

Orbis Global Equity

Contrarian investing is a strange profession. When things are going well, you can look like a magician—earning extraordinary returns while others flounder. At other times, you can follow precisely the same process and look hopelessly out of touch. We have spent an embarrassingly large amount of time in the latter camp of late. Over the past 12 months, only 30% of the Global Strategy’s capital has been deployed in shares that have outperformed our benchmark and—worse yet—our average losing share has contributed more in losses than the average winner has gained. Our only magic trick during this period has been an uncanny ability to turn gold into lead.

In truth there is very little alchemy to our approach, in either the positive or negative direction. The fluctuations in relative performance mask what is ultimately a rather solitary endeavour: studying financial statements and waiting patiently to purchase shares of good businesses at a discount. The challenge at times like this, as expressed so eloquently by Rudyard Kipling in his most famous poem, is to *“meet with triumph and disaster, and treat those two impostors just the same”*.

Markets tend to do the opposite. Share prices, driven as they are by fickle human emotions of greed and fear, are far more volatile than the fortunes of the real companies they represent. Exploiting these emotional extremes is what enables the contrarian investor—with a focus on intrinsic value and a willingness to be different—to earn superior long-term returns.

Unfortunately, we don’t get all our investment decisions right. To be sure, our recent miscues have been costly, all the more so because they have come at a time when our value-oriented investment style has been out of favour. We recognise that we have tested your patience and lost the authority simply to say “trust us”. But if you can allow us a bit of enthusiasm, we believe the value inherent in the portfolio increasingly tells a genuinely exciting story.

Our definition of a bargain lies in the “sweet spot” between price and quality—an above-average company trading at a discount price. In the market environment of the last few years—characterised by insatiable appetite for perceived “safety”—we have found such opportunities to be rare. Instead, the above-average companies have been expensive, while many of the discounted ones have been cheap for good reason.

Encouragingly, the stocks held in Orbis Global today are significantly cheaper than the World Index on several measures of valuation, such as price-to-book-value and price-to-normalised-earnings. What’s more, they are fundamentally better businesses, as demonstrated by historically higher profitability (return on equity) and faster growth rates in revenue and net asset value.

Orbis Global is even more attractive compared to the broader market

Valuation metrics and fundamentals for Orbis Global and the FTSE World Index

	Orbis Global Equity	FTSE World Index
Price-to-book	2.4x	3.3x
Price-to-earnings (normalised)*†	15x	26x
Average return on equity**	17%	15%
Average revenue growth***	9%	6%
Average net asset value growth**	12%	8%

Source: Worldscope, Orbis. In each case, numbers are calculated first at the stock level and then aggregated using a weighted median. *Earnings are normalised by multiplying each company’s trailing revenue-to-price multiple by its median 10 year net profit margin. **Last 10 years. †For non-financial companies.

To put this in more concrete terms, let’s take Honda Motor as an example. As one of the world’s best-managed car companies, it needs little introduction. At current prices, Honda’s valuation is trading below levels last seen during the global financial crisis. But what about self-driving cars? What about the trade war? What about ride-sharing and electric cars? What about...? While all these risks facing Honda are pertinent, our assessment

Orbis Global Equity (*continued*)

is that they may ultimately prove to be overblown over our investment horizon. Instead of seeking to predict the future with certainty, our approach is to assess the full range of possible outcomes, and to compare that with the expectations embedded in Honda's current share price.

The results are illuminating. At only 0.7 times tangible book value, Honda's shares are trading at less than half their long-term historical average rating, and are embedding a significant destruction of value that we believe is wholly inconsistent with the company's four-decade history of consistent profitability. It is true to say that the transition to electrified vehicles will be a challenge for all car makers, but it's sobering to recall that—even some 15 years after Elon Musk founded Tesla—electric cars still only made up 2 out of every 100 cars sold globally last year. As for all the hype around ride-sharing, it's easy to forget that the most common form of shared vehicles have been around for decades (we used to just call them “taxis”).

