

ORBIS ABSOLUTE RETURN FUNDS

QUARTERLY
REPORTS
30 JUNE 2003



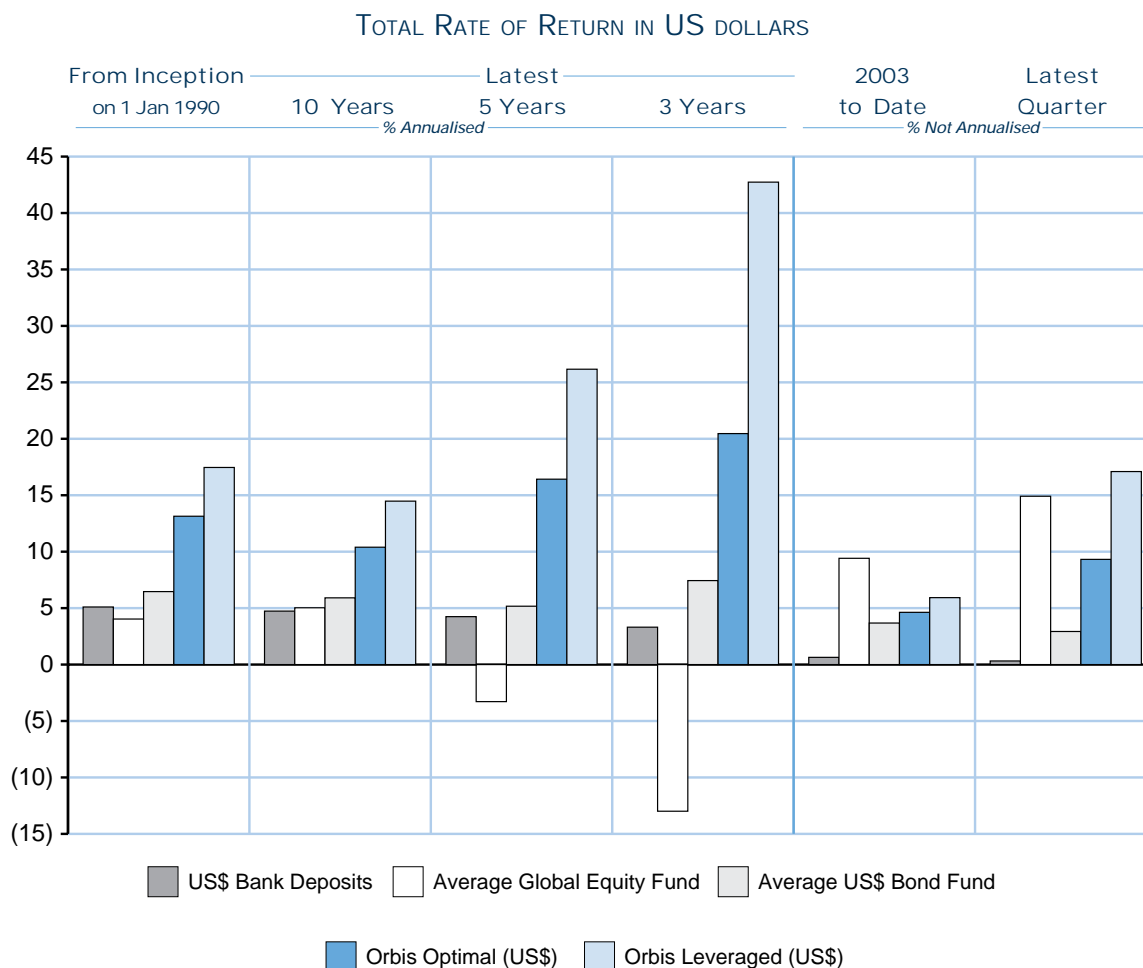
ORBIS OPTIMAL

US\$ Fund / Euro Fund

ORBIS LEVERAGED

US\$ Fund / Euro Fund

ORBIS OPTIMAL AND ORBIS LEVERAGED AT 30 JUNE 2003



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 Offshore Territories sector index return.

