# Orbis Global Balanced

Driven by the coronavirus pandemic, world stockmarkets have dropped 24% from their February peaks. Crashes are gut-wrenching, but I have invested through a few of these now, and while every one is different, they are all the same in two respects: they are very scary at the time, and they produce amazing opportunities. In the fullness of time, the latter always produces the lasting memories, but only for those that keep their heads. So in times like these, our job is to remain calm, to stay focused on the relationship between stock prices and company fundamentals, and to maintain a long-term perspective. That is what we are doing, and the value we are seeing is truly remarkable. For long-term investors, this is easily the most attractive opportunity set I have seen in a decade.

The Strategy's performance has been disappointing, and I am frustrated too. But while the price declines have been stressful, almost all of the holdings in the portfolio look much more attractive today than they did two months ago.

Our focus now is the outlook from here, and many things today merit serious concern. We hope you and your families are safe and healthy, and we have taken steps to protect the safety of our colleagues, their families, and the communities where we operate. Almost all of us are now working remotely, and we are in the fortunate position of having jobs that can be done very effectively from home. It is business as usual for us, just under unusual circumstances.

Closer to our professional realm, the direct and indirect impact of the coronavirus on the global economy will be severe. Many people will lose their jobs, and many businesses will fail. Those concerns have been swiftly reflected in stock prices. After going eight years without a 5% down day, global stockmarkets experienced four in a single month. This extraordinary upheaval reflects extraordinary uncertainty. We don't know how many people the virus will ultimately infect, or for how long it will spread. We don't know how long lockdowns will persist, and we don't know whether markets will turn or fall further.

While we think through these questions and monitor developments in them closely, we prefer to spend most of our time answering simpler questions. In a moment where being thoughtful and calm is unusually difficult, our fundamental, long-term, and contrarian investment philosophy is a source of both opportunity and clarity. It helps us distill an incredibly complicated situation into just three questions that really matter:

1. **Will this company survive the current crisis?**
2. **What will the business be worth over the long term?**
3. **How does that compare to the current market price?**

It is the answers to those three questions that drive our security selections and the resulting asset allocations in the portfolio.

**1. Will this company survive the current crisis?**
A company having great prospects over the next ten years doesn't matter if it can't survive the next ten months, so this is the first question we have focused on answering. Setting aside stockmarket hedging of about 20%, the portfolio's holdings can be broken into the following groups:

**Our view: 95% of the portfolio is not at risk of financial stress**

Equity and credit holdings in Orbis Global Balanced grouped by financial strength

| | % of portfolio |
|---|---|
| Cash, government bonds, and gold | 13.7 |
| Net cash businesses | 25.3 |
| Defensive businesses | 27.4 |
| Resilient cyclicals | 23.9 |
| Banks | 5.2 |
| Potentially stressed businesses | 4.5 |

Source: Orbis.

# Orbis Global Balanced *(continued)*

*Net cash businesses*

25% of the portfolio is invested in companies with net cash on their balance sheets. Many of them are technology leaders which generate prodigious cash flows—Taiwan Semiconductor Manufacturing, NetEase, Samsung Electronics, Alphabet, Facebook, and Tencent (through Naspers and Prosus). These companies are not going anywhere, and if anything we believe they are likely to come out of the crisis stronger than they came into it.

*Defensive businesses*

Another 27% of the portfolio is in businesses which have some debt, but cash flows that should be largely unaffected by the pandemic—pharmaceutical AbbVie, the tobacco companies, agricultural- and pharmaceutical-related Bayer, and the gold miners. They too should be just fine.

*Resilient cyclicals*

Roughly 24% of the portfolio is invested in businesses with some debt and some cyclicality. These are the names our global investment teams have stress tested most intensely over the past few weeks.

BP and Royal Dutch Shell are perceived as being much more dependent on oil prices than they actually are. While they have sensitivity in their upstream projects, the impact on their refining and retail units is more mixed, and price volatility creates opportunities for their sizeable trading arms. They also have significant flexibility in their capital spending. In 2016, the worst year of the previous downturn, BP generated $10bn and Shell $20bn in operating cash flow. Neither cut its dividend during the last downturn, and neither diluted shareholders by raising equity. Both companies had their solidly investment-grade status affirmed by rating agencies this month.

