Our Thinking

Introducing Our Thinking

With our reporting, we aim to put you in the best possible position to make informed decisions about your investments. With our commentaries, we hope to improve your understanding of our fundamental, long-term, and contrarian investment approach, and we continually work to improve the content we provide to you.

Our Thinking will cover a range of topics, from investment views on companies and the opportunity set to our take on enduring investment issues. In quarter-end months, we expect that the quarterly commentaries will continue to be our preferred communication channel. We are hopeful that this flexibility will help us better assist you in evaluating Orbis and our Funds.

Why bother with active management?

2014 was one of the worst years on record for active management, and it has become fashionable to talk about how difficult the past several years have been for active managers. While we believe there is some evidence to support this view, it is misleading in a sense, because it is always difficult for active managers to outperform. To understand why, we need to step back and view the investment universe as a whole.

Active managers (and some individual investors) aim to beat the market's return by holding a different collection of investments, and passive managers aim to deliver the market's return by replicating it. If we treat the investments of every active, passive, and individual investor as one big portfolio, that portfolio will be the market as a whole, and the return on that portfolio will be the market's return. This makes active investing a zero-sum game—the total amount "won" by those who beat the market must equal the amount "lost" by those who lag.

Importantly, active management is a zero-sum game before fees, so after fees, active investors' average return will be worse than the market's return to the tune of the average fee. Proponents of index investing point to this as a reason to favour passive investments. Because index funds approximate the market's return and typically have lower fees than active funds, passive investors' average return will typically be higher than that of active investors.

So why bother with active management? We believe there are two main reasons. First, active strategies offer the potential for superior long-term returns. Over our 25-year history, we are pleased to have delivered better returns for our clients than what they could have earned through comparable passive strategies. Performance comprises both returns and risk, and we believe the second main benefit of active management is the potential for reduced risk. Unlike index funds, the Orbis Funds routinely go through periods of substantial underperformance, and as clients ourselves, we appreciate that these periods can be painful. But we believe the biggest risk our clients face is not the risk of underperformance, but that of a permanent loss of capital. In our view, the best way to reduce this risk is to limit the magnitude and length of drawdowns in the absolute value of the Funds. We are pleased that the Funds have generally experienced smaller drawdowns and faster recoveries than their benchmarks over our history.

Yet even if active management generally has merits, clients must still try to identify managers who can win the zero-sum game. What makes us think we can be one of the winners?

As the popular disclaimer says, past performance does not guarantee future results. Active managers aim to produce different results than the market, but particularly over short periods, a manager's results alone tell you little about their level of skill. To assess skill, we believe it's necessary to look past the headline numbers and examine the decisions that generated those numbers.

A good starting point here is the manager's portfolio—it's hard to beat the market by hugging it. The active share measure captures the extent to which a portfolio overlaps with its benchmark. An active share of 100% means the portfolio has no overlap with the benchmark; 0% means the portfolio has no difference. All of our equity strategies have consistently had active shares of above 80%, indicating highly active portfolios.

Of course, being different from the benchmark creates the potential for underperformance as well as outperformance, and this can make it difficult to maintain a highly active approach through market cycles. We believe the best opportunities arise when investors become fearful and pessimistic, driving security prices to less than they are worth. Faced with turbulent situations, even skilled investors can disagree on the best course of action, and if faced with a need to achieve consensus, it may be difficult to take any action at all.

Being contrarian requires being out of sync with conventional thinking—and being painfully wrong at times. Recognising this, at Orbis all investment decisions are made by individuals. These independent decisions then form the core of our stockpickers' evaluations. By emphasising individual accountability rather than consensus decision-making, we believe we stand a better chance of capitalising on attractive opportunities.

Even if we are able to find attractive opportunities, delivering good long-term returns on your behalf is still challenging. All managers have an incentive to increase their assets under management, which can come at the expense of performance for existing clients. We try to temper this impulse by aligning our financial incentives with our clients' interests. All of our fees are performance-based, and we invest alongside our clients on identical terms.

Taken together, we believe our alignment of interests, individual accountability, and benchmark independence give us a reasonable chance of being one of the winners in the zero-sum game. But words aside, the proof of the pudding is in the eating. The only thing we can guarantee is that we will continue to work hard to produce pleasing long-term results.

