

Fund description and summary of investment policy

The Fund is managed in broadly the same way as the Allan Gray Balanced Fund. It was created specifically for use in tax-free accounts and can only be accessed through these products. The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. The Fund typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. The Fund is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only fund.

ASISA unit trust category: South African – Multi Asset – High Equity

Fund objective and benchmark

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund’s benchmark is the market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds).

How we aim to achieve the Fund’s objective

We seek to buy shares at a discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares we may increase the Fund’s weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Fund’s stock market exposure. By varying the Fund’s exposure to these different asset classes over time, we seek to enhance the Fund’s long-term returns and to manage its risk. The Fund’s bond and money market investments are actively managed.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund
- Wish to invest in a tax-free investment account
- Typically have an investment horizon of at least three years

Minimum investment amounts*

Initial lump sum per investor account	R36 000
Additional lump sum	R1 000
Debit order**	R1 000

Maximum investment amounts

Maximum lump sum per investor account	R36 000
Lifetime maximum	R500 000
Maximum debit order**	R3 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

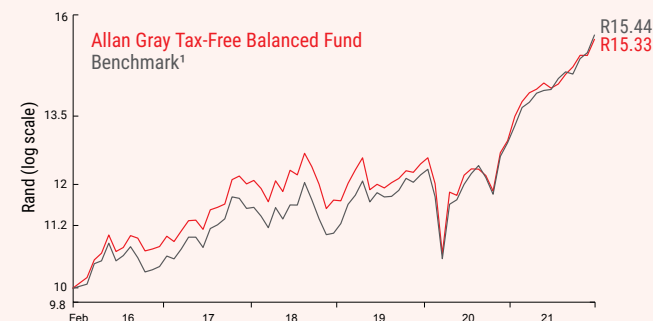
Fund information on 31 December 2021

Fund size	R1.7bn
Number of units	111 519 262
Price (net asset value per unit)	R13.49
Class	A

1. The market value-weighted average return of funds in the South African – Multi Asset – High Equity category (excluding Allan Gray funds). Source: Morningstar, performance as calculated by Allan Gray as at 31 December 2021.
2. This is based on the latest available numbers published by IRESS as at 30 November 2021.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 20 January 2020 to 23 March 2020 and maximum benchmark drawdown occurred from 20 January 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 March 2021 and the benchmark’s occurred during the 12 months ended 31 March 2020. The Fund’s lowest annual return occurred during the 12 months ended 31 March 2020 and the benchmark’s occurred during the 12 months ended 31 March 2020. 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 February 2016)	53.3	54.4	30.8
Annualised:			
Since inception (1 February 2016)	7.5	7.6	4.7
Latest 5 years	7.4	8.3	4.4
Latest 3 years	9.6	12.0	4.1
Latest 2 years	11.3	12.8	4.3
Latest 1 year	19.0	20.3	5.5
Year-to-date (not annualised)	19.0	20.3	5.5
Risk measures (since inception)			
Maximum drawdown ³	-24.6	-23.3	n/a
Percentage positive months ⁴	64.8	67.6	n/a
Annualised monthly volatility ⁵	10.0	9.4	n/a
Highest annual return ⁶	31.7	30.7	n/a
Lowest annual return ⁶	-13.4	-10.3	n/a

Fund history

This Fund is managed in broadly the same way as the Allan Gray Balanced Fund. It was created specifically for use in tax-free accounts. Refer to the Allan Gray Balanced Fund factsheet for a history of the Allan Gray Balanced Fund since its inception on 1 October 1999.

Meeting the Fund objective

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund experiences periods of underperformance in pursuit of this objective. Since inception and over the latest five-year period, the Fund has underperformed its benchmark.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2021	31 Dec 2021
Cents per unit	8.1043	14.8998

Annual management fee

The fee we charge is fixed at 1.25% excluding VAT.

