

ORBIS ABSOLUTE RETURN FUNDS

30 JUNE 2000  
**Quarterly**  
REPORTS



**ORBIS OPTIMAL**

*US\$ Fund / Euro Fund*

**ORBIS LEVERAGED**

*US\$ Fund / Euro Fund*

## NOTICES

***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 1999. The Directors intend to apply for such certification for fiscal 2000 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 2000 or for future accounting periods.*

***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 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.*

*Members and other authorised persons who wish to receive the Orbis Absolute Return Funds Quarterly Reports by e-mail are invited to send their requests to [g.gardner@orbisfunds.com](mailto:g.gardner@orbisfunds.com)*

## THE FAMILY OF ORBIS 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.

## ORBIS OPTIMAL (US\$) FUND AT 30 JUNE 2000

Total Rate of Return	From Inception on 1 Jan 1990	Latest 5 Years	Latest 3 Years	2000 to Date	Latest Quarter
	% Annualised			% Not Annualised	
In the benchmark currencies:*					
Orbis Optimal (US\$)	11.3	8.4	7.3	14.9	15.7
In US dollars:					
Orbis Optimal (US\$)	11.1	4.7	5.6	14.9	15.7
Bank Deposits	5.8	1.3	3.5	3.1	1.6
Average Global Equity Fund	9.5	13.6	11.6	(1.2)	(5.5)

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

The 15.7% return experienced by the Orbis Optimal (US\$) Fund last quarter was exceptional. It more than reversed the 12.5% decline experienced by the Fund over the previous three quarters. That decline was largely caused by the dramatic impact of speculation in Internet-related shares, which was particularly noticeable in thrusting the Tokyo Stock Price Index 14.3% higher in the fourth quarter of 1999 and leaving Orbis' selected Japanese equities floundering. The latest quarter witnessed an unwinding of that speculation and a move toward equilibrium causing the Japanese stockmarket to decline 6.7% while most Japanese shares appreciated, including those to which the Fund was exposed through its investments in selected Orbis Equity Funds.

While these fluctuations in the TOPIX are not particularly unusual, the severe lack of correlation between the TOPIX and Orbis' selected Japanese equities is certainly anomalous. As your Fund is 43% long of our selected Japanese equities, and is hedging their stockmarket risk by selling stock index futures based on the TOPIX and the Nikkei 225 Index, this extraordinarily low correlation causes abnormal volatility in the price of the Fund's shares. This volatility is a reflection more of the exceptional state of global stockmarkets than anything unusual we have been doing at Orbis. Rather than succumb to the enormous pressure to "get with it" and participate in the technology craze, we have simply maintained the Fund's stance of investing in a portfolio of global equities selected for their perceived relative value and managing the stockmarket exposure inherent in these investments through stockmarket hedging. We are confident that over time this discipline will provide superior risk adjusted returns, as witnessed last quarter when the recovery in the Fund's share price was more pronounced than its earlier decline.

The extremes in investor participation, enthusiasm and speculation witnessed earlier this year have been somewhat tempered by recent downturns in global stockmarkets. This, coupled with our determination to contain the Fund's risk of loss to tolerable levels, lead us to expect that the Fund's share price should not experience the extreme volatility that it was subject to in the last 12 months.

While the Fund's three and five year returns have improved, we recognise that it still has some ground to make up. The Manager is continuing to waive its 0.5% pa fee payable by the Orbis Optimal (US\$) Fund. Looking forward, we remain excited about the long-term prospects for the Fund. It continues to be well positioned if, as we expect, speculative excesses are wrung from stockmarkets and money flows back into value stocks. This is what happened in the South African stockmarket in 1998, is now happening in the Japanese stockmarket, and in our opinion, is likely to happen in the US and the major European stockmarkets in the foreseeable future.

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

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## ORBIS OPTIMAL (US\$) FUND AT 30 JUNE 2000

