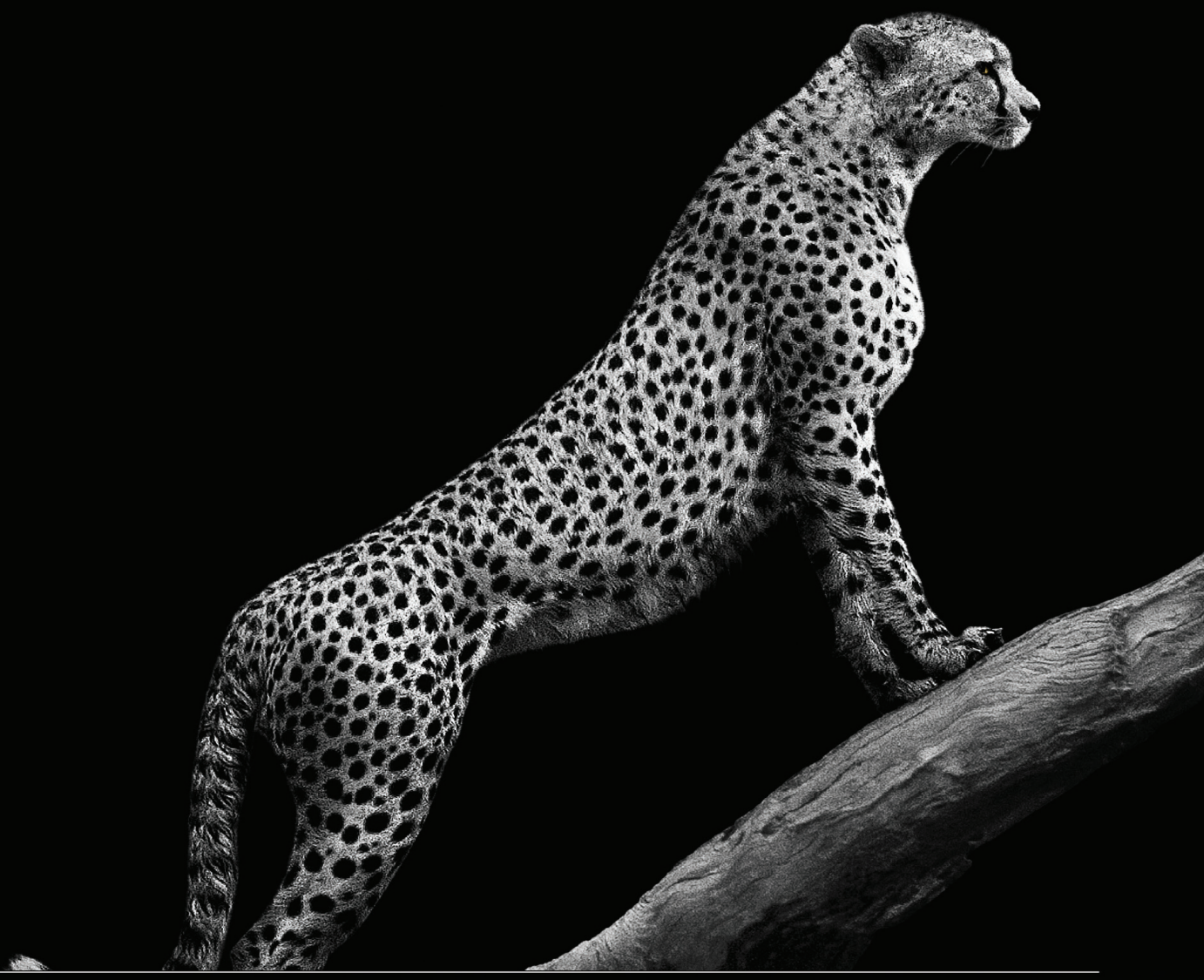
ALLANGRAY

CONTRARIAN INVESTING

QUARTERLY COMMENTARY

30 JUNE 2019



INVESTMENTS AND SUPERANNUATION

COMMENTARY

SIMON MAWHINNEY, CFA

Managing Director & Chief Investment Officer

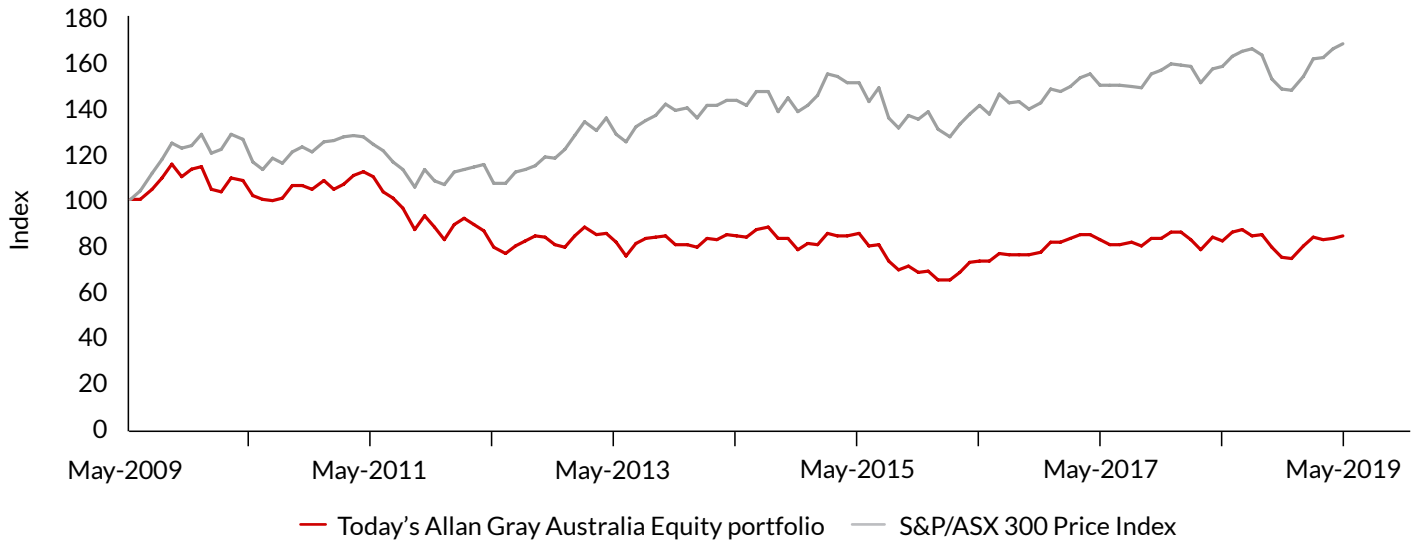
It is tempting today to write about the relative price performance of low-growth (let's call them 'value') versus high-growth companies, defensives versus cyclicals, the stellar price performance of the so-called bond proxies, or how devastatingly successful a momentum-based investment strategy has been over the past 10 years. But commentary on these topics seems to have been particularly well-trodden ground of late and I'm not sure we can add much insight. Plus, we were tempted to write about these last year, which reinforces how little competitive advantage we have in picking trends.

Rather than further analysing these gale-force trends in the market, we continue to focus our efforts on investing in attractively-priced companies. That focus has yielded a portfolio that, if share price is anything to go by, is about as undervalued as it has ever been relative to the broader sharemarket. As Graph 1 shows, a portfolio identical to ours today would have underperformed the sharemarket by 49% had it been initiated ten years ago.

Price, or what you pay, is only part of the story. The other part is the future earnings stream you receive. This is especially important today, given the extent of structural change which has significantly and permanently reduced the earnings outlooks for several companies and industries. A portfolio comprised exclusively of these companies is very unlikely to recover in price terms, given the permanent reduction in its future earnings.

But for the most part, our portfolio consists of cyclically-impacted companies that trade at attractive multiples of depressed earnings and this should help narrow the price gap in Graph 1 considerably.

Graph 1: Our current investment portfolio would have underperformed the market significantly if we had bought those stocks 10 years ago



Source: Allan Gray Australia, Factset, as at 31 May 2019

Don't take our word for it. Table 1 illustrates the view of sell-side analysts. According to them (or 'market consensus'), our portfolio trades at a discount to the market's earnings (its price/earnings or P/E ratio is lower at 15.7 times versus the broader sharemarket's 16.6 times as at 30 June 2019) and those earnings are expected to grow faster than the market's.

It would be fair to question how this is possible. Part of the answer would involve opining on matters alluded to in the first paragraph. Most of the companies we invest in are currently experiencing significant headwinds and their immediate future appears quite bleak. In many instances the investment community may have lost patience. But headwinds can become tailwinds when you least expect it: an unexpected favourable tweet, sudden drought-breaking rains or a less severe recession than people anticipate to name a few. And companies priced for a *bleak* future make for great investments if the future is only *bad*.

