Orbis Global Equity

Historically we've done a better job in market environments when shares with low expectations have outperformed those that everyone seems most excited about. As contrarians seeking value that others may have overlooked, that should come as no surprise.

But ask us if we are "Value" or "Growth" investors and our answer is: neither. In our view, the traditional distinction that is sometimes used to classify managers is too simplistic. Classically, "Value" investors aim to generate returns from shares that offer a high yield of current earnings or dividends relative to their prevailing share price, whereas "Growth" investors seek returns by buying shares with superior earnings growth potential. Since rapidly growing companies are unlikely to be available at bargain prices, the two schools of thought are often considered to be at loggerheads.

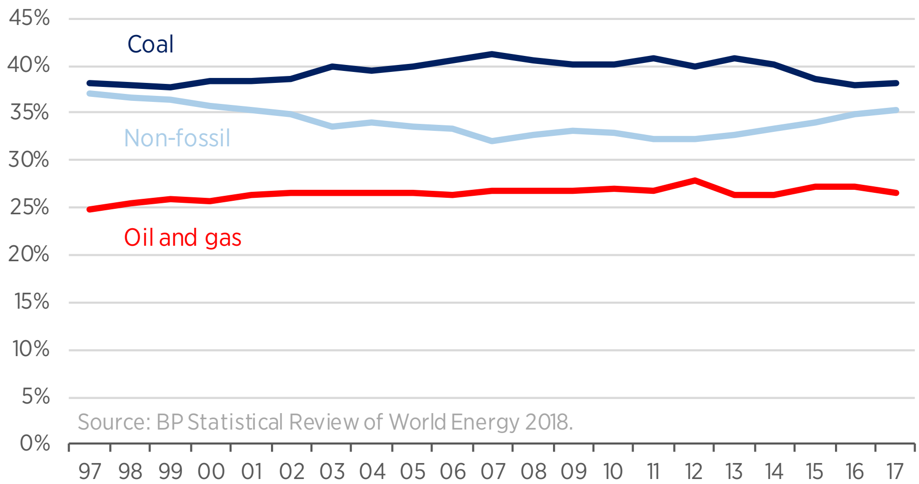
Our approach is different. Investing isn't about putting stocks into boxes—it's about delivering superior long-term returns relative to the risks being taken. When we make our assessment of a share's future return potential, we're primarily motivated by an examination of its intrinsic worth, an appraisal which includes due consideration for the value of future growth (if any). Whether there's a lot of growth ahead, or not much, the critical question is whether we can buy a company's shares for much less than they are truly worth.

Unlikely bedfellows

Viewed through a Value/Growth lens, Facebook and Peabody Energy would make unlikely bedfellows. After all, how much common ground can there be between the growth-rich business of mining for data and the growth-starved business of mining for coal? Perhaps more than first meets the eye. Dig deeper and it's evident that there is enormous economic demand for high-quality sources of both coal and data. Both are also targets of popular and regulatory backlash that threatens to restrict supply. And in both cases, we conclude that the prospects for each are somewhat brighter than implied by the current stock market price.

Coal's share of power generation hasn't budged in 20 years

Share of global power generation capacity by fuel type, 1997 to 2017



Peabody Energy is the world's largest publicly-traded non-state-owned pure-play coal miner. Amid all the talk of a shift to cleaner fuel sources like gas and renewables, it's sobering to note that coal's share of electricity production was 38% last year—exactly where it was 20 years ago. As global demand for electricity has increased, coal has proved its worth as a cheap and reliable fuel.

That's not to say coal is without its problems: the environmental cost of burning coal is well known and beyond dispute. That said, the social cost of not burning coal is not to be ignored either. Consider China, the world's most populous nation, which accounts for more than 50% of global coal use. Its drastic 2016 directive to cut coal production as part of a project to restore "blue skies" over Beijing proved to be so punitive for households and small businesses that it was relaxed just months later. So as tempting as it may be to say "let's stop investing in coal", the reality is not that simple.

