

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 get 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

Minimum investment amounts*

Minimum lump sum per investor account	R20 000
Additional lump sum	R500
Minimum debit order**	R500

*Minimums for investors aged 18 or older will be increasing to R50 000 for an initial lump sum and to R1 000 for an additional lump sum and debit order, effective from 14:00 on Friday, 27 August 2021.

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

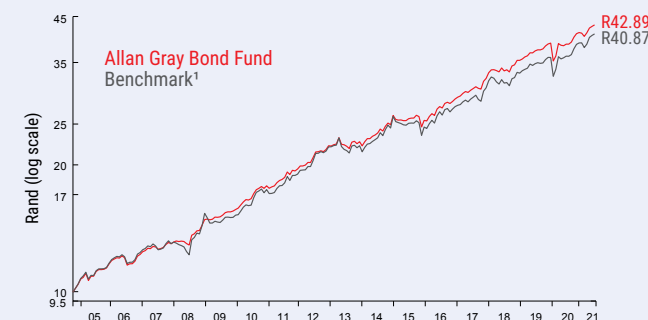
Fund information on 31 July 2021

Fund size	R5.6bn
Number of units	502 954 320
Price (net asset value per unit)	R11.09
Modified duration	5.5
Gross yield (before fees)	8.8
Class	A

- FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 July 2021.
- This is based on the latest available numbers published by IRESS as at 30 June 2021.
- 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).
- 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 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)	328.9	308.7	143.9
Annualised:			
Since inception (1 October 2004)	9.0	8.7	5.5
Latest 10 years	8.7	8.5	5.0
Latest 5 years	9.3	8.9	4.2
Latest 3 years	8.1	8.7	3.8
Latest 2 years	7.9	9.0	3.5
Latest 1 year	12.0	13.9	4.9
Year-to-date (not annualised)	4.9	5.9	2.9
Risk measures (since inception)			
Maximum drawdown ³	-18.9	-19.3	n/a
Percentage positive months ⁴	72.3	68.8	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- and five-year periods, the Fund has outperformed 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 2020	31 Dec 2020	31 Mar 2021	30 Jun 2021
Cents per unit	24.3176	23.6527	22.5561	22.9999

Annual management fee

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

From 1 December 2020 to 30 November 2021, we will calculate both the above fixed fee and the previous performance-based fee each day and charge whichever is lower on the day. From 1 December 2021, only the above fixed fee will apply.

The previous performance-based fee rate is calculated by comparing the Fund's total performance over the previous year to that of the benchmark, adjusted for Fund expenses and cash flows. The minimum fee is 0.25% p.a. excl. VAT and, for each percentage of performance above the benchmark, the fee is increased by 0.25%, up to a maximum fee of 0.75% p.a. excl. VAT.

Total expense ratio (TER) and Transaction costs

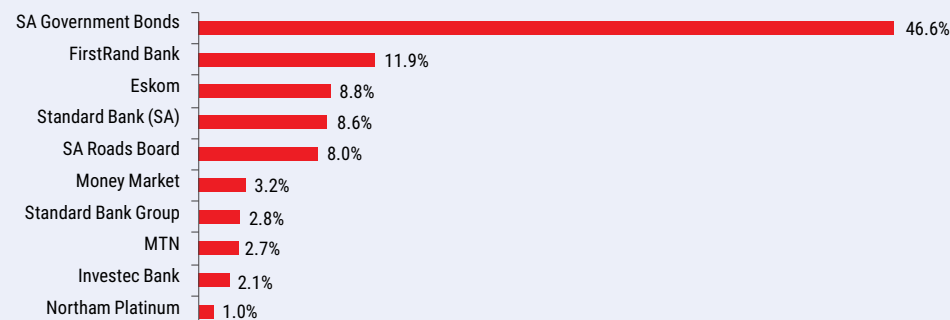
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4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

TER and Transaction costs breakdown for the 1- and 3-year period ending 30 June 2021	1yr %	3yr %
Total expense ratio	0.31	0.57
Fee for benchmark performance*	0.25	0.25
Performance fees*	0.01	0.24
Other costs excluding transaction costs	0.01	0.01
VAT	0.04	0.07
Transaction costs (including VAT)	0.00	0.00
Total investment charge	0.31	0.57

