



BEYOND THE ESG LABEL
WHAT REALLY MATTERS TO YOU?

March 2018

ALLAN GRAY

AGENDA

- Who is Allan Gray?
- The cynical view
- What really matters?
- The Allan Gray approach: Case Studies

1973

Established in
South Africa in 1973



1989

The Orbis Group is
formed in Bermuda

2005

Allan Gray Australia
began operating in
Sydney and applied
for its AFSL



2006

Australia Equity
Fund launched



2011

Australia Stable
Fund launched

2018

12 years in
Australia

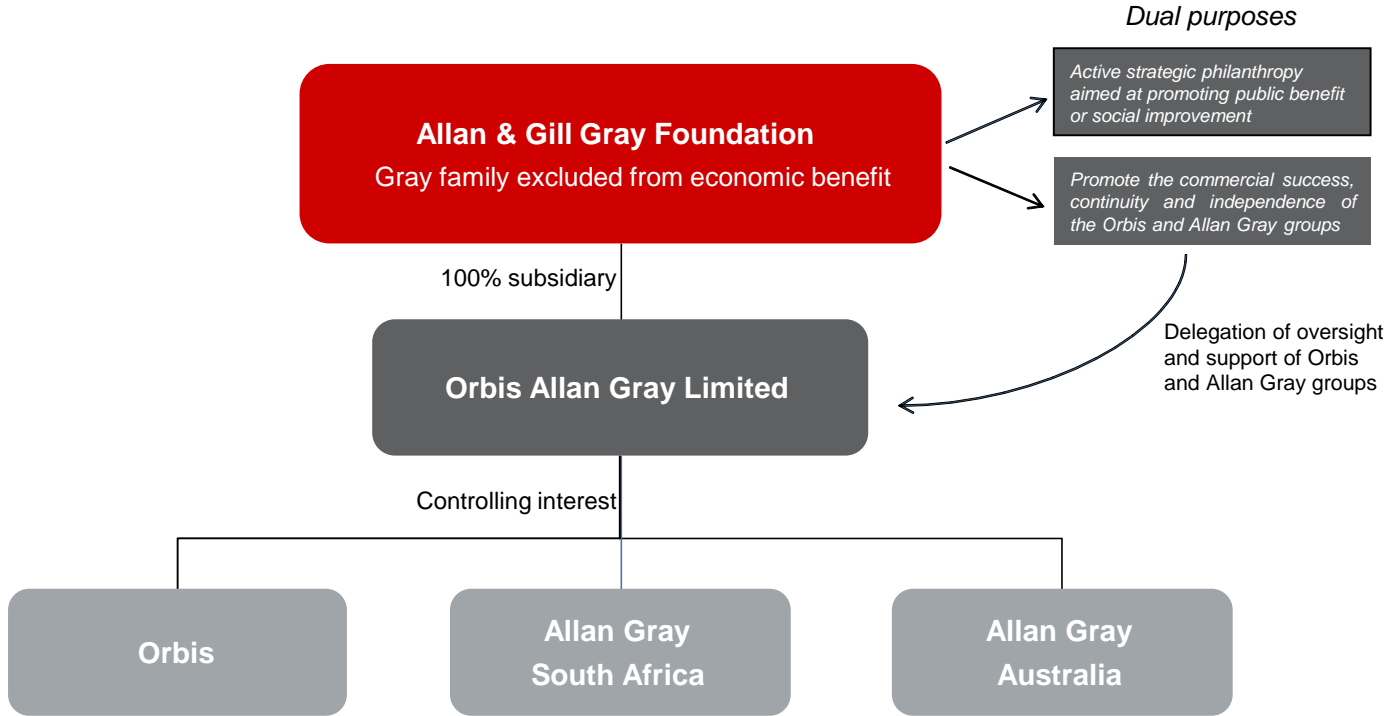


ALLAN GRAY

KEY BUSINESS PRINCIPLES

- Alignment of interests
- Structured for the long-term
- Investment conviction before business considerations

OUR CONTROLLING SHAREHOLDER IS A CHARITABLE FOUNDATION



THE CYNICAL VIEW

IN ESG WE TRUST?

