

Truffle SCI* Flexible Fund



Fund Information

MDD Issue Date	15/07/2024
Ticker	TRFCA
ISIN	ZAE000152039
Portfolio Manager	Iain Power, Saul Miller, Nicole Agar & Sophie-Marié van Garderen
ASISA Sector (South Africa)	(ASISA) South African MA Flexible
Risk Profile	Moderate Aggressive
Benchmark	CPI + 5%
Fund Size	R 11,261,136,859
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

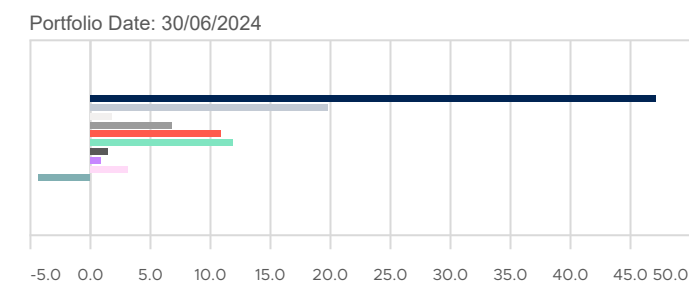
Fees (incl. VAT)

	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	0.72
Total Investment Charge	1.79
TER Measurement Period	01 April 2021 - 31 March 2024

Top 10 Holdings (30/06/2024)

	%
R2035 Govt Bond: R2035 8.875% 280235	5.40
Prosus Nv	3.06
Absa USD T1 Bond: ABGSJ 6.375% 270526	3.02
Bid Corp Limited	2.62
Standard Bank Group Limited	2.44
Naspers Limited	2.41
Absa Group Limited	2.36
Glencore plc	2.33
Gold Fields Limited	2.32
iShares MSCI Japan Small Cap ETF	2.22

Asset Allocation (30/06/2024)



Category	%
Domestic Equity	47.07
Foreign Equity	19.84
Domestic Property	1.85
Domestic Cash	6.85
Domestic Fixed Income	10.94
Foreign Fixed Income	11.91
Foreign Cash	1.55
Foreign Property	0.98
Foreign Equity Derivatives	3.23
Foreign Currency Derivatives	-4.22
Total	100.00

Fund Objective

The Fund aims to deliver superior long term capital growth through investment in a diverse range of assets. The investment manager has substantial flexibility to vary the asset allocation across the various asset classes.

Investment Policy Summary

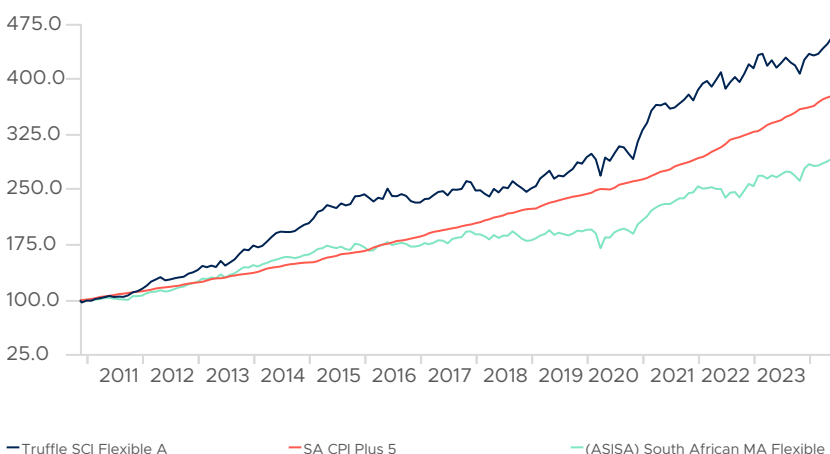
The Fund actively invests across the full spectrum of asset classes such as bonds, property, equities, financial instruments, cash, and money market instruments across local and offshore markets as legislation permits. Other investments may include units of other funds. The fund is also allowed to invest in derivative instruments for efficient portfolio management purposes.

Why Choose This Fund?

1. A diversified fund with no restrictions across asset classes.
2. Risk is actively managed through skilled asset allocation and security selection across various asset classes and regions.
3. A bottom-up and disciplined approach that selects quality assets for long term capital growth.

