

ORBIS ABSOLUTE RETURN FUNDS

1999
Annual
REPORTS



ORBIS OPTIMAL
US\$ Fund / Euro Fund

ORBIS LEVERAGED
US\$ Fund / Euro Fund

THE FAMILY OF ORBIS OFFSHORE FUNDS

ABSOLUTE RETURN FUNDS

- These Funds seek absolute (*ie positive*) returns regardless of stockmarket trends
- They invest directly or indirectly in the most appropriate mix of Orbis Equity Funds
- They manage risk of loss with stockmarket hedging
- They are able to have no net exposure to stockmarket trends
- They are differentiated from each other by their risk levels and their base currencies

ORBIS OPTIMAL (US\$) FUND

This Fund seeks capital appreciation in its base currency, the US dollar, while offering a low risk global portfolio. The Fund invests in selected Orbis Equity Funds. The risk of loss of the Fund is managed with stockmarket hedging.

ORBIS OPTIMAL (EURO) FUND

This Fund seeks capital appreciation in euro on a low risk global portfolio. The Fund supplements its sole investment, the Orbis Optimal (US\$) Fund, with currency hedging enabling the Fund to be managed in its base currency, the euro.

ORBIS LEVERAGED (US\$) FUND

This Fund seeks capital appreciation in US dollars on a leveraged global portfolio. The Fund invests up to 200% of its net assets, primarily in the Orbis Optimal (US\$) Fund. The stockmarket and currency exposures of the Fund are actively managed.

ORBIS LEVERAGED (EURO) FUND

This Fund seeks capital appreciation in euro on a leveraged global portfolio. The Fund supplements its sole investment, the Orbis Leveraged (US\$) Fund, with currency hedging enabling the Fund to be managed in its base currency, the euro.

EQUITY FUNDS

- Each Fund remains fully invested in equities selected from a specified geographic region
- Each is actively managed to outperform a “Benchmark” index of the stockmarkets in its region
- The equities are selected based on detailed proprietary research which emphasises relative value
- A Fund’s portfolio may be focused and, unlike an index fund, notably different from its Benchmark
- However, the resulting risk of underperforming the Benchmark is regularly monitored

ORBIS GLOBAL EQUITY FUND

This Fund invests globally and seeks to earn higher returns than world stockmarkets. The Fund’s Benchmark is the FTSE World Index, including income. The Fund’s currency exposure is managed relative to that of the World Index.

ORBIS AFRICA EQUITY (RAND) FUND

This Fund invests in African, usually South African, equities. The Fund’s Benchmark is the Johannesburg Stock Exchange/Actuaries All Share Index, including income. The Fund does not hedge currencies, and thus is exposed to the rand.

ORBIS JAPAN EQUITY (YEN) FUND

This Fund invests in Japanese equities. The Fund’s Benchmark is the Japanese stockmarket, measured by the Tokyo Stock Price Index, including income (“TOPIX”). The Fund does not hedge currencies, and therefore is exposed to the Japanese yen.

ORBIS JAPAN EQUITY (US\$) FUND

This Fund invests in the Orbis Japan Equity (Yen) Fund. The Fund hedges most or all of its currency exposure into US dollars. The Fund’s Benchmark is the Japanese stockmarket, measured by the TOPIX hedged into US dollars.

CHAIRMAN'S LETTER

Dear Fellow Member,

After a promising start, the returns on these Absolute Return Funds were very disappointing in 1999. Substantial stockmarket hedging made the Funds' returns largely independent of those on world stockmarkets. Instead the Funds' returns were driven by the performance of our selected shares in the underlying Orbis Equity Funds relative to their respective national stockmarket indices. In the first half of the year, marked success in equity selection helped your Funds to earn strong returns. However, the reverse occurred thereafter, as explained in the Manager's Reports on the following pages.

In the latest quarter, **Orbis Optimal (US\$)** declined by 9.3% while Bank Deposits earned 1.4% and the Average Global Equity Fund 18.3%. This was the most disappointing quarter in your Fund's 10 year history. It was sparked by the most divergent performance amongst equities over that decade. A speculative frenzy for "glamour" shares drove the World Index up by 16.3% last quarter. However, this was focused on a remarkably narrow group of equities, and many "value" shares actually lost money. For 1999 overall, Orbis Optimal (US\$) returned 2.9%, Bank Deposits 5.4% and the Average Global Equity Fund 29.1%. Since your Fund's inception 10 years ago, a period which is more representative because it includes not only bull but also bear markets, Orbis Optimal (US\$) has earned 10.2% pa, Bank Deposits 5.8% pa and the Average Global Equity Fund 10.1% pa.

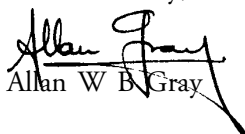
As you should expect, **Orbis Leveraged (US\$)** amplified the performance of Orbis Optimal (US\$), and lost 19.8% in the latest quarter. For 1999 overall, Orbis Leveraged (US\$) lost 4.1%, having more than surrendered the strong gains it made early in the year. Since inception on 1 January 1990, the Fund's return of 9.1% pa compares with 5.8% pa on Bank Deposits and 10.1% pa on the Average Global Equity Fund. Clearly, this represents extremely disappointing performance. The report on page 6 examines the Fund's stance and explains why we expect strong returns in the years ahead.

