Truffle Asset Management

Truffle SCI Income Plus Fund

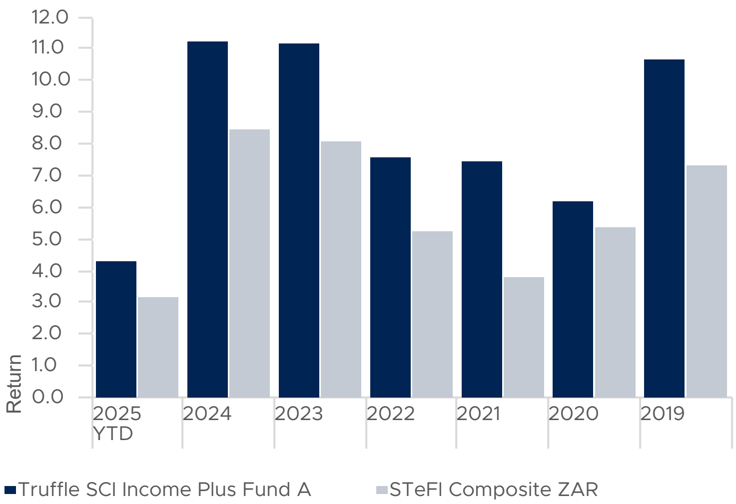
Fund Information

MDD Issue Date	13/06/2025
Ticker	TMICA
ISIN	ZAE000225108
Portfolio Manager	Hannes van der Westhuyzen & Raihan Allie
ASISA Fund Classification	South African - Interest Bearing - Short Term
Risk Profile	Conservative
Benchmark	STeFI Composite Index
Fund Size	R 1,560,177,388
Portfolio Launch Date	22/09/2016
Minimum Lump Sum Investment	R 10,000
Minimum Monthly Investment	R 500
Income Declaration Date	Monthly
Transaction Cut Off Time	15:00
Portfolio Valuation Time	15:00
Daily Price Information	Local media & www.sanlamunittrusts.co.za
Repurchase Period	2-3 business days
Base Currency	Rand

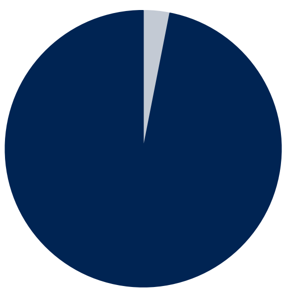
Fees (incl. VAT)

Fees (incl. VAT)	A-Class (%)
Maximum Initial Advice Fee	1.15
Maximum Annual Advice Fee	1.15
Manager Annual Fee	0.58
Total Expense Ratio	0.63
Transaction Cost	0.00
Total Investment Charge	0.63
TER Measurement Period	01 April 2022 - 31 March 2025

Returns



Asset Allocation (31/05/2025)



	%
Domestic Cash	3.09
Domestic Fixed Income	96.91
Total	**100.00**

Fund Objective

The Fund aims to achieve higher yields of income than money market portfolios, while aiming to preserve capital through actively investing in a range of predominantly South African fixed income securities.

Investment Policy Summary

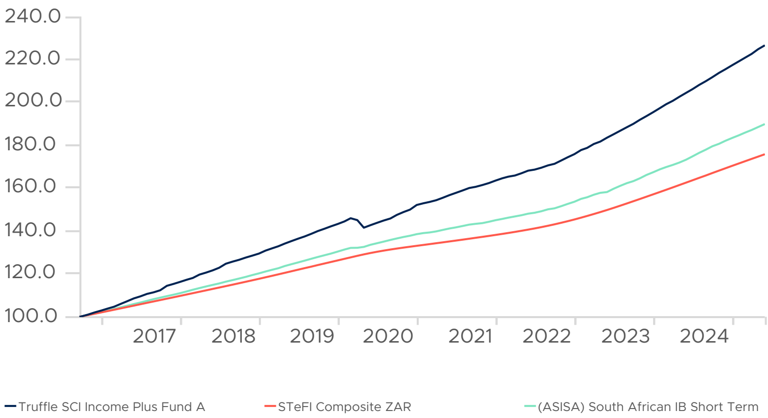
The fund is actively managed through varying market cycles to exploit income earning opportunities while managing the risk of capital loss. The fund invests in a range of fixed income securities including corporate and government bonds and money market instruments that pay regular interest. Other investments may include units of other South African funds and offshore investments as legislation permits. The fund will predominantly invest in short term fixed income securities, but may include a proportion of longer dated securities, within permissible parameters for a predominantly South African, short-term interest-bearing portfolio. The fund may also invest in derivative instruments for efficient portfolio management purposes.

