

SAFFRON BCI ACTIVE BOND FUND

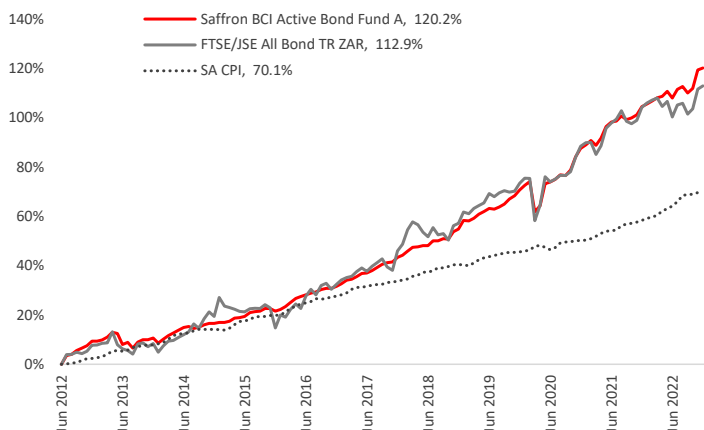
CLASS A

Minimum Disclosure Document (MDD)
31 December 2022



Fund Performance

Since launch cumulative performance graph



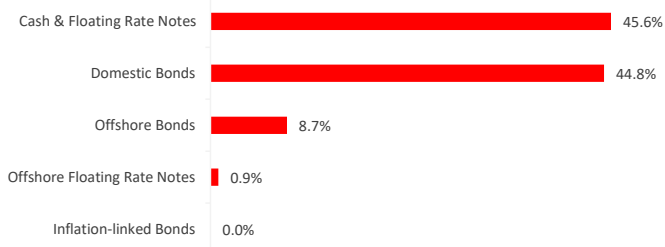
Monthly %	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22
Fund	0.52	0.57	0.67	0.25	0.99	-1.29	1.68	0.53	-1.21	0.87	3.54	0.37
Benchmark	0.85	0.54	0.45	-1.67	1.01	-3.06	2.44	0.31	-2.11	1.07	3.91	0.62

Yearly %	Dec'13	Dec'14	Dec'15	Dec'16	Dec'17	Dec'18	Dec'19	Dec'20	Dec'21	Dec'22
Fund	1.20	5.36	4.25	8.25	8.99	7.97	10.24	9.89	9.02	7.67
Benchmark	0.64	10.15	-3.93	15.42	10.24	7.69	10.32	8.65	8.40	4.25

	Cumulative Return (%)				Annualised Return (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 Year	7.68	4.26	4.90	7.44	7.68	4.26	4.90	7.44
3 Years	29.00	22.80	13.51	16.85	8.86	7.09	4.31	5.33
5 Years	53.54	45.89	29.00	27.29	8.95	7.85	5.23	4.95
10 Years	101.37	97.69	72.16	66.10	7.25	7.05	5.58	5.20
Inception	120.16	112.91	76.34	70.06	7.81	7.46	5.55	5.19

Fund Holdings

Asset Allocation (%)



Risk Statistics (3 Year Rolling)

Standard Deviation	6.38
Sharpe Ratio	0.01
Information Ratio	-0.21
Maximum Drawdown	-7.05

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2022

Highest Annual %	16.71%
Lowest Annual %	-0.75%

Risk Profile

Low-Moderate Risk

Where the asset allocation contained in this MDD reflects offshore and equity exposure, the portfolio is exposed to currency and equity risks. The portfolio is exposed to default and interest rate risks. Therefore, it is suitable for medium term investment horizons. The expected potential long-term investment returns are lower but less volatile over the medium to long term than higher risk portfolios.

Effective 25/03/2022: Manager change from SCI. Name change from Saffron SCI Active Bond Fund. Benchmark change from CPI + 2%. ASISA Category change from SA Multi Asset Income. Removal of Reg 28. Annualised return is the weighted average compound growth rate over the period measured.

Fund Objective

The Saffron BCI Active Bond Fund is an actively managed fixed interest portfolio that invests mainly in nominal and inflation linked government bonds and corporate bonds, with the aim to provide inflation beating returns.

