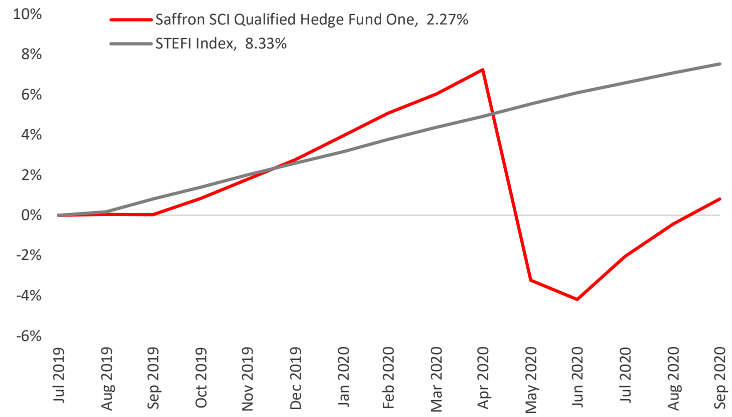
SAFFRON SCI* QUALIFIED HEDGE FUND ONE

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

SAFFRON WEALTH
FUND MANAGEMENT

Fund Performance

Since launch cumulative performance graph



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	0.97	1.15	1.07	0.91	1.14	-9.75	-0.99	2.24	1.64	1.25	1.72	-0.28
Benchmark	0.59	0.55	0.60	0.58	0.52	0.59	0.52	0.47	0.47	0.42	0.39	0.35

Yearly %	Sep'16	Sep'17	Sep'18	Sep'19	Sep'20
Fund	N/A	N/A	N/A	N/A	0.47
Benchmark	N/A	N/A	N/A	N/A	6.20

	Cumulative Return (%)		Annualised Return (%)	
	Fund	Benchmark	Fund	Benchmark
1 Year	0.47	6.20	0.47	6.20
2 Years	N/A	N/A	N/A	N/A
3 Years	N/A	N/A	N/A	N/A
4 Years	N/A	N/A	N/A	N/A
5 Years	N/A	N/A	N/A	N/A
Since Inception	2.27	8.33	1.76	6.43

Highest and Lowest Annual Returns

Time Period: Since Inception to 30/09/2020

Highest Annual %	7.24%
Lowest Annual %	-4.17%

Risk Statistics

	3 Year Rolling	Since Inception
Standard Deviation	N/A	5.54%
Sharpe Ratio	N/A	-0.23
Sortino Ratio	N/A	-0.25
Information Ratio	N/A	-0.23

Value at Risk (10-day, 99% confidence)

	Current	Regulatory Maximum	Mandate
VaR at period end	2.84%	20.00%	20.00%

Sources of Leverage

Leverage Sources	Absa Prime Services
Leverage Type	Total Return Swap
Leverage Value (ZAR)	54,000,000.00
Gearing Ratio	2.54
Maximum Gearing Per Mandate	4.00

Counterparty Exposure (%)	
Absa Prime Services	100.00%

1) All performance prior to the CIS establishment date are actual net of fee performances in pre regulated investment structures.
2) Where return and risk figures are quoted for periods greater than 12 months, these returns are annualised. In other words, they are scaled to represent an equivalent one year measure.
3) VAR represents the statistical loss that the Fund can experience given its current holdings over a one Month period with a 1% probability.
4) Sources of leverage are from equity and / or fixed interest derivatives provided by the Prime Broker. The types and sources of leverage are based on strategies that implement derivatives, short selling and borrowed money as by the Prime Broker. Leverage is calculated using the Commitment approach.
5) Portfolio stress testing is performed by subjecting a portfolio through extreme market situations, and noting the portfolio profit and loss, value at risk and exposure movements.
6) In some circumstances asset hypothecation exists and is limited within the contracting arrangements with the different counter parties.

*The legal registered name of this portfolio is: Saffron Sanlam Collective Investments Qualified Hedge Fund One
MDD as at 30 September 2020
Issue Date: 21 October 2020

Fund Objective

The objective of the fund is to provide consistently superior risk-adjusted returns to investors through exploiting opportunities that present in interest rate and derivative markets.

