

QUARTERLY  
**REPORTS**  
30 JUNE 2004



**ORBIS OPTIMAL**

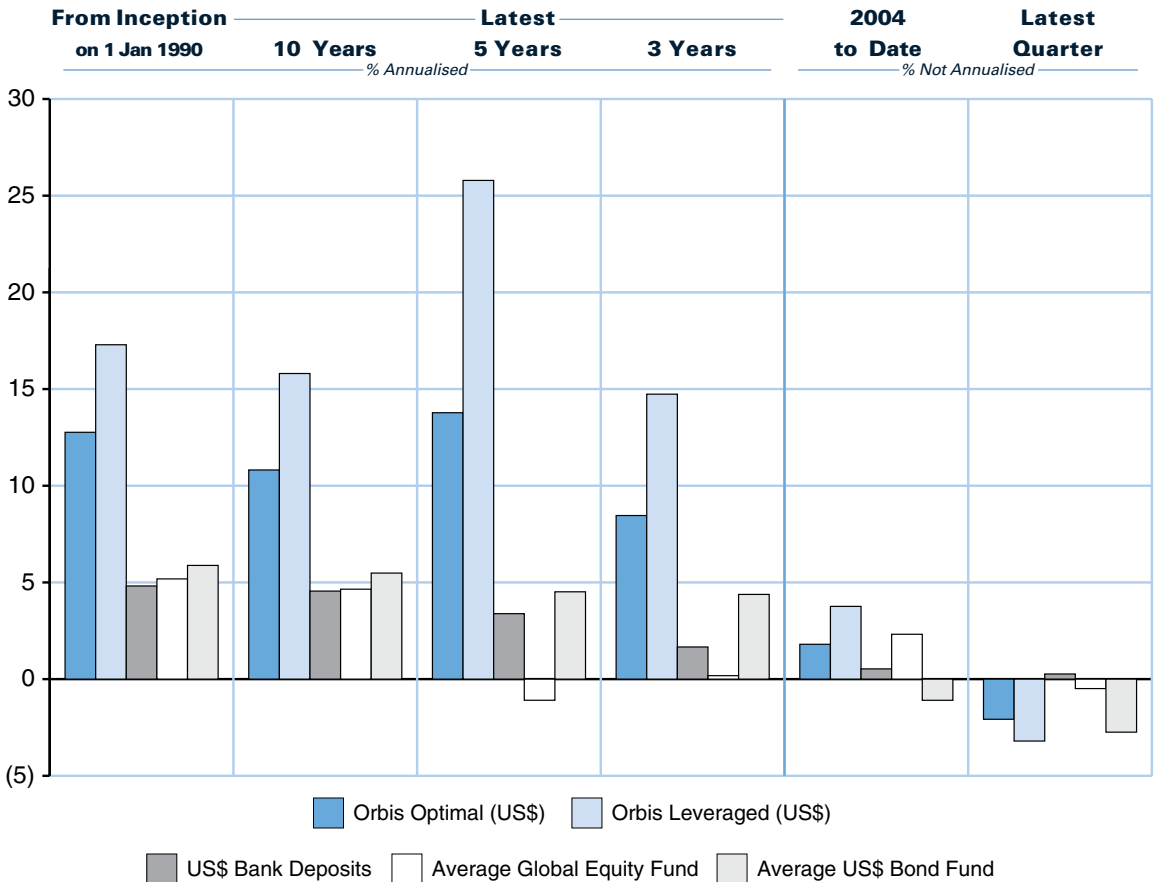
*US\$ Fund / Euro Fund*

**ORBIS LEVERAGED**

*US\$ Fund / Euro Fund*

# ORBIS OPTIMAL AND ORBIS LEVERAGED AT 30 JUNE 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 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 2002. Certification is granted retrospectively, therefore there can be no assurance that the Orbis Funds will be certified as distributing funds for fiscal 2003 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](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 (*ie 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.