Schlumberger, the world's leading oil services firm, boasts an impeccable credit rating—insuring a loan to the company costs about the same as insuring a loan to the French government! In the last industry downturn, Schlumberger generated over $5bn in cash from operations every year, never cut its dividend, and did not dilute shareholders.

At their mid-March lows, BP, Shell, and Schlumberger had suffered share price drops of 50-70%. Those are the sorts of moves we might expect for small leveraged companies, but for financially strong industry leaders, it seems wholly out of proportion to the impact on their long-term fundamentals. We have added to each.

Setting aside their financing businesses, both Honda Motor and BMW have billions of dollars of net cash on their balance sheets, and both run their lending arms very conservatively. Honda has never made an annual loss, and BMW's last loss was 20 years ago. Neither firm needed to raise equity during the financial crisis, and they are on an even stronger financial footing today. Against this strength, their share price declines boggle the mind. We added to both at prices 30% below the portfolio's average cost.

We believe the market fundamentally misunderstands XPO Logistics. Only about a third of the company's business is truly cyclical, and both its contract logistics and freight brokerage units have features that are likely to make their profit margins *higher* in a recession. In the meantime, ecommerce logistics, where XPO is a global leader, is doing very brisk business. We have taken advantage of the share price weakness to add.

Japanese trading companies like Mitsubishi use debt, but their businesses are incredibly diversified, and they also enjoy superb access to capital through their corporate cousins, Japan's megabanks. The highest yield on a yen-denominated Mitsubishi bond is 0.7% per annum—for a bond that matures in 2076.

*Banks*

Today, 5% of the portfolio is invested in banks, including Credit Suisse Group and ING Groep. Banks have distinct risks, but both companies have been consistently profitable in recent years, and both are much safer and better capitalised businesses than they were ten years ago. We are not concerned about their balance sheets.

*Potentially stressed businesses*

Just 4.5% of the portfolio is invested in companies that we believe might come under stress if the current crisis deepens or persists for a long time. Every one trades at a deep discount to our view of intrinsic value, and we are watching them like hawks. We continue to find some of these holdings attractive, including the bonds of copper miner First Quantum, which traded above par just a month ago. If necessary, the company can sell stakes in its valuable mines to shore up its finances. But we have cut holdings in others, including the debt of offshore oil driller Valaris. Valaris is a leveraged player in a very challenging industry, and the equity of Schlumberger trades at a similarly depressed price. We reallocated capital towards the stronger business and balance sheet.

# Orbis Global Balanced *(continued)*

**2. What will the business be worth over the long term?**

Having bolstered our confidence in the survivors, we can move to the more exciting analysis of what these businesses will be worth over the long term. A few examples:

*Clear beneficiaries*

NetEase and Tencent operate online games in China, and with people cooped up indoors for weeks, player numbers have ticked up. The games are addictively fun, so many people who start playing now may continue to play for years. Online education services from NetEase and remote working services from Tencent should also benefit over the long term if the lockdown changes how we learn and work. Alibaba, a new addition during the selloff, should benefit long-term as the lockdown reinforces to people the convenience and safety of shopping online. Together these great businesses make up 8% of the portfolio.

*Counterintuitive beneficiaries*

The oil majors by and large have the strongest balance sheets in an industry rife with small leveraged producers. A period of low oil prices should wipe out weaker players, leaving their assets either orphaned or bought up cheaply by the majors. At the same time, the entire industry—including Saudi Aramco—is cutting capital investment. While it may be hard to visualise with economies currently put on ice, demand for energy will return. 2020 is set to be just the third down year for oil demand in 30 years. Underinvestment in supply could lead to much higher prices in years to come, with BP and Shell among the survivors who will reap the rewards.

