

Truffle SCI* Flexible Fund

Minimum Disclosure Document

As of 31/12/2019

Truffle

Asset Management

MDD Issue Date: 24/01/2020

Fund Objective

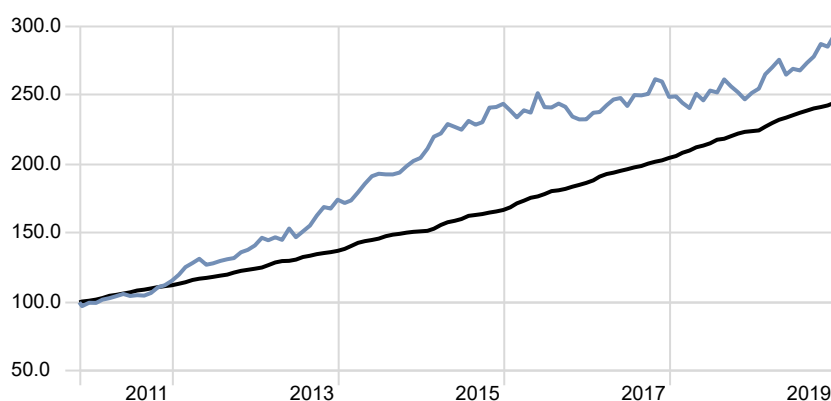
The primary objective of the portfolio is to maximise returns over the longer term, at the risk of greater short term volatility of capital values. The investment manager has substantial flexibility to vary the asset allocation across the various asset classes in such a manner as deemed appropriate.

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 31/12/2019



— Truffle SCI Flexible A

— SA CPI Plus 5

Annualised Performance (%)

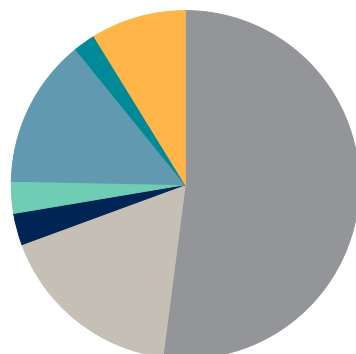
	Fund	Benchmark
1 Year	16.83	9.19
3 Years	8.14	9.47
5 Years	7.53	10.07
Since Inception	12.57	10.31

Cumulative Performance (%)

	Fund	Benchmark
1 Year	16.83	9.19
3 Years	26.45	31.15
5 Years	43.76	61.57
Since Inception	194.24	144.71

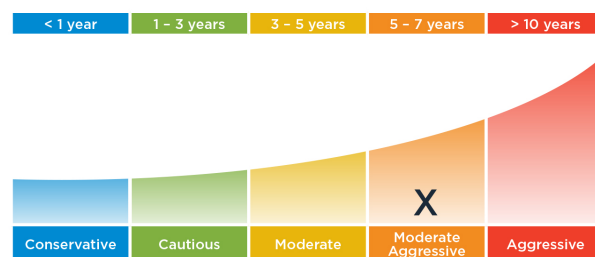
Asset Allocation

Portfolio Date: 31/12/2019



	%
Domestic Equity	52.05
Foreign Equity	17.35
Property	2.95
Domestic Cash	2.96
Floating Rate Securities	13.85
Foreign Cash	2.05
Foreign Bonds	8.79
Total	100.00

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 4,309,974,882
Portfolio Launch Date*	18/11/2010
Fee Class Launch Date*	01/10/2015
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

Fees (Incl. VAT)

	A-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.03
Total Expense Ratio	1.26
Transaction Cost	0.52
Total Investment Charges	1.78
Performance Fee	—
TER Measurement Period	30 September 2016 - 30 September 2019

Top Ten Holdings as at 31/12/2019

	(%)
Sibanye Gold Ltd	5.47
Naspers Ltd	5.02
Firststrand Bank Ltd Bond 23042023	4.69
British American Tobacco Plc	4.32
Philip Morris International Inc	3.87
Impala Platinum Holdings Ltd	3.63
Anglo American Plc	3.52
Prosus (PRX)	3.51
Standard Bank Group Ltd	2.62
Standard Bank Group Ltd Bond 31052024	2.52

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Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
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

