

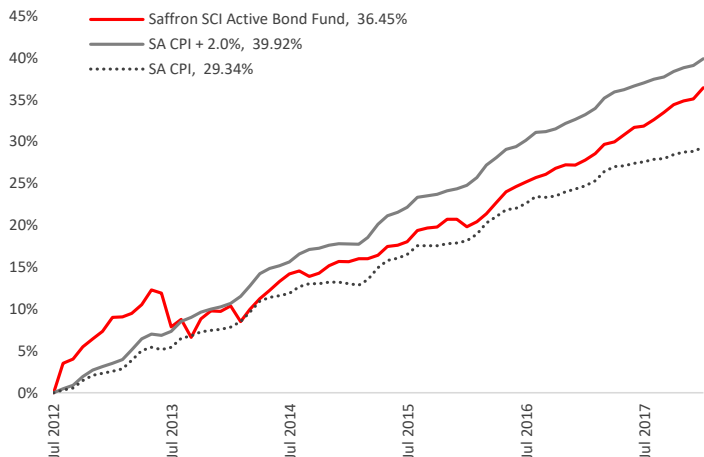
SAFFRON SCI* ACTIVE BOND FUND

Class A I Minimum Disclosure Document (MDD)
As at 31 December 2017



Fund Performance

Since launch cumulative performance graph



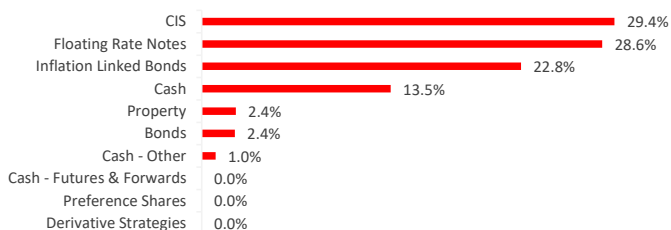
Monthly %	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17
Fund	0.79	1.10	0.30	0.84	0.89	0.16	0.76	0.87	0.93	0.44	0.23	1.34
Benchmark	0.76	1.24	0.74	0.26	0.45	0.36	0.45	0.26	0.65	0.45	0.26	0.82

Yearly (%)	Dec'08	Dec'09	Dec'10	Dec'11	Dec'12	Dec'13	Dec'14	Dec'15	Dec'16	Dec'17
Fund						1.35	5.28	4.19	7.96	8.65
Benchmark						7.17	7.09	7.01	8.44	6.70

	Cumulative Return (%)				Annualised Return (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 Year	8.99	6.90	6.90	4.70	8.99	6.90	6.90	4.70
3 Years	21.50	22.89	19.52	16.69	7.15	7.63	6.50	5.56
5 Years	28.05	37.60	29.72	27.40	5.57	7.52	5.94	5.48
10 Years								

Fund Holdings

Asset Allocation (%)



Risk Statistics (3 Year Rolling)

Standard Deviation	1.62
Sharpe Ratio	0.02
Information Ratio	-0.28
Maximum Drawdown	-0.88

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2017

Highest Annual %	8.65 (Dec'17)
Lowest Annual %	-0.57 (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	3.42
Maximum Annual Advice Fee	-
Annual Management Fee	1.14
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 2017
Issue Date: 15 February 2018

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 (%)	7.51
Fund Manager	Deon van Zyl
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	R486,318,406.00
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)

31/12/2017	0.36 cpu	30/06/2017:	3.06 cpu	30/06/2016:	1.22 cpu
01/12/2017:	3.03 cpu	31/12/2016:	2.73 cpu	30/04/2016:	2.10 cpu

Cost Ratios

	(%)
TER	1.40
TC	-
TIC	1.40

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 and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product. The TER presented is for the period 1 July 2014 to 30 June 2017.

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.sanlamunitrustsmdd.co.za and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

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The global macro backdrop remains healthy, supported by global growth, contained inflation pressures and a likely cautious approach to withdrawing stimulus by policy makers. This lead to a low volatility environment throughout the quarter which benefited the risk on trade. The current bull run in global equities is one of the longest in history, though valuations are stretched. The Fed's hiking cycle has seen UST 10-yr yields increasing, resulting in curve-flattening, with concurrent rising in US real interest rates. However, the EMBI spread has been narrowing due to strong growth expectations and higher commodity prices.

S&P Global cut SA's long-term foreign currency sovereign credit rating by another notch to 'BB' from 'BB+'. This means that SA is now two notches below Investment Grade (IG). S&P also lowered the local currency (LC) rating to sub-investment grade, i.e. to 'BB+' from 'BBB-'. Both ratings were assigned a stable outlook, implying further near-term downgrades are unlikely. The LC rating of S&P and Moody's is used as the criteria to determine the inclusion of a country's bonds to key global indices, most notably the Citibank World Government Bond Index (WGBI). The downgrade to below IG from S&P, which means that two of the three major agencies have junked SA bonds, has already forced SA out of the Barclays Global Aggregate Index. However, Moody's placed both SA's long-term foreign and LC ratings on a 90-day review for a downgrade. This suggests that if the February 2018 Budget does not include credible measures to improve SA's medium-term GDP growth outlook and stabilise public debt levels, Moody's will cut SA to junk status.

During 3Q17, the current account deficit decreased from -2.4% of GDP to -2.3%. This was slightly wider than forecast: a hefty rise in non-listed dividends paid were the main reason for the worse-than-expected figure, due mainly to worsening investor sentiment. Stripping this out, the deficit would have been 2.0% of GDP.

CPI inflation is likely to bottom out soon, but some upside risks to the trajectory have abated materially, although new ones seem to be manifesting. Headline inflation is likely to reach a cyclical low point in 1Q18. However, we think the SARB is likely to look through current rand strength and keep rates on hold at 6.75%.

The October Medium-Term Budget Policy Statement (MTBPS) was a notable disappointment as it failed to provide any guidance on how government planned to consolidate the public debt over the medium term. This raised the risk of further credit rating downgrades. Fiscal policy is a major weakness with a projected revenue shortfall in FY 17/18 of 1.0% of GDP according to the latest Treasury forecast and large upside spending risks in FY 18/19 from the public-sector wage negotiations and President Zuma's promise of free university education.

A positive outcome from the ANC National Conference saw the year end with a strong rally in both bonds and currency markets. Dollar/Rand ended the month 9.6% lower at 12.38, while Euro/Rand moved 8.8% to end at 14.85%.

Nominal bonds were the top-performing asset class for the month, generating 5.6% return, while inflation linkers returned 4.9%. Cash and property returned 0.56% and 4.21% respectively.

The Fund returned 8.99% and 1.34% for the year and month respectively, beating the fund benchmark handsomely. We sold nominal bonds into strength in December and maintained the weighting of inflation linked bonds. Exposure to Steinhoff was minimal through a 1/19th of a credit link note the fund holds.

Portfolio Manager

Deon van Zyl
BCom (Hons)

