

### Fund description and summary of investment policy

The Fund invests in shares listed on the Johannesburg Stock Exchange (JSE). The Fund is typically fully invested in shares. Returns are likely to be volatile, especially over short- and medium-term periods.

ASISA unit trust category: South African – Equity – General

### Fund objective and benchmark

The Fund aims to create long-term wealth for investors. It aims to outperform the South African equity market over the long term, without taking on greater risk. To pursue its objective the Fund's portfolio may differ materially from its benchmark. This will result in the Fund underperforming its benchmark materially at times. The Fund aims to compensate for these periods of underperformance by delivering outperformance over the long term. The Fund's benchmark is the FTSE/JSE All Share Index including income.

### How we aim to achieve the Fund's objective

We seek to buy shares offering the best relative value while maintaining a diversified portfolio. 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. We invest in a selection of shares across all sectors of the JSE, and across the range of large, mid and smaller cap shares.

### Suitable for those investors who

- Seek exposure to JSE-listed equities to provide long-term capital growth
- Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility
- Are prepared to accept the risk of capital loss
- Typically have an investment horizon of more than five years
- Wish to use the Fund as an equity 'building block' in a diversified multi asset class portfolio

### Minimum investment amounts

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

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

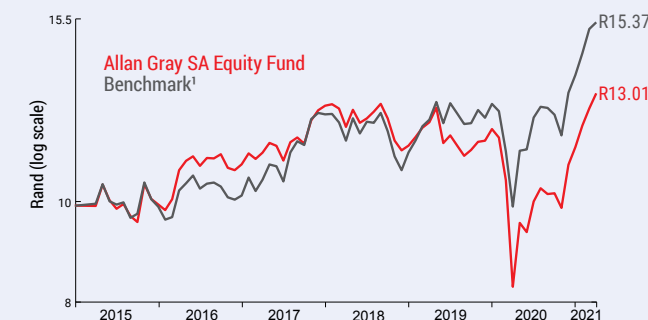
### Fund information on 31 March 2021

Fund size	R3.3bn
Number of units	2 939 265
Price (net asset value per unit)	R365.74
Class	A

1. FTSE/JSE All Share Index including income (source: IRESS), performance as calculated by Allan Gray as at 31 March 2021.
2. This is based on the latest available numbers published by IRESS as at 28 February 2021.
3. Maximum percentage decline over any period. The maximum drawdown for the Fund occurred from 25 January 2018 to 23 March 2020 and maximum benchmark drawdown occurred from 17 January 2020 to 19 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 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 of the Fund. 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 and the benchmark'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 <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (13 March 2015)	30.1	53.7	32.6
<b>Annualised:</b>			
Since inception (13 March 2015)	4.4	7.4	4.8
Latest 5 years	3.7	8.2	4.4
Latest 3 years	2.7	9.7	3.9
Latest 2 years	3.4	12.1	3.7
Latest 1 year	57.3	54.0	2.9
Year-to-date (not annualised)	13.4	13.1	1.2
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-44.3	-35.2	n/a
Percentage positive months <sup>4</sup>	57.5	56.2	n/a
Annualised monthly volatility <sup>5</sup>	16.5	14.8	n/a
Highest annual return <sup>6</sup>	57.3	54.0	n/a
Lowest annual return <sup>6</sup>	-32.0	-18.4	n/a

## Fund history

The Allan Gray Equity Fund was managed in exactly the same way as this Fund from the inception of the Allan Gray Equity Fund on 1 October 1998, until March 2015, when the Allan Gray Equity Fund changed its mandate to include the ability to invest offshore. A combined history of the two funds since inception of the Allan Gray Equity Fund can be viewed [here](#).

## Meeting the Fund objective

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund experiences periods of underperformance in pursuit of this objective. The Fund has underperformed its benchmark since inception.

## 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 2020	31 Dec 2020
Cents per unit	1464.1491	401.8824

## Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund. The fee rate is calculated daily by comparing the Fund's total performance for the day to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

For each annualised percentage point above or below the benchmark we add or deduct 0.2%. The maximum fee is uncapped and if the fee would have been negative, 0% will be charged for the day and the negative fee will be carried forward to reduce the next day's fee (and all subsequent days until the underperformance is recovered).

This means that Allan Gray shares in 20% of annualised performance relative to the benchmark.