Why Choose This Fund?

1. Invest in a broad range of meticulously selected fixed income securities.
2. Truly active portfolio management where opportunities are clearly identified and exploited.
3. A strong focus on downside risk management that aims to protect capital through all market cycles.

Investment Growth**

Time Period: 22/09/2016 to 31/05/2025



Annualised Performance (%)

	Fund	Benchmark
1 Year	10.85	8.14
3 Years	10.45	7.71
5 Years	9.68	6.26
Since Inception	9.87	6.71

Risk Statistics (3 Year Rolling)

Standard Deviation	0.58
Sharpe Ratio	5.95
Max Drawdown	—

Highest & Lowest Annual Return

Time Period: Since Inception to 31/12/2024

Highest Annual %	12.99
Lowest Annual %	6.19

Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2025	0.84	0.75	0.82	0.99	0.80								4.26
2024	0.98	0.91	0.81	0.92	0.90	0.85	0.96	0.85	0.88	0.95	0.80	0.86	11.21
2023	1.09	0.56	1.02	0.62	0.99	0.85	0.90	0.89	0.84	1.01	0.89	0.94	11.12
2022	0.65	0.46	0.33	0.63	0.72	0.29	0.52	0.64	0.43	0.90	0.87	0.83	7.54
2021	0.52	0.39	0.53	0.72	0.80	0.68	0.70	0.73	0.35	0.52	0.56	0.72	7.46

**The investment performance is for illustrative purposes only. The investment performance is calculated taking the actual initial fees and all ongoing fees into account for the amount shown and income is reinvested on the reinvestment date.

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Truffle
Asset Management

Risk/Reward Profile

Conservative

You prefer to receive stable income flows and are determined to keep your capital intact at all times. You understand that comfort means that you may not receive outsize returns but that your capital will be safe — and the likelihood of losing money is slim. The portfolio that gives you the most comfort consists primarily of income-oriented asset classes such as cash, nominal and inflation-linked bonds and property. You avoid too much exposure to equities because of their higher volatility.

Additional Information

Distribution History (Cents per Unit)

31/05/2025	0.82 cpu	31/01/2025	0.89 cpu	30/09/2024	0.91cpu
30/04/2025	0.84 cpu	31/12/2024	0.93cpu	31/08/2024	0.90cpu
31/03/2025	0.87 cpu	30/11/2024	0.85cpu	31/07/2024	1.00cpu
28/02/2025	0.79 cpu	31/10/2024	0.92cpu	30/06/2024	0.85cpu

Tax Free Savings Account

This Fund qualifies as a tax free investment according to section 12T of the Income Tax Act, with effect from 1 March 2015. South African individuals qualify for the associated tax benefits namely no tax on dividends, income or capital gains whilst still enjoying all the benefits of a unit trust. Note contributions to tax free investments are limited to R36 000 per tax year, with a lifetime limit of R500 000. Amounts invested in excess of these permissible thresholds are taxable.

Investment Manager Information

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Manager Information

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For a detailed glossary, please visit website:
www.sanlamunittrusts.com

Trustee Information

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Truffle Asset Management

Portfolio Manager Comment

As at 31 March 2025

Economic Overview

A tariff-induced global slowdown

Tariff announcements have elevated the risk of a US and global recession and increased uncertainty for businesses and policy makers. This has driven global markets lower. Locally, political challenges have raised fears that South Africa's necessary reform agenda will slow, further adding to the growth pressure from tariffs.

Tariffs: Many are larger than expected. What will eventually stick?

As we pen this note, the S&P500 is down almost 18% from its February high, while the Trump administration maintains a firm stance on their tariff proposals. Some smaller trading partners appear willing to negotiate given their dependence on US imports, while larger trading partners like China have responded with reciprocal tariffs. The key question is whether domestic pressure from a collapsing stock market will force the US's hand to be more reasonable.

