

October 2026

New Tools, Old Habits

Investing in
the Age of AI

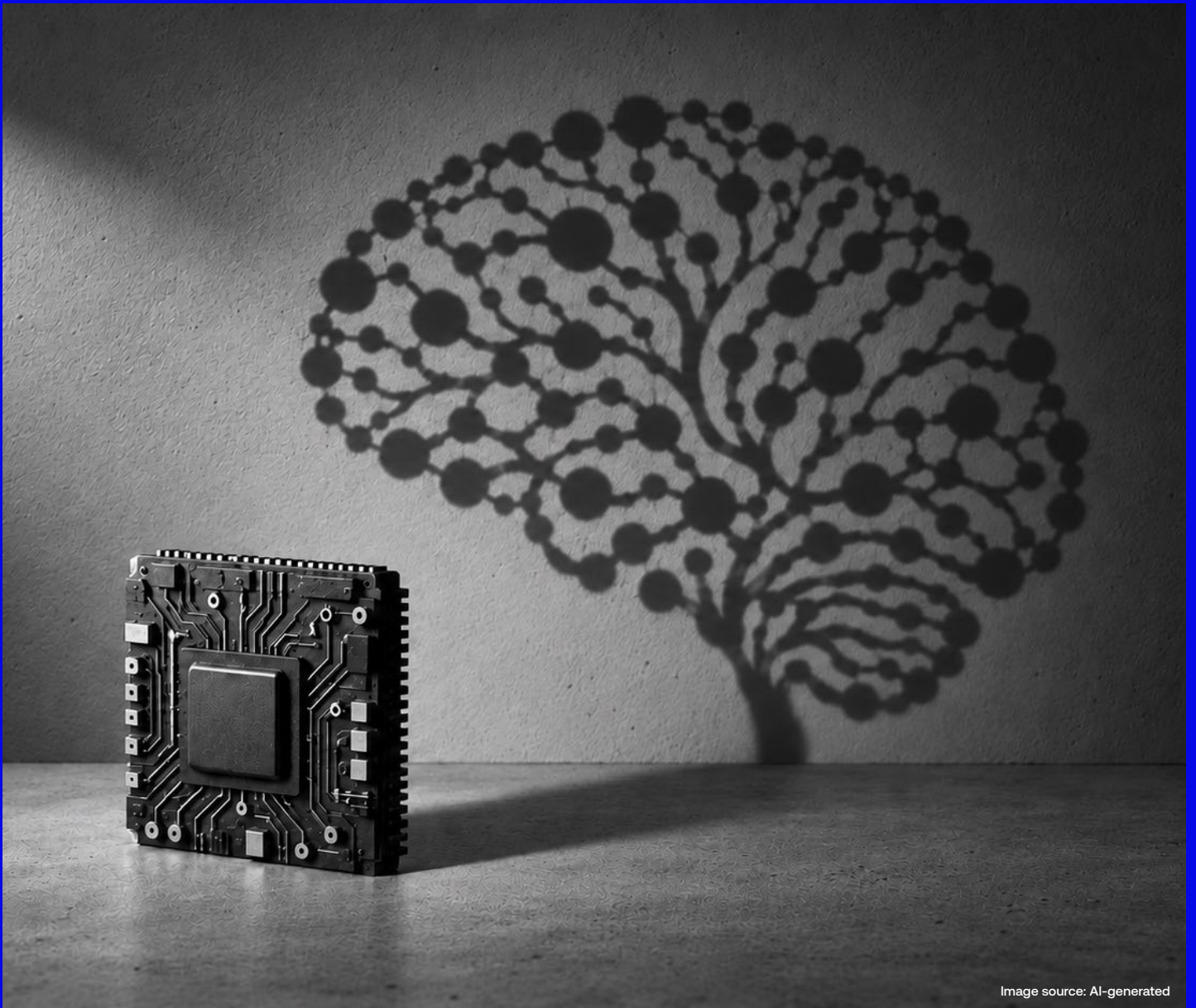


Image source: AI-generated

In 2020 Zoom was briefly worth more than ExxonMobil.

Amid lockdowns and empty offices, Zoom's video-calling technology was exactly what a suddenly remote world needed to continue doing business. Demand for oil collapsed, at one point trading at *negative* \$37 a barrel. Producers were essentially paying buyers to take the commodity off their hands.

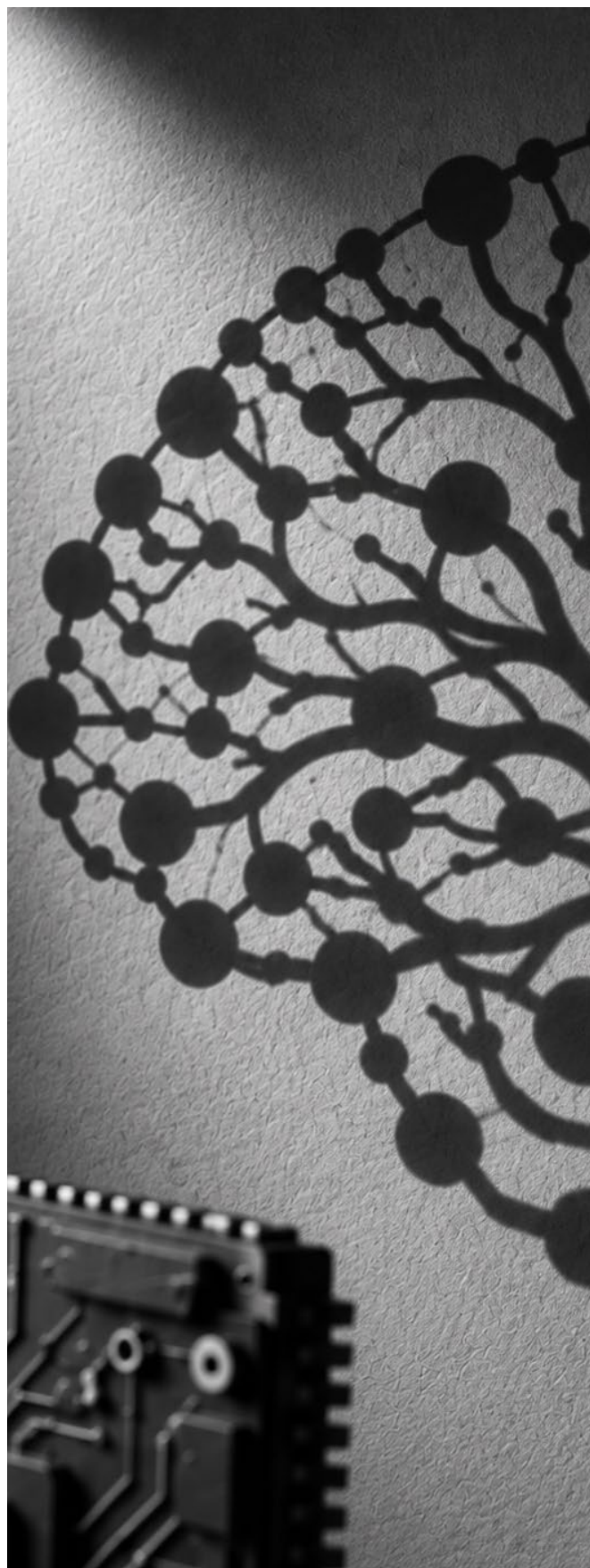
The prevailing narrative was irresistible at the time, but would have been a terrible investment thesis. Shares of Zoom lost roughly 90% of their value in the years that followed, while ExxonMobil shares more than quadrupled. Zoom's technology was critical, and the dislocation in the oil market was severe. But investors who were willing to pay more for Zoom than for one of the world's largest oil companies were betting on a story about the future that was unhinged from reality.

