

### Fund description and summary of investment policy

The Fund invests in shares listed on the Johannesburg Stock Exchange (JSE). The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

ASISA unit trust category: South African – Equity – SA General

### Fund objective and benchmark

The Fund aims to create long-term wealth for investors. It aims to outperform the South African equity market over the long term, without taking on greater risk. To pursue its objective the Fund's portfolio may differ materially from its benchmark. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term. The Fund's benchmark is the FTSE/JSE All Share Index including income.

### How we aim to achieve the Fund's objective

We seek to buy shares offering the best relative value while maintaining a diversified portfolio. 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. We invest in a selection of shares across all sectors of the JSE, and across the range of large, mid and smaller cap shares.

### Suitable for those investors who

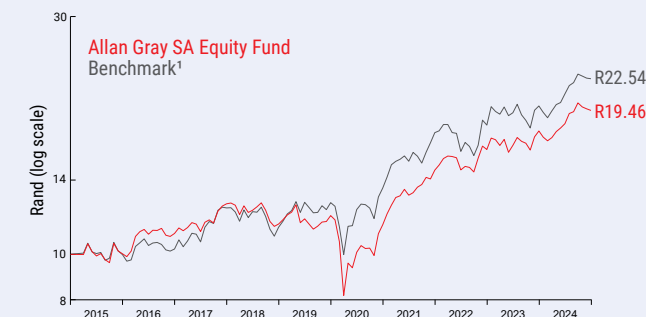
- Seek exposure to JSE-listed equities to provide long-term capital growth
- Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility
- Are prepared to accept the risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as an equity 'building block' in a diversified multi asset class portfolio

### Fund information on 31 December 2024

Fund size	R3.9bn
Number of units	1 128 703
Price (net asset value per unit)	R481.37
Class	A

### Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 31 December 2024.
2. This is based on the latest available numbers published by IRESS as at 30 November 2024.
3. Maximum percentage decline over any period. The maximum drawdown for the Fund occurred from 25 January 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 17 January 2020 to 19 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 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 of the Fund. 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.

% Returns	Fund	Benchmark <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (13 March 2015)	94.6	125.4	61.1
<b>Annualised:</b>			
Since inception (13 March 2015)	7.0	8.6	5.0
Latest 5 years	10.2	12.2	4.9
Latest 3 years	9.6	8.7	5.3
Latest 2 years	9.5	11.3	4.2
Latest 1 year	10.0	13.4	2.9
Year-to-date (not annualised)	10.0	13.4	2.9
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-44.3	-35.2	n/a
Percentage positive months <sup>4</sup>	57.6	55.9	n/a
Annualised monthly volatility <sup>5</sup>	14.4	14.4	n/a
Highest annual return <sup>6</sup>	57.3	54.0	n/a
Lowest annual return <sup>6</sup>	-32.0	-18.4	n/a

### Fund history

The Allan Gray Equity Fund was managed in exactly the same way as this Fund from the inception of the Allan Gray Equity Fund on 1 October 1998, until March 2015, when the Allan Gray Equity Fund changed its mandate to include the ability to invest offshore. A combined history of the two funds since inception of the Allan Gray Equity Fund can be viewed [here](#).

### Meeting the Fund objective

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund experiences periods of underperformance in pursuit of this objective. Since inception and over the latest five-year period, the Fund has underperformed 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 2024	31 Dec 2024
<b>Cents per unit</b>	<b>1187.0242</b>	<b>799.5876</b>

### Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund. The fee rate is calculated daily by comparing the Fund's total performance for the day to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each annualised percentage point above or below the benchmark we add or deduct 0.2%. The maximum fee is uncapped and if the fee would have been negative, 0% will be charged for the day and the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered).

This means that Allan Gray shares in 20% of annualised performance relative to the benchmark.

### 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.

### Top 10 share holdings on 31 December 2024 (updated quarterly)

Company	% of portfolio
Naspers & Prosus	9.5
British American Tobacco	7.6
AB InBev	7.4
Standard Bank	4.9
Mondi	4.2
Woolworths	4.1
Nedbank	4.0
FirstRand	3.7
Glencore	3.5
Remgro	2.9
<b>Total (%)</b>	<b>51.8</b>

### Sector allocation on 31 December 2024 (updated quarterly)

Sector	% of equities <sup>7</sup>	% of ALSI <sup>8</sup>
Financials	26.2	30.9
Consumer staples	22.2	12.2
Basic materials	19.7	18.1
Consumer discretionary	9.8	8.4
Technology	9.7	14.9
Industrials	6.1	3.6
Energy	2.2	0.9
Telecommunications	1.8	4.2
Healthcare	1.5	1.8
Real estate	0.9	5.1
<b>Total (%)</b>	<b>100.0</b>	<b>100.0</b>

7. Includes listed property.

8. FTSE/JSE All Share Index.

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
<b>Total expense ratio</b>	<b>0.57</b>	<b>0.90</b>
Fee for benchmark performance	1.00	1.00
Performance fees	-0.51	-0.23
Other costs excluding transaction costs	0.01	0.01
VAT	0.07	0.12
<b>Transaction costs (including VAT)</b>	<b>0.09</b>	<b>0.10</b>
<b>Total investment charge</b>	<b>0.66</b>	<b>1.00</b>

### Asset allocation on 31 December 2024

Asset class	Total
Net equity	97.2
Hedged equity	0.0
Property	0.9
Commodity-linked	0.7
Bonds	0.0
Money market and cash	1.2
<b>Total (%)</b>	<b>100.0</b>

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

World equity markets finished 2024 close to all-time highs. The MSCI World Index finished up 19%, driven by a strong US equity market that saw the S&P 500 and the Nasdaq up 25% and 26%, respectively. Locally, the FTSE/JSE All Share Index finished the year up 13% in rands and 10% in US dollars.

The Fund returned 10.0% for the 2024 calendar year, lagging the benchmark by 3.5%. This is mainly attributable to some of our large local shares, such as AB InBev, underperforming the SA Inc shares which rallied strongly post the national elections and the formation of the government of national unity (GNU). This is particularly true for economically sensitive shares such as clothing retailers, which performed exceptionally. Similarly, financial shares benefited from falling yields on South African government bonds and returned more than 20%<sup>1</sup> for the year.

The SA Inc share prices are discounting a better future, but the recent earnings results were generally still reflective of the poor economy, structural problems and a tough trading environment. It is also probably fair to say that the GNU's "unity" has yet to be truly tested. It has been a great period for holders of these domestic assets, and the rand marginally weakened against a strong dollar as well, but the fundamentals will still have to start coming through to justify some of the price moves. From what we can gather, it is interesting that much of the buying was by local fund managers rotating out of dual-listed multinationals into SA Inc shares. This means there could still be a further leg-up in the rally if foreign investors return to buy SA equities in size. Given the large price moves, we have been trimming some positions into price strength, where appropriate.

