Fund managers: Duncan Artus, 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 2024

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

Maximum investment amounts

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

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

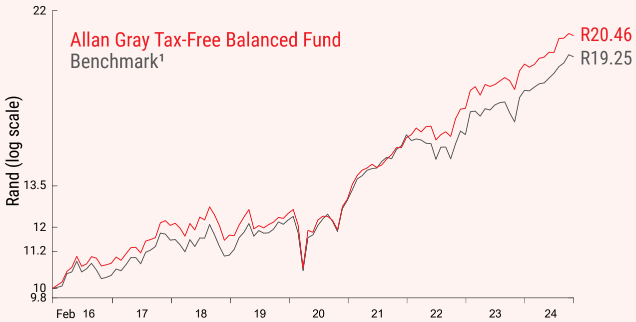
Fund information on 31 October 2024

Fund size	R3.3bn
Number of units	171 726 182
Price (net asset value per unit)	R16.70
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 2024.
2. This is based on the latest available numbers published by IRESS as at 30 September 2024.
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)	104.6	92.5	52.8
Annualised:			
Since inception (1 February 2016)	8.5	7.8	5.0
Latest 5 years	10.8	9.8	4.9
Latest 3 years	11.1	9.1	5.6
Latest 2 years	12.5	13.1	4.6
Latest 1 year	16.5	20.2	3.8
Year-to-date (not annualised)	8.4	9.9	3.0
Risk measures (since inception)			
Maximum drawdown[3]	-24.6	-23.3	n/a
Percentage positive months[4]	66.7	65.7	n/a
Annualised monthly volatility[5]	9.2	9.1	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 2023	30 Jun 2024
Cents per unit	**19.8006**	**24.3788**

Annual management fee

A fixed fee of 1.25% p.a. excl. VAT.

Allan Gray charges this fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. Orbis charges fixed fees within the Orbis funds that the Fund invests in. 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 2024 (SA and Foreign) (updated quarterly)[7]

Company	% of portfolio
AB InBev	3.8
British American Tobacco	3.8
Naspers & Prosus	3.7
Nedbank	2.3
Woolworths	2.2
Standard Bank	2.1
Glencore	2.0
Remgro	1.6
Mondi	1.6
The Walt Disney Company	1.5
Total (%)	**24.7**

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

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2024	1yr %	3yr %
Total expense ratio	**1.49**	**1.47**
Fee for benchmark performance	1.32	1.30
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.03	0.03
VAT	0.14	0.14
Transaction costs (including VAT)	**0.06**	**0.07**
Total investment charge	**1.55**	**1.54**

Asset allocation on 31 October 2024[7]

Asset class	Total	South Africa	Foreign
Net equities	63.8	38.4	25.4
Hedged equities	9.0	3.0	6.1
Property	0.6	0.2	0.5
Commodity-linked	3.0	2.3	0.7
Bonds	15.8	11.2	4.6
Money market and cash[8]	7.7	7.4	0.3
Total (%)	**100.0**	**62.5**	**37.5[9]**

7. Underlying holdings of foreign funds are included on a look-through basis.
8. Including currency hedges.
9. 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.

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 2024

In the previous quarter, we ended our commentary with the following: "We remind our clients that we have deliberately constructed a diversified portfolio for a wide range of outcomes."

The third quarter of 2024 has certainly highlighted the need for a carefully constructed, diversified portfolio in the face of significant volatility.

The quarter included a remarkable one-day crash and subsequent recovery in Japanese shares. This was in response to a larger-than-forecast rise in short-term interest rates by the Bank of Japan, which triggered a strong rally in the yen. The TOPIX fell by 12.2% in a single day and the better-known Nikkei index had one of its greatest intraday falls since the crash of 1987, before bouncing by 10% the next day. This led to a sharp sell-off across global equities. While many analysts attribute this to the unwinding of the long-running yen carry trade, where investors borrow in yen and invest in higher-yielding international assets, it is not yet clear if other factors contributed as well.

For example, US equities had another large intraday sell-off on 6 September. Remarkably, the S&P 500 ended the quarter making new all-time highs. To put this in perspective, Nvidia, one of the three largest companies by market value in the world, lost US$279bn in value on 3 September. Since mid-June, the US$3tn bellwether AI/semiconductor stock has gone from a high of US$140 to a low of US$90, back to US$130 and then down to US$120. The significant volatility in global equities, while potentially unnerving in the short term, can hopefully provide opportunities for patient long-term investors.