How did so many investors get it so wrong?

In *Narrative Economics*, Nobel laureate Robert Shiller argues that stories can drive economic events in much the same way that viruses drive epidemics. He traces common narrative patterns across more than a hundred years of market history, and comes to an uncomfortable conclusion. Quite often, a narrative's contagiousness can detach entirely from its truth. Stories can spread because they are vivid and repeatable, not necessarily because they are right.

The investors who bid up Zoom were not uninformed. They had more data and better technology at their fingertips than any previous generation. None of this mattered. Every innovation from the ticker tape to the Bloomberg terminal has empowered faster and more sophisticated analysis, but investors remain just as susceptible to herding, panic, and euphoria as they were when news travelled by pigeon.

In investing, the biggest mistakes are rarely due to a shortage of information or processing power. Instead it's how we humans use the tools, how we behave, that makes the difference between success and failure.



Faster, not wiser

Historian Yuval Noah Harari argues that it's too simplistic to assume that more information leads to the truth. In *Nexus*, he uses the printing press as an illustration. One might assume that the advent of the printing press enabled humans to spread vital new ideas, notably leading to the Scientific Revolution. While that eventually happened, Harari points out that the first runaway bestseller was actually a witch-hunting manual. It would take nearly a century after Gutenberg for Copernicus to publish his revolutionary insights, but not before the witch hunters took advantage of the new technology to ramp up their destructive campaigns.

Harari's warning is that "information" technology is not always *truth* technology. More information, moving faster, can merely amplify whatever narrative is already most contagious, for better or worse.

Perhaps AI will be the breakthrough technology that finally tightens the link between information and truth? Perhaps it will finally make markets rational and efficient, smoothing out the extreme emotional cycles of panic and euphoria?

We see it differently.

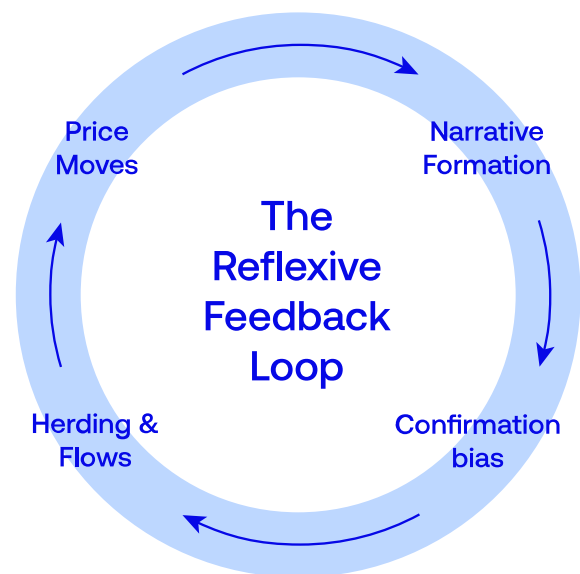
Our hypothesis is that AI is more likely to be the greatest narrative transmission engine ever built, by throwing orders of magnitude more computational power at prevailing narratives and entrenched human behaviours. If investors have behaved like sheep in the past, AI may simply create herds of "turbo sheep" that form faster and run harder than ever in the same direction.

In our view, the risk of AI for investors is not that it processes information better and more efficiently than humans. The real danger is that it makes us all think less independently, move faster, and act with greater conviction.

Investor behaviour tends to follow a reflexive feedback loop. Investors get excited about the "story" behind a stock like Zoom in 2020. As the price goes up, confirmation bias kicks in and the price action itself is seen as confirming evidence of the narrative's underlying truth. Not wanting to miss out, more capital piles in and pushes the share price up further, again reinforcing the narrative, and so on. If investors outsource their thinking to AI, we would not be surprised if it simply makes the wheel spin faster and with greater momentum.

"AI may simply create herds of 'turbo sheep' that form faster and run harder than ever in the same direction."

**Price drives narrative,
narrative drives price**



**Will AI lead to better decisions
—or merely accelerate the
feedback loop?**

- + Greater speed
- + Virality
- + Narrative convergence
- + Certainty bias
- + Outsourced thinking
- + Confirmatory algorithms

"The real danger is that it makes us all think less independently, move faster, and act with greater conviction."

Indeed, some early evidence is consistent with this pattern. In a recent NBER working paper¹, researchers built portfolios based on recommendations from several leading AI models developed by competing companies. All of them converged on strikingly similar portfolios, with a tilt toward the largest technology stocks with the greatest momentum. The study showed that the stocks selected by AI received roughly ten times as much media coverage as the average listed company, and portfolios became more concentrated the longer the models managed them. While the sample period is short and the investment approach was deliberately naïve by design, it offers an early glimpse of the possibility of AI-driven herding.

To be clear, none of this is an argument against the technology itself. We believe AI is genuinely transformative and we are embracing it ourselves, as we discuss later in this paper. But our view is that these new tools will only be effective if they are used in ways that leverage fresh insights and independent thinking.

Otherwise the new technology may merely amplify the narratives that investors already want to believe, as it has so many times in the past. In our view, independent human judgement will remain the most enduring source of alpha and will only become more valuable in the age of AI.

We should be clear that this is a hypothesis, not a provable claim. There is no way to know for certain what effect any given technology has had on market efficiency in the past, let alone what impact AI might have in the future. But if our view is correct, the implications are significant. In a market environment in which an ever-larger share of capital is managed passively, and investment views already tend to converge, the scarce resource in the world of AI will likely be truly proprietary insights and independent judgement. The remainder of this paper explores what we believe this means for markets, for active managers, and for the allocators and clients who invest with them.

“Independent human judgement will remain
the most enduring source of alpha and will
only become more valuable in the age of AI.”

