ALLANGRAY

CONTRARIAN INVESTING

QUARTERLY COMMENTARY

31 MARCH 2021

INVESTMENTS AND SUPERANNUATION

COMMENTARY

SIMON MAWHINNEY, CFA

Managing Director & Chief Investment Officer

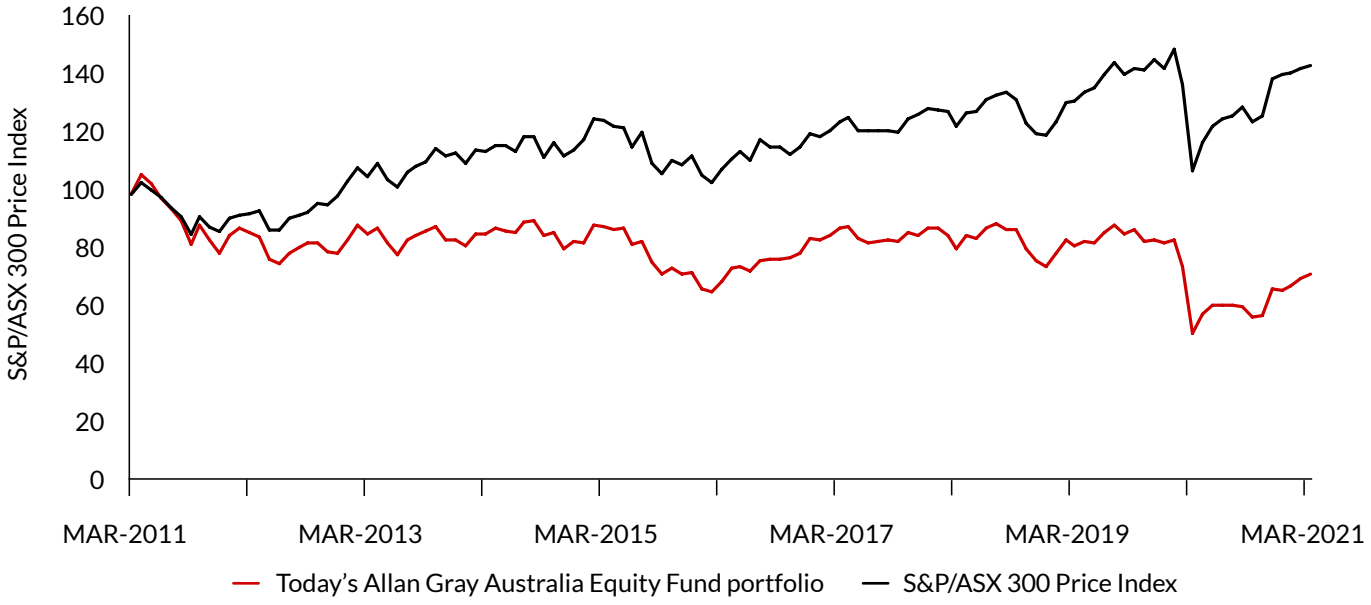
The recent performance of the Allan Gray Australia Equity portfolio has been strong due to a rebound in the share prices of some cyclically-exposed companies which the portfolio owns. Despite the strong run, the portfolio remains heavily tilted towards these beaten-up cyclical companies, as their decade-long underperformance has resulted in attractive prices.

The extremes of mid-2020 have passed and markets appear more rational (on average) today, perhaps even a little optimistic, but there are still wide price discrepancies. Graph 1 shows the performance of the Equity portfolio of shares and the performance of the broader sharemarket if initiated around 10 years ago (note: this assumes that we initiated the current portfolio 10 years ago, something we thankfully did not do!). We discussed this in detail in our September 2020 Quarterly Commentary but suffice it to say, the Equity portfolio's holdings remain very depressed in price terms and have effectively underperformed the sharemarket by 50% over the past 10 years.

