

**Fund managers:** Andrew Lapping, Mark Dunley-Owen  
**Inception date:** 1 July 2001  
**Class:** A

## Fund description and summary of investment policy

The Fund invests in South African money market instruments with a term shorter than 13 months. 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 held by 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 investors with a South African bank account.

## 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 30 April 2015

**Fund size:** R8.7bn  
**Price (net asset value per unit):** R1.00  
**Monthly yield at month end:** 0.53  
**Fund duration (days):** 73.7  
**Fund weighted average maturity (days):** 115

## Income distributions for the last 12 months

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

May 2014	Jun 2014	Jul 2014	Aug 2014
0.50	0.49	0.51	0.52
Sep 2014	Oct 2014	Nov 2014	Dec 2014
0.51	0.53	0.52	0.53
Jan 2015	Feb 2015	Mar 2015	Apr 2015
0.54	0.49	0.54	0.53

## Performance net of all fees and expenses

% Returns	Fund	Benchmark <sup>1</sup>	CPI inflation <sup>2</sup>
<i>Unannualised:</i> Since Inception	194.6	192.4	115.0
<i>Annualised:</i> Since Inception	8.1	8.1	5.7
Latest 10 Years	7.5	7.3	6.0
Latest 5 Years	5.8	5.7	5.2
Latest 3 Years	5.7	5.6	5.3
Latest 2 Years	5.9	5.7	5.0
Latest 1 Year	6.4	6.2	4.0
Year-to-date (unannualised)	2.1	2.0	1.9
Highest annual return <sup>3</sup>	12.8	13.3	n/a
Lowest annual return <sup>3</sup>	5.2	5.2	n/a

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 April 2015.

2. This is based on the latest numbers published by INET BFA as at 31 March 2015.

3. This is the highest or lowest consecutive 12 month returns the Fund has experienced since inception, along with the benchmark performance for the corresponding period. This is a measure of how much the Fund's returns have varied per rolling 12 month period. The highest annual return occurred from 1 August 2002 to 31 July 2003 and the lowest annual return occurred from 1 October 2012 to 30 September 2013. All rolling 12 month figures for the Fund and the benchmark are available from our Client Service Centre on request.

TER breakdown for the year ending 31 March 2015	%
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 31 March 2015

South Africa's underlying inflation rate, i.e. the structural cost increases that businesses and consumers experience, is about 6% p.a. This number is surprisingly stable compared to the swings of the headline Consumer Price Index (CPI) number, which includes volatile components like the fuel price. The underlying inflation rate can be seen in the services components of the CPI basket, which includes price items relating to hotels, education and medical care. It also reconciles with the Reserve Bank's estimates of wage increases of 7.7% p.a., offset to some extent by productivity gains, to give a unit labour cost increase of 6.2% p.a.

Reading the statement of the Monetary Policy Committee (MPC), it is clear that the Committee thinks the repo rate of 5.75% p.a. is too low. It would like to increase rates, but it is difficult in the face of our weak economy. The stubbornly high underlying inflation is not because of excess demand, but rather due to structural issues in the economy. Higher interest rates will not address these structural issues. The MPC will probably increase rates later this year as it moves towards 'normalisation'.

The money market yield curve is steep, with the six-month negotiable certificate of deposit (NCD) at 6.75% p.a. compared to cash at 5.5% p.a. We think the yield on the six-month NCD more than compensates investors for the potential interest rate increases over the period. For this reason, we are still buying six-month NCDs and 12-month floating rate notes. These assets, together with the cash holding, provide a good yield while keeping the Fund's interest rate risk low and liquidity high.

Commentary contributed by Andrew Lapping

## Exposure by issuer on 30 April 2015

	% of portfolio
<b>Government and parastatals</b>	<b>0.6</b>
Republic of South Africa	0.6
<b>Corporates</b>	<b>9.9</b>
Sanlam	4.0
Aspen Pharmacare	2.8
Mercedes-Benz S.A	1.7
Toyota Financial Services	1.4
<b>Banks<sup>4</sup></b>	<b>89.6</b>
Barclays Africa	23.9
FirstRand Bank	19.8
Standard Bank	18.8
Nedbank	18.6
Investec Bank	6.3
Standard Chartered	1.2
Deutsche Bank	1.0
<b>Total</b>	<b>100.0</b>

4. 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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### Management Company

Allan Gray Unit Trust Management (RF) Proprietary Limited (the 'Management Company') is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates nine unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Services Board (FSB). The Management Company is a member of the Association for Savings & Investment SA (ASISA) and is incorporated under the laws of South Africa. The Management 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. Allan Gray Proprietary Limited (the 'Investment Manager'), an authorised financial services provider, is the appointed investment manager of the Management Company. The trustee/custodian of the Allan Gray Unit Trust Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)87 736 1732 or www.rmb.co.za

### Performance

Collective Investment Schemes in Securities (unit trusts or funds) 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 future performance. The Management Company does not provide any guarantee regarding the capital or the performance of the Fund. Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes.

### The Allan Gray Money Market Fund is not a bank deposit account

The Fund aims to maintain a constant price of 100 cents per unit. The total return an investor receives is made up of interest received and any gain or loss made on instruments held by the Fund. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument defaults. In this event investors may lose some of their capital. To maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses. The yield is calculated according to ASISA standards. Excessive withdrawals from the Fund may place it under liquidity pressure; if this happens withdrawals may be ring-fenced and managed over a period of time.

### Unit price

Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund including any income accruals and less any permissible deductions from the Fund 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 Management Company by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.allangray.co.za

### Fees

Permissible deductions may include management fees, brokerage, Securities Transfer Tax (STT), auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray.

### Total expense ratio (TER)

The 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 FSB Investor Protection Levy), VAT and other expenses. Since unit trust expenses vary, the current TER cannot be used as an indication of future TERs. The Fund's 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.

### 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. The Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).