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

30 April 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.

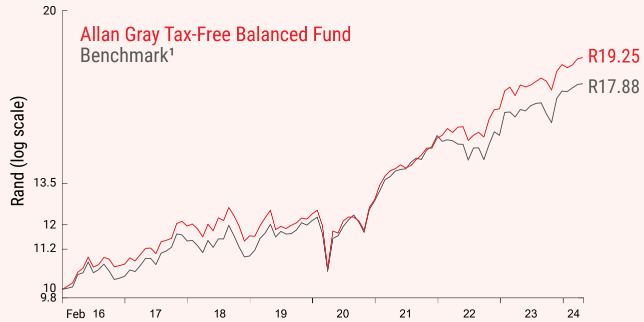
Fund information on 30 April 2024

Fund size	R3.0bn
Number of units	161 679 525
Price (net asset value per unit)	R15.96
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 30 April 2024.
2. This is based on the latest available numbers published by IRESS as at 31 March 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)	92.5	78.8	51.1
Annualised:			
Since inception (1 February 2016)	8.3	7.3	5.2
Latest 5 years	9.0	8.3	5.1
Latest 3 years	11.0	8.6	6.1
Latest 2 years	10.3	8.9	6.2
Latest 1 year	8.1	7.6	5.3
Year-to-date (not annualised)	2.0	2.1	1.9
Risk measures (since inception)			
Maximum drawdown[3]	-24.6	-23.3	n/a
Percentage positive months[4]	66.7	64.6	n/a
Annualised monthly volatility[5]	9.4	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.	30 Jun 2023	31 Dec 2023
Cents per unit	**15.7833**	**19.8006**

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 31 March 2024 (SA and Foreign) (updated quarterly)[7]

Company	% of portfolio
British American Tobacco	3.9
AB InBev	3.8
Naspers & Prosus	3.1
Glencore	2.5
Nedbank	2.0
Mondi	1.9
Woolworths	1.8
Standard Bank	1.8
The Walt Disney Company	1.3
Remgro	1.3
Total (%)	**23.5**

Asset allocation on 30 April 2024[7]

Asset class	Total	South Africa	Foreign
Net equities	64.7	40.0	24.8
Hedged equities	7.9	1.6	6.2
Property	0.8	0.4	0.3
Commodity-linked	3.1	2.5	0.7
Bonds	14.0	9.4	4.5
Money market and cash[8]	9.5	9.5	-0.0
Total (%)	**100.0**	**63.4**	**36.6[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.

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2024	1yr %	3yr %
Total expense ratio	**1.48**	**1.48**
Fee for benchmark performance	1.31	1.30
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.03	0.04
VAT	0.14	0.14
Transaction costs (including VAT)	**0.06**	**0.08**
Total investment charge	**1.54**	**1.56**

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 31 March 2024

The FTSE/JSE All Share Index trended lower over the quarter, with several shares falling on the release of their financial results. The operating environment for local businesses is very tough. In contrast, global equities have been strong, with the MSCI World Index surpassing its previous 2022 all-time high. Much of this strength was driven by US mega-caps, but the Japanese and certain European stock markets also reached new highs. Against this backdrop, the Fund returned 1.7% for the quarter.

2024 could be described as the global year of elections. Based on research conducted by Deutsche Bank, 2024 will see the highest percentage of the world's population voting since 1800. Some of the regions heading to the polls include Taiwan, Europe, the United States of America, India, the United Kingdom and, of course, South Africa. In the normal course of thinking about investments, we do not pay special attention to politics – but this is not a normal election cycle; the outcomes could drastically change many policies that affect some of our underlying holdings. In our view, 2024 has above-average political risk.

The various elections are taking place against the backdrop of a world increasingly divided along both geopolitical and social lines. This is a trend we have been speaking to our clients about for a few years, and one that is making the operating environment increasingly complex for many multinational companies. Think of the partial ban of iPhones for certain public sector workers in China or the shipping attacks in the Red Sea affecting global shipping routes. While we have no unique insights, we do think about these risks when constructing the portfolio. For example, we have written many times about the significant exposure that the South African equity market has to China. We put limits on this exposure.

