ALLAN GRAY

Fund managers: Duncan Artus, Pieter Koornhof, Rory Kutisker-Jacobson, Siphesihle Zwane, Tim Acker
Inception date: 13 March 2015

Allan Gray SA Equity Fund

31 August 2024

Fund description and summary of investment policy

The Fund invests in shares listed on the Johannesburg Stock Exchange (JSE). The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

ASISA unit trust category: South African – Equity – General

Fund objective and benchmark

The Fund aims to create long-term wealth for investors. It aims to outperform the South African equity market over the long term, without taking on greater risk. To pursue its objective the Fund's portfolio may differ materially from its benchmark. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term. The Fund's benchmark is the FTSE/JSE All Share Index including income.

How we aim to achieve the Fund's objective

We seek to buy shares offering the best relative value while maintaining a diversified portfolio. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. We invest in a selection of shares across all sectors of the JSE, and across the range of large, mid and smaller cap shares.

Suitable for those investors who

- Seek exposure to JSE-listed equities to provide long-term capital growth
- Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility
- Are prepared to accept the risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as an equity 'building block' in a diversified multi asset class portfolio

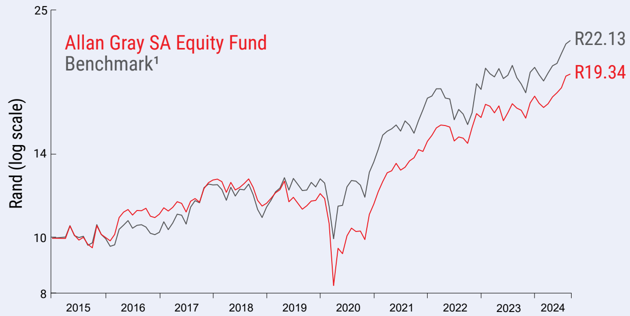
Fund information on 31 August 2024

Fund size	R4.0bn
Number of units	975 290
Price (net asset value per unit)	R478.52
Class	A

1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 31 August 2024.
2. This is based on the latest available numbers published by IRESS as at 31 July 2024.
3. Maximum percentage decline over any period. The maximum drawdown for the Fund occurred from 25 January 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 17 January 2020 to 19 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (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 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 of the Fund. 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 March 2021 and the benchmark's occurred during the 12 months ended 31 March 2021. The Fund's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 31 March 2020. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (13 March 2015)	93.4	121.3	61.0
Annualised:			
Since inception (13 March 2015)	7.2	8.7	5.2
Latest 5 years	11.5	12.8	5.0
Latest 3 years	12.3	12.0	5.7
Latest 2 years	13.7	15.9	4.7
Latest 1 year	14.7	16.1	4.6
Year-to-date (not annualised)	9.3	11.4	2.8
Risk measures (since inception)			
Maximum drawdown[3]	-44.3	-35.2	n/a
Percentage positive months[4]	58.8	57.0	n/a
Annualised monthly volatility[5]	14.6	14.6	n/a
Highest annual return[6]	57.3	54.0	n/a
Lowest annual return[6]	-32.0	-18.4	n/a

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Fund history

The Allan Gray Equity Fund was managed in exactly the same way as this Fund from the inception of the Allan Gray Equity Fund on 1 October 1998, until March 2015, when the Allan Gray Equity Fund changed its mandate to include the ability to invest offshore. A combined history of the two funds since inception of the Allan Gray Equity Fund can be viewed here.

Meeting the Fund objective

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund experiences periods of underperformance in pursuit of this objective. Since inception and over the latest five-year period, the Fund has underperformed its benchmark.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	31 Dec 2023	30 Jun 2024
Cents per unit	**949.678**	**1187.0242**

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund. The fee rate is calculated daily by comparing the Fund's total performance for the day to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each annualised percentage point above or below the benchmark we add or deduct 0.2%. The maximum fee is uncapped and if the fee would have been negative, 0% will be charged for the day and the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered).

This means that Allan Gray shares in 20% of annualised performance relative to the benchmark.

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 and three-year period (annualised). 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.

Top 10 share holdings on 30 June 2024 (updated quarterly)

Company	% of portfolio
Naspers & Prosus	7.7
British American Tobacco	7.3
AB InBev	6.8
Standard Bank	5.4
Mondi	4.7
Glencore	4.7
Nedbank	4.1
Woolworths	4.0
FirstRand	3.5
Sappi	2.7
Total (%)	**50.9**

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

TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2024	1yr %	3yr %
Total expense ratio	**0.61**	**0.83**
Fee for benchmark performance	1.00	1.00
Performance fees	-0.48	-0.29
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.11
Transaction costs (including VAT)	**0.10**	**0.10**
Total investment charge	**0.71**	**0.93**

Sector allocation on 30 June 2024 (updated quarterly)

Sector	% of equities[7]	% of ALSI[8]
Financials	28.0	29.4
Basic materials	22.1	21.4
Consumer staples	20.5	11.6
Consumer discretionary	9.8	7.7
Technology	8.0	14.2
Industrials	7.0	3.9
Telecommunications	2.0	4.1
Healthcare	1.1	4.5
Real estate	0.9	2.1
Energy	0.5	1.0
Total (%)	**100.0**	**100.0**

7. Includes listed property.
8. FTSE/JSE All Share Index.

Asset allocation on 31 August 2024

Asset class	Total
Net equity	96.3
Hedged equity	0.0
Property	0.9
Commodity-linked	0.8
Bonds	0.0
Money market and cash	1.9
Total (%)	**100.0**

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

Fund manager quarterly commentary as at 30 June 2024

Global markets continued to defy macroeconomic warning signs in 2024, with the S&P 500 up 15% year to date, following a 26% run in 2023, and finishing the quarter close to an all-time high. Returns were driven by a few large stocks: just under one-third of the S&P 500's 2024 performance was contributed by Nvidia alone and two-thirds contributed by the magnificent seven stocks. Artificial intelligence mania and a renewed belief in sustainably lower US inflation and interest rates (without necessitating a recession) drove the optimism.

We remain cautious of the consensus view: In the US, financial conditions are easier today than when the Federal Reserve first started raising interest rates in March 2022. Unemployment remains very low, contributing to still-strong growth in wages. There are also spending drivers that we believe could contribute to structurally higher developed market inflation going forward: the fragmentation of supply chains as countries prioritise security of supply over the cost of production, increased defence spending – given heightened geopolitical tensions – and the mandate to transition away from old-world energy to renewables. There are already smoke signals that a return to 2% US inflation may not be as smooth as hoped, given that US services inflation continues to run greater than 5%. As such, we subscribe to the view of higher developed market inflation for longer. Provided central banks stick to their nerve, this will necessitate higher interest rates for longer. Despite the heightened risk this poses to company earnings, the S&P 500 equity risk premium (the additional return the stock market provides above the risk-free rate) is at a 20-year low. Put differently, investors are not being sufficiently compensated to assume the risks discussed above.

