Minimum Disclosure Document

As of 31/10/2024

Truffle Asset Management

Truffle SCI* SA Flexible Fund

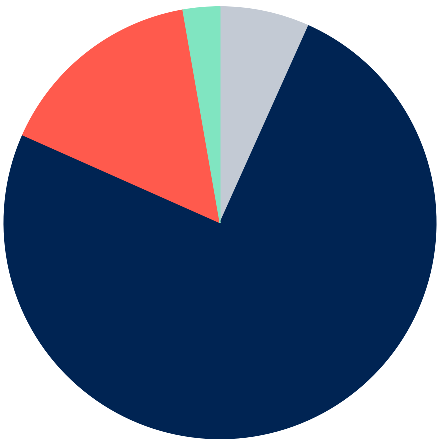
Fund Information

MDD Issue Date	15/11/2024
Ticker	TSCFFA
ISIN	ZAE000333720
Portfolio Manager	Iain Power, Saul Miller, Nicole Agar & Sophié-Marié van Garderen
ASISA Fund Classification	South African - Multi Asset - Flexible
Risk Profile	Moderate Aggressive
Benchmark	CPI +5%
Fund Size	R 51,104,826
Portfolio Launch Date	12/04/2024
Fee Class Launch Date	12/04/2024
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.sanlamunittrusts.co.za
Repurchase Period	2-3 business days
Base Currency	South African Rand

Fees (incl. VAT)	A-Class (%)
Maximum Initial Advice Fee	—
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.04
Total Expense Ratio	2.03
Transaction Cost	0.19
Total Investment Charge	2.22
TER Measurement Period	12 April 2024 - 30 June 2024

Top 10 Holdings (30/09/2024)	%
R2035 Government bond	6.60
Prosus (PRX)	6.47
Naspers Ltd	6.46
Standard Bank Group Ltd	5.48
Pepkor Holdings Ltd	3.83
Anheuser-Busch Inbev SA	3.77
R2032 Government bond	3.47
Absa Group Ltd	2.91
Glencore Plc	2.86
Anglo American Plc	2.83

Asset Allocation (31/10/2024)



	%
Domestic Cash	6.72
Domestic Equity	74.94
Domestic Fixed Income	15.59
Domestic Property	2.75
Total	**100.00**

Fund Objective

An unconstrained South African multi-asset fund that aims to deliver strong inflation beating returns over the long term through investing in a diverse range of South African assets.

Investment Policy Summary

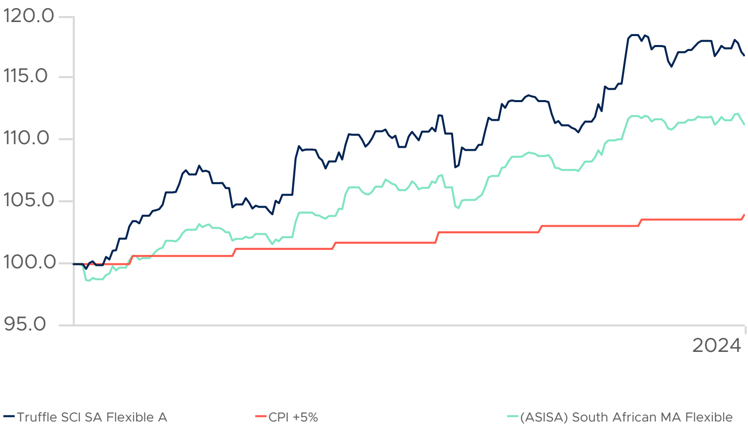
A multi-asset fund that actively invests across a wide range of local South African assets including equities, bonds, property, cash, and money market instruments as legislation permits. The fund is not restricted to an industry or sector. Other investments may include the units of other South African funds. The fund is also allowed to invest in derivative instruments for efficient portfolio management purposes.

Why Choose This Fund?

1. A well-diversified portfolio of local assets, where managers have full flexibility to implement ideas efficiently.
2. Risk is actively managed through skillful asset allocation and security selection across various asset classes, strategies, and regions.
3. A proven track record of selecting quality assets while focusing on long term capital growth.

Investment Growth***

Time Period: 13/04/2024 to 31/10/2024



Annualised Performance (%) **

	Fund	Benchmark
1 Year	—	—
3 Years	—	—
5 Years	—	—
Since Inception	—	—

Risk Statistics (3 Year Rolling) **

Standard Deviation	—
Sharpe Ratio	—
Max Drawdown	—
Information Ratio	—

Highest & Lowest Annual Returns**

Time Period: Since Inception to 31/12/2023

Highest Annual %	—
Lowest Annual %	—

Monthly Returns (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024					1.30	3.31	3.44	1.02	4.28	-1.03			

* Please note that the legal registered name of Truffle SCI* SA Flexible Fund is Truffle Sanlam Collective Investments SA Flexible Fund. SCI is an abbreviation for Sanlam Collective Investments.

