

SAFFRON SCI* ACTIVE BOND FUND

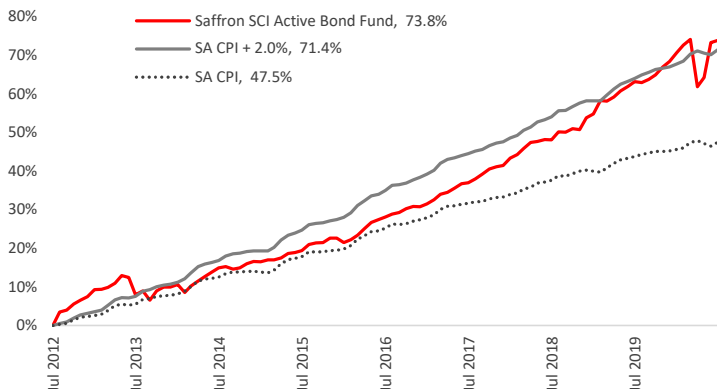
Class A I Minimum Disclosure Document (MDD)
As at 30 June 2020



Fund Performance

Since launch cumulative performance graph

The Saffron funds transitioned to Sanlam Collective Investments from MET Collective Investments from 02 December 2017.



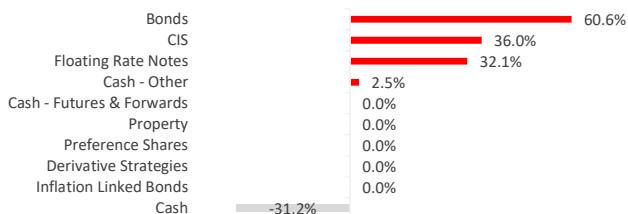
Monthly %	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19	Jan'20	Feb'20	Mar'20	Apr'20	May'20	Jun'20
Fund	-0.15	0.54	0.69	1.27	0.83	1.34	1.13	0.89	-7.05	1.52	5.44	0.36
Benchmark	0.52	0.43	0.43	0.17	0.25	0.42	0.43	1.11	0.51	-0.35	-0.26	0.77

Yearly (%)	Jun'11	Jun'12	Jun'13	Jun'14	Jun'15	Jun'16	Jun'17	Jun'18	Jun'19	Jun'20
Fund		6.43	3.90	7.32	6.91	8.08	10.17	6.57		
Benchmark		8.61	6.74	8.27	7.09	6.57	6.47	4.50		

	Cumulative Return (%)				Annualised Return (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 Year	6.56	4.49	6.03	2.58	6.56	4.49	6.03	2.58
3 Years	26.91	18.55	20.63	12.05	8.27	5.84	6.45	3.87
5 Years	45.61	37.45	37.18	25.13	7.81	6.57	6.53	4.59
Inception	73.86	71.40	59.53	47.50	7.16	6.97	6.01	4.98

Fund Holdings

Asset Allocation (%)



Risk Statistics (3 Year Rolling)

Standard Deviation	5.68
Sharpe Ratio	0.21
Information Ratio	0.03
Maximum Drawdown	-7.05

Highest and Lowest Annual Returns

Time Period: Since Inception to 30/06/2020

Highest Annual %	10.82 (Oct'19)
Lowest Annual %	-0.75 (Jan'14)

Risk Profile

Conservative

You prefer to receive stable income flows and are determined to keep your capital intact at all times. You understand that comfort means that you may not receive outside returns but that your capital will be safe — and the likelihood of losing money is slim. The portfolio that gives you the most comfort consists primarily of income-oriented asset classes such as cash, nominal and inflation-linked bonds and property. You avoid too much exposure to equities because of their higher volatility.

Fees (Incl. VAT)

	(%)
Maximum Initial Advice Fee	-
Maximum Annual Advice Fee	1.15
Annual Management Fee	1.15
Performance Fee	No

*The legal registered name of this portfolio is: Saffron Sanlam Collective Investments Active Bond Fund
Saffron Sanlam Collective Investments Active Bond Fund I MDD as at 30 June 2020
Issue Date: 13 July 2020

Fund Objective

The portfolio is a specialist fixed interest portfolio that predominantly invests in nominal and inflation linked government and corporate bonds, and aims to provide inflation beating returns.