It was, however, somewhat pleasing to see the market recognise the value of some of the assets in two of our smaller holdings with the successful listing of Pick n Pay's subsidiary Boxer Retail and a bid by a private equity firm for Super Group's listed Australia fleet management business, SG Fleet. If successful, it will allow Super Group to pay out a significant portion of its market cap back to shareholders.

One of the trends we are monitoring closely for potential opportunities for the Fund is the continued disappointing economic data emanating out of China. Many Chinese-related shares (Richemont, BHP, etc.) have been relatively weak despite several announcements made by the Chinese government to boost confidence and the economy. Transitioning from investment-led growth to growth led by consumption is proving to be difficult.

We would not be surprised to see some kind of consolidation in markets after the large price moves in the indices, but there are many shares that have not participated in the up move, which we can hopefully take advantage of in the Fund.

During the quarter, the Fund purchased AB InBev and Aspen Pharmacare and sold British American Tobacco and OUTsurance.

**Commentary contributed by Duncan Artus**

**Fund manager quarterly  
commentary as at  
31 December 2024**

1. FTSE/JSE Financials Index

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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. 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](http://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. For more information about our annual management fees, refer to the [frequently asked questions](#), available via the Allan Gray website.

### 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).

### FTSE/JSE All Share Index, FTSE/JSE Financials Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index

The FTSE/JSE All Share Index, FTSE/JSE Financials Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index, FTSE/JSE Financials Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Share Index, FTSE/JSE Financials Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE Mid Cap Index vests in FTSE and the JSE jointly. All their rights are reserved.

### FTSE Russell Index

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2025. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

### 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](http://www.allangray.co.za) or via our Client Service Centre on **0860 000 654**

**Fund description and summary of investment policy**

The Fund invests mainly in selected shares and it uses exchange-traded derivative contracts on stock market indices to substantially reduce its net equity exposure to within a range of 0-20%. As a result, the Fund’s return depends on the level of short-term interest rates (implicit in the pricing of the sold futures contracts) and the performance of the Fund’s selected shares relative to the stock market index. The Fund’s return is therefore unlikely to be correlated with equity market returns. In addition, a portion of the Fund is typically invested in cash and margin deposits.

ASISA unit trust category: South African – Multi Asset – Low Equity

**Fund objective and benchmark**

The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market returns. The Fund’s benchmark is the daily interest rate as supplied by FirstRand Bank Limited.

**How we aim to achieve the Fund’s objective**

The Fund invests in selected shares and seeks to substantially reduce stock market risk by selling exchange-traded equity index derivatives. The selected share portfolio is derived from our thorough research process, but the selection of equities in this Fund may differ from that in the other Allan Gray funds. The deviation of the Fund’s selected share portfolio from the composition of the underlying benchmark indices (on which the derivative contracts are based) is restricted and closely monitored. This does not eliminate the risk of capital loss should the selected equities underperform.

**Suitable for those investors who**

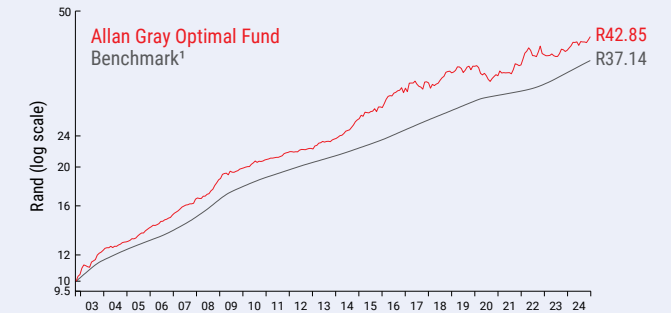
- Seek absolute (i.e. positive) returns regardless of stock market trends
- Require a high degree of capital stability over a 3-year time horizon
- Wish to invest in a product that offers uncorrelated returns relative to shares or bonds as a ‘building block’ in a diversified multi-asset class portfolio

**Fund information on 31 December 2024**

Fund size	R0.8bn
Number of units	22 181 260
Price (net asset value per unit)	R24.05
Class	A

**Performance net of all fees and expenses**

Value of R10 invested at inception with all distributions reinvested



1. The Fund’s benchmark is the daily interest rate, as supplied by FirstRand Bank, performance as calculated by Allan Gray as at 31 December 2024.
2. This is based on the latest available numbers published by IRESS as at 30 November 2024.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 6 February 2020 to 15 September 2020. Drawdown is calculated on the total return of the Fund (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 30 September 2003 and the benchmark’s occurred during the 12 months ended 30 September 2003. The Fund’s lowest annual return occurred during the 12 months ended 31 August 2020 and the benchmark’s occurred during the 12 months ended 30 November 2021. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

% Returns	Fund	Benchmark <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (1 October 2002)	328.5	271.4	206.9
<b>Annualised:</b>			
Since inception (1 October 2002)	6.8	6.1	5.2
Latest 10 years	5.0	5.3	4.9
Latest 5 years	3.6	4.9	4.9
Latest 3 years	5.8	6.2	5.3
Latest 2 years	5.5	7.3	4.2
Latest 1 year	8.4	7.4	2.9
Year-to-date (not annualised)	8.4	7.4	2.9
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-10.2	n/a	n/a
Percentage positive months <sup>4</sup>	72.7	100.0	n/a
Annualised monthly volatility <sup>5</sup>	4.4	0.6	n/a
Highest annual return <sup>6</sup>	18.1	11.9	n/a
Lowest annual return <sup>6</sup>	-8.2	2.5	n/a

### Meeting the Fund objective

Since inception the Fund has outperformed its benchmark. Over the latest 10- and five-year periods, the Fund has underperformed its benchmark which is the daily interest rate supplied by FirstRand Bank Limited. The Fund aims to deliver long-term positive returns, irrespective of stock market returns.

### 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 2024	31 Dec 2024
<b>Cents per unit</b>	<b>59.0784</b>	<b>37.8455</b>

### Annual management fee

The fee rate is calculated daily by comparing the Fund's total performance to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

The Fund is first required to recover any underperformance before a fee higher than the fee for performance equal to the benchmark can be charged. This is known as a high watermark. If the Fund's performance is above its previous high watermark, we add 0.2% to the fee for each percentage of performance above the high watermark. The fee is uncapped.

### 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.

### Top 10 share holdings on 31 December 2024 (updated quarterly)

Company	% of portfolio
British American Tobacco	9.0
Naspers & Prosus	8.3
AB InBev	5.4
Absa Group	4.7
Gold Fields	4.7
FirstRand	4.7
AngloGold Ashanti	4.1
Premier Group	3.8
Sappi	3.6
Sasol	3.2
<b>Total (%)</b>	<b>51.4</b>

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
<b>Total expense ratio</b>	<b>1.17</b>	<b>1.17</b>
Fee for benchmark performance	1.00	1.00
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.02	0.02
VAT	0.15	0.15
<b>Transaction costs (including VAT)</b>	<b>0.14</b>	<b>0.12</b>
<b>Total investment charge</b>	<b>1.31</b>	<b>1.29</b>

### Asset allocation on 31 December 2024

Asset class	Total
Net equities	4.5
Hedged equities	78.1
Property	0.0
Commodity-linked	0.0
Bonds	0.0
Money market and cash	17.4
<b>Total (%)</b>	<b>100.0</b>

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

Minimum	(September 2016) -3.6% <sup>7</sup>
Average	4.6%
Maximum	(November 2018) 15.4%

7. The negative net equity exposure as at 30 September 2016 is due to the cash acquisition of SABMiller by Anheuser-Busch In-Bev. This was corrected and the Fund had a positive net equity exposure by 4 October 2016.

