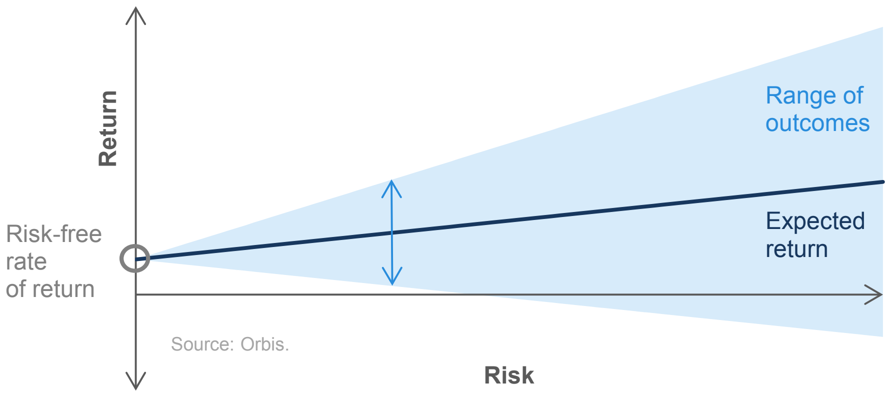
Orbis Global Equity

As we noted in this year's first quarter commentary, avoiding mistakes—or playing the "Loser's Game"—is critical in the current market environment. In our assessment, minimising losses is arguably more important than maximising gains at a time when many stockmarkets in the developed world appear fully valued. That's not to say we cannot find attractive investment ideas in this environment, but it does mean that we must be even more vigilant than usual when assessing the risk-return proposition in individual shares.

At Orbis, our approach to managing risk has always differed from the conventional approach. Whereas many investors define "risk" in terms of short-term volatility or the risk of differing from a benchmark (tracking error), our focus is always on avoiding permanent loss of capital. We'll happily tolerate periods of short-term volatility and underperformance—indeed this is often the price we must pay for long-term success—but the longer-term risk of simply losing our clients' money is the one that keeps us awake at night. To see how this differs from the conventional view of risk, consider the diagram below, the classic textbook view of risk and return. The upward-sloping line suggests a strong link between the amount of risk you take and the returns that you can expect.

The conventional view of risk and return

Illustrative only

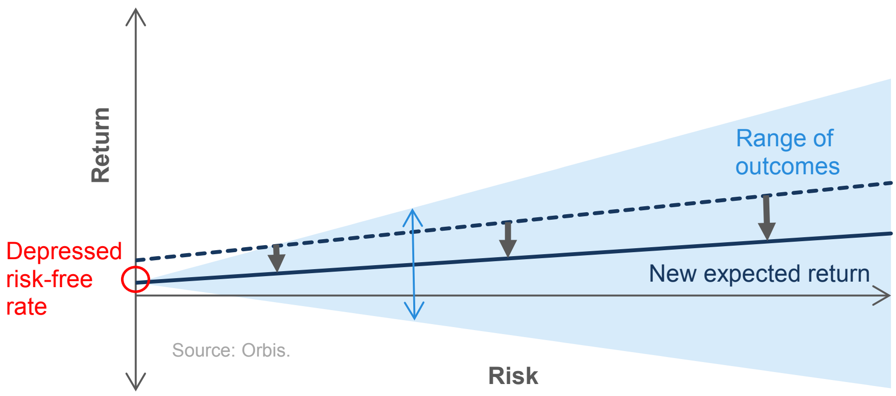


Source: Orbis.

It's easy to forget that there is a much wider range of outcomes at each point along the line. When you take risk on a given investment, you may be handsomely rewarded...or you may end up nursing a heavy loss! Said differently, the *realised* return may have nothing to do with the *expected* return implied by the level of risk you've taken. In today's market environment, we believe the actions of central banks have deliberately shifted the classic risk-reward line downwards, by depressing the left hand end of the line (the "risk-free rate") and letting market forces take care of the rest. With investors having been successfully herded into riskier assets, asset prices have risen all along the risk spectrum, a boon to investors over the last few years. But with higher prices come lower *subsequent* returns, leaving today's investors facing a tough choice. They can either shift to the right and take on more risk in pursuit of the returns to which they have become accustomed, or they can reduce risk and settle for lower returns. Neither choice—lower returns or higher risk—is particularly appealing.

