

# ORBIS OEIC - GLOBAL BALANCED FUND

**Annual Short Report  
for the year ended 31 December 2015**

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# INTRODUCTION

We are pleased to present the Annual Short Report for the Orbis OEIC - Global Balanced Fund (the “Fund”) for the period ended 31 December 2015. All figures in this report are sourced from Orbis Investment Management Limited unless stated otherwise.

This report is also available online at [www.orbisaccess.co.uk/reports-and-documents](http://www.orbisaccess.co.uk/reports-and-documents).

## Profile

The Fund is a sub-fund of Orbis OEIC (the “Company”), a collective investment scheme authorised by the Financial Conduct Authority (the “FCA”) as a UCITS scheme, and was launched on 1 January 2014.

The Fund is available to investors resident in the UK. Each sub-fund of the Company is separately managed, charged, accounted for and assessed for tax. The assets of each sub-fund of the Company belong exclusively to that sub-fund and cannot be used to pay the debts of another sub-fund. Shareholders are not liable for the debts of the Company.

The Company is structured as an open-ended investment company, also known as an “investment company with variable capital”, or “ICVC”. FCA-authorised ICVCs are required to appoint an Authorised Corporate Director (“ACD”). The ACD is responsible for the day-to-day management of the ICVC. The Company has appointed Orbis Investment Management (Luxembourg) S.A. as its ACD. The ACD is a management company licensed and regulated by Luxembourg’s *Commission de Surveillance du Secteur Financier* and is located at 155, rue Cents, Luxembourg L-1319. The directors of the ACD are Alexander Cutler, James Dorr and Alireza Ziai.

## Changes to the Fund during the Period

With effect from 6 April 2015, the Refundable Fee Class (income) was closed and the Refundable Fee Class (accumulation) was launched in the Fund.

The Fund uses forward currency contracts to manage exposure to exchange risks in the context of the management of its assets and liabilities. The Fund does not actively target net negative currency exposures. Nevertheless, regular trading in this Fund and/or market movements will occasionally give rise to small net negative currency exposures that may remain unhedged for a prescribed period, taking due account of the interests of shareholders. Accordingly, with effect from 18 November, 2015 the Prospectus was amended to clarify that the Fund may not enter into derivatives transactions for the purpose of causing net negative currency exposures, and any such exposures which arise as a result of the Fund’s regular portfolio management activities are eliminated taking due account of the interests of shareholders.

The list of eligible markets for the Fund was updated during the period, to reflect name changes, market consolidation and the introduction of some new exchanges in the United States of America and Hong Kong.

With effect from 1 January 2016, Citibank International plc, the depository of the Company at 31 December 2015, merged into Citibank Europe plc.

For further information, the most recent Prospectus can be found online at [www.orbisaccess.co.uk/reports-and-documents](http://www.orbisaccess.co.uk/reports-and-documents).

## Important Information

Past performance is not a reliable indicator of future results. Values may fall as well as rise and you may get back less than you originally invested. It is therefore important that you understand the risks involved before investing. This report does not constitute advice nor an offer to sell or a solicitation to buy shares of the Fund or other securities in the companies mentioned in it (“relevant securities”). It has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Entities and employees of the Orbis Group are not subject to restrictions on dealing in relevant securities ahead of the dissemination of this review.

# GLOBAL BALANCED FUND

## Portfolio Manager's Report<sup>1</sup>

**Portfolio Manager:** Orbis Investment Management Limited

### Performance Summary

For the 12 months ended 31 December 2015, the Global Balanced Fund, Standard Share Class, returned 4.2%, while its benchmark, comprised of 60% MSCI World Index and 40% JP Morgan Global Government Bond Index, returned 4.4%. The peer group sector returned 2.7%.

2015 was a turbulent year for global markets, and our performance in this environment was below the expectations that we set for ourselves, with the Fund performing nearly in line with its benchmark. We invest in the Fund ourselves, and we share your frustration. We work hard to ensure we don't overreact in stormy environments. Unfortunately, our 'steady hand' sailed us into the choppy part of the markets in 2015.

Several of our worst equity underperformers in the year came from energy or materials companies, with most of these being fairly recent investments. The Fund had 8.1% invested in energy-related companies at the end of 2015. We have written in the Fund's Q4 2015 commentary about our stance and outlook on these investments. Long story short, while shares of these companies have followed energy prices downwards, our research gives us conviction that each holding has the potential to produce a pleasing return over our whole holding period. In the short term, however, the price of oil will heavily influence the performance of these investments.

The Fund's biggest winner in 2015 was Chinese online gaming company NetEase, whose share rose by 85%. In the past year, investors have become more positive about the company's mobile initiatives, particularly its ability to design hit mobile games, as was reflected in its reported results.

### Portfolio Activity

At 31 December 2015, 84% of the Fund was invested in equities and 15% in fixed income and cash. The bulk of these fixed income investments were in corporate bonds, compared to the benchmark's 40% weight in government issues. With government bond yields low, we continued to believe that selected equities and corporate bonds offered a better balance of risk and return. As bottom-up opportunities drive our asset allocation decisions, we preferred unpopular shares in traditionally stable parts of the market (such as Merck, at 3.6%), as well as stable shares in unpopular parts of the market (such as KEPCO, at 1.6%).

