ALLAN GRAY

Fund managers: Duncan Artus, Rory Kutisker-Jacobson, Tim Acker
(Most foreign assets are invested in Orbis funds) **Inception date:** 1 February 2016
Only available through tax-free investment accounts.

Allan Gray Tax-Free Balanced Fund

31 March 2025

Fund description and summary of investment policy

The Fund is managed in broadly the same way as the Allan Gray Balanced Fund. It was created specifically for use in tax-free accounts and can only be accessed through these products. The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund can invest a maximum of 45% offshore. The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund.

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

Fund objective and benchmark

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund's benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds).

How we aim to achieve the Fund's objective

We seek to buy shares at a discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares we may increase the Fund's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Fund's stock market exposure. By varying the Fund's exposure to these different asset classes over time, we seek to enhance the Fund's long-term returns and to manage its risk. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund
- Wish to invest in a tax-free investment account
- Typically have an investment horizon of at least three years

Maximum investment amounts

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

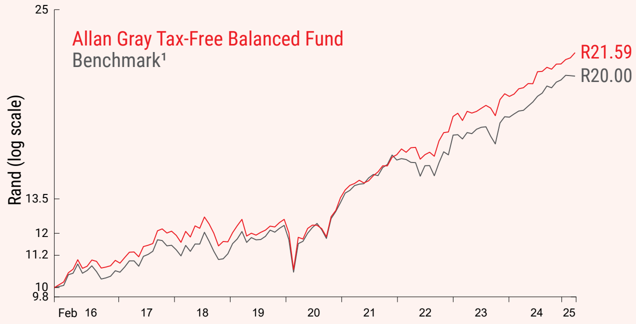
*Only available to investors with a South African bank account.

Fund information on 31 March 2025

Fund size	R3.7bn
Number of units	185 948 394
Price (net asset value per unit)	R17.45
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 February 2016)	115.9	100.0	54.5
Annualised:			
Since inception (1 February 2016)	8.8	7.9	4.9
Latest 5 years	15.3	13.7	4.8
Latest 3 years	11.5	9.5	5.2
Latest 2 years	11.8	10.8	4.4
Latest 1 year	12.6	12.1	3.2
Year-to-date (not annualised)	3.8	1.3	1.3
Risk measures (since inception)			
Maximum drawdown[3]	-24.6	-23.3	n/a
Percentage positive months[4]	68.2	65.5	n/a
Annualised monthly volatility[5]	9.0	8.9	n/a
Highest annual return[6]	31.7	30.7	n/a
Lowest annual return[6]	-13.4	-10.3	n/a

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 31 March 2025.
2. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 28 February 2025 (source: IRESS).
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 20 January 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 March 2021 and the benchmark's occurred during the 12 months ended 31 March 2021. The Fund's lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark's occurred during the 12 months ended 31 March 2020. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

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Fund history

This Fund is managed in broadly the same way as the Allan Gray Balanced Fund. It was created specifically for use in tax-free accounts. Refer to the Allan Gray Balanced Fund factsheet for a history of the Allan Gray Balanced Fund since its inception on 1 October 1999.

Meeting the Fund objective

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund experiences periods of underperformance in pursuit of this objective. Since inception and over the latest five-year period, the Fund has outperformed its benchmark.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2024	31 Dec 2024
Cents per unit	**24.3788**	**17.6520**

Annual management fee

A fixed fee of 1.25% p.a. excl. VAT.

Allan Gray charges this fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. Orbis charges fixed fees within the Orbis funds that the Fund invests in. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and transaction costs

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

Top 10 share holdings on 31 March 2025 (SA and Foreign) (updated quarterly)[7]

Company	% of portfolio
AB InBev	4.3
Naspers & Prosus	4.1
British American Tobacco	3.7
Standard Bank	2.1
AngloGold Ashanti	2.0
Nedbank	1.9
The Walt Disney Company	1.9
Woolworths	1.6
Remgro	1.6
Glencore	1.4
Total (%)	**24.5**

Asset allocation on 31 March 2025[7]

Asset class	Total	South Africa	Foreign
Net equities	62.6	36.5	26.2
Hedged equities	8.6	2.9	5.7
Property	0.9	0.1	0.8
Commodity-linked	3.2	2.5	0.7
Bonds	17.1	11.8	5.2
Money market and cash[8]	7.6	8.7	-1.2
Total (%)	**100.0**	**62.5**	**37.5[9]**

7. Underlying holdings of foreign funds are included on a look-through basis.
8. Including currency hedges.
9. The Fund can invest a maximum of 45% offshore. Market movements may periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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

