Truffle SCI* Flexible Fund

Minimum Disclosure Document

As of 31/07/2022

MDD Issue Date: 16/08/2022

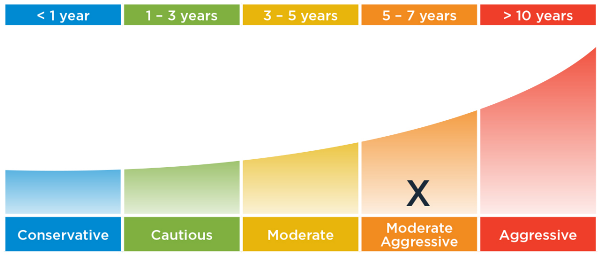
Fund Objective

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

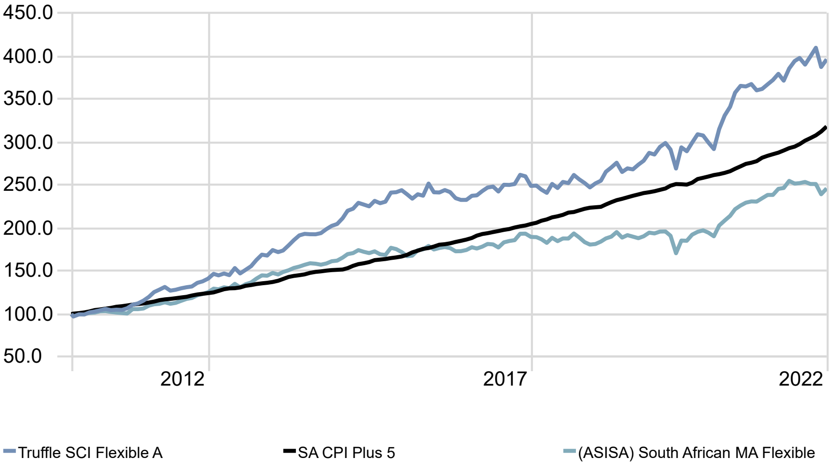
The portfolio will actively invest across the full spectrum of asset classes such as bonds, property shares, equities, financial instruments, participatory interests in trust schemes, cash and money market instruments. The manager may from time to time invest in participatory interests in portfolios 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: 19/11/2010 to 31/07/2022



Fund Information

Ticker	TRFCA
Portfolio Manager	Iain Power, Saul Miller, Nicole Agar & Sophié-Marié van Garderen
ASISA Fund Classification	South African - Multi Asset - Flexible
Risk Profile	Moderate Aggressive
Benchmark	CPI + 5%
Fund Size	R 8,615,652,764
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
Portfolio Valuation Time	15:00
Transaction Cut Off Time	15:00
Daily Price Information	Local media & www.sanlamunittrusts.co.za
Repurchase Period	2-3 business days

Annualised Performance (%)

	Fund	Benchmark
1 Year	9.51	12.88
3 Years	13.87	10.22
5 Years	9.61	9.95
10 Years	11.78	10.30
Since Inception	12.48	10.39

Cumulative Performance (%)

	Fund	Benchmark
1 Year	9.51	12.88
3 Years	47.66	33.90
5 Years	58.21	60.69
10 Years	204.62	166.48
Since Inception	295.92	217.94

Risk Statistics (3 Year Rolling)

Standard Deviation	11.47
Sharpe Ratio	0.77
Information Ratio	0.28
Maximum Drawdown	-9.94

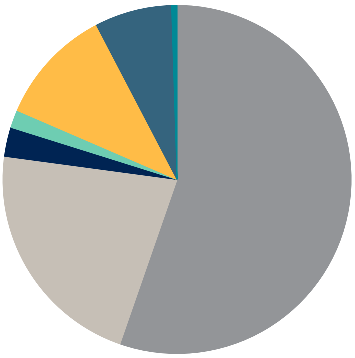
Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2021

Highest Annual %	23.50
Lowest Annual %	-4.61

Asset Allocation

Portfolio Date: 31/07/2022



	%
Domestic Equity	55.32
Foreign Equity	21.81
Domestic Property	2.71
Domestic Cash	1.65
Domestic Fixed Income	10.85
Foreign Fixed Income	7.16
Foreign Cash	0.50
Total	**100.00**

Fees (Incl. VAT)

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	0.97
Total Investment Charges	2.04
TER Measurement Period	01 April 2019 - 31 March 2022

Top Ten Holdings as at 30/06/2022

Holding	(%)
British American Tobacco plc	6.70
Naspers Limited	6.30
R2035 Govt Bond: R2035 8.875% 280235	6.20
Absa Group Limited	5.80
Sasol Limited	4.60
Absa USD T2 Bond: ABGSJ 6.375% 270526	4.00
Shell PLC US	3.30
BP - US	3.20
Glencore plc	3.00
Investec plc	2.60

