

Orbis International Equity

It's hard to believe that five years have passed since the outbreak of Covid-19. As we have noted previously, the pandemic and the ensuing policy responses set the stage for one of the most meaningful market dislocations we have ever experienced. It was an unusually ripe period for contrarian investors, and we did our best to make the most of the opportunity.

As things normalise, it's worth reiterating that these periods of outperformance don't last forever. It would be nice to see excess returns arrive steadily each quarter, but ups and downs are a feature of our approach and not a bug. Even if it were possible to perfectly assess the true intrinsic value of each business we own, our percentage of eventual winners would still sit far below 100%, and quarterly and annual performance swings would remain the norm.

That said, a "normal" environment can still be a fruitful one for stockpicking, and at least one broad mispricing remains. The gap between valuations in the US and the rest of the world remains as wide as we have seen. For the better part of the past 15 years, ex-US equities have been largely ignored, and as such it's one of the few asset classes that still enjoys reasonable valuations and provides opportunity to uncover meaningful security-level mispricings. For allocators who have seen their US exposure balloon over recent years, we believe international equities are a very compelling alternative today.

As we have written in previous commentaries, the mispricings that we are currently finding outside the US have been largely idiosyncratic in nature and less thematic. But Japan is an exception that still stands out as a broad theme. In just a few months, we have boosted the Orbis International Equity Strategy's weighting in Japan from around 7% late last year to over 20% today.

Within Japan, we are particularly drawn to a selection of domestic businesses in areas such as retail, construction, logistics, life insurance and staffing. While each investment within these sectors has its own idiosyncrasies, there are some important shared characteristics that make them attractive today.

First, many of our Japan holdings have substantial self-help opportunities through improved capital efficiency. Ever since the Tokyo Stock Exchange lit a fire under local companies with its corporate governance reform agenda in early 2023, we have seen substantial improvements that we don't believe are fully appreciated.

The steps that companies are taking have gone well beyond token gestures. For example, life insurer T&D Holdings recently announced a buyback worth more than 5% of its market cap on top of its commitments to pay out greater dividends. Asahi Group—the beer company—is also buying back stock aggressively, aiming to shrink its share count by 30% over the next 3-5 years as it seeks to improve return on equity and earnings per share growth. While T&D and Asahi are just two examples, they exemplify the very real steps that Japan Inc. is taking to return hard cash to shareholders.

Currency is a second reason why Japan looks attractive to us. In recent years, the yen has been in the doghouse, which inflates import costs and squeezes margins for many businesses. But as the currency stabilises, this headwind may recede and could perhaps become a tailwind if the yen strengthens to what we see as a more rational level. We are not currency forecasters, but at current levels the yen strikes us as increasingly out of line with economic fundamentals. Price and wage levels remain extraordinarily low in Japan, with highly skilled technical graduates costing comfortably less than half their US peers. Another staggering factoid: with an approximate wage of \$16 per hour, the average worker in Japan is barely better off than a McDonald's cashier in New York. Domestic Japanese equities therefore offer a rare opportunity to buy high-quality assets at depressed valuations on depressed earnings that are priced in a depressed currency.

Finally, and a little more speculatively, it's possible that renewed wage inflation sets in motion a virtuous cycle for the Japanese economy. Here's how it might unfold. Sustained inflation could lead to higher interest rates, which normally pinch consumers but would be a boon for Japan's vast pool of domestic savings that languishes in savings accounts yielding almost nothing. Higher rates might also entice some capital back home from abroad and into domestic investment.

As an illustration of the domestic opportunities available in Japan, we can think of few better examples than the drugstore chains. As a firm, Orbis knows these companies particularly well, having been shareholders as far back as 1998 in some cases. Our International Strategy owns four of them in the portfolio—Tsuruha, Sundrug, Sugi, and Welcia—which collectively add up to a roughly 4% position, on par with our largest holdings.

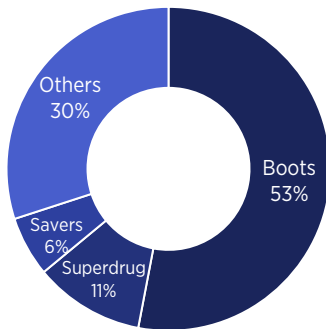
The term "drugstore" is a bit misleading in the sense that these stores increasingly sell fresh food and have become tourist destinations of sorts as visitors from China and elsewhere seek to stock up on Japanese-

Orbis International Equity (continued)

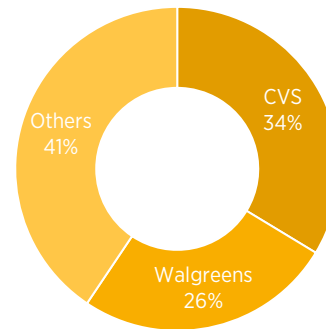
branded cosmetics and other products perceived to be better than those at home. And unlike the US and UK, the Japanese drugstore business is still significantly fragmented.

