

Our Thinking

Macro noises

As bottom-up stockpickers, we don't spend much of our time analysing macroeconomic or political headlines. We believe we can do a better job by focusing on the fundamentals of individual businesses. But we can't afford to bury our heads in the sand like ostriches. It would be foolish to ignore economic or political developments that might have a meaningful impact on the value of companies that we are analysing.

The looming trade war between the US and most everyone else is a good example. It reached a new pitch earlier this year when the US imposed taxes on steel and aluminium imports from many countries including China, allies in the EU, Japan, and Korea, and hitherto trade partners Canada and Mexico. The EU retaliated with tariffs on American products including bourbon, blue jeans, and motorcycles, and China imposed tariffs on pork, fruit, steel pipes, and ethanol from the US. That exchange started a rally of retaliation and escalation, and the US is now proposing tariffs on \$200bn worth of Chinese imports, a threat China is prepared to counter.

For China, a trade spat would be one thing if the economy were in great health, but with noise of a slowdown growing louder, the trade war could upend the country's economic balance. We can see the same warning signs as everyone else—debt has risen rapidly, bad debt is mounting, growth is slowing, and the country's investments in infrastructure may be too excessive to be effective.

We don't know how the trade war or the Chinese economic situation will play out, and we certainly have no idea what is in President Trump's head. Perhaps more importantly, we have no "house view" on these issues. Instead, our analysts form independent views of how these macro events could affect the fundamentals of the companies they research.

What we own

Not all Chinese businesses are equally vulnerable to a slowdown. Consider NetEase, a Chinese online game and internet company. Entertainment spending is discretionary, and so likely to fall if growth slows. But *which* entertainment spending? If you are feeling pinched, you may cut down on relatively expensive nights out before dropping your relatively cheap Netflix subscription. Like Netflix, the games NetEase produces are an incredibly cheap form of entertainment, so we believe the company's earnings should be relatively resilient in a macro slowdown. Slowdown or no slowdown, NetEase has a loyal client base, a strong balance sheet with close to 20% of its market capitalisation in cash, an exciting game pipeline, and an effective management team. As a result, we believe any macro issues in China are more likely to hurt sentiment than the company's long-term intrinsic value. We continue to find the stock

attractive, and we added to the Funds' positions after share price weakness earlier this year.

But in some cases, macroeconomic concerns are real issues for companies' fundamentals. For example, tariffs could substantially impact Japanese automaker Nissan Motor. We bought the stock because it traded at a huge discount to the Japanese market, and its earnings appeared to be depressed. We believed that discount was unwarranted. In our view, the company had solid growth prospects in emerging markets, favourable cost-cutting opportunities thanks to a well-timed investment in Mitsubishi Motors, and scope for an earnings recovery in the US by reducing promotional price deals there. But as most of Nissan's US sales are imported, the tariff threat widened the range of possible outcomes for the business, at a time when we were already losing conviction due to the company's struggles with pricing in that market. We sold most of the Funds' shares in the company in favour of companies with similar valuations where we have more conviction. As tariff developments continue to change, we continue to assess their impact on the business.

Macroeconomic concerns can also affect companies that are neither in China nor directly exposed to tariffs. With China consuming roughly half of the world's production in steel, coal, copper, and nickel, a prolonged slowdown could severely impact mining businesses. Accordingly, we assess these companies' exposure to China and whether that risk is already factored into the market's valuation. The Funds continue to hold positions in Vale, Mitsubishi, Sumitomo, Peabody Energy, and Mitsui, at weights that balance the companies' risks against their generally low valuations.

What we don't own

As important as what we own is what we don't own. While we still like selected companies with exposure to China and trade issues, the Funds do not own any of the country's banks, steelmakers, or aluminium producers. Many of these companies appear superficially cheap, but in our view, they may be cheap for good reason.

And while we still like selected Chinese equities, our exposure to the Chinese yuan is largely hedged in our Global Equity and Global Balanced Strategies. China's debt-fuelled investment poses a significant risk to the country's banking system, and should a banking crisis unfold, China's central bank would likely respond with monetary easing, which ought to devalue the currency.

We can't control the macro environment or the noise around it, but the resulting pessimism can create opportunities for contrarians to invest in good companies at temporarily depressed prices. That's why we continue to spend the vast majority of our time focusing on what we *can* control—the price we pay for individual securities.