Despite many of the companies held today being different to their 10-year-ago selves, we believe their cyclically-depressed earnings can be purchased very cheaply today. This is an exciting backdrop for potential outsize investment returns for the portfolio and we are confident that much of the dislocation which has arisen over the past 10 years should narrow in time.

Newcrest Mining Limited (Newcrest) is one such example which we discuss below. It has underperformed the sharemarket by 30% over the past 10 years and we believe it is cheap relative to our expectations of future earnings.

Graph 1: Price performance of the Allan Gray Australia Equity Fund portfolio if initiated around 10 years ago



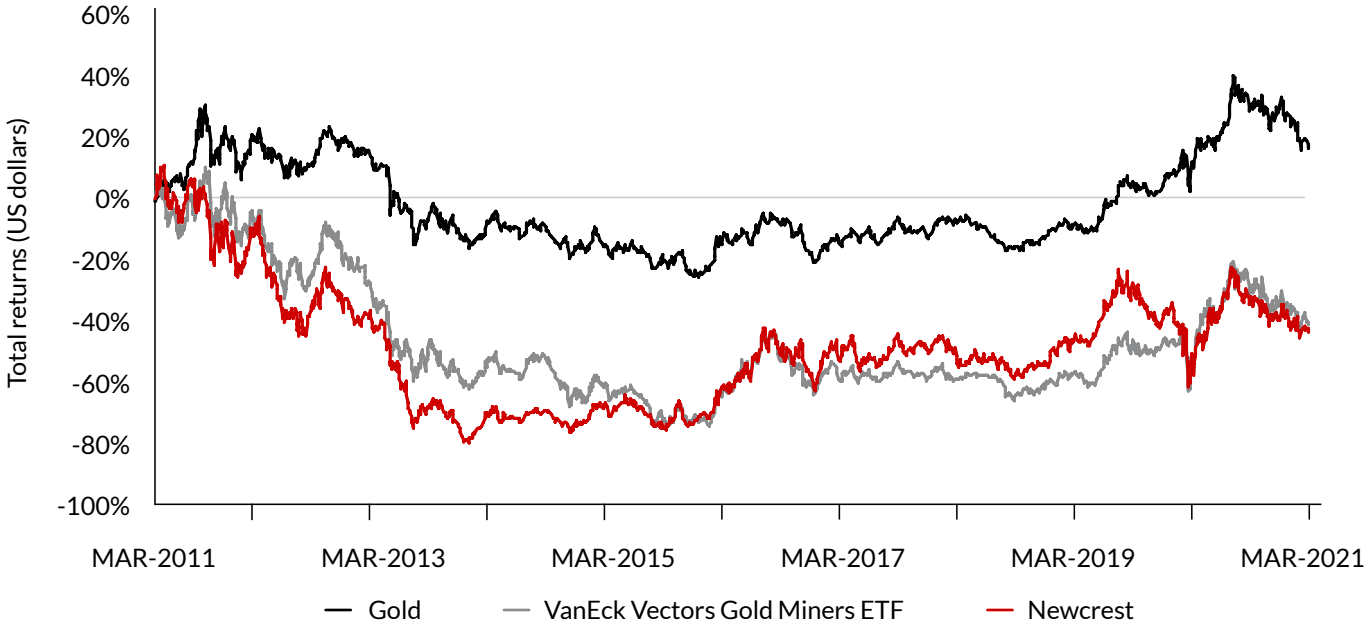
Source: FactSet, Allan Gray, 31 March 2011 to 19 March 2021.

About Newcrest

Newcrest is a gold miner with operations in Australia, Papua New Guinea (PNG) and Canada. Its current production of two million ounces of gold per annum makes it the world's seventh largest gold miner. Newcrest's current production is concentrated, with two mines – Cadia (New South Wales, Australia) and Lihir (PNG) – contributing around 75% of its production.

Newcrest's share price has performed poorly in recent years, having underperformed the broader sharemarket and its gold-mining peers, as shown in Graph 2.

