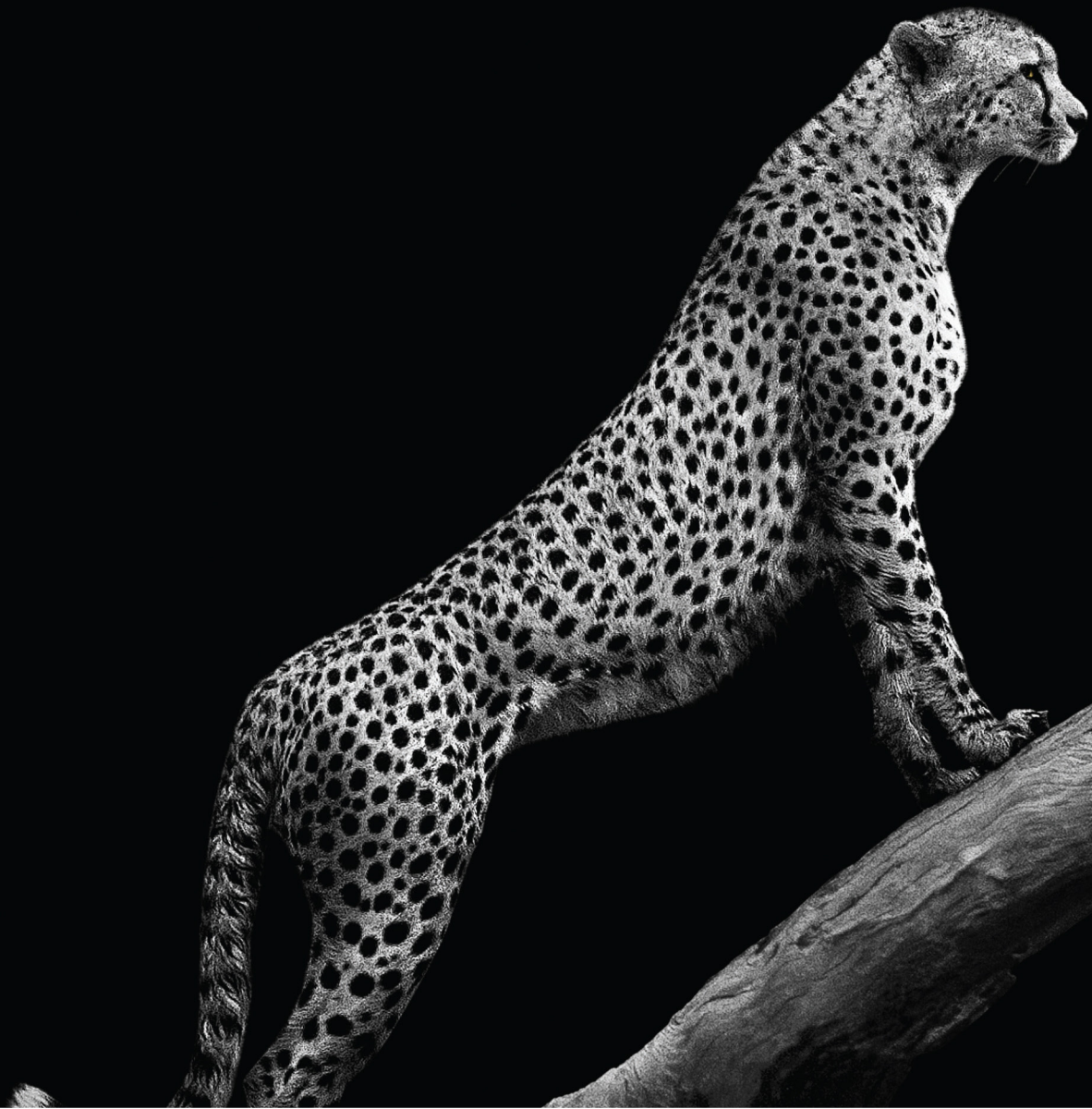


QUARTERLY COMMENTARY

30 SEPTEMBER 2022



INVESTMENTS AND SUPERANNUATION

COMMENTARY



SIMON MAWHINNEY, CFA
Managing Director & Chief
Investment Officer

Accurate answers to questions about the precise trajectory of interest rates and their future impact on the economic cycle would be wonderful in our line of work. This perfect foresight would almost certainly result in us constructing a different portfolio to the one we have today. We would probably generate far better future returns for you than the ones we'll ultimately deliver, too.

But an obsession with macroeconomic forecasting would introduce a near 100% likelihood that we would get these answers wrong. In the process, we would also be shifting from a contrarian investment philosophy to something more like a momentum-based strategy. Given today's economic uncertainties, our portfolio would likely be filled with healthcare

and supermarket shares whose earnings are unmistakably defensive and we'd ignore the astonishingly high multiples of current earnings that they cost at the moment. We would then devote our efforts to trying to time our rotation into the next hot stock so that we would be perfectly positioned to capitalise on the gathering momentum before the herd follows. Few do well from such a strategy and for those that do, we believe luck plays a far greater role than most would like to admit. Fewer still can consistently repeat the feat.