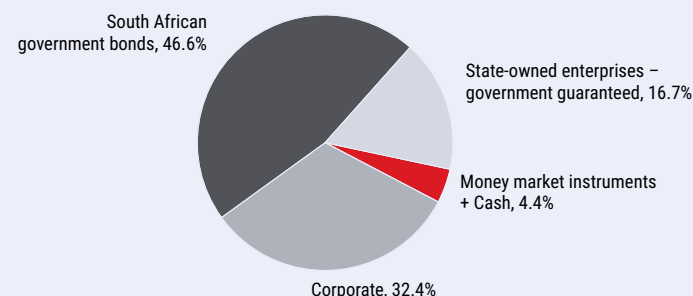
*On 1 December 2020, the Fund's annual management fee started transitioning to a fixed fee of 0.5% p.a. excl. VAT. See the 'Annual management fee' section for more information.

Minimum disclosure document and quarterly general investors' report Issued: 11 August 2021

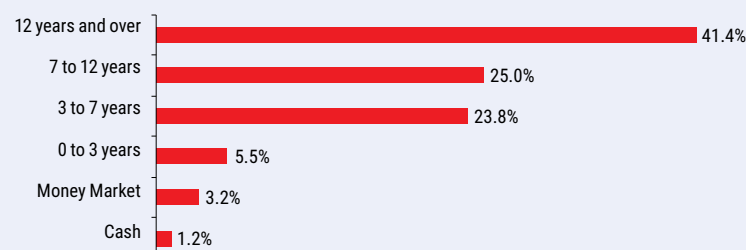
Top 10 credit exposures on 31 July 2021



Asset allocation on 31 July 2021



Maturity profile on 31 July 2021



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

Inflation was a key theme for the quarter. US inflation surprised to the upside, printing at 4.2% in April and a whopping 5% in May – well above the Federal Reserve's (Fed) 2% target. While labour costs in the US have also been rising, employment has remained below pre-pandemic levels. Therefore, the Fed kept its benchmark interest rate unchanged at its June meeting. However, the Federal Open Market Committee (FOMC) indicated that discussions on tapering its asset purchase programme have begun. Furthermore, the Fed's dot plot now implies two interest rate hikes by the end of 2023.

Not to be caught flat-footed, central banks around the world are preparing their financial systems to weather the drastic capital flight that hit emerging markets during the 2013 "taper tantrum", which was triggered by the Fed suggesting a rollback of quantitative easing. The implication is that emerging market central banks might be forced to pre-emptively raise rates, putting their countries' nascent economic recoveries at risk.

South African bonds bull flattened during the quarter, with long bonds having rallied over 100 basis points (bps) at one point. This impressive run was arrested by the Fed's comments mid-June, which predictably upset risk assets. Local inflation also increased – driven by food and fuel prices – printing at 4.4% in April and 5.2% in May. A large part of this rebound was due to base effects, given that inflation averaged only 3.3% in 2020. The South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) unanimously voted to keep the

repo rate unchanged at its May meeting, looking through what it deemed to be temporary price shocks.

Domestic credit spreads continued to tighten during the quarter off the back of strong demand for bank paper and corporate paper, with some bids even appearing for the stronger REIT names. Bank issuance dominated, with four of the big five banks raising funding. REITs were also notable issuers: Growthpoint Properties held a successful auction where the two bonds on offer cleared below price guidance, while Investec Property Fund and Emira Property Fund placed their first sustainability-linked bonds.

During the quarter, we sold out of Airports Company South Africa (ACSA) and added MTN, Standard Bank and FirstRand. The Fund remains conservatively positioned. Its duration is shorter than the ALBI, almost evenly split between the short end (seven years and below) and the long end (over seven years) of the curve. This allows the Fund to benefit from high long-term yields, while providing some protection in the event of a sharp sell-off. A sizeable allocation towards highly liquid government bonds and money market instruments is complemented by investments in high-quality credits.

Commentary contributed by Londa Nxumalo.

**Fund manager quarterly
commentary as at
30 June 2021**

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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)87 736 1732 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 Allan Gray Bond Fund yield is current, calculated as at month-end.

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. 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 a reasonable 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

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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**