

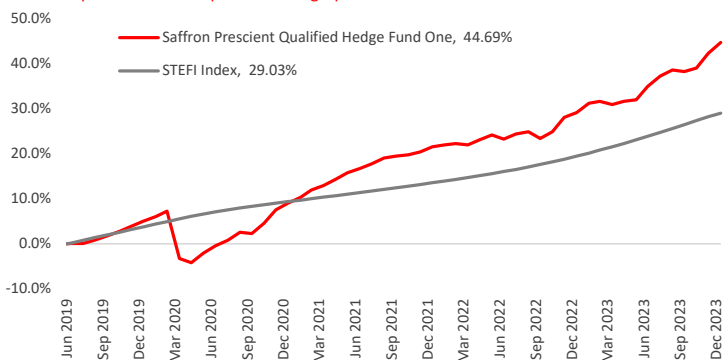
SAFFRON PRESCIENT QUALIFIED HEDGE FUND ONE

The fund was previously named Saffron Sanlam Collective Investments Qualified Hedge Fund One
Class A | Minimum Disclosure Document & General Investor Report
As at 31 December 2023



Fund Performance

Since inception cumulative performance graph



Monthly %	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23
Fund	1.66	0.26	-0.49	0.56	0.25	2.25	1.69	1.01	-0.28	0.58	2.34	1.67
Benchmark	0.60	0.54	0.61	0.57	0.69	0.65	0.68	0.69	0.65	0.72	0.68	0.65

Yearly %	Dec'20	Dec'21	Dec'22	Dec'23
Fund	3.77	11.50	6.20	12.07
Benchmark	5.39	3.81	5.19	8.03

	Cumulative Return (%)		Annualised Return (%)	
	Fund	Benchmark	Fund	Benchmark
1 Year	12.07	8.03	12.07	8.03
2 Years	19.01	13.64	9.09	6.60
3 Years	32.70	17.97	9.89	5.66
4 Years	37.70	24.33	8.33	5.59
5 Years	N/A	N/A	N/A	N/A
Since Inception	44.69	29.03	8.48	5.78

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2023

Highest Annual %:	19.27%	Lowest Annual %:	-2.03%
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Risk Statistics	3 Year Rolling	Since Inception
Standard Deviation	1.64%	3.34%
Sharpe Ratio	0.81	0.27
Sortino Ratio	1.53	0.31
Information Ratio	0.82	0.27

Value at Risk (10-day, 99% confidence)	Current	Maximum	Mandate
VaR at period end	2.42%	20.00%	20.00%
Highest VaR over the month	2.71%		

Sources of Leverage

Leverage Sources	Absa Prime Services
Leverage Type	Loan
Leverage Value (ZAR)	52,900,000.00
Gearing Ratio	3.51
Maximum Gearing Per Mandate	4.00

Counterparty Exposure (%)

Absa Prime Services	100.00%
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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. Actual annual figures are available to the investor on request.
- 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

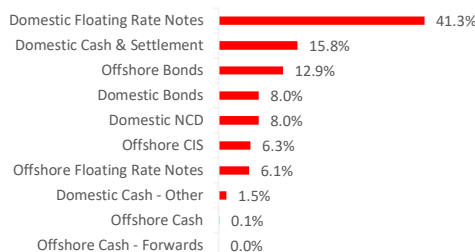
Fund Classification	Qualified Investor Hedge Fund South African Fixed Income
Base Currency	South African Rand (ZAR)
Inception Date	May 2019
JSE Code	SSHOA
ISIN	ZAE000273991
Benchmark	STeFI
Risk Profile	Aggressive
Liquidity Risk Profile	Monthly
Fund Valuation Time	17:00
Transaction Cut Off Time	14:00
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 25,935,502.98
Number of Units	910915.60
Unit Price	11.95
Asset Duration	1.00
Fund Duration	4.51

Distribution History (cents per unit)

31/08/2023	27.30 cpu	30/12/2022	8.96 cpu
30/06/2023	7.61 cpu	30/09/2022	0.00 cpu
31/03/2023	8.54 cpu		

Fund Holdings

Asset Allocation (%)



Service Charge (Excl. VAT)

	(%)
Service Charge	1.00% p.a. payable monthly
Broker Advisory Fee (max)	1.00%
Performance Fee*	20% of profits above (i) STeFI and (ii) the high water mark, payable quarterly

Total Expense Ratio (TER)	1.20%
Transaction Costs (TC)	0.20%
Total Investment Charge (TIC)	1.40%

*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.

