

Our Thinking

How is the market up?

After the worst five-week crash ever, global stockmarkets have recovered all of their losses in just five months, with the MSCI World Index setting a new all-time high in late August. As the world continues to struggle with the pandemic, how is the market up?

There are just three sources of equity returns: fundamental growth, changes in valuations, and dividends. By splitting out each one individually, we can see what is driving markets. For fundamental growth, we can look at changes in expected earnings, and for valuations, we can look at the change in the price-earnings multiple for the index. To “look through” the extraordinary conditions of 2020, we will focus on earnings estimates for 2021.

This gives us the breakdown below. Dividends have chipped in 1.2% towards returns. Earnings expectations have collapsed by 15.5%, but this has been more than offset by rising valuations, leaving the market’s price-earnings multiple 23.2% higher than at the start of the year. After the recovery, the market now trades at 19 times estimated next-year earnings. This is an unusually rich level, and one that has not been surpassed since the tech bubble burst in 2001.

That explains *how* markets are up. Despite falling earnings expectations, markets are up because valuations have become much more expensive. But *why* markets are up is a different question.

One explanation is that not all companies are suffering. To quote Microsoft’s CEO, “we have seen two years’ worth of digital transformation in two months.” *Two years’ worth in two months* might also be an apt description of recent stock returns for software firms.

The other explanation is that central banks have flooded the market with money, pushing down bond yields. If bonds offer lower returns, that makes equities look better in comparison, and should lead to higher stock prices. At the start of the year, 10-year

US Treasury bonds yielded 1.9% and the MSCI World Index offered an earnings yield (earnings divided by price) of 6.4%, for a spread of 4.5% over bond yields. As we’ve seen, stocks are now more expensive, offering an earnings yield of just 5.2%. But Treasury yields have also fallen, to 0.7%. The difference (4.5%) is essentially unchanged since the start of the year, suggesting that lower bond yields deserve at least partial credit (or blame) for higher equity valuations.

But an explanation of what has happened is not a guide for what will happen. The unusual conditions of 2020 are unlikely to repeat, and today’s high starting valuations do not augur well for future long-term returns—at least, not for headline stock indices.

The good news is that those headline indices do a crude job of representing the opportunities available to bottom-up stockpickers. As the chart below shows, the biggest 50 companies in the US have repeatedly set new record highs, pulling up the return of the capitalisation-weighted MSCI World Index. But if we look at the average stock globally on an *equal-weighted* basis, we see that the average stock remains stuck in a bear market that started all the way back in early 2018. That excites us, because it suggests that there are plenty of companies out there where valuations may be much more attractive. Such opportunities represent the bulk of the Orbis Funds.

In fact, the Orbis Global Equity Strategy holds only six of the biggest 50 American companies, and while those giant firms represent 35% of world stockmarkets, they account for just 14% of the Strategy. The other 86% is in several dozen companies picked from the forgotten “rest”. In aggregate, our companies have similar or better fundamentals than the wider market, but trade at a steep discount. Being so different from the market isn’t always comfortable, but with market valuations where they are today, we wouldn’t have it any other way.

How is the market up?

Data for the MSCI World Index, %	2020 YTD
Total return, USD	5.3
Fundamental growth*	(15.5)
Change in valuation**	23.2
Dividends***	1.2

Source: Bloomberg, Orbis.

Total returns include reinvested dividends (net of WHT).

*Change in consensus estimates for 2021 earnings.

**Change in the price-earnings ratio using est 2021 earnings.

***Impact of reinvested dividends on the index total return.

Stockmarket averages are up, but the average stock isn't

USD price returns, rebased to 100 at 26 Jan 2018



Source: Refinitiv, Orbis. Biggest US stocks: S&P 500 Top 50 Index. Cap-weighted developed world stocks: MSCI World Index. Equal-weighted global stocks: MSCI ACWI Equal Weighted Index, which peaked on 26 Jan 2018.

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.

