

Orbis Japan Equity

World stockmarkets are down. With inflation seeping into all corners of the global economy, central banks from the US to Switzerland have pivoted to tightening policy. Largely as a result, the MSCI World Index has declined by 20% since the start of the year.

Against that drop, the Japanese stockmarket looks relatively unscathed, falling only 5%—in yen terms. But a fair comparison should reflect currency movements, and the yen has weakened by 15% against the dollar this year, driven by energy prices and central bank policy. Japan depends on energy imports, so rising energy prices force the country to buy more foreign currency, weakening the yen and exacerbating domestic inflation. Meanwhile, the Bank of Japan is alone among major central banks in suppressing bond yields, so investors can obtain vastly higher interest rates in other markets. With inflation starting to hit consumers, both investors and the Japanese public have become increasingly critical of Bank of Japan Governor Kuroda, who has apologised for tone deaf comments about inflation. Under his watch, the yen has plunged to a 20-year low against the dollar, meaning that in dollar terms, the Japanese stockmarket has suffered just as much as the World Index.

Orbis Japan has fared a bit better. So far this year, it has declined less than both the Topix and the World Index in dollar terms. Amid the market declines, it has helped to be invested in cheap stocks. The stocks that have been hit hardest in the sell-off have been the expensive speculative stocks that we have carefully avoided. By contrast, the opportunities we have found—often in the “unglamorous” industries of materials or manufacturing—have held up relatively well.

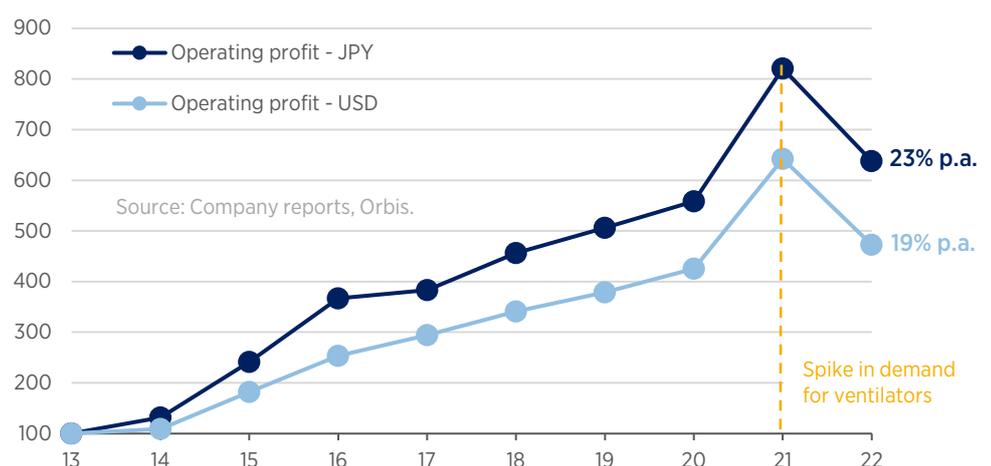
In a weak yen environment, it’s helpful that some 40% of revenues for Japanese companies come from abroad, and some of the most compelling ideas we have found are companies with dollar-based assets. Asahi Kasei, a chemicals-oriented conglomerate, is one such example.

Asahi Kasei’s crown jewel is a US-based medical device company called Zoll Medical. Zoll sells a range of products centered on defibrillators and other devices used for critical care, including a wearable vest for patients at risk of sudden cardiac arrest. Zoll’s LifeVest continuously monitors the patient’s heart and automatically applies a shock when it detects life-threatening heart rhythms. Protected by patents and supported by a large sales and distribution network, LifeVest gives Zoll a formidable competitive position, helping the company earn operating margins in excess of 20%.

Asahi Kasei acquired Zoll in 2012 for just over \$2 billion, around 19 times its earnings before interest, tax, depreciation, and amortisation at that time. At first glance, the acquisition seemed expensive, even with Zoll’s superior track record: the company had grown operating profit by 25% per annum over the previous five years. In hindsight, that price was a bargain. Under Asahi Kasei’s ownership, Zoll has maintained impressive revenue growth of 15% p.a., and its operating profits are up more than fivefold. As an added kicker, Asahi Kasei

Zoll has grown well since being acquired, especially in yen terms

Zoll and operating profit growth, in USD and JPY (rebased to 100)



Source: Company reports, Orbis.

bought Zoll in dollars, when the yen was much stronger—about 80 to the dollar. Significant yen depreciation since 2012 has boosted the attractiveness of the original deal, as the chart shows.

