ALLANGRAY

Fund managers: Duncan Artus, Jacques Plaut, Rory Kutisker-Jacobson, Tim Acker
(Most foreign assets are invested in Orbis funds) **Inception date:** 1 February 2016
Only available through tax-free investment accounts.

Allan Gray Tax-Free Balanced Fund

31 October 2023

Fund description and summary of investment policy

The Fund is managed in broadly the same way as the Allan Gray Balanced Fund. It was created specifically for use in tax-free accounts and can only be accessed through these products. The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund can invest a maximum of 45% offshore. The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund.

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

Fund objective and benchmark

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund's benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds).

How we aim to achieve the Fund's objective

We seek to buy shares at a discount to their intrinsic value. 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. If the stock market offers few attractive shares we may increase the Fund's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Fund's stock market exposure. By varying the Fund's exposure to these different asset classes over time, we seek to enhance the Fund's long-term returns and to manage its risk. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund
- Wish to invest in a tax-free investment account
- Typically have an investment horizon of at least three years

Minimum investment amounts*

Initial lump sum per investor account	R36 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

**Only available to investors with a South African bank account.

Maximum investment amounts

Maximum lump sum per investor account	R36 000
Lifetime maximum	R500 000
Maximum debit order**	R3 000

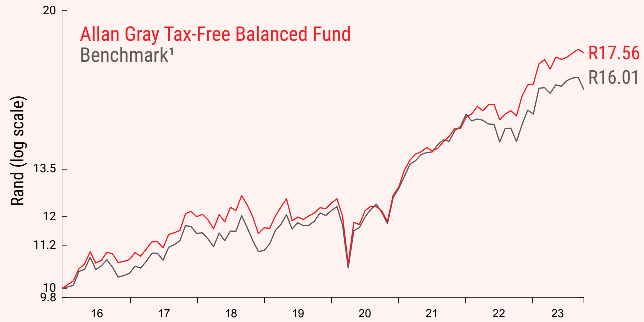
Fund information on 31 October 2023

Fund size	R2.5bn
Number of units	228 006 66
Price (net asset value per unit)	R14.75
Class	A

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 31 October 2023.
2. This is based on the latest available numbers published by IRESS as at 30 September 2023.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 20 January 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 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 (1 February 2016)	75.6	60.1	47.1
Annualised:			
Since inception (1 February 2016)	7.5	6.3	5.2
Latest 5 years	8.0	7.3	5.0
Latest 3 years	14.1	10.9	6.0
Latest 2 years	8.6	4.0	6.4
Latest 1 year	8.6	6.4	5.4
Year-to-date (not annualised)	5.5	3.6	4.7
Risk measures (since inception)			
Maximum drawdown[3]	-24.6	-23.3	n/a
Percentage positive months[4]	65.6	63.4	n/a
Annualised monthly volatility[5]	9.5	9.3	n/a
Highest annual return[6]	31.7	30.7	n/a
Lowest annual return[6]	-13.4	-10.3	n/a

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Fund history

This Fund is managed in broadly the same way as the Allan Gray Balanced Fund. It was created specifically for use in tax-free accounts. Refer to the Allan Gray Balanced Fund factsheet for a history of the Allan Gray Balanced Fund since its inception on 1 October 1999.

Meeting the Fund objective

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund experiences periods of underperformance in pursuit of this objective. Since inception and over the latest five-year period, the Fund has outperformed 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 2022	30 Jun 2023
Cents per unit	**24.2736**	**15.7833**

Annual management fee

The fee we charge is fixed at 1.25% excluding VAT.

This fee only applies to the portion of the unit trusts that we manage. The offshore portion of the unit trust is managed by Orbis. Orbis charges fixed fees within these funds. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and transaction costs

The annual management fees charged by both Allan Gray and 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.

