Fund managers: Duncan Artus, Jacques Plaut, 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 May 2022

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

Minimum investment amounts*

Initial lump sum per investor account	R36 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.

Maximum investment amounts

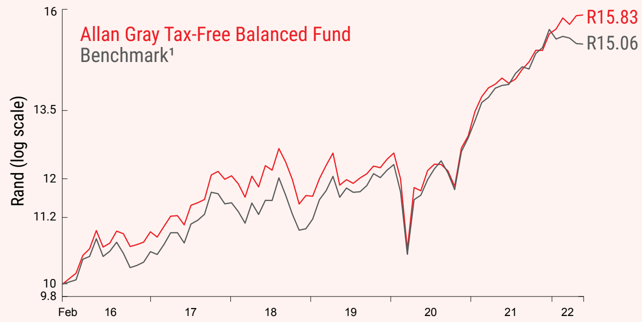
Maximum lump sum per investor account	R36 000
Lifetime maximum	R500 000
Maximum debit order**	R3 000

Fund information on 31 May 2022

Fund size	R2.0bn
Number of units	123 877 223
Price (net asset value per unit)	R13.78
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 February 2016)	58.3	50.6	34.7
Annualised:			
Since inception (1 February 2016)	7.5	6.7	4.9
Latest 5 years	7.1	6.7	4.4
Latest 3 years	10.2	9.1	4.4
Latest 2 years	16.2	13.8	5.2
Latest 1 year	11.4	7.3	5.9
Year-to-date (not annualised)	3.3	-2.5	3.0
Risk measures (since inception)			
Maximum drawdown[3]	-24.6	-23.3	n/a
Percentage positive months[4]	65.8	64.5	n/a
Annualised monthly volatility[5]	9.7	9.1	n/a
Highest annual return[6]	31.7	30.7	n/a
Lowest annual return[6]	-13.4	-10.3	n/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 May 2022.
2. This is based on the latest available numbers published by IRESS as at 30 April 2022.
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.

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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 2021	31 Dec 2021
Cents per unit	**8.1043**	**14.8998**

Annual management fee

The fee we charge is fixed at 1.25% excluding VAT.

This fee only applies to the portion of the unit trusts that we manage. The offshore portion of the unit trust is managed by Orbis. Orbis charges fixed fees within these funds. 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 2022 (SA and Foreign) (updated quarterly)[7]

Company	% of portfolio
British American Tobacco	5.9
Glencore	5.1
Naspers[8]	4.2
Nedbank	2.8
Woolworths	2.6
Sasol	2.5
Remgro	2.4
Sibanye-Stillwater	2.2
AB InBev	2.0
Standard Bank	1.8
Total (%)	**31.5**

Asset allocation on 31 May 2022[7]

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	69.3	49.6	3.0	16.7
Hedged equities	8.5	3.4	0.0	5.1
Property	1.2	0.9	0.0	0.3
Commodity-linked	3.0	2.3	0.0	0.7
Bonds	12.8	9.4	1.5	1.9
Money market and bank deposits	5.3	2.8	-0.1	2.5
Total (%)	**100.0**	**68.4**	**4.5**	**27.1[9]**

7. Underlying holdings of Orbis funds are included on a look-through basis.
8. Includes holding in stub certificates or Prosus N.V., if applicable.
9. The Fund can invest a maximum of 45% offshore. Market movements 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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2022	1yr %	3yr %
Total expense ratio	**1.49**	**1.50**
Fee for benchmark performance	1.30	1.32
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.04	0.04
VAT	0.15	0.14
Transaction costs (including VAT)	**0.09**	**0.10**
Total investment charge	**1.58**	**1.60**

Since inception, the Fund's month-end net equity exposure has varied as follows:

Minimum	(February 2016) 57.5%
Average	64.1%
Maximum	(May 2021) 72.5%

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Fund manager quarterly commentary as at 31 March 2022

For the quarter, the Fund returned 1.6%. This is relatively muted in absolute terms but better than the benchmark, which gave negative 1.5% for the quarter. Notably, the foreign portion of the Fund returned negative 6.4%, compared with a 60/40 benchmark return of negative 13.4%.

