

# Orbis SICAV Global Balanced Fund Update

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24 March 2021

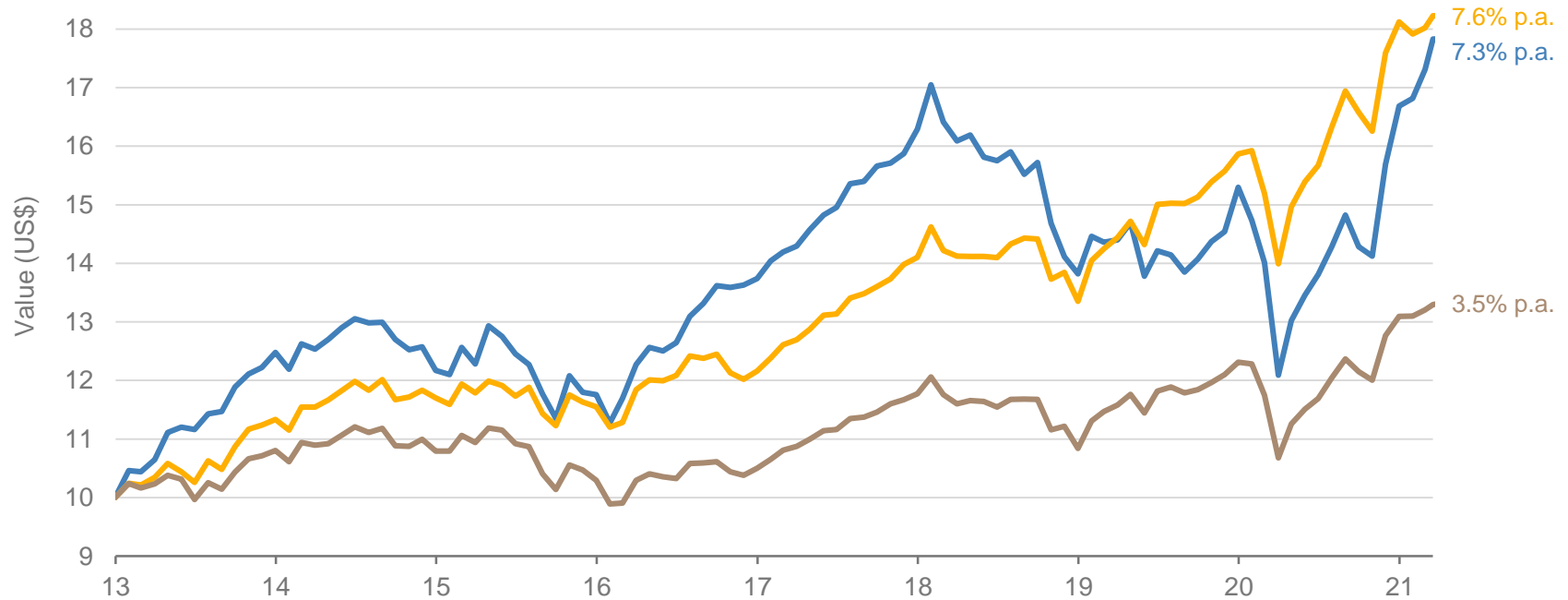
# Agenda

1. Performance and environment
2. Tour of the portfolio
3. Q&A

Performance



# Global Balanced: long-term returns



Returns (% annualised, US\$)	Since Inc. (1 Jan 2013)	5 Years	3 Years	1 Year
<span style="color: blue;">○</span> Orbis SICAV Global Balanced Fund, net	7.3	8.0	3.3	60.9
<span style="color: brown;">○</span> Peer group, net: Morningstar USD Flexible Allocation	3.5	5.5	4.5	31.0
<span style="color: orange;">○</span> Benchmark: 60/40 Index*	7.6	9.4	8.9	39.4
<b>Relative Return<sup>†</sup> (net alpha)</b>	<b>(0.3)</b>	<b>(1.2)</b>	<b>(5.2)</b>	<b>15.4</b>

**18 Mar 2021** | 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. Net returns for the period before 14 May 2020 relate to the Investor Share Class. Subsequent to that they are for the Shared Investor Refundable Reserve Fee Share Class (A), which is temporarily charging the fee of the Investor Share Class, reduced by 0.3% per annum. Please refer to the notices page for more information and an explanation of how returns are calculated. \*The 60/40 Index is a composite index consisting of the MSCI World Index, net of withholding tax (60%) and the JP Morgan Global Government Bond Index (40%). †Relative return is calculated geometrically.

# Orbis Global Balanced: returns across Covid period



## Period return (% in USD)

	<b>Covid crash</b> 12 Feb 20 to 23 Mar 20	<b>Recovery</b> 23 Mar 20 to 18 Mar 21	<b>Round trip</b> 12 Feb 20 to 18 Mar 21
Orbis SICAV Global Balanced, net	<b>(26.2)</b>	<b>60.9</b>	<b>18.7</b>
Peer group, net*	<b>(19.8)</b>	<b>32.6</b>	<b>6.3</b>
60/40 Index†	<b>(21.1)</b>	<b>42.5</b>	<b>12.4</b>

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# Sticking with our philosophy, even when it's uncomfortable



Returns of the ten shares that detracted most from returns in early 2020

% , local currency	Year to Pfizer vaccine news	Pfizer vaccine news to 28 Feb 2021
BP	(54)	48
Royal Dutch Shell	(55)	47
Schlumberger	(61)	85
British American Tobacco	(19)	2
Bayer	(38)	17
ING	(42)	51
Credit Suisse	(26)	39
IAG	(65)	35
Woodside Petroleum	(43)	36
Honda Motor	(14)	12

Data is for the Orbis SICAV Global Balanced Fund

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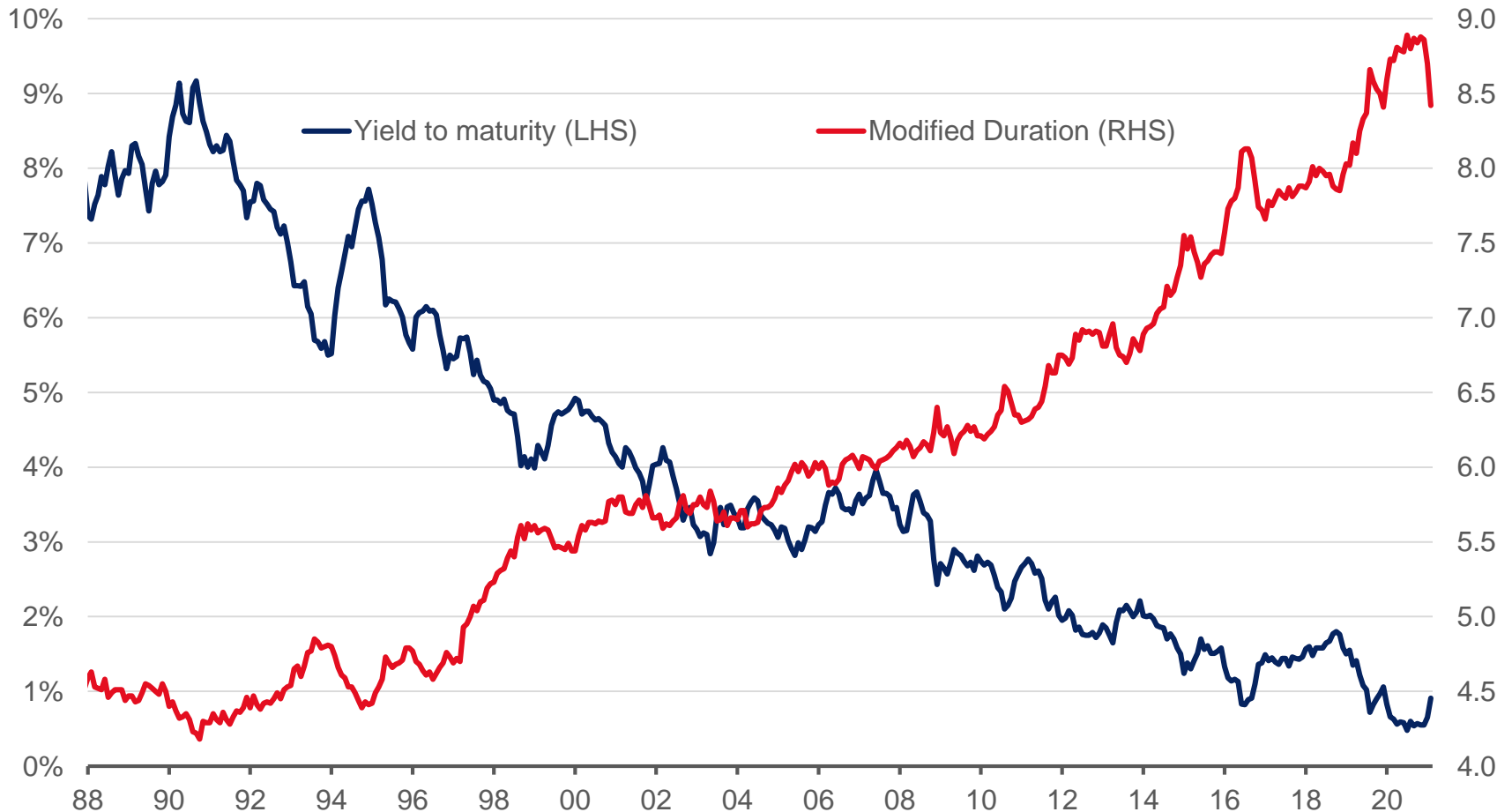
Environment



# Government bonds still offer a poor balance of risk and return



## JP Morgan Global Government Bond Index yield to maturity and duration



28 Feb 2021 | Source: Factset. Yield to maturity is the return an investor will realise on a bond if it is held to maturity, incorporating both interest payments and the repayment of principal. Modified duration is a measure of interest rate risk capturing the expected change in a bond's price if that bond's yield to maturity increase or decreases by 1%.



# The passive 60/40 portfolio still trades near its worst valuation ever



Blended "P/E" ratio of a passive 60/40 portfolio

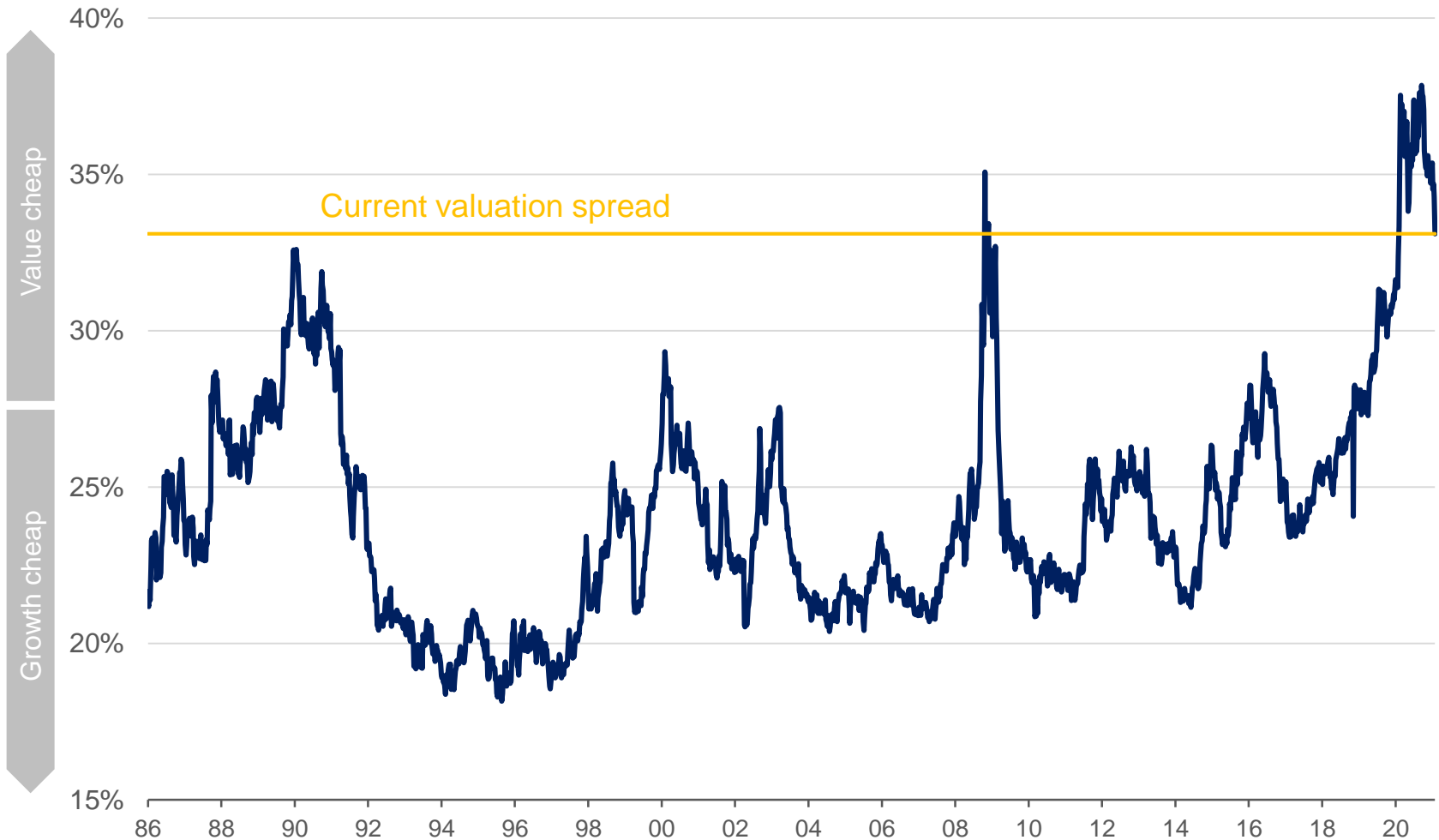


28 Feb 2021 | Source: Refinitiv, Factset, Orbis. USD total returns. Passive balanced portfolio: 60% Refinitiv Total Developed Markets Index, 40% JP Morgan Global Govt Bond Index. Valuation for equities is 1-year I/B/E/S consensus forward price-earnings ratio. Valuation for bonds is yield to maturity. "P/E" ratio for bonds is the inverse of yield to maturity. Datastream index used as a proxy for the MSCI World Index, which has a shorter valuation history.