*Quick recoveries*

In some industries, sales lost during this period can't be recovered. A hotel that was empty this month can never again sell stays for March 2020. Cars are not like that. Someone who wanted a car a few months ago will probably still want one a year from now. Such pent-up demand could support a quicker recovery for automakers, with sales delayed but not destroyed. We see little long-term impact on Honda's or BMW's fundamentals from the pandemic.

*Babies thrown out with the bathwater*

Walt Disney and Comcast have profitable theme parks that are currently closed. But they will reopen, and their other larger businesses should if anything benefit over the long-term from recent events. Disney owns the world's most valuable collection of film franchises, including their own studio, Pixar, Marvel, and Star Wars. While cinemas are closed, the lockdown provides an opportunity to sign up millions to their recently introduced Disney+ streaming service. Enthusiasm for Disney+ pushed the stock to record highs as recently as November. Is the long-term value of the company really 35% lower today? We think not, and have bought Disney. Comcast also owns good content, including Universal Pictures, DreamWorks, and NBC, and is offering its own streaming service. More importantly for the moment, it operates one of the largest broadband networks in the United States—a service more valued than ever as people have to work and entertain themselves at home. We established a position with the shares trading at just 12 times trailing earnings.

**3. How does that compare to the current market price?**

This is where things start to look truly incredible. Most of the companies in the portfolio today were ones we found attractive two months ago. We believed each traded at a discount to its long-term intrinsic value then, and in most cases our long-term assessment is little changed, yet the market is offering us these same businesses at dramatically lower prices. In other words, the portfolio is on sale.

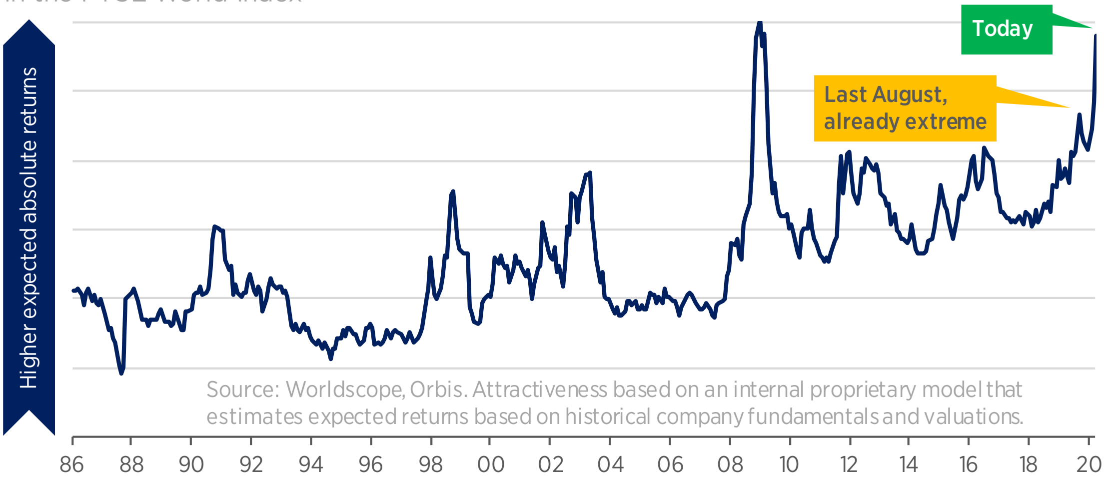
That is true right across the style spectrum. For a growth opportunity, consider Alibaba Group Holding, China's dominant ecommerce company. Alibaba has grown revenues and earnings by roughly 50% per annum over its history. Fifty. At that rate, earnings double every 21 months. Such growth deserves a premium valuation, but today Alibaba is available at 20 times trailing earnings, a 50% discount to its historical average. Price-earnings multiples are sometimes translated as "the number of years to get your money back", but that ignores growth. If Alibaba can grow by "only" 20% per annum, it will earn its current market cap in just 8 years, and at that point it would likely still offer growth potential worthy of a much higher valuation. Other examples abound. UnitedHealth Group, the best managed-care organisation in the US, traded at 15 times earnings, a level not seen since 2014.

