ALLAN GRAY
CONTRARIAN INVESTING

QUARTERLY COMMENTARY

31 DECEMBER 2022

COMMENTARY

SIMON MAWHINNEY, CFA

Managing Director & Chief Investment Officer

Like many things, with investing it is worthwhile spending time assessing one's failures and successes. Apart from the almost certain and invaluable humbling experience (the best investors' stock picks fail around 40% of the time), learnings from these 'post-mortems' help reduce the probability of future failures and maximise the chance of future successes.

In this Quarterly Commentary, we provide an overview of Sims Limited (Sims), a company the Allan Gray Australia Equity portfolio has held at varying weights for over five years. We explain our original thesis and what has happened since we last wrote about it in our September 2018 Quarterly Commentary.

A quick recap

Sims is predominantly a metal recycler, with operations in the United States, the United Kingdom and in Australasia. It buys scrap feedstocks from metal dealers, peddlers, auto wreckers and demolition firms. It then processes these feedstocks, usually by first shredding them, and then separating them into product streams capable of being reused and converted into everyday products. Sims uses particle size screening, magnetic separation, eddy current separators and various sensors to separate the feedstock.

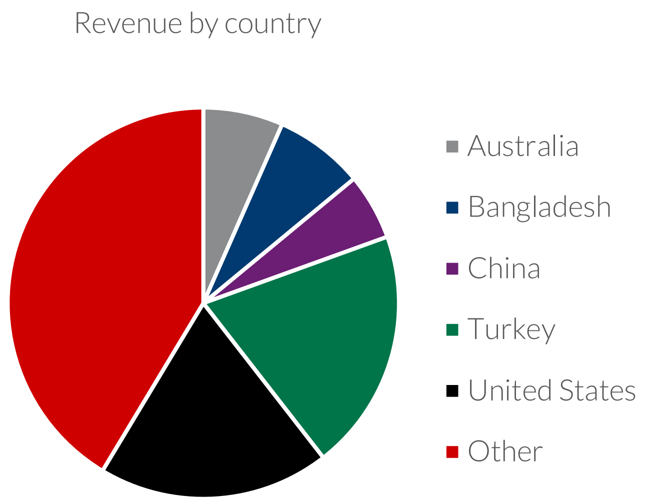
Product streams include both ferrous (containing iron) and non-ferrous (mainly aluminium and copper) recycled materials. Ferrous materials are primarily used in the steelmaking process: mainly by electric arc furnaces (EAF) where 100% of their feedstock is scrap (or pig iron) but also by basic oxygen furnaces (BOF) where scrap can displace up to 20% of the iron ore and coking coal consumed. Non-ferrous materials are sold to base-metal smelters and converted into aluminium and copper, which are consumed in a variety of products. Turkey is the largest buyer of Sims' ferrous materials and China is the largest buyer of its non-ferrous materials.

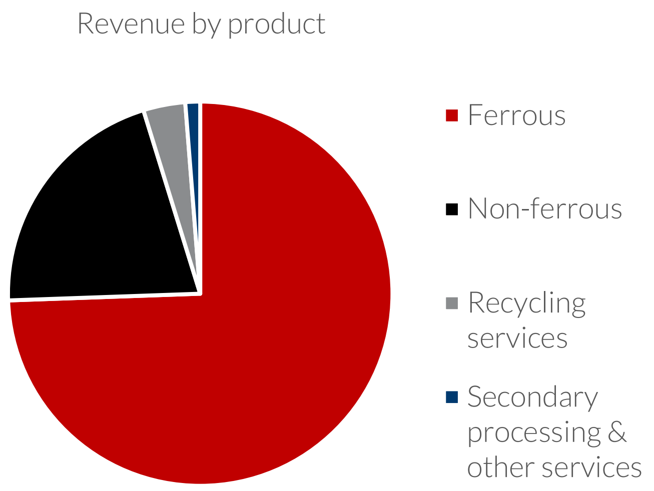
Sims also provides various other recycling services (e.g. recycling the servers in data centres that power the 'cloud'), which offer exciting growth prospects, but these are currently immaterial to its profits. During the year ended June 2022, Sims sold 7.7 million tonnes (mt) of ferrous recycled products and 0.4mt of non-ferrous products. In addition, it brokered sales for third parties of a further 1.6mt of recycled products. Graph 1 shows its revenue by country and product.

Sims' share price weakness due to developments in two of Sims' major markets, Turkey and China, attracted us in 2018. Turkey (the world's largest importer of ferrous scrap metal) was, and still is, experiencing significant economic difficulties. Rampant inflation with loose monetary policy was contributing to a depreciation of its currency, and the resulting weak economic outlook led to concerns around Turkey's domestic steel demand and therefore its scrap consumption.

These concerns were exacerbated by political tensions between the US and Turkey, which saw Donald Trump double tariffs on Turkish imported steel. Developments in China also added to the melting pot of bad news. Environmental clampdowns resulted in China banning the import of several scrap and waste products and strengthening the quality requirements for other products. These affected Sims' sales of non-ferrous products into that country.

GRAPH 1 | Sims' revenue by country and product



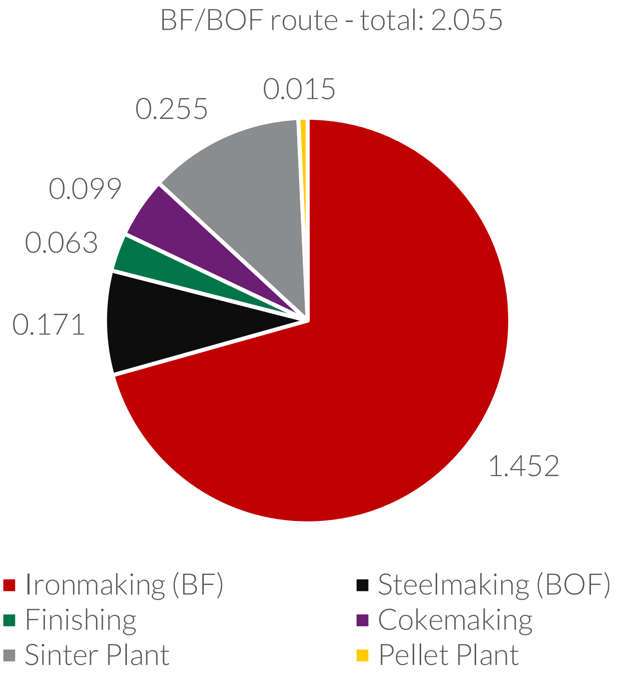


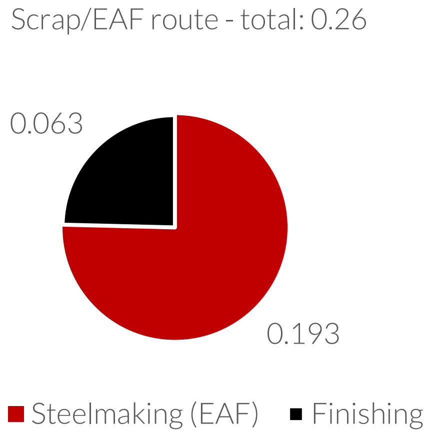
Source: Sims 2022 Annual Report.

