Truffle SCI* General Equity Fund

Minimum Disclosure Document

As of 31/07/2020

Truffle Asset Management

MDD Issue Date: 21/08/2020

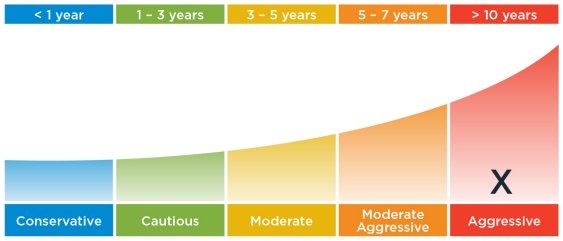
Fund Objective

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

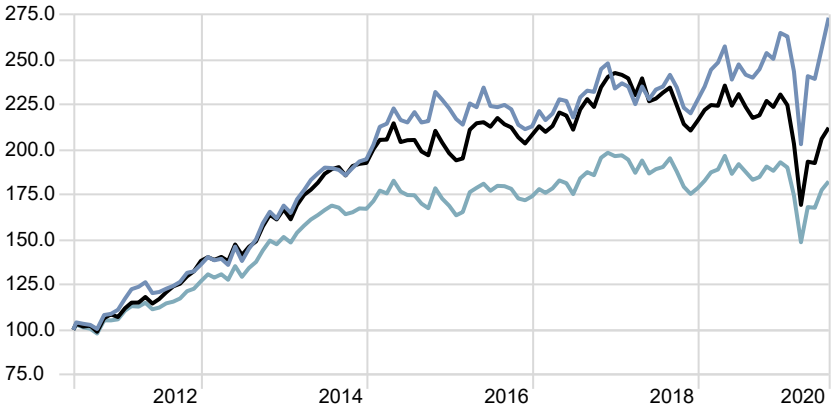
The manager may from time to time invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa. The portfolio will also be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time.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

Risk Profile



Investment Growth

Time Period: 17/06/2011 to 31/07/2020



Truffle SCI General Equity A — FTSE/JSE Capped SWIX All Share TR ZAR — (ASISA) South African EQ General

Fund Information

Ticker	TRGEA
Portfolio Manager	Iain Power, Saul Miller, Nicole Agar & Sophié-Marié van Garderen
ASISA Fund Classification	South African - Equity - General
Risk Profile	Aggressive
Benchmark	FTSE/JSE Capped SWIX Index
Fund Size	R 557,469,405
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
Repurchase Period	2-3 business days

Annualised Performance (%)

	Fund	Benchmark
1 Year	13.11	-5.13
3 Years	6.05	0.45
5 Years	4.35	2.64
Since Inception	10.67	8.32

Risk Statistics (3 Year Rolling)

Standard Deviation	19.35
Sharpe Ratio	0.04
Information Ratio	0.97
Maximum Drawdown	-23.33

Cumulative Performance (%)

	Fund	Benchmark
1 Year	13.11	-5.13
3 Years	19.29	1.36
5 Years	23.73	13.94
Since Inception	167.37	117.21

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2019

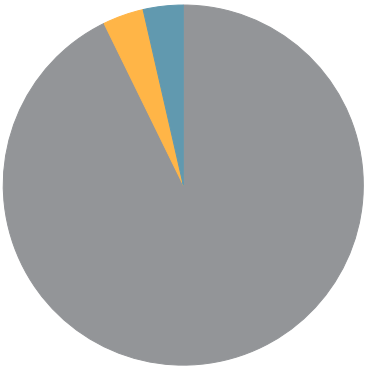
Highest Annual %	24.04
Lowest Annual %	-4.47

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	1.21
Transaction Cost	0.65
Total Investment Charges	1.86
TER Measurement Period	01 April 2017 - 31 March 2020

Asset Allocation

Portfolio Date: 31/07/2020



	%
Domestic Equity	92.75
Domestic Property	3.67
Domestic Cash	3.58
Total	**100.00**

Top Ten Holdings as at 30/06/2020

	(%)
Naspers Ltd	11.73
Prosus (PRX)	10.66
Anglo American Plc	8.21
Impala Platinum Holdings Ltd	6.57
Firstrand Ltd	4.70
Sibanye Stillwater Ltd	4.10
Anglogold Ashanti Ltd	4.02
Standard Bank Group Ltd	3.54
British American Tobacco Plc	3.46
Netcare Ltd	3.19

Administered by

Sanlam

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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	18.61	-0.63	6.92	6.81						3.20
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)

30/06/2020	2.02 cpu	30/06/2018	1.74 cpu	31/12/2016	1.85 cpu
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		

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.

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Sanlam

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As of 31/07/2020

Truffle Asset Management

Portfolio Manager Comment

As at 31 June 2020

Market overview

Global markets are pricing in a V-shaped recovery

Despite a continued rise in US infections and the uncertain impact of global economies reopening, markets have continued to rise. The MSCI World Index advanced by 2.7% in US dollars in June, following positive returns in both April and May. The S&P 500 is now only 9% away from its all-time high reached at the beginning of the year.

Various factors have contributed to this recovery. Unprecedented levels of fiscal stimulus and aggressive monetary policy have been key drivers. On balance, economic indices seem to be exceeding expectations. The US ISM index has now risen above 50, a level indicating economic expansion. It would seem that markets are either discounting a V-shaped recovery or at least looking through to a period post-Covid where economic fundamentals are expected to normalise back to trend growth.