Distribution History (Cents Per Unit)

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
31/12/2018	3.88 cpu	30/06/2017	2.59 cpu	30/09/2015	0.42 cpu
30/06/2018	3.03 cpu	31/12/2016	2.50 cpu	31/08/2015	2.34 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.sanlamunitrustsmdd.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 December 2019

Market overview

The year ended on a high for the global economy

Throughout the year the global economy was plagued by several uncertainties but late in the year some progress was made in resolving at least some of them. Firstly, tangible progress was made between the US and China towards reaching the first phase of a trade deal. Although the deal is yet to be signed, indications are that it should be possible and already some of the retaliatory tariffs imposed by both sides have been reduced, indicating a greater willingness to work together. Despite the consummation of this first phase deal we think the conflict between the US and China is far from over and the relationship is likely to remain volatile and confrontational.

Secondly, the Conservative Party landslide election victory in the UK means that Brexit will in all likelihood happen. However, the form and implications of Brexit still remain murky.

Further, although growth has slowed, notably in Europe, job creation in the US is still strong indicating that the economy is continuing to perform well even though the cycle is mature. This year, being an election year, and a key one at that, we believe that all efforts will be directed at keeping this momentum going. Economic data seems to indicate evidence of green shoots. PMI indices and earnings revision declines have started to improve in many regions. Chinese manufacturing has now shown expansion for a second consecutive month in December.

However, the global rise in nationalism continues and it is concerning that there are too many flashpoints around the globe. In particular, tensions in the Middle East have escalated between the US and Iran. A move away from globalisation and mutual cooperation could be a harbinger of tougher times ahead into the next cycle.

In South Africa progress has been made in facing up to its challenges

2019 was not a good year for South Africa. Throughout the year growth continued to be revised downwards and it is a great concern that the economy is incapable of creating jobs on a large scale as the unemployment rate continues to rise.

However, the good news is that there has, at last, been some visible progress in attempting to reverse the endemic corruption plaguing the nation as finally some arrests are being made. Much more needs to be done but at least a start has been made. In addition, the government is finally facing up to the challenge of rehabilitating the ailing parastatals.

SAA is now in business rescue, making it easier to make the really tough decisions, and Eskom has new leadership intent on returning the utility back to sustainable health.

Regarding the economy, there has not been much good news but bright lights amongst the doom has been the inflation rate that has continued to surprise on the downside and the currency that has remained resilient, notwithstanding the deterioration in our sovereign ratings. But it has to be said that any lasting solution to the major issues facing the country is likely to require some form of short-term austerity. Therefore, a period of disappointing growth over the next few years with a slow recovery remains a likely base case outcome. Domestic corporate profits are likely to be subdued for some time.

Global equities enjoyed a spectacular 2019

It was not surprising that with all the good news reported during the last month of the year that equity markets responded positively. The MSCI All Country World Equity Index ended the year on a very strong note, up 3.6% over the month and up a substantial 27.3% for the year. The S&P 500 index has always been a reasonable proxy for global equities and in 2019 the index tracked the World Index ending the year about 29% higher before dividends. This performance was driven, in the main, by price earnings multiple expansion from 14.5 to 18.2 (a 25% increase) rather than from earnings growth, which was negligible. These US valuations, which are comfortably above average, are already discounting an earnings recovery. Hence, any bad news could result in underperformance.

In a broader global context, although valuations in most regions are now above average post the year end global equity run, they do not appear to be excessively high.

Local equities delivered good, inflation-beating returns

Local equity markets underperformed global equity markets but comfortably outperformed inflation. The ALSI provided a 12% return and the SWIX 9.3%, bonds delivered a 10.3% return and cash provided a 7.3% return. In fact, the divergence between asset classes in 2019 was unusually low with listed property being the notable laggard, achieving only a 1.9% return over the 12 months.

There was significant return divergence across the major sectors of the JSE. Due to the strong price appreciation of the PGM basket over the year, Basic Materials enjoyed an exceptional year providing investors with a 28.7% gain over the 12 months. This performance was well ahead of the 8.9% gain from the Industrial sector and the only marginally positive gain of 0.6% from the Financial sector. It was no surprise that, given the strong performance from the PGM basket, the platinum sector was the top performing sector of the JSE for 2019.

