Orbis Global Equity

As bottom-up stockpickers, we love idiosyncratic opportunities—situations where a company trades at a discount to intrinsic value for reasons specific to that company. We also love clustered opportunities, where a number of shares with some common trait all trade at low valuations. When clusters represent large parts of the market, this can lead to opportunities that offer the best of both worlds: an especially attractive stock within an especially attractive part of the market. We've found a few such ideas in the broader cluster of companies that we believe have been excessively punished for their perceived uncertainty.

To see how a cluster of companies can be affected by attitudes towards uncertainty, it helps to borrow a concept from the fixed-income world—the term premium. Yields for long-term government bonds can be broken into three parts: inflation expectations, the expected path of real interest rates, and the term premium. The term premium can be thought of as the compensation offered to investors for taking on a long-dated risk. Logically, the term premium should always be positive, but today, term premiums in most developed markets are near zero, and some, astonishingly, are negative. A negative term premium means that investors are paying for the privilege of taking on term risk. This is at best unusual, and at worst nonsensical.

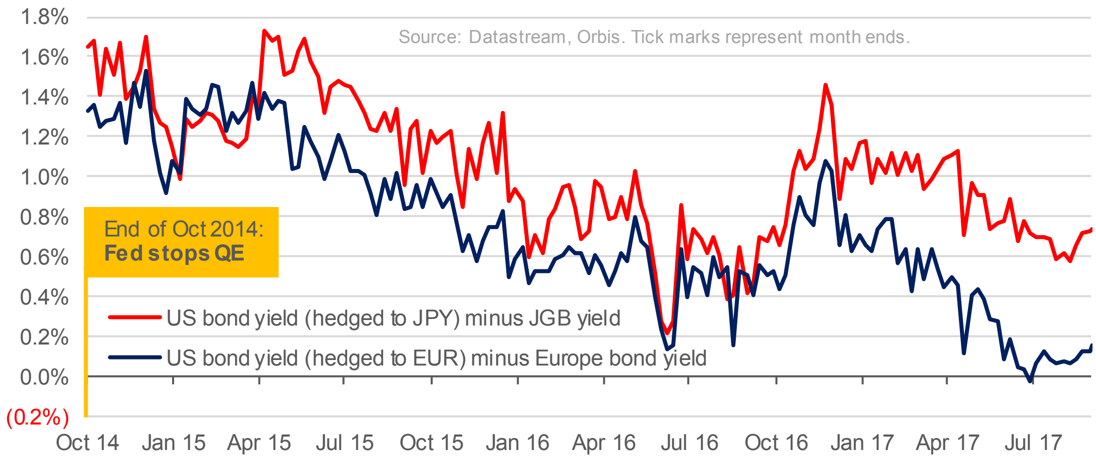
In our view, this is fundamentally different to claiming "yields are too low"! Yields can be low for good reasons, but it's hard to imagine a good reason for the term premium to be negative. This looks like a real inefficiency—a mispricing.

One culprit is quantitative easing (QE), the process where central banks buy bonds and other assets using newly printed money. Pumping more money into the economy is meant to stimulate bank lending and growth, while buying up lots of bonds reduces their yields, forcing investors to seek riskier assets in search of higher returns.

In the US, the financial press has lost interest in QE—probably because the Federal Reserve's QE has run its course. But today, global QE is running at an all-time high in US dollar terms. European QE is running at about 5% of gross domestic product (GDP), and Japan's stated purchase rate is close to 15% of GDP. That matters for the US because QE in one market can leak into others. As central banks in Europe and Japan try to push down their bond yields, this makes US bond yields look more attractive in comparison. If investors respond by selling European and Japanese bonds to buy US Treasuries, they are essentially transporting QE from those regions to the US. This can be seen in the chart below. Since the US stopped its QE program in 2014, the spread available to a Japanese or European investor in US Treasury bonds has narrowed:

QE outside the US has compressed premiums in the US

US 10-year Treasury yield (hedged to JPY or EUR using 3-month rates) minus the yield on a 10-year Japanese Government Bond or Eurozone bond, Oct 2014 to Sep 2017