Administered by

Sanlam

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Truffle

Asset Management

Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022	2.25	0.89	-1.94	2.42	2.54	-5.46	2.30						2.76
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	

Distribution History (Cents Per Unit)

30/06/2022	4.22 cpu	30/06/2020	3.71 cpu	30/06/2018	3.03 cpu
31/12/2021	3.27 cpu	31/12/2019	4.21 cpu	31/12/2017	0.71 cpu
30/06/2021	3.52 cpu	30/06/2019	3.90 cpu	10/11/2017	2.24 cpu
31/12/2020	1.55 cpu	31/12/2018	3.88 cpu	30/06/2017	2.59 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

Investment Manager Information
Truffle Asset Management (Pty) Ltd
(FSP) License No. 36584
Physical Address: 0B Hyde Ln, Hyde Park, Sandton, 2196
Postal Address: 0B Hyde Ln, Hyde Park, Sandton, 2196
Tel: +27 (11) 325 0030
Email: info@truffle.co.za
Website: www.truffle.co.za

Manager Information
Sanlam Collective Investments (RF) (Pty) Ltd
Physical Address: 2 Strand Road, Bellville, 7530
Postal Address: P.O. Box 30, Sanlamhof, Bellville, 7532
Tel: +27 (21) 916 1800
Email: service@sanlaminvestments.com
Website: www.sanlamunittrusts.com

Trustee Information
Standard Bank of South Africa Ltd
Tel: +27 (21) 441 4100
Email: compliance-sanlam@standardbank.co.za

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As of 31/07/2022

Truffle
Asset Management

Portfolio Manager Comment

As at 30 June 2022

Economic Overview

Global Market Outlook.

There seems to be a consensus that Europe, and the UK, will be in a recession for the rest of the year, given their energy crisis. The US economy will continue to slow in the second half of 2022, and the probability of entering a recession in 2023 is rising, even though US consumers and corporate balance sheets are in good shape and the labour market remains strong. The Chinese economy remains under significant strain due to Covid-induced lockdowns. However, based on recent survey data, stimulus measures seem to be helping and we have seen improving PMI numbers. Unlike other countries, China is not struggling with high inflation and has substantial scope to cut interest rates and provide fiscal support to its economy. China is the only major economy moving into a stimulus phase while the rest of the world tightens its policy to deal with rising inflation expectations.

Earnings expectations for Europe and the US continue to soar, excluding the energy sector, which appears at odds with the numerous headwinds these markets face. Above trend, durable goods orders, industrial production, company inventory levels and high wage growth are some of the headwinds for the S&P 500 earnings. Additionally, over a quarter of these companies derive their earnings from economies outside the US that are in a worse economic state, and they earn profits in currencies that have depreciated against the US dollar. In the case of Europe, high energy costs and a looming recession do not seem to be reflected in continual earnings upgrades. Valuations are more reasonable in Europe relative to history, but this could be justified by the risk of more significant earnings downgrades. Although valuations look reasonable, with the US forward-PE trading in line with its long-run levels of 15-16X, expected profit margins remain at record highs. The valuation underpinned by easy monetary policy and quantitative easing has faded as central banks have committed to stamping out inflation. Consequently, the loftier valuations we've seen post-Covid are not justified. Essentially, bonds are cheaper and offer compelling returns so, competing asset classes like equities will have to offer even more compelling returns to attract investors. The risk is that the market has not yet adequately discounted the negative earnings revisions expected during the next quarter.

The Chinese market has been recovering and has outperformed the global market in the last two months - in line with an improvement in their economic outlook due to continued stimulus efforts and, at least for the time being, an absence of anti-market friendly rhetoric from the government. Improvements in statistics like electricity consumption should help drive the Chinese market higher, while the long-term outlook, which is highly dependent on regulatory policy, remains uncertain.

Commodities are under pressure as the global economy slows.

Most commodities, barring energy, have come under considerable pressure over the last month. Persistent lockdowns and a struggling property market explain China's inability to revive its economy; however, with the expectation of an improvement in the Chinese economy, the fortunes of commodities might see a reversal in the latter part of 2022. The economic slump in the rest of the world has also weighed on commodity demand and prices. A meaningful portion of copper is used in consumer goods, and given over-stocking and excess levels of consumer goods demand, a falloff in demand is to be expected. The long-term outlook for base metals, such as copper, remains positive given their use in the pivot to green energy, which has become more urgent post the war in Ukraine. A lack of copper supply growth two years down the line should buoy prices in the medium term.

Energy prices are expected to remain elevated.

