

## Our Thinking

### A new look

As you may have noticed, we recently introduced a fresh new look for the Orbis logo and our client materials. Everything else at Orbis—our investment approach, our business operations and our commitment to client service—remains the same. We hope that you will enjoy our new look as well as the video content and other improved features on our website at [www.orbis.com](http://www.orbis.com)

### Volatility returns

After an unusually upbeat January, the mood changed earlier this month with a significant uptick in volatility and a sharp sell-off in global equities. Yet an investor in the MSCI World Index in US dollars who fell asleep on New Years' and just woke up would see that their investment is slightly up. As we noted in last month's commentary, doing nothing is often a very sensible strategy for clients to take when faced with overwhelming short-term noise.

At those times, it's our job as stockpickers to remain focused on the things we can control. This means continually assessing and evaluating both the merits of current portfolio holdings as well as new ideas. In doing so, we think like business owners and ask ourselves how much we would pay to buy the whole company based on its fundamentals. This "bottom up" lens helps us stay focused on the long term and avoid emotional pitfalls. More importantly, we think it also produces greater potential to add value when compared to a simplistic top-down decision to be "in or out" of a particular stockmarket.

### Hay in the needlestack

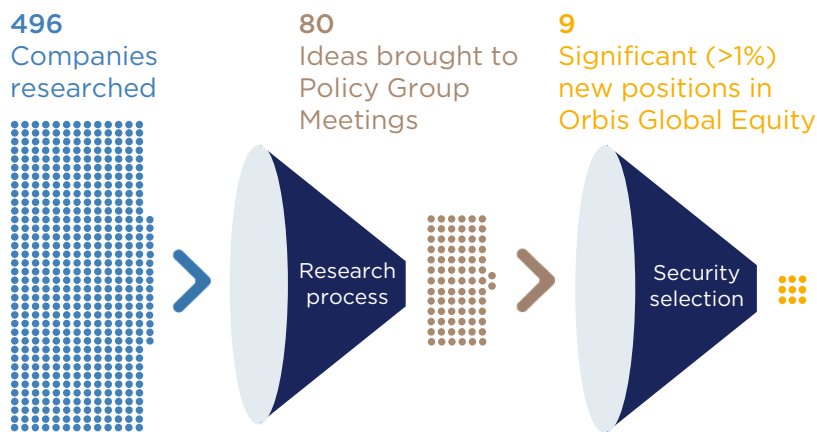
The US provides a timely illustration. According to our proprietary quantitative valuation models, investors can expect a virtually flat overall return on US stocks over the next four to five years if the future fundamentals resemble the past. So how do we get comfortable with investing about half of the Orbis Global Equity Strategy in the US? The short answer is that the US is a big place and we only need a few good ideas. A longer answer is that future fundamentals don't always resemble the past, and we believe there is tremendous opportunity to add value with superior analysis of individual companies.

To put some numbers on it, there are about 2,750 stocks in our global investible universe with a market capitalisation of US\$5 billion or more. That's a lot to choose from, and even an expensive market environment is bound to have its share of bargains. So the key point for clients is that even in today's

environment we have no shortage of ideas and can afford to eliminate all but the most compelling ones. In the US, we have found about 25 holdings (out of the roughly 800 >\$5bn stocks) that we believe offer compelling return prospects on a risk-adjusted basis.

From a global perspective, we analysed a total of 496 companies in 2017. Our research process has three distinct phases and seeks to eliminate the weakest ideas at each step. A total of 80 companies passed through this three-stage filter and were vigorously debated by our investment team. Only 9 stocks—less than 2% of those entering the process—went on to become significant positions in the Orbis Global Equity Strategy.

#### Filtering ideas



Source: Orbis. Data is for calendar year ended 31 December 2017.

Importantly, we searched for ideas across all areas of the market including those that we generally consider unattractive. In past commentaries, we have often mentioned that traditional "defensive" sectors—Consumer Staples, Health Care and Utilities—appear expensive, and this is confirmed by our bottom-up research. We researched 101 such stocks in 2017 and only bought one new position: Bristol-Myers Squibb in the US. We also struggled to find new positions in the banking sector. We researched 36 banks and got serious about four of them, but ultimately didn't take meaningful positions in any because none compared favourably to our existing holdings.