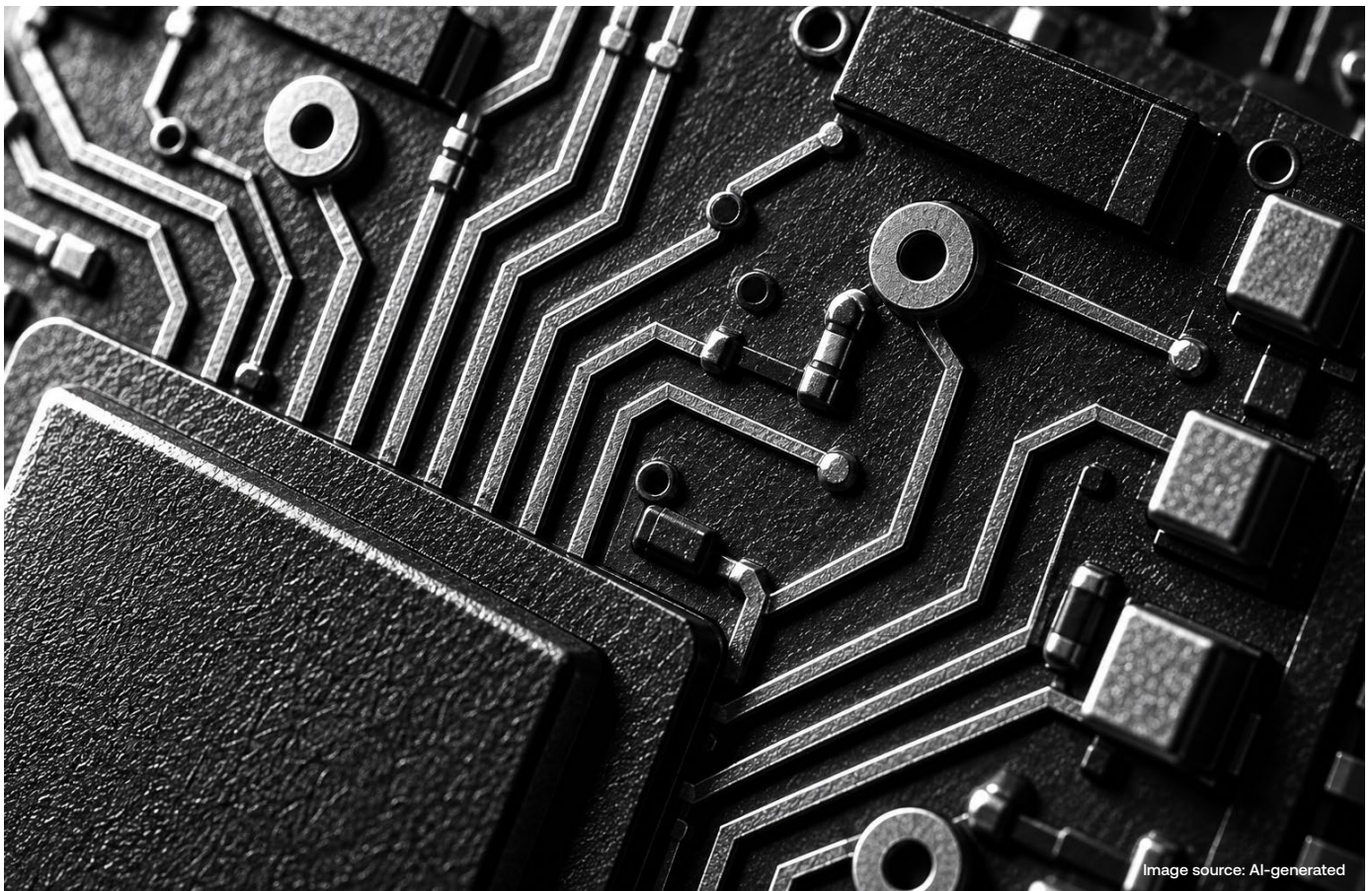


Image source: AI-generated

¹Bruce I. Carlin, Ryan D. Israelsen, and Christopher F. Wazzan, “AI Managed Household Portfolios: A Preliminary Report,” NBER Working Paper No. 35153 (April 2026), <https://www.nber.org/papers/w35153>

Wider, not narrower

If decades of better technology had indeed made markets more efficient, allowing investors to quickly and accurately price “the truth”, the record should reflect that by now. Over time, we should expect to see smaller and smaller mispricings that correct themselves increasingly quickly.

Instead, history appears to suggest the opposite. As shown in the chart below, the dispersion between the most and least expensive stocks is not far from some of its widest historical extremes. Despite having the most technologically sophisticated investors in history, we are only a few years removed from one of the most dramatic bubbles in history, the pandemic era’s “Everything Bubble” in which speculative mania touched everything from meme stocks and NFTs to government bonds that traded at *negative* yields.

“Despite having the most technologically sophisticated investors in history, we are only a few years removed from one of the most dramatic bubbles in history.”

To be clear, wide valuation spreads alone are not proof that markets have become less efficient over time. Spreads can reflect perfectly rational differences in growth, profitability and other fundamentals. An efficient market is one that correctly adjusts pricing for those underlying differences in the fundamentals. In practice, however, the widest spreads have historically clustered around episodes like the Japan bubble in the late 80s, the Dot-com bubble in the early 2000s, and the “Everything Bubble” in 2021. All of these were later revealed to be periods of narrative excess rather than rational pricing.

But perhaps AI is so transformational that we need to throw away the history books and take a fresh look at everything? In our view, the problem with this argument is that the new tools always make the old tools look hopelessly obsolete. It’s easy to forget or underestimate how previous technologies like financial calculators, PCs, Excel, Bloomberg terminals, and the internet also transformed investing for previous generations. To paraphrase Benedict Evans², our view is that AI will change investing, but only as much as other technologies also changed investing.

Won’t AI make markets more efficient? “This time is different” has a poor track record.

Dispersion in expected returns between top half and bottom half of shares in the FTSE World Index.

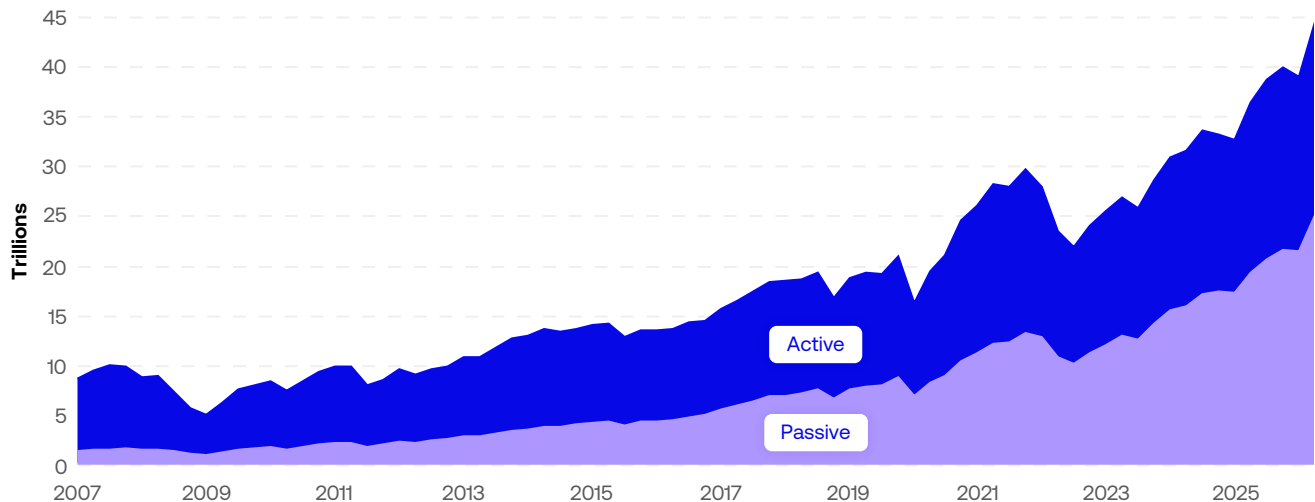


30 Jun 2026 | Source: LSEG Worldscope Fundamentals, Orbis. Statistics are compiled from an internal research database and are subject to subsequent revision due to changes in methodology or data cleaning. Spread measures the market-capitalisation weighted difference in expected returns between the top and bottom halves of the FTSE World Index. Expected returns are estimated using an internal proprietary model. GFC = Global Financial Crisis. AI = Artificial Intelligence.

