

Our Thinking

The Heady Hundred

Imagine you are at a cocktail party in May 2012. The conversation turns to the stock market, and your friend mentions that she bought Facebook at its initial public offering that month. You tell everyone that you just invested in a trucking business. While your friend instantly becomes the life of the party, you spend the rest of the evening staring into your drink.

Your friend made a good call—Facebook’s share price has risen almost sevenfold since the IPO. But your investment in XPO Logistics was also pretty exciting. Its share price performance was even with Facebook’s as recently as this January, and both companies delivered similarly strong revenue per share growth through the end of 2019. Since then, the pandemic has been considerably more painful for XPO’s shares than Facebook’s, so you “only” made about 400% overall. But both stocks trounced the S&P 500’s 200% return.

The lesson here is that great investments come in many different shapes and sizes—and they may not always seem obvious. As we noted in our Global Equity commentary last quarter, the obvious winners in today’s environment have been the so-called FANGAM stocks—Facebook, Amazon, Netflix, Google (Alphabet), Apple, and Microsoft. One can debate their valuations, but whatever your view of these giants, there is strong evidence of truly speculative froth elsewhere.

Recent research by Verdad showed that there are 500 stocks in the US—the “Bubble 500”—that are both more expensive than the FANGAM shares and have worse fundamentals. The vast majority of the Bubble 500 are found in areas such as software, fintech, biotech, and healthcare equipment—the virtual happy hour stocks of the present day. A few may turn out to be future giants, but it’s extremely unlikely that all 500 will work out anywhere near that well.

Taking a global view, we ran a similar analysis of our own on the FTSE World Index. We looked for stocks with the worst of both worlds: higher valuations than the FANGAM stocks, but with weaker margins and slower revenue growth. We found almost 100 such companies—call them the “Heady Hundred”. Unsurprisingly, software, biotech, and healthcare equipment stocks are well represented, as is the US.

As shown in the table below, these companies are about 50% more expensive than the FANGAMs on a price-to-revenue basis and about 30% richer on price-to-earnings multiples, yet have delivered only half the revenue growth and with lower profitability.

The Heady Hundred vs the FANGAMs: higher prices, slower growth, and lower profits

Weighted median valuation and fundamental characteristics

	Total market cap	Price / revenue	Price / earnings ¹	Revenue growth ²	Profit margin ³
FANGAMs	\$6.9trn	6.6	28	20%	29%
The Heady Hundred	\$3.1trn	10.1	37	10%	20%

Source: Capital IQ, Orbis. The FANGAMs are Facebook, Amazon, Netflix, Google (Alphabet), Apple, and Microsoft. The Heady Hundred are FTSE World Index constituents with higher price-to-revenue valuations, slower revenue growth, and lower profit margins than the weighted medians of the FANGAMs. ¹Using Capital IQ consensus estimates for 2021 earnings. ²Compound annualised revenue growth over the past 10 years. ³Average operating profit margin over the past 10 years.

Astonishingly, this group of stocks carries a market value of more than \$3 trillion. To put that in perspective, the Heady Hundred are worth nearly as much as the entire Japanese stockmarket.

Of course, some of these may turn out to be great investments. Prices can often race well ahead of fundamentals for rapidly growing businesses. Amazon has never once looked attractive on traditional valuation metrics, but that hasn’t stopped its shareholders from earning spectacular returns over its 23 years as a public company. (Amazon’s recent run has been painful for us to watch, having owned it but sold it far too early.) The problem is that prices also race well ahead of fundamentals for all the other “exciting” businesses that go on to falter. For those who fail to live up to their Amazonian expectations, the punishment can be swift and severe.

As contrarians, we much prefer the idea of investing in businesses that are boring, overlooked, or even hated. Not only are their fundamentals usually underappreciated, but there is far less room for disappointment since there is so much less enthusiasm reflected in the price. Besides XPO, other examples in the Orbis Funds include US health insurers, emerging market banks and conglomerates, Japanese drugstores, and even a manufacturer of farm equipment. These “boring” businesses have delivered revenue growth in excess of 10% per annum—and some can even hold their own with the FANGAMs. Most importantly, you don’t need to pay a heady premium for it.

