


31<sup>MAR</sup>  
2013

## SAFFRON MET INFLATION LINKED BOND FUND

Fund category	South Africa - Multi Asset - Income*	Fund size	R464.98 million
Fund description	An actively managed fund that aims to provide inflation beating returns	NAV	110.04 cents per unit
Launch date	02 July 2012	Benchmark	CPI +2.0% over 12 month rolling period
Portfolio manager/s	Deon van Zyl	TER <sup>1</sup>	1.22%
		Risk profile	 Low / Moderate

### 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 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.

### QUARTERLY COMMENTARY

The fund returned 1.53% for the quarter, 5.12% for the 6 month and 11% since inception (2nd July 2012). Domestically, the Rand depreciated from 8.49 to 9.21 over the quarter, losing approximately 8.50% and raising the domestic price of Brent crude by 6.12% despite an overall fall in the international price of oil by 2.18% over the same period. Interest rate risks are currently balanced, with upside risks due to deteriorating inflation expectations and government bond supply and downside risks a result of economic growth concerns. Excluding any exogenous shock factors (which are not easily excluded), we foresee a range bound interest rate market for the remainder of 2013, albeit within larger ranges than the previous year. Consumer inflation rose to 5.9% y/y in February from 5.4% in January, above market expectations of 5.6%. The rand remains the key inflation risk, susceptible to further weakness on both international and local developments, specifically the hitherto deteriorating current account, consumer confidence, and unpredictable labour unrest. From a policy perspective the SARB continues to maintain the REPO rate at 5% since the cut in July 2012. We expect CPI inflation to breach the upper 6% limit of the SARB's 3-6% target range in by the middle of 2013 however the SARB is unlikely to change its stance in 2013 unless the record poor consumer confidence levels and the trend of falling retail sales reverses. Over the last quarter the fund tactically increased its inflation exposure into credit as well as investing in property stock. We continue to seek value opportunities that on a risk adjusted basis will achieve our fund objective.

### 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 2012:	N/A
Date of income declaration:	30 Jun / 31 Dec
Date of income payment:	2nd working day of Jul / Jan
Valuation time:	15h00
Transaction time:	13h00

### FAIS CONFLICT OF INTEREST DISCLOSURE

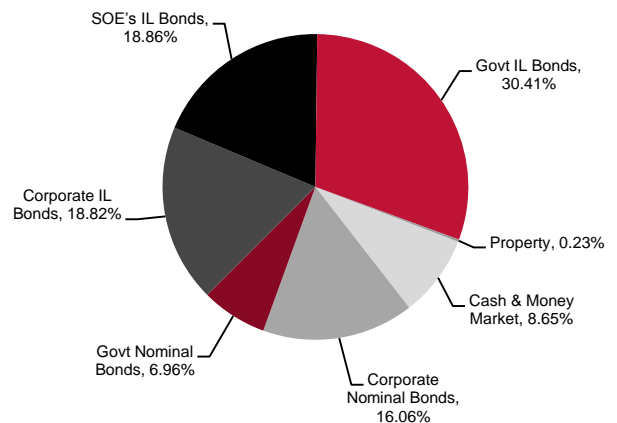
Please note that in most cases where the FSP is a related party to Saffron Wealth (Pty) Ltd and/or MET, Saffron Wealth (Pty) Ltd and/or the distributor earns additional fees apart from the FSP's client advisory fees. It is the FSP's responsibility to disclose additional fees to you as a client. Such 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
<b>Total Service Charge</b>	<b>1.00%</b>

### 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.

### SECTOR ALLOCATIONS



### PERFORMANCE

Returns since inception (02/07/12)	Fund	CPI +2.0%
Cumulative returns	11.00%	5.54%

### DISCLOSURES

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