

Our Thinking

There are few guarantees in investing. Yet we can make one: in the future, as in the past, there will be periods when we underperform. We are in one such period now in several Strategies, including our Global Equity Strategy, which is illustrative given its breadth.

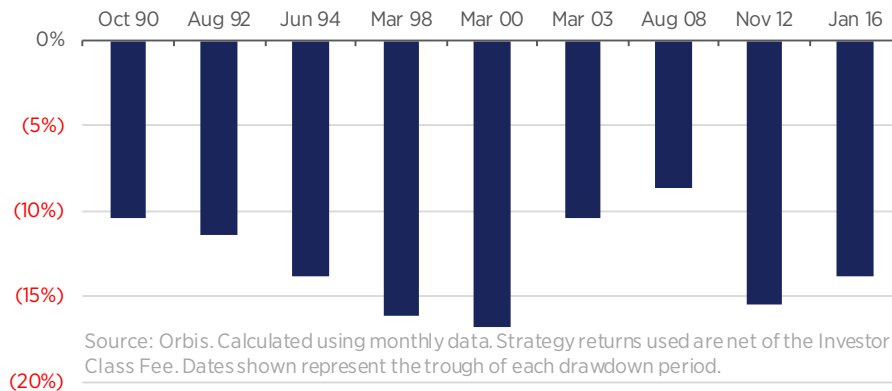
These periods are a normal part of our approach, but as co-investors in the Funds, we know that doesn't make them any more comfortable. This discomfort, however, is one reason why our approach can add value over the long term. Markets reward investors who can be patient and control their emotions. Put differently, contrarian investing works because it hurts.

Underperformance is a normal part of active investing

In April, we wrote that volatility in absolute returns is a normal part of investing. Absolute returns are our focus when we think about risk, and ultimately they matter most. But we also spend time thinking about relative returns—how the Funds are performing compared to their benchmarks. With our active approach, the Funds' portfolios look very different from their benchmarks, and with very different portfolios, their returns necessarily trace very different paths. Inevitably, the benchmark's path sometimes looks better.

Underperformance is normal: we have seen nine worse periods

Worst peak-to-trough drawdowns in the relative return of the Orbis Global Equity Strategy vs the FTSE World Index, Jan 1990 to Jul 2018



The current underperformance (~8% since 31 Jan) in the Global Equity Strategy is normal in the context of its history. As the chart shows, the Strategy has experienced nine worse periods since its inception in 1990—about one every three years on average. In each case, returns recovered and the Strategy reached a new high of outperformance.

What can we take from this? For one, performance can get worse. Though our stock selections were ultimately vindicated, performance in the run-up to the tech bubble in 2000 was painful indeed. But perhaps more importantly, the chart confirms that underperformance is an inevitable feature of our approach.

Another feature of our approach is that, in good times and bad, we expect our performance to be driven by our individual stock selections. That has been the case

recently. Just four shares, each of which is held in at least one other Strategy, explain most of the Global Equity Strategy's year-to-date underperformance:

Shares of Symantec, a cybersecurity software developer, fell 33% after an announcement about an internal accounting investigation. As we wrote in May, the company subsequently offered reassurance that the financial impact would not be material, but the episode has left investors feeling uncertain.

NetEase is a long-held Chinese online game and internet company. The stock dropped amid market volatility in February, then again in May as the company reported lower margins due to increased marketing investments. Supportive of the long-term strategy, we bought more at various prices as the stock fell 16% from its pre-results level. It has since recovered much of its May decline.

Arconic's stock sold off when the aerospace parts maker cut its profit guidance in late April. This month, it recovered most of that drop on reports that private equity firms have offered to buy the company. It appears we aren't alone in thinking that Arconic trades at an attractive discount to its true long-term value.

Most publicly, Facebook shares fell nearly 20% the day after the company forecasted lower growth and margins than investors expected. Before the earnings call, the stock had been the Global Equity Strategy's biggest contributor to year-to-date returns; it is now a detractor.

In every case, our response is the same. We continue to apply our disciplined approach, analysing each business to judge whether it trades at an attractive discount to its true value. And at all times, we retain a long-term perspective.

The reward for patience

Periodic underperformance isn't unique to us. Earlier this year, our sister firm Allan Gray Australia performed a [fascinating thought experiment](#). What if you knew which fund would be the best performer over the next five years? And what if you could pick the winner every five years for as long as you invest? Armed with this perfect foresight, an investor could have achieved nearly double the Australian market's annualised return over 35 years, leaving them with more than 14 times the final wealth of an index investment. But along the way, they would've gone through some deeply uncomfortable periods. More than once, they went four years without outperforming, and at times, they underperformed the market by as much as 39%. The lesson? At its best, active management can make an enormous difference for investors. But realising that difference requires patience.