Each of **Orbis Optimal (Euro)** and **Orbis Leveraged (Euro)** invests approximately 100% in its US dollar counterpart and hedges from dollars into euro. As a result, the returns of the Euro Funds measured in euro, set out on pages 4 and 8, approximate those of the corresponding Dollar Funds in dollars. The inception date of the Euro Funds was 30 June 1998, and therefore their performance largely reflects the recent weakness of the Dollar Funds, discussed above.

With regret, the Directors of the Funds have accepted Alan Gilbertson's resignation. Alan's service has been exemplary and his presence on the boards will be missed. We are delighted he will continue as a consultant and a Member. We thank Alan for his immeasurable contribution and dedication in the past decade and wish him the best of fortune. The Directors are pleased that William Gray has accepted our nomination as President of the Funds. William, a B.Comm, MBA (Harvard) and CFA graduate, has been with Orbis and its predecessor companies for nine years, latterly as Chief Investment Officer and now President of Orbis Investment Management Limited.

Our best wishes to you all for a healthy, happy and prosperous year in 2000.

Yours sincerely,


Allan W B Gray

Hamilton, Bermuda
14 January 2000

ORBIS OPTIMAL (US\$) FUND

MANAGER'S REPORT AT 31 DECEMBER 1999

| Total Rate of Return | From Inception on 1 Jan 1990 | Latest | | | Quarter % Not Annualised |
|--------------------------------------|---------------------------------|-------------------------|------------|------------|-----------------------------|
| | | 5 Years % Annualised | 3 Years | 1 Year | |
| In the benchmark currencies:* | | | | | |
| Orbis Optimal (US\$) | 10.3 | 7.0 | 4.3 | 2.9 | (9.3) |
| In US dollars: | | | | | |
| Orbis Optimal (US\$) | 10.2 | 4.8 | 1.3 | 2.9 | (9.3) |
| Bank Deposits | 5.8 | 2.6 | 1.8 | 5.4 | 1.4 |
| Average Global Equity Fund | 10.1 | 15.0 | 16.1 | 29.1 | 18.3 |

* 100% US dollars since 30 June 1998, previously 40% dollars, 40% ecu and 20% yen.

In the first half of 1999, your Fund's equity investments outperformed their domestic stockmarkets. The result was that these hedged investments were profitable and your Fund earned 16.9%. However, in the rest of the year your Fund lost 11.9% because the reverse occurred. Our equity selections have underperformed to an unprecedented extent in the latest six months, essentially because we avoided Internet related shares while these soared. There has been an explosion of investor enthusiasm for anything related to the Internet, and in particular technology and telecommunications shares. The fervour began in the US and spread worldwide as investors searched for cheaper ways to participate. In the last six months of 1999, the US technology sector, the largest in the S&P 500, soared by 40% and the Japanese communications sector by 104%. As the momentum of Internet related shares gathered steam, investors became less discriminating and ignored value, the very quality we prize in our share selection. It is remarkable that in this environment 76% of the value shares in the S&P 500 (as simplistically characterised by yield) fell although the overall index rose 19.5% in 1999.

This dichotomy of rising glamour shares and falling value shares has made your Fund's approach of investing in value and hedging based on stockmarket indices expensive recently. These recent losses would not have occurred if our equity funds held Internet shares. They did not, because we believed these shares offered very poor value. We are enthusiastic about the remarkable potential of the Internet. However, even before their latest surge, the Internet shares priced in the assumption that revenues and earnings would grow at remarkable rates. While a few of these shares may justify their current prices, it is virtually impossible to predict which ones, and the overall group seems extremely overpriced. To buy them now would deny your Fund the potential rewards when the market leadership reverts to value, as history suggests it will. We have preferred to "tough out" this spell of underperformance, although we did make one important change early in 1999. In recognition that the correlation between the equities we favour and the market indices we use for hedging had fallen (although underestimating the extent), we reduced the Fund's hedging, particularly that based on the Japanese stockmarket.

Nevertheless, your Fund remains largely hedged, and thus reliant on our value-oriented share selection. Share selection has raised the return of Orbis Global Equity by 4.7% pa in the ten years since inception, and in 27 out of 40 completed quarters. We have never considered our selected shares to be more attractive relative to their domestic indices, or this Fund's medium-term results more promising. We set out our reasons for our degree of confidence on page 6.

| | | |
|---|--|---|
| MANAGER Orbis Investment Management Limited | INVESTMENT ADVISOR Orbis Investment Advisory Limited | CUSTODIAN The Bank of Bermuda Limited |
| <i>DIRECTORS Allan W B Gray, Chairman</i> | <i>John C R Collis</i> | <i>Geoffrey M Gardner</i> |
| | <i>William B Gray</i> | <i>William D Thomson</i> |

