

## Our Thinking

### Volatility is back. To normal.

We're fond of saying that returns do not come in a straight line. But in 2017, they came close—markets traced an almost perfectly straight path upwards. So far, 2018 has been more choppy. While markets are flat year-to-date, volatility has returned.

We have been here before. In our 28-year history, we have seen several corrections, a few bear markets, and plenty of choppy periods. In every case, our response is the same. We focus on individual companies and try to assess the impact—if any—of recent events on their long-term fundamentals. What we are looking for is simple. In a selloff, two things can happen to a company: its price can change more than its prospects, or its prospects can change more than its price. The former situation is a buying opportunity, the latter a better time to sell.

As for 2018's selloff, there is no shortage of potential causes: concerns about rising inflation and bond yields, threats to global growth from escalating tariffs, wariness of high equity valuations, geopolitical risk from the Iran deal, acrophobia over debt levels, even the chance of more onerous regulation on technology firms. Whatever the causes, the World Index has seen a peak-to-trough drop of 9%, and volatility so far in 2018 is at triple the level of 2017.

### Volatility is a normal part of investing

The rise in volatility may feel scary, but the variation we've seen recently is par for the course. In other words, 2018 isn't weird—2017 was weird.

A look at the data bears this out. In 2018, the annualised weekly volatility of global stockmarkets has been 17%—close to the average of 16% since 1990. Yet it feels elevated because 2017 was so stable. Last year, volatility was just 6% globally, a record, and at a 50-year low in the US. (For context, *government bonds* have averaged 6% volatility since 1990.)

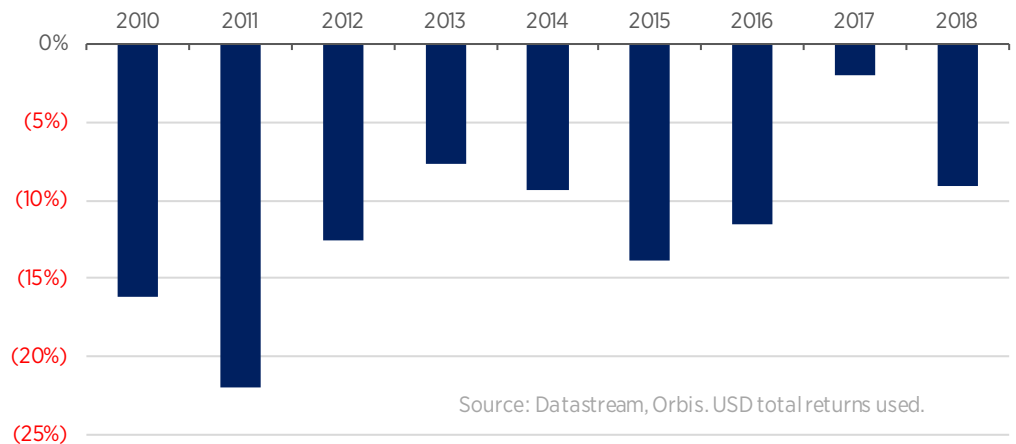
Similarly, the market decline from February through March has attracted lots of attention and spurred fears of a larger bear market. Yet corrections are normal, even in bull markets, and even in *this* bull market. The 9% drop we've experienced this year is typical for the post-financial-crisis period, as the chart shows.

Again, 2017 is the outlier—the worst peak-to-trough drawdown for the whole year was 2%. That is unheard of. As far as we can see, 2017 was one of the most stable years in *the history of stockmarkets*.

We would never expect such tranquillity to last. As we said in April 2016, tranquillity often creates the conditions for future turbulence.

### 2018 selloff: we saw worse in 2010, 2011, 2012, 2014, 2015, and 2016

Worst peak-to-trough drawdown in the MSCI World Index, by calendar year



Source: Datastream, Orbis. USD total returns used.

### Volatility can be useful for active stockpickers

Though it isn't fun, a bit of turbulence can be useful, because selloffs can create opportunities to build substantial positions at bargain prices. We have often done this in the past.

Mid-to-late 2011, for example, was a painful time for cyclical shares. Markets cratered over fears that Greece's debt would threaten the euro. Amid other bad news, the shares of one semiconductor manufacturer fell by over 50%. We took advantage of the volatility to buy Micron Technology shares at a very compelling valuation.

In late 2015 and early 2016, we again leaned into the selloff to build a position in XPO Logistics. As Matthew Adams discussed in last month's Global Equity commentary, it has taken time for the market to shake its pessimism on the stock, but late 2015 proved to be a good time to be adding. (Of course, the results are never certain—we were also buying shares of Qualcomm, which subsequently underperformed.)

This February and March were no different. As markets waned, we established some exciting new positions, and we added to NetEase, whose share price was pummelled. Time will tell if this was an attractive time to be buying or not.

### Some fear is healthy

Although the recent volatility is not cause for panic, the risks facing markets are real. Markets could fall further, so we have no interest in being a hero. Yet we take some small comfort from the fear that has returned to the financial world. Markets climb a wall of worry, and over the past few months, that wall has added a few more bricks.

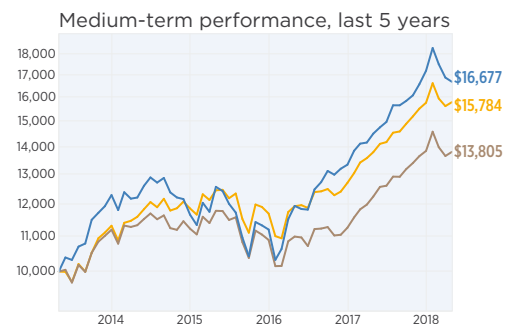
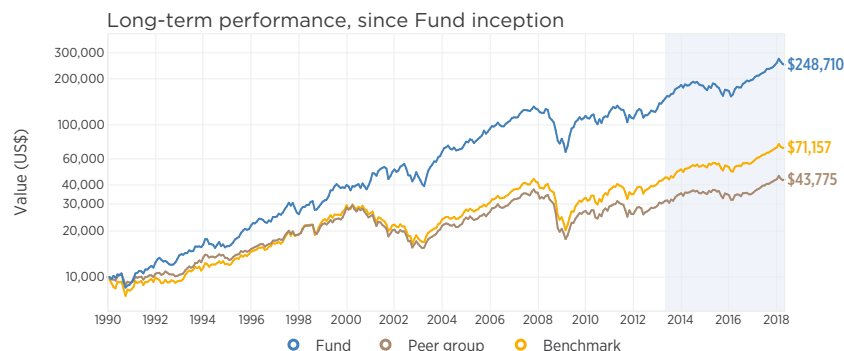
*This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.*

## Orbis Global Equity Fund

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

<b>Price</b>	US\$248.55	<b>Benchmark</b>	FTSE World Index
<b>Pricing currency</b>	US dollars	<b>Peer group</b>	Average Global Equity Fund Index
<b>Domicile</b>	Bermuda	<b>Minimum investment</b>	US\$50,000
<b>Type</b>	Open-ended mutual fund	<b>Dealing</b>	Weekly (Thursdays)
<b>Fund size</b>	US\$7.6 billion	<b>Entry/exit fees</b>	None
<b>Fund inception</b>	1 January 1990	<b>ISIN</b>	BMG6766G1087
<b>Strategy size</b>	US\$24.5 billion		
<b>Strategy inception</b>	1 January 1990		

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



### Returns (%)

	Fund	Peer group	Benchmark
<b>Annualised</b>	<i>Net</i>		<i>Gross</i>
Since Fund inception	12.0	5.4	7.2
25 years	12.1	5.5	7.9
10 years	6.9	2.5	5.9
5 years	10.8	6.7	9.6
3 years	9.9	5.4	8.2
1 year	15.0	12.8	14.4
<b>Not annualised</b>			
Calendar year to date	(2.9)	(0.3)	0.2
3 months	(8.7)	(5.3)	(5.0)
1 month	(1.1)		1.1
		<b>Year</b>	<b>%</b>
Best performing calendar year since Fund inception		2003	45.7
Worst performing calendar year since Fund inception		2008	(35.9)

### Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
North America	48	49	57
Asia ex-Japan	18	9	6
Japan	13	10	9
Continental Europe	8	20	16
United Kingdom	4	5	6
Other	7	7	5
<i>Net Current Assets</i>	<i>1</i>	<i>0</i>	<i>0</i>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

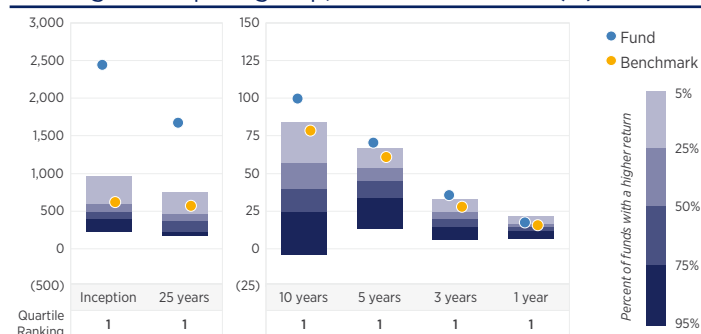
### Top 10 Holdings

	FTSE Sector	%
XPO Logistics	Industrials	6.5
AbbVie	Health Care	4.8
Symantec	Technology	4.6
NetEase	Technology	4.3
Vale	Basic Materials	2.9
Mitsubishi	Industrials	2.8
Celgene	Health Care	2.7
NIKE	Consumer Goods	2.7
Anthem	Health Care	2.4
Sberbank of Russia	Financials	2.4
<b>Total</b>		<b>36.2</b>

### Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	50	53	54
Months to recovery	42	113	66
Annualised monthly volatility (%)	16.1	13.8	15.0
Beta vs benchmark	0.9	0.9	1.0
Tracking error vs benchmark (%)	9.0	4.4	0.0

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



### Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	65
Total number of holdings	74
12 month portfolio turnover (%)	57
12 month name turnover (%)	41
Active share (%)	93

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

Management fee <sup>1</sup>	2.08
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.58
Fund expenses	0.04
<b>Total Expense Ratio (TER)</b>	<b>2.12</b>

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.

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

## Orbis Global Equity Fund

This Fact Sheet is a Minimum Disclosure Document and a monthly General Investor Report as required by the South African Financial Services Board.

<b>Investment Manager</b>	Orbis Investment Management Limited
<b>Inception date</b>	1 January 1990
<b>Number of shares</b>	30,693,506
<b>Income distributions during the last 12 months</b>	None

### Fund Objective and Benchmark

The Fund is designed for investors who have made the “asset allocation” decision to invest a predetermined amount in global equities. It seeks higher returns than the average of the world’s equity markets, without greater risk of loss. The Fund aims for higher returns than a designated equity performance benchmark, namely the FTSE World Index, including income.

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

The Fund is actively managed and seeks to remain fully invested in and exposed to global stockmarkets. It invests in equities considered to offer superior fundamental value. These equities are selected using extensive proprietary investment research undertaken by the Investment Manager and its investment advisors. Orbis devotes a substantial proportion of its business efforts to detailed “bottom up” investment research conducted with a long-term perspective, believing that such research makes superior long-term performance attainable. The lower the price of a share as compared to its assessed intrinsic value, the more attractive Orbis considers the equity’s fundamental value. The Investment Manager believes that over the long term, equity investing based on this approach offers superior returns and reduces the risk of loss.

Exchange rate fluctuations significantly influence global investment returns. For this reason, part of Orbis’ research effort is devoted to forecasting currency trends. Taking into account these expected trends, the Investment Manager actively reviews the Fund’s currency exposure. Those currencies held but considered vulnerable may be sold in favour of those considered more attractive, generally using forward contracts. The Fund’s currency deployment therefore frequently differs significantly from the geographic deployment of its selected equities.

The Fund does not seek to mirror its benchmark but may instead deviate meaningfully from it in pursuit of superior long-term returns.

Since inception and over the latest 10 and five-year periods, the Fund has outperformed its benchmark net of fees. The Fund will experience periods of underperformance in pursuit of its objective of creating long-term wealth for investors.

### Risk/Reward Profile

- The Fund is designed for investors who have made the “asset allocation” decision to invest a predetermined amount in global equities.
- Investments in the Fund may suffer capital loss.
- Investors should understand that the Investment Manager generally assesses an equity investment’s attractiveness using a three-to-five year time horizon.

### Management Fee

As is described in more detail in the Fund’s Prospectus, the Fund pays the Investment Manager a performance-based fee. The fee is designed to align the Investment Manager’s interests with those of investors in the Fund.

The fee is based on the net asset value of the Fund. The fee rate is calculated weekly by comparing the Fund’s performance over three years against its benchmark. For each percentage point of three year performance above or below that benchmark’s performance, 0.04 percentage points are added to or subtracted from 1.5%, subject to the following limits:

- Maximum fee: 2.5% per annum
- Minimum fee: 0.5% per annum

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

The Fund bears operating costs, including the costs of maintaining its stock exchange listing, Bermuda government fees, legal and auditing fees, reporting expenses, the cost of preparing its Prospectus and communication costs. Finally, the Fund incurs costs when buying or selling underlying investments.

Where an investor subscribes or redeems an amount representing 5% or more of the net asset value of the Fund, the Investment Manager may cause the Fund to levy a fee of 0.40% of the net asset value of the Fund’s shares being acquired or redeemed.

The annual management fees charged are included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a 12 month period, excluding trading costs. Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Expenses may vary, so the current TER is not a reliable indicator of future TERs.

### Changes in the Fund’s Top 10 Holdings

31 January 2018	%	30 April 2018	%
XPO Logistics	6.2	XPO Logistics	6.5
AbbVie	4.6	AbbVie	4.8
Charter Communications	3.8	Symantec	4.6
Sberbank of Russia	3.8	NetEase	4.3
Arconic	3.4	Vale	2.9
NetEase	3.4	Mitsubishi	2.8
Symantec	3.4	Celgene	2.7
Mitsubishi	2.6	NIKE	2.7
Imperial Brands	2.5	Anthem	2.4
NIKE	2.4	Sberbank of Russia	2.4
<b>Total</b>	<b>36.2</b>	<b>Total</b>	<b>36.2</b>

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

# Orbis Global Equity Fund

## Additional Information

South African residents should contact Allan Gray Unit Trust Management (RF) Proprietary Limited at 0860 000 654 (toll free from within South Africa) or [offshore\\_direct@allangray.co.za](mailto: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](mailto:clientservice@orbis.com). The Fund's Custodian is Citibank N.A., New York Offices, 388 Greenwich Street, New York, New York 10013, U.S.A. All information provided herein is subject to the more detailed information provided in the Fund's Prospectus.

## Share Price and Transaction Cut Off Times

Share prices are calculated on a net asset value basis, normally as of 5:30 pm (Bermuda time) (i) each Thursday (or, if a Thursday is not a business day, the preceding business day), (ii) on the last calendar day of each month (or, if that is not a weekday, the preceding weekday) and/or (iii) any other days in addition to (or substitution for) any of the days described in (i) or (ii), as determined by the Investment Manager without notice.

Subscriptions are only valid if made on the basis of the Fund's current Prospectus. To be processed on a given dealing day: subscription requests into an Orbis Fund that is not an Orbis SICAV Fund must be submitted by 5:00 pm on that dealing day; subscription requests into an Orbis Fund that is an Orbis SICAV Fund must be submitted by 5:30 pm; redemption requests from an Orbis Fund that is not an Orbis SICAV Fund must be submitted by 12 noon; redemption requests from an Orbis Fund that is an Orbis SICAV Fund must be submitted by 5:30 pm; requests to switch from an Orbis Fund that is not an Orbis SICAV Fund to a different Orbis Fund that is also not an Orbis SICAV Fund must be submitted by 12 noon; requests to switch from an Orbis SICAV Fund into a different Orbis Fund that is not an Orbis SICAV Fund must be submitted by 5:00 pm; requests to switch from an Orbis Fund that is not an Orbis SICAV Fund to a different Orbis Fund that is an Orbis SICAV Fund must be submitted by 12 noon; and requests to switch from an Orbis Fund that is an Orbis SICAV Fund to a different Orbis Fund that is also an Orbis SICAV Fund must be submitted by 5:30 pm. All times given are Bermuda time, and all requests must be properly completed and accompanied by any required funds and/or information.

Share prices, updated weekly, are available

- from the Allan Gray Unit Trust Management (RF) Proprietary Limited's website at [www.allangray.co.za](http://www.allangray.co.za),
- from the Orbis website at [www.orbis.com](http://www.orbis.com),
- by e-mail, by registering with Orbis for this service at the Orbis website at [www.orbis.com](http://www.orbis.com), and
- from Bloomberg.

## Legal Notices

Returns are net of fees, include income and assume reinvestment of dividends. Figures quoted are for the periods indicated for a \$10,000 investment (lump sum, for illustrative purposes only). Annualised returns show the average amount earned on an investment in the Fund/share class each year over the given time period. This Report does not constitute advice nor a recommendation to buy, sell or hold, nor an offer to sell or a solicitation to buy interests or shares in the Orbis Funds or other securities in the companies mentioned in it.

Collective Investment Schemes (CIS) are generally medium to long-term investments. The value of an investment in the Fund may go down as well as up, and past performance is not a reliable indicator of future results. The Investment Manager provides no guarantee with respect to capital or the Fund's returns. CIS are traded at ruling prices and can engage in borrowing and scrip lending. Commission and incentives may be paid by investors to third parties and, if so, would be included in the overall costs. Individual investors' performance may differ as a result of investment date, reinvestment date and dividend withholding tax, as well as a levy that may apply in the case of transactions representing more than 5% of the Fund's net asset value. The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. The Fund invests in foreign securities. Depending on their markets, trading in those securities may carry risks relating to, among others, macroeconomic and political circumstances, constraints on liquidity or the repatriation of funds, foreign exchange rate fluctuations, taxation and trade settlement.

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

Orbis Investment Management Limited, the Fund's Investment Manager, is licensed to conduct investment business by the Bermuda Monetary Authority.

## Fund Information

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](http://www.orbis.com).

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

## Sources

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