Money Wise UK®

Growing together, with integrity and respect

Orbis Fund Review – Global Equity, Global Balanced & Global Cautious

Firm Overview

History & Ownership

- Founded in 1989, Orbis has over £35.8bn AUM (July 2025).
- Privately owned, with no external shareholders. The Allan & Gill Gray Foundation ultimately receives all profits, supporting philanthropic causes.

Global Reach

- Investment offices across London, Bermuda, San Francisco, Vancouver, Tokyo, Sydney, Luxembourg, and Hong Kong.
- Team of 50+ investment professionals across equity, fixed income, currencies, and quant research.

Target Market

- UK retail via OEICs: Global Equity, Global Balanced, Global Cautious.
- Distribution focused on small to medium-sized IFA firms, still making investment decisions in-house.
- Aim: Attract “like-minded, sticky long-term investors” rather than short-term allocators.
- Assets in UK OEICs have grown from £200m to £1.9bn, with Balanced the flagship strategy.

Philosophy

Contrarian & Long-Term

- Orbis believes markets are often inefficient due to human emotions (fear, greed, momentum).
- Focus on undervalued securities, requiring patience until intrinsic value is recognised.
- Prepared to be out of step with the market in the short run to deliver long-term outperformance.

Common-Sense Approach

- Capital competes for a place in the portfolio. If bonds aren't attractive, they won't be held.
- At times, bonds have been replaced with gold, cash, or hedged equities.
- Gold is held opportunistically, not as a core driver of returns. Stock-picking remains the key return engine.

Risk View

- Risk is defined as permanent loss of capital, not short-term volatility.
- Willingness to hold concentrated, high-conviction positions (active share typically >95%).

Team

Leadership

Multi-Asset:

  - Alec Cutler – joined 2004, Head of Multi-Asset, 31 years' experience.
  - Mark Dunley-Owen – joined 2009, PM, 24 years' experience.

Equity:

  - Adam Karr, Ben Preston, Graeme Forster – senior PMs with deep Orbis tenure.

Research Structure:

Analysts are individually accountable, running "paper portfolios" that determine remuneration and track record. This identifies true stock-pickers and reduces key-person dependency.

Support

- Quant & Data Insights team helps monitor portfolio risks.
- Regional research teams ensure global coverage across industries.
- Decision Analytics team helps monitor and mitigate analyst biases.

Investment Process

Bottom-Up Security Selection

- Three-phase research process:
    1. Screening for undervaluation (fundamentals, valuation metrics).
    2. Further research incl. management meetings, industry analysis.
    3. Deep-dive intrinsic value assessment, tested at Policy Group Meetings (PGM).

Portfolio Construction

- Fight for capital: Equities, bonds, gold, and hedged assets must all compete on risk-reward terms,
- Currency and market hedges used tactically to reduce risk (e.g., equity index shorts, currency hedges).
- Asset allocation not fixed – driven by security-level opportunities.

Risk Management

- Avoids excessive concentration (but remains active).
- Uses hedging selectively to protect capital without diluting stock-picking skill.
- Diversification across equities, bonds, and commodities within the mandate.

Fund Range & Strategy Detail

Global Equity Fund

Objective: Outperform MSCI World over the long term.

Equity Allocation: Up to 100%.

Differentiation (Jul 2025):

- Only ~30% US exposure (vs ~70% MSCI World).
- Overweight UK and EM equities.
- Active share ~97%.

Performance (to 31 Jul 2025)

- Since inception (1990): +11.8% p.a. vs +8.2%.
- 10 years: +12.8% vs +12.4%.
- 5 years: +14.6% vs +13.6%.
- 3 years: +16.3% vs +12.6%.
- 1 year: +14.4% vs +12.3%.

Top 10 (34% NAV): QXO, Corpay, TSMC, Nintendo, BAT, Alnylam Pharma, Smurfit Westrock, Interactive Brokers, Nebius, SK Square.

Global Balanced Fund

Objective: Balance return and risk across equities, bonds, and commodities.

Benchmark: 60% MSCI World / 40% JPM GBI.

Equity Range: 40–85% net.

Performance (to 31 Jul 2025)

- Since inception (2014): +10.3% p.a. vs +8.4%.
- 10 years: +11.2% vs +8.6%.
- 5 years: +15.1% vs +7.4%.
- 3 years: +15.1% vs +7.7%.
- 1 year: +17.6% vs +8.5%.

