SAFFRON SCI* QUALIFIED HEDGE FUND ONE

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

Fund Performance

Since launch cumulative performance graph

The Saffron SCI Qualified Hedge Fund One was formerly registered as the S-Alt Zeta Qualified Hedge Fund. The name change was approved with a change of investment policy, and as such the historic fund performance ceases to exist.*

Yearly %	Dec'15	Dec'16	Dec'17	Dec'18	Dec'19
Fund					
Benchmark					

	Cumulative Return (%)		Annualised Return (%)	
	Fund	Benchmark	Fund	Benchmark
1 Year				
2 Years				
3 Years				
4 Years				
5 Years				
Since Inception				

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2019

Highest Annual %	
Lowest Annual %	

Risk Statistics

	3 Year Rolling	Since Inception
Standard Deviation		
Sharpe Ratio		
Sortino Ratio		
Information Ratio		

Value at Risk (10-day, 99% confidence)

	Current	Regulatory Maximum	Mandate
VaR at period end	3.24%	20.00%	20.00%

Sources of Leverage

Leverage Sources	Absa Prime Services
Leverage Type	Total Return Swap
Leverage Value (ZAR)	87,000,000.00
Gearing Ratio	3.80
Maximum Gearing Per Mandate	4.00

Counterparty Exposure (%)	
Absa Prime Services	100.00%

1) All performance prior to the CIS establishment date are actual net of fee performances in pre regulated investment structures.
2) Where return and risk figures are quoted for periods greater than 12 months, these returns are annualised. In other words, they are scaled to represent an equivalent one year measure.
3) VAR represents the statistical loss that the Fund can experience given its current holdings over a one Month period with a 1% probability.
4) Sources of leverage are from equity and / or fixed interest derivatives provided by the Prime Broker. The types and sources of leverage are based on strategies that implement derivatives, short selling and borrowed money as by the Prime Broker. Leverage is calculated using the Commitment approach.
5) Portfolio stress testing is performed by subjecting a portfolio through extreme market situations, and noting the portfolio profit and loss, value at risk and exposure movements.
6) In some circumstances asset hypothecation exists and is limited within the contracting arrangements with the different counter parties.

*The legal registered name of this portfolio is: Saffron Sanlam Collective Investments Qualified Hedge Fund One
MDD as at 31 December 2019
Issue Date: 13 January 2020

Fund Objective

The objective of the fund is to provide consistently superior risk-adjusted returns to investors through exploiting opportunities that present in interest rate and derivative markets.

Fund Manager Details

Investment Manager	Saffron Wealth (Pty) Ltd
FAIS Disclosure	Saffron Wealth (Pty) Ltd is an authorised Financial Services Provider under the Financial Advisory and Intermediary
Fund Manager	Brandon Quinn

Fund Information

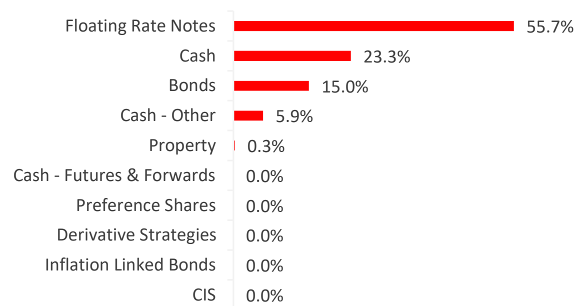
Fund Classification	Qualified Investor Hedge Fund
Base Currency	South African Rand (ZAR)
Inception Date	01 September 2016
Benchmark	STeFI
Risk Profile	High
Liquidity Risk Profile	Monthly
Fund Valuation Time	17:00
Transaction Cut Off Time	14:00
Monthly Price Information	Morningstar
Min. Lump Sum Investment	ZAR 1,000,000.00
Min. Recurring Investment	ZAR 1,000,000.00
Valuation Frequency	Monthly
Valuation Dates	Last day of each month
Income Distribution Freq.	Quarterly
Income Declaration Dates	Last day of March, June, September & December
Income Payment Dates	First business day of April, July, October & January
Fund Size	ZAR 23,584,217.01
Asset Duration	0.56
Fund Duration	2.79