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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2025	1yr %	3yr %
Total expense ratio	**1.50**	**1.49**
Fee for benchmark performance	1.32	1.31
Other costs excluding transaction costs	0.04	0.04
VAT	0.14	0.14
Transaction costs (including VAT)	**0.07**	**0.07**
Total investment charge	**1.57**	**1.56**

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

Minimum	57.5% (February 2016)
Average	64.3%
Maximum	72.5% (May 2021)

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Fund manager quarterly commentary as at 31 March 2025

2024 was a strong year for local assets, and this positive momentum carried through into the first quarter of 2025. The FTSE/JSE All Share Index generated a return of 13% in 2024 and 6% in the latest quarter, while the FTSE/JSE All Bond Index returned 17% in 2024 and 1% for the quarter. Global equity markets also performed well in 2024 but have had a softer start to 2025. The MSCI World Index ended up 19% in US dollars in 2024 but fell 2% in the first quarter of 2025.

The Fund returned 3.8% for the quarter, outperforming its benchmark by 2.5%. Local performance was driven by large multinational "rand-hedge" shares, such as AB InBev and British American Tobacco. This is a reversal of one of the dominant trends of 2024: Following the national elections and the formation of the government of national unity (GNU) in June 2024, domestically focused "SA Inc" shares strongly outperformed rand-hedge shares. The Fund responded by reducing its SA Inc exposure in the second half of 2024 and adding to its rand-hedge positions. SA bonds also had a strong 2024 but have come under pressure in the last six months. A conservative bond stance and favouring rand-hedge shares detracted from performance last year, but supported performance in the most recent quarter.

The formation of the GNU in June 2024 sparked a wave of optimism about South Africa's future, both locally and abroad. Some of this was driven by hopes of political reform and economic recovery, but it also reflected relative appeal – many emerging markets were in deeper turmoil, making South Africa look comparatively stable. While we acknowledge encouraging signs, such as improvements at Eskom, our research suggests that broader progress has been limited. State-owned enterprises continue to face deep structural issues, and the business environment remains difficult. Recent financial results from consumer-focused companies reinforce this view – many continue to report subdued earnings as household spending remains under pressure.

This highlights the danger of paying a premium for optimism. When expectations run ahead of fundamentals, prices can detach from reality. Our approach remains rooted in bottom-up analysis, favouring companies priced well below their intrinsic value, across sectors and regions. While there are still undervalued SA Inc shares, many are now priced for perfection in an economy still facing major headwinds. The difficulty in passing the first coalition budget and ongoing public tension between our government and the United States are good reminders of the economic and political risks.

There is value in having a diversified portfolio containing both SA Inc and rand-hedge stocks. The portfolio reflects that there are attractive opportunities available in both categories. SA bonds offer high yields that appear very attractive at first glance, but we remain concerned about the fiscal challenges facing the SA government. Despite a steepening yield curve, the Fund maintains a conservative duration position, preferring shorter-dated bonds.

Offshore stock selection contributed to relative performance in the quarter. We remain underweight the US market and mega-cap tech – areas that have driven global market returns for several years but now appear increasingly crowded and expensive. There have been early signs of this trend shifting. European equities, long neglected by investors, have attracted fresh interest. Emerging markets, too, outperformed the MSCI World Index this quarter. Japan, often overlooked in global portfolios, offers compelling opportunities for uncorrelated returns in a concentrated global market. The majority of the Fund's roughly 37% foreign allocation is in equities, with the remainder mostly in hedged equities and short-dated bonds. This positioning reflects our view that the overall global stock market remains expensive and longer-dated global government bonds don't offer compelling value either. The offshore portion of the Fund continues to look very different from the world index and many of our competitors, a divergence we believe will benefit long-term returns.

During the quarter, the Fund purchased AngloGold Ashanti and AB InBev, and sold British American Tobacco and Gold Fields.

Commentary contributed by Tim Acker

Information and content

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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.

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.

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).

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).

Information for investors in the tax-free investment account

The Allan Gray Tax-Free Investment Account is administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider, and underwritten by Allan Gray Life Ltd, an insurer licensed to conduct investment-linked life insurance business as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual products are portfolios of collective investment schemes in securities (unit trusts or funds).

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

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

Fund description and summary of investment policy

The Fund invests in a mix of South African interest-bearing securities. These securities can be issued by government, parastatals, corporates and banks. The Fund's weighted average modified duration is limited to a maximum of two. Returns are likely to be less volatile than those of traditional income and bond funds, but more volatile than those of money market funds. The Fund is managed to comply with the investment limits governing retirement funds.