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
Orbis Global Equity Fund	396,077	67
Orbis Japan Equity (US\$) Fund	149,653	26
Orbis Africa Equity (Rand) Fund	23,832	4
Total Equity Exposure	569,562	97
Portfolio Hedging:		
Stock Index Futures Sold:		
US: S&P 500 CME 9/2000	(154,508)	(36)
NASDAQ 100 CME 9/2000	(58,443)	
Japan: Nikkei 225 CME 9/2000	(60,619)	(31)
TOPIX TSE 9/2000	(60,091)	
Nikkei 225 OSE 9/2000	(58,669)	
UK: FTSE 100 LIFFE 9/2000	(64,421)	(11)
South Africa: JSE All Share Top 40 SAFEX 9/2000	(33,687)	(5)
Germany: DAX Eurex 9/2000	(7,283)	(1)
Switzerland: SMI Eurex 9/2000	(5,640)	(1)
Contract Value	503,255	85
Net Balances at Brokers	16,001	3
Balance Committed to Above Positions	15,895	3
Put Options:		
US: S&P 500 CBOE, Strike 1400, 9/2000	1,189	-
Option Premium	1,189	-
Net Current Assets	2,961	-
Net Assets	589,607	100
Net Asset Value per Share	19,472,873 shares issued	US\$ 30.28

### ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	43	(31)	12	(4)
US	31	(39)	(8)	(19)
Europe	15	(13)	2	(1)
Emerging Markets	8	(5)	3	1
Total	97	(88)**	9	(23)

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

\*\* Put option exposure is on a delta adjusted basis; face value basis provides an additional 7% hedging.

### CURRENCY DEPLOYMENT

	% of Fund
US dollar	84
Euro	15
Russian rouble	1
Net Assets	100

## ORBIS OPTIMAL (EURO) FUND AT 30 JUNE 2000

Total Rate of Return in euro:	From Inception on 30 Jun 1998 % Annualised	Latest 1 Year	2000 to Date % Not Annualised	Latest Quarter
Orbis Optimal (Euro)	6.9	(2.2)	13.1	14.9
% change in the US dollar value of the euro	(6.7)	(7.9)	(5.3)	(0.3)

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 11.1% pa for the over 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 quarter-end the Currency Deployment of Orbis Optimal (US\$) comprised 84% US dollars, 15% euro and 1% Russian rouble. If Orbis Optimal (Euro) had simply hedged 100% of net assets into euro as usual, it would have included minus 16% exposure to the US dollar. Instead, as the Currency Deployment opposite shows, 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 quarter-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 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 a total of negative 23% Beta Adjusted Exposure to stockmarkets.*

<b>DIRECTORS</b> Allan W B Gray, Chairman	John C R Collis	Geoffrey M Gardner	William B Gray	William D Thomson
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## ORBIS OPTIMAL (EURO) FUND AT 30 JUNE 2000

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
Orbis Optimal (US\$) Fund	9,902	100
Net Current Assets	25	-
Net Assets	9,927	100
Net Asset Value per Share	868,376 shares issued	€ 11.43

### ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	43	(31)	12	(4)
US	31	(39)	(8)	(19)
Europe	15	(13)	2	(1)
Emerging Markets	8	(5)	3	1
Total	97	(88)**	9	(23)

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

\*\* Put option exposure is on a delta adjusted basis; face value basis provides an additional 7% hedging.

### CURRENCY DEPLOYMENT

	% of Fund
Euro	99
Russian rouble	1
Net Assets	100

## ORBIS LEVERAGED (US\$) FUND AT 30 JUNE 2000

Total Rate of Return	From Inception on 1 Jan 1990	Latest 5 Years	Latest 3 Years	2000 to Date	Latest Quarter
	% Annualised			% Not Annualised	
In the benchmark currencies:*					
Orbis Leveraged (US\$)	11.3	7.7	(1.0)	26.8	30.4
In US dollars:					
Orbis Leveraged (US\$)	11.1	4.0	(2.5)	26.8	30.4
Bank Deposits	5.8	1.3	3.5	3.1	1.6
Average Global Equity Fund	9.5	13.6	11.6	(1.2)	(5.5)

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

We stated in previous reports that the Orbis Leveraged (US\$) Fund is positioned to capitalise when the glamour stocks that have been dominating stockmarket indices slump and value shares outperform. This occurred with impressive effect in the last quarter when the Orbis Leveraged (US\$) Fund rose by 30.4% while the World Index fell by 3.4% and the Average Global Equity Fund fell 5.5%.

In the months leading up to the second quarter, stockmarket indices experienced a surge driven by exponential rises, fuelled by speculation, in the prices of shares in a few glamour sectors such as the Internet. Eventually, the valuations of these shares drove the indices to unsustainable levels. When a sense of reality returned to markets in the second quarter, these shares plummeted and dragged indices lower. In contrast, value shares, which had trailed badly, appreciated. Your Fund was able to capitalise on this largely through its geared investment in the Orbis Optimal (US\$) Fund and to some extent with supplemental direct investments in short stock index futures.