European gas prices have once again surged post a severe reduction in volumes via Nord Stream 1, which have decreased by 60% of Q1 levels. Substantially higher imports of liquefied natural gas (LNG) are covering these shortages, supported by the low demand for LNG from China, given their current slow-down. When Chinese economic growth picks up, additional LNG demand will place further pressure on gas prices. Additional LNG capacity is only expected to come online in 2025 and 2026. Should the reduced flowthrough in Nord stream 1 continue, Morgan Stanley anticipates severe volume demand destruction of 7% and 5% over the next 1 and 2 years to balance markets. This would require extremely high pricing given the inelasticity and stability of gas demand.

The surge in gas prices is keeping coal prices elevated. Coal has benefited from under-investment due to its "non-green" status; however, due to extreme gas shortages, some European countries are now reverting back to coal, at least for the short to medium term. These factors, coupled with Russian sanctions should keep coal prices elevated for the next few years.

Oil supply should remain tight due to underinvestment from the oil majors and several OPEC countries falling short of their production quotas. Moreover, an eventual recovery in China should offset the negative demand impact of a European recession. In addition to the underinvestment in the upstream production of crude, there has also been a lack of investment into refining capacity, evidenced by high refining margins. This further benefits oil companies like Sasol that generate turnover from the price of refined fuel as opposed to merely the price of crude oil.

Valuations in the energy sector remain compelling, with companies returning cash to shareholders via share buybacks and dividends. Although energy prices are elevated based on long-term fundamentals, if they remain at this level for one to two years, this should be sufficient to extract a reasonable return from certain shares. Glencore currently derives over 60% of its profit from coal and trades on a free cash flow yield of over 34%, while Thungela currently trades on a 1X earnings multiple at spot prices. Within the mining and resource space, we have been, and remain primarily exposed to the energy sector.

The global slow-down coupled with country-specific concerns are weighing on the South African financial and currency markets.

Higher global interest rates and a reversal of the commodity cycle are both negative for South African markets. Lower commodity prices worsen our trade account and increases the budget deficit as less tax is collected from mining and resource companies. Usually, higher global interest rates result in money flowing out of emerging markets like South Africa and back into developed markets. Additionally, the recent increase in frequency and extent of load shedding will weigh on industrial production and consumer sentiment. The outlook for SA has worsened since the first quarter. However, our view on finding domestic opportunities remains the same. We favour companies with a self-help narrative and companies which are pricing in a depressed economic outlook. After last quarter's underperformance, we are finding opportunities in the latter camp with over half our universe of shares trading below a 9X PE and dividend yield of above 6%. We are also seeing increased corporate activity in the local equity market which is further evidence of cheap domestic valuations as private equity and trade buyers take listed companies private.

Naspers/Prosus management finally gained traction in reducing the massive discount on which their companies trade relative to their underlying holdings. An announcement of sales of Tencent to be used for share buybacks resulted in their prices increasing by almost 50%. A full unbundling, which should see a closure of the discount, remains elusive; however, it seems that management will not engage in further value-destructive corporate deals for the time being. The Funds benefited from our recent meaningful increase in holdings in Naspers given its overly large discount to its holding in Tencent and due to a less negative outlook towards Chinese equity markets.

South African fixed income markets have diminished in line with the weaker domestic equity and currency markets. Our double-digit fixed-rate yields and generous real yields are compelling compared to the rest of the world. The Multi Asset Funds maintain a moderate exposure to domestic medium-term duration bonds.

PORTFOLIO POSITIONING

Contributors and detractors

Buoyant energy prices benefited Thungela and Royal Dutch Shell. Being defensive, British American Tobacco benefited from the risk-off environment. Mediclinic advanced due to a takeover offer from Remgro. Naspers and Prosus benefited from the announcement to sell down a portion of their Tencent holdings and deploy the proceeds into share buybacks. Swedish Match rose significantly on a takeover offer from PMI. An improved outlook for the Chinese economy resulted in an uplift in our Chinese equity positions.

The underperformance of metal prices negatively impacted the miners other than those with a predominate energy exposure. Financials underperformed as domestic sectors were sold off in line with other emerging markets which underperformed in the risk-off environment. MTN underperformed due to a weakening of the Naira and a general sell-off in global fintech. Stellantis underperformed due to heightened global recession concerns.

Portfolio movements

We increased our exposure to Naspers due to the share trading at a large discount to its underlying investment in Tencent and due to being less negative on the outlook for the Chinese market. We increased our exposure to domestic financials and industrials which sold off to compelling valuation levels. We increased our offshore exposure to Chinese equities and the energy sector.

We reduced our exposure to some of the miners -Mediclinic, RMI, and Raubex. They performed strongly over the period. We reduced our Stellantis exposure due to increased recessionary concerns.

Portfolio Managers
Iain Power
B Comm (Hons)

Saul Miller
M Bus Sci, FFA

Nicole Agar
CA (SA)

Sophié-Marié van Garderen
MComm, CFA

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Sanlam