A better solution to the pollution problem needs to consider how coal is used, not just whether it is used. If coal isn't going away, at least those who rely on it can burn higher quality sources. That's where producers like Peabody stand to benefit. Its most valuable mines are located in Australia, and happen to have been blessed with higher energy-content coal than the Indonesian mines that currently account for most of Chinese thermal coal imports. By gradually switching from Indonesian to Australian coal, the Chinese can generate the same amount of electricity with less coal, thereby releasing fewer pollutants into the air. As a result, Australian mines are struggling to keep up with demand.

But you'd never know that from market sentiment. Among widespread condemnation of coal in general, such differences in quality are often overlooked. Indeed, so out-of-favour has coal become that even the most promising coal projects are finding it hard to get approval from regulators or financing from banks.

Peabody itself has learned its lessons the hard way. Flying high in the commodity bull market that peaked in 2011, Peabody took on too much debt and found it could not meet its obligations when the price of coal

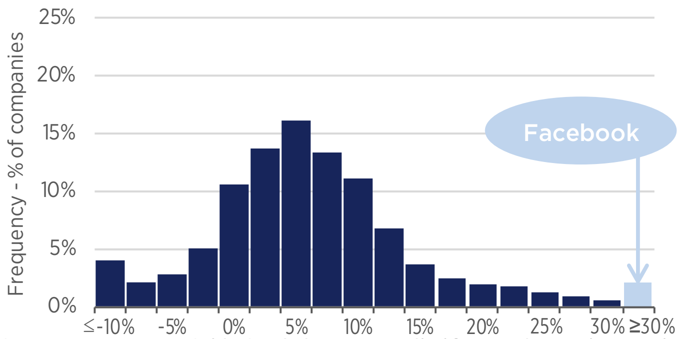
Orbis Global Equity (continued)

turned south, eventually filing for bankruptcy in April 2016. Investors tend to "fight the last war" and are worried about a repeat. But while Peabody's operations haven't changed much since the last peak, its financial position is markedly different. Net debt has fallen from $5.7 billion to zero, capital expenditures are down by almost 75%, and the company has plenty of loss carry-forwards to shield it from future tax. The result? Free cash flow has more than doubled from the last peak, while the company's enterprise value is down by over 70%. In terms of cash flow yield, Peabody is a true outlier.

The risk, of course, is that Peabody's present could be much brighter than its future. We think that's unlikely, but it highlights one challenge of being a contrarian investor: if you are contrarian and wrong, it is generally for reasons that were obvious to everyone else! Lots of people hate coal, and if regulators go for broke and attempt to reduce coal use at any cost, they could hurt Peabody's fundamental prospects.

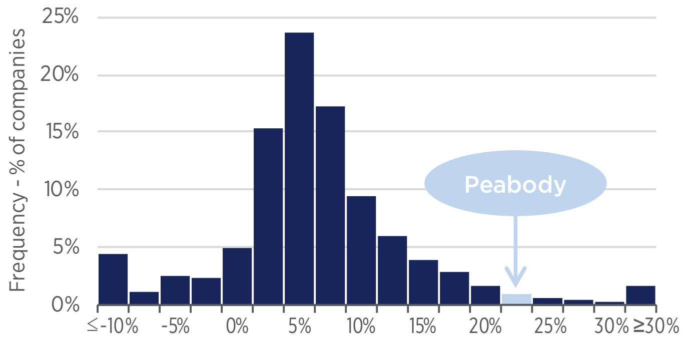
Trailing 5-year average revenue growth

Facebook is an outlier



Trailing free cash flow yield

Peabody is an outlier



Source: Datastream, Orbis. Statistics are compiled from an internal research database and are subject to subsequent revision due to data cleaning or changes in methodology. Distributions show the percent of stocks in the FTSE World Index (excluding financials) in each bracket. Each value on the x-axis represents the maximum value in the range. Orbis estimate of trailing 12-month free cash flow used for Peabody.

