ALLANGRAY

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

Allan Gray Money Market Fund

31 October 2022

Fund description and summary of investment policy

The Fund invests in South African money market instruments with a term shorter than 13 months. These instruments can be issued by government, parastatals, corporates and banks. The Fund is managed to comply with regulations governing retirement funds.

While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument held by the Fund defaults. In this event losses will be borne by the Fund and its investors.

ASISA unit trust category: South African – Interest Bearing – Money Market

Fund objective and benchmark

The Fund aims to preserve capital, maintain liquidity and generate a sound level of income. The Fund's benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index.

How we aim to achieve the Fund's objective

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

Suitable for those investors who

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

Minimum investment amounts*

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

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

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

Fund information on 31 October 2022

Fund size	R25.5bn
Number of units	23 612 482 754
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.53
Fund weighted average coupon (days)	89.67
Fund weighted average maturity (days)	112.79
Class	A

1. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund, performance as calculated by Allan Gray as at 31 October 2022.
2. This is based on the latest available numbers published by IRESS as at 30 September 2022.
3. 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 2021	Dec 2021	Jan 2022	Feb 2022
0.36	0.38	0.38	0.36
Mar 2022	Apr 2022	May 2022	Jun 2022
0.40	0.40	0.43	0.43
July 2022	Aug 2022	Sep 2022	Oct 2022
0.46	0.49	0.49	0.53

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	379.1	361.7	212.1
Annualised:			
Since inception (1 July 2001)	7.6	7.4	5.5
Latest 10 years	6.5	6.1	5.2
Latest 5 years	6.3	5.8	4.9
Latest 3 years	5.3	4.8	5.1
Latest 2 years	4.8	4.3	6.2
Latest 1 year	5.2	4.8	7.5
Year-to-date (not annualised)	4.5	4.1	6.7
Risk measures (since inception)			
Percentage positive months	100.0	100.0	n/a
Annualised monthly volatility	0.6	0.6	n/a
Highest annual return[3]	12.8	13.3	n/a
Lowest annual return[3]	4.3	3.8	n/a

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Meeting the Fund objective

The Fund has preserved capital, maintained liquidity and generated a sound level of income.

Annual management fee

A fixed fee of 0.25% p.a. excl. VAT

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

The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2022	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 2022

	% of portfolio
Corporates	**7.5**
Shoprite	2.6
Sanlam	2.4
AVI	1.6
Pick 'n Pay	1.0
Banks[4]	**90.5**
Standard Bank	22.4
Nedbank	22.1
Investec Bank	15.6
FirstRand Bank	15.3
Absa Bank	15.2
Government	**1.9**
Republic of South Africa	1.9
Total (%)	**100.0**

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

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

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Fund manager quarterly commentary as at 30 September 2022

During a brief 48-hour window in late September 2022, a slew of central banks acted to raise interest rates in excess of a combined 600 basis points (6%) across the world – namely Sweden (+1%), the US (+0.75%), the Philippines (+0.5%), Indonesia (+0.5%), Taiwan (+0.125%), Switzerland (+0.75%), Norway (+0.5%), England (+0.5%), Vietnam (+1%) and South Africa (+0.75%). These central banks are attempting to kill the monster of inflation – ironically one of their own creation. Like Frankenstein's monster, they claimed that its original conception was for the service and betterment of mankind.

Will the rate hikes work? One concern is that once given life, pricing feedback loops can run amok, leading inflation to become deeply entrenched in the global economy. Simply put, high prices beget higher prices.

By way of example, the cost of war and geopolitical tensions is often paid for with inflation, but inflation, in and of itself, has the knock-on impact of (circularly) creating great public and political upheaval. Similarly, what can start as a supply-side energy shock and a rise in fuel prices can also (circularly) be fed by the resulting worker outcry for higher wages. Wage growth has already risen to the realm of 5% to 7% year-on-year across the US and Europe with anecdotal evidence of a shortage of skilled workers. This is known as the wage-price spiral – a feared "second-round effect" of an initial shock to prices.

In September, the South African Reserve Bank (SARB) raised the overnight repo rate to 6.25% to do battle with an August consumer price inflation print of 7.6% year-on-year. Although the local consumer is weak, and the reported unemployment rate stands at 34% of the "official" workforce, the SARB is *alive* to the possibility of our own wage-price spiral as public sector unions continue to demand above-inflation wage increases while their workers go on strike.

The SARB is also acutely aware that it must act in line with offshore central banks to protect the value of the rand, which had already lost 19% of its value against the US dollar in the 12 months to 30 September 2022. Such rand weakness naturally feeds into imported cost inflation, often with a lag. This is a pressing issue given that South Africa swung into a current account deficit in the second quarter of 2022, meaning that the imported value of our goods and services now exceeds the exported value due to the rising cost of (imported) oil and fuel. Our exported commodity basket is lagging in terms of price momentum and volumes.

The South African forward rates market is still pricing for aggressive interest rate hikes, which has raised the attractiveness of longer-dated bank paper. The market is broadly expecting the repo rate to return to the 7%+ levels last seen in 2017 to 2019 – a time when the Fund's weighted average yield was above 8%. This quarter, maturing government treasury bills have been steadily run down in the Fund and reinvested into one-year bank deposits, most recently at interest rates above 8.5%.

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.

The Allan Gray Money Market Fund is not a bank deposit account

The Fund aims to maintain a constant price of 100 cents per unit. The total return an investor receives is made up of interest received and any gain or loss made on instruments held by the Fund. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument defaults. In this event, investors may lose some of their capital. To maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses. The yield is calculated according to applicable ASISA standards. Excessive withdrawals from the Fund may place it under liquidity pressure; if this happens, withdrawals may be ring-fenced and managed over a period of time.

Purchase and redemption requests must be received by the Management Company by 11:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

Fees

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

Total expense ratio (TER) and transaction costs

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

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956. 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 a reasonable time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Important information for investors

Need more information?
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**

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