“A pack of lemmings looks like a group of rugged individualists compared with Wall Street when it gets a concept in its teeth.”

— Warren Buffett



Source – cartoon: Eric Allie

LET'S BUILD AN ESG INDEX

Restrict source of revenue

- <50% alcohol
- <50% gambling
- <50% tobacco
- <50% conventional (military) weapons
- <50% civilian firearms
- <50% nuclear sourced power
- Limits on sector deviation

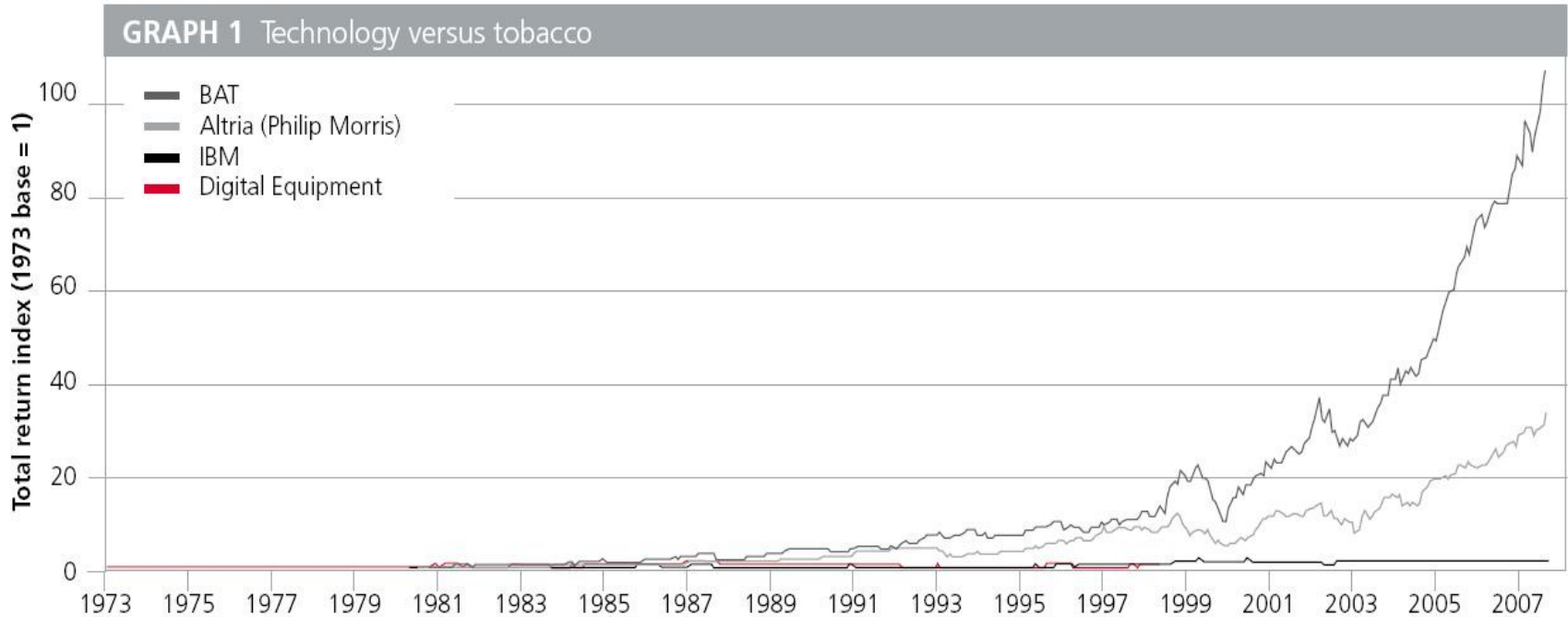
Index	10 Year return (% annualised)
MSCI USA Index	9.81
MSCI USA ESG Leaders Index	9.45
MSCI USA SRI Index	9.82

EVER EXPANDING PRODUCT LIST, BUT WHO BENEFITS MOST?