Fund Strategy

The portfolio may include interest bearing securities, money market instruments, preference shares, property shares and property related securities, non-equity securities and assets in liquid form. The manager may from time to time invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa and which are consistent with the portfolio's primary objective. For efficient portfolio management purposes, the Manager may invest in financial instruments (listed and unlisted) allowed by the Act in order to achieve its investment objective. In selecting securities for this portfolio, the Manager shall seek to secure a stable real capital growth in excess of the ruling inflation rate. The asset allocation will be actively managed and will continually reflect the portfolio manager's view of the relative attractiveness of the various asset classes and sectors. Exposure to property related securities will be capped to a maximum of 10% of the portfolio's net asset value. This portfolio will be managed in accordance with the regulations governing pension funds.

Fund Information

Ticker	MSIL
12 Month Yield (%)	6.69
Fund Manager	Brandon Quinn
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Conservative
Benchmark	CPI plus 2% p.a. over a 12 month rolling period
Regulation 28 Compliant	Yes
Fund Size	R264,827,206
Portfolio Launch Date	02 July 2012
Fee Class Launch Date	02 July 2012
Minimum Lump Sum Investment	R 10,000.00
Minimum Monthly Investment	R 500.00
Income Declaration Date	June & December
Income Pricing Date	1st business day of July & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media
Repurchase Period	2-3 business days

Distribution History (cents per unit)

01/07/2020:	3.13 cpu	02/01/2019:	3.96 cpu	04/12/2017:	3.04 cpu
02/01/2020:	4.71 cpu	02/07/2018:	3.48 cpu	03/07/2017:	3.07 cpu
01/07/2019:	3.66 cpu	02/01/2018:	0.36 cpu	03/01/2017:	2.73 cpu

Cost Ratios

	(%)
TER	1.62
TC	0.06
TIC	1.68

Total Expense Ratio (TER) is the percentage value of the Financial Product that was incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future. The TER presented is for the period 1 April 2017 to 31 March 2020.

Transaction Cost (TC) is the percentage value of the Financial Product that was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

Administered by:



Annualised Returns

Annualised return is the weighted average compound growth rate over the period measured.

Asset Allocation

Asset allocation is the percentage holding in different asset classes (i.e. equities, bonds, property, etc.). It is used to determine the level of diversification in a portfolio.

Distributions

The income that is generated from an investment and given to investors through monthly, quarterly, bi-annual or annual distribution pay-outs.

Derivatives

Derivatives are instruments generally used as an instrument to protect against risk (capital losses), but can also be used for speculative purposes. Examples are futures, options and swaps.

Liquidity

The ability to easily turn assets or investments into cash.

Information Ratio

The Information Ratio measures the market risk-adjusted performance of an investment or portfolio. The greater a portfolio's Information Ratio, the better its risk-adjusted performance has been compared to the market in general.

LISP (Linked Investment Service Provider)

A Linked Investment Service Provider is a financial institution which packages, distributes and administers a broad range of unit trust based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

Maximum Drawdown

The maximum drawdown measures the highest peak to trough loss experienced by the fund.

Money Market Instruments

A money market instrument is a low risk, highly liquid, short-term (one year or less) debt instrument, issued by financial institutions or governments, that tend to have lower returns than high-risk investments.

Participatory Interests

When you buy a unit trust, your money is pooled with that of many other investors. The total value of the pool of invested money in a unit trust fund is split into equal portions called participatory interests or units. When you invest your money in a unit trust, you buy a portion of the participatory interests in the total unit trust portfolio. Participatory interests are therefore the number of units that you have in a particular unit trust portfolio.

Regulation 28

Regulation 28 of the Pension Funds Act sets out prudent investment limits on certain asset classes in investment funds. It applies specifically to investments in Retirement Annuities and Preservation Funds. The allowed maximum exposures to certain asset classes is: 75% for equities, 25% for property, 25% for foreign (offshore) assets and 5% African assets.

Risk-adjusted returns

Risk-adjusted return refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating.

Sharpe Ratio

The Sharpe Ratio measures total risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio's returns are due to excessive risk or not. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been (i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns).

Standard Deviation

Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected of an investment.

