

QUARTERLY COMMENTARY

31 DECEMBER 2021



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INVESTMENTS AND SUPERANNUATION

# COMMENTARY



**SIMON MAWHINNEY, CFA**  
Managing Director & Chief  
Investment Officer

## Sharemarkets around the world have been trending very strongly

The winners (best performers) have been high-quality companies, stable earners and 'sexy' disruptors. The losers (worst performers) are mostly cyclically-exposed and 'boring' companies with uncertain futures.

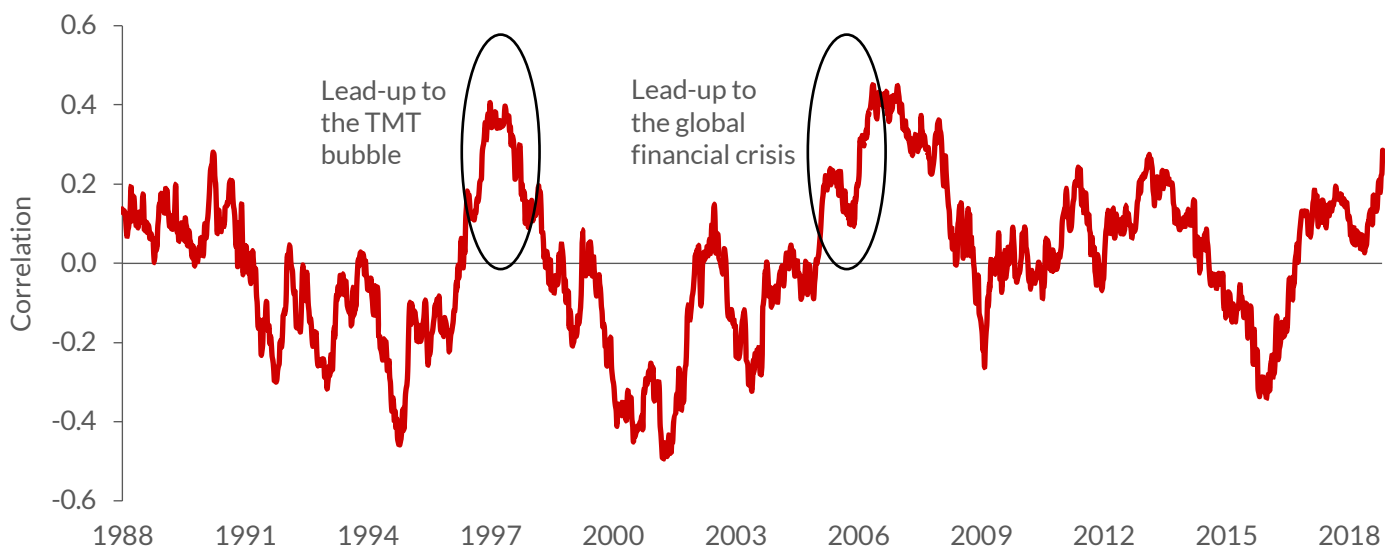
Graph 1 illustrates the degree to which share prices have trended in recent years. It graphs the correlation between the

total return of the winners over three years and the winners over the next three years. At each point on the graph, index constituents are ranked from one (the best performer in the S&P/ASX 300 Index over the prior three years) to 300 (the worst performer in the index over the prior three years). A similar rank is assigned to companies based on their actual returns in the next three years and the correlation of the ranks are determined. The higher the correlation, the greater the trending or momentum in the market.

In other words, a high correlation suggests that the winners of the past three years go on to be the winners of the next three years. The simple way to explain the graph is to say that when the line is high, the preceding three-year share price winners continue to be the next three-year share price winners. When the line is below zero, previous winners are recent losers.

The graph ends in 2018, as we don't yet know how the 2019 cohort of winners has performed over the subsequent three years. We will only know this next year. The most recent three-year correlation is not as high as in the lead-up to the TMT bubble of the late 1990s, nor is it as high as levels immediately before the global financial crisis. But it is not far from those levels and it is higher than at every other point in time since 1988.

