

The Allan Gray Money Market Fund

The overall stockmarket (ALSI) is close to its all-time high and its price to earnings and price to book ratios are well in excess of long-term averages. One option for investors who are concerned about short-term absolute risk is the Allan Gray Money Market Fund, which has the lowest absolute risk (risk of capital loss) in our range of unit trusts.

The Allan Gray Money Market Fund's objective is to generate as high a level of current income as is consistent with capital preservation and liquidity. In order to achieve this objective, the Fund invests in selected money market instruments with a maturity of no greater than one year and where the average term to maturity of the portfolio may not exceed 90 days.

The Fund is suitable for investors who:

- are highly risk averse and require a high degree of capital stability, or
- seek an ideal short-term "parking place" for surplus funds particularly in times of market volatility, or
- require monthly income distributions, or
- have retired, are invested in a living annuity and may benefit from the underlying growth in the fund and distributions not being taxed (as a benefit and feature of a living annuity product).

Capital preservation is of paramount importance, so a conservative approach is used in the management of the Fund. Internal limits are imposed on exposure to issuers, in addition to regulatory limits such as those imposed by the Collective Investment Schemes Control Act (CISCA) and Regulation 28 of the Pension Funds Act. The system of internal limits is primarily based on the credit ratings of issuers, in line with the policy adopted in CISCA.

The Fund is managed by Michael Moyle, MBA, CFA, who has managed the Fund since its inception on 1 July 2001.

A compelling feature of the Fund is its low fixed fee of 0.25% (excluding VAT) per annum. This is well below the average money market unit trust's fee of 0.46% (excluding VAT). In fact, the Fund, along with one other money market unit trust, has the lowest fee of any domestic money market unit trust. Since the fee is deducted from the income which is paid out to unitholders in the Fund, the lower fee results in increased yield for our investors. The dispersion between money market unit trust yields is low, so the fee charged by a fund may have a large impact on how the fund performs relative to its peers.

The Fund's benchmark is the average of the Domestic Fixed Interest Money Market Unit Trust sector excluding the Allan Gray Money Market Fund. From inception to 31 March 2003, the benchmark was the Alexander Forbes 3 Month Deposit Index. This was chosen because its term to maturity was appropriate for the targeted risk of the Fund. Subsequent to the launch of the Fund, the money market changed in that a number of banks relinquished their banking licences and the bid-offer spreads in the market widened, making the Forbes Index less suitable for the Fund. The new peer benchmark does not share these problems and so it is expected to be a better benchmark.

The minimum lump sum amount is R50 000, and minimum monthly debit orders are R5 000 per month. Distributions are paid monthly on the first business day after month-end.

The Fund's performance and rankings to 30 September 2006 (net of fees) are shown in the table below:

	12 months to 30 September 2006		Since inception (unannualised)	
	Return	Sectoral Position	Return	Sectoral Position
The Fund	7.1%	2 out of 20	58.1%	8 out of 15
Benchmark	7.0%		58.7%	

Source: Returns sourced from Allan Gray. Sectoral positions sourced from Micropal.

Commentary by Michael Moyle, Portfolio Manager of the Allan Gray Money Market Fund

A constant price will be maintained. Past performance is not necessarily a guide to future performance. A schedule of fees and charges and maximum commissions is available on request from Allan Gray Unit Trust Management Limited. Unit trusts can engage in borrowing and scrip lending. Commission and incentives may be paid and if so, would be included in the overall costs. Allan Gray Unit Trust Management Limited is a member of the Association of Collective Investments.