

QUARTERLY  
**REPORTS**  
30 JUNE 2006

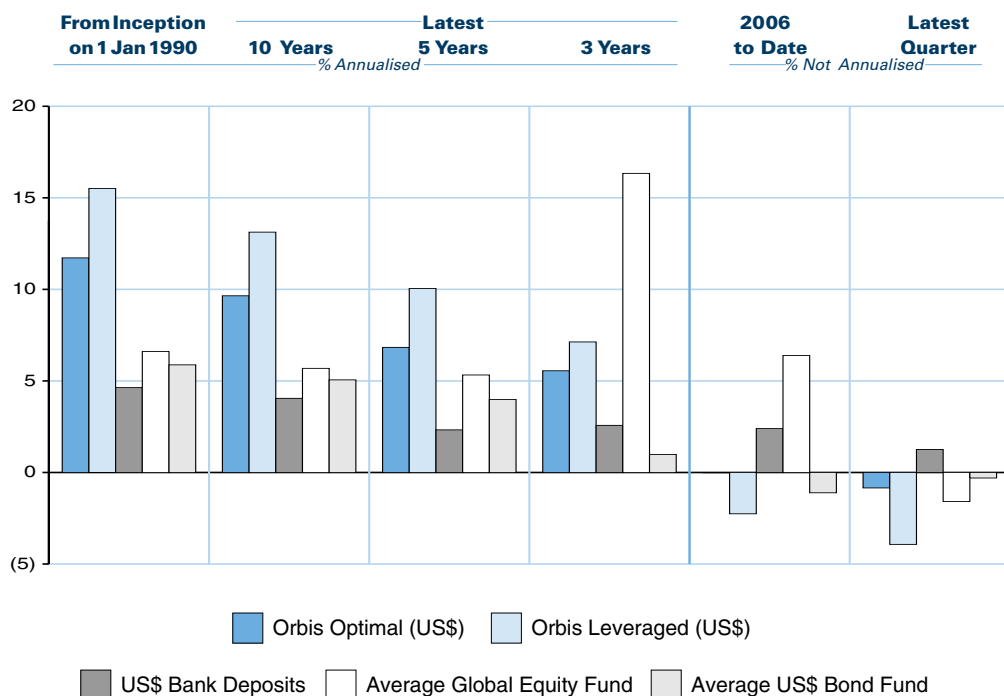


ORBIS OPTIMAL

ORBIS LEVERAGED

# ORBIS OPTIMAL AND ORBIS LEVERAGED AT 30 JUNE 2006

## TOTAL RATE OF RETURN IN US DOLLARS



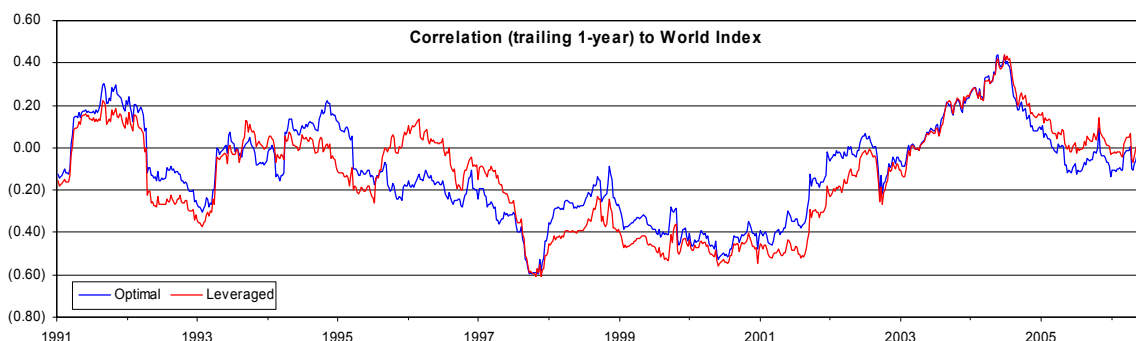
The Optimal and Leveraged (Euro) and (Yen) Funds are based on the same portfolios as the Optimal and Leveraged (US\$) Funds, respectively, and are therefore not shown separately above. Average Global Equity Fund and Average US\$ Bond Fund source: Standard & Poor's Internationally Marketed sector index.

