Truffle Asset Management

Truffle SCI* SA Flexible Fund

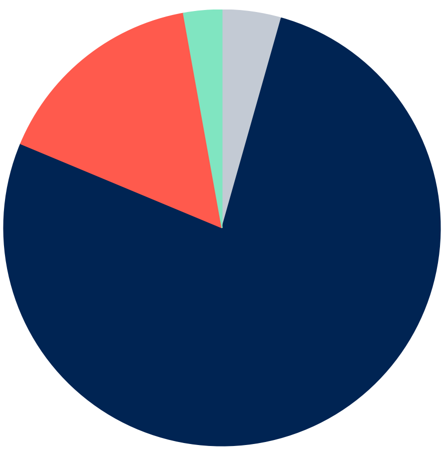
Fund Information

MDD Issue Date	16/01/2025
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 51,037,786
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	Rand

Fees (incl. VAT)	A-Class (%)
Maximum Initial Advice Fee	1.15
Maximum Annual Advice Fee	1.15
Manager Annual Fee	1.04
Total Expense Ratio	1.87
Transaction Cost	1.78
Total Investment Charge	3.65
TER Measurement Period	12 April 2024 - 30 September 2024

Top 10 Holdings (31/12/2024)	%
R2035 Government bond	7.00
Prosus (PRX)	6.13
Naspers Ltd	5.88
Standard Bank Group Ltd	5.75
Anheuser-Busch Inbev SA	3.86
Anglo American Plc	3.72
R2032 Government bond	3.71
Standard Bank Ltd Bond 31122028	3.35
Capitec Bank Holdings Ltd	3.07
Pepkor Holdings Ltd	3.07

Asset Allocation (31/12/2024)



	%
Domestic Cash	4.38
Domestic Equity	76.92
Domestic Fixed Income	15.87
Domestic Property	2.83
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

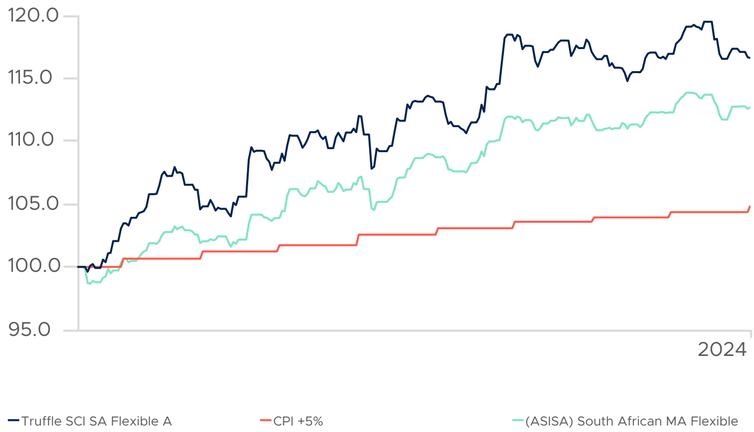
A multi-asset fund that actively invests across a wide range of local South African assets including equities, bonds, property, cash, and money market instruments as legislation permits. The fund is not restricted to an industry or sector. Other investments may include the units of other South African 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 31/12/2024



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

Time Period: Since Inception to 31/12/2024

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	0.14	-0.29	

* 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)**

31/12/2024	17.03 cpu	—	—	—	—
30/06/2024	7.06 cpu	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—

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.

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. *SCI is the abbreviation for Sanlam Collective Investments.

Investment Manager Information

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Trustee Information

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Sanlam

Truffle Asset Management

Portfolio Manager Comment

As at 31 December 2024

Economic Overview

The return of Trump

Donald Trump's victory for a second presidential term and the Republican's gain of Congress drove a US equity market rally over the quarter. The market was cheered by Trump's campaign promises to cut taxes and reduce regulations which would be pro-growth and support the US earnings outlook. However, Trump's proposed tax cuts, additional trade tariffs, and immigration clampdowns would also be inflationary. This, coupled with a strong labour market and buoyant economy, has given the US Fed reason to slow the pace of interest rate cuts in 2025.

The US bond market responded to the increased inflationary outlook, with US 10-year real rates moving up to 2.23% by the end of the quarter. The market is now only pricing 50bps of cuts over the next year, down from previous expectations of 175 bps. Overall, the US economy remains strong with the latest Atlanta Fed's GDPNow model estimating GDP growth to be 2.6% for Q4, whilst unemployment remains low at 4.2%.

