Orbis Emerging Markets Equity

Financials are a large component within the emerging markets (EM) universe, accounting for over a fifth of the MSCI EM Index. They are big within Orbis EM Equity, too, making up nearly a third of the portfolio. At an aggregate level, EM Financials appear attractive—trading at around 1.2 times book value, versus 1.9 times for the wider EM Index, while delivering a similar return on equity. Befitting our bottom-up approach, the similarities end there. Banks, for instance, are 17% of the Index but just 8% of the portfolio. In our view, that is a compelling 8%. In the following sections, we describe our approach to investing in EM banks and some of the companies that we've found attractive in Korea, Thailand, India and Brazil.

Banks depend on confidence, and that confidence can be hard to build as an investor. So when we analyse a bank, our first focus is on risk. We look for attributes that have historically been effective in minimising bad outcomes. At the top of that list is a conservative balance sheet that can withstand potential economic turbulence—strong both in absolute terms and relative to local regulatory requirements. Second is a leading low-cost deposit franchise underpinned by sticky customers, and a market structure that lets banks make good lending profits without taking undue lending risks. Third is an ability to cross-sell other fee-based financial services without risking much more capital. Finally, we like to partner with management teams that think and act like owners—a rarity in the banking industry.

We typically invest in EM banks which run simpler balance sheets: mostly loans and local government bonds on the asset side, funded mostly by deposits and equity on the liability side, with minimal dependence on foreign or wholesale funding which can dry up in times of market stress.

Korean Banks: Shinhan Financial Group and KB Financial Group
For decades, the Korean banking industry was a tough place for investors. The banks lent too loosely, making the industry less profitable and more risky—culminating in a starring role in the 1997 Asian Financial Crisis. Accordingly, the standards since set by the regulator have been stricter than those seen globally. That regulatory medicine has reduced both failures and profits.

But with the 2010s bringing an unprecedented low-interest rate environment and Korea entering a more mature economic stage, some management teams began to move in a positive direction. They aimed to grow less quickly but more sustainably. They started to improve profitability and risk management, and they diversified into non-bank operations like wealth management and insurance. Despite the improvement, share prices continued to lag as returns for shareholders did not improve at the same time. As a result, many investors remained sceptical that any improvement in fundamentals would ultimately translate into value for shareholders.

But things have been improving in recent years. In 2022, the new government led by president Yoon Suk Yeol adopted more market-friendly policies (as we discussed in the June 2022 commentary). In a related push, the Korean government established its so-called "Value-Up" program this year to tackle the longstanding "Korea discount", where the Korean market has languished at around just 1.0 times book value—a significant discount to other Asian countries at a similar stage, such as Taiwan and Japan on around 3.0 and 1.4 times book value, respectively. The guidelines aim to encourage better capital management and corporate governance from companies. The financial industry is currently leading this initiative, and it should finally lead to a tighter link between company fundamentals and shareholder value.

Orbis EM Equity has positions in KB Financial and Shinhan Financial, two leading banks in Korea—with the best retail-banking franchises, strongest capital positions and the most diversified portfolios. Shinhan recently announced a return on equity target of 10% and aims to return half of its profits (including share buybacks) to shareholders by 2027. At its current share price, Shinhan is trading at around 0.6 times book value which indicates a 10% yield (in addition to a sustainable mid-single digit growth rate). As Shinhan continues to execute on its plans, we believe it should earn a valuation closer to 1.0 times book value, which is the aim of management. Like Shinhan, KB Financial is scheduled to announce its "Value-Up disclosure" in the middle of October this year. Shares in KB Financial currently trade at 0.6 times its growing book value. As for Shinhan, improved capital management would both sweeten the returns for shareholders and help KB earn the valuation its profitability justifies.

Kasikornbank
Longstanding clients will be familiar with our position in Kasikornbank, the second largest commercial bank in Thailand, which is today close to a 3.5% position in the portfolio. Investors have broadly neglected Thai banks due to concerns about uncertain politics and the tourism-heavy Thai economy struggling to build momentum coming out of Covid. Although the market is rightfully concerned about the impact on credit quality for banks

Orbis Emerging Markets Equity *(continued)*

amidst economic weakness, we are encouraged by the industry's structure and recent actions by players to restore profitability.

In Thailand, the competitive intensity has traditionally been modest amongst the four largest banks, which collectively account for around 65% of market share, and enables very healthy lending spreads. Following the economic weakness, most have consciously slowed down lending, while accumulating one of the highest capital levels across the region. Kasikornbank has been proactive to meaningfully clean-up its balance sheet, writing off approximately 10% of its loans over the last two years. Once credit costs normalise, we think the company should deliver a low double-digit return on equity and be able to pay out at least 50% of its earnings to shareholders, joining its peers in increasing dividends. Yet, shares in Kasikornbank currently trade at just 0.7 times book value and 7 times earnings—a compelling investment opportunity in our view.

