

ANNUAL  
**REPORTS**  
31 DECEMBER 2004



**ORBIS OPTIMAL**

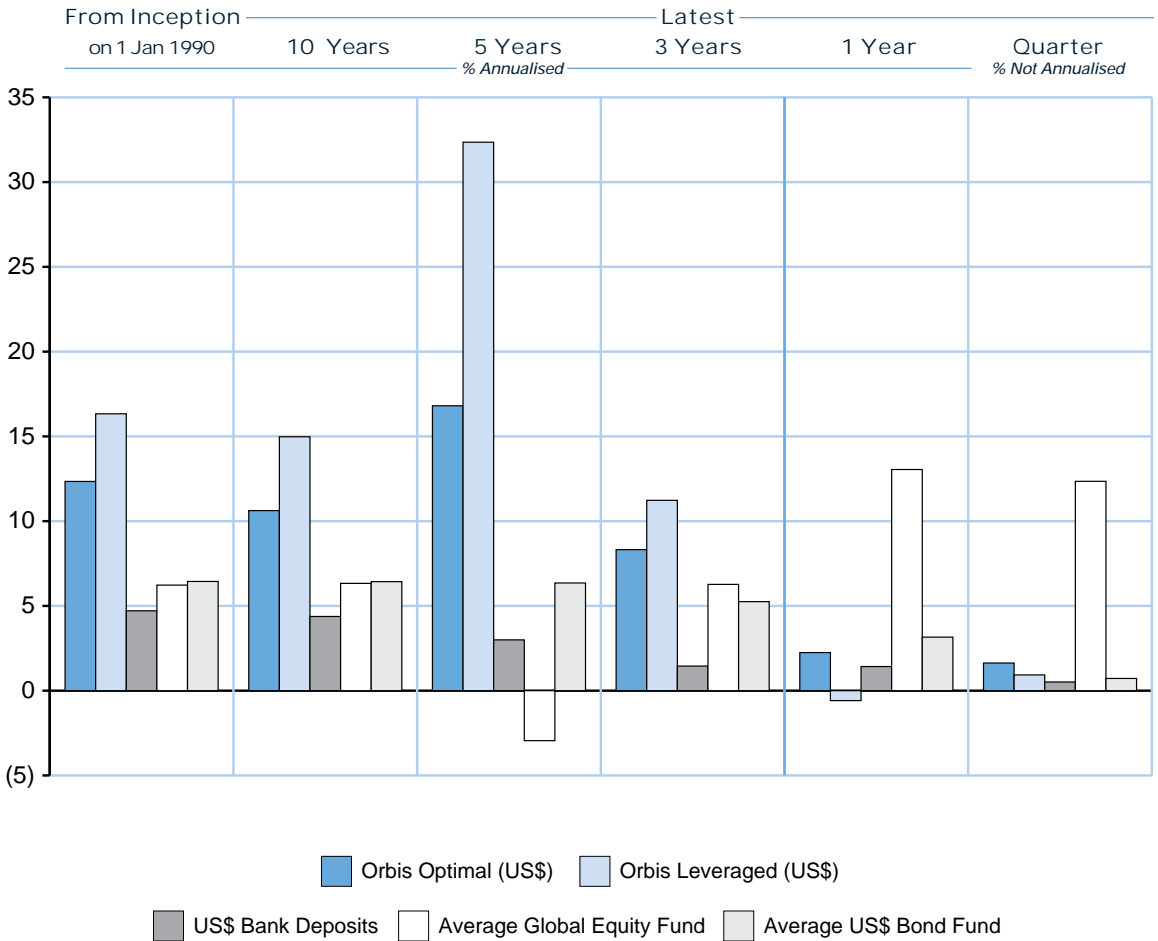
*US\$ Fund / Euro Fund*

**ORBIS LEVERAGED**

*US\$ Fund / Euro Fund*

# ORBIS OPTIMAL AND ORBIS LEVERAGED AT 31 DECEMBER 2004

## TOTAL RATE OF RETURN IN US DOLLARS



*The Optimal and Leveraged (Euro) Funds are based on the same portfolios as the Optimal and Leveraged (US\$) Funds, respectively, and are therefore not shown separately above. Average Global Equity Fund and Average US\$ Bond Fund source: Standard & Poor's Internationally Marketed sector index.*

## PRESIDENT 'S LETTER

Dear Member,


The Orbis Absolute Return Funds did not have a satisfactorily rewarding year in 2004. The Optimal Funds only earned a return of close to Bank Deposits, while the Leveraged Funds actually declined slightly due to the cost of borrowing and the additional burden of being exposed to long-term Japanese borrowing costs.

