

Orbis Optimal

Markets can behave uncannily like sports fans: quick to write off an athlete after an injury, but slow to recognise a comeback. Even as performance improves, memories of past failures linger, keeping expectations stubbornly low.

The same dynamic plays out in financial markets, which pride themselves on efficiency, yet one of the most persistent inefficiencies we observe is how slowly investors adjust when companies improve. Yesterday's problems are extrapolated by a market that is often slow to reward businesses that change for the better. The scars of prior missteps linger in valuations long after the fundamentals have shifted, creating fertile hunting ground for long-term investors. Spotting the athlete already back in training—or a company with operating performance and capital allocation discipline clearly on the mend—we can step in before the crowd to where attractive returns can be found.

This quarter, we're exploring this theme of "investing in improving companies that remain underappreciated" through three of Optimal's holdings: Rolls-Royce, Ryder System, and Smurfit Westrock. Each has taken deliberate steps to become a better business. Each has evidence of significant progress. And each, we believe, remains undervalued relative to the improvements made.

Rolls-Royce: A Turnaround Takes Flight—But Remains Discounted

Rolls-Royce's history is marked by resilience, crisis and renewal. The company entered receivership in 1971 after cost overruns on its RB211 engine programme, prompting the UK government to step in and nationalise it as a vital lifeline. It didn't return to the stockmarket again until 1987.

Over the subsequent decades, Rolls-Royce invested heavily in wide-body engine technology—think the Trent series you'll find on many long-haul flights. Eventually, it captured more than 50% of new wide-body engine deliveries and became one of just two players with world-class products. Just as important was a shift in economics achieved by increasing emphasis on its "power-by-the-hour" service agreements where engines are sold at modest initial margins, and higher profits are earned from engine flight hours in return for long-term servicing.

Yet the path was uneven. Missteps on the Trent 1000 that stemmed from last-minute customer requirement changes created years of reliability headaches that spooked investors. Then came a worse hit—COVID-19. With global flying hours collapsing, the company nearly broke, prompting a £2 billion rights issue and 9,000 job cuts in the largest restructuring in its recent history.

Despite these setbacks, the underlying potential remained undeniable: Rolls-Royce operates in a high-barrier global duopoly with an attractive long-term growth profile. What was missing was execution. That changed with the arrival of CEO Tufan Erginbilgiç in 2023. With extensive prior experience driving performance improvement, he bluntly described the company as standing on a "burning platform" and immediately launched a rigorous transformation agenda. Since then, Rolls-Royce has become far more commercial, finally ensuring it is paid adequately for the value it delivers. The portfolio has been sharpened, the cost base streamlined, and attractive long-term growth avenues—such as Small Modular Reactors and a potential re-entry into narrow-body engines—have been prioritised.

Clear evidence of progress exists, reflected in the surging share price over the last two years, yet the stock continues to trade materially below our assessment of intrinsic value and at a discount to several comparable peers. The market has yet to fully recognise the depth and durability of the transformation. As long-term investors, we remain enthusiastic and confident that Rolls-Royce's high-quality fundamentals will continue to surface more fully in the years ahead.

Ryder System: From Cyclical Trucks to Compounding Logistics

Ryder has long been pigeonholed as a cyclical, capital-intensive truck leasing company. That view ignores the strategic pivot that's been underway since 2019. Management cut residual value assumptions and raised lease prices, while reallocating capital towards their faster growing, asset-light Dedicated Transportation and Supply Chain Solutions businesses.

The result is a structurally higher return profile. Roughly half of Ryder's earnings now come from these capital-light businesses, and their faster growth drives attractive incremental returns on equity for the company. Growth is reinforced by investment in digital tools like RyderShare, a supply chain control platform that gives

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customers real-time visibility into shipments and helps Ryder win new logistics contracts. It's even laying the groundwork to be an infrastructure partner for autonomous trucking through its nationwide service hubs.

Admittedly, the current freight cycle remains weak, with used truck prices and rental utilisation below mid-cycle levels. That cyclicity obscures Ryder's underlying structural improvement. Even in today's tough environment, the company is generating high-teens return on equity, with contractual revenues cushioning the impact of soft spot rates and used truck price volatility. Capital allocation adds further support, as Ryder has consistently returned significant amounts of cash to shareholders and now benefits from permanent bonus depreciation—a favourable tax treatment that lifts free cash flow—while a substantial CEO shareholding reinforces management alignment.

