Allan Gray Money Market Fund

Fund managers:	Andrew Lapping, Mark Dunley-Owen
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: South African - Interest Bearing - 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 31 July 2013

Fund size:	R7 496m
Fund price:	R1.00
Monthly yield at month end:	0.43%
Fund duration (days):	65.8
Fund weighted average maturity (days):	114.3

Income distributions for the last 12 months

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

Aug 2012	Sept 2012	Oct 2012	Nov 2012
0.45	0.43	0.43	0.41
Dec 2012	**Jan 2013**	**Feb 2013**	**Mar 2013**
0.42	0.42	0.38	0.43
Apr 2013	**May 2013**	**Jun 2013**	**Jul 2013**
0.42	0.43	0.42	0.43

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	166.2	164.9	95.6
Annualised:			
Since inception	8.4	8.4	5.8
Latest 10 years	7.8	7.7	5.4
Latest 5 years	7.1	7.0	5.4
Latest 3 years	5.6	5.6	5.4
Latest 2 years	5.4	5.4	5.5
Latest 1 year	5.2	5.2	5.5
Year-to-date (unannualised)	3.0	3.0	2.9

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 31 July 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 30 June 2013.

Total expense ratio (TER)

The TER for the year ending 30 June 2013 is 0.30% which includes VAT. 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 June 2013

South African money markets finally saw some volatility over the past month after two and a half years of price stability. Despite the rand weakening 10% from the start of the year to mid-May, investors were discounting an interest rate cut due to consistently weak macroeconomic data. A further 10% weakening of the rand and a sell-off in the bond market as investor confidence in emerging markets waned, caused interest rate expectations to change. At one point the market was beginning to discount interest rate hikes in the short term. Subsequently the rand has recovered somewhat, and the money market yield curve has assumed a more normal shape as opposed to the very flat profile of the past two years and the steepness of mid-June.

The indication that the US Federal Reserve will begin to slow its bond-buying programme is very significant for South African fixed interest markets. International investors have consistently bought South African government bonds over the past three years in a search for yield, as the yields on developed market debt have been so low. With US government bonds selling off and the yields becoming more attractive, the flows into our bond market may slow. If the foreign purchases slow or cease the rand may be persistently weak, pushing up inflation.

The South African economy is not growing, so the Monetary Policy Committee (MPC) is loath to increase interest rates. The MPC will likely have to see inflation consistently breaching the upper limit of the 3-6% target range before taking action. The steeper money market yield curve now offers some value in the longer dated assets, as investors are paid to take the duration risk. Our assessment that the MPC will increase rates, but not in the short term, means we have begun to buy some assets in the six- to nine-month area of the yield curve, as opposed to focusing solely on floating rate notes.

Exposure by issuer on 31 July 2013

	% of portfolio
Republic of South Africa	11.5
Eskom	1.0
Government and parastatals	**12.5**
Sanlam	3.6
Mercedes	2.7
MTN	2.1
Barloworld	2.1
Macquarie Securities	1.8
Vodacom	1.6
Scania Finance	1.4
Redefine	1.3
Bidvest	1.3
Imperial	0.8
Growthpoint	0.7
Resilient Property Income Fund	0.7
Toyota Financial Services	0.7
Netcare	0.5
Corporates	**21.3**
Standard Bank	16.3
FirstRand Bank	15.9
Nedbank	14.8
ABSA	9.3
Investec Bank	7.9
Standard Chartered	2.0
Deutsche Bank	0.3
Banks[3]	**66.5**
Total	**100.0**

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

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

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