



31 DEC 2013

SAFFRON MET OPPORTUNITY INCOME FUND

Fund category	South African - Multi Asset - Income*	Fund size	R991.841 million
Fund description	An actively managed fund that aims to deliver higher levels of income than a pure income fund	NAV	111.77 cents per unit
Launch date	02 June 2008	Benchmark	Stefi + 2.0% p.a.
Portfolio manager/s	Brandon Quinn	TER¹	1.17%
		Risk profile	Low/Moderate

FUND OBJECTIVE & BENCHMARK

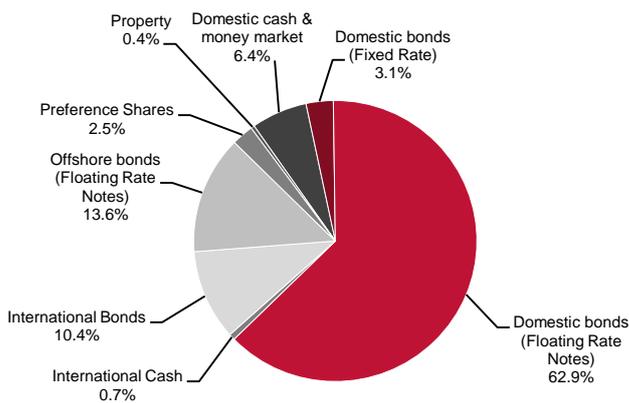
The Saffron MET Opportunity Income Fund aims to seek opportunities to deliver a reasonable level of sustainable income and stability on capital invested. The fund's objective is to deliver a return of 2.0% over the STeFI index on a sustainable basis.

INVESTMENT MANDATE

The fund has a flexible mandate with no prescribed maturity or duration limits. The fund can invest in a wide variety of interest or yield bearing instruments, including, but not limited to cash deposits, money market instruments and debentures, government and corporate bonds, convertible bonds as well as preference shares, property securities, and assets in liquid form. The portfolio may from time to time invest in financial instruments, in accordance with the provisions of the Act, and Regulations, as amended from time to time, in order to achieve the portfolio's investment objective. The manager may also include forward currency, interest rate and exchange rate swap transactions for efficient portfolio management purposes. With the purpose to seek opportunities to enhance the portfolio's income return, the portfolio may invest in securities such as equity linked notes that are exposed to price movements in the equity markets as well as derivative instruments such as futures and options linked to the equity exposure of equity linked notes and other such instruments. The portfolio may also invest in participatory interests and other forms of participation of collective investment schemes, registered in South Africa and other similar schemes.

SECTOR ALLOCATIONS

As at 31/12/2013



RISK STATISTICS

Since launch

	Fund	Benchmark
Positive months	97.01%	100%
Annualised deviation	2.91%	1.56%
Maximum gain	2.31%	1.10%
Maximum drawdown	-2.36%	0.00%
Modified duration	0.63 years	N/A

The recommended investment horizon is 12 months and longer. The fund may have limited exposure to non-equity growth securities that will cause price variations on a day to day basis making it unsuitable as an alternative to money market investments over short investment horizons of less than 12 months.

SUITABLE FOR INVESTORS

- Seeking significant return enhancement over cash
- Looking for innovative and active investment management within the fixed interest space
- Requiring managed exposure to efficient income generating investments
- With an investment horizon of 12 to 36 months

TECHNICAL OVERVIEW

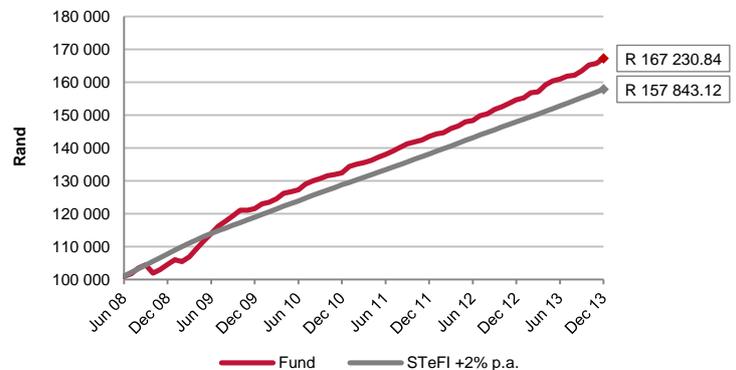
Original buying price:	100 cents
FSP upfront comm. (max):	0%
Annual service fee:	1.14% (incl. VAT)
Performance fee:	None
Minimum lump sum:	R5 000
Min. monthly investment:	R500
Income distribution 2013:	6.40 cpu
Date of income declaration:	31 Mar / 30 Jun / 30 Sept / 31 Dec
Date of income payment:	2nd working day Apr / Jul / Oct / Jan
Valuation time:	15h00
Transaction time:	13h00

PERFORMANCE

As at 31/12/2013

Returns since inception (02/06/2008)	Fund	STeFI +2.0%
Unannualised returns	67.23%	57.84%
Annualised returns	9.65%	8.51%

Growth of R100 000 investment since fund inception



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 0.85%
Saffron Wealth (Pty) Ltd	Up to 0.15%
Distribution / LISP	Up to 0.40%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2013	0.38%	1.00%	0.19%	1.40%	0.73%	0.37%	0.49%	0.18%	0.88%	1.03%	0.32%	0.91%
Fund 2012	0.59%	0.24%	0.86%	0.56%	0.86%	0.29%	0.95%	0.40%	0.92%	0.47%	0.71%	0.68%
Fund 2011	1.48%	0.50%	0.38%	0.50%	0.68%	0.61%	0.71%	0.83%	0.82%	0.42%	0.36%	0.74%

QUARTERLY COMMENTARY

The fund returned 8.16% for the calendar year 2014, outperforming the STEFI Index (at 4.68%) by 3.48%. The final quarter returned 2.28% and 3.87% for the previous 6 months. For the same period, the domestic All Bond Index returned 0.13% for the quarter and 0.64% for the year. On the global front, the timing surrounding the Quantitative Easing by the US Federal Reserve was again the main driver of both bond and equity price volatility over the quarter. The Fed perceived there to be sufficient green shoots to announce the start of the tapering program, leaving room in the statement for flexibility on timing and scale. US Treasuries sold off some 15% (in yield terms) followed closely by emerging market currencies and debt. Over the quarter, the benchmark RSA government bond yield rose c.20BP whilst the domestic currency lost a further c.5%. Both were driven to a large extent by foreign participation in the South African bond market where foreign ownership swung from a net buyer position to that of net sellers in Q4 with sales in excess of R16bn for the quarter. On the commodity side, Gold lost c.6.4% and Brent Crude gained 2.6% in dollars and 6.39% in the local currency. Looking at the CRB Commodity Index constituents for the past quarter, the Food component lost 9.6%, the Livestock component lost 11.8% whilst the Metals component gained 6.3% and Textiles were almost flat. These input tailwinds have to some degree assisted the domestic CPI declined retrace back to 5.3% in November, having recently peaked in August at 6.4%. The current fundamental outlook for inflation is balanced with risk to the upside remaining currency driven. The disappointing domestic growth backdrop, negative manufacturing and mining sentiment and lagging job creation makes the likelihood of policy rate increases unlikely in the near term. The fund maintained its short duration position for the quarter, continuing our preference for a strategic duration of below 6 months. We continue to see specific opportunity in short-dated credit and the opportunities created by an overall increase in market volatility. We continue to seek value opportunities that, on a risk adjusted basis, will achieve our objective of Cash (STEFI) +2%.

DISCLOSURES

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