

Truffle SCI* SA Equity Fund C Class

Minimum Disclosure Document

As of 31/03/2022

Truffle

Asset Management

MDD Issue Date: 20/04/2022

Fund Objective

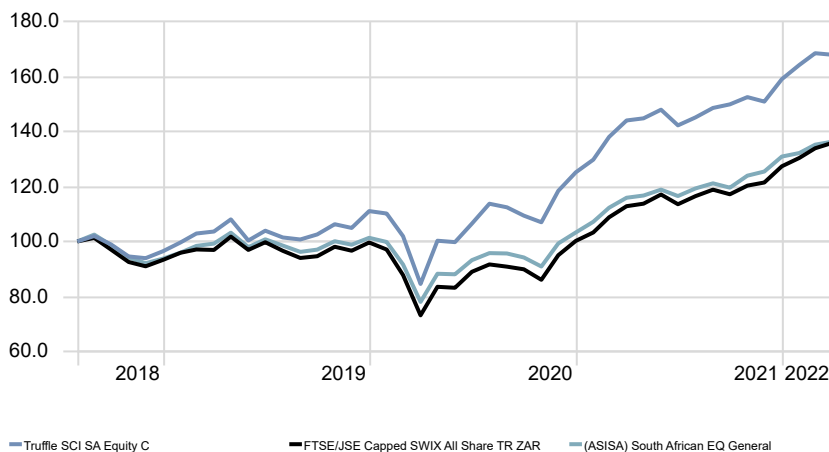
The primary objective of the portfolio is to maximise capital growth in the longer term, in pursuit of outperforming the FTSE/JSE Capped Shareholder Weighted Index (SWIX) over a rolling 3 year period.

Fund Strategy

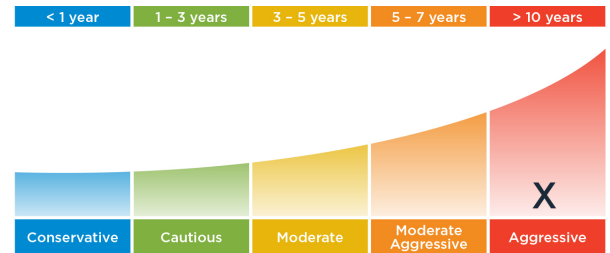
In reaching the investment objective, the manager remains cognisant of the construction of the weightings of the instruments in the FTSE/JSE Capped Shareholder Weighted Index (SWIX) and shall take active positions in the underlying securities of the aforementioned index relative to their individual weightings composing the index. The portfolio will invest a minimum of 90% of the market value of the portfolio in equities at all times. 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 not be permitted to invest in offshore investments.

Investment Growth

Time Period: 02/08/2018 to 31/03/2022



Risk Profile



Fund Information

Ticker	TSCEFC
Portfolio Manager	Iain Power, Saul Miller, Nicole Agar & Sophie-Marié van Garderen
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	FTSE/JSE Capped Shareholder Weighted Index
Fund Size	R 5,009,022,228
Portfolio Launch Date	27/07/2012
Fee Class Launch Date	01/08/2018
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	16.58	20.43
3 Years	17.44	11.92
Since Inception	15.18	8.73

Risk Statistics 3 Year Rolling

Standard Deviation	19.90
Sharpe Ratio	0.65
Information Ratio	0.94
Maximum Drawdown	-23.84

Cumulative Performance (%)

	Fund	Benchmark
1 Year	16.58	20.43
3 Years	62.01	40.20
Since Inception	67.84	35.86

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2021	
Highest Annual %	27.07
Lowest Annual %	12.69

Fees (Incl. VAT)

Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.86
Total Expense Ratio	0.88
Transaction Cost	0.69
Total Investment Charges	1.57
TER Measurement Period	01 January 2019 - 31 December 2021

