Truffle SCI* Flexible Fund

Minimum Disclosure Document

As of 2018/11/30

Truffle Asset Management

MDD Issue Date: 2018/12/11

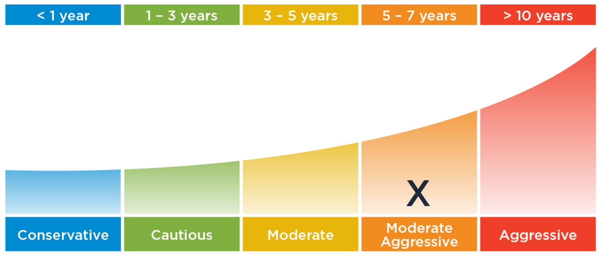
Fund Objective

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

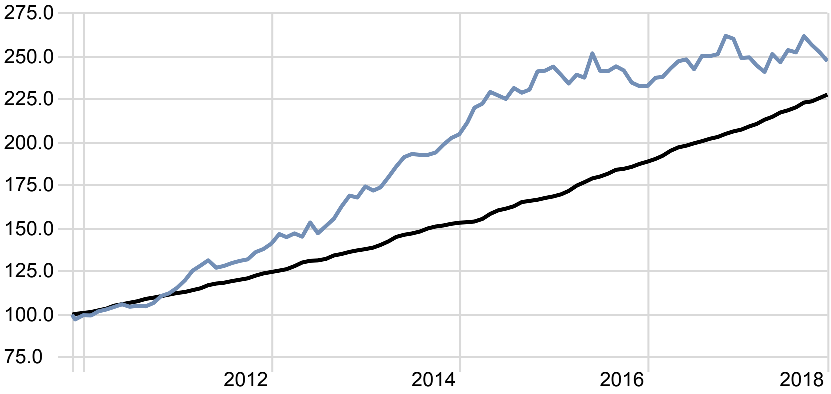
The portfolio will actively invest across the full spectrum of asset classes such as bonds, property shares, equities, financial instruments, participatory interests in trust schemes, cash and money market instruments. The manager may from time to time invest in participatory interests in portfolios 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.

Risk Profile



Investment Growth

Time Period: 2010/11/19 to 2018/11/30



—Truffle SCI Flexible A —CPI + 5%

Fund Information

Ticker	TRFCA
Portfolio Manager	Iain Power, Jonathan du Toit & Charles Booth
ASISA Fund Classification	South African - Multi Asset - Flexible
Risk Profile	Moderate Aggressive
Benchmark	CPI + 5%
Fund Size	R 3 677 210 685
Portfolio Launch Date*	2010/11/18
Fee Class Launch Date*	2015/10/01
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
Repurchase Period	2-3 business days

Annualised Performance (%)

	Fund	Benchmark
1 Year	-4.96	10.34
3 Years	0.76	10.72
5 Years	8.03	10.64
Since Inception	11.92	10.79

Risk Statistics (3 Year Rolling)

Standard Deviation	8.34
Sharpe Ratio	-0.73
Information Ratio	-1.02
Maximum Drawdown	-7.98

Cumulative Performance (%)

	Fund	Benchmark
1 Year	-4.96	10.34
3 Years	2.30	35.74
5 Years	47.13	65.81
Since Inception	147.17	127.68

Highest and Lowest Annual Returns

Time Period: Since Inception to 2017/12/31

Highest Annual %	23.50
Lowest Annual %	-4.61

Fees (Incl. VAT)

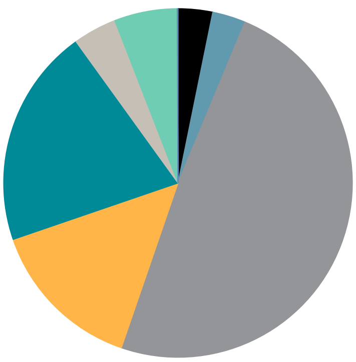
Fees (Incl. VAT)	A-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	—
Manager Annual Fee	1.03
Total Expense Ratio	1.48
Transaction Cost	0.44
Total Investment Charges	1.92
Performance Fee	—
TER Measurement Period	01 October 2015 - 30 June 2018

Top Ten Holdings

Top Ten Holdings	(%)
Naspers Ltd	7.26
Vanguard Value ETF	5.25
Firstrand Bank Ltd Bond 23042023	4.90
Nedgroup Invest Corporate Money Market Fund	4.12
Sasol Ltd	3.41
Old Mutual Ltd	3.38
Ping An Insurance Company of China Ltd	2.56
Investec Ltd F/R 29092021	2.28
Barclays Africa Group Ltd F/R 12092022	2.21
FirstRand Ltd Bond 08112023	2.07

