

Teenagers, curfews & interest rates. Plus other thoughts from Omaha...

Dan Brocklebank, Head of UK at Orbis Investments

June 2023



This communication is directed at professional clients (as defined in the Financial Conduct Authority Handbook). Persons who are not professional clients should not rely on this communication.

➤ 2022: the start of a regime shift

➤ Why this could be a problem

- Fundamentally
- Behaviorally

➤ Some good news

➤ A solution

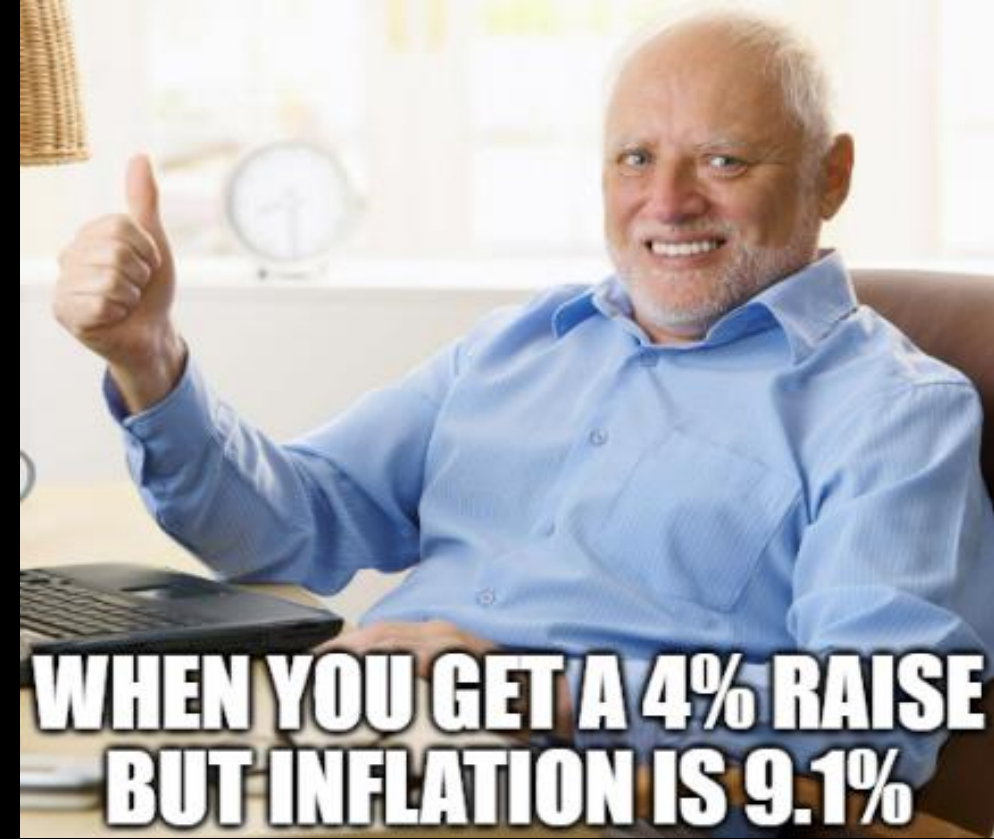
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**WHEN YOU GET A 4% RAISE
BUT INFLATION IS 9.1%**

Bloomberg

Markets

Markets Roiled by Inflation Leave Investors With Nowhere to Hide

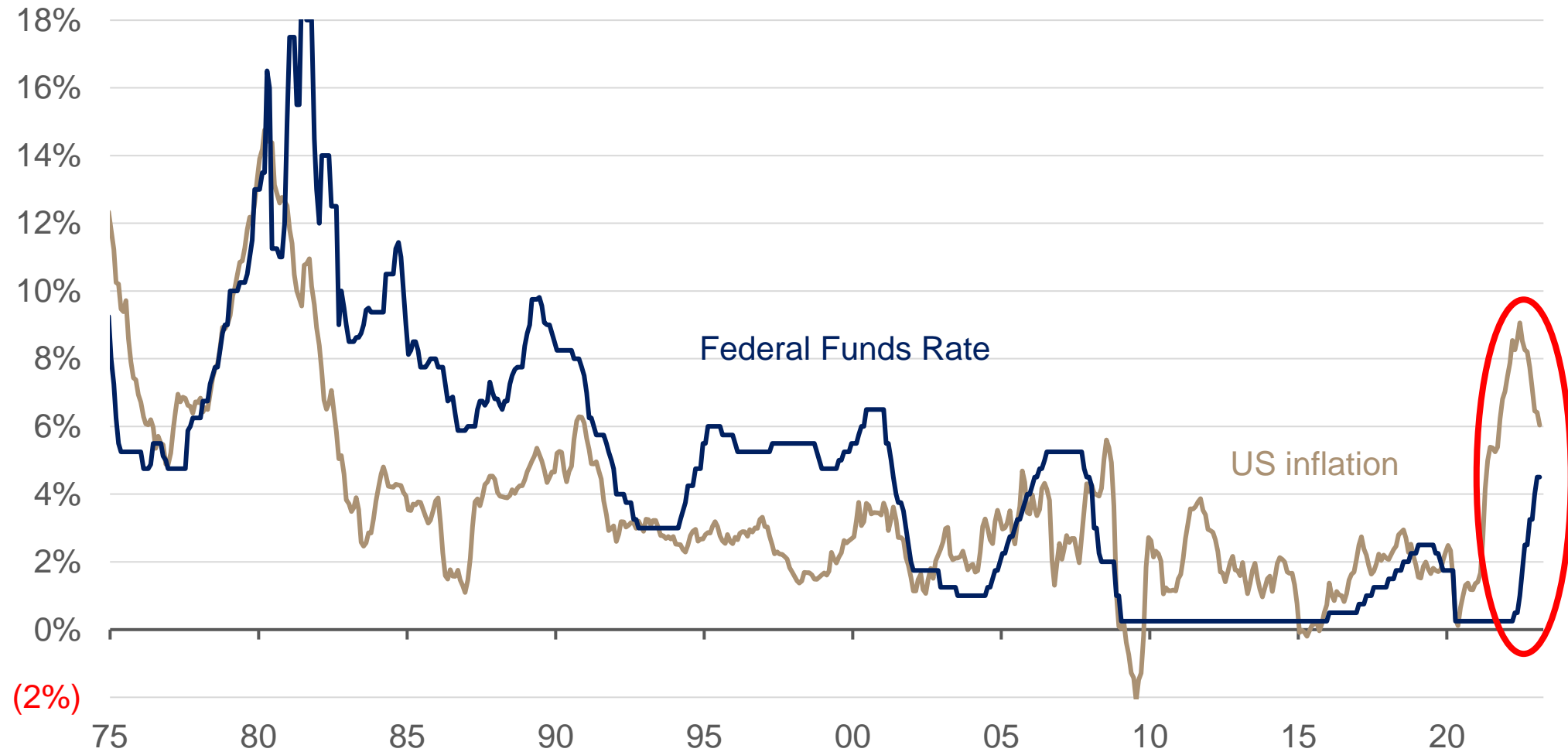
- The retreat of commodity prices does away with inflation hedge
- History shows no major asset class will provide a haven



What's different this time? Inflation.



