

Orbis Japan Equity

The speculative mania of Japan's 1980s stock market bubble is often illustrated by a striking statistic: at one point, the land beneath the Imperial Palace in Tokyo was valued higher than all the real estate in the state of California. This bubble burst spectacularly at the end of the 1980s, leaving lasting scars on Japan's real estate sector.

In the three and a half decades since, shares in Japan's real estate sector have remained largely stagnant. Even as the broader stock market has rebounded in recent years, real estate stocks have yet to reclaim their late-1980s highs. For contrarian investors, such long-term neglect can provide a fertile ground for identifying opportunities where stock valuations are significantly dislocated from their intrinsic value.

We believe one such opportunity is Mitsubishi Estate Corporation (MEC). MEC is one of Japan's largest real estate developers, and often described as the "landlord" of Tokyo's Marunouchi district—a prime office area overlooking the aforementioned Imperial Palace.

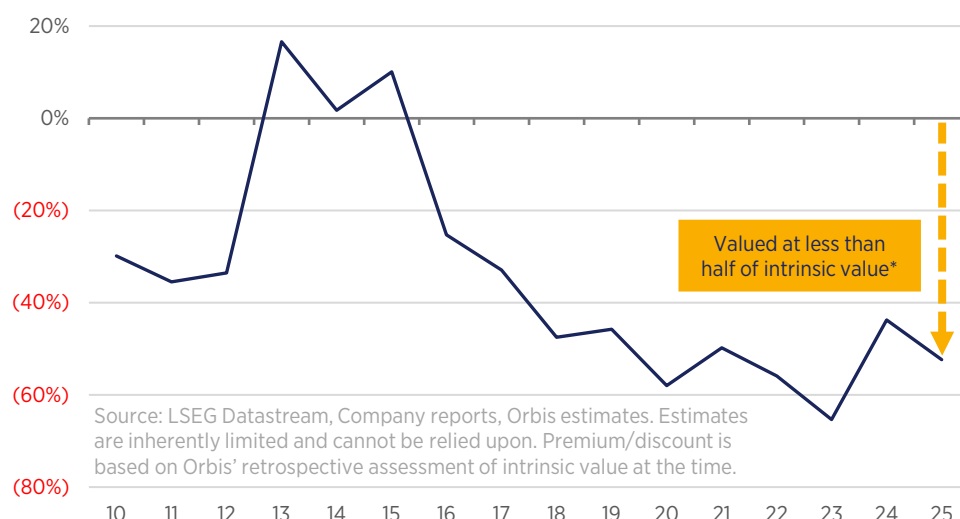
Sentiment around real estate in Japan has been poor for some time, and for a number of reasons. Japan's shrinking population leaves many doubting the longer-term demand for real estate, as a smaller population requires fewer homes and less office space. More recently, the global trend towards working-from-home has cast doubt over the long-term demand for office space, while rising interest rates in Japan could squeeze the returns that MEC can earn on its properties. In our view, these concerns are sensible, but overblown—at least in MEC's case. We believe MEC's exposure to these risks is lower than the market perceives, and that the current valuation of the stock more than accounts for these risks.

MEC's core commercial real estate business began over 130 years ago when the Mitsubishi group acquired some marshland close to the Imperial Palace. At the time, the government wanted to create a business centre to rival London or New York and help secure Japan's economic future. The result was an area of red-brick Western-style commercial properties known as "London Town". Those red-brick buildings have long since been replaced with steel and glass skyscrapers, and Marunouchi is now home to many of Japan's largest companies and around 300,000 workers. Located alongside Tokyo Station at the intersection of the city's main commuter lines, the area is packed with desirable prime office space, much of which is owned by MEC. The company owns around 30 office buildings in the district, as well as many other prime office buildings across Tokyo and the rest of Japan.

We believe that MEC's real estate portfolio is significantly undervalued. At first glance, MEC trades at roughly 1.3 times its tangible book value, or a slight premium to the reported value of its assets. But this substantially understates the true value of MEC's assets. Japanese accounting principles do not require companies to report their real estate assets at current market values. For land in central Tokyo that was acquired in some instances a century ago, and was last revalued over two decades ago, the difference between reported value and current market value is enormous.