One such company that has been recently added to the portfolio is Nufarm Limited, which finds itself in the middle of a possible cyclical earnings low point, while carrying too much debt. In the rest of this report, Dr Suhas Nayak explores the opportunities we see in Nufarm despite the evident risks.

Table 1: The Allan Gray Australia Equity portfolio trades at a discount to the market's earnings

	Historical P/E ratio	One-year forward P/E ratio	Two-year forward P/E ratio
Allan Gray Australia Equity portfolio	15.7	14.4	13.3
Implied growth rate		9.0%	8.3%
S&P/ASX 300 Price Index	16.6	16.1	15.2
Implied growth rate		3.1%	5.9%

Source: Allan Gray Australia, Factset, as at 30 June 2019

DR SUHAS NAYAK
Analyst and Portfolio Manager

Who is Nufarm?

Nufarm Limited is primarily a formulator and distributor of agricultural chemicals, but it also operates a small seed supply business. Through a number of acquisitions over the years, the company has branched out from its New Zealand beginnings to become one of the largest off-patent agricultural chemical players in the world. Its product range includes herbicides, insecticides and fungicides that keep pests under control and agricultural yields up.

Nufarm buys active ingredients from various suppliers (mainly in China), adds some solvents and then sells the formulation to local farmers in Australia, North America, Europe and Brazil. The only active ingredient it manufactures is 2,4-D, a herbicide, which it manufactures in Australia and the UK.

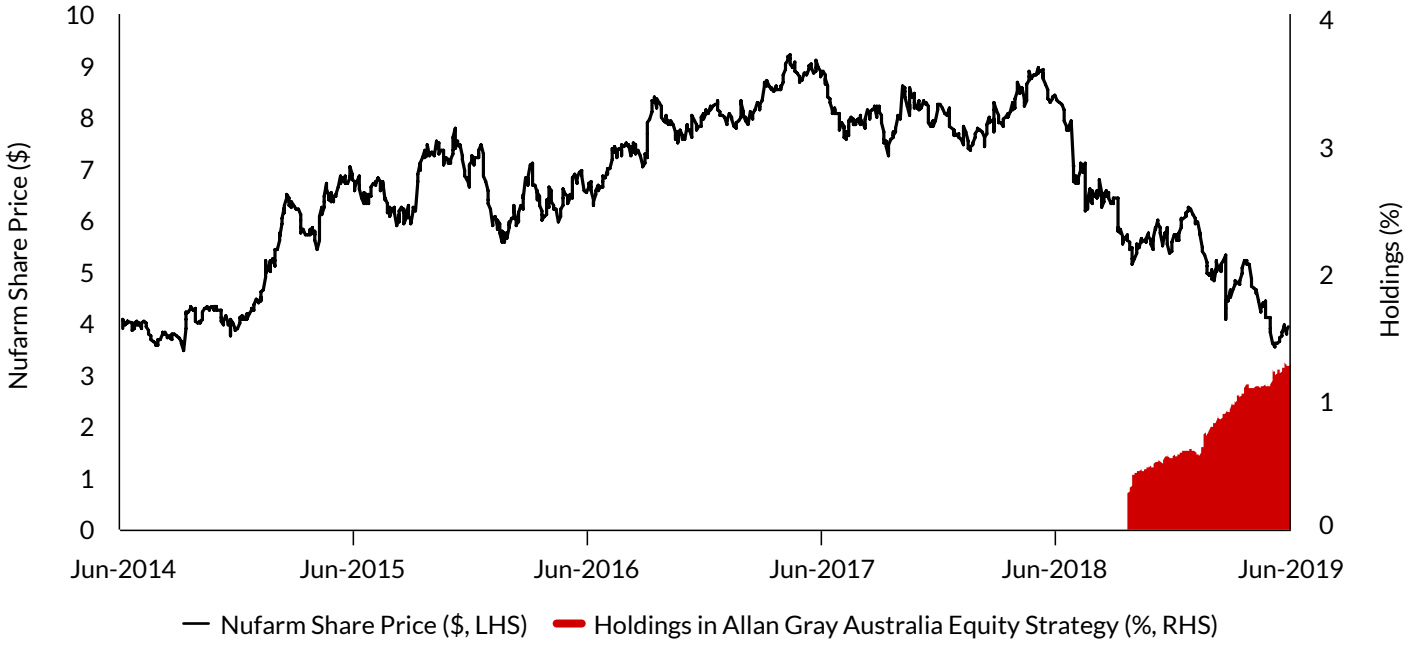
Separately, Nufarm supplies canola, sorghum and sunflower seeds. It also has a promising new seed development program in the late stages of trials and approvals: the omega-3 canola seed, which they claim is the world's first plant-based source of long-chain omega-3 fatty acids (known for their heart health benefits).

