

SAFFRON SCI* OPPORTUNITY INCOME FUND

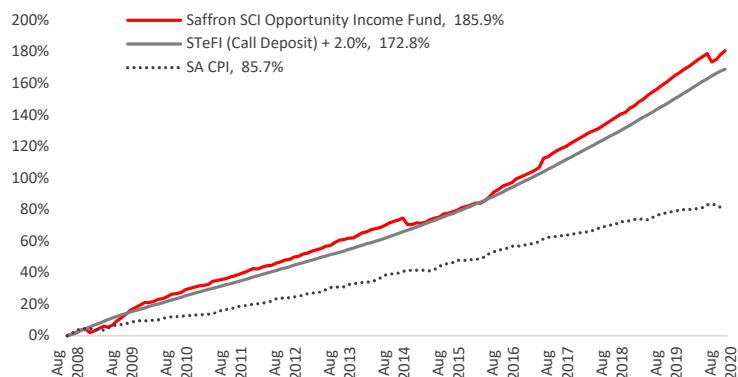
Class A I Minimum Disclosure Document (MDD)
As at 30 September 2020



Fund Performance

Since launch cumulative performance graph

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



Monthly %	Oct'19	Nov'19	Dec'19	Jan'20	Feb'20	Mar'20	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sep'20
Fund	0.71	0.76	0.78	0.69	0.73	-1.85	0.46	1.15	0.91	0.75	0.93	0.18
Benchmark	0.71	0.68	0.71	0.70	0.65	0.69	0.60	0.53	0.48	0.49	0.47	0.45

Yearly %	Sep'10	Sep'11	Sep'12	Sep'13	Sep'14	Sep'15	Sep'16	Sep'17	Sep'18	Sep'19	Sep'20
Fund	9.55	8.11	7.42	7.74	4.23	6.63	10.48	11.42	9.18	10.07	6.34
Benchmark	8.66	7.49	7.35	6.88	7.31	7.82	8.73	9.08	8.75	8.78	7.40

	Cumulative Return (%)				Annualised Return (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 Year	6.34	7.39	5.28	3.09	6.34	7.39	5.28	3.09
3 Years	27.79	27.04	19.71	12.62	8.52	8.31	6.18	4.04
5 Years	57.30	50.68	36.47	25.56	9.48	8.55	6.42	4.66
10 Years	118.71	114.99	76.36	64.32	8.14	7.95	5.84	5.09
Inception	185.89	172.64	113.57	85.63	8.89	8.47	6.35	5.14

Fund Holdings

Asset Allocation (%)

Floating Rate Notes	52.8%
Bonds	23.9%
Cash	21.6%
Cash - Other	1.7%
Cash - Futures & Forwards	0.0%
Property	0.0%
Preference Shares	0.0%
Derivative Strategies	0.0%
Inflation Linked Bonds	0.0%
CIS	0.0%

Risk Statistics (3 Year Rolling)

Standard Deviation	1.63
Sharpe Ratio	0.91
Information Ratio	0.00
Maximum Drawdown	-1.85

Highest and Lowest Annual Returns

Time Period: Since Inception to 30/09/2020

Highest Annual %	18.73 (Oct'09)
Lowest Annual %	2.84 (Dec'14)

Risk Profile

Cautious

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 Opportunity Income Fund
Saffron Sanlam Collective Investments Opportunity Income Fund | MDD as at 30 September 2020
Issue Date: 20 October 2020

Fund Objective

The portfolio seeks investment opportunities that meet the objective of delivering an enhanced level of income and stability on capital invested.

Fund Strategy

The portfolio will invest across the full spectrum of income generating assets including interest bearing securities (including, but not limited to bonds, convertible bonds, debentures, corporate debt, cash deposits and money market instruments) as well as inflation-linked bonds, corporate bonds, listed property, and preference shares. The portfolio will be actively managed with exposure to various asset classes to reflect changing economic and market circumstances, in order to maximise returns to investors. For efficient portfolio management purposes, the Manager may invest in financial instruments (listed and unlisted derivatives) allowed by the Act in order to achieve its investment objective. 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. This portfolio will be managed in accordance with the regulations governing pension funds. The Manager is permitted to invest on behalf of the portfolio in offshore investments as permitted by legislation.

