



Orbis Japan Equity

The first of January marks the Japan Strategy's 20th anniversary. 20 years ago, we launched the Strategy because we believed selected Japanese equities offered attractive long-term value at the prices available then. Since then, the Japanese stockmarket has been a notable laggard, returning only 3.8% per annum. But this poor performance does not suggest a dearth of investment opportunities—Japan is home to hundreds of investible companies. By purchasing just a few dozen at a time, the Orbis Japan Equity (Yen) Strategy has delivered a 9.3% p.a. return, after Investor Class fees, since its inception. That compares favourably to the returns of the Japanese market, and if measured in US dollars, the Strategy's 10.1% p.a. return also compares favourably to the 6.0% p.a. return of the MSCI World Index. Active management can make a real difference.

But focusing on the Strategy's full history masks important differences between bull and bear markets and between periods that favour "value" or "growth" shares. Looking at our performance in these environments, some patterns emerge.

When the overall market is rising, or when higher-priced "growth" shares are beating lower-priced "value" shares, we have tended to roughly keep pace with the market's return. These environments can be challenging for value-oriented investors like us, and our relative returns in such periods have been weaker.

On the other hand, our investment approach has historically worked well when the Japanese market is falling, or when value shares are outperforming. Such environments often puncture the irrational exuberance of investors in shares we find unattractive. This has tended to benefit the Strategy's relative returns.

While the Strategy's relative returns over the last 20 years have been strong, they have not been nearly as good over the past five. Given our historical pattern of performance, that is not surprising—over the last five years, the Japanese market has risen by nearly 20% p.a., and growth shares have outpaced value shares by a cumulative 16%. But the recent environment has been unusual due to "Abenomics", and we have also made our share of mistakes.

The "Abenomics" rally in Japan started five years and six weeks ago. Before then, Japan had six prime ministers in six years, persistent deflation, an unhelpfully strong currency, low corporate profitability, and a lagging stockmarket. That changed with a November 2012 election announcement. Shinzo Abe won the election on promises of economic reform and stimulus, then fulfilled his stimulus promise by appointing Haruhiko Kuroda to chair the Bank of Japan. Under Kuroda, the Bank of Japan has engaged in an unprecedented quantitative easing program, effectively buying all of the government's net new debt—and then some. Today the Bank owns over 40% of outstanding Japanese Government Bonds, and at its officially stated rate of purchases, it is on track to be the largest owner of Japanese equities. These asset purchases have been funded with newly printed money, increasing the supply of the yen and causing it to weaken against other currencies. Yen weakness has been helpful for Japan's many exporters, improving the returns on equity of Japanese corporations even as they have reduced their debt. With profitability higher, the stockmarket has risen dramatically, but with the Bank of Japan keeping bond yields at zero, Japanese stocks continue to look highly attractive next to local bonds, supporting equity valuations. Compared to other regions, the Japanese stockmarket looks reasonably valued on both headline price-to-earnings and price-to-book multiples—but profitability is also at record highs.

During this period, we have not changed our stripes. What we have done is to be opportunistic about deploying the portfolio's capital. The following charts show the characteristics of the "typical" stock in the TOPIX and the Orbis Japan portfolio. Looking at these characteristics over time, we can see how the market has evolved, and the sorts of opportunities we have found attractive in different periods.

We have performed best in bear markets

Total returns in %, unannualised, JPY

Time period	TOPIX	Orbis Japan (net)	Relative return
Dec 97 to Oct 98	-11.0	17.5	32.0
Oct 98 to Dec 99	67.7	32.0	-21.3
Dec 99 to Mar 03	-52.8	-6.1	98.7
Mar 03 to Jun 07	135.5	121.5	-5.9
Jun 07 to Feb 09	-56.2	-49.9	14.4
Feb 09 to Apr 10	34.0	52.7	13.9
Apr 10 to May 12	-23.7	-19.5	5.6
May 12 to Jul 15	145.4	137.8	-3.1
Jul 15 to Jun 16	-23.3	-21.3	2.7
Jun 16 to date	50.5	59.7	6.1

Total returns in %, annualised

Bull markets	30.2	28.6	-1.3
Bear markets	-22.5	-11.3	14.4

Source: Orbis. Relative returns are calculated geometrically, and may not equal the arithmetic difference of the absolute returns for Orbis Japan and the TOPIX. Returns shown are for the Orbis Japan Equity (Yen) Strategy, net of Investor Class fees.

