

**Peer Group:**

Japanese Mainstream Equities

**Fund Manager/Adviser:**

Allan Gray (since launch), William Gray (since launch) / Team

**Location:**

Bermuda, Hamilton

**Launch Date:** June 1998

**Fund Size (April 2009):**

US\$311m, ¥30.13bn

**Group Contact No:**

+1 441 296 3000

**Website:**

www.orbisfunds.com

**S&P ID Number:** OS307172

**Share class screened:**

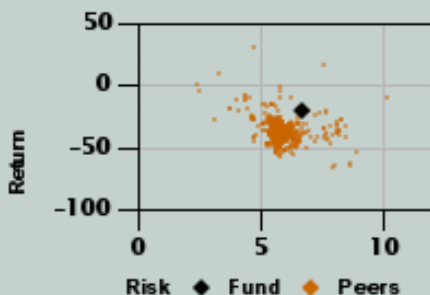
USD



**INVESTMENT STYLE**

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

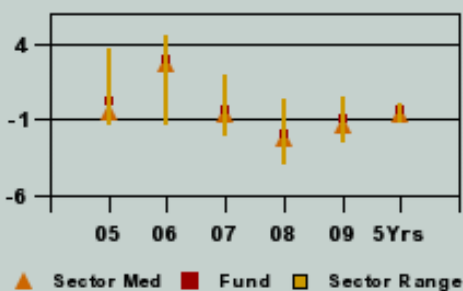
**RISK RETURN (STD DEVIATION) OVER 5 YEARS**



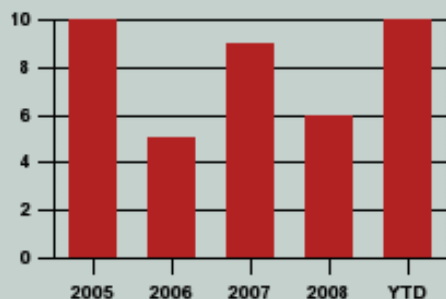
**3 YEAR RISK CHARACTERISTICS**

Maximum Drawdown (%)	High	-60.3
Volatility	Medium	25.1
Correlation	High	0.9
Beta	Medium	1.1

**SHARPE RATIO VS PEER GROUP**



**CALENDAR YEAR DECILE RANKS**



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)

Performance Data Source - © 2009 Morningstar, Inc. All Rights Reserved. All statistical data on this report has been run to 31/03/2009 on NAV to NAV basis, with gross income reinvested, in Japanese Yen.

**STANDARD & POOR'S OPINION (JUNE 2009)**

William and Allan Gray established Orbis Investment Management in 1989. They have 17 and 34 years' investment experience respectively. Although they are the named managers, and are ultimately responsible, this fund is very much team driven.

The portfolio is constructed bottom-up drawing on the stock ideas generated by the in-house team of 37 equity analysts. Seven focus on Japanese companies, including one new hire that will join later in 2009. The analysts are much less experienced than William and Allan Gray and most have been in place for less than three years.

As the number of analysts has expanded, their influence on the portfolio has increased. Brett Moshal, who is based in London, is significantly involved in the management of this fund. This has allowed William and Allan Gray to spend their time

challenging the analytical team's ideas and nurturing the investment culture rather than on in-depth stock research.

The approach has been highly successful over the long term with the yen-denominated share class ranking top-quartile over three and five years within the S&P peer group. However, as this fund is hedged into US dollars, its performance relative to peers can be more volatile as it is influenced by movements in the exchange rate.

Although we welcome the expansion of the analytical resource, we are somewhat concerned that many analysts have less than three years' experience. However, we are reassured that William and Allan Gray continue to have overall responsibility and this ensures the fund retains its S&P AAA rated status.

**FACT FILE**

**Group:** Orbis Investment Management was established in Bermuda to manage the Orbis mutual funds. The original family of three funds was launched in January 1990. The group has offices and analysts in a number of locations, including Bermuda, London, San Francisco, Sydney, Seoul and Vancouver.

**Team:** The team has expanded and there are now over 30 analysts, based across offices in Bermuda, London, San Francisco, Seoul and Sydney. Responsibilities are divided by sector and region.

**Fund Manager:** Allan Gray, founder and chairman of Orbis, shares responsibility for this fund with William Gray. They challenge and select investment ideas from the research team.

**Style:** The portfolio is constructed from the bottom-up, harnessing high-conviction stock ideas based on discount to intrinsic value generated by the research team. There is a three- to five-year time frame.

**Performance:** Over the five years to 31/03/2009, the fund has returned -20.6%, compared with -37.7% for the sector median and -27.6% for the index, ranking 34/611.

**FUND MANAGER & TEAM**

William Gray, president, leads a team of over 30 analysts based in London, San Francisco, Bermuda, Seoul and Sydney. Allan Gray, who has considerable experience on Japan, leads on Japanese equities.

A proprietary quantitative screen is the primary source of investment ideas. Specific stock recommendations then come from the analysts. These are challenged by other analysts and fund managers to enhance conviction in ideas, but the final decision to include a name lies solely with the fund managers. Responsibilities are divided along regional or sector lines.

Allan Gray - chairman - BComm, CA (SA), MBA (Harvard), CFA, doctor of law (hc), worked for Fidelity for nine years, founding Allan Gray Limited in the 1970s and Orbis in the 1980s.