In our view, a far less risky way of generating consistently superior returns requires comparing the price of a security today to the likely future earnings one expects to derive from that security. The degree to which a company's earnings are influenced by its point in the economic cycle is itself irrelevant, other than to the extent it will impact future earnings. All that matters is price and future earnings.

Today, the Allan Gray Australia Equity portfolio owns many companies whose earnings are likely to fall significantly in the years ahead, but whose price today is reasonable despite the economic headwinds that might unfold. Most investors shy away from buying companies that are likely to exhibit a decline in earnings in the short term, regardless of the price at which the company trades. This creates the opportunity for us to invest in companies at a discount to fair value. Fletcher Building Limited is one such company, which analyst Sudhir Kissun discusses below, and which the Equity portfolio has held for some time.



SUDHIR KISSUN, CFA
Analyst

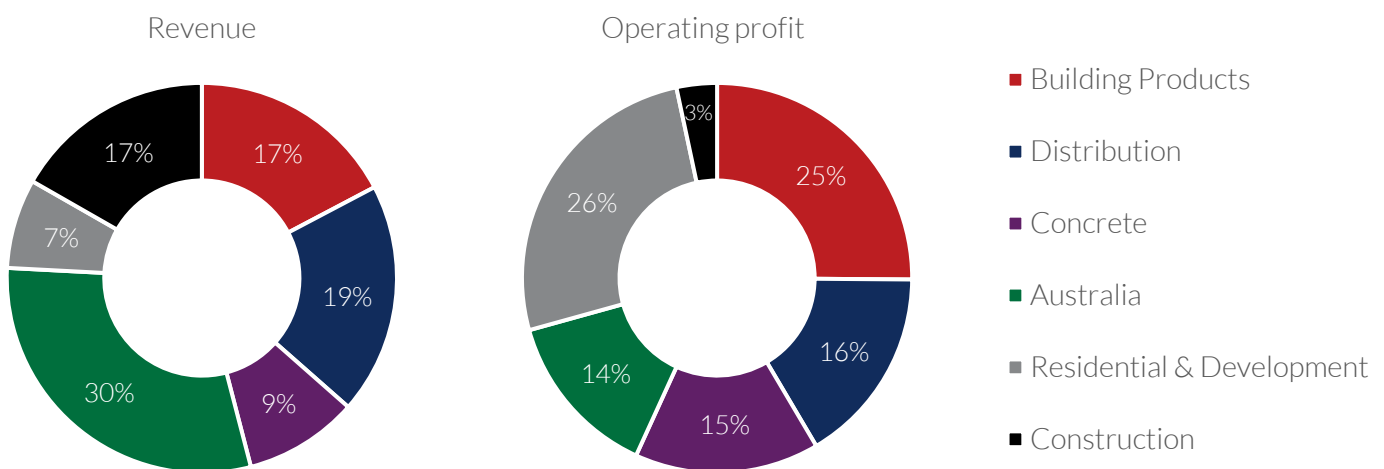
Fletcher Building Limited

Fletcher Building is a New Zealand-headquartered conglomerate that focuses on the building and construction sector, with half of its revenues coming from the residential building sector and the other half from the commercial and infrastructure sectors. Geographically, two-thirds of its revenue is from New Zealand and one-third from Australia.

Fletcher Building's activities encompass almost a thousand operating sites, spanning the entire value chain from extraction through to manufacturing, distribution, development and construction. The company's business segments are described below, and Graph 1 shows the contributions to revenue and operating profit from each of these.

- **Building Products:** Manufactures a range of building products, with plasterboard, insulation, pipes, steel roofing and sheds, and laminated panels for kitchen or bathroom benchtops and cabinets contributing most of the revenue.
- **Distribution:** Operates two retail store networks, one selling hardware products (the PlaceMakers store network) and the other selling bathroom and plumbing products (the Mico store network).
- **Concrete:** Owns and operates quarries from which it extracts limestone and aggregates. Converts limestone extracted from quarries into cement. Manufactures ready-mixed concrete, bagged concrete, concrete blocks, and concrete pavers.
- **Australia:** Encompasses a range of businesses across building products (laminates, insulation, pipes, and steel products), and distribution (bathroom and plumbing products within the Tradelink store network).
- **Residential and Development:** Develops, builds and sells homes and apartment buildings. Develops and sells surplus land owned by the company.
- **Construction:** Engages in construction of commercial and infrastructure projects. Also does civil engineering work and manufactures asphalt for roading work. This segment includes the troubled New Zealand International Convention Centre (NZICC) project that is not yet complete.

GRAPH 1 | Contribution to revenue and operating profit by business segment FY22



Source: Fletcher Building company reports, Allan Gray. May not total 100% due to rounding.

