

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

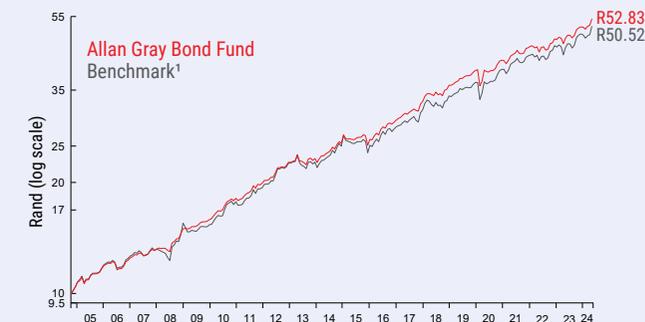
Fund information on 30 June 2024

Fund size	R8.1bn
Number of units	622 364 836
Price (net asset value per unit)	R10.48
Modified duration	4.1
Gross yield (before fees)	11.3
Class	A

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 30 June 2024.
2. This is based on the latest available numbers published by IRESS as at 31 May 2024.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 27 February 2020 to 24 March 2020 and maximum benchmark drawdown occurred from 26 February 2020 to 23 March 2020. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
4. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
5. The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
6. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 January 2015 and the benchmark's occurred during the 12 months ended 31 January 2015. The Fund's lowest annual return occurred during the 12 months ended 31 January 2016 and the benchmark's occurred during the 12 months ended 31 January 2016. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



% Returns	Fund	Benchmark ¹	CPI inflation ²
Cumulative:			
Since inception (1 October 2004)	428.3	405.2	189.7
Annualised:			
Since inception (1 October 2004)	8.8	8.5	5.6
Latest 10 years	8.4	8.2	5.0
Latest 5 years	7.5	7.8	5.0
Latest 3 years	7.5	7.6	6.0
Latest 2 years	10.6	10.9	5.7
Latest 1 year	12.4	13.7	5.2
Year-to-date (not annualised)	5.6	5.6	2.3
Risk measures (since inception)			
Maximum drawdown ³	-18.9	-19.3	n/a
Percentage positive months ⁴	71.3	68.4	n/a
Annualised monthly volatility ⁵	5.9	7.5	n/a
Highest annual return ⁶	18.0	21.2	n/a
Lowest annual return ⁶	-2.6	-5.6	n/a

Meeting the Fund objective

Since inception and over the latest 10-year period, the Fund has outperformed its benchmark. Over the latest five-year period, the Fund has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund aims to take no greater risk than its benchmark. The maximum drawdown and lowest annual return numbers, in the 'Performance net of all fees and expenses' table, show that the Fund has successfully reduced downside risk in periods of negative market returns.

Income distributions for the last 12 months

Actual payout, the Fund distributes quarterly	30 Sep 2023	31 Dec 2023	31 Mar 2024	30 Jun 2024
Cents per unit	25.7014	26.6398	25.8263	27.2485

Annual management fee

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

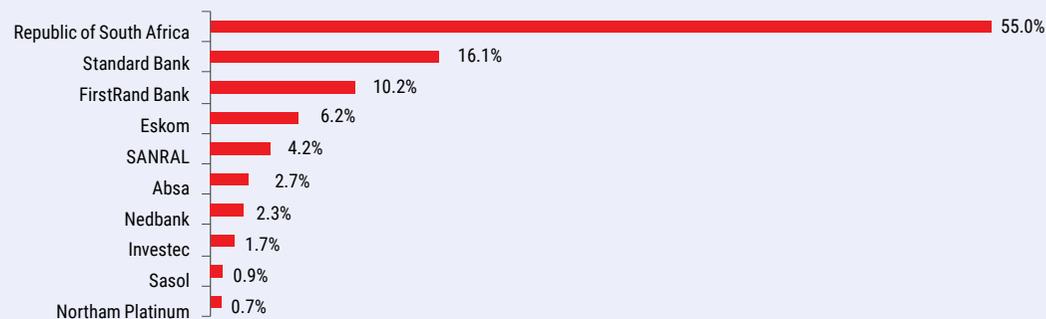
Total expense ratio (TER) and transaction costs (updated quarterly)

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.

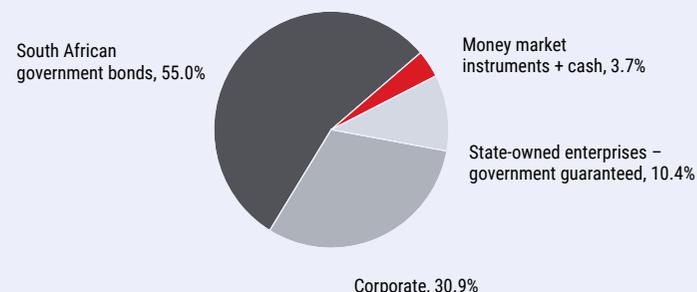
TER and transaction costs breakdown for the 1- and 3-year period ending 30 June 2024	1yr %	3yr %
Total expense ratio	0.59	0.55
Fee for benchmark performance*	0.50	0.47
Performance fees*	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.07
Transaction costs (including VAT)	0.00	0.00
Total investment charge	0.59	0.55

*On 1 December 2021, the Fund's annual management fee changed from the previous performance-based fee to the current fixed fee of 0.5% p.a. excl. VAT.

