Allan Gray Money Market Fund

30 November 2024

Fund description and summary of investment policy

The Fund invests in South African money market instruments with a term shorter than 13 months. These instruments can be issued by government, parastatals, corporates and banks. The Fund is managed to comply with regulations governing retirement funds.

While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument held by the Fund defaults. In this event losses will be borne by the Fund and its investors.

ASISA unit trust category: South African – Interest Bearing – 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 30 November 2024

Fund size	R28.5bn
Number of units	25 311 115 091
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.68
Fund weighted average coupon (days)	68.20
Fund weighted average maturity (days)	109.77
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 30 November 2024. Source: Bloomberg.
2. This is based on the latest available numbers published by IRESS as at 31 October 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

Dec 2023	Jan 2024	Feb 2024	Mar 2024
0.74	0.75	0.69	0.74
Apr 2024	May 2024	Jun 2024	Jul 2024
0.72	0.74	0.72	0.74
Aug 2024	Sep 2024	Oct 2024	Nov 2024
0.73	0.71	0.72	0.68

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Cumulative:			
Since inception (1 July 2001)	468.6	442.9	241.2
Annualised:			
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	6.1	4.9
Latest 3 years	7.6	7.1	5.4
Latest 2 years	8.6	8.2	4.4
Latest 1 year	9.0	8.4	2.8
Year-to-date (not annualised)	8.2	7.7	2.9
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 30 September 2024	1yr %	3yr %
Total expense ratio	**0.29**	**0.29**
Fee for benchmark performance	0.25	0.25
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.00	0.00
VAT	0.04	0.04
Transaction costs (including VAT)	**0.00**	**0.00**
Total investment charge	**0.29**	**0.29**

Exposure by issuer on 30 November 2024

	% of portfolio
Governments	**31.6**
Republic of South Africa	31.6
Banks[6]	**62.3**
Nedbank	18.3
Standard Bank	18.0
FirstRand Bank	13.6
Investec Bank	6.5
Absa Bank	5.8
Corporates	**6.0**
Shoprite	2.6
Sanlam	2.5
Daimler Truck	0.9
Total (%)	**100.0**

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

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

Fund manager quarterly commentary as at 30 September 2024

On 19 September, the South African Reserve Bank (SARB) cut interest rates for the first time in four years – lowering the overnight rate of interest from 8.25% to 8.00% in a unanimous vote. The SARB outlined the case for caution when lowering rates and cited risks to inflation via potential offshore trade tariffs which raise the price of imported goods. In this regard, the outcome of the US presidential election in November has the potential to rock the trade tariff boat with Republican candidate Donald Trump proposing a blanket increase in import tariffs to 10%, and a more punitive 60% applied to Chinese goods, if he were to be elected.

Much of the disinflationary trend of the decade preceding the COVID-19 pandemic was undoubtedly aided by the flood of cheap Chinese goods into international markets, with many countries now complaining that Chinese overproduction and dumping practices make it tough for local industry to compete in a wide range of sectors, including car and steel production. As a general observation, the US invents, China builds and the EU regulates. For example, China's bloated industrial base, fuelled by ultracheap government financing and subsidies, produces more solar panels than the world can absorb. Such production continues to take place even when goods are ultimately dumped into international markets at loss-making sale prices that require these producers to later be bailed out by the Chinese state.

The SARB also touched on global risks to inflation via renewed supply chain disruptions that could result from escalating geopolitical tension and war, as we are seeing in the Middle East at present. When debating local risks to the inflation outlook, the SARB lamented that the stronger rand, lower oil prices and well-behaved South African food price inflation might be partially offset by higher local administered, municipal and electricity prices. Earlier in the year, a leaked document showed that Eskom planned to apply to increase the electricity tariffs it charged municipalities by up to 44% in 2025. Rising electricity and water tariffs naturally bleed into the cost of production and raise the prices of local goods and services.

Despite all these risks, South Africa's current inflation prints have been coming down, with a stronger rand allowing August's CPI print to moderate to 4.4% and the SARB modelling for sub-4% throughout the first half of 2025. Given that inflation is by its nature a year-on-year calculation and can almost always be expected to disinflate in the short term when base prices are high, the SARB has stated that it will "look through" a temporary inflation breach on the downside of their target. Although the SARB's quarterly projection model is just a loose policy guide and is not strictly implemented, the model currently suggests that the appropriate terminal rate of interest at the end of the South African rate-cutting cycle is an overnight rate of 7%, which implies a further 1% worth of rate cuts.

Over the past quarter, the Fund raised its exposure to short-dated inflation-linked bonds which are attractively priced to deliver returns of inflation plus 5.3%. The Fund's effective yield (gross of fees) declined over the quarter from 9.40% to 9.31% as the Fund continues to reinvest deposit maturities at lower prevailing term interest rates.

Commentary contributed by Thalia Petousis

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business. Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided. Allan Gray is an authorised financial services provider.

Management Company

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

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

Performance

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

Fund mandate

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

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

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

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

Fees

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

Total expense ratio (TER) and transaction costs

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

Compliance with Regulation 28

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

Bloomberg Index Services Limited

Bloomberg® and the indices referenced herein (the "Indices", and each such index, an "Index") are service marks of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg") and/or one or more third-party providers (each such provider, a "Third-Party Provider,") and have been licensed for use for certain purposes to Allan Gray Proprietary Limited (the "Licensee"). To the extent a Third-Party Provider contributes intellectual property in connection with the Index, such third-party products, company names and logos are trademarks or service marks, and remain the property, of such Third-Party Provider. Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Neither Bloomberg nor Bloomberg's licensors, including a Third-Party Provider, approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither Bloomberg nor Bloomberg's licensors, including a Third-Party Provider, shall have any liability or responsibility for injury or damages arising in connection therewith.

Important information for investors

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