ASISA unit trust category: South African – Interest Bearing – Short Term

Fund objective and benchmark

The Fund aims to generate returns higher than bank deposits and traditional money market funds, while maintaining capital stability and low volatility. 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 select South African interest-bearing securities 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 securities for the Fund. These will primarily be floating-rate notes, money market instruments and fixed interest paper with a low duration. We take a conservative approach to credit risk, liquidity risk and duration risk.

Suitable for those investors who

- Are risk-averse but seek returns higher than bank deposits and traditional money market funds
- Need a short-term investment account
- Seek a domestic-only interest-bearing 'building block'
- Require monthly income distributions

Fund information on 31 March 2025

Fund size	R1.6bn
Number of units	43 186 548
Price (net asset value per unit)	R10.19
Modified duration	0.7
Gross yield (i.e. before fees)	9.0
Net yield (i.e. after fees)	8.2
Fund weighted average maturity (years)	4.9
Class	A

Income distributions

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

May 2024	Jun 2024	Jul 2024	Aug 2024
6.59	6.57	8.11	7.40
Sep 2024	Oct 2024	Nov 2024	Dec 2024
7.76	7.58	7.09	7.68
Jan 2025	Feb 2025	Mar 2025	
7.32	6.56	7.12	

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 May 2024)	9.5	7.6	2.1
Annualised:			
Year-to-date (not annualised)	2.0	1.9	1.3
Risk measures (since inception)			
Maximum drawdown[3]	-1.2	n/a	n/a
Percentage positive months[4]	100.0	100.0	n/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 March 2025. Source: Bloomberg.
2. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 28 February 2025 (source: IRESS).
3. Maximum percentage decline over any period. The maximum drawdown occurred from 7 October 2024 to 8 October 2024. 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.

Annual management fee

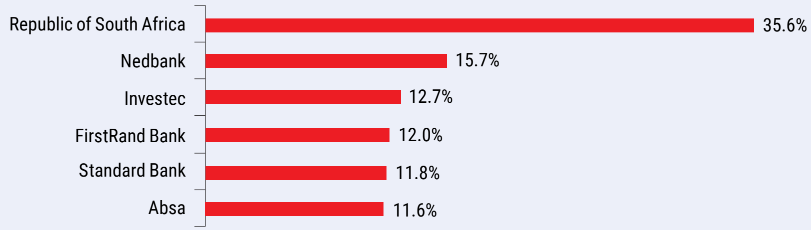
A fixed fee of 0.65% p.a. excl. VAT

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

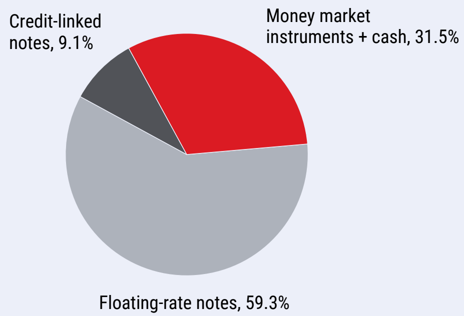
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one-year period (annualised). Transaction costs are disclosed separately. Complete and accurate data is only available after 12 months. The TER and transaction costs are therefore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

TER and transaction costs breakdown for the 1-year period ending 31 March 2025	1yr %
Total expense ratio	**0.76**
Fee for benchmark performance	0.65
Other costs excluding transaction costs	0.01
VAT	0.10
Transaction costs (including VAT)	**0.00**
Total investment charge	**0.76**

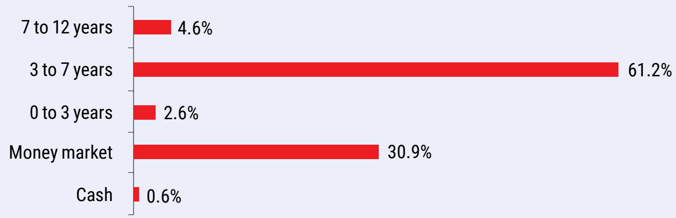
Top credit exposures on 31 March 2025



Asset allocation on 31 March 2025



Maturity profile on 31 March 2025



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

Fund manager commentary as at 31 March 2025

To start the year from an interest rate standpoint, the theme of *"uncertainty"* was prevalent at both the US Federal Reserve (the Fed) and South African Reserve Bank (SARB) meetings, with Fed Chair Jerome Powell and SARB Governor Lesetja Kganyago separately echoing that rate policy caution is warranted in these uncertain times. A dramatic shift in US fiscal, trade and military policy has ramifications for developed and emerging countries alike. A topic of much debate this year has been whether US President Donald Trump will impose higher tariffs upon key trading partners on a *sustained* basis. Such actions would result in higher US inflation and therefore higher interest rates. Alternatively, Trump's actions at times suggest that he simply wishes to use the *threat* of these tariffs as a negotiating tool of statecraft to achieve other policy aims. These include more secure US borders, a commitment from the likes of Europe and China to raise their own imports from the US, and a fairer dispersion of military spending across the US, Europe and the UK that does not place unfair burden on the US when enacting North Atlantic Treaty Organization (NATO) peacekeeping duties and disbursing foreign aid. In a similar vein, the degree to which US government spending will be cut is also unclear – keeping in mind that such expenditure has acted as a key driver of US gross domestic product (GDP) growth and a steady source of US job listings.