- LGBT Employment Equality ETF
- Corporate Equality Index
- Gender Diversity ETF
- Patriotic Employers ETF (Military Veterans Index)
- Catholic Values ETF
- “Dump Trump” super option




WHAT REALLY MATTERS?

DOES INVESTMENT PERFORMANCE MATTER?

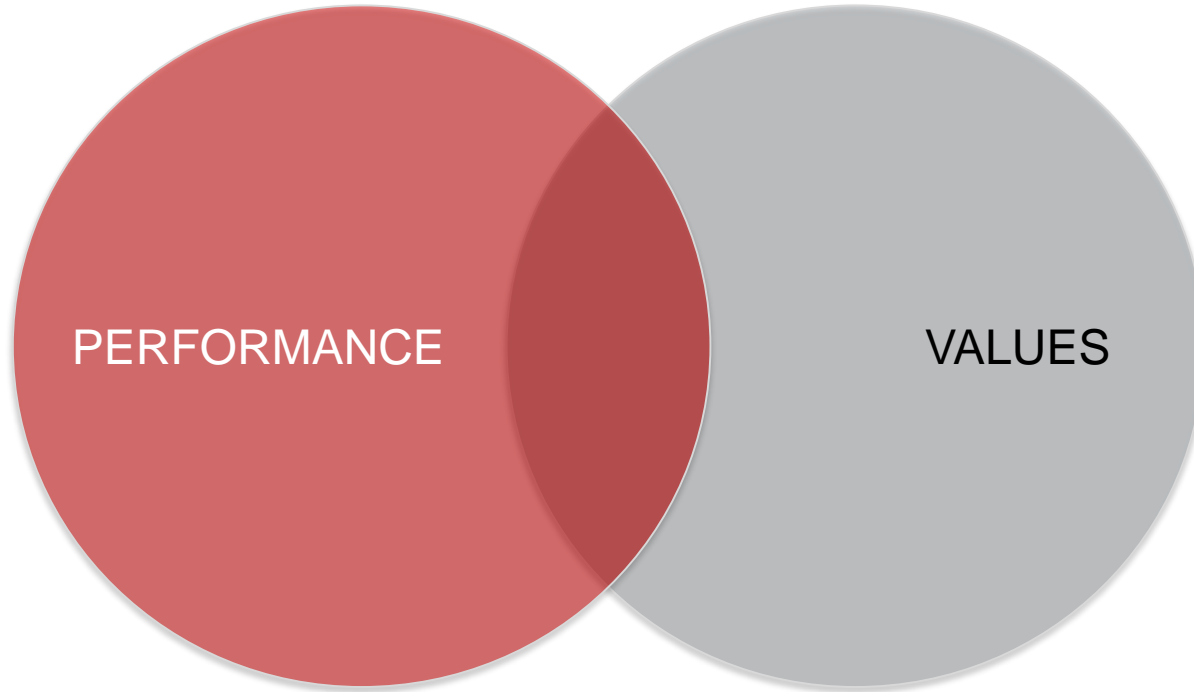


Source: Datastream

VALUES CAN BE HIGHLY SUBJECTIVE

	Investor A	Investor B	Investor C
Performance in terms of non-financial values			
Investment return	15% p.a.	15% p.a.	15% p.a.

“TWO GOALS, TWO INSTRUMENTS”



Quote: “Two goals, two instruments” – quoting Jan Tinbergen.

Source: Gray, J. 2012. “Misadventures of an Irresponsible Investor.” *Rotman International Journal of Pension Management*. 5 (2): 9.