All reasonable steps have been taken to ensure the information on this MDD is accurate. The information to follow does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Use or rely on this information at your own risk. Independent professional financial advice should always be sought before making an investment decision. The Sanlam Group is a full member of the Association for Savings and Investment SA. Collective investment schemes are generally medium- to long-term investments. Please note that past performances are not necessarily a guide to future performances, and that the value of investments / units / unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available from the Manager, Sanlam Collective Investments (RF) Pty Ltd, a registered and approved Manager in Collective Investment Schemes in Securities. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. Actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Forward pricing is used. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The performance of the portfolio depends on the underlying assets and variable market factors. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Lump sum investment performances are quoted. The portfolio may invest in participatory interests of other unit trust portfolios. These underlying funds levy their own fees and may result in a higher fee structure for our portfolio. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA"). The Manager may borrow up to 10% the market value of the portfolio to bridge insufficient liquidity. The fund may from time to time invest in foreign instruments which could be accompanied by additional risks as well as potential limitations on the availability of market information. Investments in foreign instruments are also subject to fluctuations in exchange rates which may cause the value of the fund to go up or down. The fund may invest in financial instruments (derivatives) for efficient portfolio management purposes. Income funds derive their income primarily from interest-bearing instruments. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. Management of the portfolio is outsourced to Saffron Wealth (Pty) Ltd, (FSP) Licence No. 34638, an Authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002. Sanlam Collective Investments (RF) (Pty) Ltd retains full legal responsibility for the co-named portfolio. Standard Bank of South Africa Ltd is the appointed trustee of the Sanlam Collective Investments scheme. Sources of Performance and Risk Data: Morningstar Direct, INET BFA and Bloomberg. The risk-free asset assumed for the calculation of Sharpe ratios: STEFI Composite Index. The highest and lowest 12-month returns are based on a calendar year period over 10 years or since inception where the performance history does not exist for 10 years. Obtain a personalised cost estimate before investing by visiting www.sanlamunittrustsmdd.co.za and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

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The fund returned 7.43% and 6.56% for the quarter and year respectively. In comparison, the benchmark (CPI plus 2% p.a. over a 12-month rolling period) returned 0.07% and 4.49%. Over a rolling 1-year period, the fund beat the benchmark return by 2.07%. The fund return lagged the QTD return of the All Bond Index (ALBI) (+9.94%) but outperformed the ALBI's YTD return (+0.36%). The fund decreased duration to 4.4 years from 5.3 years versus the ALBI's duration of 6.47 years. The gross running yield of the fund was increased to 13.73% from 13.05%, compared to an ALBI gross running yield of 9.66% as at quarter end.

In June, the IMF downgraded its outlook for the world economy, currently in the grip of the deepest economic slump since the Great Depression. The IMF is projecting a significantly deeper recession and slower recovery than anticipated two months ago: GDP growth is expected to shrink by -4.9% this year and recover by +5.4% in 2021.

The US Fed kept rates unchanged near zero and affirmed that it would keep rates on hold until the economy returns to maximum employment and price stability. The Fed projects US GDP growth to contract by -6.5% in 2020 (previously +2.0% in December 2019) due to the pandemic measures taken to protect public health and the sharp surge in job losses. The US 10-year traded 1 bp lower (0.66%) over the quarter after trading in a wide range of 0.57% to 0.90%. 3-Month USD LIBOR traded significantly lower, from 1.45% to 0.30% at quarter end. The Dollar Index (DXY) weakened slightly (-2.29%) from 99.05 to 97.39.

Bank of England (BoE) members unanimously decided to leave the Bank rate steady at 0.10%, in line with market expectations. The target stock of bonds increased by GBP100bn, taking the total to GBP745bn. The BoE confirmed that the majority of these bond purchases would be gilts, with the corporate bond target at GBP20bn. CPI inflation declined to 0.5% in May from 0.8% in April, significantly below the target of 2.0%. The euro-area economy contracted 3.6% q/q in 1Q, the largest contraction since the euro's formation in 1999. The European Central Bank (ECB) increased the Pandemic Emergency Purchase Programme (PEPP) by EUR600bn to EUR1.35trn. European yields moved marginally, remaining negative: the German 10-year generic yield moved 2 bps higher to end the month at -0.45%, while the French 10-year moved 9 bps lower to close the month at -0.11%.

