

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.)

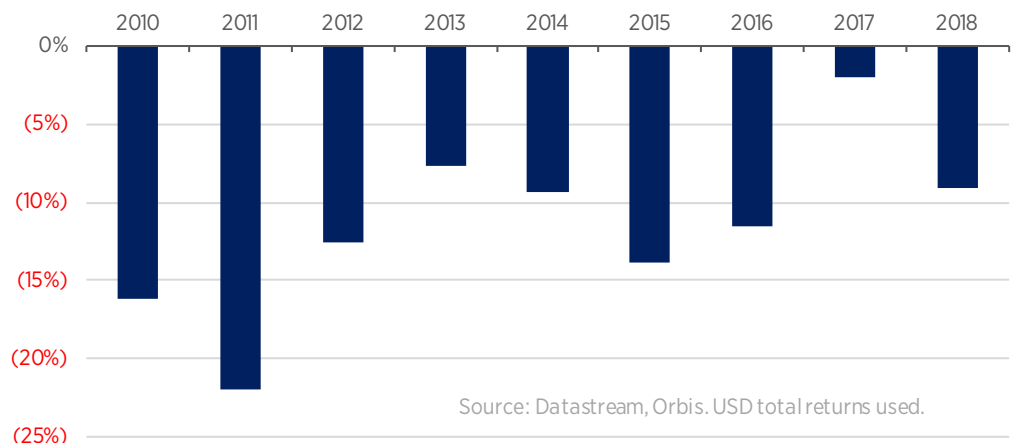
Similarly, the market decline from February through March has attracted lots of attention and spurred fears of a larger bear market. Yet corrections are normal, even in bull markets, and even in *this* bull market. The 9% drop we've experienced this year is typical for the post-financial-crisis period,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

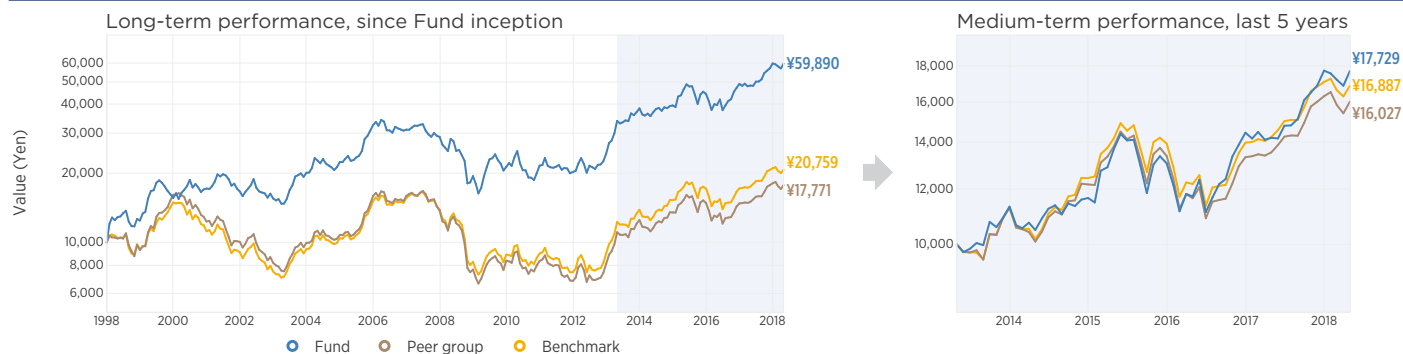
This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.

Orbis SICAV 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 | ¥5,989 | Benchmark | TOPIX |
| Pricing currency | Japanese yen | Peer group | Average Japan Equity 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 | ¥204 billion | UCITS compliant | Yes |
| Fund inception | 1 January 1998 | ISIN | LU0160128079 |
| Strategy size | ¥214 billion | | |
| Strategy inception | 1 January 1998 | | |

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 | 9.2 | 2.9 | 3.7 |
| 20 years | 8.0 | 2.7 | 3.5 |
| 10 years | 7.8 | 3.6 | 4.9 |
| 5 years | 12.1 | 9.9 | 11.0 |
| 3 years | 9.0 | 5.0 | 5.9 |
| 1 year | 24.6 | 18.3 | 18.5 |
| Not annualised | | | |
| Calendar year to date | (0.2) | (1.8) | (1.3) |
| 3 months | 0.8 | (3.1) | (2.3) |
| 1 month | 4.9 | | 3.6 |
| | | 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 | 41 | 41 |
| Consumer Non-Durables | 34 | 23 |
| Financials | 12 | 12 |
| Information and Communications | 11 | 7 |
| Technology | 0 | 15 |
| Utilities | 0 | 2 |
| <i>Net Current Assets</i> | 2 | 0 |
| Total | 100 | 100 |

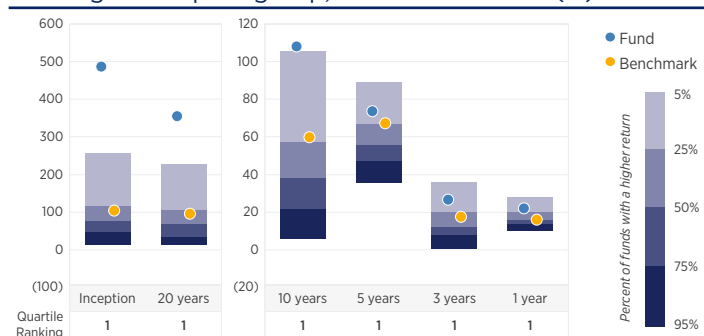
Risk Measures, since Fund inception

| | Fund | Peer group | Benchmark |
|-----------------------------------|------|------------|-----------|
| Largest drawdown (%) | 52 | 60 | 56 |
| Months to recovery | 90 | 124 | 93 |
| Annualised monthly volatility (%) | 18.3 | 18.2 | 17.7 |
| Beta vs benchmark | 0.9 | 1.0 | 1.0 |
| Tracking error vs benchmark (%) | 9.5 | 2.7 | 0.0 |