## 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.

## Top 10 share holdings on 31 March 2021 (updated quarterly)

Company	% of portfolio
Naspers	11.9
British American Tobacco	7.9
Glencore	6.1
Woolworths	4.7
Standard Bank	3.3
Reinet	3.3
FirstRand	3.2
Sibanye Stillwater	3.1
Old Mutual	3.1
Remgro	3.0
<b>Total (%)</b>	<b>49.5</b>

## Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 March 2021	1yr %	3yr %
<b>Total expense ratio</b>	<b>0.01</b>	<b>0.48</b>
Fee for benchmark performance	1.00	1.00
Performance fees	-1.00	-0.59
Other costs excluding transaction costs	0.01	0.01
VAT	0.00	0.06
<b>Transaction costs (including VAT)</b>	<b>0.14</b>	<b>0.11</b>
<b>Total investment charge</b>	<b>0.15</b>	<b>0.59</b>

## Sector allocation on 31 March 2021 (updated quarterly)

Sector	% of Fund	% of ALSI <sup>7</sup>
Energy	0.0	0.7
Basic materials	25.8	34.4
Industrials	3.3	4.0
Consumer staples	13.2	6.8
Healthcare	3.7	1.6
Consumer discretionary	8.6	11.7
Telecommunications	1.8	3.7
Financials	27.0	14.6
Technology	11.9	19.8
Commodity-linked	0.2	0.0
Real estate	1.4	2.8
Other	0.0	0.0
Money market and bank deposits	3.0	0.0
<b>Total (%)</b>	<b>100.0</b>	<b>100.0</b>

7. FTSE/JSE All Share Index.

## Asset allocation on 31 March 2021

Asset class	Total
Net equity	95.3
Property	1.4
Commodity-linked	0.2
Money market and bank deposits	3.0
<b>Total (%)</b>	<b>100.0</b>

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

In his 1986 letter to shareholders, Warren Buffett famously spoke of being fearful when others are greedy, and greedy when others are fearful. These words are as true today as they were then, and for the same reason: Human emotion. Much like a contagious disease, greed and fear can rapidly spread through the investment community, coming to dominate our decisions irrespective of the underlying value on offer. The last year provides an apt example.

Just over a year ago today, at midnight on 26 March 2020, South Africa went under our first COVID-19-related lockdown. At that point in time, no one had a clear idea of how long the virus would be with us, nor of the social, human, and economic impact. Fear and uncertainty were heightened, and this reflected in our equity market. The FTSE/JSE All Share Index (ALSI) began 2020 offering what appeared to be attractive valuations, and yet by the end of March 2020, it had declined a further 21.4% as fear spread.

In many respects, we are no closer today to knowing when life will return to normal (if ever), but sentiment in markets has changed materially. Those who stayed invested, or were fortunate enough to have capital to deploy and be greedy, have been healthily rewarded. From the end of March 2020 to today, the ALSI has returned 54% including dividends reinvested. In US dollars those returns are even greater, at over 80%, as the rand has strengthened from R17.86/US\$ to below R15/US\$ over this same period.

Since the end of March 2020, the Fund has delivered similar absolute returns, delivering a return of 57.3% over the past year. Cumulatively, since the end of December 2019, the ALSI has delivered a return of 21.1%, while the Fund has delivered a relatively disappointing return of 8.7% in comparison.

It is hard to believe that the market in South Africa is up over 15 months given all that has transpired. Perhaps, therefore, it is harder still to believe that we continue to see significant value in a number of JSE-listed equities and are excited about the prospects for future returns within the Fund.

The obvious question, then, is why?

The absolute performance of the ALSI over the last 15 months masks the individual performance of a number of shares, which have fared far worse

than the market overall. There has been substantial disparity in the returns experienced in certain sectors and within individual shares. Platinum group metal companies have continued to rally materially, while four of the largest shares on our market – Naspers, BHP, Anglo and Richemont – are all up over 32% over the last 15 months. In contrast, a number of the domestic focused businesses, such as the banks and insurers, remain materially below their December 2019 share prices. Perhaps more perplexing, a company like British American Tobacco (BTI), which came into 2020 trading on an undemanding earnings multiple of 10 times and actually grew earnings and paid down debt during the pandemic, has seen its share price decline. BTI has delivered a positive return of 3.4% over these 15 months, but that is the result of the very healthy dividend it paid and continues to pay.

