

Truffle SCI* General Equity Fund

Minimum Disclosure Document

As of 31/03/2020

Truffle

Asset Management

MDD Issue Date: 22/04/2020

Fund Objective

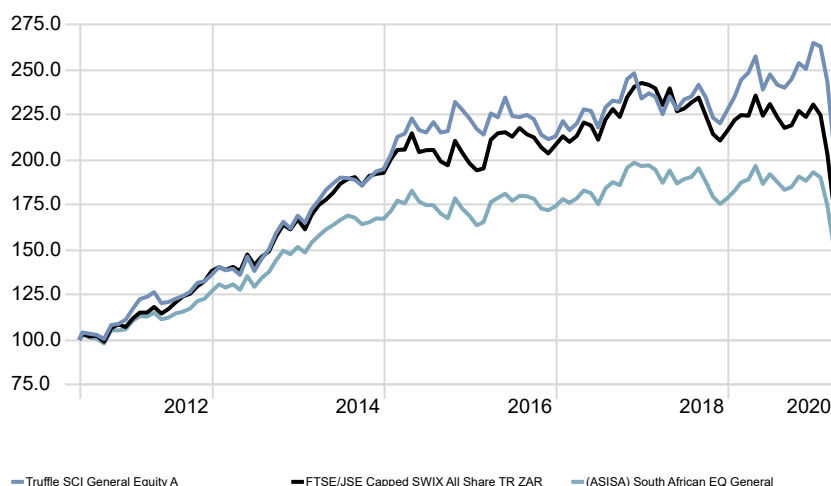
The primary objective of the portfolio is capital appreciation through investments primarily in equities across all sectors of the JSE Securities Exchange South Africa. The portfolio will invest a minimum of exposure to equities in line with the Asisa Standard on Fund Classification.

Fund Strategy

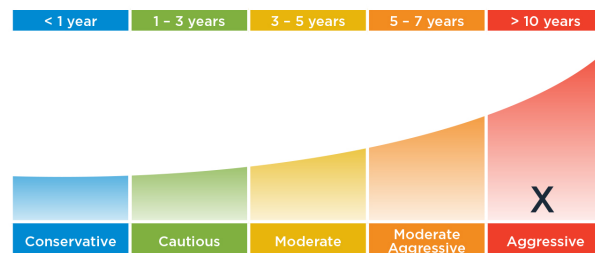
The manager may from time to time invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa. The portfolio will also be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time. 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 on behalf of the portfolio in offshore investments as legislation permits.

Investment Growth

Time Period: 17/06/2011 to 31/03/2020



Risk Profile



Fund Information

Ticker	TRGEA
Portfolio Manager	Iain Power, Saul Miller, Nicole Agar & Sophie-Marié van Garderen
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	FTSE/JSE Capped SWIX Index
Fund Size	R 431,509,605
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

Annualised Performance (%) Risk Statistics (3 Year Rolling)

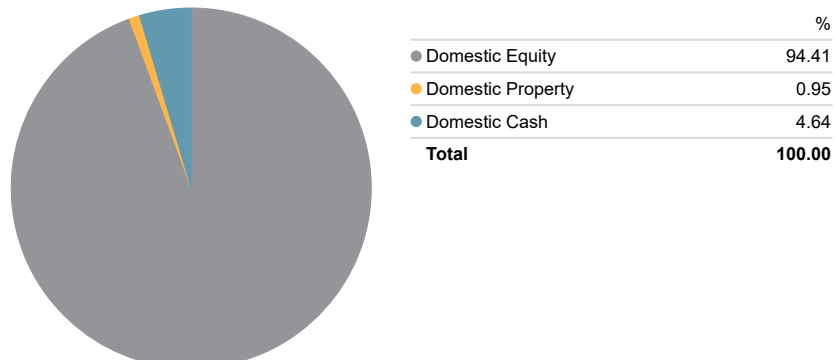
	Fund Benchmark		Standard Deviation	15.73
1 Year	-18.25	-25.08	Sharpe Ratio	-0.54
3 Years	-2.65	-4.81	Information Ratio	0.45
5 Years	-1.08	-1.82	Maximum Drawdown	-23.33
Since Inception	7.60	6.05		