We were also attracted to Sims' environmental credentials. For every tonne of ferrous scrap processed and used, Sims' activities displace the need to mine approximately 1.6 tonnes of iron ore and 0.6 tonnes of coking coal, both of which have significant environmental footprints. Furthermore, Sims' operations enable the manufacture of steel using EAFs, which emit considerably less greenhouse gases (GHG) than a BOF.

Graph 2 reflects CO_2 emissions (per tonne (t) of hot rolled coil (HRC), an intermediate steel product) for a scrap fed EAF of 0.26t of CO_2 per t of HRC, significantly lower than the 2.055t of CO_2 for an iron ore and coke-fed BOF. In 2020 Sims estimated its operations helped avoid between 8.5mt and 27.2mt of GHG emissions.

GRAPH 2 | Current CO_2 emissions in the steel industry in t CO_2/t HRC





Source: Sustainability: steel in the circular economy, Steel Australia, autumn 2021.

Our thesis in 2018

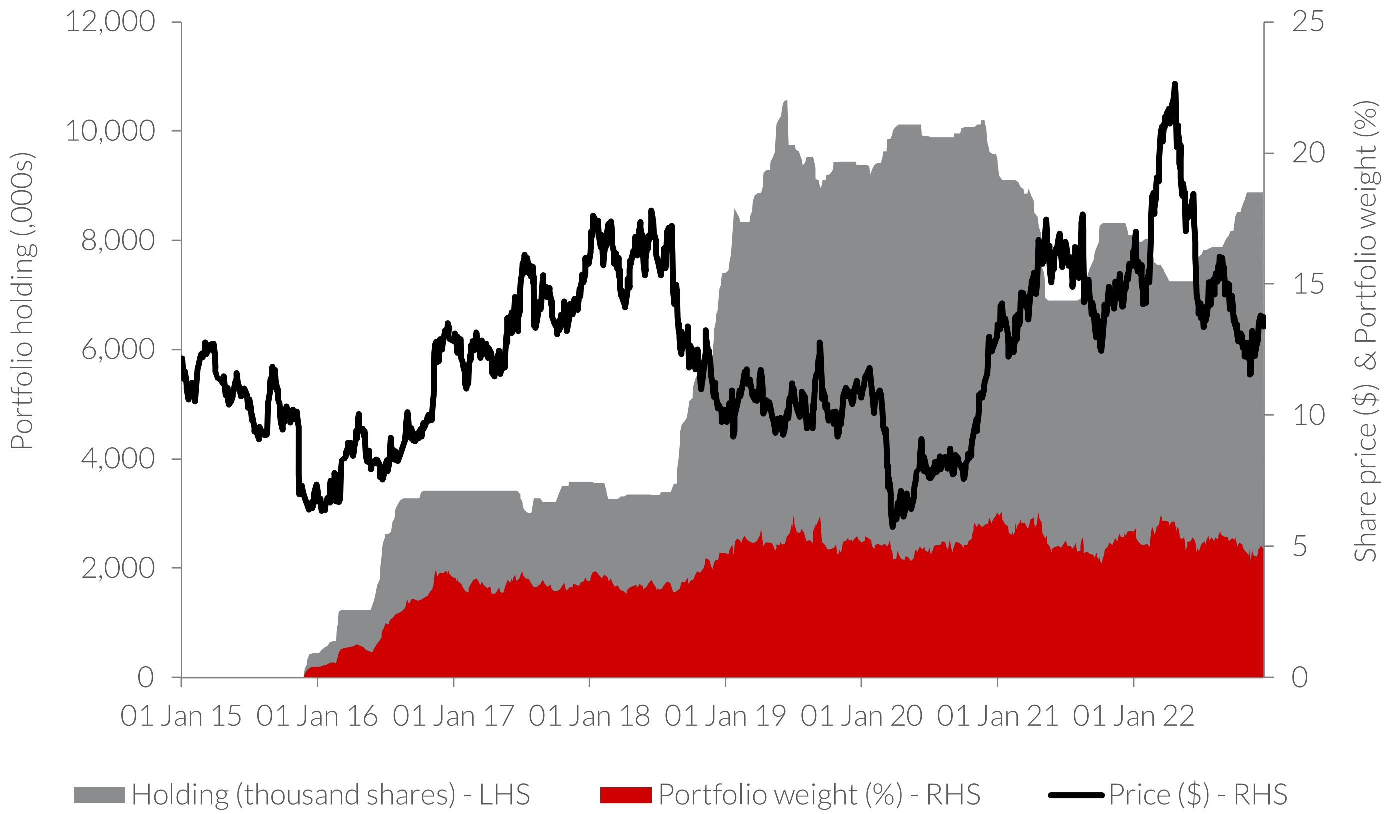
We suggested that the Turkish situation was unlikely to be permanent and that Sims had already invested heavily to improve the quality of its non-ferrous product streams. Not only would this result in it continuing to sell its products into China, but it was also likely to temporarily enhance its competitive advantage (and margins) as other recyclers had not upgraded their recycling facilities.

Sims' market capitalisation at the time was $2.6 billion (b), it had net cash of $300 million (m) and operating profits were expected to be $240m per annum (p.a.). At approximately 10 times these sustainable (in our opinion) operating profits, Sims was attractively priced relative to the then market's 14 times earnings. In addition, given Sims' strong environmental credentials, we expected the company's earnings to grow strongly.

The bumpy ride after 2018

It has been a bumpy ride since 2018. Some things came to fruition, others not… but the journey was wildly different to how we envisaged it. Graph 3 shows three things: Sims' share price, the portfolio's share holdings, and Sims' weight in the portfolio.