Investment Growth**

Time Period: 19/11/2010 to 30/06/2024



Annualised Performance (%)

	Fund	Benchmark
1 Year	8.33	10.10
3 Years	8.28	10.95
5 Years	11.15	9.98
10 Years	8.99	10.00
Since Inception	11.81	10.28

Risk Statistics (3 Year Rolling)

Standard Deviation	7.95
Sharpe Ratio	0.25
Max Drawdown	-6.21
Information Ratio	-0.28

Highest & Lowest Annual Returns

Time Period: Since Inception to 31/12/2023	
Highest Annual %	23.50
Lowest Annual %	-4.61

Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	-0.49	0.49	1.69	1.40	2.14	-0.08							5.22
2023	4.32	0.38	-3.73	1.77	-2.34	1.49	1.77	-1.51	-0.98	-2.69	4.63	1.88	4.69
2022	2.25	0.89	-1.94	2.42	2.54	-5.46	2.30	1.74	-1.68	2.81	3.19	-1.28	7.65
2021	3.08	4.80	2.21	-0.19	0.76	-1.98	0.45	1.48	1.37	1.93	-2.10	3.81	16.52
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

**The investment performance is for illustrative purposes only. The investment performance is calculated taking the actual initial fees and all ongoing fees into account for the amount shown and income is reinvested on the reinvestment date.

Effective 1 October 2024, Sanlam Collective Investments will charge a monthly administration fee of R20 excluding VAT on retail investors whose total investment value is less than R50,000.



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)

30/06/2024	5.14 cpu	30/06/2022	4.22 cpu	30/06/2020	3.71 cpu
31/12/2023	5.91 cpu	31/12/2021	3.27 cpu	31/12/2019	4.21 cpu
30/06/2023	5.97 cpu	30/06/2021	3.52 cpu	30/06/2019	3.90 cpu
31/12/2022	8.51 cpu	31/12/2020	1.55 cpu	31/12/2018	3.88 cpu

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. *SCI is the abbreviation for Sanlam Collective Investments.

Investment Manager Information

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Portfolio Manager Comment

As at 30 June 2024

Economic Overview

Signs of slowing in US

The US economy was buoyant through the second quarter; however negative economic surprises are revealing cracks. Historic payroll numbers are being revised down and the unemployment rate has risen to 4.1%. Consumers appear to have spent excess savings, built up over the pandemic period and the savings rate at 3.6% is now below pre-Covid levels. Higher rates on floating debt and tighter lending standards are creating a more challenging environment for borrowers, evident in rising credit card and auto loan delinquencies. Fixed long term mortgages remain shielded from the impact of tight monetary policy but higher rates on new mortgages remain a headwind for new property owners. Similarly, many corporates that are rolling debt will experience much higher rates.

Subdued private capex intentions, a high base of government spending (related to the Inflation Reduction Act) and lower emigration will also likely weigh on GDP growth next year. Although Inflation has been sticky, on balance it appears to be declining which should give the Fed room to start its cutting cycle. Hence, bond rates are more likely to drift lower from here. Earnings revisions continue to drift up, although this is due to large capitalisation shares. These two factors could support what is a relatively expensive market in the short term.

The higher likelihood of a Trump presidency increases global geopolitical and economic risk. The worrying long-term trajectory of US debt may well result in Republicans restricting his ability to engage in meaningful stimulus measures that were done during his prior term.

China remains in the doldrums

Chinese equity markets rebounded in the second quarter, boosted by investor sentiment and government initiatives to support the real estate sector. However, a People's Bank of China survey in Q1 2024 showed that the percentage of people expecting home prices to fall further reached a record high (22%). Property rental yields remain low relative to the rest of the world. Although household completions are at reasonable levels, new starts continue to fall which will weigh on future GDP growth.

China consumer confidence remains low albeit stable. Chinese economic growth is supported by exports and manufacturing capex. Exports remain at risk from escalating trade tensions. As economic growth is still in an acceptable range, it seems unlikely that any significant stimulus would be forthcoming at the upcoming third Plenum.

China's manufacturing activity remains resilient and Emerging market manufacturing PMIs are in expansionary territory. This should provide support for commodities.

Momentum stalling in Europe

The ECB met market expectations with a June rate cut, however, core inflation appears to be coming down slower than expected, held up by services inflation. Consumption is low relative to pre-Covid levels and capital expenditure remains depressed. Although this could present an opportunity, the PMI is now only marginally in expansionary territory and looking weaker than in the first quarter. Given Trump's isolationist stance, the equity risk premium in Europe could increase.

South Africa's new political dawn

The recent elections were a watershed moment for South Africa and its democracy. The collapse in ANC support left the ruling party in uncharted territory with the task of not only finding a new leadership solution but also including far larger opposition parties than initially thought.