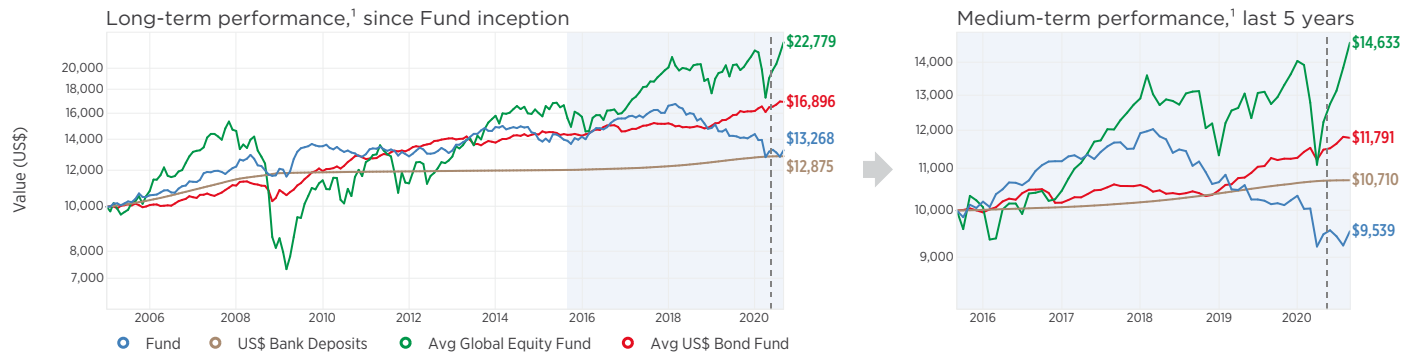
Orbis Optimal SA Fund

US\$ Standard Class (A)

The Fund seeks capital appreciation on a low risk global portfolio. It invests principally in a focused portfolio of selected global equities believed to offer superior relative value and employs stockmarket hedging to reduce risk of loss.

Price	US\$13.23	Comparators	US\$ Bank Deposits
Pricing currency	US dollars		Average Global Equity Fund Index
Domicile	Bermuda		Average US\$ Bond Fund Index
Type	Open-ended mutual fund	Class size	US\$41.7 million
Minimum investment	US\$50,000	Class inception	14 May 2020
Dealing	Weekly (<i>Thursdays</i>)	Fund inception	1 January 2005
Entry/exit fees	None	Strategy size	US\$2.4 billion
ISIN	BMG6768M1459	Strategy inception	1 January 1990

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



The US\$ Standard Class (A) inceptioned on 14 May 2020 (date indicated by dashed line above). Information for the Fund for the period before the inception of the US\$ Standard Class (A) relates to the US\$ Standard Class.

Returns¹ (%)

	Fund	US\$ Bank Deposits	Avg Global Equity Fund	Avg US\$ Bond Fund
Annualised	<i>Net</i>			
Since Fund inception	1.8	1.6	5.4	3.4
15 years	1.6	1.6	5.5	3.5
10 years	0.1	0.8	8.0	2.9
5 years	(0.9)	1.4	7.9	3.3
3 years	(6.5)	1.8	6.8	3.6
1 year	(6.0)	1.3	14.9	4.7
Not annualised	<i>Net</i>			
Calendar year to date	(7.7)	0.6	4.2	4.6
	Class	US\$ Bank Deposits	Avg Global Equity Fund	Avg US\$ Bond Fund
Since Class inception	2.9	0.1	23.4	2.8
3 months	(0.2)	0.1	14.9	2.4
1 month	3.3	0.0		
		Year	Net %	
Best performing calendar year since Fund inception		2013	12.5	
Worst performing calendar year since Fund inception		2018	(10.5)	

Risk Measures,¹ since Fund inception

	Fund	US\$ Bank Deposits	Avg Global Equity Fund	Avg US\$ Bond Fund
Historic maximum drawdown (%)	23	0	52	9
Months to recovery	>30 ²	n/a	73	16
% recovered	12	n/a	100	100
Annualised monthly volatility (%)	5.8	0.5	15.6	3.4
Correlation vs FTSE World Index	0.5	(0.1)	1.0	0.4
Correlation vs Orbis Global Equity Fund relative return	0.8	0.0	0.1	(0.1)

Stockmarket Exposure (%)