Top 10 share holdings on 30 September 2023 (SA and Foreign) (updated quarterly)[7]

Company	% of portfolio
British American Tobacco	4.5
AB InBev	3.6
Glencore	3.2
Naspers & Prosus	2.8
Mondi	2.2
Woolworths	2.2
Sasol	2.1
Standard Bank	2.0
Nedbank	2.0
Remgro	1.7
Total (%)	**26.2**

Asset allocation on 31 October 2023[7]

Asset class	Total	South Africa	Foreign[8]
Net equities	64.2	41.1	23.1
Hedged equities	8.8	2.8	6.0
Property	0.8	0.5	0.3
Commodity-linked	3.5	2.9	0.6
Bonds	13.7	8.8	4.9
Money market and bank deposits[9]	8.9	6.7	2.2
Total (%)	**100.0**	**62.8**	**37.2[10]**

7. Underlying holdings of foreign funds are included on a look-through basis.
8. Includes Africa ex-SA exposure following the consolidation of the foreign ex-Africa and Africa ex-SA allowances into a single foreign limit of 45%.
9. Including currency hedges.
10. The Fund can invest a maximum of 45% offshore. Market movements may periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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

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

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2023	1yr %	3yr %
Total expense ratio	**1.48**	**1.50**
Fee for benchmark performance	1.31	1.31
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.03	0.04
VAT	0.14	0.15
Transaction costs (including VAT)	**0.07**	**0.08**
Total investment charge	**1.55**	**1.58**

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

Minimum	(February 2016) 57.5%
Average	64.4%
Maximum	(May 2021) 72.5%

Fund manager quarterly commentary as at 30 September 2023

The local market continued to drift sideways in the third quarter of 2023. Year to date, the FTSE/JSE Capped Shareholder Weighted All Share Index (Capped SWIX) has delivered a return of 0%, and the FTSE/JSE All Bond Index delivered a return of 1%. The Fund's performance of 8% was ahead of these numbers, helped by stock selection and offshore exposure.

It is well known that South African businesses face a myriad of challenges, notably loadshedding and a weak consumer environment. Reading the daily newspaper headlines paints a grim picture. Despite this, market returns over the past three years have been reasonably healthy, e.g. 14% for the Capped SWIX. This illustrates the benefit of starting at a low valuation during the COVID-19 slump of 2020.

Valuations for many South African shares remain at very cheap levels versus history, suggesting a reasonable prospect of good returns going forward – even in an unfavourable economic climate. This can be seen when looking at the market from a top-down view, e.g. the FTSE/JSE All Share Index's price-to-earnings multiple of only 10 times compared to a 20-year average of 16 times. Our bottom-up fundamental research on local shares also confirms that many are trading on low valuations compared to history and to our estimate of their intrinsic value.

Fixed income

Long-term South African government bonds offer yields in excess of 12% which appear very attractive at face value. Locally, inflation has fallen below 5%, so these bonds offer a real (i.e. after inflation) yield of 7%. This is close to the highest it has been in the last two decades. It is likely that the South African Reserve Bank has reached the peak of the current interest rate hiking cycle or is close to it. If inflation remains subdued, there is a good chance that interest rates will be cut next year which would be good news for bondholders. We do believe South African government bonds offer decent value and have increased their weighting in the Fund in recent years. But despite these bullish arguments, South African government bonds make up only 5% of the Fund – a significantly smaller position than many of our peers. The South African government continues to run a large fiscal deficit which the local savings pool has a limited ability to fund. As long as foreign investors remain apprehensive of South African bonds, there is a risk that bond yields increase even more, i.e. a decline in prices.

Meanwhile, local cash is also offering attractive yields in excess of 9% at much lower risk than long bonds. Cash also has valuable optionality, as it can be used to take advantage of future opportunities that may arise. We also prefer South African shares over South African bonds, given the low valuations of shares. Shares also protect investors against the risk of inflation, as companies can typically pass higher prices on to their customers to some degree.

Risks and opportunities

Our approach remains focused on bottom-up company research to find superior investment opportunities. This includes identifying investments which offer the highest expected returns but also weighs up the associated risks as well as the diversification benefits of uncorrelated returns. All these factors are considered when building the portfolio.

An important decision at present is whether to prefer "SA Inc" shares (i.e. companies that primarily operate in the local economy) or "rand hedge" shares (i.e. companies that operate offshore and benefit from a weaker rand). The very low valuations of SA Inc shares offer more potential upside if the economy recovers, but these are also the businesses facing the brunt of the challenges of operating in South Africa. At present, we are finding attractive opportunities in both categories, so there is no need to choose only one or the other. This diversification also means that performance of the Fund does not rely on a specific macroeconomic scenario playing out.

Currently, the Fund's foreign exposure is at 37% – still below the 45% foreign capacity limit. The majority of the foreign portion of the Fund continues to be allocated to various Orbis funds. In addition to this, the Fund has the flexibility to directly hold foreign shares, which is useful from a portfolio management point of view. One reason for not using the full foreign capacity is that local opportunities are more attractive currently. It is also worth remembering that a significant portion of "local" shares are in fact businesses with earnings outside of South Africa, so the underlying foreign exposure is higher than it appears.