Asset Allocation

Portfolio Date: 2018/09/30



	%
SA Cash	3.20
Non-SA Cash	3.07
SA Equity	49.00
Non-SA Equity	14.48
SA Bond	20.30
Non-SA Bond	4.05
SA Property	5.83
Other	0.07
Total	**100.00**

Administered by

Sanlam

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Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	0.15	-1.88	-1.54	4.30	-1.90	2.87	-0.53	3.75	-1.93	-1.68	-2.02		-0.75
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

Distribution History (Cents Per Unit)

2018/06/30	3.03 cpu	2016/12/31	2.50 cpu	2015/08/31	2.34 cpu
2017/12/31	0.71 cpu	2016/06/30	2.56 cpu	2015/02/28	2.07 cpu
2017/11/10	2.24 cpu	2015/12/31	0.92 cpu		
2017/06/30	2.59 cpu	2015/09/30	0.42 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

*The Truffle Sanlam Collective Investments Flexible Fund transitioned to Sanlam Collective Investments (RF) (Pty) Ltd on 11 November 2017.

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 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 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 instruments which could be accompanied by additional risks as well as potential limitations on the availability of market 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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Truffle Asset Management

Portfolio Manager Comment

As at 30 September 2018

Market overview

Global economic growth is likely to slow into 2019
The global economy continued to experience non-synchronised growth across the three major economic zones. In the United States, growth remains strong as the Trump tax cuts fuelled strong internal demand. Although US interest rates are rising they are still low relative to history. The labour market in the US is very tight and we are seeing signs of building wage inflation. Output gaps continue to narrow and risk of further rate hikes seems high.

The European economies are enjoying steady growth however, growing trade disputes could dampen prospects for the export dependent economies. Chinese economic growth is expected to slow from a relatively high base largely driven by slowing infrastructure spending.

A further aggravating factor is the continued rise in the price of oil. If prices continue to rise from current levels it could trigger further pressure in emerging markets and weigh on global growth.

South Africa's economic prospects remain weak
The South African economy remains weak, largely driven by poor demand and self-inflicted structural problems. Disappointingly, the formal employment sector continues to shed jobs adding further downward pressure on consumption spending. The unwelcome rising cost of fuel driven by both an increase in the dollar oil price and the weak currency will also impact negatively on consumption.

The stimulus package recently announced by President Ramaphosa, although well meaning, is unlikely to have much impact on overall growth as it will be funded from within the existing budget and is relatively small compared to the size of the economy. Having contracted in the first two quarters of the year, it is likely that even the subdued forecasts of growth for the full year will prove difficult to achieve.

Negative sentiment towards Emerging Markets has impacted on local equities
The disenchantment with emerging markets that became evident in the second quarter continued into the third quarter as the MSCI World Index outperformed the MSCI Emerging Market Index by about 6% over the quarter. Unfortunately, the South African equity market was one of the worst affected by the loss of confidence with only Greece and Turkey showing poorer year-to-date numbers in US $'s.

Local equities contracted in the 3rd quarter with the most significant decline coming late in the quarter. The ALSI contracted by 2.2% over the quarter and by 4.2% in September alone. The resource sector continued to significantly outperform the financial and industrial sectors achieving a positive return for the quarter. However, this return was helped by a very strong recovery in the platinum sector off a low base with Impala and Amplats both enjoying a strong rebound. Year-to-date the 21% return from resources is well ahead of the financial and industrial sector largely driven by currency weakness.

Property continues to contract but bonds were steady
The property sector continued to contract, falling by 1% over the quarter. The falls were not limited to the Resilient group of companies as Growthpoint, the industry leader, also had a poor quarter contracting by about 9%.

Bonds had a flat quarter producing a 0.8% return as long dated yields rose by about ¼% over the quarter.

The Rand had a poor quarter
The rand had a poor quarter declining from 13.74 to 14.14 R/US$, a decline of roughly 3%, and faring similarly against the other currencies. At its worst the rand hit 15.4 R/$ but late in the quarter the currency did stage a welcome recovery. However, sentiment remains very fragile and further falls cannot be discounted. Fortunately, the rand did not suffer the losses experienced in the Turkish Lira or the Argentinian Peso.

