SAFFRON GLOBAL ENHANCED INCOME FUND

a sub-Fund of PRESCIENT GLOBAL FUNDS ICAV

CLASS A2
Minimum Disclosure Document (MDD)
31 December 2022

Fund Performance

Since launch cumulative performance graph

Performance will be displayed 12 months after the launch date

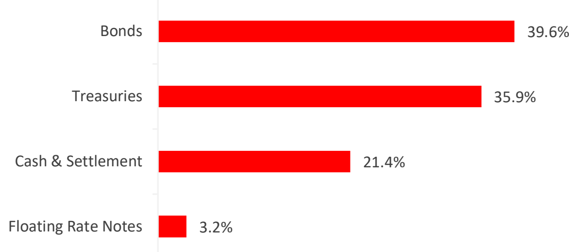
Monthly %	
Fund	
Benchmark	

Yearly %	
Fund	
Benchmark	

	Cumulative Return (%)		Annualised Return (%)	
	Fund	Benchmark	Fund	Benchmark
1 Year				
3 Years				
5 Years				
10 Years				
Inception				

Fund Holdings

Asset Allocation (%)



Risk Statistics (1 Year Rolling)

Standard Deviation	*Available 12 months post launch date*
Sharpe Ratio	*Available 12 months post launch date*
Information Ratio	*Available 12 months post launch date*
Maximum Drawdown	*Available 12 months post launch date*

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2022

Highest Annual %	*Available 12 months post launch date*
Lowest Annual %	*Available 12 months post launch date*

Risk Profile

Low-Moderate Risk

The risk indicator is determined using historical data or, where historical data is not available, using simulated historical data. Historical data, such as is used in calculating the synthetic indicator, may not be a reliable indication of the future risk profile of the Fund. The risk category shown is not a target or a guarantee and may change over time. A category 1 fund is not risk free, the risk of loss is small but the chance of making gains may also be limited. With a category 7 fund, the risk of losing money is high but so also is the possibility of making gains. The risk indicator for the Fund is set at 3 as this reflects the market risk arising from proposed investments.

Fund Objective

The Saffron Global Enhanced Income Fund is an actively managed global fixed income portfolio that seeks to generate a high level of income and capital appreciation over the medium to long term with a global focus.

Investment Policy

In order to achieve this objective, investments normally included in the portfolio will comprise a combination of assets in liquid form, bonds, inflation linked bonds, loan stock, notes, debentures, debenture bonds, convertible bonds, preference shares, listed property securities and property related securities, money market instruments, corporate debt, equity securities, convertible equities, other interest-bearing securities 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, CFA
Assistant Fund Manager	Anina Swiegers, CFA & Alexander da Silva
Launch Date	29 September 2022
Fund Size	USD 3.61 million
NAV Price (Fund Inception)	100.00 cents
NAV Price as at month end	102.55 cents
Bloomberg Code	PGSGEA2 ID
ISIN Number	IE00064OLFP1
Fund Classification	Global Bond UCITS
Benchmark	CME Term 3-Month SOFR +3%
Minimum Investment Amount	USD 5,000
Fee Class	A2
Valuation	Daily
Portfolio Valuation Time	17:00 (New York)
Transaction Cut Off Time	10:00 (Ireland Rep.)
Regulation 28 Compliant	N/A

Distribution History (cents per unit)

Income Declaration Date	Accumulating Class
Income Payment Date	N/A

Cost Ratios (%)

TER:	TC:	TIC:
The % of the value of the Fund was incurred as expenses relating to the administration of the Fund.	The % of the value of the Fund was incurred as costs relating to the buying and selling of the assets underlying the Fund.	The % of the value of the Fund was incurred as costs relating to the investment of the Fund.

Fees (Incl. VAT) (%)

Annual Service Fee	0.75
Initial Advisory Fee (Max)	-
Annual Advice Fee	-
Initial Fee	-
Performance Fee	N/A
Monthly Fixed Admin Fee	USD 625

Glossary

Annualised Performance: Annualised performance shows longer term performance rescaled to a 1-year period. Annualised performance is the average return per year over the period.

Highest & Lowest Performance: For any 1 year over the period since inception have been shown.

NAV: The net asset value represents the assets of a Fund less its liabilities.

Current Yield: Annual income (interest or dividends) divided by the current price of the security.

Alpha: Denotes the outperformance of the fund over the benchmark.

Sharpe Ratio: Used to indicate the excess return the portfolio delivers over the risk-free rate per unit of risk adopted by the fund.