In the UK and US, the drugstore industry is much more consolidated

Market share of major drugstores in the UK



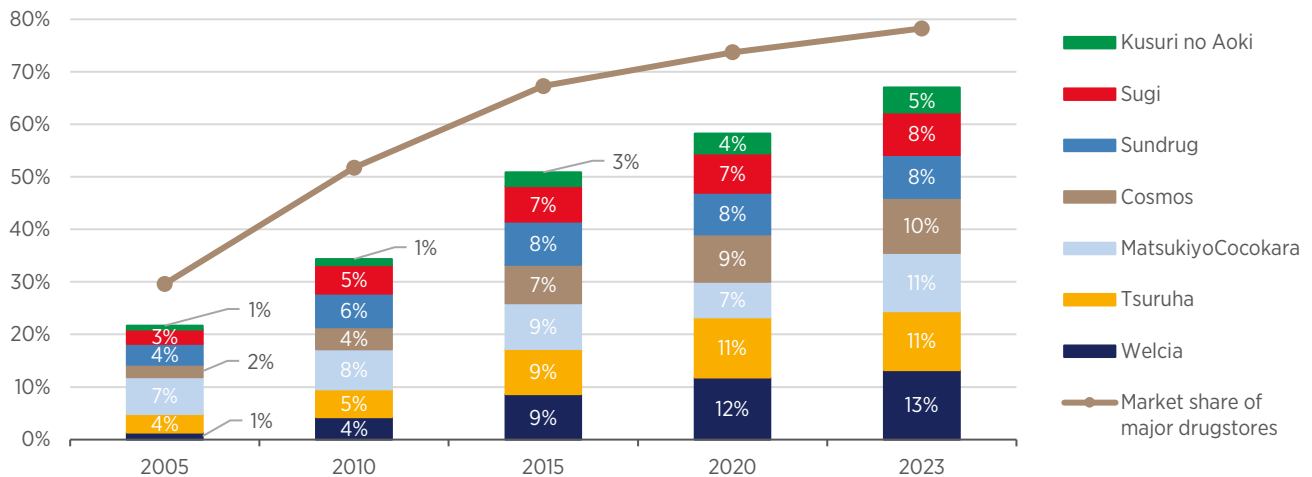
Market share of major drugstores in the US



Source: Euromonitor. At 31 Dec 2023.

Japanese drugstores have taken market share, but the industry remains fragmented

Market share by drugstore chain, and for major drugstores overall



Source: JP Morgan, Orbis. "Market share of major drugstores" shows the total market share of the following eleven companies: Welcia, Tsuruha, MatsukiyoCocokara, Cosmos, Sundrug, Sugi, Kusuri no Aoki, Create SD, Cawachi, Genky Drugstores, and Yakuodo.

For the 27-odd years that Orbis has been covering these businesses, they have delivered an impressive history of earnings growth by rolling out new stores, crowding out smaller competitors, and taking advantage of scale to offer better prices to customers. More recently they have proven to be formidable competitors even when going head-to-head with supermarkets.

In our view, the consolidation story still has a long way to go. While the US and UK are dominated by a few chains such as CVS and Boots, the top 5 Japanese chains control only around half the local market. That means there is considerably more opportunity to drive improvements in procurement, logistics, overhead and ultimately higher profitability. At current valuations, however, the market seems to be giving these businesses little credit for their strong fundamentals. For example, our largest holding in the group, Tsuruha, trades at 13 times our estimate of forward earnings. That is roughly in line with the Japanese market's average multiple for what is a well above-average quality company.

At a time when much of the world's capital is crowded into Silicon Valley, it's exciting to find opportunities, such as our holdings in Japan, that carry far less embedded enthusiasm. For those willing to look beyond the US market, there is no shortage of opportunities to choose from today.

Commentary contributed by Graeme Forster, Orbis Investment Management Limited, Bermuda

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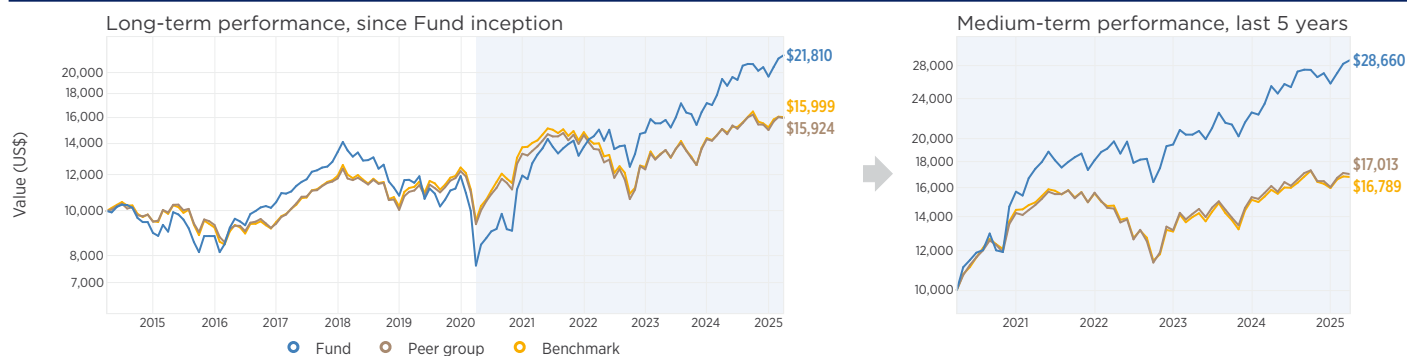
Orbis SICAV International Equity Fund