Closer to home, we may see quite a different political and economic landscape after the South African national elections in May. No one knows the outcome with certainty, given several potential scenarios. Clearly, not all of them are positive. We had not even heard of the uMkhonto weSizwe Party (MK Party) a few months ago. Rather than hedging our bets on one or two scenarios prevailing, we try to understand what is discounted in current asset prices.

This is of particular importance to the valuations of many depressed locally focused shares. The political and economic uncertainty in South Africa has pushed up the cost of capital via higher long-bond yields. When this is combined with low or non-existent real growth, the result is a low valuation placed on local profits. Of course, any positive change in yields or growth could result in an upward rerating from depressed levels. We believe that this scenario would require a return of foreign investors, first to our bond and then our equity markets. For that to happen, we need to become an attractive investment destination again. Large pools of foreign capital have many choices globally, and South Africa is small enough to ignore if the risk-reward ratio is not favourable.

With these risks and opportunities in mind, we have deliberately constructed a diversified portfolio for a wide range of outcomes. The portfolio has exposure to offshore assets, locally listed shares that are international businesses, attractively valued domestic businesses, high-yielding cash and bonds, as well as precious metals. We believe running a successful asset allocation fund requires a holistic view of the portfolio that allows us to balance the opportunities and risks derived from our positioning.

During the quarter, the Fund purchased Prosus and South32 and reduced positions in AB InBev and AVI.

Commentary contributed by Duncan Artus

Information and content

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Management Company

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

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)11 301 6335 or www.rmb.co.za.

Performance

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

Fund mandate

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

Unit price

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

Fees

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

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

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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

30 April 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

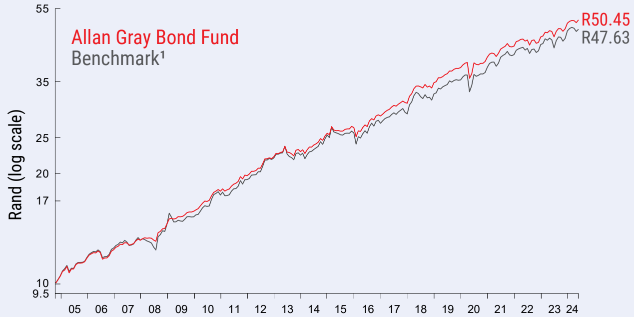
- Seek a bond 'building block' for a diversified multi-asset class portfolio
- Are looking for returns in excess of those provided by money market or cash investments
- Are prepared to accept more risk of capital depreciation than in a money market or cash investment

Fund information on 30 April 2024

Fund size	R7.8bn
Number of units	636 046 936
Price (net asset value per unit)	R10.01
Modified duration	4.1
Gross yield (before fees)	11.5
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)	404.5	376.3	188.4
Annualised:			
Since inception (1 October 2004)	8.6	8.3	5.6
Latest 10 years	8.1	7.8	5.0
Latest 5 years	7.0	7.2	5.1
Latest 3 years	7.1	7.2	6.1
Latest 2 years	6.7	6.6	6.2
Latest 1 year	7.4	6.8	5.3
Year-to-date (not annualised)	0.9	-0.5	1.9
Risk measures (since inception)			
Maximum drawdown[3]	-18.9	-19.3	n/a
Percentage positive months[4]	71.1	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

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 30 April 2024.
2. This is based on the latest available numbers published by IRESS as at 31 March 2024.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 27 February 2020 to 24 March 2020 and maximum benchmark drawdown occurred from 26 February 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 January 2015 and the benchmark's occurred during the 12 months ended 31 January 2015. The Fund's lowest annual return occurred during the 12 months ended 31 January 2016 and the benchmark's occurred during the 12 months ended 31 January 2016. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

ALLANGRAY

Fund manager: Thalia Petousis **Inception date:** 1 October 2004

Allan Gray Bond Fund

30 April 2024

Meeting the Fund objective

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

Income distributions for the last 12 months

Actual payout, the Fund distributes quarterly	30 Jun 2023	30 Sep 2023	31 Dec 2023	31 Mar 2024
Cents per unit	**26.0679**	**25.7014**	**26.6398**	**25.8263**