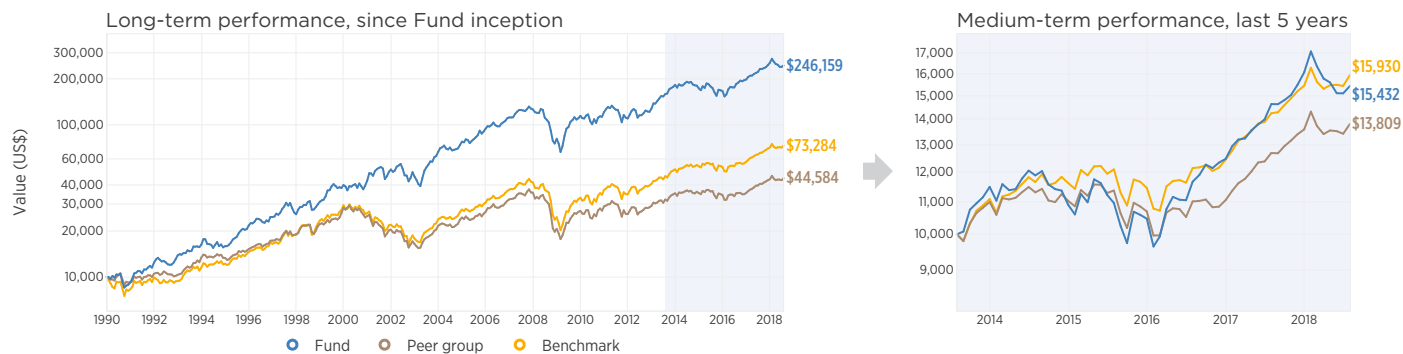
This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.

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\$246.00	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\$7.5 billion	Entry/exit fees	None
Fund inception	1 January 1990	ISIN	BMG6766G1087
Strategy size	US\$24.4 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	5.4	7.2
25 years	11.9	5.5	7.8
10 years	8.6	3.6	7.2
5 years	9.1	6.7	9.8
3 years	12.1	6.7	9.6
1 year	5.4	8.9	11.8
Not annualised			
Calendar year to date	(3.9)	1.6	3.1
3 months	(1.0)	1.9	3.0
1 month	2.2		3.2

	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	51	59
Asia ex-Japan	17	8	5
Japan	13	10	9
Continental Europe	8	19	16
United Kingdom	3	6	6
Other	8	8	4
Net Current Assets	1	0	0
Total	100	100	100

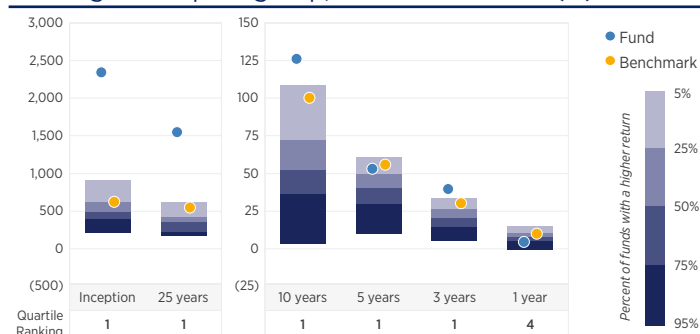
Top 10 Holdings

	FTSE Sector	%
XPO Logistics	Industrials	6.9
NetEase	Technology	5.6
AbbVie	Health Care	5.0
Facebook	Technology	4.6
Vale	Basic Materials	3.8
Celgene	Health Care	3.3
Arconic	Basic Materials	2.9
Mitsubishi	Industrials	2.9
Sberbank of Russia	Financials	2.7
Alphabet	Technology	2.7
Total		40.3

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	71
Total number of holdings	67
12 month portfolio turnover (%)	58
12 month name turnover (%)	47
Active share (%)	92

Fees & Expenses (%), for last 12 months

Management fee ¹	2.15
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.65
Fund expenses	0.04
Total Expense Ratio (TER)	2.19

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

See Notices for important information about this Fact Sheet.
¹ 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	30,328,249
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

30 April 2018	%	31 July 2018	%
XPO Logistics	6.5	XPO Logistics	6.9
AbbVie	4.8	NetEase	5.6
Symantec	4.6	AbbVie	5.0
NetEase	4.3	Facebook	4.6
Vale	2.9	Vale	3.8
Mitsubishi	2.8	Celgene	3.3
Celgene	2.7	Arconic	2.9
NIKE	2.7	Mitsubishi	2.9
Anthem	2.4	Sberbank of Russia	2.7
Sberbank of Russia	2.4	Alphabet	2.7
Total	36.2	Total	40.3

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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