# Valuation spreads are (still!) exceptionally wide



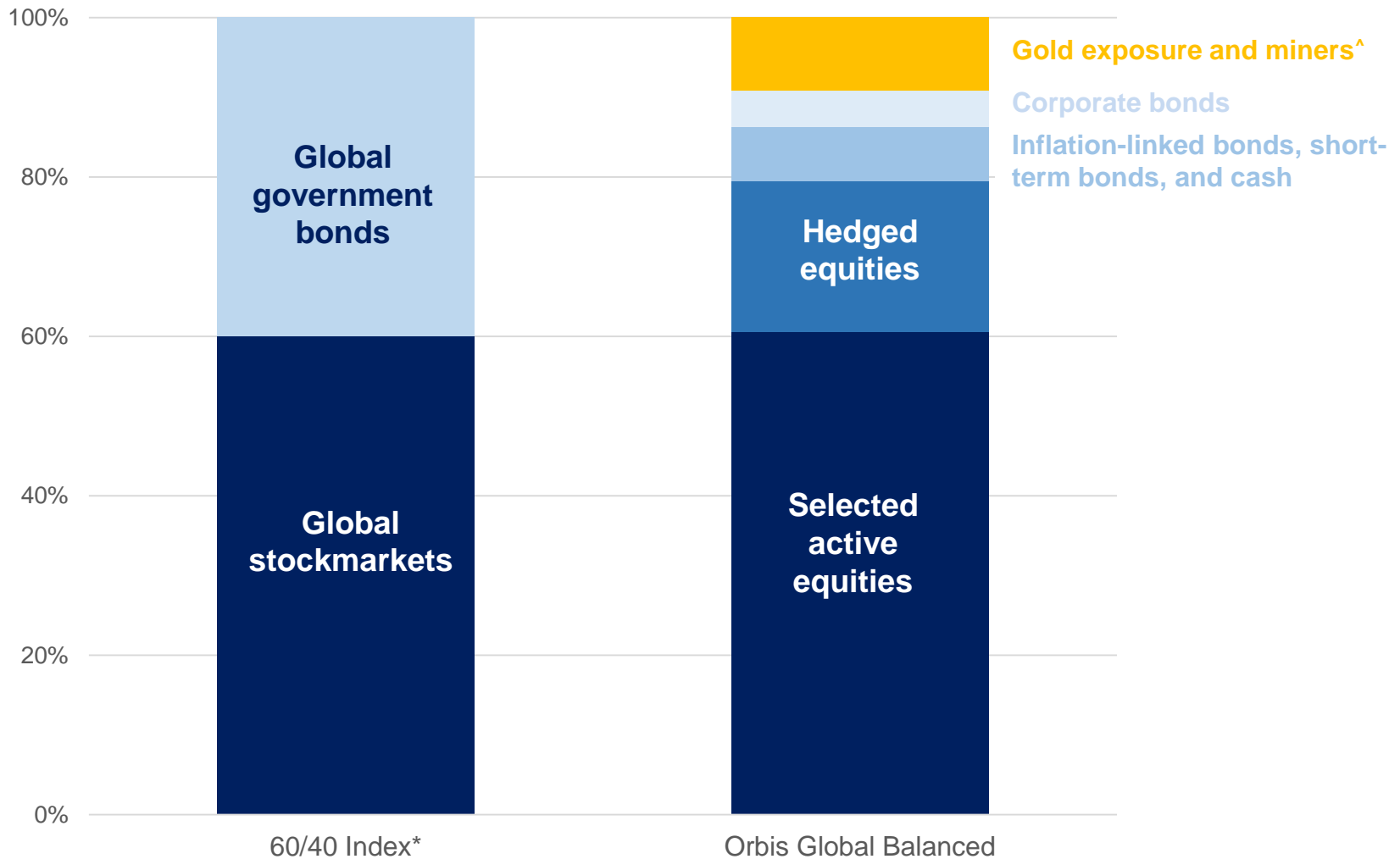
Valuation spread: cheap half vs expensive half



# Portfolio



# Global Balanced: asset allocation



Data is for the Orbis SICAV Global Balanced Fund

28 Feb 2021 | \*The 60/40 Index is a composite index consisting of the MSCI World Index, net of withholding tax (60%) and the JP Morgan Global Government Bond Index (40%).  
^Includes the commodity-linked security and equities related to gold mining.

# Valuations for top holdings



Stock	Country	GICS sector	Weight (%)	Price to 2021 EPS*
TSMC	Taiwan	Technology	6.6	27
SPDR Gold Trust	-	Commodity-linked	5.8	
Samsung Electronics	Korea	Technology	5.7	15**
AbbVie	US	Health Care	3.7	10
NetEase	China	Comm. Services	3.4	20†
British American Tobacco	UK	Cons. Staples	3.2	8
BP	UK	Energy	3.2	7
BMW	Germany	Cons. Discretionary	2.7	7
Royal Dutch Shell	UK	Energy	2.7	8
ING Groep	Netherlands	Financials	2.5	9
<b>Total</b>			<b>39.5</b>	

Data is for the Orbis SICAV Global Balanced Fund

28 Feb 2021 | Source: MSCI, Refinitiv, Orbis. \*EPS is earnings per share, using Orbis estimates for 2021. EPS estimates exclude amortisation for AbbVie. Free cash flow per share used for BP and Royal Dutch Shell. Forecasts are inherently limited and cannot be relied upon. \*\*Ex-cash price-earnings ratio for Samsung. †For NetEase, for the core business excluding net cash and our estimate of the intrinsic value of its other businesses.

