

Truffle SCI* Flexible Fund

Minimum Disclosure Document

As of 31/12/2020

Truffle

Asset Management

MDD Issue Date: 21/01/2021

Fund Objective

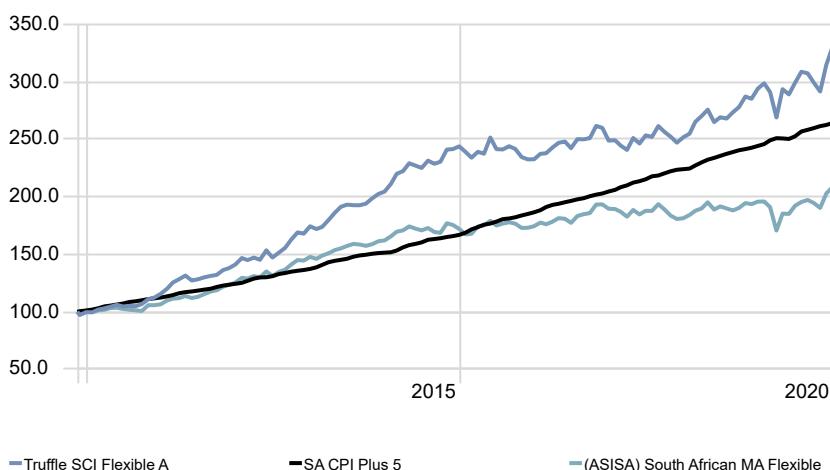
The primary objective of the portfolio is to maximise returns over the longer term, at the risk of greater short term volatility of capital values. The investment manager has substantial flexibility to vary the asset allocation across the various asset classes in such a manner as deemed appropriate.

Fund Strategy

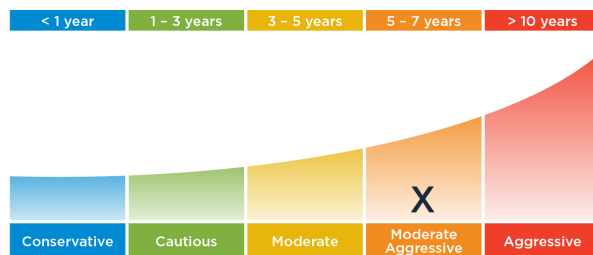
The portfolio will actively invest across the full spectrum of asset classes such as bonds, property shares, equities, financial instruments, participatory interests in trust schemes, cash and money market instruments. The manager may from time to time invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa. The portfolio will also be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time. The manager may also include forward currency interest rate and exchange rate swap transactions, for efficient portfolio management purposes. The Manager shall be permitted to invest, at its discretion, on behalf of the portfolio in offshore investments as legislation permits.

Investment Growth

Time Period: 19/11/2010 to 31/12/2020



Risk Profile



Fund Information

Ticker	TRFCA
Portfolio Manager	Iain Power, Saul Miller, Nicole Agar & Sophie-Marié van Garderen
ASISA Fund Classification	South African - Multi Asset - Flexible
Risk Profile	Moderate Aggressive
Benchmark	CPI + 5%
Fund Size	R 5,238,537,497
Portfolio Launch Date	18/11/2010
Fee Class Launch Date	18/11/2010
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	June & December
Income Payment Date	1st business day of July & January
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media & www.sanlamunitrusts.co.za
Repurchase Period	2-3 business days

Annualised Performance (%)

	Fund	Benchmark
1 Year	12.38	8.16
3 Years	9.92	8.89
5 Years	6.27	9.62
Since Inception	12.55	10.08

Risk Statistics (3 Year Rolling)

Standard Deviation	11.53
Sharpe Ratio	0.32
Information Ratio	0.08
Maximum Drawdown	-9.94

Fees (Incl. VAT)

Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.03
Total Expense Ratio	1.16
Transaction Cost	0.74
Total Investment Charges	1.90
TER Measurement Period	01 October 2017 - 30 September 2020

A-Class (%)