Investment Policy

In order to achieve this objective, the investments normally to be included in the portfolio will comprise a combination of assets in liquid form and a combination of bonds and interest-bearing securities, including loan stock, debentures, debenture bonds, notes, money market instruments, corporate debt and non-equity securities. The portfolio may also invest in participatory interests and other forms of participation in portfolios of collective investment schemes. The portfolio may from time to time invest in listed and unlisted financial instruments. The manager may also include forward currency, interest rate and exchange rate swap transactions for efficient portfolio management purposes.

Fund Information

Fund Manager	Brandon Quinn
Launch Date	02 July 2012
Fund Size	ZAR 209.23 million
NAV Price (Fund Inception)	100.00 cents
NAV Price as at month end	138.68 cents
JSE Code	MSIL
ISIN Number	ZAE000168241
ASISA Fund Classification	South African - Interest Bearing - Variable Term
Benchmark	JSE All Bond Index (ALBI)
Minimum Investment Amount	None
Monthly Fixed Admin Fee*	R15 excl. VAT on all direct investor accounts with balances of less than R100,000
Valuation	Daily
Portfolio Valuation Time	15:00
Transaction Cut Off Time	14:00
Regulation 28 Compliant	No

Distribution History (cents per unit)

03/01/2023	2.22	25/03/2022	1.51	01/07/2020	3.13
03/10/2022	1.87	03/01/2022	4.62	02/01/2020	4.71
01/07/2022	1.24	01/07/2021	2.60	01/07/2019	3.66
01/04/2022	0.11	04/01/2021	2.47	02/01/2019	3.96

Income Declaration Date	31 March, 30 June, 30 September & 31 December
Income Payment Date	2nd business day of April, July, October & January

Cost Ratios (%)

TER**:	1.44% (PY: 1.38%)	TC:	0.01% (PY: 0.00%)	TIC:	1.45% (PY: 1.38%)
Of the value of the Fund was incurred as expenses relating to the administration of the Fund.		Of the value of the Fund was incurred as costs relating to the buying and selling of the assets underlying the Fund.		Of the value of the Fund was incurred as costs relating to the investment of the Fund.	

Fees (Incl. VAT) (%)

Annual Service Fee	1.15
Initial Advisory Fee (Max)	3.45
Annual Advice Fee	0.00 - 1.15 (if applicable)
Initial Fee	0.00
Performance Fee	None

Information & Disclosures

Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge or can be accessed on our website www.bcis.co.za.

Valuation takes place daily and prices can be viewed on our website (www.bcis.co.za) or in the daily newspaper.

Actual annual performance figures are available to existing investors on request.

Upon request the Manager will provide the investor with portfolio quarterly investment holdings reports.

* Monthly Fixed Admin Fee

R15 excl. VAT which will apply to all direct investor accounts with balances of less than R100 000 at month end, unless an investor transacts online, in which case no such fee will be levied.

** Total Expense Ratio (TER)

Please note: A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Transaction Costs are a necessary cost in administering the Fund and impacts Fund 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 Fund, the investment decisions of the investment manager and the TER. The prior year ("PY") TER and Transaction cost calculations are based upon the portfolio's direct costs for the financial year ended 30 June 2022, whilst the underlying portfolios' ratio and cost calculations are based upon their most recent published figures, being 30 September 2022.

Risks

Certain investments - including those involving futures, options, equity swaps, and other derivatives may give rise to substantial risk and might not be suitable for all investors. Where foreign securities are included in the portfolio there may be additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information.

Effective Annual Cost

Boutique Collective Investments adopted the ASISA Standard on Effective Annual Cost ("EAC"). The EAC measure allows you to compare charges on your investments as well as their impact on your investment returns prior to investing. For further information regarding the ASISA Standard on Effective Annual Cost and access to the EAC calculator please visit our website at www.bcis.co.za. BCI calculates the EAC as per the ASISA standard for a period of 3 years up till the most recent TER reporting period.

FAIS Conflict of Interest Disclosure

Please note that your financial advisor may be a related party to the co-naming partner and/or BCI. It is your financial advisor's responsibility to disclose all fees he/she receives from any related party. The portfolio's TER includes all fees paid by portfolio to BCI, the trustees, the auditors, banks, the co-naming partner, underlying portfolios, and any other investment consultants/managers as well as distribution fees and LISP rebates, if applicable. The portfolio's performance numbers are calculated net of the TER expenses. The investment manager earns a portion of the service charge and performance fees where applicable. In some instances, portfolios invest in other portfolios which form part of the BCI Scheme. These investments will be detailed in this document, as applicable.

