

Orbis Optimal

Two quotes have appeared repeatedly in my recent media feeds. “There are decades where nothing happens; and there are weeks where decades happen”, attributed to Vladimir Lenin. “May you live in interesting times”, claimed to be a Chinese curse.

It would be an understatement to say we are living in eventful and interesting times. In just five years, we’ve seen a global pandemic bring economic and social activity to a halt, Cold War fears reignited following Russia’s invasion of Ukraine, a simmering conflict between China and the US, and a dramatic escalation in the decades-old feud between Israel and Palestine. Donald Trump survived an assassination attempt, became president for the second time, and has brought in a group of billionaires to rip up the old Washington DC rule book. Interest rates reversed a four-decade decline, inflation spiked after a dormant decade, oil prices briefly went negative, housing prices surged, Bitcoin ranged roughly between \$5,000 and \$100,000, and China began a long-overdue debt and property correction. Artificial intelligence has gone from science fiction to daily reality—and is only getting started.

In short, the world today bears little resemblance to the world five years ago. The sheer magnitude of change has created enormous uncertainty for businesses. For example, the NFIB Small Business Association runs a monthly survey that asks American business owners to share their views on the future such as “Plans to increase employment” and “Expect real sales higher”. The NFIB then calculates an Uncertainty Index by summing the “Don’t Know” and “Uncertain” answers. The higher this index, the more uncertain the owners are about the future. In its 50-year history, the Uncertainty Index has averaged 67 but was running at 80 at the start of 2020. It rose to 110 in October 2024, its highest ever, and remained at 104 in February 2025.

High levels of uncertainty generally have a negative impact on asset prices. Asset prices are based on discounted future cash flows, using a discount rate which is the sum of the risk-free rate (often approximated by the yield on 3-month US Treasury Bills) and a risk premium. The higher the discount rate, the lower the price—or more accurately, the lower the present value of future earnings and, therefore, valuation multiple.

One would expect today’s discount rate to be higher than it was five years ago. For starters, the 3-month Treasury Bill rate has increased from 1.5% to 4.2%. Likewise, one should be paid more to take on risk in an uncertain world; the risk premium should be higher. The sum of both should clearly be higher, meaning asset valuations should be lower—at least in theory.

While valuations are lower in some markets—particularly in some emerging markets—they are higher for US equities, the biggest and most influential investment market. The trailing-twelve-month price-to-earnings ratio (P/E) for the S&P 500 was more than 20% higher at the start of 2025 than it was at the start of 2020. In absolute terms, the P/E was 25 for the S&P, meaning that the earnings yield (the inverse of P/E) of US equities was lower than the risk-free rate. This hasn’t happened since the dot-com bubble of the late 90s.

The US market is therefore being priced as if uncertainty is lower and forecasting the future easier than usual, despite the numerous challenges mentioned at the start of this commentary. If one is sceptical that this makes sense, it would be sensible to minimise overall market risk, or beta. Generally, a favourable time to embrace beta is when either valuations or uncertainty are low. Both are unusually high today, suggesting the need for caution.

There are, nonetheless, opportunities to earn reasonable returns in today’s environment. Orbis Optimal invests in a basket of shares that we believe offer attractive prospective returns, while hedging out the local market exposure. This allows our clients to earn the yield on cash plus the excess return that our stock selections generate above the market, or alpha. Since its launch in 1990, the Orbis Optimal Strategy has generated USD returns after fees of 3.6% per annum higher than bank deposits, with similarly strong relative performance over the last five years. We believe today’s environment is well suited to allow us to achieve similar or better returns than these.

Periods of high valuation disparity provide greater opportunities to find and earn alpha. Disparity cannot be measured definitively, but most metrics show it being elevated today, albeit down from the extremes seen in the 2021 Everything Bubble. A simple way to look at valuation disparity is to compare valuations across major global markets: at the start of this year, the P/E ratio of the S&P 500 was roughly 2.5 times higher than that of Hong Kong’s Hang Seng index, twice as high as the UK’s FTSE 100, and 1.5 times higher than Germany’s DAX. This trend repeats in other markets, suggesting the US is unusually expensive relative to the rest of

Orbis Optimal (*continued*)

the world. While there are valid reasons for a US premium, it is seldom wise to bet on extremes continuing to remain dislocated. We believe some reversion to historical norms is likely, which presents attractive alpha opportunities for fundamental stock pickers such as ourselves.