THE ALLAN GRAY APPROACH

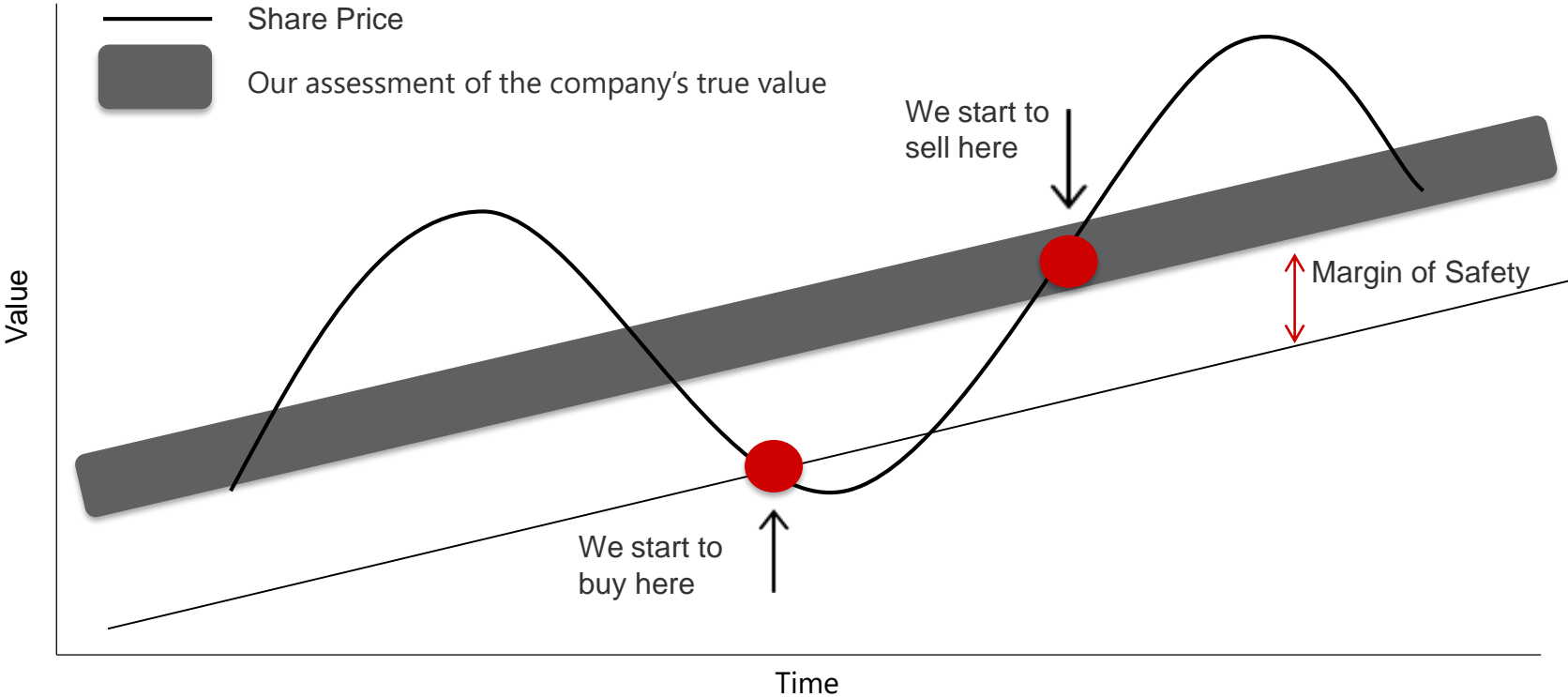
INVESTING IS HARD ENOUGH! – EVERY WIN COUNTS

Average percentage of NAV invested in	Since public launch	10 Year	5 Year	1 Year
Winning positions	64	65	71	56
Losing positions	31	30	25	41

Source: Allan Gray Australia as at 31 January 2018. Past performance is not indicative of future performance. Success ratio refers to the ratio of outperforming or winning stocks relative to total stock positions for the period for Allan Gray Australia Equity Fund. Winning and losing stocks are calculated on their performance relative to the S&P/ASX 300 Accumulation Index.