Disclaimer

Boutique Collective Investments (RF) (Pty) Ltd ("BCI") is a registered Manager of the Boutique Collective Investments Scheme, approved in terms of the Collective Investments Schemes Control Act, No 45 of 2002 and is a full member of the Association for Savings and Investment SA.

Collective Investment Schemes in securities are generally medium to long term investments. The value of participatory interests may go up or down and past performance is not necessarily an indication of future performance. The Manager does not guarantee the capital or the return of a portfolio. Collective Investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees, charges and maximum commissions is available on request. BCI reserves the right to close the portfolio to new investors and reopen certain portfolios from time to time in order to manage them more efficiently. Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge.

Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax.

Investments in foreign securities may include additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information.

Boutique Collective Investments (RF) Pty Ltd retains full legal responsibility for the third party named portfolio.

Income funds derive their income from interest-bearing instruments in accordance with Section 100(2) of the Act. The yield is a current yield and is calculated daily. Full details and basis of the award is available from the manager.

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The fund aims to deliver inflation beating returns and exceed the SA All Bond Total Return Index on a rolling 3-year basis.

Internationally, high inflation in key economies persisted in the last quarter of 2022, maintaining central banks on a hiking path, albeit at a slower pace at the end of the quarter. Markets responded positively after China announced that it would loosen Covid restrictions and reopen slowly. Locally, the ANC National Conference and worsening electricity crisis dominated headlines.

The Fed scaled back its rapid pace of interest rate hikes at the December meeting, with the FOMC raising its benchmark rate by 50bps to a 4.25% to 4.50% target range. Policymakers did signal that interest rates would rise more than expected as the bank looks to contain inflation expectations. The market expects rates to end next year at 5.1% and 4.1% in 2024, higher than previous forecasts. While inflation seems to have peaked, policymakers are still cautious over the inflation outlook, given that the US economy remains exceptionally resilient. The 10-year generic US yield increased by 14bp to 3.88% at quarter-end, bringing the total increase YTD to 239bp. The US Dollar Index lost -7.67% over the quarter but has appreciated +8.21% YTD.

The European Central Bank (ECB) hiked rates by 50bps to 2.50% in December and announced its decision to shrink its EUR 5 trillion bond portfolio from March 2023. The Bank of England (BOE) hiked rates by 50bps to 3.50%, its highest since 2008, as expected. Policymakers noted that further increases may be necessary for the BOE to stick to its inflation-fighting plan and to bring inflation back within the bank's target. European long-term yields moved higher, with the German 10-year trading at 2.57% (+46bp) and French 10-year at 3.11% (+39bp). The UK 10-year yield traded at 3.66% (4.08% previously when the Bank of England intervened to stabilise the gilt market after the new government proposed a mini-budget that destabilised the market).

The price of Brent crude (USD) dropped slightly (-2.33%) over the quarter to c. USD85.91 per barrel. The CRB Metals Index recovered slightly in 4Q22 (+5.12%) but remained negative for the year (-20.66%). Copper (+8.87%), platinum (+24.33%) and gold (+9.84%) rallied over the quarter, while palladium (-17.25%) lost. The recovery in metals prices positively impacted the fiscal view on South Africa, strengthening the ZAR/USD by +5.80%. ZAR however depreciated against the EUR (-2.85%) and the GBP (-1.91%) over the period.

The VIX Index, a measure of market volatility, traded much lower at 21.67 at the end of the quarter (-9.95). The J.P. Morgan Emerging Market Bond Index (EMBI) Sovereign Spread tightened by 92bp, ending the quarter at 375bp, with the index returning +7.44%. Emerging Market 5-year Credit Default Swaps also tightened, with South Africa at 250 (-95bp) and Brazil at 254 (-58bp). Turkey recovered to 512bp (-270bp) at quarter end off historic highs of 2021.