The stock continues to trade at a substantial discount to both our assessment of intrinsic value and a sum-of-the-parts valuation using peer multiples for the capital-light segments and replacement value for the leasing business. Our base case suggests strong return potential over the medium-term, with limited risk of permanent capital loss. The market continues to value Ryder as if it were only a cyclical leasing company, ignoring the compounding engine it has become.

Smurfit Westrock: Smurfit Discipline Meets Westrock Assets

The merger of Smurfit Kappa (Europe's best packaging operator) and Westrock (a US laggard) closed last summer, creating Smurfit Westrock (SW), one of the world's largest packaging companies. The market reaction has been cautious, reflecting scepticism about Westrock's troubled past. But in our view, the combination of these two companies is compelling.

Westrock had solid assets but weak execution discipline. Smurfit's experienced management team brings a proven playbook: plant-level profit and loss accountability, disciplined pricing (focusing on value over volume), and a track record of lifting EBITDA (earnings before interest, taxes, depreciation, and amortisation) margins from 13% to 18% in Europe. That same model is now being applied across Westrock's US footprint. Already, a substantial proportion of loss-making contracts have been exited, with most of the cleanup expected by mid-2026, driving an anticipated \$400 million uplift in earnings. Plant-level transparency is embedding cultural change, while targeted investments in automation and efficiency are generating attractive returns north of 20%. Early results are visible: North American EBITDA margins have improved from 13 to 14% pre-merger to around 17%.

And yet, SW still trades at just 6 times forward EBITDA, a clear discount to peers like Packaging Corp of America and International Paper at 8 to 10 times. It's a remarkable situation given that we view SW's improvement trajectory as much stronger, especially relative to International Paper. Part of the gap might be explained by the primary listing shifting from the UK to the US in July 2024—it could take more time for US investors to get familiar with the Smurfit execution machine—and there is also some cyclical weakness lingering in the European packaging industry. Either way, Smurfit Westrock is no longer the old Westrock. The turnaround is underway, the economics are improving, and the market has yet to catch up.

Conclusion: The Weight of Change

In each of these cases—Rolls-Royce, Ryder, and Smurfit Westrock—we see businesses that are becoming structurally stronger yet remain discounted for past flaws. That disconnect is exactly where long-term investors find their edge. The market may be a voting machine in the short run, but when positive change compounds, its weight tilts the scales in our favour.

For Orbis Optimal, these positions exemplify our role in client portfolios: to seek out idiosyncratic opportunities that can compound returns while diversifying broader market risks. By focusing on improving businesses that remain underappreciated and carefully hedging out market exposures, we believe we can continue to generate attractive absolute returns, despite an uncertain macro, political, and market environment.

Commentary contributed by Maurits Ovaa, Orbis Portfolio Management (Europe) LLP, London

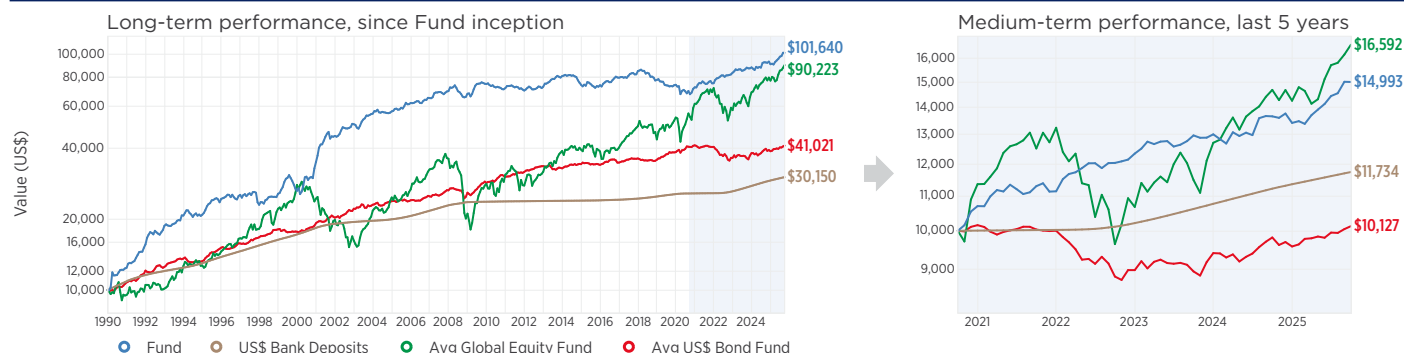
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Orbis Optimal (US\$) Fund

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.