**Graph 1: Share prices are trending – winners keep on winning**



Source: Orbis.

## Should you be worried?

Is this cause for concern? We believe so. You might argue that in today's technology-enabled age of disruption, the winners of the recent past are likely to continue to gain an increasing share of their respective markets. Think of Alphabet (Google), Meta Platforms (Facebook), Apple, Amazon, Tesla, and so on. In the absence of regulatory intervention, it is quite likely that they will continue to dominate their respective fields and win an increasing share of wallet. Their share prices may therefore continue to reflect their respective paths to world domination.

But the vast majority of the winning technology companies in Australia are in fact the same as the ones mentioned above and none of them are listed on the Australian Securities Exchange and don't affect our analysis. Also, even if we are wrong and a handful of Australian companies go on to dominate the world stage (as Afterpay seems destined to do), it is unlikely to impact our analysis significantly, given it is a unit-weighted analysis and agnostic about the size of each company. The degree of trending is therefore skewed by the number of companies trending rather than the market

capitalisation of a few companies that have been spectacularly successful (e.g. CSL).

## The risk that this has become unsustainable is growing by the day

COVID-19 is unlikely to be the cause of this trending, given the trending started before COVID's onset. ESG considerations have likely played some role here. Whatever the reason, the risk that this has become an unsustainable feeding frenzy grows by the day. The winners continue to attract increasing amounts of investment flows, with the losers being sold to fund the buying. Price movements are the only way to balance the scales, with underlying fundamentals becoming less and less relevant.

More important than why this has happened, is how we can seek to profit from it for our clients. In the dust left behind all this momentum-driven euphoria are a number of companies we consider to be cheap and have excellent prospects. Worley Limited is one such company, which our Portfolio Manager, Dr Suhas Nayak, discusses below.



**DR SUHAS NAYAK**  
Analyst and Portfolio Manager

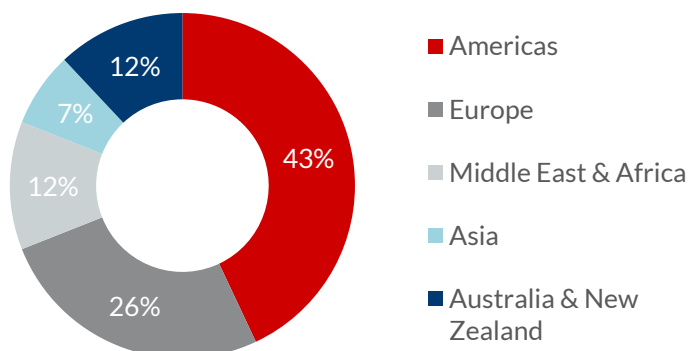
## Worley Limited

Worley is an engineering services provider that primarily services the global resources and energy sectors. Graph 2 shows the geographic and sector spread of the company's revenue.

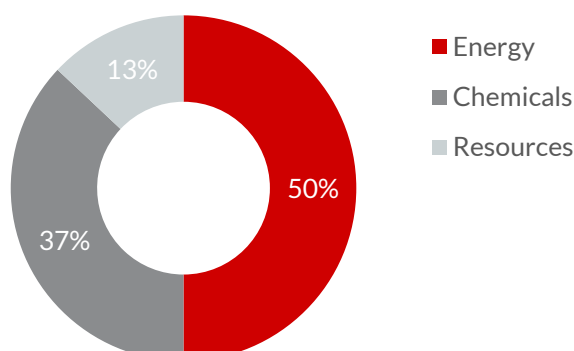
Worley's engineers are typically billed out to clients (doing 'reimbursable work', to use industry jargon), with very little done on a lump-sum or fixed-cost basis. As a result, the company will do well if they maintain a high level of utilisation of its staff and a high level of revenue. A lot of Worley's revenue is 'booked and burned' (i.e. projects are won and executed) within the year, which makes visibility of future revenue quite difficult.