William Gray - BComm, MBA (Harvard), CFA, joined Orbis Bermuda in 1993, having worked with Orbis in London and its predecessor company in Hong Kong.

## PORTFOLIO CHARACTERISTICS

No. of holdings	43
Turnover ratio (%)	N/A
% in top 10	49

## TOP 10 HOLDINGS (01/04/09)

	%
Mitsubishi UFJ Financial *	8.3
T&D Holdings *	6.2
Nomura Research Institute	5.7
SBI Holdings	5.6
Yamada Denki *	4.6
ITOCHU Techno-Solutions	4.3
Sundrug *	4.0
Elpida Memory	3.6
Fuji Media Holdings	3.6
NOK	3.4

\* In top 10 holdings a year ago

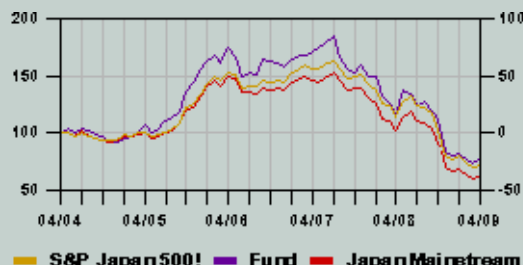
## ALLOCATION BREAKDOWN (01/04/09)

	Fund %
Basic materials	3.0
Cash	1.0
Consumer goods	5.8
Consumer services	32.5
Financials	23.9
Healthcare	3.2
Industrials	6.1
Oil & gas	0.0
Other	0.0
Technology	24.5
Telecoms	0.0
Utilities	0.0

## PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	-54.4%	-20.6%
Standard & Poor's Peer Median	-58.7%	-37.7%
Index**	-52.6%	-27.6%
Fund Rank	173/811	34/611
Standard Deviation	25.1	-
Relative Standard Deviation	1.2	-
Volatility Adjusted Ranking	89/811	-

## CUMULATIVE PERFORMANCE



# ORBIS JAPAN EQUITY (US\$) FUND

Peer Group: Japanese Mainstream Equities



## MANAGEMENT STYLE

This fund invests in the Sicav fund yen class share, hedging into US dollars. The Sicav targets 10% incremental alpha each year over a cycle, not index outperformance.

The portfolio is run bottom-up, unconstrained by any benchmark. The managers aim to identify stocks trading at a significant discount to intrinsic value. The team compiles a list of mispriced stocks using a proprietary quant process, relying on a database of price and fundamental financial information on around 1,500 stocks. The analysts then calculate the intrinsic value of the shortlisted stocks by evaluating the company's ability to generate superior growth

in cashflow, earnings and dividends in the projected macro environment. This valuation incorporates management quality, balance sheet strength and gearing. The analysts present the best ideas to their peers and portfolio managers for debate. However, selection rests solely with the portfolio managers.

This contrarian style results in a focused portfolio of around 50 primary holdings. Risk management emphasises avoiding permanent capital loss, controlling exposure to corporate and thematic variables, rather than targeting tracking error against a benchmark.

## PORTFOLIO REVIEW

The portfolio was heavily weighted towards domestic-oriented companies for much of 2008. This changed towards the end of the year when there was a shift out of domestic stocks into cyclical.

At end-March 2009 the portfolio was invested in 43 holdings, which was slightly less 12 months previously when the portfolio was invested across 48 stocks. Despite this reduction in stock numbers, top 10 concentration was changed little at 49%.

The portfolio was significantly overweight in consumer services (+21.6%), technology (+17.7%) and financials (+8.6%). In contrast the fund was underweight in consumer goods (-16.4%) and industrials (-12.4%). It was zero-weighted in oil & gas, utilities and telecoms.

Almost two-thirds of the portfolio was invested in mid-cap TOPIX Mid 400 stocks while large-cap TOPIX 100 stocks made up less than 19% of the portfolio. The remainder was invested in small-caps (12.3%), JASDAQ (0.9%) and cash.

## PERFORMANCE ANALYSIS (APRIL 2009)

This fund has a very strong long-term track record since launch in 1998. However, because this fund is fully hedged into US dollars, performance is significantly influenced by movements in the US dollar. The fund is comfortably top quartile cumulatively over five years to end-March 2009.

Top-decile returns in 2007 were underpinned by strong stock selection across most sectors, which offset negative sector allocation. Cutting exposure to exporters early in 2007 caused the fund to miss the strong rally in

commodity stocks but in Q4 the fund gained from the strengthening in the yen which caused exporters to underperform the broader market. This theme continued to support returns through 2008, although the continuing weakness in the US dollar saw top-decile returns (in yen terms) watered down to a second quartile ranking.

In 2009 to date, performance within the peer group has been strong. However, it has been flattered by the strengthening US dollar, which has masked underperformance from weak sector allocation.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2005		2006		2007		2008		YTD 31/03/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	69.8	21/696	1.0	433/788	-9.4	134/995	-45.3	557/1111	-2.9	102/1160
Index**	44.7		6.9		-10.0		-42.1		-9.1	
Median	45.3		1.8		-13.3		-45.3		-8.6	

\*\* S&P Japan 500!

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