

## Our Thinking

In the centre of London, there is a market whose history stretches back to the first century. Built on the site of a Roman forum, Leadenhall was once the biggest market in Britain, with its merchants eventually selling poultry, cheese, meat, and fish.

If lots of people are clamouring for cheese, merchants can sell it at higher prices, and the buyers won't get much for their money. The merchants may be tempted to bring more cheese to market, and even marginal quality produce may find buyers. But if few people want to buy cheese, they'll be able to buy at low prices, even if they insist on buying only the best bits. Merchants may bring less cheese to market, and marginal cuts may go unsold.

At a high level, there isn't much difference between a market like Leadenhall and a capital market, except that instead of a menu of brie and parmesan, imagine a menu of companies. In exchange for your money—your capital—you can buy a claim on a company—either a promise to be repaid with interest, or an ownership stake in the business.

The same relationships apply. If lots of people are clamouring to invest, companies can sell shares and bonds at higher prices, and the investors will get smaller claims for their money. The companies may be tempted to raise more capital, and even marginal quality companies may find investors. But if few people want to invest, they'll be able to buy at low prices, even if they insist on backing only the best firms. Companies may raise less money, and marginal ones may struggle to attract any funding at all.

This is often how we think about managing the Orbis Funds, where our best investment ideas are constantly competing for the Funds' capital. It is a reason we are contrarian. Better to be picky about prices than to join a throng of buyers in a cash-throwing contest.

This challenge is also similar to one faced by individual industries and companies. Over the years, we've found that analysing the investment patterns of companies in an industry can yield insights into its future profit potential.

Businesses make decisions all the time about whether to invest in different projects—a new factory here, a new store there, etc. The textbook version of this process is a list of potential projects ranked by the value that each will create for the business. At the top of the list are super profitable slam-dunk opportunities; at the bottom are projects with profits barely high enough to be worth considering. Projects at the top of the list get funding first, so as a company works its way down the list, it's investing in less attractive projects. The same is true at an industry level. As we wrote in one of our Strategy commentaries last quarter, nothing kills return on capital like capital itself. On the other hand, if companies in an industry cut back on spending, funding only their top projects, returns on

capital tend to rise. For this reason, industries starved of capital often go on to deliver nice profits.

For a historical example, consider technology and tobacco. In the early 1970s, the first commercial microprocessor was produced, planting the seed of the information revolution. In the same period, the US banned most cigarette advertisements. As an investor in the early 70s, which industry would you have invested in, tech or tobacco? Tech! But looking at Datastream sector indices, tobacco shares have delivered 10 times the return of tech shares since 1973. The reason? Investors poured an ocean of capital into exciting tech opportunities, which increased competition and depressed returns. Conversely, regulatory burdens scared investors away from tobacco, but left scant competition and handsome returns for the limited capital that remained.

In the current environment, we've observed an interesting trend in the investment levels of the energy and technology industries. Today, most investors regard energy as a risky, capital-intensive business. Pictures of skyscraper-sized tankers and city-sized refineries readily come to mind. Since the oil price crash in 2014, however, the global oil majors have cut back spending, and are now focused on only their best opportunities. And, as we have seen historically, depressed capital spending has been a good setup for attractive returns on capital, one reason why Total, BP, and Royal Dutch Shell are held in one or more Strategies.

On the other hand, most investors regard the FAAMGs (Facebook, Amazon, Apple, Microsoft, Google/Alphabet) as great, capital-light businesses. They have been, and we continue to find Alphabet and Facebook attractive, but the group has ramped up investment in recent years. Each of the FAAMGs runs a network of data centres—warehouses, sometimes as big as ten football fields, filled with computer chips. Building and equipping those data centres is expensive. Last year, the FAAMGs spent over \$75bn on capital investments, and are on track to spend more than the oil majors if recent trends continue. Much of that investment is in areas like cloud services where the biggest firms compete with each other, and intense competition is anathema to returns. Though the tech giants remain strong businesses, this spending warrants close attention, as it could cause their historically high returns on capital to fall.