Cumulative Performance (%)

	Fund	Benchmark
1 Year	12.38	8.16
3 Years	32.84	29.11
5 Years	35.56	58.30
Since Inception	230.68	164.27

Highest and Lowest Annual Returns

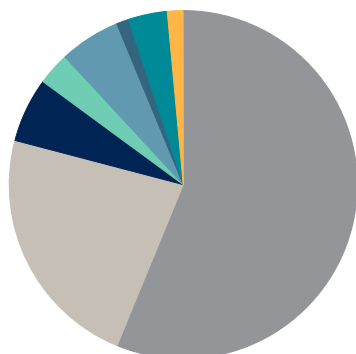
Time Period: Since Inception to 31/12/2020	
Highest Annual %	23.50
Lowest Annual %	-4.61

Top Ten Holdings as at 31/12/2020

	(%)
Sibanye Stillwater Ltd	7.74
Naspers Ltd	7.36
iShares Edge MSCI EM Value Factor UCITS ETF	6.55
Impala Platinum Holdings Ltd	5.67
African Rainbow Minerals Ltd	3.74
Vivendi SA	3.59
Anglo American Plc	2.87
Anglogold Ashanti Ltd	2.47
Ishares Core MSCI Japan IMI UCITS ETF USD	2.32
Northam Platinum Ltd	2.19

Asset Allocation

Portfolio Date: 31/12/2020



	%
Domestic Equity	56.21
Foreign Equity	22.88
Domestic Property	5.99
Domestic Cash	3.03
Domestic Fixed Income	5.65
Domestic Hedged Equity	1.14
Foreign Cash	3.63
Foreign Bonds	1.45
Domestic Commodities	0.02
Total	100.00

Administered by



Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	1.55	-2.57	-7.57	9.14	-1.54	3.46	3.24	-0.45	-2.65	-2.55	7.95	5.01	12.38
2019	1.23	4.06	1.92	2.02	-3.92	1.59	-0.43	2.04	1.68	3.27	-0.67	3.11	16.83
2018	0.15	-1.88	-1.54	4.30	-1.90	2.87	-0.53	3.75	-1.93	-1.68	-2.02	1.89	1.17
2017	2.05	0.21	2.08	1.70	0.44	-2.32	3.25	-0.08	0.43	4.24	-0.65	-4.28	6.98
2016	-2.00	-2.07	2.18	-0.70	5.94	-4.02	-0.11	1.17	-0.97	-2.92	-0.86	0.03	-4.61
2015	3.30	4.10	1.07	3.06	-0.89	-0.90	2.83	-1.18	0.78	4.59	0.18	0.97	19.19
2014	-1.37	1.07	3.41	3.41	2.96	0.93	-0.24	-0.02	0.70	2.39	1.90	1.08	17.35
2013	3.94	-1.22	1.49	-1.28	5.67	-4.09	2.86	2.80	4.62	3.82	-0.65	3.82	23.50
2012	3.81	4.59	2.36	2.38	-3.27	0.82	1.32	0.96	0.66	3.18	1.29	2.29	22.14
2011	-0.11	2.36	1.08	1.41	1.50	-1.35	0.53	-0.28	1.81	3.87	1.37	2.85	15.99
2010												2.52	

Distribution History (Cents Per Unit)

Date	Amount	Date	Amount	Date	Amount
31/12/2020	1.55 cpu	31/12/2018	3.88 cpu	30/06/2017	2.59 cpu
30/06/2020	3.71 cpu	30/06/2018	3.03 cpu	31/12/2016	2.50 cpu
31/12/2019	4.21 cpu	31/12/2017	0.71 cpu	30/06/2016	2.56 cpu
30/06/2019	3.90 cpu	10/11/2017	2.24 cpu	31/12/2015	0.92 cpu

Glossary Terms

Annualised Returns

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

Asset Allocation

Asset allocation is the percentage holding in different asset classes (i.e. equities, bonds, property, etc.). It is used to determine the level of diversification in a portfolio.

