

# SAFFRON BCI GLOBAL ENHANCED INCOME FEEDER FUND

CLASS A

Minimum Disclosure Document (MDD)  
30 June 2023



## Fund Performance

Since launch cumulative performance graph

Performance will be displayed 12 months after the launch date

### Monthly %

Fund	Benchmark

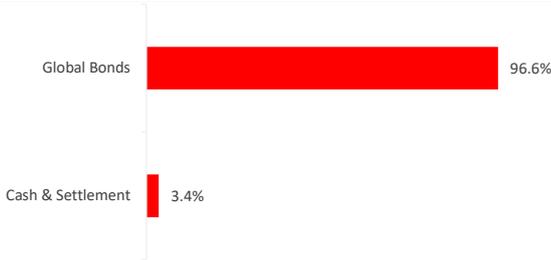
### Yearly %

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 30/06/2023

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.

Annualised return is the weighted average compound growth rate over the period measured.

## Fund Objective

The Fund's investment objective is to generate a high level of income and capital appreciation over the medium to long term.

## Investment Policy

The portfolio will apart from assets in liquid form, invest solely in the participatory interests of the Saffron BCI Global Enhanced Income Fund, established under the Prescient Global Funds ICAV domiciled in Ireland. The underlying portfolio invests primarily in debt and debt-related securities issued by governments and corporations listed on global recognised exchanges. To the extent that the assets in the portfolio are exposed to exchange rate risk, the manager may enter into financial transactions for the exclusive purpose of hedging such exchange rate risk subject to the conditions and limits as stipulated by the Act.

## Fund Information

Fund Manager	Brandon Quinn, CFA
Assistant Fund Manager	Anina Swiegers, CFA
Launch Date	04 November 2022
Fund Size	R 108.84 million
NAV Price (Fund Inception)	100.00 cents
NAV Price as at month end	108.62 cents
JSE Code	SAFFA
ISIN Number	ZAE000314324
ASISA Fund Classification	Global - Multi Asset - Income
Benchmark	CME Term 3-Month SOFR +3%
Minimum Investment Amount	None
Fee Class	A
Valuation	Daily
Portfolio Valuation Time	08:00 (T+1)
Transaction Cut Off Time	14:00
Regulation 28 Compliant	No

## Distribution History (cents per unit)

Income Declaration Date	30 June / 31 December
Income Payment Date	2nd working day of July / January

## 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	0.17
Initial Advisory Fee (Max)	3.45
Annual Advice Fee	-
Initial Fee	0.00
Performance Fee	None
Monthly Fixed Admin Fee	R15 (Excl. VAT)

## 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](http://www.bcis.co.za).

Valuation takes place daily and prices can be viewed on our website ([www.bcis.co.za](http://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](http://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. A feeder fund, that a feeder fund is a portfolio that invests in a single portfolio of a collective investment scheme, which levies its own charges and which could result in a higher fee structure for the feeder fund.

Although reasonable steps have been taken to ensure the validity and accuracy of the information in this document, BCI does not accept any responsibility for any claim, damages, loss or expense, however it arises, out of or in connection with the information in this document, whether by a client, investor or intermediary. This document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of BCI/the Manager's products.

### 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](mailto:info@saffronwealth.com)

Website: [www.saffronwealth.com](http://www.saffronwealth.com)

### Management Company Information

**Boutique Collective Investments (RF) (Pty) Ltd**

Catnia Building, Bella Rosa Village, Bella Rosa Street, Bellville, 7530

Tel: +27 (21) 007 1500/1/2 | +27 (21) 914 1880

Fax: +27 (86) 502 5319

Email: [clientservices@bcis.co.za](mailto:clientservices@bcis.co.za)

Website: [www.bcis.co.za](http://www.bcis.co.za)

### Custodian / Trustee Information

**The Standard Bank of South Africa Ltd**

Tel: +27 (21) 441 4100



## Fund Manager Quarterly Comment - As at 30 June 2023

The second quarter of 2023 delivered heightened volatility in return on the back of a strong first quarter for financial assets. The Saffron Global Enhanced Income Fund returned 1.7% over the quarter, with its benchmark of 3-Month SOFR +3% (Secured Overnight Financing Rate) returning 1.99%. During the quarter, the Fund sought to deploy more cash into credit assets which resulted in a modest increase in duration to 0.48 yrs. The Fund ended the quarter with a gross running yield of 5.50%, up from 5.34% in Q1.