During the quarter, the Fund added to positions in AB InBev, British American Tobacco and MultiChoice and trimmed Woolworths, Glencore and Prosus NV.

Commentary contributed by Tim Acker

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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. 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.

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).

Information for investors in the tax-free investment account

The Allan Gray Tax-Free Investment Account is administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider, and underwritten by Allan Gray Life Ltd, an insurer licensed to conduct investment-linked life insurance business as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual products are portfolios of collective investment schemes in securities (unit trusts or funds).

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

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

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**

Allan Gray Bond Fund

31 October 2023

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

Minimum investment amounts*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

**Only available to investors with a South African bank account.

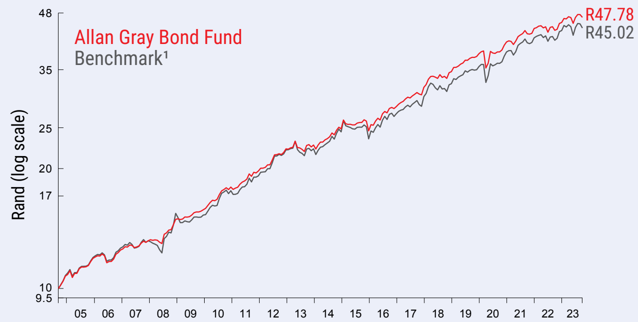
Fund information on 31 October 2023

Fund size	R7.0bn
Number of units	638 333 128
Price (net asset value per unit)	R9.98
Modified duration	4.0
Gross yield (before fees)	11.5
Class	A

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 October 2023.
2. This is based on the latest available numbers published by IRESS as at 30 September 2023.
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)	377.8	350.2	180.9
Annualised:			
Since inception (1 October 2004)	8.5	8.2	5.6
Latest 10 years	7.7	7.3	5.1
Latest 5 years	7.6	7.9	5.0
Latest 3 years	7.0	7.3	6.0
Latest 2 years	5.7	5.5	6.4
Latest 1 year	8.7	7.9	5.4
Year-to-date (not annualised)	4.6	3.2	4.7
Risk measures (since inception)			
Maximum drawdown[3]	-18.9	-19.3	n/a
Percentage positive months[4]	71.2	68.1	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

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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	31 Dec 2022	31 Mar 2023	30 Jun 2023	30 Sep 2023
Cents per unit	25.0699	24.7203	26.0679	25.7014

Annual management fee

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

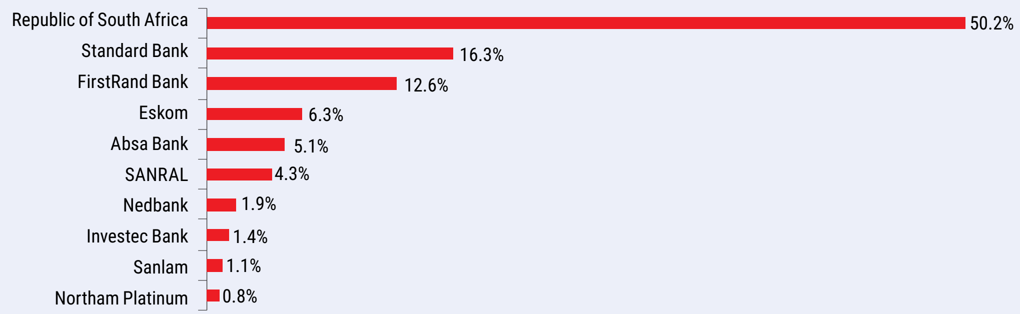
Total expense ratio (TER) and transaction costs (updated quarterly)

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.

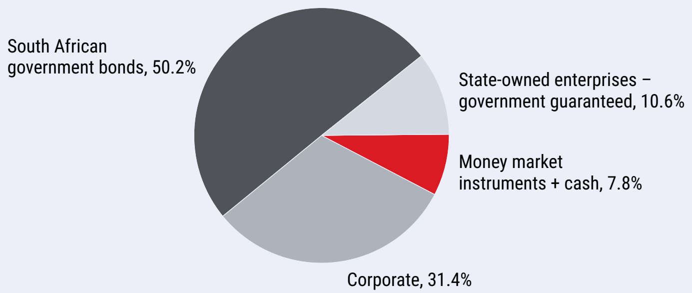
TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2023	1yr %	3yr %
Total expense ratio	**0.59**	**0.47**
Fee for benchmark performance*	0.50	0.40
Performance fees*	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.06
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.59**	**0.47**

*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.