We are not blind to the risks in SA and the high likelihood of a slow, uncertain and drawn-out economic recovery. We are also not blind to the risks of traditional cigarette volumes globally continuing to decline. However, we do see substantial value in many of the sectors that remain depressed, and believe that the current disparity in markets is creating an opportunity for bottom-up stockpickers like ourselves to generate outsized returns.

As always, it is a question of price: How much am I paying? How large is my margin of safety? And to what degree am I being compensated for the downside risks?

There are some buckets of the market which seem priced for perfection, while other buckets seem priced as if the current depressed environment they are experiencing will only continue to deteriorate. Then there are buckets where the company earnings have proven remarkably resilient, yet the share prices remain depressed, often because they are in industries which are unsexy or that sector is currently out of favour. It is in these latter two buckets that we prefer to do our fishing.

During the quarter we increased our exposure to British American Tobacco and our preferred insurers, and reduced our exposure to Naspers.

**Commentary contributed by Rory Kutisker-Jacobson**

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

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## Management Company

Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA).

The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or [www.rmb.co.za](http://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](http://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).

## 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.

## 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](http://www.allangray.co.za) or via our Client Service Centre on **0860 000 654**

### Fund description and summary of investment policy

The Fund invests mainly in selected shares and it uses exchange-traded derivative contracts on stock market indices to substantially reduce its net equity exposure to within a range of 0-20%. As a result, the Fund's return depends on the level of short-term interest rates (implicit in the pricing of the sold futures contracts) and the performance of the Fund's selected shares relative to the stock market index. The Fund's return is therefore unlikely to be correlated with equity market returns. In addition, a portion of the Fund is typically invested in cash and margin deposits.

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

### Fund objective and benchmark

The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market returns. The Fund's benchmark is the daily interest rate as supplied by FirstRand Bank Limited.

### How we aim to achieve the Fund's objective

The Fund invests in selected shares and seeks to substantially reduce stock market risk by selling exchange-traded equity index derivatives. The selected share portfolio is derived from our thorough research process, but the selection of equities in this Fund may differ from that in the other Allan Gray funds. The deviation of the Fund's selected share portfolio from the composition of the underlying benchmark indices (on which the derivative contracts are based) is restricted and closely monitored. This does not eliminate the risk of capital loss should the selected equities underperform.

### Suitable for those investors who

- Seek absolute (i.e. positive) returns regardless of stock market trends
- Require a high degree of capital stability over a 3-year time horizon
- Wish to invest in a product that offers uncorrelated returns relative to shares or bonds as a 'building block' in a diversified multi-asset class portfolio

### Minimum investment amounts

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

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

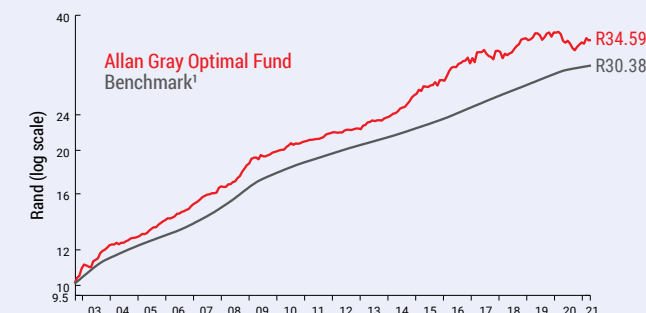
### Fund information on 31 March 2021

Fund size	R0.8bn
Number of units	24 393 745
Price (net asset value per unit)	R22.01
Class	A

1. The daily interest rate as supplied by FirstRand Bank Limited (source: FirstRand Bank), performance as calculated by Allan Gray as at 31 March 2021.
2. This is based on the latest available numbers published by IRESS as at 28 February 2021.
3. Maximum percentage decline over any period. The maximum drawdown occurred from 6 February 2020 to 15 September 2020. Drawdown is calculated on the total return of the Fund (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 2003 and the benchmark's occurred during the 12 months ended 30 September 2003. The Fund's lowest annual return occurred during the 12 months ended 31 August 2020 and the benchmark's occurred during the 12 months ended 31 March 2021. 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 2002)	245.9	203.8	152.1
<b>Annualised:</b>			
Since inception (1 October 2002)	6.9	6.2	5.2
Latest 10 years	5.2	4.9	5.1
Latest 5 years	2.9	5.2	4.4
Latest 3 years	2.6	4.7	3.9
Latest 2 years	-1.7	4.2	3.7
Latest 1 year	0.5	2.7	2.9
Year-to-date (not annualised)	1.9	0.6	1.2
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-10.2	n/a	n/a
Percentage positive months <sup>4</sup>	76.1	100.0	n/a
Annualised monthly volatility <sup>5</sup>	4.0	0.6	n/a
Highest annual return <sup>6</sup>	18.1	11.9	n/a
Lowest annual return <sup>6</sup>	-8.2	2.7	n/a

