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

28 February 2023

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

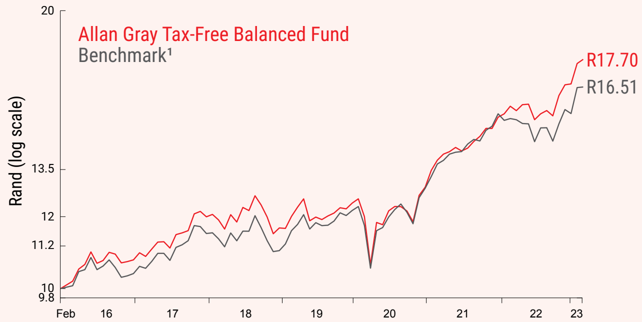
Maximum lump sum per investor account	R36 000
Lifetime maximum	R500 000
Maximum debit order**	R3 000

Fund information on 28 February 2023

Fund size	R2.4bn
Number of units	137 432 342
Price (net asset value per unit)	R15.02
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)	77.0	65.1	40.9
Annualised:			
Since inception (1 February 2016)	8.4	7.3	5.0
Latest 5 years	8.3	7.8	4.9
Latest 3 years	14.0	12.2	5.2
Latest 2 years	13.4	10.1	6.3
Latest 1 year	12.4	8.2	6.9
Year-to-date (not annualised)	6.3	6.8	0.3
Risk measures (since inception)			
Maximum drawdown[3]	-24.6	-23.3	n/a
Percentage positive months[4]	67.1	64.7	n/a
Annualised monthly volatility[5]	9.7	9.5	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 28 February 2023.
2. This is based on the latest available numbers published by IRESS as at 31 January 2023.
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 2022	31 Dec 2022
Cents per unit	**11.9507**	**24.2736**

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 December 2022 (SA and Foreign) (updated quarterly)[7]

Company	% of portfolio
British American Tobacco	5.4
Glencore	4.3
Naspers[8]	4.0
Woolworths	2.8
AB InBev	2.8
Nedbank	2.4
Sasol	2.0
Sibanye-Stillwater	1.9
Mondi Plc	1.7
Remgro	1.7
Total (%)	**29.0**

Asset allocation on 28 February 2023[7]

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	65.2	43.2	2.9	19.0
Hedged equities	9.9	4.6	0.0	5.3
Property	1.1	0.9	0.0	0.2
Commodity-linked	2.9	2.3	0.0	0.6
Bonds	12.2	8.2	1.3	2.8
Money market and bank deposits	8.6	6.3	0.0	2.3
Total (%)	**100.0**	**65.6**	**4.1**	**30.3[9]**

7. Underlying holdings of Orbis funds are included on a look-through basis.
8. Includes holding in Prosus N.V.
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 December 2022	1yr %	3yr %
Total expense ratio	**1.50**	**1.50**
Fee for benchmark performance	1.31	1.31
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.04	0.04
VAT	0.15	0.15
Transaction costs (including VAT)	**0.08**	**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	64.3%
Maximum	(May 2021) 72.5%

Fund manager quarterly commentary as at 31 December 2022

The Fund returned 8.3% for the fourth quarter and 8.6% for the 2022 calendar year. This compares with the benchmark returns of 7.1% for the quarter and 0.1% for the year. We are pleased with the strong recovery in relative performance and have now meaningfully outperformed the average manager in our benchmark over one, three and five years.

It is common for pundits to make economic forecasts as a year draws to a close, for the next 12 months and beyond. At Allan Gray, we shy away from this practice, because we feel there are too many unknowns. We could certainly make some educated guesses but that is what they would ultimately be: guesses. The economy is a complex system, and there are a multitude of interrelated factors that need to be considered.

Even if we did know one or more of these factors with certainty, we are not sure it would help with predicting market outcomes. By way of example, in 2020, when the world was under lockdown in response to the COVID-19 pandemic, the US economy shrank by 3.5% in real terms and the S&P 500 delivered a return of 18.4% in US dollars.