GRAPH 3 | Sims' price, the portfolio's holding, and Sims' weight in the Allan Gray Australia Equity Fund



Source: FactSet, Allan Gray, as at 15 December 2022. The Allan Gray Australia Equity Fund is representative of the Equity portfolio, which includes institutional mandates that use the same strategy.

We started buying Sims in late 2015 but didn't begin to significantly increase the portfolio's holding until the share price weakness in the lead up to September 2018, when its weight in the strategy rose to around 4%. We continued buying into 2019 (the grey-shaded area on Graph 3 is increasing as the black line falls). It is from this point that it is worthwhile reflecting on our portfolio decisions. Three notable share price movements followed:

1. The COVID-19 drawdown in early 2020.
2. A near-fourfold share price rally from the low point in mid-2020 to the highs of early 2022.
3. A near halving in its share price after its April 2022 peak.

We discuss these below.

The COVID-19 drawdown

COVID-19 saw Sims' share price fall 40% from its pre-COVID-19 levels. Graph 3 shows only modest purchases during this drawdown, and you could argue that we missed a trick here by not aggressively adding to our investment at COVID-19's bargain prices.

However, capital is not infinite and at the time we were investing the Equity strategy's spare capacity in our energy shares (Woodside, Oil Search and Origin), which we felt offered better risk-adjusted returns than Sims. This turned out to be a good decision as these energy shares have contributed significantly to performance.

The amazing rally – were we greedy?

Learnings from the second share price movement are less clear. From its share price low in March 2020, Sims rallied very strongly and well in excess of the broader share market. We began trimming our position late in 2020. By early 2022, Sims' share price had reached $22/share and despite having sold almost a third of the Equity portfolio's holdings by then, Sims' weight was largely unchanged (due to our sales broadly offsetting the share price strength). In hindsight, we were not aggressive enough with our selling and we hadn't 'banked' as much of the upside as we should have.

While Sims' share price had risen significantly, so too had its earnings (2022's operating earnings of $775m were well above our initial thesis expectations of sustainable earnings of $240m). At its share price peak, Sims' enterprise value (its market capitalisation plus its net debt) was about $4.5b and was priced at less than six times its then operating earnings, well below the broader share market. In other words, Sims was already priced for earnings to fall significantly.

It is of course dangerous to base an assessment of value on earnings that are likely to be high. We also looked at our estimate of sustainable or 'normal' operating earnings. Given a series of acquisitions, the passage of time and a number of operating efficiencies, our 'normal' operating earnings assessment had risen to $300m p.a. At 15 times those earnings, without considering the significant benefit of higher current earnings and the very likely release of cash from working capital as prices fell to 'normal', Sims was no more expensive than the broader share market. It also had an earnings profile seemingly no worse, if not better, than the market.

It was not being blinded by greed that wrong-footed us. It was losing sight of the now changed payoff profile, which was initially skewed to the upside but more balanced following the share price increase. And investments with balanced payoff profiles warrant far less, if any, capital being allocated to them!

2022's drawdown

The most recent bout of share price weakness stems from weakness in scrap markets, which has seen Sims' recycled materials fall significantly in price. In the same way rapidly rising scrap markets contributed to Sims' bumper $600m profit after tax in 2022, the recent falls have had a negative impact on its 2023 profits.

To make matters worse, Sims' trading update in November laid bare the extent of the decline. Weak economic activity, and its impact on volumes (one of Sims' profit drivers), together with persistent inflationary headwinds has seen the company guide to first half 2023 operating profits (earnings before interest and tax) to be between $65m and $75m.

The speed and extent of the earnings decline surprised the market (and us), and the price has fallen significantly. We've modestly increased the portfolio's holdings in Sims, with its weight in the strategy approximating that of 2019 prior to the COVID-19 drawdown.

Coming full circle

Sims' enterprise value today has barely changed relative to the level at which our portfolio first invested in it. Its share price is higher, but its share count is lower due to its share buybacks since 2018.

Despite earnings being depressed now, there is nothing to suggest that our previous assessment of long-term average future earnings has been impaired. If anything, it is higher than we originally forecast due to various investments the company has made over the past few years (using earnings retentions). Over the last six years, Sims has delivered average annual statutory earnings before interest and tax of $272m (with average underlying earnings of $296m p.a.).

Sims' role in the circular economy is important and companies like Sims will need to make a return on their invested capital. Furthermore, there is reason to believe that Sims' recycling facilities have an advantage, given their locations relative to sources of scrap and proximity to deep-seaport infrastructure. Sims trades at approximately one times its net asset base, which we think offers substantial downside protection.

On the other side of the coin, we see significant upside potential. Sims is priced at an attractive multiple (10 times) of our conservative estimate of likely future operating earnings. Not only is this much cheaper than the broader market, but we also reasonably expect its earnings to grow faster as the world increasingly seeks to decarbonise.

