

Orbis Emerging Markets Equity

Last quarter we wrote about how we have concentrated the Orbis Emerging Markets Equity portfolio in our very highest conviction ideas. The portfolio currently contains 31 names, or only 25 if we aggregate holdings from the same company groups.

One such group is Korea's Lotte Group. Investments in three Lotte Group companies represent around 4% of Orbis EM Equity, and are longstanding holdings. Our recent experience with these companies is a good illustration of how we think about positions as they evolve, and of our willingness to reassess a thesis in order to continually allocate capital to the most promising ideas.

Lotte Group is the fifth largest conglomerate in Korea. It has interests that span from consumer-related businesses such as food, beverage, retail, leisure and financial services, to industrial businesses such as petrochemicals and construction. The Strategy currently owns shares in Lotte Chilsung Beverage, Lotte Shopping and Lotte Corp.

Lotte Chilsung is the largest company in the Korean beverage sector

Lotte Chilsung is the leading producer of soft drinks in Korea, with a market share of around 40%. It also produces and sells alcoholic drinks, with market shares of approximately 20% in Soju (a Korean liquor) and roughly 7% in beer.

We first purchased shares in Lotte Chilsung in 2009. At the time, the company was a long-term laggard and its profit margins were at a ten-year low. However, we thought that its expansion into the alcoholic drinks market (through mergers and acquisitions during the global financial crisis) would provide upside, and we also expected profitability in the soft drinks business to improve. Both things happened, and the stock outperformed the Korean market by over 100% cumulatively through its relative peak in 2015.

From 2015, Lotte Chilsung expanded aggressively into the beer market, which is a challenging one. The beer industry in Korea has faced tough competition from imported beers, which enjoy a significant tax advantage over local producers. Difficulties in the beer business hurt the company's profits, and its share price lagged the market by about 30% from its peak.

Today, Lotte Chilsung still loses money in the beer business, and this has continued to drag down its overall profitability. However, we are encouraged by the fundamentals of its businesses: profit margins have been improving at the soft-drink business and the Soju business has gained market share. We also think the Korean government is likely soon to amend the current tax structure that discriminates against domestic beer producers. This would have a positive impact on Lotte Chilsung's beer business.

At the same time, Lotte Chilsung has also improved its returns for shareholders. Even during periods of weak profitability, the company increased its cash dividend by close to four times, which indicates management's confidence that profitability will improve in time.

As ever, the key issue for us is the relationship between these fundamentals and the company's valuation, and how this will change over our long-term investment horizon. According to our estimates, Lotte Chilsung trades at around 13 times this year's cash flow, which is lower than its domestic and global peers. If we adjust for the value of Lotte Chilsung's non-operating property, which is located in a prime location in Seoul with significant development potential, the discount is even wider.

As the company continues to improve its operational performance, financial leverage, and return for shareholders, we think Lotte Chilsung provides us with an attractive long-term investment opportunity.

Lotte Shopping is the largest retail company in Korea

Lotte Shopping operates across multiple retail formats such as department stores, hypermarkets, supermarkets, home-shopping, and specialty stores. It is also vertically integrated through subsidiaries such as its joint ventures with Fast Retailing (Uniqlo) and Inditex (Zara). The company also owns the second-largest movie content producer and distributor in Korea.

We purchased shares in Lotte Shopping in 2012. At that time, the share price was down close to 50% from its peak. In the belief that the discount to book value would provide a margin of safety, we also expected the counter-cyclical investments the company made after the global financial crisis to bear fruit over time. However, the company has continued to underperform due to sluggish domestic consumption, tighter regulation of the

Orbis Emerging Markets Equity (*continued*)

retail sector, and threats from e-commerce players. In addition, the company's execution capability has been weaker than what we initially thought. Finally, Lotte Shopping's business in China has experienced large losses as a result of weak operational performance and diplomatic conflict between South Korea and China.

Whenever we invest in a company, our analysts continually reassess their investment thesis and resulting estimate of intrinsic value. Due to both industry headwinds and the company's disappointing execution, we have revised down our estimate of Lotte Shopping's intrinsic value and reduced the size of the position in Orbis EM Equity. While we continue to think the shares offer attractive value, the discount is less extreme than in some of our favourite names.

We still think the company can improve its profitability through reduced capital expenditure and business restructuring in both domestic and overseas markets. For example, it is about to completely exit its loss making business in China. The priority for its domestic operations is to enhance return on invested capital through higher margins and more disciplined investment, a change from the previous strategy of aggressive expansion. Even during periods of weaker profitability, Lotte Shopping has improved returns for shareholders by increasing its dividend by 3.5 times, and it remains easily covered by normalised earnings.