We have previously spoken about our significant underweight in US equities and our preference for depressed European, UK and emerging market equities in the offshore component. We have also had no exposure to developed world, long-dated sovereign bonds for some time, believing investors were taking on return-free risk by buying at generationally low interest rates. From early 2018 until the end of 2021, this positioning caused significant underperformance in the offshore component of our Fund, as US equities continued to outperform and yields on long-dated government bonds continued to compress, inflating bond prices.

However, with high commodity prices, inflation consistently above 5% in the US since June 2021 (7.9% as at the end of February 2022) and an overheating US economy, these trends have begun to reverse in 2022. Earlier this month, the Federal Reserve approved its first interest rate increase in more than three years and signalled its intention to keep hiking rates throughout 2022 and possibly into 2023. Year to date, the yield on 10-year government bonds in the US has increased from 1.5% to 2.3%, causing those same bonds to generate a negative return of 7.2% in US dollars. Higher interest rates have also meant higher discount rates, with a number of highly priced companies falling significantly and the S&P 500 down 4.6% in US dollars, year to date. Jacques Plaut discusses some of these movements in this quarter's Allan Gray Equity Fund commentary.

At this stage, we do not know whether global inflation will prove to be transitory or more persistent in nature. We do know that developed market government debt is at record levels and that the real yield on long-dated government bonds continues to be negative in many countries. We also know that the average earnings multiple one is paying for US equities remains high relative to history. As a result, we are of the view that we are at the early stages of this trend reversal and continue to see substantial upside in our offshore investments relative to overall global asset prices.

In contrast to global bond markets, the 10-year government bond in South Africa is providing real returns, with a benchmark rate now in the ballpark of 10% (real rate above 4%). The risks in South Africa are well known, but one is arguably being compensated for these higher risks at today's prices.

Following the Budget speech, the offshore investment limits for local unit trusts that are mandated to invest offshore, including those that comply with Regulation 28 of the Pension Funds Act, are increased to 45%. We continue to see significant value in our preferred JSE-listed equities, a number of which are global companies that happen to be listed in South Africa, and have not immediately reweighted our asset allocation positions as a result.

One such example is Glencore. Glencore produces and sells over 120 million tonnes of coal each year. Coal is arguably the dirtiest of fossil fuels, and we need to make a global effort to materially reduce our reliance on it over the next 30 to 40 years if we are to achieve our ambition of keeping climate change to a minimum. Glencore is not blind to this reality and has committed to responsibly winding down their mines over time and reinvesting the proceeds in more sustainable and greener metals. However, as it currently stands, many countries – emerging markets in particular – are reliant on coal for their primary energy needs. South Africa is no exception, with approximately 85% of our electricity continuing to be generated from coal.

Over the past few years, there has been huge pressure on companies to close and reduce investment into fossil fuel operations, coal in particular. In theory, this should drive a positive outcome from a climate change perspective.

Unfortunately, as a global society, we have been poor in terms of the speed and scale at which we have made greener alternatives a viable reality. As consumers are reluctant to reduce their overall energy needs, demand has remained sticky. With demand remaining elevated and supply under pressure, the coal price has rallied materially over the past 18 months. This has been exacerbated in the short term by COVID-19 supply disruptions and the events unfolding in Ukraine, with the related sanctions on Russian oil and gas.

It is important to note that a high coal price is favourable for Glencore's income statement in the short term, but it is also useful in the war against carbon emissions. That is because high prices reduce consumer demand and increase the incentive to produce and bring alternatives to market. There is a reasonable chance that the high prices we are seeing in fossil fuels today will ultimately accelerate their replacement by greener alternatives.

As a result, when valuing Glencore, we do not bake today's high coal prices into our valuation, and we place the coal business on a below-average multiple. However, what we believe the market fails to appreciate is just how important Glencore is to the energy transition. Glencore is one of the world's largest producers of zinc, cobalt, nickel and copper. The world will need to more than double its annual consumption of these four commodities as we scale up investments in electric vehicles, large-scale commercial batteries, wind and solar farms, and greater redundancy in electrical grids. At spot, the Glencore share price is discounting not only materially lower coal prices, but materially lower prices for these other commodities too. We like that risk-reward trade-off.

During the quarter, we bought Naspers, Prosus and AB InBev and sold Standard Bank.

