December. Two members voted for a 25bp cut in rates citing the lower growth outlook and a turn in labour markets as concerns. The committee voted unanimously to hold the stock of gilts and corporate bonds at GBP 435bn and GBP 10bn respectively. Inflation is expected to remain below the bank's 2.00% target until late into 2021. The UK held their general elections on the 12th of December, which resulted in a resounding victory for Boris Johnson's Conservative Party. The election outcome should provide Mr Johnson's Brexit plan passing Parliament, however a lot of uncertainty around the future trading agreements remains. The last European Central Bank (ECB) meeting on 12 December went as expected, with the new Bank president, Christine Lagarde, announcing that interest rates would be kept stable at 0.0% and that rates will remain unchanged until inflation increases to the target rate of below but close to 2.0%. The asset purchase programme will continue until shortly before the ECB deems the time as appropriate to begin raising rates.

The Commodity Research Bureau (CRB) indices recovered in the fourth quarter. The CRB Commodities Index returned 3.6% (-1.9% YTD), with the CRB Metals Index returning 4.4% (-9.4% YTD). The CRB Food Index returned 4.8%. At quarter end, Brent traded at USD66.00, up 8.6% for the quarter. The rand price per barrel was flat for the quarter as the rand appreciated by 7.88% against the dollar, trading at ZAR926.89 per barrel (+0.3%). Platinum (+9.5% QTD, +21.5% YTD), copper (+8.0% QTD, +3.4% YTD), palladium (+16.1% QTD, +54.2% YTD), and gold (+3.0% QTD, +18.3% YTD) performed strongly.

The J.P. Morgan Emerging Market Bond Index traded slightly higher at 881.83 at quarter end (up 2.1%). The JPM EMBI Spread closed the quarter at 298.02 (down 25.42 bps).

Emerging Market 5-year Credit Default Swap spreads tightened: Turkey's spread tightened the most (-75.85 bps), followed by Mexico (-36.96 bps), Russia (-30.81 bps), South Africa (-30.09 bps) and China (-16.50 bps). The VIX Index, which measures risk sentiment, traded lower at the end of the quarter at 13.78 from 16.24.

Over the quarter, the rand appreciated against most of the major currencies, including the British pound (+0.6%), the Australian dollar (+4.1%), the US dollar (+7.9%), the Euro (+5.1%) and the Japanese yen (+8.2%).

The South African Reserve Bank (SARB) kept the repo rate unchanged at 6.50% at the November MPC meeting. Two members preferred rates to be lowered. The QPM now projects a 25bp cut in the third quarter of 2020, in contrast to the September meeting where the model showed no changes over the period. The Governor reiterated that the committee 'would like to see inflation expectations anchored closer to the mid-point of the inflation target range on a sustained basis'. The MPC assesses the risk to inflation as balanced. Headline inflation came in at 3.6% y/y for November, in line with expectations, down from 3.7% y/y in October. The 0.1% decline in the number is attributed to a decline in the transport component. Food inflation remained stable at 3.5% y/y.

The third quarter GDP disappointed after printing at -0.6% q/q, even less than the expected 0.0% q/q. Growth moderated to 0.1% y/y. Six of the 10 sectors contracted in the quarter, with the biggest decline coming from mining (-6.1 % q/q), transport (-5.4%) and utilities (-4.9%). The trade sector and general government services sector managed to grow by more than 2.0% q/q. General sentiment is however still weak amid growing concern of the underwhelming pro-growth reform traction and an increasingly fragile global economy. The current account deficit widened to 4.0% of GDP from 2.9% previously, the highest level since 1Q19. The figures reflect a weak trend in exports while imports rebounded. The value of net gold exports dropped for the third quarter in a row.

State-owned enterprises (SOEs) are continuing to put fiscal pressure on the SA government. South African Airways was placed under business rescue and has since entered a process to allow 'radical restructuring' under which the carrier will receive R4bn in funding. This process will however allow SAA to continue operating. Electricity producer Eskom has implemented load shedding towards the end of the year as sabotage contributed to record power cuts across South Africa. Eskom warned that the power system continues to remain 'vulnerable and unpredictable'.

In November, Moody's kept South Africa's rating at investment grade, but changed the outlook to negative from stable. Moody's also significantly changed SA's position on the scorecard, moving it down two notches, from the Baa1-Baa3 range, to the Baa3-Baa2 range (Baa3 is investment grade, while Ba1 is non-investment grade). The next rating decision will take place in March 2020. In December, Fitch kept South Africa's long term foreign and local currency debt ratings at BB+, one notch below investment grade, with a negative outlook. According to the ratings agency, SA's ratings are constrained by low growth, high and rising government debt, large contingent liabilities as well as the risk of rising social tension due to high inequality. The ratings however remain supported by a strong institutional framework, a favourable government debt structure and deep local markets.

Non-residents were net buyers of South African bonds (+R3.8bn), taking the YTD outflow to R28.8bn. The short end of the curve including the R208, R2023 and R186 returned a total return of 0.56%, 1.19% and 1.88% for the quarter respectively. The longer-dated R2030 bond recorded a 1.99% return, however the strongest positive returns came from the R2048, which returned 2.65% for the quarter. Spreads widened over the quarter, steepening the yield curve on the back of a deteriorating long-term outlook for the South African sovereign. The R2030-R186 spread traded at 77bps from 68bps (+9bps), the R209-R186 spread increased by 24bps to 152bps and the R2048-R186 spread widened by 23bps to 183 bps. The long end of the curve will remain under pressure as the outlook for SA's fiscal position deteriorates.

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

SAFFRON WEALTH
FUND MANAGEMENT

Portfolio Manager
Brandon Quinn
BCom, CFA
Assistant Manager
Anina Swiegers
BCom (Hons), CFA

Administered by:
Sanlam