Distributions

The income that is generated from an investment and given to investors through monthly, quarterly, bi-annual or annual distribution pay-outs.

Information Ratio

The Information Ratio measures the market risk-adjusted performance of an investment or portfolio. The greater a portfolio's Information Ratio, the better its risk-adjusted performance has been compared to the market in general.

Maximum Drawdown

The maximum drawdown measures the highest peak to trough loss experienced by the fund.

Sharpe Ratio

The Sharpe Ratio measures total risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio's returns are due to excessive risk or not. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been (i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns).

Standard Deviation

Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected of an investment.

Total Expense Ratio

Total Expense Ratio (TER) is the percentage value of the Financial Product that was incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's.

Total Investment Charges

Total Investment Charges (TER + TC) is the total percentage value of the Financial Product that was incurred as costs relating to the investment of the Financial Product.

Transaction Cost

Transaction Cost (TC) is the percentage value of the Financial Product that was incurred as costs relating to the buying and selling of the assets underlying the Financial Product. Transaction Costs are a necessary cost in administering the Financial Product and impacts Financial Product 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 Financial Product, the investment decisions of the investment manager and the TER.

Additional Information

All reasonable steps have been taken to ensure the information on this MDD is accurate. The information to follow does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Use or rely on this information at your own risk. Independent professional financial advice should always be sought before making an investment decision. The Sanlam Group is a full member of the Association for Savings and Investment SA. Collective investment schemes are generally medium- to long-term investments. Please note that past performances are not necessarily a guide to future performances, and that the value of investments / units / unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available on request from the Manager. Sanlam Collective Investments (RF) Pty Ltd, a registered and approved Manager in Collective Investment Schemes in Securities. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained on request from the Manager, free of charge. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. Actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Forward pricing is used. 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. Lump sum investment performances are quoted. The portfolio may invest in participatory interests of other unit trust portfolios. These underlying funds levy their own fees, and may result in a higher fee structure for our portfolio. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA"). The Manager may borrow up to 10% the market value of the portfolio to bridge insufficient liquidity. The fund may from time to time invest in foreign countries and therefore it may have risks regarding liquidity, the repatriation of funds, political and macroeconomic situations, foreign exchange, tax, settlement, and the availability of information. Investments in foreign instruments are also subject to fluctuations in exchange rates which may cause the value of the fund to go up or down. The fund may invest in financial instruments (derivatives) for efficient portfolio management purposes. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. Management of the portfolio is outsourced to Truffle Asset Management (Pty) Ltd, (FSP) Licence No. 36584, an Authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002. Sanlam Collective Investments (RF) (Pty) Ltd retains full legal responsibility for the co-named portfolio. Standard Bank of South Africa Ltd is the appointed trustee of the Sanlam Collective Investments scheme. Sources of Performance and Risk Data: Morningstar Direct, INET BFA and Bloomberg. The risk free asset assumed for the calculation of Sharpe ratios: STEFI Composite Index. The highest and lowest 12-month returns are based on a calendar year period over 10 years or since inception where the performance history does not exist for 10 years. Obtain a personalised cost estimate before investing by visiting www.sanlamunittrustsmdd.co.za and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266.

Investment Manager Information

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Trustee Information

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Portfolio Manager Comment

As at 31 December 2020

Economic Overview

The Global ISM manufacturing PMI continued its rise to 60.7 from 57.5 in November. The increase has been reasonably broad-based across most regions. Both expected inflation and interest rate increases remain relatively benign. The US election result, an imminent vaccine roll-out and the increased likelihood of a meaningful US fiscal stimulus package were all well received by equity markets with the World MSCI increasing by 14.1% and EM increasing by 19.8% (both in US dollars). The democrat senate win will result in higher levels of fiscal stimulus which will likely push markets higher. The trade-weighted dollar weakened by 4.2%. Most commodity prices continued to rally in line with expectations of further infrastructure investment and improved economic conditions. The second wave of infections is worrying and may hold back the growth recovery, but markets appear to be treating this as a temporary hiccup.

