

## Orbis Optimal

The Orbis Optimal Strategy is designed to provide protection from market declines through hedging, while retaining exposure to the alpha in the stocks where we see highly favourable risk-reward. One such stock is Diageo. It is the largest spirits manufacturer globally and is known for iconic brands such as Johnnie Walker (Scotch), Don Julio and Casamigos (Tequila), Smirnoff (Vodka), Tanqueray (Gin), and Guinness (Beer). It has a #1 market share in the spirits category overall across key markets, accounting for 10% of all spirits sold and holds around 5% of total alcohol sales globally when beer and wine are also included.

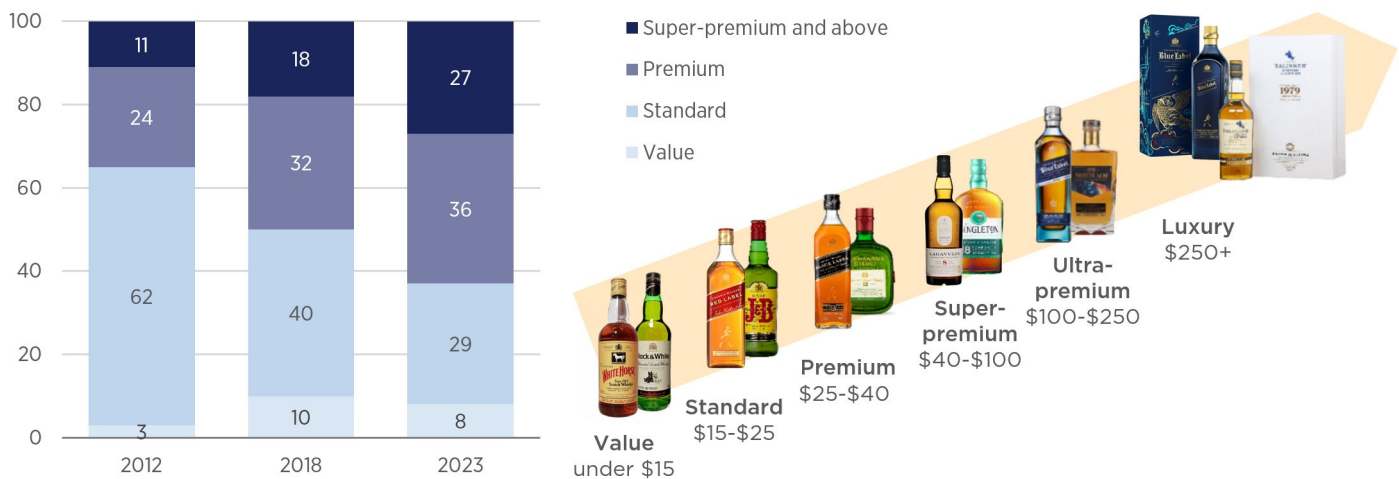
Barriers to entry in spirits, especially non-aged spirits, are low. However, barriers to scale are high—brands need demand in order to gain distribution access at bars, restaurants and supermarkets, and at the same time need distribution access to generate demand. Diageo’s flywheel is fuelled by the company’s large scale, which enables leading routes to market, marketing prowess and customer insight. In the US, which is its largest and most profitable market, Diageo holds around a 20% market share, more than two times larger than the next competitor. Diageo’s dominance with bartenders, distributors and retailers is second to none. Diageo’s recent success in the fast-growing tequila category is a testament to its competitive advantage driven by scale. The company caught onto the trend early, spent top dollar on acquiring promising brands, and then used their marketing and distribution capabilities to fuel category-leading growth.

Globally, spirits have been gaining share from beer and wine, with the value of spirits sales growing at a 7% annualised rate vs 4% for the total alcohol market over the last decade. This growth has been driven primarily by premiumisation, as consumers pay up for quality, i.e. consumers are drinking more moderately but better. What one orders at the bar or serves at home says something about the person and can be achieved without breaking the bank. And given the aspirational nature of this consumption, a well-known brand serves the purpose much better than a no-name one. Marketing budgets and widespread distribution matter. As a result, premium and luxury spirits have been growing at two to three times the rate of lower categories.