**Graph 2: Geographic and sector spread of Worley's revenue**

### Regional aggregated revenue



### Sector aggregated revenue



Source: Worley FY21 results presentation.

However, activity levels in the resources and energy sectors do influence the company's overall revenues. Higher capital expenditure programs in both sectors will typically mean higher revenues for Worley, and, if utilisation is kept high, then that will lead to higher profits for shareholders of the company.

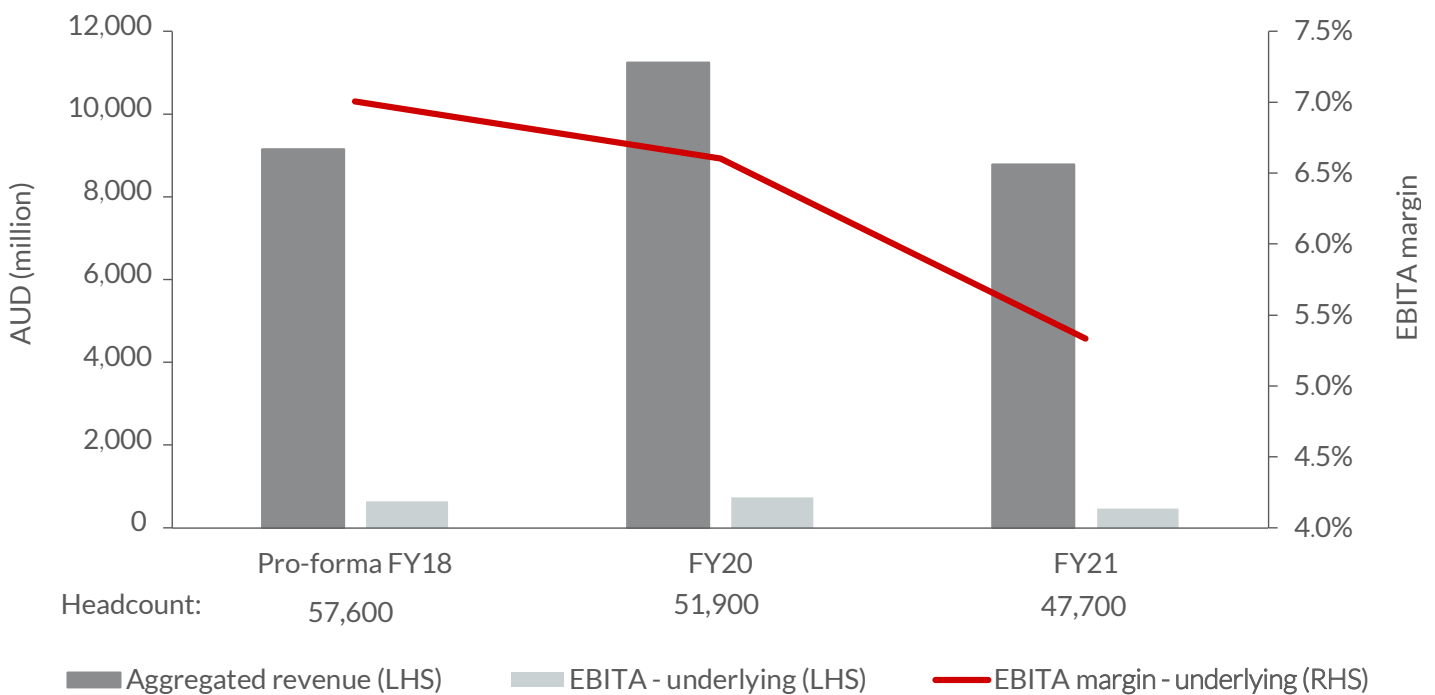
### What went wrong?