During the latest quarter, the Orbis Leveraged (US\$) Fund invested an average of 188% of net assets in the Orbis Optimal (US\$) Fund whose return was 15.7% for the quarter. After borrowing costs, the investment in the Orbis Optimal (US\$) Fund contributed 28.3 percentage points of your Fund's return for the quarter. The Orbis Optimal (US\$) Fund invests in a portfolio of global equities selected for their perceived relative value and seeks to manage the stockmarket exposure inherent in these investments through stockmarket hedging. As discussed on page 2, this was unusually profitable for the Orbis Optimal (US\$) Fund in the latest quarter.

Unlike the Orbis Optimal (US\$) Fund, the Orbis Leveraged (US\$) Fund may establish a net negative exposure to overall world stockmarkets. During the quarter, your Fund took short-term trading positions by selling stock index futures short in anticipation of declines in selected world stockmarkets. At quarter-end, these positions caused your Fund to have a total of negative 22% Accounting Exposure to stockmarkets compared to positive 9% for the Orbis Optimal (US\$) Fund. Since quarter-end, these short positions have been eliminated because of our increased sensitivity to losses. Your Fund's short stock index positions contributed two percentage points to its return for the quarter.

Despite your Fund's favourable performance in 2000 to date, it still has a massive amount of ground to make up for its dismal returns over the past five years. The Manager is continuing to waive its 0.5% pa fee payable by each of the Orbis Leveraged (US\$) Fund and the Orbis Optimal (US\$) Fund. After the Fund's encouraging performance in the quarter, we look forward to rewarding you further for your continuing support and patience.

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## ORBIS LEVERAGED (US\$) FUND AT 30 JUNE 2000

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
Orbis Optimal (US\$) Fund	525,297	189
Positions to Manage Stockmarket Exposure:		
Stock Index Futures Sold:		
France: CAC 40 MATIF 9/2000	(27,199)	(10)
Japan: Nikkei 225 OSE 9/2000	(26,787)	(10)
US: S&P 500 CME 9/2000	(26,487)	(9)
Sweden: OMX OMLX 7/2000	(25,326)	(9)
Contract Value	105,874	38
Margin Balances at Brokers	5,260	2
Balance Committed to Above Positions	5,335	2
Investments	530,632	191
Loans	(258,200)	(93)
Net Current Assets	5,892	2
<b>Net Assets</b>	<b>278,324</b>	<b>100</b>
Net Asset Value per Share	9,219,077 shares issued	US\$ 30.19

### ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	81	(69)	12	(18)
US	59	(83)	(24)	(46)
Europe	28	(44)	(16)	(20)
Emerging Markets	15	(9)	6	3
<b>Total</b>	<b>183</b>	<b>(205)**</b>	<b>(22)</b>	<b>(81)</b>

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

\*\* Put option exposure is on a delta adjusted basis; face value basis provides an additional 13% hedging.

### CURRENCY DEPLOYMENT

	% of Fund
US dollar	74
Euro	25
Russian rouble	1
<b>Net Assets</b>	<b>100</b>

## ORBIS LEVERAGED (EURO) FUND AT 30 JUNE 2000

Total Rate of Return in euro:	From Inception on 30 Jun 1998 % Annualised	Latest 1 Year	2000 to Date % Not Annualised	Latest Quarter
Orbis Leveraged (Euro)	1.6	(9.3)	24.9	29.6
% change in the US dollar value of the euro	(6.7)	(7.9)	(5.3)	(0.3)

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 11.1% pa for the over 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 quarter-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 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 at the quarter-end, both Funds had a total of negative 81% 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 quarter-end Orbis Leveraged (Euro) had modified the currency exposure it derived from Orbis Leveraged (US\$) by selling dollars and buying euro amounting to 103% of net assets.*

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			<b>CUSTODIAN</b>	The Bank of Bermuda Limited	

## ORBIS LEVERAGED (EURO) FUND AT 30 JUNE 2000

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
Orbis Leveraged (US\$) Fund	185,897	100
Net Current Assets	112	-
Net Assets	186,009	100
Net Asset Value per Share	18,019,960 shares issued	€ 10.32

### ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	81	(69)	12	(18)
US	59	(83)	(24)	(46)
Europe	28	(44)	(16)	(20)
Emerging Markets	15	(9)	6	3
Total	183	(205)**	(22)	(81)

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

\*\* Put option exposure is on a delta adjusted basis; face value basis provides an additional 13% hedging.

### CURRENCY DEPLOYMENT

	% of Fund
Euro	128
US dollar	(29)
Russian rouble	1
Net Assets	100



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