Currently tariffs are expected to reach 25%, levels not seen for over a century. What was originally perceived as a negotiating tool from a transactional leader now seems to follow a more ideological approach. The economic implications, though difficult to quantify precisely will certainly be meaningfully negative. Tariffs effectively tax consumers through higher prices, negatively impacting consumption and consequently US GDP growth. They will also disrupt supply chains as approximately 80% of US imports are intermediate goods essential for current production. According to our survey of economists, the negative impact to US GDP ranges from 1-2%. Effects on other countries will vary based on their export dependency. Countries like Mexico, China and Vietnam will experience a far greater impact on GDP growth due to their reliance on US exports. The result of the tariffs is in essence a supply shock for the US and a demand shock for exporters to the US. The impact of higher tariffs in the US is likely to add 2% to inflation as companies and consumers adjust to the higher prices.

Capital expenditure and investment will suffer from the uncertainty regarding tariff arrangements, further weighing on global growth. Even if reasonable agreements are eventually reached with key territories, determining how much this uncertainty persists and its impact on future investment will remain challenging.

For South Africa the direct impact will be limited to our non-commodity exports to the US, (primarily motorcars and the agriculture sector) representing about 0.6% of our total GDP. However, secondary effects from slowing global growth will likely hurt tourism and commodity demand. Ultimately, our relationship with the US and our ability to maintain the GNU will be of greater importance for our economic outlook.

As of 8th April, most equity markets are trading in line with their long run valuations. The negative GDP impact will slowly filter through to negative earnings revisions which will raise valuations.

The positives aspects of this market correction include:

- It is easily reversible if politicians are prepared to "eat humble pie", although some long-term damage to confidence is likely.
- US consumers and businesses are in relatively healthy financial positions.
- The Fed and European Union has room to cut rates. The Fed is holding back currently due to inflationary concerns, which could be overshadowed by a growth slowdown.

In the long run voters will force politicians' hands. The timeframe for markets to price this in is difficult to determine. We will leverage these negative price movements to acquire securities at compelling valuations.

Europe finally has some tailwinds

While a continuation of the US trade war will undoubtedly have negative repercussions for Europe, several positive developments have emerged over the past month that could support growth. Multiple factors that have historically hampered European productivity growth appear to be reversing.

In a landmark decision, the German parliament passed historic constitutional reforms that enable the incoming Friedrich Merz government to significantly increase defence spending and launch an ambitious €500 billion funding package aimed at boosting Germany's infrastructure investment. This combined military and infrastructure initiative totals €1.0 trillion over the next 12 years and could potentially enhance German GDP by 1-2% annually.

Simultaneously, energy prices are declining, with an anticipated substantial increase in US LNG production likely to keep them subdued over the medium term. Consumer spending could also rebound from a low base, supported by relatively healthy personal balance sheets.

European leaders have acknowledged their over-regulated economy, and any moves to ease regulatory burdens would positively impact growth. EU Commission President Ursula von der Leyen is advocating for a reduction in EU ESG rules, a position echoed by EU President Donald Tusk. Additionally, ESG funds in Europe are considering including defence companies in their portfolios, which should provide a boost to European indices.

Encouragingly, European banks have finally achieved adequate capitalisation and are generating respectable returns after years of restructuring and balance sheet repair. These combined factors suggest that despite ongoing global trade tensions, Europe may be positioned for a period of improved economic performance, especially on a relative basis.

China embraces tech leaders - a positive for China tech shares

In a significant shift of policy direction, the Chinese government is now actively embracing its technology leaders, as evidenced by the re-emergence of Jack Ma from his period of isolation. This rapprochement between Beijing and its tech entrepreneurs signals a potentially more supportive regulatory environment for the sector. Simultaneously, the release of DeepSeek demonstrates China's ongoing capability to compete effectively in the high-tech arena, particularly in artificial intelligence.

On the macroeconomic front, China plans to increase its budget deficit this year, enhancing fiscal stimulus to support economic growth. However, uncertainty remains about whether these government measures will successfully encourage Chinese consumers to increase spending. To address this challenge, authorities are implementing a multibillion-dollar subsidy program specifically designed to stimulate consumption, with a particular focus on boosting purchases in service sectors including travel, tourism, and sports. This program could launch in the second half of this year if consumer spending continues to underperform expectations.

Despite these positive developments, tensions with the United States continue to pose a significant risk. Although China has been strategically reducing its export dependence on the American market, the volume of trade remains substantial enough that disruptions matter considerably. China has placed reciprocal tariffs of 34% on the US in retaliation to the US's 54% tariffs. This has significantly impacted Chinese equities, highlighting the ongoing vulnerability of the market to geopolitical tensions despite efforts to diversify trade relationships.