Orbis Japan Equity (continued)

The late 1990s are a stark example. As the first two charts show, the average Japanese stock (the red line) traded at high multiples of its normalised earnings and tangible book value. We favoured shares (the dark line) trading at far lower valuations. We have shaded the resulting “value” preference in yellow.

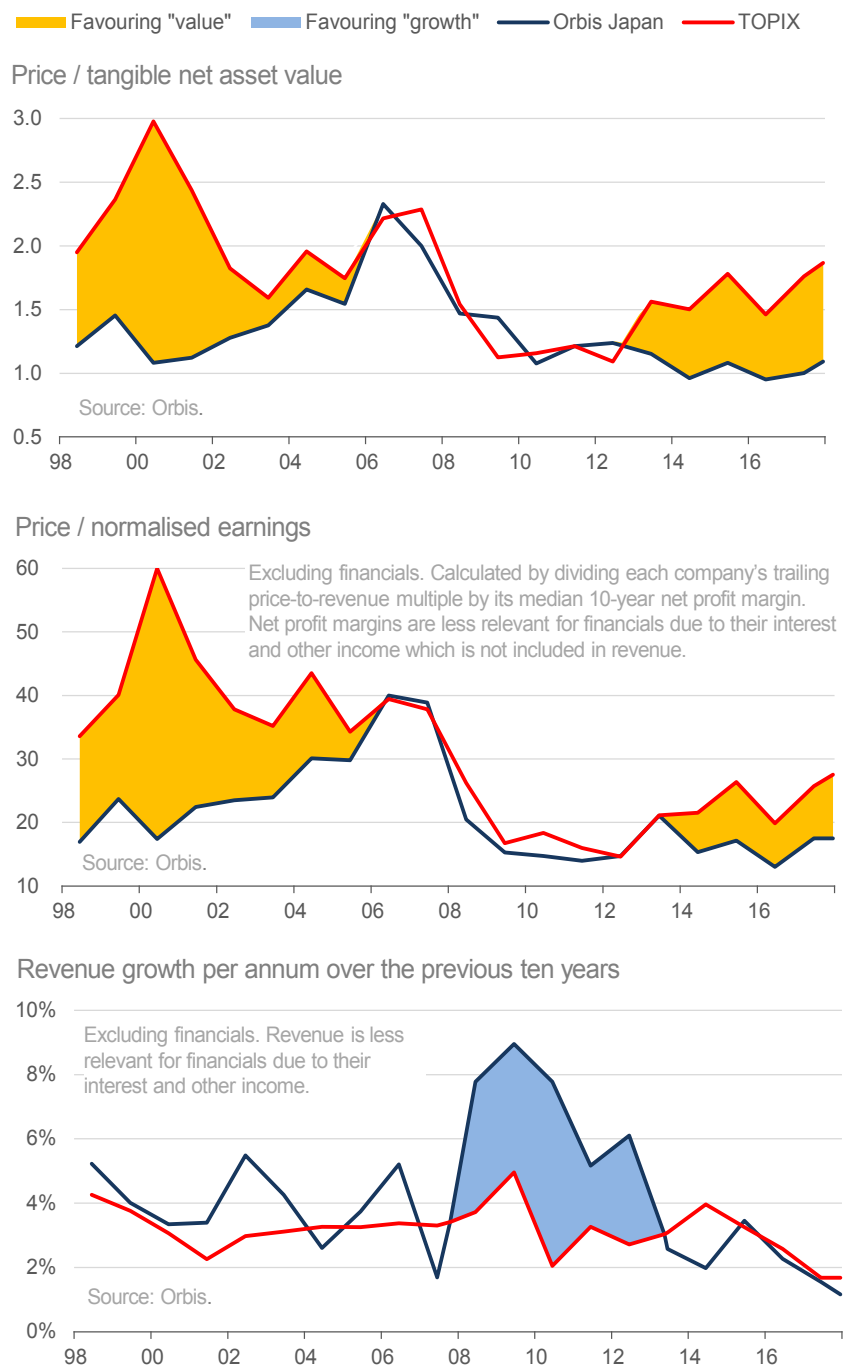
For a long period leading up to 2013, we were drawn to a different sort of investment—growth shares. We increasingly found a number of attractive companies with similar valuations to the wider market (top two charts), but much better growth (bottom chart). These include compounders such as Sundrug and Tsuruha Holdings, which we discussed last quarter. This “growth” preference is shaded in blue. Today, some high quality companies remain attractive, and we own several, including Daito Trust Construction, Sundrug, Tsuruha, and ABC-Mart. But many more appear expensive.