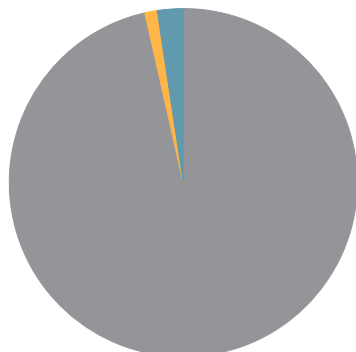
C-Class (%)

Top Ten Holdings as at 31/03/2022

Company	(%)
Glencore Plc	7.25
Anglo American Plc	6.35
Absa Group Ltd	5.75
British American Tobacco Plc	5.55
MTN Group Ltd	5.53
Impala Platinum Holdings Ltd	5.29
Sasol Ltd	4.65
Naspers Ltd	3.90
Sibanye Stillwater Ltd	3.57
Bid Corporation Ltd	3.42

Asset Allocation

Portfolio Date: 31/03/2022



	%
Domestic Equity	96.45
Domestic Property	1.16
Domestic Cash	2.39
Total	100.00

* SCI is an abbreviation for Sanlam Collective Investments.

Administered by



Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022	3.25	2.60	-0.34										5.57
2021	3.67	6.38	4.34	0.54	2.17	-3.85	2.03	2.37	0.88	1.76	-1.07	5.40	27.07
2020	-0.80	-7.47	-17.04	18.58	-0.51	6.74	6.79	-1.15	-2.69	-2.20	10.68	5.68	12.69
2019	3.30	3.24	0.70	4.27	-7.12	3.56	-2.36	-0.72	1.82	3.62	-1.27	5.84	15.09
2018									-3.04	-4.39	-0.66	2.71	

Distribution History (Cents Per Unit)

Date	Amount	Date	Amount
31/12/2021	3.30 cpu	31/12/2019	2.80 cpu
30/06/2021	3.10 cpu	30/06/2019	2.34 cpu
31/12/2020	0.80 cpu	31/12/2018	2.67 cpu
30/06/2020	1.90 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.

Derivatives

Derivatives are instruments generally used as an instrument to protect against risk (capital losses), but can also be used for speculative purposes. Examples are futures, options and swaps.

Liquidity

The ability to easily turn assets or investments into cash.

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.

LISP (Linked Investment Service Provider)

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.

Maximum Drawdown

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

Money Market Instruments

A money market instrument is a low risk, highly liquid, short-term (one year or less) debt instrument, issued by financial institutions or governments, that tend to have lower returns than high-risk investments.

Participatory Interests

When you buy a unit trust, your money is pooled with that of many other investors. The total value of the pool of invested money in a unit trust fund is split into equal portions called participatory interests or units. When you invest your money in a unit trust, you buy a portion of the participatory interests in the total unit trust portfolio. Participatory interests are therefore the number of units that you have in a particular unit trust portfolio.

Regulation 28

Regulation 28 of the Pension Funds Act sets out prudent investment limits on certain asset classes in investment funds. It applies specifically to investments in Retirement Annuities and Preservation Funds. The allowed maximum exposures to certain asset classes is: 75% for equities, 25% for property, 30% for foreign (offshore) assets and 10% African assets.

Risk-adjusted returns

Risk-adjusted return refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating.

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.

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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Portfolio Manager Comment

As at 31 March 2022

Economic Overview

The War in Ukraine has added further global inflationary pressure which coupled with a hawkish Fed has resulted in higher rate hike expectations

Before the war in Ukraine, inflation had remained more elevated than expected by central banks. Although some of this elevation was due to Covid-induced supply chain issues, it was also partly driven by non-transitory factors like wages and their associated impact on shelter costs. The War in Ukraine has added further inflationary pressure through the reduced supply of agricultural commodities and energy. Higher food and energy prices are effectively a tax on consumers, with the impact being especially acute in poorer countries.