Markets hate such uncertainty and so do businesses. The weakening of the S&P 500 index, which has lost 9% of its value in US dollars since its year-to-date highs, risks unwinding some of the wealth effect that has spurred consumer spending on both basic and discretionary goods, as well as luxury items and travel. Several US fast food and beverage companies have begun reporting faltering sales on the back of consumer economic anxiety while prices are simultaneously rising amid tariff-related price hikes from suppliers. If one extrapolates such stock market and business activity to indicate a coming recession, this implies that tariff-related inflationary threats will be watered down by depressed economic activity that ultimately lowers both consumer demand and prices. Therein lies the set of uncertain paths: Will US policy shifts raise inflation, or could they squash prices by bringing about a recession? The Fed is waiting for greater clarity.

Turning to domestic interest rates, many in the market have questioned why the SARB has not cut rates by more, given a repo rate of 7.5% as at end-March (close to its highest levels in 16 years) versus a consumer price inflation (CPI) rate of 3.2% as at end-February (levels last seen during the COVID-19 pandemic-related slump in economic activity). The answer may be that the SARB does not set interest rates in a vacuum. On the one hand, the expectation of softer US growth and the weaker US dollar observed this year lowers our local inflation trajectory. On the other hand, Governor Kganyago also highlights that the imposition of tariffs on South Africa or the loss of our African Growth and Opportunity Act (AGOA) preferential trade status with the US should mean lower growth domestically, with the SARB modelling up to a -0.7% hit to GDP in such a scenario as South Africa's automotive and fruit exports decline. This analysis was done prior to the 30% tariff on South African imports announced by the Trump administration on 2 April 2025, which nullifies many AGOA benefits and will likely represent a shock to growth. This, combined with a local market confidence shock, could weaken the rand and raise our CPI trajectory materially. It is the job of the Monetary Policy Committee (MPC) to weigh the balance of such future risks when setting rates now. A recent win for South Africa's administered price inflation trajectory is the reduced electricity tariff hikes granted to Eskom by the National Energy Regulator of South Africa (NERSA) of 12.7%, 5.4% and 6.2% for each of the next three years. That said, in its place, the SARB must now contemplate a new risk and weigh up the potential impact of a higher value-added tax (VAT) rate on consumer prices going forward.

During the quarter, the Fund added to five-year fixed-rate money market instruments. The Fund ended the quarter on an annual yield of 9%, with the market pricing for one more interest rate cut this year.

Commentary contributed by Thalia Petousis

Information and content

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Management Company

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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 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

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

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Allan Gray Bond Fund

31 March 2025

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

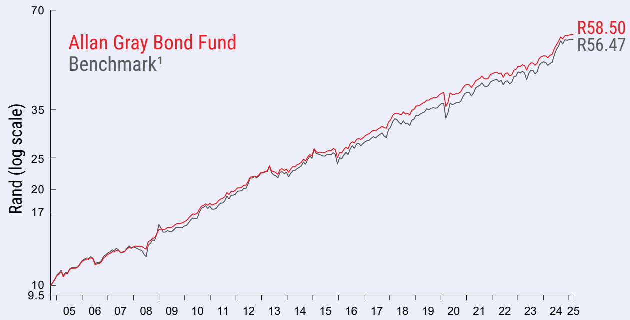
- Seek a bond 'building block' for a diversified multi-asset class portfolio
- Are looking for returns in excess of those provided by money market or cash investments
- Are prepared to accept more risk of capital depreciation than in a money market or cash investment

Fund information on 31 March 2025

Fund size	R9.3bn
Number of units	591 604 124
Price (net asset value per unit)	R10.76
Modified duration	4.3
Gross yield (before fees)	10.4
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 2004)	485.0	464.7	195.0
Annualised:			
Since inception (1 October 2004)	9.0	8.8	5.4
Latest 10 years	8.6	8.4	5.0
Latest 5 years	10.7	11.7	4.8
Latest 3 years	9.3	9.8	5.2
Latest 2 years	11.3	11.9	4.4
Latest 1 year	17.9	20.2	3.2
Year-to-date (not annualised)	1.0	0.7	1.3
Risk measures (since inception)			
Maximum drawdown[3]	-18.9	-19.3	n/a
Percentage positive months[4]	72.0	68.7	n/a
Annualised monthly volatility[5]	5.9	7.5	n/a
Highest annual return[6]	22.0	26.1	n/a
Lowest annual return[6]	-2.6	-5.6	n/a

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 March 2025.
2. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 28 February 2025 (source: IRESS).
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.

