

Our Thinking

Good behaviour is overrated

Our investment philosophy is simple: we aim to make money when underpriced assets get less cheap. Unfortunately, markets don't always work that way. Sometimes underpriced assets get cheaper, while overpriced assets get even more expensive.

Recently, we have seen more of the latter. A year ago, US stocks were about 30% more expensive than those in other markets on a price-earnings basis, and low-volatility and momentum shares traded at 30% and 60% premiums, respectively, to value shares globally. We researched multiple companies in those areas, but found few that appeared to trade at attractive valuations. Accordingly, our Global Equity Strategy was underweight momentum and low-volatility shares.

Today, US stocks remain roughly 30% richer than those elsewhere, low-volatility shares are now 60% more expensive than value stocks, and popular momentum shares trade at fully *double* the price-earnings multiple of beaten-up value stocks. As those trends have unfolded, being underweight the more expensive areas has hurt relative returns. But it doesn't for one second make us think we should sell cheap stocks that have gotten cheaper to buy expensive stocks that have gotten more expensive. Today, the Strategy's exposure to these expensive areas is even lower than it was a year ago.

It's worth spelling out why that is. The following sections provide a contrarian, fundamental perspective on two types of well-behaved shares: momentum stocks and low-volatility stocks.

Momentum shares: expectations and reality

On July 17th, something odd happened in the stockmarket. Netflix released its quarterly results, reporting that revenue had grown by a whopping 26% year-on-year. That is equivalent to doubling revenues every three years, and it puts Netflix squarely among the fastest-growing 10% of companies globally. But stranger things have happened than Netflix growing quickly. The odd thing was what happened next. Almost immediately, the company's stock fell more than 10%. Why did the market punish stellar growth?

Stock prices are driven by the relationship between expectations and reality. In the case of Netflix, investors had high expectations, and that optimism drove them to buy up the company's stock. Before its results, Netflix shares were up 38% year-to-date, and traded at over 130 times earnings. Investors weren't just looking for good growth in the present, but also for signs that growth could continue for years in the future. One of those signs flashed yellow: for the first time in eight years, Netflix lost subscribers in the US. This led investors to adjust their expectations, and they responded by punishing the stock.

At a high enough price, even a fast-growing company can be a poor investment, and the higher a company's

valuation, the greater the optimism of its shareholders. That optimism is risky. Excessive optimism makes it difficult for fundamentals to beat expectations, while allowing plenty of room for results to disappoint.

As contrarian investors, we look for exactly the opposite—companies where expectations are excessively pessimistic. Today, we see excessive pessimism in the near-record low valuations of automotive businesses BMW and Honda. Investors appear to be ignoring durable strengths for each company—BMW's premium brand, and Honda's world-leading motorcycle business.

Low-volatility shares: think like a business owner

Imagine that you and a few partners own a private business. Over the last five years, your company's sales haven't grown. In fact they've shrunk, by 2% per year, but by cutting costs (and with some help from lower taxes) you've been able to grow earnings by 3% per year. Dividends for you and your partners have risen by a higher 9% per year, but only because you're paying out more of your profits. And to support these results for the partners, you've had to continually increase your borrowing—the company's net debt has grown by 14% per year.

Looking at those five-year trends, consider how you would feel about the state of your business. Would you regard it as thriving? Or a bit stretched? Would you be willing to pay a high price to buy a bigger stake?

The numbers in the paragraph above are for the S&P 500 Low Volatility Index, and over the past five years, US low-volatility shares have enjoyed good returns and buoyant investor sentiment. A year ago, they traded at a 45% premium to stocks outside the US, and to value shares globally. Today, at 24 times earnings, they are even more expensive in relative terms.

To us, that just doesn't make sense. From a business owner's perspective, we would see little cause for excitement for a company with no sales growth, meagre earnings growth, and rapidly growing debt levels. The quality of the business may be deteriorating, and warrant a lower valuation than it did in the past. We much prefer the undemanding valuation and strong fundamental prospects of Chinese internet company NetEase. NetEase may have a more jittery share price than a stock like Procter and Gamble, but we believe it offers much more attractive return potential and carries a lower risk of being overpriced.

Lately it has been uncomfortable to own unpopular companies rather than popular and well-behaved shares. That divergence has stretched relative valuations, and today the shares in the Global Equity portfolio trade at a bigger discount to the market than they did 12 months ago. We can never know when markets will turn, but we remain confident that fundamentals will win out over the long term. In today's environment, good behaviour is overrated.

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.

