Orbis Global Equity

Orbis Global aims to deliver higher returns than world markets, but that is not its whole mandate. Crucially, it also aims to deliver those higher returns without taking on a greater risk of a permanent loss of capital.

Risk is likely front of mind given our recent performance. Periods of underperformance are painful, but in them, our job is to remain disciplined. The underperformance year-to-date has been driven chiefly by three shares: logistics firm XPO Logistics, drug developer AbbVie, and Chinese internet firm NetEase. Our thesis for each company is unchanged, and the Orbis Funds' stakes in these companies have increased over the quarter. We view these situations as disagreements with the market, not permanent losses of capital. The latter is the risk we aim to assess and manage.

Risk assessment and management begins at the stock level. More things can happen than will happen, so our forecasts consider a range of probable paths for a company's intrinsic value. We do this for every stock, yet we recognise that combining these independent ideas could produce unintended consequences at the portfolio level. With that in mind, it is important to take a step back and ensure we are comfortable with the portfolio's positioning and confident that the risks taken are adequately balanced with the potential upside.

To inform this broader perspective on the portfolio, our Quantitative and Risk team works closely with our investment decision makers. In its analysis, the Quant team has two main jobs: 1) to monitor and assess the risks in the portfolios, and 2) to find and highlight attractive dislocations in the opportunity set. Using proprietary tools, the team applies objective analysis to challenge our equity analysts' bottom-up views. So what are the key risks identified by our Quant team today?

One exposure sticks out. The portfolio is overweight stocks that have higher-than-average economic sensitivity. That exposure can increase the portfolio's volatility, yet we're comfortable with that exposure because it helps us reduce the portfolio's valuation risk—the risk of losing money by paying too high a price for an asset.

In our view, the riskiest thing an investor can do is overpay for an asset, so when we look at an exposure, our question is always, "What do we get paid for taking this exposure, and what do we have to pay to avoid it?" For stocks like XPO and BMW that behave cyclically, we find that risk is more than compensated for by low valuations that look attractive over our long-term investment horizon.

The other side of that question is also interesting. What do we have to pay to avoid cyclical exposure? Today, stocks perceived to be defensive are trading at lofty levels that we believe are disconnected from the companies' underlying fundamentals. You have to pay a steep price to avoid cyclicality. This presents valuation risk; a risk we are not comfortable taking.

Valuation risk is interesting, because as valuation risk gets lower, a stock's return potential becomes more compelling. This gets into the second main job of the Quant team—to find and highlight attractive areas in the opportunity set. At present, the dislocation between low- and high-multiple shares is particularly interesting.

"Value" stocks and "growth" stocks, here defined as shares that are cheap (value) or expensive (growth / "anti-value") on a price-to-book basis, deliver their returns in different ways. To see this, we can break their returns into parts: growth in fundamentals, change in valuation, and dividend yield. We've run these numbers on an equal-weighted basis to approximate the opportunity set faced by our stockpickers.

As table 1 shows, value has historically outperformed growth (10.2% vs 5.8%), and the biggest driver (the 4.1% contribution in the table) has been changes in valuation. Value shares have done well by starting off cheap and becoming less cheap when the market realises things are not all that bad. For value investors, valuation risk is low.

For the growth style, most of the return comes from growth in fundamentals (18.2% in the table), which contributed to returns much more than the growth for cheaper stocks (3.4%). However, the market often overpays for this growth, leading to a price de-rating (-13.8% contribution) when fundamentals disappoint. For growth investors, valuation risk is high.

1 | Value has beaten growth over the long term..

Return attribution, large FTSE World Index stocks, annualised %

1990 to Jun 2007	Total return	Fundamental growth*	Change in valuation**	Dividend yield
Growth	**5.8**	18.2	(13.8)	1.5
Value	**10.2**	3.4	4.1	2.7

2 | ...but struggled since 2007

Jun 2007 to Mar 2019	Total return	Fundamental growth*	Change in valuation**	Dividend yield
Growth	**4.5**	14.4	(12.0)	2.0
Value	**2.5**	2.8	(3.7)	3.4

Source: Datastream, Orbis.
*Growth in book value per share. **Change in price-to-book ratio.

Orbis Global Equity *(continued)*

Contrarian investing spans the two styles. We are comfortable holding fast-growing stocks like Chinese auto website Autohome if we feel the market's valuation is not capturing the company's future growth potential.

Historically, value has beaten growth, but since June 2007, the recent market cycle has been difficult for value stocks. While the style's underperformance has not been as sharp as in some past periods, this is now by some distance the longest ever drought for value shares. A few headwinds have contributed to this underperformance.

Firstly, having outperformed during the run-up, value stocks were not especially cheap going into the global financial crisis (GFC). As a result, the potential for a post-crash re-rating was lower. This is clear in Table 2. From their pre-crisis valuations, value shares have actually *de-rated!* (The -3.7% impact in the table.) Even if we look instead from June 2009, close to the bottom, value shares have still not generated much return from re-rating (1.1% vs the 4.1% historical contribution).

