Allan Gray Bond Fund

31 March 2025

Fund description and summary of investment policy

The Fund invests in South African interest bearing securities. Securities include national government, parastatal, municipal, corporate bonds and money market instruments. The Fund price is sensitive to interest rate movements because of the long-term nature of the Fund's investments. The duration of the Fund may differ materially from the benchmark. The Fund is managed to comply with investment limits governing retirement funds.

ASISA unit trust category: South African – Interest Bearing – Variable Term

Fund objective and benchmark

The Bond Fund's goal is to deliver returns that exceed inflation and cash over the long term, without taking on undue risk. The Fund's benchmark is the FTSE/JSE All Bond Index.

How we aim to achieve the Fund's objective

We try to balance credit risk, duration risk and liquidity risk when selecting investments. We target total returns for investors rather than trying to mirror the returns of the FTSE/JSE All Bond Index. When we cannot find value in the bond markets, our portfolio will be weighted towards cash to achieve better returns.

Suitable for those investors who

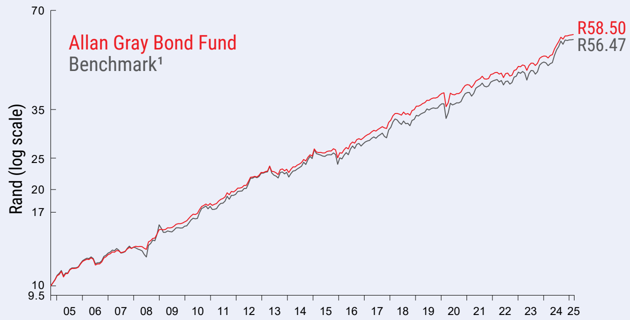
- Seek a bond 'building block' for a diversified multi-asset class portfolio
- Are looking for returns in excess of those provided by money market or cash investments
- Are prepared to accept more risk of capital depreciation than in a money market or cash investment

Fund information on 31 March 2025

Fund size	R9.3bn
Number of units	591 604 124
Price (net asset value per unit)	R10.76
Modified duration	4.3
Gross yield (before fees)	10.4
Class	A

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)	485.0	464.7	195.0
Annualised:			
Since inception (1 October 2004)	9.0	8.8	5.4
Latest 10 years	8.6	8.4	5.0
Latest 5 years	10.7	11.7	4.8
Latest 3 years	9.3	9.8	5.2
Latest 2 years	11.3	11.9	4.4
Latest 1 year	17.9	20.2	3.2
Year-to-date (not annualised)	1.0	0.7	1.3
Risk measures (since inception)			
Maximum drawdown[3]	-18.9	-19.3	n/a
Percentage positive months[4]	72.0	68.7	n/a
Annualised monthly volatility[5]	5.9	7.5	n/a
Highest annual return[6]	22.0	26.1	n/a
Lowest annual return[6]	-2.6	-5.6	n/a

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 March 2025.
2. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 28 February 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 30 September 2024 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.

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Fund manager: Thalia Petousis **Inception date:** 1 October 2004

Meeting the Fund objective

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

Income distributions for the last 12 months

Actual payout, the Fund distributes quarterly	30 Jun 2024	30 Sep 2024	31 Dec 2024	31 Mar 2025
Cents per unit	**27.2485**	**26.5758**	**26.1592**	**25.4437**