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

The last quarter of 2024 saw the local market marginally unwind some of the strong gains posted over the preceding two quarters as it digested the outcome of the US presidential election in November and the latest actions from central banks, all while concerns regarding growth prospects in the world's largest economies persisted. Despite the weaker end, for the full year the FTSE/JSE All Share Index returned 13.4%, its strongest showing since its post-COVID bounce in 2021.

Buoyed by the outcome of South Africa's national elections, shares with greater exposure to the domestic economy were among the best performers on the JSE this year. The FTSE/JSE Financials Index, comprising mostly banks and insurers, gained 22.4%, while retailers and other select local industrials performed even stronger. For the most part, the rally to date has been driven more by a sentiment-based multiple rerating, from a depressed base, as opposed to a widespread positive uptick in earnings growth. For investment gains to be held and advance into a multi-year recovery, it is crucial that progress is made in addressing structural inhibitors to growth in the country. The fleeting returns seen during "Ramaphoria" remain fresh in investors' minds, helping to explain why foreign investor flows into our equity market – important "new money" – have remained on the sidelines thus far. The prolonged suspension of loadshedding has been a crucial step, but as always, caution is needed – particularly where undue optimism has run ahead of fundamentals.

Resource shares proved the biggest drag on index returns in the last quarter, with the FTSE/JSE Resources Index falling by 9.0%, and 8.6% for the full year. Thus far, the raft of stimulus measures announced by the Chinese government in September have fallen short of the scale required to reinvigorate the residential property market, with prices continuing to fall into year end.

As the largest store of household wealth, this has a significant impact on the consumptive side of the economy, which the government sees as the longer-term engine of economic growth. Despite the prevailing environment, prices for commodities with significant exposure to Chinese demand have not fallen as much as expected. For example, iron ore was down 27.2% but remains above US\$100 per tonne and copper was up 2.7% for the year – potentially an indicator that further downside may be ahead before a bottom in the market can be called with any confidence.

Among the non-resource "rand hedges", annual returns were more mixed, with Naspers/Prosus and British American Tobacco performing strongly, Richemont and Bidcorp trading water, and AB InBev lagging as consumer staple shares remain out of favour globally.

Against this backdrop, the Fund returned 3.2% in the last quarter of 2024 and 8.4% for the year, ahead of its benchmark. Overweight positions in Premier Group and British American Tobacco contributed, as has been the case for most of the year, together with holdings in a basket of local shares (MultiChoice, Brait, Italtile and Cashbuild). The Fund's meaningful exposure to gold miners (Pan African Resources, AngloGold Ashanti) also aided returns. Detractors from performance included overweight positions in Mondi, Sasol and AB InBev, as well as an underweight exposure to Capitec.

During the quarter, we added to the Fund's existing Aspen Pharmacare and Spar holdings, and exited its positions in Italtile and Hyprop.

Commentary contributed by Sean Munsie

## Fund manager quarterly commentary as at 31 December 2024



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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.

### 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. For more information about our annual management fees, refer to the [frequently asked questions](#), available via the Allan Gray website.

### 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).

### FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index, FTSE/JSE All Bond Index, FTSE/JSE Financials Index and FTSE/JSE Resources Index

The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index, FTSE/JSE All Bond Index, FTSE/JSE Financials Index and FTSE/JSE Resources Index are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index, FTSE/JSE All Bond Index, FTSE/JSE Financials Index and FTSE/JSE Resources Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index, FTSE/JSE All Bond Index, FTSE/JSE Financials Index and FTSE/JSE Resources Index vests in FTSE and the JSE jointly. All their rights are reserved.

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### 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

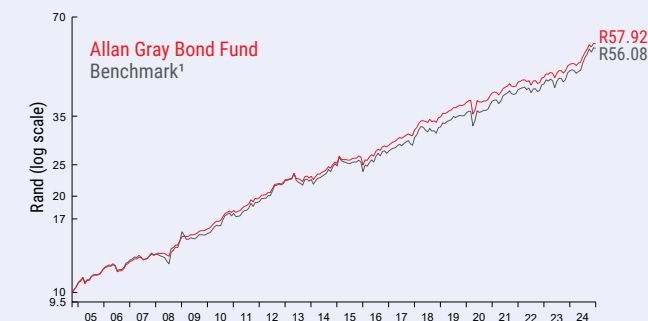
### Fund information on 31 December 2024

Fund size	R8.7bn
Number of units	631 688 681
Price (net asset value per unit)	R10.92
Modified duration	4.1
Gross yield (before fees)	10.4
Class	A

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 December 2024.
2. This is based on the latest available numbers published by IRESS as at 30 November 2024.
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 30 September 2024 and the benchmark's occurred during the 12 months ended 30 September 2024. 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 <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (1 October 2004)	479.2	460.8	191.5
<b>Annualised:</b>			
Since inception (1 October 2004)	9.1	8.9	5.4
Latest 10 years	8.8	8.6	4.9
Latest 5 years	8.7	9.6	4.9
Latest 3 years	9.5	10.2	5.3
Latest 2 years	12.6	13.4	4.2
Latest 1 year	15.8	17.2	2.9
Year-to-date (not annualised)	15.8	17.2	2.9
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-18.9	-19.3	n/a
Percentage positive months <sup>4</sup>	71.6	68.3	n/a
Annualised monthly volatility <sup>5</sup>	5.9	7.6	n/a
Highest annual return <sup>6</sup>	22.0	26.1	n/a
Lowest annual return <sup>6</sup>	-2.6	-5.6	n/a

**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 underperformed 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 2024	30 Jun 2024	30 Sep 2024	31 Dec 2024
<b>Cents per unit</b>	<b>25.8263</b>	<b>27.2485</b>	<b>26.5758</b>	<b>26.1592</b>