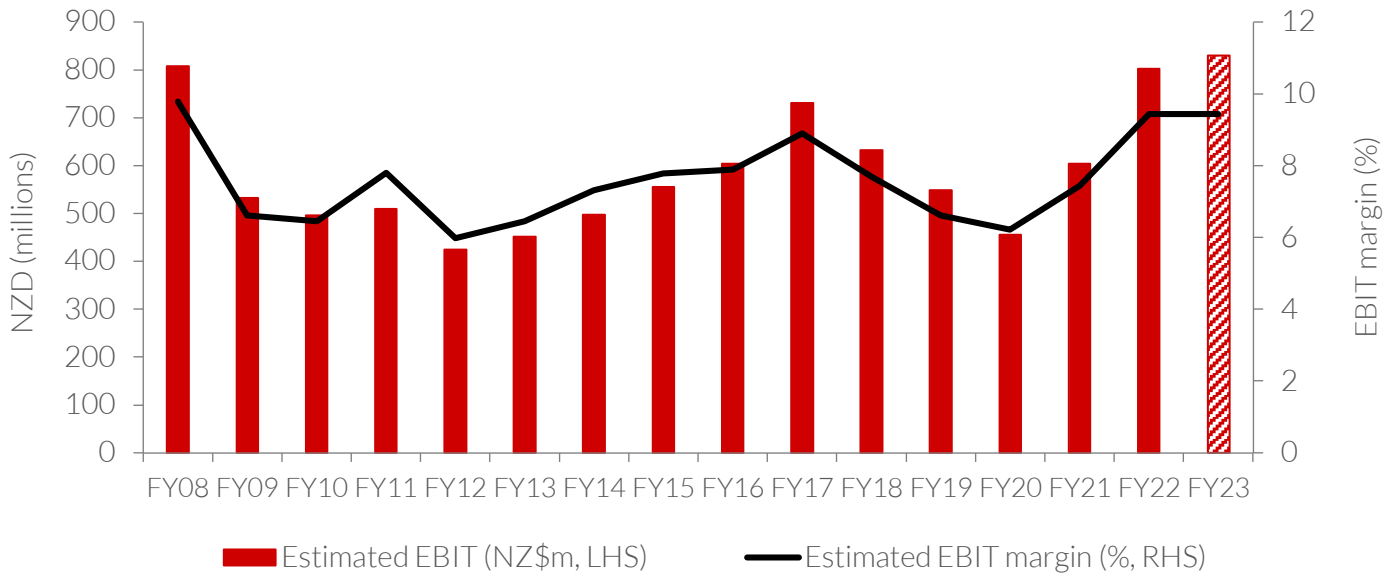
Are we nearing the peak in the current earnings cycle?

This company's earnings are inherently cyclical, since building activity tends to rise and fall with the economic cycle. Fletcher Building's earnings should rise at a faster rate than its revenue in an upturn and fall at a faster rate than its revenue in a downturn because its fixed costs, as the name suggests, remain relatively constant regardless of where we are in the cycle.

Graph 2 shows Fletcher Building's earnings over the past 15 years, with the cyclical nature and operating leverage evident. In the aftermath of the global financial crisis, for example, we estimate that Fletcher Building's revenues fell 20% from peak to trough and the operating margin compressed by four percentage points, which nearly halved operating profits. During this period, dwelling consents in New Zealand almost halved, from 26,500 in financial year 2007 (FY07) to 13,500 in FY11.

Building activity levels in New Zealand and Australia have been elevated for the past few years. In New Zealand, dwelling consents in FY22 had risen to over 50,000 compared to the 30-year average of around 25,000 per year, while in Australia dwelling approvals in FY22 were a little over 200,000 compared to the 30-year average of around 175,000 per year. These elevated activity levels are reflected in Fletcher Building's reported EBIT for FY22 and its guided EBIT for FY23. The cycle was strengthened after the onset of COVID-19 by the lowering of interest rates and the additional liquidity that governments injected into the economy in the form of wage subsidies and grants for new home construction and residential renovations. Now that these stimulus measures have been removed and interest rates are rising at pace, many investors (including us) are likely to conclude that we are at or near the peak in the building cycle. This would imply that a downturn is imminent.

GRAPH 2 | Fletcher Building's earnings before interest and taxes (EBIT), adjusted*



Source: Fletcher Building company reports and commentary, Allan Gray.