Closer to home, South Africa concluded national government elections in late May, with a historic fall in support for the ruling African National Congress. While local assets initially reacted negatively to the uncertainty this posed, the market subsequently cheered at the announcement of a government of national unity (GNU) anchored by the centrist parties. The broader FTSE/JSE All Share Index returned 8% for the quarter, led by outperformance from stocks facing the local economy: banks rallied 20%, insurers 18%, retailers 13% and healthcare stocks 12%. By the end of the quarter, the rand also strengthened 4% versus the US dollar from its post-election trough in early June.

As a nation, we should be proud that the incumbent government has thus far transitioned power peacefully, in line with the will of the people. The GNU outcome also removes some of the extreme left-tail negative risk that presided over South African assets prior to the election and increases the chance of a right-tail positive scenario for the country. However, we are wary of local stock prices running ahead of their fundamentals on hope alone. There are many ideological differences that the GNU needs to work through, and coalition experience at local government level shows outcomes are rarely smooth. South Africa faces significant economic headwinds that need to reverse course for local companies to grow their earnings in real terms (which they have struggled to do over the last decade). Some of these headwinds are out of our control, even with the best-intentioned political dispensation (e.g. our dependence on the Chinese economy).

2024 is a year of heightened risk, where stock returns under different scenarios could be bifurcated. As such, we have positioned the Fund to limit downside risk rather than swinging for the fences by taking strong positions at extremes. The Fund is tilted towards favouring companies that have real pricing power, relatively defensive demand and a healthy proportion of fixed-rate debt (British American Tobacco and AB InBev are good examples here). In addition, we prefer companies with self-help levers to improve their economics rather than being fully reliant on a stronger local economy. Woolworths and Remgro are relevant examples in this category.

During the quarter, the Fund added to its positions in AB InBev and Standard Bank and reduced its holdings in MultiChoice and Sibanye-Stillwater.

Commentary contributed by Jithen Pillay

Information and content

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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)11 301 6335 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. Movements in exchange rates may also cause the value of underlying international investments to go up or down. 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 dividend withholding tax.

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.

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. For more information about our annual management fees, refer to the frequently asked questions, available via the Allan Gray website.

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).

FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index

The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index vests in FTSE and the JSE jointly. All their rights are reserved.

MSCI Index

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

FTSE Russell Index

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2024. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/ are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

Important information for investors

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Allan Gray Optimal Fund

31 August 2024

Fund description and summary of investment policy

The Fund invests mainly in selected shares and it uses exchange-traded derivative contracts on stock market indices to substantially reduce its net equity exposure to within a range of 0-20%. As a result, the Fund's return depends on the level of short-term interest rates (implicit in the pricing of the sold futures contracts) and the performance of the Fund's selected shares relative to the stock market index. The Fund's return is therefore unlikely to be correlated with equity market returns. In addition, a portion of the Fund is typically invested in cash and margin deposits.

ASISA unit trust category: South African – Multi Asset – Low Equity

Fund objective and benchmark

The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market returns. The Fund's benchmark is the daily interest rate as supplied by FirstRand Bank Limited.

How we aim to achieve the Fund's objective

The Fund invests in selected shares and seeks to substantially reduce stock market risk by selling exchange-traded equity index derivatives. The selected share portfolio is derived from our thorough research process, but the selection of equities in this Fund may differ from that in the other Allan Gray funds. The deviation of the Fund's selected share portfolio from the composition of the underlying benchmark indices (on which the derivative contracts are based) is restricted and closely monitored. This does not eliminate the risk of capital loss should the selected equities underperform.

Suitable for those investors who

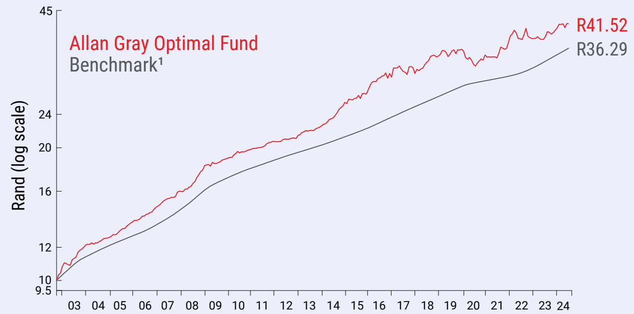
- Seek absolute (i.e. positive) returns regardless of stock market trends
- Require a high degree of capital stability over a 3-year time horizon
- Wish to invest in a product that offers uncorrelated returns relative to shares or bonds as a 'building block' in a diversified multi-asset class portfolio

Fund information on 31 August 2024

Fund size	R0.8bn
Number of units	22 487 414
Price (net asset value per unit)	R23.30
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 2002)	315.2	262.9	206.6
Annualised:			
Since inception (1 October 2002)	6.7	6.1	5.3
Latest 10 years	5.2	5.3	5.0
Latest 5 years	3.0	4.8	5.0
Latest 3 years	5.7	5.7	5.7
Latest 2 years	4.5	7.0	4.7
Latest 1 year	7.2	7.5	4.6
Year-to-date (not annualised)	5.1	5.0	2.8
Risk measures (since inception)			
Maximum drawdown[3]	-10.2	n/a	n/a
Percentage positive months[4]	73.0	100.0	n/a
Annualised monthly volatility[5]	4.4	0.6	n/a
Highest annual return[6]	18.1	11.9	n/a
Lowest annual return[6]	-8.2	2.5	n/a

1. The Fund's benchmark is the daily interest rate, as supplied by FirstRand Bank, performance as calculated by Allan Gray as at 31 August 2024.
2. This is based on the latest available numbers published by IRESS as at 31 July 2024.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 6 February 2020 to 15 September 2020. 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 30 September 2003 and the benchmark's occurred during the 12 months ended 30 September 2003. The Fund's lowest annual return occurred during the 12 months ended 31 August 2020 and the benchmark's occurred during the 12 months ended 30 November 2021. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Meeting the Fund objective

Since inception the Fund has outperformed its benchmark. Over the latest 10- and five-year periods, the Fund has underperformed its benchmark which is the daily interest rate supplied by FirstRand Bank Limited. The Fund aims to deliver long-term positive returns, irrespective of stock market returns.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	31 Dec 2023	30 Jun 2024
Cents per unit	**48.3060**	**59.0784**

Annual management fee

The fee rate is calculated daily by comparing the Fund's total performance to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

The Fund is first required to recover any underperformance before a fee higher than the fee for performance equal to the benchmark can be charged. This is known as a high watermark. If the Fund's performance is above its previous high watermark, we add 0.2% to the fee for each percentage of performance above the high watermark. The fee is uncapped.