Cumulative Performance (%) Highest and Lowest Annual Returns

	Fund Benchmark		Time Period: Since Inception to 31/12/2019	
1 Year	-18.25	-25.08	Highest Annual %	24.04
3 Years	-7.73	-13.76	Lowest Annual %	-4.47
5 Years	-5.31	-8.78		
Since Inception	98.64	73.35		

Asset Allocation

Portfolio Date: 31/03/2020



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	1.24
Transaction Cost	0.62
Total Investment Charges	1.86
Performance Fee	—
TER Measurement Period	01 January 2017 - 31 December 2019

Top Ten Holdings as at 31/03/2020 (%)

Naspers Ltd	13.53
British American Tobacco Plc	11.12
Prosus (PRX)	10.15
Anglo American Plc	9.00
Firststrand Ltd	4.62
Sibanye Stillwater Ltd	4.13
Standard Bank Group Ltd	3.39
Anglogold Ashanti Ltd	3.39
Impala Platinum Holdings Ltd	3.08
Quilter Plc	2.71

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Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	-0.73	-7.41	-16.58										-23.33
2019	3.27	3.96	1.63	3.63	-7.17	3.54	-2.33	-0.67	1.95	3.68	-1.28	5.75	16.34
2018	1.24	-0.78	-4.14	4.34	-3.00	2.35	0.72	2.77	-2.88	-4.82	-1.39	3.37	-2.71
2017	3.97	-2.26	1.67	3.60	-0.42	-4.02	5.13	1.61	-0.31	5.46	1.31	-5.64	9.85
2016	-2.65	-1.43	5.50	-0.92	4.87	-4.37	-0.29	0.56	-1.07	-3.88	-1.14	0.75	-4.47
2015	4.14	4.91	0.79	3.98	-2.91	-0.61	2.66	-2.61	0.36	7.48	-1.84	-2.12	14.49

Distribution History (Cents Per Unit)

31/12/2019	3.64 cpu	31/12/2017	0.28 cpu	30/06/2016	1.14 cpu
30/06/2019	2.75 cpu	10/11/2017	1.73 cpu	31/12/2015	0.35 cpu
31/12/2018	2.61 cpu	30/06/2017	0.94 cpu		
30/06/2018	1.74 cpu	31/12/2016	1.85 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.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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Portfolio Manager Comment

As at 31 March 2020

Market overview

The Impact of COVID-19 on the economy

COVID-19 has introduced an unprecedented demand and supply shock to the global economy. We expect the extent and impact on global growth and corporate profitability to be severe. A global recession now looks like a certainty at this stage. The economic impact is exacerbated by corporate leverage which introduces a potential liquidity and credit crisis. Leverage is high in certain sectors of the global economy but particularly in corporate America. The timing of the decision by Russia and the Kingdom of Saudi Arabia to enter into a price war could not have come at a worse time as oil demand plunges on the back of the simultaneous global quarantine lockdowns. Many energy companies are now in financial distress, introducing added contagion to credit markets. The duration of the shock will depend on the length of the quarantine lockdown period and the speed at which infection rates stabilise. Commitments from central banks and governments offering monetary and fiscal stimulus are ongoing and will ameliorate some of the damage. The ultimate impact of the virus and the timing of a recovery remains uncertain.

In South Africa, the impact of the virus may be worse given the already precarious state of the economy and our limited financial resources to stimulate the economy. This is in contrast to many other countries which have much more manageable levels of sovereign debt and can hence engage in various forms of fiscal stimulus. As we expected, on the 27th of March Moody's downgraded our sovereign debt status to junk and there is already speculation of IMF bailouts circulating in the media.

Equity markets have sold off aggressively in anticipation of a recession

The impending recession, high levels of corporate debt and a US stock market that could have been considered expensive on most metrics prior to the 24% fall from its peak, means a sustained rally from here seems unlikely. The MSCI World equity index declined by 20.9% (in USD) over the quarter. Many South African focused businesses, which would be regarded as higher risk than their developed market peers underperformed more significantly, especially when measured in dollar terms. The JSE ALSI Index declined by 21.4% in rands and by 38.4% in dollars. SA Financials declined by 39.5% (in rands). In line with falling commodities, the basic materials sector underperformed with a return of -25.2% (in rands). Foreign exposed companies like Naspers and British American Tobacco helped mitigate the overall JSE decline by delivering positive returns. Chinese domestically focused businesses have been unsurprisingly more resilient than global stock indices given that China appears to have more effectively controlled the spread of the virus than many other countries. This coupled with increased time spent gaming explains the Naspers and Prosus share price resilience, with respective increases of 11.5% and 17.2% over the quarter.

