SAFFRON SCI* QUALIFIED HEDGE FUND ONE

Class A l Minimum Disclosure Document (MDD)
As at 31 March 2020

SAFFRON WEALTH
FUND MANAGEMENT

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 %	Mar'16	Mar'17	Mar'18	Mar'19	Mar'20
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 31/03/2020

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	3.12%	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	3.50
Maximum Gearing Per Mandate	4.00

Counterparty Exposure (%)	
Absa Prime Services	100.00%

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

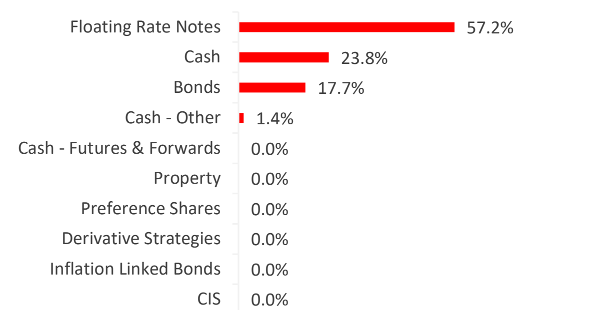
Fund Classification	Qualified Investor Hedge Fund
Base Currency	South African Rand (ZAR)
Inception Date	01 September 2016
Benchmark	STeFI
Risk Profile	High
Liquidity Risk Profile	Monthly
Fund Valuation Time	17:00
Transaction Cut Off Time	14:00
Monthly Price Information	Morningstar
Min. Lump Sum Investment	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 22,433,729.83
Asset Duration	0.91
Fund Duration	3.19

Distribution History (cents per unit)

01/04/2020:	0.00 cpu
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

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.

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:

Sanlam

*The legal registered name of this portfolio is: Saffron Sanlam Collective Investments Qualified Hedge Fund One
MDD as at 31 March 2020
Issue Date: 24 April 2020

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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Administered by:

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.

Global markets plummeted as the Covid-19 pandemic rapidly spread globally and markets responded to the impending catastrophic economic consequences. Policy responses vary in detail, however are consistent in their primary approaches: implement lockdowns to protect populations and provide monetary and fiscal stimulus to support the economy.

The pandemic has had a significant impact on global economic data releases. PMI surveys for the Eurozone, UK and US printed at record lows and in the US, initial jobless claims were measured at 3283k, 4.5 times the previous record high. The US Federal Reserve (Fed) has already cut interest rates by a cumulative 150 bps this year at two separate emergency meetings. The Fed further committed to open-ended Quantitative Easing (QE), approved a USD2trn fiscal stimulus package, and asserted that there is further capacity to ease should it be required. The US 10-year yield fell to 0.67%, 125 bps lower over the quarter. The Dollar Index strengthened significantly from 96.39 to 99.05, in line with global risk aversion, and 3-month USD Libor decreased to 1.45%, down 46 bps QTD.

The Bank of England (BoE) MPC left the Bank rate at 0.10% and held total targeted asset purchases at GBP645bn. The European Central Bank (ECB) followed the Fed and pledged 'unlimited' monetary stimulus through bond buying and other plans. European yields rose, but still remain negative: the German 10-year generic yield rose by 14bp to end the quarter at -0.47%, while the French 10-year moved 27bp higher to close the quarter at -0.02%.

The Commodity Research Bureau (CRB) Commodity Index returned -8.03% for the quarter, with the CRB Metals Index and Food Index returning -11.85% and -9.26% respectively. The March 8 collapse in global oil prices (-30.0% in on a single day!) resulting from a relationship breakdown between Saudi Arabia and Russia during the OPEC+ meeting, compounded market fears regarding Covid-19 with the impact thereof specifically on emerging market oil producers. Brent crude oil dropped -65.6% over the quarter (from USD 66.25 TO USD 22.74 dollars per barrel). Other growth commodities also performed poorly with Platinum, Copper and Iron Ore down -25.0%, -20.6% and -8.7% respectively. Gold, Palladium and Rhodium remained the best performers up 5.0%, 23.5% and 76.9% respectively.