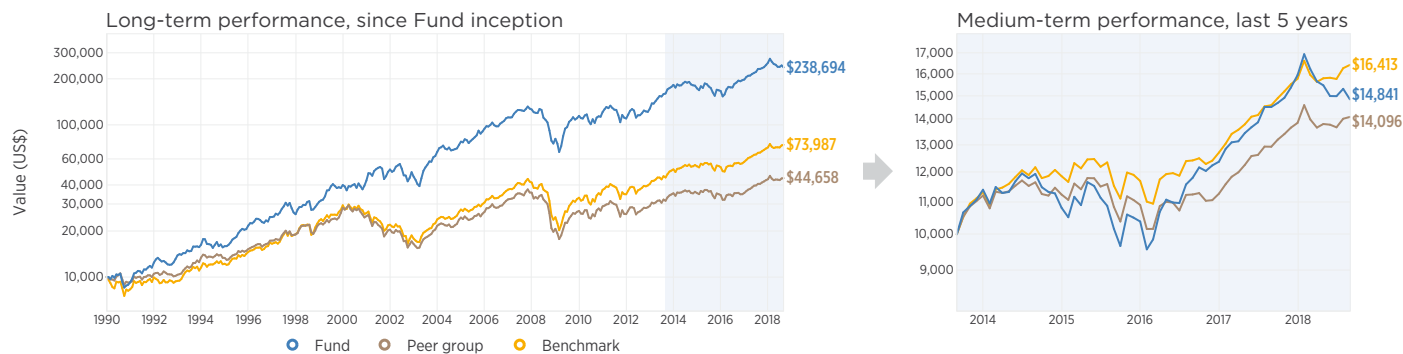
This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.

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\$238.54	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\$7.1 billion	Entry/exit fees	None
Fund inception	1 January 1990	ISIN	BMG6766G1087
Strategy size	US\$23.7 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	11.7	5.4	7.2
25 years	11.5	5.3	7.7
10 years	8.7	4.0	7.5
5 years	8.2	7.1	10.4
3 years	13.4	9.2	12.5
1 year	2.3	9.1	12.5
Not annualised			
Calendar year to date	(6.8)	1.7	4.1
3 months	(1.0)	2.3	3.8
1 month	(3.0)		1.0
	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	51	52	61
Asia ex-Japan	17	8	5
Japan	14	9	9
Continental Europe	8	18	15
United Kingdom	3	6	6
Other	7	7	4
Net Current Assets	1	0	0
Total	100	100	100

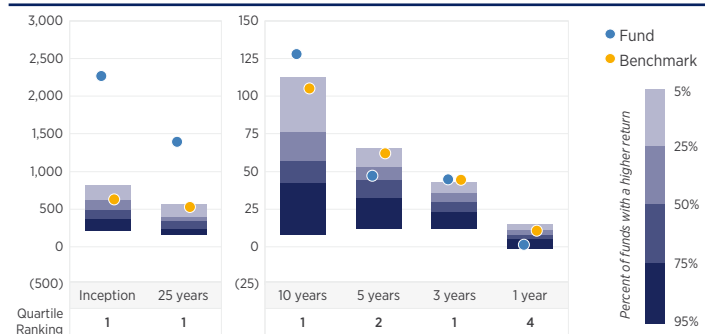
Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	50	53	54
Months to recovery	42	113	66
Annualised monthly volatility (%)	16.1	13.7	14.9
Beta vs benchmark	0.9	0.9	1.0
Tracking error vs benchmark (%)	9.0	4.4	0.0

Top 10 Holdings

	FTSE Sector	%
XPO Logistics	Industrials	7.6
AbbVie	Health Care	5.4
NetEase	Technology	5.2
Facebook	Technology	4.3
Celgene	Health Care	3.7
Vale	Basic Materials	3.6
Arconic	Basic Materials	3.1
NIKE	Consumer Goods	2.9
Alphabet	Technology	2.8
Anthem	Health Care	2.8
Total		41.3

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 (%)	57
12 month name turnover (%)	46
Active share (%)	92

Fees & Expenses (%), for last 12 months

Management fee ¹	2.17
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.67
Fund expenses	0.04
Total Expense Ratio (TER)	2.21

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	29,953,563
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

31 May 2018	%	31 August 2018	%
XPO Logistics	7.3	XPO Logistics	7.6
AbbVie	5.1	AbbVie	5.4
NetEase	4.4	NetEase	5.2
Facebook	4.2	Facebook	4.3
Symantec	3.5	Celgene	3.7
Vale	3.1	Vale	3.6
Celgene	2.9	Arconic	3.1
Mitsubishi	2.9	NIKE	2.9
NIKE	2.9	Alphabet	2.8
Sberbank of Russia	2.8	Anthem	2.8
Total	39.2	Total	41.3

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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