The risks remain that as economies reopen, a second wave of infections may result in further lockdowns, or a consumer retreat if infections spike aggressively. With markets approaching previous highs, and the reality that the stimulus will presumably need to be repaid at least in part from higher tax rates, the US market is not cheap. However, as real bond yields have fallen as a result of aggressive monetary policy and low inflation rates, higher market multiples can now be justified than was previously the case. At some stage, we would expect these yields to rise which will be a headwind for equity markets. We anticipate that markets may well rally further if a vaccine is found. This would most likely benefit emerging markets that have been harder hit by the pandemic and have not performed as well as developed markets.

SA financial markets also recovered over the quarter

Domestic equities enjoyed a strong quarter with the ALSI advancing by 23.2%, wiping out most of the year's prior losses and leaving the ALSI down a mere 3.2% year to date. The advance was led by resource stocks (up 41.3%) followed by Industrials (up 16.6%) with financials lagging with a still respectable return of 12.4%. This divergence of returns is not unexpected given the buoyancy of resource prices and the underperformance of the domestic economy. Resource shares are in positive territory year to date with a return of 5.7% and most offshore exposed industrials are also in positive territory, with Tobacco up 14.4% and the Technology sector advancing 39.3%. Domestically focused sectors like financials and retailers are still down by 31.7% and 36.2% respectively year to date. The property sector, which returned 20.4% over the quarter, is still down a meaningful 37.6% year to date. The All Bond Index was up 9.9% over the quarter and up 0.4% since the beginning of the year.

Rising debt and a lack of growth will continue to weigh on the outlook for South Africa

The trajectory of the Covid pandemic in South Africa suggests that the country will be in some form of lock-down for some time to come. This, unfortunately, means that a return to normal economic conditions is not expected this year. This is exacerbated by the fact that SA was in a state of economic crisis before the pandemic. The additional debt incurred from the required stimulus package, coupled with a severe decline in economic activity which places further pressure on government revenue, has worsened the outlook for an already precarious debt to GDP trajectory. South Africa, currently one of the most indebted countries in the Emerging Market universe, could have a Debt to GDP over 100% by 2025 unless significant cuts are made to government expenditure and economic growth initiatives are undertaken. We hope that the necessary government spending cuts proposed in the Budget are implemented in the next year, but this is far from certain. We would also hope to see an uptick in fixed investment, which often seems to be held back by bureaucracy and not only by limited access to financial resources. Value-adding infrastructure projects would help drive economic growth and reduce record unemployment levels.

Domestically exposed sectors such as financials, discretionary retail and property are trading on low valuation multiples assuming a return to earnings to approximating pre-Covid levels. This may well be a generous assumption. Many of these companies were already on downward earnings trajectories before the onset of the pandemic. Their sustainable earnings will now in all likelihood be lower and wider confidence bands will be required for valuation purposes. Although we remain underexposed to these domestic sectors, given the significant underperformance of some counters we have started to purchase select securities where the companies have sufficiently strong balance sheets and their valuations are adequately pricing in the expected tough environment.

A continued recovery offshore will help resource shares listed on the JSE. An on-going recovery in auto demand should help restore deficits in rhodium and palladium, which would be positive for the platinum group metals miners. Chinese stimulus should continue to drive bulk and base metal demand which would help the earnings of diversified miners. An extended delay in the resumption of global travel may well weigh on Richemont's medium-term prospects, and valuations in the luxury sector remain stretched. Tencent's resilient earnings growth continues to underpin Prosus and a potential increase in Prosus's weight in European stock market indices should provide further support.

Concluding remarks

Risks to global markets remain elevated. We have mentioned the higher taxes to reduce record debt levels and uncertainty regarding the ultimate impact of the Covid pandemic, but geopolitical tensions between the major powers and within countries are also ever-present. Markets are being buoyed by current record low real bond yields but this could turn into a headwind if inflationary pressure returns and higher rates are required. These risks, coupled with a fragile domestic economy, inform our moderate exposure to risk assets in the portfolio. However, despite these risks, there are still sectors which have reasonable economic prospects and shares that offer value. As a result, we expect our portfolio to generate inflation-beating returns going forward.

Performance commentary

Portfolio Positioning

The significant fall in many shares prices over the first quarter of 2020 provided us with cheap entry points into a number of well-capitalised companies whose earnings should revert to their pre-Covid levels. These include NEPI Rockcastle, Netcare, Woolworths, Astral and the PGM miners. We have increased our position in Netcare as it trades on a low valuation and earnings should recover once hospital capacity is freed up and elective procedure volumes can return to normal levels. NEPI Rockcastle is well capitalised and is not under the same amount of pressure being experienced by domestic retail REITs. We reduced the extent of our underweight position in MTN and Sanlam which were both trading closer to fair value. We switched Goldfields into Harmony given its cheaper valuation.

We reduced our exposure to British American Tobacco to fund many of the above purchases. Life Healthcare was switched into Netcare due to the valuation differential.

Contributors and detractors

Our overweight in Sasol contributed meaningfully to performance as the oil price recovered from extremely depressed levels, and the extent of a required rights issue was reduced. Our net overweight in the PGM and gold miners was a net contributor to performance. Our underweight exposure to non-discretionary retailers added to performance.

Our overweight exposure to Netcare was a key detractor to performance, but remains underpinned by valuation. Our underweight positions in both Aspen and Bidcorp also detracted from performance but we remain underweight as we feel both counters are trading above fair value.

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