## ORBIS OPTIMAL (US\$) FUND AT 30 JUNE 2004

Total Rate of Return in US dollars:	From Inception on 1 Jan 1990	Latest		2004 to Date	Latest Quarter
		5 Years	3 Years		
	% Annualised			% Not Annualised	
<b>Orbis Optimal (US\$)</b>	<b>12.8</b>	<b>13.8</b>	<b>8.5</b>	<b>1.8</b>	<b>(2.1)</b>
US\$ Bank Deposits	4.8	3.4	1.7	0.5	0.3
Average Global Equity Fund	5.2	(1.1)	0.2	2.3	(0.5)
Average US\$ Bond Fund	5.9	4.5	4.4	(1.1)	(2.7)

We discussed in our last quarterly report how Orbis Optimal differs from the vast majority of other equity-based market-neutral or long-short absolute return funds in its approach to hedging. The Fund's use of stock index futures rather than individual stock shorts for hedging has provided the Fund with greater transparency, simplicity and better scalability to cope with a larger pool of assets. Another major difference between your Fund and the majority of other absolute return funds is the time frame we focus on in managing the return of the Fund.

Most absolute return funds attempt to maximise the probability of achieving positive returns consistently when measured over quarterly periods. While that would be nice to achieve, our primary focus is on earning superior positive returns when measured over the Fund's investment horizon of between three and five years.

We believe having the Fund adopt a different approach that focuses on generating lower short-term volatility would be of little value to investors if it came at the cost of an investment program that is transparent and understandable. As a result, we believe that the much-used Sharpe ratio, with its focus on short-term volatility, is not a good tool to use in judging the quality of Orbis Optimal's investment program. Instead, we hope the Fund's transparent, time-tested and common sense investment approach allows Members to develop a well-founded understanding of how the Fund creates value and therefore the longer-term prospects for the returns of the Fund.

The ability for Members to garner a greater understanding is important because it allows them to make a better-informed decision as to whether poor short-term returns are the start of things to come or a temporary setback in a sustainable upward trend. The answer is critical since the former conclusion may cause one to sell and the latter indicates that it is a time for patience or perhaps an opportunity to add to the investment at an attractive price. Getting these decisions right is often the difference between experiencing significantly above or significantly below average investment returns over the long term. Without a well-founded understanding of why the Fund has performed the way it has, the risk is that when investors experience periods of poor short-term performance they will no longer have a compelling reason to remain invested and will sell, ensuring a poor investment experience and relinquishing the potential to participate in any subsequent rebound. Regrettably, most investors buy mutual funds that have shown favourable recent returns and sell funds with poor short-term returns. By engaging in this behaviour, investors often end up buying high and selling low, causing them to earn long-term returns well below those achieved by the funds themselves. We hope that the Fund's transparency and common sense investment approach will help Members avoid this pattern. If they do, we believe the greater uncertainty associated with higher short-term volatility would have been a small price to pay.

*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 2004

## STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
<b>Orbis Global Equity Fund</b>	2,875,281	89
<b>Orbis Africa Equity (Rand) Fund</b>	154,702	5
<b>Orbis SICAV - Japan Core Equity Fund</b>	45,824	1
<b>Orbis SICAV - Japan Equity Fund - Yen Class</b>	30,632	1
<b>Total Equity Exposure</b>	<b>3,106,439</b>	<b>96</b>
<b>Portfolio Hedging:</b>		
<b>Stock Index Futures Sold:</b>		
US: E-mini S&P 500 CME 9/2004	(1,003,982)	(31)
Japan: TOPIX TSE 9/2004	(671,688)	(21)
Germany: DAX Eurex 9/2004	(467,000)	(14)
UK: FTSE 100 LIFFE 9/2004	(380,628)	(12)
South Africa: JSE All Share Top 40 SAFEX 9/2004	(248,609)	(8)
Korea: KOSPI 200 KSE 9/2004	(220,172)	(7)
Contract Value	2,971,408	92
Net Balances at Brokers	168,385	5
Balance Committed to Above Positions	147,714	4
Net Current Liabilities	(17,527)	-
<b>Net Assets</b>	<b>3,236,626</b>	<b>100</b>
<b>Net Asset Value per Share</b>	56,723,134 shares issued	<b>US\$ 57.06</b>