HDFC Bank and Itaúsa

As we discussed in June, we recently initiated a position in India's largest private lender, HDFC Bank, which now accounts for almost 2% of Orbis EM Equity. India is one of the few markets where government owned banks continue to account for the majority (roughly 60%) of the banking system. That creates an attractive setup for private lenders, who have consistently and profitably gained market share by offering a better proposition for customers in an under-banked market. As the strongest retail bank in the country with a reliable track record in credit underwriting, HDFC Bank has led this trend and for some time was a market darling with a premium valuation to match. However, sentiment towards the company has soured in recent years due to its decision to merge with the mortgage business of its erstwhile parent, HDFC Limited—a move complicated by a challenging operating environment with tighter liquidity orchestrated by the local central bank. The market's focus on weak near-term earnings due to this transient issue has allowed us to establish a position at what we regard as an attractive price. Shares in HDFC Bank currently trade at 17 times its profits, which we believe are depressed due to the upfront costs of its merger. Orbis EM Equity also has a position in Itaúsa, a holding company that derives most of its value from a stake in Itaú Unibanco, the largest Brazilian private bank. Itaú shares similar attributes to that of HDFC Bank in terms of attractive and consistent long-term returns, yet it's only priced at around 8 times earnings.

Orbis EM banks vs MSCI EM banks

With our banks, today's numbers do not tell the whole story. We expect improved payouts for Shinhan and KB, improved returns on equity for Kasikornbank, and substantial growth for HDFC Bank and Itaúsa. Yet even on today's numbers, our banks trade at lower valuations, with stronger balance sheets and more scope to improve payouts.

Our banks are different, as is our weight in them. We remain confident that the handful of banks we have uncovered through our bottom-up process offer compelling value for long-term investors.

Our banks vs Index banks: lower valuations, stronger balance sheets, and more scope to improve payouts

Weighted average for banks in Orbis EM Equity and the MSCI EM Index

	Price / tangible book	Return on equity	Total payout ratio	Loan / equity
Banks in Orbis EM Equity	0.8	11%	32%	5.9
Banks in MSCI EM Index	1.1	14%	41%	6.7

Source: LSEG Analytics, Orbis. In each case, numbers are calculated first at the stock level and then aggregated using a weighted average. Statistics are compiled from an internal research database and are subject to subsequent revision due to changes in methodology or data cleaning. Total payout ratio is cash spent on dividends and share repurchases, divided by net income. The loan to equity ratio has been used as a measure of the strength of a bank's balance sheet. The widely used common equity tier 1 capital ratio (CET-1 ratio) was not used as data was not available for a large portion of constituents in the MSCI EM Index.

Commentary contributed by Saurav Das and Woojin Choi, Orbis Investment Management (Hong Kong) Limited, Hong Kong

This report does not constitute a recommendation to buy, sell or hold any interests, shares or other securities in the companies mentioned in it nor does it constitute financial advice.

Orbis SICAV Emerging Markets Equity Fund

Investor Share Class

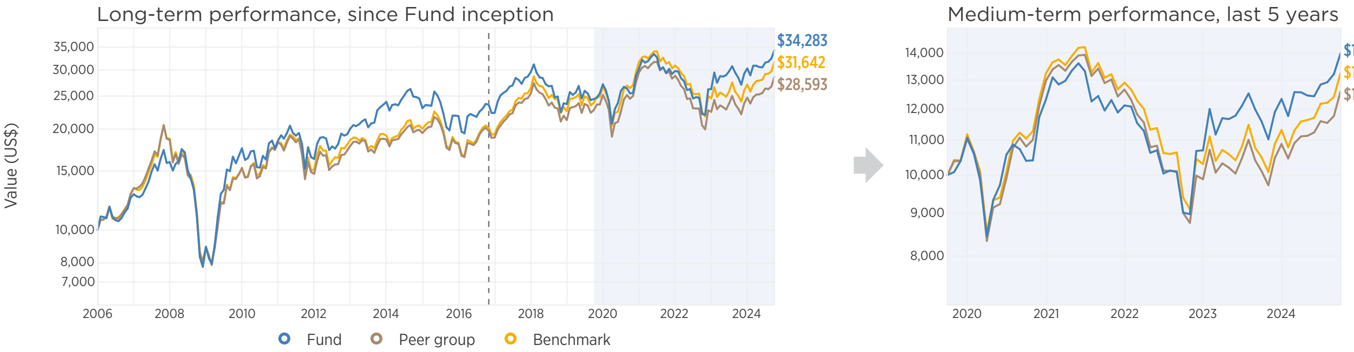
The Fund is actively managed and seeks higher returns than the average of the equity markets of the world's emerging market countries, without greater risk of loss. The performance fee benchmark ("Benchmark") is the MSCI Emerging Markets Index, including income, net of withholding taxes ("MSCI Emerging Markets Index"). Currency exposure is managed relative to that of the MSCI Emerging Markets Index.