Shares in the Information Technology sector made up the largest concentration of investments in the Fund, at 24.4%. Among the top holdings were NetEase (3.8%), Motorola Solutions (3.6%), QUALCOMM (3.1%) and Samsung Electronics (2.4%).

NetEase and Samsung also formed part of a 16.0% concentration in Asia ex-Japan shares, which was home to another top holding, JD.com (2.0%). While emerging markets such as China are often considered risky, we believe the companies held by the Fund are high quality and offer a good balance of risk and potential long-term reward.

Over the year, we added to our position in NetEase (1.8% at 31 December 2014 vs 3.8% at the end of 2015). Our assessment of its intrinsic value increased over the past year, and we continued to find the stock attractive despite its strong price performance. Though a Chinese online gaming company does not sound like traditional balanced fund fare, we believe NetEase is a cash-rich and highly cash-generative business with sustainable growth prospects. While we support the company's current focus on reinvestment, in time this cash stream could support a substantial dividend for shareholders.

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<sup>1</sup> Percentages in the Manager's Report are calculated in accordance with the valuation policies of the Prospectus which may apply either mid or close prices depending on the securities held.

## Outlook

While it is frustrating to see some of our high-conviction investments underperform in 2015, we remain excited about the value we see in the Fund. By continuing to apply our fundamental, long-term, and contrarian philosophy with an opportunistic approach to risk management, we are confident that we can deliver on the Fund's mandate in the long term.

*Information as at 31 December 2015*

## Performance Summary

	£ Highest Share Price	£ Lowest Share Price	£ per share Net Income Distributed
<b>Standard Share Class (Income)</b>			
2015	11.3897	9.7730	0.3009
2014	10.7826	9.7817	0.2429
<b>Fund Management Fee Free Class (Income)</b>			
2015	11.3889	9.7726	0.3010
2014	10.7838	9.7818	0.2447
<b>Refundable Fee Class (Accumulation)<sup>1</sup></b>			
2015 <sup>2</sup>	11.5330	11.2089	-
2014	10.6719	9.9495	-
<i>Past performance is not a reliable indicator of future results.</i>			

<sup>1</sup> The Refundable Fee Class (Accumulation) is available only to the Fee Reserve Administrator and is used for investment of the Reserve. At times during the period, there were no shares in issue. The disclosed "highest price per share" and "lowest price per share" represents the highest/lowest price during periods in which there were shares in issue.

<sup>2</sup> Effective from 6 April 2015, the Refundable Fee Class (Income) was closed and the Refundable Fee Class (Accumulation) was launched. No Refundable Fee Class (Income) shares were in issue on 6 April 2015.

## Fund Overview

### Sector Exposure

Sector	Weight	
	31 December 2015	31 December 2014
Information Technology	24.4%	21.1%
Financials	14.3%	20.8%
Health Care	10.4%	5.8%
Industrials	10.2%	5.8%
Consumer Discretionary	9.4%	14.5%
Energy	8.1%	7.6%
Materials	7.8%	5.7%
Telecommunication Services	5.1%	6.4%
Consumer Staples	3.4%	5.1%
Utilities	3.1%	3.5%
Government	2.2%	-
Other	1.8%	3.7%

### Top 10 Holdings

Security Name	Asset Type	Weight	
		31 December 2015	31 December 2014
NetEase	Equity	3.8%	1.8%
Motorola Solutions	Equity	3.6%	2.3%
Merck	Equity	3.6%	3.3%
QUALCOMM	Equity	3.1%	1.1%
Alcoa	Fixed income	2.6%	2.7%
Carnival plc	Equity	2.4%	2.6%
Samsung Electronics	Equity	2.4%	3.4%
XPO Logistics	Fixed Income	2.3%	1.1%
Thomas Cook Group	Fixed Income	2.0%	1.9%
JD.com	Equity	2.0%	-

**Geographical Exposure**

Geographical Area	Weight	
	31 December 2015	31 December 2014
North America	43.2%	44.7%
Asia	23.0%	23.0%
Europe ex-UK	16.9%	14.5%
United Kingdom	15.3%	16.1%
Australia and New Zealand	1.2%	-
South and Central America	0.2%	0.9%
No Geographic Region	0.2%	0.8%

**Charges (for the Standard Share Class)<sup>1</sup>**

	For the year ended 31 December 2015
Ongoing charges <sup>2</sup>	0%
Performance fee	0%

**Important Dates**

	Annual	Interim
Accounting date	31 December	30 June
Income distribution date	28 February	N/A

<sup>1</sup> All ongoing charges were also met by Orbis Investment Management Limited for the Fund Management Fee Free Share Class and Refunable Fee Share Class. There are no performance fees charged on these share classes.

<sup>2</sup> All charges were met by Orbis Investment Management Limited.