15

MONITOR MANAGEMENT THROUGHOUT HOLDING PERIOD

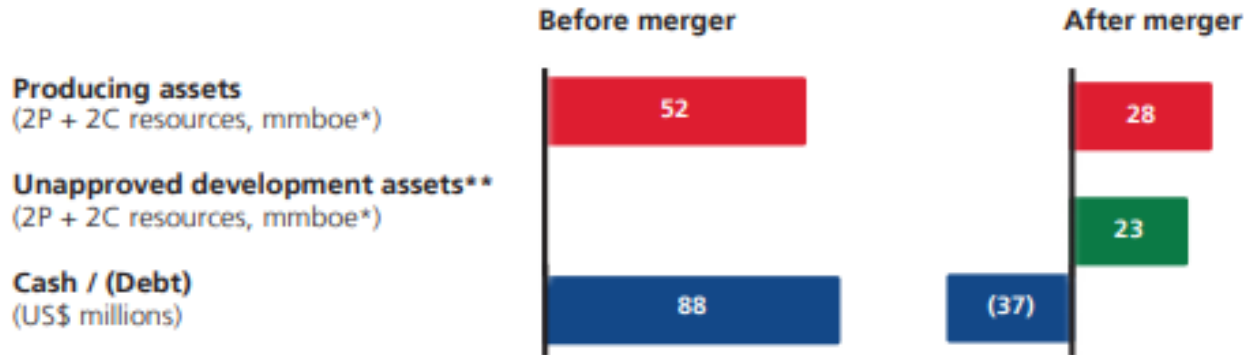


ALLAN GRAY APPROACH TO ESG

- Shareholder's interests - think like a business owner
- Active engagement
- Voting
- Sustainability of company's earnings

CASE STUDY 1: ROC OIL

GRAPH 1 | Position of ROC shareholders before and after the proposed merger



* Proven, probable and contingent oil reserves and resources. Million barrels of oil equivalent.

**Most of Horizon's PNG assets have not yet had a final investment decision (FID). The exception is the Stanley condensate-stripping project, which accounts for ~5% of resources, has reached FID, but is yet to be built.

CASE STUDY 1: ROC OIL

THE AUSTRALIAN[®]
BUSINESS REVIEW

NEWS

Allan Gray calls Roc Oil shareholders meeting

BRETT COLE 6:30PM May 15, 2014

CASE STUDY 1: ROC OIL



15 May 2014

Dear fellow shareholder,

The proposed ROC/Horizon Oil (**Horizon**) merger has been structured so that ROC shareholders will not vote on the merits of this deal. If Horizon shareholders approve this merger, ROC shareholders will hold 42%, and Horizon shareholders will hold 58%, of the merged entity. Is it right and fair that Horizon shareholders determine if ROC shareholders should hold a minority interest in the new merged company?

We think it is neither right nor fair and have therefore asked the ROC Directors to convene a meeting of shareholders to consider a resolution that, if passed, will allow all ROC shareholders to have a voice on the Horizon merger.

CASE STUDY 1: ROC OIL

FINANCIAL REVIEW

— NEWS WEBSITE OF THE YEAR —

Aug 4 2014 at 8:59 AM

Updated Aug 5 2014 at 8:41 AM

Fosun's \$474m bid for Roc welcomed by Allan Gray

CASE STUDY 2: TASSAL



Source: Bloomberg

CASE STUDY 2: TASSAL



The screenshot shows the top portion of a news article on the nine.com.au website. The navigation bar includes links for News, Lifestyle, Finance, Sport, TV, Celebrity, Fashion & Beauty, Homes, and Diet & Fitness. The 'Finance' link is highlighted. Below the navigation bar is the 'Finance' section header, followed by a horizontal line. The main headline reads 'Three directors quit Tassal Group board', and the byline below it says 'By AAP · Mar 30th, 2012'.