Portfolio (Jul 2025)

- Net Equity: 61%.
- Fixed Income: 21% (TIPS, gov't bonds).
- Commodities: 4% (gold/miners).
- US exposure: ~10% after hedging.

Top Holdings (32% NAV): Siemens Energy, TSMC, Samsung, US TIPS, Kinder Morgan, Newmont, Nintendo, Barrick.

Global Cautious Fund

Objective: Deliver cautious growth with downside protection.

Benchmark: 30% MSCI World / 70% JPM GBI.

Equity Range: 10–60% net.

Performance (to 31 Jul 2025)
- Since inception (2019): +6.2% p.a. vs +4.4%.
- 5 years: +8.5% vs +2.8%.
- 3 years: +8.3% vs +4.1%.
- 1 year: +10.4% vs +5.4%.

Portfolio (Jul 2025)
- Net Equity: 30%.
- Fixed Income: 52% (heavy TIPS).
- Commodities: 5% (gold).

Top Holdings (46% NAV): US TIPS (various maturities), iShares Gold ETC, Siemens Energy, Kinder Morgan, Norwegian Gov Bonds.

Fees

Refundable Reserve Fee (Standard Class)
- 0% ongoing charges.
- 40% of outperformance charged and placed into the Fee Reserve; 40% of underperformance refunded back to the fund from the Fee Reserve.
- Fees to Orbis capped at 2.5% NAV per year.
- Orbis only keeps fees if outperformance is sustained.

Fixed Fee Classes (Balanced & Cautious, since Oct 2023)
- OCF: 1.20% p.a., all-in.
- Provides simplicity where needed.

Outlook

- **Challenging the passive narrative**: Orbis argues the last decade of passive dominance, powered by US mega-caps, may not persist. With ~70% of MSCI World in the US, they see risk if the benchmark "pops." Their strategies deliberately diversify away (Equity ~30% US, Balanced ~10% after hedging).
- **Opportunities**: Contrarian tilts toward undervalued regions and sectors (Europe, UK, Emerging Markets, cyclicals) may benefit from a regime shift.
- **Fixed Income stance**: US TIPS offer attractive real yields and inflation protection. If bonds aren't compelling, allocations can shift to gold or equities.
- **Contrarian conviction**: Willingness to be different is central. As RSMR notes, funds perform best when valuations normalise but may lag when markets are driven by momentum.
- **Capacity discipline**: The refundable fee model discourages asset gathering for its own sake – if performance suffers from scale, Orbis doesn't get paid.

Strengths & Considerations

Strengths

- Proven long-term outperformance across all three funds.
- Contrarian, value-driven portfolios – materially different from benchmarks.
- Genuine multi-asset flexibility, with dynamic allocation.
- Fee structure aligns manager and client outcomes.
- Flagship Balanced strategy is consistently in the 1st quartile.

Considerations

- The refundable fee model is complex and needs careful explanation to clients.
- Contrarian bets may lead to short-term underperformance.
- Higher tracking error vs peers and benchmarks.
- Global Equity is higher risk, suited to long-term investors only.

Conclusion

I came into the meeting with a degree of uncertainty. Funds that suddenly gain attention because of strong recent performance can naturally create concern. Questions arise: *Can this outperformance continue? What happens in periods of underperformance? Is the strategy too complicated? And how transparent is the charging structure?*

Having reviewed the details, my takeaway is clearer. Yes, these funds can and will underperform at times, but the fee model ensures that when they do, Orbis doesn't get paid. This creates a rare and genuine alignment between manager and client. The strategy itself is not overly complex; in fact, its strength lies in a common-sense, contrarian approach where every asset must compete for capital on merit.

The charging structure, particularly the Refundable Reserve Fee, reframes the debate. The analogy that stuck with me is: *"It's like getting a passive fund for free, you pay nothing if it underperforms and only pay if it outperforms."* This is a powerful message for advisers and clients alike.

Taken together, the Global Equity, Balanced, and Cautious funds offer a distinctive toolkit. Whether used as standalone solutions or blended within a broader investment mix, they provide financial planners with an interesting, differentiated option, one that challenges passive dominance, mitigates benchmark concentration risk, and aligns costs directly with results.

Disclaimer

Past performance is not a reliable guide to future results. The value of investments can fall as well as rise, and investors may not get back the amount originally invested.

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