### Meeting the Fund objective

Since inception and over the latest 10-year period, the Fund has outperformed its benchmark, which is the daily interest rate supplied by FirstRand Bank Limited. Over the latest five-year period the Fund has underperformed its benchmark. The Fund aims to deliver long-term positive returns, irrespective of stock market returns.

### 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 2020	31 Dec 2020
<b>Cents per unit</b>	<b>75.6238</b>	<b>19.9481</b>

### Annual management fee

The fee rate is calculated daily by comparing the Fund's total performance to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

The Fund is first required to recover any underperformance before a fee higher than the fee for performance equal to the benchmark can be charged. This is known as a high watermark. If the Fund's performance is above its previous high watermark, we add 0.2% to the fee for each percentage of performance above the high watermark. The fee is uncapped.

### 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.

### Top 10 share holdings on 31 March 2021 (updated quarterly)

Company	% of portfolio
Naspers	14.6
British American Tobacco	6.4
Sibanye Stillwater	5.5
FirstRand	4.8
Glencore	4.4
Standard Bank	3.9
Sasol	3.6
Reinet	2.5
MultiChoice	2.5
Nedbank	2.3
<b>Total (%)</b>	<b>50.4</b>

### Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 March 2021	1yr %	3yr %
<b>Total expense ratio</b>	<b>1.17</b>	<b>1.17</b>
Fee for benchmark performance	1.00	1.00
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.02	0.02
VAT	0.15	0.15
<b>Transaction costs (including VAT)</b>	<b>0.07</b>	<b>0.11</b>
<b>Total investment charge</b>	<b>1.24</b>	<b>1.28</b>

### Asset allocation on 31 March 2021

Asset class	Total
Net equity	4.6
Hedged equity	78.7
Property	0.7
Commodity-linked	0.0
Bonds	0.0
Money market and bank deposits	16.1
<b>Total (%)</b>	<b>100.0</b>

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

Minimum	(September 2016) -3.6% <sup>8</sup>
Average	4.9%
Maximum	(November 2018) 15.4%

8. The negative net equity exposure as at 30 September 2016 is due to the cash acquisition of SABMiller by Anheuser-Busch In-Bev. This was corrected and the Fund had a positive net equity exposure by 4 October 2016.

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

The Fund returned 1.9% for the first quarter of 2021. The FTSE/JSE All Share index (ALSI) has continued its strong performance that began in the latter part of last year into the current period. The rally in share prices has been more broad-based than was the case post the COVID-19 sell-off last year, which has helped the Fund claw back some of its recent underperformance. The overall trends remain similar to those observed in 2020, with resource counters continuing to outperform industrials, which in turn outperformed financials – but now with less divergence in returns.

Significant overweight Fund positions across shares and sectors include British American Tobacco (BTI), local diversified industrial companies and financial shares. Disappointingly, BTI detracted from performance despite posting a decent financial result, with sentiment towards the share remaining poor. At a dividend yield in line with its price-to-earnings ratio, an investor is at least compensated while waiting for sentiment to turn. The company consistently grows hard-currency earnings ahead of inflation, with high cash flow conversion. The next-generation product portfolio turning profitable, or reinstatement of the share buy-back, are additional factors that may lead to a change in the market's perception of the stock. Even with a modest rerating, potential returns are attractive.

The Fund owns a collection of small- and medium-sized industrial companies mainly exposed to the domestic economy. These shares fell heavily out of favour during the early part of the pandemic and traded to very depressed

levels. With the economy less impacted than many had initially feared, plus a change in competitive dynamics, many of these shares have recovered to their pre-pandemic levels, or higher. A renewed interest in allocating capital towards emerging markets since the vaccine announcements late last year has also likely assisted. We have taken the opportunity to trim some positions where market prices have risen ahead of our estimate of fair value.