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure
Developed Markets	72	(66)	5	10
United States	21	(21)	0	3
Japan	20	(14)	6	5
Continental Europe	14	(17)	(2)	3
United Kingdom	7	(7)	0	0
Other	9	(7)	2	0
Emerging Markets	16	(10)	6	6
Total	87	(76)	11	16

Top 10 Holdings³

	FTSE Sector	%
Bayerische Motoren Werke	Consumer Goods	4.5
Honda Motor	Consumer Goods	3.5
Anthem	Health Care	3.5
Sumitomo	Industrials	3.3
British American Tobacco	Consumer Goods	3.2
Newcrest Mining	Basic Materials	3.1
Mitsubishi	Industrials	2.9
Credit Suisse Group	Financials	2.9
NetEase	Technology	2.6
Sberbank of Russia	Financials	2.6
Total		32.1

Currency Allocation (%)

US dollar	87
Greater China currencies	4
Other	9
Total	100

Fees & Expenses¹ (%), for last 12 months

Base fee	0.92
Performance fee	0.00
Fund expenses	0.08
Total Expense Ratio (TER)	0.99

Past performance is not a reliable indicator of future results. Orbis Fund share prices fluctuate and are not guaranteed. Returns may decrease or increase as a result of currency fluctuations. When making an investment in the Funds, an investor's capital is at risk. See Notices for important information about this Fact Sheet.

¹ Fund data and Fees & Expenses for the period before 14 May 2020 relate to the US\$ Standard Class.

² Number of months since the start of the drawdown. This drawdown is not yet recovered.

³ Includes equity positions held indirectly.

Orbis Optimal SA Fund

US\$ Standard Class (A) and Euro Standard Class (A)

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

Manager	Orbis Investment Management Limited			
Fund Inception date	1 January 2005			
Class Inception date	14 May 2020			
Number of shares	US\$ Standard Class (A):	3,154,298	Euro Standard Class (A):	750,464
Income distributions during the last 12 months	None			

Fund Objective and Performance Fee Benchmarks

The Fund is designed for investors seeking capital appreciation on a low risk global investment portfolio. The Fund's returns are intended to be largely independent of the returns of major asset classes such as cash, equities and bonds. The Fund's US\$ Share Classes aim to outperform US\$ Bank Deposits (compound total returns on one month US\$ deposits, currently based on the Bloomberg USDR rate), while its Euro Share Classes aim to outperform Euro Bank Deposits (compound total returns on one month Euro Deposits, currently based on the Bloomberg EUDRA rate).

How We Aim to Achieve the Fund's Objective/Adherence to Objective

The Fund is actively managed and augments a focused portfolio of selected global equities with hedging of the risk of monetary loss arising from a decline in stockmarkets. It invests in shares considered to offer superior fundamental value. The lower the price of a share as compared to its assessed intrinsic value, the more attractive Orbis considers the equity's fundamental value. Orbis believes that over the long term, equity invested based on this approach offers superior returns and reduces the risk of loss.

Orbis believes the main risk of investing in its selected equities is that their prices will decline if relevant stockmarkets fall significantly. To reduce this risk, the Fund maintains a substantial core level of hedging. When Orbis' research suggests that stockmarkets are overvalued and vulnerable, the Manager increases the hedging above this core level. Similarly, when Orbis' research suggests that stockmarkets represent good value, the Manager lowers the hedging below the core level. The Manager's actions in this regard are limited and the Fund therefore always maintains a significant level of hedging to protect investors from unexpected stockmarket declines. The result is that the Fund's returns are driven mainly by the Manager's ability to select equities that outperform their respective stockmarket indices and not by the overall direction of equity markets. The Fund is therefore able to aim for absolute (or positive) returns.

The net returns of both the US\$ and Euro Standard Class (A) Classes from their inception on 14 May 2020, stitched with the net returns of the US\$ and Euro Standard Classes respectively from the Fund's inception to 14 May 2020, have outperformed their respective performance fee benchmarks and delivered positive returns.

Risk/Reward Profile

- The Fund is designed for investors seeking capital appreciation on a low risk global investment portfolio.
- Investments in the Fund may suffer capital loss.
- Investors should understand that the Manager generally assesses an equity investment's attractiveness using a three-to-five year time horizon.

