met
collective investments
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SAFFRONWEALTH
FUND MANAGEMENT

www.saffronwealth.com

30 SEP 2014

SAFFRON MET OPPORTUNITY INCOME FUND

Fund category	South African - Multi Asset - Income*	**Fund size**	R 670.073 million
Fund description	An actively managed fund that aims to deliver higher levels of income than a pure income fund	**NAV**	109.37 cents per unit
		Benchmark	Stefi + 2.0% p.a.
Launch date	02 June 2008	**TER**[1]	1.18%
Portfolio manager/s	Brandon Quinn	**Risk profile**	Low/Moderate

FUND OBJECTIVE & BENCHMARK

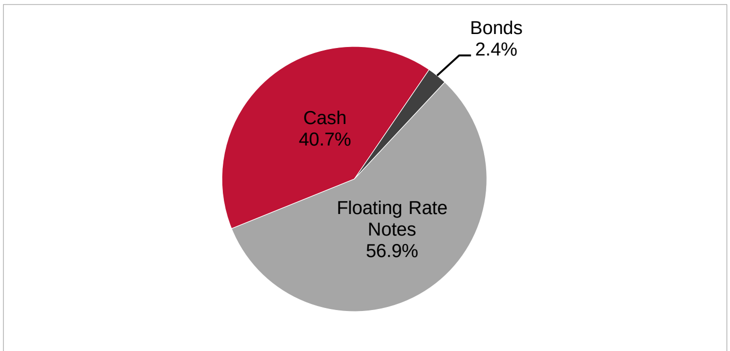
The Saffron MET Opportunity Income Fund aims to seek opportunities to deliver a reasonable level of sustainable income and stability on capital invested. The fund's objective is to deliver a return of 2.0% over the STeFI index on a sustainable basis.

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 30/09/2014



Total Effective Non-ZAR Exposure	-0.16%
Modified Duration (years)	0.29
Running Yield (excl. fees & capital movement)	8.51%

RISK STATISTICS

Since launch

	Fund	Benchmark
Positive months	94.67%	100%
Annualised deviation	2.83%	1.55%
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

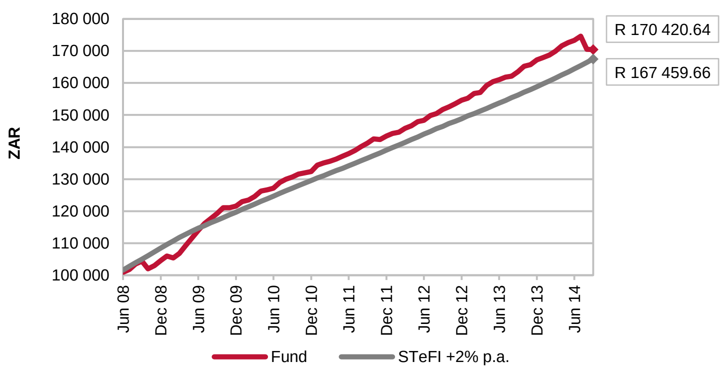
Original buying price:	100 cents
FSP upfront comm. (max):	0%
Annual service fee:	1.14% (incl. VAT)
Performance fee:	None
Minimum lump sum:	R5 000
Min. monthly investment:	R500
Income distribution 2013:	6.40 cpu
Date of income declaration:	31 Mar / 30 Jun / 30 Sept / 31 Dec
Date of income payment:	2nd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

PERFORMANCE

As at 30/09/2014

Returns since inception (02/06/2008)	Fund	STeFI +2.0%
Unannualised returns	70.42%	67.46%
Annualised returns	8.79%	8.49%

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%			
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 4.23% over a rolling 1 year period. On a calendar year to date basis, the fund has returned 1.91%. For the same period, the domestic All Bond Index returned 5.66% and the STEFI Index 4.29%. At the September meeting of the Monetary Policy Committee, the South African Reserve Bank (SARB) left the repo rate unchanged predominantly on the back of deteriorating growth and uncertain growth outlook having raised it by 25BP at the July meeting to 5.75%. Inflation remained above the 3-6% target range with the July and August measurements printing at 6.30% and 6.40% respectively, surprising economist consensus to the upside. There were further developments at the regulator with the replacement of Gill Marcus by Letsetja Kganyago following Marcus' announcement that she would not be available for another term as Governor. The inflation prints have kept the central bank policy on the back foot despite abysmal domestic real economic and employment growth. The hawkish rhetoric continues with the governor reiterating that central bank policy remains in a tightening phase of the rate cycle. The weakening / weakened rand remains a concern which has to a large extent been offset by falling commodity and energy prices. The overall movement lower in the commodity complex (including food inputs), whilst supportive for inflation, is a concern for Resource counter revenue / margins and the certainly fiscal rehabilitation. The double deficit (both fiscal and trade accounts) remain a concern often raised in particular by offshore investors, supporting local government bonds and providing the balancing entry on the country's capital account. Domestic economic and political policy including the management of public and private sector trade unions, and policies to "correct" structural imbalances, have all conspired to prevent the local economy from benefitting from greater price competitiveness brought on by a weaker local currency. The potential expansion of manufacturing capacity by the car maker Toyota in Nigeria rather than South Africa is indicative of the effect of this policy error. Foreigners were net sellers of South African bonds in excess of R24bn over the past quarter. On the international front, the US 10y benchmark rate strengthened in July and August (from 2.53% to 2.34%) before selling off aggressively to above 2.60% and strengthening again to below 2.40% by quarter end. On balance the US "risk free" rate has been supportive to local bonds however the volatility brought on by speculation of the timing of the Federal Reserve tightening has transferred significant volatility to the local market. The fund has benefitted from relative short-term positioning in local bonds whilst maintaining its risk averse, short duration stance. The local corporate bond experienced a significant shock with the placement of African Bank under curatorship by the SARB. The Abil loan book was split into that of a "good bank" loan book and a "bad bank" loan book. The "good bank" was recapitalised with a R10bn injection from the private sector banks and the Public Investment Corporation. The "bad bank" loan book was purchased by the SARB and all retail deposits were transferred to the "good bank" at face value. All senior debt instruments and wholesale deposits were novated (transferred) to the "good bank" at 90% of their value. All other debt (including subordinated debt), equity and preference shares remained in the "bad bank". The fund held both African Bank preference shares and senior debt. The performance impact amounted to -2.57% excluding the potential for a recoverable amount from the preference shares which stand senior to equity claims. The fund maintained its shorter bias for the quarter with duration of 0.33 years and a running yield of 8.31%. 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