

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 August 2024

Fund size	R0.7bn
Number of units	10 774 778
Price (net asset value per unit)	R10.15
Modified duration	0.5
Gross yield (i.e. before fees)	9.6
Net yield (i.e. after fees)	8.8
Fund weighted average maturity (years)	5.5
Class	A

Income distributions

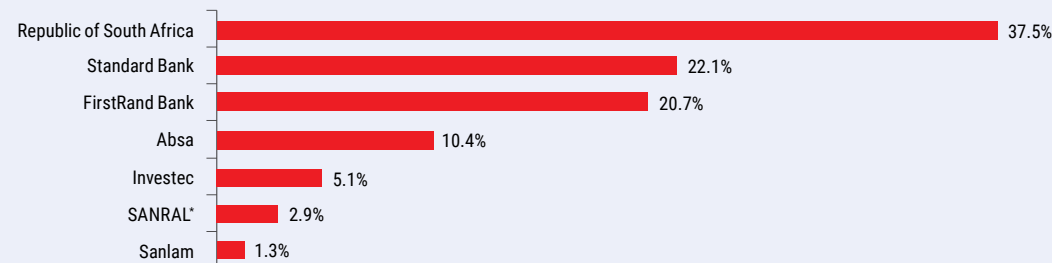
Actual payout (cents per unit), the Fund distributes monthly

May 2024	Jun 2024	Jul 2024	Aug 2024
6.59	6.57	8.11	7.40

Fund performance

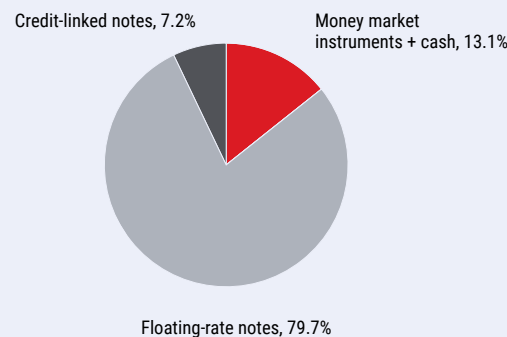
The Fund was launched on 1 May 2024. We will report its performance information from 31 October 2024.

Top credit exposures on 31 August 2024



* The debt holding is guaranteed by RSA Government.

Asset allocation on 31 August 2024



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

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- 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 30 June 2024	1yr %	3yr %
Total expense ratio	0.76	0.76
Fee for benchmark performance	0.65	0.65
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.10	0.10
Transaction costs (including VAT)	0.00	0.00
Total investment charge	0.76	0.76

Maturity profile on 31 August 2024



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

The Fund was seeded on 1 May 2024, a time of heightened political uncertainty and increased market volatility in South Africa. In early June 2024, local debt markets witnessed a sell-off in the immediate aftermath of the election results as it became clear that the African National Congress (ANC) had lost its outright majority for the first time since 1994, creating uncertainty regarding potential coalition partners.

Following the local market sell-off, mid-June marked a pivotal moment for the country as the newly established government of national unity convened its inaugural parliamentary session and Cyril Ramaphosa was re-elected as president. This development was widely embraced by financial markets, with the rand, the FTSE/JSE All Share Index and the bond market all experiencing substantial gains, signalling investor confidence in the potential for economic reforms and stability.

During this period of volatility, there were good opportunities for the Fund to lock in five-year fixed-rate money market positions at 10% yield, which is a longer time horizon than what a traditional money market fund can look at. This sort of positioning allows for some capital gains given the subsequent rally in these instruments down to 8.9% yield at end-July.

Most of the Fund has exposure to floating-rate instruments that return cash rates plus a spread and have low modified duration. Overnight cash rates in South Africa remain at a 15-year high following the elevated inflation

experienced over the last two years. During the July Monetary Policy Committee (MPC) meeting, the South African Reserve Bank kept interest rates unchanged, citing that the battle against inflation is not yet won, although two of the six MPC members voted to cut interest rates. The MPC prudently avoids giving forward guidance on interest rates so that they can remain nimble in the face of new data, although the market prices for rate cuts to begin as early as September 2024.

While the future remains uncertain, we aim to construct portfolios that can do well across a range of possible scenarios. We believe that the Fund currently holds assets that can provide above-cash returns and protect income in a high-inflation environment, particularly if interest rates remain higher than the prevailing inflation rate, as has been the case in South Africa over long periods. In the event of rate cuts, the Fund's weighted average yield (gross of fees) of 9.6% as at 31 July 2024 should decline, but it still offers a rate of interest that is 1.4% higher than that of overnight cash, as well as 4.5% higher than that of June's inflation print. The Fund also offers capital stability, is conservatively managed from a credit risk perspective, and should outperform traditional money market funds over one- to two-year periods.

Commentary contributed by Thalia Petousis

Fund manager commentary as at 31 July 2024

Note: From end-September 2024 we will publish fund manager commentaries on a quarterly basis, in line with all our other funds.

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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.

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

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

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**.