Allan Gray SA Equity Fund

31 December 2021

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*

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.

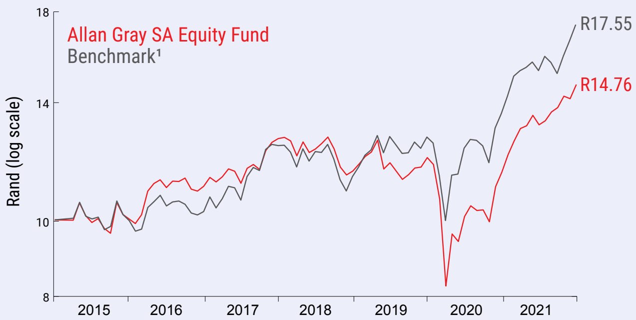
Fund information on 31 December 2021

Fund size	R3.9bn
Number of units	3 507 859
Price (net asset value per unit)	R410.04
Class	A

1. FTSE/JSE All Share Index including income (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 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 2021. 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 (13 March 2015)	47.6	75.5	38.1
Annualised:			
Since inception (13 March 2015)	5.9	8.6	4.9
Latest 5 years	6.0	11.4	4.4
Latest 3 years	8.7	15.7	4.1
Latest 2 years	11.1	17.6	4.3
Latest 1 year	28.7	29.2	5.5
Year-to-date (not annualised)	28.7	29.2	5.5
Risk measures (since inception)			
Maximum drawdown[3]	-44.3	-35.2	n/a
Percentage positive months[4]	59.8	57.3	n/a
Annualised monthly volatility[5]	15.8	14.5	n/a
Highest annual return[6]	57.3	54.0	n/a
Lowest annual return[6]	-32.0	-18.4	n/a

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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. 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	**451.9763**	**813.8448**

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 December 2021 (updated quarterly)

Company	% of portfolio
Naspers[7]	9.0
British American Tobacco	8.4
Glencore	7.7
Woolworths	4.0
Standard Bank	3.9
AB InBev	3.6
Nedbank	3.5
Remgro	3.4
Sasol	3.2
Sibanye-Stillwater	2.9
Total (%)	**49.7**

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

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	**0.01**	**0.01**
Fee for benchmark performance	1.00	1.00
Performance fees	-1.00	-1.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.00	0.00
Transaction costs (including VAT)	**0.11**	**0.11**
Total investment charge	**0.12**	**0.12**

Sector allocation on 31 December 2021 (updated quarterly)

Sector	% of Fund	% of ALSI[8]
Energy	0.1	0.7
Basic materials	26.8	34.0
Industrials	3.9	4.2
Consumer staples	15.5	7.1
Healthcare	3.9	2.0
Consumer discretionary	8.6	17.3
Telecommunications	1.7	5.1
Financials	27.5	16.4
Technology	9.4	10.0
Real estate	1.5	3.2
Bonds	0.1	0.0
Money market & bank deposits	0.9	0.0
Total (%)	**100.0**	**100.0**

8. FTSE/JSE All Share Index.

Asset allocation on 31 December 2021

Asset class	Total
Net equities	97.5
Property	1.5
Bonds	0.1
Money market & bank deposits	0.9
Total (%)	**100.0**

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

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Fund manager quarterly commentary as at 31 December 2021

The Fund returned 6.9% for the quarter and 28.7% for the year. During the fourth quarter, the largest contributors to returns were the basic materials and consumer staples sectors. The local equity market rallied strongly into the end of 2021, but this followed a third quarter in which the market was down.

Returns from the JSE in 2021 were 29.2% as measured by the FTSE/JSE All Share Index (ALSI) and 27.1% as measured by the Capped SWIX. These numbers are of course reasonably high by historical standards. For context, over the last 40 years the ALSI has returned 16.3% p.a.

