

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

Meeting the Fund objective

Since inception the Fund has outperformed its benchmark. Over the latest 10- and five-year periods, 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.

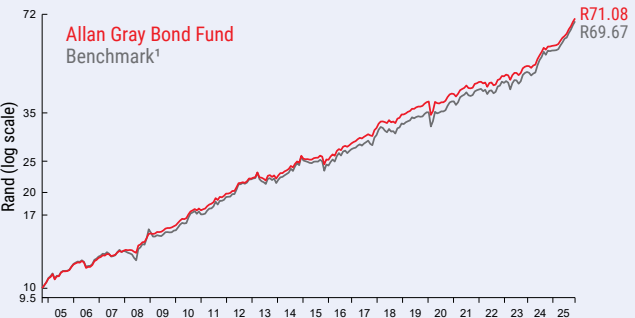
Fund information on 31 December 2025

Fund size	R10.5bn
Number of units	601 914 718
Price (net asset value per unit)	R12.19
Modified duration	5.8
Gross yield (i.e. before fees)	8.7
Class	A

1. FTSE/JSE All Bond Index (source: Iress), performance as calculated by Allan Gray as at 31 December 2025.
2. This data reflects the latest available headline CPI inflation numbers as at 30 November 2025 (source: Iress).
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 December 2025 and the benchmark's occurred during the 12 months ended 30 September 2024. 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 <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (1 October 2004)	610.8	596.7	201.5
<b>Annualised:</b>			
Since inception (1 October 2004)	9.7	9.6	5.4
Latest 10 years	11.2	11.5	4.8
Latest 5 years	11.7	12.5	5.0
Latest 3 years	15.9	16.9	4.0
Latest 2 years	19.2	20.6	3.2
Latest 1 year	22.7	24.2	3.5
Year-to-date (not annualised)	22.7	24.2	3.5
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-18.9	-19.3	n/a
Percentage positive months <sup>4</sup>	72.9	69.8	n/a
Annualised monthly volatility <sup>5</sup>	5.9	7.5	n/a
Highest annual return <sup>6</sup>	22.7	26.1	n/a
Lowest annual return <sup>6</sup>	-2.6	-5.6	n/a

## Income distributions for the last 12 months

Actual payout, the Fund distributes quarterly	31 Mar 2025	30 Jun 2025	30 Sep 2025	31 Dec 2025
Cents per unit	25.4437	26.1703	26.1388	25.9725

## Annual management fee

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

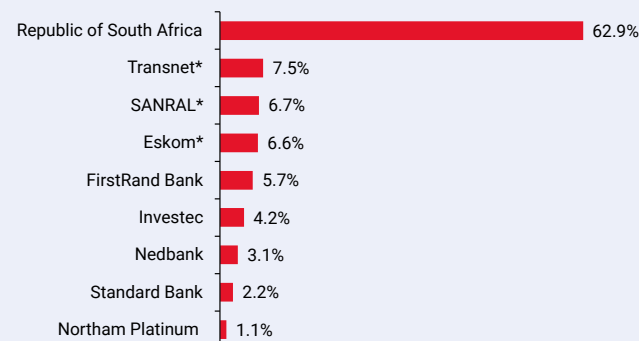
## Total expense ratio (TER) and transaction costs

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.

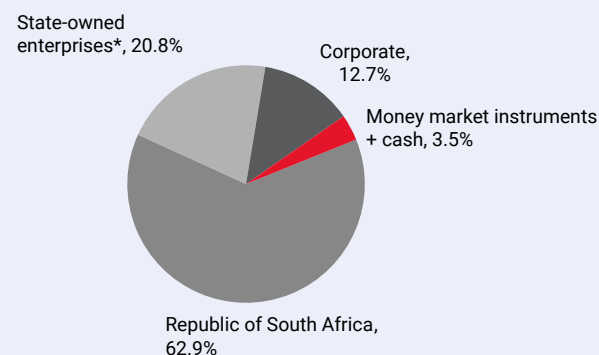
## Total expense ratio (TER) and transaction costs for periods ending 31 December 2025 (updated quarterly)

1- and 3-year TER and transaction costs breakdown	1yr %	3yr %
<b>Total expense ratio</b>	<b>0.58</b>	<b>0.58</b>
Fee for benchmark performance	0.50	0.50
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.08
<b>Transaction costs (including VAT)</b>	<b>0.00</b>	<b>0.00</b>
<b>Total investment charge</b>	<b>0.58</b>	<b>0.58</b>

