

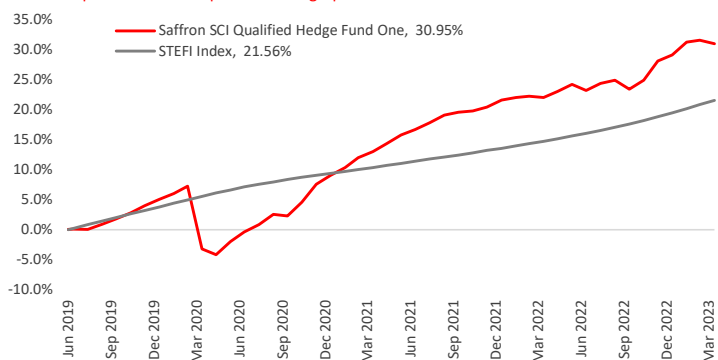
SAFFRON SCI* QUALIFIED HEDGE FUND ONE



Class A I Minimum Disclosure Document (MDD)
As at 31 March 2023

Fund Performance

Since inception cumulative performance graph



Monthly %	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22	Jan'23	Feb'23	Mar'23
Fund	0.88	0.93	-0.79	0.92	0.42	-1.17	1.22	2.56	0.78	1.66	0.26	-0.49
Benchmark	0.35	0.40	0.40	0.40	0.48	0.46	0.51	0.51	0.54	0.60	0.54	0.61

Yearly %	Mar'21	Mar'22	Mar'23
Fund	16.73	7.96	7.36
Benchmark	4.57	3.94	5.96

	Cumulative Return (%)		Annualised Return (%)	
	Fund	Benchmark	Fund	Benchmark
1 Year	7.36	5.96	7.36	5.96
2 Years	15.91	10.14	7.66	4.95
3 Years	35.30	15.17	10.60	4.82
4 Years	N/A	N/A	N/A	N/A
5 Years	N/A	N/A	N/A	N/A
Since Inception	30.95	21.56	7.39	5.29

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/03/2023

Highest Annual %:	19.27%	Lowest Annual %:	-2.03%
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Risk Statistics

	3 Year Rolling	Since Inception
Standard Deviation	1.87%	3.55%
Sharpe Ratio	0.98	0.20
Sortino Ratio	1.89	0.23
Information Ratio	0.96	0.20

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

	Current	Maximum	Mandate
VaR at period end	2.76%	20.00%	20.00%
Highest VaR over the month	2.79%		

Sources of Leverage

Leverage Sources	Absa Prime Services
Leverage Type	Loan
Leverage Value (ZAR)	69,000,000.00
Gearing Ratio	2.55
Maximum Gearing Per Mandate	4.00
Counterparty Exposure (%)	
Absa Prime Services	100.00%

Risk Profile

Aggressive

You can afford to take on a higher level of risk because of your investment time horizon and/or your appetite for risk. You know that in taking the risk, you need to be patient if you want to achieve the results. So you are willing to invest for the long-term and are prepared to tolerate some volatility in the short term, in anticipation of the higher returns you expect to receive over the longer term.

- 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.
- VAR represents the statistical loss that the Fund can experience given its current holdings over a one Month period with a 1% probability.
- 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.
- 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.
- In some circumstances asset hypothecation exists and is limited within the contracting arrangements with the different counter parties.

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 Strategy

The portfolio shall invest in a combination of assets in liquid form including cash, cash equivalents, money market instruments, listed and unlisted interest rate instruments, corporate and sovereign bonds, preference shares and listed property. The portfolio shall be permitted to invest in listed and unlisted financial instruments (derivatives) including but not limited to interest rate derivatives, currency derivatives and commodity derivatives. The Manager shall be permitted to invest in offshore investments as legislation permits. The Portfolio may also invest in participatory interests of portfolio of collective investment schemes registered in the Republic of South Africa or of participatory interests in collective investment schemes or other similar schemes. The 10 day 99% VAR shall be limited to 20% of the NAV.

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 South African Fixed Income
Base Currency	South African Rand (ZAR)
Inception Date	May 2019
Benchmark	STeFI
Risk Profile	Aggressive
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 32,503,247.11
Asset Duration	0.47
Fund Duration	1.67

Distribution History (cents per unit)

01/07/2022	0.00 cpu	01/07/2021:	0.00 cpu	01/10/2020:	17.52 cpu
01/04/2022	55.49 cpu	01/04/2021:	0.00 cpu		
03/01/2022	13.83 cpu	04/01/2021:	13.49 cpu		

Fund Holdings

Asset Allocation (%)	
Domestic Floating Rate Notes	48.2%
Offshore Bonds	15.8%
Domestic Cash & Settlement	15.2%
Domestic NCD	8.4%
Offshore CIS	6.7%
Offshore Floating Rate Notes	2.6%
Domestic Cash - Other	1.7%
Domestic Bonds	1.4%
Offshore Cash	0.1%
Domestic CIS	0.0%
Offshore Cash - Forwards	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

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: 01 July 2019 to 30 June 2022. Total Expense Ratio (TER) | 4.17% 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 4.17%, a performance fee of 0.56% of the net asset value of the class of participatory interest of the portfolio was recovered. Transaction Cost (TC) | 0.00% 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) | 4.17% of the value of the Financial Product was incurred as costs relating to the investment of the Financial Product.