nine.com.au News Lifestyle **Finance** Sport TV Celebrity Fashion & Beauty Homes Diet & Fitness

Finance

Three directors quit Tassal Group board

By AAP · Mar 30th, 2012



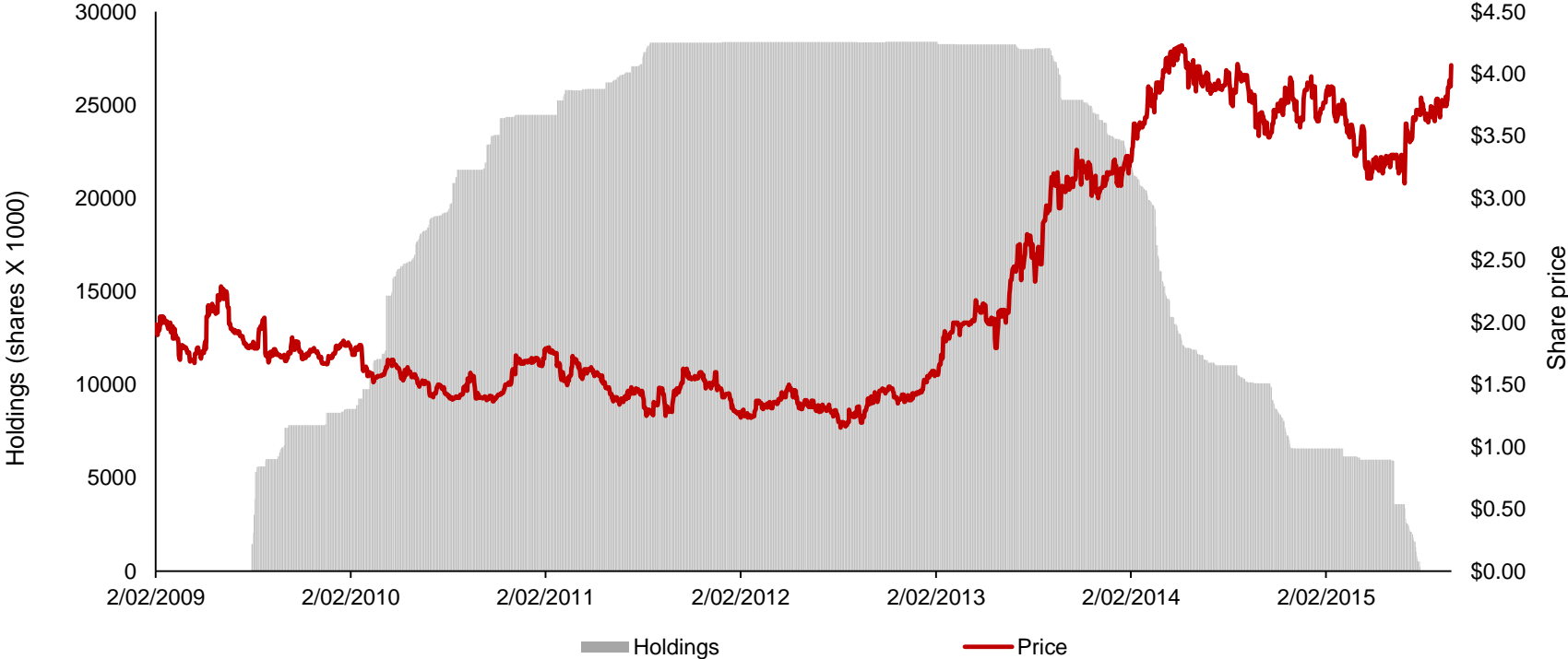
The screenshot shows the top portion of a news article from 'The Australian'. The masthead reads 'THE WEEKEND AUSTRALIAN' with a small map of Australia to the right. Below the masthead is a horizontal line. The main headline reads 'Tassal puts Gerber on board'. At the bottom left, the text says 'TheAustralian | 12:00AM April 9, 2012', and at the bottom right is a Facebook icon.