In 2018, Worley made its biggest acquisition to date, the Energy, Chemicals and Resources (ECR) segment of Jacobs Engineering, which just about doubled the size of the company on most metrics. The share price weakened after this large acquisition, probably as a result of the change in business mix and the large issue of new shares used to fund it. While integration of the two businesses has appeared to have gone well, the aftermath of COVID-19 created significant share price weakness. COVID-19

led to the company's major customers deferring capital expenditure and projects, which led to a sudden reduction in revenue for Worley.

While many of the underlying commodity prices have bounced back to pre-COVID-19 (or higher!) levels, capital expenditure by Worley's clients has not kept pace. Worley's revenue growth has therefore lagged the underlying commodities' price growth. Despite cost-outs that came with integration, and further cost-savings the company has made since, the lower revenues have led to a material reduction in profits as can be seen in Graph 3, which shows Worley's pro-forma (hypothetical) financials for financial year (FY)18 (which combines ECR and Worley as if the acquisition had happened in FY18) and financials for FY20 and FY21. This has been accompanied by a sharp drop in personnel, from 57,600 in FY18 to 47,700 at the end of FY21. Please note that there is no data available for FY19.

**Graph 3: Worley's profits are lower**



Source: Worley company announcements.

### A mix of old and new

In the past, and certainly before the ECR acquisition, Worley's share price was highly correlated with the price of oil. This probably reflected the company's exposure to capital expenditure by major oil and gas companies around the world. That level of correlation is less justifiable today, as the ECR acquisition diversified the business.

More recently, the company has put a much greater focus on sustainability projects, knowing that a more sustainable world is likely to involve very large capital expenditure and some complex engineering problems. While it is possible that oil and gas capital expenditures do not grow much from the low levels of 2021, Worley's future revenue growth may not be hindered by that one sector. The company recently flagged its aspiration for 75% of its revenue to be generated from sustainability-related business within five years.

## What is priced in and what isn't?

Worley's current market capitalisation is \$5.6b. Together with net debt of \$1.5b, the company's enterprise value is around \$7.1b. This means the company currently trades at 15 times FY21 underlying earnings before interest, taxes, and amortisation (EBITA), in line with the broader market. However, we think future EBITA is likely to be significantly higher because:

- Oil and gas capital expenditure was very depressed over FY21. Low oil prices caused project deferrals across the oil and gas space.
- Work could not be done easily at many sites due to COVID-related restrictions. This reduced the work that Worley could do, especially in the maintenance part of the business.
- Despite some cost-saving measures (that were going to happen with or without the pandemic-induced reduction in revenues), Worley did not reduce its employee base directly in line with revenue reductions. It chose to look through the cycle and preserve critical capabilities so it could take advantage of any upturn in demand. If that demand does not come through, it is likely further cost-saving measures would be possible, thereby boosting EBITA even if revenues remained flat.

Referring back to Graph 3, from FY20 to FY21, revenue was down around \$2.5b. Without their achieved cost-saving measures, EBITA would have fallen by approximately \$500m. This means gross margins on work done might be around 20%, which also gives a sense of the leverage to increased revenues. If revenues returned to FY20 levels, then we could expect Worley to earn over \$950m of EBITA. The Worley share price suggests that the market assigns a very low probability of that increased revenue occurring. But it certainly seems possible: commodity prices were lower through FY20 than they are now, and the tilt towards projects that help the world transition from fossil fuels suggests that there may even be incremental project revenue available in the future.

## The impact of trending

While the upside for Worley looks promising, it is worth commenting on how the company is priced relative to others. After three years of poor share price performance, and two years of a difficult business environment for Worley, we see quite a divergence in valuation between it and some of the favoured stocks in the market.

Take, for example, IDP Education Limited, which provides English language testing services for students who want to study abroad, as well as student placement services where it acts as an agent for foreign students.

IDP is valued at \$9.6b at an enterprise level, compared to \$7.1b for Worley. In FY22, IDP is expected to earn approximately \$150m in EBIT (up about 100% from three to four years ago), compared to Worley's \$540m in EBIT. Investors pay 35% more for IDP, which earns less than a third of Worley's earnings. The value investors place on IDP's growth is extraordinary. For it to be on the same earnings multiple, earnings would need to increase five times from 2022's forecast earnings. Even if earnings grew at 25% p.a. consistently, it would take another seven years to reach a similar earnings multiple to Worley after having already doubled earnings in the previous three to four years.