ORBIS OPTIMAL (US\$) FUND AT 31 DECEMBER 1999

STATEMENT OF NET ASSETS

| Number Held | Security | Market Value US\$ 000's | % of Fund |
|-------------|---|----------------------------|-------------------|
| 7,130,000 | Orbis Global Equity Fund | 286,626 | 67 |
| 7,462,000 | Orbis Japan Equity (US\$) Fund | 96,036 | 22 |
| 1,143,000 | Orbis Africa Equity (Rand) Fund | 22,300 | 5 |
| | Total Equity Exposure | 404,962 | 94 |
| | Portfolio Hedging: | | |
| | Stock Index Futures Sold: | | |
| (420) | Japan: Nikkei 225 OSA 3/2000 | (77,361) | (32) |
| (355) | TOPIX TSE 3/2000 | (59,450) | |
| (245) | US: S&P 500 CME 3/2000 | (91,018) | (21) |
| (144) | UK: FTSE 100 LIFFE 3/2000 | (16,244) | (4) |
| (1,155) | South Africa: JSE All Share Top 40 SAFEX 3/2000 | (15,080) | (3) |
| (66) | Germany: DAX Eurex 3/2000 | (11,664) | (3) |
| (775) | Sweden: OMX OMLX 1/2000 | (10,989) | (3) |
| (200) | Switzerland: SMI Eurex 3/2000 | (9,587) | (2) |
| (43) | Spain: IBEX 35 MEFF 1/2000 | (5,074) | (1) |
| | Market Value | (296,467) | (69) |
| | Contract Value | 281,456 | 65 |
| | Net Balances at Brokers | 32,698 | 8 |
| | Balance Committed to Above Positions | 17,687 | 4 |
| | Put Options: | | |
| 335 | US: S&P 500 CBOE, Strike 1425, 3/2000 | 1,256 | - |
| 190 | S&P 500 CBOE, Strike 1350, 1/2000 | 100 | - |
| | Net Current Assets | 7,620 | 2 |
| | Net Assets (Cost US\$ 286,989) | 431,625 | 100 |
| | Net Asset Value per Share | 16,381,557 shares issued | US\$ 26.35 |
| | (At 31 December 1998: 18,645,920 shares issued; US\$ 25.60) | | |

ANALYSIS OF STOCKMARKET EXPOSURE

| Region | Equity Exposure | Portfolio Hedging | Accounting Exposure | Beta Adjusted Exposure* |
|--------------------|-----------------|-------------------|---------------------|-------------------------|
| | % | % | % | % |
| Japan | 42 | (32) | 10 | 3 |
| US | 28 | (27) | 1 | (7) |
| Continental Europe | 9 | (9) | - | - |
| South Africa | 8 | (3) | 5 | 3 |
| UK | 7 | (4) | 3 | 1 |
| Total | 94 | (75) | 19 | - |

* This is Equity Exposure, multiplied by a Beta determined using Blume's technique, minus Portfolio Hedging.

CURRENCY DEPLOYMENT

| | % of Fund |
|-------------------|------------|
| US dollar | 90 |
| Canadian dollar | 5 |
| Euro | 5 |
| Net Assets | 100 |

See accompanying notes

ORBIS OPTIMAL (EURO) FUND

MANAGER'S REPORT AT 31 DECEMBER 1999

| Total Rate of Return in euro: | From Inception on 30 Jun 1998 % Annualised | Latest 1 Year | Latest Quarter % Not Annualised |
|---|--|------------------|---------------------------------------|
| Orbis Optimal (Euro) | 0.7 | 0.4 | (9.7) |
| % depreciation of the euro versus the US dollar | 5.5 | 14.2 | 5.9 |

In effect, apart from its currency exposure, Orbis Optimal (Euro) is the same investment as Orbis Optimal (US\$). Given this, we refer regular readers to the Orbis Optimal (US\$) Fund report on page 2. First time readers may find it informative to also read the text below in italics.

This Fund seeks capital appreciation in euro on a low risk global portfolio. It invests in the Orbis Optimal (US\$) Fund and hedges most or all of its currency exposure from US dollars into euro. The result is that this Fund may be expected to earn returns in euro which usually approximate those on Orbis Optimal (US\$) in dollars, adjusted by the short-term interest rate differential between the euro and the dollar. Page 2 shows the returns on Orbis Optimal (US\$) in dollars for various periods, including 10.2% pa for the overall ten-year period since that Fund's inception on 1 January 1990.

The returns of Orbis Optimal (Euro) may also differ from those of Orbis Optimal (US\$) because the policy of these Funds is to avoid net short currency positions. For example, page 3 shows that at the year-end the Currency Deployment of Orbis Optimal (US\$) comprised 90% US dollars and 5% each in Canadian dollars and euro. If Orbis Optimal (Euro) had simply hedged 100% of net assets from dollars into euro as usual, it would have included minus 10% exposure to the US dollar. Instead, as the Currency Deployment opposite shows, this Fund's hedging into euro was limited in order to avoid a negative dollar position.

