Truffle Asset Management

# Truffle SCI* SA Equity Fund

## Fund Information

| | |
|---|---|
| MDD Issue Date | 15/04/2025 |
| Ticker | TSCEFC |
| ISIN | ZAE000260634 |
| Portfolio Manager | Iain Power, Saul Miller, Nicole Agar & Sophié-Marié van Garderen |
| ASISA Fund Classification | South African - Equity – SA General |
| Risk Profile | Aggressive |
| Benchmark | FTSE/JSE Capped SWIX Index |
| Fund Size | R 7,473,984,193 |
| Portfolio Launch Date | 27/07/2012 |
| Minimum Lump Sum Investment | R 10,000 |
| Minimum Monthly Investment | R 500 |
| Income Declaration Date | June & December |
| 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 |

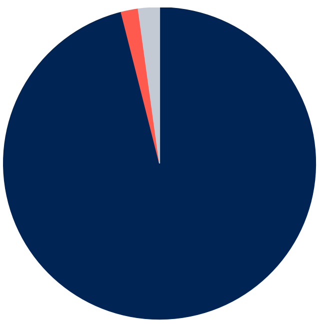
## Fees (incl. VAT)

| | C-Class (%) |
|---|---|
| Maximum Initial Advice Fee | 1.15 |
| Maximum Annual Advice Fee | 1.15 |
| Manager Annual Fee | 0.86 |
| Total Expense Ratio | 0.88 |
| Transaction Cost | 0.56 |
| Total Investment Charge | 1.44 |
| TER Measurement Period | 01 January 2022 - 31 December 2024 |

## Top 10 Holdings (31/03/2025)

| | % |
|---|---|
| Naspers Ltd | 8.77 |
| Standard Bank Group Ltd | 6.52 |
| Prosus (PRX) | 5.61 |
| Firstrand Ltd | 5.60 |
| Gold Fields Ltd | 5.24 |
| Anglo American Plc | 4.78 |
| Bid Corporation Ltd | 4.45 |
| Anglogold Ashanti Plc | 4.35 |
| Capitec Bank Holdings Ltd | 4.23 |
| British American Tobacco Plc | 3.85 |

## Asset Allocation (31/03/2025)



| | % |
|---|---|
| Domestic Equity | 96.05 |
| Domestic Property | 1.77 |
| Domestic Cash | 2.18 |
| **Total** | **100.00** |

## Fund Objective

The Fund aims to maximise long term capital growth and intends to outperform the FTSE/JSE Capped Shareholder Weighted Index (SWIX) over a rolling 3-year period.

## Investment Policy Summary

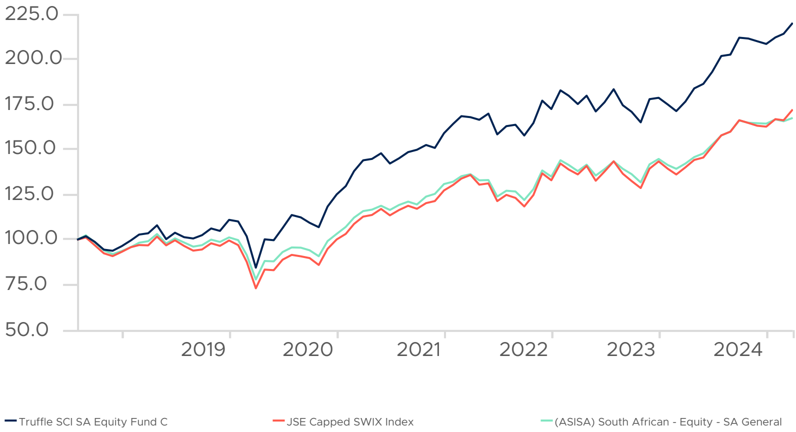
This is a South African equity fund which at any time will hold a minimum of 90% of the market value in South African equities. The manager remains cognisant of the weightings of the instruments in the FTSE/JSE Capped Shareholder Weighted Index (SWIX) and shall take active positions in the underlying securities of this index relative to their individual weightings. The fund may also invest in derivative instruments for efficient portfolio management purposes. The fund is not permitted to invest in offshore investments.

## Why Choose This Fund?

1. An investment belief that generating sustainable investment returns means identifying winners, as well as avoiding value traps and unnecessary risk taking.
2. A disciplined equity process that focuses on investing in quality assets with long term valuation potential.
3. An agile team-based approach where opportunities are clearly identified and exploited.