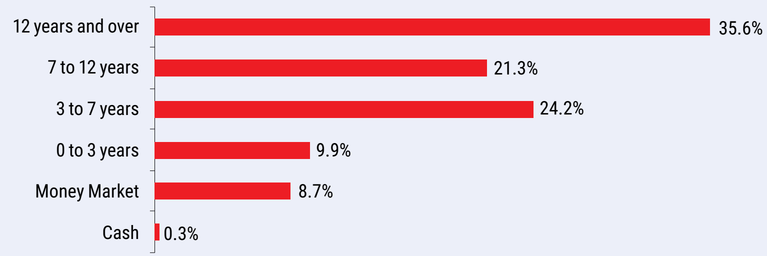
Top 10 credit exposures on 31 October 2023



Asset allocation on 31 October 2023



Maturity profile on 31 October 2023



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

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Fund manager quarterly commentary as at 30 September 2023

The notion of a government bond trading at a 12% yield can sound very appealing, but it poses several issues. The first is for the bond investor. To own a government bond at a 12% yield does not mean one is earning 12% per annum. On the contrary, while the South African government 20-year bond has traded at an average yield of 12.1% this year, the total return for a holder of this bond over that period has in fact been marginally negative. The reason for this is that while this bond started the year at 11.5%, it ended the most recent quarter at 13%. Put simply, one has been taking capital price knocks along the way, which eat away at one's return as the bond's market value is made cheaper. Another way to think about this, as put forward by South African Reserve Bank Governor Lesetja Kganyago at the September Monetary Policy Committee meeting, is that bond investors are essentially asking for more butter and jam to spread on the proverbial South African bread. The yields are rising.

A more serious issue, perhaps, is the fiscal implications of the South African government issuing debt at a 12% yield while nominal economic growth is climbing at around half of that, or 6%. In this situation, government's interest expense grows and compounds at a much faster rate than tax revenue growth, requiring cost-cutting measures to offset growth in the unfunded interest bill. Using theoretical estimates, if nominal GDP grows at 6.5% per annum for the next seven years while government's cost of interest remains at 12% or more, then even if we manage to run a neutral primary balance every year (i.e. government revenue equals government spending, ignoring the interest bill), by 2030 we could easily be in a situation where debt is close to 100% of GDP and where approximately 40 cents on every tax rand that is raised goes towards servicing interest on old debt.

The only way to neutralise the fiscal deterioration from such a growing debt burden is to embark on fiscal austerity and put aside large primary surpluses in the budget every year.

A version of such an approach is currently being proposed by National Treasury and the Finance Minister, Enoch Godongwana, although with some resistance from government and unions. This is perhaps understandable when one questions the appropriateness of austerity in a country with such devastating levels of social poverty and unemployment. Treasury's challenge will be to cut spending in areas where it is wasteful and keep the taps open where it is being routed to social welfare and critical infrastructure. Treasury argues for a restructuring of the public sector by closing redundant government departments and reducing the headcount, as well as scrapping a host of smaller spending programmes that are seen as non-critical.

These strong measures are being proposed as the market awakens to the realisation that the Budget estimates tabled in February were not credible. As discussed in various of my writings this year, the February Budget greatly overestimated corporate income tax collection, which has subsequently been decimated by a decline in commodity export prices and the severe cost of loadshedding, while also pencilling in far lower public sector wage increases than those ultimately agreed to with striking unions. Against this backdrop, we have already seen Treasury raise their weekly issuance of short-dated T-bills from R12.4bn per week to R14.8bn per week. Any move to raise the issuance of longer-dated government bonds will put further pressure on yields, which is a risk of which we are vigilant.

In the last quarter, the Fund maintained its reasonably low-duration position and increased its exposure to floating-rate instruments at 9.5% to 11.5% yields while selectively reinvesting a smaller portion of its coupon flows into fixed-rate bonds above 12% yield.

Commentary contributed by Thalia Petousis

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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 yield is current, calculated as at month-end.

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

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

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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) Composite Index.

