

## Our Thinking

### Volatility is back. To normal.

We're fond of saying that returns do not come in a straight line. But in 2017, they came close—markets traced an almost perfectly straight path upwards. So far, 2018 has been more choppy. While markets are flat year-to-date, volatility has returned.

We have been here before. In our 28-year history, we have seen several corrections, a few bear markets, and plenty of choppy periods. In every case, our response is the same. We focus on individual companies and try to assess the impact—if any—of recent events on their long-term fundamentals. What we are looking for is simple. In a selloff, two things can happen to a company: its price can change more than its prospects, or its prospects can change more than its price. The former situation is a buying opportunity, the latter a better time to sell.

As for 2018's selloff, there is no shortage of potential causes: concerns about rising inflation and bond yields, threats to global growth from escalating tariffs, wariness of high equity valuations, geopolitical risk from the Iran deal, acrophobia over debt levels, even the chance of more onerous regulation on technology firms. Whatever the causes, the World Index has seen a peak-to-trough drop of 9%, and volatility so far in 2018 is at triple the level of 2017.

### Volatility is a normal part of investing

The rise in volatility may feel scary, but the variation we've seen recently is par for the course. In other words, 2018 isn't weird—2017 was weird.

A look at the data bears this out. In 2018, the annualised weekly volatility of global stockmarkets has been 17%—close to the average of 16% since 1990. Yet it feels elevated because 2017 was so stable. Last year, volatility was just 6% globally, a record, and at a 50-year low in the US. (For context, *government bonds* have averaged 6% volatility since 1990.)

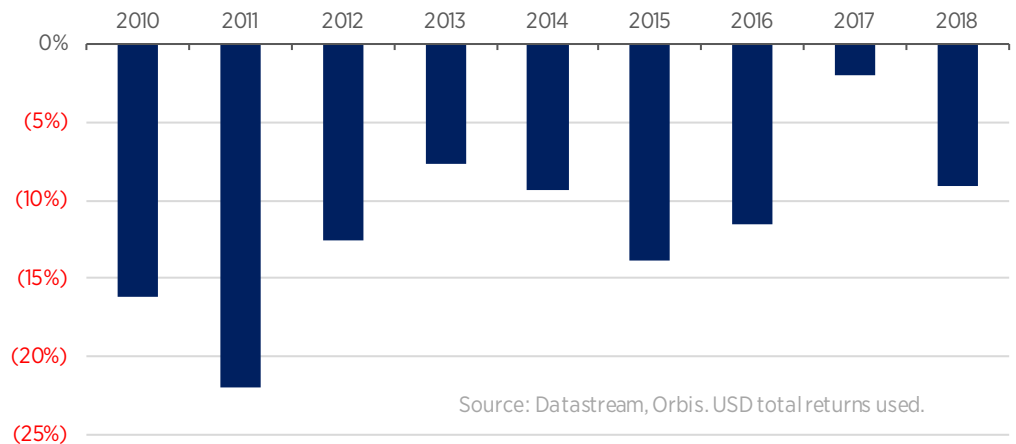
Similarly, the market decline from February through March has attracted lots of attention and spurred fears of a larger bear market. Yet corrections are normal, even in bull markets, and even in *this* bull market. The 9% drop we've experienced this year is typical for the post-financial-crisis period, as the chart shows.

Again, 2017 is the outlier—the worst peak-to-trough drawdown for the whole year was 2%. That is unheard of. As far as we can see, 2017 was one of the most stable years in *the history of stockmarkets*.

We would never expect such tranquillity to last. As we said in April 2016, tranquillity often creates the conditions for future turbulence.

### 2018 selloff: we saw worse in 2010, 2011, 2012, 2014, 2015, and 2016

Worst peak-to-trough drawdown in the MSCI World Index, by calendar year



Source: Datastream, Orbis. USD total returns used.

### Volatility can be useful for active stockpickers

Though it isn't fun, a bit of turbulence can be useful, because selloffs can create opportunities to build substantial positions at bargain prices. We have often done this in the past.

Mid-to-late 2011, for example, was a painful time for cyclical shares. Markets cratered over fears that Greece's debt would threaten the euro. Amid other bad news, the shares of one semiconductor manufacturer fell by over 50%. We took advantage of the volatility to buy Micron Technology shares at a very compelling valuation.

In late 2015 and early 2016, we again leaned into the selloff to build a position in XPO Logistics. As Matthew Adams discussed in last month's Global Equity commentary, it has taken time for the market to shake its pessimism on the stock, but late 2015 proved to be a good time to be adding. (Of course, the results are never certain—we were also buying shares of Qualcomm, which subsequently underperformed.)

This February and March were no different. As markets waned, we established some exciting new positions, and we added to NetEase, whose share price was pummelled. Time will tell if this was an attractive time to be buying or not.