The company is currently trading at less than half its book value and at less than 10 times our estimate of this year's earnings. Through its efforts to improve overall profitability, better returns for shareholders, and potential unlocking of value from monetising property assets, we still think Lotte Shopping provides us with an attractive risk-reward profile and it was an approximately 2% position at the end of the quarter.

Lotte Corp is a holding company that was formed in 2017

As existing shareholders of Lotte Chilsung and Lotte Shopping, we automatically received Lotte Corp shares following a corporate restructuring process in 2017. We viewed this as a positive development because it simplified the ownership structure. The new structure could potentially enhance corporate governance and also highlight the value of its affiliate stakes that were discounted in each company prior to the restructuring.

Lotte Corp is still out of favour and under-researched by the market when compared to its holding company peers. This may be because it is still in the process of finalising the holding company structure, or because of a general lack of interest by the market. By contrast, we were interested in management's recent actions, which showed commitment to value creation for shareholders. It cancelled part of its treasury shares, acquired a 23% stake in Lotte Chemical at an attractive valuation, and is also in the process of selling out of Lotte Card to remove any regulatory uncertainty.

Lotte Corp is currently trading at around half of its book value. As Lotte Corp's corporate governance and track record are less proven, the discount to book value is larger than for other global holding companies. However, given the potential for a turnaround of its subsidiaries—which are themselves trading at a discount to our estimate of their value—and further value-enhancing efforts at the holding company level, the company provides us with an attractive investment opportunity given our long-term investment horizon.

Lotte Group has no doubt been a painful experience for investors in Orbis EM Equity, ourselves included. The recent environment has been tough and also execution by management has been slower and weaker than we would have liked. This kind of testing experience, however, is exactly what can create the opportunity for our contrarian approach to work. By maintaining a long-term perspective and constantly reappraising each company's fundamentals, we can see through short-term challenges to access attractive long-term opportunities. In our view, the Lotte Group offers three such opportunities today.

Commentary contributed by Woojin Choi, Orbis Investment Management (Hong Kong) Limited, Hong Kong

The stock commentary relates to the Orbis Emerging Markets Equity Strategy, which consists of three Funds. From time to time, this commentary may relate to holdings in only one and not all of these Funds. 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.

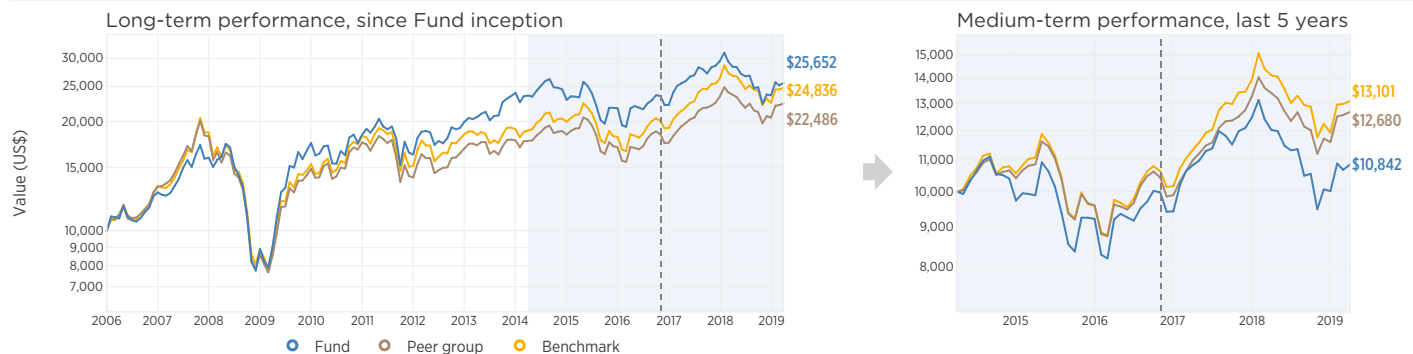
Orbis SICAV Emerging Markets Equity Fund

The Fund seeks higher returns than the average of the equity markets of the world's emerging market countries, without greater risk of loss. The benchmark is the MSCI Emerging Markets Index, including income, net of withholding taxes ("MSCI Emerging Markets Index"). Currency exposure is managed relative to that of the MSCI Emerging Markets Index.