Diageo has upgraded its portfolio in a significant way in the last decade with premium and above categories now representing two thirds of revenues vs just one third a decade ago. This is a key tailwind driving Diageo’s growth.

### Premium-plus spirits fuelling revenue growth

Diageo percent (%) of total reported net spirits sales by price tier and illustrative Scotch portfolio price tier ladder



Source: Company reports, Orbis. IWSR price tier classification May 2022 and Diageo average manufacturer suggested retail price globally. Price tiers in USD.

Sentiment on the entire alcoholic beverage sector is low currently due to concerns about demand normalisation post the pandemic. Spirits category growth has slowed recently after a significant step-up during the pandemic when consumers shifted spending away from services and towards accessible indulgences. These headwinds have been particularly acute in Diageo’s Latin American business, where channel inventories piled up as demand slowed. Management has revised their estimates lower for the current year but expects the industry to return to its prior growth trajectory within the next 12-18 months. The related uncertainty has led to Diageo trading at the same price as 5 years ago, but operating profits are about 30% higher.

## Orbis Optimal *(continued)*

Taking a step back, Diageo sells liquid luxury—its products are accessible and relatively affordable and are benefitting from structural tailwinds of premiumisation. We believe the company can continue to grow revenues and earnings at 5-7% annually over the long term. The business model has been resilient—Diageo hasn't seen negative organic growth in the last 25 years outside of 2020 when bar and restaurant sales took a hit due to Covid-related lockdowns.

### Diageo: trading near decade-low valuation despite years of growth

Price-earnings ratio for Diageo, Jan 2014 to date



We welcomed the opportunity to buy shares in Diageo this quarter at a forward earnings multiple of 18, one of the lowest multiples the stock has traded at this decade, as others fret about near-term challenges which have little impact on the intrinsic value of the business. Over the long term, Diageo has shown a consistent track record of growth and tends to return the majority of its earnings to shareholders in the form of dividends and buybacks. We see here a high-quality and defensive company that is well positioned to outpace a local market environment characterised by uncertainty—which is exactly what the Orbis Optimal Strategy itself seeks to deliver.

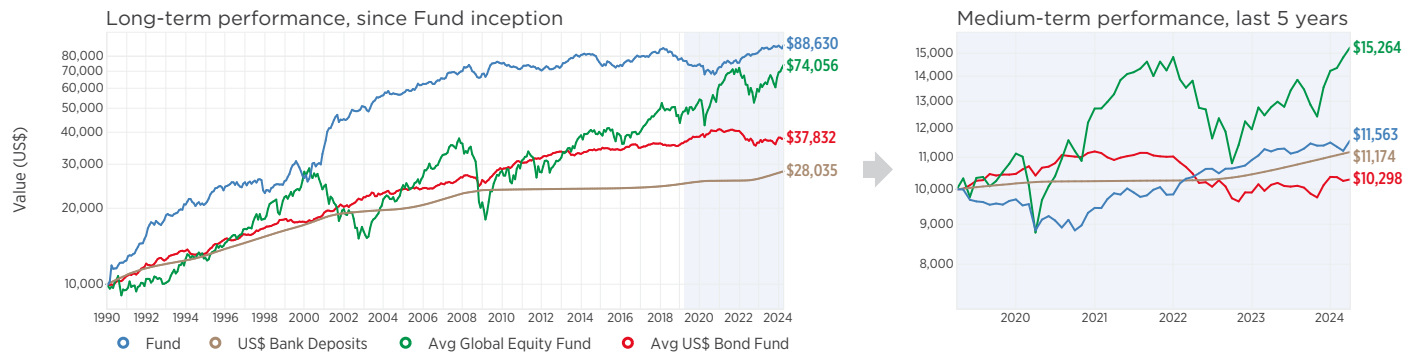
Commentary contributed by Neha Aggarwal, Orbis Portfolio Management (Europe) LLP, London

## Orbis Optimal (US\$) Fund

The Fund seeks capital appreciation in US dollars on a low risk global portfolio. It invests in Orbis' preferred mix of equities principally via investment in Orbis' equity strategies. The risk of loss is managed with stockmarket and currency hedging. The Fund's currency benchmark is 100% US dollars.

