

QUARTERLY COMMENTARY

30 JUNE 2020



INVESTMENTS AND SUPERANNUATION

COMMENTARY



SIMON MAWHINNEY, CFA
Managing Director & Chief
Investment Officer

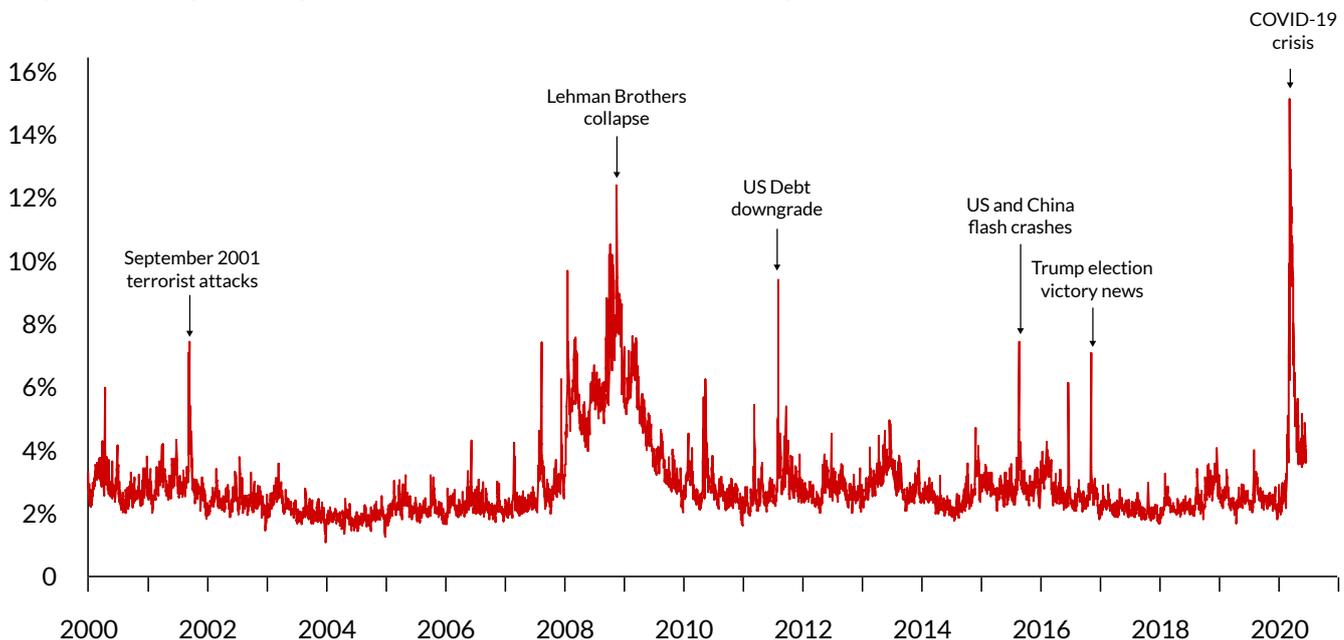
A lot has happened since our last quarterly commentary, with equity markets enjoying a very sharp rebound. Most economies have begun to reopen and many people's lives are beginning to return to a 'new normal', but a lot also remains the same. Debate continues to focus on what the likely impacts of the coordinated fiscal and monetary stimulus measures will be; whether this stimulus, combined with the emergence of spare capacity following economic contractions, will be inflationary or deflationary; and, in this uncertain world, should portfolios be

tilted towards cyclically-exposed companies or towards those with more defensive earnings streams?

Volatility seems to be a product of this elevated uncertainty. To illustrate the extent of the current volatility we have used a simple measure of intraday price fluctuations. For each of the S&P/ASX 200 Index constituents, we have taken the difference between that company's daily share price high and its daily share price low and divided it by its opening price. Using a simple average across all 200 companies gives a measure of the broader market's intraday volatility. In Graph 1, which shows intraday volatility for the past 20 years, it is clear that the spike in volatility that we experienced in March dwarfed all other periods of volatility. And volatility in June remained elevated relative to the average of the past 20 years.

