Truffle
Asset Management

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INVESTOR LETTER

Reflections, performance and a new year.

BY: IAIN POWER, CIO

Permacrisis

Dictionaries around the world have selected their 2022 word of the year. “Permacrisis”, chosen by Collins Dictionary, is an extended period of instability and insecurity and aptly sums up the global economy and financial markets. Reflecting on 2022, its difficult to imagine that our thoughts on the year’s outlook just a year ago would have been vastly different to the outcome we experienced as investors. Russia’s war with Ukraine not only brought devastating human tragedy but sent pandemic-shaken economies into a new turmoil. Inflation was set to come down but instead rocketed to new, and in some regions, multi-decade highs as energy supply constraints gripped markets. The virulent response from Central Banks meant further record setting as interest rate hikes became larger and endured longer.

Both stock and bond markets took a tumble with additional stresses creeping in from China where the pandemic-led regulations and reinstatement of current leadership continued to keep the country under tight restrictions and market-unfriendly policy. Then came a surprise and full-scale China reopening which stimulated markets in the last quarter. On the home-front, many of us battled to stay resilient, a well-known South African trait, as the lights continued to go out more, and for longer. What does this mean for future growth and the sustainability of our economy if we are struggling to manage much needed basic infrastructure? Political challenges tested our grit in December; however, markets breathed a sigh of relief when results from the ANC conference saw Ramaphosa retain his leadership position.

Delivering consistent investment performance

The backdrop was clearly turbulent and uncertain with opportunities challenging to identify. I am therefore especially proud that our investment team continued to deliver strong investment performance. We have met and exceeded our respective benchmarks since each fund's inception to the end of 2022, with four of our funds placing 1st and all our funds placing in the top decile of their ASISA categories.

FUND	ANNUALISED RETURN	BENCHMARK	PEER RANKING
Amplify SCI* Wealth Protector B5	9.6%	7.9%	1st / 110
Nedgroup Investments Balanced A	11.5%	9.2%	1st / 62
Truffle SCI* General Equity A	12.3%	9.8%	1st / 55
Truffle SCI* Income Plus A	9.4%	6.1%	1st / 26
Nedgroup Investments Managed A	9.9%	8.9%	3rd / 146
Truffle SCI* Flexible A	12.6%	10.3%	3rd / 22
Truffle SCI* SA Equity C	13.1%	6.6%	4th / 138

Returns are annualised since inception. Inception date is the start of the first full month after the first 3rd party investment was received. Performance data source: © Morningstar. Returns are net of fees. Relative ranking since inception of the fund. Data as at 31 Dec 2022. Please refer to table in the disclaimer for full performance data since inception.

LOOKING FORWARD TO 2023

As we tentatively step into 2023, most investors are likely guarding for the next challenge yet eager to embrace a year of prosperity. Many market participants are calling a recession in 2023. This appears increasingly likely with the impact of 2022 events slowing economic growth considerably in many regions. The reopening of China could provide some cyclical opportunities, but we remain mindful of the longer-term challenges for the country and how these will affect other economies. The expected pivot of the interest rate hiking cycle has clearly been replaced with a slower softening as US employment and inflation data remains strong meaning sharp rate reductions are unlikely. There are many factors that limit a repeat of previous bull markets as interest rates come down while US valuations do not appear to reflect weaker earnings for the year.

South Africa still has the potential to reform and build for growth, however many and perhaps more factors need to align for a positive outcome, particularly on the political front. A solution to the power crisis is clearly critical and we believe a genuine and sustained investment in infrastructure without the related corruption losses is needed.

Sustainable investing stays an important theme, and we continue to build our knowledge and resources to ensure we invest responsibly. Considering the impact of any investment on the planet and our people is now well embedded into our investment process and it’s important we remain mindful of changes at a world and national level and ensure we are well equipped make a true difference while delivering investors sustainable financial returns.

We remain committed to our investment philosophy and will continue to assess intrinsic value of each and every investment in your portfolio. Robust conversations across the team keep all of us engaged and active and reminds me that a highly passionate, experienced, and dedicated team of unique individuals can deliver exceptional value for our clients.

NEW TEAM MEMBER

Raihan Allie

Portfolio Manager | Fixed Income

On that note, I am delighted to welcome portfolio manager, Raihan Allie to our Fixed Income team. Raihan holds a Bachelor of Business Science majoring in Finance and Economics from the University of Cape Town and recently passed level III of the CFA programme.

Raihan spent the first two years of his career in investment operations at State Street where he quickly honed his quantitative skills, automating various operational processes. A strong enthusiasm and passion for investments led Raihan to ReCM (now merged with Counterpoint Asset Management) where he soon progressed to managing assets across the full fixed income spectrum. He co-managed the Counterpoint SCI* Enhanced Income Fund and the Counterpoint SCI* Money Market Fund before joining Truffle. Working and developing his career with a boutique asset manager through challenging market conditions, Raihan adds broader industry and business expertise. We look forward to enriching our analysis and debate with Raihan on board. While we are pleased to welcome a new and experienced Fixed Income portfolio manager to our growing team, we will sadly bid farewell to Portfolio Manager, Palvi Kala, in February this year. Palvi and her family have decided to emigrate to Canada where they will join her extended family.

