



Fund Information

MDD Issue Date	16/11/2023
Ticker	TRFCA
ISIN	ZAE000152039
Portfolio Manager	Iain Power, Saul Miller, Nicole Agar & Sophié-Marié van Garderen
ASISA Sector (South Africa)	(ASISA) South African MA Flexible
Risk Profile	Moderate Aggressive
Benchmark	CPI + 5%
Fund Size	R 9,793,941,483
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.sanlamunitrusts.co.za
Repurchase Period	2-3 business days
Base Currency	South African Rand

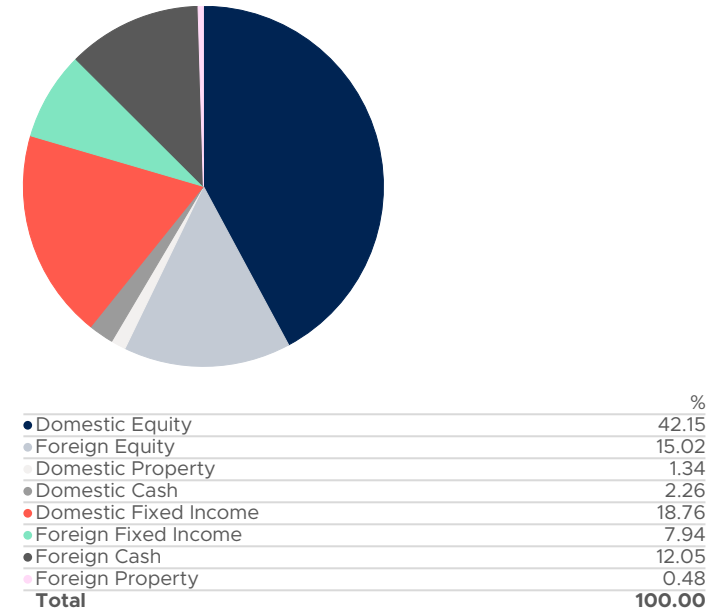
Fees (incl. VAT)

	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	0.79
Total Investment Charge	1.86
TER Measurement Period	01 July 2020 - 30 June 2023

Top 10 Holdings (30/09/2023)

R2035 Govt Bond: R2035 8.875% 280235	12.06
Absa Group Limited	5.20
Naspers Limited	3.98
Absa USD T1 Bond: ABGSJ 6.375% 270526	3.72
British American Tobacco plc	3.70
Investec Limited	2.86
Alibaba Group Holding Ltd	2.47
Heineken N.V.	2.26
BPLN	2.02
Anheuser-Busch Inbev SA/N.V.	1.94

Asset Allocation (31/10/2023)



Truffle SCI* Flexible Fund

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.

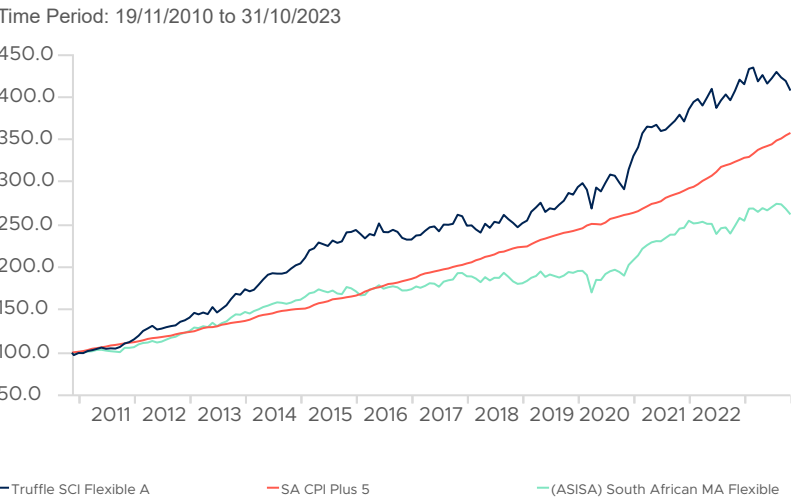
Investment Policy Summary

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



Annualised Performance (%)

	Fund	Benchmark
1 Year	0.05	10.45
3 Years	11.78	11.01
5 Years	10.06	9.98
10 Years	9.19	10.18
Since Inception	11.46	10.34

Risk Statistics (3 Year Rolling)

Standard Deviation	9.50
Sharpe Ratio	0.65
Max Drawdown	-6.21
Information Ratio	0.07

Highest & Lowest Annual Returns

Time Period: Since Inception to 31/12/2022	
Highest Annual %	23.50
Lowest Annual %	-4.61

Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023	4.32	0.38	-3.73	1.77	-2.34	1.49	1.77	-1.51	-0.98	-2.69			-1.79
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

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	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
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

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 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 that 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 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 just 2.2%. This tracks a similar theme across global equity markets with 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% while Industrials were down 6.2% over the quarter. SA Bonds (ALBI) lost 0.4% over the quarter, mostly driven by weakness in September. SA property declined 1.0%. The Rand weakened significantly over the year, down more than 10% vs the USD year-to-date with SA being one of the weakest performing Emerging Markets currencies in 2023 given idiosyncratic challenges.

The local banking sector remained relatively resilient over the quarter and the fund's holdings in ABSA and Investec added to performance. We retain a high exposure to ABSA, given the banking group's strong dividend yield and compelling valuation metrics.

A relatively high exposure to Sasol also added to performance as oil and energy prices gained value over the quarter. The fund also benefited from exposure to global oil stocks.

A holding in Naspers & Prosus has detracted over the quarter, as the shares lost value when Chinese data weakened. Tencent's outlook remains promising, however, given the tough macro-economic environment and uncertainty in respect of Chinese markets, we have purchased downside protection through derivatives which added to performance over the quarter.

Exposure to domestic medium-term duration bonds detracted from quarterly returns as SA bond markets lost value when US longer term yields tracked higher. Valuations do, however, remain compelling.

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. Offshore, we reduced our US equity positions and increased our defensive holdings.

Local valuations remain low, while signs of progress in reforming the economy and solutions to power capacity allow for some optimism. Unfortunately, this is tempered by significant uncertainty globally. US valuations are elevated and have been for some time, but the strength of the US consumer has continued to buoy the economy. The risk of slowdown in 2024 remains.

The fund continues to focus on selective offshore and SA Inc stocks with high free cash flow yields, attractive dividend yields, and which are trading at significant discounts to their intrinsic value. The fund also maintains a reasonable position in SA bonds. With sovereign spreads at reasonable levels and US rates, hopefully, close to peak levels, SA yields should not weaken from current levels.

Portfolio Managers

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