# Tour of the portfolio

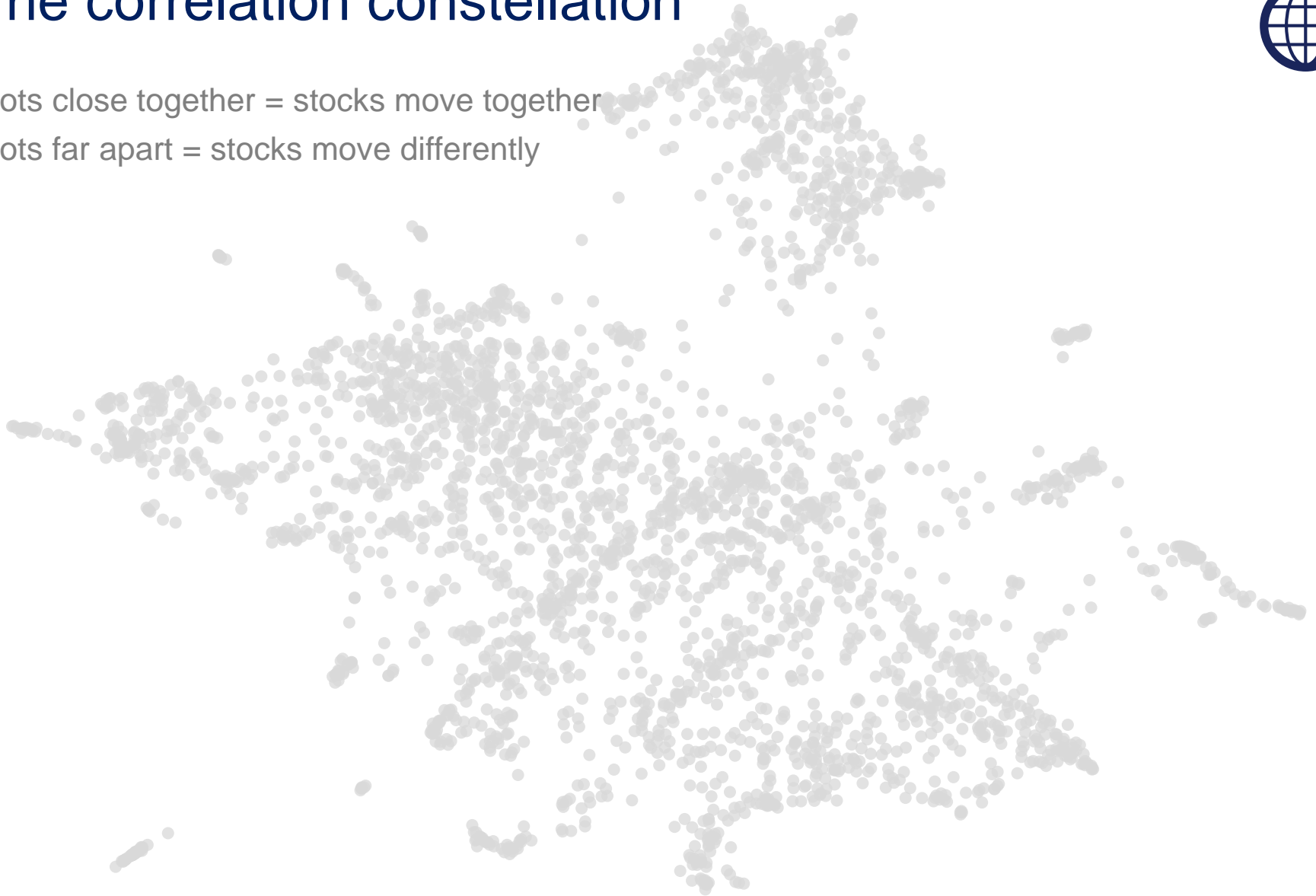


# The correlation constellation



Dots close together = stocks move together

Dots far apart = stocks move differently



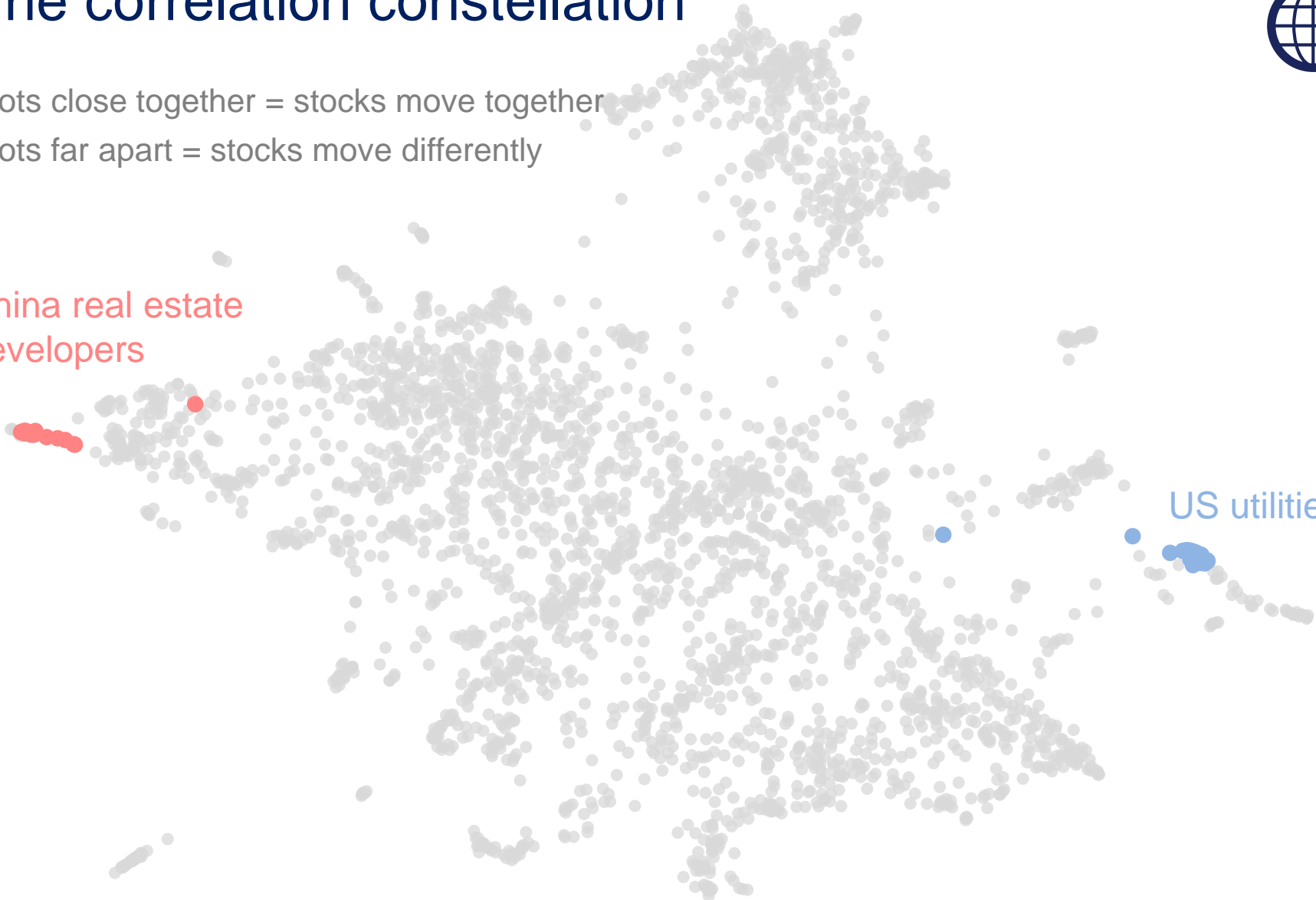
# The correlation constellation



Dots close together = stocks move together

Dots far apart = stocks move differently

China real estate  
developers



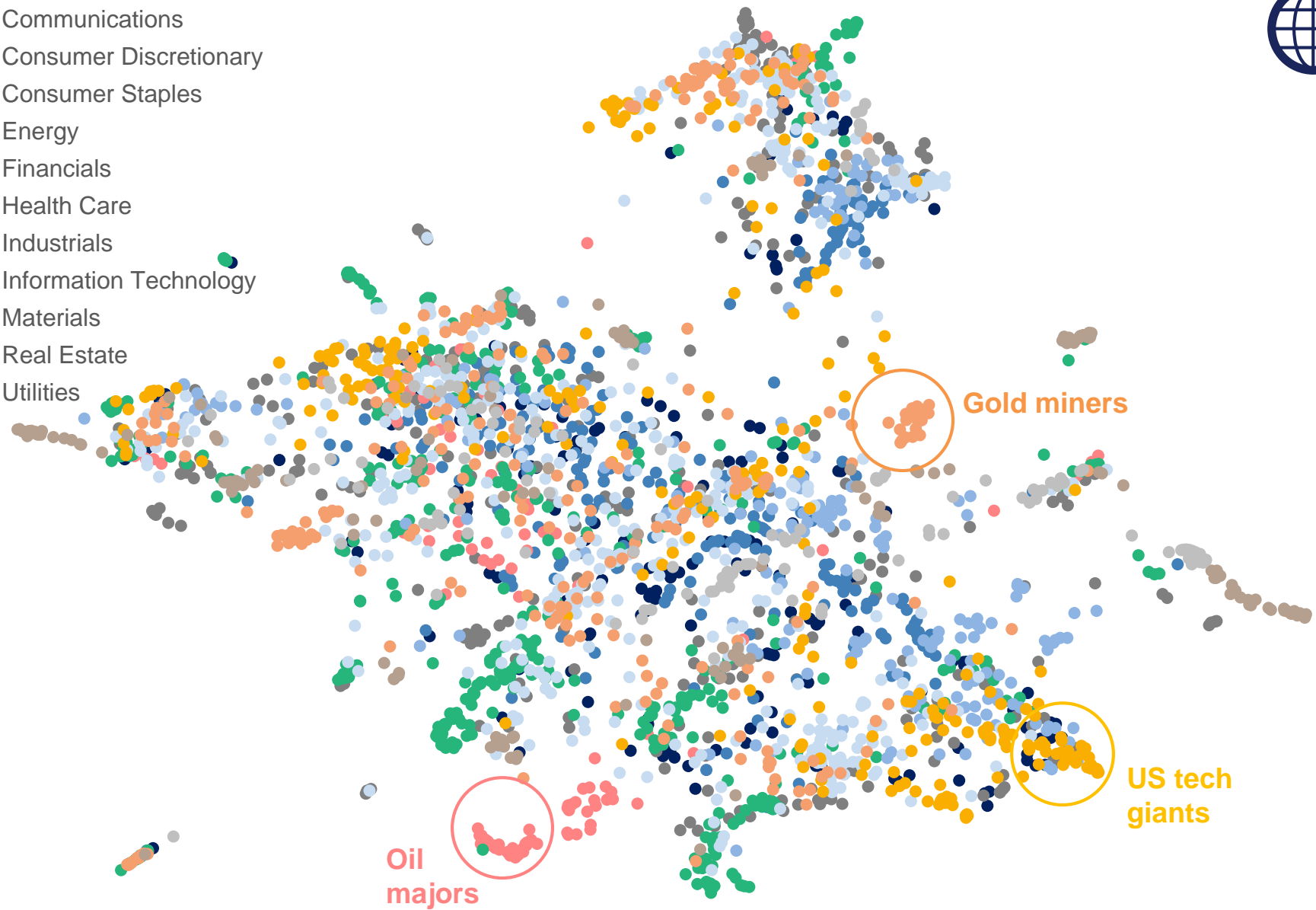
US utilities





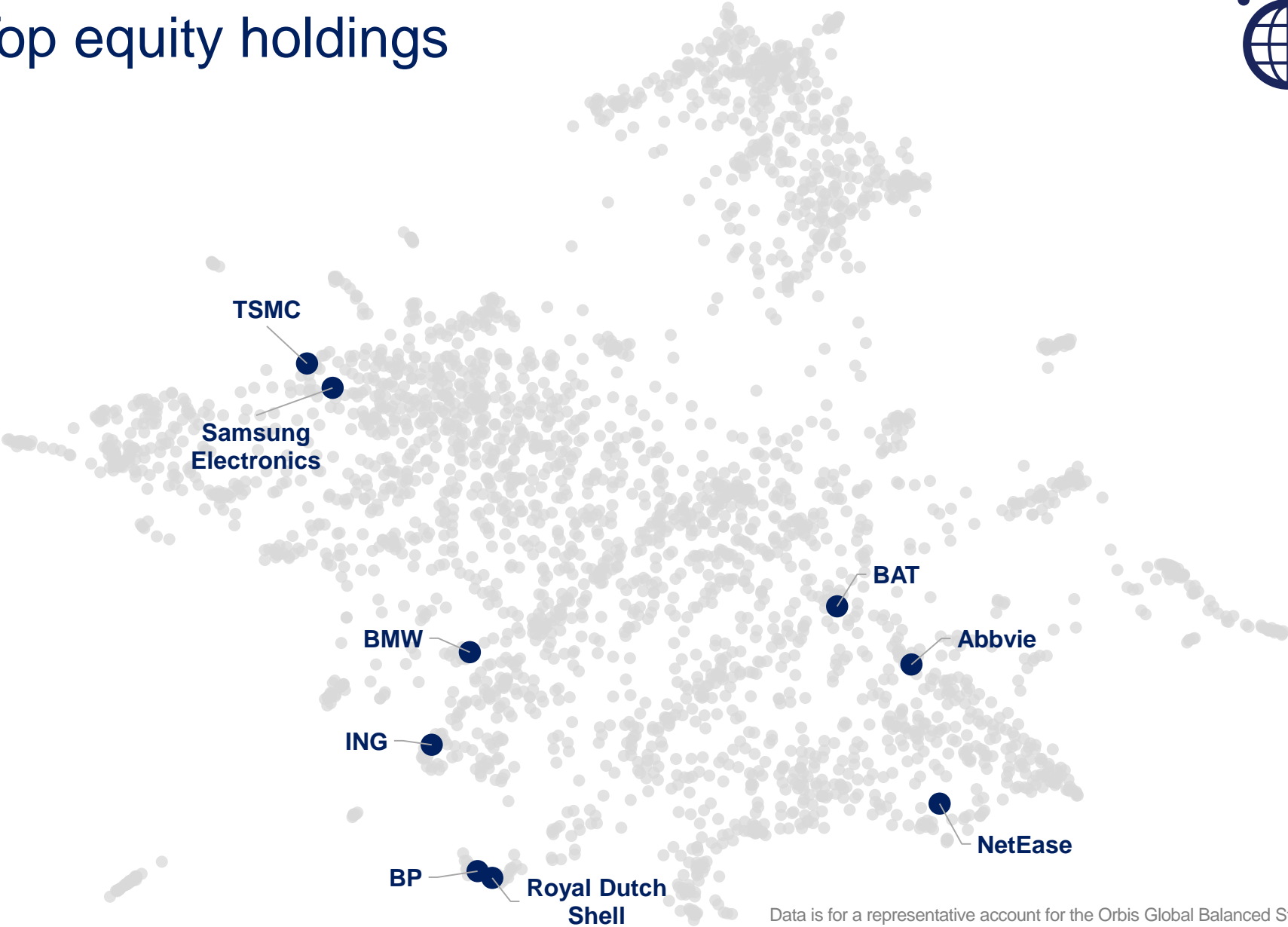


- Communications
- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Health Care
- Industrials
- Information Technology
- Materials
- Real Estate
- Utilities



28 Feb 2021 | Source: Orbis, Refinitiv. Global equity market depiction based on based on Uniform Manifold Approximation and Projection (UMAP) of 3-year weekly local equity returns. Stocks shown are constituents of the FTSE World Index and MSCI Emerging Markets Index. The distance between dots captures the degree of co-movement between individual stocks. Stocks exhibiting a high degree of co-movement are clustered together. Classifications are as per GICS classifications.

# Top equity holdings



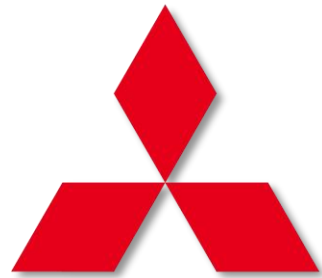
Data is for a representative account for the Orbis Global Balanced Strategy

28 Feb 2021 | Source: Orbis, Refinitiv. Global equity market depiction based on based on Uniform Manifold Approximation and Projection (UMAP) of 3-year weekly local equity returns. Stocks shown are constituents of the FTSE World Index and MSCI Emerging Markets Index. The distance between dots captures the degree of co-movement between individual stocks. 19 Stocks exhibiting a high degree of co-movement are clustered together. One of the top holdings is gold-related and not shown.

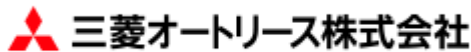
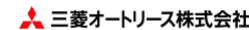
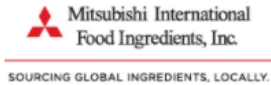
# Japanese trading companies