This would be a truly extraordinary outcome and would place IDP amongst Australia's greatest ever earnings compounders. Only five listed companies in Australia have achieved per share earnings growth of 25% p.a. over 10 years and then sustained those profits beyond that: CSL, Computershare, Technology One, Fisher & Paykel Healthcare and ResMed. In the meantime, Worley is paying a healthy dividend and we believe it is quite likely Worley's earnings will grow, given it also has a very large and growing addressable market of renewable projects.

After a difficult two years, and with such low long-term expectations, an investment in Worley appears to offer a good risk-reward opportunity relative to the broader market and especially relative to the cohort of recent winners.

# FUND COMMENTARY

## QUARTER IN REVIEW

by JULIAN MORRISON, CFA

Investment Specialist

### Allan Gray Australia Equity Fund

The Australian sharemarket had a positive quarter to 31 December, with the S&P/ASX 300 Accumulation Index up 2.2%. The Allan Gray Australia Equity Fund (Class A) returned 0.9% during the same period, underperforming its S&P/ASX 300 Accumulation Index benchmark by 1.3%.

On a monthly basis, the Fund outperformed its benchmark in October, with all of the quarterly underperformance coming in November. In December the Fund recouped some of this as it moved back into strong outperformance for the last month of the year.

During the quarter, positioning in the Energy sector was the largest detractor, followed by some share-specific holdings in the Materials sector. Within those, Alumina, Woodside Petroleum and Oil Search were leading detractors. It was far from one-way traffic however, as positive contribution to relative performance came from Sims, Incitec Pivot, Newcrest Mining, South32, and Worley.

Within the Energy sector, we believe significant undervaluation remains, so we continue to hold meaningful positions here. We also added further to engineering services company, Worley, during the quarter. The shares held in Oil Search were exchanged into Santos shares in December, following the previously announced merger.

The Financials sector was mixed, with outperformance from NAB partially offsetting underperformance from Westpac. Within Financials, the banks have performed strongly over the last year and we lightened exposure a little further during the quarter. However, the reduction in exposure came from the strongly outperforming NAB and we shifted some of this into Westpac on relative weakness.

Elsewhere, strong positive contribution to relative performance came from Metcash in the Consumer Staples sector and we reduced this position meaningfully at higher prices. The absence of exposure to Information Technology and Healthcare both also aided relative performance, as those sectors underperformed.

The back and forth in performance has continued this quarter as the market oscillates on matters of valuation and overall outlook. For example, Energy and Materials were the largest detractors by sector this quarter overall, after being the

strongest contributors in the prior quarter. However, in December, Materials and Energy once again contributed strongly, (as did our underweight position in Healthcare). This may well suggest that the demise of Energy, certain Materials, and other unloved shares, and the limitless rise of 'growth', disruptive technology, healthcare and other favourites, is no longer a foregone conclusion. And perhaps reasonable doubt has entered the minds of investors.

We are mindful that the relative fortunes of companies are often not obvious and, at extremes, the future reality can be very different to the most strongly held consensus opinions. When those differences are realised can be where share prices move most violently – in both directions.

Therefore, the focus on valuation and patience remains critical at a time when many are capitulating on that discipline. The risk of trying to ride today's favourite shares endlessly upward is, in our opinion, much greater than seems to be appreciated. Counter to this, we have positioned the Fund where we see significant latent unrealised value and so we remain optimistic regarding future long-term prospects for outperformance.

### Allan Gray Australia Balanced Fund

The Allan Gray Australia Balanced Fund returned 0.7% for the quarter, underperforming its composite benchmark by 1.2%.