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Europe	28	(26)	2	-
Japan	26	(21)	5	7
North America	23	(31)	(8)	(10)
Emerging Markets	19	(15)	4	3
<b>Total</b>	<b>96</b>	<b>(93)</b>	<b>3</b>	<b>-</b>

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

## CURRENCY DEPLOYMENT

	% of Fund
US dollar	77
Japanese yen	10
Canadian dollar	5
Taiwan dollar	4
Korean won	4
<b>Net Assets</b>	<b>100</b>

## ORBIS OPTIMAL (EURO) FUND AT 30 JUNE 2004

Total Rate of Return in euro:	From Inception	Latest		2004	Latest
	on 30 Jun 1998	5 Years	3 Years	to Date	Quarter
		% Annualised		% Not Annualised	
<b>Orbis Optimal (Euro)</b>	<b>12.4</b>	<b>11.5</b>	<b>6.4</b>	<b>3.1</b>	<b>(1.6)</b>
Euro Bank Deposits	3.4	3.4	2.9	1.0	0.5
Average Global Equity Fund	(1.3)	(4.3)	(11.2)	5.6	0.5
Average Euro Bond Fund	4.1	4.1	5.2	1.1	(1.1)
% appreciation of the euro versus the US dollar	1.8	3.3	12.8	(3.1)	(1.0)

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 12.8% 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 quarter-end the Currency Deployment of Orbis Optimal (US\$) comprised 77% US dollars, 10% Japanese yen, 5% Canadian dollars, 4% Taiwan dollars and 4% Korean won. If Orbis Optimal (Euro) had simply hedged 100% of net assets from US dollars into euro as usual, it would have included minus 23% 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 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 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 2004

## STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
<b>Orbis Optimal (US\$) Fund</b>	540,142	99
Net Current Assets	7,364	1
<b>Net Assets</b>	<b>547,506</b>	<b>100</b>
<b>Net Asset Value per Share</b>	27,202,491 shares issued	<b>€ 20.13</b>

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Europe	27	(26)	1	-
Japan	26	(21)	5	7
North America	23	(30)	(7)	(10)
Emerging Markets	18	(14)	4	3
<b>Total</b>	<b>94</b>	<b>(91)</b>	<b>3</b>	<b>-</b>

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

## CURRENCY DEPLOYMENT

	% of Fund
Euro	92
Taiwan dollar	4
Korean won	4
<b>Net Assets</b>	<b>100</b>

## ORBIS LEVERAGED (US\$) FUND AT 30 JUNE 2004

Total Rate of Return in US dollars:	From Inception on 1 Jan 1990	Latest		2004 to Date	Latest Quarter
		5 Years	3 Years		
	% Annualised			% Not Annualised	
<b>Orbis Leveraged (US\$)</b>	<b>17.3</b>	<b>25.8</b>	<b>14.7</b>	<b>3.8</b>	<b>(3.2)</b>
US\$ Bank Deposits	4.8	3.4	1.7	0.5	0.3
Average Global Equity Fund	5.2	(1.1)	0.2	2.3	(0.5)
Average US\$ Bond Fund	5.9	4.5	4.4	(1.1)	(2.7)

Orbis Leveraged is predominantly a leveraged investment in Orbis' stock selection skills. The Fund gains exposure to those skills by making a geared investment primarily in Orbis Optimal, which in turn invests in the Orbis Equity Funds and hedges out the inherent stockmarket risk, leaving it with an exposure to the return on cash plus (minus) the extent to which Orbis' selected equities outperform (underperform) their local stockmarkets.

Orbis Leveraged structures its borrowings in a manner that is different from most other absolute return funds. The Fund borrows money through a committed multi-currency credit facility with a group of six financial institutions while most other absolute return funds do so through prime brokerage financing. We prefer a committed facility largely because it reduces the Fund's exposure to potential negative developments in the external financing environment. The Fund's credit facility is structured to assure the Fund access to financing for between one and three years at interest spreads and collateral rates that can only be changed upon mutual agreement by the Fund and its lenders.

