Minimum Disclosure Document

As of 30/11/2023

Truffle Asset Management

Truffle SCI* General Equity Fund

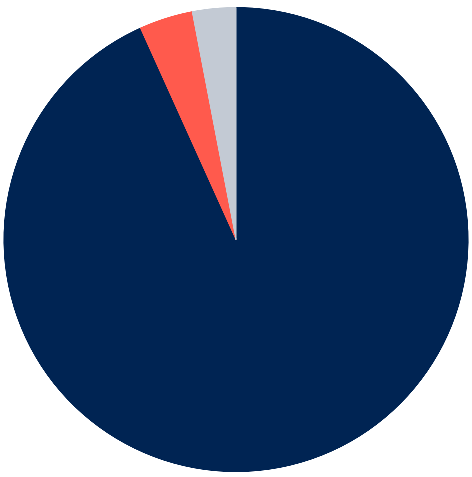
Fund Information

MDD Issue Date	18/12/2023
Ticker	TRGEA
ISIN	ZAE000152005
Portfolio Manager	Iain Power, Saul Miller, Nicole Agar & Sophié-Marié van Garderen
ASISA Sector (South Africa)	(ASISA) South African EQ General
Risk Profile	Aggressive
Benchmark	FTSE/JSE Capped SWIX Index
Fund Size	R 2,712,477,306
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
Transaction Cut Off Time	15:00
Portfolio Valuation Time	15:00
Daily Price Information	Local media & www.sanlamunittrusts.co.za
Repurchase Period	2-3 business days
Base Currency	South African Rand

Fees (incl. VAT)	A-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.04
Total Expense Ratio	1.07
Transaction Cost	0.70
Total Investment Charge	1.77
TER Measurement Period	01 October 2020 - 30 September 2023

Top 10 Holdings (30/09/2023)	%
Naspers Limited	9.66
British American Tobacco plc	7.39
Absa Group Limited	7.35
Prosus Nv	6.59
Sasol Limited	4.57
Standard Bank Group Limited	4.49
Gold Fields Limited	4.15
Anheuser-Busch Inbev SA/N.V.	3.88
Nedbank Group Limited	3.32
Anglo American plc	3.21

Asset Allocation (30/11/2023)



	%
Domestic Equity	93.25
Domestic Property	3.73
Domestic Cash	3.02
Total	**100.00**

Fund Objective

The Fund aims to achieve superior long term capital growth by investing primarily in local equities.

Investment Policy Summary

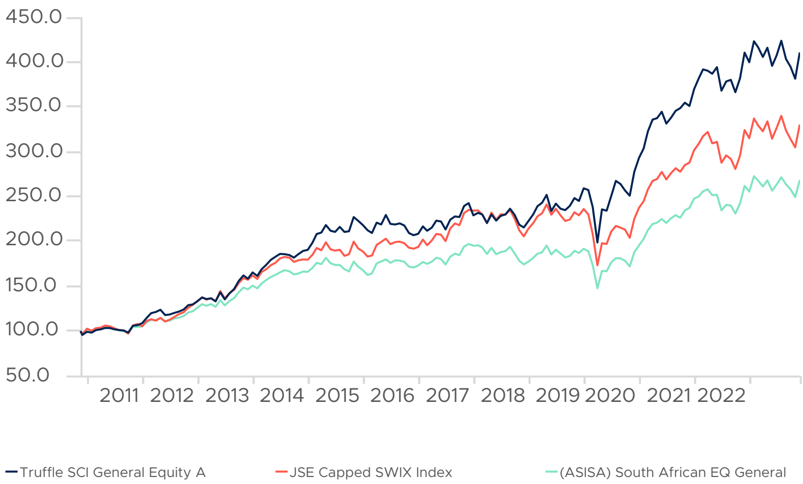
The fund employs a distinctive stock selection process to construct a portfolio of high quality local and offshore companies. The fund will invest a minimum of exposure to equities in line with the ASISA Standard on Fund Classification. Other investments may include units of other funds and offshore investments as legislation permits. The fund may also invest in derivative instruments for efficient portfolio management purposes.

Why Choose This Fund?

1. A disciplined stock selection process that focuses on investing in quality assets with long term valuation potential.
2. An agile team-based approach where opportunities are clearly identified and exploited.
3. Downside risk management forms a crucial component that aims to generate superior returns.