What went wrong for Nufarm...?

The last year has been very difficult for the company, which has resulted in a steep decline in its share price.

Nufarm was riding high when it acquired two European product portfolios in late 2017, an opportunity that came about because of antitrust regulations on the back of consolidation elsewhere in the sector. Despite being partially funded through an equity raising at almost double today's share price, the acquisition left Nufarm with too much debt if market conditions turned, and turn they did. In Nufarm's case, this turn was quite sudden and pronounced.

Graph 2: Nufarm share price relative to the share's weighting in the Allan Gray Australia Equity Strategy



Source: Allan Gray Australia and Datastream. The Allan Gray Australia Equity Strategy includes the Allan Gray Australia Equity Fund and institutional mandates that share the same investment strategy.

While it is trite these days to hear a company blame poor performance on weather, suppliers of agricultural chemicals do find it difficult when there is a drought, as demand drops. That has been the case in Australia, which has meant farmers have not needed anywhere near the normal quantities of agricultural chemicals. With Nufarm's larger manufacturing and formulation base here, this has resulted in a large build-up in inventory and even more debt on Nufarm's balance sheet. On top of this, floods and wild weather in the US have delayed planting there, further reducing demand for Nufarm's products.

Nufarm has also experienced some integration issues with some products from the European portfolio acquisitions, as it has had trouble with the supply of one profitable product in particular. This has reduced earnings from that portfolio this year and, like a company that misses prospectus forecasts post-IPO, some serious punishment has been meted out by the market.

In addition, trade war rhetoric and tariffs have ramped up over the course of the year. Because Nufarm obtains its active ingredients from China (like many industry players) and because its customers grow things like soybeans that are exported to China, the company could stand to lose on both sides of the trade war equation.

All of this would be bad, but there is a (very sour) cherry on top of this cake. Nufarm is a supplier of glyphosate (making up approximately 10% of its gross profits), a chemical that is now being linked by some previous users to causing their cancer. The lawsuits are currently against Bayer (which bought Monsanto, the company that patented the weedkiller known best by its brandname, Roundup) and a couple of them have resulted in large damages being awarded against that company. There may be worries that Nufarm could also face lawsuits given its status as a supplier, and when the first lawsuit's damages bill was announced, both Bayer and Nufarm's stock prices fell sharply.

...And what could go right?

It is at these bleak times that we often see the best opportunities. Current bottom-end of range guidance sees Nufarm's earnings before interest, tax, depreciation and amortisation (EBITDA) at $440 million and capital expenditure (capex) of around $160 million in the future, resulting in a cash flow before interest and tax of $280 million. At current prices, Nufarm's enterprise value (its market capitalisation plus its net debt) stands at around $3.2 billion, putting the company on a little over 11 times enterprise value to free cash flow. The market is trading at much higher multiples.

Given all the headwinds Nufarm has encountered, it is hard to believe that 2019's earnings are not low in the cycle. Paying 11 times reasonably depressed earnings looks quite attractive. On top of this, inventories are elevated, so an organic unwinding of that inventory position should reduce net debt considerably, which is what happened the last time the company recovered from a drought.

But an investment here is not without its risks

Nufarm's debt is uncomfortably high and any missteps would require a capital raising, which the market may be fearing. While we hope that the company can do the hard work and get itself out of this situation the old fashioned way, a capital raising on its own would not destroy value, but would reduce the possible upside. There is also some risk around the acquisitions Nufarm

has conducted recently. It is hard to know what normal earnings at Nufarm really look like as a result, and cash flows have historically been poor. High debt might result in greater discipline on that particular front.