Commodity prices remain largely flat to down except for oil
Precious metals had a largely flat quarter with only Rhodium having a strong advance of about 14% over the quarter. Since June 2016 Rhodium has risen from 650 $/oz to 2589 $/oz, an advance of 300%. For the local producers the Platinum Group Metals basket price has risen significantly as a result of the higher Rhodium price and currency weakness. The platinum sector should produce significantly better results in the second half of the year.

Base metals have on average declined over 2018 in US dollars and no major advance is expected until China resumes it historically high spending on infrastructure.

Against the trend of gold and base metals the oil price continues to strengthen helped by the recent re-introduction of sanctions against Iran. As the world supply/demand balance is currently tight further rises towards $100/bbl cannot be discounted.

The key risk to the SA economy is rising inflation
The key risk to the South African economy is a currency induced increase in the inflation rate requiring a tightening in monetary policy. The latest inflation numbers to August have yet to reflect the impact of the weaker currency and the rising fuel price, and at 4.9% remains well within the inflation targeting threshold of 6%. However, the trend is now up and higher numbers must be expected in the months ahead. If the inflation number settles above 6% the Reserve Bank may be forced to raise rates. Given the fragility of the economy this would be most unwelcome and it remains uncertain how the consumer would respond.

Portfolio Positioning

Equities
Domestically focussed equities continued to underperform in the 3rd of 2018 on the back of negative sentiment toward emerging markets, as well as a slew of disappointing earnings updates which fell well short of market expectations. The repositioning of the portfolio earlier in the year away from expensively priced domestically focussed companies into attractively priced rand hedge counters continued to benefit the fund.

Notably, two of the biggest companies listed on the JSE being MTN and Aspen, suffered significant share price declines over the quarter of 18.8% and 34.4% respectively. Truffle has not held positions in either of these stocks.

MTN came under fire from the Central Bank of Nigerian (CBN) after allegations of not following due process in their dividend repatriation. As a consequence, they are now required refund the CBN $8.1bn. To make matters worse they were also hit with a claim for outstanding taxes by the Auditor General of Nigeria for an amount of $2.1bn. MTN believe they have complied with the laws and are reserving their rights in respect of the allegations. This is the second time MTN has come to blows with the Nigerian authorities and demonstrates that investors should be demanding a much higher risk premium when investing in Nigerian assets. From a fundamental perspective, what is more concerning is that 50% of MTN's free cash flow (FCF) is derived from Iran and Nigeria. Over the last few years, access to this cashflow has been difficult due to country specific issues. MTN's net debt to EBITDA at the holding company level is currently 2.9 times. Optically this is not particularly high, but if due to sanctions in Iran or regulatory intervention in Nigeria, MTN can't access 50% of its FCF, the leverage effectively doubles to 5.8 times. This significantly increases the risk of the dividend being cut.

Prior to the results update, Aspen has been under pressure to deliver a set of results with good organic revenue generation and improved returns. Unfortunately, the latest results showed no evidence of improvement on either point. Worryingly, the declining trend of the Return on Invested Capital (ROIC) has shown no signs of abating, with the latest ROIC now below their Weighted Cost of Capital (WACC) resulting in negative value creation for shareholders. We also questioned whether Aspen were forced sellers of their Infant milk business in an attempt to reduce debt levels which had increased to uncomfortable levels.

Sasol, one of the biggest positions in the fund, continued to performed well over the quarter, with the share price increasing 9%. Despite its re-rating, we still see significant upside in the stock, as very little value is being placed on their ethane cracker project. Commissioning of the project has already started and will reach beneficial operation by the second half of 2019.

Over the quarter the fund also increased exposure to Anglo American, Anheuser Busch, The Vanguard S&P Value ETF, Ping An Insurance and Standard Bank. These increases were funded by sales in Indiabulls Housing Finance, British American Tobacco, Growthpoint, iShares Core S&P 500 ETF, Firstrand and Naspers.

Fixed Income
The fund remains short duration and has no exposure to fixed rate long duration bonds. We remain focussed on the shorter end of the yield curve through floating rate notes where we continue to earn a significant premium to the longer end of the curve without the same duration risk. Inflation risks both domestically and globally are building with risks to the upside especially if the oil price remains at current levels. The strong US dollar and reduced global risk appetite and mounting local fiscal slippage concerns suggest risk to local yields are to the upside.

Contributors and detractors
Top contributors for the quarter included Old Mutual, Capitec, Ping An Insurance, Mitsubishi Corporation and CF Industries. Detractors included Spire Healthcare, Naspers, Growthpoint Properties, Anheuser Busch and Netease.

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