Portfolio Positioning

We remain cautious on domestically focussed companies and prefer offshore earners

We expect the profits of our well-managed offshore exposed counters to eventually revert to pre COVID-19 levels. We have held very low exposure to domestically focussed companies given SA's low growth environment and lack of necessary structural reforms. COVID-19 and the global recession will increase the pressure on many of our domestically focussed companies, as well as the ability of the state to repair the fiscus. As a result, our conviction levels in many of our domestic company valuations have reduced. Hence, despite the falling prices of these shares, we maintain our underweight positions. Notwithstanding the above, valuations have improved, given the significant sell-offs in certain sectors and shares, despite the uncertain outlook. As a result, we increased our exposure to the hospital sector which should be better shielded from the economic fallout than many other domestic sectors which could be shut down, or suffer from depressed consumer demand when the quarantine period is over. We continue to hold more of our domestic exposure in banks rather than via the retail and domestic industrial sectors. We expect bank earnings to be more defensive; they are on balance well-managed businesses, and the sector offers high liquidity. Our concerns around higher credit losses and their exposure to property finance has increased, but this is somewhat discounted in their significantly lower prices.

Property remains unattractive

We continue to maintain a low exposure to the property sector. The outbreak of the COVID-19 virus will place significantly more pressure on property companies. Rents will be difficult to collect and valuation downgrades will result in dangerously higher loan to values for many property stocks. However, Growthpoint, which sold off aggressively, provided us with a cheap entry into one of the higher quality property companies. We will continue to be on the lookout for those counters with low gearing that have been substantially oversold.

The outlook for the mining sector will be challenging over the short term

We have been positive on the PGM sector since the 2nd half of 2018 due to our expectation of growing deficits in palladium and rhodium on the back of both a lack of investment in supply, and tighter auto emission standards driving growth in demand. We have steadily reduced the level of our overweight positions in the PGM sector, initially due to the position size becoming overly large from price outperformance and subsequently due to expected pressure on profitability arising from the impending recession. The risk of palladium and rhodium deficits turning to surpluses in an environment of much reduced motor car demand was a key consideration. Similarly, due to the expected demand contraction in bulk and base metals, we reduced our weighting in the diversified miners.

We increased our exposure to the gold sector. Gold should be supported by low interest rates and global growth in debt as a result of fiscal stimulus.

We remain overweight defensive offshore exposed business

The defensive earnings stream from tobacco and British American Tobacco's cheap valuation have resulted in our maintaining an overweight position. We have held a Naspers position due to its exposure to a resilient online Chinese consumer and investments in a suite of diversified businesses that are yet to monetise profit streams.

Given the high levels of volatility and more attractive valuations we are looking to increase our equity exposure. We shall look specifically for those higher quality, globally focussed stocks, with strong balance sheets which should be better able to survive the current crisis and recover much faster than many of the domestically focussed business which are likely to see much bigger earnings declines.

Performance commentary

Prosus outperformed given their dependence on the resilient Chinese online consumer market. Overweight positions in the defensive tobacco and gold sectors contributed to performance. We took advantage of the extreme market volatility and purchased Capitec in March after it was sold down aggressively by over circa 50% in 2 days. We managed to purchase a sizeable holding, which we then sold post a circa 40% recovery in its share price. Sasol positively impacted performance. Prior to its collapse in February we took the decision to sell down our position in Sasol given concerns regarding their level of over indebtedness. This decision added significant value as Sasol shares proceeded to collapse by 82% post the announced price war between Russia and the Saudis. Our underweight in MTN contributed to performance as it underperformed due to its exposure to the oil dependent Nigerian market. Financials sold off aggressively. Our underweights in Sanlam and Nedbank benefited but our overweight in Barclays Africa Group detracted from performance.

The falling PGM basket price negatively impacted PGM miners which detracted from performance from a year to date perspective. Despite this, we maintain an overweight position albeit at a reduced weighting due to their attractive free cash flow yields and strong balance sheets. Defensive shares which we felt were overly expensive and hence, underweight including Shoprite, Vodacom and Clicks detracted from performance.

Portfolio Managers

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MComm, CFA