

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

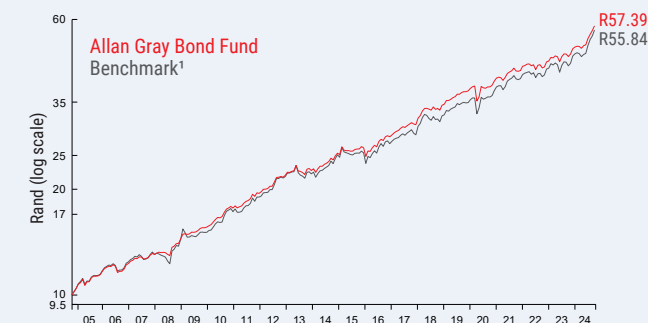
Fund information on 30 September 2024

Fund size	R8.7bn
Number of units	624 451 635
Price (net asset value per unit)	R11.08
Modified duration	4.4
Gross yield (before fees)	10.2
Class	A

1. FTSE/JSE All Bond Index (source: IRESS), performance as calculated by Allan Gray as at 30 September 2024.
2. This is based on the latest available numbers published by IRESS as at 31 August 2024.
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.

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)	473.9	458.4	191.5
Annualised:			
Since inception (1 October 2004)	9.1	9.0	5.5
Latest 10 years	9.1	9.1	4.9
Latest 5 years	8.9	9.8	4.9
Latest 3 years	10.2	11.1	5.6
Latest 2 years	14.6	16.3	4.6
Latest 1 year	22.0	26.1	4.4
Year-to-date (not annualised)	14.7	16.7	2.9
Risk measures (since inception)			
Maximum drawdown ³	-18.9	-19.3	n/a
Percentage positive months ⁴	71.7	68.8	n/a
Annualised monthly volatility ⁵	5.9	7.6	n/a
Highest annual return ⁶	22.0	26.1	n/a
Lowest annual return ⁶	-2.6	-5.6	n/a

Meeting the Fund objective

Since inception, the Fund has outperformed its benchmark. Over the latest 10-year period, the Fund has performed inline with 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	31 Dec 2023	31 Mar 2024	30 Jun 2024	30 Sep 2024
Cents per unit	26.6398	25.8263	27.2485	26.5758

Annual management fee

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

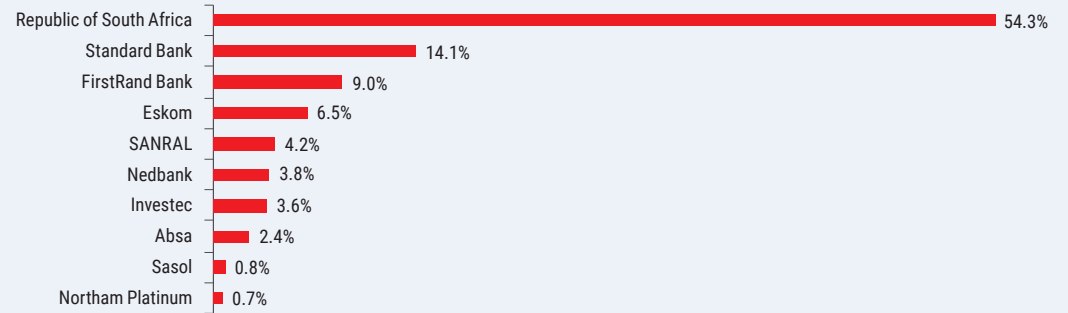
Total expense ratio (TER) and transaction costs (updated quarterly)

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.

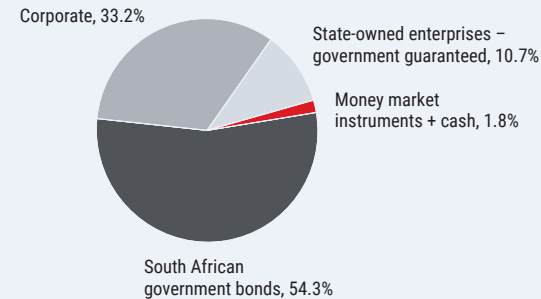
TER and transaction costs breakdown for the 1- and 3-year period ending 30 September 2024	1yr %	3yr %
Total expense ratio	0.59	0.55
Fee for benchmark performance*	0.50	0.49
Performance fees*	0.00	0.00
Other costs excluding transaction costs	0.01	0.01
VAT	0.08	0.07
Transaction costs (including VAT)	0.00	0.00
Total investment charge	0.59	0.57

*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.