Annual management fee

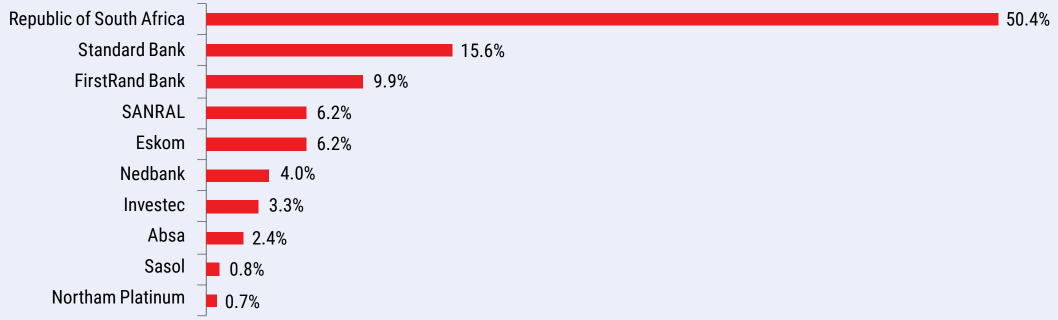
A fixed fee of 0.5% p.a. excl. VAT

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

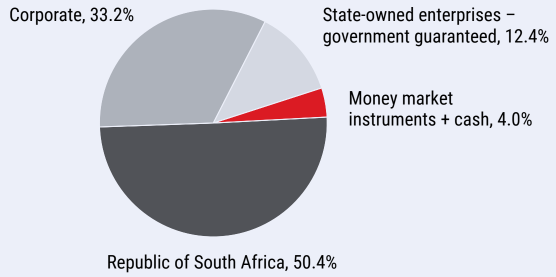
The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a one and three-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4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

TER and transaction costs breakdown for the 1- and 3-year period ending 31 March 2025	1yr %	3yr %
Total expense ratio	**0.59**	**0.59**
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	**0.59**	**0.59**

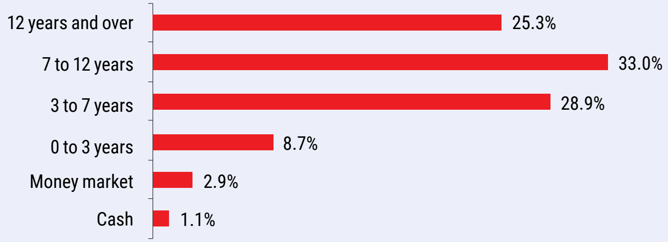
Top 10 credit exposures on 31 March 2025



Asset allocation on 31 March 2025



Maturity profile on 31 March 2025



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

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Fund manager quarterly commentary as at 31 March 2025

Since the September 2024 yield lows in the SA 20-year government bond, clean prices have fallen by 7%. The SA 20-year credit spread relative to US Treasuries has also widened from a low of 614 basis points (bps) to 700 bps year to date. Not only had absolute and relative SA valuations become stretched, but the market also digested uncomfortable truths this year regarding the unfunded nature of the SA government's revised expenditure trajectory.

National Treasury has pulled a lot of levers in the last 18 months in order to meet expenditure commitments – they have monetised R150bn of South Africa's Gold and Foreign Exchange Contingency Reserve Account (GFECRA), frozen personal income tax brackets for two years in a row, raised an additional US$3.5bn of offshore Eurobonds and attempted a 2% increase in value-added tax (VAT) that was rejected by the Democratic Alliance (DA). If one accepts that they are out of levers to pull, then one should also accept that their primary surplus projections will fall short of targets, and therefore debt may not stabilise at 76% of gross domestic product (GDP) as laid out in the Budget presented in March 2025. Alternatively, spending may be scaled back on the items added to the Budget more recently, such as the extra allocation for infrastructure, early childhood development and doctors' salaries.

Although the DA has suggested a review of all government spending with the aim of rooting out inefficiencies, National Treasury already embarked on such an exercise two years ago and made a raft of recommendations regarding redundant government programmes and departments to be cut.

These recommendations lacked the political willpower to be implemented, and the present Budget in fact *increases* the allocation to South Africa's Democratic Republic of Congo peacekeeping mission that Treasury had advised should be scrapped entirely under the previous review.

Market indigestion towards SA government bonds was also caused by the perilous state of the diplomatic relations both within the government of national unity itself and between South Africa and the United States. The SA government's policies, foreign relations with the likes of Iran and views on the Middle East have caught the ire of US President Donald Trump and many of his aides. In this regard, the South African Reserve Bank estimates that the loss of access to the preferential African Growth and Opportunity Act (AGOA) US-SA trade relationship and subsequent decline in SA automotive and fruit exports to the US could shave 0.7% off South Africa's GDP. This analysis was done prior to the 30% tariff on South African imports announced by the Trump administration on 2 April 2025, which nullifies many AGOA benefits and will likely represent a shock to growth. A silver lining for South Africa's economic growth is that it should still rebound off the low base of prior years, given reduced loadshedding and the allocated increase towards infrastructure spending.

In the last quarter, the Fund maintained its low duration relative to peers and reinvested coupons into short-dated RSA nominal bonds as it waited for a larger correction in SA government debt to unfold.

Commentary contributed by Thalia Petousis

Important information for investors

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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.

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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