

# SAFFRON BCI OPPORTUNITY INCOME FUND

CLASS A

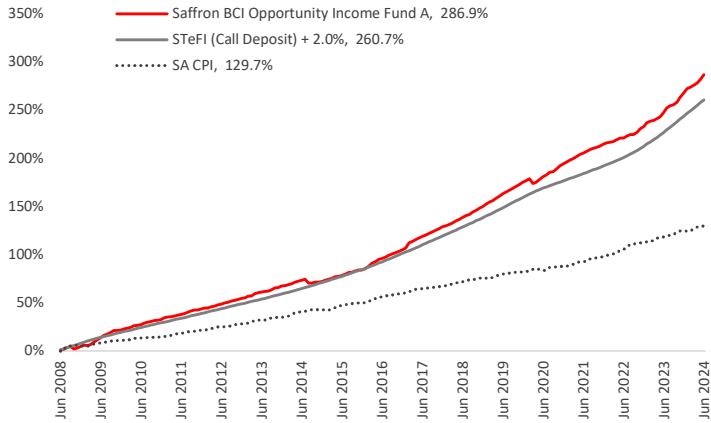
Minimum Disclosure Document (MDD)  
30 June 2024

MF = Main Fund ; RF = Retention Fund



## Fund Performance

Since launch cumulative performance graph



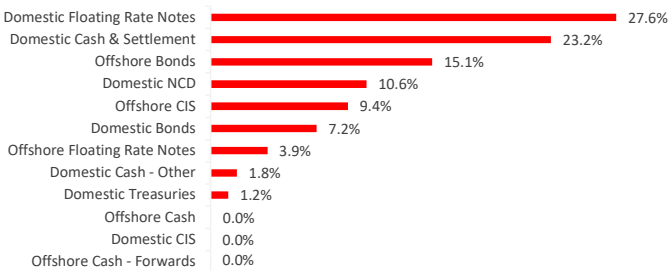
Monthly %	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	May'24	Jun'24
Fund (MF)	1.32	0.66	0.29	0.71	1.52	1.15	1.19	0.48	0.49	0.63	1.02	1.29
Benchmark	0.84	0.84	0.81	0.84	0.81	0.84	0.84	0.79	0.84	0.81	0.84	0.77
RF	-	-	-	-	-	-	-	-	-31.73	-0.03	-	-0.01
MF + RF	1.32	0.66	0.29	0.71	1.52	1.15	1.19	0.48	-0.54	0.61	0.99	1.24

Yearly %	Jun'13	Jun'14	Jun'15	Jun'16	Jun'17	Jun'18	Jun'19	Jun'20	Jun'21	Jun'22	Jun'23	Jun'24
Fund (MF)	8.51	7.61	3.05	9.70	11.71	9.05	10.20	6.71	8.82	5.06	8.36	11.28
Benchmark	6.93	7.12	7.75	8.44	9.11	8.85	8.75	8.15	5.61	5.91	8.68	10.34
RF	-	-	-	-	-	-	-	-	-	-	-31.76	-
MF + RF	-	-	-	-	-	-	-	-	-	-	10.03	-

	Cumulative Return (%)				Annualised Return (%)			
	Fund	Benchmark	Cash	Inflation	Fund	Benchmark	Cash	Inflation
1 Year	11.28	10.34	8.18	5.20	11.28	10.34	8.18	5.20
3 Years	26.69	27.00	19.68	19.11	8.20	8.29	6.17	6.00
5 Years	47.11	45.06	31.38	27.83	8.03	7.72	5.61	5.03
10 Years	123.25	118.89	79.57	63.31	8.36	8.15	6.03	5.03
Inception	286.87	260.94	162.48	133.40	8.77	8.31	6.18	5.41

## Fund Holdings

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



## Risk Statistics (3 Year Rolling)

Standard Deviation	1.33
Sharpe Ratio	-0.33
Information Ratio	-0.17
Maximum Drawdown	-0.07

## Highest and Lowest Annual Returns

Time Period: Since Inception to 30/06/2024

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.

