

Fund description and summary of investment policy

The Fund invests in a mix of South African interest-bearing securities. These securities can be issued by government, parastatals, corporates and banks. The Fund’s weighted average modified duration is limited to a maximum of two. Returns are likely to be less volatile than those of traditional income and bond funds, but more volatile than those of money market funds. The Fund is managed to comply with the investment limits governing retirement funds.

ASISA unit trust category: South African – Interest Bearing – Short Term

Fund objective and benchmark

The Fund aims to generate returns higher than bank deposits and traditional money market funds, while maintaining capital stability and low volatility. The Fund’s benchmark is the Alexforbes Short Term Fixed Interest (STeFI) Composite Index.

How we aim to achieve the Fund’s objective

The Fund invests in select South African interest-bearing securities providing an income yield and a high degree of capital stability. We formulate an interest rate outlook, which is influenced by our inflation outlook and expectations of the resulting Reserve Bank policy response. Based on this analysis, we select securities for the Fund. These will primarily be floating-rate notes, money market instruments and fixed interest paper with a low duration. We take a conservative approach to credit risk, liquidity risk and duration risk.

Suitable for those investors who

- Are risk-averse but seek returns higher than bank deposits and traditional money market funds
- Need a short-term investment account
- Seek a domestic-only interest-bearing ‘building block’
- Require monthly income distributions

Fund information on 31 October 2025

Fund size	R2.3bn
Number of units	117 591 813
Price (net asset value per unit)	R10.40
Modified duration	1.1
Gross yield (i.e. before fees)	8.3
Net yield (i.e. after fees)	7.4
Fund weighted average maturity (years)	4.7
Class	A

- The Fund’s benchmark is the Alexforbes Short Term Fixed Interest (STeFI) Composite Index. Performance as calculated by Allan Gray as at 31 October 2025. Source: Bloomberg.
- CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 30 September 2025 (source: Iress).
- Maximum percentage decline over any period. The maximum drawdown occurred from 7 October 2024 to 8 October 2024. Drawdown is calculated on the total return of the Fund (i.e. including income).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- The standard deviation of the Fund’s monthly return. This is a measure of how much an investment’s return varies from its average over time.
- These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund’s highest annual return occurred during the 12 months ended 31 October 2025 and the benchmark’s occurred during the 12 months ended 30 April 2025. The Fund’s lowest annual return occurred during the 12 months ended 30 April 2025 and the benchmark’s occurred during the 12 months ended 31 October 2025. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Income distributions for the last 12 months

Actual payout (cents per unit), the Fund distributes monthly

Nov 2024	Dec 2024	Jan 2025	Feb 2025
7.09	7.68	7.32	6.56
Mar 2025	Apr 2025	May 2025	Jun 2025
7.12	6.90	6.93	7.07
Jul 2025	Aug 2025	Sep 2025	Oct 2025
7.00	6.49	7.12	6.83

Performance net of all fees and expenses

% Returns	Fund	Benchmark ¹	CPI inflation ²
Cumulative:			
Since inception (1 May 2024)	17.1	12.2	4.3
Annualised:			
Since inception (1 May 2024)	11.1	8.0	3.0
Latest 1 year	10.9	7.7	3.4
Year-to-date (not annualised)	9.1	6.3	3.5
Risk measures (since inception)			
Maximum drawdown ³	-1.2	n/a	n/a
Percentage positive months ⁴	100.0	100.0	n/a
Annualised monthly volatility ⁵	0.7	0.1	n/a
Highest annual return ⁶	10.9	8.2	n/a
Lowest annual return ⁶	10.5	7.7	n/a

Meeting the Fund objective

Since inception the Fund has outperformed its benchmark and provided returns in excess of CPI inflation. The Fund aims to minimise risk by maintaining capital stability and low volatility.

Annual management fee

A fixed fee of 0.65% p.a. excl. VAT

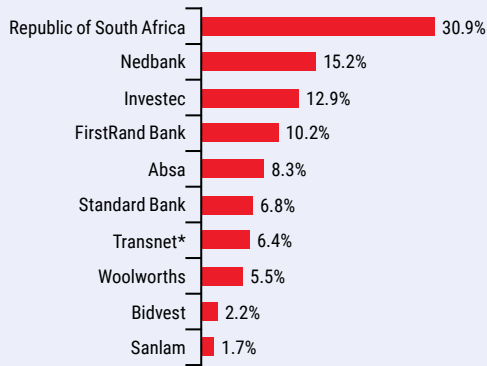
Total expense ratio (TER) and transaction costs (updated quarterly)

The annual management fee is included in the TER. The TER is the percentage of the value of the Fund that was incurred as expenses relating to the administration of the Fund, annualised over the relevant periods. Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately and are the percentage of the value of the Fund that was incurred as costs relating to the buying and selling of the assets underlying the Fund. The TER and transaction costs are based on actual data, where available, and best estimates. The total investment charge (TIC) is the sum of the TER and transaction costs.