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

Orbis Japan Equity

In our last quarterly commentary we wrote about growing market enthusiasm for companies seen as potential beneficiaries of corporate governance reform. Investor appetite for these companies has continued to grow over the past quarter, whet recently by hopes of unwinding Japan's cross-shareholdings—the practice of Japanese companies holding minor equity stakes in other companies.

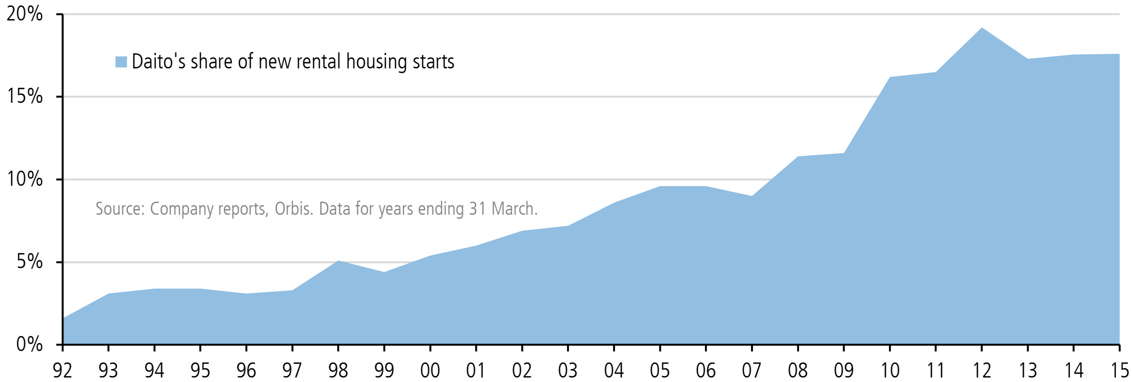
According to Nomura Securities, 11% of shares in Japanese listed companies are held by other Japanese listed companies (excluding shares held by insurers). This entrenched practice depresses returns on equity, and the government appears keen to reform this area as part of its growth strategy. The corporate governance code, which came into effect this June, explicitly addresses this by requiring companies to disclose their policies for 'strategic shareholdings', the rationale for each investment, and the proxy voting policy for cross-held shares. These measures have already started to provoke a response, exemplified by all three of Japan's megabanks recently expressing an intention to reduce their strategic holdings.

Amidst the excitement surrounding reform, we have found a company that is already very well run, but has fallen from favour due to what we believe will prove to be temporary setbacks. Daito Trust Construction is a company long known to Orbis, and to which your Fund has had exposure on and off for the past 15 years. It was a major position for many years until we sold out in 2009. Following our sale, the business continued to prosper. We re-established a position in late 2013 when the market became concerned about the company's ability to grow orders.

Daito is a leading homebuilder in Japan. It provides a way for its customers to lower inheritance tax by building rental apartments on vacant land. It offers customers an attractive rental yield, as well as convenience—Daito finds the tenants, maintains the property, and for a fee will guarantee rental income through an insurance-like scheme. Daito's large sales team calls on landowners proactively, helping the company create its own demand. Competitors have been unable to replicate this distribution advantage and Daito has achieved increasing market share as a result.

Daito has steadily gained market share in new rental housing starts

Daito's share of new rental housing starts in Japan, 1992 through 2015



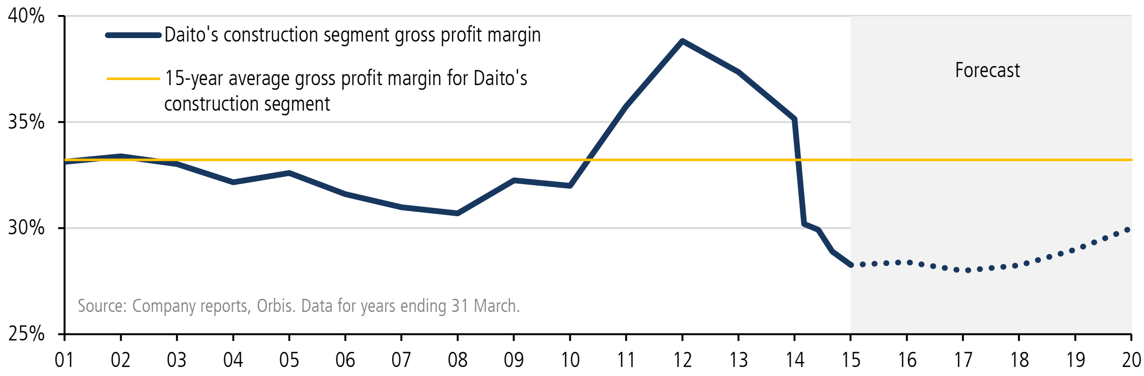
Daito's shares have suffered, however, as tight labour market conditions have depressed the company's construction margins, and orders over the past two months have turned out to be weak. We believe cost pressures are short-term factors, due in part to abnormal construction demand elsewhere, and we are prepared to take a long-term view. At present, construction demand is inflated due to Fukushima earthquake-related reconstruction and building for the 2020 Tokyo Olympics. As this activity abates, pressure on construction wages should decline, and we believe this could lead to an improvement in Daito's margins over our investment horizon. The company has also taken steps of its own to help offset cost pressures, having raised prices in 2014 and again in 2015.