The allocation to shares contributed positively to absolute performance. However, share selection in global shares detracted from relative returns and was the primary contributor to underperformance for the quarter. The allocation to Australian shares was broadly neutral in terms of relative performance.

The Fund had 69% in shares as at 31 December 2021. 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.

As at 31 December 2021, the Fund also held around 17% in fixed income securities and had a 5% exposure to gold through an exchange-traded fund. The fixed income allocation has remained significantly shorter in duration than the benchmark – at below two years versus more than 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 from current historically low levels. Longer-term interest rates did indeed rise during both the last quarter and the prior

quarter. This positioning contributed positively to relative performance during both periods and we believe this continues to be a prudent position to hold.

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

### Allan Gray Australia Stable Fund

The Allan Gray Australia Stable Fund returned 0.0% for the quarter, materially in line with the cash rate benchmark quarterly performance. The Fund outperformed in October and December, offsetting the underperformance experienced during November.

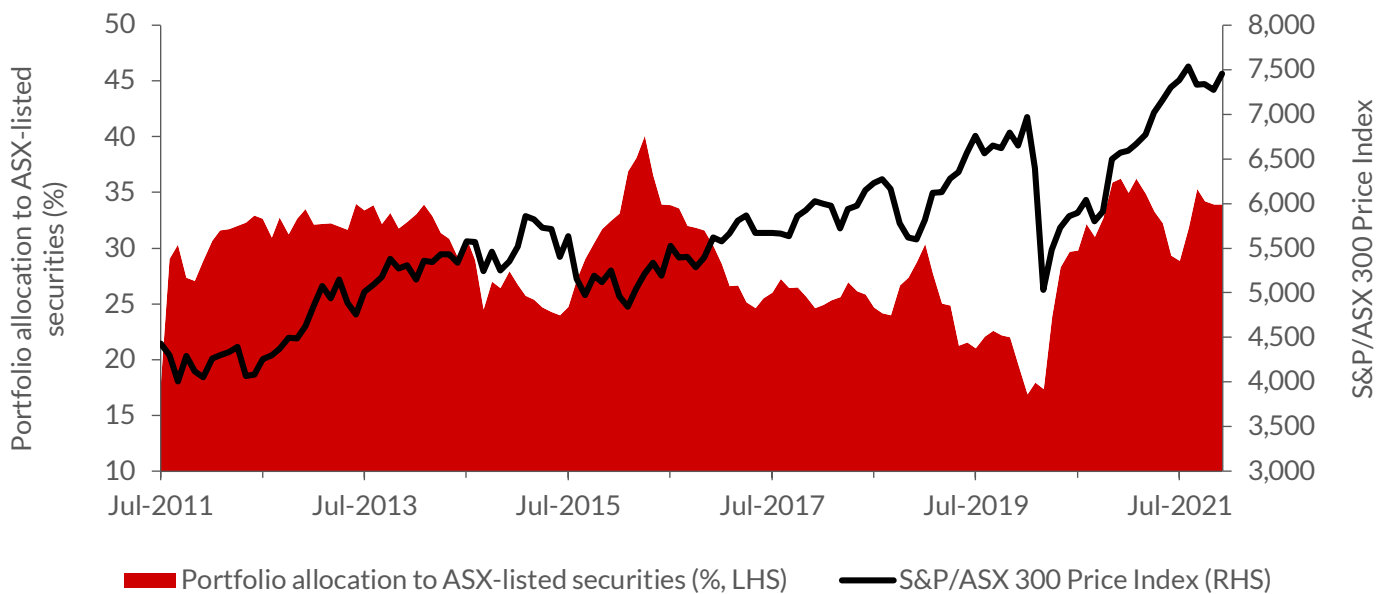
The performance of the Stable Fund is driven by the performance of our favoured Australian share holdings and the decision on how much is invested in ASX-listed securities versus cash. The broad Australian sharemarket has risen strongly for five consecutive quarters now and remains not far from all-time

highs. The Fund took advantage of the recent strength to lighten some of the positions that have risen to around fair value or beyond. We have also maintained positions in some shares which have risen, but which are still significantly below fair value, and added to others on weakness.

