

Orbis Global Equity LE Fund (Australia Registered) - Retail Class

Rating issued on 29 Nov 2023 | APIR: ETL3523AU

Investment objective

To achieve higher returns than the average of the world's equity markets, without greater risk of loss and after applying exclusions. However, Orbis' internal outperformance objective is 5% p.a. of the MSCI ACWI With Special Tax Index \$A (before fees) over the longer term.

Manager	Orbis Investment Management Limited
Distributor	Orbis Investment Advisory Pty Ltd
Sector	International Shares \ Global (Unhedged)
Investment Style	Value
RI Classification	Integrated
Absolute Risk	High
Relative Risk	Active - Benchmark Unaware
Investment Timeframe	7+ Years
Benchmark	MSCI World Ex Aust \$A
Min Investment Amount	\$10,000
Redemption Frequency	Daily
Income Distribution	Annually
Fund Size (31 Oct 2023)	\$11.00M
Management Cost	1.05% p.a. Incl. GST
Performance Fee	25% of the Fund's outperformance (after fees) of the MSCI ACWI With Special Tax Index \$A is paid into a reserve. Underperformance refunds are issued at the same 25% rate from the reserve.
Buy / Sell Spread	0.25 % / 0.25 %
Inception Date	17 Feb 2021

Fund facts

- Expected to hold 50 to 60 stocks
- Exhibits a mid-cap bias
- Employs an active currency overlay

Viewpoint

The Fund, managed by Orbis Investment Management (Orbis) and distributed by Allan Gray Australia, offers investors a contrarian-styled, benchmark-unaware international equities exposure. Negative screens on tobacco and controversial weapons are applied to the Fund, with definitions of involvement varying according to the type and extent of exposure. Despite the recent inception of the Fund, Zenith's conviction is underpinned by Orbis' longstanding investment process and high-quality investment personnel. Overall, Zenith believes that the Fund is a highly differentiated and attractive offering.

Orbis was founded by Dr Allan WB Gray in Bermuda in 1989 as a global fund manager to provide pooled investment services to wholesale and retail investors. Orbis remains privately owned, with the Allan and Gill Gray Foundation owning the majority of the firm.

The investment team is led by Adam Karr, who assumed this responsibility from William Gray in January 2022. Karr originally joined Orbis in 2002 and remains a portfolio manager of the Fund. Zenith believes Karr has the requisite skills and experience to lead the team. In addition, Gray remains involved in the business as Chair of Orbis Holdings Limited Board.

The Fund is managed through a multi-portfolio manager approach, with all portfolio managers involved in the Fund having a global investment mandate. Zenith notes that the portfolio managers are long-tenured members of the team with strong individual track records.

Orbis restructured its portfolio management team in May 2022, reducing the number of portfolio managers from five to three. Karr and Ben Preston remain as portfolio managers, with Graeme Forster joining as a co-portfolio manager on the strategy. The three previous portfolio managers continue to focus on regional coverage with Orbis. Whilst Zenith is broadly supportive of the changes, we would like to observe a period of stability amongst the investment team and will continue to monitor the efficacy of the new structure.

The investment team, which is organised along both regional and global sector lines, comprises 60 investment professionals spread across London, Bermuda, San Francisco, and Hong Kong. Zenith believes the investment team is well-resourced and of a high calibre.

Orbis' contrarian investment philosophy centres on the belief that equity markets are often inefficient or irrational. As a result, a company's share price may deviate substantially from its intrinsic value over the short to medium term. Orbis seeks to identify companies that are misunderstood or out of favour and trading significantly below their long-term intrinsic value.

Applying in-depth fundamental research, Orbis assesses the perceived risk and reward relationship of each investment idea. Zenith has a high degree of confidence in the analytical depth and rigour of Orbis' stock selection process. In addition, we believe the research process provides analysts with considerable freedom and the robust peer review stage ensures investment discipline is maintained across all investment ideas.

Karr is responsible for overseeing the Fund's capital allocated across each sub-portfolio. Orbis seeks to construct a portfolio that contains the highest conviction stock ideas of the team and reflects broader market and portfolio level considerations. However, Zenith believes one of the key drawbacks of a multi-portfolio manager structure is the potential for immaterial holdings to be present in the Fund.



Fund analysis

Fund characteristics

Constraint	Value
Security Numbers	50 to 60
Absolute Stock Weight	5% (Soft Limit)
	10% (Hard Limit)
	Holdings greater than 5% must not exceed 40% (in aggregate)
Issued Capital	Max: 10%
Cash	Max: 10%

Investment objective and philosophy

The Fund's investment objective is to achieve higher returns than the average of the world's equity markets, without greater risk of loss and after applying exclusions. However, Orbis' internal outperformance objective is 5% p.a. of the MSCI ACWI With Special Tax Index \$A (before fees) over the longer term.

Orbis seeks to identify companies that are misunderstood or out of favour and are trading significantly below their long-term intrinsic value. Applying in-depth fundamental research, Orbis assesses the perceived risk and reward relationship of each investment idea.

Orbis' contrarian investment philosophy centres on the belief that equity markets are often inefficient or irrational. Investors may be motivated by greed and fear, succumbing to herd instincts, often overlooking a company's fundamental worth. As a result, a company's share price may deviate substantially from its intrinsic value over the short to medium term.

