

**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 and total expense ratio (TER)

A fixed fee of 0.25% p.a. excl. VAT

The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a 12 month period. Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 2 for further information).

## Fund information on 31 August 2013

**Fund size:** R7 580m  
**Fund price:** R1.00  
**Monthly yield at month end:** 0.44%  
**Fund duration (days):** 72.1  
**Fund weighted average maturity (days):** 116.8

## Income distributions for the last 12 months

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

| Sept 2012 | Oct 2012 | Nov 2012 | Dec 2012 |
|-----------|----------|----------|----------|
| 0.43      | 0.43     | 0.41     | 0.42     |
| Jan 2013  | Feb 2013 | Mar 2013 | Apr 2013 |
| 0.42      | 0.38     | 0.43     | 0.42     |
| May 2013  | Jun 2013 | Jul 2013 | Aug 2013 |
| 0.43      | 0.42     | 0.43     | 0.44     |

## Performance net of all fees and expenses

| % Returns                   | Fund  | Benchmark <sup>1</sup> | CPI inflation <sup>2</sup> |
|-----------------------------|-------|------------------------|----------------------------|
| <i>Unannualised:</i>        |       |                        |                            |
| Since inception             | 167.4 | 166.0                  | 97.7                       |
| <i>Annualised:</i>          |       |                        |                            |
| Since inception             | 8.4   | 8.4                    | 5.8                        |
| Latest 10 years             | 7.8   | 7.7                    | 5.5                        |
| Latest 5 years              | 7.0   | 6.9                    | 5.4                        |
| Latest 3 years              | 5.6   | 5.5                    | 5.5                        |
| Latest 2 years              | 5.4   | 5.4                    | 5.6                        |
| Latest 1 year               | 5.2   | 5.2                    | 6.3                        |
| Year-to-date (unannualised) | 3.4   | 3.4                    | 4.0                        |

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 August 2013.

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

| TER breakdown for the year ending 30 June 2013 | %           |
|------------------------------------------------|-------------|
| Annual management fee                          | 0.25        |
| Other costs including trading costs            | 0.01        |
| VAT                                            | 0.04        |
| <b>Total expense ratio</b>                     | <b>0.30</b> |

## 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 August 2013

|                                   | % of portfolio |
|-----------------------------------|----------------|
| Republic of South Africa          | 12.4           |
| Eskom                             | 1.0            |
| <b>Government and parastatals</b> | <b>13.4</b>    |
| Sanlam                            | 3.8            |
| Macquarie Securities              | 2.7            |
| Bidvest                           | 2.6            |
| MTN                               | 2.1            |
| Toyota Financial Services         | 2.0            |
| Mercedes                          | 1.7            |
| Vodacom                           | 1.6            |
| Barloworld                        | 1.4            |
| Scania Finance                    | 1.3            |
| Redefine                          | 1.3            |
| Emira Property Fund               | 1.2            |
| Growthpoint                       | 0.7            |
| Resilient Property Income Fund    | 0.7            |
| Netcare                           | 0.5            |
| <b>Corporates</b>                 | <b>23.6</b>    |
| FirstRand Bank                    | 16.3           |
| Nedbank                           | 14.6           |
| ABSA                              | 11.3           |
| Standard Bank                     | 9.8            |
| Investec Bank                     | 8.9            |
| Standard Chartered                | 2.0            |
| Deutsche Bank                     | 0.3            |
| <b>Banks<sup>3</sup></b>          | <b>63.2</b>    |
| <b>Total</b>                      | <b>100.0</b>   |

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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### 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

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.