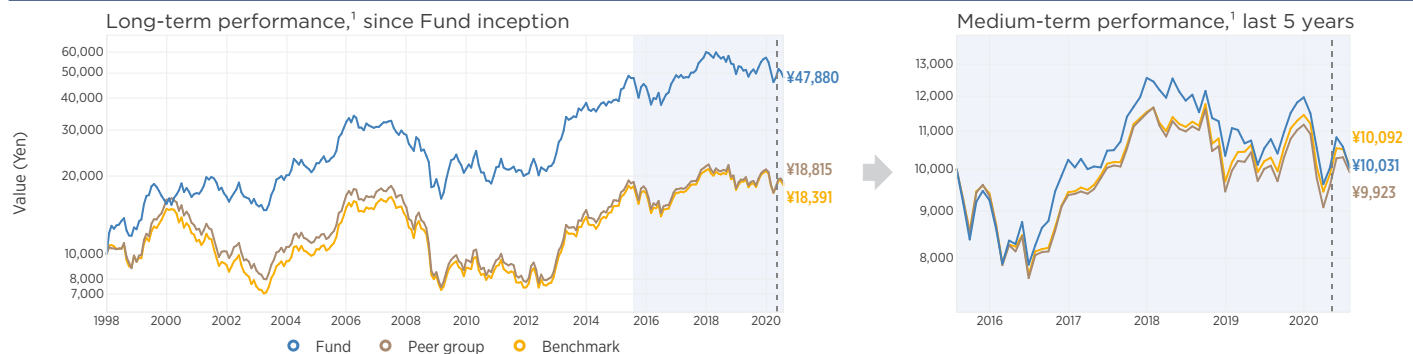
This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.

Orbis SICAV Japan Equity (Yen) Fund

Shared Investor Refundable Reserve Fee Share Class (A) ("Shared Investor RRF Class (A)")

The Fund is designed to be exposed to all of the risks and rewards of selected Japanese equities and seeks higher returns than the Japanese stockmarket, without greater risk of loss. This Share Class is predominantly exposed to the Japanese yen. Its performance fee benchmark ("Benchmark") is the Tokyo Stock Price Index, including income, net of withholding taxes ("TOPIX (net)").

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



The Shared Investor RRF Class (A) inceptioned on 14 May 2020 (date indicated by dashed line above). Information for the period before the inception of the Shared Investor RRF Class (A) relates to the Investor Share Class and its relevant benchmark, the Tokyo Stock Price Index, including income, gross of withholding taxes ("TOPIX (gross)").

Returns¹ (%)

	Fund	Peer group	Benchmark
	Net		Gross
Annualised			
Since Fund inception	7.2	2.8	2.7
20 years	5.2	1.5	1.9
10 years	8.8	7.8	8.2
5 years	0.1	(0.2)	0.2
3 years	(1.5)	(0.6)	(0.3)
1 year	(7.0)	(1.6)	(2.0)
Not annualised			
Calendar year to date	(16.2)	(11.2)	(11.9)
3 months	0.1	3.5	2.3
	Class	Peer group	Benchmark
Since Class inception	1.5	4.7	3.5
1 month	(5.2)		(4.0)
		Year	Net %
Best performing calendar year since Fund inception		2013	57.0
Worst performing calendar year since Fund inception		2008	(32.4)

Risk Measures,¹ since Fund inception

	Fund	Peer group	Benchmark
Historic maximum drawdown (%)	52	59	56
Months to recovery	90	95	93
Annualised monthly volatility (%)	18.2	18.3	17.6
Beta vs Benchmark	0.9	1.0	1.0
Tracking error vs Benchmark (%)	9.3	2.6	0.0

Fees & Expenses¹ (%), for last 12 months

Ongoing charges	1.45
Fixed management fee	1.35
Fund expenses	0.10
Performance related management fee	0.14
Total Expense Ratio (TER)	1.58

Price	¥4,788	Benchmark	TOPIX (net)
Pricing currency	Japanese yen	Peer group	Average Japan Equity Fund Index
Domicile	Luxembourg	Fund size	¥84.8 billion
Type	SICAV	Fund inception	1 January 1998
Minimum investment	US\$50,000	Strategy size	¥174 billion
Dealing	Weekly (Thursdays)	Strategy inception	1 January 1998
Entry/exit fees	None	Class inception	14 May 2020
ISIN	LU2122431245	UCITS compliant	Yes

Sector Allocation (%)

Sector	Fund	Benchmark
Cyclicals	51	35
Consumer Non-Durables	32	26
Information and Communications	12	11
Financials	6	9
Technology	0	18
Utilities	0	1
Net Current Assets/(Liabilities)	(1)	0
Total	100	100