The President's letter of the Orbis Equity Funds refers to a speech by John Bogle, in which he noted that during the 20 years ended 2002 the average US mutual fund investor achieved a return of 2% pa, while the return on the average mutual fund was 10% pa. The difference, he argued, was a result of fund investors' poor short-term timing decisions. In essence, their response to recent short-term performance results caused them to buy high and sell low. A recognition of this dynamic is why our client communications place little emphasis on short-term returns and the current market environment, focusing instead on developing an understanding of the Fund's investment approach and putting recent performance into the longer-term perspective.

In that vein, Members need to be particularly careful when evaluating the performance of the Funds in that any evaluation that does not include at least a full investment cycle runs a significant risk of confusing skill with luck. As outlined in the Performance Appraisal segment of the prospectus, the Funds do not fall within any of the traditional asset classes such as cash, bonds and equities (although of the three traditional asset classes, the Funds' returns are more strongly driven by cash returns than any other). This means that, unlike the Orbis Equity Funds, a significant part of whose short-term returns are determined by the return of stockmarkets, the returns of the Orbis Absolute Return Funds are not significantly influenced by the factors that influence the performance of any of the traditional asset class performance benchmarks. When one adds to that the fact that asset class returns are themselves subject to long cycles, any performance comparison between the Funds and asset class benchmarks runs a significant risk of saying more about the stage in the investment cycle than the skill of the Manager. In summary, because asset class returns are not well correlated they must be compared to each other only over periods long enough to capture several investment cycles for each class. As the returns of the Absolute Return Funds are not well correlated with any of the major asset classes, we recommend investors evaluate the Funds and other asset classes over the very long term on a risk-adjusted basis before determining what portion of their wealth is appropriate to allocate to them.

31 December 2004 marks the 15<sup>th</sup> anniversary of the Orbis Dollar Funds. Since inception, the Orbis Optimal and Orbis Leveraged US\$ Funds have delivered returns of 7.6 and 11.6 percentage points pa above those of US\$ Bank Deposits, meaning \$10 invested at inception would have grown to \$57 and \$96, respectively, compared to \$20 in the case of cash. We would be pleased to find that we have delivered similar results 15 years from now. Only time will tell in that regard, but one thing is for certain, the strength of the team at Orbis dedicated to that task is considerably greater today than it was 15 years ago. We look forward to the challenge of ensuring that that potential is translated into reality.

Yours sincerely,

  
William B Gray

Hamilton, Bermuda  
21 January 2005

## ORBIS OPTIMAL (US\$) FUND AT 31 DECEMBER 2004

Total Rate of Return in US dollars:	From Inception on 1 Jan 1990	Latest			Quarter % Not Annualised
		5 Years % Annualised	3 Years	1 Year	
Orbis Optimal (US\$)	12.3	16.8	8.3	2.2	1.6
US\$ Bank Deposits	4.7	3.0	1.5	1.4	0.5
Average Global Equity Fund	6.2	(2.9)	6.3	13.0	12.4
Average US\$ Bond Fund	6.4	6.4	5.3	3.2	0.7

Orbis Optimal returned 1.6% in the fourth quarter of 2004. For the year, the Fund gained 2.2%. The table above puts this in the context of both the longer term and the returns on the traditional asset classes.

The Fund's return in 2004 is low relative to its 12.3% average annual return since inception 15 years ago, but well within the normal range of the Fund's short-term returns, as discussed in last quarter's Manager's Report. The lower-than-average value added from our stock selection and the current low risk-free return on cash were chiefly responsible for the lacklustre performance for the year.