Annual management fee

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

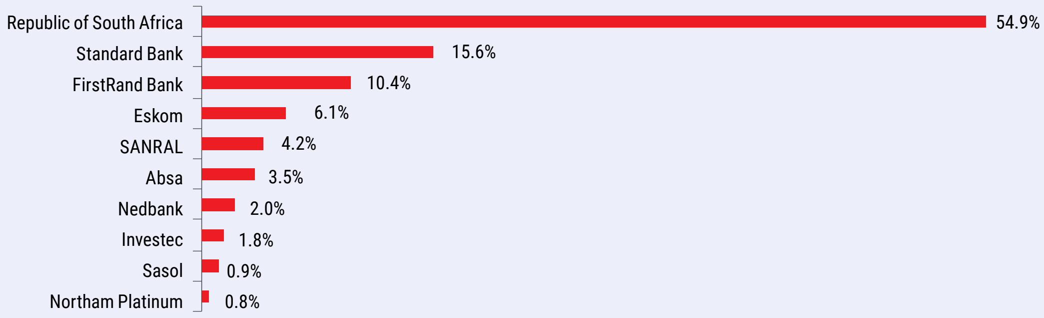
Total expense ratio (TER) and transaction costs (updated quarterly)

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.

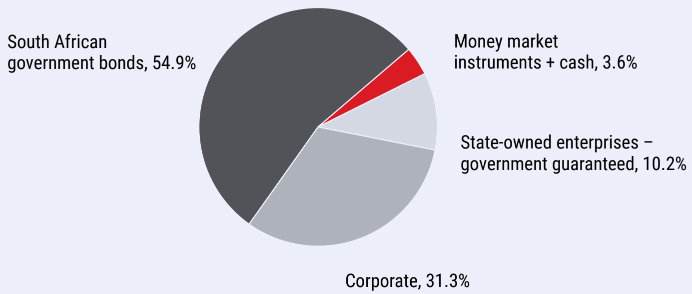
TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2024	1yr %	3yr %
Total expense ratio	**0.59**	**0.52**
Fee for benchmark performance*	0.50	0.44
Performance fees*	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.07
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.59**	**0.52**

*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.

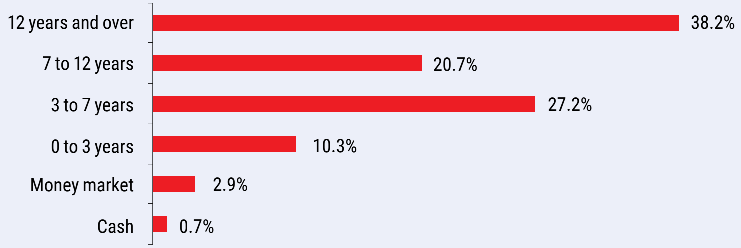
Top 10 credit exposures on 30 April 2024



Asset allocation on 30 April 2024



Maturity profile on 30 April 2024



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

Fund manager quarterly commentary as at 31 March 2024

South African government bonds have had a rough start to the year, as indicated by a rise in government borrowing costs (i.e. bond yields). After the SA 20-year bond yield sold off to an intra-year high of 13.2% in September 2023, it staged a recovery in late 2023 and traded down to 12.1%. Late in March 2024, roughly 80% of these gains (in price terms) had been unwound, and the bond again sold off to an elevated yield of 13.0%. Around half of this sell-off can be explained by the weakening of the 20-year US Treasury bond, as investors quite rationally questioned the market's pricing of up to seven US rates cuts in 2024 against the reality of a strong US labour market, low unemployment and sticky inflation in US services.

The drivers of US services inflation over the last few months cover quite a range of items, like costlier prices for elder care and domestic work, hospital and veterinary services, financial services and even admission to sporting events. When an economy experiences an energy, food and fuel price shock, as seen in 2022, then it is natural to expect that a second-round shock via services-led inflation could follow. This is particularly true for an economy with a shortage of low-skilled labour, like the US. When in short supply, lower-cost labourers have a lot of bargaining power, and US wage growth is unsurprisingly still running at an elevated 5.4% year-on-year with 8.8 million job openings versus only 6.4 million unemployed workers.