Price	US$32.37
Pricing currency	US dollars
Domicile	Luxembourg
Type	SICAV
Fund size	US$2.2 billion
Fund inception	1 January 2006
Strategy size	US$2.3 billion
Strategy inception	1 January 2016
Minimum investment	US$50,000

Benchmark	MSCI Emerging Markets Index
Peer group	Average Global Emerging Markets Equity Fund Index
Dealing	Weekly *(Thursdays)*
Entry/exit fees	None
UCITS compliant	Yes
ISIN	LU0241795839

On 1 November 2016, the Fund broadened its investment strategy from Asia ex-Japan equities to Emerging Market equities and changed its name from Orbis SICAV Asia ex-Japan Equity Fund to Orbis SICAV Emerging Markets Equity Fund. Performance prior to the change in strategy was achieved in circumstances that no longer apply. Please refer to the Fund's prospectus for further details.

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



Returns[1] (%)

	Fund	Peer group	Benchmark
Annualised		*Net*	*Gross*
Since Fund inception	6.8	5.8	6.3
15 years	5.0	4.8	5.4
10 years	3.2	3.9	4.7
5 years	6.9	4.7	5.7
3 years	5.4	(0.8)	0.4
1 year	20.6	24.5	26.1
Not annualised			
Calendar year to date	13.3	15.5	16.9
3 months	8.9	8.5	8.7
1 month	5.8		6.7

Annual returns to 30 Sep	2020	2021	2022	2023	2024
	4.0	14.9	(24.5)	28.4	20.6

Risk Measures,[1] since Fund inception

	Fund	Peer group	Benchmark
Historic maximum drawdown (%)	55	61	62
Months to recovery	20	82	81
Annualised monthly volatility (%)	21.3	19.8	20.1
Beta vs Benchmark	1.0	1.0	1.0
Tracking error vs Benchmark (%)	7.3	2.2	0.0

Fees & Expenses (%), for last 12 months

Fund expenses	0.13
Total management fee[2]	2.24
Total Expense Ratio (TER)	**2.37**

Geographical & Currency Allocation (%)

Region	Equity	Currency	Benchmark
China/Hong Kong	33	33	28
Korea	26	26	10
Rest of Asia	13	13	5
Taiwan	9	9	18
Europe and Middle East	8	8	9
Africa	7	7	3
India	2	2	20
Latin America	1	1	8
Total	**100**	**100**	**100**

Top 10 Holdings

	MSCI Sector	%
Jardine Matheson Holdings	Industrials	9.9
NetEase	Communication Services	8.9
Taiwan Semiconductor Mfg.	Information Technology	8.1
Kiwoom Securities	Financials	7.9
Gedeon Richter	Health Care	4.8
Naspers	Consumer Discretionary	4.7
Tencent Holdings	Communication Services	4.7
Astra International	Industrials	4.4
Hyundai Elevator	Industrials	4.3
Samsung Electronics	Information Technology	4.1
Total		**61.8**

Portfolio Concentration & Characteristics

% of NAV in top 25 holdings	93
Total number of holdings	35
12 month portfolio turnover (%)	39
12 month name turnover (%)	16
Active share (%)	81

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] Orbis SICAV Asia ex-Japan Equity Fund and its corresponding Benchmark and peer group data used for the period before 1 November 2016.
[2] Total management fee consists of 1.5% per annum ± up to 1%, based on 3 year rolling outperformance/(underperformance) vs Benchmark.

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.

This Report has been approved for issue in the United Kingdom by Orbis Portfolio Management (Europe) LLP, 28 Dorset Square, London, England NW1 6QG; a firm authorised and regulated by the Financial Conduct Authority. Orbis Investment Management Limited is licensed to conduct investment business by the Bermuda Monetary Authority.

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. 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' 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

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2024. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

TOPIX: JPX Market Innovation & Research, Inc. 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.

MSCI: The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).

60/40 Index: The 60/40 Index values are calculated by Orbis using end of day index level values licensed from MSCI ("MSCI Data") and J.P. Morgan. For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "as is" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilising any MSCI Data, models, analytics or other materials or information. JP Morgan Global Government Bond Index (the "JPM GBI"): Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The JPM GBI is used with permission. Copyright 2024, J.P. Morgan Chase & Co. All rights reserved. The 60/40 Index may not be copied, used, or distributed without prior written approval.

Average Fund data source and peer group ranking data source: © 2024 Morningstar. All Rights Reserved. Such information (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The latest average fund indices provided by Morningstar are for 19 September 2024. To allow comparison of returns to a common date we have extended the average equity and multi-asset class fund indices to reflect the subsequent movement of the applicable benchmark indices. For the purposes of extending the Average Global Equity Fund Index as a comparator of the Orbis Optimal Funds, the FTSE World Index has been used. Average fund returns are not shown for periods of a month or less as high price volatility and late fund reporting regularly cause them to be significantly restated by Morningstar.