Higher growth expectations have offset the impact of higher bond yields and inflationary concerns, resulting in the S&P500 delivering a return of 2.4% over the last quarter. The breadth of the rally remains narrow, with the equally weighted S&P500 index declining by 1.9%. The Magnificent 7 continue to be the key driver of the US stock market return and represent over a third of the Index weight.

While Trump's policy direction is broadly clear, the timing and extent of these changes remain unknown. Proposed tariffs may appear draconian but could also be used as trade negotiating tools with the likes of China and Europe. Trump's top tariff target remains China; however, US tariff increases create risk for the EU region. Europe, as a manufacturing and export hub, will need to rely on European consumers to mitigate some of this headwind to its GDP growth. With inflation falling, rate cutting in Europe has begun, and further reductions of over 100bps in 2025 are expected.

Risks pushed out

On a forward PE of 22, the S&P500 remains expensive relative to history and relative to bond valuations. We estimate that the expected excess return of the S&P500 over the bond yield is less than 1%. However, rising consumer confidence levels and continued buoyant economic growth could continue to support the current expensive valuations. While inflation tail risks remain a concern given Trump's policies, the continued productivity growth of circa 2% achieved over the last few years, coupled with a moderation of tariff implementation could keep inflation in check.

Despite being expensive on a purchasing power of parity basis, the dollar is likely to remain strong due to higher interest rates and resilient growth, especially relative to the struggling economies of Europe and China. A strong dollar would keep rising US debt concerns at bay and enable the Treasury to maintain an elevated budget deficit, which would benefit growth. Ultimately, this will be a headwind as deficit spending as a percentage of GDP is more than double the 50-year median of 2.9%. The Congressional Budget Office is forecasting debt to GDP to rise by a further 22% over the next decade from a current level of 100%, which is already above the World War II peak.

Uncertainty is set to continue in 2025 as the global impact of Trump 2.0 and the far-reaching impact of policy changes begin to unfold. The impact of the US becoming more internally focused and less concerned with the state of the world is a significant change not seen since World War II, which was followed by a global order of cooperation and globalisation, including the formation of global organisations like NATO, IMF and WTO. High levels of global economic growth and security driven by globalisation are now under threat. The implications are difficult to determine and quantify but will likely be negative for global growth prospects.

China preparing for change

China remains sluggish, and the Chinese consumer weak. The economy continues to export deflation, with the latest PPI print at - 2.5%.

The impact of significantly higher tariffs on Chinese exports to the US and China-US trade policy changes will be negative for the Chinese economy, but the extent remains uncertain. Unlike Trump's previous presidential term, China has had more time to position for the outcomes of potential change, and efforts include increased trade with the rest of the world. China's share of exports to the US has declined from a peak of 22% six years ago to the current 13.5%. China's announcement to ban exports to the US of several critical metals used in high-tech and military applications was also a retaliatory shot across the bow.

Local measures may mitigate pressure from the US. The Politburo has recently stated that they have shifted their monetary policy stance for the first time since 2011 and will adopt a "moderately loose" monetary policy in 2025. More importantly, they have signalled further fiscal support is in the pipeline, the degree of which will likely be influenced by the extent of tariffs from the US.

China's key economic problem remains a lack of consumer confidence and spending. Concerns around financial well-being have resulted in birth rates nearly halving from pre-Covid levels which has significant negative consequences for long term growth. Income growth has also slowed disproportionately for lower-income groups. Stimulus will need to take the form of welfare measures to instil some level of consumer confidence and encourage spending from a large savings pool. Unfortunately, the Communist Party's draconian approach to governing increases the risk of maintaining the depressed status quo of the consumer.

Real estate investment has been steadily reducing as a percentage of Chinese GDP. Hence, the current base of demand for commodities like iron ore and copper should be reaching more sustainable levels. This provides some underpin for miners listed on the JSE.

While the outlook for the Chinese economy remains lacklustre and the quantum and nature of stimulus over 2025 remains uncertain, there is still reasonable economic growth and a number of well-run companies with healthy balance sheets that are trading on cheap valuations.

