

QUARTERLY COMMENTARY

30 JUNE 2022



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INVESTMENTS AND SUPERANNUATION

# COMMENTARY



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Managing Director & Chief  
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This year has seen a recovery in the performance of Value managers with the narrative now moving from “Is Value investing dead?” to “Is it time to buy Growth companies?”. The Growth versus Value debate seems impossible to win.

For us, the categorisation between Growth and Value is, in isolation, arbitrary. Instead, we focus on the fundamental drivers

of value for all companies, specifically the future earnings (and cashflows) a particular investment is likely to generate.

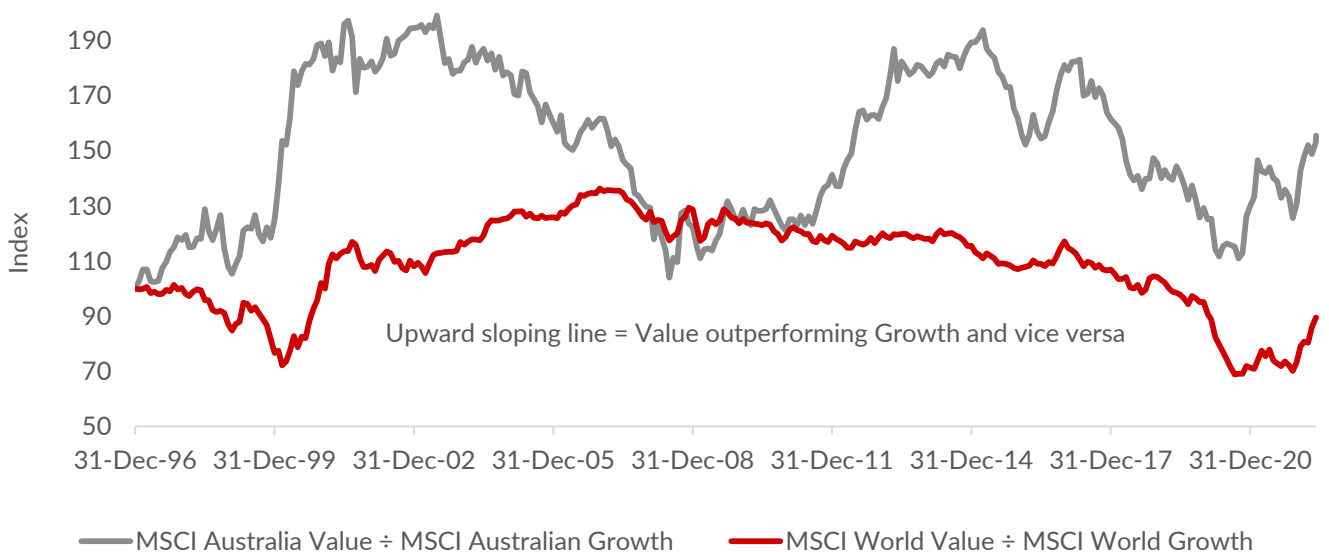
But before getting to these fundamentals, here are some high-level observations on where we are in the Growth and Value cycle.

MSCI, a leading index provider, segments the universe of shares into Value indices and Growth indices according to their style characteristics.

Certain variables are used to determine the Value universe (e.g. book value to price ratio, 12-month forward earnings to price ratio, and dividend yield) and other variables are used to determine the Growth universe (e.g. earnings per share growth rate and long-term historical sales per share growth trend). Depending on how they score, some shares are partially allocated to both indices and each index is reviewed twice a year.

Graph 1 shows the performance of the MSCI All Country World Index (ACWI) Value Index relative to the MSCI ACWI Growth Index since 1996 (red line) and the same for the equivalent Australia-only indices (grey line). When a line is sloping upwards, Value is outperforming Growth and vice versa.

**GRAPH 1 | Performance of Value shares relative to Growth shares globally and in Australia (total return)**



Source: FactSet, 31 May 2022.

We will focus on the global ACWI line (red) first. As readers might expect, Value significantly underperformed Growth during the technology bubble of the late 1990s. As the bubble burst, Value shone until the onset of the Global Financial Crisis. Despite brief periods of reprieve, the next 13 years were brutal for Value managers and it is only recently that they've begun licking their wounds and sticking their heads above the parapet. If price is anything to go by, Value still appears to be very depressed and barely back at pre-COVID-19 relative levels.