Secondly, a weak economic recovery from the GFC resulted in low inflation and low investment spending. As a result, fundamental growth was scarce and highly prized, contributing to a growth-driven market. Growth stocks are not at the nosebleed valuations that we witnessed during the early 1970s Nifty Fifty era or the late 1990s tech bubble, but valuations for growth stocks are quite punchy, and the de-rating has not been as strong as it has in the past (-12.0% vs -13.8% in the tables). From the 2009 bottom, the de-rating for growth has been even milder (only -5.6% contribution).

The third headwind relates to duration, which we discussed in depth in the September 2017 report. Growth stocks are longer duration than value stocks, and have benefitted from the record low bond yields arising from quantitative easing after the GFC.

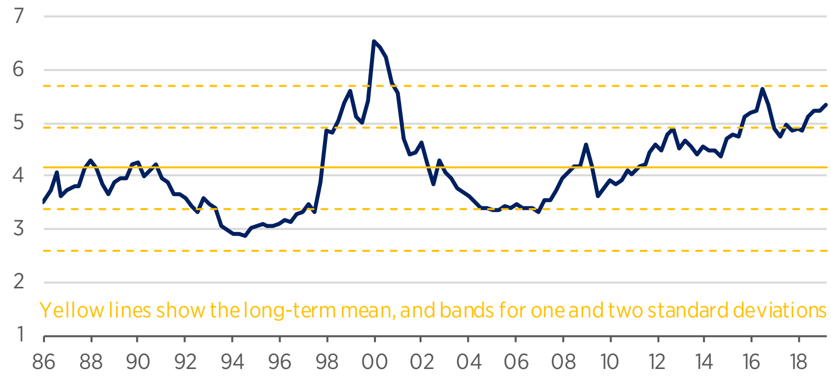
So where are we today? By definition, value stocks are always cheaper than growth stocks, but sometimes they are only slightly cheaper, and sometimes they are vastly cheaper.

Today we see the latter—a wide dispersion in valuations, driven mainly by the wide spreads in the US and Japan, and the valuation gap between emerging and developed markets. This comes through from both our bottom-up and top-down research, and is reflected in the portfolio's positioning. Over 30% of the portfolio is invested in emerging market ideas such as NetEase and Naspers. While not "value" stocks, both are less expensive than their internet peers in developed markets. We are also overweight a cluster of Japanese stocks, including Sumitomo and Mitsubishi, that we believe trade at depressed valuations despite solid long-term fundamentals.

Chart A provides a global view, illustrating the valuation spread between the most expensive and least expensive stocks in the FTSE World index. Whilst not as extreme as in 2016, the current level is more than one standard deviation above its historical average—an observation that should statistically occur less than 16% of the time.

A | Valuation spreads are very wide globally,

Valuation of value vs growth shares in the FTSE World Index



B | Extremely wide in the US,

Valuation of US value vs growth shares in the FTSE World Index

C | And are extreme in the US even within sectors

Valuation of US value vs growth shares within GICS Level 2 sectors

Source: Datastream, Orbis. The blue lines show the median price-to-book ratio of the most expensive third of stocks in each area divided by that of the cheapest third.

Orbis Global Equity *(continued)*

This sort of analysis is interesting, but of limited use to a bottom-up investor. We must go deeper. Across the major regions, we find that spreads in the US are the most extreme. Chart B repeats the above analysis for just the US market. US spreads are more than two standard deviations above their historical average. This should happen less than 2.5% of the time!

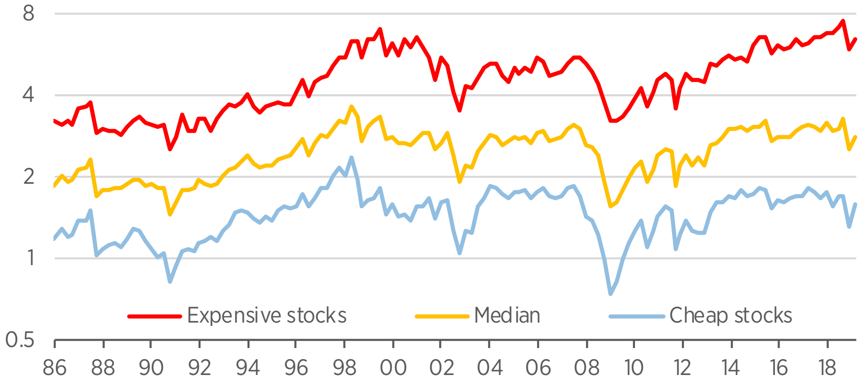
It's possible that this could simply reflect a shift in sectors—Amazon will probably always be more expensive than Wells Fargo, because tech companies have more exciting fundamentals than banks. So if the Amazons of the world take up more of the market, maybe spreads should widen.