South African recovery looks tepid and likely to take longer

The South African economic recovery trajectory is facing significant headwinds, suggesting a longer and more gradual path to growth than previously anticipated. The tariff-induced global slowdown is affecting economies worldwide, and South Africa will not be immune to these pressures. Growth forecasts are being revised downward by approximately 40 basis points, primarily due to the impact of tariff hikes. Changes to growth estimates are clearly a moving target at this stage although it is fair to say they would be meaningful.

Consumer and business confidence had already been declining prior to the trade war escalation, largely due to the delayed Budget and increasing instability within the Government of National Unity (GNU). At the time of writing, GNU negotiations continue, with increasing indications that a resolution may be achievable. While this will require pragmatism and compromise from all parties, the GNU remains an essential foundation for South Africa's economic recovery—a reality that will hopefully guide stakeholders toward a constructive outcome.

Nevertheless, a significantly higher risk factor will now be attached to political stability going forward compared to the period before the Budget disagreements. SA-US bilateral relations have also further deteriorated, although SA-EU relations have strengthened, which could potentially counterbalance some of the negative effects of Trump's trade measures.

On the inflation front, while there is little demand-side pressure, a weaker currency may cause supply-side inflation. Fortunately, falling oil prices will help mitigate some of the inflation effects caused by the weaker Rand. Rate cuts are more likely to materialize provided inflation doesn't spike excessively.

Domestically exposed companies have experienced aggressive selling following suggestions of the Democratic Alliance potentially leaving the GNU, compounded by US tariff announcements. We have begun selectively buying into counters that offer compelling value in this environment.

Conclusion

The ultimate duration and level at which tariffs will settle remains unknown at this stage. The uncertainty and ill-will created will undoubtedly weigh on global investment and growth going forward. The risk of a recession has increased substantially. However, share prices are declining rapidly, suggesting that a recession may soon be adequately priced into markets.

Our portfolios have maintained defensive positioning to date, which should enable us to capitalise on opportunities to acquire quality companies at reasonable valuations as market conditions evolve.

Portfolio Commentary

Market overview

The global economic landscape in Q1 2025 shifted dramatically as initial optimism gave way to caution. Markets entered the year buoyed by AI advancements and anticipated pro-business policies from the new U.S. administration. However, this positive outlook deteriorated as Trump prioritised tariff measures over expected tax cuts and deregulation. The resulting policy uncertainty created significant market volatility, undermining business and consumer confidence. Market uncertainty triggered a flight to safety, with U.S. Treasury yields fluctuating throughout the quarter but ultimately settling at lower levels by quarter-end. The Federal Reserve maintained rates during both Q1 meetings, though their economic projections revealed concerns about lower growth, higher inflation, and rising unemployment. This deteriorating growth outlook was reflected in forward rate expectations, with markets pricing in deeper one-year interest rate cuts - from approximately 60bps at the beginning of the quarter to 90bps by quarter-end.

Against this uncertain global backdrop, South Africa's MPC initiated the quarter with a hawkish 25bps cut, lowering the repo rate to 7.5%, but held rates at this level at the subsequent meeting of the quarter. Despite well-contained inflation within the lower half of the target range, the Committee adopted a conservative stance in response to the highly uncertain global environment marked by escalating trade tensions and geopolitical realignments. The SARB's prudence reflects legitimate concerns about how U.S. trade policies will ripple through global markets, affecting South Africa's export sectors and capital flows. This measured approach underscores the challenge facing emerging market central banks in 2025: balancing domestic economic objectives against unpredictable external pressures.

Adding to the challenging environment, during the quarter South Africa continued to face domestic political headwinds as coalition dynamics within the Government of National Unity (GNU) showed severe signs of strain. The budget speech episode pushed the GNU to the brink of collapse, revealing deep fissures within the partnership. As of quarter-end, the fate of this coalition remains uncertain, with negotiations continuing and no clear resolution in sight. This political instability creates yet another variable in an already complex risk landscape, potentially hampering investment flows and weighing on South Africa's economic prospects. As we move into the next quarter, the outcome of these coalition tensions domestically and the progression of global trade conflicts will be key determinants of South Africa's economic trajectory.

Performance and positioning

The fund continued to outperform its benchmark in Q1 2025. This success stems from our continued emphasis on quality credit instruments, which delivered consistent performance despite market volatility. Our selective approach to credit has proven effective in delivering strong returns across varying market environments, demonstrating its fundamental resilience. With that in mind, we stand ready to introduce duration exposure when risk- return dynamics become favourable.