This fee only applies to the portion of the unit trusts that we manage. The offshore portion of the unit trust is managed by Orbis. Orbis charges fixed fees within these funds. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and Transaction costs

The annual management fees charged by both Allan Gray and Orbis are 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.

Top 10 share holdings on 31 December 2021 (SA and Foreign) (updated quarterly)⁷

Company	% of portfolio
British American Tobacco	6.0
Naspers ⁸	5.7
Glencore	4.6
Woolworths	2.3
Nedbank	2.2
Sasol	2.1
Remgro	2.1
Standard Bank	2.1
AB InBev	2.0
Sibanye-Stillwater	1.8
Total (%)	31.0

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 December 2021	1yr %	3yr %
Total expense ratio	1.50	1.51
Fee for benchmark performance	1.31	1.33
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.04	0.04
VAT	0.15	0.14
Transaction costs (including VAT)	0.09	0.10
Total investment charge	1.59	1.61

Asset allocation on 31 December 2021⁷

Asset class	Total	South Africa	Africa ex-SA	Foreign ex-Africa
Net equities	70.5	50.8	3.0	16.7
Hedged equities	6.3	1.7	0.0	4.6
Property	1.1	0.8	0.0	0.4
Commodity-linked	3.1	2.4	0.0	0.7
Bonds	13.2	10.4	1.4	1.4
Money market and bank deposits	5.7	3.7	0.0	1.9
Total (%)	100.0	69.8	4.4	25.8⁹

7. Underlying holdings of Orbis funds are included on a look-through basis.

8. Includes holding in stub certificates or Prosus N.V., if applicable.

9. The Fund can invest a maximum of 30% offshore, with an additional 10% allowed for investments in Africa outside of South Africa. Market movements periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

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

Since inception, the Fund's month-end net equity exposure has varied as follows:

Minimum	(February 2016) 57.5%
Average	63.7%
Maximum	(May 2021) 72.5%

The Fund returned 4.9% for the quarter and 19.0% for the 2021 calendar year. While absolute returns have been strong in real terms, we are not where we want to be versus the best of our peers over the recent past.

We remain significantly underweight US equities, which make up over 60% of the MSCI World Index. Instead, we find depressed European, UK, and emerging market equities more attractive. Although this has hurt relative returns in the short term, we find the valuation disparity compelling. We continue to own no long-dated developed world sovereign bonds and rather have a position in gold. The portfolio has been increasingly tilted towards managing the risks that may arise from higher realised global inflation and interest rates.

As noted in previous factsheets, we have been finding value in both local equities and bonds. This has been reflected in an equity and bond weighting that is higher than usual. The major risk we see is the overvaluation of the US market and how local assets would perform in a scenario where that overvaluation suddenly corrected.

Nonetheless we remain optimistic about the long-term value inherent in our chosen local equities. Sometimes it takes patience for that value to be realised. For example, Rand Merchant Insurance (RMI), which traded at a deep discount to its underlying holdings, announced the unbundling of its shares in Discovery and Momentum, and sold its holding in UK insurer Hastings, resulting in a large rerating of the share. This is not just a positive for RMI, but also for its largest shareholder, Remgro, which itself trades at a large discount

to its underlying investments. Indeed, the discount climbed as high as 38% during 2021. Remgro owns an attractive portfolio of assets and the actions of management over the last period have highlighted its value. In addition to RMI, Remgro is the largest shareholder in Distell, which is in the process of being bought by Heineken, and its fibre operations (Dark Fibre and Vumatel) housed in CIVH merged with those of Vodacom at an attractive valuation. We continue to find Remgro attractive.

More broadly, we continue to be underweight iron ore and Glencore is still our preferred commodity exposure. We continue to own Sasol and have been increasing our exposure to gold shares such as AngloGold and Gold Fields. Given the increased risks in China from the policies announced by the government, coupled with the very high exposure of South African equities both directly and indirectly to China, we have been focused on reducing this risk to the Fund. The positions in British American Tobacco and AB InBev should be considered within this context.