Priced at a multiple that is close to the market average, Facebook is an outlier in a different respect: its growth rate has been spectacular. It too has more than its share of haters, with the Cambridge Analytica fiasco putting personal data squarely in the regulators' spotlight. But, as with Peabody's coal, there has been no let-up in demand for Facebook's services along with its Instagram and Whatsapp properties. Users are still engaging with these platforms as much as they did before the scandal, while advertisers have shown no signs of deserting Facebook en masse.

The revenue that Facebook generates is primarily from ad services. The company's ability to deliver more effective and relevant ads—and to therefore charge a premium for them—is unparalleled because of the amount of data it has on users. If anything, regulation that seeks to discourage the sharing of this data with third parties would strengthen Facebook's competitive position, potentially allowing Facebook to capture revenue which previously had to be shared with partners. Meanwhile, the likely regulatory burden of having to identify and block inappropriate content is an exceptionally difficult task, one at which only the companies with the most sophisticated technology—like Facebook's—will stand a chance of succeeding.

No doubt, increased regulatory scrutiny is a fact of life for both Facebook and Peabody. However, while heavy-handed regulation is often viewed with trepidation by investors, again we take a different view. In our assessment, higher levels of regulation tend to act not as a barrier to corporate success, but as a barrier to competitive entry, and are often beneficial for incumbents' profitability in the long term.

We believe both Facebook and Peabody offer compelling returns for the long-term investor. Whether the returns are realised via growth or yield, or some combination of the two, is of little consequence: it's the total return potential that counts for us, and always has been.

Recent underperformance: a normal part of our approach

Of course, consistency in approach does not automatically translate to consistency in results. After the strong showing in 2017, our underperformance year-to-date is disappointing. But as co-investors alongside you, we know that these periods come with the territory when buying unpopular shares. Investor sentiment is fickle in the short term. Fortunately, the stockmarket has historically done a good job uncovering and rewarding true intrinsic value over the long term—and we have every reason to believe it will continue to do so.

Commentary contributed by Ben Preston, Orbis Portfolio Management (Europe) LLP, 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.

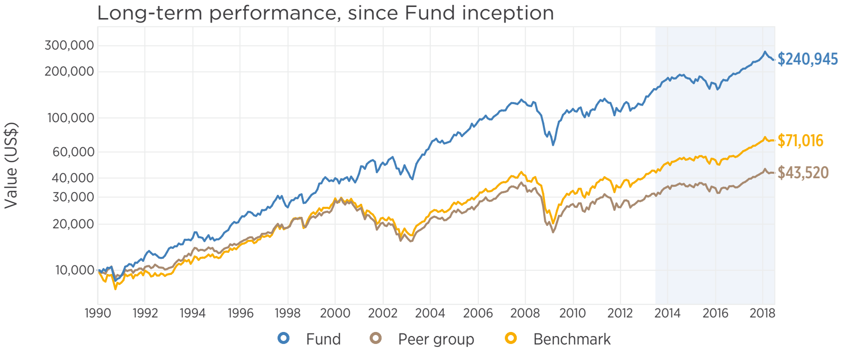
Orbis Global Equity Fund

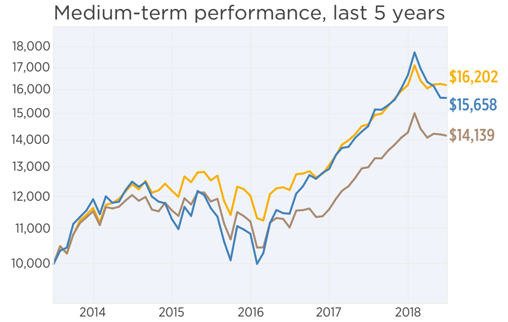
The Fund is designed to remain fully invested in global equities. It aims to earn higher returns than world stockmarkets, without greater risk of loss. The benchmark is the FTSE World Index, including income, gross of withholding taxes ("FTSE World Index"). Currency exposure is managed separately to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