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 and three-year period (annualised). 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.

Top 10 share holdings on 30 June 2024 (updated quarterly)

Company	% of portfolio
British American Tobacco	8.3
Naspers & Prosus	8.1
AB InBev	6.4
AngloGold Ashanti	5.2
Sasol	5.1
Gold Fields	4.8
Mondi	4.3
FirstRand	4.2
Sappi	3.9
Anglo American	3.7
Total (%)	**53.9**

Asset allocation on 31 August 2024

Asset class	Total
Net equities	0.9
Hedged equities	84.8
Property	1.0
Commodity-linked	0.0
Bonds	0.0
Money market and cash	13.3
Total (%)	**100.0**

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

TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2024	1yr %	3yr %
Total expense ratio	**1.18**	**1.18**
Fee for benchmark performance	1.00	1.00
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.03	0.03
VAT	0.15	0.15
Transaction costs (including VAT)	**0.14**	**0.14**
Total investment charge	**1.32**	**1.32**

Since inception, the Fund's month-end net equity exposure has varied as follows:

Minimum	(September 2016) -3.6%[7]
Average	4.6%
Maximum	(November 2018) 15.4%

7. The negative net equity exposure as at 30 September 2016 is due to the cash acquisition of SABMiller by Anheuser-Busch In-Bev. This was corrected and the Fund had a positive net equity exposure by 4 October 2016.

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

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Fund manager quarterly commentary as at 30 June 2024

In a welcome change from the recent past, the local market outperformed its global peers in the second quarter, as the uncertainty around the outcome of the South African national elections began to clear and a more centrist coalition government than some had initially feared emerged. The FTSE/JSE All Share Index added 8.2% for the quarter, reversing the losses it incurred in the first quarter and taking the year-to-date return to 5.8%. The FTSE/JSE Financials Index, which comprises mostly banks and insurers predominantly exposed to the domestic economy, was the main driver, rallying 17.8%. This came on the back of a rally in South African government bonds from depressed levels as yield differentials to both the US and emerging market peers (i.e. risk premiums) narrowed. The beleaguered rand strengthened by more than 3% versus the US dollar.

While the political developments were well-received by markets, there remains cause to temper some of the enthusiasm shown to date. If the formation of a coalition government proved difficult, the setting of policy priorities and ongoing decision-making may be harder still. Opposing ideologies between (and, in some cases, within) the various political parties add complexity. And parties outside of the coalition may have a destabilising effect as they exert their influence. Indeed, this has been the undoing of coalition agreements at a municipal level in the past.

Politics aside, the structural factors that contribute to our low-growth environment, including failing state-owned enterprises, weak law enforcement, skills shortages and expanding fiscal deficits, remain. It was these factors which ultimately undid the initial bout of Ramaphoria in 2018. Fast-forward to 2024, and these aspects are now partly captured by the valuations at which our local assets trade. Therefore, any improvements in this regard, off a lower base, may contribute to improved investment outcomes.

The Fund's return for the quarter was a disappointing -1.8%, which takes the year-to-date return to 3.0%.

Foremost amongst the detractors for the quarter were:

- An underweight position in Anglo American – a large share in the index. Heading into the second quarter, we did not have exposure to Anglo American. Instead, we preferred other miners like Glencore, South32 and African Rainbow Minerals. During the quarter, diversified miner BHP attempted a takeover of Anglo American. This saw the share rally by almost 20% in a single day at one point.
- An underweight exposure to local banks which performed strongly. Banks now account for nearly a quarter of the local index.
- A weak quarter for some of our higher-conviction, overweight positions including Sappi, Sasol, British American Tobacco and AB InBev.

This quarter, the Fund initiated new positions in Anglo American and Italtile, added to its existing AB InBev and Sasol holdings, and trimmed its exposure to MultiChoice and Nedbank.

Commentary contributed by Sean Munsie

Information and content

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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)11 301 6335 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.

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.

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. For more information about our annual management fees, refer to the frequently asked questions, available via the Allan Gray website.

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).

FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index, FTSE/JSE All Bond Index and FTSE/JSE Financials Index

The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index, FTSE/JSE All Bond Index and FTSE/JSE Financials Index are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index, FTSE/JSE All Bond Index and FTSE/JSE Financials Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index, FTSE/JSE All Bond Index and FTSE/JSE Financials Index vests in FTSE and the JSE jointly. All their rights are reserved.

Important information for investors

Need more information?
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Allan Gray Bond Fund

31 August 2024

Fund description and summary of investment policy

The Fund invests in South African interest bearing securities. Securities include national government, parastatal, municipal, corporate bonds and money market instruments. The Fund price is sensitive to interest rate movements because of the long-term nature of the Fund's investments. The duration of the Fund may differ materially from the benchmark. The Fund is managed to comply with investment limits governing retirement funds.

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

Fund objective and benchmark

The Bond Fund's goal is to deliver returns that exceed inflation and cash over the long term, without taking on undue risk. The Fund's benchmark is the FTSE/JSE All Bond Index.

How we aim to achieve the Fund's objective

We try to balance credit risk, duration risk and liquidity risk when selecting investments. We target total returns for investors rather than trying to mirror the returns of the FTSE/JSE All Bond Index. When we cannot find value in the bond markets, our portfolio will be weighted towards cash to achieve better returns.

Suitable for those investors who

- Seek a bond 'building block' for a diversified multi-asset class portfolio
- Are looking for returns in excess of those provided by money market or cash investments
- Are prepared to accept more risk of capital depreciation than in a money market or cash investment

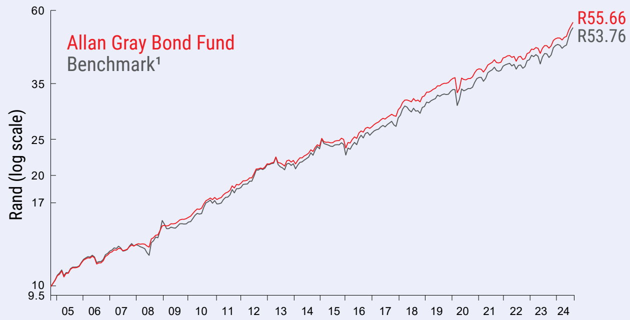
Fund information on 31 August 2024

Fund size	R8.5bn
Number of units	627 383 922
Price (net asset value per unit)	R10.75
Modified duration	4.4
Gross yield (before fees)	10.5
Class	A