At \$45 billion, Honda's current market price seems to ignore its most attractive asset. Honda is the world's largest motorcycle manufacturer with a dominant (75%+) share in emerging markets such as Thailand, Vietnam, Indonesia and Brazil. It has consistently used its superior research and development capabilities to gain market share. Giving due credit for this gem of a business, one almost gets Honda's car manufacturing business (with its \$100 billion of revenues) for free. Such are the opportunities that become available when investors focus relentlessly on predictability.

Looking more broadly at the current portfolio, we see similar mispricings for many other high-quality businesses. For example, there are three China-related shares—NetEase, Naspers (Tencent), and Autohome—that stand out as highly profitable, cash-rich entrepreneurial businesses with above-average growth prospects. Together these comprise 18% of the total portfolio and more than half of Global's emerging markets exposure, which at a third of the portfolio is near an all-time high.

Clients have often asked how we get comfortable with this positioning, particularly amid a raging trade war and protests in the streets of Hong Kong. Our answer is that being “comfortable” isn't our goal—delivering superior risk-adjusted returns is—and the two things don't always go together.

Investing outside developed markets is nothing new for us. We are well aware of the enhanced political, economic, and governance risks; accordingly we put significant emphasis on those considerations when researching shares in emerging markets. For example, we have hedged out the vast majority of our underlying exposure to the Chinese currency. But we're also cognizant that the task at hand is not to “avoid” risk per se, but to handicap it appropriately and invest accordingly.

That's not to say all of our stock selections will turn out to be great investments. But it is fair to say that the individuals managing your capital—and our own—are feeling significantly more excited about the portfolio today than we have been for some time. We remain humbled by your persistence and determined to earn your trust and confidence.

Commentary contributed by Ben Preston, Orbis Portfolio Management (Europe) LLP, London

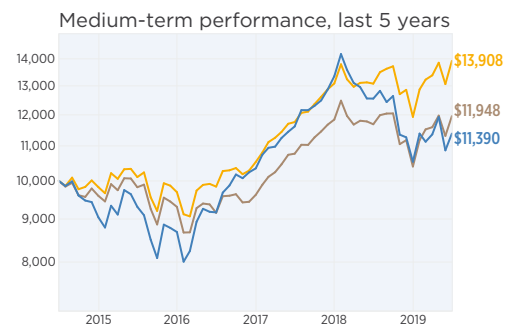
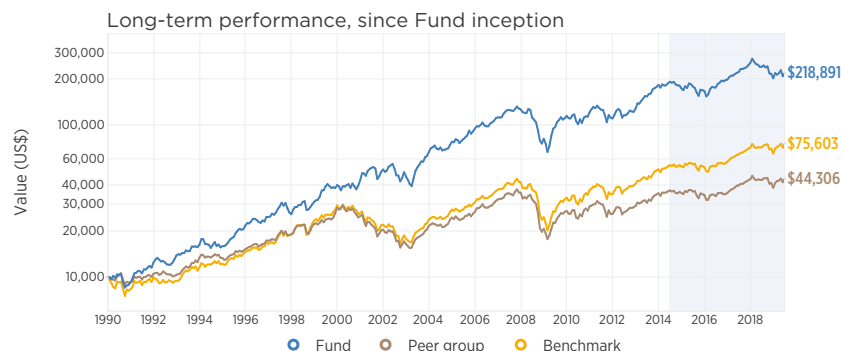
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Orbis Global Equity Fund

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\$218.75	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\$21.9 billion		
Strategy inception	1 January 1990		

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



Returns (%)

