

Fund description and summary of investment policy

The Fund invests in South African interest-bearing securities. Securities include national government, parastatal, municipal and corporate bonds, as well as 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

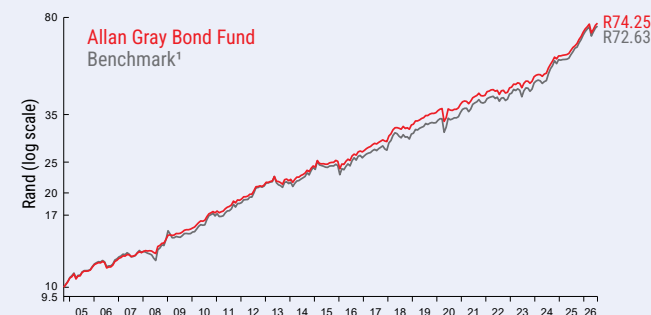
Since inception the Fund has outperformed its benchmark. Over the latest 10- and five-year periods, the Fund has underperformed its benchmark. The Fund has provided returns in excess of CPI inflation for all three periods. The Fund aims to take no greater risk than its benchmark. The maximum drawdown 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 30 June 2026

Fund size	R11.3bn
Number of units	614 428 603
Price (net asset value per unit)	R12.18
Modified duration	5.6
Gross yield (i.e. before fees)	8.6
Class	A

Performance net of all fees and expenses

Value of R10 invested at inception with all distributions reinvested



1. FTSE/JSE All Bond Index (source: Iress), performance as calculated by Allan Gray as at 30 June 2026.
2. This data reflects the latest available headline CPI inflation numbers as at 31 May 2026 (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 28 February 2026 and the benchmark's 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.

% Returns	Fund	Benchmark ¹	CPI inflation ²
Cumulative:			
Since inception (1 October 2004)	642.5	626.3	211.1
Annualised:			
Since inception (1 October 2004)	9.7	9.5	5.4
Latest 10 years	10.6	10.8	4.7
Latest 5 years	11.8	12.4	5.1
Latest 3 years	16.4	17.8	4.2
Latest 2 years	18.6	19.9	3.7
Latest 1 year	20.3	21.5	4.5
Year-to-date (not annualised)	4.5	4.2	3.2
Risk measures (since inception)			
Maximum drawdown ³	-18.9	-19.3	n/a
Percentage positive months ⁴	73.2	70.1	n/a
Annualised monthly volatility ⁵	6.1	7.6	n/a
Highest annual return ⁶	26.4	28.2	n/a
Lowest annual return ⁶	-2.6	-5.6	n/a

Income distributions for the last 12 months

Actual payout, the Fund distributes quarterly	30 Sep 2025	31 Dec 2025	31 Mar 2026	30 Jun 2026
Cents per unit	26.1388	25.9725	25.3473	25.4597

Annual management fee

A fixed fee of 0.50% p.a. excluding VAT

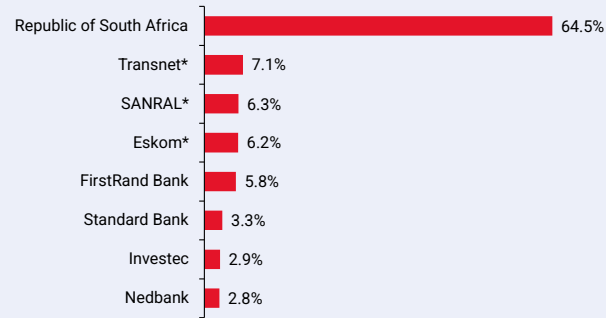
Total expense ratio (TER) and transaction costs

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 30 June 2026 (updated quarterly)

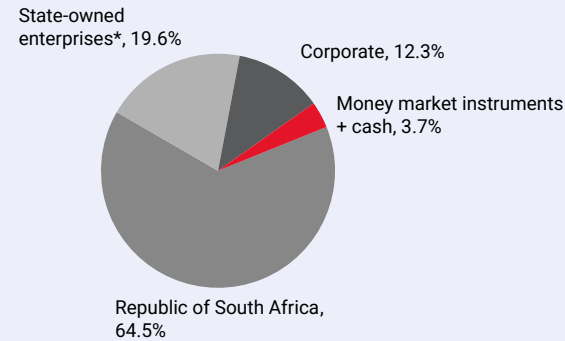
1- and 3-year TER and transaction costs breakdown	1yr %	3yr %
Total expense ratio	0.58	0.58
Fee for benchmark performance	0.50	0.50
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.08
Transaction costs (including VAT)	0.00	0.00
Total investment charge	0.58	0.58

