Allan Gray Money Market Fund

30 September 2023

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 30 September 2023

Fund size	R27.3bn
Number of units	24 969 741 250
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.70
Fund weighted average coupon (days)	87.73
Fund weighted average maturity (days)	108.20
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 September 2023.
2. This is based on the latest available numbers published by IRESS as at 31 August 2023.
3. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
4. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
5. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 July 2003 and the benchmark's occurred during the 12 months ended 31 July 2003. The Fund's lowest annual return occurred during the 12 months ended 31 October 2021 and the benchmark's occurred during the 12 months ended 31 October 2021. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Income distribution for the last 12 months

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

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

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	413.9	393.9	226.8
Annualised:			
Since inception (1 July 2001)	7.6	7.4	5.5
Latest 10 years	6.7	6.3	5.1
Latest 5 years	6.3	5.9	4.9
Latest 3 years	5.7	5.3	5.8
Latest 2 years	6.5	6.0	6.2
Latest 1 year	7.8	7.5	4.8
Year-to-date (not annualised)	6.1	5.8	4.0
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

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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 2023	1yr %	3yr %
Total expense ratio	**0.29**	**0.29**
Fee for benchmark performance	0.25	0.25
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.00	0.00
VAT	0.04	0.04
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.29**	**0.29**

Exposure by issuer on 30 September 2023

	% of portfolio
Corporates	**10.8**
Sanlam	2.5
Shoprite	2.4
Daimler Truck AG	2.2
AVI	1.5
Pick 'n Pay	0.9
Toyota Financial Services (SA)	0.8
Mercedes-Benz Group AG	0.6
Banks[6]	**75.5**
Nedbank	19.5
Investec Bank	18.0
Standard Bank (SA)	14.7
Absa Bank	13.8
FirstRand Bank	9.4
Governments	**13.7**
Republic of South Africa	13.7
Total (%)	**100.0**

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

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

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Fund manager quarterly commentary as at 30 September 2023

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

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

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

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

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

Commentary contributed by Thalia Petousis

Information and content

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Allan Gray is an authorised financial services provider.

Management Company

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

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

Performance

Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. 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 (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).

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**