Mitsubishi Estate trades at a wide discount to intrinsic value

Market capitalisation premium/discount relative to our estimated intrinsic value



When we form our assessment of MEC's intrinsic value, and take into account current market values for the company's property portfolio, we estimate that MEC is actually trading at less than half of its intrinsic value—an astonishing discount for a company with some of the best buildings in Japan. In our view, the extreme discount appears to stem from three main concerns: interest rates, working from home, and capital allocation.

The awakening of long-dormant inflation in Japan has sparked an increase in interest rates with the 10-year Japanese government yield recently touching 1.5% for the first time since 2009. Higher interest rates impact MEC through its own borrowings and through the value of its property portfolio. On the first, we have little

Orbis Japan Equity (*continued*)

concern. MEC's balance sheet is rock solid. Debt-to-equity is around 1.4 times—low for a real estate company in Japan—and over 80% of MEC's debt is fixed at low rates, with an average duration close to 7 years. While rates are indeed rising, they remain at exceptionally low levels in absolute terms and also below the current rate of inflation. Furthermore, the rising inflationary environment is making it far easier for MEC to increase the rents that it charges its tenants. Indeed we are already seeing some green shoots in that regard after decades of flatlining rents. For the majority of clients that renegotiated contracts over the past year, MEC has been able to lock in an average annual rent increase of 2% per annum, typically for a 5-year period. This trend looks set to continue as more of MEC's leases come up for renewal.

While work-from-home trends have hurt office owners in many cities, Tokyo has fared relatively better. In London and New York, vacancy rates sit near 8% and 15%, respectively, both far off pre-Covid levels. Workers in Tokyo have been much quicker to return to the office by comparison, leaving the vacancy rate at just 4%. We believe MEC should be better insulated from hybrid working trends than most, given its prime office spaces in prime locations. Companies are more likely to consolidate into their Marunouchi headquarters than close them down, especially in Japan where competition for employees is intensifying. Similarly, despite the overall population decline in Japan, the Tokyo population continues to grow, particularly in the central Tokyo districts where MEC properties are located. This leaves MEC much better positioned than its peers. And while the demand outlook often grabs the headlines, the supply of new office buildings looks more challenged, exacerbated by sharply rising construction costs. As new office projects are delayed or suspended, supply may undershoot demand and bring about a major pricing improvement for existing office owners.

But the real value to be unlocked for MEC could be through improving capital allocation and shareholder returns. Regular readers will be familiar with the Tokyo Stock Exchange's recent push for companies in Japan to improve their valuations, and we think MEC is a prime candidate for improvement. While the company is moving more slowly than we would like, we believe momentum is building in a positive direction. MEC now has a progressive dividend policy, committing to increasing payouts each year—a policy we strongly support. But the real opportunity is in buybacks.

MEC conducted its first-ever share buyback in 2019, and has continued to buy back shares since, reducing share count by around 10%. In the company's May 2024 long-term plan, it allocated ¥50bn per annum (roughly 1.5% of shares outstanding at current valuations) for share repurchases. While we welcome this commitment, we believe the company can afford to do much more. Crucially, we also believe this would represent an excellent use of capital at current prices. With MEC's stock trading at such a low valuation, the company can effectively buy more exposure to its excellent existing properties at a significant discount to their market value.

Under the leadership of a new CEO, Atsushi Nakajima, the company is also increasingly focused on improved corporate disclosure and communication with investors, with clear long-term targets for earnings per share and returns on equity. We think the presence of activists among MEC's peers and the stock's own depressed valuation should hold management's feet to the fire.

At current valuations, we think Mitsubishi Estate offers a compelling opportunity for investors with a long term perspective. Despite longstanding scepticism driven by Japan's demographic challenges, rising interest rates, and remote work trends, MEC's prime Marunouchi office portfolio remains resilient, boasting low vacancy rates and increasing rents. The company's conservative asset valuations obscures its true intrinsic worth, trading at a significant discount to its real estate holdings. Additionally, MEC's improving capital allocation, increasing buybacks, and enhanced investor focus under new leadership suggest strong potential for improved shareholder returns.

At a time when the yen has been cheaper than at any point for decades, Mitsubishi Estate is an excellent example of the opportunities we are seeing among Japan's domestic stocks. With the earnings of many exporters looking increasingly fragile as the yen strengthens, we are identifying many opportunities in domestic companies like MEC, where the margin of safety is wide, and the future looks much brighter than the past.