SAFFRON BCI OPPORTUNITY INCOME FUND | CLASS A | MDD as at 30 June 2024

Issue Date: 18 July 2024

## 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 1104.68 million
NAV Price (Fund Inception)	100.00 cents
NAV Price as at month end	132.33 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)

01/07/2024	2.21	03/07/2023	2.33	01/07/2022	1.81
02/04/2024	2.18	03/04/2023	2.29	01/04/2022	0.05
02/01/2024	2.41	03/01/2023	2.06	25/03/2022	1.37
02/10/2023	2.40	03/10/2022	2.09	03/01/2022	1.53

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**:	TC:	TIC:
1.27% (PY: 1.26%)	0.01% (PY: 0.01%)	1.28% (PY: 1.27%)
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 31 December 2023, whilst the underlying portfolios' ratio and cost calculations are based upon their most recent published figures, being 31 March 2024.

### 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.

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.

Please refer to the retention portfolio's MDD for the portfolio's performance disclosures including the impact of the retention portfolio.

Access the BCI Privacy Policy and the BCI Terms and Conditions on the BCI website ([www.bcis.co.za](http://www.bcis.co.za)).

### Investment Manager

**Saffron Wealth (Pty) Ltd**

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### Management Company Information

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### Custodian / Trustee Information

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The fund (Class A) returned +2.96% and +11.28% over the quarter and year respectively, while the benchmark (STeFI Call Deposit +2.0%) returned +2.44% and 10.34%. 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 10.22%. Domestic Bonds (+0.95%), net Offshore Exposure (+0.89%) and Domestic Floating Rate Notes (+0.73%) were the main contributors to the return over the quarter.

The Federal Reserve's FOMC kept policy rates steady at 5.25-5.50%, marking the seventh consecutive meeting without change. The statement noted modest progress towards the inflation target, a more positive outlook than previous months. The Summary of Economic Projections (SEP) showed slight upward revisions in 2024 and 2025 inflation forecasts, with core PCE inflation also up, while unemployment and GDP projections remained unchanged. The dot plot indicated a median expectation of one rate cut this year, down from three in March, with potential for two cuts depending on future data. Market reactions included higher yields and volatile stocks, with the S&P 500 closing at a record high. Powell stressed the need for more positive data before considering policy loosening. The Fed's trajectory remains unchanged, with the long-run neutral rate expected at 2.8%. Yields on US 5-year and 10-year bonds rose by 16 bps and 20 bps respectively over the quarter, and the US Dollar Index gained 1.38%. Looking over the year, the 5-year and 10-year yields increased by 22 bps and 56 bps respectively. Additionally, the DXY saw a gain of 2.87%.

In a widely anticipated move, the ECB Governing Council implemented a 25 bp rate cut, its first in five years, setting the Deposit rate at 3.75%, Main refinancing rate at 4.25%, and Marginal lending rate at 4.50%. The decision aimed to address inflation outlook and monetary policy transmission concerns. ECB President Christine Lagarde downplayed recent inflation and wage growth increases as anticipated, offering no clear guidance on future rate cuts. She emphasised data dependency and avoiding commitments on interest rate paths. Additionally, the ECB announced plans to reduce its PEPP bond holdings by EUR 7.5 billion monthly from July, with reinvestments ending by 2024. Market response was muted, with 10-year Bund yields stable at 2.55%.

The Bank of England's Monetary Policy Committee (MPC) voted to keep the Bank rate at 5.25%, with seven out of nine members in favour, while two members advocated for a 25 bp cut. This decision reflects a growing division within the committee, as some members hinted they might support lower rates soon, describing the current decision as "finely balanced". Despite strong services inflation and robust private sector pay growth, some members argued that these factors are temporary and unlikely to affect medium-term inflation. Concerns remain about the labour market, with the Bank noting issues with official statistics and alternative indicators suggesting a less severe fall in employment. The MPC's next meeting in August is seen as pivotal, with a potential rate cut on the horizon, provided inflation expectations continue to decline. The Bank aims to gradually ease policy while monitoring the economic impact, favouring a cautious approach to avoid reviving inflation.