## What's the story in Australia?

The Australian experience (grey line) is wildly different, with Value far less depressed (and arguably inflated if the starting point in 1996 is anything to go by). Why is this and can these categorisations be relied upon?

The answer lies in the composition of each index. Table 1 shows the top 10 constituents and their weights for each of the four indices that are represented in Graph 1.

**TABLE 1 | Top 10 shares in each index**

MSCI Australia Value Index	Weight (%)
BHP Group	24.0
Commonwealth Bank of Australia	12.3
National Australia Bank	10.9
ANZ Banking Group	7.5
Rio Tinto	4.5
Fortescue Metals Group	3.6
Westpac Banking	3.3
Woodside Energy Group	3.1
BHP Group (detached)	2.9
Macquarie Group	2.3
<b>Total</b>	<b>74.3</b>
Number of constituents	36
Number of parent index constituents	61

MSCI Australia Growth Index	Weight (%)
CSL	17.2
Commonwealth Bank of Australia	8.3
Westpac Banking	7.5
Wesfarmers	7.1
Woolworths Group	5.6
Macquarie Group	5.4
Goodman Group	4.6
Transurban Group	3.8
Santos	3.5
Newcrest Mining	3.0
<b>Total</b>	<b>66.0</b>
Number of constituents	38
Number of parent index constituents	61

MSCI ACWI Value Index	Weight (%)
Johnson & Johnson	0.8
UnitedHealth Group	0.8
Berkshire Hathaway B	0.7
Exxon Mobil Corporation	0.7
JPMorgan Chase & Co	0.6
Procter & Gamble Co	0.6
Chevron Corporation	0.6
Home Depot	0.5
Pfizer	0.5
Bank of America Corporation	0.5
<b>Total</b>	<b>6.1</b>
Number of constituents	1 879
Number of parent index constituents	2 933

MSCI ACWI Growth Index	Weight (%)
Apple	9.0
Microsoft Corporation	6.9
Amazon.com	4.7
Tesla	2.9
Alphabet A	2.6
Alphabet C	2.5
Nvidia	2.1
Meta Platforms A	1.7
Taiwan Semiconductors Mfg	1.6
Visa A	1.2
<b>Total</b>	<b>35.1</b>
Number of constituents	1 459
Number of parent index constituents	2 933

Source: MSCI.com, 31 May 2022.

With only 61 constituents in the parent MSCI Australia Index, it is no surprise that the top 10 constituents comprise a large proportion of both the Value (74.3%) and Growth (66.0%) sub-indices. But it is the extreme skew to iron ore miners and banks that makes the MSCI Australia Value Index less representative than the MSCI ACWI Value Index. Three iron ore miners and our big four retail banks make up close to 70% of the Australia parent index and 90% of the top 10 constituents. This level of concentration is not the case in the MSCI ACWI indices. With a backdrop of inflated iron ore prices and a 30-year credit boom for our banks, it's no wonder Value in Australia has fared so well.

Two other factors make comparisons between the performance of the Australia sub-indices difficult:

1. There is a large degree of overlap between the two sub-indices. Commonwealth Bank of Australia, Westpac and Macquarie Group are large constituents of both the Value and the Growth index (this degree of overlap does not exist in the ACWI).
2. Companies with nearly identical fundamental value drivers are separated into different sub-indices. Woodside Energy Group and Santos (both oil and gas producers) are examples of this.

These anomalies also exist in the ACWI sub-indices, but given the significantly reduced weights of the constituents, it doesn't impact comparability in the same way. Not only is the ACWI far more diverse, but Australia's 2% weight in this index is low enough not to create similar distortions.