It is rare for a company's intrinsic value to fluctuate much from day to day. This daily volatility is not the result of rapidly changing economic forecasts or new structural changes that impact the average company's future and value. Instead, it is more likely to be the result of non-fundamental factors that flow from elevated levels of uncertainty. Forced or panic selling during periods of reduced liquidity probably accounts for some of the volatility, but the changing emotions of the herd investors probably explains a lot too.

Graph 1: Intraday volatility of the S&P/ASX 200 Index since 1 January 2000



Source: Allan Gray Australia, JP Morgan, 22 June 2020.

Instead of us adding to the myriad of market commentary that exists with our own opaque crystal ball, we thought it would be best to give an example of what we've been doing in the midst of this market volatility. G8 Education Limited (G8) has been twice as volatile as the average S&P/ASX 200 constituent (refer to Table 1) and now represents approximately 1.5% of the Equity portfolio, up from February's pre-COVID-19 weight

of less than 0.5%. Surprisingly, volatility remains elevated (compared to the average company), despite the Government support packages announced and its significantly reduced financial leverage following an equity raising.

We have progressively built our position throughout the year and investment analyst Justin Koonin discusses our investment thesis below.

Table 1: Monthly average intraday volatility in 2020

	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20
G8 Education Limited	2.2%	3.3%	13.2%	9.1%	6.7%	5.6%
Average S&P/ASX 200 Index constituent	2.2%	2.9%	8.8%	5.6%	4.0%	3.9%

Source: Iress, JP Morgan.



JUSTIN KOONIN, CFA
Analyst

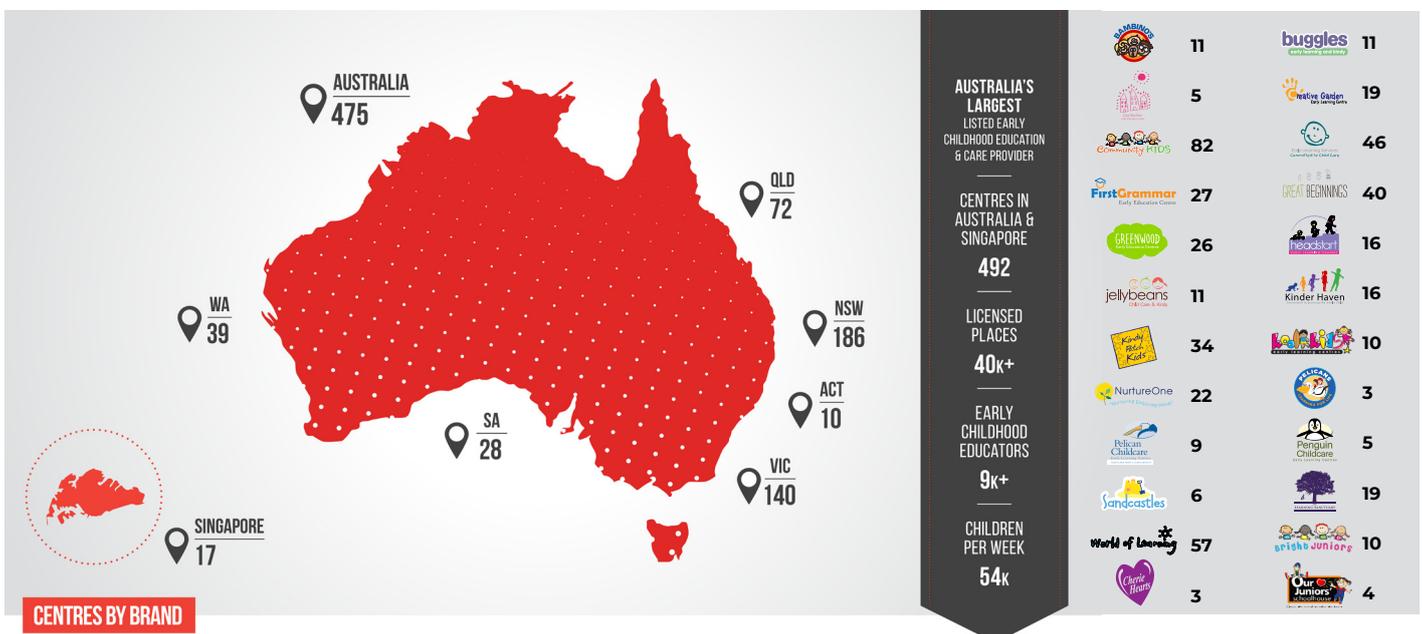
G8 Education Limited – company background