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 August 2024.
2. This is based on the latest available numbers published by IRESS as at 31 July 2024.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 27 February 2020 to 24 March 2020 and maximum benchmark drawdown occurred from 26 February 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (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 31 January 2015 and the benchmark's occurred during the 12 months ended 31 January 2015. The Fund's lowest annual return occurred during the 12 months ended 31 January 2016 and the benchmark's occurred during the 12 months ended 31 January 2016. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 2004)	456.6	437.6	191.2
Annualised:			
Since inception (1 October 2004)	9.0	8.8	5.5
Latest 10 years	8.6	8.5	5.0
Latest 5 years	8.4	9.1	5.0
Latest 3 years	8.5	9.0	5.7
Latest 2 years	11.7	12.9	4.7
Latest 1 year	16.4	18.6	4.6
Year-to-date (not annualised)	11.3	12.3	2.8
Risk measures (since inception)			
Maximum drawdown[3]	-18.9	-19.3	n/a
Percentage positive months[4]	71.5	68.6	n/a
Annualised monthly volatility[5]	5.9	7.5	n/a
Highest annual return[6]	18.0	21.2	n/a
Lowest annual return[6]	-2.6	-5.6	n/a

Meeting the Fund objective

Since inception and over the latest 10-year period, the Fund has outperformed its benchmark. Over the latest five-year period, the Fund has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund aims to take no greater risk than its benchmark. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

Income distributions for the last 12 months

Actual payout, the Fund distributes quarterly	30 Sep 2023	31 Dec 2023	31 Mar 2024	30 Jun 2024
Cents per unit	**25.7014**	**26.6398**	**25.8263**	**27.2485**

Annual management fee

A fixed fee of 0.5% p.a. excl. VAT

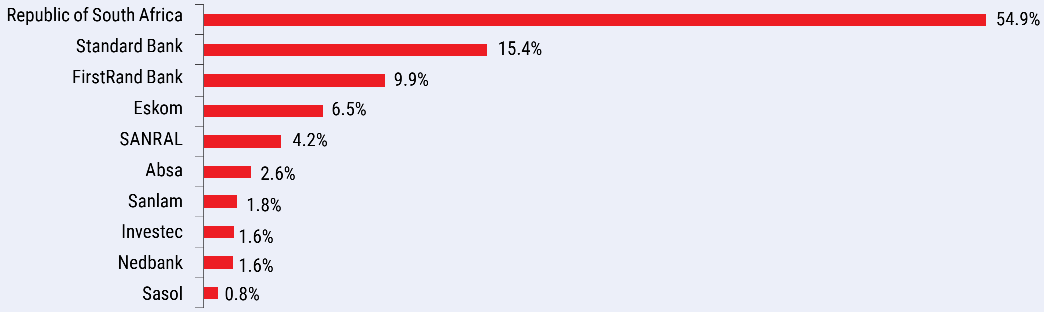
Total expense ratio (TER) and transaction costs (updated quarterly)

The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). 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.

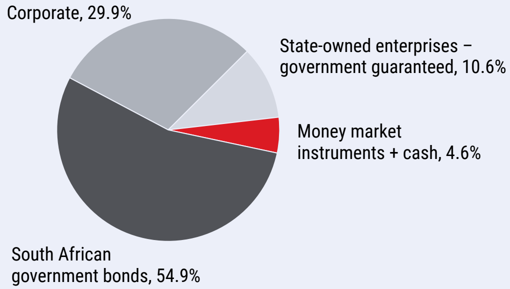
TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2024	1yr %	3yr %
Total expense ratio	**0.59**	**0.55**
Fee for benchmark performance*	0.50	0.47
Performance fees*	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.07
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.59**	**0.55**

*On 1 December 2021, the Fund's annual management fee changed from the previous performance-based fee to the current fixed fee of 0.5% p.a. excl. VAT.

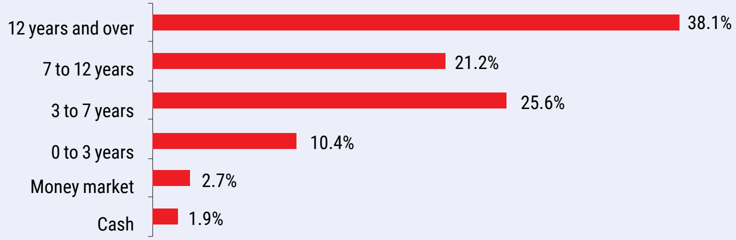
Top 10 credit exposures on 31 August 2024



Asset allocation on 31 August 2024



Maturity profile on 31 August 2024



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

Fund manager quarterly commentary as at 30 June 2024

The year of the great election has commenced, and a swing to the right is sweeping through the polls and flooding into ballot boxes. This is evident in the US, with strong polling figures for Donald Trump and the Republican Party; in the United Kingdom, where Nigel Farage's far-right Reform UK party has eroded some of the support base of the more temperate conservatives; in Germany, where the Social Democrats and Green Party have lost voter share while the prospects for the far-right Alternative for Germany (AfD) party have lifted with the conservative tide; and in France, where Marine Le Pen's right-wing Rassemblement National party significantly increased their seats in parliament.

These elections have arrived just two years after the highest levels of developed market inflation seen in 40 years. History doesn't repeat itself, but it often rhymes. In the Winter of Discontent following the high inflation of the 1970s, Margaret Thatcher led the Conservative Party to reach three landslide victories in the decade thereafter. The current "winter of disconnect" is not only fuelled by a reduction in purchasing power and social inequality but is also deeply rooted in the anti-illegal immigration movement.

In South Africa, the election results confirmed the polls that came before them – a large loss of voter share from the African National Congress (ANC) to Jacob Zuma's uMkhonto weSizwe Party (MK Party) in KwaZulu-Natal. In the days that followed, the market roiled as coalition outcomes were debated, but the MK Party's disorganisation, infighting, constantly changing member list and radical manifesto have made it too unruly to enter coalition discussions. Similarly, there were already mutterings pre-election from within the ANC that earlier provincial coalition partnerships with the Economic Freedom Fighters (EFF) had been damaging to the party. Thus, a government of national unity (GNU) has been formed – sans the EFF and MK Party.

Local equities and bonds have posted 12% and 11% annualised year-to-date returns, respectively. The SA 20-year bond yield has declined from a year-to-date high of 13.2% to as low as 11.9%, reducing the cost of funding for government. This reflects market exuberance with the results of the SA elections and the formation of a GNU that includes the Democratic Alliance (DA). A more confident SA market and a stronger rand can bleed into lower imported cost inflation and therefore have the potential to ease inflationary pressures from fuel and certain food items. As such, the SA market now prices for two to three interest rate cuts over the next two years.

In December 2017, market exuberance following Cyril Ramaphosa's election as president of the ANC saw a similar move in bonds. Ramaphoria, as the period came to be known, saw the 20-year bond spread versus US Treasuries decline from 725 basis points (bps) to 560bps, or roughly a 13% capital return over just three months. Currently, the 20-year spread is at 753bps versus US Treasuries, reflecting that SA bonds are in fact cheaper now than they were pre-Ramaphoria on a relative valuation basis given our larger debt load and more severe interest service burden. Does this mean that this rally has longer to run if foreigners sustainably return to SA bond markets?

