Allan Gray Money Market Fund

ALLAN GRAY

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 Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index.

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 2012

Fund size:	R7 858m
Fund price:	R1.00
Monthly yield at month end:	0.43%
Fund duration (days):	50
Fund weighted average maturity:	115

Income distributions for the last 12 months

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

Oct 2011	Nov 2011	Dec 2011	Jan 2012
0.46	0.44	0.46	0.46
Feb 2012	Mar 2012	Apr 2012	May 2012
0.43	0.46	0.45	0.46
Jun 2012	Jul 2012	Aug 2012	Sept 2012
0.45	0.46	0.45	0.43

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	155.2	154.0	86.2
Annualised:			
Since inception	8.7	8.6	5.7
Latest 10 years	8.5	8.4	5.4
Latest 5 years	8.2	8.0	6.4
Latest 3 years	6.3	6.2	4.6
Latest 2 years	5.7	5.7	5.2
Latest 1 year	5.6	5.6	5.0
Year-to-date (unannualised)	4.1	4.2	3.6

1. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund, performance as calculated by Allan Gray as at 30 September 2012.
2. This is based on the latest numbers published by I-Net Bridge as at 31 August 2012.

Total expense ratio (TER)

The TER for the year ending 30 June 2012 is 0.30% and included in this is a performance fee of 0% and trading costs of 0%. The annual management fee rate for the three months ending 30 September 2012 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 2012

July's 50 basis point interest rate cut came as a surprise to us. The Monetary Policy Committee (MPC) decided to take action in the context of weak domestic demand. At the September MPC meeting the committee left rates unchanged, despite its concerns about the various imbalances in the economy. We share these concerns.

The current account deficit widened to 6.4% of GDP in the second quarter, approaching the record levels of late 2007. The current account could deteriorate further in the short term as productivity levels and production in the mining sector fall because of the labour unrest. Falling productivity and above-inflation wage increases are likely to have long-term consequences for South African mining production and our trade balance.

South Africa relies on foreign flows into our bond market to fund the current account deficit. The political risks, together with the labour unrest and inflationary consequences of this unrest, could cause some foreign investors to lose faith and the rate of inflows to slow. The result would be a weaker rand and higher inflation.

We think the likelihood of a stable rate policy or higher interest rates exceeds the probability of rate cuts in the medium term. This leads us to favour floating rate assets and shorter dated fixed rate notes for the Fund; therefore the low duration.

Exposure by issuer on 30 September 2012

RSA	19.8
Denel	4.3
Government and parastatals	**24.1**
Toyota	4.3
Sanlam	4.0
Bidvest	2.4
Vodacom	1.3
Scania Finance Southern	0.9
MTN	0.5
Corporates	**13.4**
Standard Bank	17.2
Nedbank	15.7
FirstRand Bank	15.0
ABSA	13.5
Investec	1.0
Deutsche Bank	0.2
Banks[3]	**62.6**
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.

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

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 (RF) Proprietary Limited ("the Company") is a member of the Association for Savings & Investment SA (ASISA). Allan Gray Proprietary 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 (RF) Proprietary 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 and are for lump sum investments with income distributions reinvested.