The truly jaw-dropping value, however, is in the value shares. Many of these companies traded near their all-time low valuations before the crash, and over the past six weeks their valuations have been stretched to record-breaking extremes. As the following chart shows, the absolute returns on offer in fundamental value shares have almost never looked so attractive.

# Orbis Global Balanced *(continued)*

### Fundamental value stocks have almost never looked so attractive

Absolute attractiveness of the top quartile of stocks (ranked by expected return) in the FTSE World Index




So just how cheap are they today? Trying to look at earnings multiples is tricky, because earnings this year are unlikely to look much like last year. But we can compare the stocks' prices to their dividends and book values. While some of the companies below could choose to suspend their dividends, we don't believe any will *need* to, and for some, the payout is sacrosanct.

Most also trade at a discount to their book value, and at multi-decade lows on that metric. To us, that suggests an absurd degree of pessimism about the companies' long-term prospects. Including predecessor firms, the youngest company in the table is Honda, at 72 years old. These companies have weathered booms and busts and crashes and wars, all while earning very healthy returns across cycles. Yet this time, the market is saying they will never earn satisfactory returns again. We think the market is wrong.

### Our value shares trade at multi-decade low valuations

Equity holdings in Orbis Global Balanced

| | Indicated div yield (%) | Price / book ratio | Weight (%) |
|---|---|---|---|
| BP | 9.4 | 0.8 | 4.5 |
| Royal Dutch Shell | 10.8 | 0.8 | 2.8 |
| Honda Motor | 4.6 | 0.6 | 2.5 |
| Bayer | 5.3 | 1.1 | 2.1 |
| Mitsubishi | 5.5 | 0.7 | 2.0 |
| Credit Suisse | 3.5 | 0.5 | 1.7 |
| BMW | 5.4 | 0.5 | 1.5 |
| ING | - | 0.4 | 1.4 |
| Schlumberger | 14.8 | 0.8 | 1.0 |
| MSCI World Index | 2.5 | 3.8 | - |

Source: Refinitiv. Weighted median values for MSCI World Index.

**So what have we done?**

Having stress tested the businesses, analysed their long-term prospects, and stacked up their valuations, we have acted to take advantage of some extraordinary opportunities. We have added to most of the value stocks in the table, using some of the cash produced by our stockmarket crash protection. But our biggest actions have been to buy world-class businesses like Alibaba and Comcast at once-in-a-decade discounts. As a result, the fundamental quality of the shares in the portfolio is higher than it was two months ago—and the portfolio is also much, much cheaper.

We know that recent performance has tested your patience, and that the current environment is a scary one. But that same fear is creating the most exceptional discounts we have seen since the bottom of the global financial crisis. The turmoil could still get worse, perhaps much worse—even in the names we like. But from a long-term perspective, the investment opportunities have rarely looked better.

Commentary contributed by Alec Cutler, Orbis Investment Management Limited, Bermuda

*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 SICAV
# Global Balanced Fund

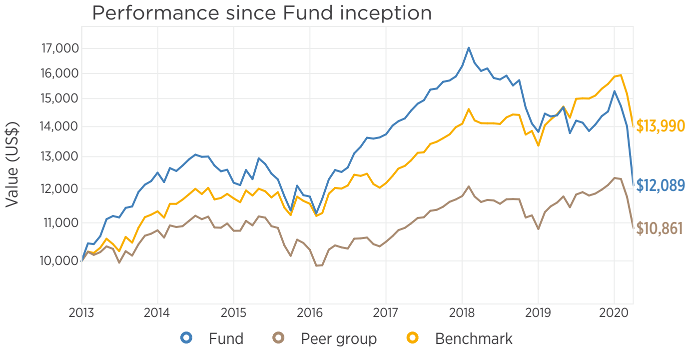
## Investor Share Class

The Fund seeks to balance investment returns and risk of loss with a diversified global portfolio of equity, fixed income and commodity-linked instruments. It aims to earn higher long-term returns than its performance fee benchmark ("Benchmark"), which is comprised of 60% MSCI World Index with net dividends reinvested and 40% JP Morgan Global Government Bond Index ("60/40 Index"), each in US dollars.