Contrast that with 2022. At the end of the third quarter, the US economy was growing at 3.2% and continued to have a tight labour market with unemployment below 4%. Yet the S&P 500 fell 18.1%.

Historically, across markets, there is very little correlation between economic outcomes and market returns. This is because markets are forward looking, and investor sentiment plays a huge role in driving investment returns, particularly in the short term. It is not enough to know what the economy will do. You also need to know what expectations are already priced in.

How do we get around this uncertainty? We look at the current environment and the prices on offer today. We consider the risks and range of possible outcomes, acknowledging full well that there are risks and outcomes we cannot reasonably foresee. Most importantly, we focus on the price we pay: Is the price we are paying today discounting a favourable or unfavourable future? Are the potential risks on the horizon already priced in, or could a bout of turbulence materially disrupt the investment case for the asset?

A quick glance at some of the risks we are concerned about and how we are positioning the Fund highlights our philosophy in practice:

- Inflation: We do not know if high inflation will prove to be persistent or transitory over the coming years. As a result, we are largely avoiding assets where a positive outcome of inflation falling rapidly is already priced in.

  Therefore, we continue to avoid developed market nominal government bonds, many of which still trade at real negative yields despite the sell-off in 2022. Our preference remains corporate debt and South African government bonds. In South Africa, long-term economic risks persist, but one is at least being compensated with a high nominal and real yield (10.8% and 3.4% at year end on the 10-year bond). In addition, we own a number of companies that trade at undemanding multiples, healthy dividend yields and historically have had strong pricing power. Therefore, if inflation proves to be persistent, these companies will be able to protect their earnings in real terms. Examples in our top 10 include British American Tobacco and AB InBev.

- Energy: Globally, we have some ambitious and admirable targets to wean ourselves completely off fossil fuels over the coming decades with the risks from climate change increasing the urgency to transition. Unfortunately, as we have acutely learnt in Europe over the past 12 months, going cold turkey isn't an option, as we haven't invested enough in renewable and cleaner alternatives to displace our existing base of fossil fuel infrastructure. We believe a number of old-economy energy companies have a role to play in the energy transition, yet they continue to be shunned by the wider investment community. Glencore is particularly interesting in this regard in that it produces over 100 million tonnes of coal each year but is also one of the largest producers globally of cobalt, zinc, nickel and copper. These commodities are integral to the renewable energy transition. When you buy Glencore today, you are paying an extremely low price for the coal-producing assets, and very little upside is priced into the company's suite of commodities integral to a cleaner future. Offshore, we are finding value in energy and energy infrastructure-related companies like Schlumberger and Kinder Morgan, which trade at very undemanding multiples.

In summary, we do not know what the future holds, and we manage the risks accordingly. By being patient and disciplined, we strive to buy only those assets where the risk-to-reward opportunity is skewed heavily in our favour and there is a large margin of safety. We won't always get it right but focusing on the price we pay is the best way to protect and grow capital over the long term.

During the quarter the Fund bought Nedbank and Mondi, and sold British American Tobacco and Glencore.

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 (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).

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

The FTSE/JSE All Share Index is calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE All Share Index values and constituent lists 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**

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Allan Gray Bond Fund

28 February 2023

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

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.

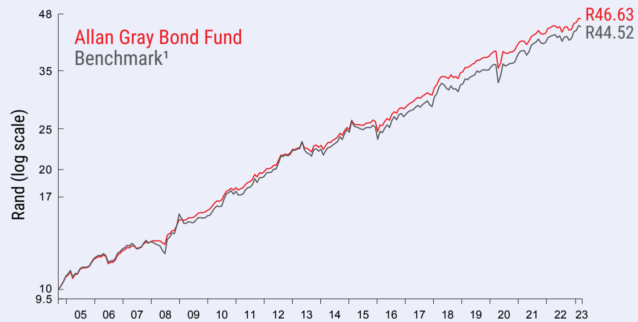
**Only available to investors with a South African bank account.