G8 Education Limited (ASX: GEM) is Australia's largest publicly-listed operator of childcare centres. It operates 492 centres in Australia and Singapore.

The company listed in December 2007 as Early Learning Services (ELY), operating five centres, with ambitious acquisition plans. In early 2010, ELY merged with Payce Child Care (PCC), and became G8. At this stage, ELY operated 38 centres, and PCC 60.

Since that time, the company has been a voracious roll-up company, acquiring and merging with other childcare companies, and operated 24 brands at its peak. When current management took over in 2017 there were 19 brands, and there are plans to reduce this further over time. Figure 1 shows G8's childcare centres by geographic region as well as brand.

Figure 1: G8's childcare centre brands and geographical split



Source: G8 Education.

G8 does not own its centres, but rather rents them from a landlord. Under normal circumstances, childcare operators make money by charging a daily rate (typically about \$100 per child on average across Australia) to attend. Fees are subsidised by the federal government Child Care Subsidy (CCS), which operates on a sliding scale depending on combined parental annual income, the type of service (e.g. long day care, preschool, family day care), and the number of hours parents are working or studying.

Why has G8's share price fallen so sharply?

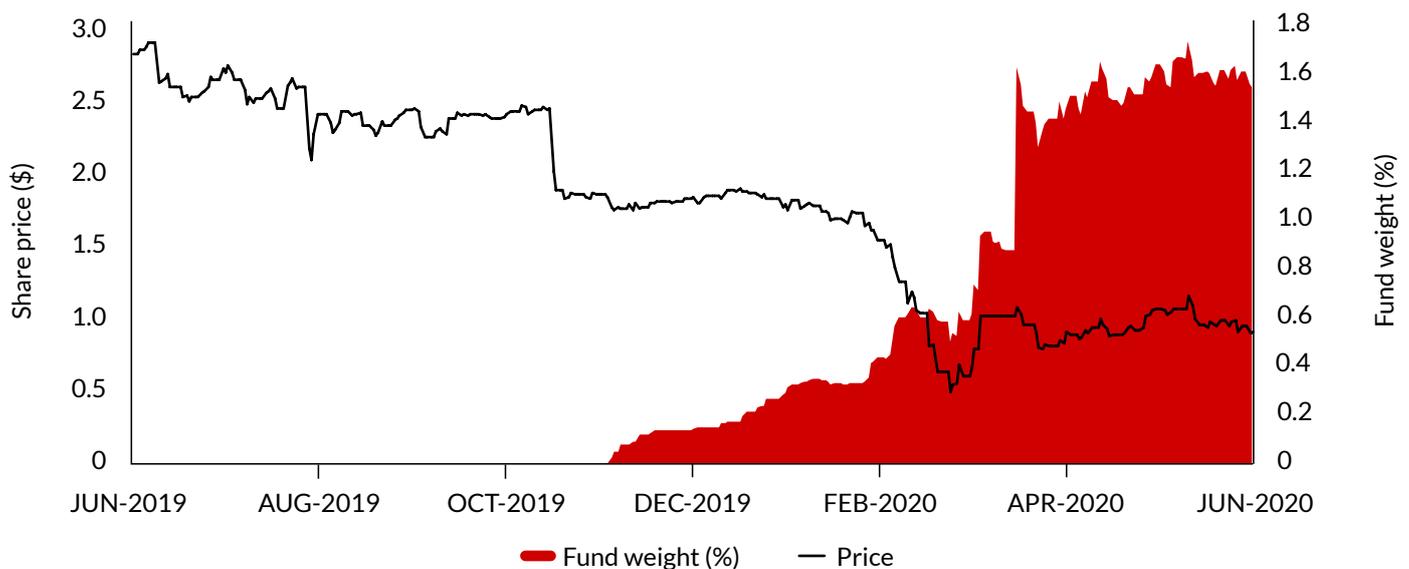
G8's share price fell from over \$5 per share during its roll-up heyday in 2014 to a low of \$0.44 in March 2020, though at the time of writing it had almost recovered to \$0.90. This dramatic fall was principally due to three key factors:

1. Like many roll-ups, poor capital allocation in its pursuit to grow saw the founders and previous management team significantly overpay for new childcare centres. This was justified by projected future income that has proven to be wildly optimistic.

2. In recent years there has been an oversupply of childcare centres, fuelled by opportunistic developers, speculation and cheap credit. With this oversupply has come reduced occupancy across the system and, given the fixed cost bases of these businesses, significantly reduced profitability.
3. More recently, COVID-19 created the perfect storm. With the country moving towards lockdown, parents began pulling their children out of childcare and the market began to have existential fears for the childcare sector.

There is reason to be optimistic about the future though. The current management team and Board appear to be significantly more sensible in their allocation of capital than the previous management team and Board were. Also, the passage of time and a tightening of bank lending criteria have slowed new supply. Lastly, it is quite possible that the worst of the COVID-19 lockdown is behind us with occupancy levels beginning to improve – more about this below. These, combined with the significantly lower share price, have seen the Allan Gray Australia Equity Strategy portfolios accumulate a stake in G8 with our first purchases in December 2019.

Graph 2: G8 share price relative to the share's weighting in the Allan Gray Australia Equity Fund



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

Childcare in a COVID-19 world

In a world with high fixed costs and, during a potentially extended lockdown period, very few children in care, it is understandable why the market thought childcare centres may not survive, at least in the absence of government intervention. But it is also difficult to see how the government would allow a sector that plays a critical role in national productivity to collapse. Sure enough, in early April the federal government announced a support package for the sector. Childcare centres which remained open (and 99% did) would receive 50% of their pre-COVID-19 revenue, regardless of how many children

attended. Parents would be offered free childcare during the pandemic. By design this, together with a pandemic-related government programme to subsidise wage costs (the JobKeeper programme), meant that G8 would break even while these arrangements remained in place.

As a result of increasing demand as the lockdown has eased, the government has announced transitional arrangements before the sector returns to its old funding formulas from September, when the economics of the sector will revert to being driven by three key factors: occupancy, revenue per place and operating costs.

What is the market pricing in?

Average operating earnings for the company have been \$146m p.a. since 2015, the first full year at which it operated at current scale. Earnings in 2019 were a little lower than this, at \$127m, principally due to the previously mentioned oversupply issues and resulting occupancy headwinds.

The company has previously guided to a potential \$45m uplift in operating earnings, due to a ramp up of its greenfield developments and a turnaround in underperforming assets. Our thesis does not rely on this and we ignore its potentially positive impact below.

Earnings are particularly sensitive to centre occupancy levels, given large fixed costs. For G8, these have fallen from 84% in 2014 to 76% in 2019 (pre-COVID-19), largely due to the surge in supply.

To be more precise, it appears that each percentage point change in occupancy levels creates roughly a \$4m change in operating earnings – at least when occupancy is near pre-COVID-19 levels. As occupancy decreases this sensitivity increases and the company is likely at break-even point when occupancy is in the high-50s (%).