| | |
|---|---|
| **Price** | US$12.02 |
| **Pricing currency** | US dollars |
| **Domicile** | Luxembourg |
| **Type** | SICAV |
| **Fund size** | US$3.0 billion |
| **Fund inception** | 1 January 2013 |
| **Strategy size** | US$3.0 billion |
| **Strategy inception** | 1 January 2013 |

| | |
|---|---|
| **Benchmark** | 60/40 Index |
| **Peer group** | Average Global Balanced Fund Index |
| **Minimum investment** | US$50,000 |
| **Dealing** | Weekly *(Thursdays)* |
| **Entry/exit fees** | None |
| **UCITS compliant** | Yes |
| **ISIN** | LU0891391392 |

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




## Returns (%)

| | Fund | Peer group | Benchmark |
|---|---|---|---|
| **Annualised** | Net | Net | *Gross* |
| Since Fund inception | 2.7 | 1.1 | 4.7 |
| 5 years | (0.3) | (0.1) | 3.5 |
| 3 years | (5.4) | 0.0 | 3.3 |
| 1 year | (16.1) | (6.2) | (3.1) |
| **Not annualised** | | | |
| 3 months | (21.0) | (11.8) | (11.8) |
| 1 month | (13.7) | | (7.9) |

| | Year | % |
|---|---|---|
| Best performing calendar year since Fund inception | 2013 | 24.8 |
| Worst performing calendar year since Fund inception | 2018 | (15.2) |

## Risk Measures, since Fund inception

| | Fund | Peer group | Benchmark |
|---|---|---|---|
| Historic maximum drawdown (%) | 29 | 12 | 12 |
| Months to recovery | >26[1] | >3[1] | >2[1] |
| % recovered | 0 | 0 | 0 |
| Annualised monthly volatility (%) | 10.7 | 7.1 | 7.7 |
| Beta vs World Index | 0.7 | 0.6 | 0.6 |
| Tracking error vs Benchmark (%) | 5.8 | 1.9 | 0.0 |

## Ranking within peer group, cumulative return (%)


## Asset Allocation (%)

| | North America | Asia ex-Japan | UK | Europe ex-UK | Japan | Other | Total |
|---|---|---|---|---|---|---|---|
| **Fund** | | | | | | | |
| Gross Equity | 22 | 19 | 15 | 12 | 9 | 3 | 80 |
| *Net Equity* | *11* | *16* | *14* | *8* | *9* | *2* | *60* |
| Gross Fixed Income | 11 | 0 | 0 | 1 | 0 | 0 | 13 |
| *Net Fixed Income* | *11* | *0* | *0* | *1* | *0* | *0* | *13* |
| Commodity-Linked | | | | | | | 6 |
| Net Current Assets | | | | | | | 1 |
| **Total** | **32** | **19** | **16** | **13** | **10** | **4** | **100** |
| **Benchmark** | | | | | | | |
| Equity | 40 | 1 | 3 | 9 | 5 | 1 | 60 |
| Fixed Income | 18 | 0 | 3 | 10 | 8 | 1 | 40 |
| **Total** | **59** | **1** | **6** | **20** | **13** | **2** | **100** |

## Currency Allocation (%)

| | Fund | Benchmark |
|---|---|---|
| US dollar | 39 | 57 |
| British pound | 17 | 6 |
| Euro | 13 | 16 |
| Japanese yen | 12 | 13 |
| New Taiwan dollar | 6 | 0 |
| Other | 13 | 9 |
| **Total** | **100** | **100** |

## Top 10 Holdings

| | Sector | % |
|---|---|---|
| SPDR Gold Trust | Commodity-Linked | 6.3 |
| AbbVie | Health Care | 5.7 |
| Taiwan Semiconductor Mfg. | Information Technology | 5.4 |
| BP | Energy | 4.5 |
| NetEase | Communication Services | 4.5 |
| Samsung Electronics | Information Technology | 3.9 |
| Treasury Note 2.625% 15 Aug 2020 | Government Bond | 3.6 |
| British American Tobacco | Consumer Staples | 3.6 |
| Royal Dutch Shell | Energy | 2.8 |
| Honda Motor | Consumer Discretionary | 2.5 |
| **Total** | | **42.8** |