Commentary contributed by Rory Kutisker-Jacobson

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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. 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. 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).

Foreign exposure

This fund may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

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, also an authorised financial services provider and a registered insurer licensed to provide life insurance products 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

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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

31 May 2022

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 get 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

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.

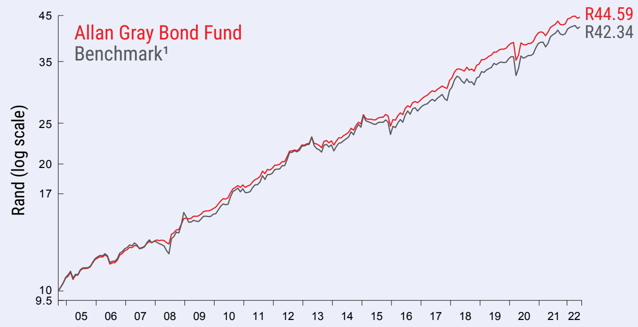
Fund information on 31 May 2022

Fund size	R6.5bn
Number of units	572 553 821
Price (net asset value per unit)	R10.80
Modified duration	5.9
Gross yield (before fees)	10.1
Class	A

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 May 2022.
2. This is based on the latest available numbers published by IRESS as at 30 April 2022.
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.

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)	345.9	323.4	157.3
Annualised:			
Since inception (1 October 2004)	8.8	8.5	5.5
Latest 10 years	8.2	7.9	5.0
Latest 5 years	8.4	8.3	4.4
Latest 3 years	7.2	7.7	4.4
Latest 2 years	7.3	8.3	5.2
Latest 1 year	5.8	5.6	5.9
Year-to-date (not annualised)	1.0	1.2	3.0
Risk measures (since inception)			
Maximum drawdown[3]	-18.9	-19.3	n/a
Percentage positive months[4]	72.2	68.9	n/a
Annualised monthly volatility[5]	5.8	7.4	n/a
Highest annual return[6]	18.0	21.2	n/a
Lowest annual return[6]	-2.6	-5.6	n/a

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Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund has outperformed 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 2021	30 Sep 2021	31 Dec 2021	31 Mar 2022
Cents per unit	22.9999	23.8985	24.6430	23.9256

Annual management fee

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

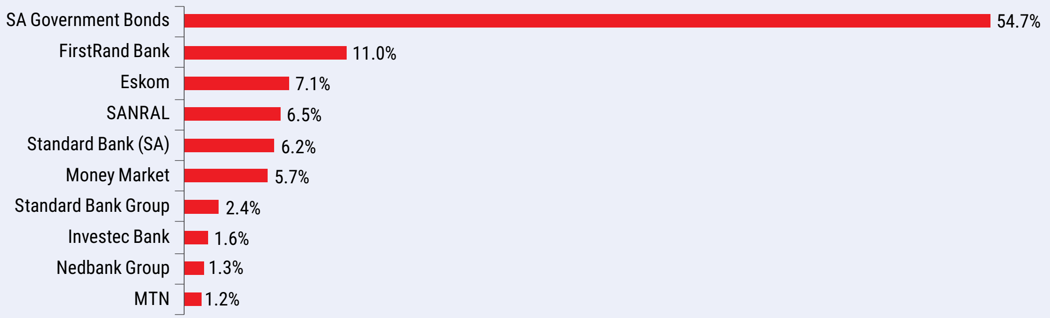
Total expense ratio (TER) and transaction costs

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.

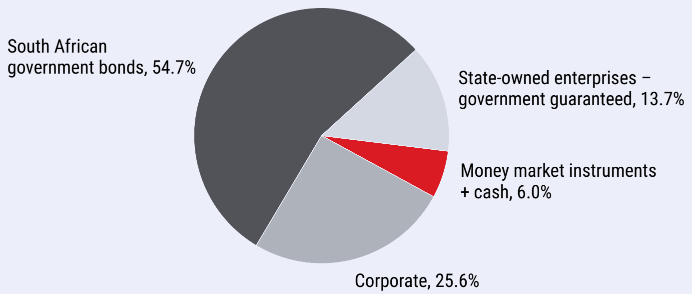
TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2022	1yr %	3yr %
Total expense ratio	**0.39**	**0.47**
Fee for benchmark performance*	0.33	0.28
Performance fees*	0.00	0.12
Other costs excluding transaction costs	0.01	0.01
VAT	0.05	0.06
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.39**	**0.47**

*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.