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2025	1yr %	3yr % ⁷
Total expense ratio	0.77	0.75
Fee for benchmark performance	0.65	0.65
Other costs excluding transaction costs	0.02	0.01
VAT	0.10	0.10
Transaction costs (including VAT)	0.00	0.00
Total investment charge	0.77	0.75

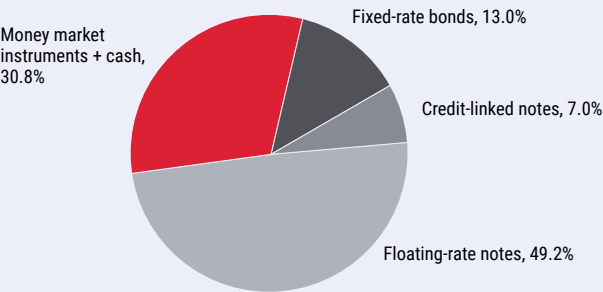
7. Based on since-inception data, as the Fund does not yet have a 3-year history.

Top credit exposures on 31 October 2025

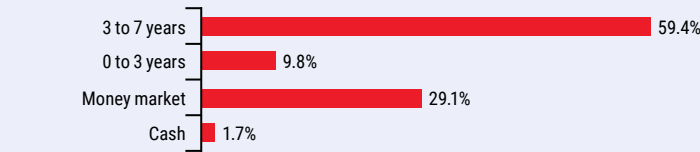


*RSA government guaranteed

Asset allocation on 31 October 2025



Maturity profile on 31 October 2025



Note: There may be slight discrepancies in the totals due to rounding.

It is proving to be a challenging year to decode the forces underlying US inflation and economic growth, which, in turn, has complicated the job of the US Federal Reserve (the Fed) when setting a so-called neutral policy rate of interest. Fed chair Jerome Powell summed this up quite succinctly in September with the comment: "It's not incredibly obvious what to do." After a hiatus through 2025, the Fed delivered a 25-basis point interest rate cut in September, taking the federal funds rate to 4%. While it cited a softer US labour market in arriving at this decision, this comes with quite a few caveats. From a peak of more than 300 000 jobs being added in a single month in 2024, only 22 000 were added in August of 2025. This is among the lowest numbers of monthly job additions seen in recent history outside of major US recessions. By contrast, the overall US unemployment rate remains near a healthy multidecade low of 4.3%, or more than 2% lower than that seen in the decade pre-COVID-19.

What is going on underneath the data? The answer to the US labour market conundrum may lie in what has been taking place at its borders. To say that they have simply closed understates the situation. A mix of border closures, visa restrictions, voluntary exits and deportations should see the US experience negative net migration this year, meaning that more people are departing the country than entering it. This is a phenomenon not seen in almost 70 years and is in sharp contrast to the approximately four million workers who migrated to the US over 2022 to 2024, when one needed to add over 100 000 jobs each month just to break even with the rate of migration. In a negative net migration environment, one's "breakeven" new job listings figure to maintain employment is naturally materially lower, accounting only for people entering the labour force for the first time. The market's mindset has arguably not adjusted to that economic reality and instead responds to lower monthly job creation figures as being indicative of a near-term recession and a steep lowering of interest rates. This thinking is hugely at odds with wage growth that is still running ahead of the Fed's consumer price index target, particularly among part-time workers, which could, in turn, be a harbinger of trouble for consumer prices.

US inflation has been creeping higher towards 3% even with the full impact of tariffs still unrecorded. In such an environment, further rate cuts run the risk of stoking pricing pressures unless the Fed can be reasonably certain that a near-term recession will crush demand and prices. In some ways, such a

recessionary forecast might be a dangerous bet against the near-term effects of the AI investment supercycle. Capital expenditure being laid out for new AI data centres this year is on track for US\$600bn of spend, or double the average pace of manufacturing investment that took place in the US in the prior decade. This spending, in fact, contributed more to real economic growth earlier this year than personal consumption.

While I can make a good case for why US interest rates are being cut at a time when wage and pricing pressures make it imprudent to do so, there is arguably no such case to be made in local interest rate markets. The South African Reserve Bank (SARB) has been making this case since May this year, when it had an about-turn in thinking and began speaking to the potential for a 5.5% to 6% steady state rate of interest to match an inflationary target of 3%. Since then, it has stuck to this rhetoric, although with a notable pause at its September meeting to lament the "serious dysfunction in administered prices" that has seen the National Energy Regulator of South Africa (NERSA) revise Eskom's regulated tariff increase to roughly 9% from the previously agreed 5% to 6%.

When positioning a portfolio for the upcoming path of interest rates, one is sometimes not betting on the actual outcome of inflation but on the response of policymakers to their own expectations of inflation. The fact that South Africa's inflation has been languishing around 3% against the backdrop of a low oil price, a stable rand and low local investment is hugely important, but it may be more important that the SARB itself has acknowledged that cash rates of 7% to 8% are too high for such an environment.

In the last quarter, the Fund reduced some duration positioning after adding during the second quarter of 2025. It bought Transnet (fully government-guaranteed) floating-rate notes at attractive yields and diluted its holdings of government credit-linked notes in order to take profit into market strength.

Commentary contributed by Thalia Petousis

**Fund manager
commentary as at
30 September 2025**

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Performance

Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

Yield

The Fund's gross yield is the estimated weighted average yield-to-maturity of all underlying interest-bearing instruments as at the last day of the month. The one-year TER is deducted from the gross yield to derive a yield net of fund expenses. Actual returns may differ based on changes in market values, interest rates and market factors during the investment period.

Fees

Permissible deductions may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.

Total expense ratio (TER) and transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, securities transfer tax, Share Transactions Totally Electronic (STRATE) and FSCA Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are necessary costs in administering the Fund and impact Fund returns. They 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. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge (TIC).

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956 (the "Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

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