# Orbis International Equity

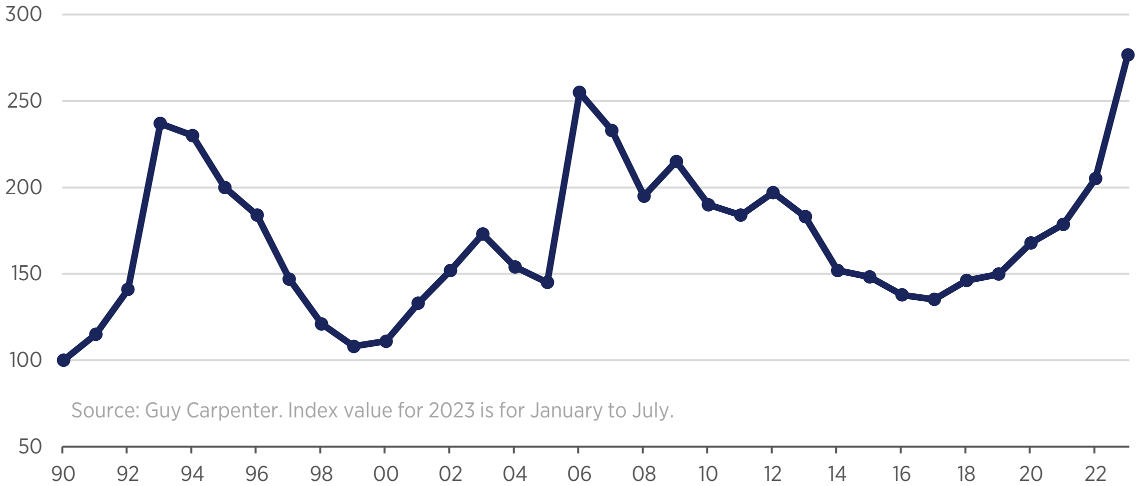
Insurance is critical for the proper functioning of economic activity and everyday life. It is something you hope you will never need, but if you suddenly do, it can be immensely valuable. The need for insurance—and for the services of reinsurers that help insurance companies offset their own risks—is ever more apparent as climate change and geopolitical events present an increasingly wide range of highly unpredictable outcomes.

In a typical industry cycle, one would expect fresh supply to come forward to meet demand. What's unusual in the current market is that the increasing demand for insurance coverage is coinciding with a substantial *pullback* in the supply of capital willing and able to underwrite ever-more extreme risks. As a result, there is a chance that this cycle may exhibit reflexive or self-reinforcing characteristics rather than the usual mean-reversion dynamic that we have seen in the past.

As an illustration, the chart below shows pricing trends for catastrophe ("CAT") risk insurance. Prior to 2022, the last major spike in pricing—known as a "hard market" in industry parlance—was around 2006. Favourable pricing naturally attracted new entrants, a trend that accelerated following the extraordinary policies enacted by central banks following the global financial crisis. Unappealingly low interest rates coupled with unusually high correlations between asset classes led to a flood of capital into the insurance space hunting for yield and uncorrelated return streams.

**Catastrophe risk pricing has "hardened" after a long period of weakness**

Guy Carpenter US Property Catastrophe Rate-On-Line Index, rebased to 100 in 1990




This extended period of market softness started to show signs of improvement a few years ago. This was initially triggered by a tangible and somewhat unprecedented increase in climate-related disasters, from floods to fires to hurricanes, naturally leading to an increased demand for insurance. The price hardening trend was reinforced by the long-overdue end to extraordinarily easy monetary policies around the world, leading to higher and less correlated yields elsewhere in markets and a resultant depletion of excess insurance capital supply.

It's entirely possible that harder pricing will be sufficient to eventually attract new entrants who spoil the party in classic cyclical fashion. But we would argue that this hard market might become more self-sustaining than those in the past. One reason is that the major drivers behind current higher insurance demand, namely volatile climate patterns and the deteriorating geopolitical environment (which are arguably increasingly interrelated), have the potential to sustain, impacting both the supply and demand for capital simultaneously.