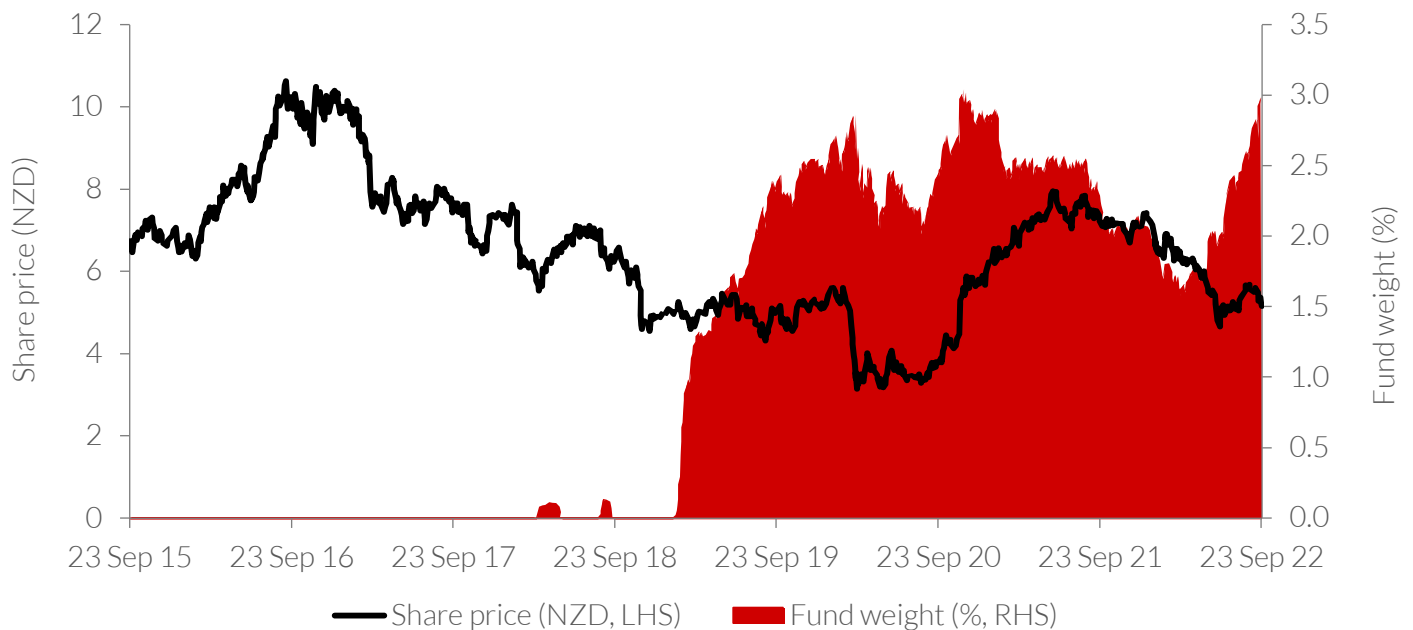
Note: *Estimated after adjusting for lease expenses, acquisitions, disposals, and the impacts of COVID-19.

The share price has come under pressure recently

Graph 3 shows Fletcher Building's share price over time and how the Equity portfolio's holding has changed. While we can't be sure exactly why Fletcher Building's share price has been falling for the past year, the prospect of a downturn in building activity is a likely explanation. Even though it might be tempting

to sit on the sidelines and wait for the cycle to hit rock bottom, it is important to remember that sharemarkets are forward looking. Share prices usually hit the bottom well before the cycle is at its lowest. In the case of Fletcher Building, its share price may already factor in the impact of a modest economic downturn.

GRAPH 3 | Fletcher Building's share price and the Allan Gray Australia Equity Fund's holding



Source: FactSet, Allan Gray, as at 23 September 2022. The Allan Gray Australia Equity Fund is representative of the Equity portfolio, which includes institutional mandates that use the same strategy.

The valuation is compelling

With a share price at the time of writing in late-September of NZ\$5.16 per share, Fletcher Building has a market value of NZ\$4.0b. Added to its very manageable net debt of NZ\$0.9b, its enterprise value is NZ\$4.9b. As shown in Graph 2, we estimate that its lowest EBIT in the past 15 years was around NZ\$420m (this is after adjusting for businesses that Fletcher Building has disposed of and therefore will not contribute to earnings in the future). The market is valuing the company at a little less than 12 times this depressed level of EBIT. Not only is this meaningfully below the broader sharemarket multiple today, but it is also likely that earnings from this depressed level would grow significantly faster than the market (and therefore warrant a higher multiple than the market). In our experience, this type of situation, in which the market is offering us a company at a lower-than-market multiple of depressed earnings, has the makings of a compelling investment opportunity.

When we value cyclical companies, we try to gauge what the company might earn on average through the cycle, across good times and bad. We believe a sustainable mid-cycle EBIT for Fletcher Building should be in the region of NZ\$600m, which is almost 30% below management's guided EBIT for FY23 of NZ\$820m (the possible peak of the cycle, shown in Graph 2). Mid-cycle EBIT of NZ\$600m would result in net earnings after interest and tax of approximately NZ\$400m. It might not be unreasonable to ascribe a price-to-earnings (P/E) multiple of 16 times to these mid-cycle earnings, which would equate to a market value of NZ\$6.4b or approximately NZ\$8.15 per share. Compared to the share price of NZ\$5.16, this represents potential upside of over 50%.

We were therefore loath to sit on our hands and pass up this opportunity in anticipation of a share price low that may never arrive.

Where might we be wrong?

There are a few issues that we worry about:

- Fletcher Building's Construction division experienced significant cost overruns on a handful of fixed price contracts

about five years ago, most notably the ill-fated NZICC project which is still underway and could incur further cost overruns. The large provisions the Construction division has taken to cover the additional costs of completing these projects have pretty much wiped out all the profits earned by this division over the past 20 years. If these types of cost blowouts are to be expected from time to time, it's plausible this division may just about break even rather than earn the \$25m of after-tax profit that we expect from it.

- It's hard to know whether the Residential and Development business should be valued as an ongoing contributor to earnings or whether it has a finite lifespan, capped by the extent of the company's current land bank. The company has been supplementing its historical land holdings with purchases of new land parcels over time and will also convert the quarries it owns into residential land once depleted. Our view is that a strong case can be made for this being an ongoing business and therefore a P/E ratio of 16 times would value the business at NZ\$1.3b. Nevertheless, we are mindful that if we are wrong and this business has a finite lifespan, the company's independent external valuer has placed a value of NZ\$950m to NZ\$1.05b on these property assets (in their current form).
- Fletcher Building has had a regular procession of restructuring charges over the years that have been a drag on after-tax cash flows to the tune of an average of NZ\$30m per year. It's possible that these sorts of costs could be a recurring feature going forward, during for example, future economic downturns.
- The company is planning to spend NZ\$500m of capital expenditure (capex) on growth initiatives over the next three years, with a target return on capital of 15%. If it manages to meet its target, it would be an excellent outcome for shareholders. However, as prudent investors, we also need to consider what the impact might be if this capital generates a meagre return.