Following two weeks of uncertainty and volatility as markets grappled with potential leadership outcomes, the formation of a Government of National Unity (GNU) was formally announced. The GNU, comprising the ANC, DA, IFP, GOOD, PA, PAC, and recently the FF parties, will hold 70% of the National Assembly seats under the presidency of Cyril Ramaphosa. Markets have welcomed the outcome given the centrist anchor, policy stability, and the potential for greater commitment to economic reform and growth. The ALSI gained over 5% in two days of trading following the public announcement while the Rand strengthened to just below R18 to the USD.

Outlook: in summary

Globally, inflationary pressures remain evident, but inflation does appear to be slowly gliding down. European policymakers have signaled divergence from the US with rate cuts at the start of June, but any significant shift in rates is unlikely to materialise until further signs of inflation being well under control are evident. Growth data for the US remains buoyant with reported GDP growth of 1.6% in Q1 2024 (annualized), however numerous factors are signaling a slowdown for the US economy.

Geopolitical risks across a number of regions remain elevated and continue to drive global economic uncertainty.

While the election fears have settled in South Africa, the new leadership structure and GNU dynamics still need to be bedded down following the recent formation of a new Cabinet. The GNU parties are committed to a workable approach and frankly need each other. While challenges will occur it remains important to distinguish between market noise driving volatility vs fundamental changes that could impact the longer-term outlook. From a macroeconomic perspective, continued improvement to energy security, reform of rail logistics, water and infrastructure remain critical to longer-term economic growth in SA.

Performance Commentary

South African equities had a strong quarter (ALSI: 8.2%) as sentiment shifted in the lead-up to and after national elections. A surprisingly positive election outcome led to Rand strength and a re-rating of SA Inc stocks. Although performance has been strong, the index has experienced significant volatility given the election related uncertainty and news flow. SA bonds and Property responded well to election outcomes and in June the SA bond market (ALBI) delivered a best monthly performance since May 2020 of 5.2% bringing quarterly performance to 7.5% for bond investors. South Africa's currency was also supported by positive election sentiment gaining 3.7% in the quarter

(3.1% in June) to become the best performing Emerging Market currency for the month of June and recovering losses from the first quarter of 2024.

Global equity markets continued their first quarter momentum as AI exposed companies led performance across all markets. Emerging Markets outshone developed counterparts, largely driven by the AI theme in Taiwan which supported Asian market performance.

From an equity perspective, the fund benefitted over the quarter from a meaningful position in Anglo American and other diversified miners. We sold down exposures in these counters given profit opportunities but remain constructive on copper on a medium-term view. Copper is benefiting from an improved outlook for global manufacturing and lower supply guidance from major miners is also resulting in a continuation of expected deficits.

Exposure to SA banking stocks, specifically Standard Bank, Nedbank and ABSA was a major contributor for the quarter. The local banking sector performed well, particularly in June when stocks re-rated following a relatively positive election outcome. The SA bond market also benefitted from election sentiment and a strong rally in June resulted in fixed income exposures adding to fund performance.

Foreign equity exposures detracted, partly due to Rand strength. Increased volatility into the snap French election weighed on much of our European exposure although we are starting to see a recovery into the new quarter.

Portfolio movements

We had been steadily increasing our exposure to SA Inc stocks in the run-up to the elections, slowly removing our underweight, so that we entered the election period with a well-balanced portfolio. We increased exposure to banking shares, specifically Standard Bank and Nedbank and added to the SA retailers. We focused on companies trading on generous valuations, with good dividend yields and strong liquidity.

Against an uncertain backdrop our focus remains on managing a well-diversified portfolio and we have maintained positions in Bidcorp and some other Rand hedge stocks with attractive valuations. While many SA Inc stocks have re-rated and are closer to fair value, we maintain positions in the larger SA banking shares given strong free cash flow and compelling dividend yields.

From a fixed income perspective, the fund has benefitted from exposure to duration. In our view, the bulk movement in yields due to a reduction in credit spreads is largely done and further upside would be driven by a decline in US real rates.

Global equity markets experienced a good first half in 2024 and while continued economic resilience could sustain market strength, US equity valuations remain elevated. We remain underweight the US equity market in our offshore positions but have increased our exposure to European stock markets which are trading in fair value territory. We are maintaining an exposure to Japan given reasonable valuations and constructive changes to the Japanese economy.

Portfolio Managers

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