

ALLAN GRAY

ALLAN GRAY MONEY MARKET FUND

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

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.

Fund information on 31 August 2015

Fund size	R11.0bn
Number of units	10 976 465 724
Price (net asset value per unit)	R1.00
Monthly yield at month end	0.55
Fund duration (days)	69.0
Fund weighted average maturity (days)	103.2
Class	A

Income distribution for the last 12 months

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

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
May 2015	Jun 2015	Jul 2015	Aug 2015
0.54	0.53	0.54	0.55

Performance net of all fees and expenses

% Returns	Fund	Benchmark ¹	CPI inflation ²
Unannualised:			
Since inception	201.0	198.6	120.7
Annualised:			
Since inception	8.1	8.0	5.8
Latest 10 years	7.4	7.3	6.2
Latest 5 years	5.8	5.7	5.6
Latest 3 years	5.8	5.7	5.9
Latest 2 years	6.1	6.0	5.7
Latest 1 year	6.5	6.3	5.0
Year-to-date (unannualised)	4.3	4.2	4.6
Risk measures (since inception)			
Highest annual return ³	12.8	13.3	n/a
Lowest annual return ³	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 31 August 2015.

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

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Meeting the Fund objective

The Fund has preserved capital, maintained liquidity and generated a sound level of income.

Annual management fee

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

Total expense ratio (TER)

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 4 for further information).

TER breakdown for the year ending 30 June 2015	%
Annual management fee	0.25
Other costs including trading costs	0.00
VAT	0.04
Total expense ratio	0.29

Exposure by issuer on 31 August 2015

	% of portfolio
Government and parastatals	10.2
Republic of South Africa	8.9
Transnet	1.3
Corporates	7.9
Sanlam	3.1
Mercedes-Benz S.A.	1.9
Remgro	1.4
Aspen Pharmacare	1.3
Toyota Financial Services	0.2
Banks⁴	82.0
Standard Bank	19.9
Nedbank	18.8
FirstRand	18.4
Barclays Africa	18.0
Investec Bank	6.9
Total (%)	100.0

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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Fund manager quarterly commentary as at 30 June 2015

The unusual stability of the South African money market continued during the past quarter. Short-term interest rates are basically unchanged since the end of the cutting cycle in November 2010, when the Monetary Policy Committee (MPC) reduced short rates by 6.5% over a two-year period. After the period of stability we have experienced it is difficult to picture a 6% interest rate move, but our minds must be open to possibilities, and the Fund is managed accordingly.

The tone of the recent MPC commentary indicates it would like to increase rates in the near future. However, it is in a difficult position: it is concerned about the upside risks to inflation but at the same time cautious about pressuring the weak South African economy. The market is anticipating increases over the next few meetings, with the six-month negotiable certificate of deposit (NCD) yielding 6.75%, compared to cash at 5.6%.

Unless the rand weakens dramatically, it is unlikely that the MPC will increase rates as fast as the market anticipates because of the damage higher rates could do to the weak economy. If interest rates rise slowly, fixed-rate assets, like the six-month NCD, will be a good investment. However, the risk of a much sharper interest rate rise must be considered, given the steadily falling prices for many of the commodities South Africa exports, and associated risks to the rand. For this reason we keep the Fund flexible, with a mix of floating rate notes, cash and fixed-rate notes. The Fund's duration and asset mix is little changed over the past three months. The duration is slightly lower as the cash and very short duration holdings have increased and the ratio of floating to fixed rate assets has increased slightly.

Commentary contributed by Andrew Lapping

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Notes for consideration

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 10 unit trust portfolios under the Allan Gray Unit Trust Scheme, and is supervised by the Financial Services Board ('FSB'). The Management Company is incorporated under the laws of South Africa and 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 and is a member of the Association for Savings & Investment South Africa (ASISA). 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. 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 total expense ratio (TER) is the percentage of the Fund's average assets under management that has been used to pay the Fund's actual 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, Securities Transfer Tax [STT], STRATE and FSB Investor Protection Levy), VAT and other expenses. Since Fund returns are quoted after the deduction of these expenses, the TER should not be deducted from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. 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. The TER and other funds' 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).