

ORBIS OPTIMAL

US\$ Fund / Euro Fund

ORBIS LEVERAGED

US\$ Fund / Euro Fund



ORBIS ABSOLUTE RETURN FUNDS

QUARTERLY REPORTS

30 SEPTEMBER 1999

# 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 discretionary 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 discretionary 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 FT/S&P Actuaries 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 TOPIX hedged into US dollars, including income.

## NOTICES

**Year 2000 Readiness.** For a report on the steps that Orbis has taken in readiness for the Year 2000, please contact the Manager or see the web site [www.orbis.bm](http://www.orbis.bm).

**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 its inception until 31 December 1998. The Directors intend to apply for certification for fiscal 1999 for all 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.

**Other.** 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 Annual Reports. Past performance is not necessarily indicative of future performance.

## CHAIRMAN'S LETTER

Dear Fellow Member,

Your Funds remained substantially hedged against world stockmarkets last quarter. As a result, their returns were largely independent of world stockmarkets and instead dependent on our share selection. For 1999 overall, this approach has enabled all four of these Orbis Absolute Return Funds to achieve attractive returns. However, in the latest quarter the Funds surrendered a portion of these gains. In the dominant US stockmarket, a handful of heavily-weighted glamour shares resumed leadership while the broader market slumped. Notably, US funds investing in technology shares earned 8.1% even while those focused on large cap value shares lost 10.3% and the S&P 500 Index fell 6.6%. Within the Japanese stockmarket, the leadership also shifted, as technology and communication shares mirrored the strength of their US counterparts. These changes in leadership were costly to your Funds last quarter.

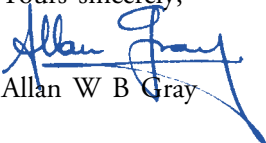
**Orbis Optimal (US\$)** lost 2.9% for the quarter, while Bank Deposits yielded 1.3% and the Average Global Equity Fund 0.7%. For the first nine months of 1999, **Orbis Optimal (US\$)** earned 13.5%, which compared well with returns of 3.8% on Bank Deposits and 9.2% on the Average Global Equity Fund. Since inception on 1 January 1990, **Orbis Optimal (US\$)** has earned 11.6% pa, Bank Deposits 5.8% pa and the Average Global Equity Fund 8.5% pa.

**Orbis Leveraged (US\$)** lost 7.4% for the latest quarter due to the combination of its geared investment in **Orbis Optimal (US\$)** and the cost of borrowings. Despite this, **Orbis Leveraged (US\$)** has earned 19.6% for the first nine months of 1999 while Bank Deposits returned 3.8% and the Average Global Equity Fund 9.2%. Since inception, **Orbis Leveraged (US\$)** has earned 11.8% pa, while Bank Deposits and the Average Global Equity Fund have returned 5.8% pa and 8.5% pa, respectively.

The sharp fluctuations between the euro and the US dollar underscore the importance of selecting a fund with a base currency that meets your needs. Our euro overlay funds allow investors to participate in the **Optimal** and **Leveraged** portfolios but with a base currency of the euro. We encourage all Members to ensure that their selected mix of Orbis Funds is representative of their base currency. For the latest quarter, **Orbis Optimal (Euro)** lost 4.2% and **Orbis Leveraged (Euro)** 8.4%. For the first nine months of 1999, these Funds have earned 11.2% and 17.1%, respectively. Since inception on 30 June 1998, **Orbis Optimal (Euro)** has earned 9.5% pa and **Orbis Leveraged (Euro)** 3.3% pa.

With hindsight, poor share selection last quarter was perhaps inevitable after our most successful quarter ever in this regard. Over the long term, share selection has raised the return on **Orbis Global Equity** in 69% of completed calendar quarters and by 6% pa overall. Share selection has been even more successful for **Orbis Japan** and **Orbis Africa**. Our increased reliance on share selection has improved the returns on the **Orbis Optimal** and **Leveraged** Funds in recent quarters and is beginning to improve the medium-term returns on **Orbis Leveraged**. We are excited by the current prospects for share selection and these Funds. The US market, so challenging to stock-pickers recently, now seems ripe with potential for profitable share selection. Exactly when this will be realised only time will tell.