THE WEEKEND AUSTRALIAN

Tassal puts Gerber on board

TheAustralian | 12:00AM April 9, 2012 

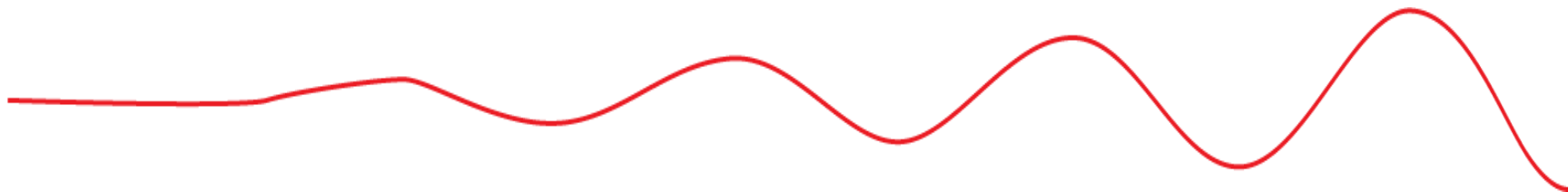
CASE STUDY 2: TASSAL – SHARE PRICE AND HOLDINGS



ALLAN GRAY FUNDS

Stability and Lower Risk
Lower potential return over- time

Higher potential long-term return
Higher investment risk and fluctuation



**Allan Gray Australia
Stable Fund**

**Allan Gray Australia
Balanced Fund**

**Allan Gray Australia
Equity Fund**

SUMMARY

- Be wary of ESG sales pitches
- Two goals, two instruments
- Think like a business owner
- Use managers who fight for your clients
- Allan Gray – pursuing our clients best interests for 40+ years!

About this presentation

Objective of presentation	<p>To provide you with some key high level information about Allan Gray Australia, our investment philosophy and the following Funds: (i) the Allan Gray Australia Equity Fund, (ii) the Allan Gray Australia Balanced Fund, and (iii) the Allan Gray Australia Stable Fund.</p> <p>Please don't take this presentation as an offer to sell or a recommendation that you should invest in any Fund. Before making an investment decision, please read the relevant Fund's Product Disclosure Statement and Information Booklet (together PDS). The PDS is available from www.allangray.com.au free of charge.</p>
Issuer of units	Equity Trustees Limited, AFSL No. 240975
Investment manager	Allan Gray Australia Pty Ltd, AFSL No. 298487
Fund structure	The Funds are managed investment schemes registered with the Australian Securities and Investments Commission. The Funds are also registered for promotion in New Zealand.
No personal advice	This presentation only provides general information or advice. It does not take into account any investor's personal financial circumstances, objectives or needs. Please read Allan Gray's Financial Services Guide if you are interested in the benefits either entity is entitled to receive as an AFS licensee. The FSG is available from our website.
Risks	There are risks with any investment, including one in the Funds. Please read the risk section of the relevant PDS for more details.
Performance information	Past performance is not a reliable indicator of future performance and the value of any investment in the Funds is not guaranteed. Unless otherwise indicated, returns information is net of fees and assumes reinvestment of distributions.
Economic, market, index or stock commentary	Such information is provided to indicate reasons for our investment decisions or represents our views on certain matters and based on certain assumptions and proprietary analysis. It is not intended to be personal financial advice. You should not rely on our commentary to make any investment decision. This is because our views can and do change over time, or may turn out to be incorrect.
Other	Finally, please seek professional advice, if necessary. We have tried to ensure the information in this presentation is accurate in all material respects but cannot provide any guarantee that it is.