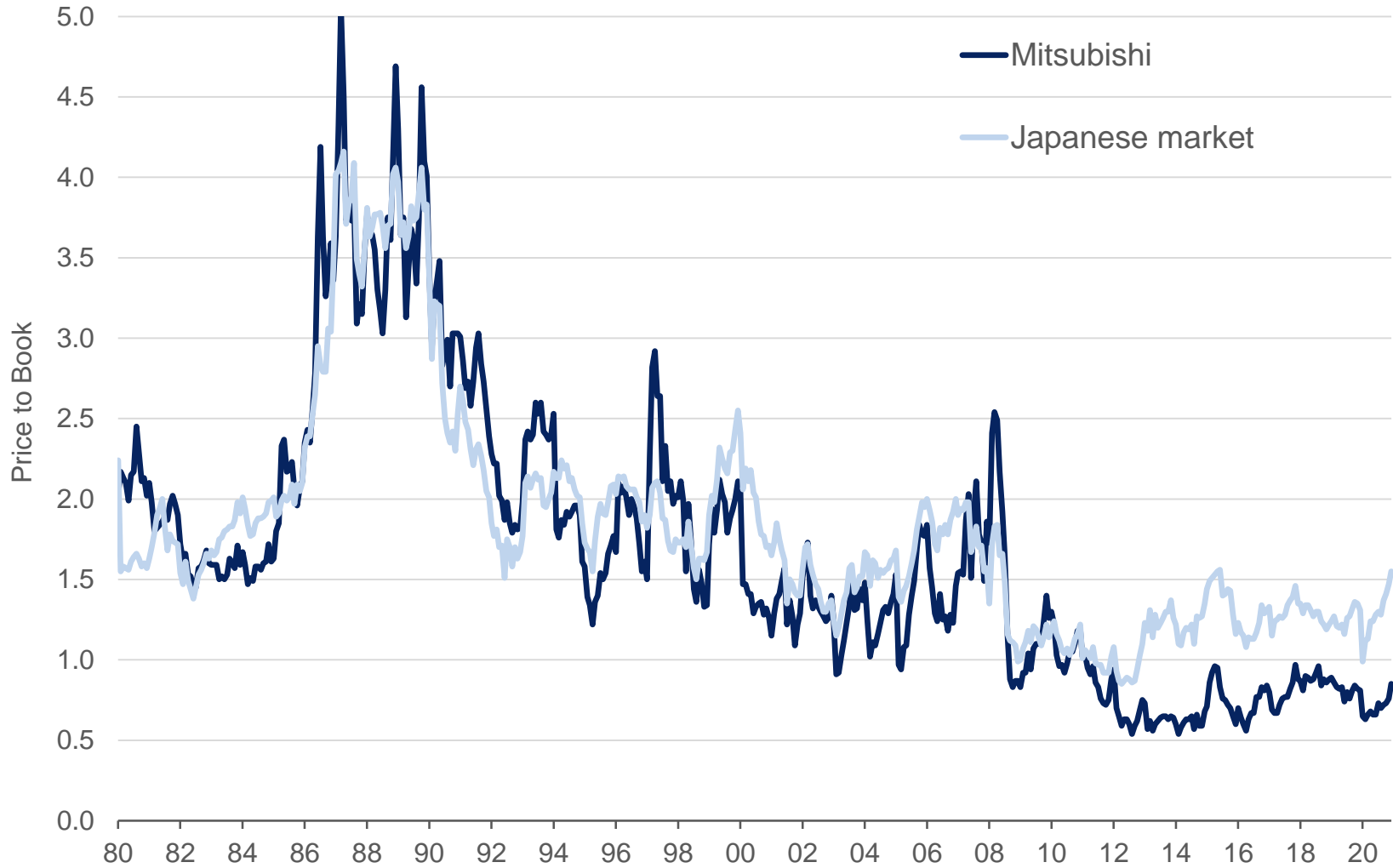




# Mitsubishi Corporation



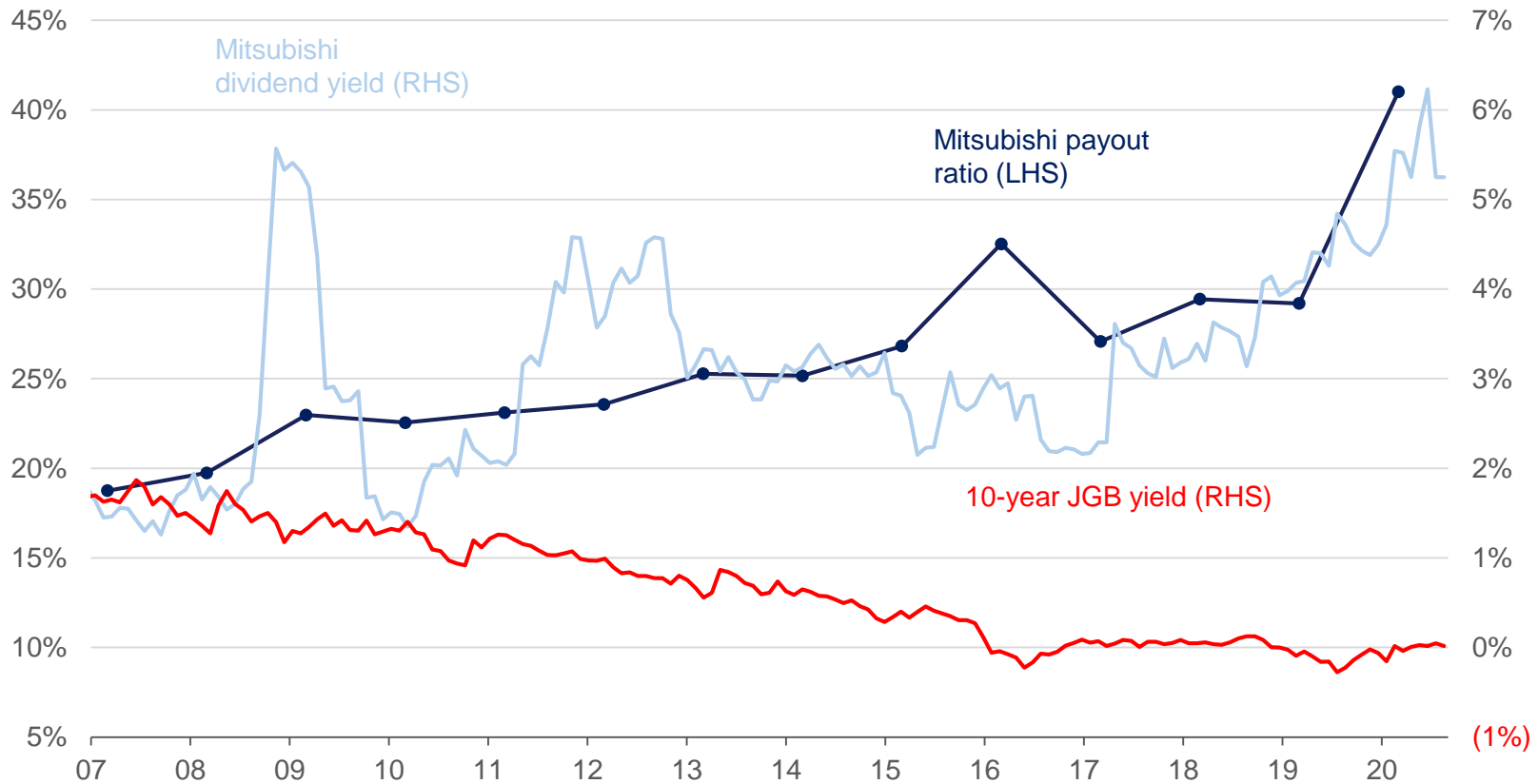
# Mitsubishi: Trading at a discount relative to history and the market



# Increased payouts leave Mitsubishi with a compelling yield

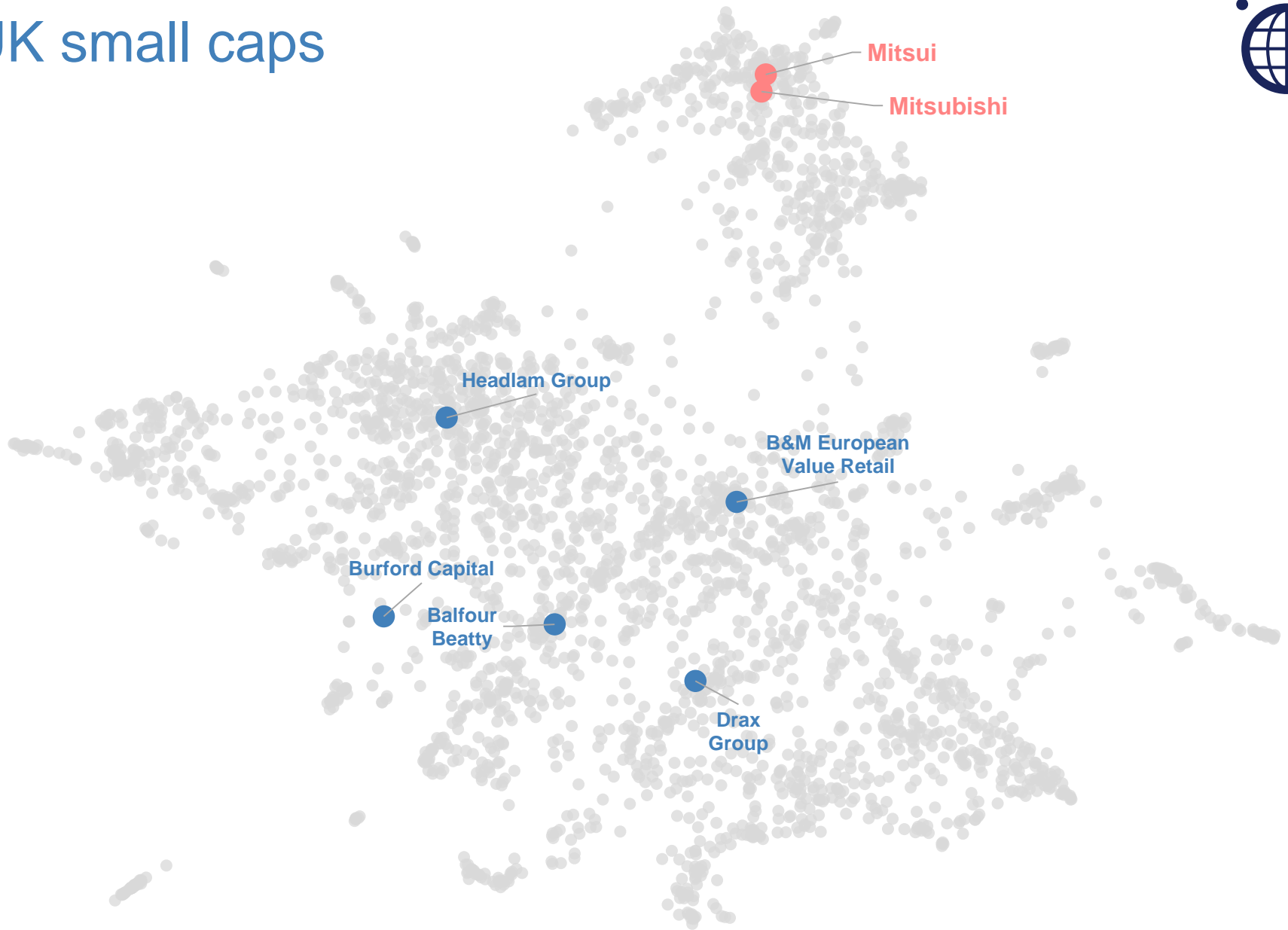


Mitsubishi dividend yield and payout ratio, with 10-year Japanese Government Bond (JGB) yield