Standard Deviation: The deviation of the return stream relative to its own average.

Max Drawdown: The maximum peak to trough loss suffered by the Fund since inception.

Max Gain: Largest increase in any single month.

% Positive Month: The percentage of months since inception where the Fund has delivered positive return.

Average Duration: The weighted average duration of all the underlying interest-bearing instruments in the Fund.

Total Expense Ratio (TER%): The Total Expense Ratio (TER) is the percentage of the net asset value of the class of the Financial Product incurred as expenses relating to the administration of the Financial Product.

Transaction Costs (TC%): The Transaction Costs (TC) is the percentage of the net asset value of the Financial Product incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Total Investment Charges TIC (%) = TER (%) + TC (TIC), the TER + the TC is the percentage of the net asset value of the class of the Financial Product incurred as costs relating to the investment of the that a TIC is the sum of two calculated ratios (TER+TC).

Disclaimer

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER 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. During the phase in period TER's do not include information gathered over a full year. Transaction Costs (TC) is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. 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, investment decisions of the investment manager and the TER. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks; and potential limitations on the availability of market information. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient Fund Services (Ireland) Ltd by or before 10:00 (Irish time), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient Fund Services (Ireland) Ltd shall not be obliged to transact at the net asset value price as agreed to. Funds are priced at 17:00 (New York time) depending on the nature of the Fund. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

Risk

Default Risk: The risk that the issuers of fixed income instruments may not be able to meet interest payments nor repay the money they have borrowed. The issuers credit quality is vital. The worse the credit quality, the greater the risk of default and therefore investment loss.

Derivatives Risk: The use could increase overall risk by magnifying the effect of both gains and losses in a Fund. As such, large changes in value and potentially large financial losses could result.

Developing Market Risk: Some of the countries invested in may have less developed legal, political, economic and/or other systems. These markets carry a higher risk of financial loss than those in countries generally regarded as being more developed.

Foreign Investment Risk: Foreign securities investments may be to risks pertaining to overseas Jurisdictions and markets. including (but not limited to) local liquidity, macroeconomic political, tax, settlement risks and currency fluctuations.

Interest Rate Risk: The value of fixed income investments tends to be inversely related to interest and inflation rates. Hence their value decreases when interest rates and/or inflation rises.

Property Risk: Investments in real estate securities can carry the same risks as investing directly in real estate itself. Real estate prices move in response to a variety of factors, including local, regional, and national economic and political conditions, interest rates and tax considerations.

Currency Exchange Risk: Changes in the relative values of individual currencies may adversely affect the value of investments and any related income.

Geographic / Sector Risk: For investments primarily concentrated in specific countries, geographical regions and/or industry sectors, their resulting value may decrease whilst portfolios more broadly invested might grow.

Derivative Counterparty Risk: A counterparty to a derivative transaction may experience a breakdown in meeting its obligations thereby leading to financial loss.

Liquidity Risk: If there are insufficient buyers or sellers of particular investments, the result may lead to delays in trading and being able to make settlements. and/or large fluctuations in value This may lead to larger financial losses than expected.

Equity Investment Risk: Value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

Investment Manager

Saffron Wealth (Pty) Ltd
(FSP) License No. 34638
Physical Address: B6 Octo Place, Electron Road, Technopark, Stellenbosch, 7599
Postal Address: Suite 426, Private Bag X5061, Stellenbosch, 7599
Tel: +27 (21) 880 7080
Email: info@saffronwealth.com
Website: www.saffronwealth.com

Management Company Information

Prescient Global Funds ICAV
Physical Address: 35 Merrion Square East, Dublin 2, D02 KH30, Ireland
Postal Address: 33 Sir John Rogerson's Quay, Dublin 2, Ireland
Tel: +353 1 676 6959
Email: info@prescient.ie
Website: www.prescient.ie

Trustee / Depository Information

Northern Trust Fiduciary Services (Ireland) Limited
Physical Address: Georges Court, 54-62 Townsend Street, Dublin 2, Ireland
Tel: +353 1 542 2000
Website: www.northerntrust.com

For any additional information such as fund prices, brochures and application forms please go to www.prescient.co.za

Prescient

Fund Manager Quarterly Comment - As at 31 December 2022

The last quarter of the year delivered a strong return for financial assets after another turbulent year in the markets. The Saffron Global Enhanced Income Fund returned a strong +2.93% over the quarter, +1.68% above the benchmark of 3-Month SOFR +3.0% (Secured Overnight Financing Rate) which returned 1.25%. The Fund running yield closed the year at 4.58% with a low duration of 0.49 yrs.