In Table 1, we provide a summary of our assessment of the share price impact of the concerns listed above.

TABLE 1 | Estimated share price impact of potential negative outcomes

Description	Basis for calculation	Estimated impact on share price	
		NZ\$ per share	% of mid-cycle valuation
Mid-cycle valuation	P/E of 16x earnings of NZ\$400m	8.15	
Construction cost overruns	P/E of 16x lost earnings of NZ\$25m	-0.50	-6%
Longevity of Residential & Development business	Shortfall of NZ\$350m between 'as is, where is' value and mid-cycle valuation	-0.45	-5%
Recurrence of restructuring charges	P/E of 16x lost earnings of NZ\$30m	-0.60	-8%
Growth capex earns nil return	NZ\$500m of lost value	-0.65	-8%
Cumulative impact of potential negative outcomes		-2.20	-27%

Source: Allan Gray.

The estimated cumulative impact of all these negative outcomes transpiring would be around NZ\$2.20 per share and would reduce the mid-cycle valuation from NZ\$8.15 to just under NZ\$6 per share. It is highly improbable that all these adverse outcomes would materialise simultaneously. However, even in the unlikely event that they do, compared to the share price of NZ\$5.16, this would still leave us with potential upside of around 15%, which we regard as a good outcome.

There is a reasonable margin of safety

We have a high degree of conviction that, at the price the Allan Gray Australia Equity portfolio has paid, there is room for a lot to go wrong before the investment thesis for Fletcher Building is dealt a terminal blow. We are therefore comfortable to hold the current portfolio weight (or even increase it slightly) while we wait patiently for the value in this company to be recognised by the market.

FUND COMMENTARY

QUARTER IN REVIEW

by JULIAN MORRISON, CFA

Investment Specialist

Allan Gray Australia Equity Fund

The Australian sharemarket rose slightly during the September quarter, with the S&P/ASX 300 Accumulation Index up 0.5%. Strong gains earlier in the quarter were largely offset by a weaker September. The Allan Gray Australia Equity Fund Class A was down 1.6% this quarter, underperforming the benchmark.

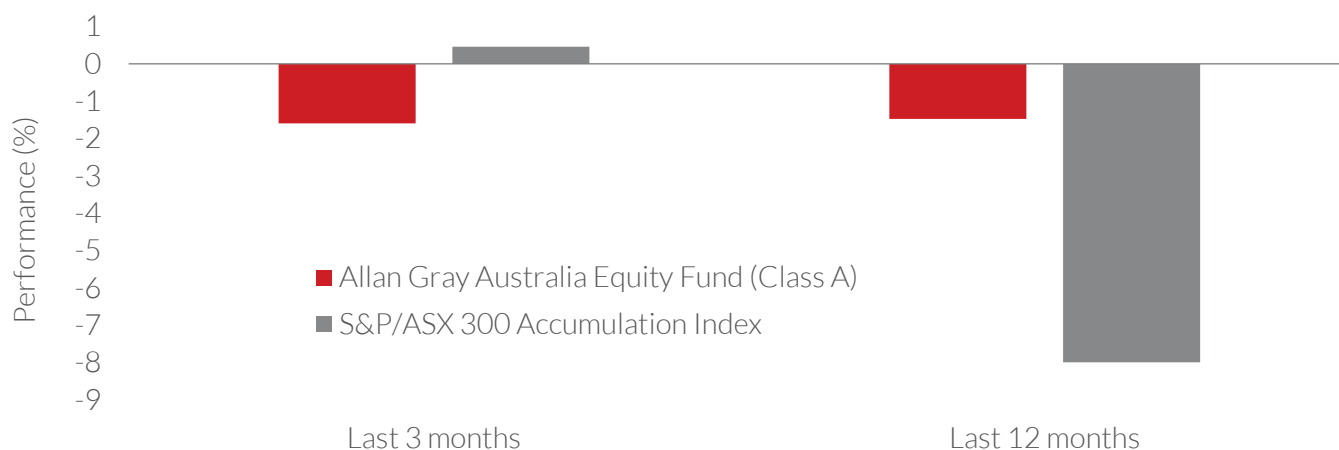
The last month in particular saw a return to the caution and risk aversion shown earlier in the year. Looking back over 12 months, the Fund has meaningfully outperformed the benchmark over the last year in the face of overall market weakness and despite a weaker recent quarter. This is shown in Graph 4.

This provides a reminder of the difference in positioning of the Fund versus the benchmark. Today, we believe extreme difference in valuations remain across the sharemarket. Our approach is to position the Fund in our assessment of the most undervalued stocks versus long-term value. We believe this not only maximises the opportunity for long-term outperformance, but can also help mitigate the risk of permanent loss of capital, which stems from overpaying.

