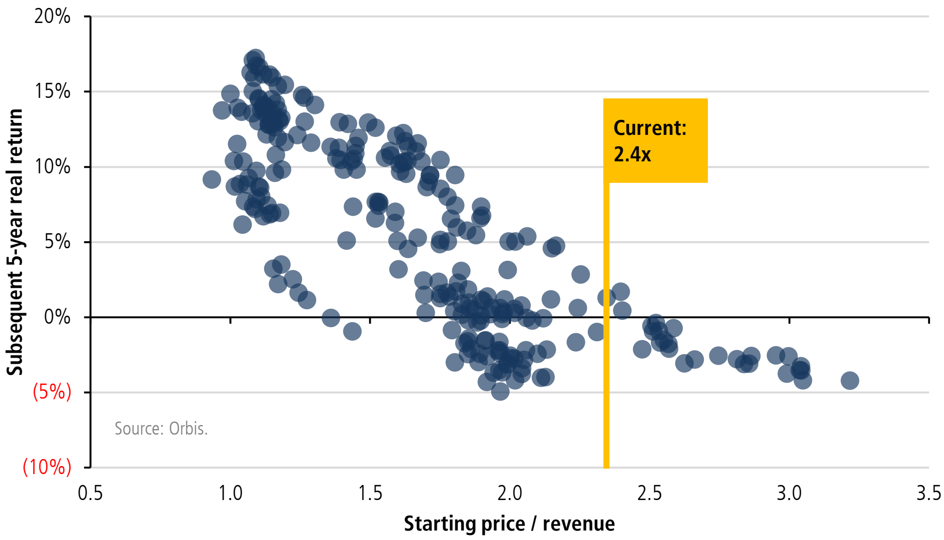
Orbis Global Equity

Many think of investing as the pursuit of winning investments. I prefer to think of it as controlled aggression: acting with conviction while trying to avoid big mistakes, much as Charles Ellis explained more than 40 years ago in a Financial Analysts' Journal article entitled "The Loser's Game". He cited the work of Dr Simon Ramo, an engineer who examined the game of amateur tennis and found that about 80% of points are decided by mistakes rather than skilled shot-making. As a result, a player's best strategy is not to try to win by hitting winners but instead to avoid mistakes and let their opponents lose by making more of them. The loser's game isn't especially fun to play, but it is a winning strategy for those who have the discipline and the patience for it. The same goes for investing.

Moving beyond the analogy, the ability to play a loser's game is particularly important when investors seek to produce positive inflation-adjusted returns amid high starting valuations. That is illustrated well by the first chart. Each dot shows the subsequent five-year real return that investors realised when the FTSE World Index began at the starting valuation shown in the horizontal axis.

High starting valuations seldom lead to pleasing subsequent returns

Price / revenue and subsequent 5-year real return of stocks in the FTSE World Index, monthly data from 1990



The pattern is sobering: whenever the index has started at a valuation higher than 2.4 times revenue—its current level—it has only rarely produced positive real returns over the ensuing five-year period. Of course, it could be different this time or prices could simply go higher—indeed there are some points to the right of the gold line—but it is unlikely that a passive strategy which simply captures the average stock at the average valuation can provide investors with a fighting chance to overcome this headwind.

In recent years, our attempt to avoid making mistakes has gradually led the portfolio away from certain areas such as more stable growth businesses in developed markets. As these areas have trended higher, it has created a meaningful drag on performance, as we have discussed in previous commentaries. However, these developments have now brought us to a point at which we are more enthusiastic than normal about the portfolio's ability to outperform in future as a result of the larger-than-normal disparity in valuations within global stockmarkets. Put another way, we believe the reward for playing a loser's game well has increased as the dispersion of likely future returns has widened.