FUND COMMENTARY
QUARTER IN REVIEW

by JULIAN MORRISON, CFA

Investment Specialist

Allan Gray Australia Equity Fund

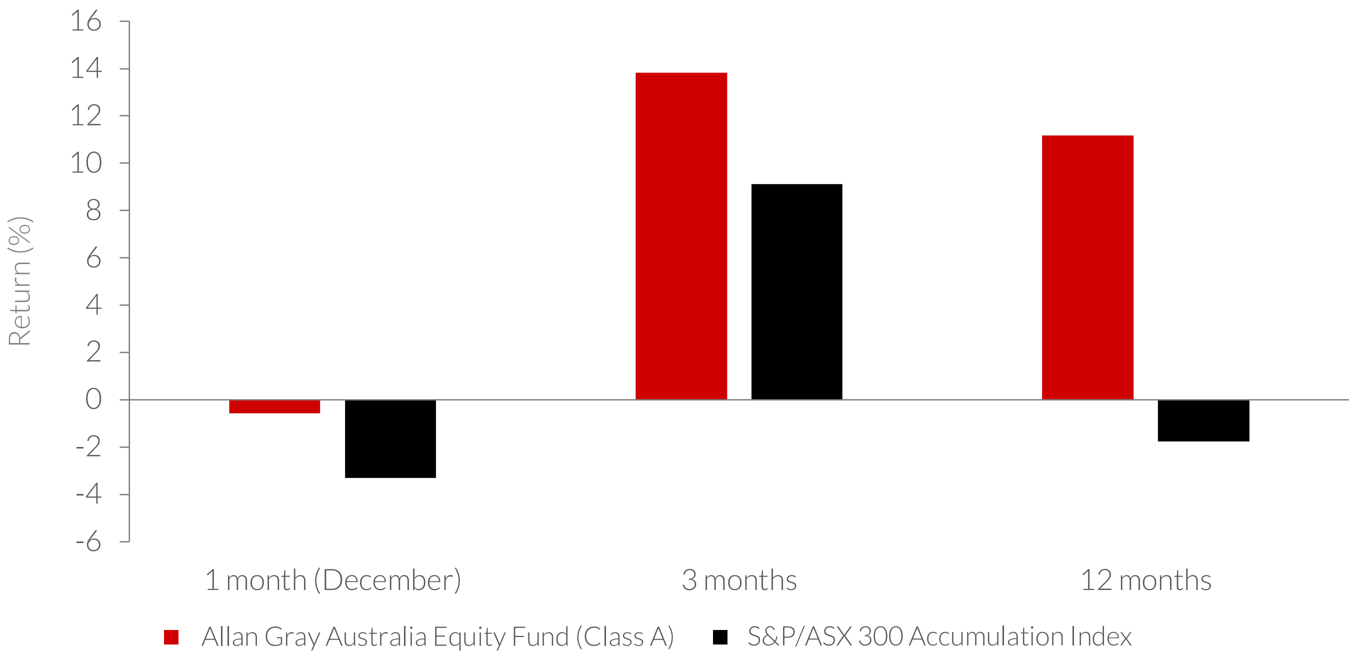
The Australian share market rose strongly during the December quarter, with the S&P/ASX 300 Accumulation Index up 9.1%. The quarterly number masks the fact that gains earlier in the quarter gave way to a weaker finish (the S&P/ASX 300 Accumulation Index was down 3.3% for the month of December). The Allan Gray Australia Equity Fund (Class A) was up 13.8% this quarter, outperforming the benchmark.

Graph 4 shows the Equity Fund's performance over one month, three months and 12 months versus the benchmark.

If you invest in the same shares as the majority of investors at the same time, it is by definition almost impossible to outperform the market. As the following graphs demonstrate, the Equity Fund maintains a very different position to the index weightings, and with good reason. Unfortunately, being positioned differently does not guarantee outperformance – only 'different' performance. Our conviction is based upon our fundamental research and today we believe extreme differences in valuation remain across the share market between shares that we assess as undervalued, and those that we assessed as overvalued.

Our approach is to position the Equity Fund in the most undervalued shares versus our assessment of long-term value. We believe this not only maximises the opportunity for long-term outperformance, but also best mitigates the risk of permanent loss of capital, which stems from overpaying.

GRAPH 4 | Equity Fund (Class A) performance versus S&P/ASX 300 Accumulation Index benchmark



Source: Allan Gray, Bloomberg, 31 December 2022.

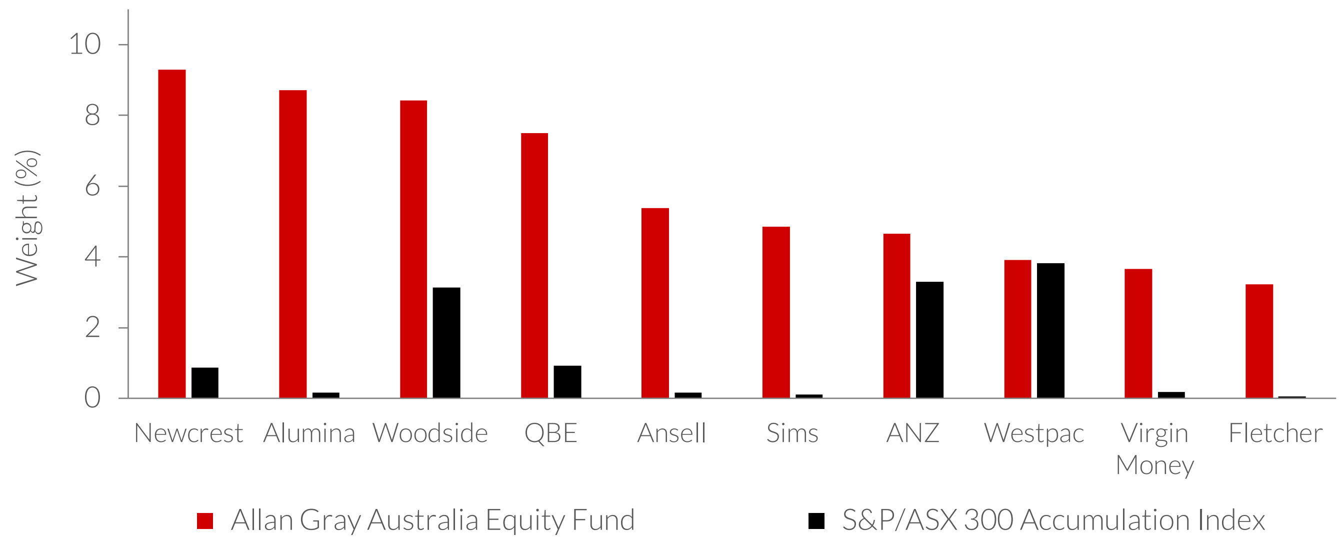
Graph 5 shows the top ten holdings by weight in the Allan Gray Australia Equity Fund. It also compares the weights in those same shares against the benchmark.

Graph 6 shows the top ten holdings by weight in the benchmark S&P/ASX 300 Index. It also compares the weights in those same shares for the Equity Fund.

Looking at attribution for the last quarter, positioning in the Financials sector contributed strongly to outperformance. Amongst Financials holdings, Virgin Money UK was a large positive contributor, along with QBE, Challenger and AMP. We have trimmed some of these positions on recent strength. At the same time, most still look reasonable value versus the broader market and so remain meaningful positions in the Equity Fund. Amongst the Australian banks, we have positions in ANZ and Westpac, which have been slightly reduced during the last quarter.

