Truffle SCI* General Equity Fund

Minimum Disclosure Document

As of 30/09/2021

Truffle
Asset Management

MDD Issue Date: 21/10/2021

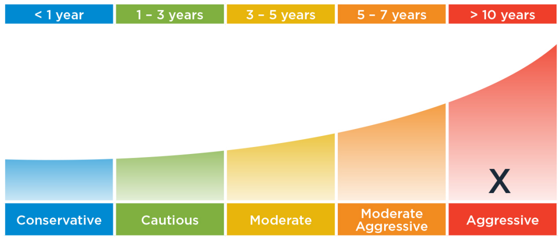
Fund Objective

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

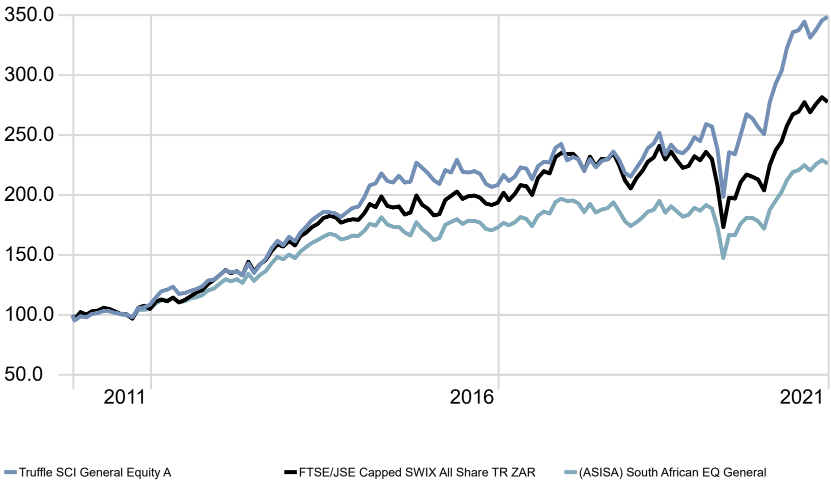
The manager may from time to time invest in participatory interests in portfolios of collective investment schemes registered in the Republic of South Africa. The portfolio will also be allowed to invest in listed and unlisted financial instruments (derivatives) as allowed by the Act from time to time. 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: 19/11/2010 to 30/09/2021



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 892,323,052
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	35.80	30.34
3 Years	14.93	7.21
5 Years	9.87	7.01
10 Years	13.49	11.07
Since Inception	12.17	9.85

Risk Statistics (3 Year Rolling)

Standard Deviation	19.99
Sharpe Ratio	0.51
Information Ratio	1.47
Maximum Drawdown	-23.33

Cumulative Performance (%)

	Fund	Benchmark
1 Year	35.80	30.34
3 Years	51.81	23.23
5 Years	60.10	40.33
10 Years	254.40	185.87
Since Inception	248.45	177.64

Highest and Lowest Annual Returns

Time Period: Since Inception to 31/12/2020

Highest Annual %	24.04
Lowest Annual %	-4.47

Fees (Incl. VAT)

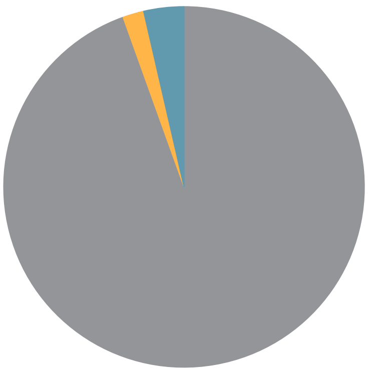
Fees (Incl. VAT)	A-Class (%)
Maximum Initial Advice Fee	3.45
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.03
Total Expense Ratio	1.08
Transaction Cost	0.73
Total Investment Charges	1.81
TER Measurement Period	01 July 2018 - 30 June 2021

Top Ten Holdings as at 30/09/2021

Top Ten Holdings as at 30/09/2021	(%)
Prosus (PRX)	9.11
Standard Bank Group Ltd	6.01
Sasol Ltd	5.60
British American Tobacco Plc	5.13
Glencore Plc	4.91
Absa Group Ltd	4.88
Bid Corporation Ltd	4.36
MTN Group Ltd	4.34
Impala Platinum Holdings Ltd	4.00
Momentum Met Hldgs Ltd	2.83