Yours sincerely,

  
Allan W B Gray

Hamilton, Bermuda  
19 October 1999

# ORBIS OPTIMAL (US\$) FUND

## MANAGER'S REPORT AT 30 SEPTEMBER 1999

Total Rate of Return	From Inception	Latest		1999 to Date	Latest Quarter
	on 1 Jan 1990	5 Years	3 Years		
	% Annualised			% Not Annualised	
<b>In the benchmark currencies:*</b>					
<b>Orbis Optimal (US\$)</b>	<b>11.7</b>	<b>9.4</b>	<b>9.4</b>	<b>13.5</b>	<b>(2.9)</b>
<b>In US dollars:</b>					
Orbis Optimal (US\$)	11.6	7.1	6.0	13.5	(2.9)
Bank Deposits	5.8	2.5	1.5	3.8	1.3
Average Global Equity Fund	8.5	10.2	11.6	9.2	0.7

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

The Statement of Net Assets on the next page shows that at 30 September 1999 your Fund had invested 66%, 28% and 5% in Orbis Global Equity, Orbis Japan Equity (US\$) and Orbis Africa Equity, respectively. On average during the latest quarter, the selected equities within Orbis Global Equity and (for the first quarter since its inception) Orbis Japan Equity (US\$) underperformed their respective stockmarket indices. This made it unprofitable for Orbis Optimal (US\$) to invest in these Equity Funds on a hedged basis. This cost was partly offset by a positive contribution from your Fund's hedged investment in Orbis Africa Equity, which outperformed the JSE Index. The net result was that Orbis Optimal (US\$) lost 2.9% for the quarter, reducing its return for 1999 to date to 13.5%.

The Analysis of Stockmarket Exposure opposite shows that your Fund's investments in Orbis Equity Funds provided it with Equity Exposure totalling 99% of net assets. Of this, 51 and 23 percentage points were in Japanese and US equities, respectively. Your Fund's Portfolio Hedging, detailed in the Statement of Net Assets, equated to 79% of net assets. This left your Fund with Accounting Exposure to overall world stockmarkets (simply its long Equity Exposure minus its Portfolio Hedging) of 20% of net assets. Of this, 14 percentage points represented exposure to Japan. The final column in the table, the Beta Adjusted Exposure, presents your Fund's exposure after an adjustment to reflect the fact that the equities in which your Fund is indirectly invested are relatively insensitive to normal fluctuations in their domestic stockmarkets. When Beta adjusted, your Fund's exposure to overall world stockmarkets was virtually nil. Your Fund's 5% exposure to the relatively attractive Japanese stockmarket was offset by modest negative exposure to other stockmarkets.

What does this mean? Whichever way you count it, your Fund's stockmarket exposure remained substantially hedged. While this is the case (and just 7% of your Fund has been unhedged on average since inception), your Fund is relatively uninfluenced by stockmarket trends. It neither benefits from strength in stockmarkets nor loses money because they slump (this is why we refer to your Fund as an Absolute Return Fund). Instead, its returns are driven by Orbis' success in equity selection and, notwithstanding last quarter, this has been very rewarding over the long term.

Finally, page 3 shows that, at the quarter end, your Fund included exposure of 90% to the US dollar and 10% to the euro. Your Fund's "Currency Benchmark" is 100% US dollars, and the 10% exposure to the euro reflects our perspective that at present levels the euro is undervalued and attractive.

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

# ORBIS OPTIMAL (US\$) FUND AT 30 SEPTEMBER 1999

## STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
<b>Orbis Global Equity Fund</b>	362,263	66
<b>Orbis Japan Equity (US\$) Fund</b>	151,437	28
<b>Orbis Africa Equity (Rand) Fund</b>	27,781	5
<b>Total Equity Exposure</b>	<b>541,481</b>	<b>99</b>
<b>Portfolio Hedging:</b>		
Stock Index Futures Sold:		
Japan: Nikkei 225 OSA 12/1999	(106,054)	(37)
TOPIX TSE 12/1999	(97,199)	
US: S&P 500 CME 12/1999	(101,932)	(19)
UK: FTSE 100 LIFFE 12/1999	(40,188)	(7)
South Africa: JSE All Share Top 40 SAFEX 3/2000	(24,901)	(5)
Germany: DAX Eurex 12/1999	(20,643)	(4)
Spain: IBEX 35 MEFF 10/1999	(11,676)	(2)
Switzerland: SMI Eurex 12/1999	(11,126)	(2)
Sweden: OMX OMLX 10/1999	(10,538)	(2)
France: CAC 40 MATIF 10/1999	(5,894)	(1)
Market Value	(430,151)	(79)
Contract Value	433,214	79
Net Balances at Brokers	9,053	2
Balance Committed to Above Positions	12,116	2
Net Current Liabilities	(8,999)	(1)
<b>Net Assets</b>	<b>544,598</b>	<b>100</b>
<b>Net Asset Value per Share</b>	18,742,016 shares issued	<b>US\$ 29.06</b>

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	51	(37)	14	5
US	23	(19)	4	(1)
Continental Europe	11	(11)	-	(2)
UK	7	(7)	-	(3)
South Africa	7	(5)	2	1
<b>Total</b>	<b>99</b>	<b>(79)</b>	<b>20</b>	<b>-</b>