Price	US\$24.22	Benchmark	MSCI Emerging Markets Index
Pricing currency	US dollars	Peer group	Average Global Emerging Markets Equity Fund Index
Domicile	Luxembourg	Minimum investment	US\$50,000
Type	SICAV	Dealing	Weekly (<i>Thursdays</i>)
Share class	Investor Share Class	Entry/exit fees	None
Fund size	US\$3.1 billion	UCITS compliant	Yes
Fund inception	1 January 2006	ISIN	LU0241795839
Strategy size	US\$3.1 billion		
Strategy inception	1 January 2016		

On 1 November 2016, the Fund broadened its investment strategy from Asia ex-Japan equities to Emerging Market equities. To reflect this, the Fund changed its name from the Orbis SICAV Asia ex-Japan Equity Fund to the Orbis SICAV Emerging Markets Equity Fund, its benchmark from the MSCI All Country Asia ex Japan (Net) (US\$) Index to the MSCI Emerging Markets Index and its peer group from the Average Asia ex-Japan Equity Fund Index to the Average Global Emerging Markets Equity Fund Index. Data for the period before 1 November 2016 relates to the Fund, and applicable benchmark and peer group, prior to the change in strategy. The performance achieved during this period was in circumstances that no longer apply. Please refer to the prospectus for further details.

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



Returns¹ (%)

	Fund	Peer group	Benchmark
Annualised			
	<i>Net</i>		<i>Gross</i>
Since Fund inception	7.4	6.3	7.1
10 years	11.0	10.2	10.7
5 years	1.6	4.9	5.6
3 years	5.6	9.6	10.3
1 year	(9.8)	(5.5)	(7.4)
Not annualised			
3 months	8.2	9.4	9.9
1 month	1.6		0.8
		Year	%
Best performing calendar year since Fund inception		2009	96.4
Worst performing calendar year since Fund inception		2008	(44.0)

Risk Measures¹, since Fund inception

	Fund	Peer group	Benchmark
Largest drawdown (%)	55	62	62
Months to recovery	20	90	81
Annualised monthly volatility (%)	22.1	20.1	20.9
Beta vs benchmark	1.0	1.0	1.0
Tracking error vs benchmark (%)	7.7	3.1	0.0

Fees & Expenses¹ (%), for last 12 months

Management fee ²	1.23
For 3 year performance in line with benchmark	1.50
For 3 year outperformance/(underperformance) vs benchmark	(0.27)
Fund expenses	0.11
Total Expense Ratio (TER)	1.35

Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
China/Hong Kong	30	30	33
Europe & Middle East	15	15	8
Korea	14	14	13
Africa	13	13	6
Rest of Asia	11	11	8
Taiwan	9	9	11
India	2	2	9
Latin America	2	2	12
Other	3	4	0
<i>Net Current Assets</i>	<i>1</i>	<i>0</i>	<i>0</i>
Total	100	100	100

Top 10 Holdings

	MSCI Sector	%
NetEase	Communication Services	10.8
Naspers	Consumer Discretionary	10.4
British American Tobacco	Consumer Staples	7.1
Taiwan Semiconductor Mfg.	Information Technology	6.6
Tencent Holdings	Communication Services	6.5
Sberbank of Russia	Financials	5.2
Kiwoom Securities	Financials	4.6
Jardine Matheson Holdings	Industrials	4.2
Korea Electric Power	Utilities	4.0
Newcrest Mining	Materials	3.4
Total		62.9

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	95
Total number of holdings	31
12 month portfolio turnover (%)	46
12 month name turnover (%)	31
Active share (%)	86

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 Orbis SICAV Asia ex-Japan Equity Fund and its corresponding benchmark and peer group data used for the period prior to 1 November 2016.

² 1.5% per annum ± up to 1%, based on 3 year rolling outperformance/(underperformance) vs benchmark.

Orbis SICAV Emerging Markets Equity Fund

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

Manager	Orbis Investment Management (Luxembourg) S.A.
Investment Manager	Orbis Investment Management Limited
Inception date	1 January 2006
Number of shares (Investor Share Class)	34,362,984
Income distributions during the last 12 months	None

Fund Objective and Benchmark

The Fund seeks higher returns than the average of the equity stock markets of the world's emerging market countries, without greater risk of loss. The MSCI Emerging Markets Index, including income net of withholding taxes, is the Fund's benchmark (the "MSCI Emerging Markets Index").

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

The Fund is actively managed and is designed to remain continuously invested in, and exposed to all the risks and rewards of, selected Emerging Market equities. The Fund expects to be not less than 90% invested in Emerging Market equity and equity-linked investments. The Fund identifies Emerging Market equity and equity-linked investments as those investments that are issued by a corporate body or other entity domiciled or primarily located in a country represented in the MSCI Emerging Markets Index or the MSCI Frontier Markets Index (together, "Emerging Markets"), traded or listed on an exchange in an Emerging Market or issued by a corporate body or other entity whose business is significantly linked to Emerging Markets. These equities are selected using extensive proprietary investment research. Orbis devotes a substantial proportion of its business efforts to detailed "bottom up" investment research conducted with a long-term perspective, believing that such research makes superior long-term performance attainable.