The Commodity Research Bureau (CRB) Commodity Index returned -2.72% for the quarter, with the CRB Metals Index and Food Index returning +3.53% and -5.78% respectively. The price of Brent Crude Oil recovered by more than 80.0% to USD41.15 per barrel over the quarter after plummeting -65.6% in the first quarter. Other commodities also recovered this quarter with Gold, Platinum and Copper up 12.9%, 14.7% and 21.6% respectively. Palladium lost -17.8% over the quarter after gaining 21.5% in the first quarter.

Covid-19 fears have seen global risk aversion rocket in 1Q20, destroying value in both emerging markets and risky financial assets as investors fled for safety. Most indices have however recovered meaningfully in the second quarter. The VIX Index, which measures risk sentiment, traded at 30.4 at the end of the quarter from a low of 24.5 and a high of 57.1. The J.P. Morgan Emerging Market Bond Index (EMBI) Sovereign Spread tightened by 130 bps (after widening by 240 bps in 1Q), trading at 440.8 at quarter end. The JPM EMBI Index gained 12.5% in the quarter, after losing -11.9% in 1Q. Emerging Market 5-year Credit Default Swap spreads tightened, led by South Africa (-154 bps) which managed to recover most of the spread widening in 1Q (+160 bps). Mexico (-114bps), Indonesia (-101 bps), Russia (-92 bps) and Brazil (-81 bps) offered tighter spreads, while Turkey's spread widened by 22 bps.

In South Africa, Equities (ALSI Total Return) was the top performing asset class for the quarter (+23.18%), followed by Property (+20.43%) and Nominal Bonds (ALBI at +9.94%). Inflation-linked bonds (CILI) returned +4.68% and Cash +1.46%. Year-to-date, Cash was the top performer at +3.18% and Property the worst performer at -37.56%. Over the quarter, the rand appreciated against most of the major currencies, including the yen (+5.5%), US dollar (+4.8%), British pound (+4.6%) and euro (+2.5%).

The SARB MPC cut its repo rate by 50bps to 3.75% in May, which leaves two further rate cuts of 25bps according to their Quarterly Projection Model. The SARB reiterated the view that DM-style quantitative easing is not an option for SA if inflation and interest rates remain positive. Their 2020 GDP forecast was lowered to -7.0%, from the -6.1% contraction estimated at the April meeting. The FRA curve is discounting 50bps of cuts within the next 12 months.

South Africa's inflation fell to 3.0% y/y in April, the lowest reading in nearly 15 years. The drop was mostly due to the sharp decline in the petrol price. Finance Minister Mboweni delivered a special adjustment budget on the 24th of June that forecast a deep recession, plunging tax revenue and surging government debt. The 2020/21 Budget Deficit is expected to hit -15.7% of GDP (previously -6.8%) while GDP is expected to contract by -7.2%. Gross debt-to-GDP is set to reach 81.8% this year and 87.4% in 2023/24. Government needs to cut spending by R230bn over the next two years and raise an additional R40bn in tax over the next four years. A draw on sterilisation deposits held with the SARB and borrowing from multilateral institutions (including IMF) will help to finance a shortfall.

Weekly government bond issuance was announced to total R8.6bn per week, starting in July (previously R6.8bn in the February Budget), split between R6.6bn vanilla bonds and R2.0bn inflation-linked bonds. Foreigners turned net buyers of SA bonds in June (+R7.6bn), partially offsetting the R4.5bn outflow in May. The SARB continues to provide additional liquidity repurchase auctions (even though the use of these facilities remains low) as well as intervening in the secondary market. At the end of May, the last available data print, they have purchased R30.8bn worth of SA government bonds (increase of R10.2bn m/m). The yield curve steepened during June as yields rose from the belly of the curve. The 7- to 12-years sector returned the highest return of 13.23% for the quarter, followed by the 3- to 7-years sector (+12.76%), the 12+ year sector (+8.03%) and the 1- to 3-years sector (+6.25%). Year-to-date, the shortest bucket was the top performer at +7.55%, and the longest bucket the worst performer at -4.05%.

On a rolling one-year basis, the fund aims to exceed a benchmark of CPI +2.0% and the target total return of the South African All Bond Index.

Portfolio Manager

Brandon Quinn
BCom, CFA

Assistant Manager

Anina Swiegers
BCom (Hons), CFA