We remain as focused on thinking about and managing risk in the Fund as we are on generating real long-term returns.

During the quarter the Fund bought gold miners AngloGold and Gold Fields and sold Prosus to buy Naspers.

Commentary contributed by Duncan Artus

**Fund manager quarterly
commentary as at
31 December 2021**

© 2022 Allan Gray Proprietary Limited

All rights reserved. The content and information may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited ("Allan Gray").

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

Allan Gray is an authorised financial services provider.

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. Movements in exchange rates may also cause the value of underlying international investments to go up or down. 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 dividend withholding tax.

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.

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).

Foreign exposure

This fund may invest in foreign funds managed by Orbis Investment Management Limited, our offshore investment partner.

Information for investors in the tax-free investment account

The Allan Gray Tax-Free Investment Account is administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider, and underwritten by Allan Gray Life Ltd, also an authorised financial services provider and a registered insurer licensed to provide life insurance products as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual products are portfolios of collective investment schemes in securities (unit trusts or funds).

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 FTSE/JSE All Share Index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

MSCI Index

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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**

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*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

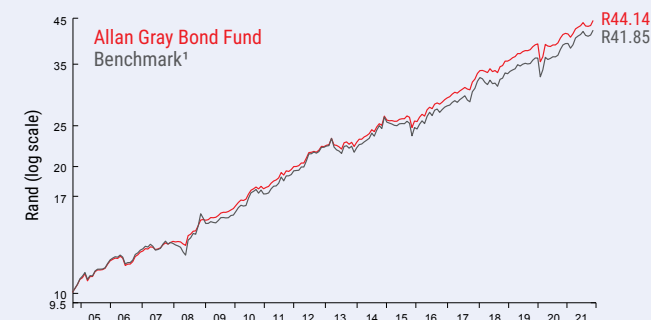
Fund information on 31 December 2021

Fund size	R6.3bn
Number of units	536 034 773
Price (net asset value per unit)	R11.17
Modified duration	5.8
Gross yield (before fees)	9.1
Class	A

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 December 2021.
2. This is based on the latest available numbers published by IRESS as at 30 November 2021.
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)	341.4	318.5	150.0
Annualised:			
Since inception (1 October 2004)	9.0	8.7	5.5
Latest 10 years	8.5	8.2	5.0
Latest 5 years	9.3	9.1	4.4
Latest 3 years	8.6	9.1	4.1
Latest 2 years	7.4	8.5	4.3
Latest 1 year	8.0	8.4	5.5
Year-to-date (not annualised)	8.0	8.4	5.5
Risk measures (since inception)			
Maximum drawdown ³	-18.9	-19.3	n/a
Percentage positive months ⁴	72.0	68.6	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	31 Mar 2021	30 Jun 2021	30 Sep 2021	31 Dec 2021
Cents per unit	22.5561	22.9999	23.8985	24.6430

Annual management fee

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

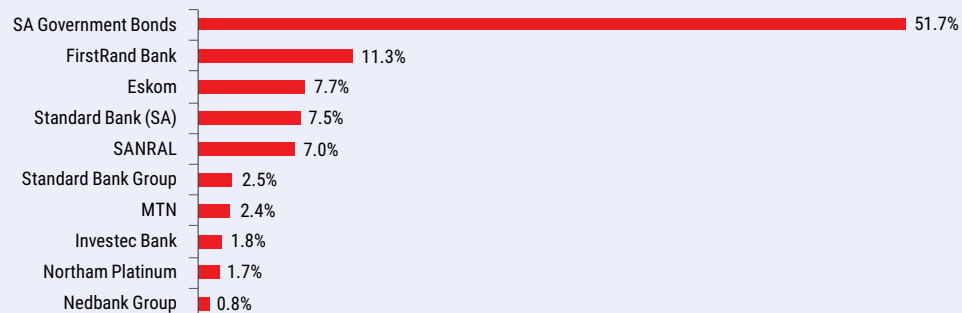
Total expense ratio (TER) and Transaction costs

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.