During the quarter, our positioning in the Materials sector was the largest detractor from relative performance, with Newcrest Mining the leading negative contributor, followed by Alumina. Both companies have competitive advantages in terms of long reserve life, and lower cost of production relative to competitors. Alumina faces some negative market sentiment with regard to surplus industry production currently, but their competitors have much higher cost of production and so face significant short-term losses, while Alumina is better placed in this regard. Rational curtailment of production by competitors would seem a likely outcome, and in due course Alumina could be a beneficiary of this. Alumina and Newcrest both have depressed share prices that are far below our assessment of fair value and we have added to both on weakness during the last quarter.

Overall exposure to the Financials sector also detracted from performance slightly during the quarter, with QBE and Virgin Money amongst the largest detractors. We added to these positions on weakness. Virgin Money faces some challenges – hence the depressed share price. But with the price reflecting around 0.5 times net tangible asset (NTA) value, the company is at a very material discount to other banks and factors in a significant margin of safety. By comparison, CBA and NAB trade on a price-to-NTA multiple of around 2 and 1.7 times respectively. We do not own either of these, having sold our last exposure to NAB entirely during the quarter. Elsewhere in financials, AMP bucked the trend and contributed very strongly to outperformance. We also had positive contribution from exposures to ANZ and Westpac.

GRAPH 4 | Equity Fund performance versus benchmark



Source: Allan Gray, Bloomberg, 30 September 2022.

In other areas, strong performance contribution also came from within the Real Estate sector, with property developer and landbank owner Peet Limited notably outperforming the market. We still view this company as underappreciated and retain our position there.

Officially categorised within the Healthcare sector, industrial and medical glove manufacturer Ansell Limited also contributed strongly to performance for the quarter. We have maintained our position in Ansell given attractive fundamental valuation and the stock remains within the Fund's top ten holdings as at quarter end.

Lastly, our holdings in the Energy sector were mixed during the quarter, but overall contributed positively to relative performance. We have continued to trim these exposures at times of strength, re-allocating to some of the other ideas. Nevertheless, some of these companies remain significantly below fair value and so we remain overweight the sector and, in particular, Woodside Energy Group remains one of the largest holdings in the Fund.

We continue to observe market dislocation and will invest your Fund's assets where we see the best long-term value. At this juncture in the cycle, as much as ever, the aim is to avoid investing in companies we see as overvalued and at risk of destroying capital. The gap between these categories remains large in our view and continues to present a great opportunity for long-term outperformance.

Allan Gray Australia Balanced Fund

The Allan Gray Australia Balanced Fund returned -1.5% for the quarter, underperforming its composite Benchmark which was flat for the quarter.

Share selection in global shares contributed positively to relative performance for the quarter, offsetting a roughly equal deduction from exposures to Australian shares. As at quarter end, the Fund remained overweight global shares and underweight Australian shares.

The Fund had about 66% in shares at quarter end. 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 global equity indices were overall weaker for the quarter.

At the end of the quarter, the Fund also held around 21% in fixed income securities and a 5% exposure to gold through an exchange-traded fund. The duration of the fixed income allocation has been allowed to rise slightly as interest rates have risen. However, duration remains significantly shorter in duration than the benchmark – at around three years versus 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. Longer-term interest rates did indeed rise further during the last quarter – more so in US government bonds than in Australian. Therefore, this positioning again contributed positively to relative performance of the fixed income component.

Currency exposure detracted from the Fund for the quarter, given our underweight exposure to the US during a period where most major currencies fell versus the US dollar.

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

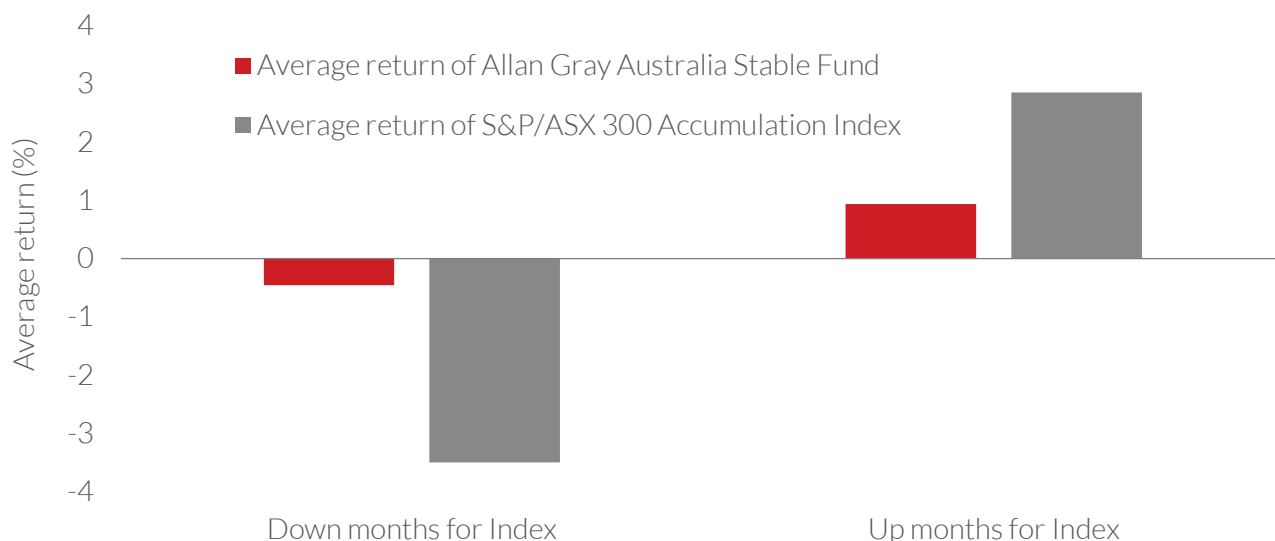
The Allan Gray Australia Stable Fund returned -0.5% for the quarter, underperforming its Reserve Bank of Australia cash rate benchmark, which returned 0.4% for the quarter.