The VIX Index, a measure of market volatility, closed at 12.44, marking a decrease of 0.57 points. The J.P. Morgan Emerging Market Bond Index (EMBI) Sovereign Spread rose sharply by 109 basis points, finishing the quarter at 403 bps. Despite this increase, the EMBI index delivered a positive return of +0.44%. South Africa's 5-year Credit Default Swap (CDS) tightened by 50 bps to 209 bps, while Brazil's widened by +32 bps to 170 bps. Turkey's spread tightened by 29 bps to 281 bps. In the energy sector, Brent crude oil ended the quarter at USD 85.00 per barrel, down by -2.30%. Commodity price movements over the quarter, crucial for many emerging market economies, showed mixed results. The CRB Food Index returned -1.86%, while the CRB Commodities Index posted a modest gain of +0.55%. The CRB Metals Index, on the other hand, saw a significant increase of +7.74%. Within metals, platinum, copper, gold, and iron ore performed well, with returns of +9.32%, +7.86%, +6.74%, and +5.40%, respectively. However, palladium experienced a decline of -3.88%. Over the past 12 months, gold emerged as the best performer among metals, with a strong return of +21.23%. In contrast, palladium showed the weakest performance, declining by -20.59%.

The South African rand appreciated by +3.64% against the USD during the quarter, a movement closely aligned with trends in metals markets. This correlation reflects the significant impact of commodity prices, particularly metals like platinum, copper, and gold, on South Africa's export-driven economy. Over the past year, the USDZAR exchange rate increased by +3.48%, mirroring movements in the CRB Metals Index, which gained +8.79% over the same period. In addition to its strength against the dollar, the rand also showed gains against the euro (+4.28%) and the pound (+3.43%) over the quarter. Among South African asset classes, equities (JALSHTR Index) performed best, rising +8.21% for the quarter, followed by nominal bonds (ALBTR Index) at +7.49%, and listed property (JSAPYTR Index) at +5.50%. Over the past year, property emerged as the top-performing asset class with a return of +26.25%.

The South African Reserve Bank (SARB) maintained the repo rate at 8.25% during its May meeting. Domestically, SARB forecasts indicate that inflation is expected to stabilise at 4.5% by Q2 2025, showing improvement from previous estimates. Forecasts for food and core inflation in 2024 were slightly revised downward, while expectations for fuel price inflation in 2025 suggest a faster path to reaching the inflation target midpoint, as noted by the SARB. Despite concerns over elevated inflation expectations from businesses and trade unions, the Monetary Policy Committee (MPC) views inflation risks as balanced, underscoring the importance of promptly anchoring expectations. Economic growth forecasts anticipate a 1.2% increase in GDP for 2024, bolstered by improved prospects in the second quarter due to reduced power cuts. Looking ahead, the SARB anticipates policy normalisation, with gradual rate easing towards neutrality by next year, contingent upon incoming data and risk assessments. The 3-month JIBAR rate remained stable at 8.35% over the quarter, while the 12-month T-bill average yield saw a slight increase to 9.03% (up from 8.68%). The market reacted positively to the outcome of the South African elections, with bonds rallying on the back of this stability. The SAGB yield curve exhibited significant tightening, with the short-end R186 and R2032 yields tightening by 52 bps and 75 bps respectively, and the long-end R209 and R2040 yields by 88 bps.

Looking ahead, while major central banks have indicated they are at the peak of their rate cycles, risks persist from potential inflation surprises, especially given the backdrop of volatile energy markets and numerous global geopolitical risks. In this environment, the South African Forward Rate Agreement (FRA) Curve currently anticipates approximately two 25 basis points cuts over the next two years, reflecting market expectations for potential easing measures by the SARB.

The fund is strategically positioned to align with current economic conditions by maintaining positions in both the short and long ends of the rates market. This strategy allows us to benefit from stable policy rates in the short term while seizing opportunities in longer-duration bonds to capture higher yields amidst normalised inflation expectations. As of the quarter-end, the fund's duration decreased to 1.03 years, taking profit into bond strength. The running yield at 10.01% remains attractive. High cash balances further enhance our flexibility, positioning the fund to exploit value opportunities expected in the late stages of the global business cycle, in line with our objective of achieving Cash (STeFI Call Deposit) +2.0%.

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