In the President's Letter, we discussed research cited by mutual fund sage John Bogle that concluded in part that the return experienced by the average mutual fund investor was significantly lower than the return delivered by the average mutual fund. Presumably, this is because investors rather consistently allowed their emotions to get the better of them and shifted out of funds that had done poorly recently and into funds that had better near-term track records – effectively selling low and buying high – often just before the performance of those funds turned and reverted to more average levels.

We decided to examine Fund Members' subscription and redemption behaviour and are pleased to say that we have come up with a considerably different result. Using an internal rate of return analysis, over the 15-year history of the Fund there has been much less of a difference in the average aggregate Member's return experience versus the historical return experience of the Fund. Over the entire history of the Fund, the yearly average return for the Fund is 12.3% and the average aggregate Member annual return is approximately 10%. This compares with Bogle's observation of an average equity fund return of 10% and average annual fund investor return of 2%.

We are pleased that the return differential experienced by the average Orbis Optimal Member is considerably lower than that experienced by the average fund investor. But the experience of the Fund's average Member is still not what it could be. In examining the shortfall, we believe an important cause was the significant net withdrawals experienced in the late 90s, which were subsequent to a period of poor medium-term results. These withdrawals proved untimely as the market environment subsequently normalised and the Fund produced considerable gains in the years that followed. For our part, we will continue to work hard to ensure the Fund itself provides satisfactory results while focusing our Member communications on our philosophy, process, and personnel, with the objective of helping investors make informed and rational long-term decisions regarding their investment in the Fund.

<i>DIRECTORS</i>	<i>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>
<b>MANAGER</b>	Orbis Investment Management Limited	<b>INVESTMENT ADVISOR</b>	Orbis Investment Advisory Limited	<b>CUSTODIAN</b>	The Bank of Bermuda Limited

# ORBIS OPTIMAL (US\$) FUND AT 31 DECEMBER 2004

## STATEMENT OF NET ASSETS

Number Held	Security	Market Value US\$ 000's	% of Fund
41,125,000	Orbis Global Equity Fund	3,187,599	86
3,390,000	Orbis Africa Equity (Rand) Fund	207,303	6
4,200,000	Orbis SICAV - Japan Core Equity Fund	47,470	1
	Total Equity Exposure	3,442,372	93
	Portfolio Hedging:		
	Stock Index Futures Sold:		
(23,315)	US: E-mini S&P 500 CME 3/2005	(1,414,929)	(38)
(5,393)	Japan: TOPIX TSE 3/2005	(603,488)	(16)
(3,899)	Germany: DAX Eurex 3/2005	(564,427)	(15)
(15,565)	South Africa: JSE All Share Top 40 SAFEX 3/2005	(315,478)	(9)
(3,365)	UK: FTSE 100 LIFFE 3/2005	(309,779)	(9)
(3,758)	Korea: KOSPI 200 KSE 3/2005	(210,392)	(5)
	Contract Value	3,324,354	90
	Net Balances at Brokers	298,475	8
	Balance Committed to Above Positions	204,336	6
	Net Current Assets	46,177	1
	Net Assets	3,692,885	100
	Net Asset Value per Share	64,440,355 shares issued	US\$ 57.31
	(At 31 December 2003: 44,587,843 shares issued; US\$ 56.05)		

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	25	(16)	9	10
Europe	24	(24)	-	-
North America	23	(38)	(15)	(15)
Emerging Markets	21	(14)	7	5
Total	93	(92)	1	-

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

## CURRENCY DEPLOYMENT

	% of Fund
US dollar	81
Japanese yen	10
Korean won	4
Taiwan dollar and other	5
Net Assets	100

See accompanying notes

## ORBIS OPTIMAL (EURO) FUND AT 31 DECEMBER 2004

Total Rate of Return in euro:	From Inception on 30 Jun 1998	Latest			Quarter % Not Annualised
		5 Years % Annualised	3 Years	1 Year	
Orbis Optimal (Euro)	11.2	14.5	5.9	2.0	0.2
Euro Bank Deposits	3.3	3.3	2.6	2.1	0.5
Average Global Equity Fund	(1.5)	(8.6)	(7.7)	5.0	3.1
Average Euro Bond Fund	4.5	5.5	5.7	5.9	2.1
% appreciation of the euro versus the US dollar	3.3	6.1	15.1	7.7	9.0