Risk and return when central banks depress the risk-free rate

Illustrative only



Source: Orbis.

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Orbis Global Equity *(continued)*

A popular response to this dilemma has been to load up on stocks that are considered "stable" or "defensive", including shares of companies that make food, beverages, and household staples. Telecoms and utilities have also been a popular choice. While we sympathise with the plight that has encouraged many investors to seek the apparent "safety" of these investments, we respectfully beg to differ with their conclusion. By flocking to the same areas of the market and pushing valuations up to what we believe are dangerous levels, defensive investors may end up being their own worst enemies.

Under our definition of risk, we believe the best way to preserve purchasing power is to focus on assets that are trading well below what they are worth, and the best way to destroy it is to pay more for an asset than it is worth. In the short term, this may mean bearing substantial risk of uncertainty, volatility, and underperformance. But in the long term, we believe these risks pale in comparison to the risk of holding an asset which proves less valuable than one paid for it. We'd rather take the small-and-obvious risks to avoid the bigger-but-less-appreciated ones.

A good example is Russia's Sberbank. Few things scream "risk" as loudly as a Russian bank! But not everything that screams loudly is telling the truth. Sberbank is undoubtedly in both a market and sector that many investors have loved to hate. When we first invested in Sberbank two years ago, pessimism about Russia was unusually high, allowing us to buy a dominant banking franchise at a very compelling discount to its intrinsic value on an absolute basis and, on a relative basis, to its banking peers elsewhere in the world.

Initially, we took our share of pain. Along with other Russian stocks, Sberbank shares were hit hard by the combination of sanctions and the collapse in oil prices. The stock was a drag on Global's performance in 2014 and the source of more than a few uncomfortable discussions with clients. Since then, we're happier to say, not only has Sberbank made a positive contribution to performance over the fullness of our holding period, but it still continues to look attractive. This is what we mean by looking beyond short-term risks as we seek to protect and enhance our clients' capital for the long term. With hindsight, it would have been nice to time our investment in Sberbank precisely at the bottom, resulting in lower risk of loss, and even higher returns. But timing has never been our strong suit—indeed, we'd be sceptical that it's anybody's. Market prices are inherently volatile over short time periods, and we have found it much more effective to focus on buying shares at the right price than at the perfect time.

Interestingly, the Sberbank example also highlights a less discussed advantage that comes with contrarian investing. When investors are concerned about an industry's prospects and pessimistic about the future, it's usually the case that management teams and entrepreneurs are too. By discouraging new investment into the industry—and perhaps even encouraging *disinvestment*—widespread fear and uncertainty can be instrumental in reducing competition. Therefore, while being perilous for the weaker hands, economic downturns can often end up a boon to the companies with the staying power to survive. Even though it doesn't feel like it at the time, intrinsic value can grow faster in downturns—as long as you're backing the right company.

Excluding Sberbank, the Russian banking sector experienced pre-tax losses in every quarter from the fourth quarter of 2014 to the first quarter of this year. As the sector has gradually returned to profitability, Sberbank in particular has emerged in an even stronger competitive position. Shareholders who were patient enough to wait for that reduced competition to translate into improved earnings and market share are now, finally, being rewarded. That's one area where we differ from the conventional risk-reward diagram. Expected returns are not enhanced merely by taking on more risk. Rather, we've always believed that careful analysis and a willingness to go against the crowd can be a powerful combination in enhancing returns without necessarily taking on more risk.

While our investment in Sberbank took longer to produce results than we would have liked, we continue to be encouraged by the recovery in the bank's profitability. As is so often the case, we are optimistic that the painful industry shakeout of 2014-15 will turn out to have sown the seeds for the next upcycle. If so, Sberbank shares remain undervalued today and may continue to perform well. In particular, the shares may benefit from one or more of the following: a rebound in Russian economic growth, a reduction in Russian interest rates, higher oil prices, and a stronger rouble.

Of course, we cannot predict when—or if—these things will happen, but we do know that the banking industry is cyclical, as is emerging market investor sentiment. No doubt, there will come a day when Russian shares are once again popular with investors, and competitor banks will once again scramble to get back into the market they were once so keen to escape. For now, that day looks a long way off; in the meantime, we believe Sberbank can continue to deliver strong shareholder returns that can compound for many years to come.