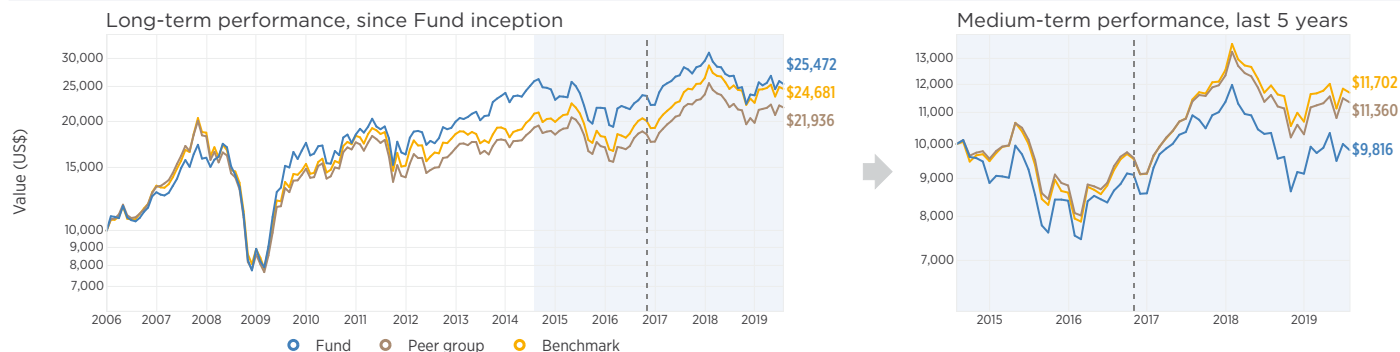
Orbis SICAV Emerging Markets Equity Fund

The Fund seeks higher returns than the average of the equity markets of the world's emerging market countries, without greater risk of loss. The benchmark is the MSCI Emerging Markets Index, including income, net of withholding taxes ("MSCI Emerging Markets Index"). Currency exposure is managed relative to that of the MSCI Emerging Markets Index.

Price	US\$24.05	Benchmark	MSCI Emerging Markets Index
Pricing currency	US dollars	Peer group	Average Global Emerging Markets Equity Fund Index
Domicile	Luxembourg	Minimum investment	US\$50,000
Type	SICAV	Dealing	Weekly (<i>Thursdays</i>)
Share class	Investor Share Class	Entry/exit fees	None
Fund size	US\$3.0 billion	UCITS compliant	Yes
Fund inception	1 January 2006	ISIN	LU0241795839
Strategy size	US\$3.1 billion		
Strategy inception	1 January 2016		

On 1 November 2016, the Fund broadened its investment strategy from Asia ex-Japan equities to Emerging Market equities. To reflect this, the Fund changed its name from the Orbis SICAV Asia ex-Japan Equity Fund to the Orbis SICAV Emerging Markets Equity Fund, its benchmark from the MSCI All Country Asia ex Japan (Net) (US\$) Index to the MSCI Emerging Markets Index and its peer group from the Average Asia ex-Japan Equity Fund Index to the Average Global Emerging Markets Equity Fund Index. Data for the period before 1 November 2016 relates to the Fund, and applicable benchmark and peer group, prior to the change in strategy. The performance achieved during this period was in circumstances that no longer apply. Please refer to the prospectus for further details.

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



Returns¹ (%)

	Fund	Peer group	Benchmark
Annualised		<i>Net</i>	<i>Gross</i>
Since Fund inception	7.1	6.0	6.9
10 years	5.4	5.3	6.1
5 years	(0.4)	2.6	3.2
3 years	4.2	6.7	8.2
1 year	(5.1)	(2.2)	(2.2)
Not annualised			
Calendar year to date	7.5	10.3	9.2
3 months	(5.1)	(1.8)	(2.7)
1 month	(1.8)		(1.2)
		Year	%
Best performing calendar year since Fund inception		2009	96.4
Worst performing calendar year since Fund inception		2008	(44.0)

Risk Measures¹, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	55	62	62
Months to recovery	20	90	81
Annualised monthly volatility (%)	22.0	20.2	20.8
Beta vs benchmark	1.0	1.0	1.0
Tracking error vs benchmark (%)	7.6	2.6	0.0

Fees & Expenses¹ (%), for last 12 months

Management fee ²	1.13
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	(0.37)
Fund expenses	0.12
Total Expense Ratio (TER)	1.25

Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
China/Hong Kong	26	27	32
Europe & Middle East	17	17	10
Korea	13	13	12
Africa	13	13	6
Rest of Asia	11	11	8
Taiwan	8	8	11
India	1	1	9
Latin America	1	1	13
Other	5	9	0
Net Current Assets	4	0	0
Total	100	100	100

Top 10 Holdings

	MSCI Sector	%
Naspers	Consumer Discretionary	10.3
NetEase	Communication Services	9.9
British American Tobacco	Consumer Staples	8.0
Taiwan Semiconductor Mfg.	Information Technology	6.6
Newcrest Mining	Materials	5.2
Sberbank of Russia	Financials	5.0
Tencent Holdings	Communication Services	5.0
Korea Electric Power	Utilities	4.4
Kiwoom Securities	Financials	4.1
Jardine Matheson Holdings	Industrials	3.9
Total		62.5

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	92
Total number of holdings	31
12 month portfolio turnover (%)	41
12 month name turnover (%)	18
Active share (%)	84

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 Orbis SICAV Asia ex-Japan Equity Fund and its corresponding benchmark and peer group data used for the period prior to 1 November 2016.