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 12.3% per annum for the 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 81% US dollars, 10% Japanese yen, 4% Korean won and 5% Taiwan dollars and other. If Orbis Optimal (Euro) had simply hedged 100% of net assets from US dollars into euro as usual, it would have included minus 19% exposure to the US dollar. Instead, as shown opposite, this Fund's hedging into euro was adjusted 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 99% 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 the 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 virtually identical.*

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

# ORBIS OPTIMAL (EURO) FUND AT 31 DECEMBER 2004

## STATEMENT OF NET ASSETS

Shares Held	Security	Market Value € 000's	% of Fund
15,400,000	Orbis Optimal (US\$) Fund	651,130	99
	Net Current Assets	8,692	1
	Net Assets	659,822	100
	Net Asset Value per Share	33,103,205 shares issued	€ 19.93
	(At 31 December 2003: 21,834,656 shares issued; € 19.53)		

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	24	(16)	8	10
Europe	24	(23)	1	-
North America	23	(38)	(15)	(15)
Emerging Markets	21	(14)	7	5
Total	92	(91)	1	-

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

## CURRENCY DEPLOYMENT

	% of Fund
Euro	91
Korean won	4
Taiwan dollar and other	5
Net Assets	100

See accompanying notes

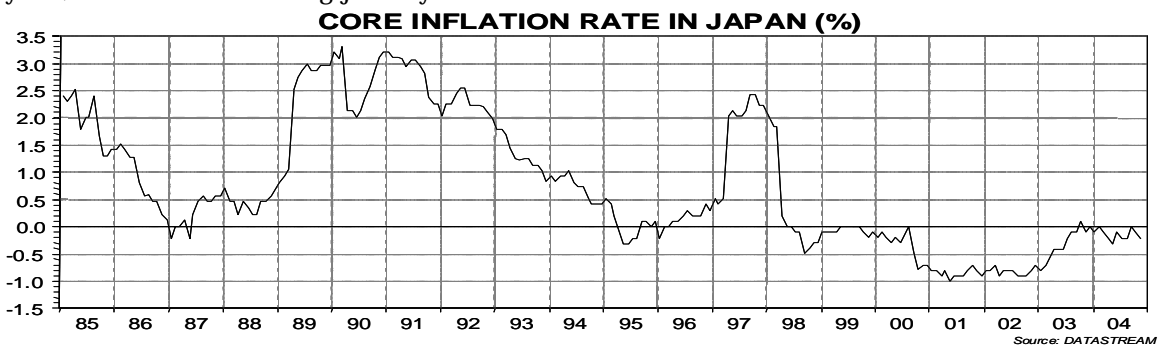
## ORBIS LEVERAGED (US\$) FUND AT 31 DECEMBER 2004

Total Rate of Return in US dollars:	From Inception on 1 Jan 1990	Latest			Quarter % Not Annualised
		5 Years % Annualised	3 Years	1 Year	
Orbis Leveraged (US\$)	16.3	32.4	11.2	(0.6)	0.9
US\$ Bank Deposits	4.7	3.0	1.5	1.4	0.5
Average Global Equity Fund	6.2	(2.9)	6.3	13.0	12.4
Average US\$ Bond Fund	6.4	6.4	5.3	3.2	0.7

The Fund gained in the final quarter of 2004, but not enough to counter poor performance for the rest of the year, resulting in a loss of 0.6% for 2004.

The largest contributor to 2004's poor performance was the fact that the Fund's core Optimal Fund holding produced a return only slightly higher than the risk-free return on cash. Further to that, the Fund's short position in the Japanese Government Bond (JGB) futures caused what would have been a small gain to turn into a small loss. Although JGBs were the worst performing of any major government bonds globally in 2004, both Japanese long-term and short-term borrowing costs have remained lower for longer than had been expected. In order for the Fund's short JGB futures position to provide a positive return for the Fund, Japanese interest rates must rise (causing a drop in bond prices) by a greater amount than the market had expected. Therefore, although JGB yields were essentially unchanged during the year, the position cost the Fund in that it effectively bore the higher borrowing costs associated with longer-term debt.