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

Orbis Japan Equity *(continued)*

Daito's construction margins are well below average, but we believe they can recover

Gross profit margin for Daito's construction segment, 2001 through 2015, with forecast and 15-year average



We are paid to wait for margins to revert to more 'normal' historical levels, since Daito pays out 80% of its earnings through a combination of dividends and buybacks. It offers a 5% all-in yield (i.e. dividends plus buybacks). Should our long-term thesis prove correct, the currently depressed stock price could actually be positive in a sense because it allows the company to buy back a greater number of shares below intrinsic value, and this should create value for long-term shareholders. The stock trades at 15 times our estimate of earnings per share for the March 2016 fiscal year. This is inexpensive for a demonstrably better-than-average company when the average stock in Japan trades for a similar multiple. Daito also has cash holdings equivalent to 18% of its market value, and investment property worth a further 10%.

While we are optimistic about the corporate governance changes being discussed in Japan, we are even more excited to have exposure to shares such as Daito that are ably managed and have shown no desire to invest in value-destroying cross-shareholdings, preferring instead to return cash to shareholders with no need for prompting by governance reforms. We hope that taking a patient approach and investing in out-of-favour companies like Daito will generate pleasing results over the long run.

Commentary contributed by Martin Dullaart, Orbis Investment Advisory Limited, London

Orbis SICAV
Japan Equity (Yen) Fund

The Fund is designed to remain fully invested in Japanese equities and seeks higher returns than the Japanese stockmarket, without greater risk of loss. It is predominantly exposed to the Japanese yen. The benchmark is the Tokyo Stock Price Index, including income, gross of withholding taxes ("TOPIX").

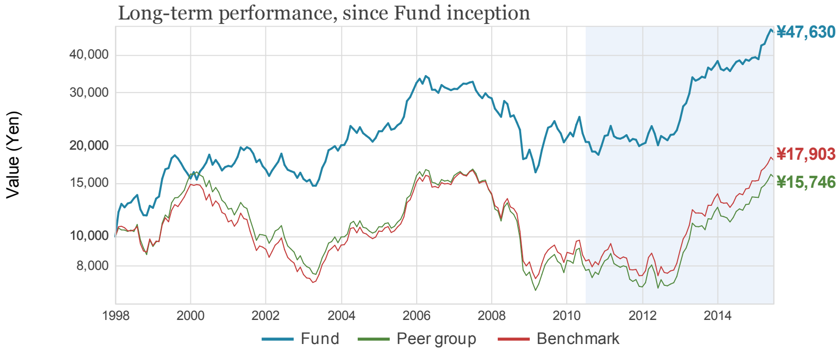
Price	¥4,763
Pricing currency	Japanese yen
Domicile	Luxembourg
Type	SICAV
Share class	Investor Share Class
Fund size	¥224 billion
Fund inception	1 January 1998
Strategy size	¥263 billion
Strategy inception	1 January 1998

Benchmark	TOPIX
Peer group	Average Japan Equity Fund Index
Minimum investment	US$50,000
Dealing	Weekly *(Thursdays)*
Entry/exit fees	None
UCITS IV compliant	Yes
ISIN	LU0160128079