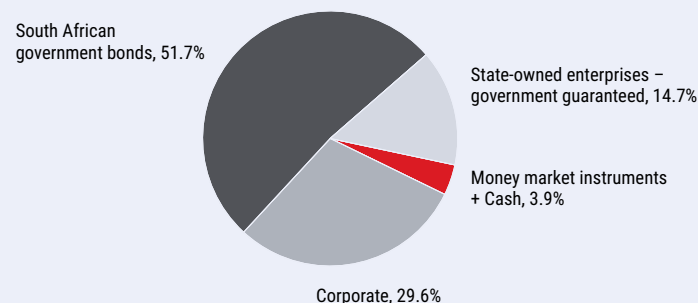
TER and Transaction costs breakdown for the 1- and 3-year period ending 31 December 2021	1yr %	3yr %
Total expense ratio	0.32	0.49
Fee for benchmark performance*	0.27	0.26
Performance fees*	0.00	0.16
Other costs excluding transaction costs	0.01	0.01
VAT	0.04	0.06
Transaction costs (including VAT)	0.00	0.00
Total investment charge	0.32	0.49

*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.

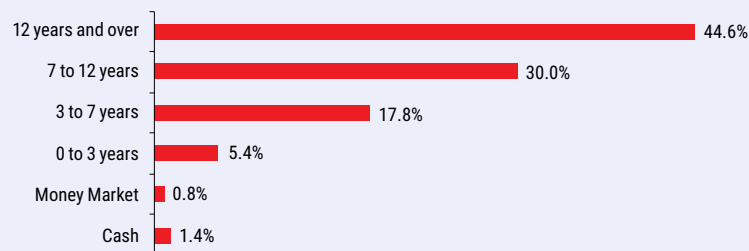
Top 10 credit exposures on 31 December 2021



Asset allocation on 31 December 2021



Maturity profile on 31 December 2021



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

The year 2021 started off on a strong note, given the low base set by the previous year. Economies bounced back strongly after a non-repetition of the stringent lockdowns of 2020. This also led to rising commodity prices due to recovering demand, which was a boon for commodity-exporting countries, including those in emerging markets (EMs). The broad increase in asset prices – termed “reflation” – was seen as the inevitable effect of a growing, more prosperous economy. Any sign of *inflation* (the malignant kind that results from too much money chasing too few goods) was seen as merely “transitory”, to quote the storied US Federal Reserve (the Fed).

However, fears soon began to surface that increasingly pervasive *inflation* would, in fact, be more persistent than the markets had been led to believe. This rude awakening was prelude by rising global food and energy prices, supply chain disruptions and bottlenecks against a backdrop of heightened reopening demand, and worker shortages creating fears of a wage spiral. Aside from the effects of latent demand coming back online as economies reopened, this resurgent inflation was the inevitable result of loose fiscal *and* monetary policy; the US is a prime example of this kind of profligacy. US inflation printed at 6.8% in November – the highest in a generation.

Central banks around the world began to act against rising inflation. Not wanting to be caught behind the curve, major EM central banks – such as those in Brazil, Russia, Mexico and Poland – led the charge. The South African Reserve Bank, warily watching inflation while still desiring to support the economy, joined the fray in November by hiking its repo rate from 3.5% to 3.75%. Credibility is all the more important for EM central bankers, given these countries’ dependence on global capital flows. Meanwhile, only *some* developed market (DM) central banks started withdrawing their monetary stimulus – such as Norway, New Zealand and Canada – while major DM central banks, i.e. the Fed, European Central Bank and Bank of England, remained laggards, although the Fed finally announced the beginning of its bond purchase tapering programme in early November. However, the Omicron variant threw a spanner in the works in late November, resulting in rapid border closures and travel restrictions across many countries, with implications for further global supply chain disruptions and dire effects for tourism industries, especially in EMs.