Locally, the FTSE/JSE All Share Index consolidated its strong second-quarter gains in July, before a sharp sell-off in line with Japanese and US stocks, before going on to reach a new all-time high of 87 802 in September.

The other theme affecting markets has been the continued weakness of the Chinese economy and stock market. Chinese government bond yields are trading at close to all-time lows in response to the disinflationary conditions in the economy. We have written about our concerns over Chinese investment-led, debt-funded growth for many years – and perhaps the bill has finally come due.

This weakness has shown up in the price of commodities and the share prices of mining companies. While the Fund has been underweight diversified mining shares, we are sharpening our pencils and revisiting our valuations. The other potential opportunity is the weakness in some global multinational consumer stocks, whose profits in China have disappointed. Of course, in South Africa, the weakness in China could have implications for Prosus and Richemont, and the impact of the recently announced Chinese policy stimulus is still untested. Markets, however, rapidly bid up depressed Chinese equities in response to the announced stimulus. It will be interesting to see how sustainable the rally will be.

Turning our attention to the local bond market, the South African 10-year yield continued its post-government of national unity (GNU) rally from 12.2% in April to 10.0% on hopes of reform under the GNU and the release of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) proceeds, which reduced forecast issuance – please see the Bond Fund commentary for more detail. For some time, we have viewed 10% as a key level for the 10-year bond yield and continue to monitor it closely. It will be a significant change in the market's view of South Africa's risk should it trade below 10% sustainably.

The fall in the cost of capital and increase in growth expectations have continued to underpin the rally in domestic shares that are largely exposed to the South African consumer. For example, Mr Price has rallied from an April low of R157 to R270, while Capitec has risen from R1 982 to R3 045.

It is clear that the share prices of these locally focused companies are discounting a better future, but the recent earnings results were generally still reflective of the poor local economy, structural problems and a tough trading environment. It is also probably fair to say that the GNU's "unity" has yet to be truly tested. It has been a great period for holders of these domestic assets and the rand has strengthened as well, but the fundamentals will still have to come through to justify the price moves. We have been trimming some positions where appropriate.

During the quarter, the Fund purchased shares in Anheuser-Busch InBev and select miners, and reduced its position in select banks.

Commentary contributed by Duncan Artus

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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.

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.

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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 Interest Fund

31 October 2024

Fund description and summary of investment policy

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

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

Fund objective and benchmark

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

How we aim to achieve the Fund's objective

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

Suitable for those investors who

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

Fund information on 31 October 2024

Fund size	R1.0bn
Number of units	27 123 705
Price (net asset value per unit)	R10.19
Modified duration	0.6
Gross yield (i.e. before fees)	9.5
Net yield (i.e. after fees)	8.6
Fund weighted average maturity (years)	5.3
Class	A

Income distributions

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

May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024
6.59	6.57	8.11	7.40	7.76	7.58

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 May 2024)	5.7	4.2	0.9
Risk measures (since inception)			
Percentage positive months[3]	100.0	100.0	n/a

1. The Fund's benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Performance as calculated by Allan Gray as at 31 October 2024. Source: Bloomberg.
2. This is based on the latest available numbers published by IRESS as at 30 September 2024.
3. The percentage of calendar months in which the Fund produced a positive monthly return since inception.

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Annual management fee

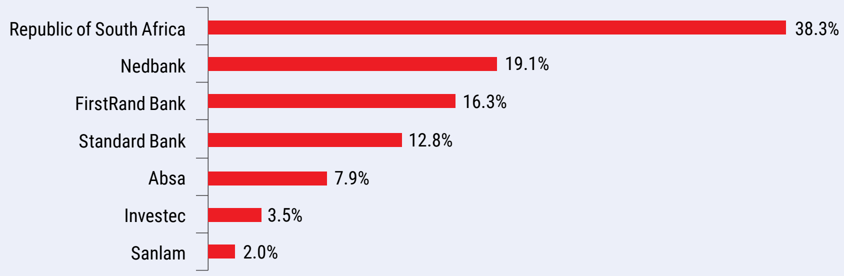
A fixed fee of 0.65% p.a. excl. VAT

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

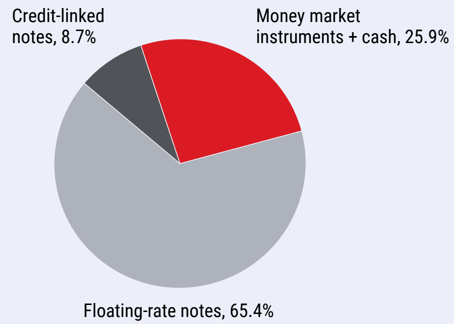
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one- and three-year period (annualised). Transaction costs are disclosed separately. Complete and accurate data is only available after 12 months. The TER and transaction costs are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