Graph 2: Newcrest and its peers have lagged the gold price over the last decade



Source: Refinitiv, Allan Gray. Total returns in US dollars, for Newcrest, VanEck Vectors Gold Miners ETF and Gold, from 31 March 2011 to 31 March 2021. Past performance is not a reliable indicator of future results.

Three broad factors have contributed to Newcrest's weakness:

1. Lower production. Like all mines, Cadia, Newcrest's lowest cost and most profitable mine, faces declines in the quality, or "grade", of its gold ore. Whilst this has been well known to market participants for some years, it appears to have weighed heavily on sentiment as it has become more imminent. We do not dispute that Cadia's grade is falling, but recent capital investments will result in increased ore throughput that will help partially offset the impact on production of the gold grade decline. The mine also produces copper, which lowers the cost of producing gold, as we explain later. Since copper grades remain relatively constant, copper production should also benefit from future increased throughput.

   Elsewhere, Lihir has suffered from a number of unplanned operational challenges. These have contributed to reduced production and elevated costs, but the outcome of a recent optimisation study suggests that the operational challenges at the mine are temporary.

2. Political risk. PNG has experienced an elevated level of political upheaval in recent years, with the new government taking a more adversarial approach to mining licences and fiscal regime changes. Most recently, developments have been more encouraging. The signing of a Fiscal Stability Agreement governing a proposed liquefied natural gas development suggests it is possible to achieve acceptable fiscal outcomes in Papua New Guinea, boding well for Newcrest's undeveloped gold deposits in the country.

3. Weakness in the gold price during the past year. Large outflows from gold ETFs in recent months have created significant indigestion and an overhang for gold prices – and for gold miners' share prices. A combination of concerns about the potential for higher real (above inflation) interest rates and more glamorous alternatives (like Bitcoin) appear to be the major driving forces behind these outflows. In our view, ETF flows may turn from being headwinds into tailwinds in future. Central bank balance sheets continue to expand, fiscal deficits remain large and financial markets are fragile. Central banks cannot print gold and some central banks, including China, may continue to accumulate gold reserves. However difficult to measure, gold exposure has some insurance value and this is cheaper today than in the recent past.

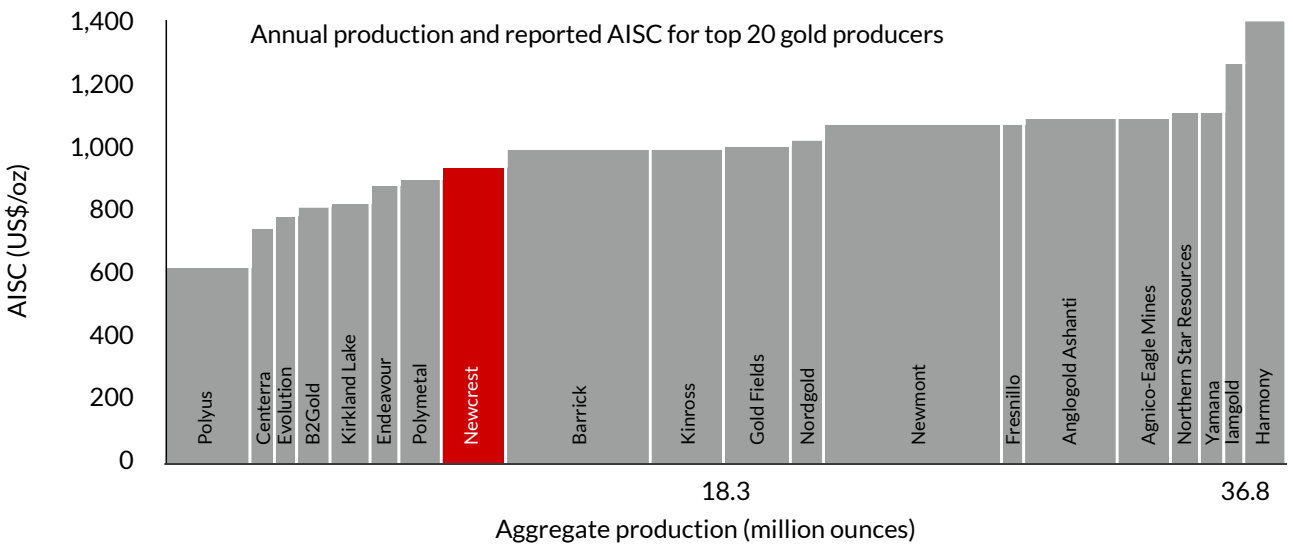
Why do we like Newcrest?