1-year % change in the US Consumer Price Index, with Federal Fund Rate



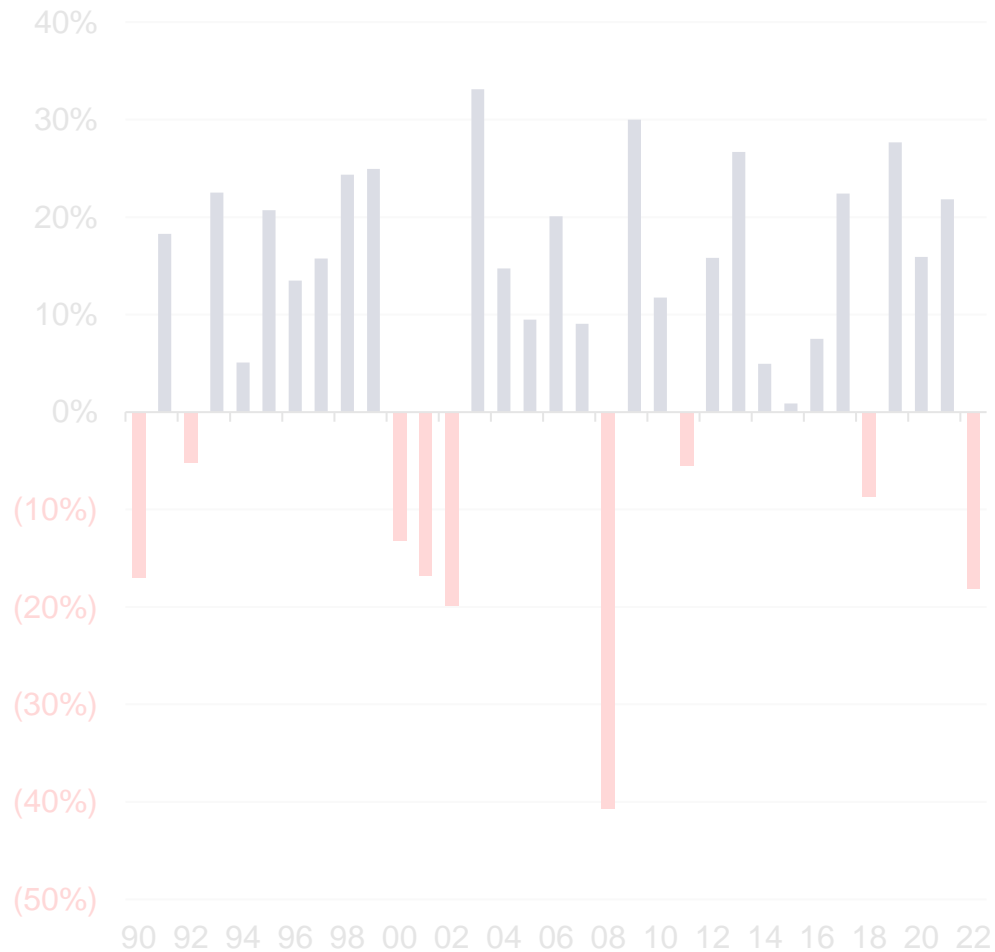
(2%)

Both sides of the 60/40 were down significantly in 2022



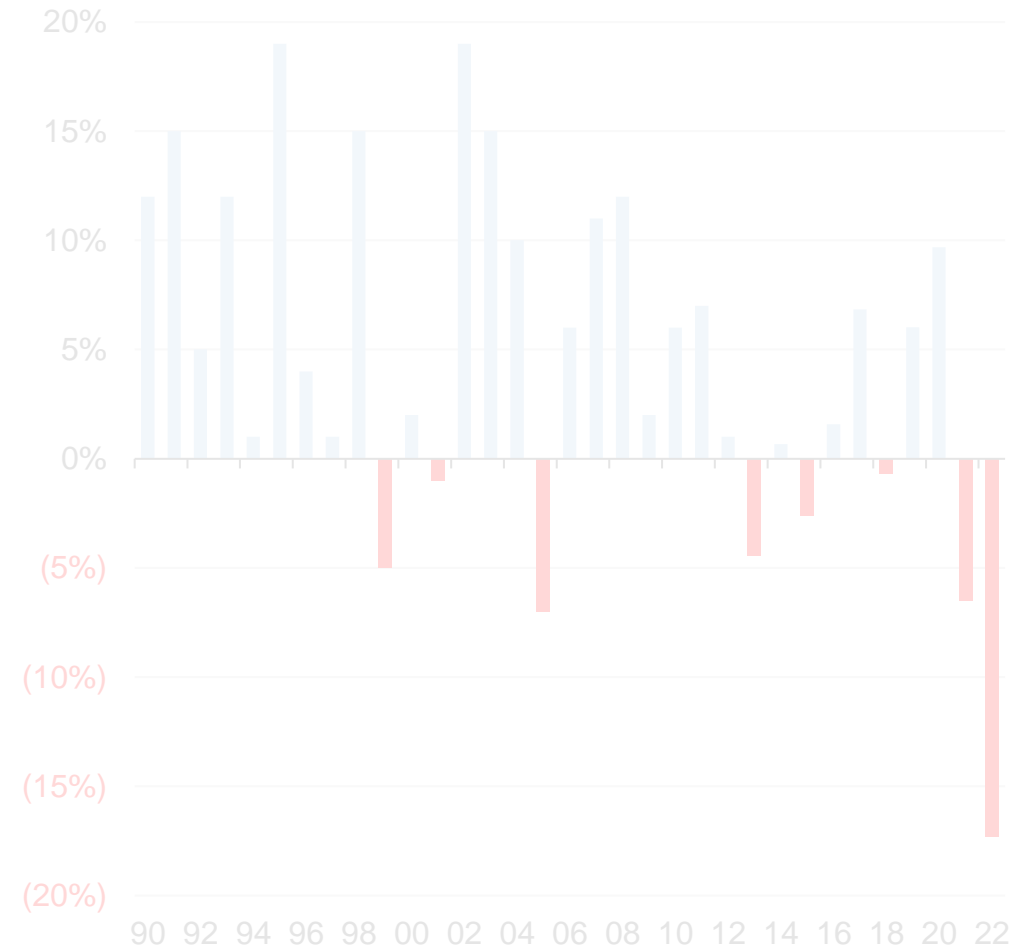
Stocks had their worst year since the global financial crisis