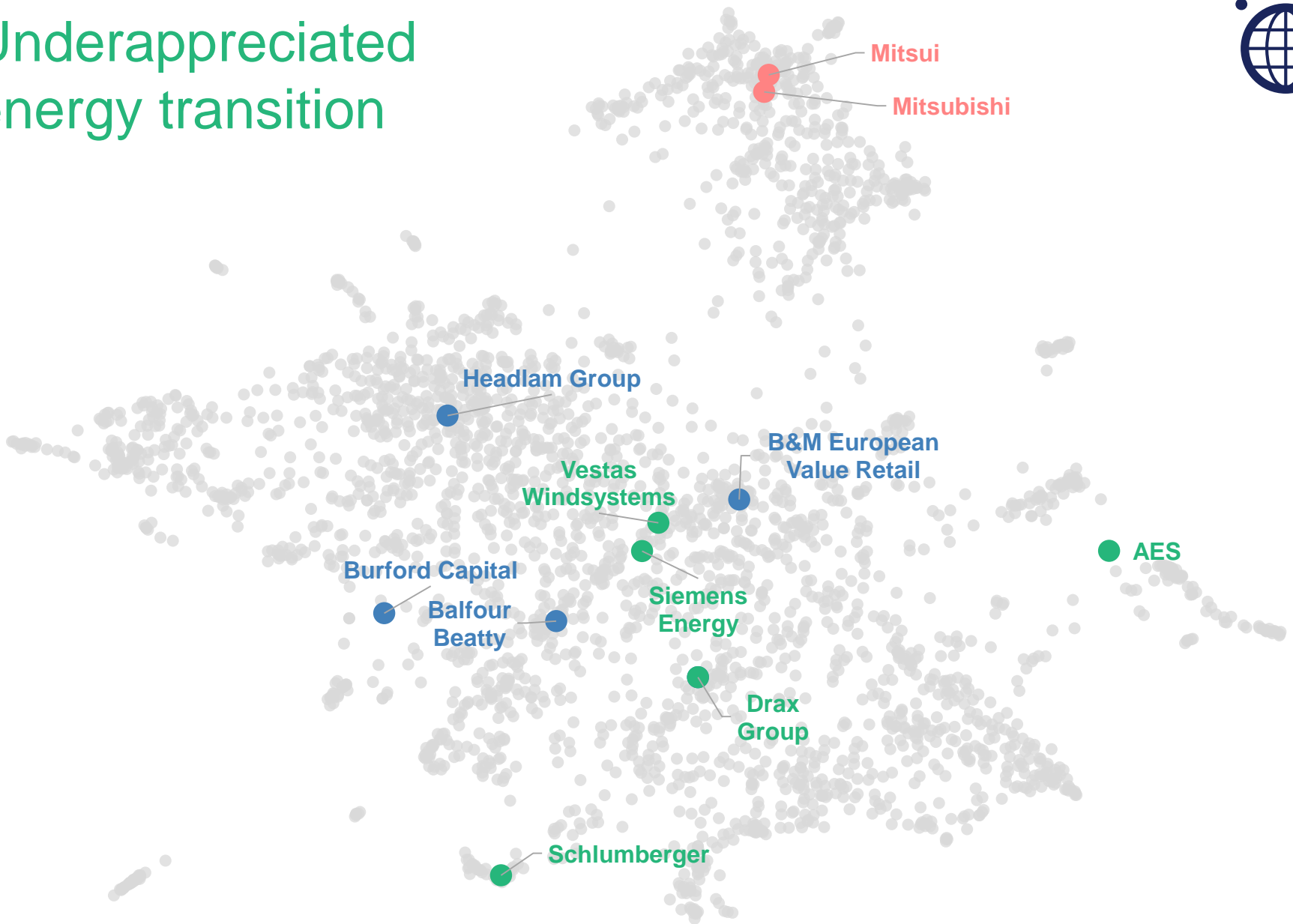




# UK small caps



# Underappreciated energy transition



# DRAX: The past

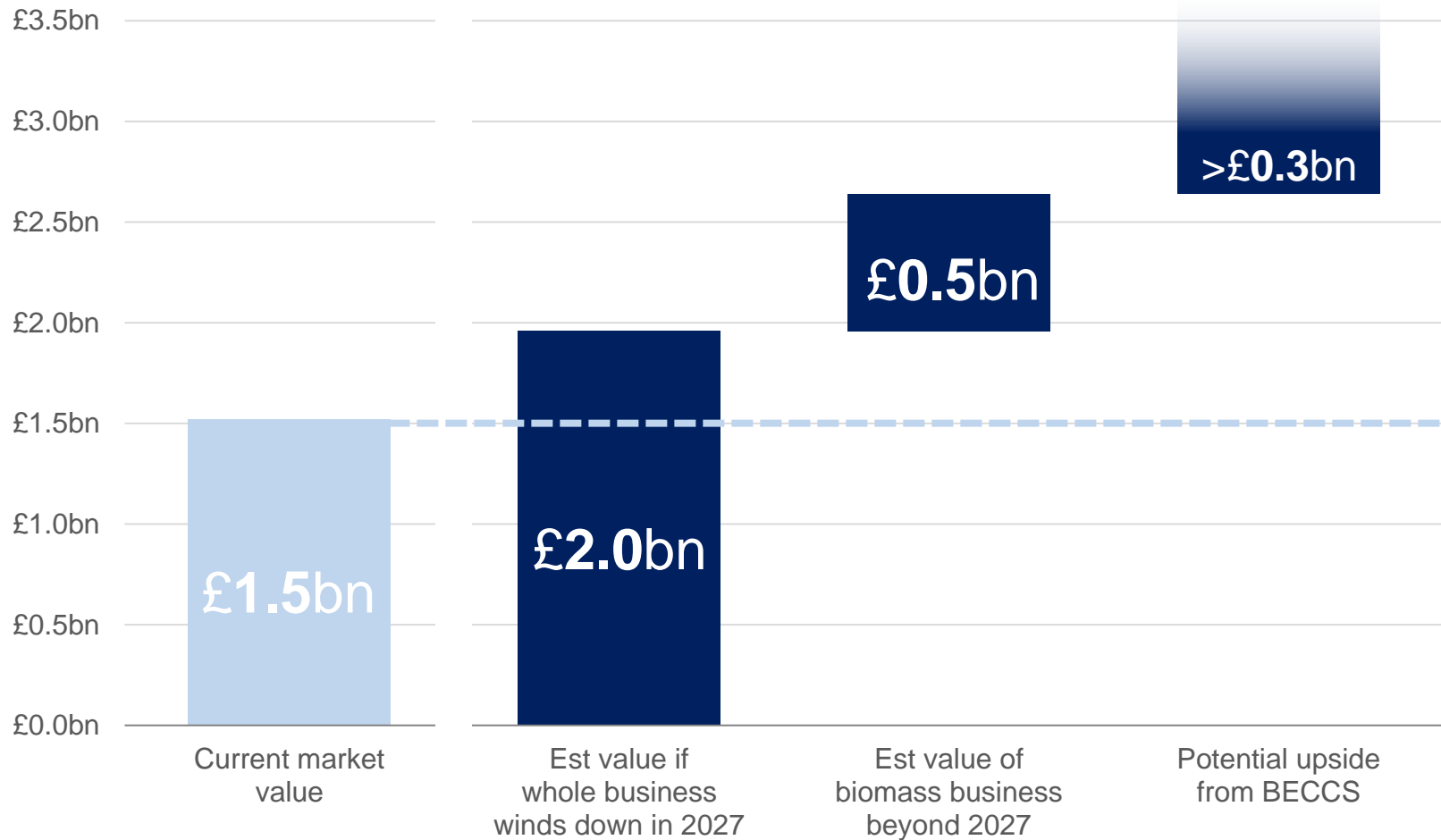




# DRAX: The present

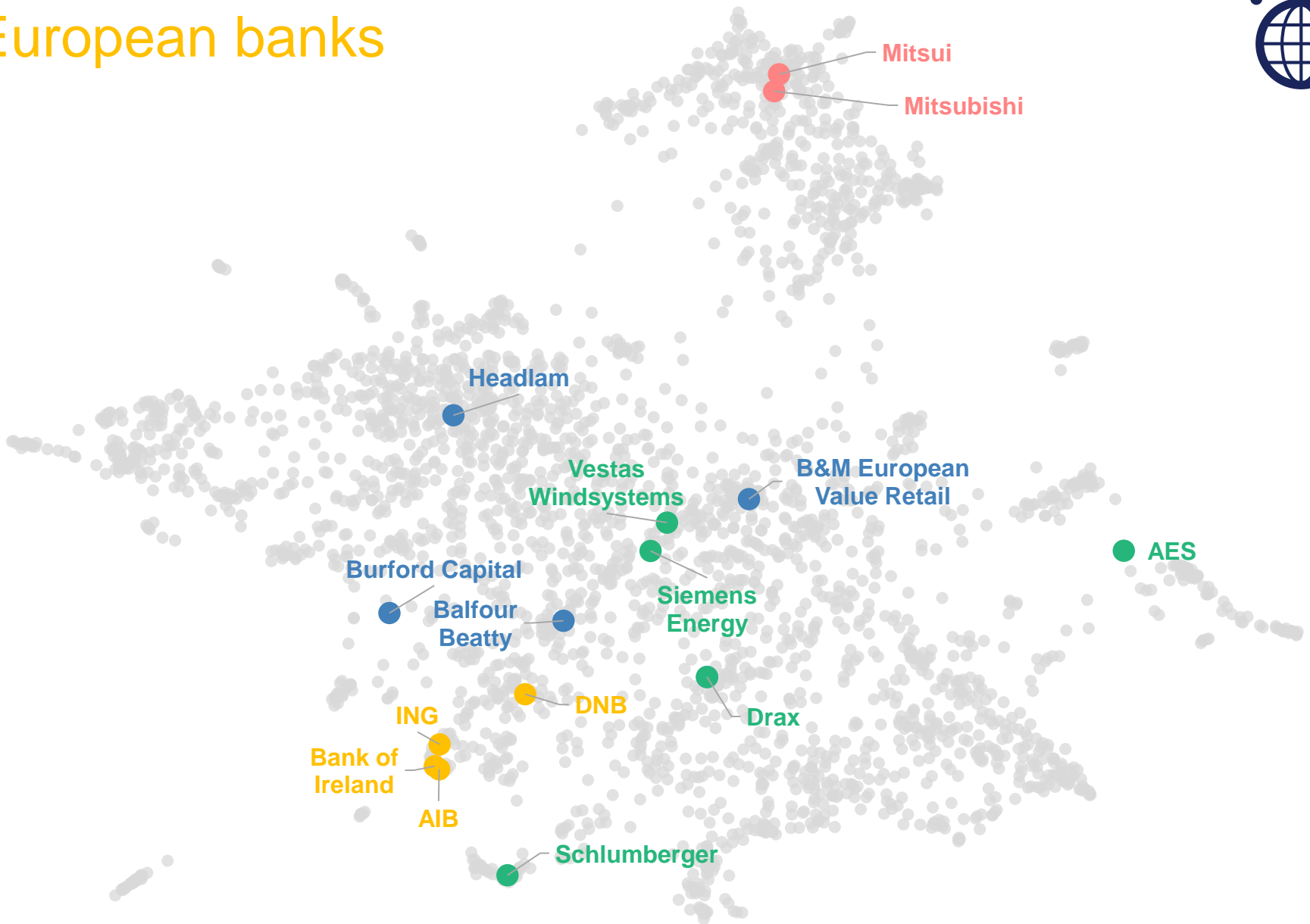


# DRAX: underappreciated potential beyond 2027





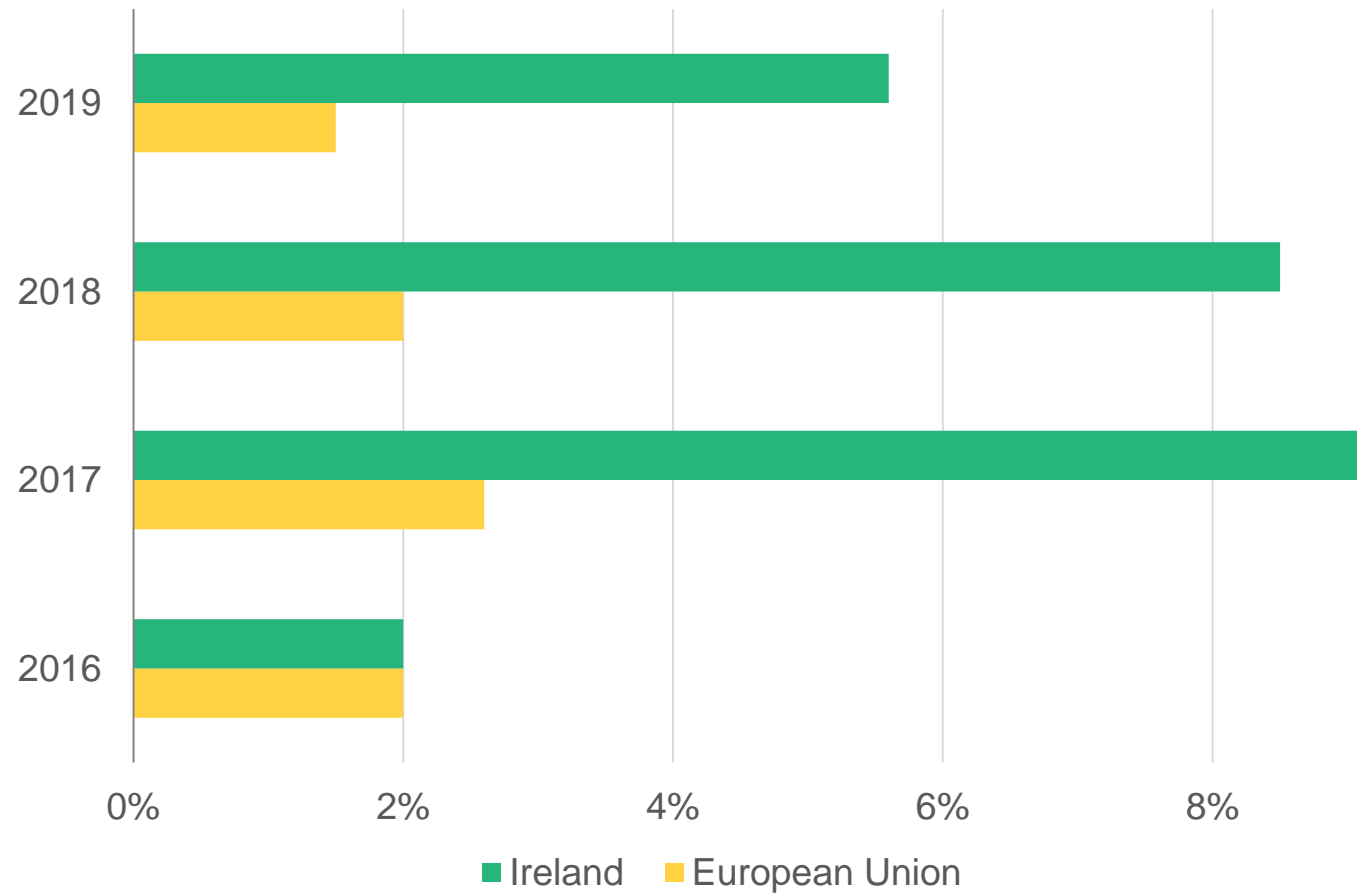
# European banks



# Irish banks: stronger growth in Ireland vs the rest of the EU



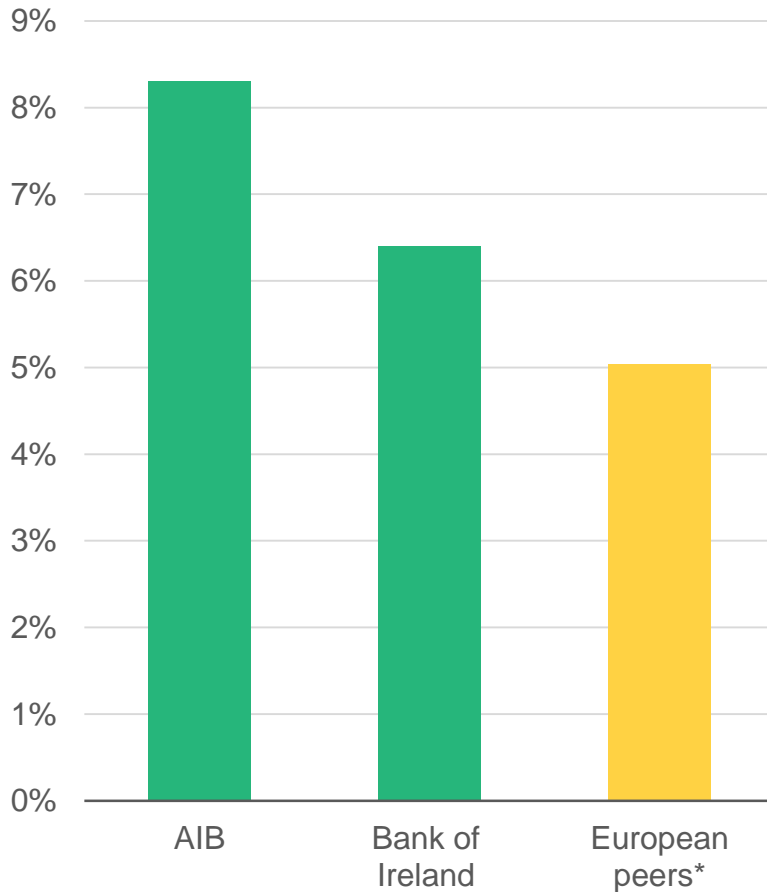
## Annual real GDP growth



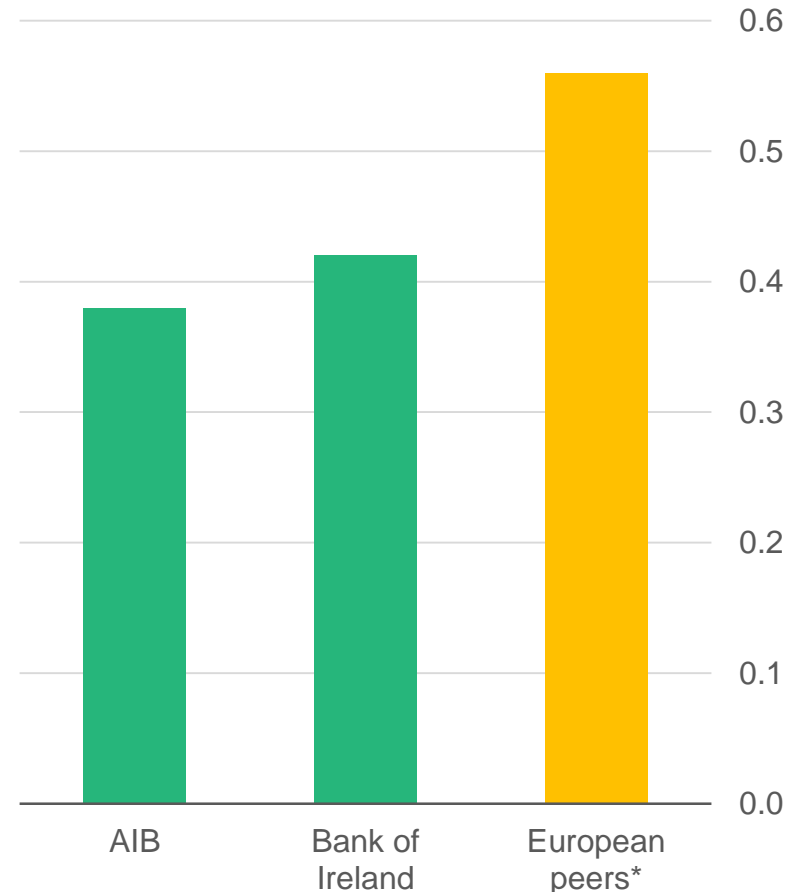
# Irish banks: strong balance sheets and cheap valuations vs peers