Investor Share Class

The Fund is actively managed and designed to be exposed to all of the risks and rewards of a portfolio of selected non-US equities. It aims for higher returns than a designated benchmark (“Benchmark”), namely the MSCI All Country World Index ex-USA, including income and net of withholding taxes (“MSCI ACWI ex-USA Index”). Currency exposure is managed relative to that of the MSCI ACWI ex-USA Index.

Price	US\$21.81	Benchmark	MSCI ACWI ex-USA Index
Pricing currency	US dollars	Peer group	Average International Equity Fund Index
Domicile	Luxembourg	Minimum investment	US\$50,000
Type	SICAV	Dealing	Weekly (<i>Thursdays</i>)
Fund size	US\$2.8 billion	Entry/exit fees	None
Fund inception	1 April 2014	UCITS compliant	Yes
Strategy size	US\$4.5 billion	ISIN	LU1056236232
Strategy inception	1 January 2009		

Growth of US\$10,000 investment, net of fees, dividends reinvested



On 1 June 2017, the Benchmark for the Orbis SICAV International Equity Fund changed from the MSCI World ex-USA Index to the MSCI All Country World Index ex-USA, both including income and net of withholding taxes. Data above and Returns for the period before 1 June 2017 relate to the MSCI World ex-USA Index.

Returns (%)

	Fund	Peer group	Benchmark		
Annualised		<i>Net</i>	<i>Gross</i>		
Since Fund inception	7.3	4.3	4.4		
10 years	9.2	4.8	5.0		
5 years	23.4	11.2	10.9		
3 years	13.2	5.4	4.5		
1 year	12.7	5.7	6.1		
Not annualised					
3 months	11.3	6.1	5.2		
1 month	1.7		(0.2)		
Annual returns to 31 Mar	2021	2022	2023	2024	2025
	74.2	13.3	3.2	24.8	12.7

Geographical & Currency Allocation (%)

Region	Equity ¹	Currency	Benchmark
Developed Markets	71	88	71
Japan	21	34	14
United Kingdom	13	8	10
Continental Europe	13	26	33
United States	11	6	0
Other	14	14	15
Emerging Markets	21	12	29
<i>Net Current Assets</i>	<i>8</i>	<i>0</i>	<i>0</i>
Total	100	100	100

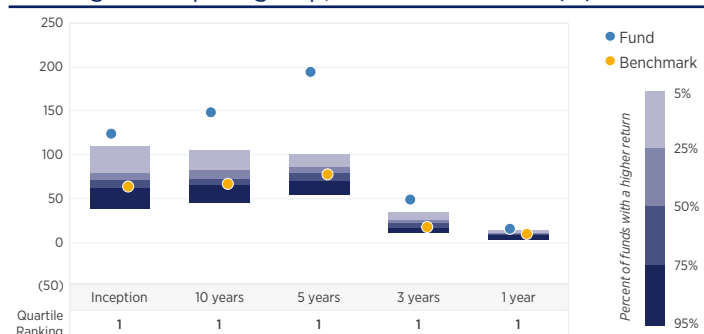
Risk Measures, since Fund inception

	Fund	Peer group	Benchmark
Historic maximum drawdown (%)	46	28	28
Months to recovery	40	31	36
Annualised monthly volatility (%)	18.9	14.4	14.5
Beta vs Benchmark	1.2	1.0	1.0
Tracking error vs Benchmark (%)	9.0	2.5	0.0

Top 10 Holdings

	MSCI Sector	%
Nintendo	Communication Services	3.4
Leonardo	Industrials	3.4
FirstService	Real Estate	3.2
British American Tobacco	Consumer Staples	3.0
Prudential	Financials	2.9
Bank of Ireland	Financials	2.9
T&D Holdings	Financials	2.9
Rolls-Royce Holdings	Industrials	2.8
Hanwha Aerospace	Industrials	2.8
Cinemark Holdings	Communication Services	2.8
Total		30.1

Ranking within peer group, cumulative return (%)



Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	59
Total number of holdings	66
12 month portfolio turnover (%)	92
12 month name turnover (%)	42
Active share (%)	90

Fees & Expenses (%), for last 12 months

Fund expenses	0.11
Total management fee ²	2.50
Total Expense Ratio (TER)	2.61

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 The Fund also has a 1% exposure arising from purchased commodity-linked call options.

² 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.

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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

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