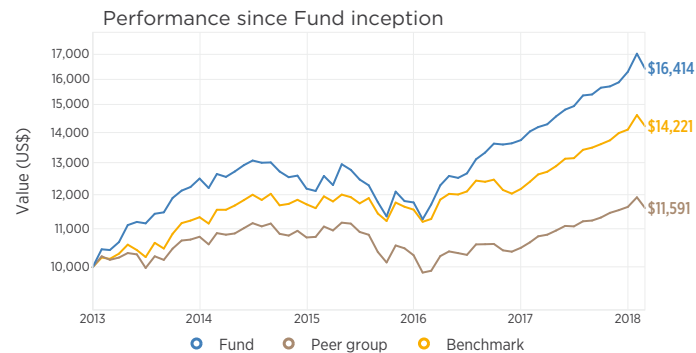
What looked attractive? Newly established positions range from companies that make shoes (NIKE) to airplane parts (Arconic) and have little in common apart from trading at discounts to our estimate of their intrinsic value. Not all of them will contribute to performance, and there is no doubt that we have missed some stocks that will go on to become big winners, but overall we are confident that disciplined application of our investment process will continue to produce plenty of strong ideas regardless of short-term developments.

*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 Global Balanced Fund

The Fund seeks to balance appreciation of capital, income generation and risk of loss with a diversified global portfolio of equity, fixed income and commodity-linked instruments. It aims to earn higher long-term returns than its benchmark, which is comprised of 60% MSCI World Index with net dividends reinvested and 40% JP Morgan Global Government Bond Index ("60/40 Index"), each in US dollars.

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



### Returns (%)

	Fund	Peer group	Benchmark
<b>Annualised</b>			
	<i>Net</i>		<i>Gross</i>
Since Fund inception	10.1	2.9	7.1
5 years	9.5	2.6	6.8
3 years	9.3	1.5	6.0
1 year	15.7	7.3	12.8
<b>Not annualised</b>			
3 months	3.4	0.5	1.7
Calendar year to date	0.7	(0.3)	0.8
1 month	(3.7)		(2.8)
		<b>Year</b>	<b>%</b>
Best performing calendar year since Fund inception		2013	24.8
Worst performing calendar year since Fund inception		2015	(3.4)

### Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	14	12	7
Months to recovery	25	27	22
Annualised monthly volatility (%)	8.4	6.2	6.7
Beta vs World Index	0.7	0.6	0.6
Tracking error vs benchmark (%)	4.4	2.1	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.

Price	US\$16.32	Benchmark	60/40 Index
Pricing currency	US dollars	Peer group	Average Global Balanced Fund Index
Domicile	Luxembourg	Minimum investment	US\$50,000
Type	SICAV	Dealing	Weekly (Thursdays)
Share class	Investor Share Class	Entry/exit fees	None
Fund size	US\$3.4 billion	UCITS compliant	Yes
Fund inception	1 January 2013	ISIN	LU0891391392
Strategy size	US\$3.5 billion		
Strategy inception	1 January 2013		

### Asset Allocation (%)

	North America	Europe	Asia ex-Japan	Japan	Other	Total
<b>Fund</b>						
Gross Equity	31	28	14	9	4	85
Net Equity	16	26	13	9	3	66
Gross Fixed Income	11	0	0	0	0	11
Net Fixed Income	10	0	0	0	0	10
Commodity-Linked						3
<b>Total</b>	<b>42</b>	<b>28</b>	<b>14</b>	<b>9</b>	<b>4</b>	<b>100</b>
<b>Benchmark</b>						
Equity	38	14	1	5	2	60
Fixed Income	16	15	0	8	1	40
<b>Total</b>	<b>54</b>	<b>29</b>	<b>1</b>	<b>14</b>	<b>2</b>	<b>100</b>