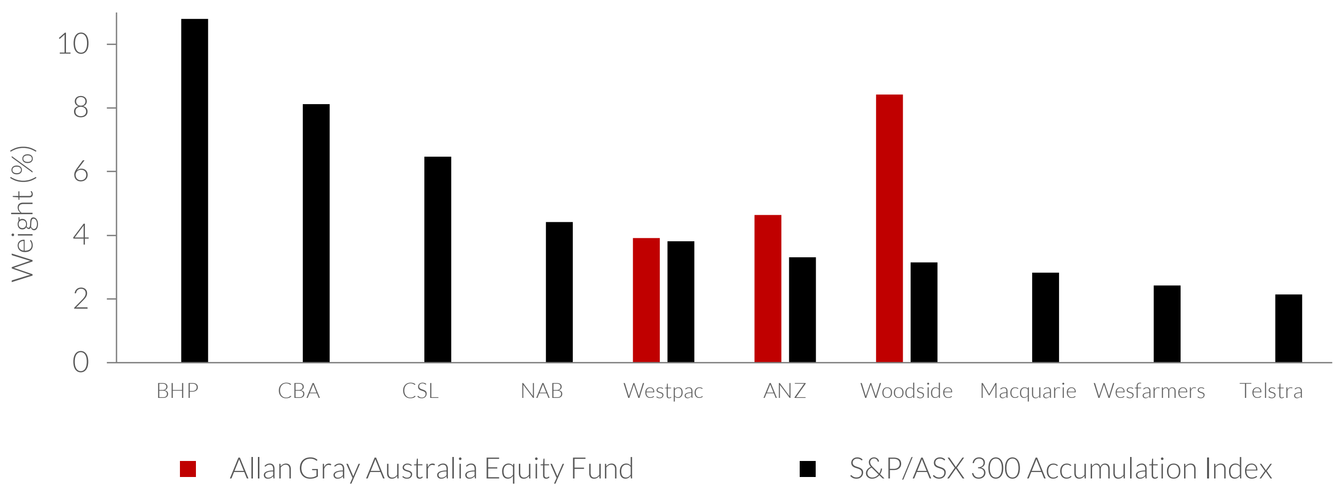
Positioning in the Materials sector also contributed positively to relative performance during the last quarter - something of a turnaround from the recent past. Newcrest Mining and Alumina were major positive contributors during the quarter, having been the two leading detractors for most of 2022. We added to both positions earlier in the quarter before the more recent resurgence. We also added to scrap metal recycler Sims this quarter on share price weakness (for more on Sims, please see a detailed discussion in the earlier section of this report).

GRAPH 5 | Equity Fund – top 10 holdings compared with the S&P/ASX 300 Accumulation Index weights



Source: Allan Gray, Morningstar

GRAPH 6 | S&P/ASX 300 Index – top 10 holdings compared with Equity Fund weights



Source: Allan Gray, Morningstar

Officially categorised within the Healthcare sector, industrial and medical glove manufacturer Ansell also contributed positively to relative performance for the quarter, outperforming both the broader market and the Healthcare sector. We have maintained our position in Ansell and the share remains within the top ten holdings as at quarter end. Not owning some of the larger healthcare shares also contributed to relative performance as the overall Healthcare sector underperformed the broader market for the quarter.

Holdings in the Energy sector were overall positive during the quarter. We include Origin Energy in this for obvious reasons, though it officially sits within the Utilities sector. Origin's share price benefited from a takeover offer during the quarter from Brookfield Asset Management and EIG. This deal is still in motion, though not yet certain, as at time of writing. Due diligence is to be completed (by mid-January). Looking at other energy-related companies, Woodside and Worley both contributed positively to relative performance for the quarter, while Santos underperformed.

Notable for the Energy sector during the quarter, the Australian Government imposed a price cap on the sale of gas. The cap is set at $12 per gigajoule for gas sold in domestic markets for the next 12 months. For the companies held in the Allan Gray portfolios, much of the gas sold in 2023 will take place at previously contracted prices. As such there should not be a major effect during this time, though a question mark remains over the potential extension of price capping beyond 2023. We will maintain discussions with our portfolio companies where relevant and maintain our independent, continuous assessment of valuations. For now, we have made a submission to government to share our thoughts on this matter.

The management teams of these companies have been vocal in highlighting the risks of excessive price capping – both quantum and duration – with regard to encouraging ongoing development of resources and thus certainty of supply. Indeed, it is possible for such policies to come with unintended consequences that may exacerbate energy pricing issues, rather than solving them.

Since the announcement, the share prices of these companies have been fairly steady, and do not seem to reflect any major concern. Given the strong positive contribution in recent times, we have continued to trim these exposures at times of strength (both during the last quarter and year), re-allocating to other ideas, and maintaining appropriate position sizing. Still, some of these companies remain significantly below fair value and so we remain overweight the sector and in particular Woodside remains one of the largest holdings in the Fund.

The most notable detractor from relative performance for the quarter was Lendlease. This Diversified Real Estate company has seen its share price meaningfully underperform the market as expectations have deteriorated for profitability over the next year. We believe the consensus view is excessively negative versus a longer term, normalised outcome. As such, we have added to this position during the last quarter.

We continue to invest the Equity Fund's assets where we see the best long-term value. At this juncture in the cycle, as much as ever, the aim is also to avoid investing in companies we see as overvalued. The gap between these categories remains large in our view, and continues to present a great opportunity for long-term outperformance, as well as (less visible) prudent risk management.

Allan Gray Australia Balanced Fund

The Allan Gray Australia Balanced Fund returned 10.3% for the quarter, outperforming its composite Benchmark which was up 4.0% for the quarter.

Stock selection in global shares contributed positively to relative performance for the quarter, as did exposure to Australian shares. The largest individual contributors included oilfield services company Schlumberger which benefited from rising oil and gas prices, Newcrest Mining and Alumina (both mentioned in the above Equity Fund commentary). As at quarter end, the Fund remained overweight global shares and underweight Australian shares.

The Fund had about 64% in shares on average during the quarter. This is after accounting for about 8% of the global share exposure being reduced through the use of exchange-traded derivatives, which allows for some protection in those periods where market indices fall.

During the quarter, the Fund also held around 22% in fixed income securities. The relative contribution from fixed income was muted this quarter, with modest outperformance from the Australian component, and modest underperformance from global fixed income.

The duration of the fixed income allocation remains significantly shorter in duration than the benchmark – at three years versus about seven years for the benchmark. This means that the fixed income portion of the Fund remains more defensively positioned than the benchmark (in terms of both relative and absolute returns), in the event interest rates rise further from here. Government bond yields were generally higher over the quarter, though relatively flatter when compared to the more aggressive rising of the last year.