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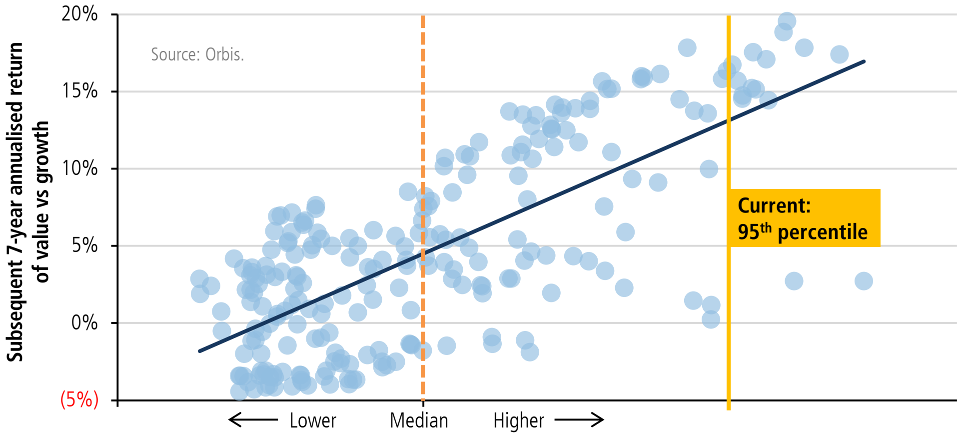
Orbis Global Equity *(continued)*

This can be seen in the second chart, which requires some explanation but is quite powerful. The horizontal axis shows a measure of the spread between the prospective return of so-called "growth" and "value" shares as measured by a relatively simple proprietary model. The vertical axis shows the subsequent seven-year annualised total return of value versus growth shares. The regular dispersion of the data set around the straight diagonal line shows that there is a pretty strong, albeit imperfect, relationship between prospective return dispersions and subsequent realised returns. It also shows that at today's current value-growth gap, the opportunity to add value by avoiding some shares in favour of others is meaningfully higher than average, although by no means certain.

The gulf in attractiveness between value and growth shares is unusually wide

Relative attractiveness of value shares vs growth shares in the FTSE World Index, and subsequent 7-year annualised relative return of value vs growth shares, monthly data since 1990



On very rare occasions the market presents investors with an opportunity to play both a "loser's game" and a "winner's game" at the same time, thereby presenting extraordinary opportunity. The best example of this in the Strategy's history was in the year 2000 at the peak of the technology (TMT) boom. We were presented not only with the opportunity to play a loser's game by avoiding the mistake of owning technology shares with extraordinarily low prospective returns, but also playing a winner's game by investing very heavily in shares of excellent businesses with extremely compelling prospective returns and very little risk of permanent capital loss. The results produced were extraordinary, though not before we looked foolish for a painfully long period of time leading up to that peak in 2000.

Today we find ourselves in a similarly embarrassing position of looking foolish for a painfully long time as a result of not owning an increasingly narrow group of market leaders. But unlike the late 1990s, we do not see the opportunity to invest in a group of attractive laggards with high prospective returns and low risk of permanent capital loss. Some areas of the market such as precious metals, energy and other commodity-related shares have indeed fallen sharply and are deeply out of favour. As such, these areas are more likely than not to produce attractive returns, but in our opinion, the risk of a permanent loss of capital in those shares is also meaningful, even at today's valuations. That's because their intrinsic value is ultimately determined by a single variable—the commodity price—that is outside the control of management and inherently unpredictable. In addition, typical management incentives often lead to value-destructive behaviour through the cycle. The result is shares which, in our view, contain meaningful speculative, as opposed to fundamental, dynamics and whose aggregate position size should therefore be constrained within the portfolio. Make no mistake, if we again see the opportunity to play a winner's game, we would take it just as we did during the TMT boom. We just don't see it now.

Playing a winner's game today would involve taking much larger positions in the commodity and energy areas of the market mentioned above. For an investment management business that may well be the right thing to do given the financial incentives. But we do not see ourselves as being engaged in a business. We see ourselves as pursuing a profession, and as stewards of your capital, we believe it is appropriately prudent to continue playing a loser's game. While the opportunity set today is not as extreme as it was in the TMT era, the rewards available for skilled players of the loser's game appear to be well above average, and that's a distinct and refreshing change from the situation over the past five years.

Commentary contributed by William Gray, Orbis Investment Management Limited, Bermuda

Fact Sheet at 31 March 2016

Orbis Global Equity Fund

The Fund is designed to remain fully invested in global equities. It aims to earn higher returns than world stockmarkets, without greater risk of loss. The benchmark is the FTSE World Index, including income, gross of withholding taxes (“FTSE World Index”). The Fund’s currency exposure is managed relative to that of the FTSE World Index.

