Allan Gray Money Market Fund

31 July 2024

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

Fund information on 31 July 2024

Fund size	R29.4bn
Number of units	26 823 269 403
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.74
Fund weighted average coupon (days)	77.28
Fund weighted average maturity (days)	117.22
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 July 2024.
2. This is based on the latest available numbers published by IRESS as at 30 June 2024.
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

Aug 2023	Sep 2023	Oct 2023	Nov 2023
0.72	0.70	0.73	0.71
Dec 2023	**Jan 2024**	**Feb 2024**	**Mar 2024**
0.74	0.75	0.69	0.74
Apr 2024	**May 2024**	**Jun 2024**	**Jul 2024**
0.72	0.74	0.72	0.74

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	452.7	428.9	239.4
Annualised:			
Since inception (1 July 2001)	7.7	7.5	5.5
Latest 10 years	7.0	6.6	5.0
Latest 5 years	6.5	6.1	5.0
Latest 3 years	7.1	6.6	6.0
Latest 2 years	8.2	7.8	5.2
Latest 1 year	9.1	8.6	5.1
Year-to-date (not annualised)	5.2	4.9	2.4
Risk measures (since inception)			
Percentage positive months[3]	100.0	100.0	n/a
Annualised monthly volatility[4]	0.6	0.6	n/a
Highest annual return[5]	12.8	13.3	n/a
Lowest annual return[5]	4.3	3.8	n/a

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Meeting the Fund objective

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

Annual management fee

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

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

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

TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2024	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 July 2024

	% of portfolio
Corporates	**8.5**
Shoprite	2.5
Sanlam	2.5
Daimler Truck	1.7
Mercedes-Benz Group	1.7
Banks[6]	**50.1**
Nedbank	17.7
Standard Bank	11.2
FirstRand Bank	9.0
Investec Bank	6.7
Absa Bank	5.6
Governments	**41.4**
Republic of South Africa	41.4
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.

Fund manager quarterly commentary as at 30 June 2024

While South Africa's overnight interest rate was again left unchanged at 8.25% following the May meeting of the Monetary Policy Committee, the market had already moved to reduce one-year bank deposit rates from 9.30% in April to 8.85% at present, or 0.45% lower. This reflects market exuberance with the results of the SA elections and the formation of a government of national unity (GNU), which includes the Democratic Alliance. A more confident SA market and a stronger rand can bleed into lower imported cost inflation and therefore have the potential to ease inflationary pressures from fuel and certain food items. As such, the SA market now prices for two to three interest rate cuts over the next two years.

History doesn't repeat itself, but it often rhymes. During 2017, market exuberance following Cyril Ramaphosa's election as president of the African National Congress saw a similar move in interest rates. Ramaphoria, as the period came to be known, saw one-year money market rates decline by 0.45% over the month of December 2017 despite no change in the overnight rate. Casting one's eye a year forward to the end of December 2018, rate cuts had not sustainably emerged and one-year bank money market rates were in fact *higher* than they had been pre-Ramaphoria with the rand weaker alongside it.

A lesson to be learned from this experience is that given the interwoven nature of the global economy and consumed goods, the path of short-dated interest rates can struggle to sustainably decline if global inflation misbehaves. In 2018, US inflation deviated from the Federal Reserve's 2% target and rose to almost 3%. The inflation figure is similar today. In May 2024, US inflation printed at 3.3% and the seven exuberant interest rate cuts priced into markets back in January 2024 have yet to materialise. The US labour market continues to be robust and consumers have been spending record amounts on items like travel.

Another key takeaway from the Ramaphoria period is that political goodwill alone cannot change the path of our country. For this time to be different, we need highly capable leaders to execute their mandates effectively after many years of decline in key government departments. Only the right mix of ingenuity and skill can improve South Africa's growth prospects and ultimately reduce unemployment. Some political parties have, for example, put forward ideas for revamping Home Affairs and resolving the ongoing tourist visa issues, which frustrate this sector of the economy. Strong leaders in the right roles in such departments could have a tangible impact, as we saw when Edward Kieswetter turned the South African Revenue Service (SARS) around after state capture had eroded its operational ability and institutional integrity. Only time will tell if we will see a similar rebuild take place on a grander scale as the GNU and the newly appointed ministers find their feet.

In the last quarter, the Fund raised its exposure to short-dated Government Treasury Bills as six-month government yields rose to be 0.5% wider than the equivalent bank money market deposits. The Fund's weighted average yield (gross of fees) declined over the quarter from 9.47% to 9.40% as the Fund began to reinvest deposit maturities at the lower prevailing term interest rates.

Commentary contributed by Thalia Petousis

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Management Company

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

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

Performance

Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

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

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

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

Fees

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

Total expense ratio (TER) and transaction costs

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

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956 (the "Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Important information for investors

Need more information?
You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website **www.allangray.co.za** or via our Client Service Centre on **0860 000 654**