

Orbis Japan Equity

There's a saying in investing: "good things happen to cheap stocks". While this isn't a universal truth—some stocks are cheap for good reason—low expectations tilt the odds. Cheap valuations leave more room for surprises to the upside, and less room for disappointment.

Japan is a country awash with stocks trading at lowly valuations. Many of those likely deserve it. But with rising shareholder activism, an increasingly active market for M&A, and the push from the Tokyo Stock Exchange (TSE) for companies to improve valuations, for some Japanese shares, good things are beginning to happen.

Rich Pickings for Private Equity

TechnoPro, an IT engineer dispatching company and, until recently, a 5% position in the Orbis Japan Equity Strategy, is a prime example.

We first invested in TechnoPro in 2024, after a period of underperformance for the shares. In our view, the future looked brighter for TechnoPro than the market expected. As a leader in the engineer dispatch industry, we saw TechnoPro as a long-term beneficiary of rising IT investment in Japan, coupled with attractive business characteristics—growing market share, stable margins and low capital requirements. Crucially, all of this was available at an attractive price. Even on conservative growth estimates, we felt the stock was much too cheap at the time, trading at around 16 times next year's earnings.

Clearly, we were not alone in thinking TechnoPro was an attractive opportunity. Recently, US-based Blackstone closed a deal to take the company private for \$3.4 billion—roughly a 70% premium to the price we initially paid last year when first buying the shares. We did not invest in TechnoPro in anticipation of a take-private bid, but rather because we saw a decent company, trading at an attractive valuation, with room to surprise to the upside.

But TechnoPro is not alone. 2025 looks set to be a banner year for private equity deals in Japan, already set to beat the record number of deals closed in 2024. Private equity firms are increasingly looking to Japan as a market rich with targets, with companies trading at a discount to global peers, and for sale in a currency trading near historic lows.

Recent changes in Japan's corporate governance landscape have expanded the target opportunity set for potential acquirers. Japan's web of cross shareholdings that previously cemented cosy corporate relationships is starting to be unwound. This unwinding can provide a double-tailwind. Not only does it release cash onto the balance sheet of companies that can then be returned to shareholders through dividends or buybacks, but it can also shift the shareholder base of companies from disinterested and allegiant business partners to vocal and active institutional shareholders. Management teams can no longer rely on the previously loyal support of their corporate partners.

Crucially, going private is no longer a taboo for Japanese corporates. Japan's Ministry of Economy, Trade and Industry's 2023 guidelines encourage management teams to give "sincere consideration" to unsolicited offers, and to take care to not "simply reject a proposal that may increase corporate value." In some instances, a private takeover has been welcomed by management teams as an exit path to sidestep activist shareholders agitating for change.

Activism on the rise

Like the private equity investors, the activist shareholders are also making inroads in Japan after years of being treated as hostile corporate raiders. In recent years we've seen a significant step up in the number of

Private equity deals in Japan have surged to record highs

Number of private equity deals



Source: CLSA, Bloomberg, Orbis. *2025 includes year to date private equity deals.

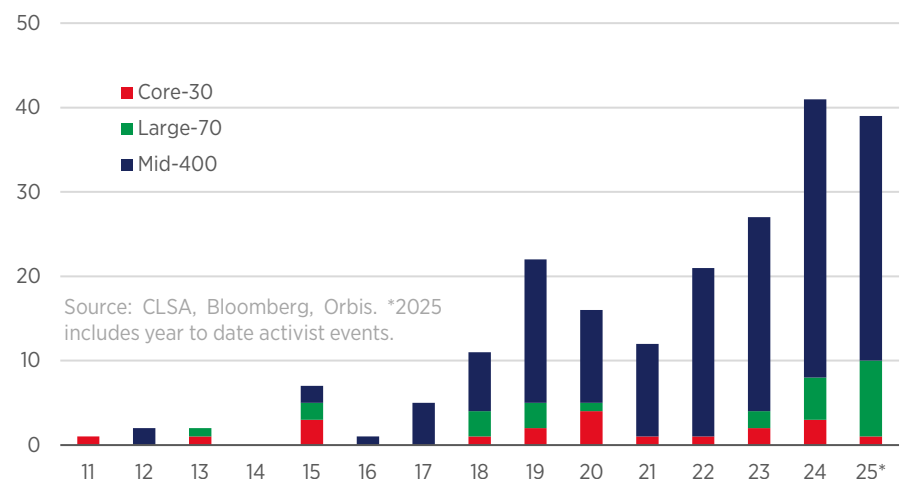
Orbis Japan Equity (*continued*)

activist funds and transactions. Companies in Japan are now encouraged by the TSE to “engage in constructive dialogue with shareholders” with a view to increasing corporate value. Since the TSE’s reform push began in 2023, activists are now more easily able to gain a foothold on the shareholder register, and demands for improved corporate governance and better capital allocation are beginning to be heard. Activist involvement has often resulted in increased shareholder returns, or has created the impetus for companies to go private.