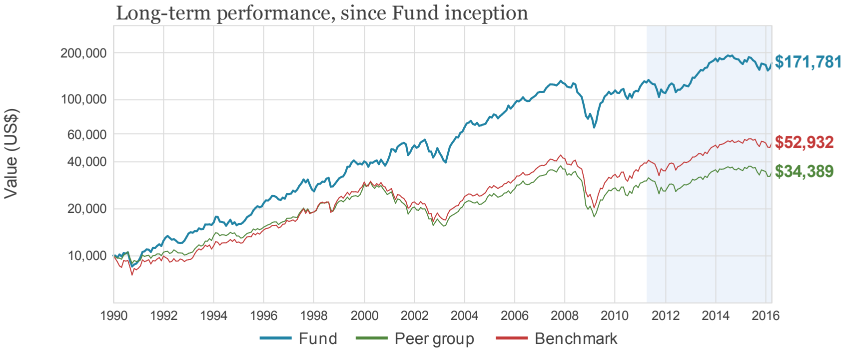
Price	US$171.67
Pricing currency	US dollars
Domicile	Bermuda
Type	Open-ended mutual fund
Fund size	US$6.8 billion
Fund inception	1 January 1990
Strategy size	US$17.1 billion
Strategy inception	1 January 1990

Benchmark	FTSE World Index
Peer group	Average Global Equity Fund Index
Minimum investment	US$50,000 *(Existing Orbis investors)*
Dealing	Weekly *(Thursdays)*
Entry/exit fees	None
ISIN	BMG6766G1087

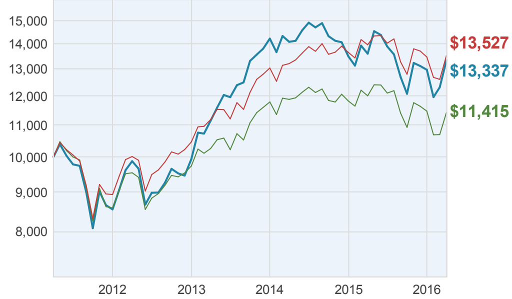
See Notices for important information about this Fact Sheet

Growth of US$10,000 investment, dividends reinvested

Long-term performance, since Fund inception



Medium-term performance, last 5 years



Returns (%)

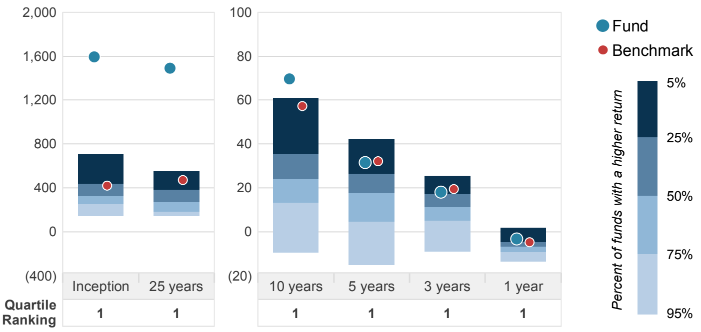
	Fund	Peer group	Benchmark
Annualised		*Net*	*Gross*
Since Fund inception	11.4	4.8	6.6
25 years	11.8	5.1	7.3
10 years	5.6	1.7	4.8
5 years	5.9	2.7	6.2
3 years	6.2	3.6	6.6
1 year	(1.9)	(4.9)	(3.2)
Not annualised			
3 months	2.9	(0.4)	0.4
1 month	8.4		7.4

	Year	%
Best performing calendar year since inception	2003	45.7
Worst performing calendar year since inception	2008	(35.9)

Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	50	53	54
Months to recovery	42	>101[1]	66
% recovered	100	84	100
Annualised monthly volatility (%)	16.6	14.2	15.4
Beta vs benchmark	0.9	0.9	1.0
Tracking error vs benchmark (%)	9.2	4.6	0.0

Ranking within peer group, cumulative return (%)



Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
North America	45	52	58
Asia ex-Japan	23	7	5
Continental Europe	11	21	16
United Kingdom	10	7	7
Japan	5	9	9
Other	4	4	4
Net Current Assets	*2*	*0*	*0*
Total	**100**	**100**	**100**

Top 10 Holdings (%)