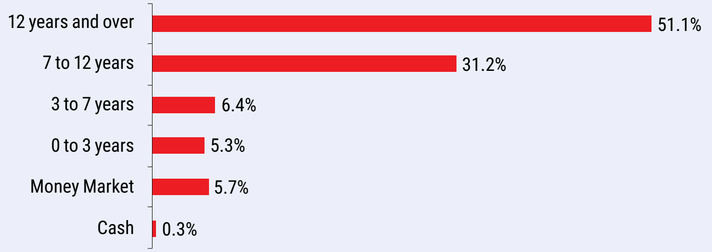
Top 10 credit exposures on 31 May 2022



Asset allocation on 31 May 2022



Maturity profile on 31 May 2022



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

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Fund manager quarterly commentary as at 31 March 2022

The narrative about inflation being transitory – a common refrain among major central banks during the pandemic recovery period – has decisively been put to rest. Developed country policymakers are increasingly waking up to the reality of persistently higher prices, and this has been a rude awakening: US inflation reached 40-year highs in February, printing at a whopping 7.9%. During the quarter, the Federal Reserve ended its asset purchase programme and embarked on its first rate hike of 25 basis points. The Bank of England implemented its third rate hike in a row, while the European Central Bank announced the winding down of asset purchases from the end of March.

If the major central banks were still in bed recovering from the rude inflationary wake-up call, then Russia's invasion of Ukraine must have been akin to being splashed with a bucket of ice cold water. The sanctions imposed on Russia resulted in the oil price touching US$140 per barrel, the highest since 2008. The conflict has also affected global food prices, given that Russia and Ukraine are large wheat exporters. The sad reality is that the conflict has not only resulted in unjustifiable human suffering and loss of life in Ukraine but has also exported economic pain to the rest of the world through higher food and fuel prices, which have a particularly harmful effect on people in developing countries.

The domestic environment has been rather tame compared to the upheaval observed in other parts of the world. The South African Reserve Bank implemented two 25 basis point rate hikes in a bid to normalise monetary policy and contain inflation that is hovering just below the 6% upper bound. February saw Finance Minister, Enoch Godongwana, deliver his maiden Budget speech. It was a bullish budget due to revenue overshooting relative to the upwardly revised November estimates, largely owing to the continued outperformance of commodities.

Some of this extra revenue was used to extend the COVID-19 Social Relief of Distress grant for another year. The Budget also pencilled in minimal salary increases for civil servants and made no provision for new bailouts of state-owned enterprises (SOEs) – these two items have been leading threats to fiscal sustainability in recent years. In a final boost to the fiscus, the Constitutional Court exonerated the government from having to make good on the final year of a previous wage deal, which the government had reneged on due to affordability concerns.

Credit spreads in the domestic market appear to have stabilised at low levels. Furthermore, more and more auctions have been clearing towards the top end of guidance – another indicator of the potential end of the spread contraction seen over the past few years. Notable issuances came from Fortress REIT, which privately placed sustainability-linked bonds worth R1.3bn, and Transnet, which held its first auction in several years, raising a total of R2bn.

During the quarter, we switched from short-dated to long-dated FirstRand senior bonds, sold low-yielding Standard Bank and MTN paper, and added duration ahead of what we anticipated would be a positive budget. Half of the Fund is invested in liquid, long-dated government bonds, which are offering good value at current yields. This is balanced against bank bonds, other fixed rate credit, floating rate notes and inflation-linked bonds – all of which tend to be defensive during bouts of risk aversion. The Fund's modified duration is 0.6 years less than that of the FTSE/JSE All Bond Index.

Commentary contributed by Londa Nxumalo

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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 yield is current, calculated as at month-end.

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).