There is a seeming contradiction between strong equity market returns on the one hand and a weak South African economy on the other hand. How should we interpret this divergence? Firstly, it is very common for the performance of stock markets to diverge from economic performance, especially in the short term. Markets take a forward-looking view and often look through the short-term impact of issues like COVID-19. Secondly, the fortunes of many JSE-listed companies are not really linked to South African economic growth. This would include international businesses like Richemont and commodity exporters like Impala Platinum. On a rough analysis, earnings for about half the JSE are not directly linked to the SA economy.

Following this strong performance, the ALSI closed 2021 29% higher than it was at the start of 2020, i.e. before the onset of the pandemic. Does this mean that the JSE is now expensive? Not necessarily. Overall valuation levels are not high compared to history. The Capped SWIX has also returned only 7% p.a. over the last five years, despite this recent strong performance. Allan Gray's philosophy is to not take a top-down view of where markets are heading, but rather to do bottom-up research on individual companies. Our fundamental research approach currently reveals more than enough attractive opportunities, which makes us cautiously optimistic about medium-term returns.

Of course, there are many risks from the global and SA macroeconomic environment, but these are balanced by the low prices at which many businesses are trading.

The South African banking sector is an example of where we are finding attractive valuations. Large banks like Standard Bank and Nedbank can be bought at around seven times 2022's earnings. This is very cheap by historical standards and compensates for issues such as increasing competition and a tough economic outlook. Current earnings are also still depressed but should recover to pre-COVID-19 levels in the next year or two. Bad debts have been lower than many investors had feared. Lower participation from foreign investors in the SA market has contributed to depressed valuations of SA financial stocks.

Remgro is another example of an undervalued business. Remgro owns a portfolio of quality South African businesses, many of which are listed. These businesses themselves trade on reasonable valuations. On top of this, Remgro trades at a nearly 40% discount to its underlying portfolio – a large, and we think undeserved, discount compared to history and other holding companies globally. Management is taking several actions to unlock value within this portfolio. Examples include the recently announced transactions between beverage businesses Distell and Heineken and between fibre holding company CIVH and Vodacom, as well as the planned unbundling of some insurance assets by Rand Merchant Investment Holdings.

During the quarter the Fund bought Gold Fields, Mondi and Anheuser-Busch and sold Standard Bank and RMI.

Commentary contributed by Tim Acker

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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.

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).

FTSE/JSE All Share Index and FTSE/JSE Capped Shareholder Weighted All Share Index

The FTSE/JSE All Share Index and FTSE/JSE Capped Shareholder Weighted All Share Index are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index and FTSE/JSE Capped Shareholder Weighted All Share Index are the proprietary information of FTSE and the JSE. All copyright subsisting in the values and constituent lists of the FTSE/JSE All Share Index and FTSE/JSE Capped Shareholder Weighted All Share Index 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**

Allan Gray Optimal Fund

31 December 2021

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*

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.

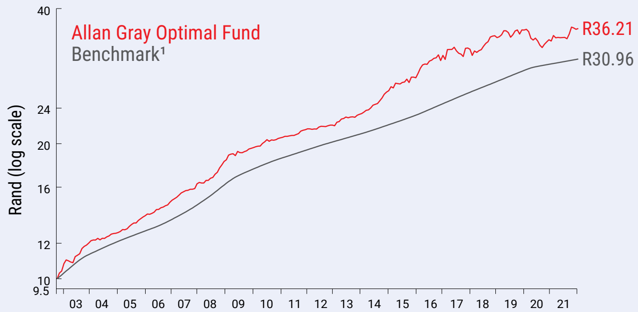
Fund information on 31 December 2021

Fund size	R0.8bn
Number of units	22 601 421
Price (net asset value per unit)	R22.88
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 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 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 30 November 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[1]	CPI inflation[2]
Cumulative:			
Since inception (1 October 2002)	262.1	209.6	162.8
Annualised:			
Since inception (1 October 2002)	6.9	6.0	5.2
Latest 10 years	5.3	4.8	5.0
Latest 5 years	2.8	4.7	4.4
Latest 3 years	1.6	3.9	4.1
Latest 2 years	0.4	3.0	4.3
Latest 1 year	6.7	2.5	5.5
Year-to-date (not annualised)	6.7	2.5	5.5
Risk measures (since inception)			
Maximum drawdown[3]	-10.2	n/a	n/a
Percentage positive months[4]	75.3	100.0	n/a
Annualised monthly volatility[5]	4.0	0.6	n/a
Highest annual return[6]	18.1	11.9	n/a
Lowest annual return[6]	-8.2	2.5	n/a