Calendar year total returns for the MSCI World Index, in USD

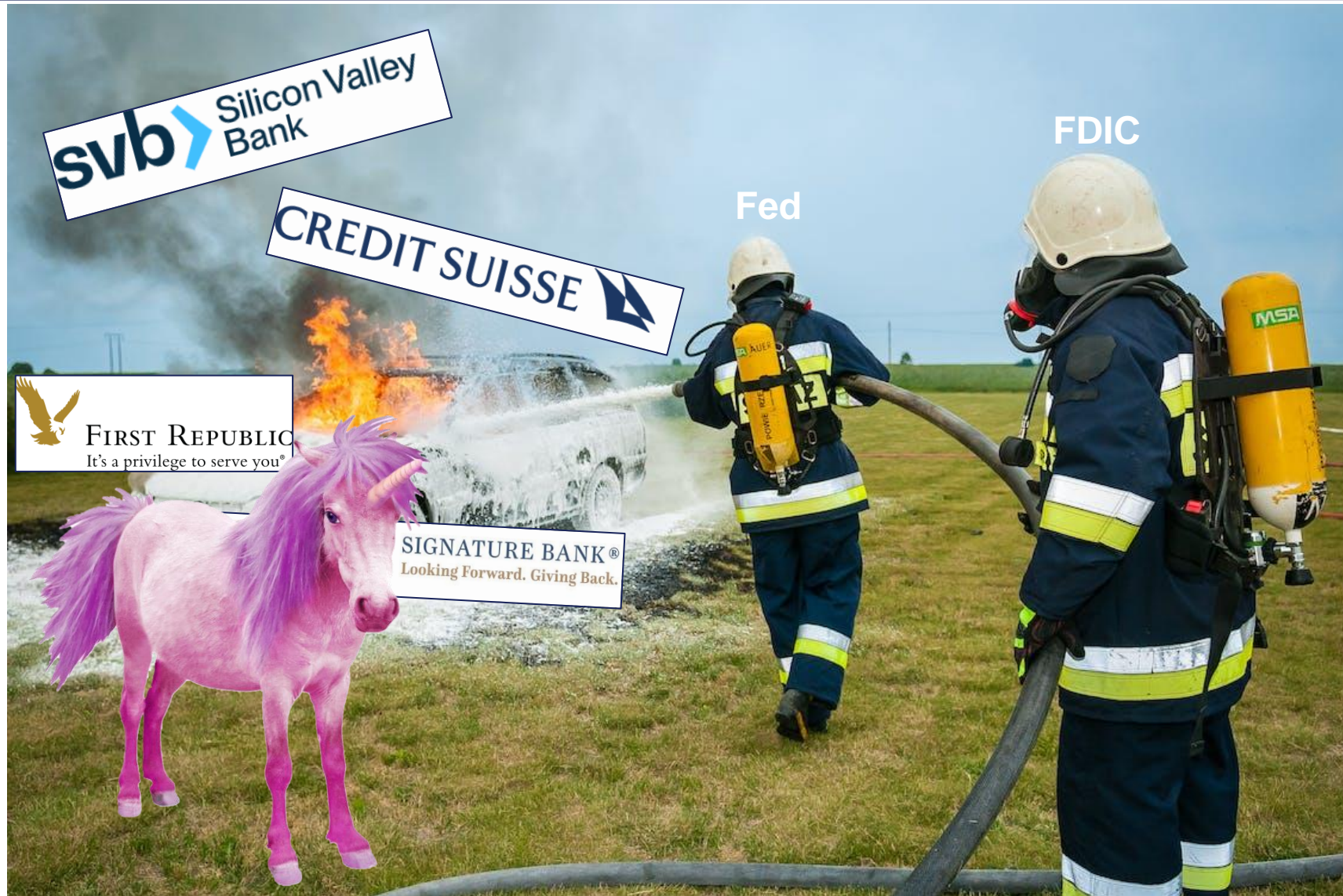


Bonds had their worst year in three decades

Calendar year total returns for the JP Morgan Global Government Bond Index, in USD



And as for 2023...



Source: Company logos, Pixabay.

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Market leadership changes with each new regime



Top 10 globally by market capitalisation

 Remain in top 10 as of Mar. '23

Japan Bubble

Dec 1989

-  Nippon Telegraph
-  Industrial Bank of Japan
-  Sumitomo Bank
-  Fuji Bank
-  Mitsubishi Bank
-  Exxon
-  Dai-Ichi Kangyo Bank
-  General Electric
-  Tokyo Electric
-  Sanwa Bank

TMT Bubble

Mar 2000

-  Microsoft
-  Cisco
-  General Electric
-  Intel
-  NTT Mobile Comm.
-  Vodafone
-  Exxon Mobil
-  Nippon Telegraph
-  Walmart
-  Nokia











GFC / China Bubble

Oct 2007

-  Exxon Mobil
-  General Electric
-  China Mobile
-  Industrial & Commercial Bank
-  Microsoft
-  Gazprom
-  Royal Dutch Shell
-  China Petroleum
-  China Construction Bank
-  China Life Insurance

Everything Bubble

Dec 2021

-  Apple
-  Microsoft
-  Alphabet
-  Amazon
-  Tesla
-  Meta Platforms
-  Nvidia
-  Berkshire
-  Taiwan Semiconductor
-  Tencent