On closer inspection, we believe the factors contributing to Newcrest's recent weakness have had little, if any, impact on Newcrest's long-term intrinsic value, although we recognise it may take considerable time for others to share our view. At the same time, its assets retain the characteristics that first attracted us to the company: low-cost operations, a long reserve life with significant growth potential, and a strong balance sheet.

Like any company, a gold miner's profits are the difference between its sales and its costs. One of Newcrest's main attractions is its cost advantage over its peers. Newcrest's all-in-sustaining-cost (AISC, an industry norm for reporting costs) of around US$915/oz is well below the median of world production. Graph 3 shows the AISC of the world's top 20 producers.

There are reasons to expect costs to fall from here too. Revenues from selling copper that Cadia generates "for free" as a by-product help to lower its AISC and copper prices have strengthened recently. Also, the (hopefully) temporary operational challenges that have plagued Lihir this year (as discussed earlier) have contributed to its AISC exceeding US$1,300/oz. These should fall significantly as the results of its optimisation study are implemented. We could be wrong as all miners face the inherent risk that unforeseen geological challenges will cause their costs to increase, but we assign a low probability to this outcome.

Graph 3: Newcrest's costs are lower than average



Source: Citi Research, Allan Gray. A miner's annual production determines the width of its bar. Represents companies' annualised production and AISC using available data as at 31 December 2020.

Newcrest also has a very large in-ground endowment of gold. Its flagship mines, Cadia and Lihir, have reserve lives in excess of 20 years with significant scope to extend their lives beyond this via resource conversion. Similarly, a high grade discovery called Havieron is likely to extend the currently-short life of its Telfer mine in Western Australia by a decade or more. Newcrest has also invested in high-potential projects in Ecuador, PNG and Canada. With approximately US$500m of net cash, Newcrest is unlevered and generates strong free cash flows from its current mining operations that, after paying a dividend, can reasonably be expected to fund its growth potential.

At the prevailing gold price of US$1,700/oz, our analysis suggests that Newcrest should generate around US$800m of post-tax free cash flow. We conservatively estimate its currently unproductive investments to be worth US$3-5bn. Put in that context, the company's market capitalisation of US$15bn appears undemanding. Of course, gold prices could fall materially. But a permanent decline would render uneconomic swathes of required production, especially as replacement capacity is likely to be much more expensive than current production. Importantly, Newcrest's low costs and strong balance sheet mean it is well prepared to navigate any periods of gold price weakness. If anything, we think the gold price is more likely to rise than fall over our investment horizon.

How does Newcrest's share price compare to other gold miners?

Newcrest also looks cheap relative to other gold companies. As shown in Table 1, Newcrest looks attractive relative to its peers on most valuation metrics. It has the longest reserve life, the lowest enterprise value relative to its reserves and an undemanding profit multiple, despite the operational challenges at Lihir inflating its costs.

Not only does Newcrest appear reasonably priced at today's gold prices and elevated cost base, it appears cheap relative to other gold miners. We believe substantial upside potential exists as its growth pipeline is delivered, from lower costs as its operational challenges are addressed and from potentially higher gold prices sometime during the next 20-plus years of its reserve life.