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

## CURRENCY DEPLOYMENT

	% of Fund
US dollar	90
Euro	10
<b>Net Assets</b>	<b>100</b>

# ORBIS OPTIMAL (EURO) FUND

## MANAGER'S REPORT AT 30 SEPTEMBER 1999

<b>Total Rate of Return in euro:</b>	<b>From Inception on 30 Jun 1998</b>	<b>1999 to Date</b>	<b>Latest Quarter</b>
	<i>% Annualised</i>	<i>% Not Annualised</i>	
<b>Orbis Optimal (Euro)</b>	<b>9.5</b>	<b>11.2</b>	<b>(4.2)</b>
<i>% appreciation of the euro versus the US dollar</i>	<i>(1.9)</i>	<i>(8.8)</i>	<i>3.3</i>

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 earns 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. For the overall period since its inception on 1 January 1990, Orbis Optimal (US\$) earned 11.6% pa in dollars.

The returns of Orbis Optimal (Euro) may also differ from those of Orbis Optimal (US\$) because the policy of these low risk Funds is to avoid net short currency positions. For example, at the quarter end Orbis Optimal (US\$) had currency exposure of 90% dollars and 10% euro. If Orbis Optimal (Euro) had simply hedged 100% of net assets from dollars into euro as usual, its currency exposure would have been 110% euro and minus 10% dollars. Instead, as the Currency Deployment opposite shows, this Fund's hedging into euro was limited to 90%, thereby avoiding a negative dollar position.

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.

*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 quarter 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 its stockmarket exposure, and therefore 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 quarter 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 quarter end both Funds had almost no Beta Adjusted Exposure to stockmarkets.*

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

# ORBIS OPTIMAL (EURO) FUND AT 30 SEPTEMBER 1999

## STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
<b>Orbis Optimal (US\$) Fund</b>	6,916	99
Net Current Assets <i>(Mainly the result of currency hedging)</i>	78	1
<b>Net Assets</b>	<b>6,994</b>	<b>100</b>
<b>Net Asset Value per Share</b>	624,546 shares issued	<b>€ 11.20</b>

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	50	(36)	14	5
US	23	(19)	4	(1)
Continental Europe	11	(11)	-	(2)
UK	7	(7)	-	(3)
South Africa	7	(5)	2	1
<b>Total</b>	<b>98</b>	<b>(78)</b>	<b>20</b>	<b>-</b>

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

## CURRENCY DEPLOYMENT

	% of Fund
<b>Euro</b>	<b>100</b>

# ORBIS LEVERAGED (US\$) FUND

## MANAGER'S REPORT AT 30 SEPTEMBER 1999

Total Rate of Return	From Inception	Latest		1999 to Date	Latest Quarter
	on 1 Jan 1990	5 Years	3 Years		
	% Annualised			% Not Annualised	
<b>In the benchmark currencies:*</b>					
<b>Orbis Leveraged (US\$)</b>	<b>12.0</b>	<b>6.8</b>	<b>3.4</b>	<b>19.6</b>	<b>(7.4)</b>
<b>In US dollars:</b>					
Orbis Leveraged (US\$)	11.8	4.5	0.2	19.6	(7.4)
Bank Deposits	5.8	2.5	1.5	3.8	1.3
Average Global Equity Fund	8.5	10.2	11.6	9.2	0.7

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

We continue to focus your Fund on its geared investment in Orbis Optimal (US\$) rather than on incremental investments. The Statement of Net Assets on the next page shows that at the quarter end your Fund had 188% of net assets invested in Orbis Optimal (US\$). Orbis Optimal (US\$) has performed well in most recent quarters and, overall, the increased focus by Orbis Leveraged (US\$) on that Fund has been rewarding. During the latest quarter, however, Orbis Optimal (US\$) lost 2.9%. When geared, this and the cost of borrowings left Orbis Leveraged (US\$) with a loss of 7.4% for the quarter. This reduced your Fund's return for the first nine months of 1999 to 19.6%.

The Analysis of Stockmarket Exposure opposite shows that Orbis Leveraged (US\$) was substantially hedged against stockmarket risk at the quarter end, which was consistent with your Fund's pursuit of absolute returns. For example, the total Beta Adjusted Exposure to stockmarkets was just 3% of net assets. While this is the case, your Fund's performance is likely to be influenced more by our share selection than by stockmarket trends (for example, by the performance of our selected Japanese equities relative to their local stockmarket, rather than by that of the Japanese stockmarket per se).

