Allan Gray Interest Fund

30 June 2025

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 30 June 2025

Fund size	R2.0bn
Number of units	71 969 975
Price (net asset value per unit)	R10.27
Modified duration	1.4
Gross yield (i.e. before fees)	8.6
Net yield (i.e. after fees)	7.8
Fund weighted average maturity (years)	4.9
Class	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 30 June 2025. Source: Bloomberg.
2. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 31 May 2025 (source: IRESS).
3. Maximum percentage decline over any period. The maximum drawdown occurred from 7 October 2024 to 8 October 2024. Drawdown is calculated on the total return of the Fund (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 May 2025 and the benchmark's occurred during the 12 months ended 30 April 2025. The Fund's lowest annual return occurred during the 12 months ended 30 April 2025 and the benchmark's occurred during the 12 months ended 30 June 2025. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Income distributions for the last 12 months

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

Jul 2024	Aug 2024	Sep 2024	Oct 2024
8.11	7.40	7.76	7.58
Nov 2024	Dec 2024	Jan 2025	Feb 2025
7.09	7.68	7.32	6.56
Mar 2025	Apr 2025	May 2025	Jun 2025
7.12	6.90	6.93	7.07

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 May 2024)	12.6	9.6	3.0
Annualised:			
Since inception (1 May 2024)	10.8	8.2	2.8
Latest 1 year	10.7	8.1	2.8
Year-to-date (not annualised)	4.9	3.8	2.2
Risk measures (since inception)			
Maximum drawdown[3]	-1.2	n/a	n/a
Percentage positive months[4]	100.0	100.0	n/a
Annualised monthly volatility[5]	0.7	0.1	n/a
Highest annual return[6]	10.8	8.2	n/a
Lowest annual return[6]	10.5	8.1	n/a

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Meeting the Fund objective

Since inception, the Fund has outperformed its benchmark and provided returns in excess of CPI inflation. The Fund aims to minimise risk by maintaining capital stability and low volatility.

Annual management fee

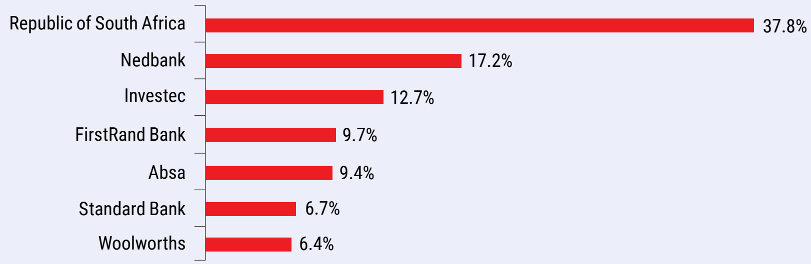
A fixed fee of 0.65% p.a. excl. VAT

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

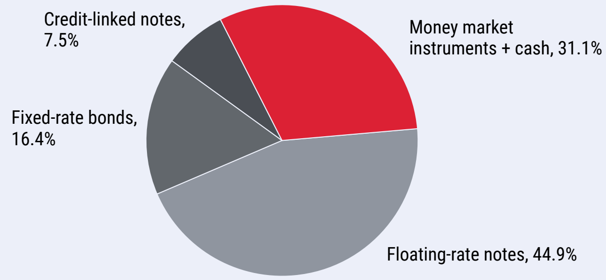
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one-year period (annualised). Transaction costs are disclosed separately. Complete and accurate data is only available after 12 months. The TER and transaction costs are therefore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

TER and transaction costs breakdown for the 1-year period ending 30 June 2025	1yr %
Total expense ratio	**0.76**
Fee for benchmark performance	0.65
Other costs excluding transaction costs	0.01
VAT	0.10
Transaction costs (including VAT)	**0.00**
Total investment charge	**0.76**

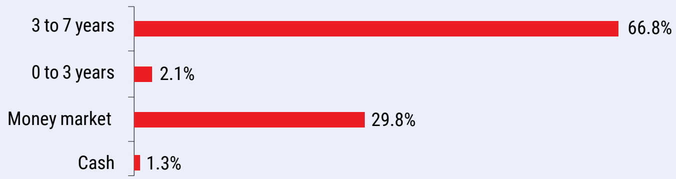
Top credit exposures on 30 June 2025



Asset allocation on 30 June 2025



Maturity profile on 30 June 2025



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

Fund manager commentary as at 30 June 2025

President Trump's "Liberation Day" tariff announcement on 2 April, followed by the subsequent threats, reversals and postponements, created a dizzying level of volatility in global financial markets during the second quarter. The S&P 500, as an example, is now back near all-time highs after falling more than 10% in early April. Indeed, at one point during the sell-off, US equities, bonds and the US dollar all weakened in tandem – a rare occurrence in recent financial market history. The US dollar and US bond yields have not fared as well as equities, with both still weaker versus their initial levels. Trump's One Big Beautiful Bill Act, which entrenches his first-term tax cuts together with new tax breaks and increased spending requirements, has added to investor uncertainty. If passed, the bill may increase federal debt by US$3tn by some estimates (roughly 7% of US GDP) over the next decade. In addition, any positive sentiment attached to the Department of Government Efficiency's anticipated cost savings has quickly faded.

Trump's haphazard approach to policymaking has also induced angst among global central bankers. Most have now adopted a more careful path to further monetary policy easing, given the two-sided risks that tariffs and heightened trade tensions may pose to inflation. Officials at the US Federal Reserve have dialled back their economic growth projections while simultaneously increasing inflation expectations – conditions more akin to stagflation. Ambiguity exists around whether the inflationary impact of tariffs will be a one-off step higher in prices or something more structural as firms manage the increase in input costs. Conversely, the continuing uncertainty may begin to weigh on consumer confidence and planned investment, further impacting prospects for growth. The expectation is for two cuts (or 50 basis points) in the US by year end.

Locally, our Monetary Policy Committee has swung more dovish, lowering the repo rate to 7.25% at its May meeting, with all members voting in favour of the cut. This shift from its previous, more cautious approach may be attributed to several factors. The starting point is relevant given that the policy rate has been restrictive for some time, with the real rate at its highest level since the mid-2000s, a period during which inflation ran significantly higher. In the absence of an exogenous shock, such as a higher oil price, the current inflation outlook is benign, with the latest print at 2.8% – below the band targeted by the South African Reserve Bank (SARB).

The trade surplus, helped by stronger gold and platinum prices, contributes to a stable exchange rate. And as local growth expectations are revised downwards, cost pressures stemming from increased demand are few and far between. Lastly, the passing of the Budget and the continuation of the government of national unity have eased fiscal concerns somewhat, evidenced by government bond yields at their lowest point for the year to date.

The SARB has also introduced the possibility of lowering the inflation objective to 3% versus the previous 3% to 6% band. While discussions between the SARB and National Treasury remain ongoing, the market has cheered the prospect of a new, lower target. Experience elsewhere suggests that once inflation settles down in the 1% to 3% range, it usually stays there. The current band is too high and wide relative to the low prevailing inflation that the SARB wishes to lock in. With administered prices still expected to outpace overall inflation, government support in the form of lower price-linked wage settlements is clearly required.

Fixed-rate exposure was added to the Fund during the quarter on the expectation of a potentially deeper rate-cutting cycle locally. At quarter end, the Fund's annualised yield was 8.6%.

Commentary contributed by Sean Munsie

Important information for investors

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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 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).

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