Market cycle

Loose money



Asset prices *rise*





Market cycle

Loose
money



Asset prices **rise**



Tight
money

Asset prices **fall**



Market & valuation cycle

Loose money



Asset prices rise





Market & valuation cycle

Loose money



Asset prices rise
Valuation gaps **widen**



Money goes to **wasteful places**



Market & valuation cycle

Loose money



Asset prices rise
Valuation gaps **widen**



Money goes to **wasteful places**



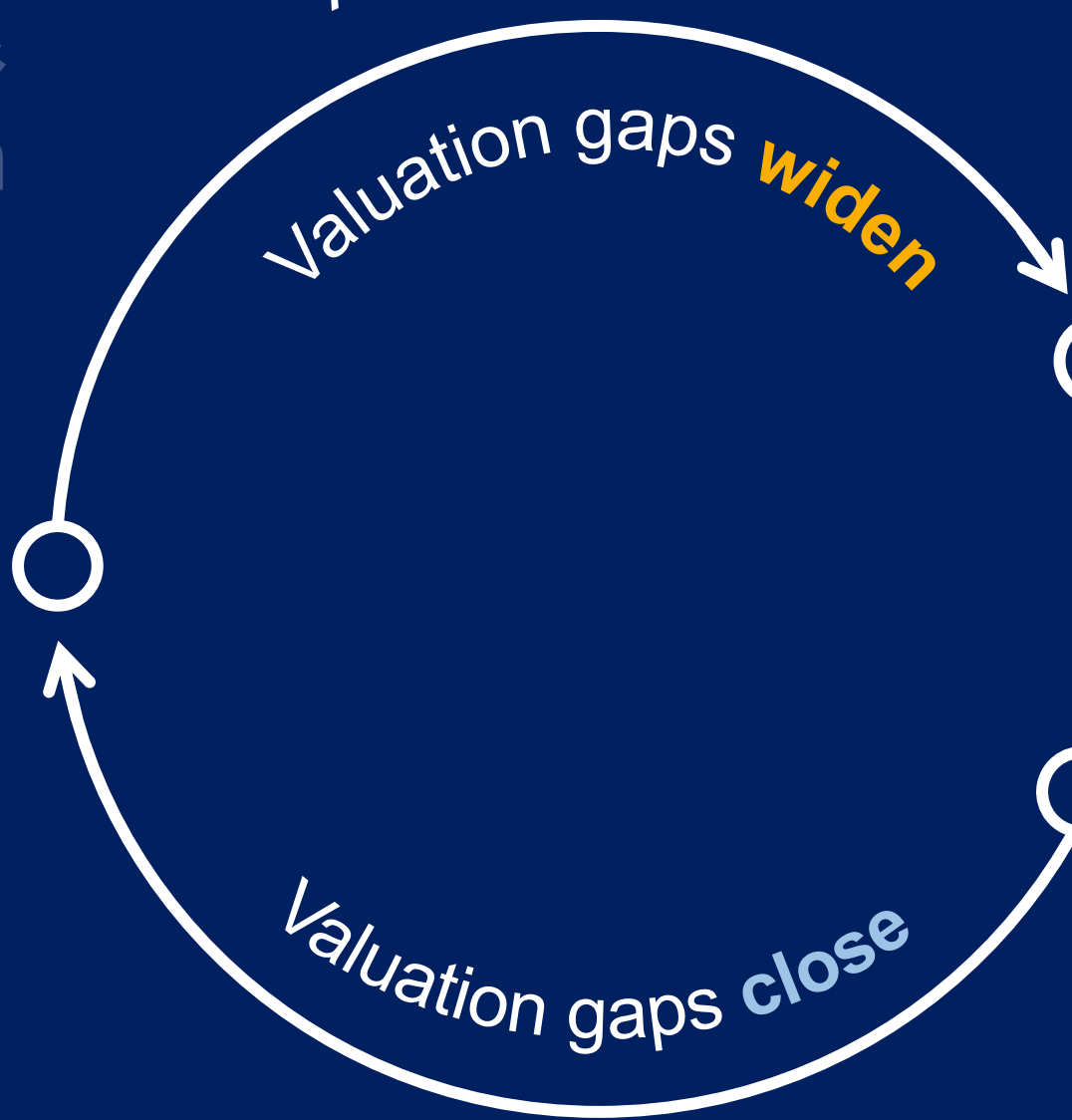
Inflation





Market & valuation cycle

Loose money



Asset prices rise

Valuation gaps **widen**

Money goes to **wasteful places**

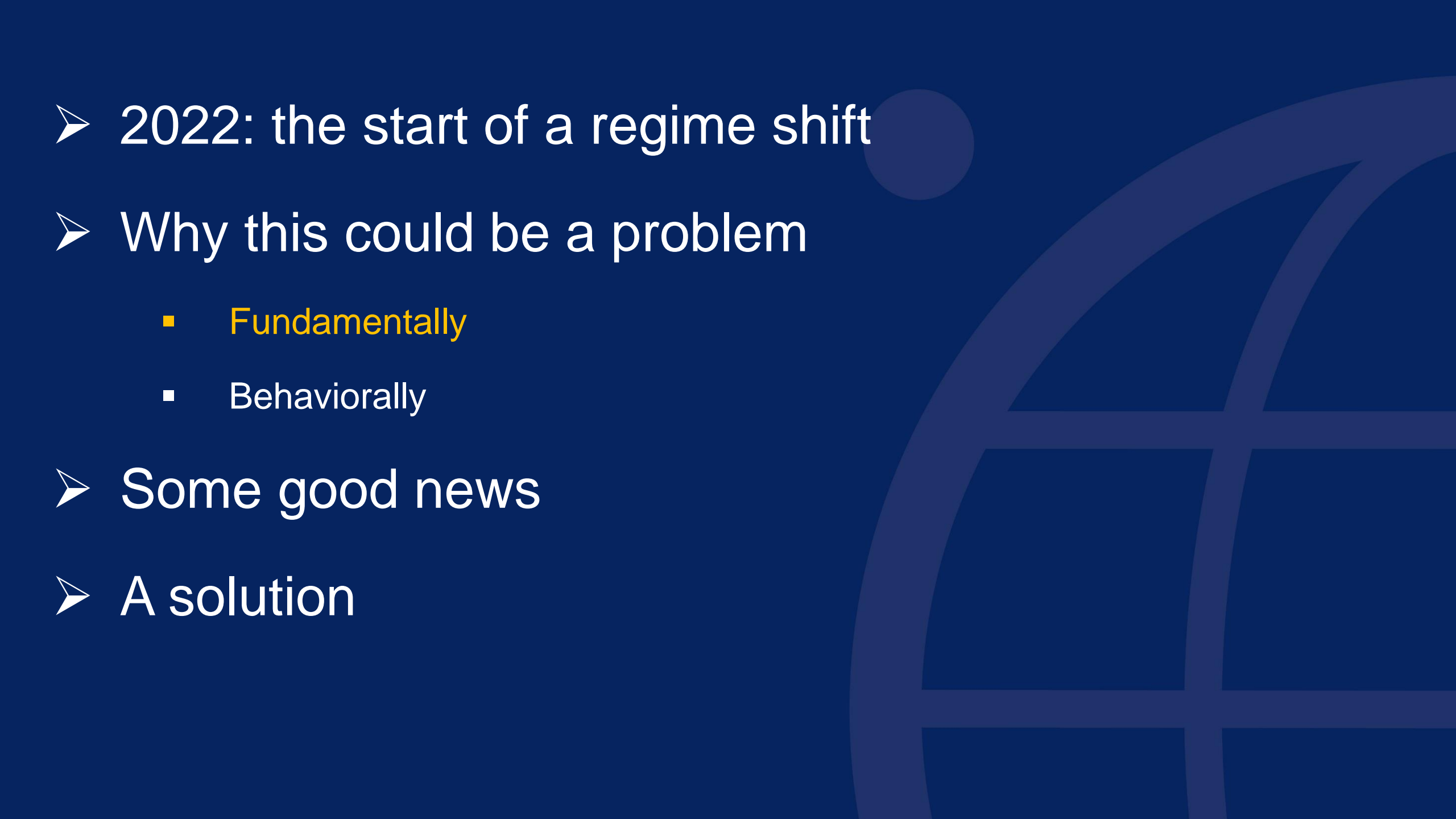


Inflation

Tight money

Valuation gaps **close**

Asset prices fall

- 
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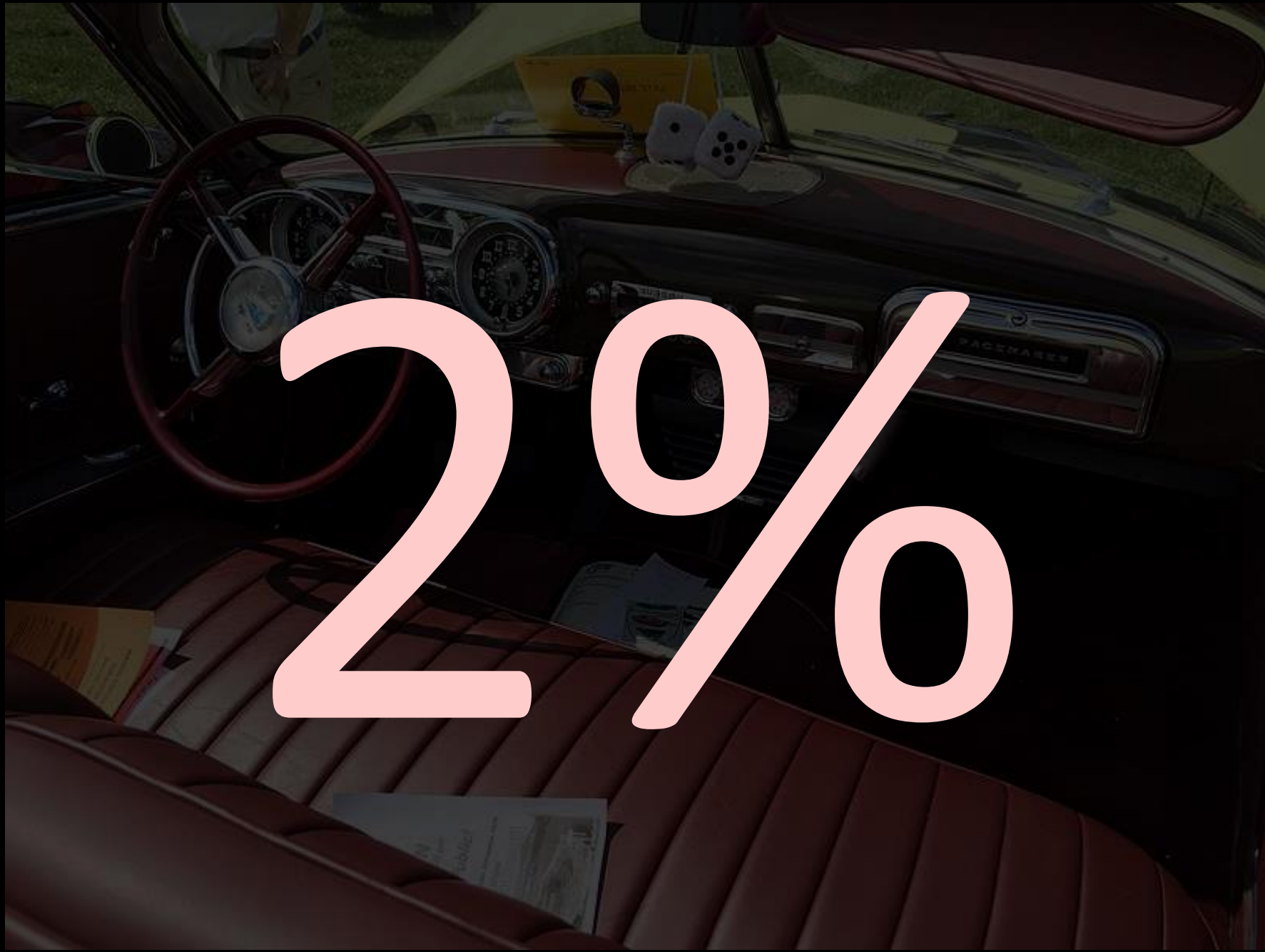
➤ Some good news

➤ A solution



Source: Shutterstock.





IA Mixed Investments 40-85% - Correlation matrix



Vanguard LifeStrategy