The current market capitalisation of G8 is around \$740m, and with net debt (post a somewhat surprising capital raising in April) of about \$65m, the total enterprise value of the company is about \$805m. This represents a pre-tax multiple of less than 6.5 times 2019's levels or about nine times post-tax earnings. This is significantly cheaper than the broader sharemarket and seems to factor in an expectation of occupancy levels well below 2019's 76% and mostly likely something closer to 65%. Current centre bookings are already at these levels, although parents are not currently paying for childcare so perhaps this level won't be sustained in the near term.

Table 2: G8's childcare centre unit economics

	2018	2019	What might the market be factoring in?
Revenue per available place per day (\$)	83	89	76
Occupancy (%)	75	76	65
Revenue per occupied place per day (\$)	111	118	118
Costs per occupied place per day (\$)	94	101	106
EBIT per occupied place per day (\$)	17	17	12
EBIT (\$m)	133	127	75

Source: Allan Gray Australia, G8 company financial statements (AASB16 adjusted).

What could go wrong?

The biggest issue to our investment thesis concerns the performance of the company in the midst of a significant economic recession. This is somewhat unknown but potentially problematic. Rising unemployment means that parents have less disposable income to spend on childcare, as well as more time to take care of their children. Under this scenario, occupancy could fall significantly and 2019 comparisons would prove optimistic.

Two things are worth noting in this respect: firstly, it is important to remember what occupancy levels are implicit in G8's share price today. At close to 65% (refer to Table 2), this is 11 percentage points below pre-COVID-19 levels. Sustained falls to these occupancy levels would be representative of a very weak economy with persistently high unemployment levels. Many other childcare operators would be in even more pain if G8 were at these levels of occupancy.

Secondly, under a scenario in which G8's occupancy falls to 65% or below, it is unlikely that childcare would be the only part of corporate Australia that would experience profitability headwinds. Flow-on impacts could be expected in sectors that trade at far richer multiples today. As a result, were this scenario to unfold, G8 may still perform significantly better than the average company.

It is clear that there are storm clouds ahead as JobKeeper ends and parents are forced once more to pay for childcare. But investing is a game of probabilities and we often find our best opportunities when the near-term outlook appears dire. The market appears to be pricing in much lower and sustained levels of occupancy and levels of occupancy that would threaten the viability of a number of operators. That seems an unlikely long-term outcome and so, despite this period of heightened volatility, we think we have found a company in G8 that offers the portfolios something we continuously search for: an asymmetric set of payoffs in the long run.

FUND COMMENTARY

QUARTER IN REVIEW

by JULIAN MORRISON, CFA

Head of Research Relationships and
National Key Accounts

Allan Gray Australia Equity Fund

The Australian sharemarket rebounded strongly in the June quarter, with the S&P/ASX 300 Accumulation Index gaining 16.8%. The Allan Gray Australia Equity Fund (Class A) outperformed its S&P/ASX 300 Index benchmark by 1.5% during the quarter.

The June quarter saw some reversal in trends that have been a headwind to our portfolio previously. Notably, strength in the Energy sector made our overweight position in Energy a strong positive for relative performance. Within that sector, Oil Search Limited was the largest contributor at the stock level.

The quarter also saw weaker relative performance for the Healthcare sector. Consequently, the absence of Healthcare exposure in the Fund was another significant positive. Exposure to Financials was positive overall for relative performance, with a meaningful position in AMP Limited being the largest positive driver at a stock level within the Financials sector.

The worst performing sector for the Fund was Consumer Staples, due to the holding in Metcash Limited. We had reduced exposure to this stock on the extreme strength of the first quarter and we remain comfortable with the current holding.

Performance from the Materials sector was negative overall, with Nufarm Limited, Incitec Pivot Limited and Alumina Limited all detracting from relative performance. But it was not entirely one-sided. Our largest holding in the sector, Newcrest Mining Limited, was also the largest positive contributor of all stocks held in the portfolio.