### Some fear is healthy

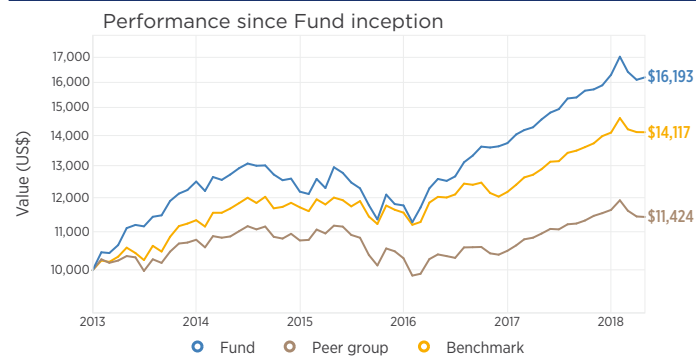
Although the recent volatility is not cause for panic, the risks facing markets are real. Markets could fall further, so we have no interest in being a hero. Yet we take some small comfort from the fear that has returned to the financial world. Markets climb a wall of worry, and over the past few months, that wall has added a few more bricks.

*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



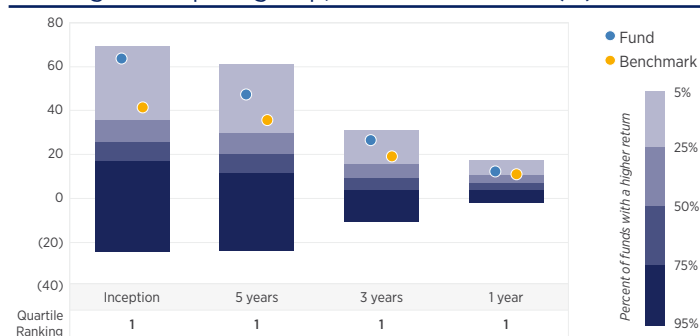
## Returns (%)

	Fund	Peer group	Benchmark
<b>Annualised</b>			
	<i>Net</i>		<i>Gross</i>
Since Fund inception	9.5	2.5	6.7
5 years	7.8	2.0	5.9
3 years	7.8	0.7	5.6
1 year	11.1	4.2	9.7
<b>Not annualised</b>			
Calendar year to date	(0.6)	(1.8)	0.1
3 months	(5.0)	(4.1)	(3.5)
1 month	0.6		0.0
		<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 (%)	8.3	6.2	6.6
Beta vs World Index	0.7	0.6	0.6
Tracking error vs benchmark (%)	4.3	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\$16.10	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\$3.8 billion	UCITS compliant	Yes
Fund inception	1 January 2013	ISIN	LU0891391392
Strategy size	US\$3.9 billion		
Strategy inception	1 January 2013		

## Asset Allocation (%)

	North America	Europe	Asia ex-Japan	Japan	Other	Total
<b>Fund</b>						
Gross Equity	29	23	12	9	4	77
Net Equity	15	20	11	8	3	57
Gross Fixed Income	19	0	0	0	0	20
Net Fixed Income	19	0	0	0	0	20
Commodity-Linked						3
<b>Total</b>	<b>48</b>	<b>24</b>	<b>12</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>13</b>	<b>2</b>	<b>100</b>

## Currency Allocation (%)

	Fund	Benchmark
US dollar	47	51
Euro	14	19
British pound	14	7
Japanese yen	13	13
Other	12	9
<b>Total</b>	<b>100</b>	<b>100</b>

## Top 10 Holdings

	Sector	%
AbbVie	Health Care	4.6
BP	Energy	4.0
Treasury Note 1.125% 28 Feb 2019	Government Bond	3.8
Royal Dutch Shell	Energy	3.5
SPDR Gold Trust	Commodity-Linked	3.3
Bristol-Myers Squibb	Health Care	3.1
XPO Logistics	Industrials	2.7
Mitsubishi	Industrials	2.2
Alphabet	Information Technology	2.1
Samsung Electronics	Information Technology	2.1
<b>Total</b>		<b>31.5</b>

## Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	56
Total number of holdings	85
12 month portfolio turnover (%)	62
12 month name turnover (%)	44

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

Management fee <sup>1</sup>	2.16
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.66
Fund expenses	0.12
<b>Total Expense Ratio (TER)</b>	<b>2.28</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>	24,188,992
<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

31 January 2018	%	30 April 2018	%
AbbVie	4.7	AbbVie	4.6
BP	3.3	BP	4.0
Royal Dutch Shell	3.2	Treasury Note 1125% 28 Feb 2019	3.8
SPDR Gold Trust	3.1	Royal Dutch Shell	3.5
Bristol-Myers Squibb	3.0	SPDR Gold Trust	3.3
XPO Logistics	2.8	Bristol-Myers Squibb	3.1
Alphabet	2.6	XPO Logistics	2.7
Sprint Capital 8.75% 15 Mar 2032	2.4	Mitsubishi	2.2
JD.com	2.3	Alphabet	2.1
Imperial Brands	2.2	Samsung Electronics	2.1
<b>Total</b>	<b>29.5</b>	<b>Total</b>	<b>31.5</b>

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# 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.

## Orbis SICAV Global Balanced Fund

### 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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