60% Equity

Baillie Gifford Managed

BlackRock Consensus
85

Royal London
Sustainable World

Liontrust Sustainable
Future Managed

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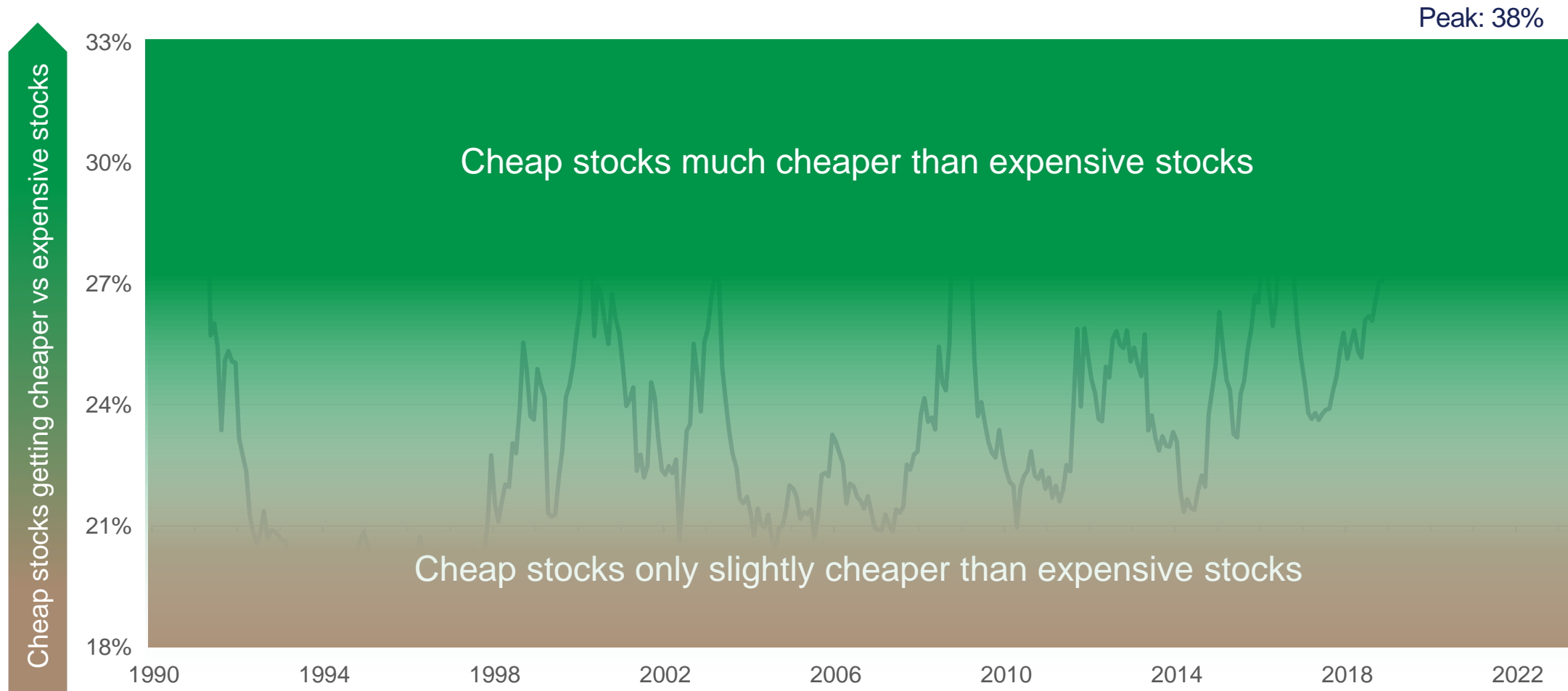
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➤ A solution

The valuation gap is still extreme and has a long way to go to close



Gap in expected return for the fundamentally cheaper vs more expensive half of shares in the FTSE World Index



31 Mar 2023 | Source: Worldscope, Orbis. The line shows the difference in expected return for stocks in the cheaper vs more expensive half of shares in the FTSE World Index, ranked by expected return. Expected return is calculated using a proprietary Orbis quantitative model. Estimates are inherently limited and cannot be relied upon. Statistics are compiled from an internal research database and are subject to subsequent revision due to changes in methodology or data cleaning.

