

# SAFFRON BCI OPPORTUNITY INCOME FUND

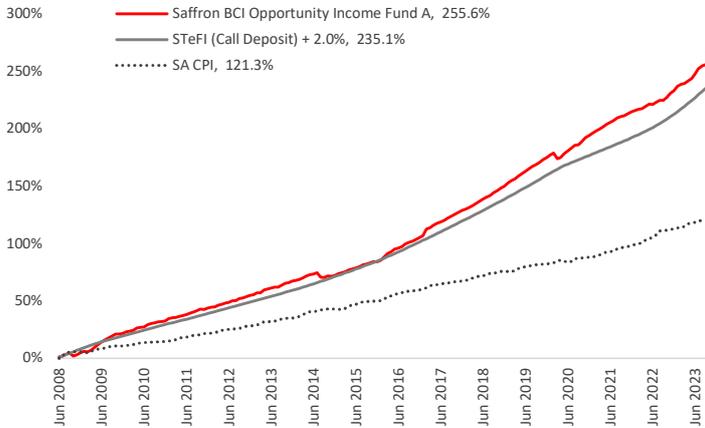
CLASS A

Minimum Disclosure Document (MDD)  
30 September 2023



## Fund Performance

Since launch cumulative performance graph



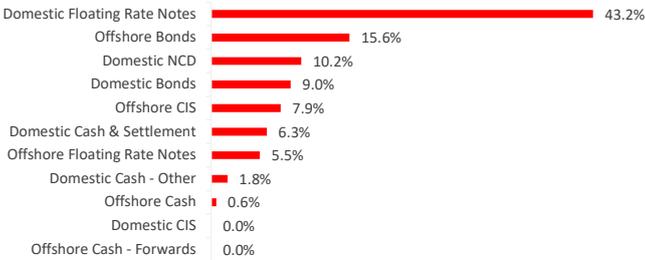
Monthly %	Oct'22	Nov'22	Dec'22	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23
Fund	0.82	1.07	0.74	1.10	0.50	0.23	0.63	0.58	1.26	1.32	0.66	0.29
Benchmark	0.66	0.66	0.72	0.74	0.68	0.76	0.75	0.80	0.80	0.84	0.84	0.81

Yearly %	Sep'12	Sep'13	Sep'14	Sep'15	Sep'16	Sep'17	Sep'18	Sep'19	Sep'20	Sep'21	Sep'22	Sep'23
Fund	7.42	7.74	4.23	6.63	10.48	11.42	9.19	10.06	6.34	8.59	4.53	9.58
Benchmark	7.35	6.87	7.31	7.82	8.73	9.08	8.75	8.78	7.39	5.57	6.33	9.45

	Cumulative Return (%)				Annualised Return (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 Year	9.58	9.46	7.32	4.81	9.58	9.46	7.32	4.81
3 Years	24.38	22.87	15.79	18.32	7.54	7.11	5.01	5.77
5 Years	45.57	43.54	30.01	27.26	7.80	7.50	5.39	4.94
10 Years	117.44	114.21	75.74	65.08	8.08	7.92	5.80	5.14
Inception	255.59	235.34	147.51	124.90	8.62	8.21	6.09	5.43

## Fund Holdings

Asset Allocation (%); (May not add up to 100% due to rounding)



## Risk Statistics (3 Year Rolling)

Standard Deviation	1.11
Sharpe Ratio	0.01
Information Ratio	-0.40
Maximum Drawdown	-0.07

## Highest and Lowest Annual Returns

Time Period: Since Inception to 30/09/2023

Highest Annual %	18.73%
Lowest Annual %	2.84%

## 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. Removal of Regulation 28. Annualised return is the weighted compound growth rate over the period measured.

## Fund Objective

The Saffron BCI Opportunity Income Fund is a specialist income portfolio that seeks investment opportunities that meet the objective of delivering an enhanced level of income and stability on capital invested.