How we aim to achieve the Fund's objective

The Fund invests in selected money market instruments providing an income yield and a high degree of capital stability. We formulate an interest rate outlook, which is influenced by our inflation outlook and expectations of the resulting Reserve Bank policy response. Based on this analysis, we select investments for the Fund. These assets are typically held to maturity. We take a conservative approach to credit risk.

Suitable for those investors who

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

Minimum investment amounts*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

**Only available to investors with a South African bank account.

Fund information on 31 October 2023

Fund size	R27.5bn
Number of units	25 161 232 212
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.73
Fund weighted average coupon (days)	86.74
Fund weighted average maturity (days)	107.51
Class	A

1. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund, performance as calculated by Allan Gray as at 31 October 2023.
2. This is based on the latest available numbers published by IRESS as at 30 September 2023.
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

Nov 2022	Dec 2022	Jan 2023	Feb 2023
0.53	0.58	0.60	0.56
Mar 2023	**Apr 2023**	**May 2023**	**Jun 2023**
0.64	0.64	0.68	0.68
Jul 2023	**Aug 2023**	**Sep 2023**	**Oct 2023**
0.71	0.72	0.70	0.73

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	417.7	397.3	228.8
Annualised:			
Since inception (1 July 2001)	7.6	7.4	5.5
Latest 10 years	6.7	6.4	5.1
Latest 5 years	6.4	5.9	5.0
Latest 3 years	5.9	5.4	6.0
Latest 2 years	6.6	6.2	6.4
Latest 1 year	8.1	7.7	5.4
Year-to-date (not annualised)	6.9	6.6	4.7
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

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 September 2023	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 October 2023

	% of portfolio
Corporates	**10.8**
Sanlam	2.5
Shoprite	2.4
Daimler Truck AG	2.2
AVI	1.5
Pick 'n Pay	0.9
Toyota Financial Services (SA)	0.8
Mercedes-Benz Group AG	0.6
Banks[6]	**70.6**
Nedbank	19.3
Investec Bank	18.0
Standard Bank (SA)	16.1
Absa Bank	13.7
FirstRand Bank	3.4
Governments	**18.6**
Republic of South Africa	18.6
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.

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Fund manager quarterly commentary as at 30 September 2023

The South African overnight repo rate has been held constant at 8.25% since May this year, but it has remained there by the skin of its teeth. At each of the South African Reserve Bank's (SARB) last two Monetary Policy Committee meetings, two members voted for a rate hike while three voted to keep rates unchanged. SARB Governor Lesetja Kganyago remains vigilant and asserts that the job of tackling inflation is not done. There is clearly some level of disagreement among members regarding the degree of upside risks to inflation – as is to be expected when independent minds analyse a multitude of economic data in an environment of healthy debate.

From a peak of 14.4% in March of this year, food price inflation moderated lower to 8.2% in August. Regardless, several SARB members have highlighted the risks that food prices rise to north of 10% in 2024, largely on the back of the El Niño weather phenomenon of hot temperatures and drought, expected to hit Southern Africa in the coming months, lowering agricultural output. Part of the upside inflationary risks also arise from spill-over via elevated oil prices and the restructuring of global trade. The dollar value of US imports coming from China has fallen by 30% since 2018, as US supply chains are instead reorganised to benefit Western-friendly allies like Taiwan, Mexico, Europe and Canada. As the map of global trade is redrawn over time, it has the potential to raise prices as higher-cost or even domestic producers are favoured in the name of national security.

The SARB has also alluded to the idea that, to some degree, monetary policy and the setting of interest rates are being held hostage by reckless fiscal policy and government overspending. South Africa needs foreign capital to fund its deficits but falls prey to the rising cost of government borrowing as more debt is issued against the backdrop of tight global financial conditions. Cash is flowing less freely than in the past, and imprudent fiscal policy raises our country risk premium as well as the interest rate level which the SARB determines to be "neutral" and appropriate.

When recently asked about the plight of indebted borrowers struggling to service mortgages and overdrafts, Kganyago had a response befitting of an independent governor cognisant of the complex role of interest rates in society: He asked why he should care more about the borrower than the saver when tasked with finding the right balance to restore price stability.

In the last quarter, the Fund raised its exposure to Treasury bills as yields rose above bank deposit rates due to increased weekly government debt issuance in the face of tax revenue shortfalls and overspending on public sector wages. The weighted average yield of the Fund (gross of fees) ended the quarter at 9.26% – which is both a multi-year high and 4.5% higher than the August inflation print of 4.8%.

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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.

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