Despite the lacklustre performance, the Fund continues to hold the short JGB futures position because of our conviction that the yields on JGBs are too low in relation to prospective economic activity and perceived future inflation. One reason why the JGB yields have not risen in line with stronger economic activity is the program of continued JGB repurchases by Japan's central bank, which pumps cash into the system and supports the JGB prices, in the hopes of further stimulating economic activity through increased money supply. The current policy stance of the Bank of Japan (BOJ) is to continue buying back JGBs until a neutral or inflationary environment prevails. As one can see from the following chart, inflation in Japan had been negative for some years, but has been running just shy of zero for some time now.



In our opinion, the BOJ's repurchase program in the face of continued signs of underlying economic growth only prolongs the eventual adjustments in bond yields needed for the new higher levels of economic growth and inflation expectations. It should also further increase the likelihood and magnitude of an eventual interest rate move that will ultimately benefit the short JGB position.

**DIRECTORS** Allan W B Gray, Chairman John C R Collis Geoffrey M Gardner William B Gray William D Thomson

**MANAGER**  
Orbis Investment Management Limited

**INVESTMENT ADVISOR**  
Orbis Investment Advisory Limited

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The Bank of Bermuda Limited

# ORBIS LEVERAGED (US\$) FUND AT 31 DECEMBER 2004

## STATEMENT OF NET ASSETS

Number Held	Security	Market Value US\$ 000's	% of Fund
28,750,000	Orbis Optimal (US\$) Fund	1,647,663	187
	Incremental Position		
	Futures Sold:		
(591)	Bond: Japan; JGB 10-Year TSE 3/2005	(797,414)	(91)
	Contract Value	797,629	91
	Balances at Broker	4,395	1
	Balance Committed to Above Position	4,610	1
	Loans	(778,000)	(89)
	Net Current Assets	5,235	1
	Net Assets	879,508	100
	Net Asset Value per Share	9,093,206 shares issued	US\$ 96.72
	(At 31 December 2003: 8,028,405 shares issued; US\$ 97.29)		

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	46	(30)	16	19
Europe	45	(44)	1	-
North America	44	(72)	(28)	(29)
Emerging Markets	39	(27)	12	10
Total	174	(173)	1	-

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

## CURRENCY DEPLOYMENT

	% of Fund
US dollar	81
Japanese yen	20
British pound	(18)
Korean won	7
Taiwan dollar and other	10
Net Assets	100

See accompanying notes

## ORBIS LEVERAGED (EURO) FUND AT 31 DECEMBER 2004

Total Rate of Return in euro:	From Inception on 30 Jun 1998	Latest			Quarter % Not Annualised
		5 Years % Annualised	3 Years	1 Year	
Orbis Leveraged (Euro)	20.1	31.9	12.1	(0.2)	1.1
Euro Bank Deposits	3.3	3.3	2.6	2.1	0.5
Average Global Equity Fund	(1.5)	(8.6)	(7.7)	5.0	3.1
Average Euro Bond Fund	4.5	5.5	5.7	5.9	2.1
% appreciation of the euro versus the US dollar	3.3	6.1	15.1	7.7	9.0

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 16.3% per annum for the 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 98% 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 the 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 virtually identical. For example at the year-end, both Funds had no Beta Adjusted Exposure to stockmarkets.*

*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 and buying euro amounting to 100% of net assets.*

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# ORBIS LEVERAGED (EURO) FUND AT 31 DECEMBER 2004

## STATEMENT OF NET ASSETS

Shares Held	Security	Market Value € 000's	% of Fund
5,650,000	Orbis Leveraged (US\$) Fund	403,164	98
	Net Current Assets	7,695	2
	Net Assets	410,859	100
Net Asset Value per Share		12,458,027 shares issued	€ 32.98
(At 31 December 2003: 11,276,671 shares issued; € 33.04)			

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	45	(30)	15	18
Europe	45	(44)	1	-
North America	43	(70)	(27)	(28)
Emerging Markets	38	(26)	12	10
Total	171	(170)	1	-