	FTSE Sector	%
NetEase	Technology	6.0
QUALCOMM	Technology	4.5
Apache	Oil & Gas	4.0
Motorola Solutions	Technology	3.8
Charter Communications	Consumer Services	3.6
PayPal Holdings	Industrials	3.2
XPO Logistics	Industrials	3.0
Time Warner Cable	Consumer Services	2.8
Sberbank	Financials	2.7
JD.com	Consumer Services	2.2
Total		**35.8**

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	60
Total number of holdings	127
12 month portfolio turnover (%)	40
12 month name turnover (%)	20
Active share (%)	91

Fees & Expenses (%), for last 12 months

Management fee[2]	1.94
For 3 year performance in line with benchmark	*1.50*
For 3 year outperformance/(underperformance) vs benchmark	*0.44*
Fund expenses	0.05
Total Expense Ratio (TER)	**1.99**

Past performance is not a reliable indicator of future results. Orbis Fund share prices fluctuate and are not guaranteed. Returns may decrease or increase as a result of currency fluctuations. When making an investment in the Funds, an investor’s capital is at risk.

[1] Number of months since the start of the drawdown. This drawdown is not yet recovered.

[2] 1.5% per annum ± up to 1%, based on 3 year rolling outperformance/(underperformance) vs benchmark.

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Notice regarding appointment of new director

Mr. E. Barclay Simmons has been appointed a director of the following companies effective 31 March 2016:

- Orbis Global Equity Fund Limited
- Orbis Institutional Funds Limited
- Orbis Japan Equity (US$) Fund Limited
- Orbis Optimal Overlay Funds Limited
- Orbis Optimal SA Fund Limited
- Orbis Optimal (US$) Fund Limited
- Selection of Orbis Funds Limited

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The discussion topics for the commentaries were selected, and the commentaries were finalised and approved, by either Orbis Investment Management Limited or Orbis Investment Management (B.V.I) Limited, the Funds' Manager or Portfolio Manager, as the case may be. Information in this Report is based on sources believed to be accurate and reliable and provided "as is" and in good faith. The Orbis Group does not make any representation or warranty as to accuracy, reliability, timeliness or completeness of the information in this Report. The Orbis Group disclaims all liability (whether arising in contract, tort, negligence or otherwise) for any error, omission, loss or damage (whether direct, indirect, consequential or otherwise) in connection with the information in this Report.

Orbis Investment Management Limited and Orbis Investment Management (B.V.I.) Limited, the Funds' Manager or Portfolio Manager, are licensed to conduct investment business by the Bermuda Monetary Authority.

Returns are net of fees, include income and assume reinvestment of dividends. Figures quoted are for the periods indicated for a $10,000, ¥10,000 and €10,000 investment (lump sum, for illustrative purposes only). Annualised returns show the average amount earned on an investment in the Fund/share class each year over the given time period.

Collective Investment Schemes (CIS) are generally medium to long-term investments. The value of an investment in the Funds may go down as well as up, and past performance is not a reliable indicator of future results. No Manager or Portfolio Manager provides any guarantee with respect to capital or the Funds' returns. CIS are traded at ruling prices and can engage in borrowing and scrip lending. Commission and incentives may be paid by investors to third parties and, if so, would be included in the overall costs. Performance shown is for the Fund or share class indicated. Individual investors' performance may differ as a result of investment date, reinvestment date and dividend withholding tax, as well as a levy that may apply in the case of transactions representing more than 5% of a Fund's net asset value. Any Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. The Funds invest in foreign securities. Depending on their markets, trading in those securities may carry risks relating to, among others, macroeconomic and political circumstances, constraints on liquidity or the repatriation of funds, foreign exchange rate fluctuations, taxation and trade settlement.

Notes to Help You Understand This Report

Certain capitalised terms are defined in the Glossary section of the Orbis Funds' respective Prospectuses, copies of which are available upon request from Allan Gray Unit Trust Management (RF) Proprietary Limited, a Member of the Association for Savings & Investments SA. The country and currency classification for equity securities follows that of third party benchmark providers for comparability purposes. Based on a number of factors including the location of the underlying business, Orbis may consider a security's classification to be different and manage the Funds' exposures accordingly. Totals presented in this Report may not sum due to rounding.