Orbis invests in these companies, believing that business fundamentals will prevail over market noise in the longer term, which leads to share prices appreciating towards intrinsic value.

Despite the recent inception of the Fund, Zenith notes that it is managed under Orbis' longstanding investment process. Compared to Orbis' flagship global equity strategy, negative screens on tobacco and controversial weapons are applied to the Fund, with definitions of involvement varying according to the type and extent of exposure, and remaining holdings are re-weighted.

Zenith notes that Orbis' flagship Global Equity strategy has historically held a maximum of 10% and an average of 1.5% in companies that are screened out of the Fund's investment universe. While Zenith would prefer that Orbis found appropriate replacements for these companies, we believe that Orbis has demonstrated an ability to maintain the integrity of its longstanding investment approach while adhering to the Fund's negative screens.

Portfolio applications

In general, compared to most other asset classes, equities offer investors the opportunity for higher capital growth over the longer term with some income. However, this higher growth is also often associated with higher volatility, particularly with

international equities when currency movements are considered. International equities provide investors with a broad exposure to industries and countries. With this broad universe, it is expected that managers can deliver superior returns to more conservative asset classes. Therefore, we recommend investors adopt a longer time frame when investing in international equities. It is also recommended that investments in international equities are blended with domestic equities and other asset classes to improve portfolio diversification.

Given the contrarian investment process, the Fund will hold a benchmark-unaware portfolio of companies that are typically experiencing a period of distress or are unpopular with investors. Additionally, the Fund will typically maintain a tilt towards companies with smaller market capitalisations. As such, Zenith expects the Fund's performance and volatility profile to differ materially from that of the benchmark and peers over the short term. Given the Fund's characteristics, Zenith believes it may be more suited to investors with a higher risk tolerance, that is, those who can withstand periods of high volatility for the potential of higher returns.

Zenith believes that the Fund is best used as a complementary exposure to a diversified international equity allocation rather than a standalone exposure. The Fund could be blended with style-neutral or growth-orientated international equities products to achieve a more diversified exposure to the sector, depending on the investor's risk tolerance. Given the risks inherent in global equities and this strategy, investors are encouraged to adopt a long-term investment time horizon of at least seven years.

Zenith believes the Fund may appeal to investors seeking to minimise their exposure to companies involved in tobacco and controversial weapons. However, we caution that the Fund should not be viewed as an investment that has a specific environmental, social and governance (ESG) focus. Unlike strategies with a specific ESG focus, Orbis does not aim to maintain a portfolio that has superior ESG characteristics.

The Fund's portfolio turnover is expected to average approximately 60% p.a. over a market cycle, which Zenith considers to be moderate. Orbis has indicated that approximately 50% of the expected turnover is attributed to resizing existing positions and approximately 50% is due to complete sales and new additions. Given this expected level of turnover, the Fund's returns are expected to be delivered via both capital appreciation in the unit price and the realisation of capital gains in income distributions. In addition, realised capital gains are likely to be eligible for the capital gains tax discount. As such, holding all else equal, this could be beneficial for investors on higher marginal tax rates, although the Fund may also be appealing to investors who are nil/low tax rate payers or high marginal tax rate payers who invest through tax-effective vehicles such as a superannuation fund.

Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Integrated
Has Responsible Investment Policy	Yes



Key Information	Description
PRI Status	
PRI Signatory	Yes

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact



Absolute performance

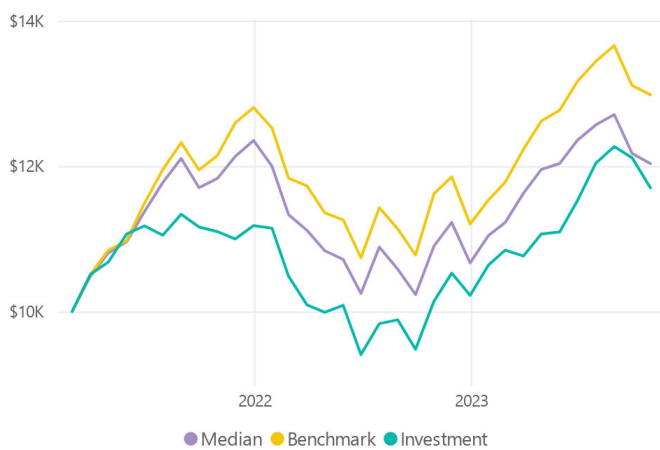
Performance as at 31 Oct 2023

Monthly performance history (% , net of fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*
2023	4.08%	1.92%	-0.74%	2.81%	0.27%	3.87%	4.48%	1.89%	-1.25%	-3.42%			14.47%	15.88%
2022	-0.32%	-5.94%	-3.74%	-1.01%	0.95%	-6.72%	4.54%	0.53%	-4.10%	6.96%	3.83%	-2.91%	-8.58%	-12.52%
2021			5.12%	1.59%	3.62%	1.02%	-1.15%	2.61%	-1.55%	-0.56%	-0.92%	1.67%	11.82%	28.06%