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

## CURRENCY DEPLOYMENT

	% of Fund
Euro	100
Japanese yen	20
US dollar	(19)
British pound	(18)
Korean won	7
Taiwan dollar and other	10
Net Assets	100

See accompanying notes

# ORBIS LEVERAGED (US\$) FUND

## STATEMENT OF CASH FLOWS

	US\$ 000's	
For the Years Ended 31 December:	2004	2003
Cash Flows from Operating Activities:		
Proceeds from sale of investments and currencies	136,023	103,293
Purchases of investments	(283,700)	(556,101)
Decrease (increase) in margin deposits at brokers	11,837	(12,345)
Interest and other borrowing costs	(18,880)	(12,216)
Other expenses	(814)	(227)
Net Cash Used in Operating Activities	(155,534)	(477,596)
Cash Flows from Financing Activities:		
Net subscriptions received	107,077	205,604
Loan drawdowns	6,402,000	2,722,500
Loan repayments	(6,359,000)	(2,440,500)
Net Cash Provided by Financing Activities	150,077	487,604
Net (Decrease) Increase in Cash	(5,457)	10,008
Cash - Beginning of Year	12,852	2,844
Cash - End of Year	7,395	12,852

See accompanying notes

## STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (MILLIONS)

Reporting Currency:	Orbis Optimal				Orbis Leveraged			
	(US\$)		(Euro)		(US\$)		(Euro)	
For the Years Ended 31 December:	US\$	€	US\$	€	US\$	€	US\$	€
	2004	2003	2004	2003	2004	2003	2004	2003
Investment Income:	5	3	-	-	-	-	-	-
Interest and Dividends	5	3	-	-	-	-	-	-
Expenses:	11	9	-	-	19	12	-	-
Manager's Fees	9	7	-	-	-	-	-	-
Interest and Other Borrowing Costs	2	2	-	-	19	12	-	-
Net Investment (Loss)	(6)	(6)	-	-	(19)	(12)	-	-
Net Gain (Loss) from Investments and Currencies:	71	201	9	27	12	110	(2)	52
Realised	(232)	(312)	45	51	11	25	32	87
Unrealised	303	513	(36)	(24)	1	85	(34)	(35)
Increase (Decrease) in Net Assets Resulting from Operations	65	195	9	27	(7)	98	(2)	52
Members' Activity During the Year:								
Subscriptions:								
Orbis Funds	664	748	12	-	101	190	-	-
Other Members	744	212	235	121	128	103	63	79
Switches Between Funds	41	91	28	13	28	101	17	28
Redemptions:								
Orbis Funds	(161)	(169)	(2)	-	(13)	(99)	-	-
Other Members	(108)	(34)	(34)	(10)	(47)	(17)	(25)	(15)
Switches Between Funds	(51)	(42)	(14)	(64)	(91)	(73)	(15)	(74)
Increase in Net Assets	1,194	1,001	234	87	99	303	38	70
Net Assets at Beginning of Year	2,499	1,498	426	339	781	478	373	303
Net Assets at End of Year	3,693	2,499	660	426	880	781	411	373

See accompanying notes

## General

The Orbis Absolute Return Funds seek absolute returns regardless of stockmarket trends by investing directly or indirectly in the Manager's optimal mix of hedged Orbis Equity Funds. The Orbis Optimal Funds seek capital appreciation through a low risk global portfolio and are managed in their base currencies, the US\$ and euro. The Orbis Leveraged Funds seek capital appreciation on a leveraged global portfolio and are also managed in their base currencies, the US\$ and euro.

## Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles 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 their year-end Net Asset Value per share, while other marketable securities, including futures and options, are valued at their closing prices. The amounts realised may differ from these valuations due to variations in pricing, exchange rates, trading volumes and regulations. At the year-end, the cost of investments in Orbis Funds, in millions, was for Optimal (US\$) US\$2,431 (2003 - cost US\$1,685, market US\$2,402), for Optimal (Euro) €716 (2003 - cost €446, market €419), for Leveraged (US\$) US\$1,289 (2003 - cost US\$1,130, market US\$1,494) and for Leveraged (Euro) €350 (2003 - cost €278, market €366).

