

Our Thinking

Last month, we walked through valuation and fundamental measures for the Global Equity Strategy, highlighting a few “clusters” of ideas. We believe that perspective is important. To assess a portfolio’s return prospects, looking at fundamental and valuation metrics is vital. But to assess a portfolio’s risk, another angle is also useful: how our holdings *behave*.

For this, we turn to our Quantitative analysis team, who use proprietary technology and objective research to help us better understand the risks in the portfolios. The “behaviour map” below is just one of many outputs from the team’s analysis and self-developed tools. The map uses a machine learning technique to visualise relationships between stocks, letting us assess their historical behaviour at a glance.

Here’s how to read it. First, don’t worry about whether a stock is high or low on the map, or towards the left or right. The absolute location doesn’t matter. All that matters is a stock’s *distance from other stocks*. If two stocks appear close together, their prices move together, and if they appear far apart, their prices move less similarly. The reddish stocks in Japan, for instance, broadly hang together, but behave completely differently from the green shares in South Africa.

One thing stands out. The holdings in our Global Equity Strategy—the dark dots—are all over the map. From a risk perspective, that’s a good thing. It is a sign of diversification, the only free lunch in investing.

But the dark dots aren’t randomly spread about. They are clumpy. This happens often—if one stock in an industry is attractive, we may find its peers interesting as well, so concentrations of ideas frequently bubble up through our bottom-up research process.

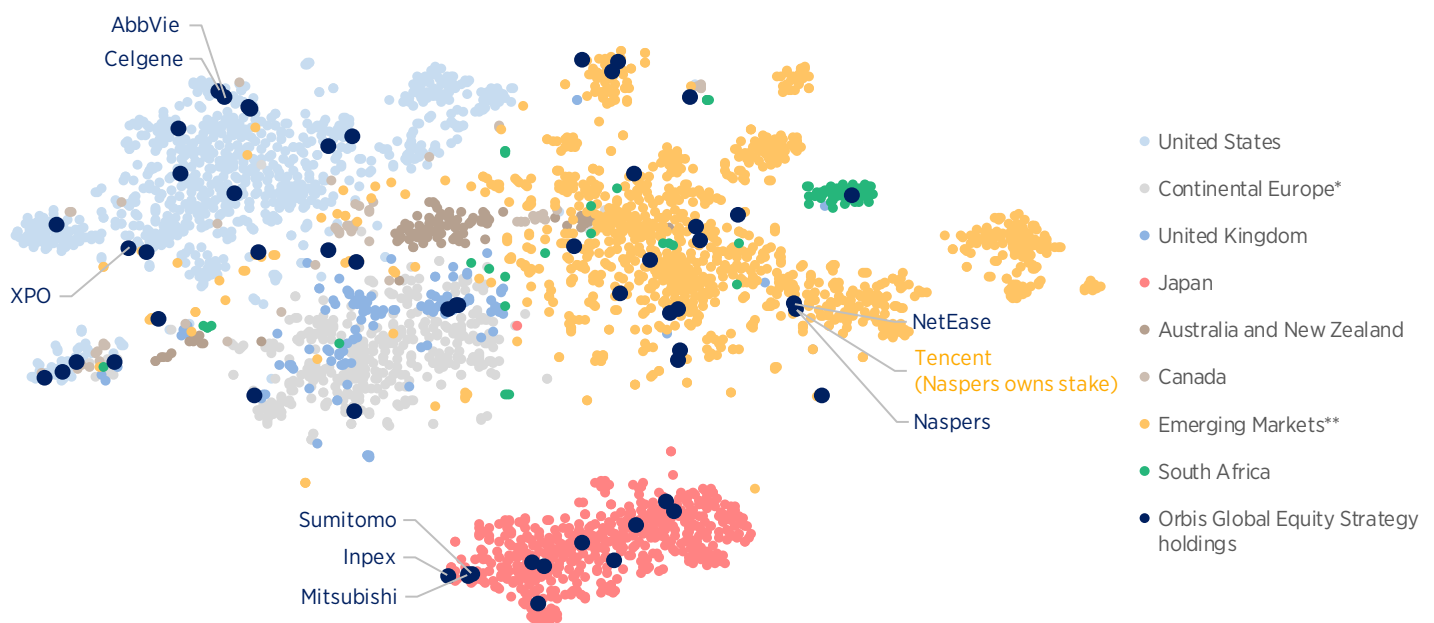
You can see this clustering in the shares we mentioned last month. Although Naspers is listed in South Africa, most of its value comes from Chinese internet company Tencent Holdings, and that is reflected in how its share price moves—the two stocks, along with NetEase, behave very similarly. While a top-down investor might treat these as simply “emerging market stocks”, the map shows that many EM stocks behave nothing like our favoured tech names.