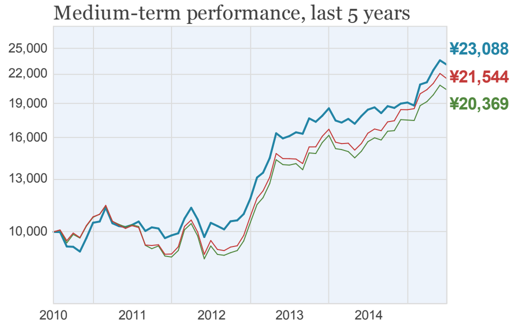
See Notices for important information about this Fact Sheet

Growth of ¥10,000 investment, dividends reinvested

Long-term performance, since Fund inception



Medium-term performance, last 5 years



Returns (%)

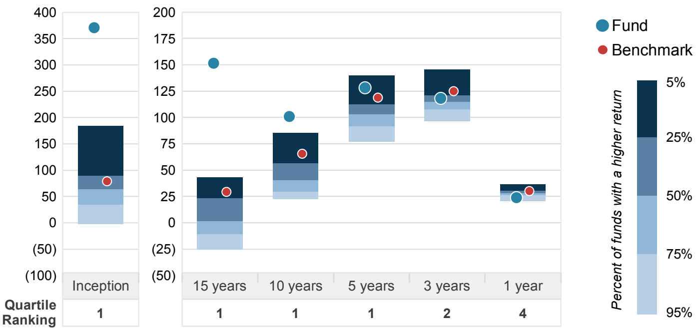
	Fund	Peer group	Benchmark
Annualised		*Net*	*Gross*
Since Fund inception	9.3	2.6	3.4
15 years	6.4	0.2	1.7
10 years	7.4	3.5	5.2
5 years	18.2	15.3	16.6
3 years	30.2	29.8	31.1
1 year	25.3	29.8	31.5
Not annualised			
Calendar year to date	20.9	16.5	17.0
3 months	9.3	6.2	5.8
1 month	(2.1)		(2.4)

	Year	%
Best performing calendar year since inception	2013	57.0
Worst performing calendar year since inception	2008	(32.4)

Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	52	60	56
Months to recovery	90	>96[1]	93
% recovered	100	90	100
Annualised monthly volatility (%)	18.5	18.5	18.0
Beta vs benchmark	0.9	1.0	1.0
Tracking error vs benchmark (%)	10.0	2.8	0.0

Ranking within peer group, cumulative return (%)



Top 10 Holdings (%)

	Sector	%
Mitsubishi	Consumer Non-Durables	8.2
Sumitomo Mitsui Fin.	Financials	7.9
INPEX	Cyclicals	6.4
Sumitomo	Consumer Non-Durables	6.1
SoftBank	Information and Communications	5.1
Dai-ichi Life Insurance	Financials	4.8
Nissan Motor	Cyclicals	4.6
Daito Trust Construction	Cyclicals	4.6
NEXON	Information and Communications	4.5
Nippon Television Holdings	Information and Communications	4.2
Total		**56.4**

Sector Allocation (%)

Sector	Fund	Benchmark
Consumer Non-Durables	30	21
Cyclicals	28	41
Financials	24	15
Information and Communications	15	7
Technology	2	14
Utilities	0	2
Net Current Assets	*1*	*0*
Total	**100**	**100**

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	96
Total number of holdings	33
12 month portfolio turnover (%)	42
12 month name turnover (%)	25
Active share (%)	89

Fees & Expenses (%), for last 12 months

Management fee[2]	1.95
For 3 year performance in line with benchmark	*1.50*
For 3 year outperformance/(underperformance) vs benchmark	*0.45*
Fund expenses	0.10
Total Expense Ratio (TER)	**2.05**

Past performance is not a reliable indicator of future results. Orbis Fund share prices fluctuate and are not guaranteed. Returns may decrease or increase as a result of currency fluctuations. When making an investment in the Funds, an investor's capital is at risk.

[1] Number of months since the start of the drawdown. This drawdown is not yet recovered.
[2] 1.5% per annum ± up to 1%, based on 3 year rolling outperformance/(underperformance) vs benchmark.

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

Annual General Meeting

Notice is hereby given that the Annual General Meeting of Orbis Optimal SA Fund Limited (the "Fund") will be held at the offices of Orbis Investment Management Limited, Orbis House, 25 Front Street, Hamilton, Bermuda on 30 September 2015 at 10:30 a.m. Members are invited to attend and address the meeting. The Agenda comprises the following:

- Review of Minutes of the Annual General Meeting of Members held on 30 September 2014
- Review of audited financial statements in the 2015 Annual Report
- Proposed re-appointment of Allan W B Gray, John C R Collis, William B Gray and David T Smith as Directors of the Fund
- Approval of proposed Director's fees for the year to 30 June 2016 to each of Messrs Collis and Smith of US$10,000
- Proposed re-appointment of Ernst & Young LLP as Auditors for the year to 30 June 2016

By Order of the Board, James J Dorr, Secretary

Orbis Fund Price Publication

As of August 2015, Orbis Fund prices will no longer be published in the Financial Times newspaper, but will continue to be available on our website, or as otherwise stated in each Fund's prospectus, including, for the Orbis SICAV, at the registered offices of the Company and of its Manager.

Legal Notices

This Report does not constitute advice nor a recommendation to buy, sell or hold, nor an offer to sell or a solicitation to buy units of the Orbis Funds or other securities in the companies mentioned in it ("relevant securities"). It has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Orbis, its affiliates, directors and employees (together, the "Orbis Group") are not subject to restrictions on dealing in relevant securities ahead of the dissemination of this Report. Subscriptions are only valid if made on the basis of the current Prospectus of an Orbis Fund.

The discussion topics for the Quarterly Commentaries and Our Thinking were selected, and the Quarterly Commentaries and Our Thinking were finalised and approved, by either Orbis Investment Management Limited or Orbis Investment Management (B.V.I) Limited, the Funds' Manager or Portfolio Manager, as the case may be. Information in this Report is based on sources believed to be accurate and reliable and provided "as is" and in good faith. The Orbis Group does not make any representation or warranty as to accuracy, reliability, timeliness or completeness of the information in this Report. The Orbis Group disclaims all liability (whether arising in contract, tort, negligence or otherwise) for any error, omission, loss or damage (whether direct, indirect, consequential or otherwise) in connection with the information in this Report.

Orbis Investment Management Limited and Orbis Investment Management (B.V.I.) Limited, the Funds' Manager or Portfolio Manager, are licensed to conduct investment business by the Bermuda Monetary Authority.

Returns are net of fees, include income and assume reinvestment of dividends. Figures quoted are for the periods indicated for a $10,000, ¥10,000 and €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.

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

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.

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 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 how actively managed the Orbis Equity Funds are. It is calculated by summing the absolute value of the differences of the weight of each individual stock in the specific Orbis Fund, versus the weight of each holding in the respective benchmark index, and dividing by two.

The total expense ratio has been calculated using the expenses, excluding trading costs, and average net assets for the 12 month period ending 30 June 2015.

Orbis Optimal SA Fund: 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.

Fund Information

Orbis SICAV Global Balanced Fund: 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.

Prior to 29 November 2002, the Yen Class of the Orbis SICAV Japan Equity Fund was a British Virgin Islands investment company, Orbis Japan Equity (Yen) Fund Limited.

Fund Minimums

Minimum investment amounts in the Orbis Funds are specified in the respective 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.

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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. Immediately below are descriptions of the fees borne by the Funds and share classes specified, which are subject to the lengthier descriptions in the relevant Fund's Prospectus:

Shares of Orbis Global Equity Fund and Investor Share Classes of the Orbis SICAV Funds (Global Balanced, Asia ex-Japan Equity and Japan Equity): The Funds pay a performance-based fee. The fee is based on the net asset value of the Fund (share class, in the case of the Orbis SICAV Funds). The fee rate is calculated weekly by comparing the Fund's (share class, in the case of the Orbis SICAV Funds) 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 (a) a maximum fee of 2.5% per annum and (b) a minimum fee of 0.5% per annum. Note: During the first three years of the Global Balanced Fund's existence, (a) returns will be calculated from the launch of the class and grossed up to represent returns over three years and (b) a portion of the fee may be refunded to the Fund pursuant to predetermined conditions.

Shares of Orbis Optimal SA Fund Limited: There are two parts to the fee: (a) a base fee of 1.0% per annum, paid monthly, of the total net assets of each share class; plus (b) a performance fee of 20% of the outperformance of each class of Fund share's weekly rate of return relative to its performance fee hurdle, calculated and accrued on each dealing day and paid monthly. The performance fee incorporates a high water mark.

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

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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