Commentary contributed by Ben Preston and Maurits Ovaa, Orbis Investment Advisory Limited, London

This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.

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Orbis Global Equity Fund

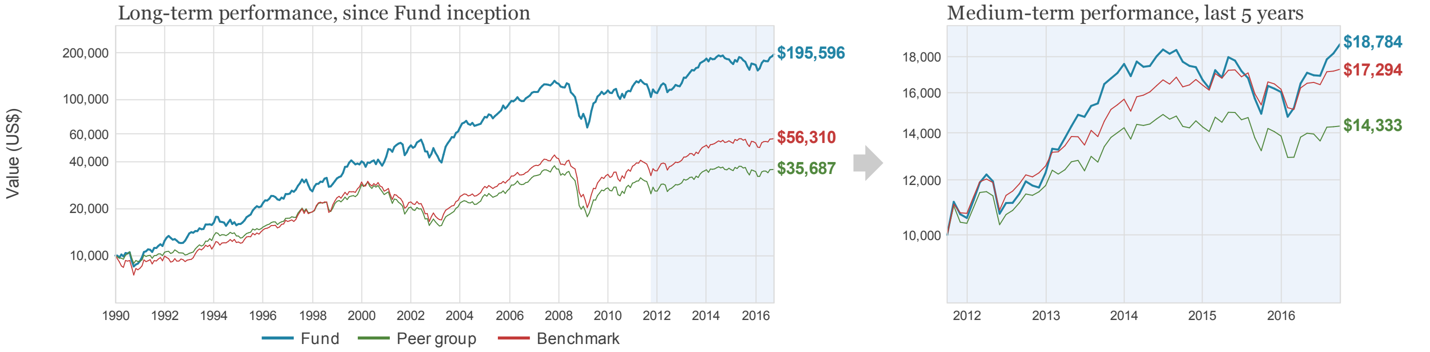
The Fund is designed to remain fully invested in global equities. It aims to earn higher returns than world stockmarkets, without greater risk of loss. The benchmark is the FTSE World Index, including income, gross of withholding taxes ("FTSE World Index"). The Fund's currency exposure is managed relative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

Price	US$195.47
Pricing currency	US dollars
Domicile	Bermuda
Type	Open-ended mutual fund
Fund size	US$7.6 billion
Fund inception	1 January 1990
Strategy size	US$19.5 billion
Strategy inception	1 January 1990

Benchmark	FTSE World Index
Peer group	Average Global Equity Fund Index
Minimum investment	US$50,000
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



Returns (%)

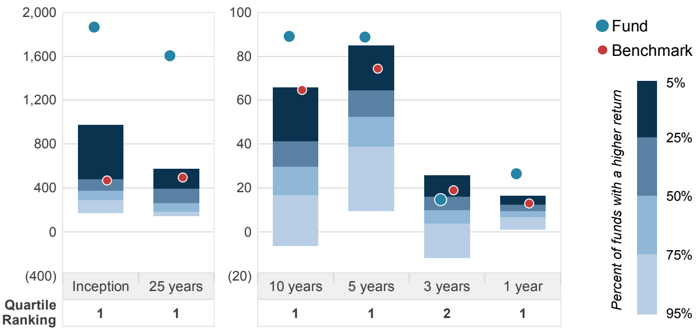
	Fund	Peer group	Benchmark
Annualised		*Net*	*Gross*
Since Fund inception	11.8	4.9	6.7
25 years	12.0	5.1	7.4
10 years	6.5	1.9	5.0
5 years	13.4	7.5	11.6
3 years	4.5	2.3	5.9
1 year	25.8	8.5	12.5
Not annualised			
Calendar year to date	17.1	3.4	6.8
3 months	11.0	5.1	5.2
1 month	3.1		0.6

	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	>107[1]	66
% recovered	100	90	100
Annualised monthly volatility (%)	16.4	14.1	15.3
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	49	53	58
Asia ex-Japan	20	6	6
Continental Europe	10	21	16
Japan	8	9	9
United Kingdom	7	6	7
Other	4	4	5
Net Current Assets	*2*	*0*	*0*
Total	**100**	**100**	**100**