In the South African asset class universe, Property (JSAPY TR) was the top performing asset class at +19.32%, followed by Equities (ALSI Total Return) at +12.22% and Bonds (ALBI TR) at +5.65%. Cash (SteFI) was the worst performing class at +1.57%. Over the past 12 months, Cash was the top performer at +5.19% while Property was the worst performer at +0.49%.

The South African Reserve Bank (SARB) hiked the repo rate by 75bps to 7.00% in December in a 3:2 vote split (with two members voting for a 50bps hike), indicating that the pace of tightening is likely to slow. The MPC raised the headline inflation forecasts for 2023 only modestly to 5.4% (from 5.3%) in 2023 and 4.5% in 2024 (previously 4.6%). Average inflation for 2025 is expected at 4.5%. The growth outlook was revised downward to 1.1%, 1.4% and 1.5% for 2023, 2024 and 2025 respectively. The balance of risks to the inflation outlook is assessed as being to the upside and growth to the downside. Another 25 to 50 bp hike is expected in January 2023.

At the time of writing, the 3x6s FRA priced in another 75bp increase to 7.68%. The 3-month JIBAR rate moved 79bp higher to 7.26% over the quarter and 338bp YTD, the effects of which would have been seen in the fund's increased running yield. The 12-m T-bill average yield tightened by 15bp to 8.39% at the end of December. In the SA Bond market, foreigners were net sellers yet again, with R12.9bn, R24.5bn and R23.2bn net outflows in December, November and October respectively. This brings the cumulative outflow for the last 12 months to R259bn (Bloomberg). The SAGB yield curve shifted lower by the end of December, with the shorter R186 tightening by 68bp and the long-dated R2048 by 41bp over the quarter. The 1- to 3-years bucket returned +3.66%, the 3- to 7-years bucket returned +4.51%, the 7- to 12-years bucket returned +6.27% and the 12+ years bucket +5.74% over the quarter. The top performing area of the curve for the year was the 1- to 3-years bucket at +5.70%. According to the SARB's statement of assets and liabilities, the accumulated government bond holdings at the end of November were R39bn, a cumulative R30.9bn increase since secondary market bond-buying was announced in March 2020 (R30.2bn at previous quarter-end). The SARB's FX forward position was USD 561M.

In the last quarter, November saw the greatest primary market activity with issuance in excess of R23bn, led by the financial sector (R12bn). In terms of trading activity, the quarter started off slowly with muted activity in October, followed by a meaningful pickup in November before the markets slowed down for the festive season. The trend of spread compression in both the primary and secondary markets continued into the final quarter of the year due to supply and demand mismatches. Most notably, big banks were able to issue traditionally high yield debt at record low levels due to robust demand and high levels of capital adequacy. Whilst the level of primary market issuance has increased year on year, there are comparatively lower levels of trading taking place in the secondary market. Ratings agencies were active in the last quarter. Fitch affirmed SA's sovereign foreign currency rating at BB- with a stable outlook and ratings for the big five banks followed suit. In the SOE space, Moody's affirmed Transnet's global and national scale ratings at Ba3/A2.za with a negative outlook. Following the talks of government debt intervention at the MTBPS, Moody's updated the outlook of Eskom Holdings SOC Limited's Caa1 issuer to positive. The corporate side saw GCR upgrade Northam's national scale rating to AA-. Meanwhile, Sasol's long term issuer rating was increased to BB+ by S&P. The ratings upgrades point towards an improving operating environment post Covid.

In our previous quarterly we highlighted the concern of a material chance that South Africa will be placed on a global greylist by February 2023. News flow in this regard has quietened barring the SA Finance Minister indicating his belief that this outcome can be avoided. We await developments in the regard toward the end of January / February 2023.

The fund (Class A) returned 4.82% and 7.68% for the quarter and year respectively. In comparison, SA headline inflation rose by 7.44% for the year and the benchmark SA All Bond Total Return Index (ALBTR Index) returned 4.26%. On a rolling 3-year basis, the fund returned 8.86% (annualised) versus the ALBTR at 7.09% (annualised). Over the quarter, the fund decreased duration to 3.11 years from 3.57 years versus the ALBI's duration of c. 6.07 years. The gross running yield of the fund was at 10.64%, at quarter close versus the ALBI's yield at 10.16%.



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