The lower the price of a share as compared to its assessed intrinsic value, the more attractive Orbis considers the equity's fundamental value. The Investment Manager believes that over the long term, equity investing based on this approach offers superior returns and reduces the risk of loss.

Exchange rate fluctuations significantly influence global investment returns. For this reason, part of Orbis' research effort is devoted to forecasting currency trends. Taking into account these expected trends, the Investment Manager actively reviews the Fund's currency exposure, focusing, in particular, on managing the Fund's exposure to those currencies considered less likely to hold their long-term value.

The Fund does not seek to mirror the MSCI Emerging Markets Index and may deviate meaningfully from it in pursuit of superior long-term capital appreciation.

Since inception and over the latest ten-year period, the Fund has outperformed its benchmark net of fees. The Fund will experience periods of underperformance in pursuit of its objective of creating long-term wealth for investors.

Risk/Reward Profile

- The Fund is aimed at investors who are seeking a portfolio the objective of which is to be invested in, and exposed to, Emerging Market securities.
- Investments in the Fund may suffer capital loss.
- Investors should understand that the Investment Manager generally assesses an equity investment's attractiveness using a three-to-five year time horizon.

Management Fee

As is described in more detail in the Fund's Prospectus, the Fund's various share classes bear different management fees. The fees are designed to align the Manager's and Investment Manager's interests with those of investors in the Fund. With respect to the Fund's Investor Share Class, the fee is structured as follows: a fee is charged based on the net asset value of the class. The fee rate is calculated weekly by comparing the class' performance over three years against the MSCI All Country Asia ex Japan (Net) (US\$) Index prior to 1 November 2016 and against the MSCI Emerging Markets Index thereafter. For each percentage point of three year performance above or below that performance, 0.04 percentage points are added to or deducted from 1.5%, subject to the following limits:

- Maximum fee: 2.5% per annum
- Minimum fee: 0.5% per annum

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, Investment 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 assets.

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 fee of 0.75% of the net asset value of the Fund 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 returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Expenses may vary, so the current TER is not a reliable indicator of future TERs.

Changes in the Fund's Top 10 Holdings

31 December 2018	%	31 March 2019	%
NetEase	10.5	NetEase	10.8
Naspers	10.3	Naspers	10.4
Taiwan Semiconductor Mfg.	6.1	British American Tobacco	7.1
Tencent Holdings	5.4	Taiwan Semiconductor Mfg.	6.6
Korea Electric Power	5.4	Tencent Holdings	6.5
Jardine Matheson Holdings	5.2	Sberbank of Russia	5.2
Kiwoom Securities	4.9	Kiwoom Securities	4.6
Sberbank of Russia	4.6	Jardine Matheson Holdings	4.2
British American Tobacco	4.1	Korea Electric Power	4.0
Newcrest Mining	3.7	Newcrest Mining	3.4
Total	60.1	Total	62.9

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 SICAV Emerging Markets Equity 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 Investment Manager can be contacted at +1 441 296 3000 or clientservice@orbis.com. The Fund's Depository is Citibank Europe plc, Luxembourg Branch, 31 Z.A. Bourmicht, L-8070 Bertrange, Luxembourg. 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 on a net asset value basis by share class, normally as of 5:30 pm (Bermuda time) (i) in the case of the Investor Share class, each Thursday (or, if a Thursday is not a business day, the preceding business day), (ii) in the case of the Refundable Reserve Fee Share Classes, the first Thursday of each calendar month and any other Thursday on which an investor transacts in such class (or, if a Thursday is not a business day, the preceding business day), (iii) on the last calendar day of each month (or, if that is not a weekday, the preceding weekday) and/or (iv) any other days in addition to (or substitution for) any of the days described in (i), (ii) or (iii), as determined by the Manager 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

- from the Allan Gray Unit Trust Management (RF) Proprietary Limited's website at www.allangray.co.za,
- from the Orbis website at www.orbis.com,
- by e-mail, by registering with Orbis for this service at the Orbis website at www.orbis.com, and
- from Bloomberg.

Legal Notices

Returns are net of Investor Share Class fees, include income and assume reinvestment of dividends. Figures quoted are for the periods indicated for a \$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. Neither the Manager nor the Investment Manager provides any 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 Investment 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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