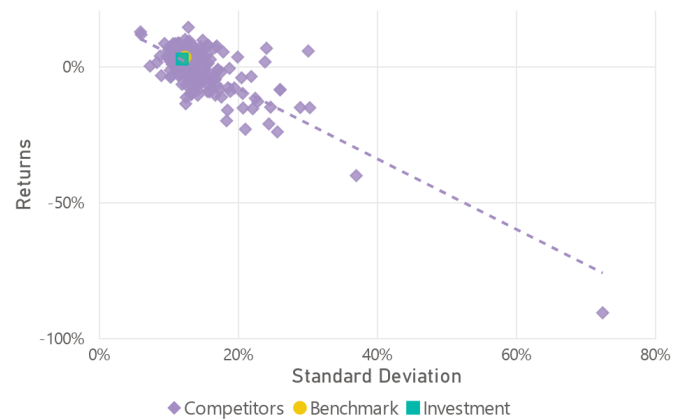
*MSCI World ex Aust \$A

Growth of \$10,000

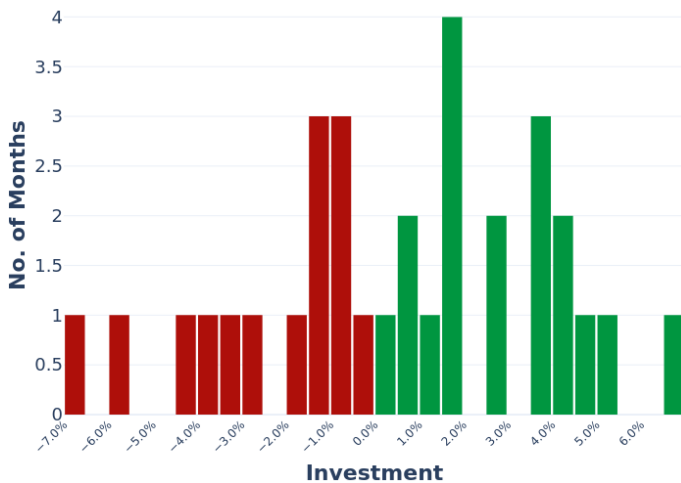


Risk / return

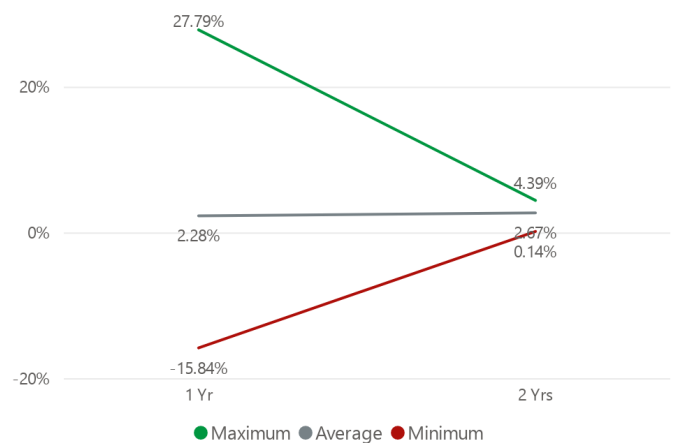
2 Yrs (% p.a.)



Monthly histogram



Minimum and maximum returns (% p.a.)





Absolute performance analysis

Instrument	3 Mths	6 Mths	1 Yr	2 Yrs	Inception
Investment	-2.83%	5.74%	15.39%	2.67%	6.07%
Income	-0.00%	7.91%	8.63%	9.20%	7.48%
Growth	-2.83%	-2.16%	6.76%	-6.53%	-1.41%
Benchmark	-3.42%	2.87%	11.72%	3.38%	10.28%
Median	-4.25%	0.74%	10.48%	0.89%	7.22%
Cash	1.04%	2.02%	3.66%	2.20%	1.65%

Ranking within sector (p.a.)

Ranking within Sector	1 Yr	Inception
Fund Ranking	50 / 216	112 / 184
Quartile	1st	3rd

Absolute risk

Instrument	1 Yr	2 Yrs	Inception
Standard Deviation (% p.a.)			
Investment	9.25%	12.00%	11.20%
Benchmark	9.81%	12.42%	12.00%
Median	9.55%	11.81%	11.43%
Downside Deviation (% p.a.)			
Investment	4.72%	8.23%	7.23%
Benchmark	6.87%	8.14%	7.29%
Median	6.60%	8.11%	7.31%

Absolute risk/return ratios

Instrument	1 Yr	2 Yrs	Inception
Sharpe Ratio (p.a.)			
Investment	1.27	0.04	0.39
Benchmark	0.82	0.10	0.72
Median	0.71	-0.11	0.49
Sortino Ratio (p.a.)			
Investment	2.48	0.06	0.61
Benchmark	1.17	0.15	1.18
Median	1.03	-0.16	0.76

Investors should note that Orbis benchmarks the Fund against the MSCI ACWI With Special Tax Index \$A. For consistency purposes, Zenith benchmarks all products in the International Shares - Global (Unhedged) sector against the MSCI World ex-Australia Index \$A. Accordingly, all performance and risk measurements are calculated with Zenith's assigned index.

All commentary below is as at 31 October 2023.

The Fund's investment objective is to achieve higher returns than the average of the world's equity markets, without greater risk of loss and after applying exclusions. However, Orbis' internal outperformance objective is 5% p.a. of the MSCI ACWI With Special Tax Index \$A (before fees) over the longer term.