Through Q2, the US bond curve widened significantly as markets began pricing the new interest rate outlook. The US-2YR and US-10YR closed the quarter with yields of 4.90% and 3.84%, respectively. The largest movement was seen in short-term rates with the US-2YR lifting by circa 87 bps. Over the quarter, the 10v2s inversion widened significantly to -106 bps. The 10v2s inversion is widely seen as a leading indicator of an economic recession in the market. Value continues to be offered by US Treasuries with the 3-month US Treasury bill lifting by 56 bps to 5.31% over the quarter.

The Federal Reserve (FED) continued in its hiking policy, raising the upper bound of the FED funds rate by 25 bps to 5.25% before pausing in June. A key rate used to measure inflation, Core Personal Consumption Expenditures (PCE), rose just 0.3% in May when excluding food and energy as inflationary pressures eased slightly. Core PCE has increased 4.6% from one year ago, down 0.1% from April. When including food and energy, Core PCE was up 0.1% m/m and 3.8% y/y. In June, Fed officials indicated they expect the hiking cycle to continue with at least two more 25 bp interest rate hikes before year end.

Spreads on 5-YR USD sovereign credit default swaps (CDS) were extremely volatile during the quarter as fears of the US breaching its debt ceiling were raised, however the spreads returned to normalised levels and were stable during June following agreement on a new debt ceiling. Brazil spreads tightened by 52 bps for the quarter on the back of strong currency outperformance. Despite the elevated political turbulence experienced during the quarter, the 5-YR ZAR sovereign CDS ended the quarter circa 5 bps tighter than Q1. Similar gains in the CDS space were seen by both Turkey and Mexico. The broad-based tightening in sovereign CDS spreads indicates a pro-growth view on the back of approaching a perceived peak in US rates.

For the second consecutive quarter, AT1 bank bonds experienced heightened volatility following the events of Credit Suisse in Q1. Despite the increased volatility, the iBoxx CoCo Liquid Developed Europe AT1 Index ended the quarter 4.15% stronger.

The European Central Bank (ECB) remains committed to combating inflation and has indicated that it will continue to raise rates to ensure price and financial stability in the euro area. The ECB raised its main policy rate by a total of 50 bps over the quarter, bringing it to 4.00%. The Governing Council has indicated that future key rate decisions will ensure that key ECB rates are brought to levels that will achieve a timely return to the medium-term inflation target of 2%.

Chinese Premier Li Qiang recently stated China is on track to achieve their GDP growth target of circa 5.0% for 2023, as early indications are showing the Chinese economy has "clear momentum of rebound and improvement". However, China's June manufacturing Purchasing Managers Index (PMI) saw its third monthly contraction to 49.0 with China's June non-manufacturing PMI coming in at its weakest level year to date at 53.2 and pointing towards additional stimulus required.

On the back of a strong Q1, emerging market (EM) bonds strength continued in Q2 with the JP Morgan EMBI Plus Index returning a positive +1.43% for the quarter. The circa 30 bps reduction in the JP Morgan EMBI Spread was on the back of a more constructive view on EM debt. Additionally, in the EU, both the 3-year and 5-year Generic ITraxx Crossovers saw spreads tighten by 26 bps and 34 bps respectively, indicating an improvement in risk sentiment in the EU corporate credit market. The Global HY Index and US High Yield Index returned 2.02% and 1.63% for the quarter respectively.

Historically, the United States Dollar (USD) has been the safe haven asset in times of financial instability. This quarter saw the USD strengthen, as the Dollar Index (DXY index) increased by +0.4% after declining by -0.98% in Q1. However, when compared to other developed market currencies, the relative USD weakness continued into Q2. The USD lost -0.65% vs EUR over the quarter. The USD weakened significantly to GBP, weakening by -2.97% over the quarter. Brazil (BRL) gained 5.46% in Q2 on the back of strong carry metrics. The South African Rand (ZAR) weakened significantly versus USD, depreciating by 5.91% over the quarter. Further weakness came from the Japanese Yen and Chinese Renminbi which weakened significantly to the dollar by -8.62% and -5.53% respectively. The Australian Dollar showed slight gains of +0.32% to the dollar.

Looking ahead, geopolitical tensions are likely to persist, uncertainty in the US and EU banking sector have largely abated whilst US recession and inflation uncertainty will likely remain in the short to medium term. The fund will continue to redeploy US Treasury exposure into opportunities that offer superior risk adjusted returns.



**Portfolio Manager**  
Brandon Quinn  
BCom, CFA

**Assistant Manager**  
Anina Swiegers  
BCom (Hons), CFA