Active currency positioning contributed strongly, largely driven by the portfolio's underweight exposure to the US dollar, which weakened relative to most other currencies during the quarter. The roughly 5% exposure to gold through an exchange-traded fund also contributed positively for the quarter.

As with the Equity Fund, we believe potential portfolio value relative to the market is significant and we continue to manage for risk with a long-term, valuation-driven perspective.

Allan Gray Australia Stable Fund

The Allan Gray Australia Stable Fund returned 4.5% for the quarter, outperforming its cash rate benchmark – which returned 0.7% for the quarter.

The Stable Fund has outperformed the cash rate benchmark each month of the last quarter, including December, when the broad Australian S&P/ASX 300 Accumulation Index fell 3.3%. This has further added to the Fund's asymmetric return profile since inception (greater participation in equity market upside than downside, on average).

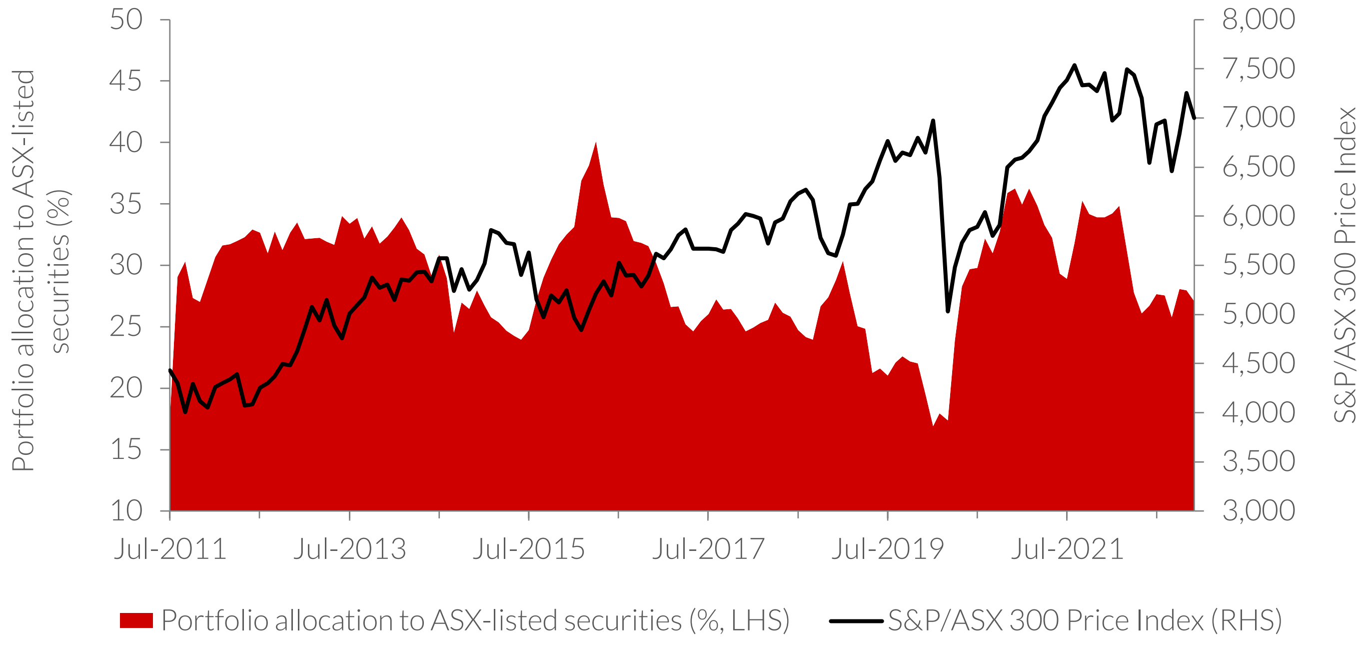
The Fund increased equity exposure slightly during the last quarter. This was the combined result of active buying in some shares assessed as attractive at depressed prices, and positive market movement in others. We have trimmed some of those holdings where strong performance has brought them closer toward fair value.

As at the end of December, the Fund had 27.1% invested in ASX-listed securities. The remaining c.73% is held in cash and money market investments. This can be seen in Graph 7, which shows our allocation between cash and ASX-listed securities over time.

The Stable Fund aims to add value from both our disciplined share selection, and from the decision on how much to allocate to securities versus cash. This provides the Stable Fund with great flexibility to manage risk throughout the market cycle while still seeking to add long-term returns above cash. We believe the current environment provides a great opportunity for the Stable Fund to demonstrate its intended benefits. It offers a moderate risk/return profile, with the potential to outperform cash with less risk than full exposure to the Australian share market, while having the advantage of simplicity and ease of understanding.

We continue to manage exposures to what we believe is a prudent level, and to hold allocations to what we see as the most attractively valued shares identified by our research.

GRAPH 7 | Stable Fund listed security weighting – allocation rises where we see value in listed securities



Source: Allan Gray, Bloomberg, 31 December 2022

EQUITY FUND PERFORMANCE

Allan Gray Australia Equity Fund — Class A units

	Allan Gray Australia Equity Fund	S&P/ASX 300 Accumulation Index	Relative Performance
ANNUALISED (%)			
Since Public Launch on 4 May 2006	8.0	6.2	1.8
15 Years	6.6	5.0	1.6
10 Years	10.6	8.6	2.0
5 Years	6.0	7.1	(1.1)
3 Years	5.7	5.5	0.2
1 Year	11.2	(1.8)	13.0
NOT ANNUALISED (%)			
Latest Quarter	13.8	9.1	4.7

Allan Gray Australia Equity Fund — Class B units

	Allan Gray Australia Equity Fund	S&P/ASX 300 Accumulation Index	Relative Performance
ANNUALISED (%)			
Since Class Launch on 26 October 2012	10.9	8.9	2.0
10 Years	10.7	8.6	2.1
5 Years	6.7	7.1	(0.4)
3 Years	6.5	5.5	1.0
1 Year	12.0	(1.8)	13.8
NOT ANNUALISED (%)			
Latest Quarter	14.0	9.1	4.9

Highest and lowest annual return since launch

Allan Gray Australia Equity Fund - Class A units	Return %	Calendar year
Highest	55.1	2009
Lowest	(45.9)	2008

Allan Gray Australia Equity Fund - Class B units	Return %	Calendar year
Highest	33.4	2016
Lowest	(7.0)	2018

Past performance is not a reliable indicator of future performance. Returns shown are net of fees and assume reinvestment of distributions. Returns are annualised for periods of one year and over. Annualised returns show the average amount earned on an investment in the relevant Class each year over the given time period. Actual investor performance may differ as a result of the investment date, the date of reinvestment of income distributions, and withholding tax applied to income distributions.