Top 10 Holdings

	Sector	%
KDDI	Information and Communications	6.8
Sumitomo Mitsui Fin.	Financials	6.4
Honda Motor	Cyclicals	6.1
Iida Group Holdings	Cyclicals	5.8
Mitsubishi	Consumer Non-Durables	5.5
Sumitomo	Consumer Non-Durables	5.3
Kubota	Cyclicals	5.0
Nippon Telegraph and Telephone	Information and Communications	4.9
Mitsui & Co	Consumer Non-Durables	4.2
TSURUHA Holdings	Consumer Non-Durables	4.1
Total		54.2

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	96
Total number of holdings	33
12 month portfolio turnover (%)	53
12 month name turnover (%)	23
Active share (%)	91

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 Data and Fees & Expenses for the period before 14 May 2020 relate to the Investor Share Class and its relevant benchmark, the TOPIX (gross).

Orbis SICAV Japan Equity (Yen) Fund

Shared Investor Refundable Reserve Fee Share Class (A) (“Shared Investor RRF Class (A)”)

This Fact Sheet is a Minimum Disclosure Document and a monthly General Investor Report as required by the South African Financial Sector Conduct Authority.

Manager	Orbis Investment Management (Luxembourg) S.A.
Investment Manager	Orbis Investment Management Limited
Fund Inception date	1 January 1998
Class Inception date (Shared Investor RRF Class (A))	14 May 2020
Number of shares (Shared Investor RRF Class (A))	162,996
Income distributions during the last 12 months	None

Fund Objective and Benchmark

The Yen Classes of the Fund seek higher returns in yen than the Japanese stockmarket, without greater risk of loss. A benchmark is used by the Fund for two purposes: performance comparison (the “Fund Benchmark”) and performance fee calculation (the “Performance Fee Benchmark”). The Fund Benchmark is the Tokyo Stock Price Index, including income, gross of withholding taxes (“TOPIX (gross)”). The Performance Fee Benchmark of the Shared Investor RRF Class (A) is the Tokyo Stock Price Index, including income, net of withholding taxes (TOPIX (net)).

The Fund does not seek to mirror the TOPIX (gross)/(net) 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 be 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. In addition, the Fund may, to the extent permitted by its investment restrictions, also periodically hold cash and cash equivalents when the Investment Manager believes this to be consistent with the Fund’s investment objective.

All share classes invest in a portfolio of Japanese equities selected by the Investment Manager. The currency exposure of the Shared Investor RRF Class (A) remains as fully exposed to the yen as practicable.

The net returns of the Shared Investor RRF Class (A) from its inception on 14 May 2020, stitched with the net returns of the Investor Share Class from the Fund’s inception to 14 May 2020, have outperformed the stitched Performance Fee Benchmarks of the respective classes. 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 invest in, and be exposed to, Japanese equities.
- 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.

The Shared Investor RRF Class (A)’s management fee is charged as follows:

- **Base Fee:** Calculated and accrued weekly at a rate of 0.8% per annum of the Class’ net asset value. Investors separately pay an administrative fee directly to Allan Gray Proprietary Limited or one of its affiliates. The Investment Manager or one of its affiliates is entitled to receive a separate fee from Allan Gray Proprietary Limited or one of its affiliates in connection with this administrative fee, related to services the Investment Manager and its affiliates provide to Allan Gray Proprietary Limited or its affiliates.
- **Refundable Performance Fee:** When the performance of the Shared Investor RRF Class (A) (after deducting the Base Fee and an additional 0.3% per annum, which is deemed to be representative of the aforementioned administrative fee) beats the Performance Fee Benchmark over the period from one dealing day to the next, 25% of the value of the outperformance is paid into a reserve and reinvested into the Fund. If the value of the reserve is positive on any dealing day, the Investment Manager is entitled to a performance fee in an amount capped at the lesser of an annualised rate of (a) one-third of the reserve’s net asset value and (b) 2.5% of the net asset value of the Shared Investor RRF Class (A). Fees paid from the reserve to the Investment Manager are not available to be refunded as described below.

When the performance of the Shared Investor RRF Class (A) (after deducting the Base Fee and the aforementioned additional 0.3% per annum) trails the Performance Fee Benchmark over the period from one dealing day to the next, 25% of the value of the underperformance is refunded from the reserve to the Shared Investor RRF Class (A). If at any time sufficient value does not exist in the reserve to provide the refund, a reserve recovery mark is set, and subsequent underperformance is tracked. Such relative losses must be recovered before any outperformance results in any payment to the reserve.

