ALLANGRAY

ALLAN GRAY MONEY MARKET FUND

FUND DETAILS AT 30 JUNE 2011

Sector: Domestic - Fixed Interest - Money Market
Inception date: 1 July 2001
Fund manager: Andrew Lapping

Fund objective:
The Fund aims to preserve capital, maintain liquidity and generate a high level of income.

While capital losses are unlikely, they occur if, for example, one of the issuers of the assets underlying the Fund defaults. In this event, losses will be borne by the Fund and its investors.

Suitable for those investors who:
- Require monthly income distributions
- Want to find a short-term safe haven for funds during times of market volatility
- Are highly risk-averse
- Have retired and have invested in a living annuity product. Underlying growth in the Fund and distributions are not taxed in a living annuity.

Price: R1.00
Size: R8 261 m
Minimum lump sum per investor account: R20 000
Minimum lump sum per fund: R5 000
Minimum debit order per fund: R500*
Additional lump sum per fund: R500
Monthly yield at month end: 0.45%
Annual management fee: Fixed fee of 0.25% (excl. VAT) per annum

COMMENTARY

The second quarter of 2011 was one of continued stability of the exchange rate and interest rates. The inflation rate has increased slightly from 3.7% to 4.6% over the past three months as higher fuel and food prices impacted the basket but this increase was well within market expectations. The price stability over the past year has caused inflation expectations as measured by the BER to decline to 5.8% from over 8% three years ago. Consensus expectations are for inflation to increase further, peaking at just over 6% in 2012 before moderating.

We are concerned that the outlook for inflation over the next few years could be worse than the outcome anticipated by the market. The reason being the strength of the rand over the past two years, and hence lower imported inflation, has offset the deteriorating domestic inflation picture. Some of the drivers of the domestic inflation are electricity price increases and substantial real wage increases with no offsetting productivity growth. In time the rising costs of doing business in South Africa will impact our competiveness leading to a deteriorating current account and possibly a weaker rand. A weaker rand will be the transmission mechanism of the higher domestic costs into the headline inflation number as the rand price of imported goods will increase. However the rand is unlikely to weaken as long as international investors continue to favour emerging market debt and equity. Foreigners invested a net R23bn in the South African bond and equity markets in the first half of 2011.

The Monetary Policy Committee of the Reserve Bank is unlikely to increase interest rates pre-emptively if inflation rises slowly as private sector credit growth is still only 5% and economic growth fairly muted. For this reason we favour the six month area of the yield curve as it benefits from a higher yield compared to cash and three month assets but is still relatively short in duration.

The duration of the Fund on 30 June was 69 days.

Tel 0860 000 654 or +27 (0)21 415 2301
Fax 0860 000 655 or +27 (0)21 415 2492
info@allangray.co.za www.allangray.co.za

DISTRIBUTIONS

ACTUAL PAYOUT (cents per unit)

July 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010
0.57	0.58	0.55	0.55	0.52	0.51

Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	June 2011
0.50	0.44	0.49	0.46	0.47	0.45

TOTAL EXPENSE RATIO FOR THE YEAR ENDED 31 MARCH 2011[1]

Total expense ratio	Included in TER			
	Investment management fee[2] 0.29%		Trading costs	Other expenses
	Performance component	Fee at benchmark		
0.30%	0.00%	0.29%	0.00%	0.01%

1. A Total Expense Ratio (TER) is a measure of a unit trust's assets that are relinquished as operating expenses. The total operating expenses are expressed as a percentage of the average value of the unit trust, calculated for the year to the end of March 2011. Included in the TER is the proportion of costs that are incurred by the performance component, fee at benchmark, trading costs (including brokerage, STT, STRATE and insider trading levy), VAT and other expenses. These are disclosed separately as percentages of the net asset value. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. The information provided is applicable to class A units.
2. The investment management fee rate for the three months ending 30 June 2011 was 0.29% (annualised).

EXPOSURE BY ISSUER AT 30 JUNE 2011

Government and parastatals	
RSA	23.8
Denel	2.8
Eskom	1.8
Trans Caledon Tunnel	1.1
ACSA	0.5
Total	30.0
Corporates	
Sanlam	1.6
Toyota	1.4
MTN	1.1
Scania Finance Southern	0.6
Total	4.7
Banks[3]	
FirstRand Bank	19.2
ABSA	15.1
Standard Bank	14.4
Nedbank	13.0
Investec	3.9
Total	65.6
Total	**100**

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

3. Banks include negotiable certificates of deposit (NCDs), fixed deposits and call deposits.

PERFORMANCE

Fund performance shown net of all fees and expenses.

% Returns	Fund	Benchmark[4]
Since inception (unannualised)	138.6	137.3
Latest 5 years (annualised)	9.0	8.8
Latest 3 years (annualised)	8.5	8.3
Latest 1 year	6.3	6.0

4. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. The current benchmark is the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund (Source: Morningstar), performance as calculated by Allan Gray as at 30 June 2011.

* Only available to South African residents.