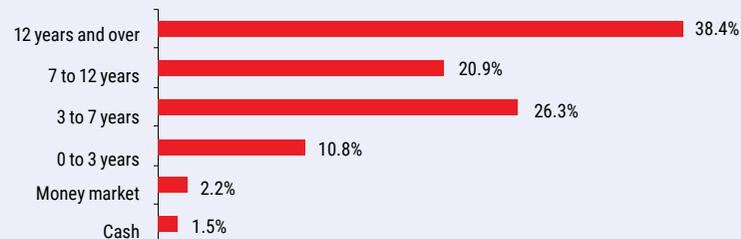
Top 10 credit exposures on 30 June 2024



Asset allocation on 30 June 2024



Maturity profile on 30 June 2024



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

The year of the great election has commenced, and a swing to the right is sweeping through the polls and flooding into ballot boxes. This is evident in the US, with strong polling figures for Donald Trump and the Republican Party; in the United Kingdom, where Nigel Farage's far-right Reform UK party has eroded some of the support base of the more temperate conservatives; in Germany, where the Social Democrats and Green Party have lost voter share while the prospects for the far-right Alternative for Germany (AfD) party have lifted with the conservative tide; and in France, where Marine Le Pen's right-wing Rassemblement National party significantly increased their seats in parliament.

These elections have arrived just two years after the highest levels of developed market inflation seen in 40 years. History doesn't repeat itself, but it often rhymes. In the Winter of Discontent following the high inflation of the 1970s, Margaret Thatcher led the Conservative Party to reach three landslide victories in the decade thereafter. The current "winter of disconnect" is not only fuelled by a reduction in purchasing power and social inequality but is also deeply rooted in the anti-illegal immigration movement.

In South Africa, the election results confirmed the polls that came before them – a large loss of voter share from the African National Congress (ANC) to Jacob Zuma's uMkhonto weSizwe Party (MK Party) in KwaZulu-Natal. In the days that followed, the market roiled as coalition outcomes were debated, but the MK Party's disorganisation, infighting, constantly changing member list and radical manifesto have made it too unruly to enter coalition discussions. Similarly, there were already mutterings pre-election from within the ANC that earlier provincial coalition partnerships with the Economic Freedom Fighters (EFF) had been damaging to the party. Thus, a government of national unity (GNU) has been formed – sans the EFF and MK Party.

Local equities and bonds have posted 12% and 11% annualised year-to-date returns, respectively. The SA 20-year bond yield has declined from a year-to-date high of 13.2% to as low as 11.9%, reducing the cost of funding for government. This reflects market exuberance with the results of the SA elections and the formation of a GNU that includes the Democratic Alliance (DA). A more confident SA market and a stronger rand can bleed into lower imported cost inflation and therefore have the potential to ease inflationary pressures from fuel and certain food items. As such, the SA market now prices for two to three interest rate cuts over the next two years.

In December 2017, market exuberance following Cyril Ramaphosa's election as president of the ANC saw a similar move in bonds. Ramaphoria, as the period came to be known, saw the 20-year bond spread versus US Treasuries

decline from 725 basis points (bps) to 560bps, or roughly a 13% capital return over just three months. Currently, the 20-year spread is at 753bps versus US Treasuries, reflecting that SA bonds are in fact cheaper now than they were pre-Ramaphoria on a relative valuation basis given our larger debt load and more severe interest service burden. Does this mean that this rally has longer to run if foreigners sustainably return to SA bond markets?

Casting one's eye one year forward from Ramaphoria to December 2018, yields were again wider, and the capital gain versus pre-Ramaphoria had collapsed to just 3% with the rand weaker alongside it. One lesson to be learned from this experience is that given the interwoven nature of the global economy and consumed goods, the path of interest rates can struggle to sustainably decline if global inflation misbehaves. In 2018, US inflation deviated from the Federal Reserve's 2% target and rose close to 3%. The inflation figure is similar today. In May 2024, US inflation printed at 3.3%, and the seven exuberant interest rate cuts priced into markets back in January 2024 have yet to materialise. The US labour market continues to be robust and consumers have been spending record amounts on items like travel.

A more imperative takeaway from the Ramaphoria period is that political goodwill alone cannot change the path of our country. For this time to be different, we need highly capable leaders to execute their mandates effectively after many years of decline in key government departments. Only the right mix of ingenuity and skill can improve South Africa's growth prospects and ultimately reduce unemployment. Some political parties have, for example, put forward ideas for revamping Home Affairs and resolving the ongoing tourist visa issues which frustrate this sector of the economy. Strong leaders in the right roles in key departments could have a tangible impact, as we saw when Edward Kieswetter turned the South African Revenue Service (SARS) around after state capture had eroded its operational ability and institutional integrity. Only time will tell if we will see a similar rebuild take place at a grander scale as the GNU and newly minted ministers find their feet.

In the last quarter, the Fund's weighted average yield to maturity (gross of fees) has widened versus the FTSE/JSE All Bond Index – measuring 11.3% versus 10.7% at quarter end. This is owing to the 28% of the Fund in floating-rate paper whose yields did not re-rate lower in the fixed-rate bond rally nor experience capital return, given that they pay a steady stream of income over time.

Commentary contributed by Thalia Petousis

Fund manager quarterly commentary as at 30 June 2024

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Management Company

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

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

Performance

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

Fund mandate

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

Minimum disclosure document and quarterly general investors' report **Reissued:** 10 July 2024

Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

Yield

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

Fees

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

Total expense ratio (TER) and transaction costs

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

Compliance with Regulation 28

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

FTSE/JSE All Bond Index

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

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Need more information?

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