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2024	1yr %	3yr %
Total expense ratio	**0.76**	**0.76**
Fee for benchmark performance	0.65	0.65
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.10	0.10
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.76**	**0.76**

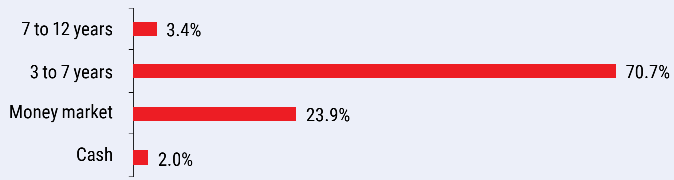
Top credit exposures on 31 October 2024



Asset allocation on 31 October 2024



Maturity profile on 31 October 2024



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

Fund manager commentary as at 30 September 2024

One of the most frequently asked questions we get about our new interest-bearing funds is how they will perform through a rate-cutting cycle. On the day before South Africa's September 2024 rate cut, the Fund's weighted average yield gross of fees was 9.66%. It subsequently declined by 15 basis points (bps) following the 25 bps rate cut to reach a yield of 9.51%. This was marginally lower than the FTSE/JSE All Bond Index (ALBI) yield of 9.77% on the same day, despite the index carrying significantly higher modified duration risk. What is important to keep in mind when performing point-in-time yield comparisons is that a low duration and predominantly floating-rate or "cash-plus" fund will naturally offer lower yields as rates decline, whereas one can expect a long-dated fixed-rate bond (such as that found in the ALBI) to already price for rate cuts via the forward curve. The good news for savers is that the current expected terminal repo rate at the end of the cutting cycle is still projected to be higher than its pre-COVID level. Thus, if an investor felt it was attractive to be in an income fund product back then, the environment going forward should at *least* be as attractive as it was, and likely slightly more.

In September, the South African Reserve Bank (SARB) cut interest rates for the first time in four years – lowering the overnight rate of interest from 8.25% to 8.00% in a unanimous vote. The SARB outlined the case for caution when lowering rates and cited risks to inflation via potential offshore trade tariffs which raise the price of imported goods. In this regard, the outcome of the US election in November has the potential to rock the trade tariff boat with Republican presidential candidate Donald Trump proposing a blanket increase in import tariffs to 10%, and a more punitive 60% applied to Chinese goods, if he were to be elected.

Much of the disinflationary trend of the decade preceding the COVID-19 pandemic was undoubtedly aided by the flood of cheap Chinese goods into international markets, with many countries now complaining that Chinese overproduction and dumping practices make it tough for local industry to compete in a wide range of sectors, including car and steel production. As a general observation, the US invents, China builds and the EU regulates. For example, China's bloated industrial base, fuelled by ultracheap government financing and subsidies, produces more solar panels than the world can absorb. Such production continues to take place even when goods are ultimately dumped into international markets at loss-making sale prices that require these producers to later be bailed out by the Chinese state.

The SARB also touched on global risks to inflation via renewed supply chain disruptions that could result from escalating geopolitical tension and war, as we are seeing in the Middle East at present. When debating local risks to the inflation outlook, the SARB lamented that the stronger rand, lower oil prices and well-behaved South African food price inflation might be partially offset by higher local administered, municipal and electricity prices. Earlier in the year, a leaked document showed that Eskom planned to apply to increase the electricity tariffs it charges municipalities by up to 44% in 2025. Rising electricity and water tariffs naturally bleed into the cost of production and raise the prices of local goods and services.