A number of our stock picks have recently outperformed, in part due to the presence of an activist on the shareholder register. Toyo Tire, the tire manufacturer, Tsuruha, one of our drugstore names, and T&D Holdings, a life insurer, have all felt activist pressure to reform. Crucially, the presence of an activist can be enough to cause a stock to re-rate, whether they prove successful in their aims or not.

Activist events in Japan have soared over recent years

Number of activist events among TOPIX 500-listed companies



But Orbis is not a private equity investor, and we do not consider ourselves activists, so how does this affect our view of the opportunity set?

First, while we are not activist investors, direct engagement with investee companies is a core part of our research and a key aspect of how we fulfil our stewardship responsibilities as active owners.

Our engagements are typically with a view to improving our understanding of companies, but they can often be collaborative in nature, working with management to meet their long-term objectives. In the past few years, many of our engagements have aimed to provide input on capital allocation and to encourage companies to adhere to the TSE guidance to improve valuations. In our experience, many companies in Japan are becoming increasingly open to constructive collaboration to enhance value for shareholders.

While in general we are encouraged to see improvements in corporate governance and capital allocation, we have been less positive on the ramp-up in acquisitions by Japanese corporates—especially those outside Japan. While there are exceptions, many corporates still place insufficient regard on the returns from such investments and on the complexities of running a business in a foreign land, blinded instead by the dream of growth prospects overseas.

Second, the rise of private equity and activism gives us greater conviction that the mid-caps are the place to be in Japan. Mid-caps have lagged over the medium-term and currently trade at a discount to their large- and mega-cap peers. This discount makes them attractive not only to us, but also to private equity buyers.

There are also still plenty of names in the mid-cap space with highly inefficient balance sheets or sub-optimal business structures that are ripe targets for activists. As activists gain success and build out their assets under management, many are increasingly moving away from their small-cap focus to tackle mid-cap targets. Today, the Strategy’s overweight to mid-cap Japanese names is close to its since-inception high.

Importantly, while we rarely invest in anticipation of a private equity takeout or an activist presence, these scenarios can present significant blue-sky optionality, which previously would have carried a very low probability.

Alsok, close to a 3% position in the Strategy, is a prime example. As the second largest company in Japan’s electronic security industry, Alsok enjoys stable growth prospects, pricing power, and strong annuity-type cash flows. The stock currently trades at less than 15 times our estimate of next year’s earnings—good value, but even more so when considering Alsok has net cash and investment securities worth almost 20% of its current market cap. Remarkably this also doesn’t include the cash that Alsok uses for transportation security services, which

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amounts to a further 15% of market cap. Rather than using its own cash as working capital, we believe Alsok should finance this with debt, freeing up a significant amount of cash that could be returned to shareholders.

We see Alsok as a cheap, unloved stock with an inefficient balance sheet. Now, the growing presence of activists and private equity buyers in Japan has increased the possibility of a compelling blue-sky scenario where the balance sheet is optimised.

The growing influence of activists and private equity, together with Japan's governance reforms, is creating a pincer effect on management teams. Pressure from regulators above and shareholders below is encouraging companies to put idle assets to work, streamline inefficient balance sheets, and return excess cash. In such an environment, the scope for positive surprises increases—and with so many shares still trading on depressed valuations, the old adage appears to hold true in Japan: good things happen to cheap stocks.