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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 2021	31 Dec 2021
Cents per unit	**15.6876**	**35.9602**

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 December 2021 (updated quarterly)

Company	% of portfolio
MTN	6.7
Glencore	5.9
Naspers[7]	5.8
Standard Bank	5.7
Sasol	5.7
Sibanye-Stillwater	5.0
Impala Platinum	4.3
Nedbank	4.2
AngloGold Ashanti	3.7
Anglo American Platinum	3.4
Total (%)	**50.5**

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

Asset allocation on 31 December 2021

Asset class	Total
Net equities	3.6
Hedged equities	81.7
Property	1.8
Commodity-linked	0.0
Bonds	0.0
Money market and bank deposits	12.9
Total (%)	**100.0**

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	**1.18**	**1.17**
Fee for benchmark performance	1.00	1.00
Performance fees	0.00	0.00
Other costs excluding transaction costs	0.03	0.02
VAT	0.15	0.15
Transaction costs (including VAT)	**0.14**	**0.11**
Total investment charge	**1.32**	**1.28**

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

Minimum	(September 2016) -3.6%[8]
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.

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Fund manager quarterly commentary as at 31 December 2021

The Fund returned -0.7% in the final quarter of 2021 and 6.7% for the full year. The FTSE/JSE All Share Index (ALSI) performed strongly, returning 29.2% for the year and setting an all-time high in December. While the rally has been a welcome boost for local equity investors after years of lacklustre returns, it does not necessarily imply greater returns for the Fund; rather, it is the performance of the Fund's underlying shares relative to the stock market index, together with the level of short-term interest rates, that determines the performance. Stock selection has contributed positively to the Fund's return for 2021.

The rally in 2021 was more broad-based than was the case in 2020, when good gains for resource counters post the COVID-19 market correction were largely offset by weak performance from financials. In 2021 the gap in returns was substantially narrower, so while resources still performed best (+32.3%), financials were not far off (+29.6%), with industrials lagging (+26.5%). At a level down the disparities widen, for example, diversified miners significantly outperformed their precious metal peers and an exceptionally strong Richemont more than offset the struggling Naspers/Prosus within industrials. Our local banks fared better than the insurers, as they recovered off a lower base and reported credit losses over the course of the pandemic that were appreciably better than what the market initially feared.

Overweight positions in Glencore and Sasol were among the largest contributors to the Fund's return and both remain large holdings. The iron ore price has recovered somewhat from its November 2021 lows and still remains substantially higher than our estimated long-term level, hence our preference for Glencore's commodity mix over that of iron-ore exposed BHP and Anglo American (both material underweight positions). A key feature of the Fund's design is its ability to benefit from both up and down markets, for which platinum group metal (PGM) miners were a case in point during 2021. Prevailing commodity prices tend to dictate the direction in which the miners move, so when there was evidence of PGM prices potentially bottoming in September on news of the vehicle semiconductor chip shortage easing, we increased our exposure to the sector, reversing a previous large underweight position.

The strong performance of Richemont, to which the Fund has no exposure, continues to be a drag on the Fund's return. This was particularly hard felt in the last quarter of 2021 after the company reported better-than-expected results and the share price surged to a record high. While in hindsight it was a mistake not to own it, or at the least not to minimise the underweight, such a move is harder to justify at its current level, with the share trading on an elevated multiple of earnings that have been boosted by increased lockdown-induced consumer spending.

During the quarter the Fund added Anglo American Platinum, Impala Platinum and Spar and sold Shoprite, Capitec and RMI.