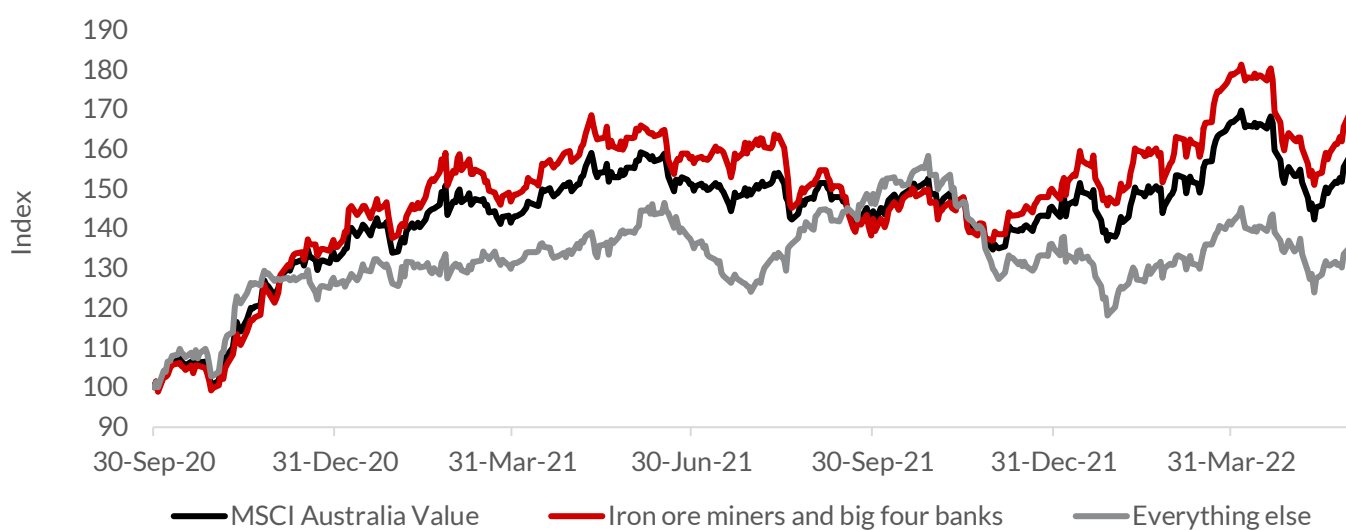
In short, unlike the ACWI, the relative returns of the MSCI Australia Value Index and the MSCI Australia Growth Index are of little relevance and at best illustrate how a small cross section of iron ore miners and banks have performed. Even then, it is a little noisy! But globally, as judged by price performance alone, Value still appears to be very depressed.

### How is this relevant?

Despite the noise around the composition of the Australian sub-indices, there are two important observations we make with regard to our portfolio.

Firstly, the Allan Gray Australia Equity portfolio has no iron ore exposure (a large detractor from our recent performance) and is also significantly underweight the banks (another detractor). We feel better value is available elsewhere and, as a result, we own much of the remaining constituents, which have lagged the MSCI Australia Value Index by a considerable amount. This is illustrated in Graph 2.

**GRAPH 2 | Performance of MSCI Australia Value Index constituents (total return)**



Source: FactSet, 31 May 2022.

Despite share prices of the 'everything else' constituents lagging the Australia parent index, the underlying drivers of their earnings have been every bit as strong as the iron ore miners and banks. Look no further than the recent strength in energy prices, base metal prices, fertiliser prices or scrap metal prices to name a few.

The second observation relates to the rise of passive investment and the impact it has on share prices. A growing number of exchange-traded funds (ETFs) have been established to replicate and track indices such as those MSCI compiles (including sub-indices like the MSCI ACWI Value Index). The ETFs do this by investing in the underlying constituents of the relevant index. A company's inclusion in an index and its periodic reweighting has a meaningful bearing on the buying appetite for a constituent company (and vice versa). The fact that the MSCI Australia Index only has 61 constituents (a small fraction of our Equity portfolio's investable universe) and that these are heavily weighted towards iron ore miners, banks and a few healthcare companies, has likely caused extreme price dislocations as the weight of money flowing into index-tracking ETFs influences prices.

Our portfolio has little exposure to these index heavyweights and has therefore not benefited from the wave of money that these ETFs have attracted. The lack of depth in Australia's MSCI constituents has meant that some companies in Australia have fared far worse (in price terms) than comparative companies overseas that are well represented in the MSCI indices.