The other half of the sell-off in the SA 20-year government bond can be explained by South Africa-specific factors, as seen by a widening in the risk premium of SA versus US government bonds. This relates to elevated political risk heading into South Africa's May 2024 elections. Alongside this, the South African Budget in February was poorly received by the market, sparking some selling of bonds and limited reinvestment of fixed-rate bond coupons back into the government bond market – of which roughly R105bn was paid out to bondholders over the first three months of the year. The much-discussed lever of restructuring the South African public sector and closing redundant government departments and programmes received little airtime in the Budget. National Treasury instead agreed to monetise R150bn of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA), as well as carve out an additional R100bn from this account for the Reserve Bank to use in order to pay interest on the newly printed bank reserves as a sterilisation measure.

Even with such arguably drastic measures being taken, government debt to gross domestic product (GDP) is only forecast to stabilise at 75% of GDP over the next three years from 78% prior. This is still a very elevated level of debt. While GFECRA does mean that government's gross borrowing requirement over the next three years falls from R560bn per annum on average to R480bn per annum, it is not clear that there would be any room to cut the already-high quantum of weekly debt issuance from current levels given the government's anaemic cash levels.

The Budget also contained some relaxation of the budgetary spending restraint in the government wage bill forecasts, and we have yet to see fiscal anchors like a spending ceiling being imposed.

One concern is that now that GFECRA has been "discovered", it will be easier to pull on this as an emergency lever as opposed to getting to the heart and underlying cause of our structural fiscal woes. In this regard, Treasury has indicated that there could be room to monetise more in future depending on the behaviour of the exchange rate. Theoretically, every one rand of exchange rate depreciation against the US dollar creates R60bn of additional GFECRA. Given this perverse hedge, it may allow government to keep monetising the account the worse that things are going in the economy, instead of using a desperate situation to enforce reform.

SA government bonds have also continued to sell off as recent polls suggest a major decline in ANC support as we head into the May 2024 elections. Early in the year, market concerns likely centred around the notion that the rising tide of economic dissatisfaction and joblessness may also have lifted the ship of populist parties like the EFF, who promise their constituents a radical redistribution of wealth. That said, the polling data is changing quickly to reflect a larger threat coming from former president Jacob Zuma's uMkhonto weSizwe Party (MK Party), which has been polling as high as 13% nationally according to the February 2024 Brenthurst polls, taking market share from both the ANC and EFF. There are currently a range of election and coalition outcomes and clearly not all of them are positive.

In the last quarter, the Fund upweighted its allocation to senior floating-rate notes at annualised yields above 10%, to take the total allocation to floating-rate paper to approximately 30% of the Fund. It also reinvested coupons into 13-year SA government bonds as yields began to sell off but maintained its underweight duration positioning with only 45% of the Fund invested in fixed-rate government bonds. Valuations are compelling, in that a 13-year government bond bought at 12% yield would still be able to offer a five-year return of 10% per annum if it sold off to a 15% yield by the end of that period. That said, given that the Fund offers a healthy weighted average yield of 11.8% for a modified duration of 4.1, there is arguably no need to take on undue risk beyond the current allocation. A full position would also limit the ability of the Fund to participate into further price depreciation in a rising bond yield environment, which has been the status quo for the last decade in South Africa. For yields to decline on a sustained basis, we need to become an attractive investment destination again. Large pools of foreign capital have a lot of choices globally, and South Africa is small enough to ignore if the risk-reward ratio is not favourable.

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's gross yield is the estimated weighted average yield-to-maturity of all underlying interest-bearing instruments as at the last day of the month. Actual returns may differ, based on changes in market values, interest rates and market factors during the investment period.