## Portfolio Concentration & Characteristics

| | |
|---|---|
| % of NAV in top 25 holdings | 68 |
| Total number of holdings | 87 |
| 12 month portfolio turnover (%) | 35 |
| 12 month name turnover (%) | 41 |

| | Portfolio | Equity | Fixed Income |
|---|---|---|---|
| Active Share (%) | 95 | 92 | 100 |

## Fees & Expenses (%), for last 12 months

| | |
|---|---|
| Management fee[2] | 1.10 |
| *For 3 year performance in line with Benchmark* | *1.50* |
| *For 3 year outperformance/(underperformance) vs Benchmark* | *(0.40)* |
| Fund expenses | 0.09 |
| **Total Expense Ratio (TER)** | **1.19** |

**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] 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 SICAV Global Balanced Fund

This Fact Sheet is a Minimum Disclosure Document and a monthly General Investor Report as required by the South African Financial Sector Conduct Authority. Please note that all references to the "Investor Share Class" in this document exclude the "Institutional Investor Share Class" referred to in the Fund's Prospectus.

| | |
|---|---|
| **Manager** | Orbis Investment Management (Luxembourg) S.A. |
| **Investment Manager** | Orbis Investment Management Limited |
| **Inception date** | 1 January 2013 |
| **Number of shares (Investor Share Class)** | 28,045,087 |
| **Income distributions during the last 12 months** | None |

## Fund Objective and Benchmark

The Fund seeks to balance investment returns and risk of loss with a diversified global portfolio of equities, fixed income instruments and commodity-linked instruments. It aims for higher long-term returns than its designated combined equity and bond performance benchmark, which is comprised of 60% MSCI World Index with net dividends reinvested and 40% JP Morgan Global Government Bond Index, each expressed in US$ (the "60/40 Index" or "benchmark").

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

The Fund is actively managed and invests in equities, fixed income instruments and commodity-linked instruments. Fund weightings among the different asset classes are determined based on their appreciation, income and risk of loss potential, with appropriate diversification. The Investment Manager may cause the Fund to be under or over the targets described in the remainder of this section when it considers this to be in the Fund's best interest.

*Equities.* The Investment Manager targets the Fund to hold 40-90% of its net asset value in a pool of global equities, including some which may provide exposure to real estate. The Fund invests in shares considered to offer fundamental value and dividend paying potential that is superior to its benchmark. 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 the main risk of investing in equities is that their prices will decline if relevant stockmarkets fall significantly. To reduce this risk, when Orbis' research suggests that stockmarkets are overvalued and vulnerable, the Investment Manager may reduce exposure to, or hedge, stockmarket risk. When Orbis' research suggests that stockmarkets represent good value, the Investment Manager may increase exposure to stockmarket risk by decreasing the amount of that hedging. The Investment Manager intends to limit the Fund's exposure to stockmarkets net of hedging to 75% of its net asset value. Furthermore, the Fund may buy and sell exchange-traded equity call and put options for investment efficiency purposes, but only to the extent the Fund is capable of meeting its payment or delivery obligations related to such options, for example, by holding the underlying security.

*Fixed Income Instruments.* The Investment Manager targets the Fund to hold 10-50% of its net asset value in fixed income instruments issued by corporate bodies, governments and other entities. These are selected – like equities – with the aim of increasing the Fund's overall risk-adjusted return. Characteristics such as yield, liquidity and potential diversification benefits are viewed in the context of the risk and reward of the portfolio as a whole. When Orbis' research suggests that bond markets are overvalued and vulnerable, the Investment Manager may reduce exposure to, or hedge, bond market risk. When Orbis' research suggests that bond markets represent stronger value, the Investment Manager may increase exposure to bond market risk by decreasing the amount of that hedging. The Investment Manager intends to limit aggregate hedging of the Fund's stockmarket and bond market exposure to no more than 30% of its net asset value. Importantly, the Investment Manager may cause the Fund to be over this hedging target, at times meaningfully so and/or for extended periods of time where it considers this to be in the best interest of the Fund. The Fund's fixed income selections in aggregate may differ significantly from the benchmark in duration and credit quality and may include securities of issuers that are under bankruptcy or similar judicial reorganisation, notably distressed debt. In addition, the Fund may invest in money market instruments, cash, cash equivalents and high yield bonds.