² 1.5% per annum ± up to 1%, based on 3 year rolling outperformance/(underperformance) vs benchmark.

Orbis SICAV Emerging Markets 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.

Manager	Orbis Investment Management (Luxembourg) S.A.
Investment Manager	Orbis Investment Management Limited
Inception date	1 January 2006
Number of shares (Investor Share Class)	33,951,157
Income distributions during the last 12 months	None

Fund Objective and Benchmark

The Fund seeks higher returns than the average of the equity stock markets of the world's emerging market countries, without greater risk of loss. The MSCI Emerging Markets Index, including income net of withholding taxes, is the Fund's benchmark (the "MSCI Emerging Markets Index").

How We Aim to Achieve the Fund's Objective/Adherence to Objective

The Fund is actively managed and is designed to remain continuously invested in, and exposed to all the risks and rewards of, selected Emerging Market equities. The Fund expects to be not less than 90% invested in Emerging Market equity and equity-linked investments. The Fund identifies Emerging Market equity and equity-linked investments as those investments that are issued by a corporate body or other entity domiciled or primarily located in a country represented in the MSCI Emerging Markets Index or the MSCI Frontier Markets Index (together, "Emerging Markets"), traded or listed on an exchange in an Emerging Market or issued by a corporate body or other entity whose business is significantly linked to Emerging Markets. 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, the Investment Manager actively reviews the Fund's currency exposure, focusing, in particular, on managing the Fund's exposure to those currencies considered less likely to hold their long-term value.

The Fund does not seek to mirror the MSCI Emerging Markets Index and may 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 aimed at investors who are seeking a portfolio the objective of which is to be invested in, and exposed to, Emerging Market securities.
- 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's various share classes bear different management fees. The fees are designed to align the Manager's and Investment Manager's interests with those of investors in the Fund. With respect to the Fund's Investor Share Class, the fee is structured as follows: a fee is charged based on the net asset value of the class. The fee rate is calculated weekly by comparing the class' performance over three years against the MSCI All Country Asia ex Japan (Net) (US\$) Index prior to 1 November 2016 and against the MSCI Emerging Markets Index thereafter. For each percentage point of three year performance above or below that performance, 0.04 percentage points are added to or deducted from 1.5%, subject to the following limits:

- Maximum fee: 2.5% per annum
- Minimum fee: 0.5% per annum

For a description of the management fee borne by the Fund's other share classes, please refer to the Fund's Prospectus.

Fees, Expenses and Total Expense Ratio (TER)

The relevant class within the Fund bears all expenses payable by such class, which shall include but not be limited to fees payable to its Manager, Investment Manager and additional service providers, fees and expenses involved in registering and maintaining governmental registrations, taxes, duties and all other operating expenses, including the cost of buying and selling assets.

Where an investor subscribes or redeems an amount representing 5% or more of the net asset value of the Fund, the Manager may cause the Fund to levy a fee of 0.75% of the net asset value of the Fund 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 class 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 2019	%	31 July 2019	%
NetEase	10.4	Naspers	10.3
Naspers	10.0	NetEase	9.9
British American Tobacco	6.8	British American Tobacco	8.0
Taiwan Semiconductor Mfg.	6.7	Taiwan Semiconductor Mfg.	6.6
Tencent Holdings	6.5	Newcrest Mining	5.2
Sberbank of Russia	4.9	Sberbank of Russia	5.0
Jardine Matheson Holdings	4.5	Tencent Holdings	5.0
Kiwoom Securities	4.4	Korea Electric Power	4.4
Korea Electric Power	4.3	Kiwoom Securities	4.1
Newcrest Mining	3.4	Jardine Matheson Holdings	3.9
Total	61.8	Total	62.5

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 SICAV Emerging Markets 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 Depository is Citibank Europe plc, Luxembourg Branch, 31 Z.A. Bourmicht, L-8070 Bertrange, Luxembourg. 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 by share class, normally as of 5:30 pm (Bermuda time) (i) in the case of the Investor Share class, each Thursday (or, if a Thursday is not a business day, the preceding business day), (ii) in the case of the Refundable Reserve Fee Share Classes, the first Thursday of each calendar month and any other Thursday on which an investor transacts in such class (or, if a Thursday is not a business day, the preceding business day), (iii) on the last calendar day of each month (or, if that is not a weekday, the preceding weekday) and/or (iv) any other days in addition to (or substitution for) any of the days described in (i), (ii) or (iii), as determined by the 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 Fund that is 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 Investor Share Class 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. Neither the Manager nor the Investment Manager provides any 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

MSCI: The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).

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