We can test this by repeating the analysis, but this time just looking at spreads within sectors. Chart C shows that widening valuation spreads are not simply a byproduct of changing industry weights. (On a technical note, looking within sectors and using medians also neutralises the effect of companies with low book value, such as some technology and consumer brands.)

Any spread has two sides. Cheap stocks could be getting cheaper, or expensive stocks could be getting more expensive. The top chart on this page shows that it is *almost entirely* the latter. This also confirms what we're seeing on a bottom-up basis. Our most attractive ideas in the US have not been stocks with the very lowest valuation multiples, but high-quality businesses, such as AbbVie and Celgene, that are trading at undemanding valuations.

Expensive stocks have gotten much more expensive

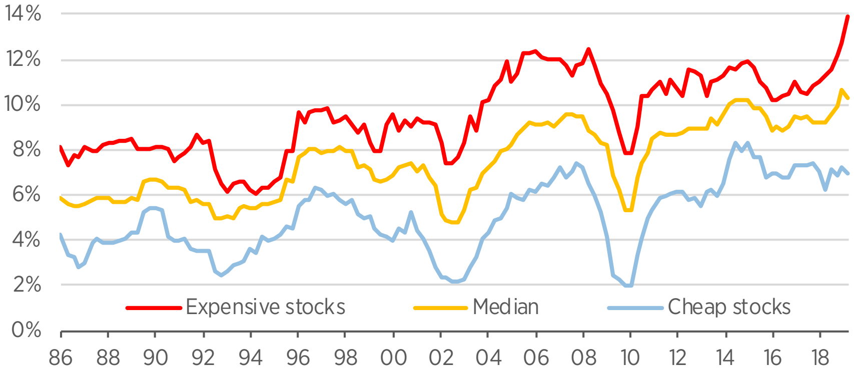
Price-to-book ratio of shares within US sectors in the FTSE World Index



Source: Datastream, Orbis. The lines show the median price-to-book ratio of the most expensive and cheapest third of stocks in each GICS Level 2 sector, with the market median.

Expensive stocks are earning record margins—will it last?

Net profit margin of shares within US sectors in the FTSE World Index



Source: Datastream, Orbis. The lines show the median net profit margin for the most expensive and cheapest third of stocks in each GICS Level 2 sector, with the market median.

Perhaps valuations for the most expensive stocks are justified given their above-average profitability, but that profitability looks stretched—it has never been higher. Margins have been helped by low wages, low taxes, and low interest rates, and returns on equity have been boosted by increasingly aggressive levels of corporate debt. Many of the richest stocks seem priced for perfection, leaving plenty of room for disappointment and substantial valuation risk.

With each of the charts in this chain, we've taken a step from a top-level view down towards individual companies. We've seen that valuation spreads are wide globally, very wide in the US, and very wide within individual sectors there. Those spreads are driven by expensive stocks getting even more expensive, fuelled by fundamentals that look stretched compared to history. In other words, high-multiple shares today carry above-average valuation and fundamental risk. We are happy to avoid them.

Yet what comes next is difficult to predict. In the most substantial bubbles of the past, valuations looked stretched for months or years before the peak. That is what makes bubbles particularly dangerous—they carry on just long enough to cause even disciplined investors to give in. Of course, many cycles also reverse before reaching those heights. So while we are unusually enthusiastic about the relative return potential of the portfolio, the path of future returns is highly uncertain. If things get more stretched, the path could be painful, as more investors capitulate. But the very difficulty of remaining patient is precisely what makes patience so rewarding over the long term. We remain confident that discipline will be rewarded in time.

Commentary contributed by Claire Gallagher, 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.