The supply side of the equation is the least intuitive, influenced by the large-scale impact that climate and geopolitical factors have on inflation, which arguably puts a floor under central bank rate policy. This could drive much higher risk premia into assets outside of the insurance space, as well as lower cross-correlation, further reducing the need for investors to look to alternative capital for uncorrelated returns. On the demand

# Orbis International Equity *(continued)*

side, on top of the simple need for greater coverage in a more volatile environment, demand is also buoyed by inflation in the underlying asset values requiring more insurance.

RenaissanceRe (RenRe)—a 2% position in International—is a company that we believe is better than most at assessing and pricing extreme risks. We know RenRe well, having owned it in the Orbis Funds as far back as 2005 and on other occasions over the years. The company pioneered the CAT risk insurance business in the wake of Hurricane Andrew in 1992. It was also one of the first to take climate modelling seriously, building their in-house capability from the ground up. To this day, most insurers outsource climate modelling to third parties.

Today, RenRe offers a lot more than CAT risk insurance, but underwriting complex risk remains at the core of its culture and value proposition for customers. The current Chief Executive Officer, Kevin O'Donnell, has been with the company for 30 years and was previously the Chief Underwriting Officer. Compensation across the company is heavily geared towards underwriting results and growth in book value—a metric that can be impaired if underwriting is poor. When coupled with high levels of management stock ownership, RenRe is remarkably well aligned with shareholders. That's generally a good sign for any company, but it becomes even more important when your entire business model involves exposing shareholder equity to risk.

RenRe's strong underwriting capability is also an important attraction for customers. It allows RenRe to offer pricing that is both profitable and responsive to customer needs. As a result, the company often gets one of the first calls when new coverage is needed and has built a strong network of relationships with major insurers over the years. This creates a powerful "flywheel" effect. Thanks to its underwriting skill, RenRe has earned a healthy mid-teens return on equity over its history. This has allowed the company to reinvest in high-quality people, strengthening its underwriting capabilities, and in turn attracting even more business and higher profits, and so on.

RenRe shares are currently trading at a valuation of 1.5 times their net asset value, which suggests that the market anticipates the annual return on equity—currently above 20% compared to a historical average in the mid-teens—to remain above the normal average for only a year or two from today. To us, this appears too pessimistic given the industry dynamics discussed above. We think the shares offer good value and there is room for the cycle to surprise investors by lasting longer than expected. From a portfolio standpoint, RenRe also brings an important element of diversification as the insurance cycle is largely uncorrelated to the economy.

In some sense, RenRe's business reminds us of ours. Like investment management, barriers to entry in reinsurance are low. Almost anyone can raise capital and open up a competing shop, but doing it well over decades is an entirely different story. Just like an asset manager, the "edge" can be difficult to pinpoint, but our sense with RenRe—from the outside looking in—is that it comes down to consistently doing a lot of little things well while ensuring there is a tight alignment of interest with customers and the owners of the firm. Said differently, amid extreme uncertainty, it's reassuring to invest alongside a partner who has successfully navigated their share of risks over the long term—and few have done this better than RenRe.

Commentary contributed by Graeme Forster, Orbis Investment Management Limited, Bermuda