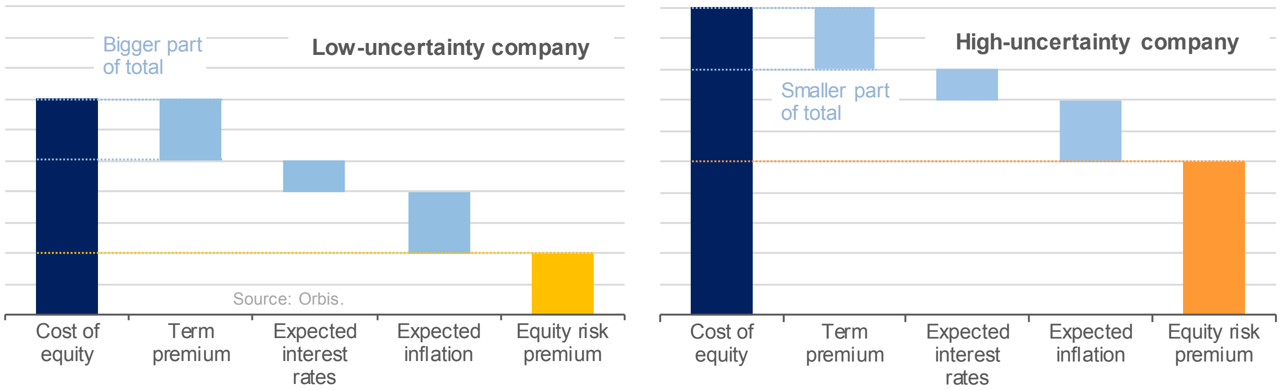
QE has a direct effect on bonds, but it also influences equities. The cost of capital for a bond is easy to see—it is the yield. Equity also has a cost, which is the expected return investors demand to hold a stock. Like bond yields, the cost of equity can be broken into parts. One part is the yield on long-term bonds. If a safe bond and a risky stock offer the same returns, who would go for the equity? Because equity investments are less certain than the repayment on a bond, equities should offer a higher return than bonds. This additional compensation is the so-called equity risk premium. The riskier the company, the bigger the equity risk premium will be. The following illustrations show how the breakdown might look for companies with low vs. high fundamental uncertainty.

Contact details for Allan Gray | Tel 0860 000 654 or +27 (0)21 415 2301 | Fax 0860 000 655 or +27 (0)21 415 2492 | info@allangray.co.za | www.allangray.co.za

Orbis Global Equity *(continued)*

The term premium affects predictable companies more than companies with higher uncertainty

Illustrative only

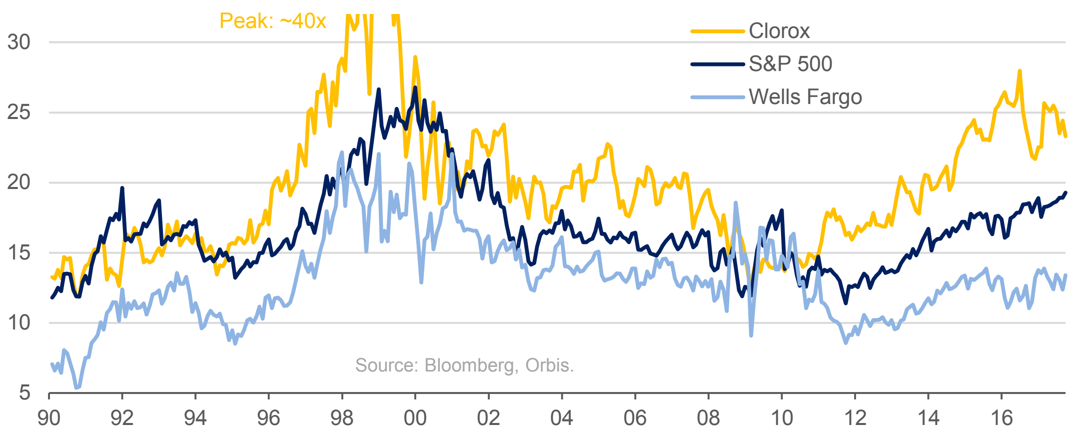


A business with low uncertainty is more "bond-like". The equity risk premium is smaller, so the term premium represents a larger chunk of the total compensation investors expect. For high-uncertainty companies, the term premium has a smaller impact on the cost of equity. If the term premium changes, then, it will affect low-uncertainty businesses much more than high-uncertainty businesses.

To see how much stable, low-uncertainty shares have benefitted from the falling term premium, let's look at a representative example with Clorox. Clorox makes bleach, floor cleaners, trash bags, and barbeque charcoal. These are not businesses with fantastic growth potential—over the past ten years, the company has grown revenues by just 2% per annum. But it is predictable, so investors perceive the company as low-risk. Given this, we would expect the collapsing term premium to have a larger impact on Clorox's valuation. The data bears that out. Clorox has rarely been this expensive compared to the S&P 500, and the previous occasion did not end well.

Clorox is rarely this expensive and Wells Fargo is rarely this cheap vs the S&P

Bloomberg consensus forward price-earnings ratio, 1990 to Sep 2017



While the collapse in the term premium has led to expensive valuations for predictable businesses, it has been a punishing environment for companies perceived as uncertain. In many cases, such companies' valuations have fallen to the cheapest levels since the global financial crisis. In those shares, we see opportunity.