**These figures will become available once sufficient performance history has been met.

***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.

Effective 1 December 2024, SCI will change a monthly administration fee of R23 (VAT Inclusive) on retail investors whose total investment value is less than R50 000. Clients with an active recurring monthly debit order will not be levied this fee.

administered by Sanlam

Truffle
Asset Management

Risk/Reward Profile

Moderate Aggressive

Your primary aim is to achieve the required capital growth necessary to realise your longterm goals and objectives. You are prepared to tolerate fluctuations in your returns because you know that the longer-term picture is worth the short term pain, even if that means you lose money sometimes. While diversified across all the major asset classes, your portfolio will be tilted more towards equities because you know they offer the best long-term returns of all the asset classes and thus your wealth will grow over time.

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)**

—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—

Additional Information

Investment Manager Information

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Truffle Asset Management

Portfolio Manager Comment

As at 30 September 2024

Economic Overview

The rate cutting cycle began in earnest

The US commenced their interest-rate cutting cycle with a larger than expected 0.5% cut in September. US bond yields declined, cheered on by an improved inflation outlook and more aggressive rate cut expectations. This led to a weaker dollar, which in turn benefited emerging markets, including a strengthening of the Rand. Global equity markets ended the third quarter around all-time highs, while bonds, credit and commodities managed to deliver positive returns.

The US economy, while slowing, still remains remarkably resilient as reflected in the GDPNow forecast of 2.5% growth for Q3, and continued health of the labour market. US bond yields are currently discounting a further 175bps of rate cuts over the next year and yields are therefore unlikely to compress meaningfully from here in the near term. Unlike the US, European economic growth remains depressed with PMIs in contractionary territory. This, coupled with falling inflation, has raised expectations of more aggressive European rate cuts driving European bond yields lower.

Whilst the onset of a US recession remains uncertain, the lack of structural systemic issues suggests that any potential recession will most likely be shallow. This, along with significant rate cuts and expected double-digit earnings growth, for the short term, is maintaining the high S&P 500 valuation on a PE ratio in excess of 20x. That said, medium-term concerns that could weigh on the US economy remain. Consumer savings rates are historically low and below pre-pandemic levels while government deficits are significantly higher than historic levels, and the debt-to-GDP ratio has surpassed the post-WW2 peak. Against the backdrop of a high fiscal deficit, the next governing party will have their hands tied with respect to tax cuts and spending.

China stimulates again … but is it enough?

Chinese policymakers announced a package of co-ordinated stimulus measures in late September. These were monetary, fiscal and equity market related and included the easing of monetary policy, the lowering of mortgage rates and the provision of funding to local governments to purchase property. There were also measures to support the stock market.

The Chinese equity market's positive response to the stimulus saw MSCI China's return for the quarter at 24%, bringing its PE ratio in line with its 10-year average of 11X. Commodity prices such as Iron Ore rose almost 20% post the announcement. While September's stimulus measures were more significant than those seen in the last few years, at approximately 1.5% of GDP, these are a fraction of the (successful) measures taken in previous downturns like the one in 2015. Market response therefore appears overdone.

China's depressed consumer confidence continues to weigh on spending. Encouraging banks to lend more does not solve for this. Whilst some of the policies do aim to stimulate consumer confidence, the quantum is insufficient. To date, lax monetary policy and lowering interest rates has had negligible impact. Equity market support will also be temporary unless accompanied by a change to the economic outlook.

In addition to what we would consider an overreaction to Chinese stimulus measures, lacklustre global industrial production remains a headwind for commodities. The JPM Global manufacturing PMI deteriorated further to 48.8 in September. However, given the collapse in refining margins which will reduce refined product supply and disappointing mine production, copper should be supported over the next year. Gold will benefit less from falling real rates and the weaker dollar (which supported gold over the last quarter) and is becoming more reliant on EM central bank purchases.

The Chinese economy remains sluggish as evidenced by lacklustre credit and monetary aggregate growth. Weak internal demand, low consumer confidence and depressed consumer spending are at least being offset by double-digit export growth. However, risks continue to build as we see further tariffs being placed on Chinese exports and continued weakness in the property market weighing on consumer sentiment. Like the US, China's hands are somewhat tied. To make a meaningful impact on their economy, they would need to deploy a level of fiscal stimulus however, this would once again place them on a concerning Debt to GDP trajectory. Unless they can find genuine return accretive projects, this could potentially create financial instability and merely result in a once-off gain. Whilst we think there will be further stimulus measures, the likelihood of these being significant, and real economy-changing, is low.