## Balance sheet Leverage ratio†

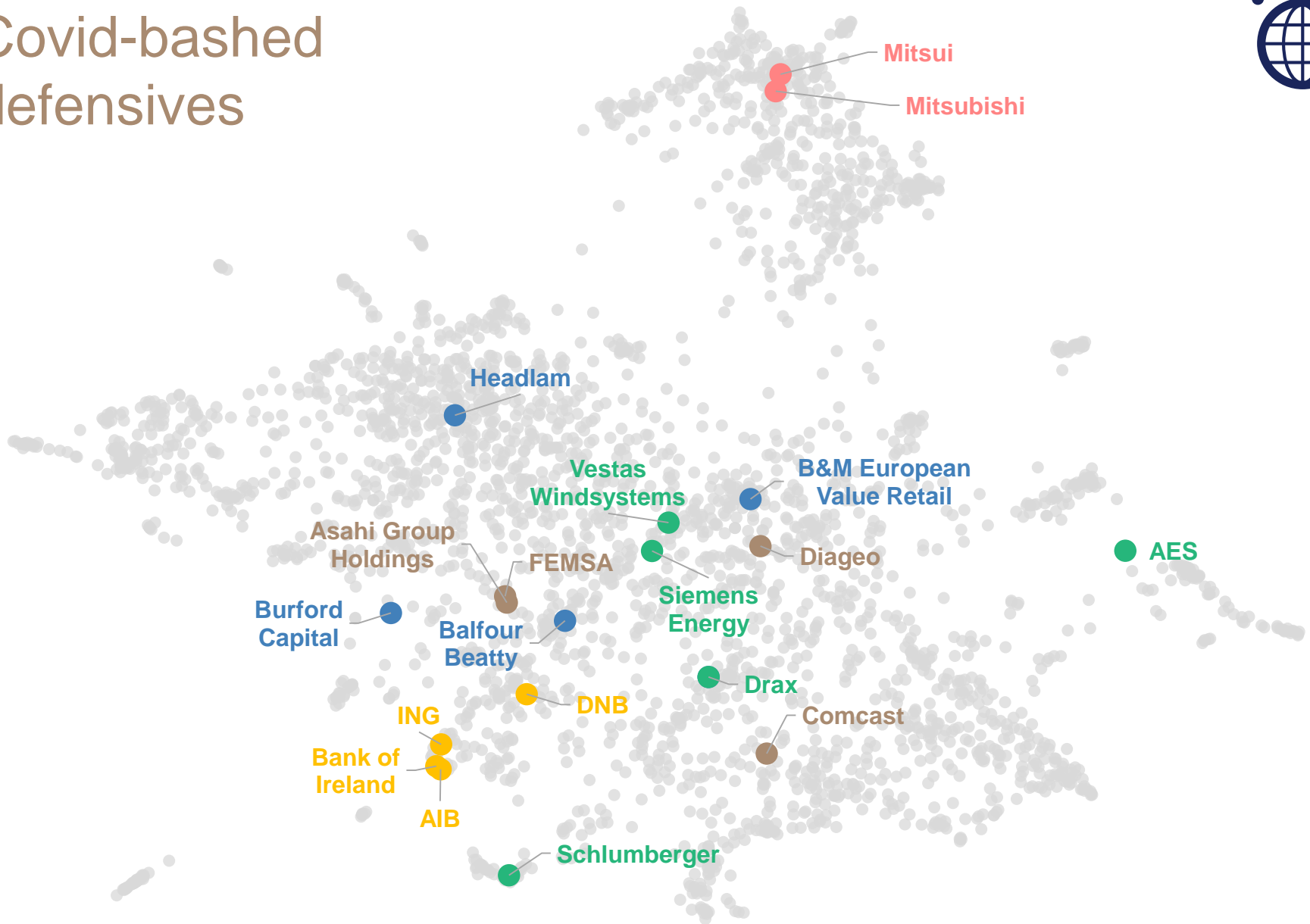


## Valuation Price-to-book ratio





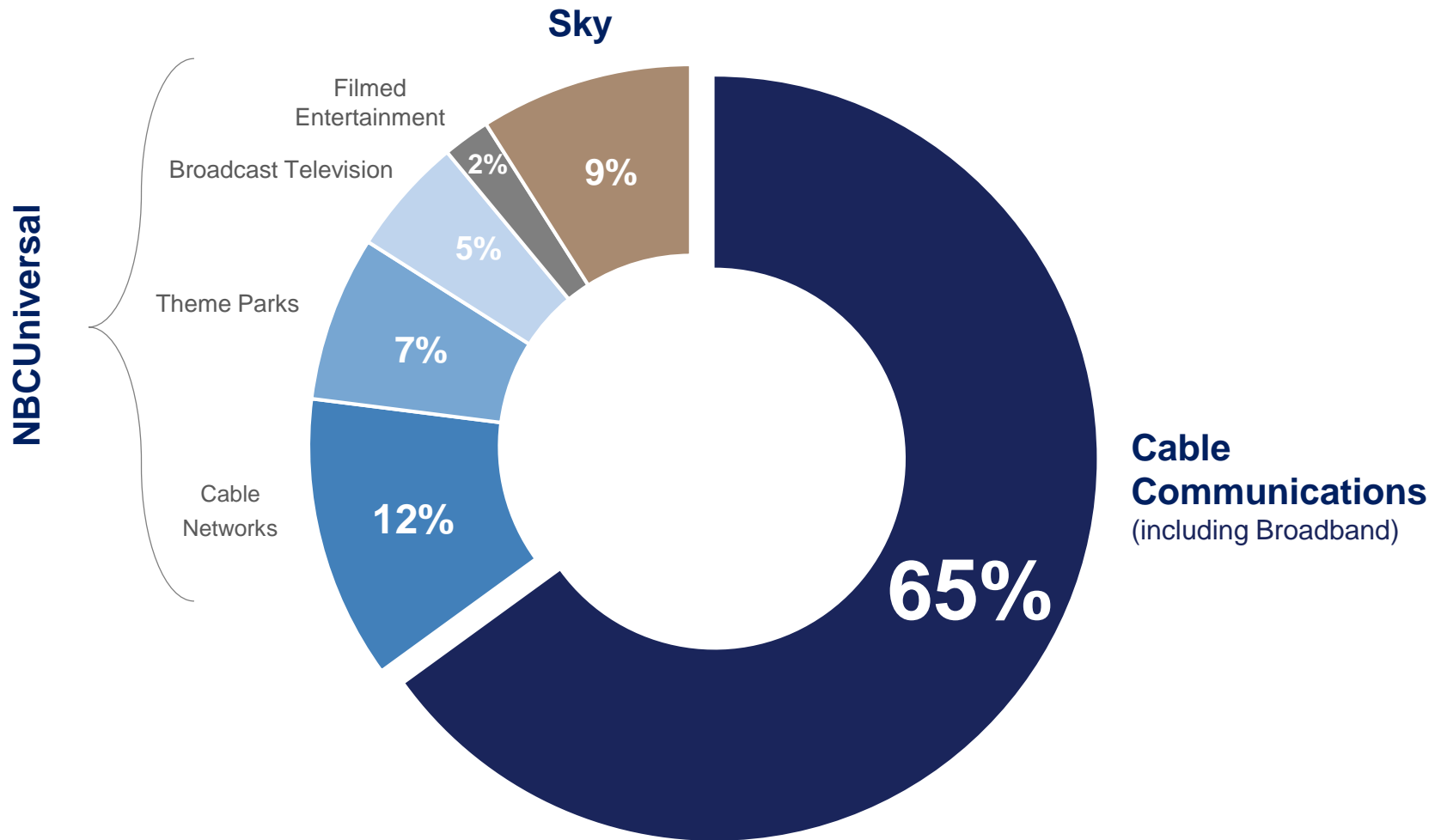
# Covid-bashed defensives



# Comcast: a mostly stable business with some Covid-exposed parts



## Comcast earnings\*

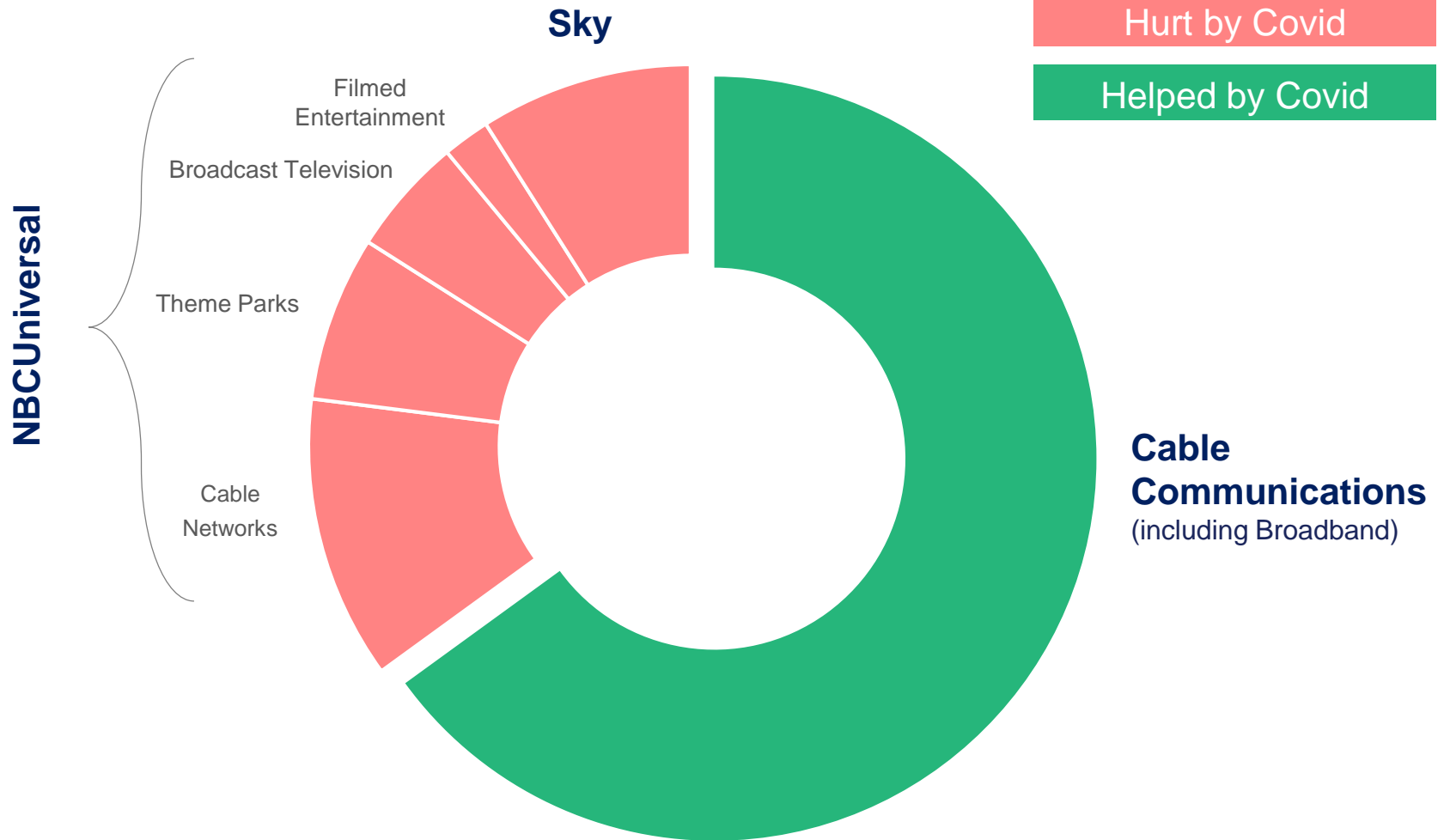
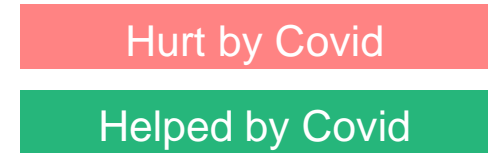