Despite all these risks, South Africa's current inflation prints have been coming down, with a stronger rand allowing August's CPI print to moderate to 4.4% and the SARB modelling for sub-4% throughout the first half of 2025. Given that inflation is by nature a year-on-year calculation and can almost always be expected to disinflate in the short term when base prices are high, the SARB has stated that it will "look through" a temporary inflation breach on the downside of their target. Although the SARB's quarterly projection model is just a loose policy guide and is not strictly implemented, the model currently suggests that the appropriate terminal rate of interest at the end of the South African rate-cutting cycle is an overnight rate of 7%, which implies a further 1% worth of rate cuts.

In the last quarter, the Fund lowered its modified duration by reducing exposure to five-year fixed-rate instruments as the market rallied following the formation of South Africa's government of national unity, the anticipation of a global rate-cutting cycle and the monetisation of R100bn from South Africa's Gold and Foreign Exchange Contingency Reserve Account (GFECRA). Monetising the GFECRA has to some degree bailed out the fiscus such that bond auction sizes can remain unchanged.

Most of the Fund has exposure to floating-rate instruments that return cash rates plus a spread and have low modified duration. At the end of September, the lowest yielding of these floating-rate notes held in the Fund was earning cash plus 1.3%, and the highest yielding was earning cash plus 3.5%. While the future remains uncertain, we aim to construct portfolios that can do well across a range of possible scenarios. In the event of rate cuts, the Fund's weighted average yield (gross of fees) of 9.5% as at 30 September 2024 should further decline but still offers a rate of interest that is 1.5% higher than that of overnight cash.

Commentary contributed by Thalia Petousis

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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. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

Fund mandate

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

Unit price

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

Yield

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

Fees

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

Total expense ratio (TER) and transaction costs

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

Compliance with Regulation 28

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

FTSE/JSE All Share Index, FTSE/JSE All Bond Index

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Allan Gray Bond Fund

31 October 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

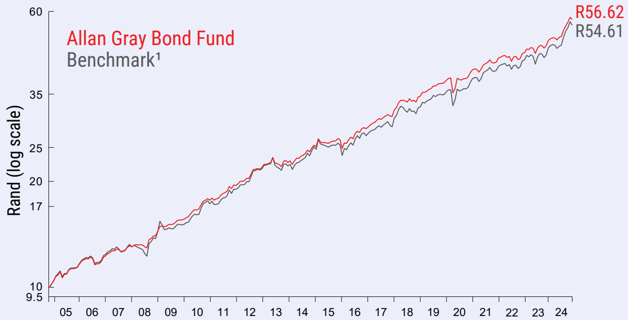
- Seek a bond 'building block' for a diversified multi-asset class portfolio
- Are looking for returns in excess of those provided by money market or cash investments
- Are prepared to accept more risk of capital depreciation than in a money market or cash investment

Fund information on 31 October 2024

Fund size	R8.6bn
Number of units	644 251 076
Price (net asset value per unit)	R10.67
Modified duration	4.1
Gross yield (before fees)	10.5
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 2004)	466.2	446.1	191.7
Annualised:			
Since inception (1 October 2004)	9.0	8.8	5.5
Latest 10 years	8.7	8.4	4.9
Latest 5 years	8.6	9.4	4.9
Latest 3 years	9.8	10.5	5.6
Latest 2 years	13.5	14.4	4.6
Latest 1 year	18.5	21.3	3.8
Year-to-date (not annualised)	13.2	14.1	3.0
Risk measures (since inception)			
Maximum drawdown[3]	-18.9	-19.3	n/a
Percentage positive months[4]	71.4	68.5	n/a
Annualised monthly volatility[5]	5.9	7.6	n/a
Highest annual return[6]	22.0	26.1	n/a
Lowest annual return[6]	-2.6	-5.6	n/a

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 October 2024.
2. This is based on the latest available numbers published by IRESS as at 30 September 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 30 September 2024 and the benchmark's occurred during the 12 months ended 30 September 2024. 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.