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 2001. Certification is granted retrospectively, therefore there can be no assurance that the Orbis Funds will be certified as distributing funds for fiscal 2002 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. Orbis Fund share prices fluctuate and are not guaranteed.*

We invite you to visit our website, 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 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 (*ie positive*) returns regardless of stockmarket trends
- They invest directly or indirectly in the Manager’s optimal mix of hedged 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.

ORBIS OPTIMAL (US\$) FUND AT 30 JUNE 2003

Total Rate of Return in US dollars:	From Inception on 1 Jan 1990	Latest		2003 to Date	Latest Quarter
		5 Years	3 Years		
	% Annualised			% Not Annualised	
Orbis Optimal (US\$)	13.1	16.4	20.5	4.6	9.3
US\$ Bank Deposits	5.1	4.2	3.3	0.6	0.3
Average Global Equity Fund	4.0	(3.3)	(13.0)	9.4	14.9
Average US\$ Bond Fund	6.5	5.2	7.4	3.7	2.9

As a result of the weaknesses in global stockmarkets in recent years, hedge funds (or absolute return funds) have been receiving a lot of attention. The term “hedge fund” actually covers a wide variety of funds using many different strategies, but in general they all try to turn the skills of the managers into positive returns for clients. Because the returns depend on skill rather than market trends, hedge funds can aim to deliver positive returns whatever the market conditions. While this sounds ideal during market weaknesses, the decision to invest in a hedge fund is not an easy one. We hope the following discussion will help Members understand how we have added value and in judging the Fund’s potential for future success.

Our core skill is in picking stocks that outperform their local stockmarkets in the long run. It is based on an approach Orbis and Allan Gray Limited have been practising for more than 13 and 29 years, respectively. Although executed by different teams in the two companies, the approach has delivered very similar long-term outperformance. The long combined track record means the approach has endured many different market conditions and cycles. It also shows that the ability to add value has not been dependent on a single individual, as generations of investment professionals in both companies have executed the same approach successfully over the years.

We translate our stockpicking skills into absolute returns for the Members of this Fund in a simple and transparent way. Orbis Optimal buys shares by investing in the Orbis Equity Funds and sells short stockmarkets using stock index futures. As share prices go up, the shares the Fund owns make money and the stock index futures it shorts lose money. But as long as the shares go up more than the market, the Fund makes more money than it loses and it makes a net gain. Similarly, as share prices go down, the shares owned lose money and the stock index futures shorted make money. The Fund makes a net gain if the shares owned lose less than the gain in the stock index futures. Hence, as long as our favoured stocks do better than the markets, the structure automatically and directly translates the outperformance into absolute returns. The result is an absolute return fund that gives investors access to a well established skill set in a simple and transparent structure that faces few capacity constraints.

Our track record shows that our long-term investment approach will, from time to time, lead to short-term losses in the Fund when our favoured shares fail to do better than the market. This short-term dynamic is discussed further in the Manager’s Report for the Orbis Global Equity Fund. We trust our track record will help Members put those periods of poor performance into historical perspective, making better informed long-term investment judgements.

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

CUSTODIAN
The Bank of Bermuda Limited

ORBIS OPTIMAL (US\$) FUND AT 30 JUNE 2003

STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
Orbis Global Equity Fund	1,206,933	66
Orbis SICAV - Japan Equity Fund - Yen Class	407,102	22
Orbis Africa Equity (Rand) Fund	72,788	4
Orbis SICAV - Japan Core Equity Fund	25,858	2
Total Equity Exposure	1,712,681	94
Portfolio Hedging:		
Stock Index Futures Sold:		
Japan: TOPIX TSE 9/2003	(602,107)	(33)
Nikkei 225 CME 9/2003	(9,358)	
US: S&P 500 CME 9/2003	(434,578)	(24)
UK: FTSE 100 LIFFE 9/2003	(220,201)	(12)
South Africa: JSE All Share Top 40 SAFEX 9/2003	(128,478)	(7)
Germany: DAX Eurex 9/2003	(127,531)	(7)
Korea: KOSPI 200 KSE 9/2003	(75,928)	(4)
France: CAC 40 Euronext 7/2003	(10,132)	(1)
Contract Value	1,612,633	88
Net Balances at Brokers	51,792	3
Balance Committed to Above Positions	56,112	3
Net Current Assets	57,236	3
Net Assets	1,826,029	100
Net Asset Value per Share	34,510,335 shares issued	US\$ 52.91

ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	40	(33)	7	7
Europe	21	(20)	1	-
US	20	(24)	(4)	(7)
Emerging Markets	13	(11)	2	-
Total	94	(88)	6	-

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

CURRENCY DEPLOYMENT

	% of Fund
US dollar	90
Canadian dollar	10
Net Assets	100

ORBIS OPTIMAL (EURO) FUND AT 30 JUNE 2003

Total Rate of Return in euro:	From Inception on 30 Jun 1998 % Annualised	Latest 3 Years	2003 to Date % Not Annualised	Latest Quarter
Orbis Optimal (Euro)	13.2	17.6	1.6	7.2
Euro Bank Deposits	3.7	3.9	1.3	0.6
Average Global Equity Fund	(4.3)	(18.3)	(0.3)	9.0
Average Euro Bond Fund	4.6	6.7	4.1	2.6
% appreciation of the euro versus the US dollar	1.0	6.5	9.7	5.4

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 13.1% pa 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 quarter-end the Currency Deployment of Orbis Optimal (US\$) comprised 90% US dollar and 10% Canadian dollars. If Orbis Optimal (Euro) had simply hedged 100% of net assets from US dollars into euro as usual, it would have included minus 10% 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 quarter-end is shown opposite. The Statement of Net Assets shows that 101% 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 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 virtually identical.

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ORBIS OPTIMAL (EURO) FUND AT 30 JUNE 2003

STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
Orbis Optimal (US\$) Fund	401,261	101
Net Current Liabilities	(3,144)	(1)
Net Assets	398,117	100
Net Asset Value per Share	21,401,327 shares issued	€ 18.60

ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	41	(34)	7	7
Europe	21	(20)	1	-
US	20	(24)	(4)	(7)
Emerging Markets	13	(11)	2	-
Total	95	(89)	6	-

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

CURRENCY DEPLOYMENT

	% of Fund
Euro	100
Net Assets	100

ORBIS LEVERAGED (US\$) FUND AT 30 JUNE 2003

Total Rate of Return in US dollars:	From Inception on 1 Jan 1990	Latest		2003 to Date	Latest Quarter
		5 Years	3 Years		
	% Annualised		% Not Annualised		
Orbis Leveraged (US\$)	17.5	26.2	42.7	5.9	17.1
US\$ Bank Deposits	5.1	4.2	3.3	0.6	0.3
Average Global Equity Fund	4.0	(3.3)	(13.0)	9.4	14.9
Average US\$ Bond Fund	6.5	5.2	7.4	3.7	2.9

The Fund's 17.1% return for the quarter was entirely due to a leveraged position in its core Orbis Optimal holding. Its short Japanese Government Bond ("JGB") position started making an impact late in the quarter, but this contribution was offset by earlier losses. Relative to the gains and losses from stock picking, we expect the JGB position to make a noticeable yet relatively minor contribution to the Fund's returns. This is intentional as incremental positions in currencies, stock index futures and JGBs in the Fund are restricted and closely managed.

The bubble in the JGB market, which we discussed in last quarter's report, was dramatically punctured during the past month. The yield on the 7-year JGB, which underlies the notional 10-year JGB futures contract, rose from 0.24% pa on 12 June 2003 to 0.58% pa at 30 June and to a recent high of 0.82% pa on 8 July 2003. A change of this magnitude in so short a period of time is characteristic of a climax which marks the termination of a major market move.