**Annual management fee**

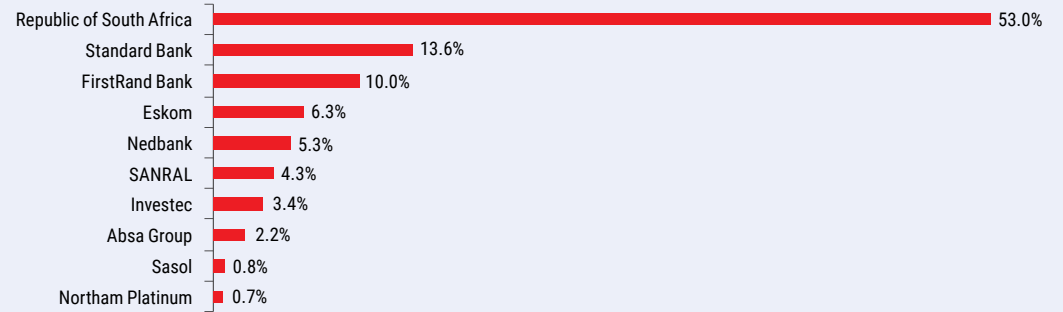
A fixed fee of 0.5% p.a. excl. VAT

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

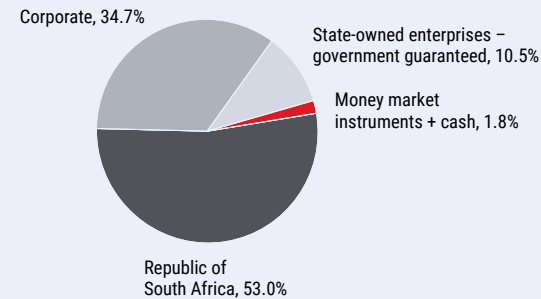
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
<b>Total expense ratio</b>	<b>0.59</b>	<b>0.59</b>
Fee for benchmark performance*	0.50	0.50
Performance fees*	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.08
<b>Transaction costs (including VAT)</b>	<b>0.00</b>	<b>0.00</b>
<b>Total investment charge</b>	<b>0.59</b>	<b>0.59</b>

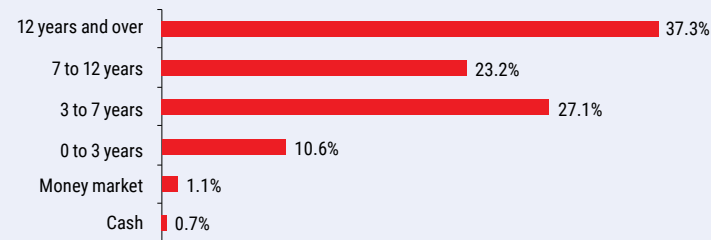
**Top 10 credit exposures on 31 December 2024**



**Asset allocation on 31 December 2024**



**Maturity profile on 31 December 2024**



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

To put it simply, South African government bonds had an extremely strong year in 2024. In 2024, the FTSE/JSE All Bond Index (ALBI) returned 17.2% in rand terms, outperforming the FTSE/JSE All Share Index, which returned 13.4%. The ALBI's outperformance is more extreme when comparing the SA bond market to its peer bond markets. In US dollar terms<sup>1</sup>, the ALBI returned 13.2% versus the J.P Morgan GBI-EM Global Core Index at -2.4% for the year.

An extreme underperformer in the emerging market bond arena has been Brazil. Its 2033 local currency bonds lost 16.2% of their value this year, or an even more abysmal 37.6% when measured in US dollar returns. The Brazilian real hit a record low this year as leftist President Luiz Inácio Lula da Silva (Lula) ramped up government spending on welfare while also caving to populist measures like tax breaks for low-income earners. Brazil's budget deficit has doubled since Lula took office and is now close to 10% of GDP in a single year, threatening the sustainability of government debt. By contrast, recent changes to the SA government were seen as overwhelmingly positive – pivoting the country away from populism and towards pro-growth policies, market-friendly private sector inclusion and structural reform.

The SA 10-year bond now trades at a yield of 10.3% versus the Brazilian 10-year bond at a 15.4% yield and the US 10-year bond at a 4.6% yield. The SA yield spread differential versus the US at 5.7% is the tightest spread on record in the last six years, which should ideally reflect an enhancement in our creditworthiness versus the US. This is somewhat difficult to square from a fundamental perspective when one considers that the SA sovereign has outpaced the US government in terms of debt accumulation as a percentage of GDP over that period – in part due to substantially weaker economic growth. Even if one accepts this phenomenon of a tighter spread, another conundrum is that we are witnessing one of the first times in US history when US long bond yields have in fact *risen* following the beginning of a rate-cutting cycle. Some of this is undoubtedly due to the differing trajectories of tight monetary policy versus loose fiscal policy. In addition, what has rattled offshore bond markets are comments like those made most recently by US Federal Reserve (Fed) Chair Jerome Powell at the final Fed meeting of 2024, where he stated that their year-end inflation projection has “kind of fallen apart”. At the December meeting, Powell acknowledged that inflation has not abated by as much as the Fed had expected and that “people are still feeling high prices”, which limits the scope to cut rates further by a substantial amount.

When thinking about South Africa's future trajectory for debt accumulation, what has become clear in the final months of 2024 is that the financial year 2025 borrowing requirement was initially underestimated by Treasury. As such, it was revised higher at the September Medium Term Budget Policy Statement to accommodate for further fiscal slippage. Rand SA government bonds, however, have become sacrosanct in the Budget, and Treasury has shown a strong commitment to not raising the issuance of rand bonds further, given that they do not want to put pressure on their borrowing costs. Instead, Treasury opted to raise US\$3.5bn worth of US dollar-denominated Eurobonds in international markets in November 2024. They are also contemplating creative ways to raise more rand debt outside of the formal SA government bond market. The use of proceeds for this debt would be the infrastructure projects which have historically been repeatedly cut back from the Budget during rounds of fiscal consolidation. In short, these projects are often crowded out by a larger government wage bill and social grant expenditure. Such efforts to raise rand debt outside of the formal SA government bond market architecture could act to curtail a large rise in supply of paper and could provide a shield for bond investors in particular. One must keep in mind, however, that the ultimate funder being tapped for a larger rand debt requirement remains the SA savings pool, regardless of the format of the debt and, as such, it is questionable how large the untapped pools of local capital are.

In the last quarter, the Fund cut some long bond duration when SA yields were at their lows and reduced short-dated inflation exposure in exchange for some of the “new” short fixed-rate bonds issued at attractive levels in primary auction. The Fund offers a gross yield of 10.4% against a modified duration of 4.1, versus the ALBI at 10.1% and 5.7. While it was the wrong call to enter the election period with a low modified duration position, valuations now look somewhat stretched on a fundamental basis, warranting caution in positioning.

Commentary contributed by Thalia Petousis

**Fund manager quarterly  
commentary as at  
31 December 2024**

1. Source: Bloomberg

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### Performance

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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's gross yield is the estimated weighted average yield-to-maturity of all underlying interest-bearing instruments as at the last day of the month. Actual returns may differ, based on changes in market values, interest rates and market factors during the investment period.

### 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, FTSE/JSE All Share Index

The FTSE/JSE All Bond Index and FTSE/JSE All Share Index are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Bond Index and FTSE/JSE All Share Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Bond Index and FTSE/JSE All Share Index vests in FTSE and the JSE jointly. All their rights are reserved.