Given the Fund's recent inception date, it is too early to draw any meaningful conclusions regarding the Fund's performance. However, Zenith notes that the Fund is managed under Orbis' longstanding investment process, which has a strong track record of outperformance dating back to 1990.

Investors should be aware that Orbis does not target a specific level of income for the Fund, with distributions made annually where possible. Zenith would prefer a more frequent distribution profile to alleviate potential issues involved with large distributions at 30 June.



Relative performance

Excess returns

Statistic	3 Mths	6 Mths	1 Yr	2 Yrs	Inception
Excess Return	0.60%	2.87%	3.66%	-0.71%	-4.21%
Monthly Excess (All Mkts)	66.67%	66.67%	58.33%	45.83%	43.75%
Monthly Excess (Up Mkts)	100.00%	75.00%	55.56%	38.46%	35.00%
Monthly Excess (Down Mkts)	50.00%	50.00%	66.67%	54.55%	58.33%

Capture ratios (% p.a.)

Statistic	3 Mths	6 Mths	1 Yr	2 Yrs	Inception
Downside Capture	93.43%	93.43%	72.12%	84.00%	81.26%
Upside Capture	117.82%	131.01%	100.93%	82.83%	72.14%

Tracking error (% p.a.)

Instrument	1 Yr	2 Yrs	Inception
Investment	7.25%	7.52%	7.89%
Median	1.64%	1.86%	1.72%

Information ratio

Instrument	1 Yr	2 Yrs	Inception
Investment	0.51	-0.09	-0.53
Median	-0.76	-1.34	-1.78

Beta statistics

Statistic	1 Yr	2 Yrs	Inception
Beta	0.67	0.78	0.72
R-Squared	0.51	0.66	0.59
Correlation	0.71	0.81	0.77

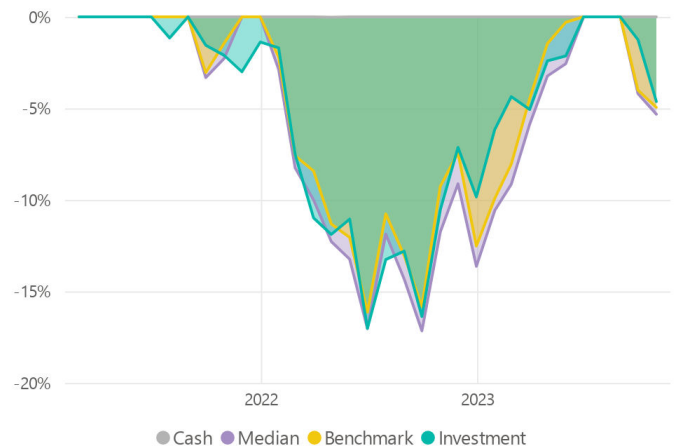
All commentary below is as at 31 October 2023.

Zenith seeks to identify strategies that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. In addition, we view a strategy's ability to produce stronger upside capture ratios relative to downside capture ratios as an attractive feature.

Given the Fund's recent inception date, it is too early to draw any meaningful conclusions regarding the Fund's performance. However, given Orbis' contrarian investment process, Zenith would expect the Fund's excess returns to be skewed towards a greater level of outperformance consistency during falling market conditions versus rising markets.

Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



All commentary below is as at 31 October 2023.

Given the Fund's recent inception date, it is too early to draw any meaningful conclusions regarding the Fund's performance.