Commentary contributed by Alex Bowles, Orbis Portfolio Management (Europe) LLP, London

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

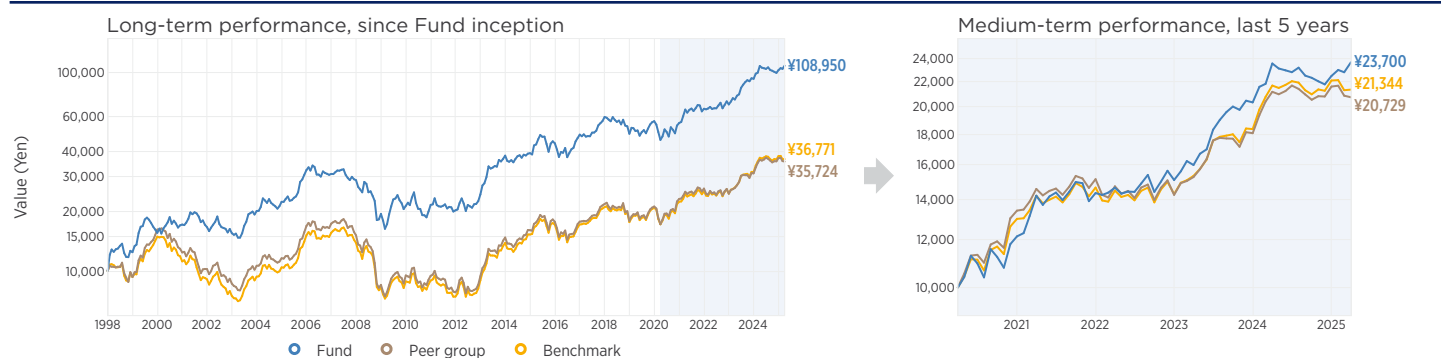
Orbis SICAV

Japan Equity (Yen) Fund

Investor Share Class

The Fund is actively managed and 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. It is predominantly exposed to the Japanese yen. The performance fee benchmark ("Benchmark") of the Class is the Tokyo Stock Price Index, including income, gross of withholding taxes ("TOPIX").

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



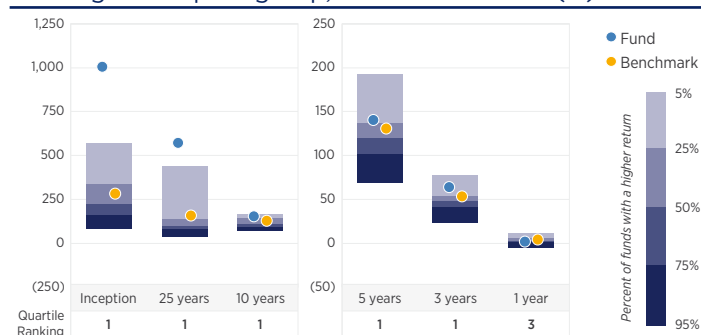
Returns (%)

	Fund	Peer group	Benchmark		
Annualised		Net	Gross		
Since Fund inception	9.2	4.8	4.9		
25 years	7.9	3.2	3.7		
10 years	9.6	7.3	8.1		
5 years	18.8	15.7	16.4		
3 years	17.4	12.0	13.8		
1 year	0.5	(2.0)	(1.5)		
Not annualised					
3 months	5.4	(4.0)	(3.4)		
1 month	3.9		0.2		
Annual returns to 31 Mar	2021	2022	2023	2024	2025
	42.2	3.1	9.1	47.5	0.5

Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Historic maximum drawdown (%)	52	59	56
Months to recovery	90	95	93
Annualised monthly volatility (%)	17.5	17.5	16.8
Beta vs Benchmark	0.9	1.0	1.0
Tracking error vs Benchmark (%)	8.9	2.5	0.0

Ranking within peer group, cumulative return (%)



Price	¥10,895	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)
Fund size	¥304 billion	Entry/exit fees	None
Fund inception	1 January 1998	UCITS compliant	Yes
Strategy size	¥543 billion	ISIN	LU0160128079
Strategy inception	1 January 1998		

Sector Allocation (%)

Sector	Fund	Benchmark
Consumer Non-Durables	46	23
Cyclicals	34	33
Financials	7	15
Information and Communications	6	8
Technology	4	20
Utilities	0	1
Net Current Assets	3	0
Total	100	100