### Currency Allocation (%)

	Fund	Benchmark
US dollar	41	51
Euro	18	19
British pound	15	7
Japanese yen	13	14
Other	13	9
<b>Total</b>	<b>100</b>	<b>100</b>

### Top 10 Holdings

	Sector	%
AbbVie	Health Care	5.2
Bristol-Myers Squibb	Health Care	3.2
BP	Energy	3.2
SPDR Gold Trust	Commodity-Linked	3.1
XPO Logistics	Industrials	3.0
Royal Dutch Shell	Energy	3.0
Alphabet	Information Technology	2.5
Mitsubishi	Industrials	2.4
JD.com	Consumer Discretionary	2.3
Sprint Capital 8.75% 15 Mar 2032	Corporate Bond	2.3
<b>Total</b>		<b>30.2</b>

### Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	55
Total number of holdings	84
12 month portfolio turnover (%)	58
12 month name turnover (%)	46

### Fees & Expenses (%), for last 12 months

Management fee <sup>1</sup>	2.12
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.62
Fund expenses	0.12
<b>Total Expense Ratio (TER)</b>	<b>2.24</b>

### See Notices for important information about this Fact Sheet.

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

## Orbis SICAV Global Balanced Fund

This Fact Sheet is a Minimum Disclosure Document and a monthly General Investor Report as required by the South African Financial Services Board. Please note that all references to the "Investor Share Class" in this document exclude the "Institutional Investor Share Class" referred to in the Fund's Prospectus.

<b>Manager</b>	Orbis Investment Management (Luxembourg) S.A.
<b>Investment Manager</b>	Orbis Investment Management Limited
<b>Inception date</b>	1 January 2013
<b>Number of shares (Investor Share Class)</b>	22,452,674
<b>Income distributions during the last 12 months</b>	None

### Fund Objective and Benchmark

The Fund seeks to balance appreciation of capital, income generation and risk of loss with a diversified global portfolio. It aims for higher long-term returns than its designated combined equity and bond performance benchmark, which is comprised of 60% MSCI World Index with net dividends reinvested and 40% JP Morgan Global Government Bond Index, each expressed in US\$ (the "60/40 Index").

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

The Fund is actively managed and invests in equities, fixed income instruments and commodity-linked instruments. Fund weightings among the different asset classes are determined based on their income, appreciation and risk of loss potential, with appropriate diversification. The Investment Manager may cause the Fund to be under or over the targets described in the remainder of this section when it considers this to be in the Fund's best interest.

**Equities.** The Investment Manager targets the Fund to hold 40-90% of its net asset value in a pool of global equities. The Fund invests in shares considered to offer fundamental value and dividend paying potential that is superior to its benchmark. 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 the main risk of investing in equities is that their prices will decline if relevant stockmarkets fall significantly. To reduce this risk, when Orbis' research suggests that stockmarkets are overvalued and vulnerable, the Investment Manager will reduce exposure to, or hedge, stockmarket risk. When Orbis' research suggests that stockmarkets represent good value, the Investment Manager will increase exposure to stockmarket risk by decreasing the amount of any hedging. The Fund may utilise exchange-traded derivatives for investment efficiency purposes by helping the Fund to be continuously fully exposed to equities (within the Investment Manager's targets) at all times. Furthermore, the Fund may buy and sell exchange-traded equity options for investment efficiency purposes, but only to the extent the Fund is capable of meeting its payment or delivery obligations related to such options, for example, by holding the underlying security.

**Fixed Income Instruments.** The Investment Manager targets the Fund to hold 10-50% of its net asset value in fixed income instruments issued by corporate bodies, governments and other entities. These are selected to provide current income, liquidity and portfolio diversification for the purpose of reducing risk of loss. When Orbis' research suggests that bond markets are overvalued and vulnerable, the Investment Manager will reduce exposure to, or hedge, bond market risk. When Orbis' research suggests that bond markets represent good value, the Investment Manager will increase exposure to bond market risk by decreasing the amount of that hedging. The Fund's fixed income selections in aggregate may differ significantly from the benchmark in duration and credit quality. In addition, the Fund may invest in money market instruments, cash and cash equivalents.