**Foreign Currency Translation.** Assets, liabilities and forward currency contracts denominated in foreign currencies are translated into the Reporting Currency shown on page 11 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. Translation exchange gains and losses are included in the Statement of Operations.

**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.

**Accounting Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Net Current Assets or Liabilities.** Net current assets or liabilities include primarily unrealised gains or losses on forward currency contracts, cash including US\$62.7 million in Optimal (US\$), amounts due to shareholders and other miscellaneous accounts receivable and payable, the individual amounts of which are not significant in relation to the total net assets of the Fund except for certain balances which will be disclosed elsewhere in these financial statements.

## 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 (2003 - 100 million) and 12,000 issued Founders' shares (2003 - 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.

Fund share transactions, in thousands of shares, were as follows:

	Orbis Optimal (US\$)		Orbis Optimal (Euro)		Orbis Leveraged (US\$)		Orbis Leveraged (Euro)	
	2004	2003	2004	2003	2004	2003	2004	2003
Balance at beginning of year	44,588	29,622	21,835	18,523	8,028	5,765	11,277	10,897
Subscriptions								
Orbis Funds	11,695	13,982	587	-	1,042	2,124	-	-
Other Members	13,092	3,952	11,777	6,481	1,286	1,122	1,859	2,554
Switches Between Funds	727	1,671	1,395	737	282	1,170	527	929
Redemptions								
Orbis Funds	(2,861)	(3,187)	(114)	-	(126)	(1,165)	-	-
Other Members	(1,903)	(672)	(1,675)	(557)	(485)	(200)	(753)	(507)
Switches Between Funds	(898)	(780)	(702)	(3,349)	(934)	(788)	(452)	(2,596)
Balance at end of year	64,440	44,588	33,103	21,835	9,093	8,028	12,458	11,277

## Material Contracts

At year-end the following Funds had forward currency contracts settling on 10 June 2005 having net contract and net market values as set out below. As these contracts expose the Funds to credit risk arising from the potential inability of a counterparty to perform under the terms of a contract, the Orbis Funds deal only with counterparties which have investment grade ratings from a recognised rating agency. To limit its risk to the amount of any net unrealised gain, each Fund has entered into agreements whereby all its currency transactions with the counterparty to that agreement can be netted.

	Contract Value 000's	Market Value 000's	Unrealised Gain (Loss) 000's
Orbis Optimal (US\$)	US\$ (1,293,028)	US\$ (1,309,696)	US\$ (16,668)
Orbis Optimal (Euro)	€ (655,629)	€ (647,119)	€ 8,510
Orbis Leveraged (US\$)	US\$ (154,393)	US\$ (154,220)	US\$ 173
Orbis Leveraged (Euro)	€ (407,973)	€ (401,831)	€ 6,142

## **Commitments**

Orbis Leveraged (US\$) has a multi-currency line of credit, secured by a pledge of its assets, that may be drawn in three tranches. At 31 December 2004 (i) the first tranche of US\$240 million expires on 10 June 2007, was fully drawn, was charged interest at LIBOR plus 0.85%, totaling 3.5% pa and bore a commitment fee of 0.15% pa on undrawn balances, (ii) the second tranche of US\$850 million expires on 3 June 2005, US\$538 million was drawn, was charged interest at LIBOR plus 0.65%, totaling 3.0% pa, and bore a commitment fee of 0.10% pa on undrawn balances and (iii) a third tranche that may be drawn only after the first two tranches are fully drawn expires on 3 June 2005, was undrawn and is uncommitted. At 31 December 2003, US\$735 million of a single US\$800 million credit facility was drawn, was charged interest at LIBOR plus 0.85% and bore a commitment fee of 0.15% pa on undrawn balances.

The margin balances supporting Orbis Optimal (US\$)'s Portfolio Hedging are at times funded partly by an uncommitted margin facility which is secured by, and may not exceed, a maximum of 10% of the Fund's net asset value. At 31 December 2004, the margin facility was not drawn upon (2003 - the equivalent of US\$29 million in aggregate was drawn) and no shares (2003 - 555,000 shares) of Orbis Global Equity Fund Limited were pledged as collateral.