Distribution History (cents per unit)

02/01/2020: 0.00 cpu

Fund Holdings

Asset Allocation (%)



Fees (Incl. VAT)

	(%)
Asset Management Fee	1.15% p.a. payable monthly
Broker Advisory Fee (max)	1.15%
Performance Fee	20% of profits above (i) STeFI and (ii) the high water mark, payable quarterly
Total Expense Ratio (TER)	Published after one year per regulation
TER (Excluding Performance Fee)	Published after one year per regulation

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 TER's. The TER will only be provided after one year.

The performance fee is accrued daily, based on performance over a rolling one year period with payment to the manager being made monthly. Performance fees will only be charged once the performance fee benchmark is outperformed. A copy of the Performance Fee Frequently Asked Questions can be obtained from our website: www.sanlaminvestments.com

Administered by:

Glossary Terms

Collective Investment Schemes (CIS)
Collective Investment Schemes (also called unit trusts) are portfolios of assets such as equities, bonds, cash and listed property, in which investors can buy units. They allow private investors to pool their money together into a single fund, thus spreading their risk across a range of investments, getting the benefit of professional fund management, and reducing their costs.

Distributions
The income that is generated from an investment and given to investors through quarterly distribution payouts.

Fixed-interest investments
Fixed interest funds invest in bonds, fixed-interest and money market instruments. Interest income is a feature of these funds and, in general, capital should remain stable. A fixed-interest investment aims to offer investors a regular income at a set interest rate, which can be fixed over a specified term. If interest rates fall, the fixed interest investment typically becomes more valuable. Conversely if interest rates rise, the value of the investment will fall. The interest provides you with a fixed amount at regular intervals. So this is usually a very predictable way of getting an income from your investment.

LISP (Linked Investment Service Providers)
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.

Leverage
This refers to the use of various financial instruments or borrowed capital, such as margin, to increase the potential return of an investment.

Value at Risk (VaR)
A statistical technique used to measure and quantify the level of financial risk within a firm or investment portfolio over a specific time frame. Value at risk is used by risk managers in order to measure and control the level of risk which the firm undertakes. The risk manager's job is to ensure that risks are not taken beyond the level at which the firm can absorb the losses of a probable worst outcome.

Encumbrance or Rehypothecation
The practice by banks and brokers of using, for their own purposes, assets that have been posted as collateral by their clients. Clients who permit rehypothecation of their collateral may be compensated either through a lower cost of borrowing or a rebate on fees.

Total Expense Ratio (TER)
This is the total costs associated with managing and operating an investment (excluding administration, financial planning and servicing fees). These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund's total assets under management to arrive at a percentage amount, which represents the TER.

Qualified Investor
Any person, who invests a minimum investment amount of R1 million per hedge fund, and who –
(a) has demonstrable knowledge and experience in financial and business matters which would enable the investor to assess the merits and risks of a hedge fund investment; or
(b) has appointed a FSP who has demonstrable knowledge and experience to advise the investor regarding the merits and risks of a hedge fund investment;

Qualified Investor Hedge Fund or QI Fund (QIF)
A hedge fund in which only qualified investors may invest.

Additional Information

Sanlam Collective Investments (RF) Pty Ltd ("SCI") is a registered and approved Manager in Collective Investment Schemes in Securities and is a member company of the Sanlam Group. The Sanlam Group is a full member of the Association for Savings and Investment SA. The management of investments are outsourced to the authorised Financial Services Provider ("FSP") as stated in this Minimum Disclosure Document ("MDD").

