

## Our Thinking

The US is expensive, and emerging markets (EMs) are cheap. We've observed that before. But price alone isn't what matters. What matters is the relationship between what you're paying and what you're getting, and the US and EMs represent different baskets of businesses. The caricature is that the US is dominated by high-growth, high-return tech firms, while EMs are dominated by lumbering, low-return state enterprises. If one market is full of great companies and the other is full of junk, the former should command a richer price.

So what if we focus on just the tech firms? Or just the quality companies? Looking at trailing price-earnings multiples for MSCI Information Technology and Quality indices, the pattern is the same. The US is more expensive than EMs, and that valuation gap has been widening. As recently as 2016, tech and quality shares traded at similar valuations in both markets. Three years on, it's a different story. Today, EM quality shares trade at a 30% discount to their US peers, and for tech shares, the discount is 50%!

Given this valuation gap, it's no surprise that our bottom-up research has uncovered a higher number of attractive shares in emerging markets. And as that valuation gap has widened, we have added to the Orbis Funds' positions in our favoured EM shares.

In May, that positioning was painful for performance, due primarily to trade tensions between the US and China. If that sounds familiar, it's because we discussed similar risks last August. Then, we pointed out that the major EM holdings in the Funds, like NetEase, had limited fundamental exposure to a trade war. That view hasn't changed, but the headlines have.

In August, the US had tariffs on \$50bn of Chinese imports, and China had retaliated, with both countries threatening further levies. In September, the US imposed 10% tariffs on an additional \$200bn of Chinese imports, and China retaliated once more. In December, however, things seemed to thaw. The countries made progress on trade talks, and by April they seemed on the cusp of a deal.

Then, in early May, the US said it would raise tariffs from 10% to 25% on \$200bn of Chinese imports. Talks collapsed, and the countries spent the month exchanging barbs. Raising the stakes further, the US put Huawei, a Chinese network equipment and smartphone maker, on a blacklist that restricts the company's purchases of supplies or technology from the US. Following the announcement, Google announced it would stop updating Android for Huawei's phones, and other organisations similarly retreated from working with the company.

The market has responded to these headlines by punishing Chinese shares. In dollar terms, Chinese

shares accessible to international investors fell 14% in May, against a 6% drop for world markets. But as we wrote in August, not all Chinese businesses are equally vulnerable to a trade war.

Consider NetEase and Tencent. (Tencent is also relevant for Naspers, which has a large stake in the Chinese firm.) In May, NetEase shares fell 13%, and those of Tencent fell 16%.

From a business owner's perspective, that price reaction seems odd, because NetEase and Tencent are internet companies focused squarely on domestic customers. China makes up 97% of revenue for Tencent, and the overwhelming majority for NetEase. With their domestic focus, neither company should have direct exposure to tariffs.

We also think they are unlikely to be targeted by the US as Huawei was. Unlike Huawei, Tencent and NetEase don't export goods, they don't have complex international supply chains for manufacturing, and they don't really compete in the US.

The major trade-related exposure NetEase and Tencent do have is to the Chinese currency. Should it weaken, their Chinese profits would become less valuable to international investors like the Orbis Funds. To reduce this risk, we have hedged most of the Chinese currency exposure in Orbis Global, and all of it in Orbis Global Balanced.

While we believe the trade war should have little impact on the fundamentals of NetEase and Tencent, it could have a more direct effect on Taiwan Semiconductor Manufacturing (TSMC), which also lagged in May. TSMC makes computer chips for Huawei, and these account for about 10% of TSMC's sales. Having considered the US rules, TSMC has decided that it can continue to supply Huawei, but continued pressure could still hurt, so we need to consider the potential effects.

Here, we can take some comfort from TSMC's dominant industry position. It supplies Huawei, but it also supplies almost all of Huawei's competitors. Should Huawei lose market share, those other TSMC customers would likely gain, making up some of the lost orders. In an extreme (and, we think, unlikely) case where chip orders for Huawei smartphones go to zero, we estimate the net impact on TSMC would be a mid-single-digit percentage of revenue—negative, but manageable.

In NetEase, Tencent, and TSMC, we see highly profitable businesses with above-average growth prospects, yet in our view their valuations do not reflect their fundamental strength. We don't know when the market will focus on these companies' fundamentals again, but in the meantime, we will take advantage and wait.

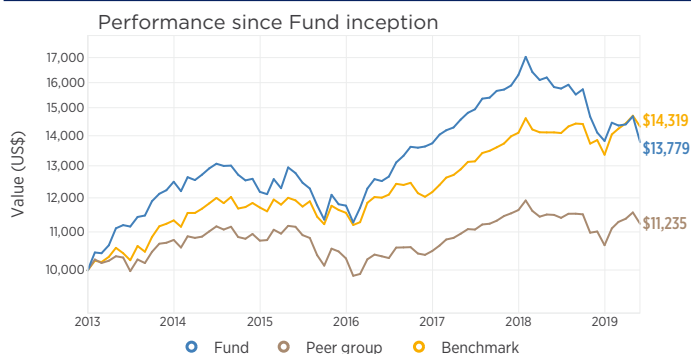
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*This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.*