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Back to Basics



Clayton[®]
homes



WELCOME TO THE BERKSHIRE HATHAWAY 2023 ANNUAL SHAREHOLDERS MEET

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➤ **A solution: Back to Basics**

- Focus on the fundamentals
- Perspective matters

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“Mr Buffet, we’re going to put our competitors through the meat-grinder”

Rose Blumkin,
aged **89**

Scale Economies Shared: Costco



Manufacturer



Wholesaler



Retailer



Customer



Thomas Peterffy:

*“My strategy has always been to try to focus in on a product or service where you can **create a dollar of value for 20 cents and sell it for 40 cents.**”*

Scale Economies Shared: Interactive Brokers



Market



*Wholesale
market-maker*

Interactive



Broker



Customer

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It's easy to feel fearful in the moment...

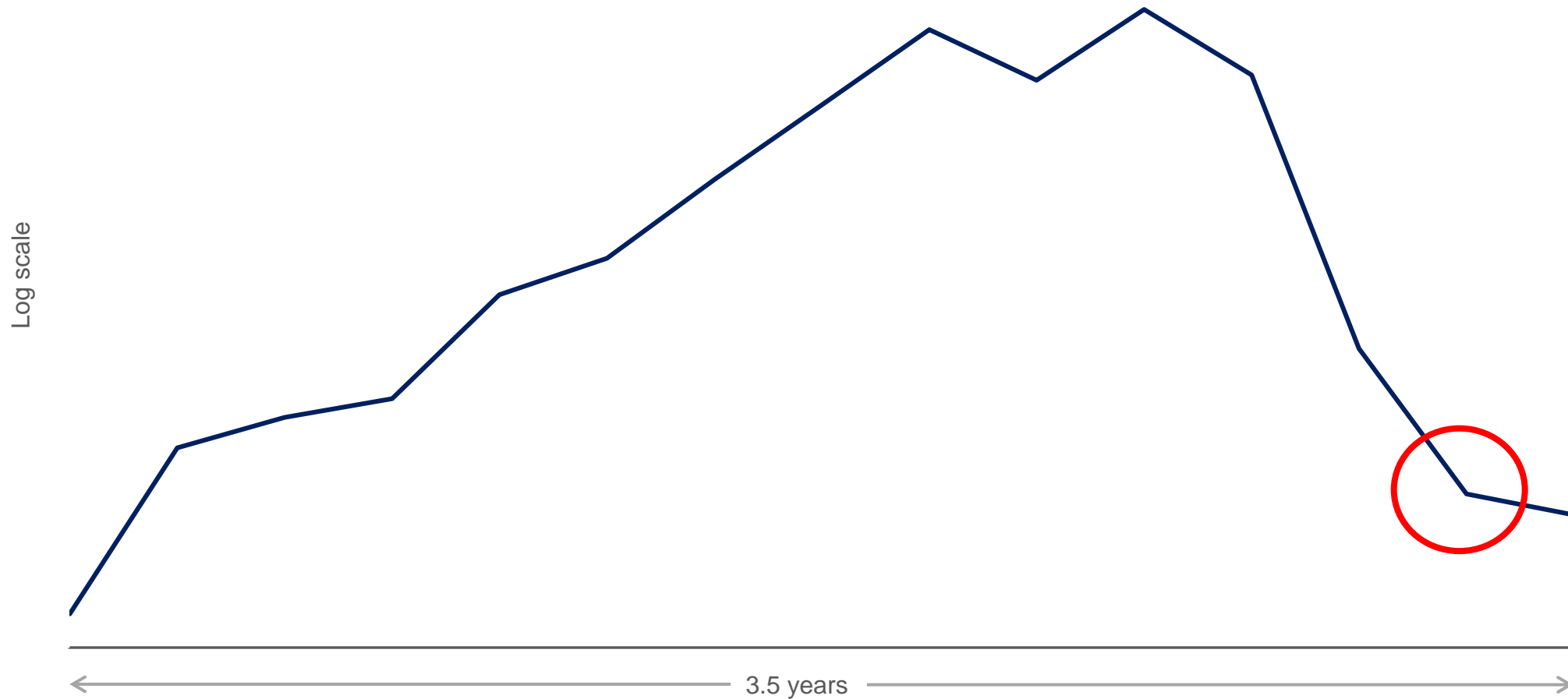


“James, welcome to the credit crunch...”

It's easy to feel fearful in the moment...