Your choice between this Fund and Orbis Optimal (US\$) should be dictated by the "base currency" in which you wish us to manage your investment. The above table shows the fluctuations in the exchange rate between the euro and the dollar for various periods (the ecu was used prior to 1 January 1999). The table highlights that these exchange rate fluctuations can be substantial and that it is therefore important to select an investment managed in the base currency best suited to your needs.

The Fund's deployment at the year-end is shown opposite. The Statement of Net Assets shows that 100% of Orbis Optimal (Euro) was invested in Orbis Optimal (US\$). Details of the portfolio of Orbis Optimal (US\$) are in turn disclosed on page 3. Note that Orbis Optimal (US\$), and therefore Orbis Optimal (Euro), can include sufficient stockmarket hedging to materially reduce or even eliminate all stockmarket exposure, and thus can target positive returns regardless of the current trend in stockmarkets (or any other asset class). This is why we refer to both of these Orbis Optimal Funds as "Absolute Return Funds".

Finally, the Analysis of Stockmarket Exposure opposite looks through the investment in Orbis Optimal (US\$) at the year-end to present Orbis Optimal (Euro)'s indirect exposure to stockmarkets. A comparison between this table and the corresponding one for Orbis Optimal (US\$) on page 3 confirms that, aside from currency exposure, the investment exposure of the two Funds was identical. For example, at the year-end both Funds had virtually no Beta Adjusted Exposure to stockmarkets.

| MANAGER | INVESTMENT ADVISOR | CUSTODIAN |
|---|------------------------------------|----------------------------------|
| Orbis Investment Management Limited | Orbis Investment Advisory Limited | The Bank of Bermuda Limited |
| <i>DIRECTORS</i> Allan W B Gray, Chairman | John C R Collis Geoffrey M Gardner | William B Gray William D Thomson |

ORBIS OPTIMAL (EURO) FUND AT 31 DECEMBER 1999

STATEMENT OF NET ASSETS

| Shares Held | Security | Market Value € 000's | % of Fund |
|-------------|---|-------------------------|----------------|
| 273,000 | Orbis Optimal (US\$) Fund | 7,151 | 100 |
| | Net Current Assets | 14 | - |
| | Net Assets (Cost € 6,437) | 7,165 | 100 |
| | Net Asset Value per Share | 708,769 shares issued | € 10.11 |
| | (At 31 December 1998: 550,220 shares issued; € 10.07) | | |

ANALYSIS OF STOCKMARKET EXPOSURE

| Region | Equity Exposure | Portfolio Hedging | Accounting Exposure | Beta Adjusted Exposure* |
|--------------------|-----------------|-------------------|---------------------|-------------------------|
| | % | % | % | % |
| Japan | 42 | (32) | 10 | 3 |
| US | 28 | (27) | 1 | (7) |
| Continental Europe | 9 | (9) | - | - |
| South Africa | 8 | (3) | 5 | 3 |
| UK | 7 | (4) | 3 | 1 |
| Total | 94 | (75) | 19 | - |

* This is Equity Exposure, multiplied by a Beta determined using Blume's technique, minus Portfolio Hedging.

CURRENCY DEPLOYMENT

| | % of Fund |
|------|-----------|
| Euro | 100 |

See accompanying notes

ORBIS LEVERAGED (US\$) FUND

MANAGER'S REPORT AT 31 DECEMBER 1999

| Total Rate of Return | From Inception on 1 Jan 1990 | Latest | | | Quarter % Not Annualised |
|--------------------------------------|---------------------------------|-------------------------|--------------|--------------|-----------------------------|
| | | 5 Years % Annualised | 3 Years | 1 Year | |
| In the benchmark currencies:* | | | | | |
| Orbis Leveraged (US\$) | 9.2 | 2.0 | (7.5) | (4.1) | (19.8) |
| In US dollars: | | | | | |
| Orbis Leveraged (US\$) | 9.1 | (0.1) | (10.1) | (4.1) | (19.8) |
| Bank Deposits | 5.8 | 2.6 | 1.8 | 5.4 | 1.4 |
| Average Global Equity Fund | 10.1 | 15.0 | 16.1 | 29.1 | 18.3 |

* 100% US dollars since 30 June 1998, previously 40% dollars, 40% ecu and 20% yen.

Last quarter's action in many world stockmarkets seems characteristic of the "blow off phase" that typically precedes the end of a major bull market. In this phase, stockmarket indices experience a dramatic final surge driven by exponential rises, fuelled by speculation, in the prices of shares in a few glamour industries. Ultimately these shares drive the indices to wholly unsustainable levels. On this occasion, the glamour shares have been those related to the Internet, including technology and telecommunications shares. In recent months, a speculative frenzy for these shares has reached fever pitch, boosting world stockmarket indices. In contrast, value-oriented shares have trailed badly. Your Fund's portfolio remained almost exclusively focused on Orbis Optimal (US\$), whose strategy of investing in value-oriented Orbis Equity Funds and hedging based on stockmarket indices was costly in this environment. This was responsible for almost all of your Fund's dismaying loss last quarter.