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	30 Jun 2024	30 Sep 2024	31 Dec 2024	31 Mar 2025
Cents per unit	**27.2485**	**26.5758**	**26.1592**	**25.4437**

Annual management fee

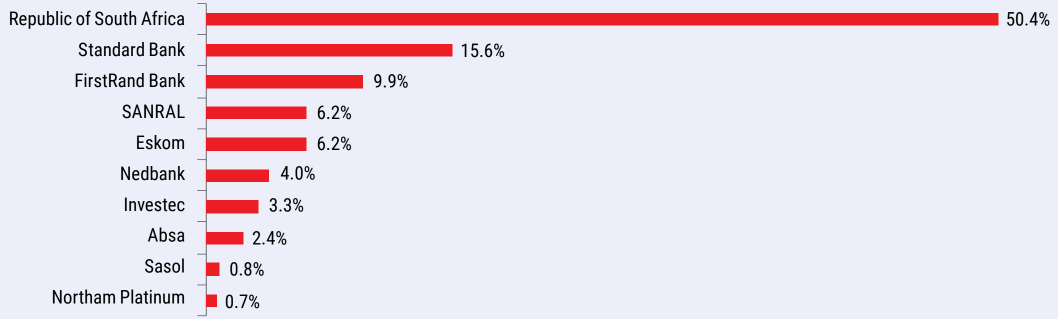
A fixed fee of 0.5% p.a. excl. VAT

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

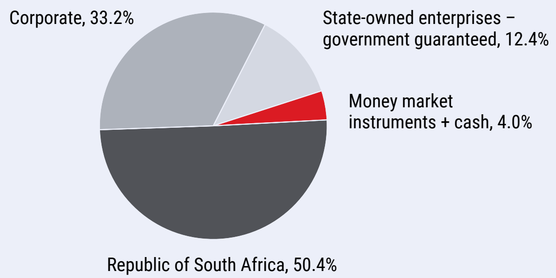
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2025	1yr %	3yr %
Total expense ratio	**0.59**	**0.59**
Fee for benchmark performance	0.50	0.50
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.08
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.59**	**0.59**

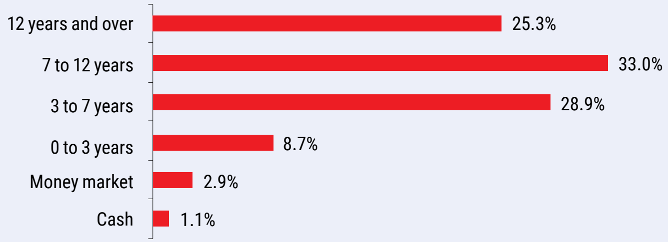
Top 10 credit exposures on 31 March 2025



Asset allocation on 31 March 2025



Maturity profile on 31 March 2025



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

Fund manager quarterly commentary as at 31 March 2025

Since the September 2024 yield lows in the SA 20-year government bond, clean prices have fallen by 7%. The SA 20-year credit spread relative to US Treasuries has also widened from a low of 614 basis points (bps) to 700 bps year to date. Not only had absolute and relative SA valuations become stretched, but the market also digested uncomfortable truths this year regarding the unfunded nature of the SA government's revised expenditure trajectory.

National Treasury has pulled a lot of levers in the last 18 months in order to meet expenditure commitments – they have monetised R150bn of South Africa's Gold and Foreign Exchange Contingency Reserve Account (GFECRA), frozen personal income tax brackets for two years in a row, raised an additional US$3.5bn of offshore Eurobonds and attempted a 2% increase in value-added tax (VAT) that was rejected by the Democratic Alliance (DA). If one accepts that they are out of levers to pull, then one should also accept that their primary surplus projections will fall short of targets, and therefore debt may not stabilise at 76% of gross domestic product (GDP) as laid out in the Budget presented in March 2025. Alternatively, spending may be scaled back on the items added to the Budget more recently, such as the extra allocation for infrastructure, early childhood development and doctors' salaries.

Although the DA has suggested a review of all government spending with the aim of rooting out inefficiencies, National Treasury already embarked on such an exercise two years ago and made a raft of recommendations regarding redundant government programmes and departments to be cut.