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 2023	31 Mar 2024	30 Jun 2024	30 Sep 2024
Cents per unit	**26.6398**	**25.8263**	**27.2485**	**26.5758**

Annual management fee

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

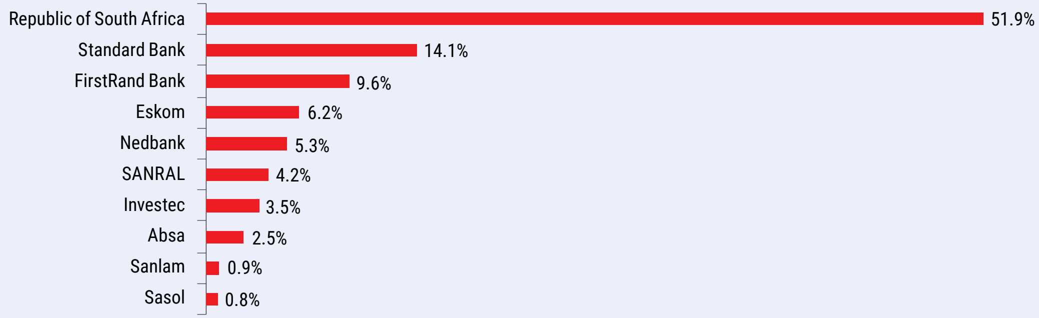
Total expense ratio (TER) and transaction costs (updated quarterly)

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.

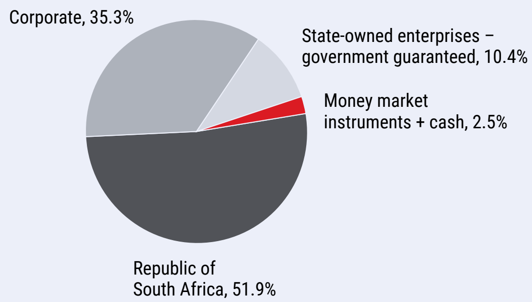
TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2024	1yr %	3yr %
Total expense ratio	**0.59**	**0.55**
Fee for benchmark performance*	0.50	0.49
Performance fees*	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.07
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.59**	**0.57**

*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.

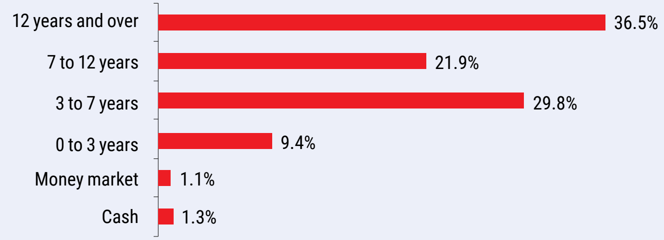
Top 10 credit exposures on 31 October 2024



Asset allocation on 31 October 2024



Maturity profile on 31 October 2024



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

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Fund manager quarterly commentary as at 30 September 2024

The FTSE/JSE All Bond Index (ALBI) has returned a staggering 26.1% year-on-year to the end of September 2024. As much as the positive post-election market sentiment following the formation of the government of national unity (GNU) has led to this bond rally, the expectation of a pronounced US rate-cutting cycle has also played a role. Most importantly, however, monetising South Africa's Gold and Foreign Exchange Contingency Reserve Account (GFECRA) has to some degree bailed out the fiscus. Without this, or the printing of rands against the profits implied in South Africa's foreign exchange reserve balances, the South African government would almost certainly have had to increase the size of its bond auctions this year. By August 2024, the South African Reserve Bank had created and transferred R100bn of GFECRA cash to the government, which subsequently ended the month with only R142bn cash. This means that without GFECRA, the South African government would be running a R7tn economy with only R42bn of spare cash – or the lowest nominal cash balance on record in over 50 years. To contextualise this, R42bn equates to six days' worth of the government's annual FY24 spending of R2.37tn. Put differently, R42bn equates to 40 days' worth of the South African government's debt-servicing costs (which are estimated at R382bn for FY24).

Without GFECRA, we would have been staring into the abyss, and the supply of government debt would have had to increase materially. The question then remains, with only R25bn of GFECRA left to be monetised in each of 2025 and 2026, will the government be able to live within its means and implement the fiscal reform required to contain the budget deficit? Alternatively, will a South African super-growth cycle materialise? It would appear that year-to-date tax collection has disappointed versus the February 2024 Budget estimates, although some of this under-collection might be offset partially by the tax levied against two-pot retirement fund realisations. We await the Medium-Term Budget Policy Statement for further details on this.

At the end of September, the South African 20-year bond had rallied by a cumulative 260 basis points (bps) from its year-to-date yield high of 13.3% in April down to an intraday yield low print of 10.7% on 30 September. By perusing the JSE's trade statistics, it appears that local investor participation in South Africa's government bond auctions in the last quarter has been very low. Most of the fresh cash in the bond market appears to have come from foreigners, but they have not participated in any meaningful size in South African equities yet. The recent yield of 10.7% on the South African 20-year bond is just 50 bps wider than the 10.2% yield recorded at end-February 2020.