Fund information on 28 February 2023

Fund size	R7.1bn
Number of units	624 750 658
Price (net asset value per unit)	R10.50
Modified duration	4.6
Gross yield (before fees)	10.0
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)	366.3	345.2	169.1
Annualised:			
Since inception (1 October 2004)	8.7	8.4	5.5
Latest 10 years	7.6	7.2	5.2
Latest 5 years	7.1	7.1	4.9
Latest 3 years	6.3	7.4	5.2
Latest 2 years	6.6	7.0	6.3
Latest 1 year	4.2	4.9	6.9
Year-to-date (not annualised)	2.1	2.0	0.3
Risk measures (since inception)			
Maximum drawdown[3]	-18.9	-19.3	n/a
Percentage positive months[4]	71.9	68.8	n/a
Annualised monthly volatility[5]	5.9	7.4	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 28 February 2023.
2. This is based on the latest available numbers published by IRESS as at 31 January 2023.
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.

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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 performed in line with 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	31 Mar 2022	30 Jun 2022	30 Sep 2022	31 Dec 2022
Cents per unit	**23.9256**	**24.5459**	**25.6894**	**25.0699**

Annual management fee

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

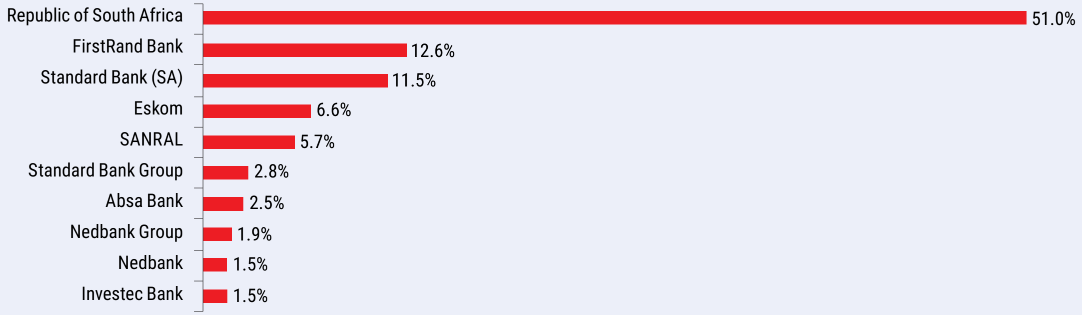
Total expense ratio (TER) and transaction costs (updated quarterly)

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.

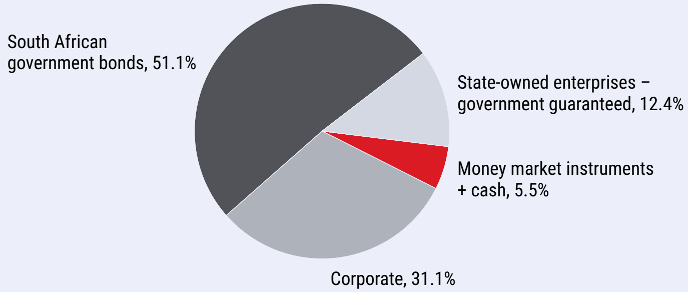
TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2022	1yr %	3yr %
Total expense ratio	**0.59**	**0.46**
Fee for benchmark performance*	0.50	0.34
Performance fees*	0.00	0.05
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.06
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.59**	**0.46**

*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.

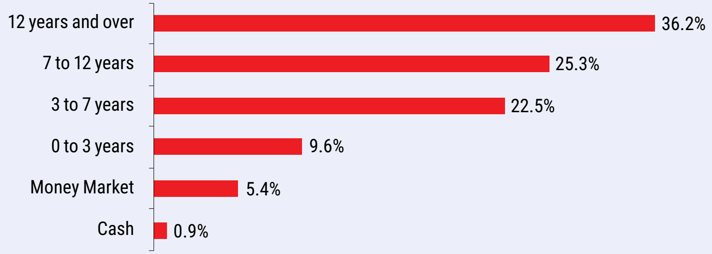
Top 10 credit exposures on 28 February 2023



Asset allocation on 28 February 2023



Maturity profile on 28 February 2023



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

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Fund manager quarterly commentary as at 31 December 2022

Increasing price pressures set the tone from the beginning of 2022, due to a confluence of factors that would ultimately push inflation to generational highs. The reopening of economies after the lifting of pandemic lockdowns caused demand to bounce back more rapidly than supply, which itself was stymied by a number of backlogs, including shortages of anything from staff to container vessels. The Russo-Ukrainian War resulted in global oil and food prices, which were already on an uptrend at the beginning of the year, reaching levels last seen around a decade ago.