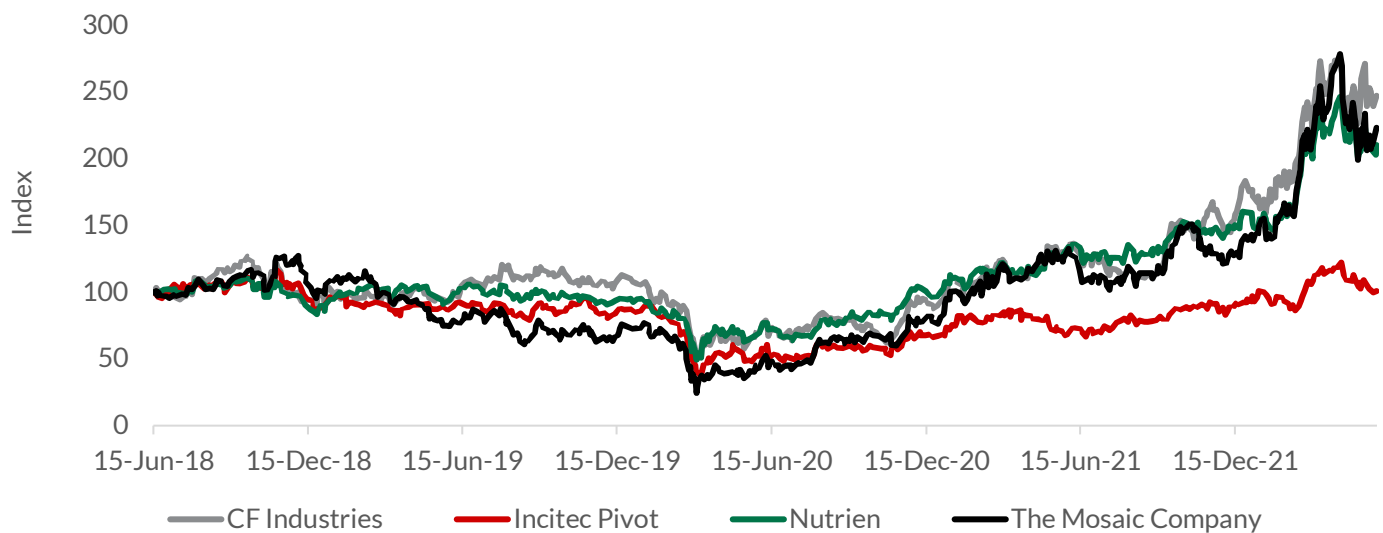
One example, that our Equity portfolio holds, is Incitec Pivot Limited, a fertiliser and ammonia producer. It is not in the MSCI Australia Index (and therefore not in the ACWI or its sub-indices), whereas its global peers The Mosaic Company, CF Industries, Nutrien and Yara are represented in the ACWI. Graph 3 shows Incitec's performance relative to its peers.

Admittedly, Incitec has had its fair share of operational hiccups over the past five years, but it feels like this has been disproportionately reflected in its relative share price performance. There are many other examples too, across different sectors, which suggest share price underperformance might be a result of index underrepresentation (rather than company-specific operational outcomes). For example, our Equity portfolio also holds:

- Sims Limited, which has significantly underperformed global steel companies
- Woodside Energy Group Limited, which has underperformed global energy companies, and
- QBE Insurance Group Limited, which has underperformed global insurers.

This is not all bad news. In fact, in some ways it's very good news. We have been able to accumulate portfolio holdings at lower prices relative to the overall market. Table 2 shows the multiple of consensus earnings forecasts that our Equity portfolio trades for, versus the broader sharemarket. It shows our portfolio of companies growing faster than the broader sharemarket, but trading at a significant discount to the market (11 times earnings versus the market's near 16 times).

**GRAPH 3 | Incitec Pivot's performance relative to its global peers**



Source: FactSet, 31 May 2022.

**TABLE 2 | Allan Gray Australia's Equity portfolio earnings versus the S&P/ASX 300 Index**

	Price-to-earnings				Price-to-book ratio
	2019 (pre-COVID-19)	2022F	2023F	2024F	
Allan Gray Australia Equity portfolio	17.3x	11.7x	11.0x	11.2x	1.3x
S&P/ASX 300 Index	20.6x	14.8x	14.9x	15.8x	2.2x

	Index of earnings			
	2019 (pre-COVID-19)	2022	2023	2024
Allan Gray Australia Equity portfolio	1.00	1.49	1.57	1.55
S&P/ASX 300 Index	1.00	1.39	1.38	1.30

Source: FactSet, Allan Gray, 31 May 2022.