The outlook for the ALSI is best considered via its key constituents. Domestically exposed companies comprise slightly more than half the Capped Swix Index.

Although many of their valuations appear reasonable, lacklustre growth prospects may limit any material re-rating of these companies. For instance, banks are offering dividend yields of between 5-8% but growth expectations have been continually scaled back as the economy struggles to generate credit demand. However, it should be noted that sentiment is negative and hence, improved domestic news flow, including further corruption clampdowns or an improved budget outlook could result in increased demand for domestically exposed companies. It's also important to remember that a more buoyant global economy will offer some support to the rand and domestic based counters.

Many dual listed shares and resource-based shares do appear to have a more promising outlook than domestically exposed companies. British American Tobacco's outlook has improved post a clamp down on vaping in the US. Tencent, which drives the bulk of Naspers and Prosus' value, should deliver impressive earnings growth and is reasonably priced. Deficits in rhodium and palladium should maintain a high PGM basket price. The medium-term outlook for the diversified miners is a bit more

unclear. On the positive side, there is room for a potential improvement in base metals if the global economic upturn occurs, yet on the negative side the iron ore price seems over extended and could retrace.

Bonds continued to generate returns well in excess of inflation and the property sector

The ALBI generated a total return of 10.3%, broadly in line with its returns of the last few years. Relative to inflation the domestic yields are generous relative to their own history and compared to most other markets. Although the impact of a potential downgrade by Moody's in March 2020 is being partially discounted in SA bond yields, the country's precarious fiscal position remains a risk. We prefer to take our fixed income exposure via high quality credit offering similar yields without duration risk.

Property remained the poorest performing asset class with a return of 1.9% (as measured by the SAPY) over this last year. Yields remain optically cheap compared to history where they have probably been overvalued. The tough domestic economy will continue to weigh on distribution growth and in fact result in negative growth for some counters like Hyprop and Redefine. Distributions in many counters remain overly high due to financial engineering, debt and overly high pay-outs. As distributions reach more sustainable levels or valuations improve, we will look to increase our position in this sector.

Looking forward

The valuations for most global markets do not look compelling given their re-rating over the last year. Some markets like the US look more expensive than most.

Furthermore, the global geopolitical risks remain as evidenced by the recent escalation in tension between the US and Iran. However, we are still finding sufficient investment opportunities with generous risk adjusted expected returns. Hence, despite a continued murky economic and political outlook, we remain confident that Truffle will deliver inflation beating returns over the medium to long term.

Portfolio Positioning

We increased our exposure to diversified miners. Their balance sheets are healthy and they are offering relatively better value than many domestic counters. Our position in British American Tobacco was increased. The company's valuation is cheap and it is facing less pressure from vaping in the US market. We increased our position in Naspers where the discount to Tencent is significant. Tencent was also trading below its historical average valuation. We have purchased some domestically focused counters which should benefit from self-help like Tiger Brands and AECI.

We reduced our exposure to First Rand which was trading close to fair value and increased our exposure to Barclays Africa Group which was cheaper. We reduced our exposure to Anheuser-Busch due to a revision of our expected earnings from the company. We took profits on our AngloGold Ashanti position. We reduced our positions in the Equites Property Fund and Pepkor.

Contributors and Detractors

The platinum group metal miners were the key contributors to performance given our significant position and the outperformance of the PGM basket over the last year driven by expected palladium and rhodium deficits. British American Tobacco performed well post the announcements of vaping flavours being outlawed in the US and an easing of regulatory pressures on the tobacco industry. Anglo American performed well on the back of the performance of some of its underlying commodities including iron ore and the PGMs. Quilter performed strongly over the quarter in line with its competitors. It remains significantly cheaper than its competitors.

Anheuser-Busch detracted from performance due to a poor trading update negatively impacting the share price. The Prosus share price was also under pressure due to concerns over them overpaying for a business in the food delivery space. The domestic banks came under pressure in line with other domestically exposed companies as negative earnings revisions continued. The stronger rand negatively impacted foreign currency denominated instruments including our First Rand dollar denominated bonds and US Treasury bills.

Portfolio Managers

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