One could thus argue that the market is now overvalued when one considers that the South African government's debt pre-COVID was 56% of GDP versus 75% at present. In the same vein, we were spending as little as 14 cents on every tax rand towards servicing pre-pandemic debt versus 21 cents now – and, in fact, even higher if one includes the Eskom debt relief programme in these debt-servicing costs. When comparing the South African 10-year bond to the US 10-year bond, the spread differential is less than 620 bps, which is the tightest spread on record since 2018 when the South African government's debt burden was significantly lower than present (and lower than any year in the Budget forecast for 2025-2028).

That said, even if one buys into this argument, it is perhaps important to consider that the market can trade away from fundamentals for extended periods and that optimism around the GNU and higher South African GDP growth may spur foreigners to sink more capital into the market regardless. Fixed capital investment in South Africa, which is a necessary precondition for higher growth, has been contracting for four consecutive quarters. While there are investment projects in the pipeline that should see this rise, their size and pace remain unclear and rest on the speed at which certain reforms can be put through – including those for private concessions along Transnet's rail and the requisite tariffs and funding for reform to be enacted.

Over the last quarter, the ALBI's weighted average yield fell to 9.7% while the Fund's weighted average yield to maturity (gross of fees) stands wider at 10.2%. The Fund reduced its exposure to South African government 20-year bonds as their yield fell below our estimates of fair value.

Commentary contributed by Thalia Petousis

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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.

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

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Total expense ratio (TER) and transaction costs

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Allan Gray Income Fund

31 October 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	30 Sep 2024
Cents per unit	**13.7849**	**24.6096**

Fund information on 31 October 2024

Fund size	R0.8bn
Number of units	18 111 095
Price (net asset value per unit)	R10.35
Modified duration	0.7
Gross yield (i.e. before fees)	9.9
Net yield (i.e. after fees)	8.9
Fund weighted average maturity (years)	5.1
Class	A

Performance net of all fees and expenses

The Fund was launched on 1 May 2024. The performance graph will be included once the Fund has been in existence for one year.

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 May 2024)	7.4	4.2	0.9
Risk measures (since inception)			
Percentage positive months[3]	100.0	100.0	n/a

1. The Fund's benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Performance as calculated by Allan Gray as at 31 October 2024. Source: Bloomberg.
2. This is based on the latest available numbers published by IRESS as at 30 September 2024.
3. The percentage of calendar months in which the Fund produced a positive monthly return since inception.

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Annual management fee

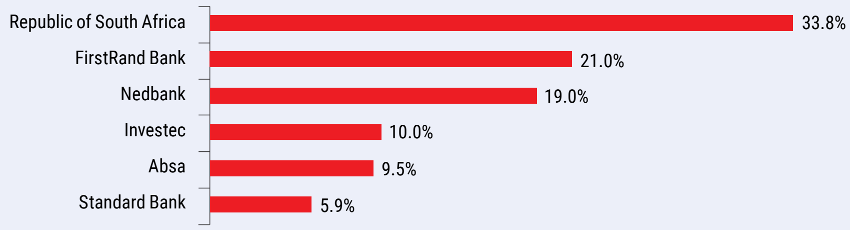
A fixed fee of 0.75% p.a. excl. VAT

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

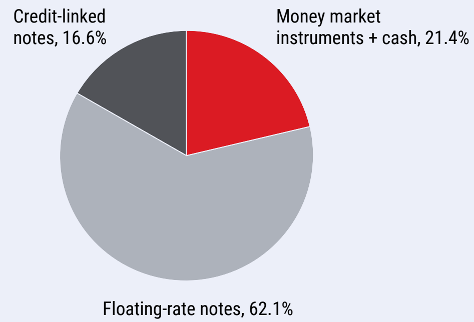
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one- and three-year period (annualised). Transaction costs are disclosed separately. Complete and accurate data is only available after 12 months. The TER and transaction costs are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

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 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**