At the year-end, as shown opposite, your Fund's deployment was little changed. As an exception, because we believe the US stockmarket has the potential to fall sharply, the Fund has 17% short exposure which will benefit it if this occurs. Our implementation of this position exclusively using options caps the cost if it does not. The performance of glamour shares versus value shares remains key to the Fund's prospects. Selected value shares are now more attractive relative to their domestic stockmarket indices than at any time since your Fund's inception. For example, our selected US equities trade at a weighted average of 14.1 times earnings and 1.3 times book value. In contrast, the technology-laden NASDAQ 100 Index trades at 95.8 times earnings and 17.1 times book value. Only in Japan in 1989 have we seen valuations this stretched in a major market.

When a speculative bubble bursts, the glamour shares slump and value shares, trailing until then, dramatically outperform. Past examples include Japan in 1990 and South Africa in 1998. Orbis capitalised on these occasions. In the first nine months of 1990 Japan led the World Index 25.0% lower yet Orbis Leveraged rose 20.6%, and in 1998 Orbis Africa Equity outperformed the JSE Index by 35.0% in its first three months. We cannot predict when the Internet bubble will burst, but there are hopeful signs. Volatility and optimism are extremely high, historically bearish signs. Rising US interest rates usually hurt growth shares disproportionately. Internet entrepreneurs seem to consider their own shares overvalued: in the AOL-Time Warner merger, AOL's CEO is in effect exchanging 45% of his interest in AOL for Time Warner shares at a price approximately 80% above their pre-merger price. Could your Fund's strong returns thus far in 2000 be a signal of a turn in the tide?

| | | |
|---|--|---|
| MANAGER Orbis Investment Management Limited | INVESTMENT ADVISOR Orbis Investment Advisory Limited | CUSTODIAN The Bank of Bermuda Limited |
| DIRECTORS Allan W B Gray, Chairman | John C R Collis | Geoffrey M Gardner |
| | William B Gray | William D Thomson |

ORBIS LEVERAGED (US\$) FUND AT 31 DECEMBER 1999

STATEMENT OF NET ASSETS

| Number Held | Security | Market Value US\$ 000's | % of Fund |
|-------------|--|-------------------------|-------------------|
| 13,565,000 | Orbis Optimal (US\$) Fund | 357,438 | 187 |
| | Incremental Equity Position: | | |
| 755,000 | First Russian Frontiers Trust | 5,395 | 3 |
| | Put Option to Manage Stockmarket Exposure: | | |
| 200 | US: S&P 500 CBOE, Strike 1350, 1/2000 | 105 | - |
| | Investments | 362,938 | 190 |
| | Loans | (172,000) | (90) |
| | Net Current Assets | 568 | - |
| | Net Assets (Cost US\$ 140,894) | 191,506 | 100 |
| | Net Asset Value per Share | 8,044,973 shares issued | US\$ 23.80 |
| | (At 31 December 1998: 8,932,798 shares issued; US\$ 24.81) | | |

ANALYSIS OF STOCKMARKET EXPOSURE

| Region | Equity Exposure | Stockmarket Positions | Accounting Exposure | Beta Adjusted Exposure* |
|--------------------|-----------------|-----------------------|---------------------|-------------------------|
| | % | % | % | % |
| Japan | 79 | (59) | 20 | 6 |
| US | 52 | (56) | (4) | (17) |
| Continental Europe | 17 | (17) | - | (1) |
| South Africa | 15 | (6) | 9 | 6 |
| UK | 13 | (7) | 6 | 2 |
| Russia | 3 | - | 3 | 2 |
| Total | 179 | (145) | 34 | (2) |

* This is Equity Exposure, multiplied by a Beta determined using Blume's technique, minus Stockmarket Positions.

CURRENCY DEPLOYMENT

| | % of Fund |
|-------------------|------------|
| US dollar | 87 |
| Canadian dollar | 10 |
| Euro | 10 |
| British pound | (10) |
| Russian rouble | 3 |
| Net Assets | 100 |

See accompanying notes

ORBIS LEVERAGED (EURO) FUND

MANAGER'S REPORT AT 31 DECEMBER 1999

| Total Rate of Return in euro: | From Inception on 30 Jun 1998 | Latest 1 Year | Latest Quarter |
|--|--|--------------------------|---------------------------------|
| | <small>% Annualised</small> | | <small>% Not Annualised</small> |
| Orbis Leveraged (Euro) | (11.9) | (7.2) | (20.7) |
| <i>% depreciation of the euro versus the US dollar</i> | 5.5 | 14.2 | 5.9 |

In effect, apart from its currency exposure, Orbis Leveraged (Euro) is the same investment as Orbis Leveraged (US\$). Given this, we refer regular readers to the Orbis Leveraged (US\$) Fund report on page 6. First time readers may find it informative to also read the text below in italics.