Cyclically-exposed sectors and companies remain key positions in the Fund currently. Notwithstanding some bright spots this quarter, it is our opinion that they still offer significantly greater value and price upside than the more stable earners (staples, utilities, healthcare) and disruptors (technology companies)

which appear to trade at blue-sky valuations. Our portfolio remains firmly skewed away from healthcare, staples and technology, having used recent strength to sell almost entirely the positions we had in those sectors (such as Coles and Telstra) and invest the proceeds in a number of, in our opinion, very cheap but cyclically-exposed companies currently experiencing earnings headwinds.

Allan Gray Australia Balanced Fund

The Allan Gray Australia Balanced Fund outperformed its composite benchmark by 1.7% for the June quarter.

The Fund had 70% in shares at quarter end, although about 7% of the global share exposure is reduced through the use of exchange-traded derivatives which allows for some protection in those periods when market indices fall. The Fund has been overweight global shares versus global fixed income. This contributed strongly to relative performance for the quarter, as global shares outperformed fixed income. In addition, stock selection in both the Australian and global shares further bolstered relative returns.

The Fund, on average, held 25% in fixed income securities and cash during the quarter. This has remained significantly shorter in duration than the benchmark – at one year versus eight for the benchmark. This had limited impact on the Fund for the June quarter, with government bond yields fairly flat, on average, during the quarter. The Fund remains more defensively positioned than the benchmark in terms of both relative and absolute returns, in the event interest rates rise.

Allan Gray Australia Stable Fund

The Allan Gray Australia Stable Fund outperformed its cash rate benchmark by 4.9% in the June quarter.

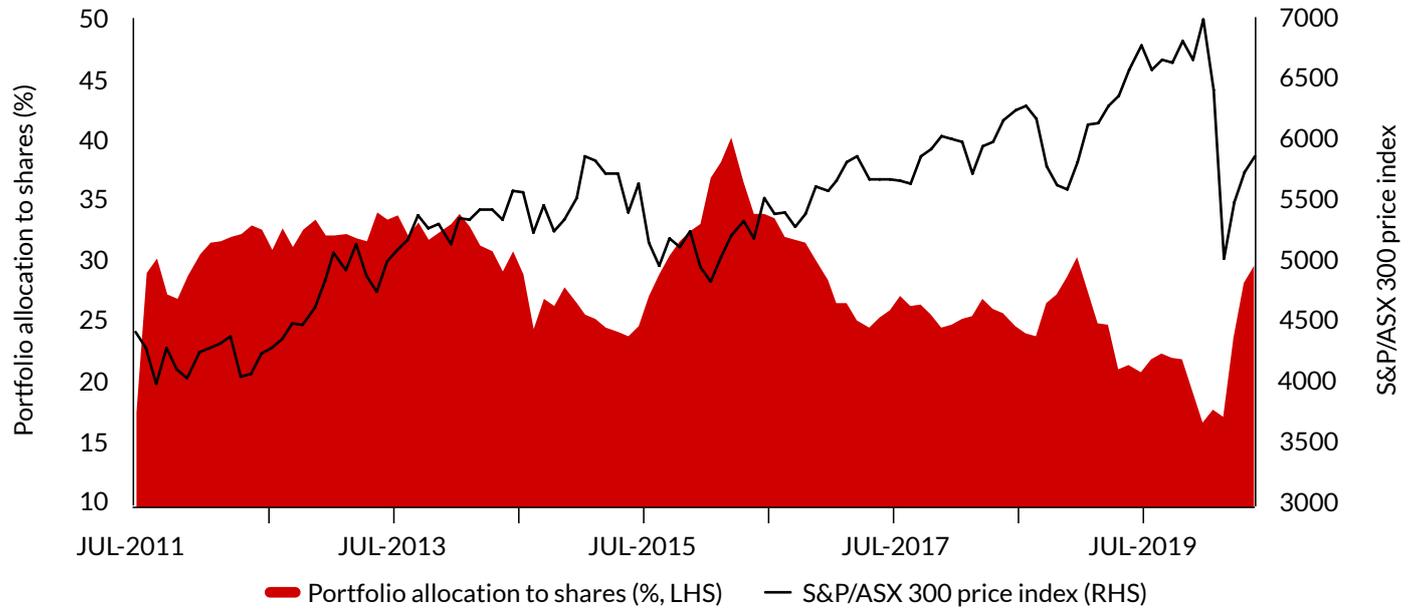
The performance of the Stable Fund is driven by the performance of our favoured Australian share holdings and the decision on how much is invested in shares versus cash. The Fund benefited from having built increased exposure to shares during the weakness of the first quarter, and this continued to increase selectively during the second quarter.