As at the end of December, the Fund had around 34% invested in ASX-listed securities, the remaining 66% is held in cash and money market investments. (This can be seen in Graph 4, which shows our allocation between cash and ASX-listed securities over time).

The extreme strength in the sharemarket during the last year fails to highlight the significant divergence that has built up over time between different categories of shares. Some popular shares and sectors are priced at levels that are, in our view, far too optimistic. We therefore remain focused on avoiding those areas and the risks that come with excessive valuation. Instead, the shares held in the Fund will be those we have assessed as most attractively priced and where risk of permanent capital loss is low.

**Graph 4: Stable Fund listed security weighting – allocation rises where we see value in listed securities**



Source: Allan Gray, Bloomberg, as at 31 December 2021.

# EQUITY FUND PERFORMANCE

## Allan Gray Australia Equity Fund – Class A units

	Allan Gray Australia Equity Fund	S&P/ASX 300 Accumulation Index	Relative Performance
<b>ANNUALISED (%)</b>			
Since Public Launch on 4 May 2006	7.8	6.7	1.1
10 Years	11.3	10.8	0.5
5 Years	7.5	9.9	(2.4)
3 Years	9.2	14.0	(4.8)
1 Year	15.2	17.5	(2.3)
<b>NOT ANNUALISED (%)</b>			
Latest Quarter	0.9	2.2	(1.3)

## Allan Gray Australia Equity Fund – Class B units

	Allan Gray Australia Equity Fund	S&P/ASX 300 Accumulation Index	Relative Performance
<b>ANNUALISED (%)</b>			
Since Class Launch on 26 October 2012	10.8	10.2	0.6
5 Years	7.9	9.9	(2.0)
3 Years	10.0	14.0	(4.0)
1 Year	16.0	17.5	(1.5)
<b>NOT ANNUALISED (%)</b>			
Latest Quarter	1.1	2.2	(1.1)

## 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 2021 Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Alumina	201,833	9
Woodside Petroleum	197,316	8
Newcrest Mining	177,254	8
QBE Insurance Group	147,985	6
Sims	129,561	6
Incitec Pivot	119,709	5
Aust. and NZ Banking Group	106,561	5
Origin Energy	104,042	4
Santos	83,640	4
National Australia Bank	71,911	3
Worley	69,711	3
AMP	66,399	3
Challenger	62,677	3
Metcash	60,470	3
South32	58,820	3
Westpac Banking	57,551	2
Nufarm	50,989	2
Virgin Money UK	49,152	2
Fletcher Building	48,086	2
G8 Education	42,014	2
Vicinity Centres	34,030	1
HT&E	33,857	1
Lendlease Group	32,194	1
Southern Cross Media Group	27,060	1
Peet	25,462	1
SkyCity Entertainment Group	23,856	1
Positions less than 1%	195,485	8
<b>Total Security Exposure</b>	<b>2,277,624</b>	<b>98</b>
ASX SPI 200™ Futures Contract (03/2022)†	32,510	1
Net Current Assets	14,918	1
<b>Net Assets</b>	<b>2,325,052</b>	<b>100</b>
Price per unit - Class A (cum distribution)	AUD 1.6733	
Price per unit - Class B (cum distribution)	AUD 1.6752	
<b>Total Assets Under Management for the Australian equity strategy (AUD 000's)‡</b>	<b>AUD 8,379,988</b>	

† 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
<b>ANNUALISED (%)</b>			
Since Public Launch on 1 March 2017	6.8	9.1	(2.3)
3 Years	8.1	11.2	(3.1)
1 Year	11.0	11.9	(0.9)
<b>NOT ANNUALISED (%)</b>			
Latest Quarter	0.7	1.9	(1.2)