²“AI is as big a deal as the Internet or mobile—and only as big.” Lenny’s Podcast, 31 May 2026, “A rational conversation on where AI is actually going” | Benedict Evans, <https://www.lennysnewsletter.com/p/a-rational-conversation-on-where>

The running of the sheep

Active vs passive share of global equity-only funds, in US\$ trillions



30 Jun 2026 | Source: Morningstar Direct, Orbis. Figures include equity-only assets based on Morningstar category labels. Equity sector categories and listed REIT or explicit real-estate equity categories are included; bonds, fixed income, commodities, cash, allocation/alternatives, and direct, unlisted or unspecified property categories are excluded.

New investment technologies never arrive in isolation. AI adoption is coming at a time when a substantial proportion of assets are either passively managed or far less “active” than they may seem. As shown in the chart above, passive vehicles at the time of writing hold 56% of global assets in equity funds, up from roughly 16% nearly two decades ago. Passive investing is a perfectly sensible product—cheap, transparent, tax-efficient—but it is the antithesis of independent thinking. By design, passive strategies are simply a form of herding into the same stocks.

In our view, the problem is arguably even greater than the chart above suggests. The “active” bucket is full of managers who effectively hug the benchmark. As Keynes observed, “it is better for one’s reputation to fail conventionally than to succeed unconventionally”. While active managers are no doubt trying their best to outperform their benchmarks, they are also under intense pressure to ensure that they don’t stray too far from the herd when doing so. Applying Martijn Cremers and Antti Petäjistö’s active share measure to US active equity funds, a 2025 study found that 38% of assets sat with closet indexers by the end of 2019, up from 25% in 2000³.

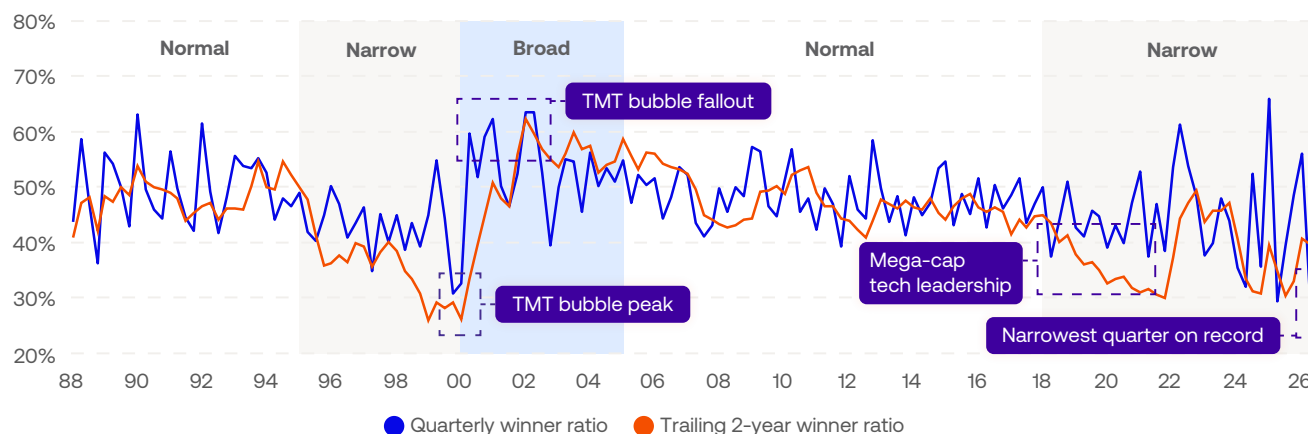
These are portfolios that track the benchmark closely while charging active fees. They are not built to win. They are built to “not lose” clients and portfolio management jobs in the near term.

As the popularity of indexed investing has risen over time, we are now in one of the narrowest market environments in history. Normally one would expect the “winner ratio”—the proportion of stocks that beat the index—to be roughly 50-50. Since 2018, however, leadership of the FTSE World Index has narrowed dramatically. Gains have been concentrated in a handful of mega-caps while most shares lag the index, culminating in the narrowest quarter in at least 40 years in 2026. The only comparable stretch during this time was the late 1990s, at the peak of the TMT bubble.

³António F. Miguel and Yihao Chen, “How active is your (nominally) actively managed quantitative fund?” *International Review of Financial Analysis*, vol. 103 (2025)

Markets have narrowed significantly globally.

Winner ratio in the FTSE World Index (% of shares that outperformed the index), 1988 to June 2026.



30 Jun 2026 | Source: FTSE, Orbis. The winner ratio is the proportion of shares in the FTSE World Index that outperformed the index over the quarter. TMT = Technology, Media and Telecommunications. Statistics are compiled from an internal research database and are subject to subsequent revision due to changes in methodology or data cleaning. Narrow, Broad and Normal describe how widely share-price gains are spread across the market in each period. In a Narrow market, returns are concentrated in a small number of shares, and most shares lag the index; in a Broad market, gains are shared widely and a large proportion of shares beat the index; Normal denotes typical breadth. The periods shown are indicative of the prevailing environment—the winner ratio helps to illustrate them but does not define them mechanically.

With independent thought and action in short supply, AI may simply add fuel to the fire, accelerating and amplifying old bad habits. Social media, in particular, has hardly enhanced the independent search for objective truths. As Harari argues, engagement-optimising algorithms do not surface what is true; they surface what spreads. Markets are now acquiring the same machinery. AI-driven sentiment analysis reads the crowd and front-runs it.

Retail platforms surface trending tickers the way social feeds surface trending posts. Narratives that once took days or weeks to travel from a comment at an investment conference to investor portfolios can make the trip in hours. History shows that new technology tends to speed up herding, not slow it down.

The need for speed

To understand the danger of faster and more aggressive herding, it's helpful to take a step back and look at some long-forgotten market history. On 28 May 1962, the volume of selling in the US market literally outran the technology. For long stretches of the day, the prices shown on the ticker tape in brokerage offices across the country were behind the actual prices on the floor of the New York Stock Exchange. At the close of trading, the tape was still more than an hour behind prices on the floor. The antiquated system turned out to be a blessing in disguise. Unable to see how far prices had fallen, many investors avoided panic-selling, and the whole episode ended up as a footnote in the roaring “Go-Go Years” bull market of the 1960s.