This Fund seeks capital appreciation in euro on a leveraged global portfolio. It invests in the Orbis Leveraged (US\$) Fund and hedges most or all of its currency exposure from US dollars into euro. The result is that this Fund may be expected to earn returns in euro which approximate those on Orbis Leveraged (US\$) in dollars, adjusted by the short-term interest rate differential between the euro and the dollar. Page 6 shows the returns on Orbis Leveraged (US\$) in dollars for various periods, including 9.1% pa for the overall ten-year period since that Fund's inception on 1 January 1990.

Your choice between this Fund and Orbis Leveraged (US\$) should be dictated by the "base currency" in which you wish us to manage your investment. The above table shows the fluctuations in the exchange rate between the euro and the dollar for various periods (the ecu was used prior to 1 January 1999). The table highlights that these exchange rate fluctuations can be substantial and that it is therefore important to select an investment managed in the base currency best suited to your needs.

The Fund's deployment at the year-end is shown opposite. The Statement of Net Assets shows that 100% of Orbis Leveraged (Euro) was invested in Orbis Leveraged (US\$). Details of the portfolio of Orbis Leveraged (US\$) are in turn disclosed on page 7. Note that Orbis Leveraged (US\$), and therefore Orbis Leveraged (Euro), can include sufficient stockmarket hedging to materially reduce or even eliminate all stockmarket exposure, and thus can target positive returns regardless of the current trend in stockmarkets (or any other asset class). This is why we refer to both of these Orbis Leveraged Funds as "Absolute Return Funds".

The Analysis of Stockmarket Exposure opposite looks through the investment in Orbis Leveraged (US\$) at the year-end to present Orbis Leveraged (Euro)'s indirect exposure to stockmarkets. A comparison between this table and the corresponding one for Orbis Leveraged (US\$) on page 7 confirms that, aside from currency exposure, the investment exposure of the two Funds was identical. For example, both Funds had total Beta Adjusted Exposure to stockmarkets of a negligible minus 2% at the year-end.

Finally, this Fund's Currency Deployment is shown at the foot of the opposite page, while that for Orbis Leveraged (US\$) is on page 7. A comparison of the two shows that at the year-end Orbis Leveraged (Euro) had modified the currency exposure it derived from Orbis Leveraged (US\$) by selling dollars, buying euro amounting to 100% of net assets.

| | | |
|---|--|---|
| MANAGER Orbis Investment Management Limited | INVESTMENT ADVISOR Orbis Investment Advisory Limited | CUSTODIAN The Bank of Bermuda Limited |
| DIRECTORS Allan W B Gray, Chairman | John C R Collis | Geoffrey M Gardner |
| | William B Gray | William D Thomson |

ORBIS LEVERAGED (EURO) FUND AT 31 DECEMBER 1999

STATEMENT OF NET ASSETS

| Shares Held | Security | Market Value € 000's | % of Fund |
|-------------|--|-------------------------|---------------|
| 2,745,000 | Orbis Leveraged (US\$) Fund | 64,941 | 100 |
| | Net Current Assets | 153 | - |
| | Net Assets (Cost € 74,704) | 65,094 | 100 |
| | Net Asset Value per Share | 7,881,523 shares issued | € 8.26 |
| | (At 31 December 1998: 1,574,026 shares issued; € 8.90) | | |

ANALYSIS OF STOCKMARKET EXPOSURE

| Region | Equity Exposure | Stockmarket Positions | Accounting Exposure | Beta Adjusted Exposure* |
|--------------------|-----------------|-----------------------|---------------------|-------------------------|
| | % | % | % | % |
| Japan | 79 | (59) | 20 | 6 |
| US | 52 | (56) | (4) | (17) |
| Continental Europe | 17 | (17) | - | (1) |
| South Africa | 15 | (6) | 9 | 6 |
| UK | 13 | (7) | 6 | 2 |
| Russia | 3 | - | 3 | 2 |
| Total | 179 | (145) | 34 | (2) |

* This is Equity Exposure, multiplied by a Beta determined using Blume's technique, minus Stockmarket Positions.

CURRENCY DEPLOYMENT

| | % of Fund |
|-------------------|------------|
| Euro | 110 |
| British pound | (10) |
| US dollar | (13) |
| Canadian dollar | 10 |
| Russian rouble | 3 |
| Net Assets | 100 |

See accompanying notes

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (MILLIONS)

