Orbis Japan Equity

Like any country, Japan has challenges. One is especially well-known—its ageing and shrinking population. While this is sometimes seen as a reason to be pessimistic about the growth prospects for Japanese companies, it is not a headwind for all of them. For some, it may even be a tailwind, and we believe Ship Healthcare Holdings (Ship) is one example.

Ship is an unusual business. 70% of its operating profit comes from its Total Pack Produce segment, where it provides one-stop-shop consulting services to hospitals that are going through a relocation, renovation, or expansion. Ship manages all aspects of the projects, which take 2-5 years, and books revenues upon completion. This makes Ship's sales closely linked to hospital capital expenditures. We believe demand for Ship's services should be robust over our investment horizon, due largely to some shifts that are underway in Japan's healthcare system.

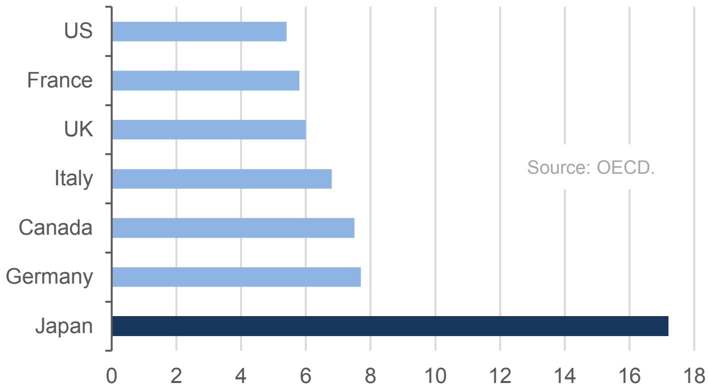
Japan has a generous government-sponsored National Healthcare Insurance (NHI) scheme. People make contributions through premiums and co-pays, but these are low—the average premium is roughly 5% of salary, and co-pays are 10-30% with a low monthly cap. The government picks up the balance of approximately 40% of the scheme's expenses, and it also regulates the pricing of most medical treatments. This limits patients' costs, making it more affordable to use hospitals for treatment of minor or chronic conditions.

For a long time, that was just fine for hospitals. With no control over pricing, hospitals' profits were driven chiefly by utilisation levels and their ability to control costs. Keeping patients hospitalised for longer kept utilisation of general beds near 90%, and with limited need for capital spending.

The contrast with practice elsewhere is striking. US hospitals keep inpatients an average of 5 days. Patients are typically discharged when they can safely recover at home, even if they do not feel anywhere near 100%. Japanese hospitals aim for 110%, keeping patients an average of 17 days until there is nothing more the hospital can do to improve their health. The intensity of treatment also differs. A typical US inpatient may spend most of their stay in tests or procedures that only a hospital can provide; a Japanese inpatient may spend several days receiving only light treatment.

Overstayed welcome

Average length of stay in days for acute care inpatients, 2013



This practice is problematic, both for the NHI reimbursing the hospitals and for ageing patients who need acute care. As Japan's population ages, medical spending per capita is increasing—by 28% cumulatively between 2003 and 2013 against a backdrop of no general inflation. Older patients have greater need for acute care services, but hospitals had little incentive to invest in the facilities to provide them. Recognising this, the government changed the NHI's payment schedules to encourage hospitals to specialise. General hospitals are meant to focus more on acute care and less on chronic care that can be handled by other service providers.

Pressure to specialise may challenge hospitals' business models, and some will likely close. But many will invest to improve their facilities, and those that can't afford to do so independently may merge to form new larger hospitals. In our view, this should support healthy demand for Ship's services.

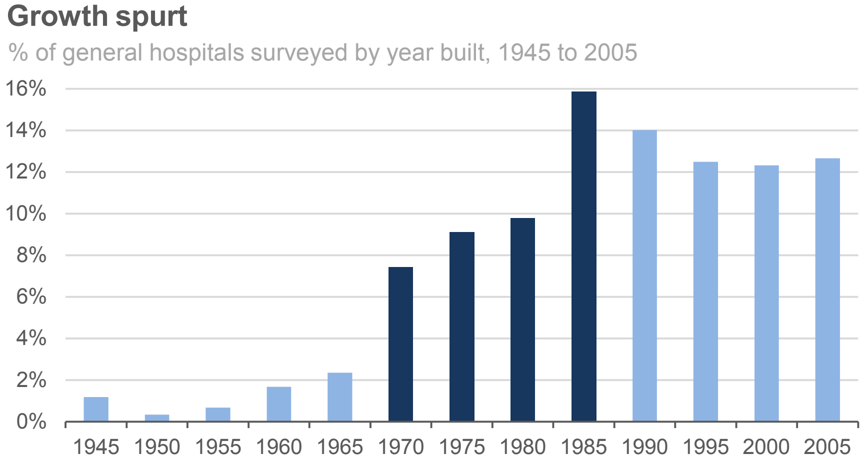
Japan's government finances are one driver of its push for hospitals to specialise, and that should be positive for Ship. But government finances could also present a tail risk for the company. Should Japan face a government bond crisis due to its outsized debt, the government may need to slash spending, and it would be hard to do so without affecting the National Health Insurance scheme. Though the government could try to maintain current levels of health service by raising premiums or co-pays for patients, it could also use its pricing authority to lean on service providers, and any changes to the scheme that squeeze hospitals could reduce their appetite for capital spending, hurting demand for Ship's services.

The government's drive for specialisation is not the only factor supporting hospital capital spending, however. Another source of support is the average age of Japanese hospitals, which have a useful life of 35-40 years. New welfare programs and a national effort to put a medical school in every prefecture led to a boom in hospital building in the 70s and 80s. Many of those hospitals are still in use, and today, roughly half of Japan's general hospitals are more than 30 years old. These old hospitals will soon need to be replaced or renovated, which should provide an additional tailwind in demand for Ship.

But even if we are right about growing need for hospital consulting, what gives us confidence that Ship will capture this business? In our view, the complexity of hospital planning and Ship's unique expertise provide it with a sustainable competitive advantage.

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)*



Source: Ministry of Health, Labour and Welfare (MHLW) Fifteenth Survey on Economic Conditions in Health Care (Jun 2005); compiled by Daiwa.

Note: 601 hospitals surveyed. Apart from 1945, bars represent the five years preceding each date shown. The 1945 bar represents all preceding years.

Building a hospital is far more complex than building an office. Project managers need to have extensive knowledge on relevant regulations, a wide range of medical equipment, and mechanical and electrical systems. They also need to know how units operate within the hospital and how they should be designed to maximise efficiency. A further challenge is dealing with suppliers. A new hospital may have over 100 suppliers, and many pieces of equipment must be integrated at the blueprint stage. Architects look to the hospital for expertise, but even doctors may lack knowledge about suppliers—a radiologist may understand different x-ray devices without knowing anything about the electrical systems required to power them.

Ship's consultants do have this breadth of knowledge, letting them provide the hospital with one supplier contact rather than hundreds. This is also beneficial from the suppliers' perspective—having Ship as a project manager reduces errors, overruns, and time spent on negotiation and planning.

Gaining this expertise is not easy. Ship's consultants train for 10 years before being allowed to run projects, and they spend much of this time seconded to client hospitals. Incoming consultants may find themselves cleaning showers as part of a rotation through many roles that will give them exposure to all aspects of a hospital's operations. It is a gruelling and long apprenticeship, and while Ship's team of 100 senior consultants is its core strength, the company's ability to expand this team may be limited. This in turn could limit Ship's ability to take on more and larger projects, restraining sales growth.

Of course, anyone trying to compete with Ship would face the same difficulty, and hospitals are unwilling to gamble with consultants that lack a proven track record. With a 70% market share in large projects, Ship's record is unmatched, and the company has historically been successful in improving its capabilities. In 2009 a JPY1bn project would have stretched Ship's resources, but today that is close to the size of its average job. Ship's largest projects today are JPY6-7bn, and it can complete 50% more projects per year now compared to 2009.

The company's advantages in its niche have helped it generate a 20% per annum return on tangible equity since 2003, growing earnings per share by 23% per annum over that time. In our view, Ship is unlikely to grow that rapidly going forward, but with excellent demand for its services, we rate its growth prospects as well above average. As we look ahead, our confidence is bolstered by the continued presence of Ship's founder and CEO, Kunihisa Furukawa, whose family retains a significant stake in the business. This should keep management's interests well aligned with those of shareholders, encouraging good capital allocation decisions.

In short, we believe Ship has attractive prospects for the next several years. But as ever, the key variable is the relationship between this fundamental strength and the company's price. Ship trades at 14 times our estimate of fiscal year March 2017 ex-goodwill earnings, below the average TOPIX multiple of 15. This is despite what we believe are superior fundamentals, so in Ship, we believe we have found a strong company available at a reasonable price.

Commentary contributed by Mitsuharu Tamashiro, Orbis Portfolio Management Europe (LLP), London

This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.

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

Fact Sheet at 30 September 2016

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").

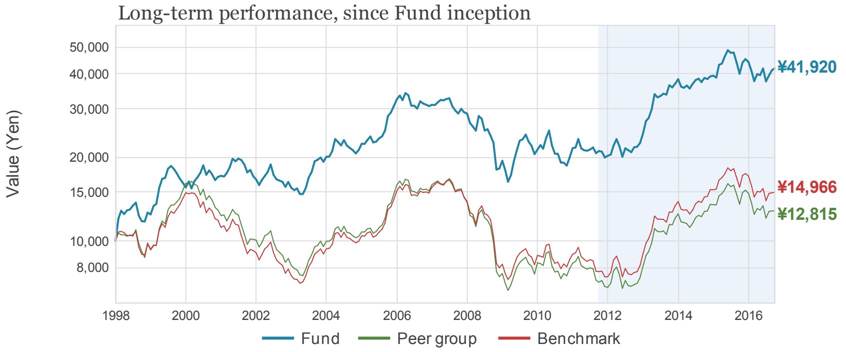
Price	¥4,192
Pricing currency	Japanese yen
Domicile	Luxembourg
Type	SICAV
Share class	Investor Share Class
Fund size	¥178 billion
Fund inception	1 January 1998
Strategy size	¥201 billion
Strategy inception	1 January 1998

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

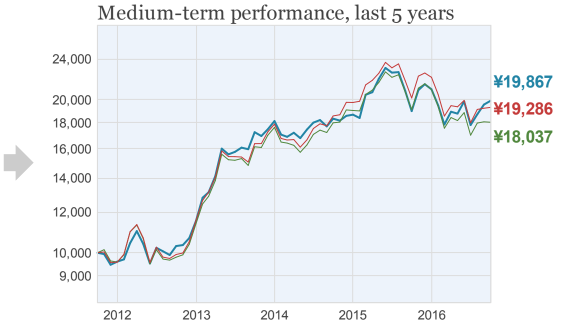
See Notices for important information about this Fact Sheet

Growth of ¥10,000 investment, dividends reinvested

Long-term performance, since Fund inception



Medium-term performance, last 5 years



Returns (%)

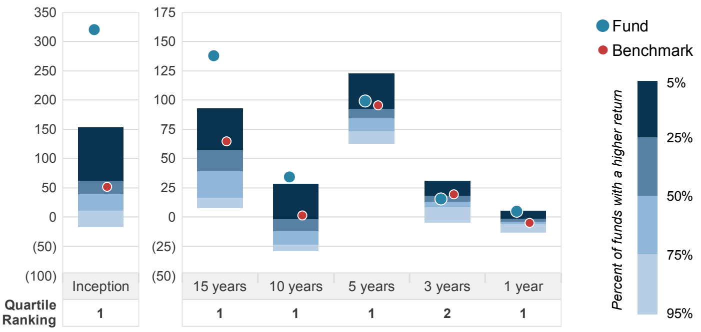
	Fund	Peer group	Benchmark
Annualised		*Net*	*Gross*
Since Fund inception	7.9	1.3	2.2
15 years	5.9	1.9	3.4
10 years	3.0	(1.8)	0.0
5 years	14.7	12.5	14.0
3 years	4.8	3.8	5.6
1 year	4.7	(5.5)	(4.2)
Not annualised			
Calendar year to date	(5.1)	(13.7)	(12.7)
3 months	11.5	6.0	7.1
1 month	1.7		0.3

	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	>111[1]	93
% recovered	100	61	100
Annualised monthly volatility (%)	18.8	18.7	18.2
Beta vs benchmark	0.9	1.0	1.0
Tracking error vs benchmark (%)	9.7	2.8	0.0

Ranking within peer group, cumulative return (%)



Sector Allocation (%)

Sector	Fund	Benchmark
Cyclicals	37	40
Consumer Non-Durables	28	24
Information and Communications	14	9
Financials	10	12
Technology	9	14
Utilities	0	2
Net Current Assets	*2*	*0*
Total	**100**	**100**

Top 10 Holdings (%)

	Sector	%
Mitsubishi	Consumer Non-Durables	8.1
NEXON	Information and Communications	7.9
Daito Trust Construction	Cyclicals	6.4
Sumitomo Mitsui Fin.	Financials	6.0
Sumitomo	Consumer Non-Durables	5.6
Nissan Motor	Cyclicals	5.2
INPEX	Cyclicals	4.7
Nippon Television Holdings	Information and Communications	4.6
Honda Motor	Cyclicals	4.4
Ship Healthcare Holdings	Consumer Non-Durables	4.3
Total		**57.2**

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	91
Total number of holdings	35
12 month portfolio turnover (%)	52
12 month name turnover (%)	35
Active share (%)	87

Fees & Expenses (%), for last 12 months

Management fee[2]	1.56
For 3 year performance in line with benchmark	*1.50*
For 3 year outperformance/(underperformance) vs benchmark	*0.06*
Fund expenses	0.09
Total Expense Ratio (TER)	**1.65**

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.

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

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

Orbis SICAV Japan 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.

Manager				Orbis Investment Management (Luxembourg) S.A.
Portfolio Manager				Orbis Investment Management (B.V.I.) Limited
Inception date				1 January 1998
Number of shares (Investor Share Class)	**Yen Class:**	24,325,447	**Euro Class:**	6,206,338
Income distributions during the last 12 months				None

Fund Objective and Benchmarks

The Yen Classes of the Fund seek higher returns in yen than the Japanese stockmarket, without greater risk of loss. The Euro Class of the Fund seeks higher returns than the Japanese stockmarket hedged into euro, without greater risk of loss. The TOPIX (gross) (the "TOPIX Yen") is the Yen Class' benchmark, while the TOPIX (gross) hedged in euro (the "TOPIX Euro") is the benchmark of the Euro Class.

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

The Fund is actively managed and is designed to remain continuously fully invested in, and exposed to all the risks and rewards of, selected Japanese equities. The Fund identifies as Japanese equities those equities of companies which are domiciled in Japan, whose securities trade on a Japanese stockmarket or whose business is primarily located in or linked to Japan. These equities are selected using extensive proprietary investment research undertaken by the Portfolio Manager and its investment advisors. Orbis devotes a substantial proportion of its business efforts to detailed "bottom up" investment research conducted with a long-term perspective, believing that such research makes superior long-term performance attainable. The lower the price of a share as compared to its assessed intrinsic value, the more attractive Orbis considers the equity's fundamental value. The Portfolio Manager believes that over the long term, equity investing based on this approach offers superior returns and reduces the risk of loss.

All share classes invest in a portfolio of Japanese equities selected by the Portfolio Manager. However, while the currency exposure of the Yen Classes remains as fully exposed to the yen as practicable, the Euro Class is hedged into, and therefore largely exposed to, the euro. The Euro Class is designed for investors who measure their returns in euro and who wish to be invested in Japanese equities without being exposed to fluctuations in the yen-euro exchange rate.

The Fund does not seek to mirror the TOPIX Yen/TOPIX Euro and may deviate meaningfully from it in pursuit of superior long-term capital appreciation.

Since inception and over the latest 10 and five-year periods, both the Yen and Euro Classes have outperformed their respective benchmarks 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 aimed at investors who are seeking a portfolio the objective of which is to be fully invested in, and exposed to, Japanese equities at all times.
- Investments in the Fund may suffer capital loss.
- Investors should understand that the Portfolio 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's various share classes bear different management fees. The fees are designed to align the Manager's and Portfolio Manager's interests with those of investors in the Fund. With respect to the Fund's Investor Share Classes, 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 TOPIX Yen or TOPIX Euro, as applicable. For each percentage point of three year performance above or below that benchmark's performance, 0.04 percentage points are added to or deducted 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, Portfolio Manager and additional service 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 Portfolio Manager have agreed that in the current calendar year, except for specified exclusions, operating expenses attributable to the Fund's Investor Share Classes 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 Portfolio 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 Portfolio 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 Portfolio Manager may cause the Fund to levy a fee of 0.25% of the net asset value of the Fund 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 (%)

30 June 2016	%	30 September 2016	%
Daito Trust Construction	7.2	Mitsubishi	8.1
Mitsubishi	6.6	NEXON	7.9
Sumitomo	6.6	Daito Trust Construction	6.4
Sumitomo Mitsui Fin.	6.5	Sumitomo Mitsui Fin.	6.0
NEXON	6.3	Sumitomo	5.6
INPEX	5.1	Nissan Motor	5.2
Ship Healthcare Holdings	4.9	INPEX	4.7
Nippon Television Holdings	4.9	Nippon Television Holdings	4.6
Honda Motor	4.7	Honda Motor	4.4
Nissan Motor	4.5	Ship Healthcare Holdings	4.3
Total	**57.3**	**Total**	**57.2**

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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 SICAV Japan 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 Portfolio Manager can be contacted at +1 441 296 3000 or clientservice@orbis.com. The Fund's Custodian is Citibank International Limited, 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 Classes, 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) such other days in addition thereto or substitution therefor as determined by the Manager.

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 must be submitted by 12 noon; 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 or €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 Portfolio Manager provides any guarantee with respect to capital or the Fund's returns. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. 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 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 (B.V.I.) Limited, the Fund's Portfolio Manager. Information in this Report is based on sources believed to be accurate and reliable and provided "as is" and in good faith. The Orbis Group does not make any representation or warranty as to accuracy, reliability, timeliness or completeness of the information in this Report. The Orbis Group disclaims all liability (whether arising in contract, tort, negligence or otherwise) for any error, omission, loss or damage (whether direct, indirect, consequential or otherwise) in connection with the information in this Report.

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Fund Information

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

The country and currency classification for equity securities follows that of third party benchmark providers for comparability purposes. Based on a number of factors, including the location of the underlying business, Orbis may consider a security's classification to be different and manage the Fund's exposures accordingly.

Fund Minimum

Minimum investment amounts in the Fund are specified in the Fund's Prospectus, provided that a new investor in the Orbis Funds must open an investment account with Orbis, which may be subject to minimum investment restrictions, country restrictions and/or other terms and conditions. For more information on opening an Orbis investment account, please visit www.orbis.com.

Clients investing via Allan Gray, which includes the Allan Gray Investment Platform, an Allan Gray investment pool or otherwise through Allan Gray Nominees, remain subject to the investment minimums specified by the applicable terms and conditions.

Sources

TOPIX Stock Price Index, including income ("TOPIX"): Tokyo Stock Exchange. TOPIX hedged into euro is 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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