As we search for ideas today, the ones that appear most attractive are companies with average fundamentals, but deeply depressed valuations. These shares include trading companies Mitsubishi and Sumitomo, automakers Honda Motor and Nissan Motor, megabanks Sumitomo Mitsui Financial Group and Mitsubishi UFJ Financial Group, and oil and gas producer INPEX. This is reflected in the portfolio’s characteristics—its typical holding is now a company with moderate revenue growth trading at a steep discount to the market on a price-to-earnings or price-to-tangible-book basis. And importantly, the margins of our selected shares are not as inflated as those of the average Japanese stock.

The result is that today’s portfolio has a large concentration of “deep value” shares. But this does not mean we are blindly buying the cheapest shares we can find. While we are value-oriented, we are not “value” investors in the traditional sense of only buying shares at low price multiples. For us, the more important consideration is the relationship between a company’s price and its fundamentals. When we assess that relationship for the market’s “growth” shares, we remain confident that our selected stocks are more deserving of your capital.

Consider Mitsubishi, Japan’s leading sogo shosha (industrial conglomerate) and Orbis Japan’s largest holding. In 30 years, the company has only once made an annual loss, and it has grown its tangible book value per share by 7% p.a. Today

Portfolio characteristics: Orbis Japan and the TOPIX



Orbis Japan Equity (continued)

Mitsubishi earns a 12% return on its tangible net assets. That is a little above its long-term average of 9%, helped by rocketing prices for coking coal (Mitsubishi co-owns one of the world's biggest mines). But in other respects earnings do not look stretched. Energy prices continue to recover from depressed levels, and the company is pursuing "self-help" measures to improve its capital efficiency. Mitsubishi trades for 1.1 times its tangible book value. (In the chart at right, this can be seen by comparing the dark price line to the TNAV columns.)

Compare that to Tokyo Electron, which makes semiconductor manufacturing equipment. Over the past two years, earnings have doubled, and it is generating a 26% return on its tangible net assets. That is three times its long-term level of profitability—which is 9%, just like Mitsubishi. But unlike Mitsubishi, Tokyo Electron is frequently lossmaking when its cycle turns. (In the chart, earnings are shown as orange dots. In years without a dot, the company lost money.) Today the semiconductor cycle is riding high, but the company's valuation seems to suggest that the good times will continue forever. Tokyo Electron trades at 4.9 times its tangible book value, leaving it nearly five times more expensive than Mitsubishi on a price-to-book basis despite similar long-term returns on equity.

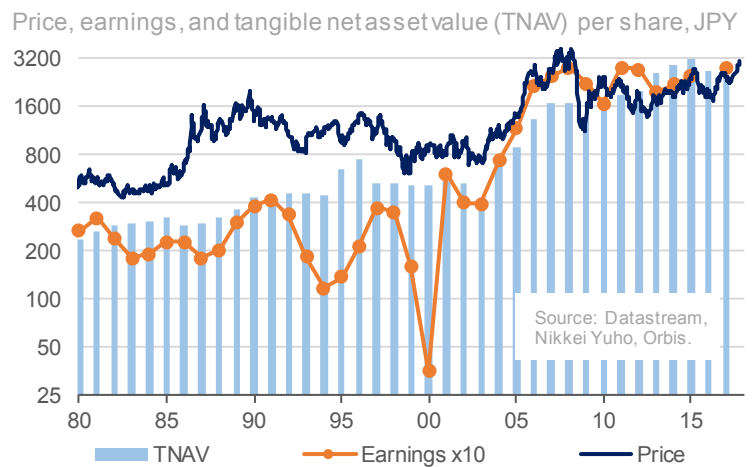
It's important to put this in context. Japan is home to some excellent, fast-growing companies, but many recent market leaders are not among them. For five times book value, an investor would be better off crossing the Pacific to Mountain View, California. There, they could buy Alphabet (Google) for the same multiple as Tokyo Electron. Alphabet has grown earnings by over 38% p.a. over its history, while exhibiting characteristics of a secular—rather than cyclical—growth business. In our view, only one of these companies is really a long-term compounder, but Tokyo Electron has outpaced Alphabet over the past two years.