| Orbis Fund: | Optimal | | | | Leveraged | | | |
|---|---------|-------|-------|-------|-----------|-------|--------|-------|
| | US\$ | | Euro | | US\$ | | Euro | |
| | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 |
| For the Periods Ended 31 December: | US\$ | US\$ | € | € | US\$ | US\$ | € | € |
| Reporting Currency: | US\$ | US\$ | € | € | US\$ | US\$ | € | € |
| Investment Income: | 1 | 1 | - | - | - | 1 | - | - |
| Dividends | 1 | - | - | - | - | - | - | - |
| Interest | - | 1 | - | - | - | 1 | - | - |
| Expenses: | (3) | (4) | - | - | (14) | (18) | - | - |
| Manager's Fees | 3 | 3 | - | - | - | 1 | - | - |
| Interest and Other Borrowing Costs | - | 1 | - | - | 13 | 16 | - | - |
| Custodian Fees and Other | - | - | - | - | 1 | 1 | - | - |
| Net Investment Income | (2) | (3) | - | - | (14) | (17) | - | - |
| Net Gain (Loss) from | | | | | | | | |
| Investments and Currencies | 19 | 64 | - | - | 7 | 16 | (14.9) | (1.6) |
| Realised | 21 | 188 | (1.0) | 0.3 | 15 | 14 | (8.0) | 1.1 |
| Unrealised | (2) | (124) | 1.0 | (0.3) | (8) | 2 | (6.9) | (2.7) |
| Net Increase (Decrease) in Net Assets Resulting from Operations | 17 | 61 | - | - | (7) | (1) | (14.9) | (1.6) |
| Members' Activity During the Period: | | | | | | | | |
| Subscriptions: Orbis Funds | 61 | 68 | - | - | 71 | 18 | - | - |
| Other Members | 2 | 2 | 0.2 | 4.9 | 8 | 4 | 12.9 | 0.1 |
| Switches Between Funds | 10 | 35 | 1.6 | 3.1 | - | 5 | 56.6 | 15.9 |
| Redemptions: Orbis Funds | (119) | (318) | - | - | (8) | - | - | - |
| Other Members | (15) | (79) | - | (0.4) | (20) | (108) | (3.2) | (0.1) |
| Switches Between Funds | (1) | (4) | (0.1) | (2.1) | (74) | (55) | (0.3) | (0.3) |
| Increase (Decrease) in Net Assets | (45) | (235) | 1.7 | 5.5 | (30) | (137) | 51.1 | 14.0 |
| Net Assets at Beginning of Period | 477 | 712 | 5.5 | - | 222 | 359 | 14.0 | - |
| Net Assets at End of Period | 432 | 477 | 7.2 | 5.5 | 192 | 222 | 65.1 | 14.0 |

NOTES TO THE AUDITED FINANCIAL STATEMENTS AT 31 DECEMBER 1999 AND 1998

Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada and Bermuda. The Funds' significant accounting policies are as follows:

Investments. Investments are recorded as of the trade date and are stated at their fair market values. Investments in Orbis Funds are valued at Net Asset Value, while other marketable securities, including futures and options, are valued at the last reported sale price. The amounts realised may differ from these valuations due to variations in pricing, exchange rates, trading volumes and regulations.

Foreign Currency Translation. Assets, liabilities and forward currency contracts denominated in foreign currencies are translated into the Reporting Currency shown above using exchange rates prevailing at the year-end. Income and expenses in foreign currencies are translated into the Reporting Currency at the exchange rates prevailing at the dates of the transactions.

Income and Expenses. The accrual basis is used to recognise income and expenses. Dividends are accrued on the ex-dividend date, net of withholding taxes. Realised gains and losses on investments are based on average cost. The Funds' operating expenses are included in Custodian Fees and Other.

Taxes

There are no Bermuda income, profit, capital, capital gains, estate or inheritance taxes payable by the Funds or their Members in respect of shares in the Funds. The Bermuda Government has undertaken that in the event that any such taxes are levied in the future, the Funds and their shares will be exempt from such taxes until 28 March 2016.

Share Capital

Each Fund's authorised share capital comprises 100 million Fund shares (1998 - 100 million) and 12,000 issued Founders' shares (1998 - 12,000), all with a US\$1 par value. Fund shares participate pro rata in their Fund's net assets and dividends, are redeemable, and are non-voting. Founders' shares do not participate in their Fund's portfolio, are redeemable at par value only after all Fund shares have been redeemed, and carry the right to vote. If a Fund is wound up or dissolved, the Founders' shares will participate only to the extent of their par value.

Material Contracts

At year-end the following Funds had forward currency contracts having net contract values and net market values as set out below. The net unrealised gain/(loss) is included in net current assets. To limit its risk to the amount of any net unrealised gain, each Fund has entered into an agreement whereby all its currency transactions are settled "delivery versus payment" and can be netted.

| | Contract Value | Market Value | Unrealised Gain (Loss) |
|------------------------|--------------------|--------------------|------------------------|
| Orbis Optimal (US\$) | US\$ (161,825,766) | US\$ (163,482,626) | US\$ (1,656,860) |
| Orbis Optimal (Euro) | € (6,262,696) | € (6,328,674) | € (65,978) |
| Orbis Leveraged (US\$) | US\$ (16,816,267) | US\$ (17,651,891) | US\$ (835,624) |
| Orbis Leveraged (Euro) | € (64,985,000) | € (64,950,697) | € 34,303 |

Commitments

Orbis Leveraged (US\$) has been granted a 3 year multi-currency line of credit secured by a mortgage on its assets. At 31 December 1999, US\$172 million (1998 - US\$183 million) of the available facility of US\$275 million (1998 - US\$316 million) was drawn in US dollars and interest, charged at LIBOR plus 0.85%, totalled 6.9% pa. The Fund pays a commitment fee of 0.15% pa on undrawn balances.