# 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 (%)

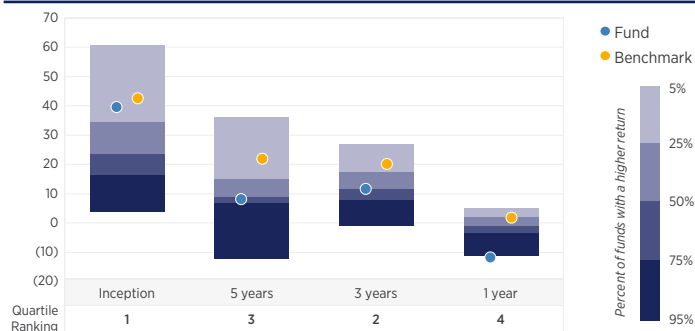
	Fund	Peer group	Benchmark
<b>Annualised</b>			
Since Fund inception	5.1	1.8	5.8
5 years	1.3	0.4	3.9
3 years	3.3	2.7	6.1
1 year	(12.8)	(2.2)	1.4
<b>Not annualised</b>			
Calendar year to date	(0.3)	5.5	7.2
3 months	(4.1)	(0.5)	0.5
1 month	(6.2)		(2.7)

	Year	%
Best performing calendar year since Fund inception	2013	24.8
Worst performing calendar year since Fund inception	2018	(15.2)

## Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	19	12	9
Months to recovery	>16 <sup>1</sup>	27	15
% recovered	0	100	100
Annualised monthly volatility (%)	9.2	6.5	7.0
Beta vs World Index	0.7	0.6	0.6
Tracking error vs benchmark (%)	5.1	2.0	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. See Notices for important information about this Fact Sheet.**

Price	US\$13.70	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\$3.9 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	22	28	16	7	5	77
Net Equity	9	23	14	7	4	57
Gross Fixed Income	16	0	0	0	0	17
Net Fixed Income	16	0	0	0	0	17
Commodity-Linked						5
Net Current Assets						1
<b>Total</b>	<b>38</b>	<b>28</b>	<b>17</b>	<b>7</b>	<b>5</b>	<b>100</b>
<b>Benchmark</b>						
Equity	40	13	1	5	2	60
Fixed Income	17	14	0	8	1	40
<b>Total</b>	<b>57</b>	<b>27</b>	<b>1</b>	<b>13</b>	<b>2</b>	<b>100</b>

## Currency Allocation (%)

	Fund	Benchmark
US dollar	41	54
British pound	17	6
Euro	14	17
Japanese yen	11	13
New Taiwan dollar	5	0
Other	12	9
<b>Total</b>	<b>100</b>	<b>100</b>

## Top 10 Holdings

	Sector	%
BP	Energy	5.0
SPDR Gold Trust	Commodity-Linked	4.9
Taiwan Semiconductor Mfg.	Information Technology	4.7
AbbVie	Health Care	4.6
NetEase	Communication Services	4.4
Celgene	Health Care	4.1
Royal Dutch Shell	Energy	3.7
Alphabet	Communication Services	2.5
Sprint Capital 8.75% 15 Mar 2032	Corporate Bond	2.5
British American Tobacco	Consumer Staples	2.4
<b>Total</b>		<b>38.8</b>

## Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	66
Total number of holdings	80
12 month portfolio turnover (%)	48
12 month name turnover (%)	42

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

Management fee <sup>2</sup>	1.88
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.38
Fund expenses	0.09
<b>Total Expense Ratio (TER)</b>	<b>1.97</b>

<sup>1</sup> Number of months since the start of the drawdown. This drawdown is not yet recovered.

<sup>2</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>	29,480,250
<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 of equities, fixed income instruments and commodity-linked instruments. 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" or "benchmark").

### 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 appreciation, income 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, including some which may provide exposure to real estate. 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 Investment Manager intends to limit the Fund's exposure to stockmarkets net of hedging to 75% of its net asset value. 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 Investment Manager intends to limit aggregate hedging of the Fund's stockmarket and bond market exposure to no more than 30% of its net asset value. The Fund's fixed income selections in aggregate may differ significantly from the benchmark in duration and credit quality and may include instruments of issuers that are under bankruptcy or similar judicial reorganisation, notably distressed debt. 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. In doing so, it places particular focus on managing the Fund's exposure to those currencies less likely to hold their long-term value.

The Investment Manager may cause the Fund to be under or over the asset allocation and hedging targets and limits described above where it considers this to be in the best interest of the Fund.

Since inception, the Fund (net of fees) has underperformed its benchmark. 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.
- While the Investment Manager expects the Fund's investment approach to result in volatility below that of a typical global equity fund, the Fund's net asset value will fluctuate, and the Fund will experience periods of volatility and negative returns; 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

28 February 2019	%	31 May 2019	%
BP	4.8	BP	5.0
SPDR Gold Trust	4.5	SPDR Gold Trust	4.9
AbbVie	4.4	Taiwan Semiconductor Mfg.	4.7
Taiwan Semiconductor Mfg.	4.4	AbbVie	4.6
Bristol-Myers Squibb	3.7	NetEase	4.4
NetEase	3.6	Celgene	4.1
Royal Dutch Shell	3.6	Royal Dutch Shell	3.7
Celgene	3.1	Alphabet	2.5
Samsung Electronics	2.5	Sprint Capital 8.75% 15 Mar 2032	2.5
Bayer	2.4	British American Tobacco	2.4
<b>Total</b>	<b>37.0</b>	<b>Total</b>	<b>38.8</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 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.

## 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.

## 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 2019, 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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