Benchmarking against similar US medical device peers and factoring in the company’s promising potential to continue gaining market share in the US and overseas, we estimate that Zoll could be worth around 70% of Asahi Kasei’s current market cap. And Zoll is not the only part of the company’s healthcare business, which also includes a growing specialty pharma business centered on organ transplantation and immunology. In total, we believe the healthcare business alone accounts for roughly 100% of Asahi Kasei’s market cap despite only accounting for one quarter of its operating profit.

Orbis Japan Equity (*continued*)

The rest of the company is no slouch either. Asahi Kasei was originally founded 100 years ago as a fibre manufacturer before expanding into chemicals manufacturing, electronics and homebuilding. Today, Asahi Kasei's materials business accounts for just over 40% of profits and encompasses a broad range of products from commodity petrochemicals, car interior materials, and electronic materials, to daily essentials such as Saran Wrap cling film and Ziploc storage bags.

The company has a strong heritage of innovation in environmental materials—an employee, Dr. Akira Yoshino, was awarded a Nobel Prize for inventing the lithium-ion battery. Today, Asahi Kasei has businesses well-positioned for decarbonisation needs, such as lithium-ion battery separators as well as wide-ranging intellectual property technology in more nascent fields such as low-cost green hydrogen production and carbon dioxide absorption.

The remaining one-third of profits come from Asahi Kasei's housing business, where it has focused on high-quality homes in major cities. Its Hebel Haus brand has been a consistent share gainer and a good business, generating solid high-single-digit operating profit margins and returns on investment of 30%.

By taking steps to further downsize its chemical manufacturing exposure and invest in higher value-add businesses like healthcare, we expect a natural improvement in the business mix towards more resilient, higher-margin and less capital-intensive areas. Despite the attractive long-term outlook, Asahi Kasei currently trades at below 0.9 times book value and 9 times earnings. In our view, the stock trades at a significant discount to intrinsic value and accordingly is one of the largest holdings in the Orbis Japan Strategy.

Asahi Kasei is emblematic of the kind of opportunities we are finding in the Japanese market. In aggregate, the shares in Orbis Japan currently trade at 8 times earnings and a 3.3% dividend yield—a substantial discount to the market at 12 times earnings and a 2.5% dividend yield. With the valuation spread between the cheapest and most expensive stocks still at elevated levels, we remain excited about the relative return potential of the Strategy.

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

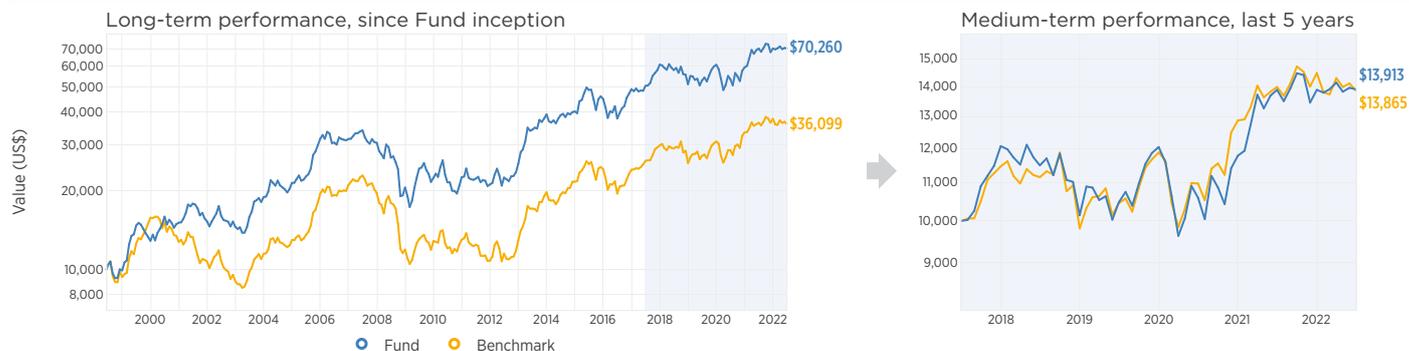
Orbis Japan Equity (US\$) Fund

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.