Broadly, the equity asset class was the best-performing asset class relative to bonds. Over three months, there were positive returns in both equity and bond markets. The MSCI World Index returned +9.42%, the MSCI EM Index returned +9.20%, whilst the Bloomberg Barclays Global High Yield Index returned 7.97% and the US High Yield Index returned +3.98%.

The United States (US) bond curve remained relatively stable, with the US-2YR and US-10YR closing yields at 3.88% and 4.43%, respectively. However, the 10v2s (US-10YR – US-2YR) spread further inverted to 55 basis points (bps), below the historical low. Risk-free assets continued to provide value, as the 3-Month US Treasury bill yield lifted by 0.94% over the quarter to 4.24%. The deepening of the 10v2s inversion is widely seen as indicative of a likely recession.

Spreads on 5-YR USD sovereign credit default swaps (CDS) mirrored the trend of spread compression in the corporate credit spreads. Turkey had the largest reduction, with a tightening of 269 bps during the quarter. South Africa and Brazil also saw significant tightening, at 250 and 254 bps, respectively. Other countries with notable compressions included Mexico and Indonesia, which tightened by 129 and 101 bps, respectively. The trend in the sovereign CDS during the quarter demonstrated a decrease in the perceived risk of default and an improved outlook for the affected nations.

Coco bonds performed well in Q4 2022. The iBoxx CoCo Liquid Developed Europe AT1 Index had a return of +12.64%. However, as interest rates are expected to increase further in 2023, it will become more costly for banks and insurers to refinance these capital instruments, leading to more issuers choosing not to exercise the call feature on their on their debt. Non-call decisions can be credit positive (preservation of lower cost capital), however if it conflicts with investor expectations, mark-to-market volatility is likely, and banks and insurers may incur additional costs on future issuances to compensate for the higher extension risk associated with these securities.

The US macro environment has seen significant changes over the past quarter as the Federal Reserve (FED) hiked the FED funds rate by 125 bps to 4.50%. This move has had a significant impact on the overall economy, with inflation moderating to 7.10% y/y at the end of the quarter, down from 8.30% y/y at the start of the quarter. Core PCE, which is the FED's preferred indicator to measure inflation, also fell to 4.68% from 4.91% at the beginning of the quarter.

The pace of the increase in the funds rate reflects the FED's confidence in robustness of the economy and its ability to withstand higher interest rates. The US economy grew an annualized 3.2% q/q in Q3 2022, rebounding after two straight quarters of contraction. With inflation still well above the target level of 2.00%, it is likely the FED will continue to maintain their hawkish stance in the medium-term.

The Federal Reserve's balance sheet saw a significant reduction of USD 53.2 billion, the most since July 2020, in the quarter. However, the ability of the FED to continue reducing its balance sheet may be challenged by diminishing bank liquidity. Since reaching a peak in June 2022, USD 196 billion in Treasury securities have been removed from the FED's balance sheet, decreasing the balance of Treasury securities to USD 5.57 trillion. The inflow of new mortgage-backed securities (MBS) onto the balance sheet was slowed in October after the FED ceased purchasing MBS in mid-September. As a result, the balance of MBS dropped by USD 62 billion. Coinciding with a rate hiking cycle, the FED balance sheet reduction has not been a focus for investors but may attract more focus as the rate hiking cycle approaches its peak.

The US labour market has remained robust amidst a challenging economic environment, only softening in Q4 2022, and adding to the likelihood that that a recession may be on the horizon. The unemployment rate lifted to 3.70%, a noticeable increase from the recent historical low of 3.50%. Initial jobless claims rose to 225,000 at the end of the quarter, and non-farm payrolls decreased by 16.51% to 263,000 over Q4 2022. Softer economic data has created some optimism that the end of the FED hiking cycle is closer than previously anticipated and coupled with the perceived positive impact of the ramp-up in the Chinese economy following severe Covid lockdowns has spurred strong risk-on sentiment across both Developed and Emerging market rate markets.

The European Union (EU) macro backdrop has seen similar changes over the past quarter. The European Central Bank (ECB) increased its policy rate by 125 bps to 2.50%. High energy costs have hampered the magnitude of hikes by the ECB despite elevated inflation at 10.10% y/y at the end of the quarter, compared to 10.00% y/y for October 2022.

Despite persistent high inflation, EU economic growth remained robust at 2.50% y/y for Q3 2022. The solid growth print can be attributed to the various fiscal and monetary policies implemented by the EU and its member countries to support the recovery of the economies post the pandemic.