Since then, every market innovation has been designed to remove human friction. The October 1987 crash—in which the Dow Jones Industrial Average fell nearly 23%

in a single day—was driven partly by automated selling programs. When the Dot-com bubble burst in 2000, the selling was accelerated by online trading, making it the first mania in history conducted largely from the comfort of home. High-frequency trading promised liquidity and tighter spreads, yet the “Flash Crash” of May 2010 delivered a 9% plunge in minutes, briefly pricing some blue-chip stocks for just pennies. Social media promised the democratisation of financial information, but also produced the 2021 GameStop saga, in which a struggling retailer surged more than 20-fold in a matter of weeks, fuelled by a flash mob with brokerage accounts. In each case, the new technology performed exactly as designed.

“The problem was the old habit
of herding and groupthink.”

The active antidote

Consider what this all means for investors and capital allocators today. From a cost perspective, the case for passive strategies or “cheap beta” is compelling. And from a performance perspective, the consensus view is that active managers can’t beat the market, so why bother trying to find them? For years, the path of least resistance has therefore been to go passive and lock in the market return at an attractive price.

The most widely cited evidence in favour of passive investing is the “SPIVA” scorecard. Published semi-annually by S&P Dow Jones Indices, SPIVA (S&P Indices Versus Active) compares the performance of actively managed funds against their respective S&P benchmark indices. Whenever the latest data comes out, the media headlines are always the same—“Active Managers Underperform”—thus reinforcing the idea that passive is the inherently better approach.

We think this view is too simplistic. There are also some nuances in the SPIVA scorecard that have a strong influence on the data.

In a recent working paper, Martijn Cremers, Jon Fulkerson and Timothy Riley identify three methodological choices that each tilt the SPIVA result against active managers⁴. First, survivorship treatment: SPIVA classifies any fund that closes during the measurement period as an underperformer, regardless of its actual performance while it operated. Second, weighting: every fund counts equally, so a \$10 million fund carries the same weight as a \$50 billion one—answering “what percentage of funds outperformed?” when the more relevant question for investors is “what percentage of invested dollars outperformed?” Third, the benchmark: SPIVA compares active funds against a theoretical index that bears no fees, rather than the net return on the real, investable passive funds an allocator or investor would actually buy.

Correcting for these three choices roughly doubles—and in the case of ex-US equity funds, triples—the reported success rates. Over the ten years to December 2024, the share of active funds outperforming net of fees rises from 16% to 30% in the US, from 10% to 31% globally, from 15% to 45% in international, and from 13% to 28% in emerging markets.

SPIVA: academics argue the scorecard understates outperformance of active management.

Percent of active managers that outperformed, 10-year period to 31 Dec 2024 (net of fees).

Manager universe	SPIVA as reported	SPIVA after adjustments
US	16%	30%
Global	10%	31%
Ex-US	15%	45%
Emerging Markets	13%	28%

30 Jun 2026 | SPIVA (S&P Indices Versus Active) scorecard is a benchmark report that compares the performance of actively managed investment funds against their respective market indexes. Fund categories and benchmarks: US — “All Large-Cap Funds” vs. the S&P 500; Global — “Global Funds” vs. the S&P World; Ex-US — “Ex-US Funds” vs. the S&P World ex-US; Emerging Markets — “Emerging Markets Funds” vs. the S&P IFCI Composite. Figures show the share of active funds outperforming over 10 years, net of fees.

Three adjustments by Cremers, Fulkerson & Riley (2026):

- 1. Survivorship treatment** — SPIVA classifies any fund that closes during the measurement period as an underperformer, regardless of its actual performance while operating. The authors evaluate each fund based on its actual performance for the period it was active.
- 2. Asset weighting** — SPIVA gives every fund equal weight, so a \$10 million fund counts as much as a \$50 billion fund. The authors weight funds by assets, shifting the question from “What percentage of funds outperformed?” to “What percentage of invested dollars outperformed?”
- 3. Investable benchmark** — SPIVA compares active funds with a theoretical index return that has no fees. The authors compare them with the net return on an asset-weighted portfolio of passive funds in the same category, incorporating the real costs investors face.

⁴K.J. Martijn Cremers, Jon A. Fulkerson, and Timothy B. Riley, “How the SPIVA U.S. Scorecard Understates the Performance of Actively Managed Mutual Funds”, SSRN Working Paper No. 6710358, 4 May 2026.

Still, it's fair to say that many active managers fail to deliver value. Allocators should therefore consider some of the characteristics that the best active managers tend to share. We summarise four of these in the chart below. It's also worth noting that even Jack Bogle himself believed that active managers could add value and had his own checklist of things to look for. None of these guarantee outperformance, but they are increasingly in short supply in an industry optimising for short-term comfort.

What did Jack Bogle think?

Even the founder of the Vanguard Group believed some individual managers can add value, listing the following six characteristics:

- Managers, not marketers
- Reasonable expense ratios
- Low portfolio turnover
- Limitations on size
- Higher tracking error
- Owned by investment professionals

Can you identify winning managers in advance?

The evidence is far from conclusive, but four characteristics recur across the literature.

01

Differentiation

Portfolios that look meaningfully different from their benchmark ("high active share") have historically outperformed more often than those that closely track it. Funds that closely hug their benchmark account for much of the underperformance found in broad studies.

02

Concentration

Performance tends to improve when managers concentrate capital in their highest-conviction ideas rather than diversifying broadly.

03

Idiosyncratic skill

Managers whose returns are less explained by common factors, combined with strong past performance, have shown continued outperformance. Factor-attribution analysis can separate genuine stock-selection skill from exposure to broad market factors.

04

Alignment

Managers that meaningfully co-invest have shown better performance. In our view, performance-based fee structures and deliberate capacity discipline reinforce this alignment by constraining asset growth in a way that helps sustain the conditions for alpha.

Sources: John C. Bogle, "The Arithmetic of 'All-In' Investment Expenses", Financial Analysts Journal, Vol. 70, No. 1, January/February 2014, pp. 13–21. (01) K. J. Martijn Cremers and Antti Petajisto, "How Active Is Your Fund Manager? A New Measure That Predicts Performance", The Review of Financial Studies, Vol. 22, No. 9, September 2009, pp. 3329–3365. (02) K. J. Martijn Cremers, Jon A. Fulkerson & Timothy B. Riley, "Challenging the Conventional Wisdom on Active Management: A Review of the Past 20 Years of Academic Literature on Actively Managed Mutual Funds", Financial Analysts Journal, Vol. 75, No. 4, 18 July 2019, pp. 8–35. (03) Yakov Amihud and Ruslan Goyenko, "Mutual Fund's R^2 as Predictor of Performance", The Review of Financial Studies, Vol. 26, No. 3, March 2013, pp. 667–694. (04) Ajay Khorrana, Henri Servaes, and Lei Wedge, "Portfolio Manager Ownership and Fund Performance", Journal of Financial Economics, Vol. 85, No. 1, July 2007, pp. 179–204.