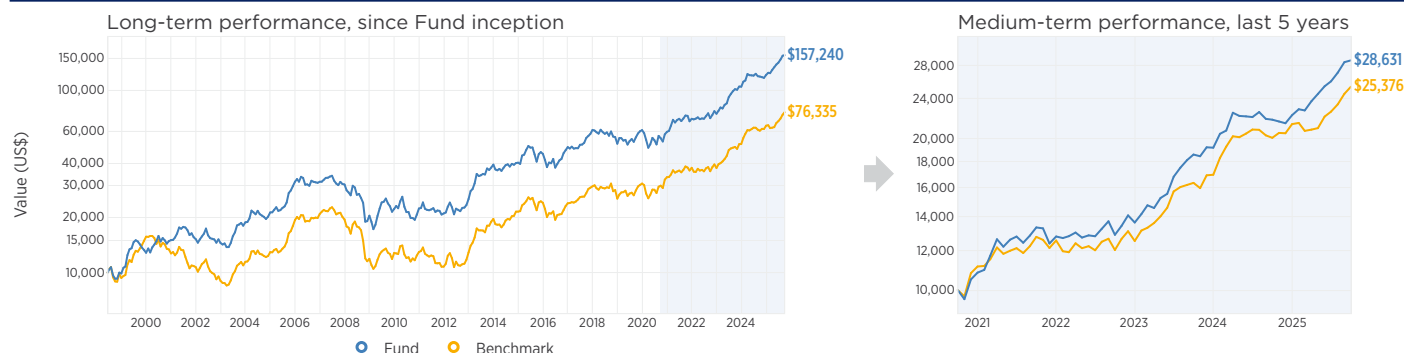
Commentary contributed by Alex Bowles and Brett Moshal, Orbis Portfolio Management (Europe) LLP, London

Orbis Japan Equity (US\$) Fund

Investor Share Class

The Fund, which invests substantially all of its assets into the Orbis SICAV Japan Equity (Yen) Fund, is designed to be exposed to all of the risks and rewards of selected Japanese equities and seeks higher returns than the Japanese stockmarket, without greater risk of loss. Currency exposure is predominantly hedged into US dollars. The fund benchmark ("Benchmark") is the Tokyo Stock Price Index, including income, gross of withholding taxes ("TOPIX"), hedged into US dollars.

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



Returns (%)

	Fund	Benchmark
Annualised	<i>Net</i>	<i>Gross</i>
Since Fund inception	10.6	7.7
25 years	9.8	6.9
10 years	14.4	13.2
5 years	23.4	20.5
3 years	30.5	28.3
1 year	31.2	26.4
Not annualised		
Calendar year to date	28.5	18.7
3 months	10.1	12.1
1 month	0.8	3.3

Risk Measures, since Fund inception

	Fund	Benchmark
Historic maximum drawdown (%)	49	54
Months to recovery	70	92
Annualised monthly volatility (%)	17.1	16.8
Beta vs Benchmark	0.9	1.0
Tracking error vs Benchmark (%)	8.6	0.0

Portfolio Concentration & Characteristics¹

% of NAV in top 25 holdings	83
Total number of holdings	38
12 month portfolio turnover (%)	43
12 month name turnover (%)	35
Active share (%)	91

Price	US\$157.24	Strategy size	US\$4.3 billion
Pricing currency	US dollars	Strategy inception	1 January 1998
Domicile	Bermuda	Benchmark	TOPIX, hedged into US dollars
Type	Open-ended mutual fund	Dealing	Weekly (<i>Thursdays</i>)
Fund size	US\$155 million	Entry/exit fees	None
Fund inception	12 June 1998	ISIN	BMG676751016
Minimum investment	US\$50,000		

Sector Allocation¹ (%)

Sector	Fund	Benchmark
Consumer Non-Durables	46	23
Cyclicals	29	34
Information and Communications	10	8
Financials	8	15
Technology	1	20
Utilities	0	1
Net Current Assets	6	0
Total	100	100

Top 10 Holdings¹

	Sector	%
Mitsubishi Estate	Cyclicals	9.1
Daiwa House Industry	Cyclicals	6.9
TSURUHA Holdings	Consumer Non-Durables	6.5
SUNDRUG	Consumer Non-Durables	4.9
Asahi Group Holdings	Consumer Non-Durables	4.7
GMO Internet Group	Information and Communications	4.6
Mitsui Fudosan	Cyclicals	4.1
ABC-MART	Consumer Non-Durables	3.4
HASEKO	Cyclicals	3.4
GMO Payment Gateway	Information and Communications	2.8
Total		50.4

Fees & Expenses (%), for last 12 months

Management fee ²	2.30
For 3 year performance in line with the performance fee benchmark	1.50
For 3 year out/(under)performance vs performance fee benchmark	0.80
Fund expenses	0.11
Total Expense Ratio (TER)	2.41

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 Information is for the Orbis SICAV Japan Equity Fund, in which the Fund aims to be 100% invested.

² 1.5% per annum $\pm$ up to 1%, based on the Orbis SICAV Japan Equity (Yen) Fund's 3 year rolling outperformance/(underperformance) vs its performance fee benchmark.



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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