The escalating cost-of-living crisis forced major central banks to act, albeit belatedly, with most – including the European Central Bank and the US Federal Reserve (the Fed) – implementing sizeable interest rate hikes. However, the jury is still out on how far central banks will have to go to get inflation to more palatable levels.

The aggressive Fed action resulted in rising US Treasury yields and a resurgent US dollar, which slammed emerging market countries twice: by triggering investor outflows (raising funding costs) *and* weakening their currencies (raising import costs). This series of unfortunate events could not have come at a worse time for emerging markets, especially African countries still recovering from the pandemic. Rising global food prices were exacerbated by weather-related shocks to local agricultural production, such as drought in the Horn of Africa and floods in West Africa. Crucially, limited fiscal space meant that governments could do very little to shield their populations from higher costs.

In South Africa, high commodity prices have been a saving grace for the economy and the national budget, despite the floods in KwaZulu-Natal taking a bite out of economic growth and causing extensive harm to people, businesses and infrastructure. Furthermore, the failures of key state-owned entities (SOEs), such as Eskom and Transnet, prevented South African producers from taking full advantage of elevated global demand. Fiscal pressures continue to loom large on the horizon, most notably from extended social grants, public sector salaries, SOE bailouts and failing municipalities.

The South African Reserve Bank raised interest rates by a cumulative 3.25% during the year. The repo rate is now higher than it was before the pandemic, with indications that the Monetary Policy Committee may do even more given many moving parts and heightened uncertainty.

Finally, there was high political drama in December, with the long-awaited Phala Phala report casting a dark cloud over President Cyril Ramaphosa and bringing the likelihood of him staying in power into question. Until there is some certainty about the President's fate, the negative overhang will continue to weigh on the rand and bonds.

South African bonds had a tough year which also affected the Allan Gray Bond Fund. The FSTE/JSE All Bond Index (ALBI) delivered only 4.3% and the Fund just 3.5%. This performance is disappointing in the context of money market returns of 5.2% and the November inflation print of 7.4%. However, the outlook for the year ahead is more positive. With the repo rate at 7%, above its pre-pandemic level of 6.5%, floating rate notes (FRNs) and negotiable certificates of deposit (NCDs) are now providing real returns with significantly lower interest rate risk than fixed-rate bonds.

During the quarter, we sold MTN and short-dated Standard Bank paper, and we bought long-dated FirstRand and Standard Bank FRNs. The Fund remains conservatively positioned from a credit, liquidity and duration perspective, with the majority of instruments being that of the South African government and large banks. The modified duration of the Fund is 0.7 years less than that of the ALBI.

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 (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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Allan Gray Money Market Fund

28 February 2023

ALLANGRAY

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

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 28 February 2023

Fund size	R25.6bn
Number of units	23 565 859 500
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.56
Fund weighted average coupon (days)	88.57
Fund weighted average maturity (days)	119.47
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 28 February 2023.
2. This is based on the latest available numbers published by IRESS as at 31 January 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

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
Nov 2022	Dec 2022	Jan 2023	Feb 2023
0.53	0.58	0.60	0.56

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	390.1	371.9	215.0
Annualised:			
Since inception (1 July 2001)	7.6	7.4	5.5
Latest 10 years	6.5	6.2	5.2
Latest 5 years	6.2	5.8	4.9
Latest 3 years	5.3	4.8	5.2
Latest 2 years	5.2	4.8	6.3
Latest 1 year	6.1	5.7	6.9
Year-to-date (not annualised)	1.2	1.1	0.3
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 31 December 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 28 February 2023