While CIS in hedge funds differ from CIS in securities (long-only portfolios) the two may appear similar, as both are structured in the same way and are subject to the same regulatory requirements. The ability of a portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. A manager may, in exceptional circumstances, suspend repurchases for a period, subject to regulatory approval, to await liquidity and the manager must keep the investors informed about these circumstances. Further risks associated with hedge funds include: investment strategies may be inherently risky; leverage usually means higher volatility; short-selling can lead to significant losses; unlisted instruments might be valued incorrectly; fixed income instruments may be low-grade; exchange rates could turn against the fund; other complex investments might be misunderstood; the client may be caught in a liquidity squeeze; the prime broker or custodian may default; regulations could change; past performance might be theoretical; or the manager may be conflicted.

The information contained in this MDD does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act, and should be read in conjunction with the Upfront Disclosure Document. Use of or reliance on this information is at own risk. Independent professional financial advice should be sought before making an investment decision. Collective investment schemes are generally medium-to long-term investments. The portfolio may invest in other unit trust portfolios which levy their own fees, and may result in a higher fee structure for our portfolio. This fund has no Initial Fees. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA"). The fund may from time to time invest in foreign instruments. If the fund holds assets in foreign countries it could be exposed to the following risks regarding potential constraints on liquidity and the repatriation of funds: macro-economic, political, foreign exchange, tax, settlement and potential limitations on the availability of market information. The Manager has the right to close any portfolios to new investors to manage the fund more efficiently in accordance with their mandates. The Manager retains full legal responsibility for the third-party named portfolio. The portfolio management of all the portfolios is outsourced to financial services providers authorised in terms of the Financial Advisory and Intermediary Services Act, 2002. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value ("NAV") 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. Where referenced, annualised returns describe the average amount of money earned by an investment each year over a given time period. Cumulative return is the aggregate return of the portfolio for a specified period. 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. Please note that past performance is not necessarily a guide to future performance, and that the value of participatory interests / units in investments / unit trusts may go down as well as up. The promulgation of hedge fund regulations in 2015 prompted the launch of this fund on the stated launch date. As a result, the returns of the fund prior to the launch date are presented as either simulated or actual returns based on past experience in pre-regulated structures. The level of counterparty exposure is restricted to funds that are administered by Sanlam Collective Investments and the respective prime brokers of the underlying portfolio. A schedule of fees and charges and maximum commissions is available from the Manager, SCI. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge on the SCI website (www.sanlamcollectiveinvestments.com).

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SAFFRON WEALTH FUND MANAGEMENT

Administered by: Sanlam

Fund Manager Quarterly Comment - As at 31 December 2019

The Saffron SCI* Qualified Hedge Fund One was formerly registered as the S-Alt Zeta Qualified Hedge Fund. The fund name and investment strategy change was approved by the FSCA Regulator during June of 2019. The investment track record of the Saffron SCI* Qualified Hedge Fund One investment strategy therefore starts from June 2019 and in line with Board Notice 92 of the Collective Investments Schemes Control Act, may only be published after 12 months from inception of the new fund. Performance returns will therefore be published from the end of July 2020.

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.

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'.

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.

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.

The trend in the secondary credit market continued over the past three months as investors hunted for yield-enhancing assets both globally and locally. Significant oversubscriptions in public auctions of corporate debt has continued to push primary market issuance spreads to the bottom-end of auction price guidance levels.

At the end of Q4 2019, the fund was 3.8x geared, below the maximum gearing of 4.00x allowed by the fund mandate. The fund had a 25.0% allocation to cash, which includes the gearing liquidity requirement. The largest asset class exposures were to Floating Rate Notes (55.7%) and Fixed Rate Bonds (15.0%). The Value-at-Risk (VaR) risk measure (99% confidence, 10-day period) calculated by the external risk oversight stood at 3.24%. The asset-pool continued to out-perform the gearing cost over the quarter and is expected to generate further out-performance as the cash holdings are deployed.

The fund aims to enhance total return through value opportunities that, on a geared and risk-adjusted basis, achieve or exceed our hurdle return of STeFI.

Portfolio Manager
Brandon Quinn
BCom, CFA

Assistant Manager
Anina Swiegers
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SAFFRON WEALTH FUND MANAGEMENT

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