Asset Allocation

Portfolio Date: 30/09/2021



	%
Domestic Equity	94.51
Domestic Property	1.89
Domestic Cash	3.60
Total	**100.00**

Administered by

Sanlam

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Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	3.61	6.26	4.09	0.48	2.11	-3.84	1.97	2.31	0.85				18.95
2020	-0.73	-7.41	-16.58	18.61	-0.63	6.92	6.81	-1.32	-2.75	-2.26	10.63	5.57	13.07
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
2014	-2.37	4.56	2.95	3.17	1.97	1.75	-0.15	-0.52	-1.58	2.19	1.89	0.64	15.23
2013	3.08	-1.30	0.60	-2.44	7.50	-5.49	4.96	3.55	5.95	4.00	-2.24	4.42	24.04
2012	5.57	4.49	1.08	2.05	-4.79	0.51	1.51	1.27	1.80	3.97	0.62	2.82	22.58
2011	-0.96	2.84	0.86	1.53	-0.10	-1.36	-0.75	-0.60	-2.20	7.73	0.57	2.07	9.68
2010												3.71	

Distribution History (Cents Per Unit)

30/06/2021	3.42 cpu	30/06/2019	2.75 cpu	10/11/2017	1.73 cpu
31/12/2020	0.79 cpu	31/12/2018	2.61 cpu	30/06/2017	0.94 cpu
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

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

Investment Manager Information
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Truffle Asset Management

Portfolio Manager Comment

As at 30 September 2021

Economic Overview

Global growth remains buoyant

The roll-out of vaccines and the opening up of economies, coupled with continued fiscal stimulus should maintain economic growth going into 2022. The Bloomberg survey of economists reflects an expected increase of 4% for the G7 economies, well above the growth of the last 10 years of between 2.5% and 3.3%. Monetary policy will also likely remain stimulatory but less so than the last 2 years as the tapering of bond purchases commences. Globally, earnings expectations appear to have plateaued indicating that much of the expected recovery is being priced into markets. Expectations appear to have been overly optimistic as indicated by the Citi Economic Surprise Index which turned negative in August. Much of this is likely due to pandemic-induced supply constraints across many industries which should eventually be sorted out. Key events over the last quarter included significant regulatory changes and economic shocks in China, skyrocketing energy prices, and what appears to be a resumption of the bond bear market. We will discuss each of these factors below.

China in the midst of economic policy shifts

The onslaught of recent macroeconomic and regulatory policy changes in China would indicate that economic growth is no longer the only priority. Other objectives, such as decarbonisation, financial stability, stable housing prices, affordable education, the anti-monopoly drive, and a greater focus on controlling privacy and content, are now very much front of stage. These initiatives can probably all be loosely framed in China's medium-term goal to grow the middle-income class and achieve greater Common Prosperity for all.

Against this structural backdrop, China is also experiencing a housing slowdown and an energy crisis. Economic growth has been tightly bound to booming property prices in China, with prices soaring over the last decade. This has been accompanied by the growing indebtedness of property development companies. Regulators have recently tightened access to credit, which has seen several property developers falter. The largest of these is Evergrande, who has started to miss bond payments. Whilst the market is comfortable that this won't evolve into the "Lehman's" moment of China, households in China are highly exposed to property values, with housing representing greater than 50% of their total asset values. The knock-on effects on consumer sentiment and spending need to be closely monitored going forward. Whilst we continue to see China as a long-term growth story, risks of earnings downgrades in certain sectors remain an unquantifiable concern for which investors may well demand a higher risk premium.