# Comcast: a mostly stable business with some Covid-exposed parts

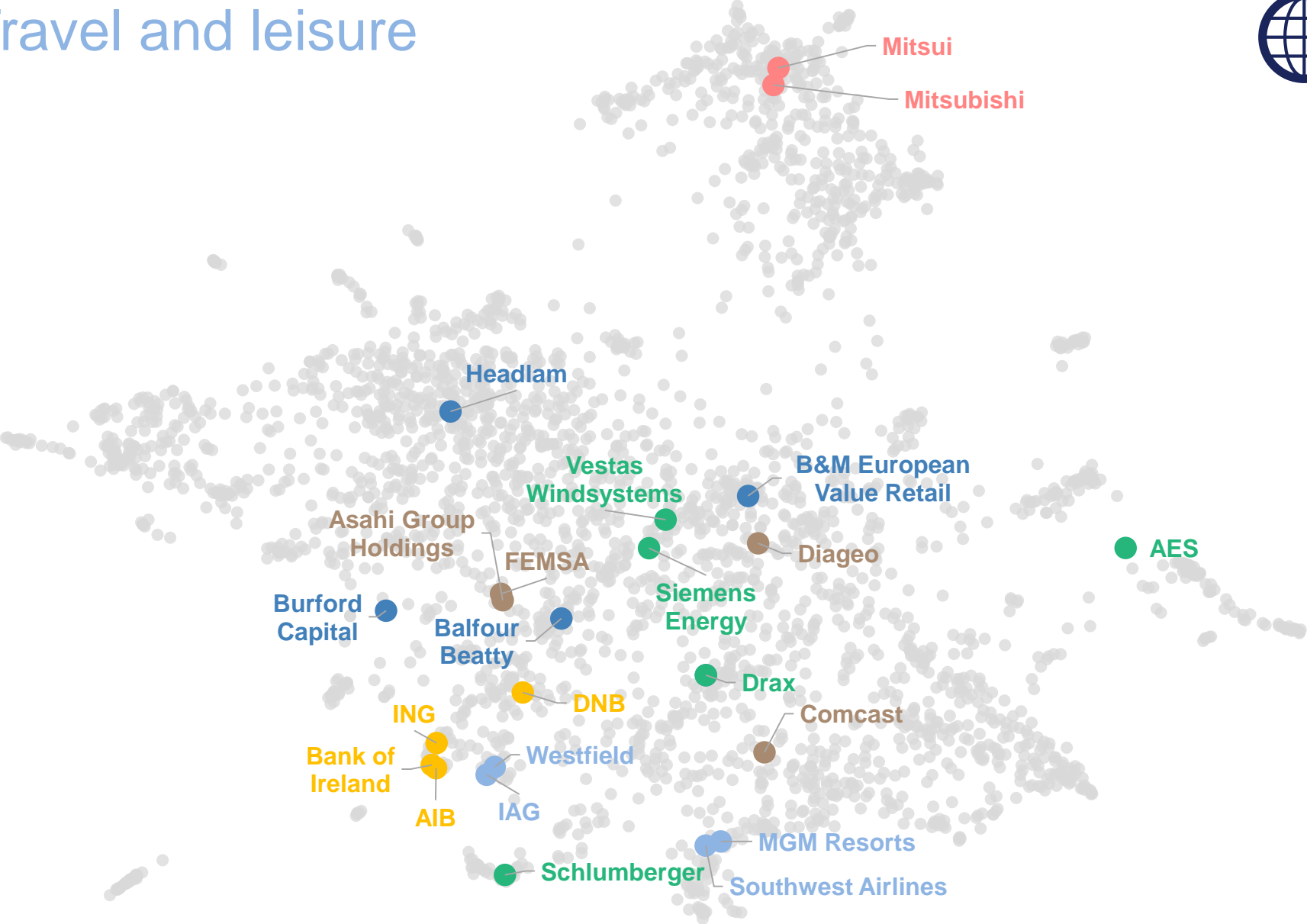


## Comcast earnings\*

### Covid impact on business

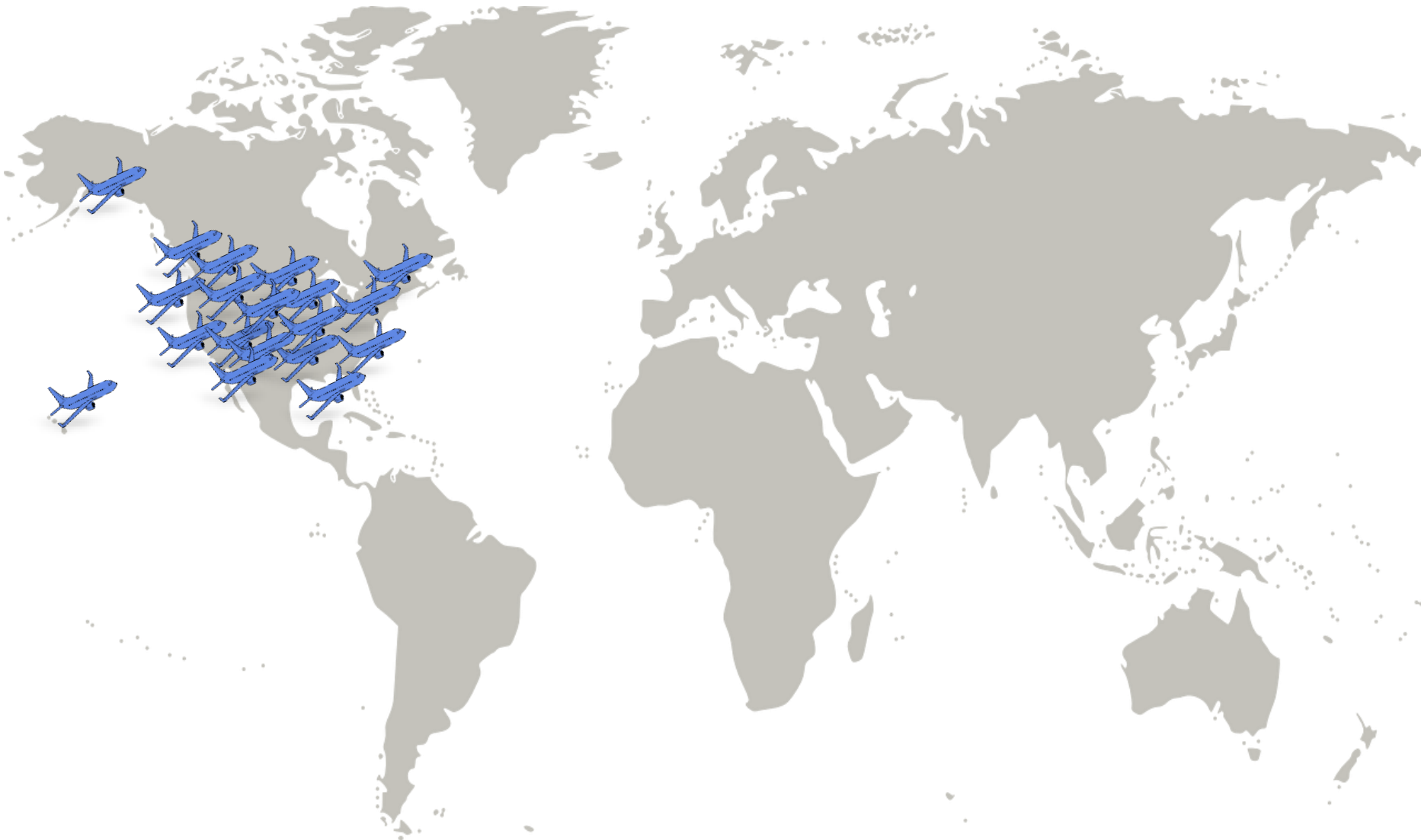


# Travel and leisure



28 Feb 2021 | Source: Orbis, Refinitiv. Global equity market depiction based on based on Uniform Manifold Approximation and Projection (UMAP) of 3-year weekly local equity returns. Stocks shown are constituents of the FTSE World Index and MSCI Emerging Markets Index. The distance between dots captures the degree of co-movement between individual stocks. Stocks exhibiting a high degree of co-movement are clustered together.

# Southwest®



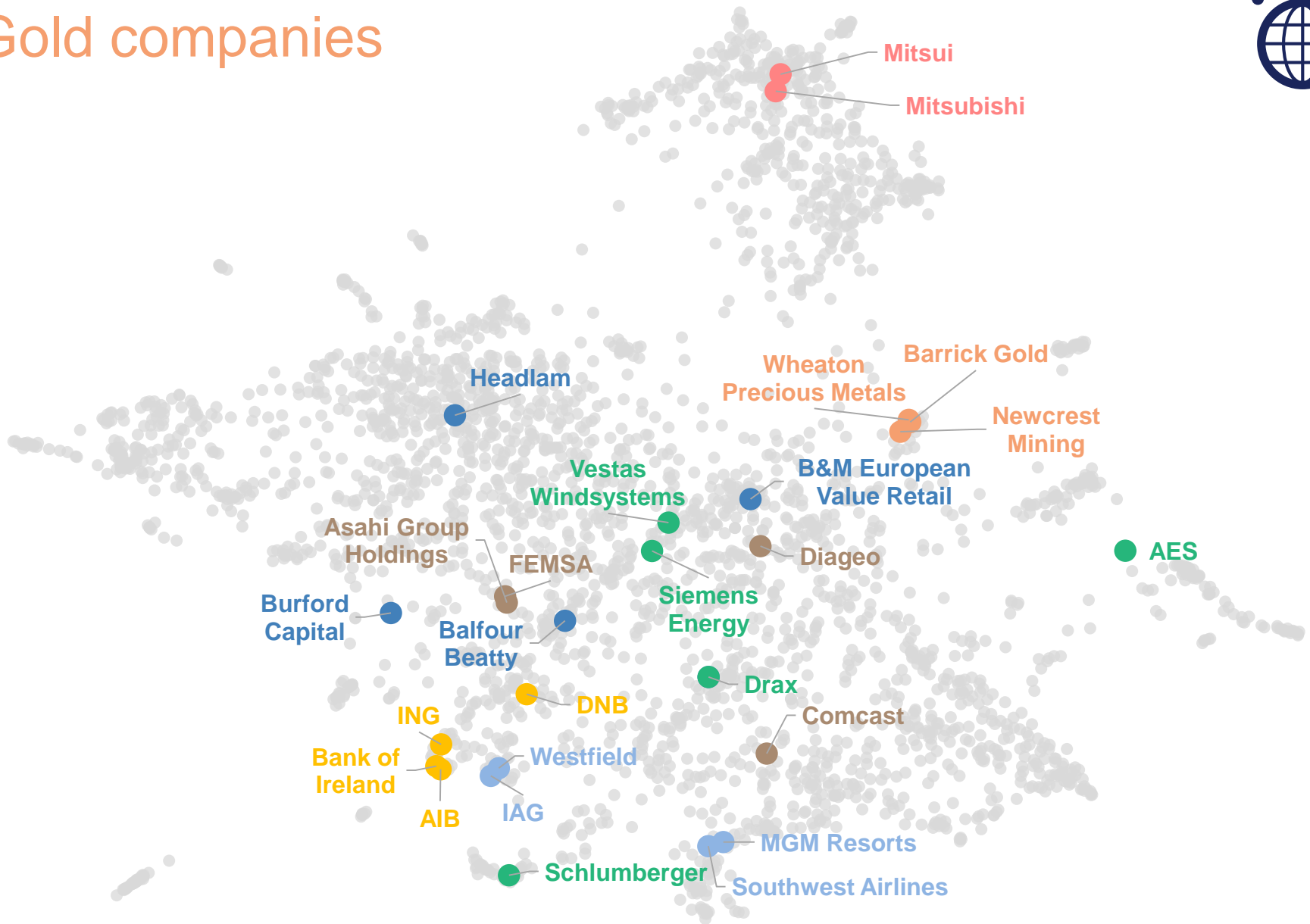
Source: Pixabay and company information.

# A stronger business than its peers



	Number of losses in last 40 years	Credit rating	Cash burn in 2020 (\$bn)
Southwest	1	Investment grade	3.3
American Airlines	18	Junk	8.7
DELTA	15	Junk	8.0
UNITED	14	Junk	7.7