We believe a market commentator was spot on when he stated that JGBs offered "return-free risk". We considered an annual return of 0.24% derisory on a 7-year bond which is exposed to the risk of substantial loss should interest rates rise. The potential for capital gain in the event interest rates decline further was comparatively small as the lowest the rate could reasonably decline to is 0%. On the other hand, the rise from 0.24% to 0.82% pa in the yield of this bond led to a 4% decline in the market price of the bond. Even at the higher yield, almost 5 years' income was wiped out in one month. This risk-reward ratio in JGBs is the most extreme example of overvaluation in our investment experience.

We believe Japanese markets, both bonds and shares, became more rational during the past quarter. The momentum, which irrationally thrust bonds to crazy peaks and shares to troughs, has, in our opinion, been decisively broken. The first phase of the market cycle should see bond prices move down and share prices rise until they fairly reflect underlying fundamentals. As Japanese shares, and probably real estate, offer better fundamental value than bonds, we expect investors to continue to sell bonds and buy real assets such as equities and real estate as confidence returns.

The second phase of the market cycle, in which the markets move more in line with changing fundamentals, still lies ahead. Already economists are raising their gross national product forecasts for Japan. Members who wish greater exposure to the Japanese stockmarket than the 13% exposure held by this Fund may want to consider the Orbis Japan Equity Funds. Given the massive monetary stimulation since the appointment of Toshihiko Fukui as governor of the Bank of Japan in March 2003, we have little doubt that deflation will give way to inflation. We expect a prolonged bear market in JGBs, no doubt interrupted from time to time with spirited rallies. The Fund maintains its short JGB futures position as shown in the portfolio opposite.

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ORBIS LEVERAGED (US\$) FUND AT 30 JUNE 2003

STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
Orbis Optimal (US\$) Fund	1,100,618	191
Incremental Positions:		
Bond and Stock Index Futures Sold:		
Japan: JGB 10 Year TSE 9/2003	(537,959)	(93)
US: S&P 500 CME 9/2003	(57,425)	(10)
Contract Value	607,033	105
Balances at Brokers	(3,366)	(1)
Balance Committed to Above Positions	8,283	1
Loans	(538,000)	(93)
Net Current Assets	6,789	1
Net Assets	577,690	100
Net Asset Value per Share	6,584,717 shares issued	US\$ 87.73

ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	77	(64)	13	13
Europe	39	(37)	2	-
US	38	(55)	(17)	(23)
Emerging Markets	24	(21)	3	-
Total	178	(177)	1	(10)

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

CURRENCY DEPLOYMENT

	% of Fund
US dollar	80
Canadian dollar	20
Net Assets	100

ORBIS LEVERAGED (EURO) FUND AT 30 JUNE 2003

Total Rate of Return in euro:	From Inception	Latest	2003	Latest
	on 30 Jun 1998	3 Years	to Date	Quarter
	% Annualised		% Not Annualised	
Orbis Leveraged (Euro)	24.3	42.1	6.4	17.1
Euro Bank Deposits	3.7	3.9	1.3	0.6
Average Global Equity Fund	(4.3)	(18.3)	(0.3)	9.0
Average Euro Bond Fund	4.6	6.7	4.1	2.6
% appreciation of the euro versus the US dollar	1.0	6.5	9.7	5.4

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 17.5% pa 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 quarter-end is shown opposite. The Statement of Net Assets shows that 101% 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 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 virtually identical. For example at the quarter-end, both Funds had a total of negative 10% 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 100% of net assets.

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ORBIS LEVERAGED (EURO) FUND AT 30 JUNE 2003

STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
Orbis Leveraged (US\$) Fund	278,532	101
Net Current Liabilities	(2,313)	(1)
Net Assets	276,219	100
Net Asset Value per Share	9,327,546 shares issued	€ 29.61

ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	78	(64)	14	13
Europe	40	(38)	2	-
US	38	(56)	(18)	(23)
Emerging Markets	24	(21)	3	-
Total	180	(179)	1	(10)

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

CURRENCY DEPLOYMENT

	% of Fund
Euro	100
US dollar	(20)
Canadian dollar	20
Net Assets	100



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