## 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, 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, 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
Launch Date	02 June 2008
Fund Size	ZAR 1397.78 million
NAV Price (Fund Inception)	100.00 cents
NAV Price as at month end	128.41 cents
JSE Code	MIPP
ISIN Number	ZAE000120044
ASISA Fund Classification	South African - Multi Asset - Income
Benchmark	STeFI Call Deposit index plus 2% p.a.
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)

02/10/2023	2.40	03/10/2022	2.09	03/01/2022	1.53
03/07/2023	2.33	01/07/2022	1.81	01/10/2021	1.54
03/04/2023	2.29	01/04/2022	0.05	01/07/2021	1.49
03/01/2023	2.06	25/03/2022	1.37	01/04/2021	1.44

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**:	1.22% (PY: 1.22%)	TC:	0.01% (PY: 0.01%)	TIC:	1.23% (PY: 1.23%)
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](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 2023, whilst the underlying portfolios' ratio and cost calculations are based upon their most recent published figures, being 30 June 2023.

### 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.

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### Investment Manager

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### Management Company Information

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The fund (Class A) returned 2.28% and 9.58% over the course of the quarter and year respectively, while the benchmark (STeFI Call Deposit +2.0%) returned 2.52% and 9.46%. Over a rolling one-year period, the fund return beat the enhanced cash benchmark during a period of notable market volatility. The 1-year average for the ASISA category was 8.71%. Currency hedged offshore debt (c. +1.20%) and Domestic Floating Rate Notes (c. +1.07%) were the main contributors to the return over the quarter, while Domestic Bonds detracted -0.23%.

Through the third quarter of 2023, central banks remained committed to their mandate of maintaining price stability by implementing tighter monetary policies, with varying degrees of rate hikes. The European Central Bank (ECB) raised rates by 50bp, the US Federal Reserve (Fed) and Bank of England (BoE) raised rates by 25bp, while the South African Reserve Bank (SARB) opted for no change.

As anticipated, the Fed decided to maintain the federal funds target rate range at 5.25% to 5.50%. This decision was informed by its revised economic outlook, with unemployment expectations for the current year dropping to 3.8% and GDP growth projections rising to 2.1% year-on-year. Fed Chair Powell highlighted encouraging trends, such as robust consumer spending and some housing sector improvements. Nevertheless, he acknowledged the challenge posed by higher mortgage rates. Looking ahead to 2024, the Fed's forecasts indicate a 4.1% unemployment rate and 1.5% GDP growth. In 2025, a rebound is expected, with the economy growing at a 1.8% year-on-year rate, alongside a 4.1% unemployment rate. The Fed's primary objective remains centred on achieving the 2.0% core PCE inflation target over the coming years, all while recognising that the cumulative impact of rate hikes will take time to become evident. Over the quarter, the yields on US 5-year and 10-year generic bonds increased by 45 and 73bp respectively, while the US Dollar Index (DXY) exhibited a gain of 3.2%. Over the past year, the yields on US 5-year and 10-year generic bonds experienced increases of 65 and 83bp respectively, while the US Dollar Index (DXY) recorded a loss of 5.3%. The difference between the US 10-year bond yield and the 2-year bond yield decreased to a c. 50bp from a c. 100bp inversion in the yield curve.

The ECB's account of its July meeting revealed a balanced discussion between hawks and doves. Some advocated for further action to combat inflation, while others stressed the importance of secondary objectives like employment. The shift in inflation drivers toward demand-side factors was acknowledged, but concerns arose about weakening GDP performance and potential labour market impacts. The ECB remains open to future policy actions but is unlikely to raise rates further and won't consider rate cuts anytime soon, with a potential easing move expected around June 2024 to alleviate monetary policy restrictiveness.

The BoE raised its benchmark interest rate by 25 basis points to 5.25%, marking the 14th consecutive rate hike and signalling a restrictive monetary stance. The decision was not unanimous, with six votes in favour of the 25bps hike, two for a 50bps increase, and one for keeping rates steady. The bank's mean CPI projection is 2.0% for the two-year horizon, assuming policy rates peak at just over 6.0%. The market reacted with a slight drop in rate expectations to just under 5.75%. Governor Andrew Bailey suggested that the BoE may be approaching the peak of its tightening cycle but emphasised that future decisions would be data-driven, with a focus on returning inflation to the 2% target. The policy debate is shifting from rate levels to how long they should remain at this level.