South Africa experienced its own economic recovery due to less stringent lockdown restrictions, although growth in the third quarter was negatively affected by the July unrest. The high commodity prices gave a positive boost to the country’s terms of trade, as well as government revenues. However, the strong revenue overrun came against the backdrop of pressing and conflicting fiscal priorities. On the one side, escalating spending pressures in the form of a bloated civil service wage bill, troubled state-owned entities (SOEs), and a proposed basic income grant. On the other side, arresting South Africa’s debt accumulation, which is unsustainable in the absence of markedly higher economic growth. Positively, the National Treasury reduced its bond auction sizes twice during the year, with a total 40% reduction.

Credit issuance during 2021 surpassed the total amount issued in 2020, but is yet to return to pre-pandemic levels. Nonetheless, issuances were more consistent throughout the year than the long dry spell experienced in the middle of 2020. Credit spreads continued to tighten due to strong investor demand, with the exception of the parastatal sector (municipalities and SOEs), which continues to be largely unloved due to heightened risks and poor transparency. Bonds that reference environmental and social parameters are becoming a regular theme in the domestic market, with over R10 billion of these types of instruments issued in 2020 – a record. Sizeable issuers in this space during the year were Netcare, Rand Water, Redefine Properties and Standard Bank.

The Allan Gray Bond Fund seeks to strike a reasonable balance between liquidity, credit and duration risk. Currently, the Fund is more or less evenly split between government bonds and credit, which mostly comprises the big South African banks and government guaranteed SOE bonds. During the fourth quarter, we added Northam Platinum and switched into longer-dated Standard Bank senior debt. We also added FirstRand and government inflation-linked bonds due to their attractive real rates. The duration of the Fund is 0.6 years lower than that of the FTSE/JSE All Bond Index.

Commentary contributed by Londa Nxumalo

**Fund manager quarterly
commentary as at
31 December 2021**

© 2022 Allan Gray Proprietary Limited

All rights reserved. The content and information may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited ("Allan Gray").

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

Allan Gray is an authorised financial services provider.

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

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.

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**

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.

ASISA unit trust category: South African – Interest Bearing – 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) Composite 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

- Require monthly income distributions
- Are highly risk-averse but seek returns higher than bank deposits
- Need a short-term investment account

Minimum investment amounts*

Initial lump sum per investor account	R50 000
Additional lump sum	R1 000
Debit order**	R1 000

*Lower minimum investment amounts apply for investments in the name of an investor younger than 18. Please refer to our website for more information.

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

Fund information on 31 December 2021

Fund size	R23.5bn
Number of units	22 522 268 565
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.38
Fund weighted average coupon (days)	86.79
Fund weighted average maturity (days)	114.14
Class	A

- The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since 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, performance as calculated by Allan Gray as at 31 December 2021.
- This is based on the latest available numbers published by IRESS as at 30 November 2021.
- 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

Jan 2021	Feb 2021	Mar 2021	Apr 2021
0.36	0.32	0.35	0.34
May 2021	June 2021	July 2021	Aug 2021
0.35	0.34	0.35	0.36
Sept 2021	Oct 2021	Nov 2021	Dec 2021
0.35	0.36	0.36	0.38

Performance net of all fees and expenses

% Returns	Fund	Benchmark ¹	CPI inflation ²
Cumulative:			
Since inception (1 July 2001)	358.6	343.5	192.7
Annualised:			
Since inception (1 July 2001)	7.7	7.5	5.4
Latest 10 years	6.5	6.2	5.0
Latest 5 years	6.7	6.2	4.4
Latest 3 years	6.0	5.5	4.1
Latest 2 years	5.1	4.6	4.3
Latest 1 year	4.3	3.8	5.5
Year-to-date (not annualised)	4.3	3.8	5.5
Risk measures (since inception)			
Percentage positive months	100.0	100.0	n/a
Annualised monthly volatility	0.6	0.6	n/a
Highest annual return ³	12.8	13.3	n/a
Lowest annual return ³	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 0.25% 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 31 December 2021	1yr %	3yr %
Total expense ratio	0.29	0.29
Fee for benchmark performance	0.25	0.25
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.00	0.00
VAT	0.04	0.04
Transaction costs (including VAT)	0.00	0.00
Total investment charge	0.29	0.29