The headwinds we've written about above have had at worst, a medium-term impact on our performance. Pendulums swing both ways and this should ultimately benefit the portfolio. It's not clear what the catalyst for a correction will be, however, or when this will happen. Perhaps it will be passive funds experiencing outflows, which would disproportionately benefit our portfolio. Or some other unforeseeable outcome. We don't look for catalysts when investing, we look for value, as catalysts are extremely difficult to predict.

What we do know is that the status quo doesn't appear to be sustainable. In the meantime, the Equity portfolio offers defensive qualities today, potential significant outperformance if and when the pendulum swings the other way and, until then, its dividend stream pays us to hold them. What's not to like?

# FUND COMMENTARY

## QUARTER IN REVIEW

by JULIAN MORRISON, CFA

Investment Specialist

### Allan Gray Australia Equity Fund

The Australian share market fell during the June quarter, with the S&P/ASX 300 Accumulation Index down 12.2%. The Allan Gray Australia Equity Fund Class A was also down this quarter, by 12.7%, moderately underperforming the benchmark.

During the quarter, positioning in the Energy sector was the largest positive contributor, followed by some share-specific holdings in the Financials sector. Woodside Energy Group, Worley and Santos were leading contributors within the Energy sector. Origin Energy also contributed positively, though it is officially categorised within the Utilities sector.

Within the Financials sector, QBE Insurance Group, Challenger and AMP all contributed positively to relative returns. Challenger and AMP in particular outperformed the broader Financials sector.

Despite recent performance, we believe many of these names remain attractive versus the broader market, and so retain meaningful positions within the Fund. We have, however, trimmed all these positions other than AMP.

Positive contribution by the above-mentioned names was offset primarily by underperformance within our selected Materials holdings. In particular, the main detractors included Sims, Alumina and Newcrest Mining. We still see significant value in these companies for the Fund and added to positions in Alumina and Sims during the quarter.

We have generally avoided Healthcare companies in recent years given excessive valuations, which has contributed positively over most of the last year, however, the broader Healthcare sector outperformed during the last quarter and our underweight position therefore was a detractor for that period. We do however hold Ansell, which sits within the Healthcare sector and was featured in our last quarterly report. During the quarter, we continued adding to Ansell, which has been an outlier in terms of its underperformance versus some of the more popular Healthcare sector shares. Importantly, we believe it offers much better value than the market based on our bottom-up company valuation and we continued to add to the position during the quarter.

Elsewhere, the absence of exposure to Information Technology companies continued to aid relative performance, as that sector underperformed meaningfully for the quarter. Despite

some of these companies coming off their highs recently, we still do not own any Information Technology shares at the time of writing this report.

We continue to observe market dislocation, and major dispersion between what looks to be good value versus overvalued. Therefore, there has not been a dramatic change in what we see as the most attractive investments for the Fund. We continue to manage to appropriate position sizes – generally trimming positions on strength and adding when weaker prices present value. Our investment team maintains a continuous research agenda for new ideas – and those which offer the best value may just make it into the portfolio.

### Allan Gray Australia Balanced Fund

The Allan Gray Australia Balanced Fund returned (7.7%) for the quarter, marginally underperforming its composite Benchmark, which fell 7.6%.

Share selection in global shares contributed positively to relative performance for the quarter, more than offsetting a slight detraction from exposures to Australian shares. However, share selection outperformance was countered by our overweight position in equities, which detracted from relative performance.

The Fund had just under 70% 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. This added positively to returns during the period, as markets were generally weak for much of the quarter.

During the quarter, the Fund also held around 19% in fixed income securities and cash and a 5% exposure to gold through an exchange-traded fund. The fixed income allocation has remained significantly shorter in duration than the benchmark – at around 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 that interest rates rise from current historically low levels. Longer-term interest rates did indeed rise further during the last quarter. Therefore, this positioning again contributed positively to relative performance.

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 (3.7%) for the quarter, underperforming its Reserve Bank of Australia cash rate benchmark – which returned 0.1% for the quarter.