In a sense, we could argue that the change we've seen in recent years is actually nothing new for investors. The world is always in flux—and it is our job to capitalise on the opportunities that change creates. And as it happens, the two quotes at the start of the commentary are both wrong. “May you live in interesting times” is not a Chinese curse. It may have originated from a Chinese proverb, translated as “It's better to be a dog in a peaceful time than a man in a chaotic period”. The earliest known use of it being called a curse is by the British politician Joseph Chamberlain in 1898, and it was popularised in RFK's “Ripple of Hope” speech in Cape Town in 1966. The “Decades in weeks” quote has been around in some form for, fittingly, decades, but there is no record of Lenin saying it. The first known attribution to him was by a British politician in 2001, 77 years after his death.

A more relevant quote today—and one that we can verify—comes from Karl Marx in 1863: “Only your small-minded philistine who measures world history by the ell and by what he happens to think are ‘interesting news items’, could regard 20 years as more than a day where major developments of this kind are concerned, though these may be again succeeded by days into which 20 years are compressed.”

An ell is a historic measure of length, equivalent to the length of the forearm and extended hand. Measuring history by the ell is an apt description of today's world. Investors with a longer time horizon, and a deeper understanding of history's lessons, should take heed of the current dislocation between price and reality. The Orbis Optimal Strategy allows such investors to continue to earn a reasonable absolute return while limiting market exposure. We believe now is an opportune time to do so.

Commentary contributed by Mark Dunley-Owen, Orbis Investment Management Limited, Bermuda

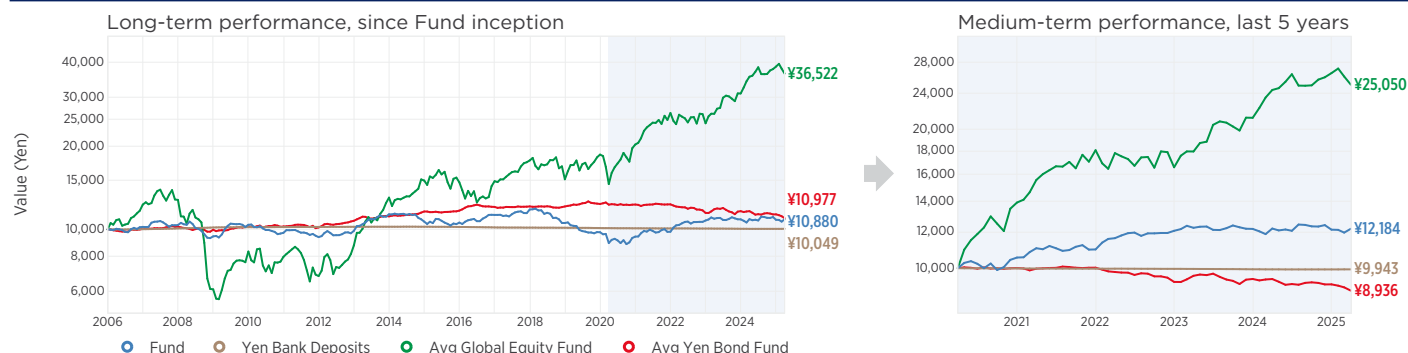
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Orbis Optimal (Yen) Fund

The Fund seeks capital appreciation in yen on a low risk global portfolio. It invests substantially all of its assets in the Orbis Optimal (US\$) Fund and, by selling forward US dollars into yen, hedges most or all of its currency exposure into yen. The Orbis Optimal (US\$) Fund invests in Orbis' preferred mix of equities principally via investment in Orbis' equity strategies. The risk of loss is managed with stockmarket and currency hedging.