<b>Price</b>	US\$88.63	<b>Comparators</b>	US\$ Bank Deposits
<b>Pricing currency</b>	US dollars		Average Global Equity Fund Index
<b>Domicile</b>	Bermuda		Average US\$ Bond Fund Index
<b>Type</b>	Open-ended mutual fund	<b>Minimum investment</b>	US\$50,000
<b>Fund size</b>	US\$1,911 million	<b>Dealing</b>	Weekly (Thursdays)
<b>Fund inception</b>	1 January 1990	<b>Entry/exit fees</b>	None
<b>Strategy size</b>	US\$3.1 billion	<b>ISIN</b>	BMG6766M1055
<b>Strategy inception</b>	1 January 1990		

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



### Returns (%)

	Fund	US\$ Bank Deposits	Avg Global Equity Fund	Avg US\$ Bond Fund
<b>Annualised</b>	<i>Net</i>			<i>Net</i>
Since Fund inception	6.6	3.1	6.0	4.0
30 years	4.8	2.7	6.1	3.6
10 years	0.9	1.6	6.5	1.2
5 years	2.9	2.2	8.8	0.6
3 years	5.4	2.9	4.7	(1.9)
1 year	3.3	5.6	19.5	1.6
<b>Not annualised</b>				
3 months	0.6	1.4	7.2	(0.8)
1 month	3.1	0.5		

### Stockmarket Exposure (%)

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure
<b>Developed Markets</b>	<b>75</b>	<b>(71)</b>	<b>4</b>	<b>0</b>
United States	33	(32)	0	1
Japan	19	(18)	2	0
United Kingdom	14	(6)	8	7
Continental Europe	6	(12)	(6)	(7)
Other	3	(3)	0	(1)
<b>Emerging Markets</b>	<b>15</b>	<b>(10)</b>	<b>5</b>	<b>2</b>
<b>Total</b>	<b>90</b>	<b>(81)</b>	<b>9</b>	<b>2</b>

### Risk Measures, since Fund inception

	Fund	US\$ Bank Deposits	Avg Global Equity Fund	Avg US\$ Bond Fund
Historic maximum drawdown (%)	21	0	52	14
Months to recovery	60	n/a	73	>39 <sup>1</sup>
% recovered	100	n/a	100	42
Annualised monthly volatility (%)	7.6	0.7	14.5	3.7
Correlation vs FTSE World Index	0.1	0.0	1.0	0.4
Correlation vs Orbis Global Equity Fund relative return	0.8	0.1	(0.1)	0.0

### Currency Allocation (%)

US dollar	86
Japanese yen	6
South African rand	4
Other	4
<b>Total</b>	<b>100</b>

### Top 10 Holdings, looking through to the underlying securities

	FTSE Sector	%
Corpay (was FLEETCOR)	Industrials	3.8
Taiwan Semiconductor Mfg.	Technology	3.0
Micron Technology	Technology	2.7
UnitedHealth Group	Health Care	2.5
British American Tobacco	Consumer Staples	2.4
Motorola Solutions	Telecommunications	2.1
GXO Logistics	Industrials	2.1
London Stock Exchange Group	Financials	2.0
Asahi Group Holdings	Consumer Staples	1.9
Elevance Health	Health Care	1.9
<b>Total</b>		<b>24.4</b>

### Fees & Expenses (%), for last 12 months

Management fees (from the underlying funds) <sup>2</sup>	1.96
For performance in line with the performance fee benchmark	1.22
For out/(under)performance vs performance fee benchmark	0.75
Performance fee (for the Orbis Optimal (US\$) Fund) <sup>3</sup>	0.00
Fund expenses	0.08
<b>Total Expense Ratio (TER)</b>	<b>2.04</b>

**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.**

<sup>1</sup> Number of months since the start of the drawdown. This drawdown is not yet recovered.