## 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.

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 Fund 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 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 2021 Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Equity		
<b>Domestic Equity</b>		
Alumina	3,863	3
Woodside Petroleum	3,600	3
Newcrest Mining	3,155	3
Sims	2,770	2
QBE Insurance Group	2,682	2
Incitec Pivot	2,088	2
AMP	1,968	2
Origin Energy	1,868	2
Aust. and NZ Banking Group	1,852	2
Santos	1,624	1
Worley	1,348	1
National Australia Bank	1,185	1
Domestic Equity Positions less than 1%	13,937	12
<b>Global Equity</b>		
Samsung Electronics	3,307	3
AbbVie	2,466	2
Drax Group	2,249	2
Royal Dutch Shell	1,673	1
Taiwan Semiconductor Mfg.	1,400	1
UnitedHealth Group	1,380	1
Schlumberger	1,334	1
BP	1,267	1
Global Equity Positions less than 1 %	30,855	27
<b>Total Equity<sup>^</sup></b>	<b>87,873</b>	<b>77</b>

<sup>^</sup> The Fund holds derivative contracts which reduces the effective net equity exposure to 69%.

# BALANCED FUND HOLDINGS

Security	Market Value AUD 000's	% of Fund
Fixed Income		
Domestic Fixed Income		
Australian Government Bonds	18,334	16
Global Fixed Income		
Global Fixed Positions less than 1 %	1,125	1
Total Fixed Income	19,458	17
Commodity Linked Investments		
SPDR Gold Trust	5,925	5
Total Commodity Linked Investments	5,925	5
Total Security Exposure	113,325	99
Cash Equivalents and Term Deposits	1,156	1
Net Current Assets	103	<1
Net Assets	114,516	100
Price per unit (cum distribution)	AUD 1.2516	

# STABLE FUND PERFORMANCE

## Allan Gray Australia Stable Fund

	Allan Gray Australia Stable Fund	RBA Cash	Relative Performance	Distribution
<b>ANNUALISED (%)</b>				
Since Public Launch on 1 July 2011	6.0	1.9	4.1	3.9
5 Years	4.2	0.9	3.3	3.5
3 Years	4.8	0.5	4.3	3.1
1 Year	4.2	0.1	4.1	1.4
<b>NOT ANNUALISED (%)</b>				
Latest Quarter	0.0	0.0	0.0	0.1

## 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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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.

# STABLE FUND HOLDINGS

## Fund holdings as at 31 December 2021 Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Alumina	14,723	5
Woodside Petroleum	14,489	4
Newcrest Mining	11,044	3
AMP	8,991	3
Origin Energy	6,723	2
QBE Insurance Group	6,610	2
Incitec Pivot	6,468	2
Sims	4,564	1
Latitude Group Holdings	3,925	1
Positions less than 1%	32,186	10
<b>Total Security Exposure</b>	<b>109,723</b>	<b>34</b>
Cash and Money Market Instruments	213,717	66
Net Current Assets	202	<1
<b>Net Assets</b>	<b>323,642</b>	<b>100</b>
Price per unit (cum distribution)	AUD 1.2256	

# 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 for an alternative to traditional money market and income generating investments. The Fund's portfolio can hold a combination of cash and money market instruments (100% to 50%) and ASX securities (up to 50%) in pursuit of stable long-term returns.
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)	<p><b>Class A</b> Management fee comprises:</p> <ul style="list-style-type: none"> <li>Fixed (Base) fee – 0.75% per annum of the Fund's NAV.</li> <li>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.</li> </ul>	<p>Management fee comprises:</p> <ul style="list-style-type: none"> <li>Fixed (Base) fee – 0.75% per annum of the Fund's NAV.</li> <li>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.</li> </ul>	<p>Management fee comprises:</p> <ul style="list-style-type: none"> <li>Fixed (Base) fee – 0.25% per annum of the Fund's NAV.</li> <li>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.</li> </ul>
	<p><b>Class B</b> Management fee comprises:</p> <ul style="list-style-type: none"> <li>Fixed (Base) fee – Nil.</li> <li>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.</li> </ul>		
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

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## 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

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