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**Fund description and summary of investment policy**

The Fund invests primarily in a mix of South African interest-bearing securities, with limited exposure to offshore interest-bearing securities. Returns are likely to be less volatile than those of a bond-only fund. The Fund is managed to comply with the investment limits governing retirement funds.

ASISA unit trust category: South African – Multi Asset – Income

**Fund objective and benchmark**

The Fund aims to generate income and produce returns that are superior to traditional money market funds, while preserving capital and minimising the risk of loss over any one- to two-year period. 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 a broad range of South African interest-bearing securities, such as floating-rate notes, inflation-linked bonds, fixed-rate instruments and money market securities, with limited exposure to offshore interest-bearing securities. It provides investors with income 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 securities for the Fund. While the Fund can have limited exposure to equities and property, we expect this to occur infrequently and to typically coincide with unusual or extreme points in the valuation cycle. We take a conservative approach to managing the Fund, balancing credit risk, duration risk and liquidity risk when selecting securities.

**Suitable for those investors who**

- Are risk-averse and require capital preservation over any one- to two-year period
- Seek returns higher than traditional money market funds
- Seek a unit trust that provides an income
- Seek a prudently managed income ‘building block’
- Wish to invest in a unit trust that complies with retirement fund investment limits

**Income distributions for the last 12 months**

Actual payout, the Fund distributes quarterly	30 Jun 2024	30 Sep 2024	31 Dec 2024
<b>Cents per unit</b>	<b>13.7849</b>	<b>24.6096</b>	<b>23.6333</b>

**Fund information on 31 December 2024**

Fund size	R1.0bn
Number of units	21 519 349
Price (net asset value per unit)	R10.50
Modified duration	0.8
Gross yield (i.e. before fees)	9.6
Net yield (i.e. after fees)	8.7
Fund weighted average maturity (years)	5.0
Class	A

1. The Fund’s benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Performance as calculated by Allan Gray as at 31 December 2024. Source: Bloomberg.
2. This is based on the latest available numbers published by IRESS as at 30 November 2024.
3. The percentage of calendar months in which the Fund produced a positive monthly return since inception.

**Performance net of all fees and expenses**

The Fund was launched on 1 May 2024. The performance graph will be included once the Fund has been in existence for one year.

% Returns	Fund	Benchmark <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (1 May 2024)	9.0	5.6	0.8
<b>Risk measures (since inception)</b>			
Percentage positive months <sup>3</sup>	100.0	100.0	n/a

**Annual management fee**

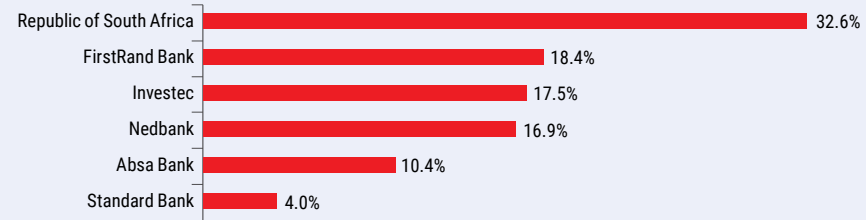
A fixed fee of 0.75% p.a. excl. VAT

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

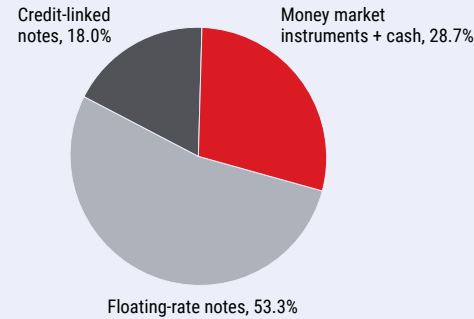
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one- and three-year period (annualised). Transaction costs are disclosed separately. Complete and accurate data is only available after 12 months. The TER and transaction costs are therefore based on actual data, where available, and best estimates.

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
<b>Total expense ratio</b>	<b>0.87</b>	<b>0.87</b>
Fee for benchmark performance	0.75	0.75
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.11	0.11
<b>Transaction costs (including VAT)</b>	<b>0.00</b>	<b>0.00</b>
<b>Total investment charge</b>	<b>0.87</b>	<b>0.87</b>

**Top credit exposures on 31 December 2024**

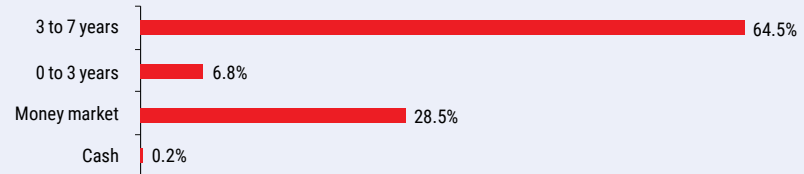


**Asset allocation on 31 December 2024<sup>4</sup>**



4. Foreign exposure on 31 December 2024: 0.0% is invested in foreign investments.

**Maturity profile on 31 December 2024**



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

The US Federal Reserve's (Fed) December 2024 meeting delivered a 25 basis point cut to the benchmark rate that was expected, but it was Fed Chair Jerome Powell's comment at the post-meeting press conference that their year-end inflation projection has "kind of fallen apart" that spooked the market. This was the Fed's third consecutive rate cut in a cycle that began with the larger-than-anticipated 50 basis points in September. At that time, he spoke to concerns of building weakness in the labour market but subsequent data points, both in employment numbers and the strength of the US economy, have mostly allayed those fears. Rather, it is inflation, the other side of the Fed's dual mandate, that remains stubbornly above its 2% target. Their favoured inflation measure, the core personal consumption expenditures which strips out the more volatile food and energy prices, rose at 2.8% annually in November.

US policymakers have now raised their inflation projections and forecast only 50 basis points worth of interest rate cuts in 2025, below the market's expectation. In addressing the cooling on further rate cuts, Powell alluded to the potential inflationary impact of President Trump's economic policies. Market participants fear that his proposals to hike tariffs, deport immigrants and slash taxes could trigger a fresh bout of inflation.

An argument exists that lingering inflationary pressures in the global economy predate the election of Trump. We have written previously about the structural forces driving inflation and, therefore, interest rates higher. These forces are termed the five Ds: Demographics, Decarbonisation, Deglobalisation, Debt and Defence. Declining workforces and accompanying wage pressures, fragmentation of supply chains and partial reversal of globalisation gains, the push to transition to clean energy, and higher government debt burdens create an inflation bias that aligns with some of Trump's policies but are much longer-term in nature. As such, it limits the scope to cut rates further by a substantial amount. US long bond yields have acted as the canary in the coalmine – forewarning the market that inflation was still a risk long before the Fed adjusted their guidance.

As such, for one of the first times in US history, US long bond yields in fact rose following the beginning of the rate-cutting cycle.