Price	¥1,088	Comparators	Yen Bank Deposits
Pricing currency	Japanese yen	Average Global Equity Fund Index	
Domicile	Bermuda	Average Yen Bond Fund Index	
Type	Open-ended mutual fund	Minimum investment	US\$50,000
Fund size	¥10.6 billion	Dealing	Weekly (Thursdays)
Fund inception	1 January 2006	Entry/exit fees	None
Strategy size	¥482 billion	ISIN	BMG6767K1163
Strategy inception	1 January 1990		

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



Returns (%)

	Fund	Yen Bank Deposits	Avg Global Equity Fund	Avg Yen Bond Fund
Annualised	<i>Net</i>		<i>Net</i>	
Since Fund inception	0.4	0.0	7.0	0.5
15 years	0.4	(0.1)	10.2	0.4
10 years	0.3	(0.2)	9.1	(0.5)
5 years	4.0	(0.1)	20.2	(2.2)
3 years	1.6	(0.1)	12.1	(3.1)
1 year	(0.1)	0.0	2.6	(5.6)
Not annualised				
3 months	0.5	0.1	(5.7)	(3.1)
1 month	2.0	0.0		

Risk Measures, since Fund inception

	Fund	Yen Bank Deposits	Avg Global Equity Fund	Avg Yen Bond Fund
Historic maximum drawdown (%)	26	2	60	13
Months to recovery	>85 ¹	>126 ¹	88	>67 ¹
% recovered	67	3	100	0
Annualised monthly volatility (%)	5.4	0.1	18.3	2.4
Correlation vs FTSE World Index	0.4	(0.2)	1.0	0.3
Correlation vs Orbis Global Equity Fund relative return	0.7	0.1	(0.1)	(0.1)

Currency Allocation (%)

Japanese yen	92
South African rand	3
Other	5
Total	100

Stockmarket Exposure² (%)

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure
Developed Markets	74	(65)	9	(1)
United States	31	(32)	0	(4)
Japan	18	(15)	3	0
Continental Europe	10	(12)	(2)	(4)
United Kingdom	8	(3)	4	4
Other	7	(3)	4	3
Emerging Markets	12	(6)	6	3
Total	86	(71)	15	2

Top 10 Holdings², looking through to the underlying securities

	FTSE Sector	%
QXO	Technology	3.8
Corpay (was FLEETCOR)	Industrials	3.8
Elevance Health	Health Care	3.2
FirstService	Real Estate	2.6
Leonardo	Industrials	2.2
Motorola Solutions	Telecommunications	2.2
Taiwan Semiconductor Mfg.	Technology	2.1
Mitsubishi Estate	Real Estate	2.0
RXO	Industrials	2.0
UnitedHealth Group	Health Care	1.9
Total		25.9

Fees & Expenses (%), for last 12 months

Management fees (from the underlying funds) ³	1.67
For performance in line with the performance fee benchmark	1.23
For out/(under)performance vs performance fee benchmark	0.45
Performance fee (for the Orbis Optimal (US\$) Fund) ⁴	0.00
Fund expenses	0.11
Total Expense Ratio (TER)	1.79

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 Number of months since the start of the drawdown. This drawdown is not yet recovered.

² Information is for the Orbis Optimal (US\$) Fund, in which the Fund aims to be 100% invested.

³ The Fund indirectly bears the fees of the funds in which its assets are ultimately invested.

⁴ The Orbis Optimal (US\$) Fund (in which the Fund is invested) pays a performance-based fee of up to 0.5% per annum of the Orbis Optimal (US\$) Fund's weekly net assets whenever that Fund's share price is greater than its high of more than one year earlier and that Fund's trailing one-year return exceeds that of Bank Deposits plus 5 percentage points.

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.

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Returns are net of fees, include income and assume reinvestment of dividends. Figures quoted are for the periods indicated for a \$10,000, ¥10,000 and €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.

Collective Investment Schemes (CIS) are generally medium to long-term investments. The value of an investment in the Funds may go down as well as up, and past performance is not a reliable indicator of future results. No Manager or Investment Manager provides any guarantee with respect to capital or the Funds' returns. 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. Performance shown is for the Fund or share class indicated. 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 of transactions representing more than 5% of a Fund's net asset value. Any Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. The Funds invest 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.

Fund Minimums

Minimum investment amounts in the Orbis Funds are specified in the respective 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.

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) 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 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 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.

Sources

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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 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 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.

Additional Notices

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). Please refer to the respective Fund's Prospectus for full information on the risks associated with investing.

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. 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.