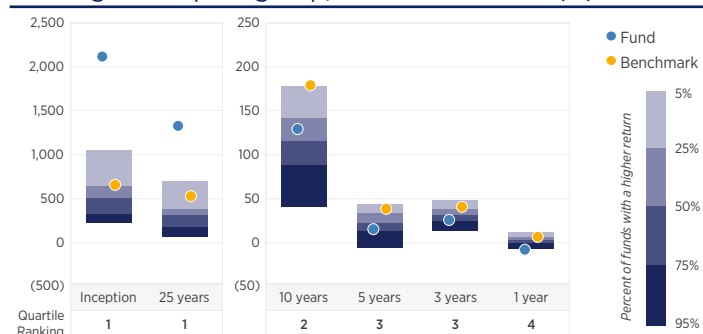
	Fund	Peer group	Benchmark
Annualised	<i>Net</i>		<i>Gross</i>
Since Fund inception	11.0	5.2	7.1
25 years	11.2	4.9	7.6
10 years	8.5	6.9	10.9
5 years	2.6	3.6	6.8
3 years	7.5	9.3	12.2
1 year	(9.2)	2.3	6.5
Not annualised			
Calendar year to date	8.0	14.8	16.6
3 months	0.2	3.1	4.0
1 month	4.7		6.6

	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 (%)



Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
North America	33	43	61
Asia ex-Japan	23	11	5
Japan	14	8	8
Continental Europe	10	20	15
United Kingdom	7	6	6
Africa	6	6	1
Other	5	5	4
<i>Net Current Assets</i>	2	0	0
Total	100	100	100

Top 10 Holdings

	FTSE Sector	%
NetEase	Technology	8.9
Naspers	Consumer Services	5.4
XPO Logistics	Industrials	5.2
AbbVie	Health Care	4.8
Sberbank of Russia	Financials	4.2
Celgene	Health Care	3.4
Autohome	Technology	3.4
Facebook	Technology	3.1
British American Tobacco	Consumer Goods	3.1
Sumitomo	Industrials	2.8
Total		44.3

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	75
Total number of holdings	54
12 month portfolio turnover (%)	39
12 month name turnover (%)	31
Active share (%)	92

Fees & Expenses (%), for last 12 months

Management fee ¹	1.71
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.21
Fund expenses	0.05
Total Expense Ratio (TER)	1.76

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	27,810,684
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

31 March 2019	%	30 June 2019	%
NetEase	8.4	NetEase	8.9
AbbVie	5.5	Naspers	5.4
Celgene	5.1	XPO Logistics	5.2
XPO Logistics	4.7	AbbVie	4.8
Naspers	4.7	Sberbank of Russia	4.2
Autohome	3.9	Celgene	3.4
Sberbank of Russia	3.6	Autohome	3.4
Imperial Brands	3.4	Facebook	3.1
Vale	3.3	British American Tobacco	3.1
Facebook	3.2	Sumitomo	2.8
Total	45.8	Total	44.3

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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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Notes to Help You Understand This Report

Certain capitalised terms are defined in the Glossary section of the Orbis Funds' respective Prospectuses, copies of which are available upon request from Allan Gray Unit Trust Management (RF) Proprietary Limited, a Member of the Association for Savings & Investments SA. 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 Funds' exposures accordingly. Totals presented in this Report may not sum due to rounding.

12 month portfolio turnover for the Orbis Equity and Multi-Asset Class Funds is calculated as the lesser of total security purchases or sales in the Fund over the period, divided by the average net asset value (NAV) of the Fund. Short-term fixed income instruments are not included.

12 month name turnover for the Orbis Equity and Multi-Asset Class Funds is calculated as the number of positions held by the Fund at the start of the period but no longer held at the end of the period, divided by the total number of positions held by the Fund at the start of the period. Short-term fixed income instruments are not included.

Active share is a measure of how actively managed the Orbis Equity Funds are. It is calculated by summing the absolute value of the differences of the weight of each individual stock in the specific Orbis Fund, versus the weight of each holding in the respective benchmark index, and dividing by two.

The total expense ratio has been calculated using the expenses, excluding trading costs, and average net assets for the 12 month period ending 30 June 2019.