Top 10 Holdings

| | Sector | % |
|--------------------------------|-----------------------|-------------|
| Mitsubishi | Consumer Non-Durables | 9.1 |
| Sumitomo | Consumer Non-Durables | 7.3 |
| Daito Trust Construction | Cyclicals | 7.0 |
| Iida Group Holdings | Cyclicals | 6.3 |
| INPEX | Cyclicals | 6.2 |
| Sumitomo Mitsui Fin. | Financials | 4.7 |
| Mitsubishi UFJ Financial Group | Financials | 4.7 |
| Mitsui & Co | Consumer Non-Durables | 4.1 |
| NGK Insulators | Cyclicals | 4.1 |
| Nissan Motor | Cyclicals | 4.0 |
| Total | | 57.5 |

Ranking within peer group, cumulative return (%)



Portfolio Concentration & Characteristics

| | |
|---------------------------------|----|
| % of NAV in top 25 holdings | 96 |
| Total number of holdings | 29 |
| 12 month portfolio turnover (%) | 47 |
| 12 month name turnover (%) | 34 |
| Active share (%) | 89 |

Fees & Expenses (%), for last 12 months

| | |
|---|-------------|
| Management fee ¹ | 2.04 |
| For 3 year performance in line with benchmark | 1.50 |
| For 3 year outperformance/(underperformance) vs benchmark | 0.54 |
| Fund expenses | 0.10 |
| Total Expense Ratio (TER) | 2.13 |

Past performance is not a reliable indicator of future results. Orbis Fund share prices fluctuate and are not guaranteed. Returns may decrease or increase as a result of currency fluctuations. When making an investment in the Funds, an investor's capital is at risk.

See Notices for important information about this Fact Sheet.

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

Orbis Investment Management (Guernsey) Limited (licensed to conduct investment business by the Bermuda Monetary Authority and the Guernsey Financial Services Commission)

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 (Guernsey) Limited | | |
| Inception date | 1 January 1998 | | |
| Number of shares (Investor Share Class) | Yen Class: | 19,556,490 | Euro Class: 1,909,749 |
| 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 into 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

| 31 January 2018 | % | 30 April 2018 | % |
|--------------------------------|-------------|--------------------------------|-------------|
| Mitsubishi | 9.2 | Mitsubishi | 9.1 |
| Honda Motor | 7.0 | Sumitomo | 7.3 |
| Daito Trust Construction | 6.7 | Daito Trust Construction | 7.0 |
| INPEX | 6.6 | Iida Group Holdings | 6.3 |
| Iida Group Holdings | 5.4 | INPEX | 6.2 |
| Nissan Motor | 5.1 | Sumitomo Mitsui Fin. | 4.7 |
| NEXON | 5.0 | Mitsubishi UFJ Financial Group | 4.7 |
| Sumitomo | 4.7 | Mitsui & Co | 4.1 |
| Mitsubishi UFJ Financial Group | 4.7 | NGK Insulators | 4.1 |
| Sumitomo Mitsui Fin. | 4.7 | Nissan Motor | 4.0 |
| Total | 59.3 | Total | 57.5 |

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 Investment Management (Guernsey) Limited (licensed to conduct investment business by the Bermuda Monetary Authority and the Guernsey Financial Services Commission)

Orbis SICAV Japan Equity Fund

Migration of Orbis Investment Management (B.V.I.) Limited to Guernsey

Effective on 1 May 2018, Orbis Investment Management (B.V.I.) Limited (the “Company”), the Investment Manager of the Orbis SICAV Japan Equity Fund and the Orbis Japan Equity (US\$) Fund Limited, was redomiciled from the British Virgin Islands to Guernsey. From the time of the redomicile, the Company’s name changed to *Orbis Investment Management (Guernsey) Limited*.

The Company ceased to be registered as a British Virgin Islands company and is registered and will continue operations as a Guernsey company. At the same time, the Company ceased to be regulated by the British Virgin Islands Financial Services Commission and commenced being regulated by the Guernsey Financial Services Commission. The Company will also continue to be licensed and regulated by the Bermuda Monetary Authority.

From the date of redomicile, the Company’s registered address in Guernsey became: Orbis Investment Management (Guernsey) Limited, 1st Floor, Tudor House, Le Bordage, St Peter Port, Guernsey GY1 1DB.

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 Fund that is an Orbis SICAV Fund to a different Orbis Fund that is also an Orbis SICAV Fund must be submitted by 5:30 pm. All times given are Bermuda time, and all requests must be properly completed and accompanied by any required funds and/or information.

Share prices, updated weekly, are available

- from the Allan Gray Unit Trust Management (RF) Proprietary Limited’s website at www.allangray.co.za,
- from the Orbis website at www.orbis.com,
- by e-mail, by registering with Orbis for this service at the Orbis website at www.orbis.com, and
- from Bloomberg.

Legal Notices

Returns are net of Investor Share Class fees, include income and assume reinvestment of dividends. Figures quoted are for the periods indicated for a ¥10,000 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 (Guernsey) 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 (Guernsey) Limited, the Fund’s Investment Manager, is licensed to conduct investment business by the Bermuda Monetary Authority and the Guernsey Financial Services Commission.

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.

Orbis SICAV Japan Equity Fund

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 19 April 2018. 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.