Covid-19 fears have seen global risk aversion rocket, destroying value in both emerging markets and risky financial assets as investors flee for safety. The VIX Index, which measures risk sentiment, traded at 53.5 at the end of the quarter from a low 12.5 and a high of 82.69. The J.P. Morgan Emerging Market Bond Index (EMBI) Sovereign Spread widened more than 240 bps, trading at 543.3 versus 302.6 at the beginning of the year. The JPM EMBI Index lost -11.9%. Emerging Market 5-year Credit Default Swap spreads widened drastically: Russia's spread widened the most (+262.7 bps), followed by Indonesia (+236.9 bps), Mexico (+213.5 bps), Brazil (+184.6 bps) and South Africa (+159.8 bps). China and Turkey's spreads only widened by +68.0 bps and 68.4 bps respectively.

In South Africa, Cash was the top performing asset class for the quarter (+1.69%) and the year (+7.25%). Property was the worst performer at -48.15%, followed by Equities (ALSI Total Return) at -21.38%, Bonds (ALBI) at -8.72% and Inflation-linked bonds (CILI) at -6.61%. Over the quarter, the rand depreciated significantly against most of the major currencies, including the yen (-28.3%), US dollar (-27.4%), euro (-24.4%), pound (-19.0%) and Australian dollar (-10.7%).

The South African Reserve Bank unanimously decided to reduce the repo rate by 100bps to 5.25% (which exceeded the consensus view for a 50bps cut) as it emphasised the risks to economic growth posed by the Covid-19 pandemic. Although the QPM (Quarterly Projection Model) points to three more cuts of 25 bps each, the MPC decided to front-load the cuts at the March meeting. The SARB expects inflation to moderate significantly to 3.4% in 2Q20 (previously 4.7%) with lower oil prices. The rand has depreciated by 17.2% against the USD since the January meeting, but the pass-through is expected to be muted by weak domestic demand. The economy is expected to contract in 2020 due to the effects of the pandemic and the unreliable power supply. The SARB therefore expects GDP growth to shrink by -0.2% in 2020, 1.0% in 2021 and 1.6% in 2022.

The fourth quarter GDP contracted by -1.4% q/q, worse than the -0.2% consensus estimate, making this the second successive year where the economy recorded a technical recession. On the production side, the contraction in GDP was driven by agriculture, manufacturing, electricity, construction, trade and government sectors and taxes and subsidies (together subtracting -2.2% from growth). Mining and finance sectors contributed 0.7%. Continued load shedding, together with the negative impact of the Covid-19 pandemic will most likely cause an outright contraction in growth in 2020. Lower than expected growth poses a significant risk to an already weak fiscus.

Foreigners were net sellers of bonds, with a substantial R55.6bn outflow in March. Further outflows are still expected following the Moody's downgrade of South Africa to Ba1 from Baa3. The sovereign's negative outlook was retained given the risks to growth and fiscal metrics (both revenue and expenditure) which could result in a worsening of the debt trajectory and reduce SA's access to international funding. FTSE Russell confirmed that the WGBI reweighting will however be delayed until May. Due to liquidity shortages, the SARB was prompted to intervene in the market via open market operations. These included supplementary daily overnight repurchase auctions, offering 7-day and 3-month term repurchases in weekly auctions, and the purchasing of government bonds in the secondary market. This relieved some of the pressures, but the yield curve remains very steep. The R208 and R2023 (both short-end) recorded a 1.77% and 0.51% return for the month respectively. The longer end produced large negative returns, with the 10-year R2030 returning -10.60% and the 30-year R2048 returning -11.88% for the month of March.

South African USD credit spreads widened significantly over the period in line with global credit risk appetite. Domestic credit risk premia have similarly widened although not to the same extent. Liquidity in the South African bond and credit market has been assisted by direct liquidity provided by the SARB through its Repo program.

At the end of Q1 2020, the fund was 3.5x geared, below the maximum gearing of 4.00x mandate limit and an effective 23.8% allocation to cash. The largest asset class exposures were to Floating Rate Notes (57.2%) and Fixed Rate Bonds (17.7%). The Value-at-Risk (VaR) risk measure (99% confidence, 10-day period) calculated by the independent risk managers stood at 3.12%. The asset-pool is expected to outperform the gearing cost going forward, given the significant decrease in the overnight rate (down 200 bps) and the increase in the running yield of the underlying assets (9.26% gross per annum).

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
BCom (Hons), CFA

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Sanlam