<sup>2</sup> The Fund indirectly bears the fees of the funds in which its assets are ultimately invested.

<sup>3</sup> The Fund pays a performance-based fee of up to 0.5% per annum of the Fund's weekly net assets whenever the Fund's share price is greater than its high of more than one year earlier and the Fund's trailing one-year return exceeds that of Bank Deposits plus 5 percentage points.



## Investor Notification regarding Change in Secretary and Director

*Orbis Global Equity Limited, Orbis Japan Equity (US\$) Fund Limited, Orbis Optimal (US\$) Fund Limited, Orbis Optimal SA Fund Limited, Orbis Optimal Overlay Funds Limited, Orbis Institutional Funds Limited and Selection of Orbis Funds (together, the "Orbis Funds").*

Effective 30 January 2024, James Dorr resigned as a Director of Orbis Institutional Funds Limited and as Secretary of each of the Orbis Funds. Samantha Scott has been appointed as Secretary of each of the Orbis Funds.

## Legal Notices

**Past performance is not a reliable indicator of future results. Fund share prices fluctuate and are not guaranteed. Returns may decrease or increase as a result of currency fluctuations. When making an investment in the Funds, an investor's capital is at risk.** This Report does not constitute advice nor a recommendation to buy, sell or hold, nor an offer to sell or a solicitation to buy interests or shares in the Orbis Funds or other securities in the companies mentioned in it. Subscriptions are only valid if made on the basis of the current Prospectus of an Orbis Fund. Please refer to the respective Fund's Prospectus for full information on the risks associated with investing.

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If you are an investor in Australia, pursuant to Regulation 7.1.33B of the Corporations Regulations, this document is provided to you on behalf of the relevant Orbis Funds by Orbis Investment Advisory Pty Ltd, Australia Financial Services Licence No. 237862, Australia Business Number 15 101 387 964.

This is a marketing communication for the purposes of the Bermuda Monetary Authority's investment business rules and ESMA guidelines on marketing materials. You should consider the relevant offering documents including the Fund Prospectus and Key Information document (for a SICAV Fund) before making any final investment decisions. These offering documents are available in English on our website ([www.orbis.com](http://www.orbis.com)).

Investors in a SICAV Fund can obtain a summary of their investor rights in English on our website ([www.orbis.com](http://www.orbis.com)).

When investing in the Orbis Funds an investor acquires shares within the Fund and not in the underlying assets held within the Fund.

Fees charged reduce the potential growth of your investment. Please refer to the relevant Fund's Prospectus for detailed information on the fees and expenses attributable to the Fund and for information on date of payment of the performance fee as applicable.

The return of your investment may change as a result of currency fluctuations if the return is calculated in a currency different from the currency shown in this Report.

## Notice to Persons in the European Economic Area (EEA) and the United Kingdom (UK)

Each sub-fund of Orbis SICAV, a UCITS compliant Luxembourg fund, included in this Report is admitted for public marketing in Ireland, Luxembourg, the Netherlands, Norway, Sweden and the United Kingdom. The Orbis Funds that are not Orbis SICAV Funds are alternative investment funds that are neither admitted for public marketing anywhere in the EEA nor marketed in the EEA for purposes of the Alternative Investment Fund Managers Directive. As a result, persons located in any EEA member state will only be permitted to subscribe for shares in the Orbis Funds that are admitted for public marketing in that member state or, with respect to any other Orbis Fund, under certain circumstances as determined by, and in compliance with, applicable law and persons located in the United Kingdom will only be permitted to subscribe for shares in Orbis Funds that are admitted for public marketing in the UK or as otherwise permitted under the laws of the UK.

Orbis Funds that are within the scope of the EU Directive on Administrative Cooperation (Directive 2014/107/EU) are required to report (i) certain payments made to investors that are tax-resident in an EU Member State and (ii) the annual balance of the Orbis accounts held by those investors. Under applicable automatic exchange of information provisions, this information may also be forwarded to the tax authorities in the EU Member State in which the investor is tax-resident.