## **Related Party Transactions**

Orbis Investment Management Limited has been contractually appointed as "Manager" of the Funds. Orbis Optimal (US\$) pays the Manager a performance-based fee of up to 0.5% pa of weekly net assets whenever that Fund's price exceeds its maximum price in the period from the date of inception to the date one year prior to the date of calculation and its trailing one-year return exceeds that of Bank Deposits plus 5%. Orbis Optimal (Euro), Orbis Leveraged (US\$) 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, these Funds indirectly bear the management fees paid by such other funds. Each Orbis Equity Fund directly or indirectly pays a performance-based fee. At year-end the management fee payable by Orbis Optimal (US\$) was nil (2003 - \$1,128,000).

At the year-end other Orbis funds held, in thousands of shares, 45,219 (2003 - 36,250) in Orbis Optimal (US\$), 1,519 (2003 - 732) in Orbis Optimal (Euro) and 5,650 (2003 - 4,734) in Orbis Leveraged (US\$). Other related parties, which include institutional and other clients managed on a discretionary basis and the Directors and Officers of the Orbis funds and of their Managers and Investment Advisors, held, in thousands of shares, 4,164 (2003 - 1,522) in Orbis Optimal (US\$), 19,842 (2003 - 11,161) in Orbis Optimal (Euro), 315 (2003 - 731) in Orbis Leveraged (US\$) and 6,048 (2003 - 5,803) in Orbis Leveraged (Euro).

## 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 2004, the Statement of Cash Flows for Orbis Leveraged (US\$) Fund Limited on page 10, the related Statements of Operations and Changes in Net Assets on page 11 and the accompanying notes on pages 12, 13 and 14 for the year then ended. 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. 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 2004 and the results of their operations and the changes in their net assets and the cash flows for Orbis Leveraged (US\$) Fund Limited for the year then ended in accordance with accounting principles generally accepted in Canada and Bermuda.

The logo for Ernst & Young, featuring the company name in a blue, cursive script font.

Ernst & Young  
Chartered Accountants

Hamilton, Bermuda  
21 January 2005

## 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 2005 at 9:00 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 2004
- Review of audited financial statements in the 2004 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 2005 to each of Messrs Collis and Thomson of US\$10,000 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 Ernst & Young as Auditors for the year to 31 December 2005

By Order of the Boards, James J Dorr, Secretary

### UK 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 2003. Certification is granted retrospectively, therefore there can be no assurance that the Orbis Funds will be certified as distributing funds for fiscal 2004.

### MEMBER TRADE CONFIRMATION

Members will soon see a new form of advice from us confirming their trades in Fund shares. Original contract notes will continue to be mailed by the Registrar but Orbis will fax transacting Members a more concise trade confirmation on the business day after the trade is priced.

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. Orbis Fund share prices fluctuate and are not guaranteed.

*We invite you to visit our website, [orbisfunds.com](http://orbisfunds.com), where you may register on-line to automatically receive regular reports on our funds by e-mail. We hope that it enables you to keep in better touch with us and your investments.*

# THE FAMILY OF ORBIS OFFSHORE FUNDS

## 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 in equities globally and seeks to earn higher returns than world stockmarkets with no greater risk. 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 South African equities. The Fund’s Benchmark is the FTSE/JSE Africa All Share Index, including income. The Fund does not hedge currencies, and thus is exposed to the rand.

### ORBIS JAPAN EQUITY FUNDS

The Luxembourg regulated Orbis Japan Equity Fund invests in Japanese equities. The Yen Class is fully exposed to the Japanese yen and has a Benchmark of the Tokyo Stock Price Index, including income (“TOPIX”). The Euro Class hedges its currency exposure into euro and has a Benchmark of the TOPIX, hedged into euro. The Orbis Japan Equity (US\$) Fund invests in the Yen Class of the Orbis Japan Equity Fund, hedges most or all of its currency exposure into US dollars and has a Benchmark of the TOPIX, hedged into US dollars.

## ABSOLUTE RETURN FUNDS

- These Funds seek absolute (*i.e. positive*) returns regardless of stockmarket trends
- They invest directly or indirectly in the Manager’s optimal 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.