Table 1: Newcrest looks attractive relative to its peers

	Newcrest	Newmont	Barrick	Polyus	Anglogold	Evolution
Market capitalisation (US$bn)	**15.2**	48.2	35.2	24.7	9.2	7.0
Enterprise value (US$bn)	**14.7**	48.7	35.2	27.2	9.8	7.1
EV/ Annual production (US$/oz)	**6,160**	7,501	6,944	9,713	3,381	6,749
EV/ Pre-tax profit at US$1,700/oz (times)	**12.5**	20.3	12.1	9.6	6.5	14.9
EV/ Reserve ounces (US$/oz)	**221**	375	357	472	264	429
Total costs of production (US$/oz)	**1,207**	1,330	1,128	690	1,177	1,248
Reserve life (years)	**22**	16	16	16	10	13

Source: Allan Gray Australia, Orbis, company financial statements, 31 March 2021. Pre-tax profit is calculated as the value of the company's production at a gold price of US$1,700/oz minus the total costs of production. While the industry norm for disclosing costs is all-in-sustaining cost (AISC), we have used total costs (including depreciation) as per reported financial statements. Despite gold company management protestations, AISC likely understates true economic costs of production by as much as US$200/oz. AISC does not include a cost to replace ounces mined and therefore cannot sustain production levels.

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 had a decent quarter, with the S&P/ASX 300 Accumulation Index up 4.2%. The Allan Gray Australia Equity Fund (Class A) returned 7.6% during the same period, outperforming its S&P/ASX 300 benchmark by 3.4%.

In a continuation from the prior quarter, the Fund's overweight position in the Materials sector was the largest positive contributor to relative returns from a sector perspective. But this exposure has been very different from the benchmark, with the most positively contributing holdings including Incitec Pivot, Nufarm and Sims.

Energy companies such as Woodside Petroleum and Oil Search have remained appealing and the Fund continues to hold these shares today.

Elsewhere, the Fund's underweight position in Healthcare and Information Technology contributed strongly to relative performance, as those sectors fared poorly during the quarter. We have long held the view that some of the stocks in these sectors have been priced with excessively optimistic expectations, and remain wary of the risk of overvaluation.

We continue to see great opportunity in discounting the obvious and investing in areas that have been overlooked or discarded by other investors. These opportunities are currently among longer-standing companies that have a proven track record and a sound basis to exist, but which for some reason are unappealing to most investors. Despite the strong performance in the last quarter, the recovery to date has been relatively immaterial in the context of the preceding underperformance by the Fund and similar past experiences. We see significant latent unrealised value in the Fund versus the market and thus remain cautiously optimistic regarding future long-term prospects.

Allan Gray Australia Balanced Fund

The Allan Gray Australia Balanced Fund outperformed its composite benchmark by 4.0% for the March quarter.

The Fund had 68% 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 where market indices fall. Stock selection in both Australian and global shares added to relative returns.

The Fund held around 21% in fixed income securities and a 5% exposure to gold through an exchange-traded fund at quarter end. The fixed income allocation has remained significantly shorter in duration than the benchmark – at below one year versus around eight for the benchmark. This contributed to outperformance for the March quarter, with government bond yields generally rising during this period. 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 interest rates rise further. 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