Top 10 Holdings

	Sector	%
Mitsubishi Estate	Cyclicals	8.5
Asahi Group Holdings	Consumer Non-Durables	6.2
SUNDRUG	Consumer Non-Durables	5.5
TSURUHA Holdings	Consumer Non-Durables	5.4
Daiwa House Industry	Cyclicals	5.1
GMO Internet Group	Information and Communications	4.8
Sugi Holdings	Consumer Non-Durables	4.1
Kubota	Cyclicals	3.8
T&D Holdings	Financials	3.8
Persol Holdings	Consumer Non-Durables	3.3
Total		50.6

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	82
Total number of holdings	42
12 month portfolio turnover (%)	39
12 month name turnover (%)	20
Active share (%)	93

Fees & Expenses (%), for last 12 months

Fund expenses	0.10
Total management fee ¹	2.16
Total Expense Ratio (TER)	2.26

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 Total management fee consists of 1.5% per annum ± up to 1%, based on 3 year rolling outperformance/(underperformance) vs Benchmark.



Legal Notices

Past performance does not predict future returns. 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. 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 Fund may be exposed to risks such as liquidity, credit, counterparty, derivatives and currency/exchange rate risks. Please refer to the respective Fund's Prospectus for full information on the risks associated with investing.

The discussion topics for the commentaries were selected, and the commentaries were finalised and approved, by Orbis Investment Management Limited, the Funds' 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. To the maximum extent permitted by applicable law, 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.

This Report has been approved for issue in the United Kingdom by Orbis Portfolio Management (Europe) LLP, 28 Dorset Square, London, England NW1 6QG; a firm authorised and regulated by the Financial Conduct Authority. Orbis Investment Management Limited is licensed to conduct investment business by the Bermuda Monetary Authority.

If you are an investor in Australia, pursuant to Regulation 7.1.33B of the Corporations Regulations, this document is provided to you on behalf of the relevant Orbis Funds by Orbis Investment Advisory Pty Ltd, Australia Financial Services Licence No. 237862, Australia Business Number 15 101 387 964.

This is a marketing communication for the purposes of the Bermuda Monetary Authority's investment business rules and ESMA guidelines on marketing materials. You should consider the relevant offering documents including the Fund Prospectus and Key Information document (for a SICAV Fund) before making any final investment decisions. These offering documents are available in English on our website (www.orbis.com). Investors in a SICAV Fund can obtain a summary of their investor rights in English on our website (www.orbis.com). When investing in the Orbis Funds an investor acquires shares within the Fund and not in the underlying assets held within the Fund.

Fees charged reduce the potential growth of your investment. Please refer to the relevant Fund's Prospectus for detailed information on the fees and expenses attributable to the Fund and for information on date of payment of the performance fee as applicable.

The return of your investment may change as a result of currency fluctuations if the return is calculated in a currency different from the currency shown in this Report.

Notice to Persons in the European Economic Area (EEA) and the United Kingdom (UK)

Each sub-fund of Orbis SICAV, a UCITS compliant Luxembourg fund, included in this Report is admitted for public marketing in Ireland, Luxembourg, the Netherlands, Norway, Sweden and the United Kingdom. The Orbis Funds that are not Orbis SICAV Funds are alternative investment funds that are neither admitted for public marketing anywhere in the EEA nor marketed in the EEA for purposes of the Alternative Investment Fund Managers Directive. As a result, persons located in any EEA member state will only be permitted to subscribe for shares in the Orbis Funds that are admitted for public marketing in that member state or, with respect to any other Orbis Fund, under certain circumstances as determined by, and in compliance with, applicable law and persons located in the United Kingdom will only be permitted to subscribe for shares in Orbis Funds that are admitted for public marketing in the UK or as otherwise permitted under the laws of the UK.

Orbis Funds that are within the scope of the EU Directive on Administrative Cooperation (Directive 2014/107/EU) are required to report (i) certain payments made to investors that are tax-resident in an EU Member State and (ii) the annual balance of the Orbis accounts held by those investors. Under applicable automatic exchange of information provisions, this information may also be forwarded to the tax authorities in the EU Member State in which the investor is tax-resident.

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 on our website (www.orbis.com). Returns are net of fees, include income and assume reinvestment of dividends/distributions. Annualised returns show the average amount earned on an investment in the Fund/share class each year over the given time period. The country and currency classification for securities follows that of third-party providers for comparability purposes. Emerging Markets follows MSCI classification when available and includes Frontier Markets. Emerging Markets currency exposure is based on currency denomination. 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. The Fund does not seek to mirror the investment universe of the Benchmark and is thus not constrained by the Benchmark's composition.

