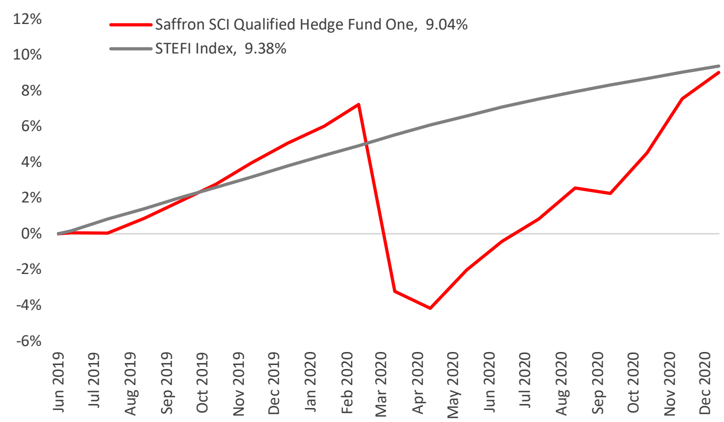
SAFFRON SCI* QUALIFIED HEDGE FUND ONE

Class A l Minimum Disclosure Document (MDD)
As at 31 December 2020

SAFFRON WEALTH
FUND MANAGEMENT

Fund Performance

Since launch cumulative performance graph



Monthly %	Jan'20	Feb'20	Mar'20	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20
Fund	0.91	1.14	-9.75	-0.99	2.24	1.64	1.25	1.72	-0.28	2.22	2.88	1.38
Benchmark	0.58	0.52	0.59	0.52	0.47	0.47	0.42	0.39	0.35	0.33	0.32	0.31

Yearly %	Dec'16	Dec'17	Dec'18	Dec'19	Dec'20
Fund	N/A	N/A	N/A	N/A	3.77
Benchmark	N/A	N/A	N/A	N/A	5.39

	Cumulative Return (%)		Annualised Return (%)	
	Fund	Benchmark	Fund	Benchmark
1 Year	3.77	5.39	3.77	5.39
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	9.04	9.38	5.79	6.01

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2020	
Highest Annual %	9.04%
Lowest Annual %	-4.17%

Risk Statistics

	3 Year Rolling	Since Inception
Standard Deviation	N/A	5.29%
Sharpe Ratio	N/A	0.01
Sortino Ratio	N/A	0.02
Information Ratio	N/A	0.01

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

	Current	Regulatory Maximum	Mandate
VaR at period end	2.77%	20.00%	20.00%

Sources of Leverage

Leverage Sources	Absa Prime Services
Leverage Type	Loan
Leverage Value (ZAR)	54,000,000.00
Gearing Ratio	2.31
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 31 December 2020
Issue Date: 18 January 2021

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

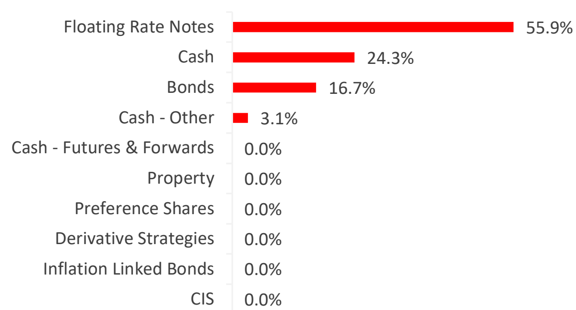
Fund Classification	Qualified Investor Hedge Fund
Base Currency	South African Rand (ZAR)
Inception Date	01 September 2016
Benchmark	STeFI
Risk Profile	High
Liquidity Risk Profile	Monthly
Fund Valuation Time	17:00
Transaction Cut Off Time	14:00
Monthly Price Information	Morningstar
Min. Lump Sum Investment	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 23,442,495.65
Asset Duration	0.81
Fund Duration	1.87

Distribution History (cents per unit)

04/01/2021:	13.49 cpu	01/04/2020:	0.00 cpu
01/10/2020:	17.52 cpu	02/01/2020:	0.00 cpu
01/07/2020:	43.65 cpu		

Fund Holdings

Asset Allocation (%)



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

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

Total Expense Ratio (TER) | PERIOD: 21 June 2019 to 30 September 2020
Total Expense Ratio (TER) | 3.80% 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 3.80%, a performance fee of 0.27% 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) | 3.87% of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

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

Fund Manager Quarterly Comment - As at 31 December 2020

The fund returned 6.62% and 3.77% for the quarter and year respectively, while the benchmark (STeFI Index) returned 0.97% and 5.39%. On a rolling one-year basis, the fund lagged the cash benchmark by 1.62%.

The world continues to battle the Covid-19 pandemic, as infection rates rise sharply, and a more virulent strain appeared. Global economic data however remains largely positive, with growth recovering despite the return of second wave induced restrictions on the back of confidence that the roll-out of vaccination programs will be effective.

As post-election uncertainty dissipated by the end of December, the US 10-year yield increased to 0.91% (+22bps for the quarter). 3 Month USD LIBOR was flat for the period, trading at 0.24%. The Dollar Index (DXY) faced significant pressure over Q4, weakening by -4.21% as the US FED continued to expand their balance sheet and risk appetite for emerging market assets gained momentum. The Fed funds target rate was maintained within the range of 0.00% to 0.25% and signalled that rates are likely to hold near zero to at least 2023. The US Federal Reserve expects the US economy to perform strongly in the second half of 2021, as more US citizens are vaccinated, but warned of continued challenges. GDP is expected to print at 4.2% and 3.2% for 2021 and 2022 respectively with the Fed re-iterating its commitment to maintain monthly bond purchases of at least USD120bn until substantial economic progress is made.