# Orbis SICAV International Equity Fund

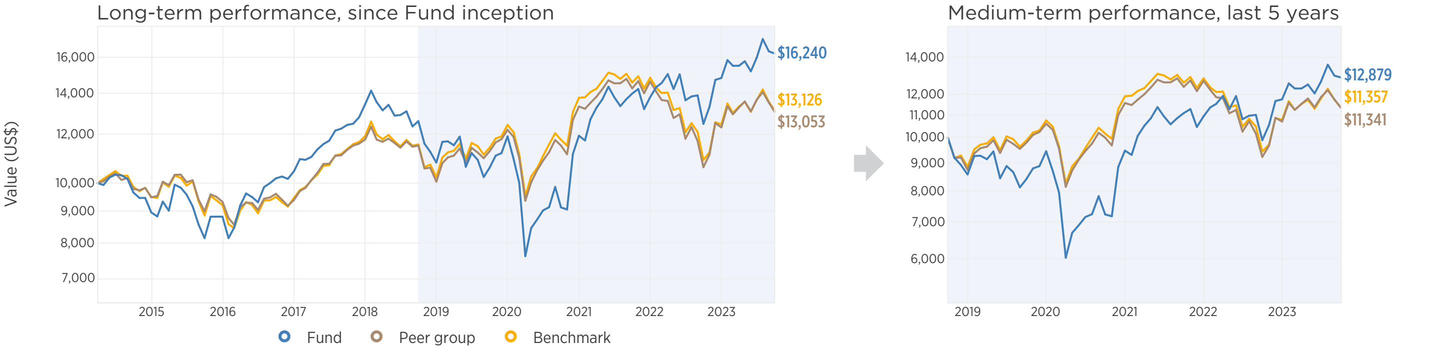
## Investor Share Class

The Fund is actively managed and designed to be exposed to all of the risks and rewards of a portfolio of selected non-US equities. It aims for higher returns than a designated benchmark ("Benchmark"), namely the MSCI All Country World Index ex-USA, including income and net of withholding taxes ("MSCI ACWI ex-USA Index"). Currency exposure is managed relative to that of the MSCI ACWI ex-USA Index.

| | |
|---|---|
| **Price** | US$16.24 |
| **Pricing currency** | US dollars |
| **Domicile** | Luxembourg |
| **Type** | SICAV |
| **Fund size** | US$2.1 billion |
| **Fund inception** | 1 April 2014 |
| **Strategy size** | US$3.4 billion |
| **Strategy inception** | 1 January 2009 |

| | |
|---|---|
| **Benchmark** | MSCI ACWI ex-USA Index |
| **Peer group** | Average International Equity Fund Index |
| **Minimum investment** | US$50,000 |
| **Dealing** | Weekly *(Thursdays)* |
| **Entry/exit fees** | None |
| **UCITS compliant** | Yes |
| **ISIN** | LU1056236232 |

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




On 1 June 2017, the Benchmark for the Orbis SICAV International Equity Fund changed from the MSCI World ex-USA Index to the MSCI All Country World Index ex-USA, both including income and net of withholding taxes. Data above and Returns for the period before 1 June 2017 relate to the MSCI World ex-USA Index.

## Returns (%)

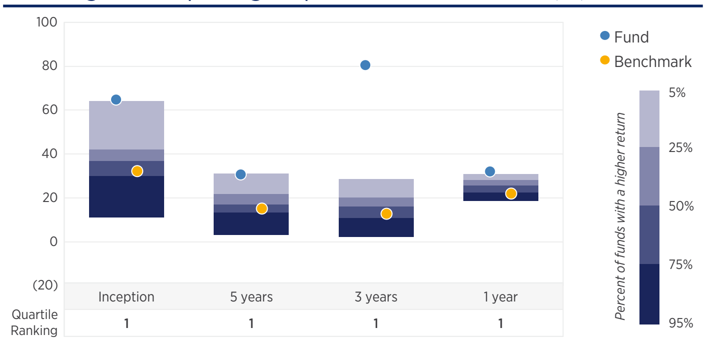
| | Fund | Peer group | Benchmark |
|---|---|---|---|
| **Annualised** | Net | | *Gross* |
| Since Fund inception | 5.2 | 2.8 | 2.9 |
| 5 years | 5.2 | 2.5 | 2.6 |
| 3 years | 21.2 | 4.3 | 3.7 |
| 1 year | 30.1 | 23.0 | 20.4 |
| **Not annualised** | | | |
| Calendar year to date | 9.6 | 6.0 | 5.3 |
| 3 months | 1.6 | (4.4) | (3.8) |
| 1 month | (0.8) | | (3.2) |

| Annual returns to 30 Sep | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| | (16.0) | (13.8) | 53.1 | (10.7) | 30.1 |