In Japan, our selected value shares likewise move together, and differently from other shares in Japan and globally. And in the US, our favoured biopharmaceuticals AbbVie and Celgene are next-door neighbours, but their behaviour is quite distinct from that of XPO Logistics.

This quantitative perspective shows us that the portfolio is not taking one big bet. It is taking many smaller bets—attractive individual stocks, some in clusters, that have emerged from our rigorous fundamental research. These shares don’t all move in unison, which is good. Yet they do have one thing in common: in our view, every one of them offers an attractive discount to its intrinsic value.

The behaviour map: using machine learning to visualise relationships between stocks

Map of global equities with >\$5bn in market capitalisation, using five years of weekly price data to Feb 2019



This map looks at the relationship between the price movement of each stock against every other stock, then creates a two-dimensional visualisation. Each dot represents a stock. A stock’s absolute location (whether it is high or low, or on the right or left) is not meaningful. Only a stock’s *distance from other stocks* is meaningful. If two stocks are close together, their prices move together, and if two stocks are far apart, their prices move less similarly. Source: Orbis. *Developed countries. **Excluding South Africa. Emerging and developed countries categorised using MSCI definitions.

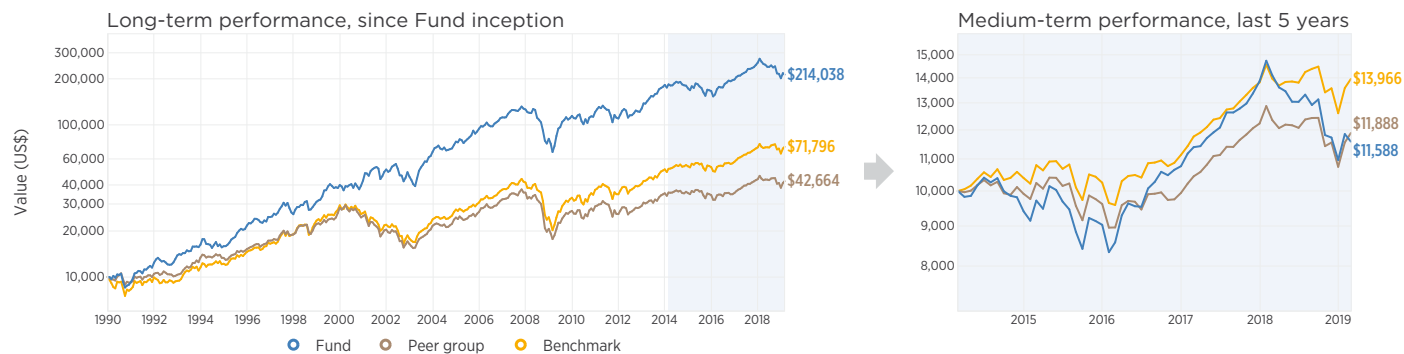
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Orbis Global Equity Fund

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\$213.90	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\$6.1 billion	Entry/exit fees	None
Fund inception	1 January 1990	ISIN	BMG6766G1087
Strategy size	US\$21.4 billion		
Strategy inception	1 January 1990		

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



Returns (%)

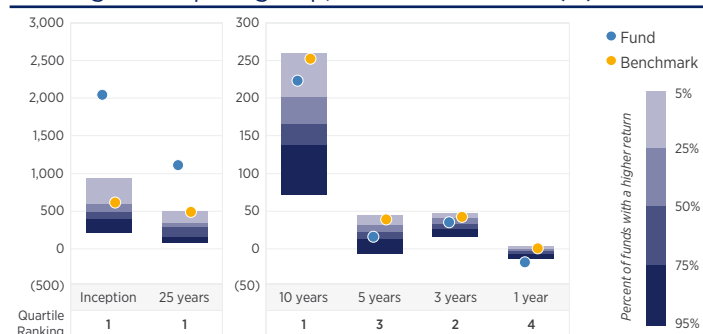
	Fund	Peer group	Benchmark
Annualised	<i>Net</i>		<i>Gross</i>
Since Fund inception	11.1	5.1	7.0
25 years	10.5	4.6	7.4
10 years	12.4	9.2	13.5
5 years	3.0	3.5	6.9
3 years	10.5	9.8	13.4
1 year	(17.9)	(3.8)	(0.1)
Not annualised			
3 months	(1.2)	2.9	2.8
Calendar year to date	5.6	10.6	10.8
1 month	(2.2)		2.7