**Commodity-linked Instruments.** The Investment Manager targets the Fund to hold 0-10% of its net asset value in commodity-linked instruments, which may provide the Fund with indirect exposure to commodities. The Fund will gain exposure to commodities if the Investment Manager's investment research process identifies a commodity or class of commodities as being more attractive than overall equity and fixed income opportunities, taking into account any risk reduction benefits of diversification.

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.

Since inception and over the latest five 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. The Fund's holdings usually differ meaningfully from the 60/40 Index.

### Risk/Reward Profile

- The Investment Manager aims to contain the risk of monetary loss to a level that is below the risk of loss experienced by global equity funds but higher than that experienced by government bond funds and cash deposits over the long term. Investors should be aware that this expected reduction in risk of loss comes at the expense of long-term expected return.
- Investments in the Fund may suffer capital loss.
- Investors should understand that the Investment Manager generally assesses an investment's attractiveness over 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 60/40 Index. 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

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 services 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. However, the Manager and the Investment Manager have agreed that in the current calendar year, except for specified exclusions, operating expenses attributable to the Fund's Investor Share Class will be capped at 0.20%. Please refer to the Fund's Prospectus for a description of the fee cap applicable to its other share classes. Each cap will be automatically extended for further successive one year periods unless terminated by the Manager or the Investment Manager at least three months prior to the end of the then current term. The operating expenses that are capped are all expenses, excluding the Manager's and Investment Managers' fees described above under "Management Fee," the cost of buying and selling assets, interest and brokerage charges.

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 0.40% 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 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 November 2017	%	28 February 2018	%
AbbVie	5.1	AbbVie	5.2
BP	3.4	Bristol-Myers Squibb	3.2
Royal Dutch Shell	3.3	BP	3.2
SPDR Gold Trust	3.0	SPDR Gold Trust	3.1
Bristol-Myers Squibb	2.9	XPO Logistics	3.0
XPO Logistics	2.8	Royal Dutch Shell	3.0
Motorola Solutions	2.5	Alphabet	2.5
Sprint Capital 8.75% 15 Mar 2032	2.4	Mitsubishi	2.4
Samsung Electronics	1.9	JD.com	2.3
Wells Fargo & Company	1.9	Sprint Capital 8.75% 15 Mar 2032	2.3
<b>Total</b>	<b>29.1</b>	<b>Total</b>	<b>30.2</b>

**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 Investment Management Limited (licensed to conduct investment business by the Bermuda Monetary Authority)

# Orbis SICAV Global Balanced 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](mailto: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](mailto: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 and Institutional 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 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](http://www.allangray.co.za),
- from the Orbis website at [www.orbis.com](http://www.orbis.com),
- by e-mail, by registering with Orbis for this service at the Orbis website at [www.orbis.com](http://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.

Orbis Investment Management Limited, the Fund's Investment Manager, is licensed to conduct investment business by the Bermuda Monetary Authority.

## Fund Information

The benchmark is a composite index consisting of the MSCI World Index with net dividends reinvested (60%) and the JP Morgan Global Government Bond Index (40%).

Net Equity is Gross Equity minus stockmarket hedging. Fixed Income refers to fixed income instruments issued by corporate bodies, governments and other entities, such as bonds, money market instruments and cash and cash equivalents. Fixed Income regional allocation is based on the currency denomination of the instrument. Net Fixed Income is Gross Fixed Income minus bond market hedging.

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 Fund's exposures accordingly.

## 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](http://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

The 60/40 Index returns are calculated by Orbis using end of day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "as is" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilising any MSCI Data, models, analytics or other materials or information. JP Morgan Global Government Bond Index (the "GBI"): Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The GBI is used with permission. Copyright 2018, J.P. Morgan Chase & Co. All rights reserved. The 60/40 Index may not be copied, used, or distributed without prior written approval.

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