In contrast, prime brokerage financing is generally uncommitted meaning that the lender can refuse to advance money at any time and require repayment of amounts advanced upon demand, quite probably at a moment of financial stress when such moves would be most disadvantageous. Also, a prime broker can change the interest rate and the amount of collateral required unilaterally. Having a dependable source of financing allows the Fund to maintain its long-term focus and us to remain confident that the Fund will continue to have access to financing on reasonable terms.

The advantages of a committed facility come at the expense of higher interest costs, a cost that we see as being an insurance premium against the risks outlined above. The size of that premium together with other aspects of the credit facility are subject to renegotiation when it comes up for renewal. Last quarter was such a time and we received encouraging interest from a number of lenders resulting in the Fund's interest rate spread being reduced and the commitment amount being increased by \$290 million.

Orbis Leveraged now has access to a minimum of \$1.09 billion of financing for up to three more years at interest rates that vary between LIBOR plus 0.65% and 0.85% per annum. Borrowing costs on drawn portions of \$850 million of the facility were reduced by 0.2% per annum while the commitment fee on undrawn balances of this amount has been reduced from 0.15% to 0.10% per annum. We are grateful to the Fund's lenders for their continuing support on terms that will improve Orbis Leveraged's future returns.

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

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# ORBIS LEVERAGED (US\$) FUND AT 30 JUNE 2004

## STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
<b>Orbis Optimal (US\$) Fund</b>	1,666,413	191
<b>Incremental Positions:</b>		
<b>Index Futures Sold:</b>		
Bond: Japan; JGB 10-Year TSE 9/2004	(802,230)	(92)
Stock: US; E-mini S&P 500 CME 9/2004	(86,792)	(10)
Contract Value	901,924	103
Balances at Brokers	(1,856)	-
Balance Committed to Above Positions	11,046	1
<b>Loans</b>	(808,000)	(92)
Net Current Assets	4,679	-
<b>Net Assets</b>	<b>874,138</b>	<b>100</b>
<b>Net Asset Value per Share</b>	8,659,136 shares issued	<b>US\$ 100.95</b>

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Europe	52	(50)	2	-
Japan	50	(40)	10	13
North America	45	(69)	(24)	(29)
Emerging Markets	36	(28)	8	6
<b>Total</b>	<b>183</b>	<b>(187)</b>	<b>(4)</b>	<b>(10)</b>

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

## CURRENCY DEPLOYMENT

	% of Fund
US dollar	64
Japanese yen	20
Canadian dollar	10
British pound	(10)
Taiwan dollar and other	8
Korean won	8
<b>Net Assets</b>	<b>100</b>

## ORBIS LEVERAGED (EURO) FUND AT 30 JUNE 2004

Total Rate of Return in euro:	From Inception on 30 Jun 1998	Latest		2004 to Date	Latest Quarter
		5 Years	3 Years		
		% Annualised		% Not Annualised	
<b>Orbis Leveraged (Euro)</b>	<b>22.8</b>	<b>24.7</b>	<b>15.5</b>	<b>4.0</b>	<b>(3.2)</b>
Euro Bank Deposits	3.4	3.4	2.9	1.0	0.5
Average Global Equity Fund	(1.3)	(4.3)	(11.2)	5.6	0.5
Average Euro Bond Fund	4.1	4.1	5.2	1.1	(1.1)
% appreciation of the euro versus the US dollar	1.8	3.3	12.8	(3.1)	(1.0)

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 17.3% 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 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 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 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 2004

## STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
<b>Orbis Leveraged (US\$) Fund</b>	419,531	99
Net Current Assets	5,218	1
<b>Net Assets</b>	<b>424,749</b>	<b>100</b>
<b>Net Asset Value per Share</b>	12,364,030 shares issued	<b>€ 34.35</b>

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Europe	52	(49)	3	-
Japan	49	(39)	10	13
North America	44	(68)	(24)	(29)
Emerging Markets	35	(27)	8	6
<b>Total</b>	<b>180</b>	<b>(183)</b>	<b>(3)</b>	<b>(10)</b>

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

## CURRENCY DEPLOYMENT

	% of Fund
Euro	100
US dollar	(35)
Japanese yen	20
British pound	(10)
Canadian dollar	10
Taiwan dollar and other	8
Korean won	7
<b>Net Assets</b>	<b>100</b>

