ALLANGRAY

Fund managers: Sean Munsie, Thalia Petousis
Inception date: 1 May 2024

Allan Gray Interest Fund

28 February 2026

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

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.

Fund information on 28 February 2026

Fund size	R2.7bn
Number of units	154 334 570
Price (net asset value per unit)	R10.52
Modified duration	0.9
Gross yield (i.e. before fees)	7.7
Net yield (i.e. after fees)	6.9
Fund weighted average maturity (years)	4.6
Class	A

1. The Fund's benchmark is the Alexforbes Short Term Fixed Interest (STeFI) Composite Index. Performance as calculated by Allan Gray as at 28 February 2026. Source: Bloomberg.
2. This data reflects the latest available headline CPI inflation numbers as at 31 January 2026 (source: Iress).
3. 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).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. 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.
6. 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 28 February 2026 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 28 February 2026. 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

31 Mar 2025	30 Apr 2025	31 May 2025	30 Jun 2025
7.12	6.90	6.93	7.07
31 Jul 2025	**31 Aug 2025**	**30 Sep 2025**	**31 Oct 2025**
7.00	6.49	7.12	6.83
30 Nov 2025	**31 Dec 2025**	**31 Jan 2026**	**28 Feb 2026**
6.15	7.18	6.47	5.90

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 May 2024)	21.6	14.7	4.7
Annualised:			
Since inception (1 May 2024)	11.3	7.8	2.7
Latest 1 year	11.7	7.4	3.5
Year-to-date (not annualised)	1.5	1.1	0.4
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	0.2	n/a
Highest annual return[6]	11.7	8.2	n/a
Lowest annual return[6]	10.5	7.4	n/a

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Annual management fee

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

Total expense ratio (TER) and transaction costs

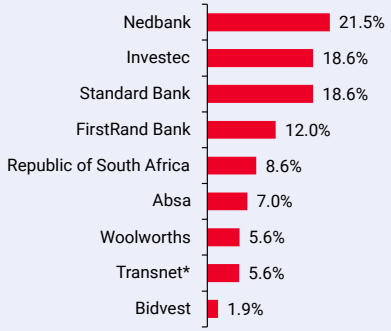
The annual management fee is included in the TER. The TER is the percentage of the value of the Fund that was incurred as expenses relating to the administration of the Fund, annualised over the relevant periods. Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted 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.

Total expense ratio (TER) and transaction costs for periods ending 31 December 2025 (updated quarterly)

1- and 3-year TER and transaction costs breakdown	1yr %	3yr %[7]
Total expense ratio	**0.76**	**0.75**
Fee for benchmark performance	0.65	0.65
Other costs excluding transaction costs	0.01	0.01
VAT	0.10	0.10
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.76**	**0.75**

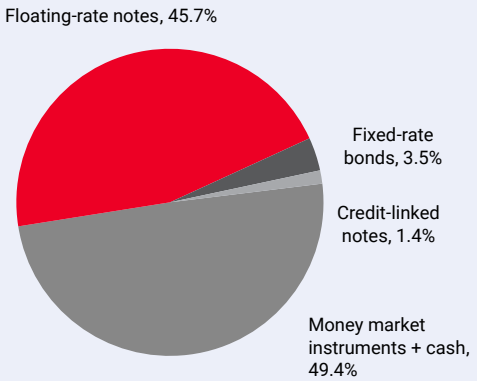
7. Based on since-inception data, as the Fund does not yet have a 3-year history.

Top credit exposures on 28 February 2026

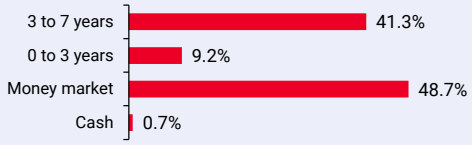


*RSA government guaranteed

Asset allocation on 28 February 2026



Maturity profile on 28 February 2026



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

Fund manager quarterly commentary as at 31 December 2025

The South African Reserve Bank (SARB) resumed its interest rate-cutting cycle at its November policy meeting, after briefly pausing it in September. A unanimous decision for a further 25-basis-point reduction brought the total cuts for 2025 to 100 basis points. The SARB views the local inflation outlook as balanced. While food and fuel pushed prices higher in the second half of the year, these pressures are seen as temporary, with relief expected from a stronger rand and lower oil prices. Inflation pressures stemming from heightened demand remain largely absent as local capital investment levels continue to disappoint. Household spending has been a brighter spot, remaining relatively strong and supported by wealth effects, further withdrawals from two-pot retirement savings, and lower inflation and interest rates.

Risks to the benign inflation forecast include a rebound in the US dollar and higher-than-expected administered prices, linked to the correction of the R54bn electricity pricing error disclosed early in 2025. While both scenarios result in a tighter monetary policy stance, by the SARB's estimation, there remains room for further rate cuts but at a more gradual pace than the baseline forecast. As we have mentioned in previous commentaries, this reflects an evolution in thinking from the central bank in 2025, compared to the more hawkish, restrictive posture that prevailed over much of the prior two years.

At the current 6.75% policy rate, relative to the latest 3.5% inflation print, local real rates remain above 3% – levels last seen in the mid-2000s when inflation was structurally higher. Global experience suggests that the higher inflation has been historically, the higher the forward-looking real rate tends to be. Over the past 10 years, South African inflation has averaged 4.8%, close to the SARB's target of 4.5%. If local inflation can be successfully anchored around the new 3% target, this implies that further cuts are in the offing, albeit in a measured manner, and potentially converging on a terminal rate in the range of 5.5% to 6.0%.

Determining the near-term path of US interest rates is more complicated. At its December meeting, the US Federal Reserve (Fed) delivered its third consecutive 25-basis-point cut as concerns over a slightly softer labour market overshadowed persistent price pressures. US inflation has been above the 2% target since 2021 and is expected to remain the case going forward, according to the Fed's forecasts. The deep discord among the voters on the Fed's policy-setting board highlights the struggle in balancing inflation concerns with employment goals at a time when economic growth is strong, primarily owing to surging spending on artificial intelligence (AI) data centres and infrastructure to support this. Unrelenting pressure from the White House for lower rates, combined with the impending appointment of a new Fed chair, exacerbates this struggle.

Fiscal and inflation worries in the US and other developed markets, such as Germany and Japan, are exerting pressure on government bond yields, reflecting the growing disconnect between dovish short-term policy and long-term interest rates.

The local bond market continued its impressive rally with the FTSE/JSE All Bond Index adding 9.0% in the last quarter of 2025, taking the annual return to 24.2%. This performance builds on an already strong 2024, taking the two-year annualised return to an impressive 20.6%. While South African government bonds have closely tracked emerging market credit spreads, which are near all-time lows, there are also local factors at play. November's Medium-Term Budget Policy Statement ticked the right boxes for investors, including confirming a reduction in the inflation target, utilising additional Gold and Foreign Exchange Contingency Reserve Account proceeds to bolster the fiscus, and cutting weekly bond auction levels. Additionally, interest rate cuts have provided further support. The yield on the benchmark 10-year bond is in line with where it traded in the early 2010s, a period when the nation's finances were in a far healthier state, which exhibits the market's bullish outlook.

Further fixed-rate exposure was added to the Fund during the quarter on the expectation of a potentially deeper rate-cutting cycle locally. At the end of the year, the Fund's annualised gross yield was 7.8%.

Commentary contributed by Sean Munsie

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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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