



30 JUN
2014

SAFFRON MET OPPORTUNITY INCOME FUND

Fund category	South African - Multi Asset - Income*	Fund size	R1 197.316 million
Fund description	An actively managed fund that aims to deliver higher levels of income than a pure income fund	NAV	112.66 cents per unit
Launch date	02 June 2008	Benchmark	Stefi + 2.0% p.a.
Portfolio manager/s	Brandon Quinn	TER¹	1.19%
		Risk profile	Low/Moderate

FUND OBJECTIVE & BENCHMARK

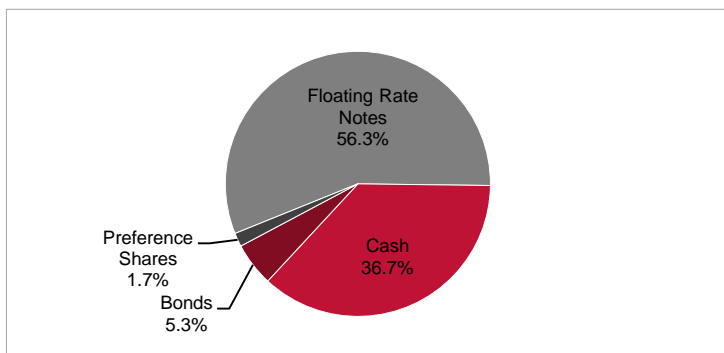
The Saffron MET Opportunity Income Fund aims to seek opportunities to deliver a reasonable level of sustainable income and stability on capital invested. The fund's objective is to deliver a return of 2.0% over the STeFI index on a sustainable basis.

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 30/06/2014



Total Effective Non-ZAR Exposure	2.62%
Modified Duration (years)	0.34
Running Yield (excl. fees & capital movement)	8.51%

RISK STATISTICS

Since launch

	Fund	Benchmark
Positive months	97.26%	100%
Annualised deviation	2.82%	1.56%
Maximum gain	2.31%	1.67%
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

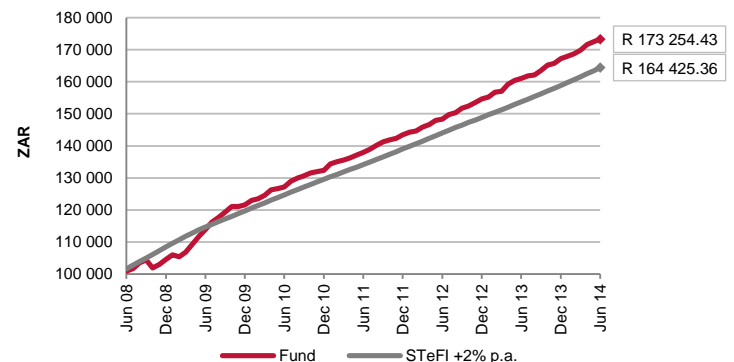
Original buying price:	100 cents
FSP upfront comm. (max):	0%
Annual service fee:	1.14% (incl. VAT)
Performance fee:	None
Minimum lump sum:	R5 000
Min. monthly investment:	R500
Income distribution 2013:	6.40 cpu
Date of income declaration:	31 Mar / 30 Jun / 30 Sept / 31 Dec
Date of income payment:	2nd working day Apr / Jul / Oct / Jan
Valuation time:	15h00
Transaction time:	14h00

PERFORMANCE

As at 30/06/2014

Returns since inception (02/06/2008)	Fund	STeFI +2.0%
Unannualised returns	73.26%	64.42%
Annualised returns	9.47%	8.53%

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%						
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 7.61% over a rolling 1 year period, outperforming the STEFI Index (at 5.42%) by 2.20%. On a calendar year to date basis, the fund has returned 3.61%. For the same period, the domestic All Bond Index returned 3.37% and the STEFI Index 2.75%. The Monetary Policy Committee of the South African Reserve Bank (SARB) kept the repo rate unchanged at 5.50% at their May meeting, this despite maintaining a tightening stance and with headline inflation printing above the 6.0% upper limit of the target band. The resolution of the platinum mining strike was at least positive and will lend some support to the SA trade account deficit although just in time to be replaced by a NUMSA wage dispute which, if protracted, will put domestic GDP under further pressure. Given the lacklustre domestic growth backdrop, lagging job creation and manufacturing competitiveness, we expect the rate tightening cycle to be relatively modest. The adverse domestic backdrop was resonated in the Standard and Poors rating agency downgrade of SA Sovereign foreign currency debt to BBB- with an outlook change from negative to stable. Fitch rating agency retained its SA rating at BBB however downgraded its outlook from stable to negative, indicating that a downgrade over the next six months to two years is likely, barring significant improvements to fiscus. Fear of FED tapering, a significant deterioration in Iraqi political stability, Ukrainian / Russian conflict and Israeli / Palestinian tensions have all added volatility to emerging market counters over the quarter. A combination therefore of both domestic fundamental concerns coupled with international headwinds put an end to the Rand appreciation seen in the first quarter of this year. Despite the challenging domestic fundamentals, offshore investors continued to see value in SA local bonds. Foreign purchases amounted to c.R14B for the quarter. The benchmark R186 yield declined from 8.38% to 8.31% following US treasury yields lower. The fund maintained its shorter bias for the quarter with duration of 0.34 years and a running yield of 8.51%. 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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