These recommendations lacked the political willpower to be implemented, and the present Budget in fact *increases* the allocation to South Africa's Democratic Republic of Congo peacekeeping mission that Treasury had advised should be scrapped entirely under the previous review.

Market indigestion towards SA government bonds was also caused by the perilous state of the diplomatic relations both within the government of national unity itself and between South Africa and the United States. The SA government's policies, foreign relations with the likes of Iran and views on the Middle East have caught the ire of US President Donald Trump and many of his aides. In this regard, the South African Reserve Bank estimates that the loss of access to the preferential African Growth and Opportunity Act (AGOA) US-SA trade relationship and subsequent decline in SA automotive and fruit exports to the US could shave 0.7% off South Africa's GDP. This analysis was done prior to the 30% tariff on South African imports announced by the Trump administration on 2 April 2025, which nullifies many AGOA benefits and will likely represent a shock to growth. A silver lining for South Africa's economic growth is that it should still rebound off the low base of prior years, given reduced loadshedding and the allocated increase towards infrastructure spending.

In the last quarter, the Fund maintained its low duration relative to peers and reinvested coupons into short-dated RSA nominal bonds as it waited for a larger correction in SA government debt to unfold.

Commentary contributed by Thalia Petousis

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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

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Total expense ratio (TER) and transaction costs

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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	31 Mar 2025
Cents per unit	13.7849	24.6096	23.6333	22.3434

Fund information on 31 March 2025

Fund size	R1.3bn
Number of units	39 577 492
Price (net asset value per unit)	R10.47
Modified duration	1.1
Gross yield (i.e. before fees)	9.4
Net yield (i.e. after fees)	8.5
Fund weighted average maturity (years)	4.6
Class	A

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[1]	CPI inflation[2]
Cumulative:			
Since inception (1 May 2024)	11.2	7.6	2.1
Annualised:			
Year-to-date (not annualised)	2.0	1.9	1.3
Risk measures (since inception)			
Maximum drawdown[3]	-0.9	n/a	n/a
Percentage positive months[4]	100.0	100.0	n/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 March 2025. Source: Bloomberg.
2. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 28 February 2025 (source: IRESS).
3. Maximum percentage decline over any period. The maximum drawdown occurred from 1 October 2024 to 8 October 2024. 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.

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Annual management fee

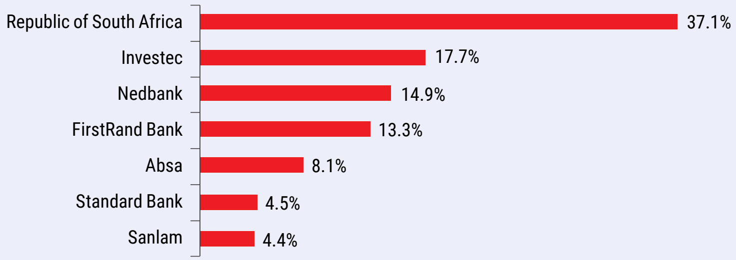
A fixed fee of 0.75% p.a. excl. VAT

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

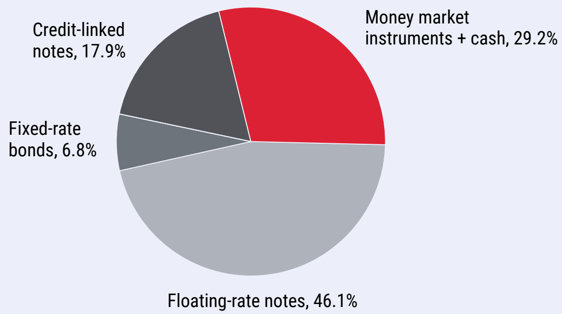
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one-year period (annualised). Transaction costs are disclosed separately. Complete and accurate data is only available after 12 months. The TER and transaction costs are therefore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

TER and transaction costs breakdown for the 1-year period ending 31 March 2025	1yr %
Total expense ratio	**0.87**
Fee for benchmark performance	0.75
Other costs excluding transaction costs	0.01
VAT	0.11
Transaction costs (including VAT)	**0.00**
Total investment charge	**0.87**

Top credit exposures on 31 March 2025

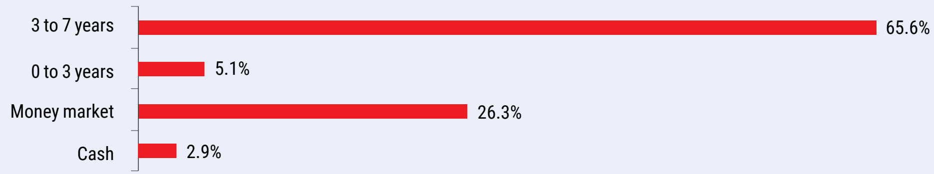


Asset allocation on 31 March 2025[5]



