

## The Allan Gray Money Market Fund: focusing on capital preservation

### The objective

The objective of the Allan Gray Money Market Fund is to generate a high level of interest income and preserve capital. The Fund invests in money market assets with a maximum term to maturity of one year while the average term of the fund's assets may not exceed 90 days. The benchmark is the average of the Domestic Fixed Interest Money Market Unit Trust sector excluding the Allan Gray Money Market Fund. Distributions are paid monthly.

### Market commentary and Fund positioning

The Monetary Policy Committee has increased interest rates by 4% over the past 18 months; the yield on the Money Market Fund has increased in line with this to 10.87%. We believe the interest rate hiking cycle is coming to an end, as the rate increases are having the desired effect on the consumer and spending is slowing sharply. The upward sloping nature to the money market yield curve makes buying longer dated assets attractive in an environment where the chances of further interest rate increases are low. We have taken this opportunity to increase the average term to maturity of the Fund to 70 days. The risk of a sharply weaker Rand, brought about by the record current account deficit, and inflation pressures makes us cautious. This is the reason for not increasing the duration further.

Asset prices have increased substantially over the past five years and the potential for further price appreciation from these levels is lower while the risk of capital loss is higher. In this environment the 10.87% yield and focus on capital preservation of the Allan Gray Money Market Fund is attractive.

### We manage the Fund conservatively

Capital preservation is of paramount importance so we take a conservative approach in the management of the Fund. Internal limits are imposed on the exposure to individual issuers and to the aggregate exposure to types of issuer, such as the exposure to corporate issuers. We do not use derivative instruments in the Fund. The Fund complies with the external limits of the Collective Investment Schemes Control Act and Regulation 28 of the Pension Funds Act.

### The benefit of a low annual management fee: a competitive yield at less credit risk

A differentiating factor of the Allan Gray Money Market Fund is the low annual management fee. The fee is only 0.25% per annum (ex VAT). This is the lowest in the sector, along with one other fund. The low fee allows the Fund to achieve a competitive yield while taking far less credit risk than the average fund. A further benefit of the Fund is that there is neither an initial fee nor redemption fee.

### Allan Gray Money Market Fund performance, net of fees, and rankings to 30 November 2007

% Returns	Allan Gray Money Market Fund	Benchmark*	Ranking
Since Inception* (unannualised)	75.3	75.6	6 out of 14
Latest 5 years (annualised)	8.7	8.7	5 out of 17
Latest 3 years (annualised)	7.9	7.8	1 out of 17
Latest 1 year	9.4	9.2	3 out of 19

\* Since inception to 31 March 2003 the benchmark was the Alexander Forbes 3-Month Deposit Index. The current benchmark is the Domestic Fixed Interest Money Market Unit Trust sector excluding the Allan Gray Money Market Fund.  
Source: Micropal, performance as calculated by Allan Gray on 30 November 2007.  
Performance is shown net of all management fees and other expenses.

*Commentary by Andrew Lapping, Fixed Interest Portfolio Manager*

A constant price will be maintained. Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from Allan Gray Unit Trust Management Limited. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. A prospectus is available from Allan Gray Unit Trust Management Limited - a member of the ACI. On the Allan Gray Money Market Fund a fixed fee of 0.285% (0.25% plus VAT) per annum is levied daily on the daily value of the Fund. Declarations of income accruals are made daily and paid out monthly. The portfolio is managed to comply with the limits of Annexure A to Regulation 28 of the Pension Funds Act. Exposures in excess of the limits will be corrected immediately except where due to market value fluctuations or capital withdrawals in which case they will be corrected within a reasonable time period. Allan Gray Unit Trust Management Limited does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 9 of Annexure A to Regulation 28).