As shares like Tokyo Electron have run, many of our favourite value shares have lagged. We continually reassess our thesis on each stock, and we are constantly turning over new ideas to find even better investments for your capital. That work has only increased our conviction in the Strategy's holdings. At times, the portfolio has struggled to keep pace with the rising market. But today, we believe the portfolio is filled with value.

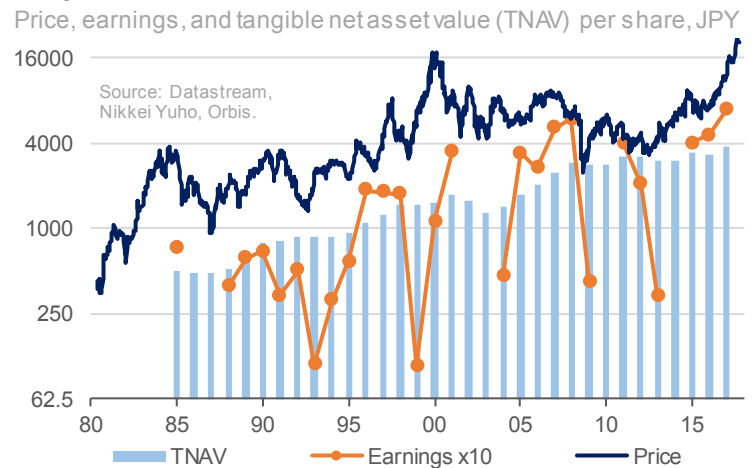
Commentary contributed by Brett Moshal, Orbis Portfolio Management (Europe) LLP, London

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.