Top 10 Holdings (%)

	FTSE Sector	%
Charter Communications	Consumer Services	5.1
QUALCOMM	Technology	5.1
NetEase	Technology	4.5
Apache	Oil & Gas	4.0
Sberbank	Financials	3.3
XPO Logistics	Industrials	3.3
Motorola Solutions	Technology	3.1
PayPal Holdings	Industrials	2.9
JD.com	Consumer Services	2.3
KB Financial Group	Financials	2.2
Total		**35.8**

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	57
Total number of holdings	122
12 month portfolio turnover (%)	37
12 month name turnover (%)	23
Active share (%)	90

Fees & Expenses (%), for last 12 months

Management fee[2]	1.74
For 3 year performance in line with benchmark	*1.50*
For 3 year outperformance/(underperformance) vs benchmark	*0.24*
Fund expenses	0.05
Total Expense Ratio (TER)	**1.79**

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.

Orbis Global Equity Fund

This Fact Sheet is a Minimum Disclosure Document and a monthly General Investor Report as required by the South African Financial Services Board.

Manager	Orbis Investment Management Limited
Inception date	1 January 1990
Number of shares	38,652,223
Income distributions during the last 12 months	None

Fund Objective and Benchmark

The Fund is designed for investors who have made the "asset allocation" decision to invest a predetermined amount in global equities. It seeks higher returns than the average of the world's equity markets, without greater risk of loss. The Fund aims for higher returns than a designated equity performance benchmark, namely the FTSE World Index, including income.

How We Aim to Achieve the Fund's Objective/Adherence to Objective

The Fund is actively managed and seeks to remain fully invested in and exposed to global stockmarkets. It invests in equities considered to offer superior fundamental value. These equities are selected using extensive proprietary investment research undertaken by the Manager and its investment advisors. Orbis devotes a substantial proportion of its business efforts to detailed "bottom up" investment research conducted with a long-term perspective, believing that such research makes superior long-term performance attainable. The lower the price of a share as compared to its assessed intrinsic value, the more attractive Orbis considers the equity's fundamental value. The Manager believes that over the long term, equity investing based on this approach offers superior returns and reduces the risk of loss.

Exchange rate fluctuations significantly influence global investment returns. For this reason, part of Orbis' research effort is devoted to forecasting currency trends. Taking into account these expected trends, the Manager actively reviews the Fund's currency exposure. Those currencies held but considered vulnerable may be sold in favour of those considered more attractive, generally using forward contracts. The Fund's currency deployment therefore frequently differs significantly from the geographic deployment of its selected equities.

The Fund does not seek to mirror its benchmark but may instead deviate meaningfully from it in pursuit of superior long-term returns.

Since inception and over the latest 10 and five-year periods, the Fund has outperformed its benchmark net of fees. The Fund will experience periods of underperformance in pursuit of its objective of creating long-term wealth for investors.

Risk/Reward Profile

- The Fund is designed for investors who have made the "asset allocation" decision to invest a predetermined amount in global equities.
- Investments in the Fund may suffer capital loss.
- Investors should understand that the Manager generally assesses an equity investment's attractiveness using a three-to-five year time horizon.

Management Fee

As is described in more detail in the Fund's Prospectus, the Fund pays the Manager a performance-based fee. The fee is designed to align the Manager's interests with those of investors in the Fund.

The fee is based on the net asset value of the Fund. The fee rate is calculated weekly by comparing the Fund's 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 the following limits:

- Maximum fee: 2.5% per annum
- Minimum fee: 0.5% per annum

Fees, Expenses and Total Expense Ratio (TER)

The Fund bears operating costs, including the costs of maintaining its stock exchange listing, Bermuda government fees, legal and auditing fees, reporting expenses, the cost of preparing its Prospectus and communication costs. Finally, the Fund incurs costs when buying or selling underlying investments.

Where an investor subscribes or redeems an amount representing 5% or more of the net asset value of the Fund, the Manager may cause the Fund to levy a fee of 0.40% of the net asset value of the Fund's shares being acquired or redeemed.

The annual management fees charged are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a 12 month period, excluding trading costs. Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Expenses may vary, so the current TER is not a reliable indicator of future TERs.