12 month portfolio turnover for the Orbis Equity and Multi-Asset Class Funds is calculated as the lesser of total security purchases or sales in the Fund over the period, divided by the average net asset value of the Fund. Short-term fixed income instruments are not included.

12 month name turnover for the Orbis Equity and Multi-Asset Class Funds is calculated as the number of positions held by the Fund at the start of the period but no longer held at the end of the period, divided by the total number of positions held by the Fund at the start of the period. Short-term fixed income instruments are not included.

Active share is a measure of how actively managed the Orbis Equity Funds are. It is calculated by summing the absolute value of the differences of the weight of each individual stock in the specific Orbis Fund, versus the weight of each holding in the respective benchmark index, and dividing by two.

The total expense ratio has been calculated using the expenses, excluding trading costs, and average net assets for the 12 month period ending 31 March 2016.

Orbis Optimal SA Fund: Total Rate of Return for Bank Deposits is the compound total return for one-month interbank deposits in the specified currency. Beta Adjusted Exposure is calculated as Equity Exposure multiplied by a Beta determined using Blume's technique, minus Portfolio Hedging.

Fund Information

Orbis SICAV Global Balanced Fund: The benchmark is a composite index consisting of the MSCI World Index with net dividends reinvested (60%) and the JP Morgan Global Government Bond Index (40%). Net Equity is Gross Equity minus stockmarket hedging. Fixed Income refers to fixed income instruments issued by corporate bodies, governments and other entities, such as bonds, money market instruments and cash and cash equivalents. Fixed Income regional allocation is based on the currency denomination of the instrument.

Prior to 29 November 2002, the Yen Class of the Orbis SICAV Japan Equity Fund was a British Virgin Islands investment company, Orbis Japan Equity (Yen) Fund Limited.

Fund Minimums

Minimum investment amounts in the Orbis Funds are specified in the respective Fund's Prospectus, provided that a new investor in the Orbis Funds must open an investment account with Orbis, which may be subject to minimum investment restrictions, country restrictions and/or other terms and conditions. For more information on opening an Orbis investment account, please visit www.orbis.com.

Clients investing via Allan Gray, which includes the Allan Gray Investment Platform, an Allan Gray investment pool or otherwise through Allan Gray Nominees remain subject to the investment minimums specified by the applicable terms and conditions.

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Fees and Charges

The management fees associated with the Funds vary depending upon the share class an investor purchases. Not all share classes are offered by each Fund, and the eligibility criteria for different share classes and/or different Funds vary. Each Orbis Fund's Prospectus (available on www.orbis.com) describes the management fees, share classes and eligibility criteria of that Fund. Below are descriptions of the fees borne by the Funds and share classes specified, which are subject to the lengthier descriptions in the relevant Fund's Prospectus.

Shares of Orbis Global Equity Fund and Investor Share Classes of the Orbis SICAV Funds (Global Balanced, Asia ex-Japan Equity and Japan Equity): The Funds pay a performance-based fee. The fee is based on the net asset value of the Fund (share class, in the case of the Orbis SICAV Funds). The fee rate is calculated weekly by comparing the Fund's (share class, in the case of the Orbis SICAV Funds) performance over three years against its benchmark. For each percentage point of three year performance above or below that benchmark's performance, 0.04 percentage points are added to or subtracted from 1.5%, subject to (a) a maximum fee of 2.5% per annum and (b) a minimum fee of 0.5% per annum. Note: During the first three years of the Global Balanced Fund's existence, (a) returns will be calculated from the launch of the class and grossed up to represent returns over three years and (b) a portion of the fee may be refunded to the Fund pursuant to predetermined conditions.

Shares of Orbis Optimal SA Fund Limited: There are two parts to the fee: (a) a base fee of 1.0% per annum, paid monthly, of the total net assets of each share class; plus (b) a performance fee of 20% of the outperformance of each class of Fund share's weekly rate of return relative to its performance fee hurdle, calculated and accrued on each dealing day and paid monthly. The performance fee incorporates a high water mark.

A schedule of fees and charges and maximum commissions is available on request from the appropriate Manager.

Sources

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TOPIX Stock Price Index, including income ("TOPIX"): Tokyo Stock Exchange. TOPIX hedged into US$ and euro are calculated by Orbis using an industry-standard methodology using the TOPIX which is in yen. No further distribution of the TOPIX data is permitted.

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