*Commodity-linked Instruments.* The Investment Manager targets the Fund to hold 0-10% of its net asset value in commodity-linked instruments, which may provide the Fund with indirect exposure to commodities. The Fund will gain exposure to commodities if the Investment Manager's investment research process identifies a commodity or class of commodities as being more attractive than overall equity and fixed income opportunities, taking into account any risk reduction benefits of diversification.

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. In doing so, it places particular focus on managing the Fund's exposure to those currencies less likely to hold their long-term value.

The Investment Manager may cause the Fund to be under or over the asset allocation and hedging targets and limits described above where it considers this to be in the best interest of the Fund.

Since inception, the Fund (net of fees) has underperformed its benchmark. The Fund will experience periods of underperformance in pursuit of its objective of creating long-term wealth for investors. The Fund's holdings usually differ meaningfully from the 60/40 Index.

## Risk/Reward Profile

- The Investment Manager aims to contain the risk of monetary loss to a level that is below the risk of loss experienced by global equity funds but higher than that experienced by government bond funds and cash deposits over the long term. Investors should be aware that this expected reduction in risk of loss comes at the expense of long-term expected return.
- While the Investment Manager expects the Fund's investment approach to result in volatility below that of a typical global equity fund, the Fund's net asset value will fluctuate, and the Fund will experience periods of volatility and negative returns; investments in the Fund may suffer capital loss.
- Investors should understand that the Investment Manager generally assesses an investment's attractiveness over a three-to-five year time horizon.

## Management Fee

As is described in more detail in the Fund's Prospectus, the Fund's various share classes bear different management fees. The fees are designed to align the Manager's and Investment Manager's interests with those of investors in the Fund. With respect to the Fund's Investor Share Class, the fee is structured as follows: a fee is charged based on the net asset value of the class. The fee rate is calculated weekly by comparing the class' performance over three years against the 60/40 Index. 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

For a description of the management fee borne by the Fund's other share classes, please refer to the Fund's Prospectus.

## Fees, Expenses and Total Expense Ratio (TER)

The relevant class within the Fund bears all expenses payable by such class, which shall include but not be limited to fees payable to its Manager, Investment Manager and additional services providers, fees and expenses involved in registering and maintaining governmental registrations, taxes, duties and all other operating expenses, including the cost of buying and selling assets. However, the Manager and the Investment Manager have agreed that in the current calendar year, except for specified exclusions, operating expenses attributable to the Fund's Investor Share Class will be capped at 0.20%. Please refer to the Fund's Prospectus for a description of the fee cap applicable to its other share classes. Each cap will be automatically extended for further successive one year periods unless terminated by the Manager or the Investment Manager at least three months prior to the end of the then current term. The operating expenses that are capped are all expenses, excluding the Manager's and Investment Managers' fees described above under "Management Fee," the cost of buying and selling assets, interest and brokerage charges.

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 class 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 2019 | % | 31 March 2020 | % |
|---|---|---|---|
| Taiwan Semiconductor Mfg. | 5.8 | SPDR Gold Trust | 6.3 |
| AbbVie | 5.1 | AbbVie | 5.7 |
| SPDR Gold Trust | 5.1 | Taiwan Semiconductor Mfg. | 5.4 |
| BP | 4.5 | BP | 4.5 |
| Samsung Electronics | 3.6 | NetEase | 4.5 |
| NetEase | 3.4 | Samsung Electronics | 3.9 |
| Royal Dutch Shell | 3.4 | Treasury Note 2.625% 15 Aug 2020 | 3.6 |
| British American Tobacco | 3.1 | British American Tobacco | 3.6 |
| XPO Logistics | 2.8 | Royal Dutch Shell | 2.8 |
| Alphabet | 2.7 | Honda Motor | 2.5 |
| **Total** | **39.5** | **Total** | **42.8** |