Please review the Fund’s prospectus for additional detail and for a description of the management fee borne by the Fund’s other share classes.

Orbis SICAV Japan Equity (Yen) Fund

Shared Investor Refundable Reserve Fee Share Class (A) (“Shared Investor RRF Class (A)”)

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 Shared Investor RRF Class (A) 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 and Class 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 April 2020	%	31 July 2020	%
Honda Motor	7.7	KDDI	6.8
Sumitomo	6.8	Sumitomo Mitsui Fin.	6.4
TSURUHA Holdings	5.1	Honda Motor	6.1
Toyo Tire	5.0	Iida Group Holdings	5.8
Iida Group Holdings	4.8	Mitsubishi	5.5
Sumitomo Mitsui Fin.	4.8	Sumitomo	5.3
Kubota	4.2	Kubota	5.0
NGK INSULATORS	4.2	Nippon Telegraph and Telephone	4.9
Sumitomo Electric Industries	4.1	Mitsui & Co	4.2
SEGA SAMMY HOLDINGS	3.5	TSURUHA Holdings	4.1
Total	50.3	Total	54.2

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 for the (i) Investor Share Class(es), (ii) Shared Investor Refundable Reserve Fee Share Class(es), (iii) Shared Investor Refundable Reserve Fee Share Class(es) (A), (iv) Standard Share Class(es) and (v) Standard Share Class(es) (A) on a net asset value basis by share class, normally as of 5:30 pm (Bermuda time), (a) each Thursday (or, if a Thursday is not a business day, the preceding business day), (b) on the last business day of each month and/or (c) any other days in addition to (or substitution for) any of the days described in (a) or (b), as determined by the Investment Manager or Manager (as indicated in the Fund's prospectus) 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; 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:

- by e-mail, by registering with Orbis for this service at the Orbis website at www.orbis.com,
- for the Shared Investor RRF Share Class(es) (A) and Standard Share Class(es) (A), from the Allan Gray Unit Trust Management (RF) Proprietary Limited's website at www.allangray.co.za, and
- for the Shared Investor RRF Share Class(es), Standard Share Class(es), and Investor Share Class(es), from the Orbis website at www.orbis.com.

Legal Notices

Returns are net of 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 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.

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

Tokyo 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: © 2020 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 23 July 2020. 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.

Notes to Help You Understand This Report

Certain capitalised terms are defined in the Glossary section of the Orbis Funds' respective Prospectuses, copies of which are available upon request from Allan Gray Unit Trust Management (RF) Proprietary Limited, a Member of the Association for Savings & Investments SA. The country, currency and Emerging Market classification for securities follows that of third-party providers for comparability purposes. Emerging Markets includes Frontier Markets. 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 Funds' exposures accordingly. Totals presented in this Report may not sum due to rounding.

Risk measures are ex-post and calculated on a monthly return series. Months to recovery measures the number of months from the preceding peak in performance to recovery of that level of performance.

12 month portfolio turnover for the Orbis Equity and Multi-Asset Class Funds is calculated as the lesser of total security purchases or sales in the Fund over the period, divided by the average net asset value (NAV) of the Fund. Short-term fixed income instruments are not included.

12 month name turnover for the Orbis Equity and Multi-Asset Class Funds is calculated as the number of positions held by the Fund at the start of the period but no longer held at the end of the period, divided by the total number of positions held by the Fund at the start of the period. Short-term fixed income instruments are not included.

Active share is a measure of the extent to which the holdings of the Orbis Equity and Multi-Asset Class Funds differ from their respective benchmark's holdings. It is calculated by summing the absolute value of the differences of the weight of each individual security in the specific Orbis Fund, versus the weight of each holding in the respective benchmark index, and dividing by two. For the Multi-Asset Class Funds, three calculations of active share are disclosed. The Portfolio active share incorporates the equity, fixed income, commodity-linked and other securities (as applicable) held by the Orbis Fund and compares those to the holdings of the composite benchmark. The Equity and Fixed Income active shares are calculated as if the equity and fixed income portions of the Orbis Funds are independent funds; each of those two sets of holdings is separately compared to the fully-weighted holdings in the appropriate component of the composite benchmark. Although the Multi-Asset Class Funds hedge stock and bond market exposure, the active share calculations are "gross" and not adjusted to reflect the hedging in place at any point in time.

The total expense ratio has been calculated using the expenses, excluding trading costs, for the 12 month period ending 31 July 2020.