



31 DEC 2014

SAFFRON MET OPPORTUNITY INCOME FUND

Fund category	South African - Multi Asset - Income*
Fund description	An actively managed fund that aims to deliver higher levels of income than a pure income fund
Launch date	02 June 2008
Portfolio manager/s	Brandon Quinn

Fund size	R 697.274 million
NAV	108.91 cents per unit
Benchmark	Stefi + 2.0% p.a.
TER ¹	1.20%
Risk profile	Low/Moderate

FUND OBJECTIVE & BENCHMARK

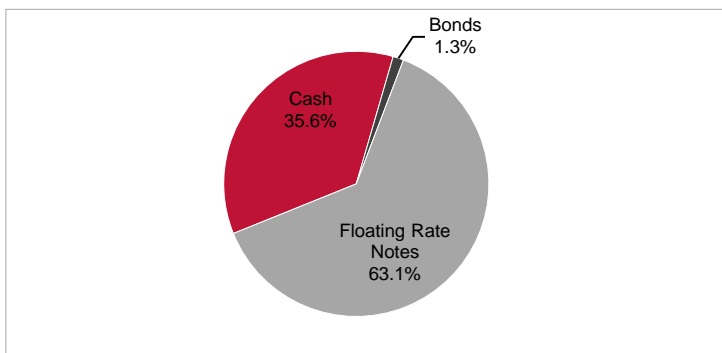
The Saffron MET Opportunity Income Fund aims to seek opportunities to deliver a reasonable level of sustainable income and stability on capital invested. The fund's objective is to deliver a return of 2.0% over the STeFi index on a sustainable basis.

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 31/12/2014



Total Effective Non-ZAR Exposure	-0.21%
Modified Duration (years)	0.28
Running Yield (excl. fees & capital movement)	8.43%

RISK STATISTICS

Since launch

	Fund	Benchmark
Positive months	92.41%	100%
Annualised deviation	3.06%	1.58%
Maximum gain	2.31%	1.15%
Maximum drawdown	-2.36%	0.00%

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

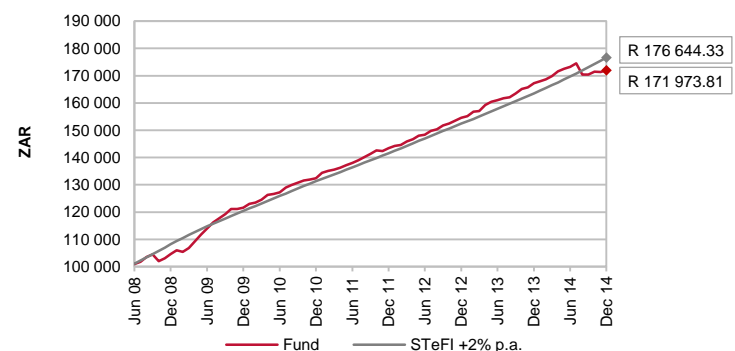
Original buying price:	100 cents
FSP upfront comm. (max):	0%
Annual service fee:	1.14% (incl. VAT)
Performance fee:	None
Minimum lump sum:	R 5 000
Min. monthly investment:	R500
Income distribution 2014:	5.75 cpu
Date of income declaration:	31 Mar / 30 Jun / 30 Sept / 31 Dec
Date of income payment:	2nd working day Apr / Jul / Oct / Jan
Valuation time:	15h00
Transaction time:	14h00

PERFORMANCE

As at 31/12/2014

	1 Year	2 Year	Since inception (annualised)	Since inception (cumulative)
Fund	2.8%	11.2%	8.6%	72.0%
Benchmark	8.0%	15.9%	9.0%	76.6%

Growth of ZAR100 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 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 0.85%
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 2014	0.41%	0.48%	0.68%	1.00%	0.58%	0.41%	0.75%	-2.34%	-0.03%	0.65%	-0.09%	0.35%
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%

QUARTERLY COMMENTARY

The fund returned +0.35% for the month of December and +0.91% for the last quarter of 2014. For the same period, the domestic All Bond Index returned +4.25% and the STEFI Index +1.55%.

Quarterly returns across many interest rate and currency instruments camouflaged significantly higher intra-quarter price volatility.

Large foreign outflows weakened the Rand from 11.27 to 11.57 against the USD representing a 2.70% depreciation over the quarter.

Foreigners were net sellers of South African bonds over the quarter to the order of c.R20bn on the back of continued concern of the impact of US policy tightening on emerging market debt and continued poor twin deficit and economic growth metrics reflected in deteriorating credit ratings. Parastatal credit spreads, lead by Eskom and Transnet, widened significantly over the period particularly in their offshore debt issues. Credit Rating agencies however, responded favourably to the MTBS which at least pointed towards greater fiscal restraint however also alluded to potential taxation changes.

Much of the commodity complex retraced in the face of a stronger USD which, in trade-weighted terms gained 5.23%. Against the EUR and ZAR the USD gained 4.16% and 2.71% respectively. The 2.71% ZAR depreciation again belies the period volatility characterised by price movements supported by low/lower trade volume. The ZAR period high was 11.76 and low 10.85. Gold fell 2.4%, platinum 5.9%, copper 5.4% and silver 8.6%. The Rand price of Brent fell 37.5% over the period giving significant relief to SA consumers and forcing a revision of inflation expectations. SA inflation, currently at 5.80% is expected to fall to the low end of 4.0%, averaging around 4.50% for 2015. Whilst there is therefore potential significant upside in longer dated bonds, there remains the country specific risk potentially not reflected in the sovereign spread.

The South African Sovereign spread (JPM EMBI Plus) opened the quarter at 209BP and closed the year at 202BP, again belying the intra-period volatility of a high at 259BP and low at 177BP as sentiment towards EM sovereign debt vacillated. In the South African sovereign debt peer group the Turkish spread improved by 31BP whilst Russia continued to be the source of volatility. The Russian sovereign spread

increased from 282BP to 472BP over the quarter (high 584BP, low 273BP). Overall, the EMBI Plus index rose from 336BP to 387BP despite a fall in the US10Y Treasury from 2.39% to 2.17%.

US Treasuries look set to test lower levels and probably will if any of the soon to be released growth and consumer spending data disappoint. Whilst the benefits of lower energy prices will have a short / medium term positive disposable income effect, job creation in the energy and associated sectors will be negatively affected. Global growth has subsequently been revised downward to around 3.0%. The SA growth outlook remains below the global growth expectation at c1.9% for 2015 despite the export benefit of a weaker Rand and an end to the labour unrest in the platinum sector in 2014. Given these growth prospects, the in target range inflation forecasts within the policy planning horizon, we do not expect further REPO rate hikes in the first three quarters of 2015 despite Reserve Bank rhetoric to the contrary.

Over the quarter the fund reduced its credit exposure to mining (Anglo Gold) and domestic retail (Edcon) obligors to zero and increased its exposure to domestic life insurance companies (Old Mutual and Lombard Insurance) and banking (Nedbank and Deutsche Bank).

The fund maintained its shorter bias for the quarter with duration of 0.28 years and a running yield of 8.43%. The fund has a strategic duration preference 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.

The fund aims to seek value opportunities that, on a risk-adjusted basis, achieves our objective of Cash (STEFI) +2%.

DISCLOSURES

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