Domestic news was broadly positive over the first part of the quarter. Retail sales from company results and trading updates were better than expected and companies managed to contain their cost bases. SA has also continued to gather momentum on fighting corruption. The rand has strengthened in line with more global funds flowing into emerging markets as the global economy recovers. However, COVID-19 infections are rising rapidly and many of our hospitals are full as we enter the second wave along with many other countries. This may put the brakes on what was expected to be a recovery even if only a muted one, especially given that we will likely receive vaccinations well after the developed world has received theirs.

Where to from here?

Most markets are trading above their historic multiples, but interest rates are also at low levels. More importantly, real long-term rates are negative in the developed world. Long- and short-term rates are likely close to their lows. Historically this has resulted in poor long-term prospective returns from both bonds and equity. However, in the short-term markets will likely be buoyed by continued positive economic news flow, a potentially successful vaccine and fiscal stimulus. The concern is that a meaningful increase in inflation is likely given the significant quantum of fiscal stimulus (US government debt to GDP levels now exceed the levels of World War 2) coupled with an economic recovery fuelled by a successful vaccination program. This will eventually give rise to higher interest rates. We are uncertain of the timing and extent of these moves. We think some precaution in terms of portfolio construction is warranted, especially given our concerns regarding the expectation of paltry long-term returns.

Although valuations globally and on average are expensive if we assume some reversion of interest rates, pockets of value remain. Whilst most equities would underperform in a sell-off, equities trading on reasonable valuations should ultimately provide decent returns to the long-term investor.

Where do we see value?

Commodities should perform well in an environment of rising inflation and weaker currencies. With limited supply coming on stream, miners should be able to return the profits generated from these high commodities prices back to shareholders rather than reinvesting them back into risky greenfield projects. This will be positive for share price performance. However, we need to be vigilant where certain commodities have run well ahead of long-term fundamentals. Commodities should also benefit from fiscal stimulus directed at infrastructure. Certain commodities like copper and platinum should similarly benefit from renewable energy generation and the associated need for infrastructure.

The value versus growth debate has been hotly contested this year as the value style continued its long-running slump to trade at a record discount to growth. Continued economic growth and an increase in long term interest rates may well be the catalyst that finally reverses this trend. Higher long-term rates have a more negative valuation impact on growth stocks which have more of their value in future cash flow generation. A more prosperous economic environment means investors do not have to pay up for earnings and dividend growth by buying expensive growth shares. This will be a headwind for high valued tech and related shares.

Emerging markets (EM) are trading at a significant discount to the US market - we have already seen them starting to outperform the US market over the last quarter as would be expected in a global economic upturn. This may help drag up the SA market, but as mentioned earlier, our vaccine program will start relatively later than most countries which may weigh on domestically exposed shares.

Many SA exposed shares were hammered into the COVID-19 outbreak. Although most have since recovered a significant portion of their losses there are still opportunities offering value. There are some property companies with decent assets that should be able to manage their way out of high debt levels. Suspension of dividends, or sales of some of their properties in the range of their balance sheet valuations, will help allay investor concerns regarding over-levered balance sheets. Some of the insurers and healthcare companies have not recovered and are also offering reasonable upside.

Positioning

Contributors and detractors

Domestically exposed sectors including banks, property and apparel retailers

outperformed as did platinum group metal and diversified miners. This was positive for our performance. Gold and tobacco underperformed which detracted from performance.

Portfolio movements

We increased our exposure to the mining sector and the MSCI Emerging Market Value ETF. We funded these purchases from net sales of domestic banks, MultiChoice, Richemont, Philip Morris International and the iShares Core Emerging Market ETF. We also purchased a Naspers note which profits from a closing of the Naspers-Prosus discount.

Portfolio Managers

Iain Power
B Comm (Hons)

Saul Miller
M Bus Sci, FFA

Nicole Agar
CA (SA)

Sophié-Marié van Garderen
MComm, CFA