

# SAFFRON SCI\* ACTIVE BOND FUND

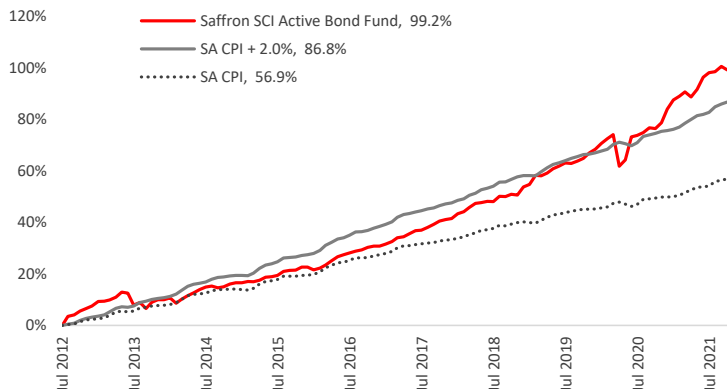
Class A I Minimum Disclosure Document (MDD)  
As at 30 September 2021



## Fund Performance

### Since launch cumulative performance graph

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



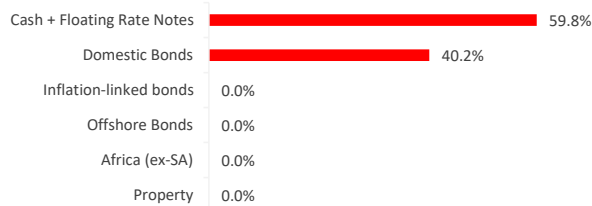
Monthly %	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21
Fund	1.27	2.98	1.88	0.79	0.90	-1.04	1.59	2.43	0.91	0.20	1.03	-0.70
Benchmark	0.42	0.16	0.32	0.50	0.83	0.83	0.82	0.25	0.41	1.23	0.57	0.41

Yearly (%)	Sep'12	Sep'13	Sep'14	Sep'15	Sep'16	Sep'17	Sep'18	Sep'19	Sep'20	Sep'21
Fund			5.54	5.66	7.23	7.87	7.42	9.24	7.03	12.87
Benchmark			7.92	6.59	8.12	7.06	6.91	6.14	5.00	6.96

	Cumulative Return (%)				Annualised Return (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 Year	12.87	6.97	3.50	4.97	12.87	6.97	3.50	4.97
3 Years	31.98	19.20	16.21	12.58	9.69	6.03	5.14	4.03
5 Years	52.92	36.44	32.51	24.09	8.87	6.41	5.79	4.41
Inception	99.23	86.78	66.61	56.84	7.74	6.99	5.68	4.99

## Fund Holdings

### Asset Allocation (%)



## Risk Statistics (3 Year Rolling)

Standard Deviation	6.07
Sharpe Ratio	0.63
Information Ratio	0.16
Maximum Drawdown	-7.05

## Highest and Lowest Annual Returns

Time Period: Since Inception to 30/09/2021

Highest Annual %	16.70 (Apr'21)
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 September 2021  
Issue Date: 13 October 2021

## 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.

## Investment Policy

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 (%)	3.77
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	R14,748,394
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)

01/07/2021	2.60 cpu	02/01/2020:	4.71 cpu	02/07/2018:	3.48 cpu
04/01/2021	2.47 cpu	01/07/2019:	3.66 cpu	02/01/2018:	0.36 cpu
01/07/2020:	3.13 cpu	02/01/2019:	3.96 cpu	04/12/2017:	3.04 cpu

## Cost Ratios

	(%)
TER	1.84
TC	0.07
TIC	1.91

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 July 2018 to 30 June 2021.

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, 30% for foreign (offshore) assets and 10% 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.sanlamunitrustsmdd.co.za](http://www.sanlamunitrustsmdd.co.za) and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

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The fund returned 0.52% and 12.87% for the quarter and year respectively. In comparison, the benchmark (CPI plus 2% p.a. over a 12-month rolling period) returned 2.22% and 6.97%. Over a rolling 1-year period, the fund beat the benchmark return by 5.90% and the All Bond Index (ALBI) return by 0.41%. Over the quarter, the fund increased duration to 2.71 years from 2.20 years versus the ALBI's duration of 6.44 years. The gross running yield of the fund increased to 8.20%, compared to an ALBI gross running yield of 9.52% with a much higher duration.

Global risk sentiment will likely remain volatile, sensitive to the threat of a mutating virus, any signs of persistent inflation and potential shifts in international monetary policies. These uncertainties are likely to subdue risk appetites and provide a headwind for continued appreciation in asset prices.

In Developed Markets, the US Fed held rates unchanged within the range of 0.00% to 0.25%, and maintained the pace of asset purchases to at least USD80bn of Treasuries and USD40bn of agency mortgage-backed securities. The FOMC however did move a step closer to asset tapering as progress towards the Fed's inflation and employment goals continued 'broadly as expected'. Fed Chair Jerome Powell revealed in a subsequent press conference that the Fed could announce tapering at its November meeting and cease purchases around mid-2022. GDP growth is expected to reach 5.9% for 2021 (7.0% previously), and 3.8% and 2.5% in 2022 and 2023 (previously 3.3% and 2.4%) respectively. The PCE inflation forecast is now 4.2% for 2021 (previously 3.4%) and 2.2% for 2022 (previously 2.1%). The unemployment rate is expected to increase to 4.8% from 4.5% in 2021, 3.8% in 2022 and 3.5% in 2023. Over the quarter the Dollar Index (DXY) strengthened by +1.76% (94.23), the US 10-year bond yield lifted slightly to 1.51% (up 3 bps for the quarter) and 3-month USD LIBOR traded 1 bp lower at 0.13%.