The Fund has been reducing equity exposure for some time now and continued to do so during the last quarter. This 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.

In terms of assessing the Fund's potential upside versus downside outcomes, there are various ways to do this. One simple method is to compare how the Fund has performed in rising sharemarkets versus falling markets. Since inception of the Stable Fund over 11 years ago, the S&P/ASX 300 Index has risen in 89 of 135 months, falling in the other 46 months. During the 'up' months, the broad sharemarket achieved average returns of 2.9%, while the Allan Gray Australia Stable Fund averaged 0.9%. On the other hand, during the 'down' months, the broad sharemarket averaged -3.5%. Meanwhile during those same down months, the Fund averaged -0.5%.

This means the Stable Fund has, since inception, participated in 33% of the sharemarket upside, with only 13% of the downside – as shown in Graph 5. We believe this asymmetric payoff is in keeping with our fundamental, contrarian approach and may be of significant benefit to investors seeking to outperform cash using an investment allocation of more moderate risk and return.

GRAPH 5 | Average return of the Stable Fund and the Index in up and down months



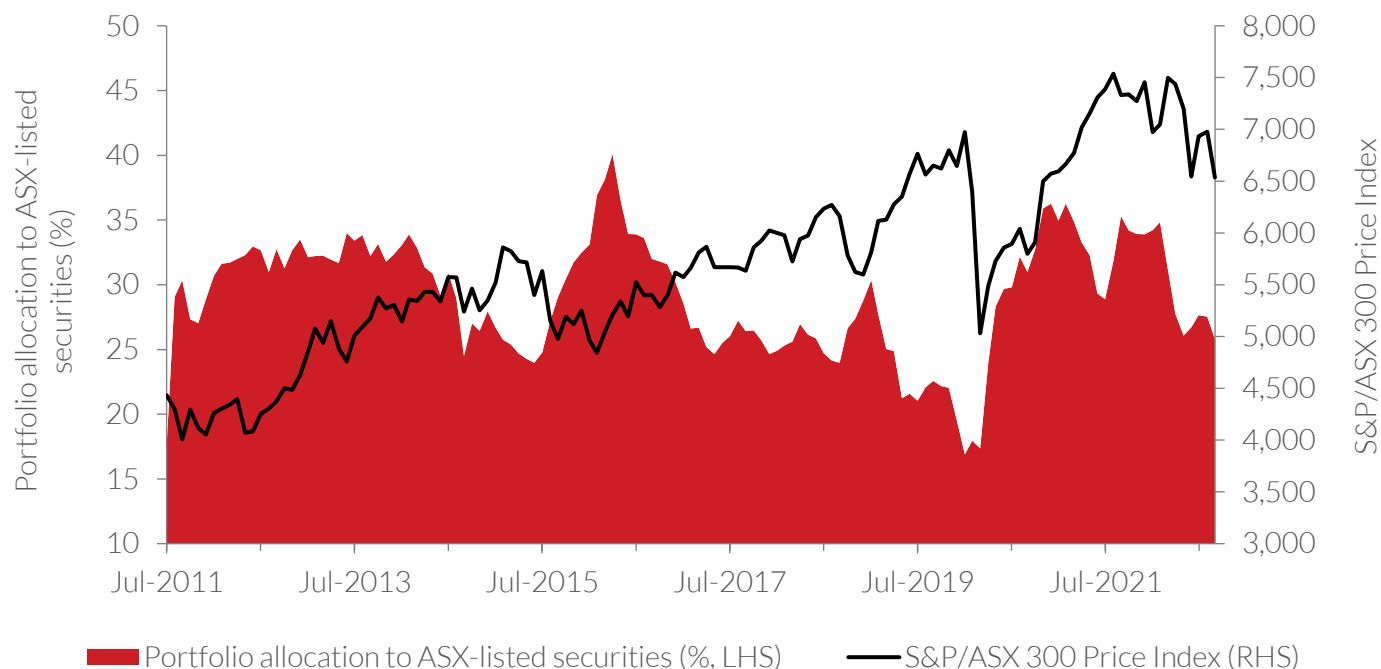
Source: Allan Gray, Bloomberg, 30 September 2022.

As at the end of September, the Fund had 25.8% invested in ASX-listed securities (of which around 24.8% was equities and about 1% selected hybrid securities). The remaining 74.2% is held in cash and money market investments. This can be seen in Graph 6, which shows our allocation between cash and ASX-listed securities over time.