Fund Manager Details

Investment Manager	Saffron Wealth (Pty) Ltd
FAIS Disclosure	Saffron Wealth (Pty) Ltd is an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002.
Fund Manager	Brandon Quinn

Fund Information

Fund Classification	Qualified Investor Hedge Fund
Base Currency	South African Rand (ZAR)
Inception Date	01 September 2016
Benchmark	STeFI
Risk Profile	High
Liquidity Risk Profile	Monthly
Fund Valuation Time	17:00
Transaction Cut Off Time	14:00
Monthly Price Information	Morningstar
Min. Lump Sum Investment	ZAR 1,000,000.00
Min. Recurring Investment	ZAR 1,000,000.00
Valuation Frequency	Monthly
Valuation Dates	Last day of each month
Income Distribution Freq.	Quarterly
Income Declaration Dates	Last day of March, June, September & December
Income Payment Dates	First business day of April, July, October & January
Fund Size	ZAR 21,228,461.70
Asset Duration	0.99
Fund Duration	2.51

Distribution History (cents per unit)

01/10/2020:	17.52 cpu	02/01/2020:	0.00 cpu
01/07/2020:	43.65 cpu		
01/04/2020:	0.00 cpu		

Fund Holdings

Asset Allocation (%)

Floating Rate Notes	50.4%
Cash	28.7%
Bonds	19.6%
Cash - Other	1.4%
Cash - Futures & Forwards	0.0%
Property	0.0%
Preference Shares	0.0%
Derivative Strategies	0.0%
Inflation Linked Bonds	0.0%
CIS	0.0%

Fees (Incl. VAT)

	(%)
Asset Management Fee	1.15% p.a. payable monthly
Broker Advisory Fee (max)	1.15%
Performance Fee	20% of profits above (i) STeFI and (ii) the high water mark, payable quarterly

Total Expense Ratio (TER) | PERIOD: 21 June 2019 to 30 June 2020

Total Expense Ratio (TER) | 3.91% of the value of the Financial Product 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. Inclusive of the TER of 3.91%, a performance fee of 0.34% of the net asset value of the class of participatory interest of the portfolio was recovered.

Transaction Cost (TC) | 0.07% of the value of the Financial Product 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) | 3.98% of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

The performance fee is accrued daily, based on performance over a rolling one year period with payment to the manager being made monthly. Performance fees will only be charged once the performance fee benchmark is outperformed. A copy of the Performance Fee Frequently Asked Questions can be obtained from our website: www.sanlaminvestments.com

Administered by:

Sanlam

Glossary Terms

Collective Investment Schemes (CIS)
Collective Investment Schemes (also called unit trusts) are portfolios of assets such as equities, bonds, cash and listed property, in which investors can buy units. They allow private investors to pool their money together into a single fund, thus spreading their risk across a range of investments, getting the benefit of professional fund management, and reducing their costs.

Distributions
The income that is generated from an investment and given to investors through quarterly distribution payouts.

Fixed-interest investments
Fixed interest funds invest in bonds, fixed-interest and money market instruments. Interest income is a feature of these funds and, in general, capital should remain stable. A fixed-interest investment aims to offer investors a regular income at a set interest rate, which can be fixed over a specified term. If interest rates fall, the fixed interest investment typically becomes more valuable. Conversely if interest rates rise, the value of the investment will fall. The interest provides you with a fixed amount at regular intervals. So this is usually a very predictable way of getting an income from your investment.

LISP (Linked Investment Service Providers)
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.

Leverage
This refers to the use of various financial instruments or borrowed capital, such as margin, to increase the potential return of an investment.

Value at Risk (VaR)
A statistical technique used to measure and quantify the level of financial risk within a firm or investment portfolio over a specific time frame. Value at risk is used by risk managers in order to measure and control the level of risk which the firm undertakes. The risk manager's job is to ensure that risks are not taken beyond the level at which the firm can absorb the losses of a probable worst outcome.

Encumbrance or Rehypothecation
The practice by banks and brokers of using, for their own purposes, assets that have been posted as collateral by their clients. Clients who permit rehypothecation of their collateral may be compensated either through a lower cost of borrowing or a rebate on fees.

Total Expense Ratio (TER)
This is the total costs associated with managing and operating an investment (excluding administration, financial planning and servicing fees). These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund's total assets under management to arrive at a percentage amount, which represents the TER.