5. Foreign exposure on 31 March 2025: 0.0% is invested in foreign investments.

Maturity profile on 31 March 2025



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

Fund manager commentary as at 31 March 2025

A key question when allocating cash to an income fund is how the bond versus cash and income asset classes will perform. After the large SA government bond rally of 2024, the tide has arguably turned in income's favour. Since the September 2024 yield lows in the SA 20-year government bond, clean prices have fallen by 7%. The SA 20-year credit spread relative to US Treasuries has also widened from a low of 614 basis points (bps) to 700 bps year to date. Not only had absolute and relative SA bond valuations become stretched, but the market also digested uncomfortable truths this year regarding the unfunded nature of the SA government's revised expenditure trajectory.

National Treasury has pulled a lot of levers in the last 18 months in order to meet expenditure commitments. They have monetised R150bn of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA), frozen personal income tax brackets for two years in a row, raised an additional US$3.5bn of offshore Eurobonds, and attempted a 2% increase in value-added tax (VAT) that was rejected by the Democratic Alliance (DA). If one accepts that they are out of levers to pull, then one should also accept that their primary surplus projections will fall short of targets, and therefore debt may not stabilise at 76% of gross domestic product (GDP) as laid out in the Budget presented in March 2025. Alternatively, spending may be scaled back on the items added to the Budget more recently, such as the extra allocation for infrastructure, early childhood development and doctors' salaries.

Although the DA has suggested a review of all government spending with the aim of rooting out inefficiencies, National Treasury already embarked on such an exercise two years ago and made a raft of recommendations regarding redundant government programmes and departments to be cut.

These recommendations lacked the political willpower to be implemented, and the present Budget in fact *increases* the allocation to South Africa's Democratic Republic of Congo peacekeeping mission that Treasury had advised should be scrapped entirely under the previous review.

Market indigestion towards SA government bonds was also caused by the perilous state of the diplomatic relations both within the government of national unity itself and between South Africa and the United States. The SA government's policies, foreign relations with the likes of Iran and views on the Middle East have caught the ire of US President Donald Trump and many of his aides. In this regard, the South African Reserve Bank estimates that the loss of access to the preferential African Growth and Opportunity Act (AGOA) US-SA trade relationship and subsequent decline in SA automotive and fruit exports to the US could shave 0.7% off SA GDP. This analysis was done prior to the 30% tariff on South African imports announced by the Trump administration on 2 April 2025, which nullifies many AGOA benefits and will likely represent a shock to growth. A silver lining for SA growth is that it should still rebound off the low base of prior years given reduced loadshedding and the allocated increase towards infrastructure spending.

In the last quarter, the Fund added to short-dated RSA nominal bonds as the market began to sell off and yields surpassed those on the equivalent-tenor money market. The Fund also added to longer-dated bonds with an interest rate swap hedge overlay to offset the modified duration risk. The Fund ended the quarter on an annual yield of 9.4%, with the market pricing for one more SA interest rate cut this year.

Commentary contributed by Thalia Petousis

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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.

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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Allan Gray Money Market Fund

31 March 2025

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 March 2025

Fund size	R28.4bn
Number of units	25 408 398 869
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.67
Fund weighted average coupon (days)	85.94
Fund weighted average maturity (days)	111.45
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 March 2025 Source: Bloomberg.
2. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 28 February 2025 (source: IRESS).
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

Apr 2024	May 2024	Jun 2024	Jul 2024
0.72	0.74	0.72	0.74
Aug 2024	**Sep 2024**	**Oct 2024**	**Nov 2024**
0.73	0.71	0.72	0.68
Dec 2024	**Jan 2025**	**Feb 2025**	**Mar 2025**
0.68	0.68	0.61	0.67

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	483.8	456.5	245.4
Annualised:			
Since inception (1 July 2001)	7.7	7.5	5.4
Latest 10 years	7.1	6.7	5.0
Latest 5 years	6.7	6.2	4.8
Latest 3 years	8.0	7.5	5.2
Latest 2 years	8.8	8.3	4.4
Latest 1 year	8.7	8.1	3.2
Year-to-date (not annualised)	2.0	1.8	1.3
Risk measures (since inception)			
Percentage positive months[3]	100.0	100.0	n/a
Annualised monthly volatility[4]	0.6	0.6	n/a
Highest annual return[5]	12.8	13.3	n/a
Lowest annual return[5]	4.3	3.8	n/a