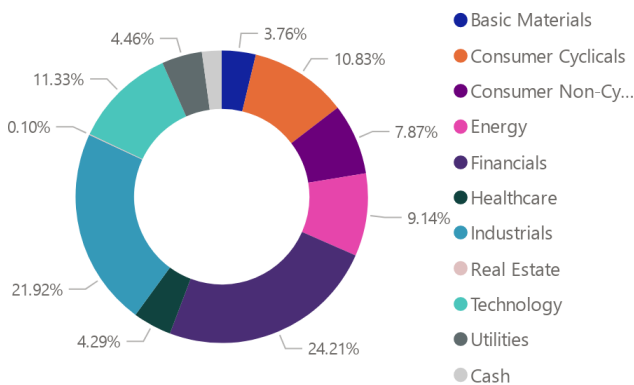


Product Exposures

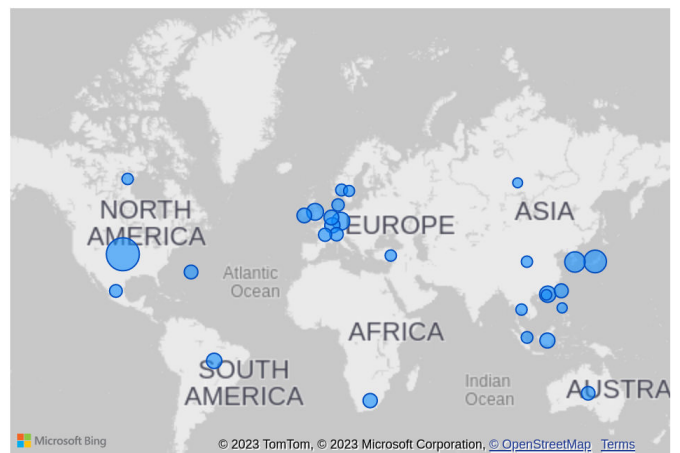
Holdings as at 30 Jun 2023

Stock	Weight	Country	Sector
FLEETCOR TECHS.INCO.	5.93%	USA	Industrials
GXOALOGISTICSAINC	4.61%	USA	Industrials
SMTSU.FGP.INCO.	4.54%	Japan	Financials
GLOBAL PAYMENTS INCO.	3.70%	USA	Industrials
INTACT.BCK.GP.INCORP.	3.40%	USA	Financials
SAMSUNG ELTN.CO.LTD.	3.38%	KOREA (SOUTH)	Technology
BMW AG.	3.01%	Germany	Consumer Cyclical
MITSUB.UFJ FINL.GP.INCO.	2.98%	Japan	Financials
CONSTELLATION ENERGY	2.60%	USA	Utilities
KB FINANCIAL GROUP INCO.	2.46%	KOREA (SOUTH)	Financials

Equity sector exposure



Equity country exposure





Fund commentary

Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks:

Key person risk: Due to Orbis' multi-portfolio manager structure, Zenith believes key person risk is relatively low. Whilst the departure of any portfolio managers within the team would be considered a material loss, Zenith believes the strength of Orbis' internal depth somewhat mitigates this risk.

Longevity risk: Managed funds that fail to grow funds under management (FUM) to a scalable level run the risk of being unviable to maintain over the longer term and could be wound up. The risks associated with a fund wind up are principally that of timing, forcing a crystallisation of tax consequences to investors that may not be suitable. As at 31 October 2023, FUM in the retail class of the Fund was approximately \$A 11 million.

Capacity risk: Excessive levels of FUM can inhibit a manager's ability to trade portfolio positions effectively, thereby limiting outperformance potential. Orbis has not provided an indicative capacity limit for the strategy, which Zenith considers to be an area for improvement. To be in line with industry best practice, we believe Orbis should conduct a comprehensive capacity and liquidity assessment to determine an appropriate limit for the strategy.

As at 31 October 2023, Orbis managed approximately \$US 32.3 billion, including \$US 18.9 billion in its global equity strategies. Whilst Zenith does not believe capacity is an issue for Orbis at current levels of FUM, we will continue to monitor Orbis' level of FUM and corresponding excess return generation closely to ensure that increasing levels of FUM do not begin to negatively impact performance.

Relative performance risk: Orbis constructs the Fund through a benchmark-unaware investment approach, which may result in performance diverging substantially from the benchmark and peers.

Emerging markets risk: The Fund is permitted to hold emerging market companies. While exposure to emerging markets has the potential to enhance returns and improve diversification, it can also be a source of added volatility and may be detrimental to the preservation of capital. Zenith would prefer to see an appropriate hard limit on the Fund's exposure to emerging markets.

Security/asset selection

Orbis' stock selection process follows a flexible yet disciplined framework. Although the Fund's investment universe consists of all listed stocks in global markets, negative screens on tobacco (classified by FTSE or MSCI) and controversial weapons (classified by Orbis semi-annually, using ISS research) are applied, with definitions of involvement varying according to the type and extent of exposure.

Ideas are initially generated through the use of a quantitative screen, which draws upon information from Orbis' proprietary database containing price and fundamental company data for over 6,000 companies globally. Analysts are afforded the discretion to use parameters deemed relevant to a particular company or situation. Analysts also conduct a preliminary qualitative screen of the universe.

A shortlist of stocks is populated from the output of the screens. Initial qualitative analysis is conducted, with analysts seeking to understand the reasons behind the company's undervaluation and whether these concerns are legitimate and sustainable. Analysts review key fundamental and valuation metrics whilst identifying the most critical aspects of a prospective investment thesis.

For any company that passes the initial analysis, analysts conduct in-depth, fundamental research. As part of this, Orbis will closely examine two or three factors deemed critical to a company's intrinsic value and whether a margin of safety exists. The aim of the research process is to produce an internal target price that reflects the company's long-term intrinsic value. Target prices are compared against current market prices to determine a stock's level of attractiveness.

Contact with company management is a key focus, particularly in the later stages of research and in ongoing reviews. Analysts may also meet with competitors, customers, suppliers and other relevant parties as required. Upon the completion of an analyst's research effort, a detailed report is produced and shared with the broader research team.

An important component of the research process is peer review. When an analyst believes an investment idea is worthy of portfolio inclusion, a Policy Group Meeting (PGM) will be convened. The PGM is a forum for investment ideas to be subjected to rigorous peer review, with the team actively attempting to find flaws in every investment thesis.

The exact composition of each PGM differs depending on the idea being presented. However, it will always consist of the analyst who is recommending the stock and a panel of additional investment professionals who bring relevant experience and insights to the discussion. For example, a regional analyst can leverage the insights of a global sector analyst covering the same stock. In addition, members of the quantitative research team may present their insights on particular stocks. Zenith believes the peer review that takes place within each PGM provides an additional layer of robustness to the overall investment process, as well as providing further insight into a stock's downside risk.