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.

Highest & Lowest return

The highest and lowest returns 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.

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

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MDD as at 31 December 2023
Issue Date: 17 January 2024

Additional Information

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. The Manager retains full legal responsibility for any third party-named portfolio. 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 Hedge Funds are processed on a monthly basis. Your application form together with proof of payment must be submitted to Prescient before 14h00, 2 (two) business days before the preceding month end. Redemptions: Hedge Fund redemptions are processed at the end of each month and require a months' notice. In order to receive month end prices, your redemption must be submitted to Prescient before 14h00, 1 business day of the preceding month end, for processing at the end of the following month. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Prices are published monthly and are available on the Prescient website. 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. The portfolio did adhere to its policy objective. For any additional information such as fund prices, brochures and application forms please go to www.prescient.co.za. The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments SA. This portfolio operates as a white label fund under the Prescient QI Hedge Fund Scheme, which is governed by the Collective Investment Schemes Control Act. This document is for information purposes only and does not constitute or form part of any offer to issue or sell or any solicitation of any offer to subscribe for or purchase any particular investments. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable directly or indirectly to the use of or reliance upon the information.

Manager Information

Prescient Management Company (RF) (Pty) Ltd

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Email: info@prescient.co.za

Website: www.prescient.co.za

Trustee Information

Nedbank Investor Services

Physical Address: 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709

Tel: +27 11 534 6557

Website: www.nedbank.co.za

Administered by:

Prescient
Page 2 of 3

Fund Manager Quarterly Comment - As at 31 December 2023

The fund returned 4.65% and 12.15% for the quarter and year respectively, while the benchmark (STeFI Index) returned 2.06% and 8.00%. On a rolling one-year basis, the fund exceeded the cash benchmark by 4.14%.

The quarter unfolded with pivotal global financial events, including the Federal Reserve maintaining the US interest rate, the ECB's commitment to inflation targets, and the BOE's focus on managing inflation. Market indicators like the VIX Index, sovereign spreads, and currency performances reflected changing sentiments. In the South African market, currency depreciation and varied asset class performances were notable, while the SARB's cautious stance suggested considerations for potential easing.

The Federal Reserve's decision to maintain the US interest rate at 5.25-5.50% during the December meeting had profound effects on financial markets. Despite the initial expectation of policy stability, Fed Chair Powell's hint at potential future interest rate cuts sparked a significant market reaction. This was evident in various indicators, such as the 2-year Treasury yield experiencing a notable drop of nearly 30 bps, the S&P500 closing 1.4% higher, and the US dollar showing signs of weakness. The release of the 'dot plot' projections provided further insight into the Federal Open Market Committee (FOMC) members' expectations, with the median projection suggesting an anticipation of 75 bps in interest rate cuts for the following year, along with additional reductions forecasted for 2025 and 2026. As at the time of writing, the FRA market was pricing in 5 x 25bp worth of rate cuts in 2024. Examining the broader trends over the quarter, the yields on US 5-year and 10-year generic bonds saw substantial declines of 76 and 69 bps, respectively, while the US Dollar Index (DXY) displayed a noteworthy loss of -4.56%. Taking a broader annual perspective, the yield on US 5-year bonds experienced a reduction of 16 bps, while the 10-year yield remained unchanged. Additionally, during this period, the DXY registered a loss of -2.11%.

In the recent ECB update, the decision to keep the three key ECB interest rates unchanged highlighted a firm commitment to achieving a timely return of inflation to the 2.00% target, despite recent declines. Looking ahead, the Governing Council outlined plans to advance the normalisation of the Eurosystem's balance sheet, intending to reduce the PEPP portfolio throughout the second half of 2024 and cease reinvestments by end 2023. Despite a decline in market interest rates, the outlook for financial stability remains delicate, marked by geopolitical tensions. Meanwhile, the BOE's decision to maintain its benchmark interest rate at 5.25%, the highest in 15 years, reflects an ongoing commitment to implementing restrictive monetary policy to manage inflation. There's a possibility of additional tightening measures if inflation persists, although market expectations still lean towards a decrease in UK interest rates next year. As at quarter-end, the FRA market (9x12s) was pricing in nearly 1.0% worth of rate cuts.