Yet this trend in tech spending suggests opportunities for other companies, such as Taiwan Semiconductor Manufacturing, which makes many of the chips in those data centres. In a gold rush, selling shovels can be more profitable than joining in the digging.

Cycles of capital investing are far from the only consideration for a company's fundamentals. But past experience suggests a decent rule of thumb for investors: go where the capital isn't.

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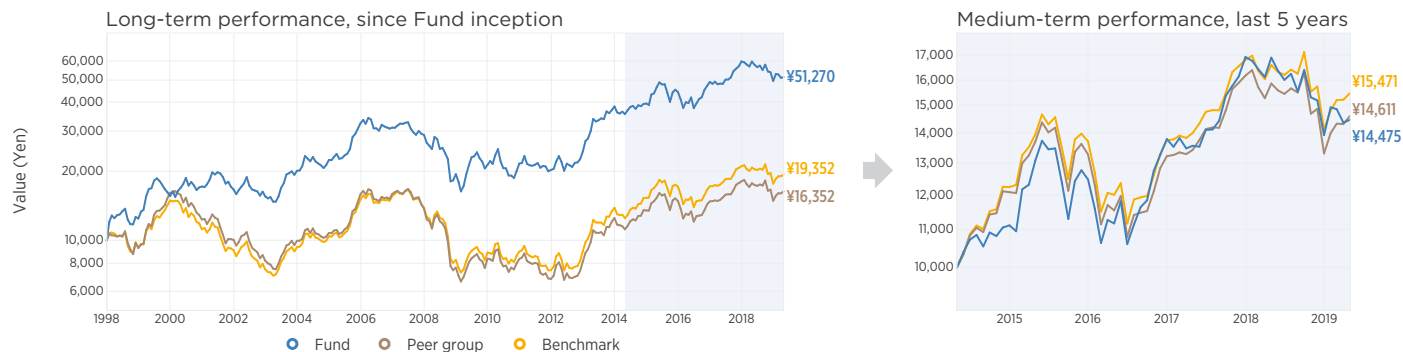
*This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.*

# 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>	¥5,127	<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>	¥142 billion	<b>UCITS compliant</b>	Yes
<b>Fund inception</b>	1 January 1998	<b>ISIN</b>	LU0160128079
<b>Strategy size</b>	¥176 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	8.0	2.3	3.1
20 years	5.8	1.6	2.6
10 years	10.2	8.1	9.0
5 years	7.7	7.9	9.1
3 years	9.0	8.2	8.8
1 year	(14.4)	(7.8)	(6.8)
<b>Not annualised</b>			
Calendar year to date	3.9	9.8	9.5
3 months	(3.1)	4.3	4.4
1 month	0.7		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	43	39
Consumer Non-Durables	38	24
Information and Communications	12	9
Financials	5	10
Technology	0	16
Utilities	0	2
<i>Net Current Assets</i>	2	0
<b>Total</b>	<b>100</b>	<b>100</b>

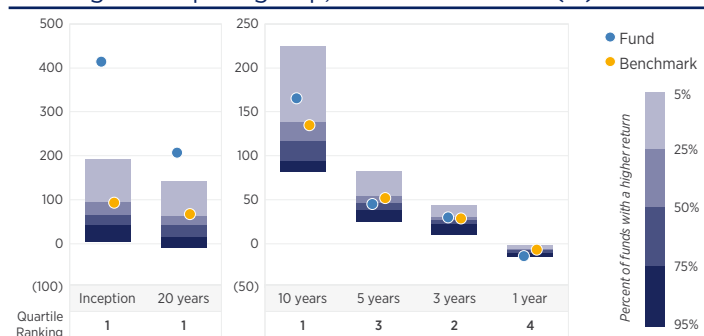
## Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	52	60	56
Months to recovery	90	124	93
Annualised monthly volatility (%)	18.2	18.1	17.6
Beta vs benchmark	0.9	1.0	1.0
Tracking error vs benchmark (%)	9.5	2.6	0.0