South Africa ended the year stronger

Recovery in pockets of the SA economy continues. Whilst Q3 GDP was disappointing because of agricultural contraction, household consumption expenditure and gross fixed capital formation expanded. SA's economy should feel the boost of lower inflation as inflationary pressure remains benign at this stage. SA retailers (primarily Pepkor and Mr Price) printed positive double-digit revenue growth for October and November. This is likely driven by consumers spending their available savings from the introduction of the Two-Pot retirement system. Trading updates from SA Banks signalled that credit loss ratios are improving.

Encouragingly, S&P revised South Africa's credit rating outlook to Positive, reflecting their view that improved political stability and steps to reform will boost private investment and GDP growth. Transnet has recently announced eagerly awaited market-friendly rail tariffs, which will allow the private sector to dramatically improve rail volumes and deliver consequent GDP growth.

As mentioned in prior commentaries, a few government reforms are already benefiting growth, including easier access to visas for skilled workers and tourists. This, coupled with lower oil prices and reduced imported diesel volumes from Eskom, should benefit South Africa's current account. Looking ahead, continued progress at Eskom and Transnet and delivery of key services like water are critical. Treasury bypassing some of the problematic municipalities and paying an equitable share directly to some Water Boards will hopefully go some way to rectifying the current unsustainable situation.

We remain optimistic that a SA GDP recovery in 2025 will continue to be supported by an improved political landscape, cyclical factors, and ongoing growth-supportive reforms. Whilst Retailer's valuations are now above their 10-year medians, most Financials are still trading at discounts to their long-run valuations. Should GDP growth remain on a sustained trajectory, both sectors could benefit.

Portfolio Commentary

Performance

South African equities lost ground in the fourth quarter of 2024 (Capped SWIX: -2.1%). This was largely due to concerns over the global impact of president elect Donald Trump's proposed policies, a surging US Dollar and subsequent fall in commodity prices. SA Equity performance for the year was however strong at 13.4% and up from 2023. SA Property was once again the best performing asset class for 2024 delivering a stellar 29%, however, Q4 performance similar to equities was weaker (SAPY: -0.8%).

While SA Financials also weakened in Q4, the sector benefitted from post-election GNU sentiment delivering a total return of 23.1% for the year. Similarly, SA Industrials performed well for 2024 at 18.5% as SA Inc stocks continued to re-rate. SA Resources struggled in Q4, declining 9.0%, leading to a loss of -8.6% for the year.

SA bonds (ALBI) gained just 0.4% over the quarter with SA cash becoming the best performing local asset class for Q4 (STEFI: 2.1%). After a period of strength in Q2 and Q3, the Rand weakened by 3.1% over the quarter ending the year at R18.9 to US$1. This was largely a result of US Dollar strength.

From a local equity perspective, the fund benefitted from exposure to SA apparel retailers, specifically Pepkor. We have held the local retailer given compelling valuation metrics and further earnings recovery. Overall, an overweight exposure to SA Retail benefitted the fund in Q4 as the sector continued to re-rate following the national elections and has subsequently benefitted from the recent implementation of the Two-pot retirement system.

Mining stocks continued to underperform over the quarter given lower metal prices and weakened commodity sentiment given potential implications of Trump policy. A position in diversified miner Glencore and Anglogold therefore detracted from quarterly performance. We had held Glencore in the fund given a constructive medium-term view on copper. Commodities outlook remains uncertain.

The largest detractor over the quarter was Anheuser. Meaningful emerging market exposure and hard currency debt, which was impacted by significant US dollar strength, weighed on share performance. Despite the above, Anheuser's valuation metrics remain compelling, and the business is underearning vs. its long-term potential.

Portfolio movements

We maintain 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. Over the quarter, we took profits in China exposed counters (Naspers, Prosus and Glencore) following a September rally as Chinese stimulus measures were announced. Compelling valuation metrics following significant valuation downgrades meant we added exposure to Richement over the quarter.

From a fixed income perspective, while the fund benefited to some extent from its exposure to duration, a significant portion of our fixed income assets remained invested in the floating rate notes which underperformed fixed rate longer dated bonds. The reduction in yields 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.

South Africa's economic growth outlook continues to improve given continued evidence of reform to infrastructure, specifically Eskom and Transnet. The outcome of the SA elections also provided political stability. The impact on global growth from a US policy change following Trump's victory remains uncertain. 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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