European yields remain negative: the German 10-year generic yield traded lower at -0.57% (down 5bps), while the French 10-year closed at -0.34%. The UK 10-year generic yield decreased 4bps over the quarter to 0.19%. Bank of England (BOE) members continued to hold rates steady at 0.10%, as expected, and agreed to complete its GPB100bn QE programme. The target stock of asset purchases is kept at GBP895bn (split between GBP875bn gilts and GPB20bn corporate bonds). The outlook for the economy however remains unusually uncertain, dependant on the evolution of the pandemic, measures taken to protect public health and the transition to new trading arrangements with the European Union. At the time of writing, the entire UK is effectively in lockdown, with the situation in England only up for review in mid-February. Other European economies are facing similar social restrictions due to the pandemic.

The Commodity Research Bureau (CRB) Commodity Index returned +9.3% for the quarter, with the CRB Metals Index and Food Index returning +16.9% and +6.5% respectively. Oil recovered significantly (+26.5%) over the quarter, closing the quarter at USD51.80 per barrel, peaking at USD52.26 per barrel over the period. Most hard commodities also strengthened over the period, including Platinum (+20.0%), Copper (+16.2%) and Palladium (+6.0%) which are 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, a measure of market volatility, traded at 22.8 at the end of the quarter from a low of 20.6 and a high of 40.3. The J.P. Morgan Emerging Market Bond Index (EMBI) Sovereign Spread tightened by 74 bps, ending the quarter at 338.44 bps. The JPM EMBI Core Index gained 5.5% over the quarter, after rallying 2.3% in Q3 and 12.5% in Q2. Emerging Market 5-year Credit Default Swap spreads tightened significantly, with South Africa at 204.0 (-114.6bps lower), Mexico at 81.5 (-70.2bps lower), Brazil at 142.9 (-106.8bps lower), Turkey at 306.1 (-226.4bps lower) and Russia at 86.0 (-36.6bps lower) at quarter end.

In South Africa, Property was the top performing asset class for the quarter at +22.19%, followed by Equities (ALSI Total Return) at +9.75%, Bonds (ALBI Total Return) at +6.71%, Inflation-linked bonds at +5.37% and Cash at +0.97%. Year-to-date, Bonds have been the top performing asset class at +8.65% with Property the worst performer at -34.49%. The rand appreciated by +12.26% against the dollar, +8.52% against the euro and +7.22% against the pound over the quarter, spurred by positive trade balance prints.

The SARB MPC kept the repo rate unchanged at 3.50% with two members in favour of a 25bp cut and three members opting for no change. The SARB expects GDP to contract by 8.0% in 2020 followed by rises of 3.5% and 2.4% in 2021 and 2022, respectively. Headline inflation was revised lower for 2020 and 2021 to 3.2% (from 3.3%) and 3.9% (from 4.0%) respectively. The Quarterly Projection Model (QPM) expects no further repo cuts in the near term, but two rate increases in the third and fourth quarter of 2021, as well as a +100bp in 2022.

SA inflation moderated at 3.2% y/y in November from 3.3% y/y in October. The SARB expects inflation to average 3.2% in 2020 and will likely keep the repo rate unchanged despite marginal deterioration in some economic metrics. SA 3Q20 GDP rebounded by 66.1% q/q, better than the consensus estimate of 54.4%. Despite the strong recovery, GDP is still down -7.9% YTD. Unsurprisingly, all sectors of the economy expanded in 3Q20 following the broad-based contraction in 2Q20 when only the agricultural sector grew. Household consumption expenditure (+69.5% q/q SAAR) and exports (+201.4% q/q SAAR) underpinned the strong GDP rebound in 3Q20, contributing 43.8% and 38.3% respectively to the 67.6% q/q SAAR growth in GDP (as measured from the expenditure side). Government spending, fixed investment and imports made modest positive contributions, while a surprisingly sharp decline in inventories subtracted 20.5% from GDP growth (q/q SAAR).

In October, the Finance Minister tabled the MTBPS. Government reiterated its commitment to reduce spending growth, shift spending patterns and stabilise the debt-GDP ratio. The projected fiscal consolidation is currently not premised on unduly optimistic revenue expectations or excessive tax hikes. There is however a concern around government’s planned spending cuts concentrated on the wage bill creating execution risk. The main budget deficit (as % GDP) is forecast to be 14.6% in FY20/21, 10.1% in FY21/22 and 8.6% in FY22/23. It was announced that bond auction sizes will not increase.

Foreigners have been recent buyers of local bonds, with inflows of R19.8bn and R12.1bn in December and November respectively and an outflow of R13.4bn in October. The cumulative outflow for 2020 is at R39.9bn, notably higher than 2019’s R27bn. According to the SARB’s statement of assets and liabilities, government bond holdings increased to R41.8b in December up from R41.1 in November. The yield curve flattened in December as yields rose by 9.5bp in the short-end and 29bp in the long-end. Over the quarter, the 1 to 3-year sector returned +1.25%, the 3 to 7-year sector returned +4.28%, the 7 to 12-year sector returned +7.20% and the 12+ years sector returned +8.73%. Year-to-date, the shortest bucket was the top performer at +11.50%, and the longest bucket the worst performer at +4.59%.

At the end of 4Q 2020, the fund was 2.31x geared, with an effective 24.30% allocation to cash. The largest asset class exposures were to Floating Rate Notes (55.90%) and Fixed Rate Bonds (16.67%). The Value-at-Risk (VaR) risk measure (99% confidence, 10-day period) calculated by the independent risk managers stood at 2.77%. 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 (6.85% 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

SAFFRON WEALTH FUND MANAGEMENT

Administered by:
Sanlam