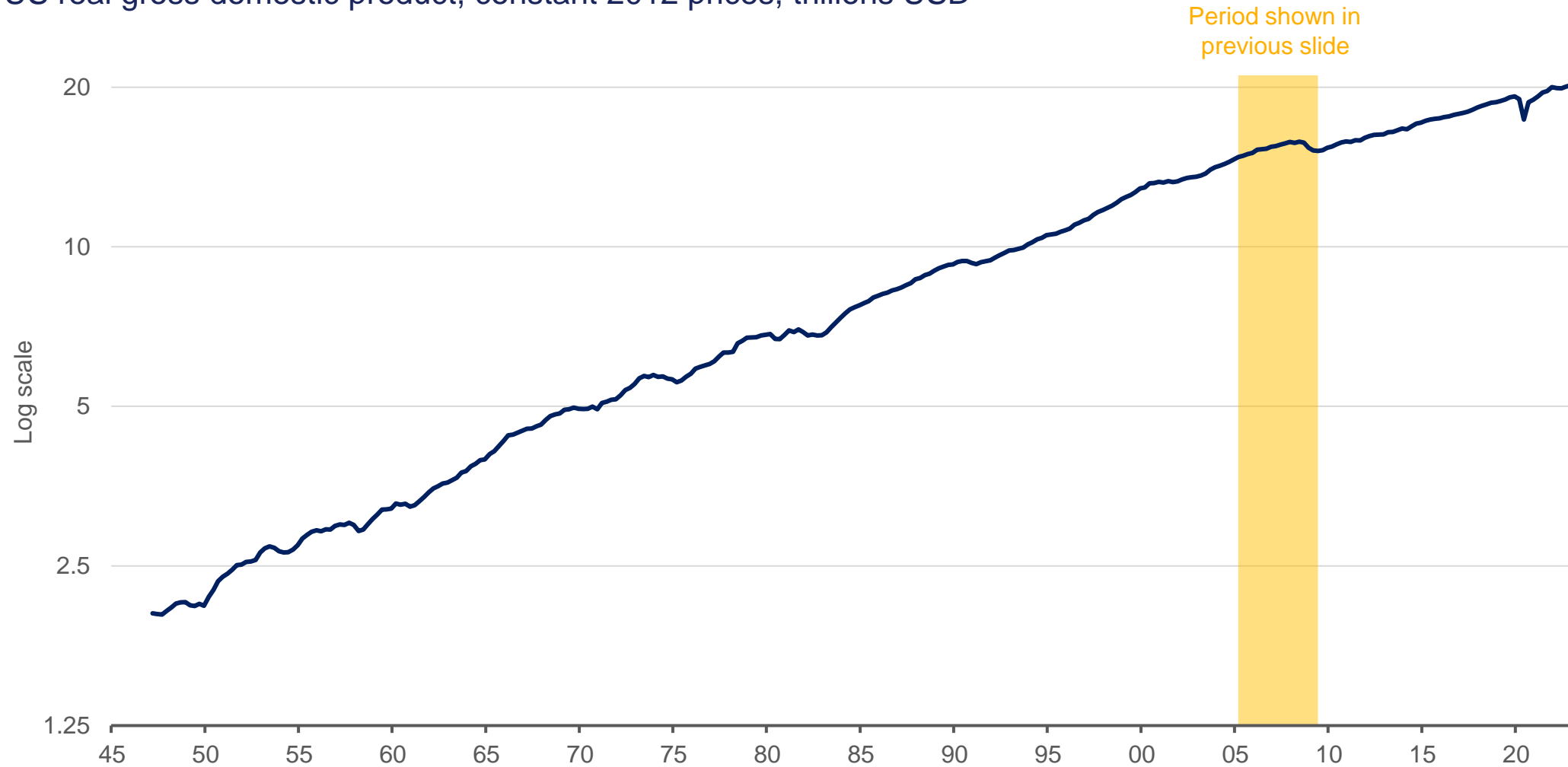
US real gross domestic product, constant 2012 prices, trillions USD



...zooming out can help to maintain a long-term perspective



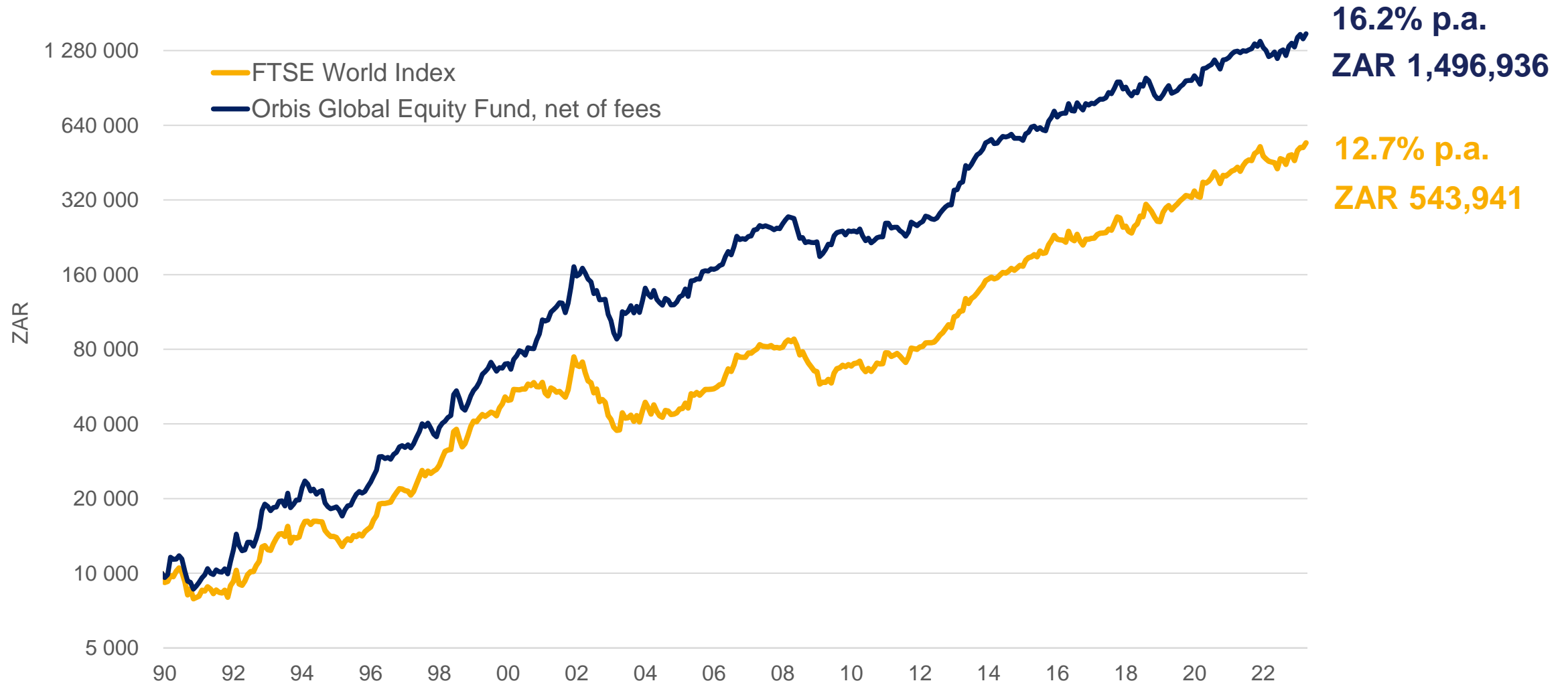
US real gross domestic product, constant 2012 prices, trillions USD



A long-term perspective pays off...