We believe the value of skilled active managers will only become more apparent in the age of AI. Amid historically narrow, index-driven markets, the opportunity is wide open for investors who think independently and use the new tools to develop fresh, proprietary insights that lead to differentiated positioning. Away from the handful of mega-caps that dominate headlines and benchmark weights, active managers have less competition and more opportunity. In particular, in ex-US developed and emerging markets, where indices are less efficient proxies and research coverage is thinner. It is no coincidence that active managers fared far better outside the US, where leadership has been less concentrated.

“The payoff to skill and judgement is often largest where the fewest are exercising it.”

The obvious question is what happens when the narrowing stops. Here the long-term record is instructive. In the US, the share of active large-cap funds beating the S&P 500 compressed through the narrow market of the late 1990s, then rebounded to nearly 50% in the decade that followed the Dot-com bubble, as breadth normalised and most shares beat the index for years. It's not because managers suddenly became more skilled, but because the market environment was no longer rewarding those who owned a handful of giants and little else.

Active managers can fare better where there is less competition.

Median number of analysts covering US vs ex-US stocks in the FTSE World Index.

US Stocks



ex-US Stocks



31 Dec 2025 | LSEG IBES Estimates, Orbis. Analyst coverage is the number of analysts providing BHS recommendations to I/B/E/S. Alexander Dyck, Karl V. Lins, and Lukasz Pomorski, "Does Active Management Pay? New International Evidence", The Review of Asset Pricing Studies, Vol 3, No. 2, December 2013, pp. 200–228: active management generates greater value in less-competitive asset markets outside of the United States, particularly in emerging markets.

Active vs Passive: Two foundational arguments

The idea that markets are becoming less efficient is an uncomfortable one. Prices are supposed to reflect available information, so better access to information and, with AI, widespread access to some form of “superintelligence” should mean greater efficiency, not less. So how can we reconcile that?

How efficient are markets?

In 1980, Sanford Grossman and Joseph Stiglitz argued that perfectly efficient markets are impossible. If prices reflected all information, no one could profit from gathering information, so no one would bother gathering it, so prices would reflect nothing. Efficiency is therefore self-defeating. Markets need active investors in the same way a lawn needs mowing. But if everyone concludes the work is pointless, the work stops being done, and the grass grows back. In that sense, equilibrium is not an efficient market, but one that is just inefficient enough to incentivise the people who keep it honest.

Said differently, every dollar that moves from active to passive management is a dollar withdrawn from the mowing. Passive investing works precisely because someone else is doing the pricing, effectively getting a free ride on the efforts of a shrinking pool of investors still

asking what things are worth. This can’t continue forever, but it’s impossible to know exactly how long it will last. What we do know is that capital flows have been running in one direction toward passive for decades, and AI may potentially result in faster and more confident herding.

Can you identify the winners?

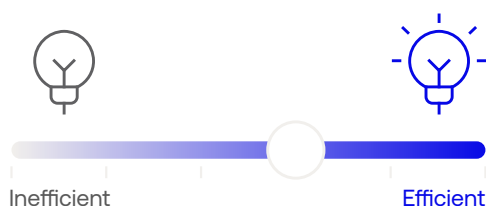
As William Sharpe pointed out, active managers cannot collectively outperform the market. The total market comprises active and passive investors. If passive investors match the total market return, it is arithmetically impossible for active managers, as a group, to earn more (otherwise the total return for everyone would be higher).

In aggregate, active management is basically a zero-sum game. Like a poker game, alpha can only come at the expense of other players around the table. For every dollar of positive alpha, another active investor needs to underperform by a dollar. An active manager’s ability to deliver alpha is therefore partly a function of the quality of competition around the table. And that is good news for truly active investors seeking to take advantage at the expense of benchmark huggers. For a skilled poker player, the ideal table is not a tournament with their peers but one with unskilled tourists.

Active vs passive: two foundational arguments.

Opportunity exists—the question is how attractive it is at any point and can you capture it.

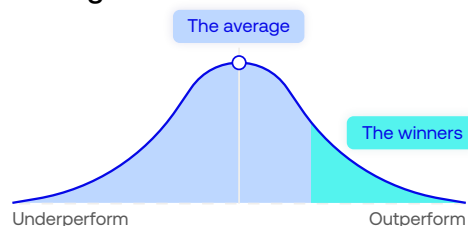
Market efficiency is a spectrum, not a switch.



Grossman and Stiglitz (1980): if prices reflected all available information, investors would have no incentive to gather that information—without that effort, prices could not remain perfectly efficient.

The key question is not, “Are markets efficient?” but “How efficient, right now?”

Sharpe’s arithmetic is about the average.



Sharpe (1991): after fees, the average active dollar must underperform the average passive dollar—but allocators do not invest in the average active manager; they select individual managers.

The key question is not, “Does the average active manager win?” but “How big is the winning pool and can I spot one in advance?”

Source: Sanford J. Grossman and Joseph E. Stiglitz, “On the Impossibility of Informationally Efficient Markets”, The American Economic Review, Vol. 70, No. 3, June 1980, pp. 393–408. William F. Sharpe, “The Arithmetic of Active Management”, Financial Analysts Journal, Vol. 47, No. 1, January/February 1991, pp. 7–9.

New tools, better habits

At Orbis we pride ourselves on taking a fresh look at every decision from first principles. Our adoption of AI in our investment process is a perfect example. We are neither resisting change, nor blindly rushing to follow the crowd. Our goal is to use AI to enhance what we already do in order to deliver better results for our clients.

To be clear, we are using AI in many of the same ways as others. AI can summarise filings, produce transcripts, and automate much of the work in building financial models and writing internal reports. This leaves analysts free to spend more time turning over stones for new ideas and developing differentiated fundamental insights.

But as useful as these productivity improvements may be, few are proprietary. Instead, we view these efficiency gains as “table stakes” that are necessary to keep playing the game but insufficient to create a winning edge. If AI makes every investment manager more productive, relative advantage is unchanged.

“A truly durable edge has to come from something that the new technology can amplify but competitors cannot replicate.”

As we have seen when analysing our portfolio holdings and looking at potential investments, the real value of AI often comes when the tools are applied to unique, proprietary datasets. At Orbis, we are fortunate to have a wealth of investment decision-making data that goes all the way back to the inception of the firm.

Starting literally on paper, our founder Allan Gray developed a system for tracking individual investment decisions in real time. We now have more than 35 years of this “paper portfolio” decision-making data that includes recommendations, weights, trade timing and rationale, earnings forecasts, bull and bear cases, investment meeting votes and transcripts and much more. We believe it is arguably one of the world’s most detailed datasets on investment decision-making and it belongs exclusively to us.

AI now allows us to mine this data for insights in ways that were either cumbersome or impossible before. As valuable as the data has always been, it’s inherently unstructured. Large language models are an ideal solution. In many cases, what was previously a labour-intensive process measured in days is now a query that can be done in seconds. The firm has therefore dedicated a massive amount of time and resources to ensure that all the data we’ve collected over the years is structured in a way that is suitable for analysis with AI.