Casting one's eye one year forward from Ramaphoria to December 2018, yields were again wider, and the capital gain versus pre-Ramaphoria had collapsed to just 3% with the rand weaker alongside it. One lesson to be learned from this experience is that given the interwoven nature of the global economy and consumed goods, the path of interest rates can struggle to sustainably decline if global inflation misbehaves. In 2018, US inflation deviated from the Federal Reserve's 2% target and rose close to 3%. The inflation figure is similar today. In May 2024, US inflation printed at 3.3%, and the seven exuberant interest rate cuts priced into markets back in January 2024 have yet to materialise. The US labour market continues to be robust and consumers have been spending record amounts on items like travel.

A more imperative takeaway from the Ramaphoria period is that political goodwill alone cannot change the path of our country. For this time to be different, we need highly capable leaders to execute their mandates effectively after many years of decline in key government departments. Only the right mix of ingenuity and skill can improve South Africa's growth prospects and ultimately reduce unemployment. Some political parties have, for example, put forward ideas for revamping Home Affairs and resolving the ongoing tourist visa issues which frustrate this sector of the economy. Strong leaders in the right roles in key departments could have a tangible impact, as we saw when Edward Kieswetter turned the South African Revenue Service (SARS) around after state capture had eroded its operational ability and institutional integrity. Only time will tell if we will see a similar rebuild take place at a grander scale as the GNU and newly minted ministers find their feet.

In the last quarter, the Fund's weighted average yield to maturity (gross of fees) has widened versus the FTSE/JSE All Bond Index – measuring 11.3% versus 10.7% at quarter end. This is owing to the 28% of the Fund in floating-rate paper whose yields did not rerate lower in the fixed-rate bond rally nor experience capital return, given that they pay a steady stream of income over time.

Commentary contributed by Thalia Petousis

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

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Allan Gray is an authorised financial services provider.

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).

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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 Allan Gray Bond 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. 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).

FTSE/JSE All Bond Index

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Important information for investors

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Allan Gray Income Fund

31 August 2024

Fund description and summary of investment policy

The Fund invests primarily in a mix of South African interest-bearing securities, with limited exposure to offshore interest-bearing securities. Returns are likely to be less volatile than those of a bond-only fund. The Fund is managed to comply with the investment limits governing retirement funds.

ASISA unit trust category: South African – Multi Asset – Income

Fund objective and benchmark

The Fund aims to generate income and produce returns that are superior to traditional money market funds, while preserving capital and minimising the risk of loss over any one- to two-year period. 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 a broad range of South African interest-bearing securities, such as floating-rate notes, inflation-linked bonds, fixed-rate instruments and money market securities, with limited exposure to offshore interest-bearing securities. It provides investors with income 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. While the Fund can have limited exposure to equities and property, we expect this to occur infrequently and to typically coincide with unusual or extreme points in the valuation cycle. We take a conservative approach to managing the Fund, balancing credit risk, duration risk and liquidity risk when selecting securities.

Suitable for those investors who

- Are risk-averse and require capital preservation over any one- to two-year period
- Seek returns higher than traditional money market funds
- Seek a unit trust that provides an income
- Seek a prudently managed income 'building block'
- Wish to invest in a unit trust that complies with retirement fund investment limits

Income distributions for the last 12 months

Actual payout, the Fund distributes quarterly	30 Jun 2024
Cents per unit	**13.7849**

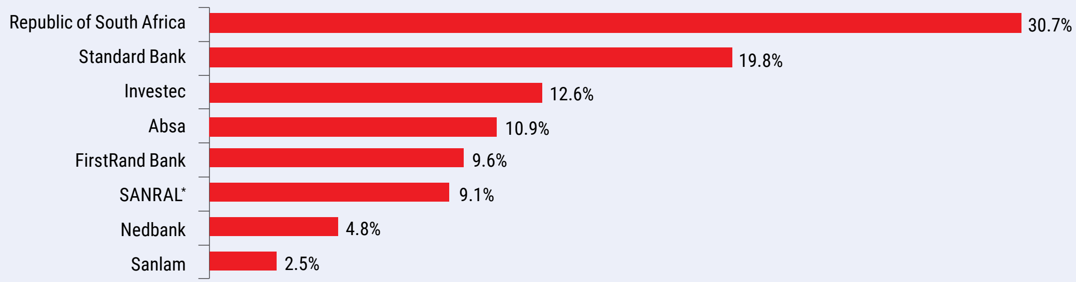
Fund information on 31 August 2024

Fund size	R0.6bn
Number of units	11 436 283
Price (net asset value per unit)	R10.38
Modified duration	0.8
Gross yield (i.e. before fees)	9.8
Net yield (i.e. after fees)	9.0
Fund weighted average maturity (years)	5.1
Class	A

Fund performance

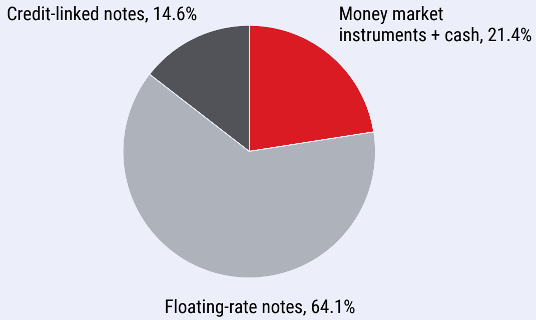
The Fund was launched on 1 May 2024. We will report its performance information from 31 October 2024.

Top credit exposures on 31 August 2024



* The debt holding is guaranteed by RSA Government.

Asset allocation on 31 August 2024



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

Annual management fee

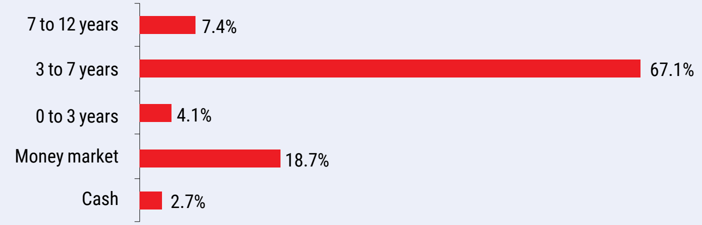
A fixed fee of 0.75% p.a. excl. VAT

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

The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one- and three-year period (annualised). Transaction costs are disclosed separately. Complete and accurate data is only available after 12 months. The TER and transaction costs are therefore based on actual data, where available, and best estimates.

TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2024	1yr %	3yr %
Total expense ratio	**0.87**	**0.87**
Fee for benchmark performance	0.75	0.75
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.11	0.11
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.87**	**0.87**

Maturity profile on 31 August 2024



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

Fund manager commentary as at 31 July 2024

The Fund was seeded on 1 May 2024, a time of heightened political uncertainty and increased market volatility in South Africa. In early June 2024, local debt markets witnessed a sell-off in the immediate aftermath of the election results as it became clear that the African National Congress (ANC) had lost its outright majority for the first time since 1994, creating uncertainty regarding potential coalition partners.

Following the local market sell-off, mid-June marked a pivotal moment for the country as the newly established government of national unity convened its inaugural parliamentary session and Cyril Ramaphosa was re-elected as president. This development was widely embraced by financial markets, with the rand, the FTSE/JSE All Share Index and the bond market all experiencing substantial gains, signalling investor confidence in the potential for economic reforms and stability.

During this period of volatility, there were good opportunities for the Fund to lock in five-year fixed-rate money market positions at 10% yield, which is a longer time horizon than what a traditional money market fund can look at. The Fund also invested in slightly more structured fixed-rate instruments yielding 12%, which the Fund subsequently took profit on in the market rally. While the Fund had some foreign exposure in the period to end-July, these instruments were hedged back to rands, and these positions have subsequently been sold as a profit-taking exercise given the large market rally. The peak modified duration we ran for the Fund during this period was 1.8, a far cry from the type of interest rate sensitivity and volatility one can expect from traditional bond funds.

Most of the Fund has exposure to floating-rate instruments that return cash rates plus a spread and have low modified duration. At end-July, the lowest yielding of these was cash + 1.3% and the highest yielding was cash + 3.1%. Overnight cash rates in South Africa remain at a 15-year high following the elevated inflation experienced over the last two years. During the July Monetary Policy Committee (MPC) meeting, the South African Reserve Bank kept interest rates unchanged, citing that the battle against inflation is not yet won, although two of the six MPC members voted to cut interest rates. The MPC prudently avoids giving forward guidance on interest rates so that they can remain nimble in the face of new data, although the market prices for rate cuts to begin as early as September 2024.

While the future remains uncertain, we aim to construct portfolios that can do well across a range of possible scenarios. We believe that the Fund currently holds assets that can provide above-cash returns and protect income in a high-inflation environment, particularly if interest rates remain higher than the prevailing inflation rate, as has been the case in South Africa over long periods. In the event of rate cuts, the Fund's weighted average yield (gross of fees) of 9.9% as at 31 July 2024 should decline, but it still offers a rate of interest that is 1.7% higher than that of overnight cash, as well as 4.8% higher than that of June's inflation print. The Fund also offers capital stability, is conservatively managed from a credit risk perspective, and should outperform traditional money market and cash-plus funds over one- to three-year periods.

Commentary contributed by Thalia Petousis

Note: From end-September 2024 we will publish fund manager commentaries on a quarterly basis, in line with all our other funds.

Information and content

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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)11 301 6335 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 dividend withholding tax.

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).

FTSE/JSE All Share Index

The FTSE/JSE All Share Index is calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index is the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Share Index vests in FTSE and the JSE jointly. All their rights are reserved.

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.**

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.

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) 3-month 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

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

Fund information on 31 August 2024

Fund size	R29.1bn
Number of units	26 057 501 166
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.73
Fund weighted average coupon (days)	80.93
Fund weighted average maturity (days)	118.08
Class	A

1. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) 3-month Index. From 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. From 1 November 2011 to 19 August 2024, the benchmark was the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Performance as calculated by Allan Gray as at 31 August 2024.
2. This is based on the latest available numbers published by IRESS as at 31 July 2024.
3. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
4. 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.
5. 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 October 2021 and the benchmark's occurred during the 12 months ended 31 October 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 2023	Oct 2023	Nov 2023	Dec 2023
0.70	0.73	0.71	0.74
Jan 2024	Feb 2024	Mar 2024	Apr 2024
0.75	0.69	0.74	0.72
May 2024	Jun 2024	Jul 2024	Aug 2024
0.74	0.72	0.74	0.73

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	456.7	432.5	240.9
Annualised:			
Since inception (1 July 2001)	7.7	7.5	5.5
Latest 10 years	7.0	6.6	5.0
Latest 5 years	6.6	6.1	5.0
Latest 3 years	7.2	6.7	5.7
Latest 2 years	8.3	7.9	4.7
Latest 1 year	9.1	8.6	4.6
Year-to-date (not annualised)	6.0	5.6	2.8
Risk measures (since inception)			
Percentage positive months[3]	100.0	100.0	n/a
Annualised monthly volatility[4]	0.6	0.6	n/a
Highest annual return[5]	12.8	13.3	n/a
Lowest annual return[5]	4.3	3.8	n/a

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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 0.25% 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 a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). 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.

TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2024	1yr %	3yr %
Total expense ratio	**0.29**	**0.29**
Fee for benchmark performance	0.25	0.25
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.00	0.00
VAT	0.04	0.04
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.29**	**0.29**

Exposure by issuer on 31 August 2024

	% of portfolio
Governments	**42.3**
Republic of South Africa	42.3
Banks[6]	**52.4**
Nedbank	17.9
Standard Bank	13.3
FirstRand Bank	9.1
Investec Bank	6.4
Absa Bank	5.7
Corporates	**5.3**
Shoprite	2.5
Mercedes-Benz Group	1.7
Sanlam	1.1
Total (%)	**100.0**

6. Banks include negotiable certificates of deposit (NCDs), floating-rate notes, fixed deposits and call deposits.

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

Fund manager quarterly commentary as at 30 June 2024

While South Africa's overnight interest rate was again left unchanged at 8.25% following the May meeting of the Monetary Policy Committee, the market had already moved to reduce one-year bank deposit rates from 9.30% in April to 8.85% at present, or 0.45% lower. This reflects market exuberance with the results of the SA elections and the formation of a government of national unity (GNU), which includes the Democratic Alliance. A more confident SA market and a stronger rand can bleed into lower imported cost inflation and therefore have the potential to ease inflationary pressures from fuel and certain food items. As such, the SA market now prices for two to three interest rate cuts over the next two years.

History doesn't repeat itself, but it often rhymes. During 2017, market exuberance following Cyril Ramaphosa's election as president of the African National Congress saw a similar move in interest rates. Ramaphoria, as the period came to be known, saw one-year money market rates decline by 0.45% over the month of December 2017 despite no change in the overnight rate. Casting one's eye a year forward to the end of December 2018, rate cuts had not sustainably emerged and one-year bank money market rates were in fact *higher* than they had been pre-Ramaphoria with the rand weaker alongside it.

A lesson to be learned from this experience is that given the interwoven nature of the global economy and consumed goods, the path of short-dated interest rates can struggle to sustainably decline if global inflation misbehaves. In 2018, US inflation deviated from the Federal Reserve's 2% target and rose to almost 3%. The inflation figure is similar today. In May 2024, US inflation printed at 3.3% and the seven exuberant interest rate cuts priced into markets back in January 2024 have yet to materialise. The US labour market continues to be robust and consumers have been spending record amounts on items like travel.