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 March 2025	1yr %	3yr %
Total expense ratio	**0.29**	**0.29**
Fee for benchmark performance	0.25	0.25
Other costs excluding transaction costs	0.00	0.00
VAT	0.04	0.04
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.29**	**0.29**

Top credit exposures as at 31 March 2025[6]

	% of portfolio
Governments	**41.8**
Republic of South Africa	41.8
Banks[7]	**52.0**
Standard Bank	16.9
Nedbank	14.2
Investec	10.8
FirstRand Bank	9.0
Absa	1.1
Corporates	**6.2**
Sanlam	2.7
Shoprite	2.6
Daimler Truck	0.9
Total (%)	**100.0**

6. Excludes accrued fees.

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

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

Fund manager quarterly commentary as at 31 March 2025

To start the year from an interest rate standpoint, the theme of *"uncertainty"* was prevalent at both the US Federal Reserve (the Fed) and South African Reserve Bank (SARB) meetings, with Fed Chair Jerome Powell and SARB Governor Lesetja Kganyago separately echoing that rate policy caution is warranted in these uncertain times. A dramatic shift in US fiscal, trade and military policy has ramifications for developed and emerging countries alike. A topic of much debate this year has been whether US President Donald Trump will impose higher tariffs upon key trading partners on a *sustained* basis. Such actions would result in higher US inflation and therefore higher interest rates. Alternatively, Trump's actions at times suggest that he simply wishes to use the *threat* of these tariffs as a negotiating tool of statecraft to achieve other policy aims. These include more secure US borders, a commitment from the likes of Europe and China to raise their own imports from the US, and a fairer dispersion of military spending across the US, Europe and the UK that does not place unfair burden on the US when enacting North Atlantic Treaty Organization (NATO) peacekeeping duties and disbursing foreign aid. In a similar vein, the degree to which US government spending will be cut is also unclear – keeping in mind that such expenditure has acted as a key driver of US gross domestic product (GDP) growth and a steady source of US job listings.

Markets hate such uncertainty and so do businesses. The weakening of the S&P 500 index, which has lost 9% of its value in US dollars since its year-to-date highs, risks unwinding some of the wealth effect that has spurred consumer spending on both basic and discretionary goods, as well as luxury items and travel. Several US fast food and beverage companies have begun reporting faltering sales on the back of consumer economic anxiety, while prices are simultaneously rising amid tariff-related price hikes from suppliers. If one extrapolates such stock market and business activity to indicate a coming recession, this implies that tariff-related inflationary threats will be watered down by depressed economic activity that ultimately lowers both consumer demand and prices. Therein lies the set of uncertain paths: Will US policy shifts raise inflation, or could they squash prices by bringing about a recession? The Fed is waiting for greater clarity.

Turning to domestic interest rates, many in the market have questioned why the SARB has not cut rates by more, given a repo rate of 7.5% as at end-March (close to its highest levels in 16 years) versus a consumer price inflation (CPI) rate of 3.2% as at end-February (levels last seen during the COVID-19 pandemic-related slump in economic activity). The answer may be that the SARB does not set interest rates in a vacuum. On the one hand, the expectation of softer US growth and the weaker US dollar observed this year lowers our local inflation trajectory. On the other hand, Governor Kganyago also highlights that the imposition of tariffs on South Africa or the loss of our African Growth and Opportunity Act (AGOA) preferential trade status with the US should mean lower growth domestically, with the SARB modelling up to a -0.7% hit to GDP in such a scenario as South Africa's automotive and fruit exports decline. This analysis was done prior to the 30% tariff on South African imports announced by the Trump administration on 2 April 2025, which nullifies many AGOA benefits and will likely represent a shock to growth. This, combined with a local market confidence shock, could weaken the rand and raise our CPI trajectory materially. It is the job of the Monetary Policy Committee to weigh the balance of such future risks when setting rates now. A recent win for South Africa's administered price inflation trajectory is the reduced electricity tariff hikes granted to Eskom by the National Energy Regulator of South Africa (NERSA) of 12.7%, 5.4% and 6.2% for each of the next three years. That said, in its place, the SARB must now contemplate a new risk and weigh up the potential impact of a higher value-added tax (VAT) rate on consumer prices going forward.

During the quarter, the Fund added to RSA government Treasury bill exposure given that 6-month government bills traded to 50 basis points wider than the equivalent term bank deposits. Given that the funding demands of government continue to outstrip that of South Africa's commercial banks, this dynamic emerges in the competition for investor capital. The Fund ended the quarter on annual and effective yields of 8.19% and 8.50% respectively, with the market pricing for one more interest rate cut this year.

Commentary contributed by Thalia Petousis

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

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

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.

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