

## Our Thinking

The tech sector is better known for its hype than its bargains. Exhibit number one is the FANGs—Facebook, Amazon, Netflix, and Google (Alphabet)—which have become famous market darlings.

We are value-oriented investors, and over the past year we have held three of the four FANGs. More broadly, the Orbis Global Equity Strategy is overweight the Information Technology sector. How do we reconcile this with our contrarian philosophy?

When we say “contrarian”, we don’t mean blindly betting against the crowd. That would be as clever as driving on the wrong side of the road. To us, contrarian investing is about looking at the world through a different lens and digging deep into the fundamentals to find hidden value.

Over our 28-year history, we have often concluded that selected technology shares were undervalued. In fact, the Orbis Global Equity Strategy has been overweight the technology sector for most of its history. Technology companies can offer rapid growth and high profitability, while technology *stocks* are subject to short cycles of extreme sentiment. This combination often creates substantial discounts to intrinsic value—exactly the kind of opportunity we like to exploit.

A good example is Amazon. In early 2017 we built a significant position in the stock because we believed that the market was significantly undervaluing the growth potential and efficiency gains within its e-commerce business. In addition, we believed that the value of its Amazon Web Services segment—the world’s largest provider of cloud services, including almost all of Netflix’s backend infrastructure—was vastly underappreciated. Finally, we felt the long-term value of Amazon’s nascent advertising business was only beginning to be realised.

Sentiment can change quickly in technology, and it wasn’t long before the market’s expectations for growth and margin expansion had risen to a level where the business was no longer cheap compared to our view of its intrinsic value. While we were prepared to invest in Amazon for the long haul, we exited the position in late 2017 as our thesis unfolded more quickly than expected.

We are not always so lucky. In December, we spoke about Symantec, one of the world’s largest cybersecurity firms, which is a top 10 holding in the Orbis Global Equity Strategy. In early May, Symantec’s stock price plummeted almost 35% in a single day on the news that the board’s audit committee was investigating accounting concerns raised by a former employee. When the company held a belated Q&A the following week, they provided reassurance that the

impact would not be material, and the stock recovered slightly. This suggests that the market’s knee-jerk reaction may have been extreme. Based on what we know at this stage, Symantec shares continue to trade below our assessment of intrinsic value. However, the situation is fluid and only time will tell if our view is correct.

One of our newer holdings is Facebook, which is now a top 10 position in the Orbis Global Equity Strategy. Facebook users and shareholders alike were spooked to learn about the allegations that Cambridge Analytica may have obtained private data from around 87 million Facebook accounts. Facebook’s share price fell by about 20% following this news.

While this has been a major embarrassment for the company, we believe the market reaction has been excessive. If anything, greater regulatory scrutiny could actually yield some long-run benefits for the core business. If Facebook is prohibited from sharing its data with third parties, it may develop new methods of engagement that can produce greater opportunities to monetise its collection of differentiated, high-quality assets. These include Facebook, Instagram, and WhatsApp—all of which benefit from strong network effects. People want to join the social networks with the most users and companies want their ads to be seen by the most potential customers.

Facebook ticks both boxes. Along with Google, these two players alone account for more than 80% of global spending (excluding China) on digital ads. This creates another powerful feedback loop—the more ads, the more data on what works, and in turn the more compelling the experience becomes for both advertisers and users. As digital ad spending continues to grow, we believe that Facebook can grow the average revenue per user it generates through advertising. Additionally, we think that the market underappreciates the long-term monetisation potential of Instagram and WhatsApp.

These tepid expectations are reflected in the price. Facebook’s valuation today is only slightly more expensive than the average stock in the S&P 500, but we expect it to compound earnings over the next five years at a much greater rate than the market. We have long been bullish on the company’s prospects and have owned the shares at various times since our initial purchase in 2013. More recently, after a period of sideways performance, we welcomed the opportunity to buy back into the shares.

More broadly, we expect that the technology sector will remain a rich source of idiosyncratic opportunities to purchase stocks at a discount to intrinsic value—just as it has been in the past.

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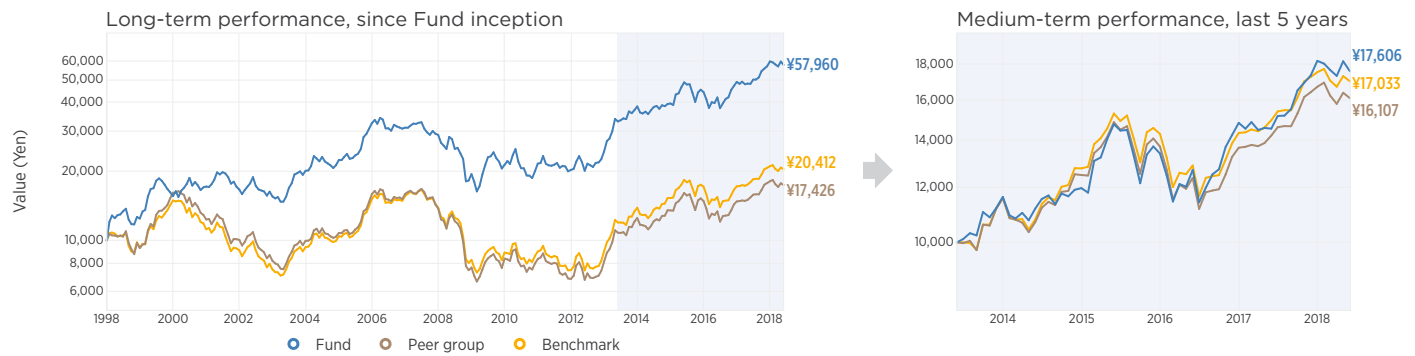
*This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.*

