

## Orbis Optimal

The Optimal Strategy is designed to protect capital against absolute losses while retaining exposure to the value that we add through our stock selections. This feature may prove to be especially timely in Japan, where the broader market environment has been volatile in recent months.

In August, the Japanese stockmarket experienced its worst decline in almost four decades on fears about the unwinding of the dollar-yen carry trade. While the Japanese market has since recovered, it's clear to us that some fundamental shifts are underway in Japan. The Bank of Japan's (BoJ) latest rate hike was small in magnitude, but it signalled the central bank's continued intention to bring Japan's era of zero or even negative interest rates to a close.

As the BoJ embarks on a tightening cycle, the Fed appears increasingly likely to move in the opposite direction. This bodes well for the yen at the expense of the dollar—and for Optimal's currency positioning—but yen strength is normally bad news for a Japanese stockmarket filled with exporters.

This creates an exciting stock selection opportunity for Optimal. In Japan, we have increased our exposure to shares that are primarily exposed to the local economy—and thus better placed to weather a strengthening of the yen—while at the same time taking a short position in the exporter-heavy index through our hedging activities.

GMO Internet Group—one of Optimal's largest holdings in Japan—stands out as a good example. The company was founded in its current guise in 1995 as a provider of internet access services by Masatoshi Kumagai—who continues to lead the company today. Under the mission of 'Internet for Everyone', GMO has expanded to become a dominant player in the essential plumbing that underpins Japan's internet economy. Since its IPO in 2000, GMO has established an impressive track record in which revenue and profits have grown, on average, at more than 16% per year while maintaining an average return on equity of 20%.

While GMO is a complex business—there are over 100 group subsidiaries—we believe long-term investment returns will be determined by three key businesses. First, GMO Payment Gateway, its electronic payments business. Second, a collection of internet infrastructure services businesses. And third, GMO Financial Holdings, which provides a foreign currency trading platform to service Japan's vast number of retail FX traders.

Let's start with the crown jewel, GMO Payment Gateway (GMO PG), which is Japan's leading payment service provider. This business accounts for around 40% of net profits. Backed by powerful structural tailwinds, such as the rise of e-commerce and increasing penetration of cashless transactions, GMO PG has chalked up one of the most impressive track records among Japanese listed companies, growing its revenue and profit at an average of over 25% per annum since its listing in 2005. With cashless penetration in Japan still only around 40% compared to 60% in many developed country counterparts (and the government targeting over 80% in the longer-term), and e-commerce penetration in Japan standing only at 9% compared to a global average of around 20%, there's still ample room for future growth.

As the payment provider with the largest scale, GMO PG has been a continual market share gainer. Japan's payments industry is extremely complex—there are a staggering 30 payment methods, going well beyond simple credit cards—which has been a deterrent for international peers. Management's execution has been outstanding under founder Issei Ainoura who continues to identify exciting new business opportunities beyond the company's past focus on e-commerce, most notably offline payments and business-to-business payments, both of which are huge markets with untapped potential.

Originally a wholly-owned subsidiary, GMO Internet now owns 41% of separately listed GMO PG. The payments business has historically traded at lofty valuations on the back of confidence that the company can continue its remarkable growth going forward. Today, the valuation means that the value of GMO's stake is worth ¥272bn—larger than GMO Internet's own market value of ¥266bn. An investment in GMO Internet therefore lets you access Japan's leading payment provider at a discount while paying little for the other 60% of earnings.

That brings us to the second group of key businesses, which account for 30% of earnings. These include unglamorous but essential infrastructure services including internet domains, internet service providers, website hosting, web security and e-commerce support. GMO is the local market leader in all these areas, which come with recurring revenue that can grow at high single-digit annual rates. Electronic signatures and cybersecurity are new growth areas, as broader swathes of Japan accelerate efforts to digitalise. These businesses might not

## Orbis Optimal (*continued*)

have the glamour of electronic payments but generate growing recurring revenue with relatively high switching costs, and GMO's existing customer base of 15 million enables effective cross-selling of incremental new services.

Lastly, the final 30% of GMO's earnings comes from its 66% stake in GMO Financial Holdings, Japan's leading internet-based foreign currency trading exchange. Profits here too have risen over time by mid-single digits on average, but the ride has been bumpy. In particular, a disastrous foray into securities trading in Thailand resulted in large write-offs for bad debt. The problematic Thai business is being wound down at the end of this year, but there could be some further pain to come.

Uncertainties related to its financial trading subsidiary have left GMO Internet trading at only 12 times normalised earnings. We think this is a highly attractive price to pay for a company with strong underlying growth drivers. GMO's payments business should continue to grow profits by at least 20% per year, as it has done since 2005. Its collection of other market-leading internet infrastructure services businesses should also continue to grow nicely, at around 10% per year in aggregate. While profits may continue to be lumpy in the short run for GMO Financial Holdings, the business should continue to steadily grow. All in, we expect GMO Internet can grow its annual net profits by at least 10%.