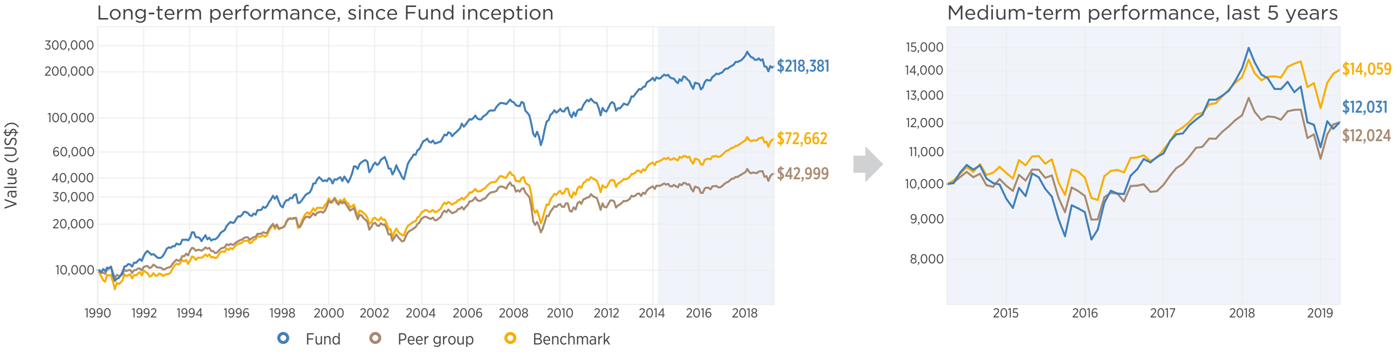
Orbis Global Equity Fund

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$218.24
Pricing currency	US dollars
Domicile	Bermuda
Type	Open-ended mutual fund
Fund size	US$6.2 billion
Fund inception	1 January 1990
Strategy size	US$21.9 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	11.1	5.1	7.0
25 years	10.9	4.8	7.6
10 years	11.6	8.6	12.7
5 years	3.8	3.8	7.1
3 years	8.3	7.7	11.1
1 year	(13.2)	(0.7)	3.2
Not annualised			
3 months	7.8	11.5	12.1
1 month	2.0		1.2

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

Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
North America	37	45	61
Asia ex-Japan	23	11	6
Japan	13	8	8
Continental Europe	8	18	15
United Kingdom	7	7	6
Africa	5	5	1
Other	5	5	4
Net Current Assets	*1*	*0*	*0*
Total	**100**	**100**	**100**

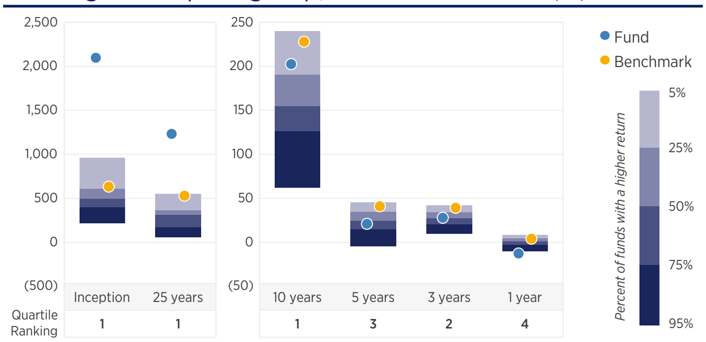
Top 10 Holdings

	FTSE Sector	%
NetEase	Technology	8.4
AbbVie	Health Care	5.5
Celgene	Health Care	5.1
XPO Logistics	Industrials	4.7
Naspers	Consumer Services	4.7
Autohome	Technology	3.9
Sberbank of Russia	Financials	3.6
Imperial Brands	Consumer Goods	3.4
Vale	Basic Materials	3.3
Facebook	Technology	3.2
Total		**45.8**

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	13.8	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 (%)



Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	75
Total number of holdings	59
12 month portfolio turnover (%)	44
12 month name turnover (%)	36
Active share (%)	92

Fees & Expenses (%), for last 12 months

Management fee[1]	1.90
For 3 year performance in line with benchmark	*1.50*
For 3 year outperformance/(underperformance) vs benchmark	*0.40*
Fund expenses	0.05
Total Expense Ratio (TER)	**1.95**

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	28,390,894
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 and before the deduction of withholding taxes.

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. 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, Orbis actively reviews the Fund's currency exposure. In doing so, Orbis places particular focus on managing the Fund's exposure to those currencies considered less likely to hold their long-term value. 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 capital appreciation.

Since inception, 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)

In addition to the fees payable to its Investment Manager, 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 December 2018	%	31 March 2019	%
NetEase	8.4	NetEase	8.4
AbbVie	6.4	AbbVie	5.5
XPO Logistics	5.2	Celgene	5.1
Naspers	4.1	XPO Logistics	4.7
Celgene	4.0	Naspers	4.7
Vale	3.5	Autohome	3.9
Sberbank of Russia	3.1	Sberbank of Russia	3.6
Dollar General	2.9	Imperial Brands	3.4
Anthem	2.8	Vale	3.3
Autohome	2.8	Facebook	3.2
Total	**43.2**	**Total**	**45.8**

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 Investment Management Limited (licensed to conduct investment business by the Bermuda Monetary Authority)

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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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Fund Minimums

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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.

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.

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

Fund Information

Orbis SICAV Funds: The ongoing charges include a fixed annual 1.5% management fee and other Fund expenses but exclude performance fees and portfolio transaction costs. The total management fee consists of the fixed management fee and the variable performance fee.

Orbis Optimal Funds: 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.

Prior to 1 July 1998 Orbis Optimal (US$) was managed with a currency benchmark of 40% US dollars, 40% European currency units and 20% Japanese yen. On 1 July 1998 this was changed to 100% US dollars and the euro denominated Fund was launched.

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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