Price	US$240.79
Pricing currency	US dollars
Domicile	Bermuda
Type	Open-ended mutual fund
Fund size	US$7.3 billion
Fund inception	1 January 1990
Strategy size	US$23.9 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

Growth of US$10,000 investment, net of fees, dividends reinvested





Returns (%)

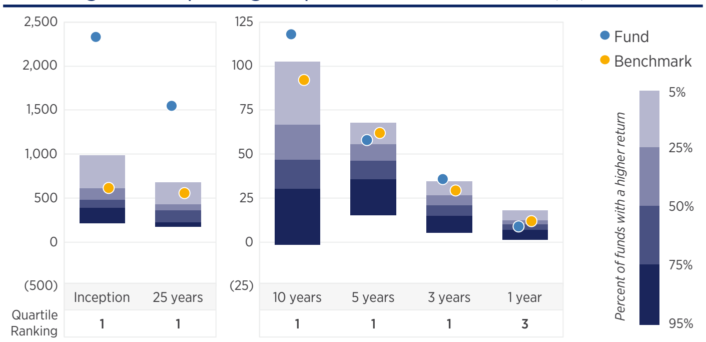
	Fund	Peer group	Benchmark
Annualised		*Net*	*Gross*
Since Fund inception	11.8	5.3	7.1
25 years	11.8	5.5	7.8
10 years	8.0	3.0	6.6
5 years	9.4	7.2	10.1
3 years	10.4	6.1	8.9
1 year	7.9	8.9	11.1
Not annualised			
Calendar year to date	(6.0)	(0.8)	0.0
3 months	(4.2)	0.5	0.9
1 month	0.0		(0.3)

	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 (%)	16.1	13.8	14.9
Beta vs benchmark	0.9	0.9	1.0
Tracking error vs benchmark (%)	9.0	4.4	0.0

Ranking within peer group, cumulative return (%)



Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
North America	49	51	59
Asia ex-Japan	17	7	6
Japan	13	9	9
Continental Europe	8	19	16
United Kingdom	3	6	6
Other	7	8	4
Net Current Assets	*1*	*0*	*0*
Total	**100**	**100**	**100**

Top 10 Holdings

	FTSE Sector	%
XPO Logistics	Industrials	7.0
NetEase	Technology	5.6
Facebook	Technology	5.2
AbbVie	Health Care	4.8
Vale	Basic Materials	3.3
Symantec	Technology	3.0
Celgene	Health Care	3.0
Mitsubishi	Industrials	3.0
Sberbank of Russia	Financials	2.8
NIKE	Consumer Goods	2.8
Total		**40.5**

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	71
Total number of holdings	65
12 month portfolio turnover (%)	59
12 month name turnover (%)	47
Active share (%)	92

Fees & Expenses (%), for last 12 months

Management fee[1]	2.12
For 3 year performance in line with benchmark	*1.50*
For 3 year outperformance/(underperformance) vs benchmark	*0.62*
Fund expenses	0.04
Total Expense Ratio (TER)	**2.16**

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.

See Notices for important information about this Fact Sheet.

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

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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	30,406,599
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 ten-year period, 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

31 March 2018	%	30 June 2018	%
XPO Logistics	6.9	XPO Logistics	7.0
AbbVie	4.5	NetEase	5.6
NetEase	4.5	Facebook	5.2
Symantec	4.2	AbbVie	4.8
Sberbank of Russia	3.7	Vale	3.3
Arconic	3.0	Symantec	3.0
Mitsubishi	2.7	Celgene	3.0
Vale	2.6	Mitsubishi	3.0
NIKE	2.6	Sberbank of Russia	2.8
Naspers	2.3	NIKE	2.8
Total	**37.0**	**Total**	**40.5**

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 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.

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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