Qualified Investor
Any person, who invests a minimum investment amount of R1 million per hedge fund, and who –
(a) has demonstrable knowledge and experience in financial and business matters which would enable the investor to assess the merits and risks of a hedge fund investment; or
(b) has appointed a FSP who has demonstrable knowledge and experience to advise the investor regarding the merits and risks of a hedge fund investment;

Qualified Investor Hedge Fund or QI Fund (QIF)
A hedge fund in which only qualified investors may invest.

Additional Information

Sanlam Collective Investments (RF) Pty Ltd ("SCI") is a registered and approved Manager in Collective Investment Schemes in Securities and is a member company of the Sanlam Group. The Sanlam Group is a full member of the Association for Savings and Investment SA. The management of investments are outsourced to the authorised Financial Services Provider ("FSP") as stated in this Minimum Disclosure Document ("MDD").

While CIS in hedge funds differ from CIS in securities (long-only portfolios) the two may appear similar, as both are structured in the same way and are subject to the same regulatory requirements. The ability of a portfolio to repurchase is dependent upon the liquidity of the securities and cash of the portfolio. A manager may, in exceptional circumstances, suspend repurchases for a period, subject to regulatory approval, to await liquidity and the manager must keep the investors informed about these circumstances. Further risks associated with hedge funds include: investment strategies may be inherently risky; leverage usually means higher volatility; short-selling can lead to significant losses; unlisted instruments might be valued incorrectly; fixed income instruments may be low-grade; exchange rates could turn against the fund; other complex investments might be misunderstood; the client may be caught in a liquidity squeeze; the prime broker or custodian may default; regulations could change; past performance might be theoretical; or the manager may be conflicted.

The information contained in this MDD does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act, and should be read in conjunction with the Upfront Disclosure Document. Use of or reliance on this information is at own risk. Independent professional financial advice should be sought before making an investment decision. Collective investment schemes are generally medium-to long-term investments. The portfolio may invest in other unit trust portfolios which levy their own fees, and may result in a higher fee structure for our portfolio. This fund has no Initial Fees. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA"). The fund may from time to time invest in foreign instruments. If the fund holds assets in foreign countries it could be exposed to the following risks regarding potential constraints on liquidity and the repatriation of funds: macro-economic, political, foreign exchange, tax, settlement and potential limitations on the availability of market information. The Manager has the right to close any portfolios to new investors to manage the fund more efficiently in accordance with their mandates. The Manager retains full legal responsibility for the third-party named portfolio. The portfolio management of all the portfolios is outsourced to financial services providers authorised in terms of the Financial Advisory and Intermediary Services Act, 2002. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value ("NAV") 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. Where referenced, annualised returns describe the average amount of money earned by an investment each year over a given time period. Cumulative return is the aggregate return of the portfolio for a specified period. 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. Please note that past performance is not necessarily a guide to future performance, and that the value of participatory interests / units in investments / unit trusts may go down as well as up. The promulgation of hedge fund regulations in 2015 prompted the launch of this fund on the stated launch date. As a result, the returns of the fund prior to the launch date are presented as either simulated or actual returns based on past experience in pre-regulated structures. The level of counterparty exposure is restricted to funds that are administered by Sanlam Collective Investments and the respective prime brokers of the underlying portfolio. A schedule of fees and charges and maximum commissions is available from the Manager, SCI. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained from the Manager, free of charge on the SCI website (www.sanlamcollectiveinvestments.com).

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SAFFRON WEALTH FUND MANAGEMENT

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Administered by: Sanlam

The fund returned 2.70% and 0.47% for the quarter and year respectively, while the benchmark (STeFI Index) returned 1.16% and 6.20%. On a rolling one-year basis, the fund lagged the cash benchmark by 5.73%.

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 Arica’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%.

At the end of 3Q 2020, the fund was 2.54x geared, with an effective 28.7% allocation to cash. The largest asset class exposures were to Floating Rate Notes (50.4%) and Fixed Rate Bonds (19.6%). The Value-at-Risk (VaR) risk measure (99% confidence, 10-day period) calculated by the independent risk managers stood at 2.84%. The asset-pool is expected to outperform the gearing cost going forward, given the significant difference in the gearing cost versus the gross running yield of the underlying assets (6.94% per annum).

The fund aims to enhance total return through value opportunities that, on a geared and risk-adjusted basis, achieve or exceed our hurdle return of STeFI.

Portfolio Manager
Brandon Quinn
BCom, CFA

Assistant Manager
Anina Swiegers
BCom (Hons), CFA

Administered by: