

Our Thinking

The tech sector is better known for its hype than its bargains. Exhibit number one is the FANGs—Facebook, Amazon, Netflix, and Google (Alphabet)—which have become famous market darlings.

We are value-oriented investors, and over the past year we have held three of the four FANGs. More broadly, the Orbis Global Equity Strategy is overweight the Information Technology sector. How do we reconcile this with our contrarian philosophy?

When we say “contrarian”, we don’t mean blindly betting against the crowd. That would be as clever as driving on the wrong side of the road. To us, contrarian investing is about looking at the world through a different lens and digging deep into the fundamentals to find hidden value.

Over our 28-year history, we have often concluded that selected technology shares were undervalued. In fact, the Orbis Global Equity Strategy has been overweight the technology sector for most of its history. Technology companies can offer rapid growth and high profitability, while technology *stocks* are subject to short cycles of extreme sentiment. This combination often creates substantial discounts to intrinsic value—exactly the kind of opportunity we like to exploit.

A good example is Amazon. In early 2017 we built a significant position in the stock because we believed that the market was significantly undervaluing the growth potential and efficiency gains within its e-commerce business. In addition, we believed that the value of its Amazon Web Services segment—the world’s largest provider of cloud services, including almost all of Netflix’s backend infrastructure—was vastly underappreciated. Finally, we felt the long-term value of Amazon’s nascent advertising business was only beginning to be realised.

Sentiment can change quickly in technology, and it wasn’t long before the market’s expectations for growth and margin expansion had risen to a level where the business was no longer cheap compared to our view of its intrinsic value. While we were prepared to invest in Amazon for the long haul, we exited the position in late 2017 as our thesis unfolded more quickly than expected.

We are not always so lucky. In December, we spoke about Symantec, one of the world’s largest cybersecurity firms, which is a top 10 holding in the Orbis Global Equity Strategy. In early May, Symantec’s stock price plummeted almost 35% in a single day on the news that the board’s audit committee was investigating accounting concerns raised by a former employee. When the company held a belated Q&A the following week, they provided reassurance that the

impact would not be material, and the stock recovered slightly. This suggests that the market’s knee-jerk reaction may have been extreme. Based on what we know at this stage, Symantec shares continue to trade below our assessment of intrinsic value. However, the situation is fluid and only time will tell if our view is correct.

One of our newer holdings is Facebook, which is now a top 10 position in the Orbis Global Equity Strategy. Facebook users and shareholders alike were spooked to learn about the allegations that Cambridge Analytica may have obtained private data from around 87 million Facebook accounts. Facebook’s share price fell by about 20% following this news.

While this has been a major embarrassment for the company, we believe the market reaction has been excessive. If anything, greater regulatory scrutiny could actually yield some long-run benefits for the core business. If Facebook is prohibited from sharing its data with third parties, it may develop new methods of engagement that can produce greater opportunities to monetise its collection of differentiated, high-quality assets. These include Facebook, Instagram, and WhatsApp—all of which benefit from strong network effects. People want to join the social networks with the most users and companies want their ads to be seen by the most potential customers.

Facebook ticks both boxes. Along with Google, these two players alone account for more than 80% of global spending (excluding China) on digital ads. This creates another powerful feedback loop—the more ads, the more data on what works, and in turn the more compelling the experience becomes for both advertisers and users. As digital ad spending continues to grow, we believe that Facebook can grow the average revenue per user it generates through advertising. Additionally, we think that the market underappreciates the long-term monetisation potential of Instagram and WhatsApp.

These tepid expectations are reflected in the price. Facebook’s valuation today is only slightly more expensive than the average stock in the S&P 500, but we expect it to compound earnings over the next five years at a much greater rate than the market. We have long been bullish on the company’s prospects and have owned the shares at various times since our initial purchase in 2013. More recently, after a period of sideways performance, we welcomed the opportunity to buy back into the shares.

More broadly, we expect that the technology sector will remain a rich source of idiosyncratic opportunities to purchase stocks at a discount to intrinsic value—just as it has been in the past.

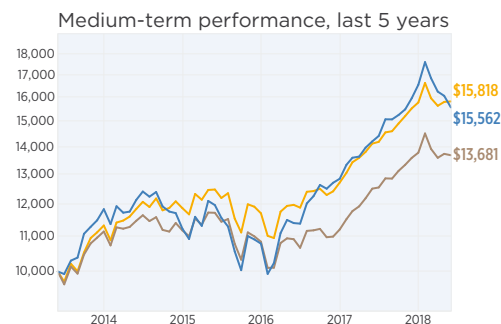
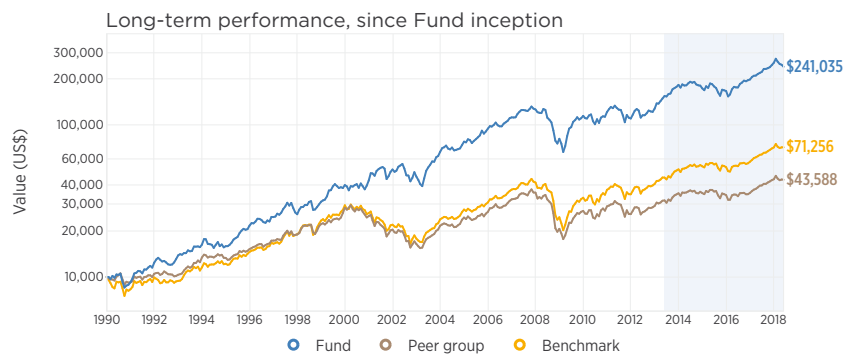
This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.

Orbis Global Equity Fund

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

Price	US\$240.88	Benchmark	FTSE World Index
Pricing currency	US dollars	Peer group	Average Global Equity Fund Index
Domicile	Bermuda	Minimum investment	US\$50,000
Type	Open-ended mutual fund	Dealing	Weekly (Thursdays)
Fund size	US\$7.4 billion	Entry/exit fees	None
Fund inception	1 January 1990	ISIN	BMG6766G1087
Strategy size	US\$23.9 billion		
Strategy inception	1 January 1990		

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



Returns (%)

	Fund	Peer group	Benchmark
Annualised	<i>Net</i>		<i>Gross</i>
Since Fund inception	11.9	5.3	7.2
25 years	11.8	5.4	7.8
10 years	6.8	2.3	5.7
5 years	9.2	6.5	9.6
3 years	9.2	5.3	8.2
1 year	9.6	9.4	12.0
Not annualised			
Calendar year to date	(5.9)	(0.7)	0.3
3 months	(7.6)	(1.7)	(0.9)
1 month	(3.1)		0.1
		Year	%
Best performing calendar year since Fund inception		2003	45.7
Worst performing calendar year since Fund inception		2008	(35.9)

Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
North America	49	50	59
Asia ex-Japan	17	8	6
Japan	14	10	9
Continental Europe	8	20	15
United Kingdom	4	5	6
Other	7	7	4
Net Current Assets	1	0	0
Total	100	100	100

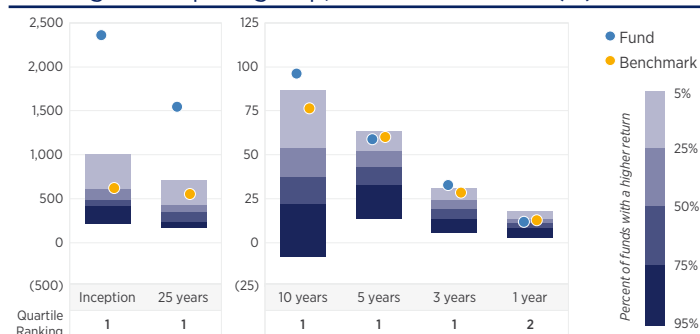
Top 10 Holdings

	FTSE Sector	%
XPO Logistics	Industrials	7.3
AbbVie	Health Care	5.1
NetEase	Technology	4.4
Facebook	Technology	4.2
Symantec	Technology	3.5
Vale	Basic Materials	3.1
Celgene	Health Care	2.9
Mitsubishi	Industrials	2.9
NIKE	Consumer Goods	2.9
Sberbank of Russia	Financials	2.8
Total		39.2

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	14.9
Beta vs benchmark	0.9	0.9	1.0
Tracking error vs benchmark (%)	9.0	4.4	0.0

Ranking within peer group, cumulative return (%)



Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	69
Total number of holdings	67
12 month portfolio turnover (%)	60
12 month name turnover (%)	46
Active share (%)	92

Fees & Expenses (%), for last 12 months

Management fee ¹	2.10
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.60
Fund expenses	0.04
Total Expense Ratio (TER)	2.14

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

See Notices for important information about this Fact Sheet.

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

Orbis Global Equity Fund

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

Investment Manager	Orbis Investment Management Limited
Inception date	1 January 1990
Number of shares	30,662,137
Income distributions during the last 12 months	None

Fund Objective and Benchmark

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

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 ten-year period, 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

28 February 2018	%	31 May 2018	%
XPO Logistics	6.8	XPO Logistics	7.3
AbbVie	5.1	AbbVie	5.1
Sberbank of Russia	4.2	NetEase	4.4
Symantec	4.2	Facebook	4.2
NetEase	3.9	Symantec	3.5
Arconic	2.9	Vale	3.1
Charter Communications	2.8	Celgene	2.9
Mitsubishi	2.8	Mitsubishi	2.9
Vale	2.6	NIKE	2.9
Naspers	2.6	Sberbank of Russia	2.8
Total	37.8	Total	39.2

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 to receive, free of charge, additional information about a proposed investment (including Prospectus, application forms, annual reports and a schedule of fees, charges and maximum commissions). The Investment Manager can be contacted at +1 441 296 3000 or clientservice@orbis.com. The Fund's Custodian is Citibank N.A., New York Offices, 388 Greenwich Street, New York, New York 10013, U.S.A. All information provided herein is subject to the more detailed information provided in the Fund's Prospectus.

Share Price and Transaction Cut Off Times

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

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

Share prices, updated weekly, are available

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

Legal Notices

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

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

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

Fund Minimum

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

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

Sources

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