Another key takeaway from the Ramaphoria period is that political goodwill alone cannot change the path of our country. For this time to be different, we need highly capable leaders to execute their mandates effectively after many years of decline in key government departments. Only the right mix of ingenuity and skill can improve South Africa's growth prospects and ultimately reduce unemployment. Some political parties have, for example, put forward ideas for revamping Home Affairs and resolving the ongoing tourist visa issues, which frustrate this sector of the economy. Strong leaders in the right roles in such departments could have a tangible impact, as we saw when Edward Kieswetter turned the South African Revenue Service (SARS) around after state capture had eroded its operational ability and institutional integrity. Only time will tell if we will see a similar rebuild take place on a grander scale as the GNU and the newly appointed ministers find their feet.

In the last quarter, the Fund raised its exposure to short-dated Government Treasury Bills as six-month government yields rose to be 0.5% wider than the equivalent bank money market deposits. The Fund's weighted average yield (gross of fees) declined over the quarter from 9.47% to 9.40% as the Fund began to reinvest deposit maturities at the lower prevailing term interest rates.

Commentary contributed by Thalia Petousis

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

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Allan Gray is an authorised financial services provider.

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)11 301 6335 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 (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).

Important information for investors

Need more information?
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Allan Gray-Orbis Global Optimal Fund of Funds

31 August 2024

Fund description and summary of investment policy

The Fund invests in a mix of absolute return funds managed by Allan Gray's offshore investment partner, Orbis Investment Management Limited. The typical net equity exposure of the Fund is between 0% and 20%. The Orbis Optimal SA funds included in the Fund use exchange-traded derivative contracts on stock market indices to reduce net equity exposure. In these funds, the market exposure of equity portfolios is effectively replaced with cash-like exposure, plus or minus Orbis' skills in delivering returns above or below the market. Returns are likely to be less volatile than those of a foreign equity or balanced fund. Although the Fund's investment universe is global, the units in the Fund are priced and traded daily in rands. When considered in rands, returns of this foreign fund are likely to be more volatile than domestic funds with similar equity constraints.

ASISA unit trust category: Global – Multi Asset – Low Equity

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits. The Fund's benchmark is the simple average of the benchmarks of the underlying Orbis funds.

How we aim to achieve the Fund's objective

The Fund invests only in the Optimal SA absolute return funds managed by our offshore investment partner, Orbis Investment Management Limited. Within the Optimal funds, Orbis uses in-house research to identify companies around the world whose shares can be purchased for less than Orbis' assessment of their long-term intrinsic value. This long-term perspective enables them to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. This is the same approach as that used by Allan Gray to invest in South African equities, except that Orbis is able to choose from many more shares, listed internationally. The Orbis Optimal SA funds reduce most of their stock market risk by the use of exchange-traded derivative futures contracts. The Orbis Optimal SA funds will typically retain a small portion of their exposure to equity markets, but the level of exposure may be varied depending on Orbis' assessment of the potential returns on global stock markets relative to their risk of capital loss. The underlying funds' returns are therefore derived partly from their relatively low exposure to stock markets, partly from Orbis' selected share returns relative to those markets, and partly from foreign currency cash-equivalent returns. The Fund's currency exposure is actively managed both within the underlying Orbis funds and through our selection of Orbis funds.

Suitable for those investors who

- Seek steady absolute returns ahead of those of cash measured in global currencies
- Wish to invest in international assets without having to personally expatriate rands
- Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk
- Wish to use the Fund as a foreign absolute return 'building block' in a diversified multi-asset class portfolio

Note: The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

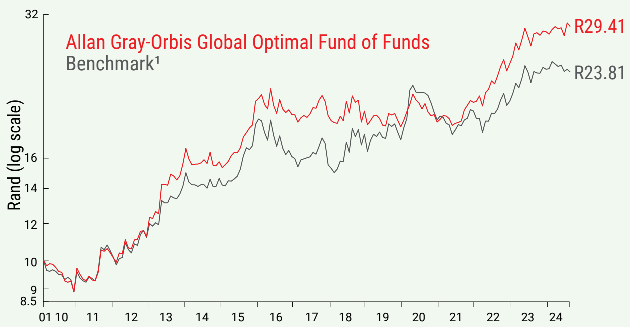
Fund information on 31 August 2024

Fund size	R1.1bn
Number of units	36 046 365
Price (net asset value per unit)	R29.36
Class	A

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 August 2024.
2. This data reflects the latest available inflation numbers for South Africa and the United States of America, as published by IRESS as of 31 July 2024.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 18 May 2016 to 24 March 2017 and maximum benchmark drawdown occurred from 18 January 2016 to 23 February 2018. Drawdown is calculated on the total return of the Fund/benchmark (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 31 December 2013 and the benchmark's occurred during the 12 months ended 31 January 2016. The Fund's lowest annual return occurred during the 12 months ended 31 May 2017 and the benchmark's occurred during the 12 months ended 28 February 2017. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund		Benchmark[1]		CPI inflation[2]	
Cumulative:	ZAR	US$	ZAR	US$	ZAR	US$
Since inception (2 March 2010)	194.1	27.7	138.3	3.4	106.2	44.3
Annualised:						
Since inception (2 March 2010)	7.7	1.7	6.2	0.2	5.1	2.6
Latest 10 years	6.5	1.2	5.5	0.3	5.0	2.8
Latest 5 years	8.4	5.2	4.9	1.8	5.0	4.2
Latest 3 years	15.6	8.3	8.6	1.7	5.7	4.9
Latest 2 years	12.0	9.9	8.8	6.8	4.7	3.1
Latest 1 year	3.4	9.8	-0.3	5.8	4.6	2.9
Year-to-date (not annualised)	2.4	7.1	-1.3	3.2	2.8	1.8
Risk measures (since inception)						
Maximum drawdown[3]	-18.9	-31.3	-26.6	-16.1	n/a	n/a
Percentage positive months[4]	52.3	55.7	47.7	49.4	n/a	n/a
Annualised monthly volatility[5]	13.2	7.2	13.6	4.3	n/a	n/a
Highest annual return[6]	39.6	14.4	35.6	9.4	n/a	n/a
Lowest annual return[6]	-12.4	-15.3	-19.1	-11.6	n/a	n/a

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Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund has outperformed its benchmark. There has been some volatility in the Fund's returns. The underlying funds' maximum drawdowns to date, in their reporting currencies, are 23% for the Orbis Optimal SA Dollar class and 28% for the Orbis Optimal SA Euro class.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	31 Dec 2023
Cents per unit	**0.3632**

Annual management fee

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the Orbis Optimal SA Fund factsheets and prospectus, which can be found at www.orbis.com.