Investment Growth

Time Period: 19/11/2010 to 30/11/2023



Annualised Performance (%)

	Fund	Benchmark
1 Year	0.06	1.89
3 Years	13.96	13.63
5 Years	13.77	9.95
10 Years	10.00	7.71
Since Inception	11.45	9.60

Risk Statistics (3 Year Rolling)

Standard Deviation	12.82
Sharpe Ratio	0.66
Max Drawdown	-10.00
Information Ratio	0.07

Highest & Lowest Annual Returns

Time Period: Since Inception to 31/12/2022

Highest Annual %	26.19
Lowest Annual%	-4.47

Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023	5.87	-1.62	-2.56	2.53	-4.88	2.96	4.01	-4.81	-2.13	-3.39	7.70		2.75
2022	3.28	2.59	-0.38	-0.86	1.90	-6.66	2.79	0.48	-3.63	4.28	7.46	-2.62	8.11
2021	3.61	6.26	4.09	0.48	2.11	-3.84	1.97	2.31	0.85	1.75	-1.05	5.36	26.19
2020	-0.73	-7.41	-16.58	18.61	-0.63	6.92	6.81	-1.32	-2.75	-2.26	10.63	5.57	13.07
2019	3.27	3.96	1.63	3.63	-7.17	3.54	-2.33	-0.67	1.95	3.68	-1.28	5.75	16.34
2018	1.24	-0.78	-4.14	4.34	-3.00	2.35	0.72	2.77	-2.88	-4.82	-1.39	3.37	-2.71
2017	3.97	-2.26	1.67	3.60	-0.42	-4.02	5.13	1.61	-0.31	5.46	1.31	-5.64	9.85
2016	-2.65	-1.43	5.50	-0.92	4.87	-4.37	-0.29	0.56	-1.07	-3.88	-1.14	0.75	-4.47
2015	4.14	4.91	0.79	3.98	-2.91	-0.61	2.66	-2.61	0.36	7.48	-1.84	-2.12	14.49
2014	-2.37	4.56	2.95	3.17	1.97	1.75	-0.15	-0.52	-1.58	2.19	1.89	0.64	15.23
2013	3.08	-1.30	0.60	-2.44	7.50	-5.49	4.96	3.55	5.95	4.00	-2.24	4.42	24.04
2012	5.57	4.49	1.08	2.05	-4.79	0.51	1.51	1.27	1.80	3.97	0.62	2.82	22.58
2011	-0.96	2.84	0.86	1.53	-0.10	-1.36	-0.75	-0.60	-2.20	7.73	0.57	2.07	9.68
2010												3.71	

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Minimum Disclosure Document

Truffle Asset Management

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, 45% for foreign (offshore) 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.

Distribution History (Cents per Unit)

30/06/2023	4.01 cpu	30/06/2021	3.42 cpu	30/06/2019	2.75 cpu
31/12/2022	7.58 cpu	31/12/2020	0.79 cpu	31/12/2018	2.61 cpu
30/06/2022	3.92 cpu	30/06/2020	2.02 cpu	30/06/2018	1.74 cpu
31/12/2021	3.63 cpu	31/12/2019	3.64 cpu	31/12/2017	0.28 cpu

Additional Information

Investment Manager Information

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Truffle Asset Management

Portfolio Manager Comment

As at 30 September 2023

Economic Overview

As we entered the third quarter of 2023, expectations were high for a softer US economy, and markets optimistic that interest rate expectations were close to a peak. Once again, the broader US economy failed to succumb to pressure from higher rates and bond yields have risen further.

China disappointed while South Africa gained a little positive sentiment (off a low base) as remedial actions to drive economic reform became more evident.

US yields accelerate higher

The US economy continues to maintain upward momentum as reflected by a low unemployment rate of 3.8% and a GDP Now forecast of 4.9% for Q3 GDP. While there are some signs of a slowing labour market in terms of lower quit rates and monthly changes in wages below 3%; the high year-on-year wage growth of more than 4%, the higher-than-expected increase in September payroll numbers coupled with a low unemployment rate has resulted in a continued hawkish stance from the US Fed. This has driven real yields on 10-year bonds to well over 2% for the first time since 2009. This has in turn placed upward pressure on the US Dollar and bond yields globally with the SA 10-year rate rising above 12%. The higher long bond rate has pushed the already paltry US equity risk premium lower to circa 0.5% (our expected return for US equities is circa 3% real), further weakening the case for US equity relative to bonds.

Many indicators of US weakness, including depressed manufacturing and a negative credit impulse from tighter lending standards have been offset by a higher government budget deficit, Covid pandemic savings that have yet to be fully spent and a mortgage market that locks in rates for 15-30 years. The latter results in consumers being less impacted by rising rates than would be the case in other countries. However, at some stage homeowners will need to sell and buyers will be forced to pay rates that are more than double those of the last decade. Corporates will also start to feel the pressure of higher finance costs as refinancing starts to pick up in 2024. There has been a shortening of outstanding terms in the high yield debt market as participants wait for rates to fall. The longer rates remain high, the more of a problem this will become. The impact of the lower credit growth from the private sector is yet to be felt and the base of government deficit is already elevated. The US economy is likely to feel pain, but the above factors mean it will be more delayed than in previous cycles.

Expensive US market valuations, especially relative to bonds, are not pricing a slowdown. Given the tight monetary policy conditions and with the economy at near full capacity with limited resources available to fuel further growth, there remains a risk of a slowdown in 2024.

China growth forecasts continue to be revised down

Growth forecasts for China in 2023 & 2024 continue to be revised down as the Chinese economy loses momentum from declining property investment and falling real estate prices. This in turn puts pressure on government revenues from lost land sales and adds to weak consumer sentiment. As a result, Chinese consumers have continued to hold back from spending some of their accumulated savings (which currently equates to approximately 40% of GDP) despite numerous government incentives to boost sentiment in the property sector, as well as cuts to income tax.