In case this stance seems "tame", note that it has been substantially in place throughout 1999, yet your Fund had earned 19.6% by 30 September, with consecutive quarterly returns of 10.2%, 17.2%, and minus 7.4%. These large albeit volatile returns stemmed mainly from our share selection, reflecting remarkably divergent performance by equities within major stockmarkets. This extreme divergence offers both risk and rewards. Even if hedged fully against stockmarket risk, actively managed equity portfolios can result in substantial gains or losses. Our research indicates that selected equities (including those to which your Fund is indirectly exposed) offer almost unprecedented value relative to their respective domestic stockmarket indices, on which your Fund's stockmarket hedging is based. This is particularly true in the US. Many US shares have fallen to attractive levels although a handful of mega cap shares have sustained the S&P 500 near record levels. We are therefore convinced that volatility in your Fund in the short term will be justified, as in 1999 overall, by its longer-term returns.

Finally, our research indicates that the euro is both undervalued and attractive. At the quarter end, as shown opposite, your Fund's Currency Deployment therefore included 30% exposure to the euro. This was at the expense of the dollar and the British pound in approximately equal amounts. As a result, your Fund will profit if the euro strengthens against the dollar and the pound, and vice versa.

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

# ORBIS LEVERAGED (US\$) FUND AT 30 SEPTEMBER 1999

## STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
<b>Orbis Optimal (US\$) Fund</b>	455,006	188
<b>Incremental Equity Position:</b>		
First Russian Frontiers Trust	3,669	2
<b>Investments</b>	458,675	190
<b>Loans</b>	(217,000)	(90)
Net Current Assets	213	-
<b>Net Assets</b>	<b>241,888</b>	<b>100</b>
<b>Net Asset Value per Share</b>	8,149,890 shares issued	<b>US\$ 29.68</b>

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stock Index Futures	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	96	(70)	26	8
US	43	(36)	7	(1)
Continental Europe	21	(21)	-	(3)
UK	13	(13)	-	(5)
South Africa	13	(9)	4	2
Russia	2	-	2	2
<b>Total</b>	<b>188</b>	<b>(149)</b>	<b>39</b>	<b>3</b>

\* This is Equity Exposure, multiplied by a Beta determined using Blume's technique, minus Stock Index Futures.

## CURRENCY DEPLOYMENT

	% of Fund
US dollar	84
Euro	30
British pound	(16)
Russian rouble	2
<b>Net Assets</b>	<b>100</b>

# ORBIS LEVERAGED (EURO) FUND

## MANAGER'S REPORT AT 30 SEPTEMBER 1999

<b>Total Rate of Return in euro:</b>	<b>From Inception on 30 Jun 1998</b>	<b>1999 to Date</b>	<b>Latest Quarter</b>
	<i>% Annualised</i>	<i>% Not Annualised</i>	
<b>Orbis Leveraged (Euro)</b>	<b>3.3</b>	<b>17.1</b>	<b>(8.4)</b>
<i>% appreciation of the euro versus the US dollar</i>	<i>(1.9)</i>	<i>(8.8)</i>	<i>3.3</i>

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 earns 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. For the overall period since its inception on 1 January 1990, Orbis Leveraged (US\$) earned 11.8% pa in dollars. This exceeded the returns on the traditional asset classes, namely equities, bonds and cash.

In effect, Orbis Leveraged (Euro) is the same investment as Orbis Leveraged (US\$) except managed in euro rather than dollars. 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.

*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 quarter end is shown opposite. The Statement of Net Assets shows that 99% 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 its stockmarket exposure, and therefore 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 quarter 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 just 3% at the quarter 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 quarter 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.*

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

# ORBIS LEVERAGED (EURO) FUND AT 30 SEPTEMBER 1999

## STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
<b>Orbis Leveraged (US\$) Fund</b>	69,769	99
Net Current Assets <i>(Mainly the result of currency hedging)</i>	802	1
<b>Net Assets</b>	<b>70,571</b>	<b>100</b>
<b>Net Asset Value per Share</b>	6,775,721 shares issued	<b>€ 10.42</b>

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stock Index Futures	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	95	(69)	26	8
US	43	(36)	7	(1)
Continental Europe	21	(21)	-	(3)
UK	13	(13)	-	(5)
South Africa	13	(9)	4	2
Russia	2	-	2	2
<b>Total</b>	<b>187</b>	<b>(148)</b>	<b>39</b>	<b>3</b>

\* This is Equity Exposure, multiplied by a Beta determined using Blume's technique, minus Stock Index Futures.

## CURRENCY DEPLOYMENT

	% of Fund
Euro	130
US dollar	(16)
British pound	(16)
Russian rouble	2
<b>Net Assets</b>	<b>100</b>



**ORBIS INVESTMENT MANAGEMENT LIMITED**

LPG Building  
34 Bermudiana Road  
Hamilton HM 11  
Bermuda

Telephone: +1 (441) 296 3000  
Facsimile: +1 (441) 296 3001  
E-mail: [info@orbis.bm](mailto:info@orbis.bm)  
Web site: [www.orbis.bm](http://www.orbis.bm)