# Orbis SICAV 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").

<b>Price</b>	¥5,796	<b>Benchmark</b>	TOPIX
<b>Pricing currency</b>	Japanese yen	<b>Peer group</b>	Average Japan Equity Fund Index
<b>Domicile</b>	Luxembourg	<b>Minimum investment</b>	US\$50,000
<b>Type</b>	SICAV	<b>Dealing</b>	Weekly (Thursdays)
<b>Share class</b>	Investor Share Class	<b>Entry/exit fees</b>	None
<b>Fund size</b>	¥193 billion	<b>UCITS compliant</b>	Yes
<b>Fund inception</b>	1 January 1998	<b>ISIN</b>	LU0160128079
<b>Strategy size</b>	¥202 billion		
<b>Strategy inception</b>	1 January 1998		

## Growth of ¥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	9.0	2.8	3.6
20 years	7.8	2.6	3.4
10 years	7.7	3.0	4.3
5 years	12.0	10.0	11.2
3 years	6.0	2.7	3.6
1 year	20.9	13.2	13.8
<b>Not annualised</b>			
Calendar year to date	(3.4)	(3.7)	(2.9)
3 months	(0.4)	(0.9)	(0.3)
1 month	(3.2)		(1.7)
		<b>Year</b>	<b>%</b>
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	44	41
Consumer Non-Durables	33	23
Information and Communications	13	7
Financials	7	11
Technology	1	15
Utilities	0	2
<i>Net Current Assets</i>	2	0
<b>Total</b>	<b>100</b>	<b>100</b>

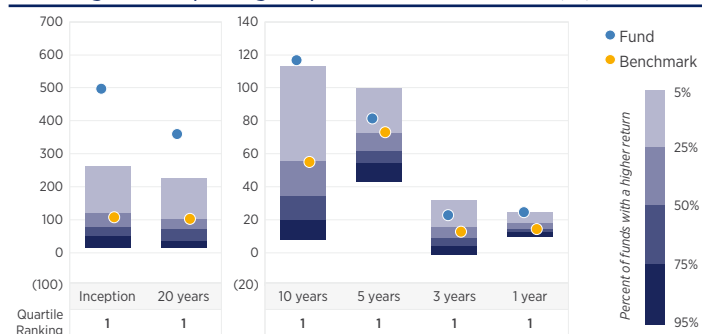
## Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	52	60	56
Months to recovery	90	124	93
Annualised monthly volatility (%)	18.3	18.1	17.6
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	9.4
Daito Trust Construction	Cyclicals	7.2
Sumitomo	Consumer Non-Durables	7.1
Iida Group Holdings	Cyclicals	6.5
INPEX	Cyclicals	5.7
Sumitomo Mitsui Fin.	Financials	5.0
NEXON	Information and Communications	4.8
NGK Insulators	Cyclicals	4.3
Mitsui & Co	Consumer Non-Durables	4.3
KDDI	Information and Communications	4.2
<b>Total</b>		<b>58.4</b>

## Ranking within peer group, cumulative return (%)



## Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	97
Total number of holdings	29
12 month portfolio turnover (%)	49
12 month name turnover (%)	35
Active share (%)	90

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

Management fee <sup>1</sup>	2.09
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.59
Fund expenses	0.10
<b>Total Expense Ratio (TER)</b>	<b>2.18</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.

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 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.

<b>Manager</b>	Orbis Investment Management (Luxembourg) S.A.		
<b>Investment Manager</b>	Orbis Investment Management (Guernsey) Limited		
<b>Inception date</b>	1 January 1998		
<b>Number of shares (Investor Share Class)</b>	<b>Yen Class:</b>	18,687,205	<b>Euro Class:</b> 1,867,743
<b>Income distributions during the last 12 months</b>	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 ten 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

28 February 2018	%	31 May 2018	%
Mitsubishi	9.6	Mitsubishi	9.4
Honda Motor	7.5	Daito Trust Construction	7.2
Daito Trust Construction	6.6	Sumitomo	7.1
INPEX	6.4	Iida Group Holdings	6.5
Iida Group Holdings	5.7	INPEX	5.7
Nissan Motor	4.9	Sumitomo Mitsui Fin.	5.0
Sumitomo	4.9	NEXON	4.8
Mitsubishi UFJ Financial Group	4.8	NGK Insulators	4.3
Sumitomo Mitsui Fin.	4.8	Mitsui & Co	4.3
Mitsui & Co	4.3	KDDI	4.2
<b>Total</b>	<b>59.5</b>	<b>Total</b>	<b>58.4</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.**

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# 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](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 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](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 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.

## 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.

## 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

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.

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