As at the end of June, the Fund had around 30% invested in shares, with the remainder in cash and money market investments. This can be seen in Graph 3, which shows our allocation between cash and shares over time.

The broad Australian sharemarket is still some way from its previous high. However, the market average fails to highlight that some popular stocks and sectors are priced at levels that in

our view are far too optimistic. We therefore remain focused on avoiding those areas and the risks that come with excessive valuation. Instead, the shares held in the Fund will be those we have assessed as most attractively priced and where risk of permanent capital loss is low.

Graph 3: Stable Fund portfolio weightings – share allocation rises where we see value in shares



Source: Allan Gray Australia, Bloomberg, as at 30 June 2020.

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	6.4	5.3	1.1
10 Years	8.8	7.7	1.1
5 Years	6.8	6.0	0.8
3 Years	0.5	5.2	(4.7)
1 Year	(18.3)	(7.6)	(10.7)
NOT ANNUALISED (%)			
Latest Quarter	18.3	16.8	1.5

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	8.5	8.1	0.4
5 Years	6.9	6.0	0.9
3 Years	0.8	5.2	(4.4)
1 Year	(17.6)	(7.6)	(10.0)
NOT ANNUALISED (%)			
Latest Quarter	18.5	16.8	1.7

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 2020

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Newcrest Mining	159,927	10
Woodside Petroleum	128,967	8
Alumina	112,398	7
AMP	108,213	7
QBE Insurance Group	98,132	6
National Australia Bank	92,570	6
Metcash	84,222	5
Aust. and NZ Banking Group	79,458	5
Sims	78,584	5
Oil Search	75,022	5
Origin Energy	64,627	4
Incitec Pivot	50,075	3
Fletcher Building	38,352	2
Worley	37,758	2
Nufarm	33,588	2
Asaleo Care	26,251	2
G8 Education	24,763	2
Virgin Money UK	23,949	1
Peet	23,191	1
Southern Cross Media Group	22,163	1
HT&E	19,392	1
CSR	18,185	1
Sigma Healthcare	16,498	1
Positions less than 1%	163,224	10
Total Security Exposure	1,579,510	96
ASX SPI 200™ Futures Contract (06/2020)†	-	-
Net Current Assets	58,027	4
Net Assets	1,637,537	100
Price per unit - Class A (cum distribution)	AUD 1.3529	
Price per unit - Class B (cum distribution)	AUD 1.3634	
Total Assets Under Management for the Australian equity strategy (AUD 000's)‡	AUD 6,092,894	

† 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	3.4	7.8	(4.4)
3 Years	2.1	7.7	(5.6)
1 Year	(5.4)	1.4	(6.8)
NOT ANNUALISED (%)			
Latest Quarter	7.3	5.6	1.7

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.