Risk measures are ex-post and calculated on a monthly return series. Drawdowns occur when the cumulative return of the Fund drops below its preceding peak. Months to recovery measures the number of months from the preceding peak in performance to recovery of that level of performance.

Beta compares the sensitivity of the periodic returns of a fund to those of an index. A beta of 1.0 implies that a percentage move in the index has been reflected by a similar percentage move in the fund, on average. A beta higher than 1.0 implies that a fund has proportionally more exposure to market volatility than the index.

Annualised Monthly Volatility measures the variability of monthly returns, adjusted to reflect an annual level. A higher value suggests greater volatility and risk, while a lower value indicates more stable returns.

Tracking error is a measure of the difference between a fund's return and the return of its benchmark. Low tracking error indicates that the fund is closely following its benchmark. High tracking error indicates the opposite.

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. Cash, cash equivalents and short-term government securities 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.



Active share is a measure of the extent to which the holdings of the Orbis Equity and Balanced 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 Balanced 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 Balanced 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.

Benchmark related information is as at the date of production based on data provided by the official benchmark and/or third party data providers. There may be timing differences between the date at which data is captured and reported.

The total expense ratio has been calculated using the expenses, excluding trading costs, and average net assets for the 12 month period ending 31 March 2025.

Orbis Multi-Asset Class Funds: Net Equity is Gross Equity minus stockmarket hedging. Fixed Income refers to fixed income instruments issued by corporate bodies, governments and other entities, such as bonds, money market instruments and cash. Net Fixed Income is Gross Fixed Income minus bond market hedging. Except where otherwise noted, government fixed income securities are aggregated by time to maturity and issuer. TIPS are not aggregated with ordinary treasuries. Duration is a measure of the sensitivity of a bond's price to changes in interest rates. A higher duration indicates greater sensitivity to interest rate changes. Duration is calculated using the modified duration of the fixed income instruments in the portfolio, or the effective duration in the case of fixed income instruments with embedded options and real effective duration in the case of inflation-linked bonds. Yield to Maturity ("YTM") is the total expected return on a bond if it is held until it matures. YTM for the Fund and the JP Morgan Global Government Bond Index is the average of the portfolio's fixed income instruments' YTM, weighted by their net asset value. Real YTM is used for inflation-linked bonds. The calculations are gross and exclude non-performing fixed income instruments.

Orbis SICAV Funds: The Fund expenses exclude portfolio transaction costs. The performance related management fee becomes payable to Orbis on each Dealing Day as defined in the Funds' Prospectus.

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.

Fund Information

Orbis SICAV Global Balanced Fund: The benchmark is a composite index consisting of the MSCI World Index with net dividends reinvested (60%) and the JP Morgan Global Government Bond Index (40%).

Prior to 1 November 2016 the Orbis SICAV Emerging Markets Equity Fund was named the Orbis SICAV Asia ex-Japan Equity Fund, its Benchmark was the MSCI All Country Asia ex-Japan (Net) (US\$) Index, and its peer group was the Average Asia ex-Japan Equity Fund Index.

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

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.

Fund Minimums

Minimum investment amounts in the Orbis Funds are specified in the respective Fund's Prospectus. New investors in the Orbis Funds must open an investment account with Orbis, which is subject to a US\$100,000 minimum investment, country restrictions and/or other terms and conditions. For more information on opening an Orbis investment account, please visit www.orbis.com.

Sources

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2025. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

TOPIX: JPX Market Innovation & Research, Inc. TOPIX hedged into US\$ and euro are calculated by Orbis using an industry-standard methodology using the TOPIX which is in yen. No further distribution of the TOPIX data is permitted.

MSCI: The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).

60/40 Index: The 60/40 Index values are calculated by Orbis using end of day index level values licensed from MSCI ("MSCI Data") and J.P. Morgan. For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "as is" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilising any MSCI Data, models, analytics or other materials or information. JP Morgan Global Government Bond Index (the "JPM GBI"): Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The JPM GBI is used with permission. Copyright 2025, J.P. Morgan Chase & Co. All rights reserved. The 60/40 Index may not be copied, used, or distributed without prior written approval.



Average Fund data source and peer group ranking data source: © 2025 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 25 March 2025. 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. For the purposes of extending the Average Global Equity Fund Index as a comparator of the Orbis Optimal Funds, the FTSE World Index has been used. 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.