	% of portfolio
Corporates	**7.5**
Shoprite	2.6
Sanlam	2.4
AVI	1.6
Pick 'n Pay	1.0
Banks[6]	**91.8**
Investec Bank	20.5
Nedbank	20.1
Standard Bank	19.4
Absa Bank	18.8
FirstRand Bank	12.9
Governments	**0.7**
Republic of South Africa	0.7
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 31 December 2022

The 2022 calendar year has undeniably been one of meaningful financial market upheaval, worsened by negative portfolio returns of a quantum that many investors have only witnessed once or twice in their professional careers. The most widely quoted US equity index, the S&P 500, lost 18% of its value over the year, while many "popular" US technology shares fell in excess of a whopping 60% as investors washed their faces with a healthy dose of realism: The price one pays for an asset matters. Meanwhile, traditionally "safe-haven" US Treasury bond prices fell by 12%, due to global central banks materially raising ultra-low interest rates to do battle with eye-wateringly elevated levels of inflation. Several highly speculative asset classes imploded spectacularly, as a tightening of central bank monetary supply saw outflows from the financial system, laying bare the ill-conceived risk frameworks and corrupt practices of several cryptocurrency exchanges and token providers.

In such environments, the adage "cash is king" is often used to denote the idea that the decision to have taken refuge in money market and cash investments has been a wise and prudent choice – protecting the holder of cash from negative *nominal* returns and allowing them the flexibility to invest in equity or bond assets at depressed valuations, should their risk appetite allow. Cash was certainly king in 2022, with the lazy US-dollar bank account beating both US equity and fixed-rate bond returns. Similarly, the classic rand-denominated money market fund beat both JSE equity and rand-denominated bond index returns, even though neither of the cash investments mentioned kept up with the pace of their home-country inflation (which peaked at 9.1% in the US and 7.8% in South Africa in 2022).

Some reprieve for equity and bond prices arrived in the last quarter of 2022, as inflation began to come off its peak levels. Given that inflation is a year-on-year calculation, it is natural to expect that a large "base effect" will have a disinflationary impact in 2023, but it is important to consider that there are powerful structural forces that may see inflation re-emerge in the medium term beyond just a one-year outlook – the most notable of which are the forces of deglobalisation and protectionism. Exclusively sourcing local goods, restricting import-export traffic and using short supply chains are the enemy of low and stable prices. Much of the global disinflation seen in years past was fed by China's mass exports of cheap manufactured goods produced by low-cost, in-country labour with various raw inputs from a long supply chain spanning several continents – a phenomenon that will not repeat itself.

2022 also saw an abundance of worker strike action globally. Demand for pay increases will increasingly be met where a "local-made" model is given priority and imported alternatives are restricted or excessively tariffed. The global transition to renewable energy will also be a costly and inflationary initiative that is initially less efficient and requires much spending to expand the grid for electrical transmission.

A lesson of the 1970s was certainly that once given life, pricing feedback loops can run amok, leading inflation to become deeply entrenched in the global economy. For the span of that decade, every two years the pendulum seemed to swing between rampant inflation to disinflation and then back with a vengeance. The stability of much of the prior 10 years' prices had vanished. While in such inflationary supercycles one can traditionally expect money market investments to offer a poor return, the hawkish nature of the South African Reserve Bank (SARB) and elevated level of local interest rates offer some reprieve for savers.

During the quarter, the Fund reinvested maturing money market instruments at interest rates as high as 8.8%. Prior to the COVID-19 pandemic and its associated interest rate relief cuts, the Fund enjoyed a weighted average yield (gross of fees) above 8% from 2018 to 2019. Given that global inflation appears to have peaked for the immediate term and the SARB forecasts local inflation to average 5.4% year-on-year in 2023 (with a first quarter average of 6.8%), it is credible to anticipate that investors in the Fund will once again enjoy returns in excess of inflation at some point in the next year.

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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