Top credit exposures on 30 June 2026⁷



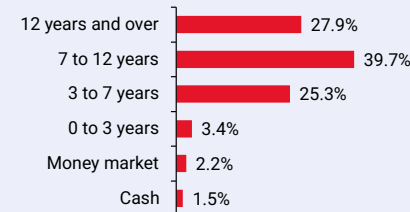
7. Exposures representing 1% or more of the portfolio.

Asset allocation on 30 June 2026



*RSA government guaranteed

Maturity profile on 30 June 2026



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

After a tumultuous start to 2026, South African government bond yields are mostly flat relative to the start of the year, and the FTSE/JSE All Bond Index year-to-date return is back in positive total return territory. While the prospect of a US-Iran peace deal and the reopening of the Strait of Hormuz set the stage for South African bonds to rally back to where they started the year, it has been a markedly more difficult year for developed market bonds, such as US Treasuries, UK Gilts, German Bunds and French OATs. Historically, such a sell-off in developed market bonds has impacted South African and African debt returns. Between 2013 and 2023, yield changes in African sovereign bonds tended to move with US Treasuries. When US Treasuries sold off, African bonds (including those of South Africa) also lost value.

If one plots the yield movements of African sovereign bonds against those of US Treasuries between 2023 and 2026, one observes African debt yields falling precisely when US government bond yields are rising. Developed market bonds are trading near their yield highs, or price lows, last seen 10 to 20 years ago. While inflation is partly to blame, bearing in mind that the United States has not been able to achieve its 2% inflation target in more than five years, another factor at play is that many developed market sovereigns are running some of the widest fiscal deficits on record outside of crisis periods, such as the COVID-19 pandemic, global financial crisis and global wartime periods. On a primary balance basis, many African sovereigns are in primary surplus, and several are running smaller fiscal deficits than the United States, France and the United Kingdom.

South Africa has run a cumulative primary surplus of approximately R270bn since the 2022/2023 financial year, ending the trend of primary deficits that previously ran for more than a decade. While this is incredibly positive on paper, what is often overlooked is that roughly R180bn of these surpluses came from monetising the Gold and Foreign Exchange Contingency Reserve Account (GFECRA). Revenue overruns have also been achieved due to high commodity and platinum group metal prices. That said, it is important to acknowledge that fiscal prudence has channelled these windfalls towards reducing the rate of government borrowing from the prior dramatic pace of increase envisaged in the 2023 Medium-Term Budget Policy Statement prior to the GFECRA monetisation decision.

From a pace of R4bn per week in 2023, fixed-rate government bond auctions have been slashed to R2.5bn per week, although we must not forget the important role that innovations like the floating-rate bond and sukuk issuances have played in facilitating this reduction. At the current pace of fixed-rate bond issuance, roughly 70% of coupons need to be reinvested to fund the local fixed-rate borrowing requirement. By contrast, prior to 2023, local investors effectively had to reinvest all their coupons and commit extra capital to fund the primary deficit and make up for foreign investors' capital withdrawals, as these non-residents did not fully reinvest coupons. In short, weekly auctions are much easier to fund today, as evidenced by the fact that they are sometimes as high as five to six times oversubscribed.

Against such a backdrop, it can be tough to make a strong bear case for South African bonds on the basis of supply and demand. The success or failure of the 3% inflation target is one factor that may throw a spanner in the works with regard to appropriate fair value, with a potential El Niño shock or a further rise in administered prices representing two of the near-term risks beyond oil-related secondary shocks. Political upheaval in the run-up to the local government elections and the next national elections may also alter perceptions of risk premia.

In the last quarter, the Fund continued to switch out of the 20-year area of the bond curve and into the 12-year area of the curve. At the extreme end of the South African bond yield curve, an investor earns a meagre 20 basis points of yield pick-up to take on 15 years of additional time-to-maturity, or 3 points worth of modified duration. This level of curve flatness arguably offers an imprudent risk-reward ratio, especially given the strong capital gains of the last year.

Commentary contributed by Thalia Petousis

**Fund manager quarterly
commentary as at
30 June 2026**

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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.

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).

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