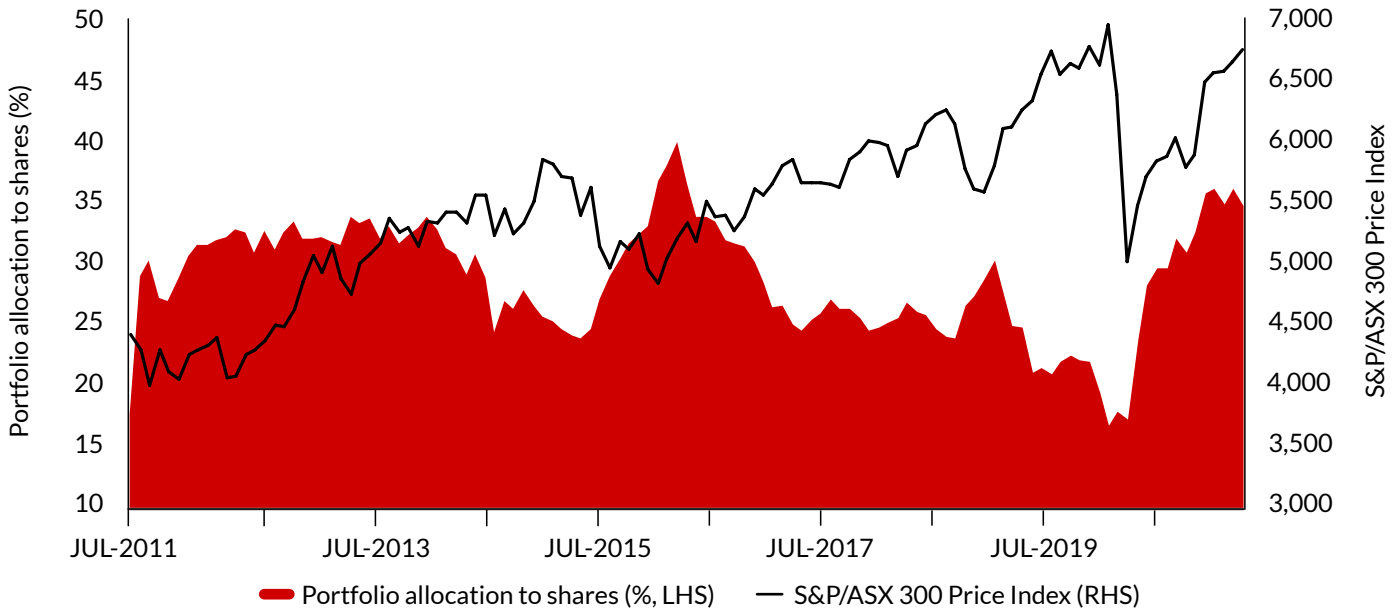
The Allan Gray Australia Stable Fund outperformed its cash rate benchmark by 2.0% for the March quarter.

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. Having added to share exposure during the weakness of the prior quarter, the Fund took advantage of the strength of the March quarter to lighten some of our stronger positions.

As at the end of March, the Fund had around 35% invested in ASX-listed securities, with the remainder in cash and money market investments. This can be seen in Graph 4, which shows our allocation between cash and shares over time.

The overall recovery in the sharemarket during the last quarter fails to highlight the significant divergence that has built up over time between different categories of stocks. 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 4: Stable Fund share weighting – share allocation rises where we see value in shares



Source: Allan Gray, Bloomberg, as at 31 March 2021.

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	7.8	6.2	1.6
10 Years	9.2	7.9	1.3
5 Years	11.2	10.3	0.9
3 Years	6.0	9.7	(3.7)
1 Year	49.3	38.3	11.0
NOT ANNUALISED (%)			
Latest Quarter	7.6	4.2	3.4

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	10.8	9.6	1.2
5 Years	11.2	10.3	0.9
3 Years	6.7	9.7	(3.0)
1 Year	50.5	38.3	12.2
NOT ANNUALISED (%)			
Latest Quarter	7.8	4.2	3.6

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 31 March 2021

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Woodside Petroleum	185,915	9
Newcrest Mining	154,003	7
Alumina	152,468	7
Sims	130,864	6
QBE Insurance Group	127,771	6
Aust. and NZ Banking Group	120,009	5
National Australia Bank	118,816	5
Metcash	108,591	5
Incitec Pivot	91,785	4
Oil Search	91,694	4
AMP	79,709	4
Origin Energy	78,791	4
Virgin Money UK	59,541	3
Fletcher Building	55,056	3
Nufarm	51,547	2
Worley	46,962	2
South32	42,907	2
Asaleo Care	38,308	2
Westpac Banking	35,983	2
G8 Education	34,770	2
Southern Cross Media Group	28,873	1
HT&E	28,354	1
Peet	27,494	1
SKYCITY Entertainment Group	25,208	1
Starpharma Holdings	22,506	1
Positions less than 1%	194,998	9
Total Security Exposure	2,132,924	98
ASX SPI 200 ™ Futures Contract (06/2021)†	33,661	2
Net Current Assets	15,588	1
Net Assets	2,182,173	100
Price per unit - Class A (cum distribution)	AUD 1.6076	
Price per unit - Class B (cum distribution)	AUD 1.6141	
Total Assets Under Management for the Australian equity strategy (AUD 000's)‡	AUD 7,783,654	