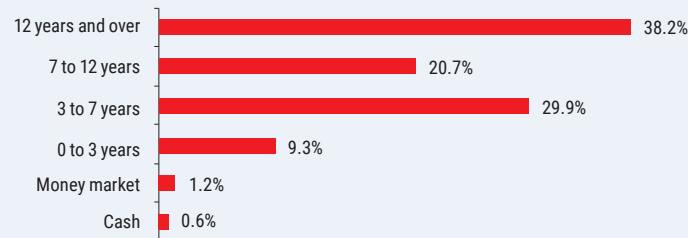
Top 10 credit exposures on 30 September 2024



Asset allocation on 30 September 2024



Maturity profile on 30 September 2024



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

The FTSE/JSE All Bond Index (ALBI) has returned a staggering 26.1% year-on-year to the end of September 2024. As much as the positive post-election market sentiment following the formation of the government of national unity (GNU) has led to this bond rally, the expectation of a pronounced US rate-cutting cycle has also played a role. Most importantly, however, monetising South Africa's Gold and Foreign Exchange Contingency Reserve Account (GFECRA) has to some degree bailed out the fiscus. Without this, or the printing of rands against the profits implied in South Africa's foreign exchange reserve balances, the South African government would almost certainly have had to increase the size of its bond auctions this year. By August 2024, the South African Reserve Bank had created and transferred R100bn of GFECRA cash to the government, which subsequently ended the month with only R142bn cash. This means that without GFECRA, the South African government would be running a R7tn economy with only R42bn of spare cash – or the lowest nominal cash balance on record in over 50 years. To contextualise this, R42bn equates to six days' worth of the government's annual FY24 spending of R2.37tn. Put differently, R42bn equates to 40 days' worth of the South African government's debt-servicing costs (which are estimated at R382bn for FY24).

Without GFECRA, we would have been staring into the abyss, and the supply of government debt would have had to increase materially. The question then remains, with only R25bn of GFECRA left to be monetised in each of 2025 and 2026, will the government be able to live within its means and implement the fiscal reform required to contain the budget deficit? Alternatively, will a South African super-growth cycle materialise? It would appear that year-to-date tax collection has disappointed versus the February 2024 Budget estimates, although some of this under-collection might be offset partially by the tax levied against two-pot retirement fund realisations. We await the Medium-Term Budget Policy Statement for further details on this.

At the end of September, the South African 20-year bond had rallied by a cumulative 260 basis points (bps) from its year-to-date yield high of 13.3% in April down to an intraday yield low print of 10.7% on 30 September. By perusing the JSE's trade statistics, it appears that local investor participation in South Africa's

government bond auctions in the last quarter has been very low. Most of the fresh cash in the bond market appears to have come from foreigners, but they have not participated in any meaningful size in South African equities yet. The recent yield of 10.7% on the South African 20-year bond is just 50 bps wider than the 10.2% yield recorded at end-February 2020.

One could thus argue that the market is now overvalued when one considers that the South African government's debt pre-COVID was 56% of GDP versus 75% at present. In the same vein, we were spending as little as 14 cents on every tax rand towards servicing pre-pandemic debt versus 21 cents now – and, in fact, even higher if one includes the Eskom debt relief programme in these debt-servicing costs. When comparing the South African 10-year bond to the US 10-year bond, the spread differential is less than 620 bps, which is the tightest spread on record since 2018 when the South African government's debt burden was significantly lower than present (and lower than any year in the Budget forecast for 2025-2028).

That said, even if one buys into this argument, it is perhaps important to consider that the market can trade away from fundamentals for extended periods and that optimism around the GNU and higher South African GDP growth may spur foreigners to sink more capital into the market regardless. Fixed capital investment in South Africa, which is a necessary precondition for higher growth, has been contracting for four consecutive quarters. While there are investment projects in the pipeline that should see this rise, their size and pace remain unclear and rest on the speed at which certain reforms can be put through – including those for private concessions along Transnet's rail and the requisite tariffs and funding for reform to be enacted.

Over the last quarter, the ALBI's weighted average yield fell to 9.7% while the Fund's weighted average yield to maturity (gross of fees) stands wider at 10.2%. The Fund reduced its exposure to South African government 20-year bonds as their yield fell below our estimates of fair value.

Commentary contributed by Thalia Petousis

Fund manager quarterly commentary as at 30 September 2024

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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)11 301 6335 or www.rmb.co.za.

Performance

Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to future performance. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

Fund mandate

Funds may be closed to new investments at any time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The funds may borrow up to 10% of their market value to bridge insufficient liquidity.

Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue. Forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

Yield

The Allan Gray Bond Fund's gross yield is the estimated weighted average yield-to-maturity of all underlying interest-bearing instruments as at the last day of the month. Actual returns may differ, based on changes in market values, interest rates and market factors during the investment period.

Fees

Permissible deductions may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.

Total expense ratio (TER) and transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, securities transfer tax, Share Transactions Totally Electronic (STRATE) and FSCA Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are necessary costs in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time, including market returns, the type of financial product, the investment decisions of the investment manager, and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge (TIC).

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of the Pension Funds Act 24 of 1956 (the "Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

FTSE/JSE All Bond Index

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Important information for investors

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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**