And then there is glyphosate. We don't know how that issue may unfold. Regulatory bodies around the world, including the US EPA recently, have approved glyphosate use based on scientific evidence. Even if there were a direct link between glyphosate and cancer, it is unclear what liability Nufarm would have, especially as a distributor of the active ingredient (as opposed to a manufacturer). Nufarm performs a similar service for glyphosate as pharmacists perform for approved medicinal drugs. Where these drugs are subsequently found to cause harm, it is not the pharmacist that is generally liable. If the chemical is banned, then Nufarm and other suppliers would need to supply other less-effective, often more expensive, chemicals in possibly greater quantities to meet the needs of farmers. One of those possible replacement chemicals is 2,4-D, in which Nufarm has a very strong presence through its manufacturing facilities.

While there are risks in investing in Nufarm today, we believe the company is currently priced for many of those risks eventuating and persisting. If the company can do the hard work to restore the strength of the balance sheet without raising capital and if those risks do not persist, then investors should be rewarded.

FUND COMMENTARY
QUARTER IN REVIEW

Allan Gray Australia Equity Fund

The Australian sharemarket rose strongly again in the second quarter, to end the financial year close to an all-time high in simple price terms, and at categorically all-time highs in total return terms (i.e. including dividends). Now 10 years into a bull market, we are even more wary than usual of popular, overvalued stocks. As outlined elsewhere in this report, we have shifted the portfolio into stocks where, in our view, depressed prices have meant more attractive valuations, which has led to a portfolio that is particularly undervalued relative to the market.

While current trends persist, this may weigh on our short-term performance. But trying to ride the late stages of a popular trend and exit before everyone else is not a game we want to play. Rather we focus on valuation discipline, and are comfortable waiting for extremes in sentiment to subside.

This stance saw the Allan Gray Australia Equity Fund underperform its S&P/ASX 300 Accumulation Index benchmark by 2.3% for the last quarter, in a rising market. With energy being the weakest sector (-0.2%), the Fund's overweight positions in Oil Search, Origin Energy and Woodside Petroleum held it back. Meanwhile the financial sector staged a strong rebound and the underweight position there also detracted from relative performance.

On the positive side, positions in Newcrest Mining, Austal and Telstra have outperformed strongly, so the Fund took the opportunity to reduce its holdings.

Allan Gray Australia Balanced Fund

The Allan Gray Australia Balanced Fund underperformed its composite benchmark by 3.7% in the second quarter. Around 65% of the Fund's investments are in equities, and underperformance in both the Australian and global equity holdings has been the key detractor from relative performance.

The global share exposures have underperformed to a greater degree, and this has seen the Fund adding relatively more to some of those holdings at lower prices, where we see the greatest value. Part of the global share exposure is reduced through listed instruments, which has also detracted from relative performance in a rising market. This positioning should, however, provide some protection in those periods where market indices fall.

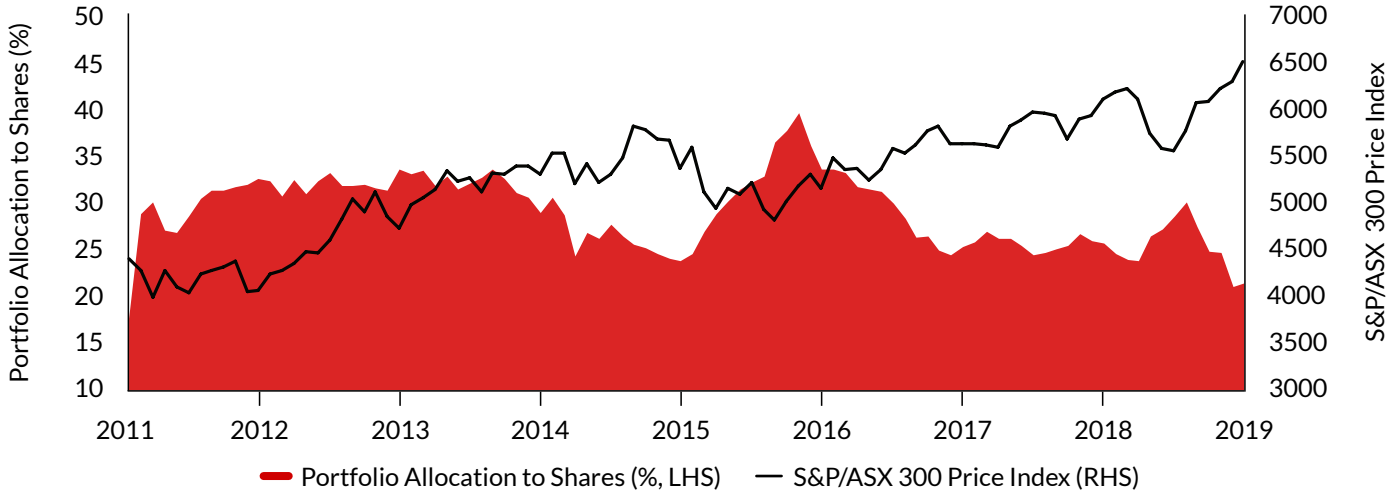
For the roughly 26% of the portfolio currently invested in fixed income, the Fund remains significantly shorter in duration than the benchmark – at around two years versus seven for the benchmark. While the Fund's fixed income position delivered a positive return, its shorter duration holdings meant that it underperformed the benchmark as interest rates fell. However, this does mean that the Fund should be more defensively positioned than the benchmark in the event interest rates rise.