Closer to home, the South African Reserve Bank (SARB) enacted only two interest rate cuts in 2024 – taking the overnight repo rate from 8.25% to 7.75%. What is unusual about current SA inflation is how close it is to that seen in developed markets, running at only 0.15% higher than the US inflation rate. If one looks at inflation data over the 20 years to 2020, SA inflation ran at 3.47% higher than US inflation on average. Much of the current malaise in SA inflation can be attributed to weak local consumer health and low demand, in addition to a well-behaved rand exchange rate in 2024. Another interesting data component is that the price of vehicles is also coming down locally as cheaper Chinese cars begin to flood the market. That said, the SARB remains cautious as ever on inflation, citing higher local water and electricity tariffs anticipated for 2025. The market forecasts that SA overnight rates may be cut by just 0.25% to 0.50% over the course of 2025, with the final repo rate between 7.25% and 7.50%. This is still well above its pre-COVID level and, if it is an accurate prediction, provides a healthy return in excess of inflation.

The Fund maintained its exposure to credit-linked notes at 18.0% of the Fund, which consist of South African rand government bond exposure repackaged into a floating-rate format using interest rate swaps. The Fund also increased exposure to money market instruments as hawkish comments from both the SARB and the Fed caused long-dated money market yields to re-rate higher on expectations of a shallow rate-cutting cycle, thus making the cash versus term paper relative look more attractive. In the last quarter, the Fund's weighted average yield (gross of fees) dropped by 30 basis points to 9.6% as interest rate cuts occurred.

Commentary contributed by Sean Munsie and Thalia Petousis

**Fund manager  
commentary as at  
31 December 2024**



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### 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 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](http://www.allangray.co.za).

### Yield

The Fund's gross yield is the estimated weighted average yield-to-maturity of all underlying interest-bearing instruments as at the last day of the month. The one-year TER is deducted from the gross yield to derive a yield net of fund expenses. Actual returns may differ based on changes in market values, interest rates and market factors during the investment period.

### 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 Share Index, FTSE/JSE All Bond Index

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**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 – SA 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) 3-month 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 December 2024**

Fund size	R28.5bn
Number of units	25 319 483 605
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.68
Fund weighted average coupon (days)	58.40
Fund weighted average maturity (days)	98.77
Class	A

1. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) 3-month Index. From 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. From 1 November 2011 to 19 August 2024, the benchmark was the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Performance as calculated by Allan Gray as at 31 December 2024. Source: Bloomberg.
2. This is based on the latest available numbers published by IRESS as at 30 November 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

Jan 2024	Feb 2024	Mar 2024	Apr 2024
0.75	0.69	0.74	0.72
May 2024	Jun 2024	Jul 2024	Aug 2024
0.74	0.72	0.74	0.73
Sep 2024	Oct 2024	Nov 2024	Dec 2024
0.71	0.72	0.68	0.68

**Performance net of all fees and expenses**

% Returns	Fund	Benchmark <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (1 July 2001)	472.5	446.4	241.2
<b>Annualised:</b>			
Since inception (1 July 2001)	7.7	7.5	5.4
Latest 10 years	7.1	6.7	4.9
Latest 5 years	6.6	6.2	4.9
Latest 3 years	7.7	7.2	5.3
Latest 2 years	8.7	8.2	4.2
Latest 1 year	9.0	8.4	2.9
Year-to-date (not annualised)	9.0	8.4	2.9
<b>Risk measures (since inception)</b>			
Percentage positive months <sup>3</sup>	100.0	100.0	n/a
Annualised monthly volatility <sup>4</sup>	0.6	0.6	n/a
Highest annual return <sup>5</sup>	12.8	13.3	n/a
Lowest annual return <sup>5</sup>	4.3	3.8	n/a

### 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 2024	1yr %	3yr %
<b>Total expense ratio</b>	<b>0.29</b>	<b>0.29</b>
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
<b>Transaction costs (including VAT)</b>	<b>0.00</b>	<b>0.00</b>
<b>Total investment charge</b>	<b>0.29</b>	<b>0.29</b>

### Exposure by issuer on 31 December 2024

	% of portfolio
<b>Governments</b>	<b>32.7</b>
Republic of South Africa	32.7
<b>Banks<sup>6</sup></b>	<b>61.3</b>
Standard Bank	20.3
Nedbank	18.2
FirstRand Bank	10.4
Investec Bank	6.6
Absa Bank	5.8
<b>Corporates</b>	<b>6.0</b>
Shoprite	2.6
Sanlam	2.5
Daimler Truck	0.9
<b>Total (%)</b>	<b>100.0</b>

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.

While 2024 began with US markets forecasting 1.75% of rate cuts for the year, in reality only 1.00% worth of rate cuts materialised – taking the US federal funds rate from an upper bound of 5.5% to 4.5% by year end. While this in itself reflects a missed prediction for 2024, what has rattled markets even more are the comments made by US Federal Reserve (Fed) Chair Jerome Powell at the final Fed meeting of 2024, where he stated that their year-end inflation projection has “kind of fallen apart”. At the December meeting, Powell acknowledged that inflation has not abated by as much as the Fed had expected, and that “people are still feeling high prices”. Indeed, after bumper years for inflation in 2022 and 2023, the US still recorded 3.3% core inflation in November (i.e. excluding food and fuel) off a high base in prices. Another grand market prediction that failed to materialise during the year was the forecast for a US recession. The outcome has been far from it. The US continues to outperform other economies with close to 3.0% real GDP growth and an unemployment rate of just 4.2%.

As we wrote early in 2024, the market must awaken to the reality of a strong US labour market, low US unemployment and sticky inflation in US services. Such stickiness in US prices makes it incredibly difficult to cut interest rates excessively without lighting the flame of another round of inflation. The drivers of US services inflation cover quite a range of items, like costlier prices for elder care and domestic work, hospital and veterinarian services, financial services, and even admission to sporting events. When an economy experiences an energy, food and fuel price shock, as seen in 2022, then it is natural to expect that a second-round shock via services-led inflation could follow. When prices have been high, workers demand higher pay. This is particularly true for an economy like the US with a shortage of low-skilled labour. When in short supply, lower-cost labourers have a lot of bargaining power.

US wage growth is unsurprisingly still running at an elevated 4.8% year-on-year with job openings of 7.7 million people versus only 7.1 million unemployed workers as at end November 2024. The narrative of a coming recession against such an economic backdrop was only ever that – a narrative – and certainly not one that was grounded in the actual economic data being observed.

South Africa, by contrast to the US, only experienced two interest rate cuts this year – taking the overnight repo rate from 8.25% to 7.75%. What is unusual about current SA inflation is how close it is to that seen in developed markets, running at only 0.15% higher than the US inflation rate. If one looks at inflation data over the 20 years to 2020, SA inflation ran at 3.47% higher than US inflation on average. Much of the current malaise in SA inflation can be attributed to weak local consumer health and low demand, in addition to a well-behaved rand exchange rate in 2024. Another interesting data component is that the price of vehicles is also coming down locally as cheaper Chinese cars begin to flood the market. That said, the South African Reserve Bank remains cautious as ever on inflation, citing higher local water and electricity tariffs anticipated for the new year. The market forecasts that the US and SA overnight rates may be cut by just 0.50% each over the course of 2025, with the final rates at 4.00% and 7.25%. These are still well above their pre-COVID levels and, if they are accurate predictions, provide a healthy return in excess of inflation for money market savers.