The margin balances supporting Orbis Optimal (US\$)'s Portfolio Hedging may be funded partly by a margin facility which is secured by and may not exceed a maximum of 10% of Orbis Optimal (US\$)'s net asset value. At year-end, the margin facility was not utilised and no assets were pledged.

Related Party Transactions

Orbis Investment Management Limited has been contractually appointed as "Manager" of the Funds. Orbis Optimal (US\$) and Orbis Leveraged (US\$) each pay the Manager a fee of 0.5% pa of weekly net assets. Orbis Optimal (Euro) and Orbis Leveraged (Euro) do not directly pay a fee to the Manager. To the extent that they directly or indirectly invest in other Orbis funds, all these Funds indirectly bear the management fees paid by such other funds. Each Orbis Equity Fund directly or indirectly pays a performance-based fee which can vary between 0.5% and 2.5% pa of its net assets. The Manager has undertaken to waive its 0.5% pa fee from Orbis Leveraged (US\$) from 1 January 1999 until that Fund's share price in US dollars regains its prior peak.

Related party holdings at year-end were 16,871 shares in Orbis Optimal (US\$) (1998 - 27,879) 532,732 shares in Orbis Optimal (Euro) (1998 - 532,732), 1,811,725 shares in Orbis Leveraged (US\$) (1998 - 3,154,772) and 5,532,603 shares in Orbis Leveraged (Euro) (1998 - 1,314,814).

AUDITORS' REPORT

To the Members of
Orbis Optimal (US\$) Fund Limited,
Orbis Optimal (Euro) Fund Limited,
Orbis Leveraged (US\$) Fund Limited, and
Orbis Leveraged (Euro) Fund Limited (the "Funds"):

We have audited the Statements of Net Assets of the Funds (companies incorporated with limited liability in Bermuda) on pages 3, 5, 7 and 9 as at 31 December 1999. We have audited the related Statements of Operations and Changes in Net Assets on page 10 of Orbis Optimal (US\$) Fund Limited and Orbis Leveraged (US\$) Fund Limited for each of the two years in the period then ended and of Orbis Optimal (Euro) Fund Limited and Orbis Leveraged (Euro) Fund Limited for the year then ended and for the period from 30 June 1998, their dates of inception, to 31 December 1998. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada and Bermuda. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of all securities and cash owned as at 31 December 1999, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial positions of the Funds as at 31 December 1999. In our opinion, these financial statements present fairly, in all material respects, the results of operations and the changes in net assets of Orbis Optimal (US\$) Fund Limited and Orbis Leveraged (US\$) Fund Limited for each of the two years in the period then ended and of Orbis Optimal (Euro) Fund Limited and Orbis Leveraged (Euro) Fund Limited for the year then ended and for the period from 30 June 1998, their dates of inception, to 31 December 1998 in accordance with accounting principles generally accepted in Canada and Bermuda.


Arthur Andersen & Co

Hamilton, Bermuda
14 January 2000

NOTICES

ANNUAL GENERAL MEETINGS

Notice is hereby given that the Annual General Meetings of Orbis Optimal (US\$) Fund Limited, Orbis Optimal (Euro) Fund Limited, Orbis Leveraged (US\$) Fund Limited and Orbis Leveraged (Euro) Fund Limited (the “Orbis Funds”) will be held at the offices of Orbis Investment Management Limited, 34 Bermudiana Road, Hamilton, Bermuda on 20 April 2000 at 10:00 am. Members are invited to attend and address these meetings. The Agendas comprise the following:

- Review of Minutes of the Annual General Meetings of Members of the Orbis Funds held on 20 April 1999
- Review of audited financial statements in the 1999 Annual Reports
- Proposed re-appointment of the present Directors as shown in the Manager’s Reports
- Approval of proposed Directors’ fees for the year to 31 December 2000 to each of Messrs Collis and Thomson of US\$7,500 for each of Orbis Optimal (US\$) and Orbis Leveraged (US\$), and US\$1,000 for each of Orbis Optimal (Euro) and Orbis Leveraged (Euro)
- Proposed re-appointment of Arthur Andersen & Co as Auditors for the year to 31 December 2000

By Order of the Boards, James J Dorr, Secretary

UNITED KINGDOM DISTRIBUTOR STATUS

The Board of Inland Revenue has certified each of the Orbis Funds as a distributing fund for the purposes of Chapter V of Part XVII of the United Kingdom Income and Corporation Taxes Act 1988 from the Fund’s inception until 31 December 1998. The Directors are applying for and expect to obtain such certification for fiscal 1999 for all of the Orbis Funds. Certification is granted retrospectively, therefore there can be no assurance that the Orbis Funds will be certified as distributing funds for fiscal 1999 or for future accounting periods.

This Report does not constitute an offer to sell, or a solicitation to buy, shares of Orbis Funds. Subscriptions are only valid if made on the basis of the current prospectus of an Orbis Fund. Certain capitalised terms are defined in the Glossary section of the Orbis Funds General Information document, copies of which are available upon request from the Manager. Past performance is not necessarily indicative of future performance.



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