Fed members have continued to express a hawkish tone in respect of rate hikes and quantitative tightening. This is possible given the low level of unemployment and the strength of the US economy. Both long-term real and fixed interest rates have risen meaningfully over the quarter, reflecting higher inflation and the Fed's pivot to greater hawkishness. The yield on the 10-year fixed-rate bond rose from 1.51% to 2.34% and inflation-linked bonds rose from -1.10% to -0.49%. Most of this move has occurred in the shorter part of the interest rate curve where the market is already pricing in a Fed rate increase from 0.3% to 2.8% by the start of 2023. Long-term interest rate and inflation expectations for 5 years remain muted. Expected inflation at 2.4% is not out of line with the last 10 years and 5-year fixed rates are at a similar level i.e., the market assumes 0% real rates in 5 years. Long-term real rates are rarely below or close to zero for an extended period unless growth is poor and/or there is an excess level of savings over investment. The latter seems unlikely given the government continues to run deficits, and the capital stock is old and will need replacing. Either growth will disappoint, or real rates need to rise. Both outcomes are negative for the US equity market. The US market is close to an all-time high with a price/earnings ratio of 19.4X (vs a 10-year median of 16.8X). It seems that rising long-term interest rates (both fixed and real) have not yet had a negative impact on the US equity market.

The US market is facing earnings growth headwinds.

In addition to an above average valuation, the high earnings base of the US equity market is of greater concern. Earnings expectations continue to be revised upwards despite headwinds from company cost pressures, a high base in goods consumption that arose from stimulus payments during Covid, and inventory rebuild. Pushing higher wages (wage increases are currently more than 5%), commodity costs, and energy prices onto consumers will prove difficult. Goods consumption has been well above the long-term trend since Covid. Inventory rebuild has been reasonable as some supply bottlenecks have been sorted. This creates a high base for demand going forward. Hence, we are concerned about the impact of earnings downgrades that are yet to feed into market performance. In the case of Europe where energy pressures are far more severe, earnings downgrade risk is also significant.

Global economic growth expectations are being downgraded due to the War in Ukraine

Global manufacturing PMI fell 0.7 points to an 18-month low of 53. The conflict is estimated to shave approximately 1% off global GDP growth. The impact will be more severe in Europe due to the greater impact on their energy costs compared to the US. European gas prices have risen by a significantly higher amount in Europe given their reliance on Russian gas. Certain emerging markets that are net importers of natural resources, especially foodstuffs, will be particularly hard hit. The impact on South Africa should be somewhat mitigated due to the benefit of our net commodity exports, but this is not true for many emerging markets. China PMIs moved into contractionary territory in March (from 51.2 to 48.8) due to their severe Covid lockdowns. According to Bloomberg, April will likely be worse as the survey was closed early due to lockdowns. We are now seeing GDP forecasts for China being revised below 5% for 2022.

Chinese regulatory impacts will result in higher risk premiums

Beijing has stated that they hope to be through the most material changes to tech regulations soon, but the real issue is the effect of the onslaught of tech regulations seen so far...and it is early days. Quantifying these impacts is difficult, and we will only know the full extent a year from now. The policy of "common prosperity," which may well be positive for consumers, probably implies wealth redistribution which is likely to be negative for tech firms like Tencent. It is still not clear if the delisting of Chinese firms from the US exchange will be averted. However, this is less important than gaining clarity on the structural impact on tech earnings from the new regulatory paradigm.

Commodities will benefit from the Chinese stimulus and a faster pivot to green energy

Bad news is often good news when it comes to Chinese commodity spending. For China to achieve its growth targets, pressure to spend on infrastructure will be even greater given the negative impacts of lockdowns on the economy to date. In fact, Chinese provincial infrastructure bond issuance is at record levels. Hence, the likelihood of stimulus from capital expenditure remains significant.