## Objectives and Risks

### Investment Objective

The Fund seeks to balance income generation, capital growth, and risk of loss using a diversified global portfolio. The Fund's success or failure with regard to this objective is measured by comparing its returns with those of its Benchmark, 60% MSCI World Index and 40% JP Morgan Global Government Bond Index (the "Benchmark"). This Benchmark combines indices which measure the performance of some of the largest companies listed on world stock exchanges and bonds issued by governments around the world.

### Investment Policy

In pursuing its investment objective, the Fund will invest primarily in shares of publicly listed companies and fixed income instruments. These may be located anywhere in the world, in any industry and issued by governments, corporate entities, partnerships, business trusts or other issuers.

While the Fund aims to be fully invested in selected shares of such companies and fixed income instruments, it may, to the extent permitted by the Fund's investment restrictions, also invest indirectly in commodities such as metals through commodity-linked instruments as defined below. The Fund may also invest in other types of investments such as securities, cash, money market instruments, deposits, derivative instruments or other investment funds. The Portfolio Manager targets the portfolio to hold:

- 40 – 85% global equities
- < 50% fixed income instruments, cash and cash equivalents and
- 0 – 10% commodity-linked instruments.

For these purposes, fixed income instruments include debt securities with fixed and floating rates and money market instruments, and commodity-linked instruments are instruments and securities where an investor's return and the issuer's payment obligations are contingent on, or highly sensitive to, changes in the value of physical commodities (such as metals, energy and agricultural products), including, without limitation:

- (a) exchange-traded funds that hold physical commodities or that enable investors to gain exposure to commodity indices;
- (b) futures, forwards, options or swaps on a commodities index (but not on a single commodity);

but exclude exchange-traded funds that hold transferable securities, single name securities of companies that are exposed to the physical commodities sector, or futures, forwards, options or swaps on a financial index that is not linked to physical commodities.

However, the composition of the portfolio may from time to time move outside these targets in pursuit of the Fund's investment objectives. At any given time, the Portfolio Manager will invest in a limited selection of shares and fixed income instruments, from around the world, which it considers to be most undervalued compared to its assessment of what they are worth. As a result, the Fund's holdings will often be relatively concentrated in some geographic regions or industries, while at the same time having little or no exposure to others.

From time to time the Fund uses derivatives such as futures and options on broad stockmarket indices in the regions in which the Fund is invested for efficient portfolio management purposes including with the intention of reducing the risk of loss associated with the Fund's equity investments as a result of a significant decline in the stockmarkets. This risk reduction may not be achieved.

Similarly, the Portfolio Manager actively manages the Fund's currency exposure, which can also differ greatly from the currency exposures of its Benchmark and therefore may significantly influence returns. The Fund will not enter into derivatives transactions for the purpose of causing net negative currency exposures. Net negative currency exposures which arise as a result of the Fund's regular portfolio management activities are eliminated taking due account of the interests of Shareholders.

## Risk Profile

Investing in stocks may offer a higher rate of return than investing in short-term and longer-term debt securities. However, the risks, including the risk of loss, associated with investments in stocks may also be higher.

Currency exposure is managed relative to the Fund's Benchmark and the value of the Fund and its performance relative to the Benchmark may be affected by currency movements.

The Fund's holdings usually differ meaningfully from the Benchmark and will often be relatively concentrated in some geographic regions or industries, while at the same time having little or no exposure to others. This means that events causing a decline in the value of holdings in industries in which the Fund is invested may have a significant effect on the Fund's value and its performance may differ significantly from the Benchmark.

The Fund's derivative use may add to the Fund's returns during periods of stockmarket declines and detract from them during periods when stockmarket returns exceed those on cash. Use of derivatives generally may result in the Fund being leveraged and can result in increased volatility in the net asset value of the Fund.

The Fund offers no capital guarantee or protection.

More information in relation to risks in general may be found in the "Risk Factors" section of the Prospectus which can be found online at [www.orbisaccess.co.uk/reports-and-documents](http://www.orbisaccess.co.uk/reports-and-documents).

## Synthetic Risk and Reward Indicator

The Risk and Reward Indicator is a simple measure of the risk associated with investing in the Fund. The higher the rank, ranging from Category 1 to Category 7, the greater the potential reward but the greater the risk of losing money.

For periods prior to the Fund's launch where there is no performance history, the indicator is based on the Fund's Benchmark. Historical data, such as the data used in calculating this indicator may not be a reliable indicator of the future risk profile of the Fund.

The risk and reward category may shift over time and is not a target or a guarantee. The lowest category (i.e. Category 1) does not mean a risk-free investment.

The Fund is in **Category 4** because the Benchmark and performance data used have shown a medium range and frequency of price movements (volatility) of the underlying investments referenced by the Fund.

Our Client Support team is available to answer any questions that you may have. If you are contacting us about your account, we may ask you a few security questions first to ensure you are the true account owner.

The Annual Long Report for Orbis OEIC for the period ended 31 December 2015 is available upon request. To obtain a copy, please contact our Client Support team by visiting [www.orbisaccess.co.uk/support](http://www.orbisaccess.co.uk/support).