Palvi has worked closely with Hannes van der Westhuyzen over the last 4 years in managing our fixed income funds and we will continue to value the positive and significant contribution Palvi has made to the Truffle business and investment debate over this time. We are particularly grateful that she will have time to work closely with our new portfolio manager, Raihan, before her departure ensuring continuity within our fixed income investment process. We wish Palvi and her young family well on their new journey in Canada.

In closing, we look forward to the year that lies ahead, resilient for challenges and ready to embrace investment opportunities as we continue to strive for our clients' investment success. May the year bring much needed positive change across the world and for our country. Wishing you a successful 2023 leading to a great 2024.

Iain Power
Chief Investment Officer

DISCLAIMER

*SCI acronym stands for Sanlam Collective Investments. Sanlam Collective Investments (RF)(Pty) Ltd is a registered and approved Manager in terms of the Collective Investment Schemes Control Act. Collective investment schemes are generally medium-to long-term investments. Past performances are not necessarily a guide to future performance, and the value of unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions can be obtained from the Manager. Collective investments are traded as ruling prices and can engage in borrowing and scrip lending. Forward pricing is used. Annualised return is the weighted average compound growth rate over the period measured. All annualised returns are since inception to 31 December 2022.

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. Performance is calculated for the portfolio and the individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax. Lump sum investment performances are being quoted. The funds may from time to time invest in foreign countries and therefore it may have 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.

Income funds derive their income primarily from interest bearing instruments. The yield is current and is calculated daily. The manager has the right to close the portfolio to new investors in order to manager it more efficiently in accordance with its mandate.
Sanlam Collective Investments retains full legal responsibility for the Sanlam Investments co-branded portfolios. The portfolio management of the funds is outsourced to Truffle Asset Management (Pty) Ltd (FSP no.36584), an Authorised Financial Services Provider in terms of the Financial Advisory and Intermediary Service Act, 2002.

The Nedgroup Investments collective investment schemes are administered by Nedgroup Collective Investments (RF) Proprietary Limited, a registered and approved Manager in terms of the Collective Investment Schemes Control Act.
Time period for highest and lowest annual returns is since inception to 31 December 2022.

		ANNUALISED PERFORMANCE						
	INCEPTION	1 YR	3 YRS	5 YRS	7 YRS	10 YRS	HIGHEST	LOWEST
Truffle SCI* Income Plus Fund A	22/09/2016	7.54%	7.06%	8.62%	-	-	12.99%	6.19%
Benchmark: STeFI Composite ZAR		5.19%	4.80%	5.78%	-	-	-	-
Amplify SCI* Wealth Protector Fund B5	15/08/2016	10.71%	11.23%	11.10%	-	-	13.04%	8.84%
Benchmark: CPI + 3% over a rolling 3-year period		10.30%	8.41%	7.94%	-	-	-	-
Nedgroup Investments Managed Fund A	01/11/2003 Truffle Asset Management has been the investment manager since December 2015	10.19%	13.37%	10.82%	-	-	22.37%	0.60%
Benchmark: ASISA Category Average / CPI + 4%		11.30%	9.41%	8.94%	-	-	-	-
Nedgroup Investments Balanced Fund A	04/10/2011 Truffle Asset Management has been the investment manager since inception.	6.88%	11.43%	10.02%	7.23%	10.47%	21.18%	-3.17%
Benchmark: ASISA Category Average / CPI + 4%		11.30%	9.41%	8.94%	9.17%	9.21%	-	-
Truffle SCI* Flexible Fund A	18/11/2010	7.65%	12.13%	10.75%	7.88%	11.38%	23.50%	-4.61%
Benchmark: CPI + 5%		12.30%	10.41%	9.94%	10.17%	10.21%	-	-
Truffle SCI* SA Equity Fund C	Inception date: 27/07/2012. Fee class launch date (C class) is 01/08/2018	8.41%	15.79%	-	-	-	27.07%	8.41%.
Benchmark: FTSE/JSE Capped SWIX Benchmark changed from SWIX to Capped SWIX on 13 November 2017		4.41%	10.09%	-	-	-	-	-
Truffle SCI* General Equity Fund A	18/11/2010	8.11%	15.54%	11.79%	9.03%	11.61%	26.19%	-4.47%.
Benchmark: FTSE/JSE Capped SWIX Benchmark changed from ALSI to Capped SWIX on 01 May 2019		4.41%	10.09%	6.10%	7.59%	8.97%	-	-