The War in Ukraine has resulted in a greater urgency for Europe to wean itself off Russian energy. Although this pivot may increase coal usage in the short-term, ultimately investment into clean energy technology will be accelerated. This will add to base metal demand, resulting in greater deficits over the medium term. Risk premiums in energy prices might reduce if some resolution to the war is achieved. However, energy prices are still likely to remain elevated. In the case of oil, both downstream and upstream stock levels are extremely low and Opec still seems reluctant to increase supply despite a tight market. Although many Russian commodities can be redirected to other markets like India and China, coal cannot be due to logistical factors. This, coupled with under-investment in coal due to ESG, and additional European demand, will likely keep coal prices at elevated levels. Europe's efforts to reduce dependence on Russian gas will keep European gas prices elevated.

The key concern regarding commodities is one of demand destruction due to excessively high prices and a potential recession. Mining shares are priced at substantially lower commodity prices given that their P/E ratios on spot commodity prices are below 6 times earnings and are on high double-digit free cash flow yields. We have still found value in the resource sector using lower assumed commodity prices than reflected by the spot market. However, should miners' share prices continue to rise we shall reduce our exposure.

South Africa's economic outlook remains subdued

Although the SA balance of payments and the budget deficit are benefiting from elevated commodity export revenues, we are concerned about the impact of inflationary pressure on the SA consumer. Although SA inflation figure is within the SARB's bands (CPI 5.7% in Feb), household affordability

compiled by Pietermaritzburg Economic Justice and Dignity reflects a 10.2% increase in the average SA food basket. Consumers, especially in the lower LSM groups, are likely to face significant pressure from their consumption basket rising meaningfully above their wage growth.

Domestically focused shares have benefited from SA's net commodity export status as well as from emerging market funds that are being diverted away from Russia, Turkey, and possibly China. We have reduced our exposure to this price strength, especially in financials. There is still good value to be found in certain counters like Absa which is trading on a divided yield of 8%. However, some of its competitors are now trading on expensive valuations. We remain focused on finding value in domestic shares that are not overly reliant on domestic economic growth or are at least pricing in a lacklustre outlook. This would include companies that benefit from self-help or that generate defensive earnings.

PORTFOLIO POSITIONING

Attribution

The war in Ukraine caused a pivot to a risk-off investment environment. This coupled with sanctions against Russia benefited commodity prices and miners. Higher food and energy prices increased the probability of a recession, especially in Europe, which contributed to the risk-off environment. EM flows moved away from Russia towards EMs that benefit from higher commodity prices such as South Africa. This especially benefited the domestic financials. Continued Chinese regulatory pressure on the tech sector resulted in underperformance from the likes of Tencent.

The risk-off environment resulted in an underperformance from Richemont and an outperformance from British American Tobacco. Both contributed positively to outperformance.

The underweight in Prosus/Naspers benefited from the fall in the Tencent share price.

Financials performed strongly over the quarter due to EM flows being diverted to South Africa. This benefited the portfolio's holding in Absa but our underweights in First Rand and Capitec detracted from performance. Our underweights are due to these counters being overly expensive.

Our overweight position in Sasol benefited from the higher oil price. The underweight position in gold miners detracted from performance. The contributions from our overweight positions were unfortunately nullified by our underweights despite being overweight the diversified resources sector.

Mondi underperformed due to its Russian exposure which benefited the Fund. Telkom's poor results and cashflow generation negatively impacted the share price which detracted from performance.

Portfolio movements

We increased our mining exposure. We expect the sector to benefit from an increased need for stimulus from China given their struggling economy. In addition, we expect a more dramatic pivot to clean energy generation as Europe tries to wean itself off Russian energy. This will result in greater base metal demand. Coal prices will also likely remain elevated for longer due to Russian sanctions. We reduced our holdings in financials which are offering less value than at the start of the quarter. We purchased Pick 'n Pay which has sold off aggressively and is offering compelling value. We reduced our holding in Anheuser Busch due to concerns regarding input cost pressures and a less compelling valuation.

Portfolio Managers

Iain Power
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