*The legal registered name of this portfolio is: Saffron Sanlam Collective Investments Qualified Hedge Fund One MDD as at 31 March 2023
Issue Date: 18 April 2023

Administered by:



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.

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



MDD as at 31 March 2023

Issue Date: 18 April 2023

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 fund launched in 2016. 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. The Saffron SCI* Qualified Hedge Fund One was formerly registered as the S-Alt Zeta Qualified Hedge Fund. The name change was approved with a change of investment policy, and as such the historic fund performance ceased to exist when the Saffron SCI fund was approved in 2019. 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).

Manager Information

Sanlam Collective Investments (RF) (Pty) Ltd

Physical Address: 2 Strand Road, Bellville, 7530

Postal Address: P.O. Box 30, Sanlamhof, Bellville, 7532

Tel: +27 (21) 916 1800

Email: service@sanlaminvestments.com

Website: www.sanlamunittrusts.co.za

Trustee Information

Standard Bank of South Africa Ltd

Tel: +27 (21) 401 2002

Email: compliance-sanlam@standardbank.co.za

Administered by:



The fund returned 1.42% and 7.36% for the quarter and year respectively, while the benchmark (STeFI Index) returned 1.77% and 5.96%. On a rolling one-year basis, the fund exceeded the cash benchmark by 1.39%.

The first quarter of 2023 was dominated by heightened uncertainty of inflation expectations and the forward path of policy and long-term interest rates, combined with turmoil in the international banking sector. Over the quarter, the Fed, ECB and SARB hiked by 50bp, 100bp and 75bp, respectively. Over the last month the Fed and ECB hiked by 25bp and 50bp respectively, while the SARB surprised the market with a 50bp rate hike. The rand traded firmer after the announcement but had struggled since the beginning of the year given the ongoing global economic slowdown and falling commodity prices, the domestic energy crisis, the country's greylisting by the Financial Action Task Force (FATF) and the S&P Global downgrade of SA's credit ratings outlook.

In March, the Fed announced a 25bp hike to the Federal funds target range to 4.75%-5.00% and suggested that they may be close to the end of the tightening cycle, but that 'some additional policy firming may be appropriate'. A pause was considered given the banking turmoil that had ensued over the past few weeks, but the committee reiterated that the US banking system remains 'sound and resilient'. The Fed's dot plot showed the median year-end projection for the Fed funds rate at 5.1% while the estimate for year-end 2024 is 4.3%. The 10-year generic US yield decreased by 41bp to 3.47% at quarter-end, while US Dollar Index (DXY) lost -0.98% over the quarter but has retained an appreciation of +4.27% over one year.

The European Central Bank (ECB) hiked rates by 50bps to 3.50% in March, raising rates to the highest level since 2008. The ECB expects inflation to average 5.3% in 2023, 2.9% in 2024, and 2.1% in 2025. The bloc's headline inflation rate was confirmed at 8.5% in February, while core inflation jumped to 5.6% (previously 5.3%). The central bank reassured the public that the Eurozone's banking sector remains resilient, with strong capital and liquidity adequacy ratios. The Bank of England (BOE) raised the Bank rate by 25bps to 4.25%. UK CPI exceeded expectations, at 10.4% y/y in February, from 10.1% y/y in January. The MPC appeared reassured by the briefing it received from the Bank of England's Financial Policy Committee that concluded the UK banking system remained resilient, with banks 'well placed to continue to support the economy in a wide range of economic scenarios'. European long-term yields moved lower over the quarter, with the German 10-year trading at 2.29% (-28bps) and French 10-year at 2.79% (-32bps). The UK 10-year yield declined to 3.49% (-17bps).

On 19 March, international markets were shocked following the Swiss Financial Market Supervisory Authority (FINMA) approval of the takeover of Credit Suisse by UBS where Credit Suisse's Additional Tier 1 (AT1) bonds were permanently written down and a share swap of 22.48 Credit Suisse shares for 1 UBS share was implemented. This resulted in a significant repricing of AT1 debt instruments in international markets. Both the ECB and the BOE have since stressed in separate statements that 'shareholders would have been first in line to fully absorb losses before AT1 holders, as part of reforms spurred by the global financial crisis'. Previous SARB guidance (Guidance Note 6/2017) envisages that the PONV will be the same in a South African context, to avoid the possibility that AT1 instrument holders will absorb losses before common equity holders. South African banks remain well capitalised with significantly lower allocation to AT1 in their capital stacks. Any spill-over effects from the international AT1 bond space will therefore be limited in the South African context.