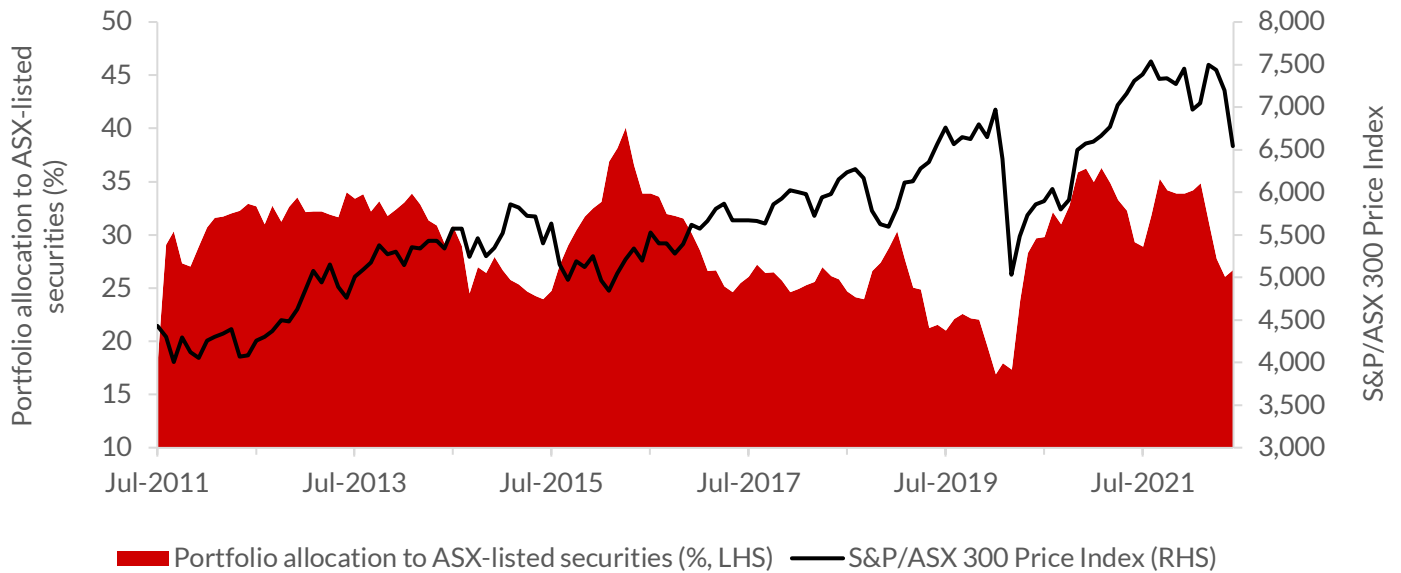
The Fund has been lightening equity exposure for some time now, which has held the Fund in good stead during recent volatility. Nevertheless, the pronounced weakness of equities contributed to underperformance in the most recent quarter. We continue to manage exposures to what we believe is a prudent level, and to hold allocations to what we see as the most attractively valued shares identified by our research.

As at the end of June, the Fund had 26.7% invested in ASX-listed securities (of which around 25.1% was equities and about 1.6%

selected hybrid securities). The remaining approximately 73% is held in cash and money market investments. This can be seen in the graph below, which shows our allocation to 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 ASX-listed securities versus cash. This provides the 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 an opportunity for this Fund to demonstrate its intended benefits. It offers a low to moderate risk/return profile, with the potential to outperform cash over the long term, while having the advantage of simplicity and ease of understanding.

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



Source: Allan Gray, Bloomberg, as at 30 June 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
<b>ANNUALISED (%)</b>			
Since Public Launch on 4 May 2006	7.5	5.8	1.7
15 Years	6.3	4.6	1.7
10 Years	10.8	9.2	1.6
5 Years	6.4	6.9	(0.5)
3 Years	3.1	3.4	(0.3)
1 Year	5.7	(6.8)	12.5
<b>NOT ANNUALISED (%)</b>			
Latest Quarter	(12.7)	(12.2)	(0.5)

## 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	10.1	8.4	1.7
5 Years	6.9	6.9	0.0
3 Years	3.9	3.4	0.5
1 Year	6.4	(6.8)	13.2
<b>NOT ANNUALISED (%)</b>			
Latest Quarter	(12.5)	(12.2)	(0.3)