## Risk Measures, since Fund inception

| | Fund | Peer group | Benchmark |
|---|---|---|---|
| Historic maximum drawdown (%) | 46 | 28 | 28 |
| Months to recovery | 40 | >25[1] | >28[1] |
| % recovered | 100 | 59 | 53 |
| Annualised monthly volatility (%) | 19.5 | 14.7 | 14.9 |
| Beta vs Benchmark | 1.2 | 1.0 | 1.0 |
| Tracking error vs Benchmark (%) | 9.1 | 2.4 | 0.0 |

## Ranking within peer group, cumulative return (%)




## Geographical & Currency Allocation (%)

| Region | Equity | Currency | Benchmark |
|---|---|---|---|
| **Developed Markets** | **73** | **82** | **72** |
| Continental Europe | 21 | 23 | 32 |
| Japan | 20 | 30 | 15 |
| United Kingdom | 14 | 11 | 10 |
| United States | 9 | 5 | 0 |
| Other | 9 | 12 | 15 |
| **Emerging Markets** | **23** | **18** | **28** |
| *Net Current Assets* | *4* | *0* | *0* |
| **Total** | **100** | **100** | **100** |

## Top 10 Holdings

| | MSCI Sector | % |
|---|---|---|
| British American Tobacco | Consumer Staples | 4.0 |
| Sumitomo Mitsui Fin. | Financials | 3.6 |
| Rolls-Royce Holdings | Industrials | 3.5 |
| Bank of Ireland | Financials | 3.5 |
| Golar LNG | Energy | 3.2 |
| AIB Group | Financials | 3.2 |
| Borr Drilling | Energy | 3.1 |
| KB Financial Group | Financials | 3.0 |
| Mitsubishi Heavy Industries | Industrials | 3.0 |
| Bayerische Motoren Werke | Consumer Discretionary | 2.9 |
| **Total** | | **32.9** |

## Portfolio Concentration & Characteristics

| | |
|---|---|
| % of NAV in top 25 holdings | 67 |
| Total number of holdings | 59 |
| 12 month portfolio turnover (%) | 54 |
| 12 month name turnover (%) | 42 |
| Active share (%) | 91 |

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

| | |
|---|---|
| Fund expenses | 0.12 |
| Total management fee[2] | 2.49 |
| **Total Expense Ratio (TER)** | **2.61** |

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

[2] Total management fee consists of 1.5% per annum ± up to 1%, based on 3 year rolling outperformance/(underperformance) vs Benchmark.

## Investor Notification regarding Prospectus Amendments

The Prospectuses of the following Orbis Funds have been updated on or about 2 October 2023: Orbis Global Equity Fund Limited, Orbis Institutional Funds Limited, Orbis Japan Equity (US$) Fund Limited, Orbis Optimal (US$) Fund Limited, Orbis Optimal Overlay Funds Limited and Orbis Optimal SA Fund Limited. The updates include the addition of Mark Dunley-Owen to the board of directors of Orbis Investment Management Limited. The details of the remaining amendments can be reviewed in the updated prospectuses on https://www.orbis.com/fund-documents.

## 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.

The discussion topics for the commentaries were selected, and the commentaries were finalised and approved, by Orbis Investment Management Limited, the Funds' 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. To the maximum extent permitted by applicable law, 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.

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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).

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.

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. Short-term fixed income instruments and net current assets 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. Net current assets are not included.

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 30 September 2023.

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. Fixed Income regional allocation is based on the currency denomination of the instrument. 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' YTMs, 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.

### Sources

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