Fees

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

Total expense ratio (TER) and transaction costs

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

Compliance with Regulation 28

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

FTSE/JSE All Bond Index

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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ALLANGRAY

Fund manager: Thalia Petousis **Inception date:** 1 July 2001

Allan Gray Money Market Fund

30 April 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 – 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

Fund information on 30 April 2024

Fund size	R29.3bn
Number of units	26 716 865 730
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.72
Fund weighted average coupon (days)	87.20
Fund weighted average maturity (days)	106.80
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 30 April 2024.
2. This is based on the latest available numbers published by IRESS as at 31 March 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

May 2023	Jun 2023	Jul 2023	Aug 2023
0.68	0.68	0.71	0.72
Sep 2023	**Oct 2023**	**Nov 2023**	**Dec 2023**
0.70	0.73	0.71	0.74
Jan 2024	**Feb 2024**	**Mar 2024**	**Apr 2024**
0.75	0.69	0.74	0.72

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	440.7	418.1	237.6
Annualised:			
Since inception (1 July 2001)	7.7	7.5	5.5
Latest 10 years	6.9	6.5	5.0
Latest 5 years	6.5	6.0	5.1
Latest 3 years	6.6	6.2	6.1
Latest 2 years	7.7	7.3	6.2
Latest 1 year	8.9	8.5	5.3
Year-to-date (not annualised)	2.9	2.8	1.9
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 31 March 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 30 April 2024

	% of portfolio
Corporates	**9.4**
Shoprite	2.5
Sanlam	2.5
Mercedes-Benz Group	2.3
Daimler Truck	2.1
Banks[6]	**51.4**
Nedbank	17.8
Standard Bank	12.3
Absa Bank	8.5
Investec Bank	7.5
FirstRand Bank	5.4
Governments	**39.2**
Republic of South Africa	39.2
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 31 March 2024

While 2024 began with the US interest rate markets pricing for up to seven interest rate cuts during the year, by the end of the first quarter these expectations had been scaled back to only three cuts. The US market is awakening to the reality of a strong labour market, low unemployment and sticky inflation in US services. Such stickiness in US prices makes it incredibly difficult to cut interest rates without lighting the flame of another round of inflation. The drivers of US services inflation over the last few months cover quite a range of items, like costlier prices for elder care and domestic work, hospital and veterinarian services, financial services and even admission to sporting events. When an economy experiences an energy, food and fuel price shock, as seen in 2022, then it is natural to expect that a second-round shock via services-led inflation could follow. When prices have been high, workers demand higher pay. This is particularly true for an economy with a shortage of low-skilled labour, like the US. When in short supply, lower-cost labourers have a lot of bargaining power. US wage growth is unsurprisingly still running at an elevated 5.4% year-on-year with 8.8 million job openings versus only 6.4 million unemployed workers.

Inflation is also proving to be sticky in South Africa, and it is no surprise that the South African Reserve Bank (SARB) voted unanimously in March to keep the repo rate unchanged at a 14-year high of 8.25%. Last year, South African food inflation hit its highest levels since 2008. Drought-like conditions are emerging, not just in parts of the country, but across the continent, doing damage to crop yields and maize harvests. El Niño and bean disease have caused official cocoa production numbers to fall by 20% to 40% in Côte d'Ivoire and Ghana, which are responsible for a combined 60% of global cocoa bean production. As a result, the price of cocoa per metric tonne has tripled in the last year which will bleed into confectionary prices in time.

The SARB has also been at pains to highlight that high administered regulated price inflation, such as for electricity, water and property rates, puts pressure on prices in a way that is outside of the SARB's control, given these prices are not being adjusted with demand but rather with the broken balance sheets of state-owned enterprises (SOEs) and municipalities. In February, South African consumer prices rose by 5.6% year-on-year, more than a full percent wider than the SARB's preferred level. Unpacking this figure further, inflation in the Western Cape increased to 6.3%, given a greater weighting towards services categories like medical insurance, which rose by 13%. In provinces like Limpopo, headline inflation was notably lower at 4.4%, given a larger weighting towards basic food and fuel which is disinflating from the high base created in 2022.

The sticky nature of inflation in South Africa lessens the probability that the SARB will cut interest rates any time soon – or, if they do, it raises the chances that it will be a short cutting cycle. In this regard, the local market continues to price for only one interest rate cut over the next two years.

Over the last quarter, the Fund again raised its exposure to Treasury Bills as yields remained higher than bank deposit rates due to government's large funding requirement. Bank appetite to pay up aggressively for deposits tends to wane when they are writing fewer loans, and we have seen this occur as bank non-performing loans rise, and they subsequently rein in their credit appetite. The weighted average yield of the Fund (gross of fees) ended the quarter at 9.47%, paying the highest rate of interest in the Fund in over 14 years.

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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