Price	US\$101.64	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	Minimum investment	US\$50,000
Fund size	US\$2.2 billion	Dealing	Weekly (Thursdays)
Fund inception	1 January 1990	Entry/exit fees	None
Strategy size	US\$3.6 billion	ISIN	BMG6766M1055
Strategy inception	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
Annualised	<i>Net</i>		<i>Net</i>	
Since Fund inception	6.7	3.1	6.3	4.0
35 years	6.2	3.0	6.8	4.0
10 years	3.5	2.3	9.4	1.8
5 years	8.4	3.3	10.7	0.3
3 years	7.6	5.1	19.8	4.7
1 year	9.8	4.6	13.1	3.1
Not annualised				
Calendar year to date	11.8	3.4	16.5	5.7
3 months	3.9	1.1	5.7	1.8
1 month	0.0	0.4		

Stockmarket Exposure (%)

Region	Equity Exposure	Stockmarket Hedging	Accounting Exposure	Beta Adjusted Exposure
Developed Markets	72	(72)	1	(3)
United States	30	(41)	(11)	(8)
Japan	17	(13)	4	0
Continental Europe	9	(3)	5	4
United Kingdom	7	(5)	2	0
Other	9	(9)	0	1
Emerging Markets	18	(9)	9	5
Total	90	(80)	10	2

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	>57 ¹
% recovered	100	n/a	100	98
Annualised monthly volatility (%)	7.5	0.7	14.3	3.7
Correlation vs FTSE World Index	0.1	0.0	1.0	0.4

Currency Allocation (%)

US dollar	78
South African rand	5
Japanese yen	5
Greater China currencies	5
Other	7
Total	100

Top 10 Holdings, looking through to the underlying securities

	FTSE Sector	%
Nebius Group	Technology	4.4
Taiwan Semiconductor Mfg.	Technology	3.6
Corpay	Industrials	3.1
Mitsubishi Estate	Real Estate	2.8
FirstService	Real Estate	2.5
QXO	Industrials	2.3
Ryder System	Industrials	2.3
Rolls-Royce Holdings	Industrials	2.3
Smurfit Westrock	Industrials	2.2
Techtronic Industries	Industrials	2.1
Total		27.5

Fees & Expenses (%), for last 12 months

Management fees (from the underlying funds) ²	1.81
For performance in line with the performance fee benchmark	1.24
For out/(under)performance vs performance fee benchmark	0.57
Performance fee (for the Orbis Optimal (US\$) Fund) ³	0.07
Fund expenses	0.08
Total Expense Ratio (TER)	1.96

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

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

³ 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.



Legal Notices

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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). Investors in a SICAV Fund can obtain a summary of their investor rights in English on our website (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). 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. The Fund does not seek to mirror the investment universe of the Benchmark and is thus not constrained by the Benchmark's composition.

Risk measures are ex-post and calculated on a monthly return series. Drawdowns occur when the cumulative return of the Fund drops below its preceding peak. Months to recovery measures the number of months from the preceding peak in performance to recovery of that level of performance.

Beta compares the sensitivity of the periodic returns of a fund to those of an index. A beta of 1.0 implies that a percentage move in the index has been reflected by a similar percentage move in the fund, on average. A beta higher than 1.0 implies that a fund has proportionally more exposure to market volatility than the index.

Annualised Monthly Volatility measures the variability of monthly returns, adjusted to reflect an annual level. A higher value suggests greater volatility and risk, while a lower value indicates more stable returns.

Tracking error is a measure of the difference between a fund's return and the return of its benchmark. Low tracking error indicates that the fund is closely following its benchmark. High tracking error indicates the opposite.

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 Balanced 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 Balanced 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 Balanced 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 30 September 2025.

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 a measure of the sensitivity of a bond's price to changes in interest rates. A higher duration indicates greater sensitivity to interest rate changes. 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") is the total expected return on a bond if it is held until it matures. 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 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.

Sources

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