The picture among financials is more mixed. While the Fund has benefited from its overweight exposure to asset managers who are more geared to market returns, the banks and insurers have not fared as well. Previous economic downturns often proved good buying opportunities for these shares given most are adequately capitalised and well-managed.

Among the underweight positions are diversified miners, Richemont and telecoms companies principally informed by our concerns regarding valuation. The underweight exposure to diversified miners should be viewed in the context of an overweight exposure to Glencore and other non-mining resource companies, including Sappi and Sasol.

During the quarter we sold Naspers, Super Group and Capitec and bought Sibanye-Stillwater, Anglo American Platinum and AngloGold.

**Commentary contributed by Sean Munsie**

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

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## Unit price

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## 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).

## FTSE/JSE All Share Index

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## Important information for investors

### Need more information?

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### Fund description and summary of investment policy

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

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

### Fund objective and benchmark

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

### How we aim to achieve the Fund's objective

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

### Suitable for those investors who

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

### Minimum investment amounts

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

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

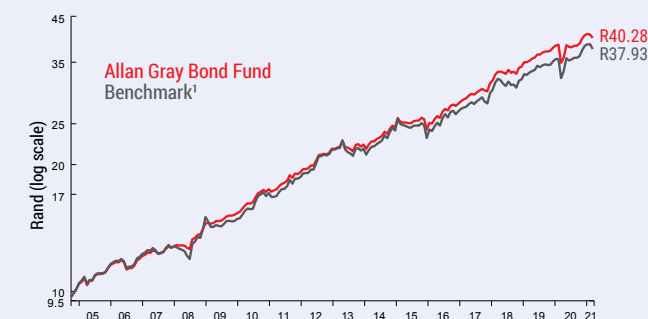
### Fund information on 31 March 2021

Fund size	R5.0bn
Number of units	464 239 731
Price (net asset value per unit)	R10.86
Modified duration	5.2
Gross yield (before fees)	9.0
Class	A

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 31 March 2021.
2. This is based on the latest available numbers published by IRESS as at 28 February 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 <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception (1 October 2004)	302.8	279.3	139.9
<b>Annualised:</b>			
Since inception (1 October 2004)	8.8	8.4	5.5
Latest 10 years	8.5	8.2	5.1
Latest 5 years	9.1	8.7	4.4
Latest 3 years	6.3	5.5	3.9
Latest 2 years	6.4	6.5	3.7
Latest 1 year	14.4	17.0	2.9
Year-to-date (not annualised)	-1.5	-1.7	1.2
<b>Risk measures (since inception)</b>			
Maximum drawdown <sup>3</sup>	-18.9	-19.3	n/a
Percentage positive months <sup>4</sup>	71.7	68.2	n/a
Annualised monthly volatility <sup>5</sup>	5.9	7.5	n/a
Highest annual return <sup>6</sup>	18.0	21.2	n/a
Lowest annual return <sup>6</sup>	-2.6	-5.6	n/a

**Meeting the Fund objective**

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

**Income distributions for the last 12 months**

Actual payout, the Fund distributes quarterly	30 Jun 2020	30 Sep 2020	31 Dec 2020	31 Mar 2021
Cents per unit	23.3855	24.3176	23.6527	22.5561