## Notes to Help You Understand This Report

Certain capitalised terms are defined in the Glossary section of the Orbis Funds' respective Prospectuses, copies of which are available on our website ([www.orbis.com](http://www.orbis.com)). Returns are net of fees, include income and assume reinvestment of dividends/distributions. Annualised returns show the average amount earned on an investment in the Fund/share class each year over the given time period. The country and currency classification for securities follows that of third-party providers for comparability purposes. Emerging Markets follows MSCI classification when available and includes Frontier Markets. Emerging Markets currency exposure is based on currency denomination. Based on a number of factors including the location of the underlying business, Orbis may consider a security's classification to be different and manage the Funds' exposures accordingly. Totals presented in this Report may not sum due to rounding.

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. Cash, cash equivalents and short-term government securities are not included.

12 month name turnover for the Orbis Equity and Multi-Asset Class Funds is calculated as the number of positions held by the Fund at the start of the period but no longer held at the end of the period, divided by the total number of positions held by the Fund at the start of the period.

Active share is a measure of the extent to which the holdings of the Orbis Equity and 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.



Benchmark related information is as at the date of production based on data provided by the official benchmark and/or third party data providers. There may be timing differences between the date at which data is captured and reported.

The total expense ratio has been calculated using the expenses, excluding trading costs, and average net assets for the 12 month period ending 31 March 2024.

Orbis Multi-Asset Class Funds: Net Equity is Gross Equity minus stockmarket hedging. Fixed Income refers to fixed income instruments issued by corporate bodies, governments and other entities, such as bonds, money market instruments and cash. Net Fixed Income is Gross Fixed Income minus bond market hedging. Except where otherwise noted, government fixed income securities are aggregated by time to maturity and issuer. TIPS are not aggregated with ordinary treasuries. Duration is calculated using the modified duration of the fixed income instruments in the portfolio, or the effective duration in the case of fixed income instruments with embedded options and real effective duration in the case of inflation-linked bonds. Yield to Maturity ("YTM") for the Fund and the JP Morgan Global Government Bond Index is the average of the portfolio's fixed income instruments' YTM, weighted by their net asset value. Real YTM is used for inflation-linked bonds. The calculations are gross and exclude non-performing fixed income instruments.

Orbis SICAV Funds: The Fund expenses exclude portfolio transaction costs. The performance related management fee becomes payable to Orbis on each Dealing Day as defined in the Funds' Prospectus.

Orbis Optimal Funds: Total Rate of Return for Bank Deposits is the compound total return for one-month interbank deposits in the specified currency. Beta Adjusted Exposure is calculated as Equity Exposure multiplied by a Beta determined using Blume's technique, minus Portfolio Hedging.

### Fund Information

Orbis SICAV Global Balanced Fund: The benchmark is a composite index consisting of the MSCI World Index with net dividends reinvested (60%) and the JP Morgan Global Government Bond Index (40%).

Prior to 1 November 2016 the Orbis SICAV Emerging Markets Equity Fund was named the Orbis SICAV Asia ex-Japan Equity Fund, its Benchmark was the MSCI All Country Asia ex-Japan (Net) (US\$) Index, and its peer group was the Average Asia ex-Japan Equity Fund Index.

Prior to 29 November 2002 the Investor Share Class of the Orbis SICAV Japan Equity (Yen) Fund was a British Virgin Islands investment company, Orbis Japan Equity (Yen) Fund Limited.

Prior to 1 July 1998 Orbis Optimal (US\$) was managed with a currency benchmark of 40% US dollars, 40% European currency units and 20% Japanese yen. On 1 July 1998 this was changed to 100% US dollars and the euro denominated Fund was launched.

### Fund Minimums

Minimum investment amounts in the Orbis Funds are specified in the respective Fund's Prospectus. New investors in the Orbis Funds must open an investment account with Orbis, which is subject to a US\$100,000 minimum investment, country restrictions and/or other terms and conditions. For more information on opening an Orbis investment account, please visit [www.orbis.com](http://www.orbis.com).

### Sources

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