Allan Gray Australia Stable Fund

The Allan Gray Australia Stable Fund outperformed its RBA cash rate benchmark by 1.0% in the second quarter.

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 shares versus cash. The exposure to shares can range from zero to 50% of the Fund, and the allocation over time is illustrated in the red shaded area in Graph 3. The Fund looks to buy shares when prices are lower and we see more opportunities and reduce share holdings when shares are more expensive. Through the first quarter of 2019 we reduced the Fund's share exposure to around 25% at quarter–end, as the Australian sharemarket rose strongly. This broad market strength continued during the second quarter, with the S&P/ASX 300 Price Index ending the quarter at around the highest point since inception of the Stable Fund. As such, we have continued to reduce share exposure, ending the June quarter at around 22% of the portfolio.

Graph 3: Stable Fund portfolio weightings – equity allocation falls when there is less value in equities



Source: Allan Gray Australia as at 30 June 2019

EQUITY FUND PERFORMANCE

Allan Gray Australia Equity Fund — Class A units

	Allan Gray Australia Equity Fund	S&P/ASX 300 Accumulation Index	Relative Performance
ANNUALISED (%)			
Since Public Launch on 4 May 2006	8.6	6.4	2.2
10 Years	12.8	9.9	2.9
5 Years	11.1	8.9	2.2
3 Years	14.9	12.8	2.1
1 Year	7.1	11.4	(4.3)
NOT ANNUALISED (%)			
Latest Quarter	5.7	8.0	(2.3)

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	13.1	10.7	2.4
5 Years	11.0	8.9	2.1
3 Years	14.7	12.8	1.9
1 Year	7.8	11.4	(3.6)
NOT ANNUALISED (%)			
Latest Quarter	5.9	8.0	(2.1)

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

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 2019

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Newcrest Mining	183,547	10
Woodside Petroleum	167,518	9
Alumina	118,988	6
QBE Insurance Group	107,854	6
Origin Energy	106,484	6
Sims Metal Management	105,891	6
National Australia Bank	101,609	5
Telstra	88,959	5
Metcash	82,924	4
Oil Search	68,905	4
AMP	57,667	3
Aust. and NZ Banking Group	37,844	2
Southern Cross Media Group	37,273	2
CSR	30,268	2
Austal	29,137	2
Fletcher Building	28,935	2
HT&E	28,413	2
Coles Group	28,023	2
WorleyParsons	26,999	1
Peet	26,269	1
Nufarm	25,579	1
Asaleo Care	23,529	1
SKYCITY Entertainment Group	19,147	1
Starpharma Holdings	19,003	1
Positions less than 1%	150,939	8
Total Security Exposure	1,701,705	92
ASX SPI 200 ™ Futures Contract (09/2019)†	5,575	<1
Net Current Assets	148,574	8
Net Assets	1,855,854	100
Price per unit - Class A (cum distribution)	AUD 1.8144	
Price per unit - Class B (cum distribution)	AUD 1.8382	
Total Assets Under Management for the Australian equity strategy (AUD 000's)‡	AUD 6,471,156	

† 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	7.4	10.6	(3.2)
1 Year	1.7	11.8	(10.1)
NOT ANNUALISED (%)			
Latest Quarter	2.2	5.9	(3.7)

Highest and lowest annual return since public launch

Allan Gray Australia Balanced Fund	Return %	Calendar year
Highest	(4.1)	2018
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.*