Management Fee

The Fund's share classes bear different management fees. The fees are designed to align the Investment Manager's interests with those of investors in the Fund.

There are two parts to the fee applicable to the Standard Share Class (A) Classes:

- a base fee of 0.7% per annum, paid monthly, of the total net assets of each Standard Share Class (A); plus
- a performance fee of 20% of the outperformance of each class of Standard Share Class (A)'s weekly rate of return relative to its performance fee benchmark (as described in the "Fund Objective and Performance Fee Benchmarks" section above), calculated and accrued on each dealing day and paid monthly. The performance fee incorporates a high water mark.

Investors in the Standard Share Class (A) Classes of the Fund separately pay an administrative fee directly to Allan Gray Proprietary Limited or one of its affiliates. The Investment Manager or one of its affiliates is entitled to receive a separate fee from Allan Gray Proprietary Limited or one of its affiliates in connection with this administrative fee, related to services the Investment Manager and its affiliates provide to Allan Gray Proprietary Limited or its affiliates. The amount of this fee may vary, but will not exceed 0.3% per annum. For purposes of determining the return on which the performance fee is calculated for the Standard Share Class (A) Classes, the administrative fee is deemed to be the maximum possible fee of 0.3% per annum, which then is deducted, along with the base fee, for purposes of calculating the gross return.

For a description of the management fee borne by the Fund's other share classes, please refer to the Fund's prospectus.

Fees, Expenses and Total Expense Ratio (TER)

The relevant class within the Fund bears all expenses payable by such class, which shall include but not be limited to fees payable to its Manager and additional service providers, fees and expenses involved in registering and maintaining governmental registrations, taxes, duties and all other operating expenses, including the cost of buying and selling investments. However, the Manager has agreed that in the current calendar year, except for specified exclusions, operating expenses attributable to each share class will be capped at 0.15% per annum. The cap will be automatically extended for further successive one year periods unless terminated by the Manager at least three months prior to the end of the then current term. The operating expenses that are capped are all expenses, excluding the Manager's fees described above under "Management Fee," the cost of buying and selling investments, interest and brokerage charges.

Where an investor subscribes or redeems an amount representing 5% or more of the net asset value of the Fund, the Manager may cause the Fund to levy a subscription or redemption fee of 0.50% of the net asset value of the Fund's shares being acquired or redeemed.

The annual management fees charged are included in the TER. The TER is a measure of the actual expenses incurred by the class over a 12 month period, excluding trading costs. Since Fund and Class returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns.

Changes in the Fund's Top 10 Holdings

31 May 2020	%	31 August 2020	%
Bayerische Motoren Werke	4.4	Bayerische Motoren Werke	4.5
Anthem	4.2	Honda Motor	3.5
Honda Motor	4.2	Anthem	3.5
British American Tobacco	4.2	Sumitomo	3.3
Credit Suisse Group	3.6	British American Tobacco	3.2
Newcrest Mining	3.3	Newcrest Mining	3.1
XPO Logistics	3.1	Mitsubishi	2.9
Sumitomo	3.0	Credit Suisse Group	2.9
NetEase	2.7	NetEase	2.6
UnitedHealth Group	2.5	Sberbank of Russia	2.6
Total	35.3	Total	32.1

Past performance is not a reliable indicator of future results. Orbis Fund share prices fluctuate and are not guaranteed. Returns may decrease or increase as a result of currency fluctuations. When making an investment in the Funds, an investor's capital is at risk.

Orbis Optimal SA Fund

Additional Information

South African residents should contact Allan Gray Unit Trust Management (RF) Proprietary Limited at 0860 000 654 (toll free from within South Africa) or offshore_direct@allangray.co.za to receive, free of charge, additional information about a proposed investment (including Prospectus, application forms, annual reports and a schedule of fees, charges and maximum commissions). The Manager can be contacted at +1 441 296 3000 or clientservice@orbis.com. The Fund's Custodian is Citibank N.A., New York Offices, 388 Greenwich Street, New York, New York 10013, U.S.A. All information provided herein is subject to the more detailed information provided in the Fund's Prospectus.