After an investment idea has passed the PGM review, analysts are able to recommend the stock for purchase in the Fund. This is expressed through individual paper portfolios, where positions are weighted according to an analyst's conviction level. Whilst all analysts are expected to contribute ideas to the Fund, the portfolio managers are ultimately responsible for constructing their individual sub-portfolios.



Overall, Zenith has a high degree of confidence in the analytical depth and rigour of Orbis' stock selection process. In addition, we believe the research process provides analysts with considerable freedom and the robust peer review stage ensures investment discipline is maintained across all investment ideas.

Responsible investment approach

Orbis has an established Responsible Investment Approach, last updated in 2021, that guides its investment decisions.

In addition to the Fund's mandate exclusions, environmental, social and governance (ESG) factors are evaluated as part of the team's fundamental analysis process, with any concerns discussed in the research report on each company. Specifically, Orbis will not invest in companies where ESG concerns could impact the sustainability of company profits.

Zenith believes that this qualitative analysis of a company's operations is crucial on a forward basis, given that a company's performance with regards to ESG considerations is increasingly being reflected in its share price. Overall, Zenith is comfortable with Orbis' approach to ESG.

Zenith has assigned the Fund a responsible investment classification of Integrated.

Portfolio construction

Orbis manages the Fund without reference to the index and aims to hold the highest conviction ideas identified by the investment team, subject to a number of broad risk constraints. Each investment idea is assessed based on its own merit and perceived risk/reward relationship. The Fund is expected to exhibit a value and mid-cap bias.

The Fund is managed through a multi-portfolio manager approach. Karr is responsible for the selection and monitoring of portfolio managers, as well as overseeing the Fund's capital allocation across sub-portfolios.

The portfolio managers determine the Fund's capital allocated across each sub-portfolio. As a group, the portfolio managers seek to construct a portfolio that contains the highest conviction stock ideas of the team and reflects broader market and portfolio level considerations, which include:

- Level of conviction
- Liquidity
- Portfolio diversification requirements

The current portfolio management structure came into effect in May 2022. Under the previous structure, four portfolio managers held regional responsibilities, whilst one had a global mandate. Under the new structure, all three portfolio managers have a global mandate. Zenith believes the change is broadly positive and should result in a more concentrated portfolio.

The Fund is expected to hold approximately 50 to 60 stocks. Individual stock weightings are generally limited to 5%, although up to 10% is permitted on the basis that no more than 40% of the Fund is invested in positions greater than 5%. Zenith notes that one of the key drawbacks of a multi-portfolio manager structure is the potential for immaterial holdings to be present in the Fund.

Compared to Orbis' flagship global equity strategy, negative screens on tobacco and controversial weapons are applied to the Fund, with definitions of involvement varying according to the type and extent of exposure, and remaining holdings are re-weighted. Zenith notes that Orbis' flagship Global Equity strategy has historically held a maximum of 10% and an average of 1.5% in companies that are excluded from the Fund. While Zenith would prefer that Orbis found appropriate replacements for the excluded companies, we believe that Orbis has demonstrated an ability to maintain the integrity of its longstanding investment approach while adhering to the Fund's exclusions.

The strategy is permitted to hold up to 10% in cash and cash equivalents, averaging below 3% over the past five years. Zenith views Orbis' low cash holding positively, believing actively-managed funds should be fully invested and that allocations to cash should be maintained at a minimum.

Securities are sold when they reach Orbis' assessment of intrinsic value or when they are displaced by more attractive investment opportunities. Orbis' research incorporates valuations over a three to five-year investment time frame, adopting a buy and hold approach consistent with its long-term philosophy.

The Fund's portfolio turnover is expected to average approximately 60% p.a. over a market cycle, which Zenith considers to be moderate.

Orbis implements a currency overlay on the Fund as an additional source of value add. The currency overlay is managed by a dedicated team of two within Orbis, led by Nick Purser. The currency team establishes views on currencies across global markets based on economic valuation models. This results in overweights or underweights to various currencies relative to the MSCI World Index. The currency team's views are implemented using the Fund's stock holdings in the first instance, with currency forwards used to adjust the overall exposure to the desired level. Zenith believes the currency overlay implemented by Orbis is prudent and notes it has added value to the strategy over the long term.

Overall, Zenith believes Orbis' portfolio construction process captures the investment research team's best stock ideas.

Risk management

Risk management is incorporated throughout the Fund's security selection and portfolio construction processes.

At the security selection stage, investment ideas are identified through rigorous and detailed research. As Orbis' investment process is contrarian in nature, the assessment of the downside risks to individual stocks takes on even greater significance. One of the key aspects that analysts cover in their research is to gain an understanding of the reasons why companies become out of favour with the market and whether that belief is justified. Zenith believes Orbis' research is high quality, allowing for an understanding of all aspects of a company, particularly downside risk.

At the portfolio construction level, Orbis uses a proprietary risk management system to identify and monitor any unintended biases. In addition, Orbis is aware of the potential liquidity risks that arise from its investment process. Orbis monitors portfolio liquidity on an ongoing basis to ensure liquidity risks are managed appropriately.



Zenith is satisfied that the Fund's risk management processes are embedded throughout the entire investment process and that liquidity of holdings is adequately monitored. In addition, the flexible portfolio constraints ensure that Orbis is not restricted in its ability to deliver outperformance. However, investors should be aware there is significant reliance on management judgement and skill.

Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	1.09 % p.a.	0.94 % p.a.
Management Fees and Costs	1.05 % p.a.	0.82 % p.a.
Transaction Costs	0.04 % p.a.	0.04 % p.a.
Performance fees as at 30 Jun 2023	0.00 %	0.11 %
Performance fees description	25% of the Fund's outperformance (after fees) of the MSCI ACWI With Special Tax Index \$A is paid into a reserve. Underperformance refunds are issued at the same 25% rate from the reserve.	
Management Cost	1.05 % p.a.	0.86 % p.a.
Buy / Sell spread	0.25 % / 0.25 %	0.15 % / 0.15 %

All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).

The sector average management cost is based on the average management cost of all flagship International Shares – Global (Unhedged) products surveyed by Zenith.

Zenith believes the Fund's performance fee structure is unique, where accrued performance fees are paid into a reserve as opposed to the full amount being paid out of the Fund to the manager. The reserve mechanism enables Orbis to effectively refund performance fees during periods of underperformance relative to the benchmark. Where this occurs, accrued performance fees held within the reserve are paid back to the Fund and reflected in the Fund's Net Asset Value such that it is captured in the unit price for investors. The calculation and accrual of performance fees takes place on a daily basis.

Should the balance in the reserve reach zero, due to prolonged underperformance for example, Orbis will be unable to implement a refund. However, Orbis will continue to track the Fund's returns whereby no performance fees will be charged until all prior underperformance has been recouped.

The reserve is invested in the Fund and will fluctuate in value in accordance with its performance. A portion of the reserve is paid out to Orbis on a daily basis where the balance is positive and is subject to the lesser of:

- One-third (per year) of the value of the reserve
- Cap of 2.5% (per year) of the Fund's Net Asset Value

Given the imposition of a performance fee, we believe the presence of the highly unique reserve and refund mechanism promotes strong alignment of interests with investors and incentivises Orbis to outperform. In addition, we believe the annual cap on the performance fees payable to Orbis is attractive.

Overall, Zenith believes the Fund's fee structure is expensive, relative to peers, given its stated objectives. However, there is insufficient performance data at this stage to conduct meaningful analysis on whether the fees paid are justified.

The fees mentioned above are reflective of the flagship version only. Fees may differ when the product is accessed through an alternate investment vehicle such as a platform.

About the fund manager

Organisation

Orbis Investment Management Limited (Orbis) was originally founded by Dr Allan WB Gray in Bermuda in 1989 to provide pooled investment services to wholesale and retail investors. Orbis remains privately owned, with the Allan and Gill Gray Foundation holding a controlling interest in the firm.

The heritage of the firm links back to Allan Gray Limited (South Africa), which was originally founded in South Africa in 1973. Under the same organisation, the Orbis Group was formed in 1989 as a global fund manager, specialising in providing pooled investment services to wholesale and retail investors. As at 31 October 2023, Orbis managed approximately \$US 32.3 billion, employing 438 people across 10 offices globally.

Orbis maintains close links with Allan Gray Australia (Allan Gray), a Sydney-based investment management firm established as a joint venture between Orbis and the Marais Family Trust in 2004. Allan Gray is responsible for the distribution of Orbis' investment capabilities in the Australian retail market.

As at 31 October 2023, Orbis managed \$US 18.9 billion across its global equities strategies, including \$A 4.7 billion in the Global Equity LE strategy and \$A 11 million in the Fund's retail class.

Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Adam Karr	Head of Investment Team & Portfolio Manager	30	21	San Francisco, USA
Benjamin Preston	Portfolio Manager	24	23	London, UK
Graeme Forster	Portfolio Manager	16	16	Hamilton, Bermuda

The investment team is led by Adam Karr, who assumed this responsibility from William Gray in January 2022. Karr originally joined Orbis in 2002 and remains a portfolio manager of the Fund. Zenith believes Karr has the requisite skills and experience to lead the team. In addition, Gray remains involved in the business as Chair of Orbis Holdings Limited Board.



Orbis' investment team comprises 60 investment professionals spread across London, Bermuda, San Francisco, and Hong Kong. Analysts are structured along both regional and global sector lines, resulting in the potential for regional analysts and global sector analysts to have overlapping coverage. When this occurs, the relevant analysts collaborate and share information. In addition, the investment research team is supported by five quantitative analysts and eight equity traders.

In order to promote analyst accountability and conviction, each analyst is required to make stock recommendations for their respective area of coverage via a paper portfolio that simulates investment decisions. Zenith believes the paper portfolios develop analysts' investment management skillsets.

Karr is responsible for the selection and monitoring of portfolio managers, as well as overseeing the Fund's capital allocated across each sub-portfolio. Orbis seeks to construct a portfolio that contains the highest conviction stock ideas of the team and reflects broader market and portfolio level considerations.

Orbis restructured its portfolio management team in May 2022, reducing the number of portfolio managers from five to three. Karr and Ben Preston remain as portfolio managers, with Graeme Forster joining as a co-portfolio manager on the strategy. The three previous portfolio managers continue to focus on regional coverage with Orbis. Whilst Zenith is broadly supportive of the changes, we would like to observe a period of stability amongst the investment team and will continue to monitor the efficacy of the new structure.