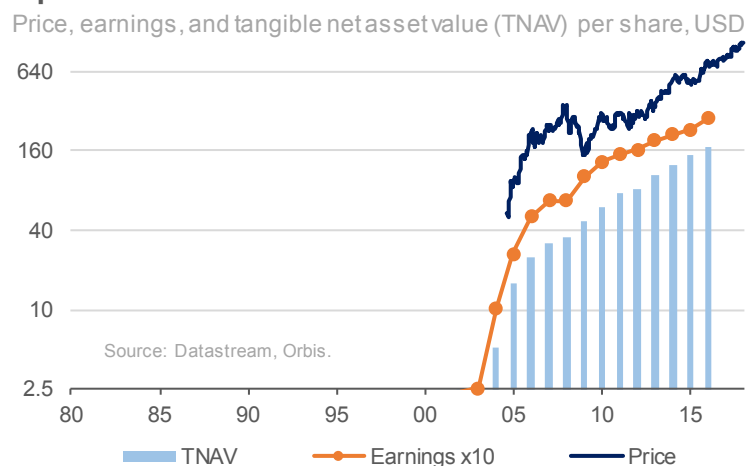
Mitsubishi



Tokyo Electron



Alphabet





Orbis SICAV Japan Equity (Yen) Fund

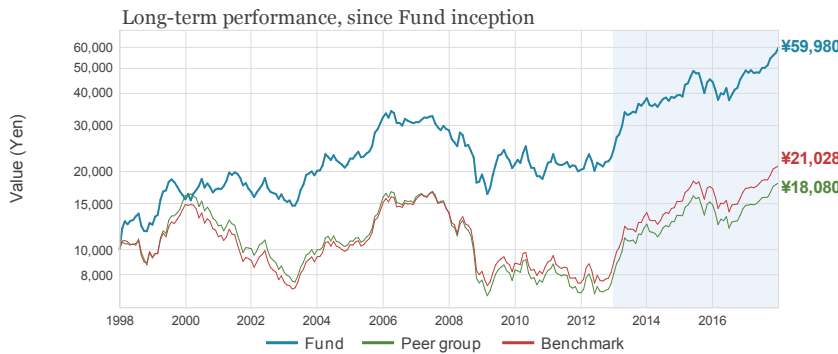
The Fund is designed to remain fully invested in Japanese equities and seeks higher returns than the Japanese stockmarket, without greater risk of loss. It is predominantly exposed to the Japanese yen. The benchmark is the Tokyo Stock Price Index, including income, gross of withholding taxes ("TOPIX").

Price	¥5,998
Pricing currency	Japanese yen
Domicile	Luxembourg
Type	SICAV
Share class	Investor Share Class
Fund size	¥222 billion
Fund inception	1 January 1998
Strategy size	¥239 billion
Strategy inception	1 January 1998

Benchmark	TOPIX
Peer group	Average Japan Equity Fund Index
Minimum investment	US\$50,000
Dealing	Weekly (Thursdays)
Entry/exit fees	None
UCITS IV compliant	Yes
ISIN	LU0160128079

See Notices for important information about this Fact Sheet

Growth of ¥10,000 investment, net of fees, dividends reinvested



Returns (%)

	Fund	Peer group	Benchmark
Annualised	<i>Net</i>		<i>Gross</i>
Since Fund inception	9.4	3.0	3.8
15 years	9.4	5.4	7.1
10 years	7.6	2.8	4.2
5 years	19.7	17.4	18.5
3 years	15.1	10.2	11.2
1 year	22.8	22.2	22.2
Not annualised			
3 months	10.2	9.1	8.7
1 month	5.0		1.6

	Year	%
Best performing calendar year since Fund inception	2013	57.0
Worst performing calendar year since Fund inception	2008	(32.4)

Sector Allocation (%)

Sector	Fund	Benchmark
Cyclicals	50	41
Consumer Non-Durables	30	23
Financials	11	12
Information and Communications	9	7
Technology	0	15
Utilities	0	2
Net Current Assets	1	0
Total	100	100

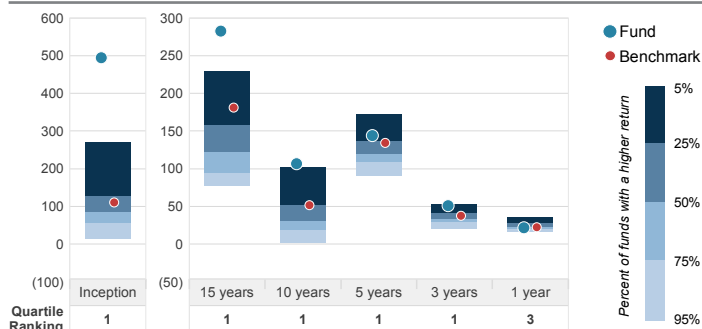
Top 10 Holdings

Company	Sector	%
Mitsubishi	Consumer Non-Durables	10.1
Daito Trust Construction	Cyclicals	7.8
Honda Motor	Cyclicals	6.8
INPEX	Cyclicals	6.3
NEXON	Information and Communications	5.2
Iida Group Holdings	Cyclicals	5.1
Nissan Motor	Cyclicals	4.9
Sumitomo	Consumer Non-Durables	4.9
Mitsubishi UFJ Financial Group	Financials	4.8
Sumitomo Mitsui Fin.	Financials	4.7
Total		60.5

Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	52	60	56
Months to recovery	90	124	93
Annualised monthly volatility (%)	18.4	18.3	17.8
Beta vs benchmark	0.9	1.0	1.0
Tracking error vs benchmark (%)	9.6	2.7	0.0

Ranking within peer group, cumulative return (%)



Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	97
Total number of holdings	28
12 month portfolio turnover (%)	41
12 month name turnover (%)	28
Active share (%)	88

Fees & Expenses (%), for last 12 months

Management fee ¹	1.87
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.37
Fund expenses	0.09
Total Expense Ratio (TER)	1.96

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.

