

Fund manager: Andrew Lapping
Inception date: 1 July 2001
Class: A

Fund information on 31 August 2011

Fund size: R8 474m
Fund price: R1.00
Monthly yield at month end: 0.46%
Fund duration (days): 68

Fund description

The Fund invests in South African money market instruments with a term shorter than one year. These instruments can be issued by government, parastatals, corporates and banks. The Fund is managed to comply with regulations governing retirement funds.

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

ASISA unit trust category: Domestic - Fixed Interest - Money Market

Fund objective and benchmark

The Fund aims to preserve capital, maintain liquidity and generate a sound level of income. The Fund's benchmark is the average returns of all funds in the Domestic Fixed Interest Money Market ASISA category excluding the Allan Gray Money Market Fund.

How we aim to achieve the Fund's objective

The Fund invests in selected money market instruments providing an income yield and a high degree of capital stability. We formulate an interest rate outlook, which is influenced by our inflation outlook and expectations of the resulting Reserve Bank policy response. Based on this analysis, we select investments for the Fund. These assets are typically held to maturity. We take a conservative approach to credit risk.

Suitable for those investors who

- Require monthly income distributions
- Are highly risk-averse but seek returns higher than bank deposits
- Need a short-term investment account

Minimum investment amounts

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

*Only available to South African residents.

Annual management fee

Fixed fee of 0.25% (excl. VAT) per annum

Income distributions for the last 12 months

Actual payout (cents per unit), the Fund distributes monthly

Sept 2010	Oct 2010	Nov 2010	Dec 2010
0.55	0.55	0.52	0.51
Jan 2011	Feb 2011	Mar 2011	Apr 2011
0.50	0.44	0.49	0.46
May 2011	June 2011	July 2011	August 2011
0.47	0.45	0.46	0.46

Performance net of all fees and expenses

% Returns	Fund	Benchmark ¹	CPI inflation ²
<i>Unannualised:</i>			
Since inception	140.8	139.4	77.1
<i>Annualised:</i>			
Since inception	9.0	9.0	5.8
Latest 10 years	9.0	8.9	5.9
Latest 5 years	8.9	8.7	6.9
Latest 3 years	8.1	7.9	5.2
Latest 2 years	6.8	6.5	4.5
Latest 1 year	6.0	5.8	5.3

1. 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 31 August 2011.

2. This is based on the latest numbers published by I-Net Bridge.

Total expense ratio (TER)

The TER for the year ending 30 June 2011 is 0.30% and included in this is performance fee of 0% and trading costs of 0%. The annual management fee rate for the three months ending 31 August 2011 was 0.29% (annualised). These figures are inclusive of VAT, where applicable. Fund returns are quoted after deduction of costs incurred within the Fund so the TER should not be deducted from Fund returns (refer to page 2 for further information).

Fund manager quarterly commentary as at 30 June 2011

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 competitiveness 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.

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Disclaimer

Permissible deductions may include management fees, brokerage, STT, auditor's fees, bank charges and trustee fees. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. The Fund may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Allan Gray Unit Trust Management Limited ("the Company") is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Limited, an authorised financial services provider, is the appointed investment manager of the Company. The Company is incorporated and registered under the laws of South Africa and is supervised by the Financial Services Board. The Company 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.

Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any permissible deductions from the portfolio 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 manager by 14:00 each business day to receive that day's price.

The Fund aims to maintain a constant price of 100 cents per unit. The total return to the investor is primarily made up of interest received but may also include any gain or loss made on any particular instrument held. In most cases this will have the effect of increasing or decreasing the daily yield, but in some cases, for example in the event of a default on the part of an issuer of any instrument held by the fund, it can have the effect of a capital loss. Such losses will be borne by the Fund and its investors and in order to maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses.

Compliance with Regulation 28

The Fund is managed to comply with Regulation 28 of 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 a reasonable time period. Allan Gray Unit Trust Management Limited does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Fees

A schedule of fees, charges and maximum commissions is available on request from the manager. Commission and incentives may be paid and if so, would be included in the overall costs.

TER

*TERs are shown for class A units only

The Total Expense Ratio (TER) is the percentage of the fund's average assets under management that has been used to pay the fund's operating expenses over the past year. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), trading costs (including brokerage, STT, STRATE and insider trading levy), VAT and other expenses. Since unit trust expenses vary, the current TER cannot be used as an indication of future TERs. All Allan Gray performance figures are quoted after the deduction of costs incurred within the Fund so the TER is not a new cost. A higher TER ratio 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. TERs should then be used to evaluate whether the Fund performance offers value for money.

Performance

Collective Investment Schemes in Securities (unit trusts) 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 the future. Performance figures are from Allan Gray Limited (GIPS compliant) and are for lump sum investments with income distributions reinvested.

Exposure by issuer on 31 August 2011

RSA	24.1
Denel	2.7
Eskom	1.7
Trans Caledon Tunnel	1.0
ACSA	0.5
Government and parastatals	30.0
Sanlam	3.2
MTN	1.0
Scania Finance Southern	0.6
Toyota	0.5
Corporates	5.3
FirstRand Bank	17.6
Standard Bank	14.2
Nedbank	14.1
ABSA	13.6
Investec	3.9
JP Morgan	0.9
Deutsche Bank	0.4
Banks³	64.7
Total	100.0

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.