## Top 10 credit exposures on 31 December 2025

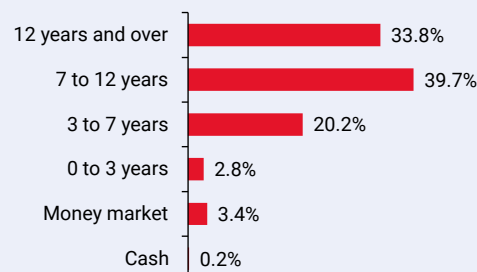


## Asset allocation on 31 December 2025



\*RSA government guaranteed

## Maturity profile on 31 December 2025



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

2025 overtook 2024 as the strongest single year for South African bonds in 20 years, with all of the relative outperformance coming through in the final quarter of the year. Twenty-year yields fell from a peak of 13.2% in 2024 to 9.2% at the time of writing, translating into a capital gain of almost 40%.

What can appear startling is charting the economic growth over this period, which has stumbled along at a lacklustre pace. This could point to the fact that the starting valuations were just so extreme that they justify such a move in the absence of economic growth, or that investors have bought in with the anticipation of economic growth to come. We think the answer to this conundrum is multifold.

Although South Africa's gross financing requirement for the 2025/2026 financial year reached a post-COVID-19 pandemic high, significant relief came through the monetisation of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA), for which R206bn has been carved out into government revenues and a further R100bn earmarked to recapitalise the South African Reserve Bank to cover the interest cost on newly created reserves. This has lowered the trajectory of the government's borrowing requirement relative to what it would have been sans GFECRA, and particularly, relative to the map that was drawn in the 2023 budget documents.

Beyond this boost to revenues, one can also see that National Treasury has held the line on spending where it can, although some items in the budget – such as pay progression in the government wage bill – remain unsustainable. In 2025, a greater portion of the borrowing requirement was attributable to redemptions (as opposed to the main budget balance) than what was experienced during the COVID-19 pandemic. This is "easier" to fund as one is simply convincing existing debtholders to switch into longer-dated debt as opposed to finding new funders in the local and offshore savings pool.

Another reason being cited for the rally is that South Africa's inflation has collapsed in both absolute terms and relative to US inflation. As discussed in prior commentaries, if one believes that we will now run inflation at a lower gap to the US on a continued structural basis, then one can argue for a materially lower relative SA fair value bond yield versus recent history. One can also make the case that the last six months of South African government bond performance have simply been a foreigner flow show. In the same time period that the South African 10-year bond has rerated from 11% to 8.3%, Ghanaian

10-year bond yields have rerated from 24% to 16%, and Zambian 10-year bond yields have rerated from 22% to 17%. All jurisdictions have a positive story to be uncovered, with some overlap in the form of a bullish price environment for gold, copper and platinum group metals. That said, it took foreigner investors pivoting on their bearish attitudes to these markets to cause the market to run – in some cases, in anticipation of positive growth changes still to come.

On this note, National Treasury data shows that foreign investors put more than R50bn into South African government bonds in September 2025, which is the largest single month of investment on record and many multiples in excess of the fixed-rate bonds that were issued in that month. This caused auctions to reach the level of five to six times of oversubscription. As foreigner investors potentially looked to de-dollarise and search for yield in alternative and comparatively shallower markets like South Africa, yields moved significantly as they lifted available inventory out of primary auctions and from South African primary dealers. This dynamic also sheds light on the lagging performance of SA Inc shares, which continued to see foreigner outflows for the majority of the year.

From a fundamental perspective, one could also make a reasonable argument that a materially lower South African inflation trajectory compared to historical inflation is positive for bond fair values. The lower trajectory, to some degree, speaks to Chinese disinflation, which we are importing through core goods such as automotive, steel, textiles and clothing. This dynamic creates intense competition for South African retail and manufacturing, which is ultimately negative for SA Inc as a whole. For such a rally in bonds to sustain itself, one must believe that SA Inc will recover and that the economy will achieve sustained real growth to support lower real yields compared to both our own history and our own history relative to emerging market and developed market bond peers.

In the last quarter, the Fund again added to Transnet (fully government-guaranteed) debt at attractive yields and maintained a higher yield relative to the FTSE/JSE All Bond Index at a lower modified duration.

**Commentary contributed by Thalia Petousis**

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

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## 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](http://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, FTSE/JSE All Share Index

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