Changes in the Fund's Top 10 Holdings (%)

30 June 2016	%	30 September 2016	%
NetEase	6.8	Charter Communications	5.1
Charter Communications	4.8	QUALCOMM	5.1
QUALCOMM	4.8	NetEase	4.5
Apache	3.9	Apache	4.0
Sberbank	3.5	Sberbank	3.3
Barrick Gold	3.0	XPO Logistics	3.3
Motorola Solutions	2.9	Motorola Solutions	3.1
XPO Logistics	2.6	PayPal Holdings	2.9
PayPal Holdings	2.4	JD.com	2.3
Rolls-Royce Holdings	2.3	KB Financial Group	2.2
Total	**37.0**	**Total**	**35.8**

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.

Orbis Global Equity Fund

Additional Information

South African residents should contact Allan Gray Unit Trust Management (RF) Proprietary Limited at 0860 000 654 (toll free from within South Africa) or offshore_direct@allangray.co.za to receive, free of charge, additional information about a proposed investment (including Prospectus, application forms, annual reports and a schedule of fees, charges and maximum commissions). The Manager can be contacted at +1 441 296 3000 or clientservice@orbis.com. The Fund's Custodian is Citibank N.A., New York Offices, 388 Greenwich Street, New York, New York 10013, U.S.A. All information provided herein is subject to the more detailed information provided in the Fund's Prospectus.

Share Price and Transaction Cut Off Times

Share prices are calculated on a net asset value basis, normally as of 5:30 pm (Bermuda time) (i) each Thursday (or, if a Thursday is not a business day, the preceding business day), (ii) on the last calendar day of each month (or, if that is not a weekday, the preceding weekday) and/or (iii) such other days in addition thereto or substitution therefor as determined by the Manager without notice.

Subscriptions are only valid if made on the basis of the Fund's current Prospectus. To be processed on a given dealing day: subscription requests into an Orbis Fund that is not an Orbis SICAV Fund must be submitted by 5:00 pm on that dealing day; subscription requests into an Orbis Fund that is an Orbis SICAV Fund must be submitted by 5:30 pm; redemption requests must be submitted by 12 noon; requests to switch from an Orbis Fund that is not an Orbis SICAV Fund to a different Orbis Fund that is also not an Orbis SICAV Fund must be submitted by 12 noon; requests to switch from an Orbis SICAV Fund into a different Orbis Fund that is not an Orbis SICAV Fund must be submitted by 5:00 pm; requests to switch from an Orbis Fund that is not an Orbis SICAV Fund to a different Orbis Fund that is an Orbis SICAV Fund must be submitted by 12 noon; and requests to switch from an Orbis Fund that is an Orbis SICAV Fund to a different Orbis Fund that is also an Orbis SICAV Fund must be submitted by 5:30 pm. All times given are Bermuda time, and all requests must be properly completed and accompanied by any required funds and/or information.

Share prices, updated weekly, are available

- from the Allan Gray Unit Trust Management (RF) Proprietary Limited's website at www.allangray.co.za,
- from the Orbis website at www.orbis.com,
- by e-mail, by registering with Orbis for this service at the Orbis website at www.orbis.com, and
- from Bloomberg.

Legal Notices

Returns are net of fees, include income and assume reinvestment of dividends. Figures quoted are for the periods indicated for a $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. This Report does not constitute advice nor a recommendation to buy, sell or hold, nor an offer to sell or a solicitation to buy interests or shares in the Orbis Funds or other securities in the companies mentioned in it.

Collective Investment Schemes (CIS) are generally medium to long-term investments. The value of an investment in the Fund may go down as well as up, and past performance is not a reliable indicator of future results. The Manager provides no guarantee with respect to capital or the Fund's 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. 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 the Fund's net asset value. The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. The Fund invests 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.

The discussion topics for the commentaries were selected, and the commentaries were finalised and approved, by Orbis Investment Management Limited, the Fund's Manager. 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, the Fund's Manager, is licensed to conduct investment business by the Bermuda Monetary Authority.

Fund Information

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 Fund's exposures accordingly.

Fund Minimum

Minimum investment amounts in the Fund are specified in the 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.

Sources

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