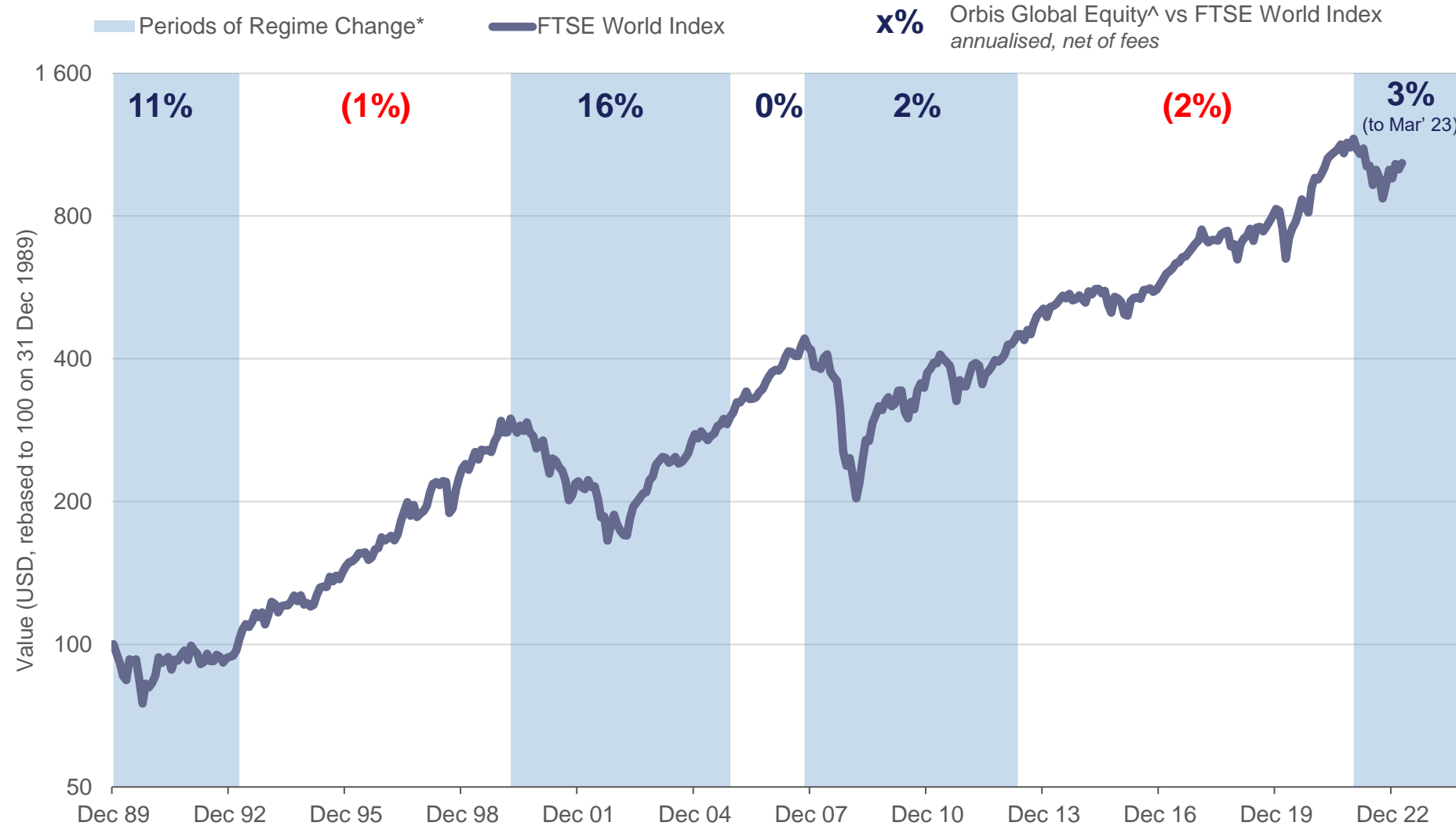


Global Equity: long-term returns in ZAR



30 Apr 2023 | 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 that the Investor Share Class would charge, reduced by 0.3% per annum. Please refer to the notices page for more information and an explanation of how returns are calculated. Returns are plotted on a log scale and rebased to ZAR 10,000 on 31 Dec 1989.

Global Equity: has added the most value in the most uncertain times



31 Mar 2023 | 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. Please refer to the notices page for more information and an explanation of how returns are calculated. Relative return is calculated geometrically. *Defined as market drawdowns of 25% or more, with "regime change" periods starting at peak and ending once the market drawdown is fully recovered. ^The asset-weighted net-of-fee return of all share classes in the Orbis Global Equity Strategy.

Global Equity: we are not the index



Top 10 shares

FTSE World Index



Orbis Global Equity Strategy



Price/earnings (current fiscal year, top ten positions)

28x

12x

31 Mar 2023 | Source: Company websites, FTSE, IBES, Refinitiv, Orbis. The price/earnings (forward 1 year) metric is, in each case, calculated first at the stock level and then aggregated using a weighted median. Statistics are compiled from an internal research database and are subject to subsequent revision due to changes in methodology or data cleaning.

To recap:

Source: Bloomberg, Shutterstock

Markets
Markets Roiled by Inflation Leave Investors With Nowhere to Hide
 ■ The retreat of commodity prices does away with inflation hedge
 ■ History shows no major asset class will provide a haven



Global Equity: we are not the index

Top 10 shares

FTSE World Index	Orbis Global Equity Strategy
Price/earnings (current fiscal year, top ten positions)	Price/earnings (current fiscal year, top ten positions)
28x	12x

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To the extent that you are or may be supported by our UK client servicing staff, our activities are subject to the rules of the Financial Conduct Authority (“FCA”). To comply with one of the FCA’s requirements, Orbis Investment Advisory Limited (“OIAL”) is required to categorise those clients for whom it provides certain services.

OIAL has categorised your organisation as a Professional Client.

If you agree with the categorisation, then you do not need to take any further action.

You have the right to request categorisation as a Retail Client, although OIAL will not typically change your categorisation and would therefore continue to categorise you as a Professional Client in relation to all or some of the services, products or transactions involved in OIAL’s business with you.

The FCA Rules provide fewer protections to "Professional Clients" than to "Retail Clients." For example:

- The UK regulator considers unregulated collective investment schemes to be a high-risk investment, which are not generally suitable investments for Retail Clients. As such, firms are not permitted to promote investments in unregulated collective investment schemes to Retail Clients (although there are certain limited exceptions to this rule). As a Professional Client, we will be generally permitted to promote an investment in unregulated collective investment schemes to you, without being subject to this restriction (and without making any assessment of whether the investment would be suitable or appropriate for you).
- Detailed rules generally govern the form and content of financial promotions which are issued to investors who are Retail Clients. However, these detailed form and content rules apply less rigorously where a promotion is issued only to investors who are Professional Clients. As a Professional Client, we will generally be permitted to issue promotions to you which do not satisfy the detailed form and content rules for Retail Clients. We will, however, ensure that our communication remains fair, clear and not misleading.
- The services of the Financial Ombudsman Service may not be available to you as a Professional Client.
- Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Your rights (if any) to make a claim under the Financial Services Compensation Scheme in the UK will not be affected by being categorised as a Professional Client.

Notices (1 of 2)



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Representative Office

Orbis Investment Advisory 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.

Certain share classes of the Orbis Funds trade weekly and others trade on each Business Day. 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.

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

Except as may be provided under "Temporary Change in Fee Calculation for the Shared Refundable Reserve Fee 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 daily 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 2)



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 daily 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.

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 daily net assets of each share class; plus (b) a performance fee of 20% of the outperformance of each class of Fund share's daily 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 daily net assets of each share class; plus (b) a performance fee of 20% of the outperformance of each class of Fund share's daily 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

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.

Sources (when relevant)

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