The Stable Fund aims to add value from both our disciplined stock 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 the opportunity for this Fund to demonstrate its intended benefits. It offers a 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 6 | Stable Fund listed security weighting – allocation rises where we see value in listed securities



Source: Allan Gray, Bloomberg, 30 September 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	7.3	5.7	1.6
15 Years	6.0	4.2	1.8
10 Years	9.9	8.4	1.5
5 Years	5.5	6.8	(1.3)
3 Years	1.1	2.7	(1.6)
1 Year	(1.5)	(8.0)	6.5
NOT ANNUALISED (%)			
Latest Quarter	(1.6)	0.5	(2.1)

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	9.7	8.2	1.5
5 Years	6.2	6.8	(0.6)
3 Years	1.8	2.7	(0.9)
1 Year	(0.7)	(8.0)	7.3
NOT ANNUALISED (%)			
Latest Quarter	(1.4)	0.5	(1.9)

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 30 September 2022 Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Woodside Energy Group	209,050	10
Newcrest Mining	176,259	8
Alumina	168,771	8
QBE Insurance Group	147,978	7
Sims	113,029	5
Ansell	110,267	5
Aust. and NZ Banking Group	110,108	5
Westpac Banking	85,075	4
AMP	72,227	3
Incitec Pivot	68,382	3
Fletcher Building	61,676	3
Worley	57,170	3
Virgin Money UK	55,156	3
Nufarm	53,450	3
Challenger	51,889	2
Santos	51,009	2
Metcash	48,149	2
Lendlease Group	44,015	2
Origin Energy	43,303	2
G8 Education	32,473	2
SkyCity Entertainment Group	32,450	2
Peet	26,342	1
TPG Telecom	22,991	1
Positions less than 1%	211,496	10
Total Security Exposure	2,052,715	98
ASX SPI 200™ Futures Contract (12/2022)†	21,499	1
Net Current Assets	26,370	1
Net Assets	2,100,584	100
Price per unit - Class A (cum distribution)	AUD 1.4976	
Price per unit - Class B (cum distribution)	AUD 1.4948	
Total Assets Under Management for the Australian equity strategy (AUD 000's)‡	AUD 7,494,027	

† 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	5.4	5.5	(0.1)
5 Years	4.6	5.4	(0.8)
3 Years	3.2	1.0	2.2
1 Year	(2.1)	(9.9)	7.8
NOT ANNUALISED (%)			
Latest Quarter	(1.5)	(0.0)	(1.5)

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 September 2022 Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Equity		
Domestic Equity		
Woodside Energy Group	4,026	4
Alumina	3,978	4
Newcrest Mining	3,378	3
QBE Insurance Group	2,844	3
Sims	2,632	2
Ansell	2,094	2
Aust. and NZ Banking Group	1,844	2
Westpac Banking	1,647	1
AMP	1,287	1
Domestic Equity Positions less than 1%	12,561	11
Global Equity		
Kinder Morgan	3,467	3
Shell	2,565	2
Schlumberger	2,426	2
Samsung Electronics	2,169	2
Drax Group	1,412	1
Bayer	1,333	1
Global Equity Positions less than 1 %	34,279	30
Total Equity[^]	83,943	74

[^] The Fund holds derivative contracts which reduces the effective net equity exposure to 66%.

BALANCED FUND HOLDINGS

Security	Market Value AUD 000's	% of Fund
Fixed Income		
Domestic Fixed Income		
Australian Government Bonds	12,886	11
Global Fixed Income		
USTIPS 3 - 5 Years	4,737	4
Global Fixed Income Positions less than 1 %	5,293	5
Total Fixed Income	22,915	20
Commodity Linked Investments		
SPDR Gold Trust	5,857	5
Total Commodity Linked Investments	5,857	5
Total Security Exposure	112,715	99
Cash Equivalents and Term Deposits	260	<1
Net Current Assets	547	<1
Net Assets	113,522	100
Price per unit (cum distribution)	AUD 1.1192	

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	5.6	1.8	3.8	4.1
10 Years	5.4	1.5	3.9	4.2
5 Years	3.4	0.8	2.6	3.9
3 Years	2.6	0.4	2.2	3.8
1 Year	0.1	0.6	(0.5)	5.6
NOT ANNUALISED (%)				
Latest Quarter	(0.5)	0.4	(0.9)	0.4

Highest and lowest annual return since public launch

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

STABLE FUND HOLDINGS

Fund holdings as at 30 September 2022

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Woodside Energy Group	15,535	5
Alumina	14,409	4
Newcrest Mining	12,564	4
QBE Insurance Group	6,703	2
Ansell	4,371	1
Positions less than 1%	31,200	9
Total Security Exposure	84,782	26
Cash and Money Market Instruments	238,364	73
Net Current Assets	5,373	2
Net Assets	328,519	100
Price per unit (cum distribution)	AUD 1.1631	

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>Class A Management fee comprises:</p> <ul style="list-style-type: none"> 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. 	<p>Management fee comprises:</p> <ul style="list-style-type: none"> 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. 	<p>Management fee comprises:</p> <ul style="list-style-type: none"> 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.
	<p>Class B Management fee comprises:</p> <ul style="list-style-type: none"> 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

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