Top credit exposures on 31 October 2024

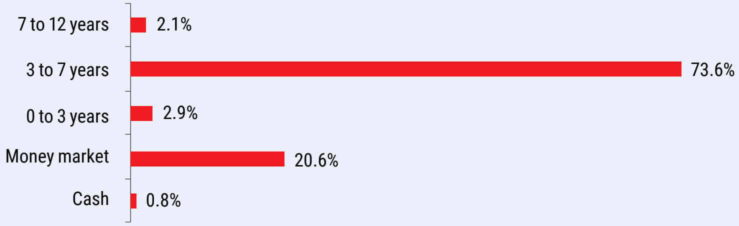


Asset allocation on 31 October 2024[4]



4. Foreign exposure on 31 October 2024: 0.0% is invested in foreign investments.

Maturity profile on 31 October 2024



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

Fund manager commentary as at 30 September 2024

One of the most frequently asked questions we get about our new interest-bearing funds is how they will perform through a rate-cutting cycle. On the day before South Africa's September 2024 rate cut was announced, the Fund's weighted average yield gross of fees was 10.06%. It subsequently declined by 15 basis points (bps) following the 25 bps rate cut to reach a yield of 9.91%. This was still higher than the FTSE/JSE All Bond Index (ALBI) yield of 9.77% on the same day. What is important to keep in mind when performing point-in-time yield comparisons is that a low duration and predominantly floating-rate or "cash-plus" fund will naturally offer lower yields as rates decline, whereas one can expect a long-dated fixed-rate bond, such as that found in the ALBI, to already price for rate cuts via the forward curve. The good news for savers is that the current expected terminal repo rate at the end of the cutting cycle is still projected to be higher than its pre-COVID level. Thus, if an investor felt it was attractive to be in an income fund back then, the environment going forward should be at *least* as attractive as it was, and likely slightly more.

In September, the South African Reserve Bank (SARB) cut interest rates for the first time in four years – lowering the overnight rate of interest from 8.25% to 8.00% in a unanimous vote. The SARB outlined the case for caution when lowering rates and cited risks to inflation via potential offshore trade tariffs which raise the price of imported goods. In this regard, the outcome of the US election in November has the potential to rock the trade tariff boat with Republican presidential candidate Donald Trump proposing a blanket increase in import tariffs to 10%, and a more punitive 60% applied to Chinese goods, if he were to be elected.

Much of the disinflationary trend of the decade preceding the COVID-19 pandemic was undoubtedly aided by the flood of cheap Chinese goods into international markets, with many countries now complaining that Chinese overproduction and dumping practices make it tough for local industry to compete in a wide range of sectors, including car and steel production. As a general observation, the US invents, China builds and the EU regulates. For example, China's bloated industrial base, fuelled by ultracheap government financing and subsidies, produces more solar panels than the world can absorb. Such production continues to take place even when goods are ultimately dumped into international markets at loss-making sale prices that require these producers to later be bailed out by the Chinese state.

The SARB also touched on global risks to inflation via renewed supply chain disruptions that could result from escalating geopolitical tension and war, as we are seeing in the Middle East at present. When debating local risks to the inflation outlook, the SARB lamented that the stronger rand, lower oil prices and well-behaved South African food price inflation might be partially offset by higher local administered, municipal and electricity prices. Earlier in the year, a leaked document showed that Eskom planned to apply to increase the electricity tariffs it charges municipalities by up to 44% in 2025. Rising electricity and water tariffs naturally bleed into the cost of production and raise the prices of local goods and services.

Despite all these risks, South Africa's current inflation prints have been coming down, with a stronger rand allowing August's CPI print to moderate to 4.4% and the SARB modelling for sub-4% throughout the first half of 2025. Given that inflation is by nature a year-on-year calculation and can almost always be expected to disinflate in the short term when base prices are high, the SARB has stated that it will "look through" a temporary inflation breach on the downside of its target. Although the SARB's quarterly projection model is just a loose policy guide and is not strictly implemented, the model currently suggests that the appropriate terminal rate of interest at the end of the South African rate-cutting cycle is an overnight rate of 7%, which implies a further 1% worth of rate cuts.

In the last quarter, the Fund lowered its modified duration by reducing exposure to five-year fixed-rate instruments as the market rallied following the formation of South Africa's government of national unity, the anticipation of a global rate-cutting cycle and the monetisation of R100bn from South Africa's Gold and Foreign Exchange Contingency Reserve Account (GFECRA). Monetising the GFECRA has to some degree bailed out the fiscus such that bond auction sizes can remain unchanged.