# Gold companies



# Long life reserves and resources



## Life expectancy of reserves



**22** years



**16** years



**16** years

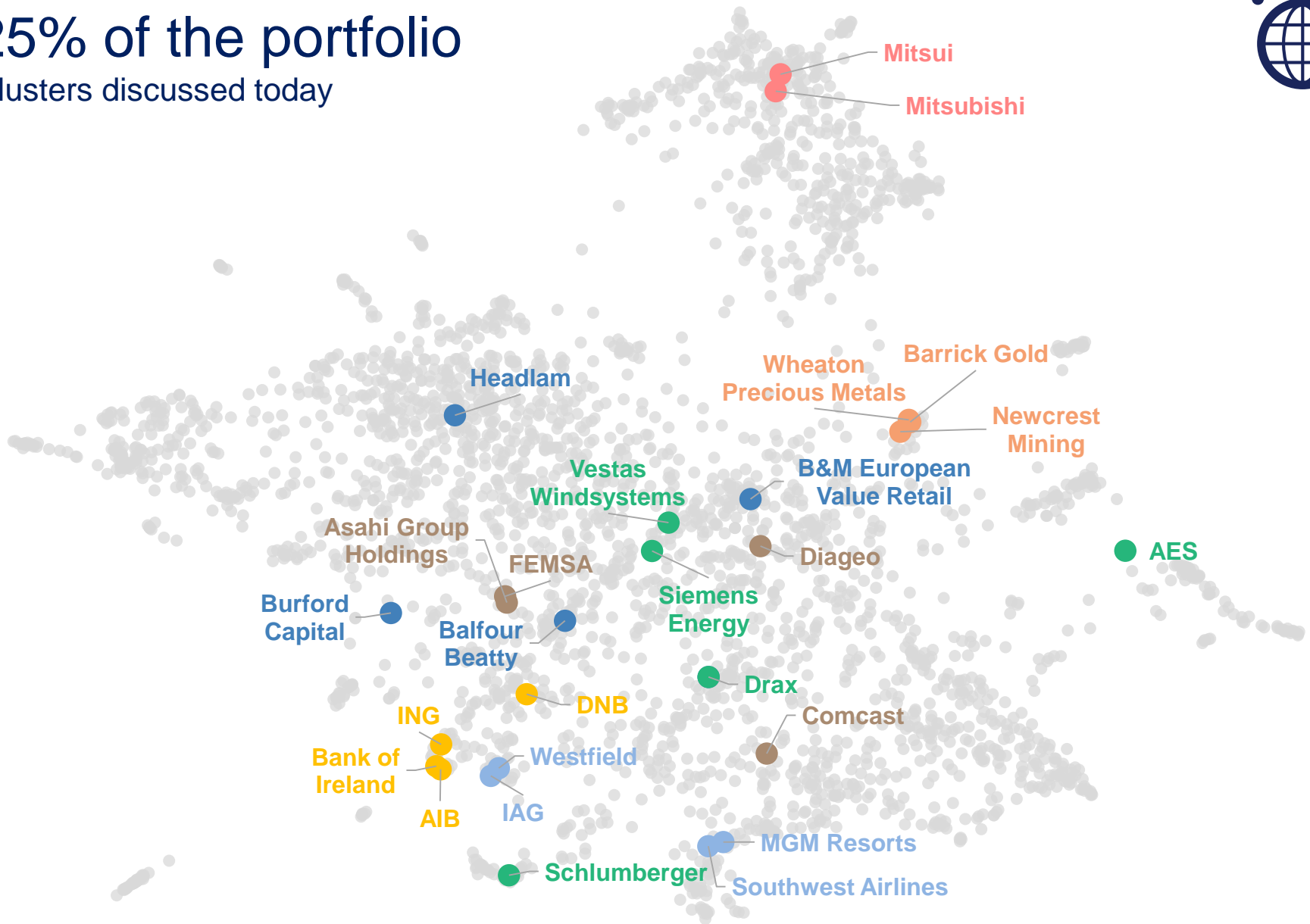


**10** years



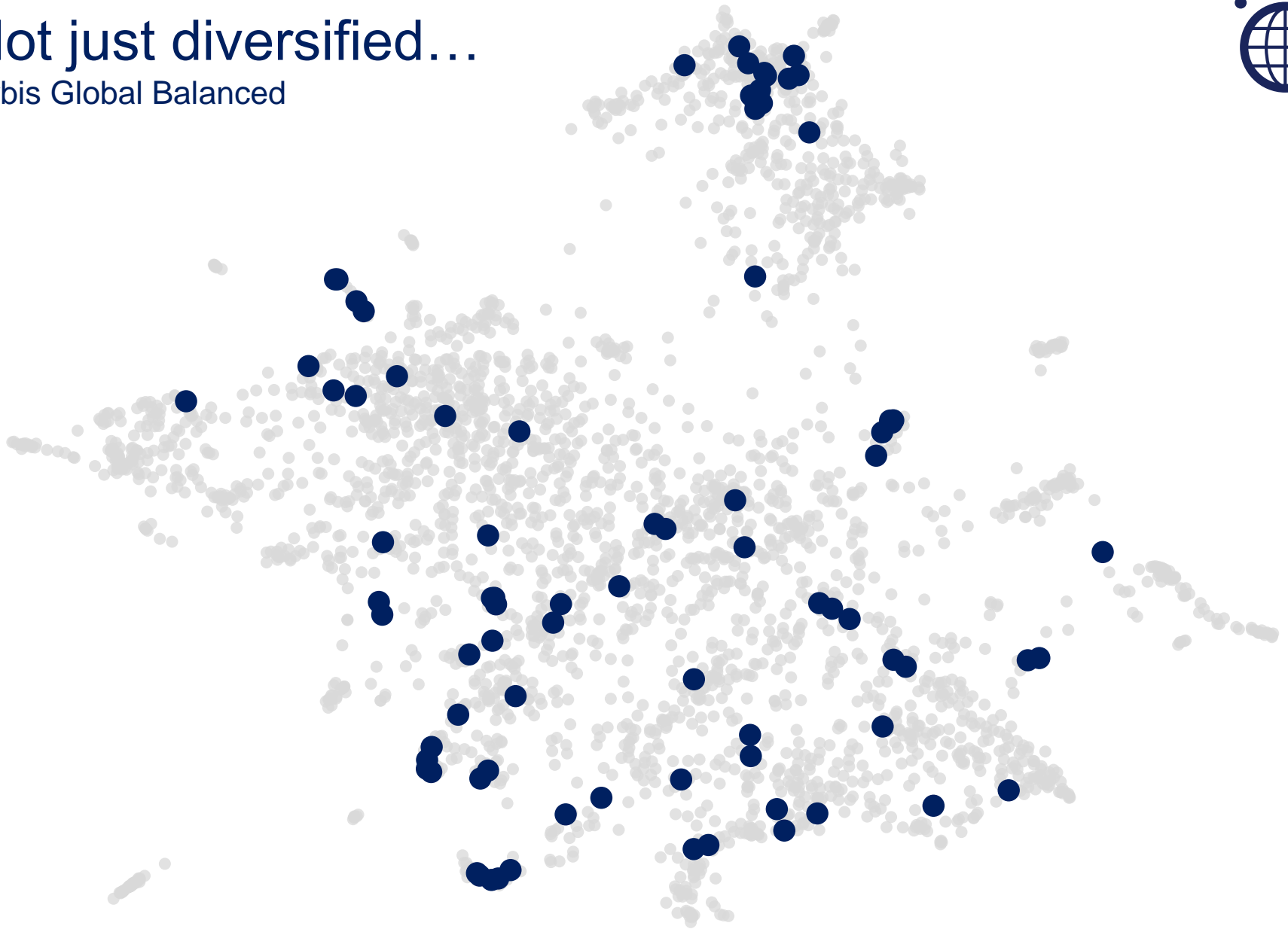
# 25% of the portfolio

Clusters discussed today



# Not just diversified...

Orbis Global Balanced

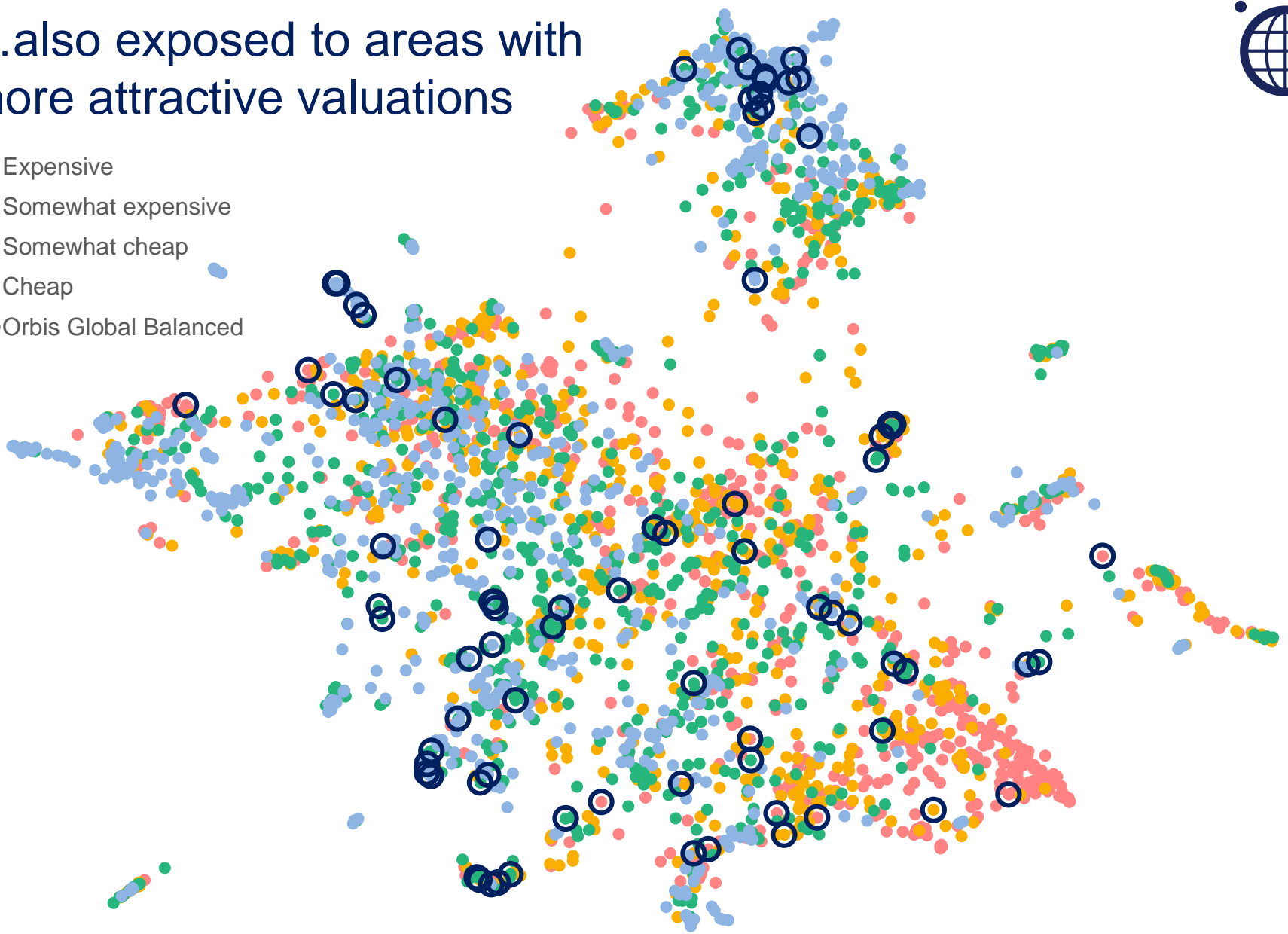


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# ...also exposed to areas with more attractive valuations

- Expensive
- Somewhat expensive
- Somewhat cheap
- Cheap
- Orbis Global Balanced



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# Key messages

1. Bondmarkets and stockmarkets look expensive and unattractive in aggregate
2. Unusually compelling opportunities for relative value within stockmarkets
3. Our bottom-up ideas are diversified and, in our view, deeply undervalued



Q & A

# Notices (1 of 3)

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**For more information regarding the Orbis Funds please contact us:** Orbis Investment Management Limited, Orbis House, 25 Front Street, Hamilton HM 11, Bermuda. Mailing address: P.O. Box HM571, Hamilton HM11, Bermuda. Telephone: +1 (441) 296 3000; Facsimile: +1 (441) 296 3001; E-mail: [clientservice@orbis.com](mailto:clientservice@orbis.com); Website: [www.orbis.com](http://www.orbis.com)

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## Representative Office

Orbis Investment Management Limited has a representative office in the Republic of South Africa for the purposes of marketing and distributing its funds. The representative office is Allan Gray Unit Trust Management (RF) Proprietary Limited which is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002 and is supervised by the Financial Sector Conduct Authority.

## Collective Investment Schemes

Certain Orbis funds are eligible for public promotion in South Africa. Collective Investment Schemes (CIS) are generally medium to long-term investments. The value of an investment in any Fund may go down as well as up, and past performance is not a reliable indicator of future results. The Funds' managers provide no guarantee with respect to capital or any Fund's returns.

CIS are traded at ruling prices and can engage in borrowing and scrip lending. Performance is calculated for the Fund specified. 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 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.

## Prices

Share prices are calculated on a net asset value basis by share class.

Orbis Funds trade weekly on a Thursday and unit prices as well as a schedule of fees, charges and maximum commissions can be obtained free of charge by contacting Allan Gray Unit Trust Management (RF) Proprietary Limited or from [www.allangray.co.za](http://www.allangray.co.za).

## Performance

Performance figures are for lump sum investments with income distributions reinvested. Where annualised performance is mentioned, this refers to the average return per year over the period.

## Funds and Share Classes

For additional detail about share classes and fees, please refer to the relevant fund's prospectus. Subscriptions are only valid if made on the basis of the current prospectus of an Orbis fund.

Shared Investor RRF Share Classes of Orbis Global Equity Fund and of the Orbis SICAV Funds (Global Balanced, Emerging Markets Equity and Japan Equity) and Shared Institutional RRF Share Classes of the Orbis SICAV Global Balanced Fund:

**Base Fee:** Calculated and accrued weekly at a rate of 1.1% per annum of the Class' net asset value.

**Refundable Performance Fee:** When the performance of the class (after deducting the base fee) beats the performance fee benchmark of the class 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 respective 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 respective share class. Fees paid from the reserve to the Investment Manager are not available to be refunded as described below.

When the performance of the class (after deducting the base fee) trails the performance fee benchmark of the class over the period from one dealing day to the next, 25% of the value of the underperformance is refunded from the reserve to the respective class. 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.

# Notices (2 of 3)



Shared Investor RRF Share Classes (A) of Orbis Global Equity Fund and of the Orbis SICAV Funds (Global Balanced, Emerging Markets Equity and Japan Equity):

**Base Fee:** Calculated and accrued weekly at an annualised rate of 0.8% per annum of the Class' net asset value. Investors are subject to an additional administrative fee, as they separately agree with Allan Gray Proprietary Limited (or its affiliates) from time to time. 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 class (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 of the class 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 respective 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 respective share class. Fees paid from the reserve to the Investment Manager are not available to be refunded as described below.

When the performance of the class (after deducting the base fee and the aforementioned additional 0.3% per annum) trails the performance fee benchmark of the class over the period from one dealing day to the next, 25% of the value of the underperformance is refunded from the reserve to the respective class. 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.

**AG Base Fee Share Classes** of Orbis Global Equity Fund and of the Orbis SICAV Funds (Global Balanced, Emerging Markets Equity and Japan Equity): 1.1% per annum, adjustable up to a maximum of 2.5% or down to a minimum of 0.5% based on 25% of annualised outperformance or underperformance of the Class versus the Performance Fee Benchmark (calculated geometrically) over a 2-year rolling period. For the first two years, the calculation of the annualised two-year rolling return will be determined by reference to Fund performance for the relevant periods prior to the establishment of the AG Base Fee Share Class, to the extent returns from such periods are required to calculate a two year return.

**Standard Share Classes** of Orbis Optimal SA Fund Limited: There are two parts to the fee: (a) a base fee of 1.0% per annum, paid monthly, of the weekly net assets of each share class; plus (b) a performance fee of 20% of the outperformance of each class of Fund share's weekly rate of return relative to its performance fee benchmark, calculated and accrued on each dealing day and paid monthly. The performance fee incorporates a high water mark.

**Standard Share Classes (A)** of Orbis Optimal SA Fund Limited: There are two parts to the fee: (a) a base fee of 0.7% per annum, paid monthly, of the weekly net assets of each share class;

plus (b) a performance fee of 20% of the outperformance of each class of Fund share's weekly rate of return relative to its performance fee benchmark, calculated and accrued on each dealing day and paid monthly. The performance fee incorporates a high water mark. Investors are subject to an additional administrative fee, as they separately agree with Allan Gray Proprietary Limited (or its affiliates) from time to time

A schedule of fees and charges and maximum commissions is available on request from the Allan Gray Unit Trust Management (RF) Proprietary Limited or from [www.allangray.co.za](http://www.allangray.co.za).

## **Temporary Change in Fee Calculation for the Shared Refundable Reserve Fee Share Classes**

For an initial period of time, the new Shared Investor RRF, Shared Institutional RRF and Shared Investor RRF (A) share classes of the Orbis Global Equity Fund, Orbis SICAV Global Balanced Fund and Orbis SICAV Emerging Markets Equity Fund are charging the fee of the Investor Share Class (other than as described below\*) of the respective fund.

Numerous investors have switched to the new share classes from the Investor Share Classes. This temporary measure will ensure that the fees paid by investors account for underperformance experienced by the Investor Share Class before the inception date of the new share class of the respective fund.

The new classes will continue to charge the fee of the Investor Share Class\* of the respective fund until the earlier of the first dealing day (a) on or after 14 May 2023, or (b) on which the average management fee charged by the Investor Share Class equals or exceeds 1.50% per annum of the Investor Share Class' net assets for the period ending on that dealing day and beginning on the later of (i) 12 months prior to that dealing day and (ii) 14 May 2021. Please refer to the relevant fund's prospectus for more details.

\* The Shared Investor RRF Share Class (A) is charging the fee of the Investor Share Class, reduced by 0.3% per annum. This reduction is provided because these investors are subject to an additional administrative fee, as they separately agree with Allan Gray Proprietary Limited (or one of its affiliates) from time to time

## **Returns**

Net returns for Orbis Funds are calculated gross of all income, net of fees and expenses, and assume reinvestment of dividends. Gross returns are calculated gross of all income, net of all expenses, and assume reinvestment of dividends. Returns in currencies other than the Fund's base currency have been calculated using exchange rates used to value the Orbis Funds.

## **Country and Currency Classifications**

The country and currency classification for equity securities follows that of third party benchmark providers for comparability purposes. 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.

# Notices (3 of 3)

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## Sources (when relevant)

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