**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 SICAV Global Balanced 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 Depositary is Citibank Europe plc, Luxembourg Branch, 31 Z.A. Bourmicht, L-8070 Bertrange, Luxembourg. 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 by share class, normally as of 5:30 pm (Bermuda time) (i) in the case of the Investor Share Class and Institutional Investor Share Class, each Thursday (or, if a Thursday is not a business day, the preceding business day), (ii) in the case of the Refundable Reserve Fee Share Classes, the first Thursday of each calendar month and any other Thursday on which an investor transacts in such class (or, if a Thursday is not a business day, the preceding business day), (iii) on the last calendar day of each month (or, if that is not a weekday, the preceding weekday) and/or (iv) any other days in addition to (or substitution for) any of the days described in (i), (ii) or (iii), 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 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 Investor Share Class 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. Neither the Manager nor the Investment Manager provides any 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 Information

The benchmark is a composite index consisting of the MSCI World Index with net dividends reinvested (60%) and the JP Morgan Global Government Bond Index (40%).

Net Equity is Gross Equity minus stockmarket hedging. Fixed Income refers to fixed income instruments issued by corporate bodies, governments and other entities, such as bonds, money market instruments and cash and cash equivalents. Fixed Income regional allocation is based on the currency denomination of the instrument. Net Fixed Income is Gross Fixed Income minus bond market hedging.

## 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

The 60/40 Index returns are calculated by Orbis using end of day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "as is" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilising any MSCI Data, models, analytics or other materials or information. JP Morgan Global Government Bond Index (the "GBI"): Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The GBI is used with permission. Copyright 2020, J.P. Morgan Chase & Co. All rights reserved. The 60/40 Index may not be copied, used, or distributed without prior written approval.

Average Fund data source: © 2020 Morningstar, Inc. All rights Reserved. Such information (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The latest average fund indices provided by Morningstar are for 19 March 2020. To allow comparison of returns to a common date we have extended the average equity and multi-asset class fund indices to reflect the subsequent movement of the applicable benchmark indices. Average fund returns are not shown for periods of a month or less as high price volatility and late fund reporting regularly cause them to be significantly restated by Morningstar.

### Average Fund and Peer Group Data Changes

Morningstar is discontinuing its Global Investment Fund Sectors (GIFS) on 17 April 2020, but will continue to offer Morningstar Categories, which are aligned with GIFS. Prior to March 2020, Orbis reports used GIFS for Average Fund and Peer Group information. For reports dated 31 March 2020 or later we have replaced GIFS with Morningstar Categories, with the update applying retrospectively for all periods. For further information, please see the FAQ from Morningstar here: Morningstar Release.

### Notes to Help You Understand This Report

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

Risk measures are ex-post and calculated on a monthly return series. Months to recovery measures the number of months from the preceding peak in performance to recovery of that level of performance.

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

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

Active share is a measure of the extent to which the holdings of the Orbis Equity and Multi-Asset Class Funds differ from their respective benchmark's holdings. It is calculated by summing the absolute value of the differences of the weight of each individual security in the specific Orbis Fund, versus the weight of each holding in the respective benchmark index, and dividing by two. For the Multi-Asset Class Funds, three calculations of active share are disclosed. The Portfolio active share incorporates the equity, fixed income, commodity-linked and other securities (as applicable) held by the Orbis Fund and compares those to the holdings of the composite benchmark. The Equity and Fixed Income active shares are calculated as if the equity and fixed income portions of the Orbis Funds are independent funds; each of those two sets of holdings is separately compared to the fully-weighted holdings in the appropriate component of the composite benchmark. Although the Multi-Asset Class Funds hedge stock and bond market exposure, the active share calculations are "gross" and not adjusted to reflect the hedging in place at any point in time.

The total expense ratio has been calculated using the expenses, excluding trading costs, and average net assets for the 12 month period ending 31 March 2020.