## 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 30 June 2022

## Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Woodside Energy Group	241,611	11
Alumina	186,837	8
Newcrest Mining	159,266	7
QBE Insurance Group	152,676	7
Sims	106,199	5
Aust. and NZ Banking Group	93,527	4
Incitec Pivot	92,249	4
Ansell	83,346	4
Worley	70,698	3
Origin Energy	67,332	3
AMP	62,992	3
Challenger	62,576	3
Westpac Banking	60,835	3
Santos	58,248	3
Metcash	57,178	3
Nufarm	53,500	2
Virgin Money UK	44,449	2
Fletcher Building	44,445	2
G8 Education	34,789	2
Lendlease Group	34,413	2
Vicinity Centres	32,991	1
SkyCity Entertainment Group	30,287	1
National Australia Bank	29,221	1
TPG Telecom	25,960	1
Peet	22,473	1
Positions less than 1%	186,687	8
<b>Total Security Exposure</b>	<b>2,094,788</b>	<b>93</b>
ASX SPI 200™ Futures Contract (09/2022) <sup>†</sup>	128,735	6
Net Current Assets	20,051	1
<b>Net Assets</b>	<b>2,243,574</b>	<b>100</b>
Price per unit - Class A (cum distribution)	AUD 1.6605	
Price per unit - Class B (cum distribution)	AUD 1.6687	
<b>Total Assets Under Management for the Australian equity strategy (AUD 000's)<sup>‡</sup></b>	<b>AUD 7,520,931</b>	

<sup>†</sup> Futures contracts are fully backed by cash holdings.

<sup>‡</sup> 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	5.9	5.8	0.1
5 Years	5.4	5.6	(0.2)
3 Years	4.8	2.2	2.6
1 Year	1.9	(8.0)	9.9
<b>NOT ANNUALISED (%)</b>			
Latest Quarter	(7.6)	(7.6)	0.0

## 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 30 June 2022 Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Equity		
<b>Domestic Equity</b>		
Woodside Energy Group	4,478	4
Alumina	4,007	3
Newcrest Mining	3,044	3
QBE Insurance Group	2,939	3
Sims	2,369	2
Incitec Pivot	1,760	2
Ansell	1,666	1
Origin Energy	1,554	1
Aust. and NZ Banking Group	1,534	1
Worley	1,303	1
Westpac Banking	1,297	1
AMP	1,179	1
Domestic Equity Positions less than 1%	11,579	10
<b>Global Equity</b>		
Kinder Morgan	3,100	3
Drax Group	2,452	2
Shell	2,435	2
Samsung Electronics	2,345	2
Schlumberger	2,239	2
Bayer	1,580	1
Barrick Gold	1,247	1
British American Tobacco	1,195	1
Global Equity Positions less than 1 %	31,772	27
<b>Total Equity<sup>^</sup></b>	<b>87,074</b>	<b>75</b>

<sup>^</sup> The Fund holds derivative contracts which reduces the effective net equity exposure to 67%.

# BALANCED FUND HOLDINGS

Security	Market Value AUD 000's	% of Fund
Fixed Income		
<b>Domestic Fixed Income</b>		
Australian Government Bonds	16,329	14
<b>Global Fixed Income</b>		
Global Fixed Income Positions less than 1 %	4,011	3
Total Fixed Income	20,341	17
Commodity Linked Investments		
SPDR Gold Trust	5,910	5
Total Commodity Linked Investments	5,910	5
Total Security Exposure	113,324	97
Cash Equivalents and Term Deposits	3,043	3
Net Current Assets	250	<1
Net Assets	116,617	100
Price per unit (cum distribution)	AUD 1.2366	

# 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	5.8	1.8	4.0	4.2
10 Years	5.8	1.6	4.2	4.2
5 Years	3.8	0.8	3.0	3.9
3 Years	3.2	0.3	2.9	3.8
1 Year	2.8	0.2	2.6	5.4
<b>NOT ANNUALISED (%)</b>				
Latest Quarter	(3.7)	0.1	(3.8)	4.9

## 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 30 June 2022

## Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Woodside Energy Group	15,735	5
Alumina	15,425	5
Newcrest Mining	11,717	3
QBE Insurance Group	7,468	2
AMP	6,309	2
Ansell	3,702	1
Positions less than 1%	30,226	9
<b>Total Security Exposure</b>	<b>90,582</b>	<b>27</b>
Cash and Money Market Instruments	247,400	73
Net Current Assets	1,163	<1
<b>Net Assets</b>	<b>339,146</b>	<b>100</b>
Price per unit (cum distribution)	AUD 1.2315	

# 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)	<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

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.

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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](http://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](http://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.

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CONTRARIAN INVESTING

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