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 2020 Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Equity		
Domestic Equity		
Newcrest Mining	3,131	3
Woodside Petroleum	2,636	3
Alumina	2,405	3
AMP	2,340	2
QBE Insurance Group	2,269	2
National Australia Bank	2,248	2
Metcash	1,748	2
Sims	1,661	2
Aust. and NZ Banking Group	1,619	2
Oil Search	1,578	2
Origin Energy	1,333	1
Incitec Pivot	1,118	1
Worley	959	1
Domestic Equity Positions less than 1%	7,908	8
Global Equity		
Taiwan Semiconductor Mfg.	2,238	2
AbbVie	2,211	2
NetEase	1,718	2
British American Tobacco	1,709	2
Samsung Electronics	1,562	2
BP	1,241	1
Bayer	1,081	1
Honda Motor	1,020	1
Royal Dutch Shell	976	1
Global Equity Positions less than 1 %	19,166	20
Total Equity[^]	65,877	70

[^] The Fund holds derivative contracts which reduces the effective net equity exposure to 63%.

BALANCED FUND HOLDINGS

Security	Market Value AUD 000's	% of Fund
Fixed Income		
Domestic Fixed Income		
Australian Government Bonds	18,761	20
Global Fixed Income		
Global Fixed Income Positions less than 1 %	1,618	2
Total Fixed Income	20,380	22
Commodity Linked Investments		
SPDR Gold Trust	5,290	6
Total Commodity Linked Investments	5,290	6
Total Security Exposure	91,538	97
Cash Equivalents and Term Deposits	2,521	3
Net Current Assets	237	<1
Net Assets	94,296	100
Price per unit (cum distribution)	AUD 1.0534	

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	5.9	2.2	3.7	4.3
5 Years	5.4	1.4	4.0	4.0
3 Years	3.0	1.2	1.8	4.2
1 Year	(0.5)	0.7	(1.2)	4.3
NOT ANNUALISED (%)				
Latest Quarter	5.0	0.1	4.9	4.0

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 2020

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Alumina	8,641	3
Newcrest Mining	8,458	3
Woodside Petroleum	8,136	3
AMP	7,643	2
National Australia Bank	6,537	2
QBE Insurance Group	6,014	2
Oil Search	5,832	2
Sims	5,632	2
Aust. and NZ Banking Group	5,039	2
Incitec Pivot	3,830	1
Positions less than 1%	28,960	9
Total Security Exposure	94,722	30
Cash and Money Market Instruments	222,635	70
Net Current Assets	1,793	<1
Net Assets	319,150	100
Price per unit (cum distribution)	AUD 1.1768	

INFORMATION ABOUT THE FUNDS

	Allan Gray Australia Equity Fund	Allan Gray Australia Balanced Fund	Allan Gray Australia Stable Fund
Investment objective	The Fund seeks long-term returns that are higher than the S&P/ASX 300 Accumulation Index (Benchmark).	To seek long-term returns that are higher than the Custom Benchmark. In doing so, the Fund aims to balance capital growth, income generation and risk of loss using a diversified portfolio.	The Fund aims to provide a long-term return that exceeds the Reserve Bank of Australia cash rate (Benchmark), with less volatility than the Australia sharemarket.
Who should invest?	Investors looking for contrarian investment style exposure to the Australian sharemarket and who are able to take a long-term view and endure performance fluctuations.	Investors with an investment horizon of at least three years who want to easily diversify their portfolio within a single fund and are looking for less ups and downs than investing solely in shares. The Fund invests in shares, fixed income, cash and commodity investments sourced locally and globally.	Investors with a two-year or longer investment horizon who are looking for an alternative to traditional money market and income generating investments. The Fund's portfolio can hold a combination of cash and money market instruments (100% to 50%) and ASX securities (up to 50%) in pursuit of stable long-term returns.
Dealing	Daily (cut-off at 2pm Sydney time. A different cut-off applies if investing via mFund, where applicable).		
Buy/sell spread	+0.2%/-0.2%	+0.2%/-0.2%	+0.1%/-0.1%
Fees and expenses (excluding GST)	<p>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.

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, 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

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