Most of the Fund has exposure to floating-rate instruments that return cash rates plus a spread and have low modified duration. At the end of September, the lowest yielding of these floating-rate notes held in the Fund was earning cash plus 1.3%, and the highest yielding was earning cash plus 3.5%. While the future remains uncertain, we aim to construct portfolios that can do well across a range of possible scenarios. In the event of rate cuts, the Fund's weighted average yield (gross of fees) of 9.9% as at 30 September 2024 should further decline but still offers a rate of interest that is 1.9% higher than that of overnight cash.

Commentary contributed by Thalia Petousis

Information and content

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Performance

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

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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 Money Market Fund

31 October 2024

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 – SA 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 October 2024

Fund size	R28.4bn
Number of units	25 473 023 167
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.72
Fund weighted average coupon (days)	65.06
Fund weighted average maturity (days)	103.66
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 October 2024. Source: Bloomberg.
2. This is based on the latest available numbers published by IRESS as at 30 September 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

Nov 2023	Dec 2023	Jan 2024	Feb 2024
0.71	0.74	0.75	0.69
Mar 2024	**Apr 2024**	**May 2024**	**Jun 2024**
0.74	0.72	0.74	0.72
Jul 2024	**Aug 2024**	**Sep 2024**	**Oct 2024**
0.74	0.73	0.71	0.72

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	464.7	439.7	241.5
Annualised:			
Since inception (1 July 2001)	7.7	7.5	5.4
Latest 10 years	7.1	6.6	4.9
Latest 5 years	6.6	6.1	4.9
Latest 3 years	7.4	7.0	5.6
Latest 2 years	8.6	8.1	4.6
Latest 1 year	9.1	8.5	3.8
Year-to-date (not annualised)	7.5	7.0	3.0
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 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 October 2024

	% of portfolio
Governments	**34.0**
Republic of South Africa	34.0
Banks[6]	**58.2**
Nedbank	18.3
Standard Bank	15.6
FirstRand Bank	11.9
Investec Bank	6.6
Absa Bank	5.8
Corporates	**7.8**
Shoprite	2.6
Sanlam	2.5
Mercedes-Benz Group	1.8
Daimler Truck	0.9
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 September 2024

On 19 September, the South African Reserve Bank (SARB) cut interest rates for the first time in four years – lowering the overnight rate of interest from 8.25% to 8.00% in a unanimous vote. The SARB outlined the case for caution when lowering rates and cited risks to inflation via potential offshore trade tariffs which raise the price of imported goods. In this regard, the outcome of the US presidential election in November has the potential to rock the trade tariff boat with Republican candidate Donald Trump proposing a blanket increase in import tariffs to 10%, and a more punitive 60% applied to Chinese goods, if he were to be elected.

Much of the disinflationary trend of the decade preceding the COVID-19 pandemic was undoubtedly aided by the flood of cheap Chinese goods into international markets, with many countries now complaining that Chinese overproduction and dumping practices make it tough for local industry to compete in a wide range of sectors, including car and steel production. As a general observation, the US invents, China builds and the EU regulates. For example, China's bloated industrial base, fuelled by ultracheap government financing and subsidies, produces more solar panels than the world can absorb. Such production continues to take place even when goods are ultimately dumped into international markets at loss-making sale prices that require these producers to later be bailed out by the Chinese state.

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Despite all these risks, South Africa's current inflation prints have been coming down, with a stronger rand allowing August's CPI print to moderate to 4.4% and the SARB modelling for sub-4% throughout the first half of 2025. Given that inflation is by its nature a year-on-year calculation and can almost always be expected to disinflate in the short term when base prices are high, the SARB has stated that it will "look through" a temporary inflation breach on the downside of their target. Although the SARB's quarterly projection model is just a loose policy guide and is not strictly implemented, the model currently suggests that the appropriate terminal rate of interest at the end of the South African rate-cutting cycle is an overnight rate of 7%, which implies a further 1% worth of rate cuts.

Over the past quarter, the Fund raised its exposure to short-dated inflation-linked bonds which are attractively priced to deliver returns of inflation plus 5.3%. The Fund's effective yield (gross of fees) declined over the quarter from 9.40% to 9.31% as the Fund continues to reinvest deposit maturities at lower prevailing term interest rates.

Commentary contributed by Thalia Petousis

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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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