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



Orbis SICAV Japan 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 (B.V.I.) Limited		
Inception date	1 January 1998		
Number of shares (Investor Share Class)	Yen Class:	19,771,559	Euro Class: 3,379,548
Income distributions during the last 12 months	None		

Fund Objective and Benchmarks

The Yen Classes of the Fund seek higher returns in yen than the Japanese stockmarket, without greater risk of loss. The Euro Class of the Fund seeks higher returns than the Japanese stockmarket hedged into euro, without greater risk of loss. The TOPIX (gross) (the "TOPIX Yen") is the Yen Class' benchmark, while the TOPIX (gross) hedged in euro (the "TOPIX Euro") is the benchmark of the Euro Class.

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

The Fund is actively managed and is designed to remain continuously fully invested in, and exposed to all the risks and rewards of, selected Japanese equities. The Fund identifies as Japanese equities those equities of companies which are domiciled in Japan, whose securities trade on a Japanese stockmarket or whose business is primarily located in or linked to Japan. These equities are selected using extensive proprietary investment research undertaken by the Investment Manager and its investment advisors. 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.

All share classes invest in a portfolio of Japanese equities selected by the Investment Manager. However, while the currency exposure of the Yen Classes remains as fully exposed to the yen as practicable, the Euro Class is hedged into, and therefore largely exposed to, the euro. The Euro Class is designed for investors who measure their returns in euro and who wish to be invested in Japanese equities without being exposed to fluctuations in the yen-euro exchange rate.

The Fund does not seek to mirror the TOPIX Yen/TOPIX Euro and may deviate meaningfully from it in pursuit of superior long-term capital appreciation.

Since inception and over the latest 10 and five-year periods, both the Yen and Euro Classes have outperformed their respective benchmarks 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 fully invested in, and exposed to, Japanese equities at all times.
- 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 Classes, 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 TOPIX Yen or TOPIX Euro, as applicable. For each percentage point of three year performance above or below that benchmark's 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. 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 Classes 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 Investment Manager may cause the Fund to levy a fee of 0.25% 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 September 2017	%	31 December 2017	%
NEXON	9.1	Mitsubishi	10.1
Mitsubishi	9.0	Daito Trust Construction	7.8
Daito Trust Construction	8.1	Honda Motor	6.8
Honda Motor	7.2	INPEX	6.3
Sumitomo Mitsui Fin.	6.3	NEXON	5.2
Mitsubishi UFJ Financial Group	4.9	Iida Group Holdings	5.1
INPEX	4.8	Nissan Motor	4.9
Sumitomo	4.8	Sumitomo	4.9
Toyota Motor	4.5	Mitsubishi UFJ Financial Group	4.8
Iida Group Holdings	4.2	Sumitomo Mitsui Fin.	4.7
Total	62.8	Total	60.5

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 Japan 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 Classes, 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 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 or €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. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. 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 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 (B.V.I.) 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 (B.V.I.) Limited, the Fund's Investment Manager, is licensed to conduct investment business by the Bermuda Monetary Authority.

Fund Information

Prior to 29 November 2002 the Orbis SICAV Japan Equity Fund—Yen class was a British Virgin Islands investment company, Orbis Japan Equity (Yen) Fund Limited.

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.

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

TOPIX Stock Price Index, including income ("TOPIX"): Tokyo Stock Exchange. TOPIX hedged into euro is calculated by Orbis using an industry-standard methodology using the TOPIX which is in yen. No further distribution of the TOPIX data is permitted.

Average Fund data source and peer group ranking data source: © 2018 Morningstar. All Rights Reserved. Such information (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The latest average fund indices provided by Morningstar are for 21 December 2017. To allow comparison of returns to a common date we have extended the average equity and multi-asset class fund indices to reflect the subsequent movement of the applicable benchmark indices. Average fund returns are not shown for periods of a month or less as high price volatility and late fund reporting regularly cause them to be significantly restated by Morningstar.