## Top 10 Holdings

	Sector	%
Sumitomo	Consumer Non-Durables	9.6
NEXON	Information and Communications	7.0
TSURUHA Holdings	Consumer Non-Durables	6.5
Mitsubishi	Consumer Non-Durables	5.8
Sumitomo Mitsui Fin.	Financials	5.4
Mitsui & Co	Consumer Non-Durables	4.7
Iida Group Holdings	Cyclicals	4.5
Cosmos Pharmaceuticals	Consumer Non-Durables	4.3
Daito Trust Construction	Cyclicals	4.1
Honda Motor	Cyclicals	4.0
<b>Total</b>		<b>56.0</b>

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



## Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	97
Total number of holdings	27
12 month portfolio turnover (%)	44
12 month name turnover (%)	24
Active share (%)	92

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

Management fee <sup>1</sup>	2.07
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	0.57
Fund expenses	0.09
<b>Total Expense Ratio (TER)</b>	<b>2.16</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>	15,606,888	<b>Euro Class:</b> 1,401,060
<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 measured in Japanese yen (including income and before deduction of withholding taxes) (the "TOPIX Yen") is the Yen Class' benchmark, while the TOPIX Yen hedged into euro (the "TOPIX Euro") is the benchmark of the Euro Class.

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

### 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.

Since inception and over the latest ten-year period, 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 Yen class' performance over three years against the TOPIX Yen. For each percentage point of three year performance above or below that 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 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 2019	%	30 April 2019	%
Sumitomo	9.8	Sumitomo	9.6
NEXON	7.4	NEXON	7.0
TSURUHA Holdings	5.7	TSURUHA Holdings	6.5
Mitsubishi	5.5	Mitsubishi	5.8
Sumitomo Mitsui Fin.	5.0	Sumitomo Mitsui Fin.	5.4
KDDI	4.9	Mitsui & Co	4.7
Iida Group Holdings	4.9	Iida Group Holdings	4.5
Mitsui & Co	4.5	Cosmos Pharmaceuticals	4.3
NGK Insulators	4.3	Daito Trust Construction	4.1
Daito Trust Construction	4.0	Honda Motor	4.0
<b>Total</b>	<b>56.1</b>	<b>Total</b>	<b>56.0</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 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

## 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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## Legal Notices

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. Subscriptions are only valid if made on the basis of the current Prospectus of an Orbis Fund.

The discussion topics for the commentaries were selected, and the commentaries were finalised and approved, by either Orbis Investment Management Limited or Orbis Investment Management (Guernsey) Limited, the Funds' Manager or Investment Manager, as the case may be. 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.

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## Fund Minimums

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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.

## Fees and Charges

The management fees associated with the Funds vary depending upon the share class an investor purchases. Not all share classes are offered by each Fund, and the eligibility criteria for different share classes and/or different Funds vary. Each Orbis Fund's Prospectus (available on [www.orbis.com](http://www.orbis.com)) describes the management fees, share classes and eligibility criteria of that Fund.

A schedule of fees and charges and maximum commissions is available on request from the appropriate Manager.

## Fund Information

Orbis SICAV Funds: The ongoing charges include a fixed annual 1.5% management fee and other Fund expenses but exclude performance fees and portfolio transaction costs. The total management fee consists of the fixed management fee and the variable performance fee.

Orbis Optimal Funds: Total Rate of Return for Bank Deposits is the compound total return for one-month interbank deposits in the specified currency. Beta Adjusted Exposure is calculated as Equity Exposure multiplied by a Beta determined using Blume's technique, minus Portfolio Hedging.

Prior to 1 July 1998 Orbis Optimal (US\$) was managed with a currency benchmark of 40% US dollars, 40% European currency units and 20% Japanese yen. On 1 July 1998 this was changed to 100% US dollars and the euro denominated Fund was launched.

## Sources

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