



31 DEC
2014

SAFFRON MET INFLATION LINKED BOND FUND

Fund category	South Africa - Multi Asset - Income*	Fund size	R526.526 million
Fund description	An actively managed fund that aims to provide inflation beating returns	NAV	111.28 cents per unit
Launch date	02 July 2012	Benchmark	CPI +2.0% over 12 month rolling period
Portfolio manager/s	Deon van Zyl	TER¹	1.16%
		Modified duration	3.47 years
		Risk profile	Low / Moderate

FUND OBJECTIVE & BENCHMARK

The Saffron MET Inflation Linked Bond Fund is a specialist fixed interest portfolio that consists of inflation linked bonds, government bonds, corporate bonds and other interest bearing securities, money market instruments, preference shares, property shares and property related securities, non-equity securities and assets in liquid form. The fund's objective is to deliver a return of 2.0 % over CPI (over 12 month rolling period, net of fees) on a sustainable basis.

INVESTMENT MANDATE

The fund seeks to secure stable real capital growth in excess of the headline inflation rate. The fund adopts an active asset allocation and will reflect Saffron's best view of relative attractiveness of the assets in the investable universe. The fund shall maintain an exposure to inflation linked bonds of at least 50% depending on the portfolio manager's view of the interest rate cycle and inflation expectations. Exposure to property related securities may be actively varied but shall not exceed 10% of the fund's net asset value.

TECHNICAL OVERVIEW

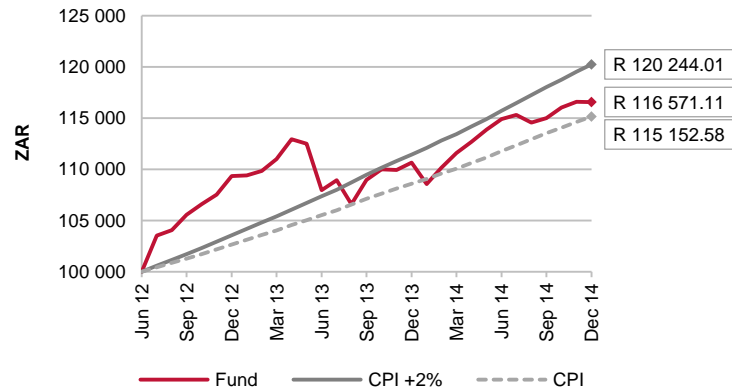
Original Buying Price:	100 cents
FSP upfront comm. (max):	0%
Annual Service fee:	1.14% (incl. VAT)
Performance fee:	None
Minimum lump sum:	R5 000
Min. monthly investment:	R500
Income distribution 2014:	2.65 cpu
Date of income declaration:	30 Jun / 31 Dec
Date of income payment:	2nd working day of Jul / Jan
Valuation time:	15h00
Transaction time:	14h00

PERFORMANCE

As at 31/12/2014

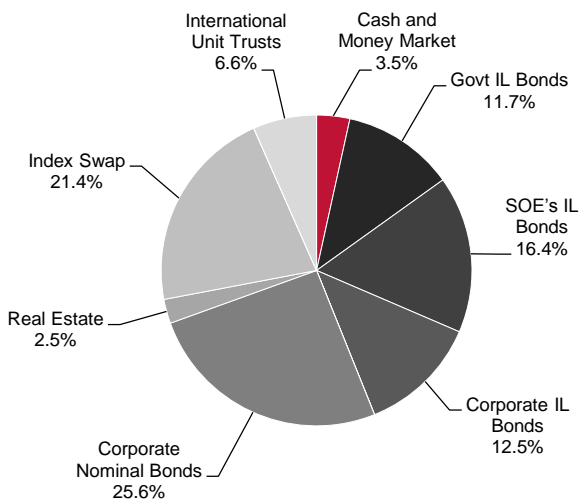
	1 Year	2 Year	Since inception (annualised)	Since inception (cumulative)
Fund	5.4%	6.6%	6.3%	16.6%
Benchmark	7.9%	15.9%	7.6%	20.2%

Growth of ZAR100 000 investment since fund inception



SECTOR ALLOCATIONS

As at 31/12/2014



FAIS CONFLICT OF INTEREST DISCLOSURE

Please note that in most cases where the FSP is a related party to Saffron Wealth (Pty) Ltd and/or MET Collective Investments (RF) (Pty) Ltd, Saffron Wealth (Pty) Ltd and/or the distributor earns additional fees apart from the FSP's client advisory fees. It is the FSP's responsibility to disclose additional fees to you as a client. Such fees are paid out of the portfolio's service charge and range as follows (excl VAT):

CIS Manager	Up to 0.10%
Saffron Wealth (Pty) Ltd	Up to 0.90%
Distribution	Up to 0.25%
LISP Rebate	Up to 0.25%
Performance fee	100% to investment manager
Total Service Charge	1.00%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2014	-1.87%	1.47%	1.29%	0.97%	1.08%	0.91%	0.34%	-0.64%	0.37%	0.90%	0.50%	-0.03%
Fund 2013	0.05%	0.41%	1.06%	1.74%	-0.38%	-4.03%	0.89%	-2.15%	2.22%	0.96%	-0.05%	0.63%
Fund 2012							3.52%	0.51%	1.45%	0.96%	0.90%	1.67%

The fund returned 1.38% and 5.36% respectively for the quarter and year. African Bank had a negative effect of just over 1 percent on the overall return for the year. Nominal- and inflation-linked bonds performed well in an environment where the SARB increased the repo rate by 75 basis points.

Global and emerging markets were characterised by massive volatility in 2014. The main themes being a strong dollar being supported by stronger US economic growth and falling inflation due to lower oil prices as well as slower growth in China and Europe.

Significantly weaker commodity markets pose a threat to the growth outlook, though lower oil prices are beneficial to South Africa's external balances. The country's growth outlook is being threatened by electricity shortages and labour demands. We expect lower oil prices to push inflation lower across the region while delaying policy tightening

in some markets, such as South Africa. Headline inflation should ease sharply in 2015 on the back of lower oil prices, touching a low of 3.5% y/y in Q2.

Real yields have remained sticky amid lower turnover and a stabilisation in the supply / demand balance. The decline in nominal yields has caused a renewed compression in BEI, to 5.6%, alongside falling survey-based inflation expectations.

Global markets are already pricing in less restrictive policy from the Fed and easier policy from the ECB reflected in the level of yields and in the Euro's weakness.

Given our inflation view, we expect ILBs to underperform nominal bonds in the medium term.

DISCLOSURES

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