Fund Information

Ticker	MIPP
12 Month Yield (%)	7.08
Fund Manager	Brandon Quinn
ASISA Fund Classification	South African - Multi Asset - Income
Risk Profile	Cautious
Benchmark	STeFI (Call) plus 2% p.a. over 12-month rolling period
Regulation 28 Compliant	Yes
Fund Size	R1,124,757,951
Portfolio Launch Date	02 June 2008
Fee Class Launch Date	02 June 2008
Minimum Lump Sum Investment	R 10,000.00
Minimum Monthly Investment	R 500.00
Income Declaration Date	March, June, September & December
Income Pricing Date	1st business day of April, July, October & 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)

01/10/2020:	1.48 cpu	02/01/2020:	2.19 cpu	01/04/2019:	2.47 cpu
01/07/2020:	1.83 cpu	01/10/2019:	2.37 cpu	02/01/2019:	2.60 cpu
01/04/2020:	2.25 cpu	01/07/2019:	2.51 cpu	01/10/2018:	2.51 cpu

Cost Ratios (%)

TER	1.19
TC	0.02
TIC	1.21

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 TER's. The TER presented is for the period 1 July 2017 to 30 June 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 1.87% and 6.34% for the quarter and year respectively, while the benchmark (STeFI Call Deposit +2.0%) returned 1.42% and 7.40%. On a rolling one-year period, the fund lagged the enhanced cash benchmark by 1.06%.

The world continues to battle the Covid-19 pandemic with most developed nations now experiencing the second wave of infections as economies have begun to reopen to kickstart more than 6 months of economic stagnation.

US Fed kept rates unchanged near zero, importantly indicating a shift in policy towards one which allows inflation to substantially persist above the long-term inflation target of 2%. US long bond yields briefly rose in anticipation of elevated long-term inflation rates before regaining their prior levels. The US10Y traded in a narrow band over the quarter opening with a yield of 0.66% and ending the quarter at 0.73%. Current forecasted GDP growth for the US for 2020 is currently -4.3%, an improvement on the -5.7% contraction expected for the full year as at May 2020.

Inflation forecasts, measured via Personal Consumption Expenditure Deflator (PCED) also recovered somewhat as the quarter progressed, from a low of 1.0% to end the quarter with expectations for full year PCE of 1.3%. 3 Month USD LIBOR traded slightly weaker for the period, down from 0.30% to 0.23% in line with policy rates. The Dollar Index (DXY) faced significant pressure over Q3, weakening by 3.51% as the US FED continued to expand their balance sheet.

Bank of England (BoE) members continued to hold rates steady at 0.1%, as expected, while maintaining the outlook to be “unusually uncertain” while guiding for the direct impact of Covid-19 on the economy to dissipate gradually on the ‘assumption of an immediate, orderly move to a comprehensive free trade agreement with the European Union on 1 January 2021’. As at quarter-end, trade negotiations had produced no agreement between the EU and the UK. The ECB kept interest rates and Covid stimulus programme unchanged, with the interest rate on the deposit facility remaining negative at -0.5% with the Bank’s Pandemic Emergency Purchase Programme remaining a total of 1.6 trillion dollars. The Euro rallied strongly against the USD over the period, gaining 6% while the 10Y Bund rate fell further into negative territory, ending the period down 6 basis points to trade at -0.52%.

The Commodity Research Bureau (CRB) Commodity Index returned +9.2% for the quarter, with the CRB Metals Index and Food Index returning +9.6% and +11.01% respectively, partially recovering the significant losses commodities experienced during the first two quarters of 2020. Oil was broadly flat over the quarter, trading down from USD41.15/bbl to end at \$40.95/bbl with the peak oil price being \$45.86/bbl over the period. Most hard commodities also strengthened over the period, including Palladium (+18.9%), Platinum (+7.7%), Copper (+10.6%) and Iron Ore (+31.80%), and seen as largely positive for resource driven economies, particularly in emerging markets.