## Investment Growth**

Time Period: 02/08/2018 to 31/03/2025




## Annualised Performance (%)

| | Fund | Benchmark |
|---|---|---|
| 1 Year | 24.66 | 22.87 |
| 3 Years | 9.44 | 8.20 |
| 5 Years | 21.08 | 18.67 |
| Since Inception | 12.56 | 8.49 |

## Risk Statistics (3 Year Rolling)

| | |
|---|---|
| Standard Deviation | 12.26 |
| Sharpe Ratio | 0.20 |
| Max Drawdown | -10.00 |
| Information Ratio | 0.31 |

## Highest & Lowest Annual Returns

Time Period: Since Inception to 31/12/2024

| | |
|---|---|
| Highest Annual % | 27.07 |
| Lowest Annual % | 3.61 |

## Monthly Returns (%)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2025 | 1.74 | 0.95 | 2.81 | | | | | | | | | | 5.59 |
| 2024 | -2.08 | -2.09 | 3.09 | 4.13 | 1.36 | 3.56 | 4.56 | 0.37 | 4.63 | -0.22 | -0.71 | -0.72 | 16.69 |
| 2023 | 6.00 | -1.62 | -2.57 | 2.65 | -4.86 | 2.97 | 4.10 | -4.84 | -2.08 | -3.41 | 7.78 | 0.42 | 3.61 |
| 2022 | 3.25 | 2.60 | -0.34 | -0.86 | 2.05 | -6.77 | 2.87 | 0.48 | -3.64 | 4.38 | 7.53 | -2.63 | 8.41 |
| 2021 | 3.67 | 6.38 | 4.34 | 0.54 | 2.17 | -3.85 | 2.03 | 2.37 | 0.88 | 1.76 | -1.07 | 5.40 | 27.07 |

**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.

administered by Sanlam

Truffle Asset Management

## Risk/Reward Profile

### Aggressive

You can afford to take on a higher level of risk (i.e., have a greater exposure to equities) because of your investment time horizon and/or your appetite for risk. You know that in taking the risk, you need to be patient if you want to achieve the results. So you are willing to invest for the long-term and are prepared to tolerate some volatility in the short term, in anticipation of the higher returns you expect to receive in five years or beyond.

## 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. Effective 1 December 2024, SCI will charge a monthly administrative fee of R23 (VAT Inclusive) on all 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. 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.

## Distribution History (Cents per Unit)

| | | | | | |
|---|---|---|---|---|---|
| 31/12/2024 | 3.36 cpu | 31/12/2022 | 6.67 cpu | 31/12/2020 | 0.80 cpu |
| 30/06/2024 | 3.81 cpu | 30/06/2022 | 3.58 cpu | 30/06/2020 | 1.90 cpu |
| 31/12/2023 | 4.87 cpu | 31/12/2021 | 3.30 cpu | 31/12/2019 | 2.80 cpu |
| 30/06/2023 | 3.52 cpu | 30/06/2021 | 3.10 cpu | 30/06/2019 | 2.34 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.

## Investment Manager Information

Truffle Asset Management (Pty) Ltd
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Email: info@truffle.co.za
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## Manager Information

Sanlam Collective Investments (RF) (Pty) Ltd
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Email: service@sanlaminvestments.com

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

## Trustee Information

Standard Bank of South Africa Ltd
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Email: compliance-sanlam@standardbank.co.za

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**

**Performance**

The first quarter of 2025 was characterised by significant market uncertainty primarily driven by Trump's announcement of broad-based US tariffs. Baseline tariffs of 10% on imports with higher rates on specific countries add to US inflation and recession risk. The local backdrop delivered its own challenges as the February Budget was delayed amidst GNU disagreements. Gold and platinum miners led South African equities to a solid performance in the first quarter of 2025 (Capped SWIX: 5.9%) with the SA Resources sector up 27,9%. Despite better local inflation data and a stronger currency, uncertainty across global and local markets remained high with investors seeking safe havens. SA Industrials managed to deliver a positive return of 3.1% given better performance from foreign-exposed companies such as Anheuser and Prosus. SA Financials lagged with a loss of 2.0% and SA property lost 4,2% after being the best performing asset class for 2024. We had rotated out of the SA retailers and into the more foreign-exposed industrials at the beginning of the quarter and this held the portfolio in good-stead. Slightly disappointing retail trading updates led to large profit-taking in the sector which had performed so strongly into the latter half of 2024. This underweight in retailers, particularly Mr Price and Foschini was our biggest contributor to performance. Similarly, our underweight to SA property counters added. Conversely, our overweights in Anheuser-Busch and Prosus were also positive contributors, and the portfolio also benefitted from a marginal overweight position in gold. Our underweight in oil contributed positively.An underweight position in Telco's was the largest detractor from performance this quarter. Telco's rallied on an improving macro-outlook in many of the African operations where inflation and currencies had been punitive. MTN was further supported by their ability to raise tariffs in Nigeria going forward. Cash flow upstreaming remains complex in some of these geographies and the shares are not attractively priced on Free Cash Flow yields.

**Portfolio movements**

Given global economic uncertainty, we have maintained a relatively defensive position and added exposure to BAT during the quarter. While we continue to hold Pepkor on valuation metrics and further earnings recovery, we have reduced the overweight position. Many SA retailers re-rated in 2024 and given local economic uncertainty, valuations are less compelling. We added to a holding in FirstRand on valuation grounds and we maintain an overweight position in SA banks given their strong free cash flow and compelling dividend yields. Chinese tech companies are benefiting from improved sentiment as the Chinese government welcomes the private tech sector back into the fold. The release of Deep Seek has also illustrated the ability of China tech to compete in the AI sector. We added to our overweight in Prosus given the opportunity to unlock value in Tencent going forward. The extent of US tariffs and the impact on global growth remains uncertain. We are positioned relatively defensively given heightened uncertainty.