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.

Fund information on 31 December 2013

Fund size:	R7 853m
Fund price:	R1.00
Monthly yield at month end:	0.44%
Fund duration (days):	66.7
Fund weighted average maturity (days):	106.8

Income distributions for the last 12 months

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

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
Sept 2013	Oct 2013	Nov 2013	Dec 2013
0.42	0.44	0.43	0.44

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	172.0	170.6	99.8
Annualised:			
Since inception	8.3	8.3	5.7
Latest 10 years	7.6	7.5	5.8
Latest 5 years	6.5	6.4	5.3
Latest 3 years	5.4	5.4	5.7
Latest 2 years	5.3	5.4	5.5
Latest 1 year	5.2	5.2	5.3
Year-to-date (unannualised)	5.2	5.2	5.1

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 December 2013.
2. This is based on the latest numbers published by I-Net Bridge as at 30 November 2013.

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).

TER breakdown for the year ending 30 September 2013	%
Annual management fee	0.25
Other costs including trading costs	0.01
VAT	0.04
Total expense ratio	**0.30**

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Fund manager quarterly commentary as at 31 December 2013

Term interest rates continued to tick up over the final quarter of 2013, but only by 15 basis points in the six-month area, while the 12-month area of the curve was basically unchanged. The steadily weaker rand caused investors to be more cautious in their inflation outlook, and consequently in their outlook for interest rates.

The Monetary Policy Committee (MPC) of the Reserve Bank is in a difficult position as the South African economy is weak, but there are definite risks to price stability from the currency weakness. At the moment the base case forecast of the Reserve Bank is for inflation to remain below 6% in 2014, but the tone of the MPC statements makes it clear that the members of the Committee are cautious.

There is very little inflation globally, which is helping to keep South African inflation within the 3-6% target range, as the pass through from external sources is minimal. Commodity prices, such as the oil price, are already high and the risks are probably towards lower rather than higher prices, which will help the inflation situation locally.

The biggest risk to South African prices, and therefore interest rates, is the 6.5% current account deficit which has not moderated despite the substantially weaker rand. We have not changed our view that the next move in interest rates will be an increase. The higher six-month NCD rate makes this asset more attractive, so we have been investing in this area of the curve, as well as continuing to invest in floating rate notes.

Commentary contributed by Andrew Lapping

Exposure by issuer on 31 December 2013

	% of portfolio
Republic of South Africa	10.9
Eskom	1.0
Transnet	0.6
Trans-Calendon Tunnel Authority	0.5
Government and parastatals	**13.0**
Bidvest	3.0
MTN	2.0
Macquarie Securities	1.9
Sanlam	1.3
Toyota Financial Services	1.3
Emira Property Fund	1.2
Corporates	**10.7**
FirstRand Bank	18.7
Nedbank	17.6
Standard Bank	15.6
ABSA	13.5
Investec Bank	6.4
Standard Chartered	4.5
Deutsche Bank	0.2
Banks[3]	**76.5**
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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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.