

# ALLAN GRAY

## ALLAN GRAY MONEY MARKET FUND

**Fund managers:** Andrew Lapping, Gary Elston. **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	<b>R20 000</b>
Additional lump sum	<b>R500</b>
Minimum debit order*	<b>R500</b>

\*Only available to investors with a South African bank account.

### Fund information on 31 May 2016

Fund size	<b>R13.0bn</b>
Number of units	<b>12 899 523 190</b>
Price (net asset value per unit)	<b>R1.00</b>
Monthly yield at month end	<b>0.62</b>
Fund duration (days)	<b>83.4</b>
Fund weighted average maturity (days)	<b>115.6</b>
Class	<b>A</b>

### Income distribution for the last 12 months

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

Jun 2015	Jul 2015	Aug 2015	Sep 2015
0.53	0.54	0.55	0.53
Oct 2015	Nov 2015	Dec 2015	Jan 2016
0.54	0.53	0.56	0.57
Feb 2016	Mar 2016	Apr 2016	May 2016
0.55	0.60	0.59	0.62

### Performance net of all fees and expenses

% Returns	Fund	Benchmark <sup>1</sup>	CPI inflation <sup>2</sup>
<b>Cumulative:</b>			
Since inception	216.7	213.8	130.4
<b>Annualised:</b>			
Since inception	8.0	8.0	5.8
Latest 10 years	7.4	7.3	6.4
Latest 5 years	5.9	5.8	5.8
Latest 3 years	6.3	6.1	5.6
Latest 2 years	6.7	6.5	5.3
Latest 1 year	6.9	6.8	6.2
Year-to-date (not annualised)	3.0	2.9	3.8
<b>Risk measures (since inception)</b>			
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 31 May 2016.

2. This is based on the latest numbers published by INET BFA as at 30 April 2016.

3. These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 July 2003 and the benchmark's occurred during the 12 months ended 31 July 2003. The Fund's lowest annual return occurred during the 12 months ended 30 September 2013 and the benchmark's occurred during the 12 months ended 31 October 2013. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

# ALLAN GRAY

## ALLAN GRAY MONEY MARKET FUND

### 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) and Transaction costs

The annual management fee is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a 3-year period (annualised). 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). Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 3-year period ending 31 March 2016	%
<b>Total expense ratio</b>	<b>0.29</b>
Annual management fee	0.25
Other costs excluding transaction costs	0.00
VAT	0.04
<b>Transaction costs (including VAT)</b>	<b>0.00</b>
<b>Total investment charge</b>	<b>0.29</b>

### Exposure by issuer on 31 May 2016

	% of portfolio
<b>Government and parastatals</b>	<b>17.2</b>
Republic of South Africa	17.2
<b>Corporates</b>	<b>4.7</b>
Sanlam	2.4
Toyota Financial Services	1.9
Aspen	0.4
<b>Banks<sup>4</sup></b>	<b>78.1</b>
Nedbank	19.4
Standard Bank	18.0
FirstRand	17.8
Barclays Africa	17.0
Investec Bank	5.9
<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.

# ALLAN GRAY

## ALLAN GRAY MONEY MARKET FUND

### Fund manager quarterly commentary as at 31 March 2016

The increased uncertainty that arose in December of last year has persisted throughout the first quarter of 2016. The current political climate and the threat of looming ratings downgrades have seen the rand and the interest rate market remain weak and volatile.

South Africa still grapples with rising inflation and a decreasing growth outlook. GDP growth continues to be revised downwards and is currently estimated to be only 0.8% in 2016. This is worrying as this metric has been highlighted as a key concern by the rating agencies. The current account deficit is also expected to remain wide at -4.6% of GDP in 2016.

The latest reading of Consumer Price Inflation (CPI) for February showed an increase of 7.0% year on year, the highest rate since May 2009 and well outside the inflation targeting band of 3% to 6% set by the South African Reserve Bank (SARB). The main drivers of this weak inflation number were: food (up 8.8%), transport (up 8.7%) and electricity (up 11.2%). The second round effects of the weaker rand are now starting to come through in the inflation numbers and the drought remains an issue for future food prices.

In the latest statement from the Monetary Policy Committee (MPC) of the SARB, inflation is forecast to average 6.6% for 2016, with breaches of the target inflation band in every quarter of 2016. This, as well as the weak exchange rate, has forced the MPC to raise the repurchase rate by 50 basis points in January and another 25 basis points in March. This brings the total increase to 100 basis points over the past three consecutive meetings and the rhetoric from the statement indicates that there are likely to be more hikes to come as the MPC sticks to its inflation-targeting mandate.

We continue to take advantage of the steep money market yield curve by investing in six-month deposits as well as floating rate notes. The floaters will benefit from the rising interest rate environment that we are in. The volatility in interest rates has caused occasional spikes in the one-year area of the curve, which the fund has capitalised on while being cognisant of duration risk. We also see value in shorter-dated treasury bills for liquidity.

*Commentary contributed by Gary Elston*

# ALLAN GRAY

## ALLAN GRAY MONEY MARKET FUND

### 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 11 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](http://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. Where annualised performance is mentioned, this refers to the average return per year over the period. 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](http://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) and Transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, Securities Transfer Tax [STT], STRATE and FSB Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are a necessary cost in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and Transaction costs should not be deducted again 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. The sum of the TER and Transaction costs is shown as the Total investment charge.

#### 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).

#### Need more information?

You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website [www.allangray.co.za](http://www.allangray.co.za) or via our Client Service Centre on 0860 000 654.