Energy prices skyrocket

Natural gas prices surged to record highs in the wake of China and Europe's scramble to cover power shortages. Dutch TTF hub, a European gas price benchmark, is up almost 400% and US gas prices have doubled since the beginning of the year. The market tightness stems from a combination of demand and supply side factors which are related to weather and the move away from high carbon emission energy sources. Some of these factors are once-off; others may be more structural in nature. Gas storage levels in Europe reached historical lows at the start of the heating season on the back of a long, cold spring which extended the heating season earlier in the year. Unexpected low output from renewables including lower wind power in Europe and the UK as well as droughts in China and Brazil resulted in lower hydroelectric power generation. LNG Supply was hampered in several countries including Nigeria, Norway, and Qatar due to maintenance and outages. The energy transition policy in China led to depleted inventories as they embarked on switching from coal to gas. The increase in gas prices has also led to an increase in coal prices which were further supported by coal supply chain constraints. Reduced capital expenditure in coal may well result in elevated prices over the medium term as renewables still need to be scaled up significantly. Natural gas prices in Europe should reduce as Gazprom's Nord Stream 2 pipeline comes online in the next few months. Higher US rig counts should help reduce US gas prices. Oil prices have also crept up, benefiting from the opening up of economies and at the margin, from substitution away from gas. A cold northern hemisphere winter will keep energy prices elevated into 2022. Many energy-related shares including the global oil majors and miners exposed to coal do not appear to be pricing in these higher energy prices and consequently, this presents an investment opportunity.

Inflationary pressures drive bond yields higher

Although the opening up of economies is partly responsible for higher rates, persistent inflationary concerns are probably the key driver of higher bond yields. Soaring energy costs and supply chain disruptions have unnerved markets. Although these may ultimately prove to be transitory, they may keep inflation levels elevated for another year; this is the so-called "transitory for longer" inflation envisaged by the Fed. Wage inflation is far stickier than commodity price inflation and continues to creep up in various regions. Persistent US labour shortages continued into September, resulting in average hourly earnings rising by 4.6%. Long-term US inflation expectations as measured by bonds from years 5 to 10 remain anchored in the 2-2.4% range. Over the long term, we would expect inflation expectations to move higher due to the significant stimulus injected into the economy to date.

Compelling investment opportunities in the midst of potential market headwinds

Although the outlook for the global economy is positive, the performance of equity markets is less clear given that they are already pricing this positive outlook going forward. Future earnings expectations have plateaued and are at risk of being downgraded due to continued cost pressures associated with supply-chain constraints and higher wages. Rising interest rates discussed previously, are also a headwind. Although global markets in aggregate are expensive compared to their historic multiples, this is mostly due to the 'growth' component of the market which has benefited from record low long-term interest rates. The MSCI World Value Index forward PE of 13.9 is close to its 20 year median of 13.1 and many shares in this index should be far less impacted by rising rates. Some of the resource companies are offering compelling valuations on what we would consider to be sustainable commodity prices. Several domestic financials and industrials are trading on single-digit PE multiples and should be able to grow earnings even with a fairly muted economic outlook. Offshore, financials and energy-related sectors are cheap to fair relative to their historic valuations and should benefit from higher rates and energy prices. Notwithstanding the economic concerns being faced by markets, if investments are purchased at reasonable valuations, their medium-term returns should be reasonable. We think there are still sufficient investment opportunities to be had.

Portfolio Positioning

Attribution

Our underweight in Prosus and Naspers was a positive contributor to performance as Tencent underperformed due to regulatory pressures in China. Our positioning in Diversified miners contributed positively as Glencore outperformed Anglo America given is lack of iron ore exposure which came under significant selling pressure over the quarter. Our overweight in Sasol benefited from the rising oil price. Our overweight in financials contributed positively to performance. The Liberty take out by Standard Bank resulted in significant outperformance over the quarter. The underperformance of the PGM basket price due to motor semiconductor shortages, negatively impacted PGM miners which resulted in them detracting from returns. Underweight positions in Aspen and MTN detracted from performance. Aspen benefited from the potential for vaccine production.

Portfolio Movements

Index changes resulted in purchases and sales of Naspers and Prosus. We reduced our exposure to PGM miners on concerns regarding pricing pressure on PGMs due to motor semi conductor shortages. We reduced our exposure to financials and retailers which had performed well over the quarter. We reduced our exposure to Anglo American which had performed well and was at risk of coming under pressure due to risks associated with elevated iron ore prices. We increased our position in Anheuser-Busch Inbev and Mediclinic which have underperformed and were offering reasonable value. We purchased MTN after we adjusted our valuations upward. We purchased British American Tobacco given its compelling valuation.

Portfolio Managers

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Sophié-Marié van Garderen
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