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

The annual management fees charged by Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). 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.

TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2024	1yr %	3yr %
Total expense ratio	**1.06**	**1.07**
Fee for benchmark performance	0.99	1.00
Performance fees	-0.01	-0.01
Other costs excluding transaction costs	0.08	0.08
VAT	0.00	0.00
Transaction costs (including VAT)	**0.10**	**0.12**
Total investment charge	**1.16**	**1.19**

Top 10 share holdings on 31 August 2024

Company	% of portfolio
UnitedHealth Group	4.0
Corpay (was FLEETCOR)	3.8
QXO	3.7
RXO	3.1
British American Tobacco	2.7
Motorola Solutions	2.6
Cinemark Holdings	2.6
London Stock Exchange Group	2.4
ConvaTec Group	2.1
Elevance Health	2.0
Total (%)	**28.9**

Fund allocation on 31 August 2024

Foreign absolute return funds	%
Orbis Optimal SA (US$)	62.0
Orbis Optimal SA (Euro)	38.0
Total (%)	**100.0**

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

Asset allocation on 31 August 2024

	Total	United States	UK	Europe ex-UK[7]	Japan	Other[7]	Emerging markets
Net equities	0.1	-0.1	8.0	-5.7	-1.3	-1.1	0.3
Hedged equities	88.2	36.2	9.2	13.3	19.3	3.4	6.7
Property	2.7	0.0	0.0	0.0	1.3	1.5	0.0
Commodity-linked	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Money market and cash	8.9	5.5	0.7	0.5	1.3	0.3	0.6
Total (%)	**100.0**	**41.7**	**17.9**	**8.1**	**20.6**	**4.1**	**7.6**
Currency exposure	100.0	56.1	-0.1	37.5	6.0	0.5	0.1

7. Refers to developed markets only.

Fund manager quarterly commentary as at 30 June 2024

Last quarter, we highlighted Diageo as an appealing idiosyncratic stock within the Orbis Optimal SA Fund. This quarter, we are continuing our deep dive into the Fund by examining another compelling name: the London Stock Exchange Group (LSEG). Most associate LSEG with the eponymous London Stock Exchange, but the exchange contributes no more than a low-single-digit percentage of the revenues at LSEG. Five key divisions generate the majority of the revenues and profits. These divisions are connected businesses that operate across the financial value chain from pre-trading data and analytics to post-trade clearing and reporting. There are a few characteristics that are common across these assets. Firstly, they are mission critical for their customers who cannot operate without these or equivalent services. Secondly, while substitutes do exist, the cost of failure is high, making the cost of switching high as well. These business customers are highly sticky for one reason or another – they are either intertwined with the customer's operations (think data feeds providing pricing, financial data to quant funds and risk management functions), or are used to bestow credibility (think benchmarks), or have network effects (think fixed income trading platforms and the clearing houses) or have a long history of data that is irreplicable (financial pricing and feeds). The high cost of switching brings with it high retention rates and pricing power. We see such data assets as similar to software in the stickiness of business they enjoy but with much lower risk of disruption.

LSEG, in its current form, can be thought of as a product of the merger between the London Stock Exchange and Refinitiv, a leading provider of financial market data and infrastructure. It is no secret that Refinitiv was undermanaged under the previous ownership of Thomson Reuters. The market share losses of its flagship terminal system, Workspace (formerly Eikon), to FactSet and Bloomberg had been grabbing headlines for a while. Reuters' sales teams were historically incentivised on gross sales (not accounting for customer churn), leading to poor account management, driving weak retention rates versus peers. The product and culture were mediocre. The turnaround started under Blackstone's ownership in 2018. LSEG acquired Refinitiv in January 2021, and the news brought with it heightened uncertainty on the stock. After all, LSEG had just acquired a business twice its size, and while Refinitiv had some marquee assets (Enterprise Data, Tradeweb), Workspace had only recently begun a turnaround from being seen as a melting ice cube. We too were sceptical of the acquisition at first. However, 2022 started to see green shoots of improvement – Workspace turned to growth for the first time in a decade, driven by improved retention and business simplification. Fast-forward to today, it appears the team at LSEG has succeeded in stabilising the Reuters business and is at the cusp of harvesting its efforts and investment. 240 individual products have been streamlined to nine theme-based solutions. Sales incentives have been realigned, and retention targets have been given greater focus. Large clients are being approached with a catalogue-based offering to help them consolidate their spending across various data providers and in favour of LSEG, while saving money.

What excites us even more about this setup is LSEG's partnership to co-develop products with Microsoft. Announced in 2022, this partnership will embed access to LSEG's data in Microsoft's AI and workflow tools such as Copilot and Microsoft Teams, unlocking significant monetisation opportunities for both companies. These products are in trial phase currently and are expected to start getting monetised from 2025. Microsoft has bought a 4% stake in LSEG which we see as a sign of commitment to this partnership. Workspace has transitioned from a business that was shrinking to one that is growing, and we are confident that it will only accelerate this growth in the coming years as it closes the gap with peers. At the group level, predictable future revenues are on the rise. Annual subscription value growth, which can be used as a proxy for where the recurring revenue (over 70% of 2023 total revenue) growth should be heading, has increased in recent quarters to upwards of 6% from around 1% five years ago. The uncertainty has been slowly dissipating. It is now amply clear that LSEG made an astute acquisition of Refinitiv at half the multiple that peers paid for similar assets recently.

Although management has impressed on accelerating growth in the acquired assets, there remains an opportunity to improve margins as the company exits the integration phase and enters the harvest phase. LSEG's operating margins lag peers currently, and the management team has committed to close the gap over the medium term. While the initial plan for cost synergies has been delivered, there is continued potential for simplification and rationalisation at Refinitiv. The company employs approximately 11 000 people in data capture and customer service, and there is significant potential for technology to drive cost savings in this realm. Additionally, the "build once, sell many times" models tend to have operating leverage, and the business mix is favourable for margin progression. While the current point of operation leaves room for uncertainty, we are optimistic about LSEG transforming from a mid-single-digit growth company to a high-single-digit growth one, with earnings per share growing comfortably in the teens over our investment horizon. We are happy to own what is, in our view, a high-quality, resilient business that is seeing a significant improvement in its fundamentals.

The Fund's overall net equity exposure rose over the quarter. Among individual positions, we added to our position in UnitedHealth Group and trimmed the position in Micron Technology into share price strength.

Adapted from a commentary contributed by Neha Aggarwal, Orbis Portfolio Management (Europe) LLP, London

Important information for investors

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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.

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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.

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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. For more information about our annual management fees, refer to the frequently asked questions, available via the Allan Gray website.

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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).

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FTSE Russell Index

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