The highest and lowest returns earned during any calendar year since the launch of each Class are shown to demonstrate the variability of returns. The complete return history for each Class can be obtained by contacting our Client Services team.

EQUITY FUND HOLDINGS

(CLASS A AND CLASS B)

Fund holdings as at 31 December 2022

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Newcrest Mining	221,720	9
Alumina	207,870	9
Woodside Energy Group	200,886	8
QBE Insurance Group	179,120	8
Ansell	128,426	5
Sims	115,823	5
Aust. and NZ Banking Group	110,916	5
Westpac Banking	93,241	4
Virgin Money UK	87,289	4
Fletcher Building	76,871	3
AMP	72,733	3
Lendlease Group	70,148	3
Incitec Pivot	65,863	3
Nufarm	63,730	3
Origin Energy	63,384	3
Worley	61,247	3
Metcash	58,068	2
Santos	50,323	2
Challenger	49,551	2
G8 Education	38,585	2
SkyCity Entertainment Group	33,154	1
Peet	27,607	1
Downer EDI	26,549	1
Positions less than 1%	215,605	9
Total Security Exposure	2,318,711	97
ASX SPI 200 ™ Futures Contract (03/2023)†	52,964	2
Net Current Assets	15,455	1
Net Assets	2,387,130	100
Price per unit - Class A (cum distribution)	AUD 1.7048	
Price per unit - Class B (cum distribution)	AUD 1.7048	
Total Assets Under Management for the Australian equity strategy (AUD 000's)‡	AUD 8,933,394	

† Futures contracts are fully backed by cash holdings.
‡ Allan Gray Australia Pty Ltd also manages segregated accounts that have substantially the same investment goals and restrictions as the Fund.

BALANCED FUND PERFORMANCE

Allan Gray Australia Balanced Fund

	Allan Gray Australia Balanced Fund	Custom Benchmark*	Relative Performance
ANNUALISED (%)			
Since Public Launch on 1 March 2017	6.9	6.0	0.9
5 Years	5.4	5.3	0.1
3 Years	5.9	2.3	3.6
1 Year	7.3	(8.1)	15.4
NOT ANNUALISED (%)			
Latest Quarter	10.3	4.0	6.3

Highest and lowest annual return since public launch

Allan Gray Australia Balanced Fund	Return %	Calendar year
Highest	13.9	2019
Lowest	(4.1)	2018

** The Custom Benchmark for the Fund comprises 36% S&P/ASX 300 Accumulation Index; 24% S&P/ASX Australian Government Bond Index; 24% MSCI World Index (net dividends reinvested) expressed in AUD; and 16% JPMorgan Global Government Bond Index expressed in AUD.*

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The highest and lowest returns earned during any calendar year since the public launch of each Fund are shown to demonstrate the variability of returns. The complete return history for each Fund can be obtained by contacting our Client Services team.

BALANCED FUND
HOLDINGS

Fund holdings as at 31 December 2022

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Equity		
Domestic Equity		
Newcrest Mining	5,046	3
Alumina	4,866	3
Woodside Energy Group	4,467	3
QBE Insurance Group	4,012	3
Sims	3,274	2
Ansell	2,958	2
Aust. and NZ Banking Group	2,245	2
Westpac Banking	2,020	1
Origin Energy	1,473	1
Domestic Equity Positions less than 1%	16,375	11
Global Equity		
Kinder Morgan	4,174	3
Samsung Electronics	2,868	2
Drax Group	2,049	1
Fletcher Building	1,863	1
Virgin Money UK	1,761	1
AES	1,590	1
Sumitomo Mitsui Fin.	1,573	1
Shell	1,569	1
Bayer	1,480	1
Global Equity Positions less than 1 %	36,443	25
Total Equity^	102,105	70

^ The Fund holds derivative contracts which reduces the effective net equity exposure to 63%.

BALANCED FUND HOLDINGS

Security	Market Value AUD 000's	% of Fund
Fixed Income		
Domestic Fixed Income		
Australian Government Bonds	20,363	14
Global Fixed Income		
US TIPS 3 - 5 Years	4,516	3
US TIPS 1 - 3 Years	1,577	1
Global Fixed Income Positions less than 1 %	8,885	6
Total Fixed Income	35,341	24
Commodity Linked Investments		
SPDR Gold Trust	6,278	4
Total Commodity Linked Investments	6,278	4
Total Security Exposure	143,724	98
Cash Equivalents and Term Deposits	2,244	2
Net Current Assets	218	<1
Net Assets	146,186	100
Price per unit (cum distribution)	AUD 1.2341	

STABLE FUND PERFORMANCE

Allan Gray Australia Stable Fund

	Allan Gray Australia Stable Fund	RBA Cash	Relative Performance	Distribution
ANNUALISED (%)				
Since Public Launch on 1 July 2011	5.9	1.8	4.1	4.1
10 Years	5.6	1.5	4.1	4.1
5 Years	3.7	0.9	2.8	4.0
3 Years	3.9	0.6	3.3	4.0
1 Year	4.6	1.3	3.3	6.6
NOT ANNUALISED (%)				
Latest Quarter	4.5	0.7	3.8	0.8

Highest and lowest annual return since public launch

Allan Gray Australia Stable Fund	Return %	Calendar year
Highest	14.4	2016
Lowest	(0.5)	2018

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STABLE FUND
HOLDINGS

Fund holdings as at 31 December 2022

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Alumina	15,990	5
Newcrest Mining	15,473	5
Woodside Energy Group	14,516	4
QBE Insurance Group	6,803	2
Ansell	4,911	1
Virgin Money UK	4,201	1
Positions less than 1%	27,759	8
Total Security Exposure	89,653	27
Cash and Money Market Instruments	239,125	73
Net Current Assets	2,272	<1
Net Assets	331,050	100
Price per unit (cum distribution)	AUD 1.2098	