The European Central Bank (ECB) held the Deposit rate at -0.50%, the Main Refinancing rate at 0.00% and the Marginal Lending rate at 0.25%. The ECB announced that the pace of asset purchases would be reduced, arguing that favourable financing conditions could be maintained with a 'moderately lower' pace of purchases than in the past two quarters. Inflation is forecasted at 2.2% (previously 1.9%), 1.7% (previously 1.5%) and 1.5% (previously 1.4%) for 2021, 2022 and 2023 respectively. The consensus view is that the expected rise is temporary, driven by factors such as high energy prices, the reversal of the temporary VAT reduction in Germany and global raw materials shortages. The GDP growth forecast now stand at 5.0% (2021), 4.6% (2022) and 2.1% (2023). As with US rates, European yields lifted over the quarter: the German 10-year generic yield traded higher at -0.20%, the French 10-year yield closed at 0.15% and the UK generic 10-year at 1.02%.

The Commodity Research Bureau (CRB) Commodity Index (-0.10%) and CRB Metals Index (0.08%) were flat over the quarter, while the Food Index dropped by -3.15%. Oil continued to recover (+3.53%) over the quarter, rising above USD78 per barrel at quarter end. Most hard commodity prices however softened over the period, including Copper (-3.8%), Palladium (-30.9%), Platinum (-11.0%) and Gold (-1.1%) which were largely negative for resource driven economies, particularly in emerging markets.

The VIX Index, a measure of market volatility, traded higher at 23.1 at the end of the quarter (+7.7). The J.P. Morgan Emerging Market Bond Index (EMBI) Sovereign Spread lifted by 17.5 bps, ending the quarter at 373 bps. Emerging Market 5-year Credit Default Swaps widened, with South Africa at 214 (+26 bps), Brazil at 206 (+39 bps) and Turkey at 434 (+49 bps) at quarter end. The rand continued to weaken against the dollar, depreciating by 4.4% to 15.07. The currency also weakened against the euro to 17.46 (-2.1%) and against the pound to 20.31 (-2.2%).

In South Africa, the Property sector again was the top performing asset class for the quarter at +5.94%. Highly illiquid Inflation-linked bonds (CII Total Return) returned +2.02%, followed by cash (STeFI) at +0.95%, nominal bonds (ALBI Total Return) at +0.37%, and equity (ALSI Total Return) at -0.84%. Over the past 12 months, Property has been the top performing asset class at +54.43% and cash the worst performer at +3.80%.

The SARB voted unanimously to keep the repo rate unchanged at 3.50%, in line with market expectations. The tone of the statement became slightly more hawkish than the previous one, with the SARB's QPM adding 225 bps in rate hikes to the repo rate by the end of 2023 (a 25bps hike in the fourth quarter of 2021, followed by hikes of 25bps in each quarter of 2022 and 2023). The MPC inflation view was broadly unchanged, with headline inflation forecast to average a slightly higher 4.4% in 2021 (from 4.3% previously) and unchanged at 4.2% and 4.5% for 2022 and 2023 respectively. The risk to inflation is to the upside, driven by higher global producer inflation, robust global food prices, elevated and volatile oil prices, and upward pressure on domestic electricity and other administrative prices. The SARB revised its 2021 GDP forecast up to 5.3% from 4.2% previously. GDP growth expectations for 2022 and 2023 were revised lower to 1.7% and 1.8% (from 2.3% and 2.4%) respectively. Risks to the growth outlook are considered broadly balanced.

SA headline inflation for August accelerated to 4.9% yoy from 4.6% in July. The rise largely reflects some of the base effects caused by the lockdown last year. The main contributors were 'food and non-alcoholic beverages' and 'transport'. Food inflation accelerated by 7.4% yoy from 7.0% in the preceding three months. Transport prices advanced by 9.9%, driven by fuel prices, up 19.6% yoy from 15.2% in July. Core inflation edged higher to 3.1% from 3.0% in July. Once low base of 2020 has dissipated, inflation will likely ease towards the 4.5% midpoint of the SARB's target range.

SA GDP grew by 1.2% qoq (4.7% annualised) in 2Q21 from 1.0% in the previous quarter. Year-on-year, the economy expanded by 19.3% from a 2.6% yoy contraction in the previous quarter, mainly due to base effects. Five of ten industries recorded growth, the most significant contribution from the broad transport sector, followed by trade and personal services. Value added by manufacturing, finance and government services declined over the period. Weaker performance is expected for the third quarter, reflecting the impact of a stricter lockdown and the destructive riots in Kwazulu-Natal and parts of Gauteng.

The 3-month JIBAR rate moved 1 bp lower to 3.68%, while 12-month JIBAR rose by 14bps to 4.93%. The 12-month Treasury average yield rose 5bps to 5.04%. Foreigners were large net sellers of bonds in September (-R35.2bn), bringing the cumulative outflow over the past 12 months to R87.5bn. The short end of the yield curve steepened notably by the end of September (an increase of 26.5bps for the R2023 and 31bps for the R186) in line with rate and risk expectations. Bond returns across the curve were positive to flat for the quarter, with the 1-3 years bucket returning +1.52%, the 3-7 years bucket returning +1.17%, the 7-12 years bucket +0.22% and the 12+ years bucket -0.01%. Over 12 months bonds produced strong returns, the strongest performer being the 12+ years bucket, generating +17.59%. According to the SARB's Statement of Assets and Liabilities, the accumulated government bond holdings at the end of August were R41.6bn, a R33.5bn cumulative increase since secondary market bond-buying was announced in March 2020.

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**  
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BCom (Hons), CFA