The price of Brent crude oil closed at USD79.89 per barrel at quarter end (-7.01% over the quarter) but spiked shortly after that as OPEC+ unexpectedly announced significant crude output cuts. The CRB Metals Index recovered +7.35% in 1Q23 with copper (+7.64%) and gold (+7.96%) rallying, while platinum (-7.36%) and palladium (-18.35%) lost. The rand (that typically follows CRB Metals returns) weakened -4.45% against the USD over the quarter, despite a recovery in the CRB Metals Index, most probably due to SA-specific energy and logistical concerns. Over a rolling one-year basis, USDZAR lost -21.80% and CRB Metals -22.80%. The rand also depreciated against the euro and the pound over the quarter, losing -5.75% and -6.60% respectively.

The VIX Index, a measure of market volatility, traded much lower at 18.70 at the end of the quarter (-2.97). The J.P. Morgan Emerging Market Bond Index (EMBI) Sovereign Spread widened by 39bps, ending the quarter at 414bps, with the index returning +2.25%. SA's 5-year Credit Default Swaps widened to 273bp (+23bp), while Brazil's tightened to 239bp (-26bp). Turkey remained relatively stable at 523bp (+11bp).

In the South African asset class universe, Bonds (ALBI TR) was the top performing asset class at +3.42%, followed by Equities (ALSI Total Return) at +2.44% and Cash (STeFI) at +1.77%. Property was the worst performer at -5.05%. Over the past 12 months, Cash was the top performer at +5.96% while Property was the worst performer at -3.36%.

Domestic policy rates continue to be sensitive to DM central bank policy, failing which we would see additional currency volatility. The SARB MPC unexpectedly hiked the repo rate by 50bps to 7.75% (two members favoured a 25bp hike), taking the policy rate to its highest since 2009. Headline inflation was upwardly revised to 6.0% from 5.4%, as food inflation continued to accelerate (14.00% in February), and fuel deflation less than what was previously anticipated given a weaker rand. The forecast for core goods inflation was raised from 5.5% to 5.9%, with the main drivers being wage settlements, the rand exchange rate and the impact of load shedding. The SARB also made a marginal downward revision to its 2023 GDP forecast from 0.3% to 0.2% but raised the 2024 growth outlook from 0.7% to 1.0%.

At the time of writing, the 3x6s FRA priced in another 50bp increase to 8.30%. The 3-month JIBAR rate moved 70bp higher to 7.96% over the quarter and 359bp over the year, the effects of which would have been seen in the fund's increased running yield. The 12-month T-bill average widened only slightly by 17bp to 8.56%. In the SA Bond market, foreigners remained large net sellers, with -R63.7bn outflow in March and -R78.4bn in February (record-setting level). This brings the cumulative outflow for the last 12 months to -R335.2bn (according to Bloomberg). The short-end and belly of the SAGB yield curve tightened over the quarter (R186 and R2032 were 35bp and 32bp tighter respectively), while the long-end lifted (R2048 yield was up +22bp). The 1- to 3-year bucket returned +2.42%, the 3- to 7-year bucket returned +3.37%, the 7- to 12-year bucket returned +4.42% and the 12+ years bucket +2.67% over the quarter. The top performing area of the curve for the year was the 7- to 12-year bucket at +8.09%. According to the SARB's statement of assets and liabilities, the accumulated government bond holdings decreased by R6bn, largely due to the maturing R2023. As at the end of February the holdings were R33.6bn, a cumulative R25.4bn increase since secondary market bond-buying was announced in March 2020. The SARB's FX forward position was USD 551M.

Looking ahead: Whilst major central banks have signalled being closer to the peak of the rate cycle (resulting in likely smaller incremental increases before holding to allow typically delayed policy effects to fully manifest), risks remain from inflation surprises particularly against a backdrop of volatile energy markets and numerous global geo-political risks. The long end of the SA FRA curve remains flat / slightly inverted, and at the time of writing, is expected to peak at c. 8.30%.

At the end of 1Q 2023, the fund was 3.55x geared, with an effective 15.2% allocation to cash. The largest asset class exposures were to Domestic Floating Rate Notes (48.2%) and Offshore Bonds (15.8%). The Value-at-Risk (VaR) risk measure (99% confidence, 10-day period) calculated by the independent risk managers stood at 2.76%. 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 (11.03% 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