As a result, we now have significantly higher-quality, actionable insights from our proprietary data. Generally speaking, we can group these into three key benefits:

1. Learning from our own decisions
2. Surfacing our best ideas
3. Interrogating our thinking

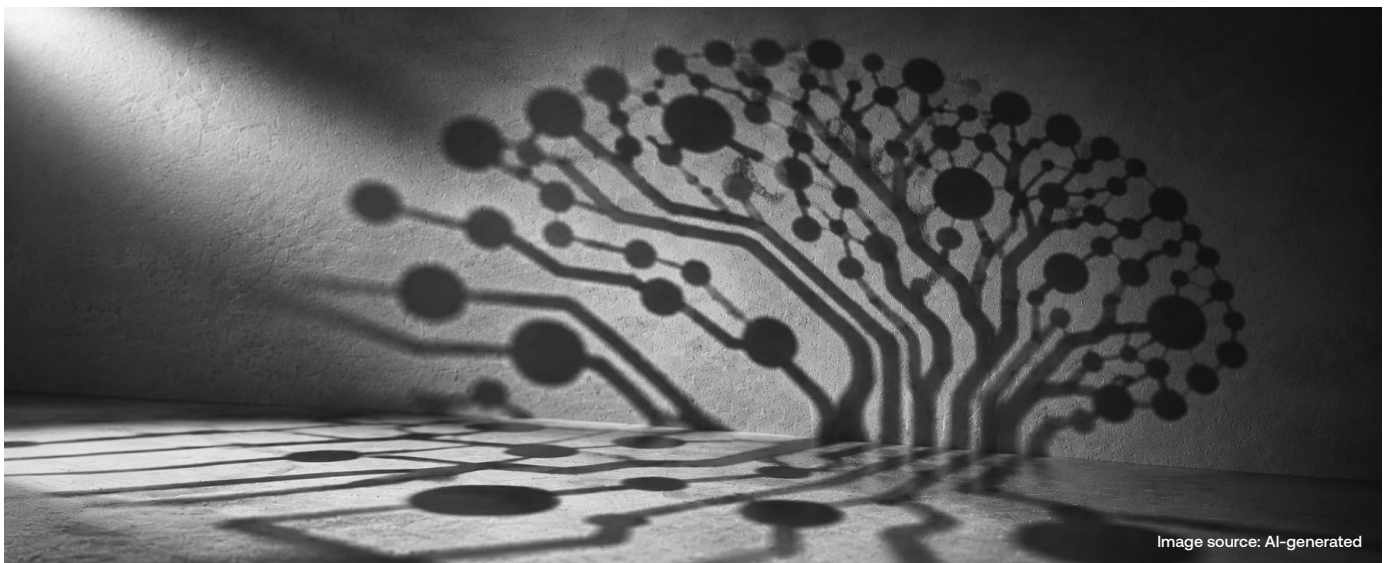


Image source: AI-generated

1. Learning from our own decisions

Our Decision Analytics team has long used our internal datasets to help analysts see their own patterns of decision-making and to learn from them. AI now lets us extract the reasoning behind decisions, not just the outcomes. We can engage in deeper and more meaningful conversations with our analysts by seamlessly extracting the core thesis from their research. For instance, we've built an AI skill focused on management analysis to determine how a given analyst has assessed corporate leadership in their research and comparing their perspectives with external views to identify key divergences.

Investors generally make better decisions when not reacting in the heat of the moment, so our Decision Analytics team also works with analysts to pre-determine specific “kill criteria” for their investments. This is built into an AI tool that actively scans the data library to monitor if any of those criteria are being triggered,

such as a company's market share falling below a specific threshold. The analyst is free to take or leave this information, but flagging these data points creates an excellent starting point for deeper investigation.

Finally, AI enables us to generate “look-back” reports by synthesising historical research, verbal reasoning, trading histories, and external context to construct a cohesive narrative. This process builds a valuable library of institutional memories, and they are already surfacing useful lessons, such as reminding teams to remain confident in key business segments during volatile periods. These reports were possible before AI, but required considerably more time and were far less scalable to produce. Thanks to AI, those lessons are becoming a more systematic input into future investment decisions.

2. Surfacing our best ideas

One of the biggest challenges our portfolio managers face is separating signal from noise across the reams of research and recommendations being produced by our investment team each day. How strongly does an analyst feel about their latest idea? What is their track record with similar types of recommendations in the past? Are there other analysts covering the same stock with differing views? Broadly speaking, most of these questions come down to a deeper understanding of conviction, context and skill. AI has been instrumental in helping our portfolio managers navigate the research and recommendations bubbling up from our analyst teams.

Portfolio construction is perhaps the most exciting way that we are using AI, combining the insights coming from Decision Analytics together with the rich proprietary history of our investment decision making. Realising the potential value of that dataset involves navigating those decisions, and using them to select the best opportunities today. How do we learn from past decision

making (both good and bad) to rank the opportunities that our analysts see today?

To do this we are training AI models using insights from Decision Analytics, encapsulated in three families of proprietary signal: *analyst conviction* (how strongly an analyst backs an idea, adjusted for their own history of bullishness), *Orbis context* (how many analysts agree, how fresh the thesis is, how long we've held it), and *skill* (reflecting our analysts' respective superpowers in particular sectors, geographies, etc., rather than a one-dimensional proxy like seniority).

Importantly, these signals are drawn exclusively from our own decisions and our own history. The system will also learn as it goes along, with subsequent investment outcomes as the feedback. The objective is not to tell portfolio managers what to own, but to help make our collective research insights more easily discoverable and actionable.

3. Interrogating our thinking

One of the most valuable inputs in our research process comes toward the end, when analysts present their investment thesis to a group of peers and portfolio managers. It's a valuable opportunity to interrogate the thesis before we make a final decision to commit client capital.