Price	US\$70.26	Strategy size	US\$2.2 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\$122 million	Entry/exit fees	None
Fund inception	12 June 1998	ISIN	BMG676751016
Minimum investment	US\$50,000		

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



Returns (%)

	Fund	Benchmark
Annualised	<i>Net</i>	<i>Gross</i>
Since Fund inception	8.4	5.5
20 years	7.7	6.2
10 years	12.1	12.1
5 years	6.8	6.8
3 years	9.9	9.9
1 year	0.1	(0.9)
Not annualised		
Calendar year to date	0.1	(4.4)
3 months	(1.7)	(3.1)
1 month	(0.4)	(1.8)

Sector Allocation¹ (%)

Sector	Fund	Benchmark
Cyclicals	50	36
Consumer Non-Durables	34	24
Financials	11	10
Information and Communications	2	9
Technology	0	20
Utilities	0	1
<i>Net Current Assets</i>	2	0
Total	100	100

Risk Measures, since Fund inception

	Fund	Benchmark
Historic maximum drawdown (%)	49	54
Months to recovery	70	92
Annualised monthly volatility (%)	17.7	17.4
Beta vs Benchmark	0.9	1.0
Tracking error vs Benchmark (%)	8.8	0.0

Top 10 Holdings¹

	Sector	%
INPEX	Cyclicals	9.9
Daiwa House Industry	Cyclicals	5.5
Sumitomo Mitsui Fin.	Financials	5.3
Yamato Kogyo	Cyclicals	4.9
Toyo Tire	Cyclicals	4.9
Sumitomo Electric Industries	Cyclicals	4.6
ZOZO	Consumer Non-Durables	4.4
Sumitomo	Consumer Non-Durables	4.3
Asahi Kasei	Cyclicals	4.2
Sugi Holdings	Consumer Non-Durables	4.1
Total		52.1

Portfolio Concentration & Characteristics¹

% of NAV in top 25 holdings	90
Total number of holdings	38
12 month portfolio turnover (%)	49
12 month name turnover (%)	19
Active share (%)	92

Fees & Expenses (%), for last 12 months

Management fee ²	1.68
<i>For 3 year performance in line with the performance fee benchmark</i>	1.50
<i>For 3 year out/(under)performance vs performance fee benchmark</i>	0.18
Fund expenses	0.12
Total Expense Ratio (TER)	1.80

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

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



Orbis SICAV Semi-Annual Report

This report contains only some of the information included in the semi-annual report of the Orbis SICAV (the “Company”) as at 30 June 2022. The semi-annual report will be available upon request and free of charge at the registered office of the Company within two months following 30 June.

Orbis SICAV Global Equity Fund

As described in further detail in the prospectus of the Orbis SICAV, Orbis Investment Management (Hong Kong) Limited (“Orbis Hong Kong”) acts as a Sub-Portfolio Manager to the Orbis SICAV Global Equity Fund (the “Fund”) for investment decisions and advice, primarily for emerging markets securities, subject to the control and supervision of Orbis Investment Management Limited (“Orbis Bermuda”).

It is intended that, effective 1 May 2022, Orbis Hong Kong will cease to make investment decisions with regards to the Fund but will nevertheless continue to provide investment advice to Orbis Bermuda, primarily for emerging markets securities. All remuneration paid to Orbis Hong Kong will continue to be paid by Orbis Bermuda out of its own assets and not out of the assets of the Fund.

The Orbis SICAV prospectus provides further details regarding Orbis Bermuda, which is currently the Investment Manager of all six of the Orbis SICAV Funds.

The Orbis SICAV prospectus is available at www.orbis.com and/or free of charge upon request at clientservice@orbis.com.

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 either Orbis Investment Management Limited or Orbis Investment Management (Guernsey) Limited, the Funds’ Manager or Investment Manager, as the case may be. 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. 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 71.33B 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 as defined by the ESMA guidelines on marketing materials. You should consider the relevant offering documents including the Fund Prospectus and Key Investor Information document 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)

Each sub-fund of Orbis SICAV, a UCITS compliant Luxembourg fund, described 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 under certain circumstances as determined by, and in compliance with, applicable law.

Orbis may decide to terminate the arrangements made for marketing the shares of the Orbis SICAV in the EU Member States where the Orbis SICAV is admitted for marketing under Directive 2009/65/EC (UCITS Directive).

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 June 2022.

Orbis SICAV Funds: The ongoing charges exclude performance fees and 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%). 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.

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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TOPIX Stock Price Index, including income ("TOPIX"): Tokyo Stock Exchange. TOPIX hedged into US\$ and euro are calculated by Orbis using an industry-standard methodology using the TOPIX which is in yen. No further distribution of the TOPIX data is permitted.

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