† 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	6.7	8.2	(1.5)
3 Years	5.2	8.5	(3.3)
1 Year	25.4	13.6	11.8
NOT ANNUALISED (%)			
Latest Quarter	5.2	1.2	4.0

Highest and lowest annual return since public launch

Allan Gray Australia Balanced Fund	Return %	Calendar year
Highest	13.9	2019
Lowest	(4.1)	2018

** The Custom Benchmark for the Fund comprises 36% S&P/ASX 300 Accumulation Index; 24% S&P/ASX Australian Government Bond Index; 24% MSCI World Index (net dividends reinvested) expressed in AUD; and 16% JPMorgan Global Government Bond Index expressed in AUD.*

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 31 March 2021

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Equity		
Domestic Equity		
Woodside Petroleum	3,519	3
Alumina	3,007	3
Newcrest Mining	2,866	3
Sims	2,706	2
QBE Insurance Group	2,587	2
Aust. and NZ Banking Group	2,416	2
National Australia Bank	2,310	2
Metcash	2,309	2
AMP	2,036	2
Oil Search	1,833	2
Incitec Pivot	1,705	2
Origin Energy	1,577	1
Worley	1,151	1
Domestic Equity Positions less than 1%	10,515	10
Global Equity		
Taiwan Semiconductor Mfg.	3,118	3
Samsung Electronics	2,670	2
AbbVie	2,215	2
British American Tobacco	1,604	1
Bayerische Motoren Werke	1,577	1
NetEase	1,507	1
Drax Group	1,286	1
Global Equity Positions less than 1 %	27,500	25
Total Equity^	82,011	75

^ The Fund holds derivative contracts which reduces the effective net equity exposure to 68%.

BALANCED FUND HOLDINGS

Security	Market Value AUD 000's	% of Fund
Fixed Income		
Domestic Fixed Income		
Australian Government Bonds	18,256	17
Global Fixed Income		
Global Fixed Income Positions less than 1 %	1,194	1
Total Fixed Income	19,450	18
Commodity Linked Investments		
SPDR Gold Trust	5,155	5
Total Commodity Linked Investments	5,155	5
Total Security Exposure	106,616	97
Cash Equivalents and Term Deposits	2,939	3
Net Current Assets	369	<1
Net Assets	109,923	100
Price per unit (cum distribution)	AUD 1.1925	

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	6.2	2.0	4.2	4.0
5 Years	5.8	1.2	4.6	3.6
3 Years	4.3	0.9	3.4	3.8
1 Year	12.9	0.2	12.7	4.5
NOT ANNUALISED (%)				
Latest Quarter	2.0	0.0	2.0	0.1

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 31 March 2021

Statement of net assets (unaudited)

Security	Market Value AUD 000's	% of Fund
Woodside Petroleum	11,811	4
Alumina	11,552	4
Newcrest Mining	9,944	3
Asaleo Care	8,601	3
QBE Insurance Group	6,548	2
AMP	5,964	2
Incitec Pivot	5,173	2
Origin Energy	4,853	2
Sims	4,772	2
Aust. and NZ Banking Group	4,698	1
Oil Search	4,018	1
Metcash	3,543	1
Positions less than 1%	28,427	9
Total Security Exposure	109,903	35
Cash and Money Market Instruments	205,227	65
Net Current Assets	165	<1
Net Assets	315,295	100
Price per unit (cum distribution)	AUD 1.2156	

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.	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.
	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.		
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.

ALLANGRAY

CONTRARIAN INVESTING

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