Over the quarter, the Fund reinvested maturities at slightly lower rates given the rate-cutting cycle and its impact on the pricing of money market instruments. As such, and on a gross-of-fees basis, the Fund’s weighted average annual yield and weighted average effective yield ended the year at 8.4% and 8.7% respectively, versus an SA inflation rate for November 2024 of 2.9%.

Commentary contributed by Thalia Petousis

**Fund manager quarterly  
commentary as at  
31 December 2024**

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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.

### 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](http://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).

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**Fund description and summary of investment policy**

The Fund may invest in a mix of absolute return funds managed by Allan Gray’s offshore investment partner, Orbis Investment Management Limited, and currently invests in the Orbis Optimal SA Fund (US dollar and euro classes). The Orbis Optimal SA Fund invests in a portfolio of global shares and uses exchange-traded derivative contracts on stock market indices to reduce net equity exposure, which typically varies between 0% and 20%. The Fund’s returns, when measured in US dollars or euros, are driven mainly by Orbis’ stock selection and not by the overall direction of equity markets. Returns are likely to be less volatile than those of a global equity or global balanced fund, but more volatile than those of a global fixed income fund. Although the Fund’s investment universe is global, the units in the Fund are priced and traded daily in rands. Given the Fund’s global investment universe, rand returns are likely to be more volatile than those of local funds with similar equity constraints.

**ASISA unit trust category:** Global – Multi Asset – Low Equity

**Fund objective and benchmark**

The Fund aims to provide investors with long-term positive returns (when measured in US dollars or euros) from a low-risk global investment portfolio. The Fund’s returns are intended to be largely independent of the major asset classes such as cash, bonds or equities. The Fund’s benchmark is the simple average of the benchmarks of the underlying Orbis Optimal SA Fund classes, namely US dollar and euro bank deposits.

**How we aim to achieve the Fund’s objective**

The Fund invests in the Orbis Optimal SA Fund (US dollar and euro classes). The Orbis Optimal SA Fund is actively managed, invests in a global portfolio of shares and uses hedging to reduce overall exposure to global stock markets. Orbis uses in-house research to identify companies around the world whose shares can be purchased for less than Orbis’ assessment of their long-term intrinsic value. This long-term perspective enables them 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. This is the same approach as that used by Allan Gray to invest in South African equities. The main risk of investing in shares is that prices will decline if stock markets fall significantly. The Orbis Optimal SA Fund therefore maintains a substantial level of hedging to reduce this risk. The net equity exposure of the Fund typically varies between 0% and 20%. The Fund can therefore retain limited exposure to global stock markets, depending on Orbis’ assessment of global stock market valuations. Currency exposure is actively managed, both within the underlying Orbis Optimal SA Fund and through the allocation to the US dollar and euro classes of the Orbis Optimal SA Fund. The Fund’s returns are driven mainly by Orbis’ ability to select shares which outperform. A portion of the returns are also derived from the low exposure to stock markets and foreign currency cash-equivalent returns earned from hedging. The Fund is therefore able to aim for positive returns (when measured in foreign currency), irrespective of the direction of global stock markets.

**Suitable for those investors who**

- Seek positive long-term returns, when measured in foreign currency
- Wish to invest in international assets through a rand-denominated fund
- Have a long-term investment horizon and are comfortable with periods of underperformance which may result in capital loss
- Wish to use the Fund as a ‘building block’ in a diversified multi-asset class portfolio
- Understand that the Fund’s returns are largely independent of cash, bonds and equities

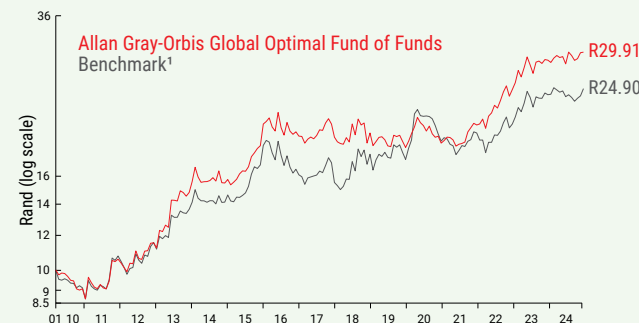
**Fund availability:** Subject to offshore capacity constraints. Please visit our website or contact our Client Service Centre for further information about any constraints that may apply.

**Fund information on 31 December 2024**

Fund size	R1.0bn
Number of units	31 965 504
Price (net asset value per unit)	R29.86
Class	A

**Performance net of all fees and expenses**

Value of R10 invested at inception with all distributions reinvested



1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 December 2024.
2. This data reflects the latest available inflation numbers for South Africa and the United States of America, as published by IRESS as of 30 November 2024.
3. Maximum percentage decline over any period. The maximum rand drawdown occurred from 18 May 2016 to 24 March 2017 and maximum benchmark drawdown occurred from 18 January 2016 to 23 February 2018. 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 December 2013 and the benchmark’s occurred during the 12 months ended 31 January 2016. The Fund’s lowest annual return occurred during the 12 months ended 31 May 2017 and the benchmark’s occurred during the 12 months ended 28 February 2017. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

% Returns	Fund		Benchmark <sup>1</sup>		CPI inflation <sup>2</sup>	
	ZAR	US\$	ZAR	US\$	ZAR	US\$
<b>Cumulative:</b>						
Since inception (2 March 2010)	199.1	22.2	149.0	1.7	106.4	45.6
<b>Annualised:</b>						
Since inception (2 March 2010)	7.7	1.4	6.3	0.1	5.0	2.6
Latest 10 years	6.6	1.6	5.5	0.5	4.9	2.9
Latest 5 years	10.1	3.8	7.4	1.2	4.9	4.2
Latest 3 years	13.0	6.9	7.7	1.9	5.3	4.3
Latest 2 years	9.9	4.4	9.3	3.9	4.2	2.9
Latest 1 year	4.1	2.5	3.1	1.5	2.9	2.7
Year-to-date (not annualised)	4.1	2.5	3.1	1.5	2.9	2.7
<b>Risk measures (since inception)</b>						
Maximum drawdown <sup>3</sup>	-18.9	-31.3	-26.6	-16.1	n/a	n/a
Percentage positive months <sup>4</sup>	52.8	55.6	48.3	48.9	n/a	n/a
Annualised monthly volatility <sup>5</sup>	13.1	7.2	13.5	4.2	n/a	n/a
Highest annual return <sup>6</sup>	39.6	14.4	35.6	9.4	n/a	n/a
Lowest annual return <sup>6</sup>	-12.4	-15.3	-19.1	-11.6	n/a	n/a



### Meeting the Fund objective

Since inception and over the latest 10- and five-year periods, the Fund has outperformed its benchmark. There has been some volatility in the Fund's returns. The underlying funds' maximum drawdowns to date, in their reporting currencies, are 23% for the Orbis Optimal SA Dollar class and 28% for the Orbis Optimal SA Euro class.