The VIX Index, which measures market volatility, traded higher at 17.52 at quarter-end, representing an increase of 3.93. The J.P. Morgan Emerging Market Bond Index (EMBI) Sovereign Spread widened slightly by 6bp, closing the quarter at 396bp, with the index returning -2.63%. Credit Default Swaps (CDS) for SA's 5-year widened to 280bp (an increase of 14bp), while Brazil's widened to 188bp (an increase of 11bp), and Turkey's tightened to 398bp (a decrease of 89bp). By the end of the quarter, Brent crude oil closed significantly higher at USD 92.20 per barrel, marking a 22.26% increase over the quarter. The CRB Commodities and Metals Index returned 0.13% and -0.27% respectively. Palladium, platinum, and copper were flat, returning 1.44%, 0.18%, and -1.32% respectively. In contrast, gold gained 5.40% over the quarter.

During the quarter, the South African rand exhibited a slight depreciation of 0.39% against the USD, tracking the relatively flat trend observed in metals markets. Over a rolling one-year period, the USDZAR exchange rate experienced a decline of -4.63%, while the CRB Metals Index displayed strength, recording a gain of 2.67%. Additionally, the South African rand faced notable depreciation against other major currencies, including a -12.75% drop against the euro and a -14.25% decrease against the pound. Within the South African asset class universe, the top-performing asset class for the quarter was Cash (STeFI Index), which delivered a solid return of +2.05%. In contrast, nominal bonds (ALBTR Index) yielded a negative return of -0.36%, while inflation-linked bonds (CILTR Index) posted a slight positive return of +0.78%. Equity (JALSHTR Index) and Listed property, on the other hand, experienced returns of -3.48% and -0.97%, respectively. Looking at performance over a 12-month period, Equity (JALSHTR Index) emerged as the standout asset class with a return of +17.68%. In comparison, inflation-linked bonds (CILTR Index) delivered a mere +2.98%.

The SARB decided to maintain the repo rate at 8.25%, in line with expectations. Notably, the SARB adjusted its inflation forecast, lowering it by 10bp to 5.9% for 2023 but increasing it by 10bp to 5.1% for 2024, while keeping the 2025 forecast at 4.5%. These adjustments were influenced by factors such as rising food and fuel inflation estimates. Growth projections saw minimal changes, with an upward revision for 2023 to 0.7% from 0.4%, while 2024 and 2025 forecasts remained at 1.0% and 1.1%, respectively. The SARB emphasised the presence of "serious upside risks" to inflation, maintaining a hawkish stance. Additionally, the MPC underlined the QPM's role as a "broad policy guide," aligning the current repo rate with the QPM forecast for 2023. However, the QPM projections suggest a potential shallow and delayed loosening cycle in 2024, with a projected repo rate of 7.57%, decreasing to 7.31% in 2025. Overall, economic uncertainties persist, impacting both inflation and growth prospects.

At the time of writing, the 3x6s FRA priced in another c. 25bp rate increase to c. 8.50%. The 3-month JIBAR rate decreased by 17bp to 8.33% over the quarter, but increased by 187bp over the year, the effects of which would have been seen in the fund's increased running yield. The 12-month T-bill average yield tightened by 29bp to 9.22%. The short-end of the SAGB yield curve lifted significantly over the quarter (R186 and R2032 were 23bp and 57bp wider respectively), while the long-end lifted (R2048 yield was up +57bp). The 1- to 3-year bucket returned +0.03%, the 3- to 7-year bucket returned +0.37%, the 7- to 12-year bucket returned -0.12% and the 12+ years bucket -0.60% over the quarter.

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 geopolitical 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. 8.50%.

The fund continues to offer an attractive gross running yield of 11.34% per annum and is strategically positioned in the short end for rising / stable policy rates and tactically positioned in longer duration bonds to capture higher yields and normalised inflation expectations. The fund duration was slightly higher at quarter-end at 1.00 years, up from 0.95 years the previous quarter as the fund increased duration into market weakness. High cash balances will allow the fund to benefit from value opportunities that are likely to present in this late stage of the global business cycle to achieve our objective of Cash (STeFI Call Deposit) +2.0%.