

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.

This class of the Fund is only available in the Allan Gray Umbrella Retirement Fund.

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

- 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	1 732 496 982
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	U

- Prior to the inception of this class of the Fund (2 July 2020) the performance and risk measures are calculated using the A class performance of the Fund.
- 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.
- 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).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- 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.
- 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	0.75	0.72	0.74
Aug 2024	Sep 2024	Oct 2024	Nov 2024
0.74	0.71	0.73	0.69
Dec 2024	Jan 2025	Feb 2025	Mar 2025
0.69	0.68	0.62	0.67

Performance net of all fees and expenses

% Returns	Fund <sup>1</sup>	Benchmark <sup>2</sup>	CPI inflation <sup>3</sup>
Cumulative:			
Since inception (1 July 2001)	485.3	456.5	245.4
Annualised:			
Since inception (1 July 2001)	7.7	7.5	5.4
Latest 10 years	7.2	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	8.8	8.1	3.2
Year-to-date (not annualised)	2.0	1.8	1.3
Risk measures (since inception)			
Percentage positive months <sup>4</sup>	100.0	100.0	n/a
Annualised monthly volatility <sup>5</sup>	0.6	0.6	n/a
Highest annual return <sup>6</sup>	12.8	13.3	n/a
Lowest annual return <sup>6</sup>	4.3	3.8	n/a

## Meeting the Fund objective

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

## Annual management fee

A fixed fee of 0.20% 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 %
<b>Total expense ratio</b>	<b>0.23</b>	<b>0.23</b>
Fee for benchmark performance	0.20	0.20
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.00	0.00
VAT	0.03	0.03
<b>Transaction costs (including VAT)</b>	<b>0.00</b>	<b>0.00</b>
<b>Total investment charge</b>	<b>0.23</b>	<b>0.23</b>

## Exposure by issuer on 31 March 2025

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

7. 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.  
Excludes accrued fees.

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**

**Fund manager quarterly  
commentary as at  
31 March 2025**

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

## Fees

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

## Total expense ratio (TER) and transaction costs

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

## Compliance with Regulation 28

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

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