Share Price and Transaction Cut Off Times

Share prices are calculated for the (i) Investor Share Class(es), (ii) Shared Investor Refundable Reserve Fee Share Class(es), (iii) Shared Investor Refundable Reserve Fee Share Class(es) (A), (iv) Standard Share Class(es) and (v) Standard Share Class(es) (A) on a net asset value basis by share class, normally as of 5:30 pm (Bermuda time), (a) each Thursday (or, if a Thursday is not a business day, the preceding business day), (b) on the last business day of each month and/or (c) any other days in addition to (or substitution for) any of the days described in (a) or (b), as determined by the Investment Manager or Manager (as indicated in the Fund's prospectus) without notice.

Subscriptions are only valid if made on the basis of the Fund's current Prospectus. To be processed on a given dealing day: subscription requests into an Orbis Fund that is not an Orbis SICAV Fund must be submitted by 5:00 pm on that dealing day; subscription requests into an Orbis Fund that is an Orbis SICAV Fund must be submitted by 5:30 pm; redemption requests from an Orbis Fund that is not an Orbis SICAV Fund must be submitted by 12 noon; redemption requests from an Orbis Fund that is an Orbis SICAV Fund must be submitted by 5:30 pm; requests to switch from an Orbis Fund that is not an Orbis SICAV Fund to a different Orbis Fund that is also not an Orbis SICAV Fund must be submitted by 12 noon; requests to switch from an Orbis SICAV Fund into a different Orbis Fund that is not an Orbis SICAV Fund must be submitted by 5:00 pm; requests to switch from an Orbis Fund that is not an Orbis SICAV Fund to a different Orbis Fund that is an Orbis SICAV Fund must be submitted by 12 noon; and requests to switch from an Orbis Fund that is an Orbis SICAV Fund to a different Orbis Fund that is also an Orbis SICAV Fund must be submitted by 5:30 pm. All times given are Bermuda time, and all requests must be properly completed and accompanied by any required funds and/or information.

Share prices, updated weekly, are available:

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

Legal Notices

Returns are net of fees, include income and assume reinvestment of dividends. Figures quoted are for the periods indicated for a \$10,000 or €10,000 investment (lump sum, for illustrative purposes only). Annualised returns show the average amount earned on an investment in the Fund/share class each year over the given time period. This Report does not constitute advice nor a recommendation to buy, sell or hold, nor an offer to sell or a solicitation to buy interests or shares in the Orbis Funds or other securities in the companies mentioned in it.

Collective Investment Schemes (CIS) are generally medium to long-term investments. The value of an investment in the Fund may go down as well as up, and past performance is not a reliable indicator of future results. The Manager provides no guarantee with respect to capital or the Fund's 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. 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 the Fund's net asset value. The Fund may be closed to new investments at any time in order to be managed in accordance with its mandate. The Fund invests in foreign securities. Depending on their markets, trading in those securities may carry risks relating to, among others, macroeconomic and political circumstances, constraints on liquidity or the repatriation of funds, foreign exchange rate fluctuations, taxation and trade settlement.

The discussion topics for the commentaries were selected, and the commentaries were finalised and approved, by Orbis Investment Management Limited, the Fund's Manager. Information in this Report is based on sources believed to be accurate and reliable and provided "as is" and in good faith. The Orbis Group does not make any representation or warranty as to accuracy, reliability, timeliness or completeness of the information in this Report. The Orbis Group disclaims all liability (whether arising in contract, tort, negligence or otherwise) for any error, omission, loss or damage (whether direct, indirect, consequential or otherwise) in connection with the information in this Report.

Fund Minimum

Minimum investment amounts in the Fund are specified in the Fund's Prospectus, provided that a new investor in the Orbis Funds must open an investment account with Orbis, which may be subject to minimum investment restrictions, country restrictions and/or other terms and conditions. For more information on opening an Orbis investment account, please visit www.orbis.com.

Clients investing via Allan Gray, which includes the Allan Gray Investment Platform, an Allan Gray investment pool or otherwise through Allan Gray Nominees, remain subject to the investment minimums specified by the applicable terms and conditions.

Sources

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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.

Notes to Help You Understand This Report

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

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

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

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

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

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