Wells Fargo & Company is an example of a holding that belongs to the cluster of shares that have been severely penalised for uncertainty. Once almost universally seen as America's premier bank, Wells has gone from darling to deplorable in less than a year thanks to a high profile "fake accounts" scandal. Its shares have underperformed world stockmarkets by roughly 15 percentage points over the past two years.

In similar situations in your Strategy's history, it has been rewarding for us to look through near-term fog and take a longer-term perspective. Although the scandal has certainly been damaging for Wells, the core franchise is intact, and the bank's

Contact details for Allan Gray | Tel 0860 000 654 or +27 (0)21 415 2301 | Fax 0860 000 655 or +27 (0)21 415 2492 | info@allangray.co.za | www.allangray.co.za

Orbis Global Equity *(continued)*

credit quality and capitalisation levels remain exceedingly strong. Even though current earnings are depressed from high expense levels, low rates, and muted marketing efforts in the wake of the scandal, the bank still manages to generate $5 billion of earnings per quarter—a run rate of $20 billion per year relative to its market capitalisation of about $270 billion.

To put this in perspective, Wells' valuation on a normalised price-to-earnings basis is roughly 10 times and near an all-time low relative to the US market average of approximately 20 times. Yet Wells offers above average characteristics. We believe it can sustain an annualised 14-18% return on tangible equity. It is also committed to returning cash to shareholders and is generating a 7% annualised yield when considering dividends and share buybacks.

In addition, we find it particularly encouraging that the scandal has catalysed Wells to launch a massive $4 billion cost-cutting initiative. We expect half of the savings to be reinvested in the business, but the rest should drop straight to the bottom line. This additional operating leverage should help drive low-teens earnings per share growth in the coming years.

Beyond these idiosyncratic improvements, the company could benefit from corporate tax reform, reduced regulatory friction in the US, and/or a return of the term premium to normal levels. As a bank, Wells has a particularly direct link to the term premium, because its business is funded with short-term borrowing (deposits) and it generates income through longer-term loans. A higher term premium leads to a larger spread between the interest Wells gets on loans and the interest it pays on deposits, which enhances profitability.

These factors give Wells many of the hallmarks of an "Orbis Classic" investment. It is a company with an excellent long-term track record that is undergoing what we believe to be a temporary setback. It is trading at a valuation which we believe offers a meaningful margin of safety at a time when equity prices are generally elevated. And with dismal expectations and poor sentiment, the risk-reward proposition is skewed in favour of pleasant surprises. While none of this may satisfy investors who are craving short-term certainty, we believe your Strategy will be well-rewarded for being patient if Wells can successfully repair its reputation in the years to come.

Commentary contributed by Graeme Forster, Orbis Investment Management Limited, Bermuda, and Adam Karr, Orbis Investment Management U.S., (LLC), San Francisco

Fact Sheet at 30 September 2017

Orbis Global Equity Fund

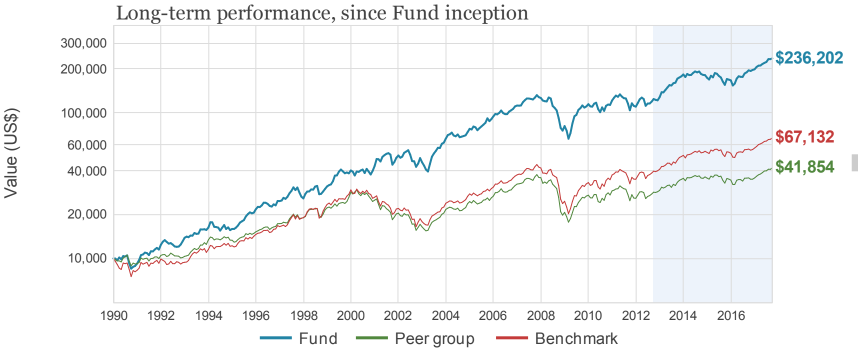
The Fund is designed to remain fully invested in global equities. It aims to earn higher returns than world stockmarkets, without greater risk of loss. The benchmark is the FTSE World Index, including income, gross of withholding taxes ("FTSE World Index"). Currency exposure is managed separately to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

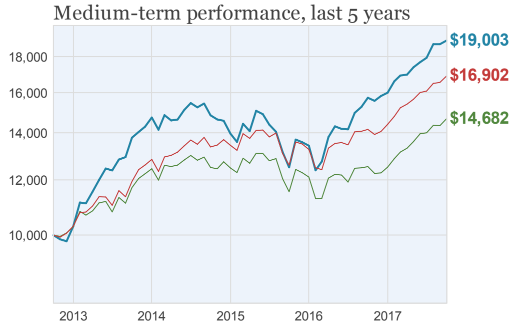
Price	US$236.05
Pricing currency	US dollars
Domicile	Bermuda
Type	Open-ended mutual fund
Fund size	US$7.7 billion
Fund inception	1 January 1990
Strategy size	US$22.8 billion
Strategy inception	1 January 1990