Global markets remain somewhat volatile as market participants continue to digest the latest Covid-19 news. The VIX Index, which measures equity risk sentiment, traded at 26.4 at the end of the quarter from a low of 21.4 and a high of 32.2, lower than the volatility seen during Q2. The J.P. Morgan Emerging Market Bond Index (EMBI) Sovereign Spread tightened by 28 bps, trading at 412.3 at quarter end. The JPM EMBI Core Index gained 2.3% in the quarter, after rallying 12.5% in Q2. Emerging Market 5-year Credit Default Swap spreads traded mixed, with South Africa widening 11.7bp to 318.6bp while Russia and Turkey widened by 11.7bp and 40.7bp respectively. Mexico tightened by 6.8bp while Indonesia also tightened by 17.4bp.

In South Africa, Nominal Bonds (ALBI Total Return) was the top performing asset class for the quarter (+1.45%), followed by inflation-linked bonds (CILI at +1.17%) and Equities (ALSI Total Return at +0.67%). Year-to-date, Cash was the top performer at +4.38% with Property the worst performer at -46.38%. Over the quarter, the rand had a mixed performance against the major currencies: the rand appreciated against the US dollar (+3.47%) and the Yen (+1.18%), whilst depreciating against the British pound (-0.61%) and the euro (-0.68%).

The SARB MPC cut its repo rate by 25bps to a multi-decade low of 3.50% in July. The committee kept the repo rate on hold at the September meeting with their Quarterly Projection Model indicating no further rate cuts this year, however, suggesting two rate hikes towards the backend of 2021. At quarter end, the FRA curve is pricing in 50bps of hikes within the next 24 months. The SARB considers risks to the outlook for inflation as balanced, whilst adding that monetary policy alone cannot improve the economy. Their 2020 GDP forecast was further lowered to -8.2% from the -7.3% contraction estimated at the July meeting with dire consequences for state revenue collection and heightened fears of fiscal unsustainability.

South Africa’s inflation trajectory has remained stable since the 3.0% low in April. August printed at 3.1% y/y as food and electricity inflation pressures remain subdued and South Africa continued to ease lockdown regulations. Finance Minister Tito Mboweni will address parliament in October to present the Medium-Term Budget Policy Statement and provide clarity on the fiscal position as government expenditure continue to rise. National Treasury is anticipated to echo the SARB position with a downgrade on economic growth. The government’s economic recovery plan and efforts to consolidate the fiscus will likely be a key determinant of market sentiment towards the SA government debt asset class. There is widely held concern, already manifest in a steep SA sovereign curve, that the current regime lacks the wherewithal to identify, plan and implement a viable path out of the policy induced debt trap. Treasury has promised R230bn of spending cuts and R160bn in savings on public sector compensation however the likelihood of realising these savings is seen as low.

Foreign holdings of South African bonds fell below 30.0% for the first time since 2012 (inclusion in the FTSE World Government Bond Index). The Covid-19 sell-off began in March and coincides with South Africa’s exit from the WGBI in April following the investment rating downgrade by Moody’s Investor Services. Year-to-date outflows have reached R52.17bn compared to R23.56bn for the entire 2019. The SARB reiterated that their intervention was to provide market liquidity to assist in curbing excess volatility. The SARB slowed secondary market activity of government bond purchases in August to end with holdings of R38.73bn, a marginal increase of R35m m/m. The effect has been a steepening bias for the bond curve as the short-end yields remain well anchored on the monetary policy expectations whilst long dated bonds are indicative of a poor market rating of SA sovereign fiscal sustainability. Over the quarter, the R2023 and R186 (shorter end of the curve) both had the highest return of 0.55% and 1.81% respectively. The longer end of the curve, the 7- to 12-years sector and 12+ year sector, returned -1.29% and -2.46% respectively. Year-to-date, the shortest bucket was the top performer at +3.65%, and the longest bucket the worst performer at -11.08%.

The quarter presented opportunities for tactical duration positioning which contributed positively to the fund’s performance. The fund increased duration to 0.99 years (from 0.89 years) over the quarter and continues to offer an attractive gross running yield of 6.94% per annum in a very low rate (repo rate at 3.5%) and inflation (last print at 3.1%) environment. The fund is well positioned to enhance total return through value opportunities that, on a risk-adjusted basis, achieve or exceed our objective of Cash (STeFI Call Deposit) +2.0%.

Portfolio Manager
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BCom, CFA

Assistant Manager
Anina Swiegers
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