

Fund description and summary of investment policy

The Fund invests in South African money market instruments with a term shorter than 13 months. These instruments can be issued by government, parastatals, corporates and banks. The Fund is managed to comply with regulations governing retirement funds.

While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument held by the Fund defaults. In this event losses will be borne by the Fund and its investors.

This class of the Fund is only available in the Allan Gray Umbrella Retirement Fund.

ASISA unit trust category: South African – Interest Bearing – Money Market

Fund objective and benchmark

The Fund aims to preserve capital, maintain liquidity and generate a sound level of income. The Fund's benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index.

How we aim to achieve the Fund's objective

The Fund invests in selected money market instruments 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 investments for the Fund. These assets are typically held to maturity. We take a conservative approach to credit risk.

Suitable for those investors who

- Are highly risk-averse but seek returns higher than bank deposits
- Need a short-term investment account

Meeting the Fund objective

The Fund has preserved capital, maintained liquidity and generated a sound level of income.

Annual management fee

A fixed fee of 0.20% p.a. excl. VAT

Total expense ratio (TER) and Transaction costs

The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one-year period. Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 3 for further information). Transaction costs are disclosed separately.

Fund information on 31 August 2021

Fund size	R24.4bn
Number of units	132 026 565
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.36
Fund weighted average coupon (days)	83.98
Fund weighted average maturity (days)	116.85
Class	U

1. Prior to the inception of this class of the Fund (2 July 2020) the performance and risk measures are calculated using the A class performance of the Fund.
2. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund, performance as calculated by Allan Gray as at 31 August 2021.
3. This is based on the latest numbers published by IRESS as at 31 July 2021.
4. 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 July 2003 and the benchmark's occurred during the 12 months ended 31 July 2003. The Fund's lowest annual return occurred during the 12 months ended 31 August 2021 and the benchmark's occurred during the 12 months ended 31 August 2021. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Income distribution for the last 12 months

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

Sep 2020	Oct 2020	Nov 2020	Dec 2020
0.40	0.39	0.36	0.36
Jan 2021	Feb 2021	Mar 2021	Apr 2021
0.36	0.32	0.35	0.34
May 2021	June 2021	July 2021	Aug 2021
0.35	0.34	0.36	0.36

Performance net of all fees and expenses

% Returns	Fund ¹	Benchmark ²	CPI inflation ³
Cumulative:			
Since inception (1 July 2001)	352.3	337.8	188.6
Annualised:			
Since inception (1 July 2001)	7.8	7.6	5.4
Latest 10 years	6.5	6.2	5.0
Latest 5 years	7.0	6.5	4.3
Latest 3 years	6.4	5.9	3.9
Latest 2 years	5.6	5.1	3.9
Latest 1 year	4.4	3.8	4.6
Year-to-date (not annualised)	2.8	2.5	4.0
Risk measures (since inception)			
Highest annual return ⁴	12.8	13.3	n/a
Lowest annual return ⁴	4.4	3.8	n/a

Fund manager quarterly commentary as at 30 June 2021

While South Africa's June inflation print at 5.2% is cause for concern for money market investors, we must keep in mind that base effects are very much at play given that this is a year-on-year calculation. In 2020, our inflation plummeted to just shy of 2%, as economic activity took a nosedive through the unfolding lockdowns. Even with these anomalies in mind, we are a far cry from the 3% uplift over inflation that the Fund achieved over the last five years. The fact that SA's policy rates are negative on an inflation-adjusted and forward-looking basis is well acknowledged by South African Reserve Bank (SARB) Governor Lesetja Kganyago. This means that short-term SA deposits will not fully compensate an investor for inflation erosion until rates are hiked.

Communication from the SARB seems to suggest that even though its primary goal is inflation targeting, it is also watching our fiscal consolidation prospects and thinking about the role that rates can play. An important "growth-friendly" policy that has emerged from the fiscus is the budding liberalisation of the electricity industry and co-generation of electrical power. Another solid victory could take the form of policies to address our high unemployment by way of labour market reforms. Where low interest rates can support such a path is via the mechanism of reducing the cost of borrowing and encouraging local corporates to roll out capital expenditure projects. For individuals, too, lower cost of capital has seen first-time house buyers emerge in force in 2020, which could have the knock-on effect of stimulating the construction sector.

The rhetoric coming from the SARB suggests that neutral interest rates should be closer to 6% - 7%, but that the process of moving back there will be gradual. The SARB would rather take their foot off the accelerator slowly than slam their foot on the brakes in three years' time when inflation may have spun out of control. Trends in rising global food prices will require a response if they evolve into pressures locally. In South Africa, a narrow supply base also means that there is upward pressure on administered prices like electricity, water, and municipal tariffs, which are passed onto the consumer.

In the last quarter, the Fund bought longer-dated deposits and bills to take advantage of rising yields following the global inflationary scare.

Commentary contributed by Thalia Petousis.

Exposure by issuer on 31 August 2021

	% of portfolio
Corporates	10.0
Pick 'n Pay	2.7
Shoprite	2.7
Sanlam	2.6
Toyota Financial Services	1.0
Mercedes-Benz	0.7
MTN	0.1
Banks⁴	51.6
Nedbank	15.1
Absa Bank	11.5
Standard Bank	10.8
Investec Bank	7.5
FirstRand Bank	6.7
Government	38.4
Republic of South Africa	38.4
Total (%)	100.0

4. Banks include negotiable certificates of deposit (NCDs), fixed deposits and call deposits.

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

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1-year period ending 30 June 2021	1yr %
Total expense ratio	0.23
Fee for benchmark performance	0.20
Performance fees	0.00
Other costs excluding transaction costs	0.00
VAT	0.03
Transaction costs (including VAT)	0.00
Total investment charge	0.23

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Management Company

Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA).

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or www.rmb.co.za.

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.

The Allan Gray Money Market Fund is not a bank deposit account

The fund aims to maintain a constant price of 100 cents per unit. The total return an investor receives is made up of interest received and any gain or loss made on instruments held by the fund. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument defaults. In this event, investors may lose some of their capital. To maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses. The yield is calculated according to applicable ASISA standards. Excessive withdrawals from the fund may place it under liquidity pressure; if this happens, withdrawals may be ring-fenced and managed over a period of time.

Purchase and redemption requests must be received by the Management Company by 11:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

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. 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 a reasonable 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).

Important information for investors

Need more information?

You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website www.allangray.co.za or via our Client Service Centre on **0860 000 654**