Orbis OEIC Global Equity (Standard)

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund has a distinctive and naturally contrarian investment approach. It has been applied to managing money since 1990 and has generated exceptional returns for patient investors with a long-term mindset.
- The fund draws upon the extensive resources of the wider Orbis group, where differentiated thinking is at the heart of the investment ethos. The whole focus is on generating outperformance over the long term, using collective brain power.
- The approach and remuneration policy encourage competitive work practices and alignment of interests with unitholders.
- Orbis is privately-owned and independently minded in its culture. This has been very helpful at times of market dislocation when the contrarian nature of the investment process tends to shine.

Key characteristics and expected outcome

- There are no formal geographical or sector restrictions, so the fund is very much a bottom-up, alpha-seeking global equity fund. There is no structural style bias, and its aggregate characteristics can shift from value to growth according to opportunity set.
- It is best suited to long-term investors who are comfortable with a differentiated risk/return outcome. The very long-term track record is strong, but it is punctuated by more challenging times, which can be long in duration. This pattern is in keeping with their willingness to embrace controversial ideas where intrinsic value is present.
- *A performance fee is charged, rather than an annual management fee (Standard share class). This performance fee is levied at 40% of outperformance of the benchmark. The fee is refundable at the same rate in the event of underperformance. See the prospectus for details.*

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 5. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 5 means the fund's historic volatility is between 10% and 15%.

Scores of 5 and 6 are most common in the sector. Over the long term, we would expect the fund to demonstrate similar risk characteristics to the index, but it has the potential for bouts of higher/lower volatility when looking over the shorter term, given its concentrated and contrarian nature. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	01 January 2014
Manager(s) Since:	Orbis Investment Team (Jan 14)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	MSCI World
IA Sector:	Global

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

A concentrated global equity fund which is managed in a highly collegiate fashion, using a long-standing and distinctive investment approach. The process is characterised by the search for mis-priced stocks and, while they are always conscious of valuation, this does not preclude them from investing in what they regard as unloved growth stocks. Within its sector, the fund features in our 'Large-Cap, Blend' category.

Investment Team

The fund is managed using a team-based approach, designed to harness the best ideas of a small group of carefully selected stockpickers. Adam Karr, Benjamin Preston and Graeme Foster, each with a global remit, are responsible for directing client capital into the highest conviction ideas. The three managers meet formally twice a week to ensure each of them are making decisions in the context of the overall portfolio and also consider the inputs of their currency and risk analysts. Mr Karr has final accountability for the strategy, including selecting and monitoring those who direct client capital.

Investment Philosophy

The team is focused on identifying companies that trade at a significant discount to their view of intrinsic values. While they are always conscious of valuation, this does not preclude them from buying unloved growth stocks, or optically expensive value stocks. They typically invest on a three to five-year time horizon and are natural contrarians, preferring to invest in companies that are out-of-favour, misunderstood or currently spurned by investors.

Investment Process

A highly structured research process resides at the heart of Orbis' investment team. The analyst teams are based in San Francisco, Hong Kong and London and undertake research from both a global sector and geographical perspective. There are four regional teams covering the US, Europe, emerging markets and Japan, as well as a global sector team. Orbis typically hires talented individuals with limited investment experience so that they can learn the investment process from scratch. In their early years, they run paper portfolios of their best ideas and are assessed and remunerated on the basis of their success in this endeavour.

The process combines both qualitative and quantitative tools to identify stocks that are potentially trading below their intrinsic values. If the investment idea passes a three-stage test, it is considered for purchase at the Policy Group Meeting, where it endures intensive peer review. The whole process is designed to harness the best ideas of a small group of individually accountable analysts, who have proven stock-picking skill. The portfolio is calibrated to ensure it reflects broader market and portfolio considerations, with input from the risk and currency analysts.

Portfolio Construction and Risk Controls

Stocks are included in the portfolio on the basis of the conviction of the analysts, the capital available and portfolio level considerations such as marketability and ownership. Portfolio turnover is typically low, at 30%-40% annually, but this is subject to market conditions. The risk function is based in London and regular reports are produced for the investment team. It should be noted that the standard share class of the fund has a unique performance fee, which is designed to align investors in the fund and the managers (see prospectus for details).

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