But we suspect earnings per share should be able to grow even faster for two reasons. First, GMO Internet has an ongoing long-term share buyback program in which it has committed to buy back a further ~25% of its shares outstanding over the medium to long term. Second, the current market valuation ignores the optionality from any new ventures incubated within GMO's highly entrepreneurial culture. Founder Kumagai's track record has not been without blemishes, but his distinctive thinking, willingness to challenge orthodoxy and long-term mindset are unusual attributes in Japan.

While GMO is just one example, we are enthusiastic about all of our stock selections in Japan, which we believe offer better value than the local market as a whole. Many of our Japan holdings are also taking steps to improve capital efficiency and shareholder returns. At the same time, Optimal's hedging policy helps to protect against broader declines in the Japanese market, which should produce a differentiated stream of returns.

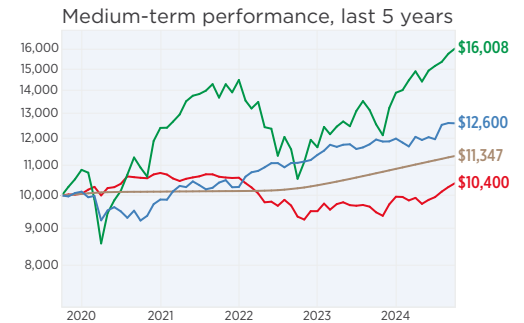
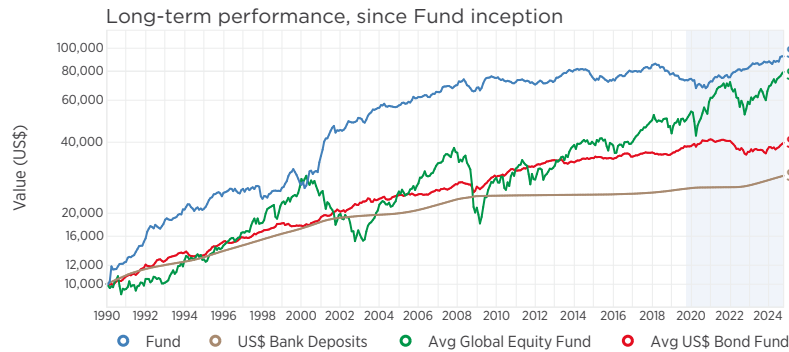
Commentary contributed by Alex Bowles, Orbis Portfolio Management (Europe) LLP, London

## 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\$92.56	<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\$1,995 million	<b>Dealing</b>	Weekly (Thursdays)
<b>Fund inception</b>	1 January 1990	<b>Entry/exit fees</b>	None
<b>Strategy size</b>	US\$3.3 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	6.2	4.1
30 years	5.1	2.7	6.2	3.7
10 years	1.4	1.9	7.3	1.6
5 years	4.7	2.6	9.9	0.8
3 years	6.5	3.8	5.4	(0.7)
1 year	5.3	5.7	27.5	9.8
<b>Not annualised</b>				
Calendar year to date	5.0	4.2	15.2	4.4
3 months	5.2	1.4	5.7	4.5
1 month	(0.1)	0.4		

### Stockmarket Exposure (%)

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure
<b>Developed Markets</b>	<b>74</b>	<b>(66)</b>	<b>8</b>	<b>(1)</b>
United States	33	(29)	4	0
Japan	18	(15)	3	0
United Kingdom	13	(5)	8	7
Continental Europe	6	(12)	(6)	(7)
Other	4	(4)	0	(1)
<b>Emerging Markets</b>	<b>14</b>	<b>(8)</b>	<b>6</b>	<b>3</b>
<b>Total</b>	<b>89</b>	<b>(74)</b>	<b>14</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	>45 <sup>1</sup>
% recovered	100	n/a	100	77
Annualised monthly volatility (%)	7.6	0.7	14.4	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	87
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	%
QXO	Technology	4.3
UnitedHealth Group	Health Care	3.9
Corpay (was FLEETCOR)	Industrials	3.2
RXO	Industrials	2.9
Motorola Solutions	Telecommunications	2.5
Taiwan Semiconductor Mfg.	Technology	2.1
B&M European Value Retail	Consumer Discretionary	2.0
ConvaTec Group	Health Care	2.0
London Stock Exchange Group	Financials	1.9
Asahi Group Holdings	Consumer Staples	1.9
<b>Total</b>		<b>26.8</b>

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

Management fees (from the underlying funds) <sup>2</sup>	1.80
<i>For performance in line with the performance fee benchmark</i>	1.22
<i>For out/(under)performance vs performance fee benchmark</i>	0.59
Performance fee (for the Orbis Optimal (US\$) Fund) <sup>3</sup>	0.00
Fund expenses	0.08
<b>Total Expense Ratio (TER)</b>	<b>1.88</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.



## 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](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 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 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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