Exposure by issuer on 31 December 2021

	% of portfolio
Corporates	10.8
Pick 'n Pay	2.9
Shoprite	2.8
Sanlam	2.5
AVI	1.7
MTN	0.5
Mercedes-Benz	0.4
Banks⁴	56.1
Nedbank	15.7
Standard Bank	13.5
Absa Bank	12.0
Investec Bank	10.0
FirstRand Bank	4.9
Government	33.1
Republic of South Africa	33.1
Total (%)	100.0

4. Banks include negotiable certificates of deposit (NCDs), fixed deposits and call deposits.

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

We are in a difficult period of transition in the world. 2021 saw us attempt to emerge from the COVID-19 pandemic into recovery. Inevitably, parallels have been drawn with the post-World War II period of reconstruction, the errors in monetary policy of the 1960s and 70s, and the great inflation that followed. The persistence and severity of inflation became an intense source of global contention last year. After spending much of 2021 defending their stance that current inflation is “transitory”, the US Federal Reserve (the Fed) eventually acknowledged that it is time to retire the word.

Every bull market contains the embryo of the next bear market, and this time is no different. The rise of money supply and sovereign debt are now structural factors of developed markets, the seeds of which were planted long before the pandemic came to be. During the recent decade-long bull market, the Fed sought to offer low interest rates to borrowers to solve issues of corporate solvency with liquidity, leading to leveraged balance sheets and *asset price* inflation. This was not a noticeable problem for consumers as it was not hitting the real-world economy and *consumer price* inflation. During the pandemic, easy money and Federal asset purchases picked up enormous speed. The Fed also began to move into the realm of commercial banking by guaranteeing private sector loans. Finally, the smouldering situation was doused in lighter fluid when fiscal policy began to push COVID-19 stimulus cheques directly into the hands of US consumers.

For the first time in many years, US inflation – which fired up to 6.8% year-on-year in November – is well above South Africa’s at 5.5%, where credit lending has remained weak alongside our consumer. Vulnerability has nonetheless

crept in via our failure to use improved commodity prices to drastically reduce our imprudent SA government debt levels. Even against this frail local backdrop, the South African Reserve Bank raised our overnight interest rate from 3.50% to 3.75% at the November 2021 Monetary Policy Committee (MPC) meeting. They cannot ignore the global dynamics at play.

SA money market investors entered 2021 earning the lowest level of overnight interest rates on record; the MPC’s move signalled a change in direction. The Reserve Bank’s quarterly projection model suggests that the SA repo rate should rise to 6.75% in 2024, which is still some time away. Will the actual path of interest rate normalisation be gradual or rapid? The MPC prefers the former, but they are, as ever, dependent on the data. This is the conundrum of monetary policy – to be forward-looking and data-dependent simultaneously. One cannot wait to see the whites of the eyes of inflation before making a move.

In 2021 the Fund was able to raise its weighted-average yield from all-time lows by investing cash at opportune times when inflationary fears fuelled a spike in market yields. At select times in the year, SA bank one-year fixed deposit rates rose to 5.5% and Government Treasury bills peaked at rates of 5.6% to 5.9% during a particularly weak auction. The Fund’s annualised yield before fees peaked at 4.98% in late November but settled a bit lower. We continue to look for opportunities to raise it further so that our investors might enjoy above-inflation returns.

Commentary contributed by Thalia Petousis

**Fund manager quarterly
commentary as at
31 December 2021**

© 2022 Allan Gray Proprietary Limited

All rights reserved. The content and information may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited ("Allan Gray").

Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

Allan Gray is an authorised financial services provider.

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.

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.

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).

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**