	Year	%
Best performing calendar year since Fund inception	2003	45.7
Worst performing calendar year since Fund inception	2008	(35.9)

Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	50	53	54
Months to recovery	42	113	66
Annualised monthly volatility (%)	16.2	13.9	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 (%)



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.

Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
North America	38	46	60
Asia ex-Japan	23	11	6
Japan	14	9	9
Continental Europe	8	18	15
United Kingdom	6	6	6
Africa	5	5	1
Other	5	5	4
<i>Net Current Assets</i>	<i>1</i>	<i>0</i>	<i>0</i>
Total	100	100	100

Top 10 Holdings

	FTSE Sector	%
NetEase	Technology	7.7
AbbVie	Health Care	5.4
Celgene	Health Care	4.5
Naspers	Consumer Services	4.4
XPO Logistics	Industrials	4.4
Sberbank of Russia	Financials	3.5
Autohome	Technology	3.3
Vale	Basic Materials	3.2
Facebook	Technology	3.2
Anthem	Health Care	3.1
Total		42.7

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	73
Total number of holdings	59
12 month portfolio turnover (%)	49
12 month name turnover (%)	39
Active share (%)	92

Fees & Expenses (%), for last 12 months

Management fee ¹	2.00
<i>For 3 year performance in line with benchmark</i>	<i>1.50</i>
<i>For 3 year outperformance/(underperformance) vs benchmark</i>	<i>0.50</i>
Fund expenses	0.05
Total Expense Ratio (TER)	2.04

See Notices for important information about this Fact Sheet.

¹1.5% 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	28,655,083
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 and before the deduction of withholding taxes.

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. 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, Orbis actively reviews the Fund’s currency exposure. In doing so, Orbis places particular focus on managing the Fund’s exposure to those currencies considered less likely to hold their long-term value. 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 capital appreciation.

Since inception, 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)

In addition to the fees payable to its Investment Manager, 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 November 2018	%	28 February 2019	%
NetEase	7.6	NetEase	7.7
AbbVie	6.1	AbbVie	5.4
XPO Logistics	5.8	Celgene	4.5
Celgene	4.2	Naspers	4.4
Naspers	3.7	XPO Logistics	4.4
Vale	3.5	Sberbank of Russia	3.5
Anthem	3.3	Autohome	3.3
Sberbank of Russia	3.0	Vale	3.2
Arconic	2.9	Facebook	3.2
Autohome	2.8	Anthem	3.1
Total	42.9	Total	42.7

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.

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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.

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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.

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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.

Fees and Charges

The management fees associated with the Funds vary depending upon the share class an investor purchases. Not all share classes are offered by each Fund, and the eligibility criteria for different share classes and/or different Funds vary. Each Orbis Fund's Prospectus (available on www.orbis.com) describes the management fees, share classes and eligibility criteria of that Fund.

A schedule of fees and charges and maximum commissions is available on request from the appropriate Manager.

Fund Information

Orbis SICAV Funds: The ongoing charges include a fixed annual 1.5% management fee and other Fund expenses but exclude performance fees and portfolio transaction costs. The total management fee consists of the fixed management fee and the variable performance fee.

Orbis Optimal Funds: Total Rate of Return for Bank Deposits is the compound total return for one-month interbank deposits in the specified currency. Beta Adjusted Exposure is calculated as Equity Exposure multiplied by a Beta determined using Blume's technique, minus Portfolio Hedging.

Prior to 1 July 1998 Orbis Optimal (US\$) was managed with a currency benchmark of 40% US dollars, 40% European currency units and 20% Japanese yen. On 1 July 1998 this was changed to 100% US dollars and the euro denominated Fund was launched.

Sources

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