Commentary contributed by Sean Munsie

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Fund mandate

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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).

FTSE/JSE All Share Index

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Important information for investors

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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*

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.

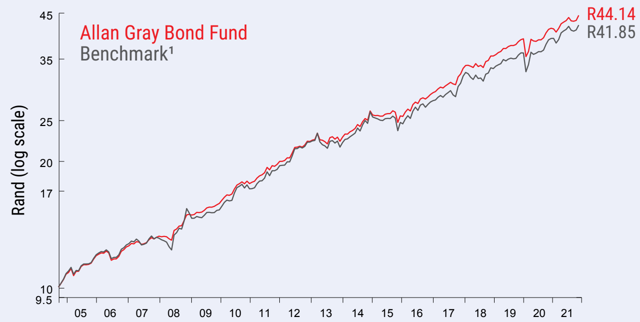
**Only available to investors with a South African bank account.

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

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

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.

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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

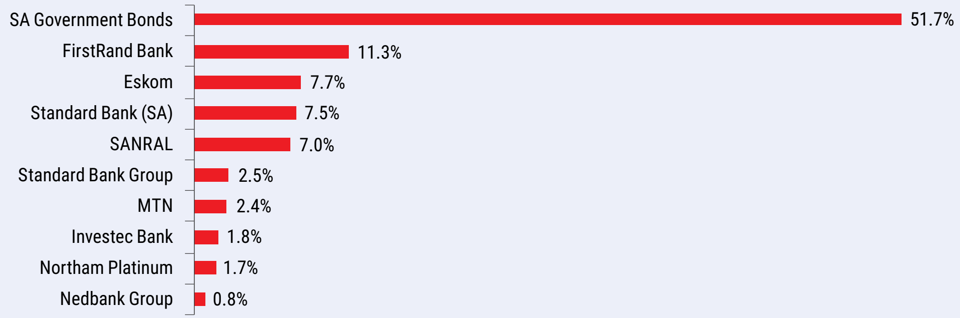
Total expense ratio (TER) and Transaction costs

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.

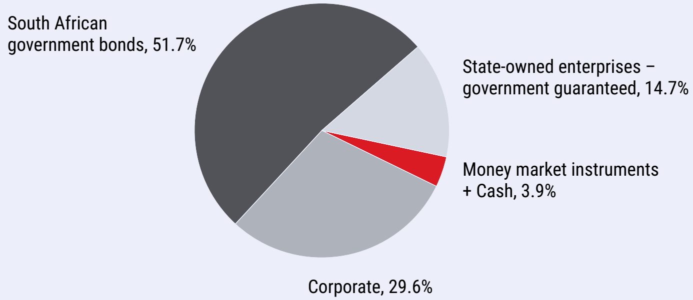
TER and Transaction costs breakdown for the 1- and 3-year period ending 31 December 2021	1yr %	3yr %
Total expense ratio	**0.32**	**0.49**
Fee for benchmark performance*	0.27	0.26
Performance fees*	0.00	0.16
Other costs excluding transaction costs	0.01	0.01
VAT	0.04	0.06
Transaction costs (including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

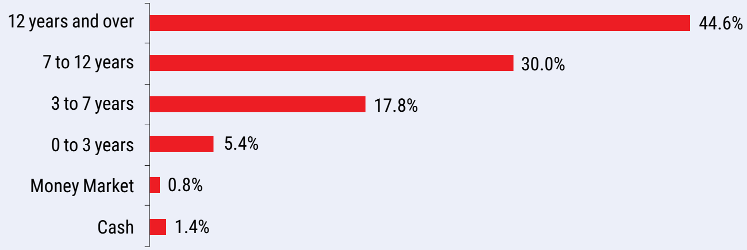
Top 10 credit exposures on 31 December 2021



Asset allocation on 31 December 2021



Maturity profile on 31 December 2021



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

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Fund manager quarterly commentary as at 31 December 2021

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 preluded 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

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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.

Performance

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Yield

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

Fees

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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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