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 2019

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Equity		
Domestic Equity		
Newcrest Mining	3,173	4
Woodside Petroleum	3,007	3
National Australia Bank	2,326	3
Sims Metal Management	2,001	2
Alumina	1,952	2
Origin Energy	1,930	2
Telstra	1,808	2
QBE Insurance Group	1,794	2
Metcash	1,526	2
Oil Search	1,369	2
AMP	948	1
Domestic Equity Positions less than 1%	8,435	9
Global Equity		
NetEase	1,664	2
Taiwan Semiconductor Mfg.	1,633	2
AbbVie	1,618	2
Celgene	1,604	2
BP	1,558	2
Royal Dutch Shell	1,381	2
British American Tobacco	1,081	1
Naspers	970	1
Samsung Electronics (Common and Pfd)	961	1
Bayer	908	1
Global Equity Positions less than 1 %	15,263	17
Total Equity^	58,910	65

^ The Fund holds derivative contracts which reduces the effective net equity exposure to 59%.

BALANCED FUND HOLDINGS

Security	Market Value AUD 000's	% of Fund
Fixed Income		
Domestic Fixed Income		
Australian Government Bonds	16,394	18
Global Fixed Income		
Global Fixed Income Positions less than 1 %	5,748	6
Total Fixed Income	22,142	25
Commodity Linked Investments		
SPDR Gold Trust	4,409	5
Total Commodity Linked Investments	4,409	5
Total Security Exposure	85,461	95
Cash Equivalents and Term Deposits	3,433	4
Net Current Assets	1,085	1
Net Assets	89,979	100
Price per unit (cum distribution)	AUD 1.1490	

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	6.8	2.4	4.4	4.4
5 Years	6.0	1.8	4.2	3.8
3 Years	6.2	1.5	4.7	4.2
1 Year	3.3	1.5	1.8	4.2
NOT ANNUALISED (%)				
Latest Quarter	1.4	0.4	1.0	2.7

Highest and lowest annual return since public launch

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

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 June 2019

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Woodside Petroleum	8,515	2
Newcrest Mining	8,469	2
Sims Metal Management	7,069	2
Origin Energy	6,844	2
Alumina	5,983	2
Metcash	5,371	2
National Australia Bank	4,307	1
Oil Search	4,046	1
Telstra	3,528	1
Positions less than 1%	20,650	6
Total Security Exposure	74,781	22
Cash Equivalents and Term Deposits	268,933	78
Net Current Assets	2,796	<1
Net Assets	346,510	100
Price per unit (cum distribution)	AUD 1.2214	

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)	**Class A** Management fee comprises: • Fixed (Base) fee – 0.75% per annum of the Fund's NAV. • Performance fee – 20% of the Class' outperformance, net of the base fee, in comparison to the Benchmark. A performance fee is only payable where the Class' outperformance exceeds the high watermark, which represents the highest level of outperformance, net of base fees, since the Class' inception. **Class B** Management fee comprises: • Fixed (Base) fee – Nil. • Performance fee – 35% of the Class' outperformance in comparison to the Benchmark. A performance fee is only payable where the Class' outperformance exceeds the high watermark, which represents the highest level of outperformance, since the Class' inception.	Management fee comprises: • Fixed (Base) fee – 0.75% per annum of the Fund's NAV. • Performance fee – 20% of the Fund's' outperformance, net of the base fee, in comparison to the Custom Benchmark. A performance fee is only payable where the Fund's outperformance exceeds the high watermark, which represents the highest level of outperformance, net of base fees, since the Fund's inception.	Management fee comprises: • Fixed (Base) fee – 0.25% per annum of the Fund's NAV. • Performance fee – 20% of the Fund's outperformance, net of the base fee, in comparison to the Benchmark. A performance fee is only payable where the Fund's outperformance exceeds the high watermark, which represents the highest level of outperformance, net of base fees, since the Fund's inception.
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.

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.

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.

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.

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, or 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 accepts 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.

ALLANGRAY

CONTRARIAN INVESTING

INVESTMENT MANAGER

Allan Gray Australia Pty Ltd
ABN 48 112 316 168, AFSL No. 298487

Level 2, Challis House, 4 Martin Place
Sydney NSW 2000, Australia
Tel +61 2 8224 8604
www.allangray.com.au

RESPONSIBLE ENTITY AND ISSUER

Equity Trustees Ltd
ABN 46 004 031 298, AFSL No. 240975

Level 1, 575 Bourke Street
Melbourne VIC 3000, Australia
GPO Box 2307, Melbourne VIC 3001, Australia
Tel +61 3 8623 5000
www.eqt.com.au