### 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 annually.	31 Dec 2024
<b>Cents per unit</b>	<b>0.0000</b>

### Annual management fee

Allan Gray does not charge an annual management fee but is paid a marketing and distribution fee by Orbis.

Orbis charges annual management fees within the underlying Orbis funds. Each fund's fee rate is calculated based on the fund's performance relative to its own benchmark. For more information please refer to the Orbis Optimal SA Fund factsheets and prospectus, which can be found at [www.orbis.com](http://www.orbis.com).

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

The annual management fees charged by 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.

TER and transaction costs breakdown for the 1- and 3-year period ending 31 December 2024	1yr %	3yr %
<b>Total expense ratio</b>	<b>1.09</b>	<b>1.07</b>
Fee for benchmark performance	1.00	1.00
Performance fees	0.00	-0.01
Other costs excluding transaction costs	0.09	0.08
VAT	0.00	0.00
<b>Transaction costs (including VAT)</b>	<b>0.09</b>	<b>0.12</b>
<b>Total investment charge</b>	<b>1.18</b>	<b>1.19</b>

### Top 10 share holdings on 31 December 2024

Company	% of portfolio
QXO	4.4
Corpay (was FLEETCOR)	4.1
B&M European Value Retail	3.2
Cinemark Holdings	2.8
RXO	2.7
UnitedHealth Group	2.7
Taiwan Semiconductor Mfg	2.1
FirstService	2.1
Motorola Solutions	2.0
Elevance Health	1.8
<b>Total (%)</b>	<b>28.0</b>

### Fund allocation on 31 December 2024

Foreign absolute return funds	%
Orbis Optimal SA (US\$)	62.3
Orbis Optimal SA (Euro)	37.7
<b>Total (%)</b>	<b>100.0</b>

### Asset allocation on 31 December 2024

	Total	United States	UK	Europe ex-UK <sup>7</sup>	Japan	Other <sup>7</sup>	Emerging markets
Net equities	3.2	2.9	5.8	-4.8	1.6	-1.9	-0.4
Hedged equities	79.0	31.1	6.7	15.3	15.4	4.9	5.5
Property	4.4	0.0	0.0	0.0	1.7	2.1	0.6
Commodity-linked	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Money market and cash	13.3	9.8	0.2	0.6	1.8	0.2	0.7
<b>Total (%)</b>	<b>100.0</b>	<b>43.9</b>	<b>12.8</b>	<b>11.1</b>	<b>20.6</b>	<b>5.3</b>	<b>6.4</b>
Currency exposure	100.0	55.5	-0.1	37.4	6.1	1.3	-0.2

7. Refers to developed markets only.

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



It has been three years since we wrote about an imaginary digital yacht that sold for US\$650 000 in the metaverse. It was a fun little anecdote that captured the spirit of the “Everything Bubble”, and one that we thought would be hard to beat. So much for that. Our new favourite is Fartcoin – a cryptocurrency that did not even exist in early October. Fartcoin’s total market value recently traded above US\$1bn!

Returns on more traditional asset classes haven’t been quite as sensational, but they have been robust. The S&P 500 closed 2024 with a 25% return, a calendar year performance that has only been topped in 10 of the past 35 years. While not exactly a bubble, stock market returns have been running above normal for some time, valuations are lofty, and the Fartcoin craze is a reminder that animal spirits are alive and well.

At times like these, the Orbis Optimal SA Fund can play a valuable role. By design, the Fund’s hedging policy eliminates broad stock market exposure. This can be painful to watch in years like 2024, but it also cushions the blow in years like 2022, when the average global equity fund<sup>1</sup> lost almost 20% of its value.

The Fund’s greatest opportunity to distinguish itself may lie ahead. The period since the global financial crisis (GFC) has been an unusually rewarding time to be an equity investor, but the starting point explains a lot. Amid the wreckage of the GFC, investors’ expectations were low, which set the stage for many years of pleasant surprises as growth continued to deliver year after year.

The picture looks quite different today. While fundamentals are still impressive, expectations and valuations are now higher, and capital has increasingly crowded into a few large correlated bets – wagering that a small number of existing winners will continue to perform. Historically, this setup hasn’t boded well for future returns. It’s entirely possible that this time might be different; but fair to say that from this starting point, it will be much tougher for broad stock markets to beat expectations over the next decade than the previous one.

At the same time, we also see reasons to be cautious about some underappreciated risks brewing in the US, where many of these large correlated bets reside. Investors may cheer the potential benefits of improving government efficiency but appear to be ignoring the pain that may be necessary to get there.

They may also cheer the “America first” policies that reshore industrial jobs, perhaps ignoring the likely impact on productivity, which has mainly improved thanks to global trade over the past few decades. And investors may be forgetting that other countries may take steps of their own in response, which is especially worrying given US dependence on excess capital from overseas.

All that simply to say, we believe it’s time to be careful. As we have noted in previous commentaries, markets are reflexive in both directions. The same forces that can conspire to push Fartcoin to a billion-dollar valuation out of thin air can also wipe out billions of stock market value in a self-reinforcing downward spiral.

In this environment, we believe the Fund is a valuable complement to other assets in a portfolio. By focusing on our highest-conviction bottom-up stock selections – and hedging broad stock market exposure – the Fund has the potential to deliver positive real returns over the long term without relying on the continued performance of highly valued and increasingly correlated assets. We couldn’t ask for a better environment in which to let our stockpickers do what they do best.

While we won’t get all of our stock selection decisions right, it’s safe to say that their returns will be idiosyncratic. The Fund’s holdings include an eclectic range of businesses from movie theatres to health insurance to discount retailers to corporate payment systems. The extent to which these investments add or detract value relative to their respective benchmarks should have little correlation with major asset classes – and very little with one another. Their commonality being our strong conviction that they are priced well below their intrinsic values.

The Fund’s overall net equity exposure fell over the quarter. Among individual positions, we initiated a position in a leading US credit bureau. We exited the position in Shell in order to rotate capital into higher-conviction ideas.

**Adapted from a commentary contributed by John Christy, Orbis Investments (Canada) Ltd., Vancouver**

**Fund manager quarterly  
commentary as at  
31 December 2024**

1. Sourced from Morningstar Inc. and comprising global large-cap blend equity funds which invest principally in the equities of large-cap companies from around the globe (as defined by Morningstar).

The availability of the Fund is subject to offshore capacity constraints. Please contact our Client Service Centre for further information about any constraints that may apply.

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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. 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](http://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. For more information about our annual management fees, refer to the [frequently asked questions](#), available via the Allan Gray website.

### 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).

### Fund of funds

A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fees in its funds of funds.

### FTSE Russell Index

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## Important information for investors

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