The Fund is managed through a multi-portfolio manager approach with Karr, Preston and Forster each managing a sub-portfolio within the Fund. All three portfolio managers involved in the Fund have a global investment mandate. Zenith notes that the portfolio managers are long-tenured members of the team with strong individual track records.

Team stability amongst senior staff has historically been a key strength for Orbis, with many investment professionals having long tenures at the firm. Orbis typically moves on from junior analysts who do not meet expectations or are deemed not suited to its investment approach. Accordingly, most of the turnover within the investment team has occurred amongst the junior analysts.

Each analyst's contribution to the Fund's performance is subject to detailed quantitative analysis, which has a significant impact on the analyst's remuneration. Whilst analysts are assessed on a number of factors, the key measure is the performance of their individual paper portfolios compared to the relevant benchmarks. Zenith believes Orbis' remuneration arrangements are well structured and appropriately align the interests of the investment team with those of investors in the Fund.

Overall, Zenith believes the investment team is well-resourced and of a high calibre.

About the sector

Sector characteristics

International equities offer Australian investors the ability to access a broader opportunity set, with the potential to invest in segments not well represented in the Australian equity market. Given that international markets are not perfectly correlated

with the Australian equity market, funds that invest internationally can provide diversification benefits to a portfolio.

The Zenith 'International Shares - Global (Unhedged)' sector consists of long-only products that invest in global equity markets. The sector incorporates both benchmark-aware and benchmark-unaware strategies that focus predominantly on larger capitalisation stocks. The sector is one of the most competitive fields in the investment landscape, based on the number of managers and strategies available to investors.

Zenith benchmarks all products in this sector against the MSCI World ex-Australia Index (Index), which corresponds with the benchmark employed by most funds in the sector. The Index is market-capitalisation weighted, resulting in companies with the largest market capitalisations receiving the highest weightings. Zenith expects rated international equity funds to outperform the Index over the long term.

The Index consists of approximately 1,453 securities listed in 22 developed markets (Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States). As at 31 October 2023, the United States, Japan and United Kingdom represented a significant portion of the MSCI World ex-Australia Index, with each country accounting for 71%, 6% and 4% respectively. In addition, the top 10 stocks represented approximately 21% of the Index. Although the Index excludes emerging and frontier markets, many products retain mandate flexibility to invest in these markets.

Products in this sub-asset class are currency unhedged, resulting in their returns being affected by fluctuations in the Australian Dollar (AUD) relative to other global currencies.

Sector risks

Products within the 'International Shares - Global (Unhedged)' sector are exposed to the following broad risks:

Market and economic risk: A sustained downturn across international equity markets is a risk to the absolute performance of products in the sub-asset class. Additionally, changes in economic, social, technological or political conditions, as well as market sentiment, could also lead to negative fund performance. Investors adhering to a fund's prescribed investment timeframe can significantly reduce this risk.

Australian dollar (AUD) currency risk: The AUD has historically experienced declines during weaker market environments, and appreciation in market upturns. A hedged global equities fund is likely to benefit relative to an unhedged fund in periods when the AUD appreciates. Conversely, an unhedged global equities fund is likely to benefit relative to hedged funds in periods where the AUD depreciates.

Zenith believes that the currency impact on performance will be minimal over the long term and therefore does not advocate retail investors making active currency decisions based on near-term currency predictions. For investors who are concerned about the short-term risks associated with taking fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

Specific security risk: This is the risk associated with an individual security. The price of common shares in a company



may be affected by unexpected changes in company operations, such as changes in management or the loss of a significant customer.

Liquidity risk: This is the risk that a security or asset cannot be traded promptly, due to insufficient trading volumes in equity markets. When trading volumes are low, buyers/sellers can significantly impact the price of a security when entering or exiting a position.

Style bias risk: International equity managers employ different investment styles such as Growth, Value or Neutral (a combination of Value and Growth). Each style is conducive to certain market conditions. Investors adhering to a fund's prescribed investment timeframe can significantly reduce this risk.

Capacity risk: High levels of funds under management (FUM) can present additional challenges to an equity manager. High FUM has the potential to restrict a manager's ability to trade efficiently and/or be forced to disclose substantial shareholdings to the market (more common in smaller companies).

Regulatory risk: All investments risk being affected by changes to government policies, regulations and laws. Security prices in which funds may have exposure are also subject to certain risks arising from government intervention across international equity markets. Such regulation or intervention could adversely affect fund performance.

Zenith rating

Report certification

Date of issue: 29 Nov 2023

Role	Analyst	Title
Analyst	Tom Goodrich	Senior Investment Analyst
Sector Lead	Quan Nguyen	Head of Equities
Authoriser	Bronwen Moncrieff	Head of Research

Association & relationship

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Rating history

As At	Rating
29 Nov 2023	Recommended
30 Nov 2022	Recommended

As At	Rating
18 May 2022	Recommended
24 Nov 2021	Recommended
09 Sep 2021	Recommended
01 Sep 2021	Not Rated - Screened Out

Last 5 years only displayed. Longer histories available on request.

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.



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This report refers to the Australian unit trust for the fund, and the fund and benchmark returns are all in AUD.

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