South Africa's growth outlook improves

The outlook for SA GDP growth over the next year is finally improving. While the consumer remains under pressure, several short-term growth drivers include:

- Interest rate cuts, real wage growth and the introduction of the two-pot retirement reform (Two-pot) which will benefit near term consumer spending and savings. Two-pot, implemented in September, is expected to lift consumption given embattled consumers are opting to immediately withdraw the relevant allowance. An added benefit to tax receipts, this should also help buffer any revenue line shortfall for this fiscal year
- A decline in the oil price and import volumes will benefit GDP and the current account. The fuel price dropped to 2022 lows and will continue to ease inflation. Encouragingly, the recent CPI print came in at 4.4%, well within the target band.
- Home Affairs successfully clearing 50% of the visa backlog with a focus on critical skills and tourist visas.
- A promising increase in tourism numbers. 10% more tourists in a year could add 0.6% to GDP and needs little additional capital.
- The tailwind of reduced loadshedding.

Medium term growth should be supported by additional benefits to energy supply from the renewable pipeline, political stability from the GNU (despite some fightback at some metros in Gauteng) and SOE and structural reform. Transnet Freight Rail recently announced its official split into an infrastructure manager and an operations company, paving the way for third party participation, while the new freight tariffs for the private sector should be finalised by year end. Still to come is the separation of Eskom's transmission network.

Two years of above 2% GDP growth appears to be a reasonable outcome and could well attract foreign investors into SA equity. Furthermore, company earnings expectations do not currently reflect this level of GDP growth.

A lower cost of capital has led to higher valuations of domestically exposed shares, which have meaningfully outperformed since the elections. Domestic equities, including banks and retailers, are now trading in line with their 10-year averages. Absent a significant commodity cycle, further increases in valuations will depend on the necessary economic reform to drive economic activity and growth as noted above. Nonetheless, even at current valuations, the combination of dividends and double-digit earnings growth should deliver strong returns from the domestic equity market over the short term.

Portfolio Commentary

Performance

South African equities continued to benefit from positive post-election sentiment in the third quarter of 2024 (ALSI: 9.6%). Property was the best performing asset class (SAPY: 18.7%) while Financials (14.3%) and Industrials (11.6%) were top sector performers as SA Inc stocks continued to re-rate. SA Resources posted a marginal 1.5% decline for the quarter as late September stimulus announcements in China supported a rebound, with many mining stocks recovering previous month losses.

SA bonds (ALBI) gained 10.6% over the quarter. After more than two years of hiking interest rates, the SARB announced its first rate cut of 25 bps, a day after the US Fed eased policy with a 50bps cut. The Rand continued to strengthen over the quarter given softening US rates and positive SA sentiment. At the end of September, the Rand was at its strongest level in 2 years, at R17.26 to US$1.

Although a quarter marked by significant volatility, global equity markets ended strongly with the MSCI World increasing 6.5% in USD (although only 0.5% in Rands). Several sectors including REITs were supported by the start of interest rate reductions. Emerging Markets outshone developed counterparts again this quarter, up 2.8% in Rands. But MSCI SA stood out for its 9.7% return for the quarter, some 16.3% in US$!

From a local equity perspective, Naspers and Prosus rallied hard on the back of improved Chinese sentiment post the stimulus. Both stocks contributed handsomely to performance this quarter. SA banking stocks, specifically Standard Bank, and ABSA were major contributors. Continued positive election sentiment, a softening interest rate cycle and lower inflation data supported the local banking sector and the broader SA universe of shares. The fund benefitted from exposure to SA apparel retailers, specifically Pepkor.

The SA bond market also rallied, with fixed income exposure adding to fund performance.

Mining stocks continued to underperform over the quarter given lower metal prices and a stronger Rand. An overweight position in diversified miner Glencore detracted from quarterly performance. We have held the share given a constructive medium-term view on copper. While Chinese stimulus announcements led to a re-rating in September, the commodities outlook remains uncertain given a weak global manufacturing cycle. Aspen detracted from performance as the market has been frustrated by the lack of profit visibility on their newly announced contracts.

Foreign equity exposure was negatively impacted by Rand strength. Samsung was the largest detractor from performance for the quarter, primarily due to weaker than expected prices for legacy memory chips. Prices for newer memory chips remain strong on the back of AI demand and we have maintained our holding.

Portfolio movements

During the third quarter we maintained exposure to the larger SA banks within the SA equity allocation given strong free cash flow and compelling dividend yields as well as a supportive macro-economic environment with the softening interest rate cycle. We further increased exposure to selected SA-centric shares which was financed by reductions in our positions in BTI and Bidcorp as well as some of our offshore equity.

From a fixed income perspective, the fund has benefitted from exposure to duration. The reduction in yield was driven by a contraction in the sovereign credit spread and a fall in US bond yields. We think these have limited room to fall from current levels.

Global equity markets continued to deliver strong returns in the third quarter, as the interest rate cutting cycle commenced. We maintain an underweight in the US equity market in our offshore positions on valuation grounds and continue to focus on select exposure to European stocks which are trading in fair value territory. South Africa's economic growth outlook continues to improve given political stability following the election and continued evidence of reform to infrastructure, specifically Eskom and Transnet. While many SA Inc stocks have re-rated and are closer to fair value, we maintain an overweight position in domestically focused companies with strong free cash flow and compelling dividend yields.

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