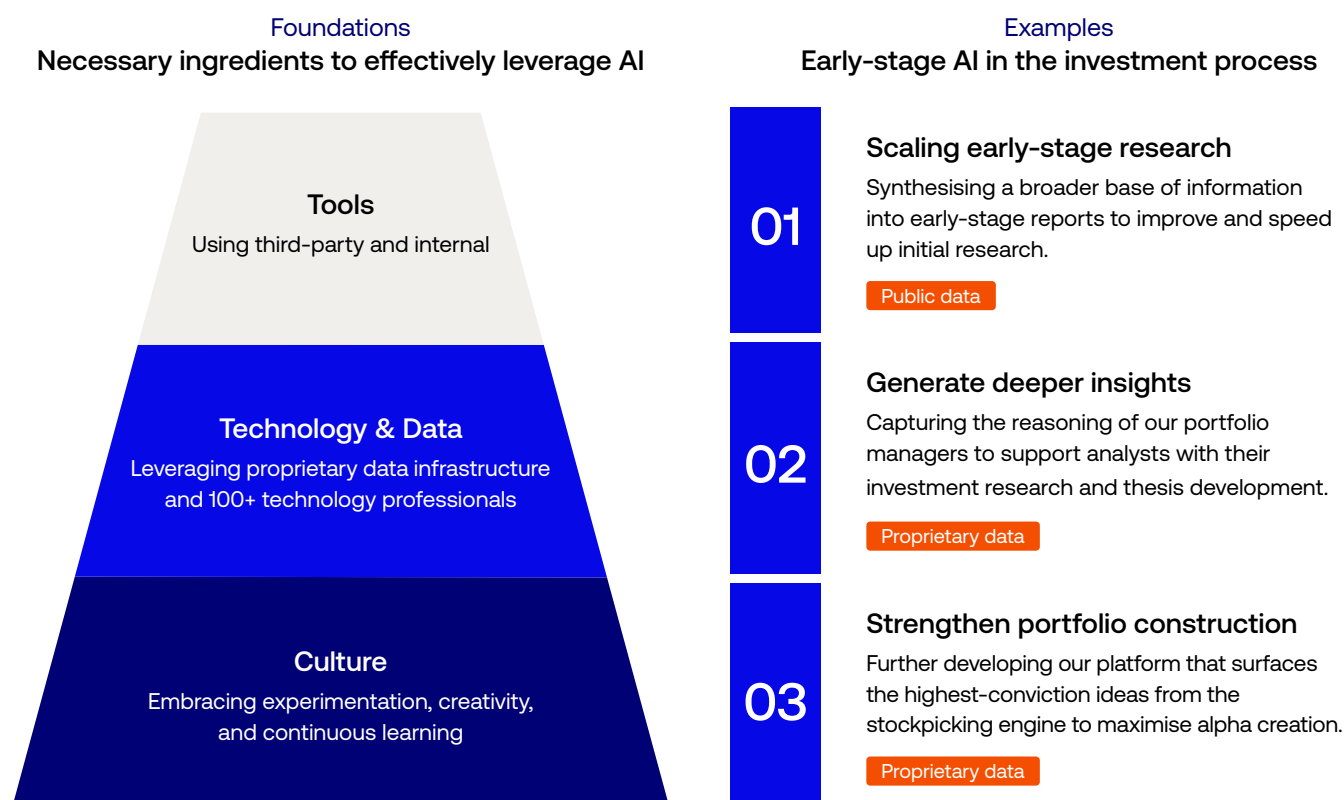
But what if we could provide portfolio manager-level scrutiny at the start of the process as well? To that end, we have been training models on our own decision-making to critique a thesis in the same way that our best portfolio managers might challenge assumptions and

surface blind spots. In other words, we can take the final stage of our investment process and roll that forward to much earlier stages of the process.

Again, the goal is not to replace human judgement. At no point in the process are decisions being delegated to AI, and the final in-person "thesis defence" in front of human peers remains critical. But the new tools enable our investment team to rapidly harness the information we've gathered over several decades with a simple AI chat and benefit from that institutional wisdom throughout all steps of the process.

The examples above are just a few of the experiments we've been working on thus far. Individual analysts and portfolio managers are also doing their own exploration and learning. Some of these efforts will inevitably prove to be more valuable than others, but collectively we believe they make a meaningful difference. The common theme is that we view AI as a powerful enabler of independent, human decision-making. When combined with several decades of proprietary data and a culture of continuous self-improvement, we are excited to see how these new tools can help us serve our clients in the years to come.

Integrating AI into our investment process.



The enduring human edge

If AI can read every filing, attend every conference call, and model every scenario better than any human analyst, what exactly is left for an investment firm to do?

According to Harari the historical lesson is self-correction. Across every information revolution, the institutions that thrived were not the ones with the most information, but those with the discipline to challenge their own conclusions and continuously evolve. The capacity to do that is in short supply and will only become more valuable in our view. If everyone's tools generate the same conclusions faster and with greater conviction, the opportunity will belong to those who can think and act independently.

Building that capacity is a matter of choices, not technologies. Putting independent thinking ahead of career risk is a choice. Gearing incentives to value creation is a choice. Aligning the owners of a firm with its clients is a choice. None of these can be bought with a software subscription.

The investors who paid more for Zoom than for ExxonMobil had every tool they needed to know better. The investors who will make equivalent mistakes in the age of AI may do so with superintelligence at their disposal.

The new tools will keep getting better. For investors and allocators alike, the challenge will be how to embrace AI without compromising critical thinking and letting our old habits get in the way.

What's changed

- Speed
- Data access
- Processing power
- Connectivity

What hasn't

- Human emotions
- Herd behaviour
- Reflexivity
- Valuation dispersion and dislocations



Simon Skinner
Head of Global Investment Team



John Christy
Senior Investment Specialist



orbis.com

Legal Notices

This is a marketing communication. Past performance is not a reliable indicator of future results. Results may decrease or increase as a result of currency fluctuations. Investment values fluctuate and are not guaranteed. When making an investment in Orbis, an investor's capital is at risk and the investor may not get back the amount originally invested. This white paper provides general information only. It is not personal financial, tax, legal or investment advice and does not take into account any investor's personal financial circumstances, objectives or needs. While we have endeavoured to ensure the accuracy of the information herein, such information is not guaranteed as to accuracy or completeness. At any time, members of the Orbis Group may have long or short positions in, and may be buying or selling, the investments, if any, referred to in this white paper. This white paper does not prohibit the Orbis Funds from dealing in such investments or securities before or after publication. All information and commentary in this white paper is as at the date indicated. Such commentary or views may turn out to be incorrect, can and do change over time, and depend on a particular set of circumstances at a point in time. The views expressed are subject to change without notice. Any third-party product and company names are trademarks or registered trademarks of their respective holders, and their use does not imply any affiliation with, endorsement by or association of any kind between them and Orbis.

FTSE: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2026. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", are trade marks of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication. Morningstar: © 2026 Morningstar, Inc. All rights reserved. The Morningstar information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Cremers, K. J. Martijn and Fulkerson, Jon A. and Riley, Timothy Brandon, How the SPIVA U.S. Scorecard Understates the Performance of Actively Managed Mutual Funds (May 04, 2026). Available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6710358

US & Canada Disclosure

As defined in applicable securities law, this white paper is intended for qualified purchasers in the US and permitted clients in Canada.

Important Information

Orbis Investment Management Limited is licensed to conduct investment business by the Bermuda Monetary Authority. These materials do not constitute an offer or solicitation to invest in the Orbis Funds. Persons who are not permitted to receive this communication should not rely on it. Subscriptions are only valid if made on the basis of the current prospectus or offering memorandum of an Orbis Fund and are subject to the prospective investor meeting certain qualification standards. An investor could lose all or a substantial amount of his or her investment. At any time, members of the Orbis Group may have long or short positions in, and may be buying or selling, the investments, if any, referred to in this white paper. Read the prospectus carefully prior to investing. This document has been prepared solely for the information of the party to whom it has been delivered and may not be reproduced or used for any other purpose. All rights reserved.