Allan Gray Money Market Fund

ALLANGRAY

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

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
Additional lump sum:	R500
Minimum debit order*:	R500

*Only available to South African residents.

Annual management fee

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

Fund information on 30 September 2011

Fund size:	R8 577m
Fund price:	R1.00
Monthly yield at month end:	0.45%
Fund duration (days):	67

Income distributions for the last 12 months

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

Oct 2010	Nov 2010	Dec 2010	Jan 2011
0.55	0.52	0.51	0.50
Feb 2011	**Mar 2011**	**Apr 2011**	**May 2011**
0.44	0.49	0.46	0.47
Jun 2011	**Jul 2011**	**Aug 2011**	**Sept 2011**
0.45	0.46	0.46	0.45

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	141.9	140.5	77.4
Annualised:			
Since inception	9.0	8.9	5.8
Latest 10 years	9.0	8.9	5.9
Latest 5 years	8.9	8.7	6.7
Latest 3 years	7.9	7.7	5.1
Latest 2 years	6.7	6.4	4.4
Latest 1 year	5.9	5.7	5.3
Year-to-date (unannualised)	4.3	4.1	4.7

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 30 September 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 30 September 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).

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Fund manager quarterly commentary as at 30 September 2011

Inflation continued to increase, reaching 5.3% in September. This trend is likely to continue and will probably breach 6% by year end. The economy has remained weak, plagued by a lack of competiveness and import substitution. This has led the market to price in a 40% probability of a 0.5% rate cut during the next six months. We believe a rate cut is very unlikely and have positioned the Fund accordingly.

Some analysts think an interest rate cut is required to stimulate economic growth, but the problem in South Africa is not the cost of money. Lower interest rates are unlikely to lead businesses to rush out and invest in new plants and equipment. Structural issues, such as the increasing cost and low productivity of labour, are far more important. These problems need to be addressed before the economy can grow sustainably. We also believe the Reserve Bank, with its inflation-targeting mandate, is unlikely to drop the repo rate to 5%, a rate below the inflation rate of 5.3%, in the face of rising prices.

The current account deficit, which has been masked by high export commodity prices and funded by portfolio inflows, leaves the rand vulnerable to weakness. Rand weakness will cause a vicious circle of higher inflation and increased wage demands, which already exceeded 6% over the past 12 months, in a low inflation environment.

With administered prices such as electricity and property rates increasing at well over 10%, and wages rising at above 6%, we struggle to see how the Reserve Bank can contain inflation sustainably below its target of 6%. This environment skews the interest rate risks to the upside. The market does not currently reward investors for interest rate risk because of the flat yield curve. We have reduced the duration of the Fund further to 67 days.

Exposure by issuer on 30 September 2011

RSA	20.7
Denel	2.1
Eskom	1.7
ACSA	0.5
Government and parastatals	**25.0**
Sanlam	3.2
MTN	1.0
SAB	0.6
Toyota	0.5
Corporates	**5.3**
Nedbank	18.5
ABSA	16.1
Standard Bank	15.7
FirstRand Bank	13.0
Investec	5.1
JP Morgan	0.9
Deutsche Bank	0.4
Banks[3]	**69.7**
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.

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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 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 Proprietary Limited (GIPS compliant) and are for lump sum investments with income distributions reinvested.