INFORMATION ABOUT THE FUNDS

	Allan Gray Australia Equity Fund	Allan Gray Australia Balanced Fund	Allan Gray Australia Stable Fund
Investment objective	The Fund seeks long-term returns that are higher than the S&P/ ASX 300 Accumulation Index (Benchmark).	To seek long-term returns that are higher than the Custom Benchmark. In doing so, the Fund aims to balance capital growth, income generation and risk of loss using a diversified portfolio.	The Fund aims to provide a long-term return that exceeds the Reserve Bank of Australia cash rate (Benchmark), with less volatility than the Australia sharemarket.
Who should invest?	Investors looking for contrarian investment style exposure to the Australian sharemarket and who are able to take a long-term view and endure performance fluctuations.	Investors with an investment horizon of at least three years who want to easily diversify their portfolio within a single fund and are looking for less ups and downs than investing solely in shares. The Fund invests in shares, fixed income, cash and commodity investments sourced locally and globally.	Investors with a two-year or longer investment horizon who are looking to potentially outperform cash over the long term with less risk than investing in the sharemarket alone. The Fund holds at least 50% in cash and money market instruments. When the opportunity arises, the remainder is invested in selected ASX securities.
Dealing	Daily (cut-off at 2pm Sydney time. A different cut-off applies if investing via mFund, where applicable).		
Buy/sell spread	+0.2%/-0.2%	+0.2%/-0.2%	+0.1%/-0.1%
Fees and expenses (excluding GST)	**Class A** Management fee comprises: • Fixed (Base) fee – 0.75% per annum of the Fund's NAV. • Performance fee – 20% of the Class' outperformance, net of the base fee, in comparison to the Benchmark. A performance fee is only payable where the Class' outperformance exceeds the high watermark, which represents the highest level of outperformance, net of base fees, since the Class' inception.	Management fee comprises: • Fixed (Base) fee – 0.75% per annum of the Fund's NAV. • Performance fee – 20% of the Fund's outperformance, net of the base fee, in comparison to the custom Benchmark. A performance fee is only payable where the Fund's outperformance exceeds the high watermark, which represents the highest level of outperformance, net of base fees, since the Fund's inception.	Management fee comprises: • Fixed (Base) fee – 0.25% per annum of the Fund's NAV. • Performance fee – 20% of the Fund's outperformance, net of the base fee, in comparison to the Benchmark. A performance fee is only payable where the Fund's outperformance exceeds the high watermark, which represents the highest level of outperformance, net of base fees, since the Fund's inception.
	Class B Management fee comprises: • Fixed (Base) fee – Nil. • Performance fee – 35% of the Class' outperformance in comparison to the Benchmark. A performance fee is only payable where the Class' outperformance exceeds the high watermark, which represents the highest level of outperformance, since the Class' inception.		
Minimum initial investment	AUD 10,000/AUD 500 per month on a regular savings plan.		
Additional investment	AUD 1,000/AUD 500 per month on a regular savings plan.		
Redemption	No minimum applies for ad hoc redemptions. A minimum of AUD 500 per month applies on a regular redemption plan. Investors must maintain a minimum account balance of AUD 10,000.		

NOTICES

Sources

The source for the S&P/ASX 300 Accumulation Index and the S&P/ASX Australian Government Bond Index is Standard & Poor's. "S&P" is a trademark of S&P Global, Inc.; "ASX" and "ASX 300" are trademarks of ASX Operations Pty Limited ("ASXO"); and "S&P/ASX300" exists pursuant to an arrangement between ASXO and Standard & Poor's.

The source for the MSCI World Index is MSCI Inc. "MSCI" is a trademark of MSCI Inc.

The source for the JP Morgan Global Government Bond Index is J.P. Morgan Securities LLC. "JP Morgan" is a trademark of JPMorgan Chase & Co.

The third party information providers do not guarantee the accuracy, adequacy or completeness of this information, and no further distribution or dissemination of the index data is permitted without express written consent of the providers. None of those parties shall have any liability for any damages (whether direct or otherwise).

Returns

Fund returns are gross of all income, net of all expenses and fees, assume reinvestment of distributions and exclude any applicable spreads.

Risk Warnings

Managed investment schemes are generally medium to long-term investments. Past performance is not indicative of future performance. Each Fund's unit price will fluctuate and the Fund's performance is not guaranteed. Returns may decrease or increase as a result of currency fluctuations. When making an investment in a Fund, an investor's capital is at risk. Subject to the disclosure documents, managed investment schemes are traded at prevailing prices and can engage in borrowing and securities lending.

US and European Persons

The Funds do not accept US persons as investors and are not marketed in the European Economic Area (EEA). Investors resident in the EEA can only invest in the Fund under certain circumstances as determined by, and in compliance with, applicable law.

Fees

The base fee and the performance fee (if applicable) are calculated and accrued daily, and paid monthly. A schedule of fees and charges is available in the relevant Fund's disclosure documents.

Other

Equity Trustees Limited, AFSL No. 240975 is the issuer of units in the Allan Gray Australia Equity Fund, the Allan Gray Australia Balanced Fund and the Allan Gray Australia Stable Fund and has full responsibility for each Fund. Equity Trustees Limited is a subsidiary of EQT Holdings Limited, a publicly listed company on the Australian Stock Exchange (ASX:EQT). Allan Gray Australia Pty Limited, AFSL No. 298487 is the Funds' investment manager. Each Fund's Product Disclosure Statement and Information Booklet (together, PDS) are available from www.allangray.com.au or by contacting Client Services on 1300 604 604 (within Australia) or +61 2 8224 8604 (outside Australia). You should consider the relevant Fund's PDS in deciding whether to acquire, or continue to hold, units in the fund. Target Market Determinations (TMDs) for the Allan Gray products can be found at allangray.com.au/PDS-TMD-documents. Each TMD sets out who an investment in the relevant Allan Gray product might be appropriate for and the circumstances that trigger a review of the TMD.

This report provides general information or advice and is not an offer to sell, or a solicitation to buy, units in the relevant Fund. Where the report provides commentary on a particular security, it is done to demonstrate the reasons why we have or have not dealt in the particular security for a Fund. It is not intended to be, nor should be construed as, financial product advice. This report is current as at its date of publication, is given in good faith and has been derived from sources believed to be reliable and accurate. It does not take into account your objectives, financial situation or needs. Any implied figures or estimates are subject to assumptions, risks and uncertainties. Actual figures may differ materially and you are cautioned not to place undue reliance on such information. Subject to applicable law, neither Allan Gray, Equity Trustees Limited nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accept any liability to any person who relies on it. Fees are exclusive of GST. Totals presented in this document may not sum due to rounding.

ALLAN GRAY

CONTRARIAN INVESTING

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