The increase in the ECB rate reflects the efforts of central banks globally to curb inflation and stabilise their respective economies. The direct effect of the increase in the interest rate has made borrowing more expensive than the supportively low interest rates experienced during the pandemic. However, the current EU inflation prints suggests that the measures are not yet having the desired effect, and the ECB might have to take additional steps to keep inflation under control once the energy prices have stabilised.

The ECB's next step in policy tightening is likely to follow a similar path to the FED, as the ECB reduces its EUR 5 trillion inventory of bonds. The ECB has already reduced its balance sheet through maturing EUR 800 billion of low-cost funding to banks, however, with total assets at EUR 8 trillion, it remains exceptionally large by historic standards. The ECB announced that "from the beginning of March 2023 onwards, the asset purchase programme (APP) portfolio will decline at a measured and predictable pace. The decline will amount to EUR15 billion per month on average until the end of the second quarter of 2023."

China's recent move to reduce COVID-19 and lockdown restrictions may help to improve global growth sentiment as the Chinese economy looks to rebound after muted growth in 2022. China's economic growth had likely bottomed, with Q1-Q3 2022 real GDP growth at near record-lows of 3.0% y/y for the period. Additionally, the official manufacturing and non-manufacturing PMI's have edged down to weaker levels in November, at 48.0 and 46.7 respectively, indicating contractionary territory in those sectors. The labour market has also been affected with the surveyed urban unemployment rate increasing to a six-month high of 5.7% in November 2022 from 5.5% in the previous month, amid ongoing COVID-19 restrictions. This demonstrates that the lingering effects of the pandemic have continued to impact the Chinese economy, despite the slow loosening of restrictions. The government has also announced plans to take "extraordinary" measures to stimulate growth, including potentially raising the budget deficit to 3% of GDP. This move is aimed at helping to revive and support the economy recovery, which has been impacted by the ongoing pandemic.

Overall, while China's move to reduce restrictions and take measures to stimulate growth is a step in the right direction, it's likely that the economy will continue to face challenges in the short term. China's role in the global economy means any improvement in growth sentiment in China is expected to have a positive impact on the rest of the world.

Emerging market bonds performed well during the quarter, with the JP Morgan EMBI Plus Index returning a positive +8.70% for the quarter. Corporate credit spreads continued to compress during Q4 2022. The JP Morgan EMBI Spread tightened by 91 bps. The EU iTraxx Crossover 5-year spread, tightened by 167 bps, indicating the further improvement in the risk profile of global bond markets.

The fourth quarter of 2022 saw a recovery in global commodity prices, driven by the Chinese government's decision to ease COVID-19 restrictions. The CRB Metals Index increased by +5.12%, with silver, platinum, and iron ore prices rising by +25.58%, +22.40%, and +20.57%, respectively. Copper prices also rose by +12.06%, and gold prices by +9.29%. The metal commodities that saw a decrease in prices were palladium and rhodium, which fell by -16.10% and -12.50%, respectively. Soft commodities, such as sugar, soybeans, and cocoa, also saw increases in prices, at +10.15%, +15.10%, and +9.52%, respectively. However, there are concerns about the potential inflationary impact of these increases on already high global inflation levels.

Resurgent commodity prices helped to boost emerging market currencies. The South African Rand led the African continent with a gain of +6.20% against the US Dollar. The Brazilian Real continued to perform well, appreciating by an additional +2.50% and the Australian Dollar appreciated by +5.57%. The Dollar Index (DXY Index) declined by -7.67% over the quarter, as the US economy softened. The GBP appreciated by +8.17% and the EUR strengthened by +9.21% versus the US Dollar over the quarter benefitting the fund with exposure to both currencies. Other notable currencies to benefit from the weaker US Dollar, were the Japanese Yen appreciating by +8.09% over the quarter. Although the Chinese Renminbi only gained +2.13% against the US Dollar, the South Korean Won and Malaysian Ringgit led the gains for the Asian region, at +11.59% and +4.69%, respectively.

Looking ahead, given that many of the fund's asset classes rallied strongly in the last quarter, lower inflation expectations coupled with downward revisions in growth expectations, the fund is positioned to capture higher US rates in the short-end of the curve whilst opportunistically adding good quality issuers in credit and other asset classes that present value.

Portfolio Manager
Brandon Quinn
BCom, CFA

Assistant Manager
Anina Swiegers
BCom (Hons), CFA

Assistant Manager
Alexander da Silva
BCom (Hons)

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