While these measures are supportive, they will take time to feed through to consumer confidence. Consumers are still feeling vulnerable following the draconian actions during the pandemic years, as well as the subsequent job losses flowing from government policy actions. Other factors contributing to a low level of consumer confidence include heightened geopolitical tension which is further isolating China from the rest of the western world.

The question lingers as to what catalyst is required to shift the Chinese economy into gear with significant uncertainty over China's long-term trajectory and how the economy will continue to grow sustainably albeit at a lower growth rate.

As noted previously, a weaker China does mean commodity prices may remain muted vs. previous economic recoveries which is unfortunate for South Africa and our terms of trade and fiscal deficit.

From an investment perspective, asset prices are cheap. Companies like Tencent have implemented self-help with cost cutting initiatives and are well positioned for an earnings recovery. However, we need to tread with caution given the macro-economic uncertainty and a potential fundamental shift in the Chinese economy.

South Africa: Bottom-up progress in the face of growing global headwinds

South Africa is slowly making progress on domestic reforms. Power generation is improving driven by a combination of the private sector "making a plan" and Eskom slowly attending to operational dysfunction. Transnet, the State's ailing transport and logistics player, has recently announced structural shake-ups which may pave the way for future planned private partnerships. Naturally these reforms will take time to feed into the real economy.

But global risks loom. SA as both an emerging market and commodity-based economy would suffer in the event of a potential US hard landing or with the continuation of a floundering Chinese economy. Whilst certain SA sectors and shares do look attractive and are trading at depressed valuations relative to history, we remain fairly defensively positioned and are building in a high margin of safety given the global uncertainty.

The impact of higher US yields on the SA bond market pushed 10-year yields above 12% and resulted in further rand weakness. With sovereign spreads at reasonable levels and US rates, hopefully, close to peak levels, SA yields should not weaken from current levels.

Outlook: in summary

The Chinese rebound has slowed while the US economy has maintained strength for longer than markets anticipated despite a relatively aggressive rate hiking cycle. The US consumer has been resilient due to mortgage rates being fixed at low levels and having excess savings.

US valuations remain elevated. The strength of the US consumer and an AI theme has driven a re-rating in tech stocks over the year although tempered in the last two months. A combination of stretched valuations and risks to US earnings mean we continue to avoid high allocations to US stocks. We expect that the interest rate hikes seen over the last 18 months will impact the US economy in 2024.

Incremental improvements in the SA economy could have a meaningful impact on growth going forward despite a weakened fiscus. Unfortunately, these wins are counterbalanced by mounting global economic risk and uncertainty. While Chinese growth remains lackluster and economic activity weak, the modest level of consumer demand and less draconian stance adopted by Chinese regulators in 2023 should be supportive. But China's shift in gear is difficult to forecast while growth across developed markets will likely be subdued particularly in regions where household debt is relatively high, and economies are sensitive to extended periods of higher rates.

Our portfolios are defensively positioned with investment in select businesses that display higher margins of safety and strong cashflow yields during uncertain times.

Performance & Positioning

Performance Commentary

By the end of Q3, SA equity markets had lost some of the gains made through the year with the Capped SWIX delivering a loss of -3.1% for the quarter, bringing the year-to-date return to 2.2%. This tracks a similar theme across global equity markets with the MSCI World down 3.4% over the quarter. Mining stocks, particularly platinum miners, dragged on overall SA equity performance with the SA Resources index down 4.3%. Industrials were down 6.2% over the quarter.

The fund benefitted over the quarter from an overweight in Sasol which was supported by higher energy and oil prices. The fund also gained from an overweight position in select banks including Investec and ABSA. We retain a relatively high exposure to ABSA, given the banking group's strong dividend yield and compelling valuation metrics. An underweight to Capitec detracted from performance.

The Telecommunications sector delivered losses across the board and an underweight to this sector contributed to relative performance. We continue not to hold MTN given our investment case.

Naspers and Prosus lost value over the quarter given weak performance from Tencent as Chinese stocks fell on weaker than expected economic data out of China. We continued to hold an overweight position as Tencent's outlook remains promising. However, given the tough macro-economic environment and uncertainty in respect of Chinese markets, we purchased downside protection through derivatives which benefitted the fund over the quarter.

Portfolio movements

During the last quarter, we increased exposure to defensive stocks such as Anheuser Busch and British American Tobacco. Locally we believe the larger banks offer attractive valuations and relative resilience in the current environment and we added to exposures in Absa and Standard Bank. We reduced exposure to some of the SA retailers, Remgro and Bidcorp.

While SA valuations are compelling, the economic growth outlook remains uncertain as rising fiscal challenges and global uncertainty weigh on economic activity and business sentiment. We continue to focus on select stocks with high free cash flow yields, attractive dividend yields, and which are trading at significant discounts to their intrinsic value.

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