FTSE/JSE All Bond Index

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Allan Gray Money Market Fund

31 May 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 May 2022

Fund size	R24.4bn
Number of units	22 534 462 023
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.43
Fund weighted average coupon (days)	87.16
Fund weighted average maturity (days)	119.65
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 May 2022.
2. This is based on the latest available numbers published by IRESS as at 30 April 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

June 2021	July 2021	Aug 2021	Sept 2021
0.34	0.35	0.36	0.35
Oct 2021	Nov 2021	Dec 2021	Jan 2022
0.36	0.36	0.38	0.38
Feb 2022	Mar 2022	Apr 2022	May 2022
0.36	0.40	0.40	0.43

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	367.8	351.4	201.2
Annualised:			
Since inception (1 July 2001)	7.7	7.5	5.4
Latest 10 years	6.4	6.1	5.0
Latest 5 years	6.5	6.0	4.4
Latest 3 years	5.6	5.1	4.4
Latest 2 years	4.6	4.1	5.2
Latest 1 year	4.6	4.1	5.9
Year-to-date (not annualised)	2.0	1.8	3.0
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

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 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 May 2022

	% of portfolio
Corporates	**10.4**
Pick 'n Pay	2.7
Shoprite	2.7
Sanlam	2.4
AVI	1.6
MTN	0.5
Mercedes-Benz	0.4
Banks[4]	**73.7**
Standard Bank	18.5
Nedbank	18.1
Investec Bank	16.7
Absa Bank	14.3
FirstRand Bank	6.0
Government	**15.9**
Republic of South Africa	15.9
Total (%)	**100.0**

4. Banks include negotiable certificates of deposit (NCDs), 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 31 March 2022

In my December 2021 Money Market Fund commentary, I wrote that global inflation was *on fire*. Given the tremendous moves that we have witnessed in international commodity and energy markets subsequently, I must concede that either this phrase was regrettably hyperbolic, or I must refer to current global inflation as having ventured into an inferno. In the first quarter of this year, the prices of oil, gas and wheat had each risen at their respective peaks by close to 70%. The Russia-Ukraine war not only took a giant of the exporting industry out of the market but also further disrupted global supply chains in a range of commodities like fertiliser, maize, grains, palm oil, palladium, oil and gas. Uncertainty about the duration and severity of the war has sparked debates around food security, famine and rioting, particularly in vulnerable economies. In many markets, the cost of a tank of fuel is rising many multiples faster than the pace of wages.

During prior periods of high inflation, money market investments have only offered good value if central banks have raised rates by the necessary quantum to offer real, positive, inflation-adjusted returns. During the 1980s, when the chairman of the US Federal Reserve (the Fed) at the time, Paul Volcker, raised US interest rates to a peak of 20% to combat inflation of 14.8%, one could say that money market investments offered real returns. Volcker stamped out inflation and defended the dollar by taking the US economy into severe austerity. This was not simply boldness on Volcker's part but also the fact that US debt to GDP sat at around 40% – rates could be raised without bankrupting the system.

Where does the world find itself now? US interest rates are projected to rise to circa 2.3% by the end of the year. If one contrasts this against current US consumer inflation of 7.9%, the real inflation-adjusted return is negative 5.6%.

The Fed and various developed market central banks have fallen so far behind the inflationary curve that whether they move by 25 or 50 basis points at each of the next few meetings may be of little consequence if the terminal interest rates they arrive at are too low. Despite Fed chairman Jerome Powell attesting to the fact that he will do *whatever it takes* to contain inflation, we must face the uncomfortable truth that with US debt to GDP sitting north of 130%, to pull a "Volcker" might mean bankrupting the system, making it far less likely that such boldness is favoured.

While locally the SA repo rate has risen to 4.25%, the Fund's weighted-average yield is north of 5%. This is not a terrible proposition for savers with a low risk tolerance when contrasted against South Africa's February inflation of 5.7% year-on-year – especially if one considers the deeply negative real interest rates on offer offshore. That said, investors with a higher risk appetite should consider a diversified multi-asset fund investment with at least some equity exposure and inflation protection.

This quarter, the Fund raised its weighted-average yield to above 5%. The SA money market curve, as measured by the difference between the overnight repo rate and one-year deposits, is the steepest on record since 1998. The market has priced in a very quick and aggressive rate hiking cycle. As such, current one-year bank deposit rates at 6.35% are close to the terminal repo rate the South African Reserve Bank's quarterly projection model aims to arrive at in 2024. Given these dynamics, the Fund has begun to reinvest maturing deposits and treasury bills into one-year bank paper above 6.30%.

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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