At the close of the quarter, various indicators reflected noteworthy changes in market dynamics. The VIX Index, a measure of market volatility, closed at 12.45, marking a decrease of 5.07. The J.P. Morgan Emerging Market Bond Index (EMBI) Sovereign Spread tightened by 50 bps, finishing the quarter at 345 bps, with the index delivering a positive return of +9.26%. Examining Credit Default Swaps (CDS), the 5-year CDS for South Africa tightened to 203 bps, showing a significant decrease of 78 bps. Similarly, Brazil's CDS tightened to 133 bps, reflecting a 55 bps reduction, and Turkey's CDS tightened to 284 bps, representing a substantial decrease of 115 bps. Turning to the energy sector, Brent crude oil concluded the quarter at USD 77.04 per barrel, marking a significant decrease of -16.44%. Commodity price movements over the quarter, on which most emerging market economies are dependent, showed the CRB Commodities and Metals Index returning -6.72%, with commodities and metals experiencing divergent trends. Platinum, gold, and copper posted positive returns of +9.25%, +5.40%, and +3.06%, respectively, while palladium incurred a loss of -11.84%.

The South African rand depreciated by -2.96% against the USD over the quarter, aligning with the prevailing trend in the metals markets. Over the preceding one-year period, the USDZAR exchange rate depreciated by -7.78%, contrasting with the robust performance of the CRB Metals Index, which recorded a gain of 2.23%. Notably, the South African rand experienced significant depreciation against other major currencies, registering a -10.63% decrease against the euro and a -13.13% drop against the pound. Within the South African asset class landscape, the top-performing asset class for the quarter was listed property (JSAPYTR Index) at +16.37%, followed by nominal bonds (ALBTR Index) at +8.08%, equity (JALSHTR Index) at +6.92%, and inflation-linked bonds (CILTR Index) at +6.03%. Examining the performance over a 12-month period, property emerged as the standout asset class with a return of +10.15%, while inflation-linked bonds (CILTR Index) delivered a more modest +7.08%.

At the November MPC meeting, the South African Reserve Bank (SARB) maintained a restrictive policy stance, emphasising a focus on inflation risks. Despite a generally hawkish tone, the statement included less hawkish elements, such as a slower increase in South Africa's inflation rate compared to peers and a sharp reduction in the fuel inflation forecast for 2024. Having raised rates by 475 basis points in the current cycle, the SARB anticipates inflation comfortably within the target range by 2024, with the 4.5% midpoint expected only by 2Q25. The SARB adjusted its inflation forecast to 5.8% for 2023 and 5.0% for 2024, while maintaining the forecast for 2025 at 4.5% and providing a similar outlook for 2026. GDP growth estimates were revised up for this year and the next two years to 0.8%, 1.2%, and 1.3%, respectively. Risks to the outlook include a weak rand, higher country risk premiums, and potential shocks to the oil price. The Quarterly Projection Model (QPM) suggests a marginal lowering of the repo rate forecast, hinting the start of a potential mild easing cycle in 2024. The 3-month JIBAR rate increased slightly to 8.40% over the quarter, rising by 114bps over the year, impacting the fund's increased running yield. The 12-month T-bill average yield tightened by 4bps to 9.18%. The SAGB yield curve saw significant tightening, with the short-end R186 and R2032 contracting by 75bps and 113bps, and the long-end R209 and R2040 tightening by 90bps and 75bps, respectively.

Looking ahead: Whilst major central banks have signalled being at the peak of the rate cycle, 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 / inverted, and at the time of writing, is expected to peak at c. 8.40%.

At the end of 4Q 2023, the fund was 3.51x geared, with an effective 15.82% allocation to cash. The largest asset class exposures were to Domestic Floating Rate Notes (41.28%) and Offshore Bonds (12.89%). The Value-at-Risk (VaR) risk measure (99% confidence, 10-day period) calculated by the independent risk managers stood at 2.42%. 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 (11.00% 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