**Annual management fee**

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

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

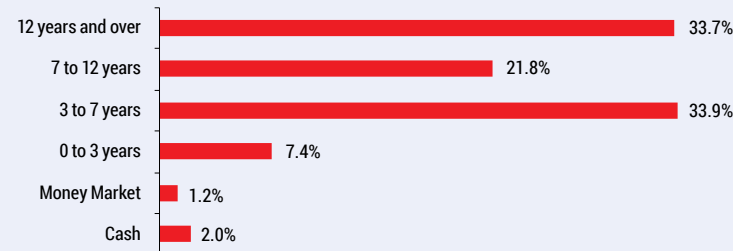
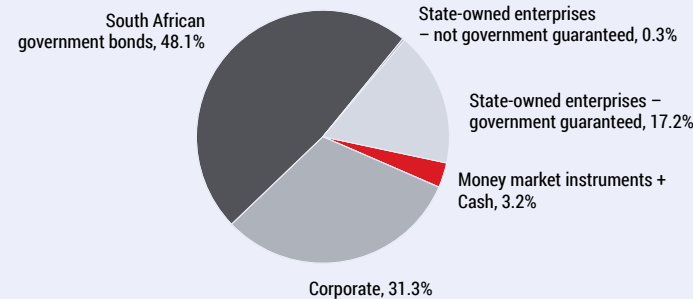
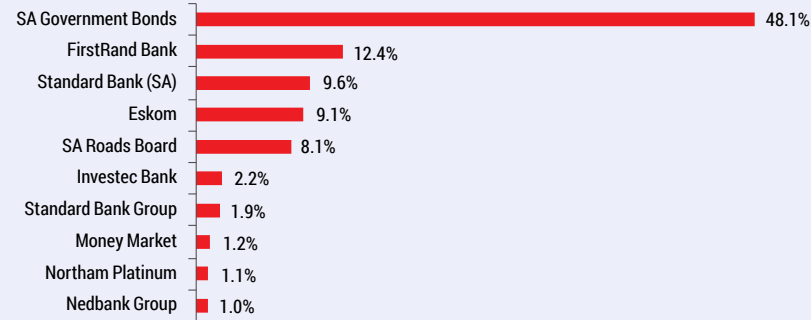
The previous performance-based fee rate is calculated by comparing the Fund's total performance over the previous year to that of the benchmark, adjusted for Fund expenses and cash flows. The minimum fee is 0.25% p.a. excl. VAT and, for each percentage of performance above the benchmark, the fee is increased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

**Total expense ratio (TER) and Transaction costs**

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

TER and Transaction costs breakdown for the 1- and 3-year period ending 31 March 2021	1yr %	3yr %
<b>Total expense ratio</b>	<b>0.39</b>	<b>0.60</b>
Fee for benchmark performance*	0.25	0.25
Performance fees*	0.08	0.26
Other costs excluding transaction costs	0.01	0.01
VAT	0.05	0.08
<b>Transaction costs (including VAT)</b>	<b>0.00</b>	<b>0.00</b>
<b>Total investment charge</b>	<b>0.39</b>	<b>0.60</b>

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



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

A great reflation versus inflation debate dominated discourse in global fixed income markets during quarter one. Reflation refers to economic growth driven by government stimulus, be it fiscal or monetary (or both). Reflation is good. On the other hand, inflation refers to an increase in the general price level, which can spiral out of control when too much money chases too few goods. Too much inflation is bad.

The US government continues to embark on massive fiscal policy supported by central bank money printing. The Biden administration has passed a US\$1.9 trillion spending package that will be enabled by a benevolent Federal Reserve, which continues to buy US treasuries and intends to keep interest rates at rock-bottom lows until 2024, higher inflation notwithstanding. The question is: How does this all end? The market simply does not know. During the first half of the quarter, it appeared that the reflation trade was winning the argument, with risk assets – including commodities and emerging markets – benefiting from bullish flows. However, inflation concerns got the upper hand in the second half of the quarter, with US bonds selling off as investors fretted about rising inflation. The unfortunate reality is that, as the US is the world's largest economy, most outcomes which are bad for the US are also bad for small emerging economies like South Africa.

Turning to South Africa, Finance Minister Tito Mboweni presented a bullish Budget in February, with higher revenues, lower projected expenditure, and a

lower debt trajectory. Key risks to the marginally more positive fiscal outlook, however, are the execution of lower spending on public sector wages and social grants. South African bonds initially benefited from a combination of the reflation narrative and market expectations of a positive budget. This reversed mid-February as US yields began to rise and bonds sold off across the curve, with the short end underperforming due to market expectations that central banks will eventually be forced to raise interest rates.

The local credit market was rather subdued, with issuance year to date significantly lower than last year. There were public auctions held by Momentum Metropolitan Life, Barloworld, and three of the big five banks. Stronger credits have been well-supported, with auctions often clearing below price guidance. Clearly there is still strong demand for credit assets in the market, as is also evidenced by tightening credit spread indices.

During the quarter we sold KAP and FirstRand floating rate bonds and added a small amount of Barloworld. The Fund is currently balanced between the short end and the long end of the bond curve, which will enable us to switch between different parts of the curve should attractive opportunities arise. The result is that the duration of the Fund is about one year less than that of the FTSE/JSE All Bond Index.

**Commentary contributed by Londa Nxumalo**

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

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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](http://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.

Minimum disclosure document and quarterly general investors' report **Issued:** 13 April 2021

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## Yield

The Allan Gray Bond Fund yield is current, calculated as at month-end.

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## 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).

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