



THE HUMANITARIAN CONTRARIAN

Dr. Allan Gray was a pioneering investor whose unorthodox approach has created an impressive legacy. His story is not just one of success, but of altruism, humility and an uncompromising set of values that continue to guide Allan Gray Australia today.

Although the impressive Allan Gray (who passed away in Bermuda in 2019 aged 81) was by all accounts an unassuming man, his legacy is still very much felt today. Here was a man whose notions of fair play, hard work and faith in oneself led to success not just for the asset management firms he founded, but for the thousands of investors he attracted over the years. His story is as compelling now as it was before; perhaps even more so, as the values he embraced continue to inform our company's culture in Australia and around the globe.

THE SOUTH AFRICAN BOY WHO DARED TO DREAM BIG.

Allan was born in South Africa to parents of Scottish heritage. His electrical engineer father and maths teacher mother – both, incidentally, possessing the surname Gray – had met on a ship. The story goes that, unusually for the time, Allan's father was interested in the teachings of Buddha and was actually contemplating becoming a monk.

At school, Allan excelled at accounting. He went to university at just 16 and then went on to study at the London School of Economics before attending Harvard and completing an MBA. It was during his first role at Fidelity Investments in Boston, where he stayed for eight years, that he

first learned to use technical analysis to look at markets. He also learned to take into account human psychology, where emotions such as greed and fear could be reflected in people's actions in the stock market.

Allan excelled at Fidelity, but in 1973 decided it was time to return home and fulfil his dream of bringing quality professional asset management to South Africa and Allan Gray Proprietary Ltd was born. In 1989, he set up Orbis to take his fundamental long-term, contrarian approach global. The Australian business was started in 2005 under the brand name Orbis, however the business later changed its name to Allan Gray Australia. Orbis Investments also operates in Australia distributing global funds.

PUTTING THE CLIENT FIRST. ALWAYS.

Allan's driving motivation in starting Allan Gray Proprietary Ltd was to make a difference to investors' lives. He genuinely wanted to help people to build their wealth – not just his clients, but also his employees and their dependents. He always said people didn't work for him; they worked with him. He consistently hired 'the best and the brightest' analysts, drawn from various disciplines and rarely from a purely

investment background. He admired people who could see through a different lens.

"I really focused on hiring great people and ambitious people with a good track record. I didn't want anybody with experience. We were doing things very differently from the way things were done. I went along to the university professors and asked, 'Who are the brightest in your class this year?' and then I approached them."

This approach, in part, still holds true today, as the Allan Gray business in Australia and in South Africa generally choose not to hire analysts who've worked at other fund managers (and may therefore bring existing biases with them), but rather mathematicians and physicists, MBA graduates and talented people from specialist industries.

He also believed clients should be in the driver's seat, not the fund managers. He often referenced his belief that the service of the firm should be bought by the clients and it shouldn't be sold by us. This in part has become a mantra of the whole firm as we believe that clients will tell others of their experience. Client service, above all, was and is the overarching credo. His core thinking was always in doing what is right for clients, and ensuring that this singular principle

governs all decision-making. He was adamant that this is the way the business would grow.

“...WHY NOT FOCUS ENTIRELY ON EXCELLING IN INVESTMENT MANAGEMENT AND CLIENT SERVICE, AND GROWING THE CLIENTELE THROUGH ‘THE WAGGING TONGUES OF SATISFIED CUSTOMERS?’”

Allan was one who walked the talk and believed in accountability. He held himself and his business accountable to each and every client and this ethos remains in place today. On each Fund, fees beyond the base fees are calculated based on performance, and analysts are remunerated based on their individual contribution to the portfolios. A performance fee is only charged when the Fund's return (after considering base fees if applicable) is higher than the benchmark's return. And a 'high-water mark' is in place to ensure investors only pay once for performance exceeding the benchmark.

This client-focused view means the business' success and our clients' success are mutually aligned.

“I'M A TORTOISE, NOT A HARE” - HOW UNORTHODOXY WORKS FOR ALLAN GRAY.

Allan was a self-described “strong individualist” – an essential character trait for his approach to investing which required strong conviction in his own ideas and the courage to stand apart from others. He introduced this investment philosophy to South Africa and today Allan Gray Proprietary Ltd is one of South Africa's largest privately-owned investment management firms.

Put simply, the contrarian investment

approach involves going against popular opinion or trends when it comes to investing. It shuns fads and fashions. This tried-and-true approach has the potential to outperform the market over the long term, but it requires patience and commitment as it can mean periods of short-term underperformance while we wait for the market to recognise the value our teams have identified. It is important to note however that we are never contrary for the sake of it – rather, our philosophy is grounded in rigorous research.

Our fundamental, long-term and contrarian approach to stock selection has been the same over time and across markets. Our belief that contrarian investment decisions are best made by individuals has also never wavered. In the early days, decisions in South Africa were primarily made by Allan himself, but even now, they continue to be made by individuals – each held accountable for their performance – rather than teams or committees.

Our organisational philosophy also remains true to its original design. Starting with ownership, the firm was carefully structured to be privately owned, to ensure that we can execute on our investment philosophy without answering to the short-term demands of shareholders. While no longer owned by a sole proprietor, the firm remains privately held and in the hands of those who best understand our approach to investing.

This clear, single-minded vision permeates the entire business worldwide and has been delivered consistently for over 45 years, with 15 years in Australia.

“A SECOND PASSION IN MY LIFE”.

That's how Allan described his ever-growing interest in philanthropy. Whilst he may not have been Australian, he certainly understood the importance of the 'fair go'. He attributed this largely to his childhood

in Africa, where he was witness to extreme poverty.

As far back as the early 1970s, Allan was thinking of ways he could help those less fortunate; viewing philanthropy as a natural extension of the impact that the investment business aims to make in people's lives. He identified education as one way in which people could be genuinely helped to improve their standing in life. He applied his rigorous business techniques to the business of philanthropy, evaluating the comparative advantages and disadvantages of each situation. In this way he adopted a form of 'Strategic Active Philanthropy' – in other words, honing in on how to make the biggest difference in the most effective way.

His charitable work began in 1979 when Allan and his wife founded the Allan and Gill Gray Charitable Trust. In 2005, he established the Allan Gray Orbis Foundation to fund bursaries and scholarships for Southern African scholars and students from disadvantaged backgrounds in addition to other philanthropic causes. The Allan & Gill Gray Foundation was set up in 2018 and Allan donated his family's controlling stake in the Orbis and Allan Gray groups to the Foundation.

A LIFE WELL LIVED... AND A FINE LEGACY.

Allan, most certainly, was a gentleman and a genius. He possessed that rare knack of being able to see the 'blue sky' of a company; in other words, to recognise potential that others could not see. He was quietly confident, and he did not equivocate, but he remained humble. According to the Royal Gazette in Bermuda, social media was flooded with news of his death, with #ThankyouAllanGray a popular hashtag. His incredible generosity had changed the lives of many, many people.

Patience. Oppositional or contrarian thinking. Sometimes even dissent. Combined with an abiding commitment to fair play. All were attributes possessed by Allan and judiciously applied by him. His attributes, and ways of thinking, continue to form the tenets of Allan Gray in Australia and worldwide today. It may not be a conventional approach to investing, or perhaps to life; but no one could question the fact that it's rewarding.