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, net of fees, dividends reinvested





Returns (%)

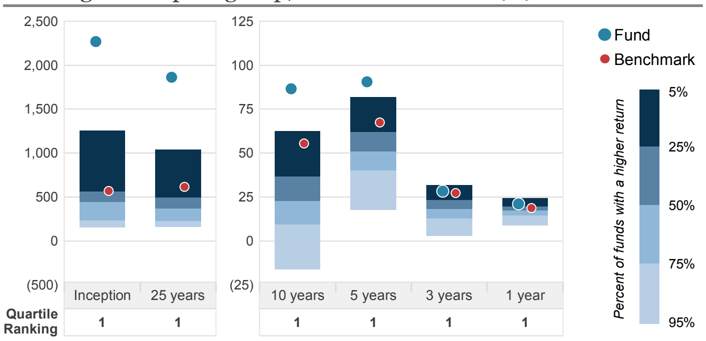
	Fund	Peer group	Benchmark
Annualised		*Net*	*Gross*
Since Fund inception	12.1	5.3	7.1
25 years	12.6	5.7	8.2
10 years	6.4	1.4	4.7
5 years	13.7	8.0	11.1
3 years	8.6	5.5	8.1
1 year	20.8	17.1	19.2
Not annualised			
Calendar year to date	18.7	17.3	17.2
3 months	5.8	4.7	5.1
1 month	1.2		2.1

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

Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	50	53	54
Months to recovery	42	113	66
Annualised monthly volatility (%)	16.2	13.9	15.0
Beta vs benchmark	0.9	0.9	1.0
Tracking error vs benchmark (%)	9.0	4.5	0.0

Ranking within peer group, cumulative return (%)



Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
North America	49	53	58
Asia ex-Japan	19	9	6
Japan	9	9	9
Continental Europe	9	19	17
United Kingdom	7	6	6
Other	3	3	5
Net Current Assets	*3*	*0*	*0*
Total	**100**	**100**	**100**

Top 10 Holdings

	FTSE Sector	%
XPO Logistics	Industrials	4.9
Charter Communications	Consumer Services	4.5
AbbVie	Health Care	4.5
Arconic	Basic Materials	2.7
Sberbank of Russia	Financials	2.7
Apache	Oil & Gas	2.4
Anthem	Health Care	2.4
British American Tobacco	Consumer Goods	2.3
JD.com	Consumer Services	2.3
Motorola Solutions	Technology	2.2
Total		**31.1**

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	59
Total number of holdings	90
12 month portfolio turnover (%)	71
12 month name turnover (%)	49
Active share (%)	89

Fees & Expenses (%), for last 12 months

Management fee[1]	1.72
For 3 year performance in line with benchmark	*1.50*
For 3 year outperformance/(underperformance) vs benchmark	*0.22*
Fund expenses	0.05
Total Expense Ratio (TER)	**1.77**

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

Contact details for Allan Gray | **Tel** 0860 000 654 or +27 (0)21 415 2301 | **Fax** 0860 000 655 or +27 (0)21 415 2492 | info@allangray.co.za | **www.allangray.co.za**

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.

Investment Manager	Orbis Investment Management Limited
Inception date	1 January 1990
Number of shares	32,701,086
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 Investment 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 Investment 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 Investment 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 Investment 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 Investment Manager a performance-based fee. The fee is designed to align the Investment 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 Investment 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 2017	%	30 September 2017	%
Charter Communications	5.3	XPO Logistics	4.9
XPO Logistics	5.0	Charter Communications	4.5
AbbVie	3.7	AbbVie	4.5
Anthem	3.3	Arconic	2.7
British American Tobacco	2.9	Sberbank of Russia	2.7
JD.com	2.8	Apache	2.4
Apache	2.7	Anthem	2.4
Amazon.com	2.6	British American Tobacco	2.3
Motorola Solutions	2.4	JD.com	2.3
KB Financial Group	2.3	Motorola Solutions	2.2
Total	**32.8**	**Total**	**31.1**

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 Investment Management Limited (licensed to conduct investment business by the Bermuda Monetary Authority) **www.orbis.com**

Contact details for Allan Gray | **Tel** 0860 000 654 or +27 (0)21 415 2301 | **Fax** 0860 000 655 or +27 (0)21 415 2492 | info@allangray.co.za | **www.allangray.co.za**

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 Investment 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) any other days in addition to (or substitution for) any of the days described in (i) or (ii), as determined by the Investment 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 from an Orbis Fund that is not an Orbis SICAV Fund must be submitted by 12 noon; redemption requests from an Orbis Fund that is an Orbis SICAV Fund must be submitted by 5:30 pm; 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 Investment 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 Investment 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.

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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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