Total Rate of Return in Fund Currency:	From Inception	Latest		2006	Latest
		5 Years	3 Years	to Date	Quarter
		% Annualised		% Not Annualised	
<b>Optimal (US\$) Fund</b> (launched 1 Jan 1990)	<b>11.7</b>	<b>6.8</b>	<b>5.6</b>	<b>0.0</b>	<b>(0.8)</b>
<b>Leveraged (US\$) Fund</b> (launched 1 Jan 1990)	<b>15.5</b>	<b>10.1</b>	<b>7.1</b>	<b>(2.3)</b>	<b>(3.9)</b>
US\$ Bank Deposits	4.6	2.3	2.6	2.4	1.3
Average Global Equity Fund	6.6	5.3	16.3	6.4	(1.6)
Average US\$ Bond Fund	5.9	4.0	1.0	(1.1)	(0.3)
<b>Optimal (Euro) Fund</b> (launched 30 Jun 1998)	<b>10.0</b>	<b>5.1</b>	<b>4.8</b>	<b>(2.8)</b>	<b>(2.7)</b>
<b>Leveraged (Euro) Fund</b> (launched 30 Jun 1998)	<b>17.4</b>	<b>10.1</b>	<b>6.8</b>	<b>(3.1)</b>	<b>(4.3)</b>
Euro Bank Deposits	3.1	2.7	2.2	1.3	0.7
Average Global Equity Fund	1.4	(2.9)	12.3	(1.5)	(6.8)
Average Euro Bond Fund	3.7	4.2	2.2	(2.4)	(0.9)
% appreciation of the euro versus the US dollar	2.0	8.5	3.6	8.0	5.6
<b>Optimal (Yen) Fund</b> (launched 1 Jan 2006)	<b>(2.0)</b>			<b>(2.0)</b>	<b>(2.5)</b>
<b>Leveraged (Yen) Fund</b> (launched 1 Jan 2006)	<b>(4.4)</b>			<b>(4.4)</b>	<b>(5.4)</b>
Yen Bank Deposits	0.0			0.0	0.0
Average Global Equity Fund	3.4			3.4	(4.4)
Average Yen Bond Fund	(2.1)			(2.1)	(0.7)
% appreciation of the yen versus the US dollar	2.9			2.9	2.8

## ORBIS OPTIMAL AND ORBIS LEVERAGED AT 30 JUNE 2006

Optimal's and Leveraged's portfolios have been constructed to give Members exposure to the alpha generated by Orbis' stock selection on an ungeared and geared basis, respectively. We also point out that because Optimal and Leveraged hedge most of their stockmarket exposure, investors can expect their returns to be largely uncorrelated to the returns from world equity markets. Some Members have asked whether this low correlation means that the Funds are market-neutral and hence we attempt to address this question here.

The graph below shows the rolling 52-week correlations for the Optimal and Leveraged Funds relative to the World Index. For most of their histories, the correlation between the Funds and the World Index has been between -0.2 to +0.2. This is what we would expect for funds that are close to market-neutral.



The exception to this market-neutral character was the 1997 to 2001 period when the correlation was unusually negative. One reason for this is that we believed the risk in the stockmarkets to be quite high at the time, and the portfolio had a projected beta of substantially less than 1 under normal conditions. However, history had shown that under extreme conditions a portfolio's beta tends to be closer to 1 than is the case under normal conditions. Faced with the choice of making the Funds market-neutral for normal conditions or market-neutral for extreme conditions, we chose to bias the portfolio toward the latter.

Our intention is to continue to manage Optimal and Leveraged in a way that keeps them largely market-neutral. However, as discussed above, there is some judgment involved in estimating the level of the hedge that will best deliver these objectives. In addition, we believe it is possible to identify stockmarkets where a long-term investor can expect returns to exceed the return on cash, and hence it would benefit Members of Optimal and Leveraged to have a small positive exposure to these equity markets. Exposure to these stockmarkets of about 10% of net assets in Optimal and 20% in Leveraged brings two main benefits. First, it has been our experience that even after beta adjustment the alpha produced from our stock selection tends to be above average in very weak markets, and below average in very strong markets dominated by momentum. Therefore, the addition of a small positive market exposure helps offset the bias of our alpha toward very weak markets. Second, it improves the risk-adjusted returns in Optimal given the lack of correlation between market returns and our equity alpha, and the tendency of stockmarkets to outperform cash. Importantly, all told, the level of risk introduced by the market positions above is well below the level of risk introduced by our stock selection, helping to ensure that the Funds' performance will continue to be dominated by equity alpha over the long term and bear little relation to the return of stockmarkets.

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

## ORBIS OPTIMAL FUNDS

The Orbis Optimal Funds seek capital appreciation on a low risk global investment portfolio and are offered in a choice of dollars, euro or yen. The Orbis Optimal (US\$) Fund invests principally in selected Orbis equity mutual funds and seeks to substantially reduce the stockmarket exposure inherent in these investments through stockmarket hedging. The Orbis Optimal (Euro) and (Yen) Funds seek capital appreciation in their base currencies by investing substantially all of their assets in the Orbis Optimal (US\$) Fund and hedging most or all of their currency exposure into their base currencies by selling forward dollars into their base currencies.

### ORBIS OPTIMAL (US\$) FUND AT 30 JUNE 2006

#### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
<b>Orbis Global Equity Fund</b>	3,747,774	92
<b>Orbis Africa Equity (Rand) Fund</b>	104,646	3
<b>Orbis SICAV - Japan Core Equity Fund</b>	58,604	1
<b>Total Equity Exposure</b>	3,911,024	96
<b>Portfolio Hedging:</b>		
<b>Stock Index Futures Sold:</b>		
US: E-mini S&P 500 9/2006	(1,412,760)	(35)
Japan: TOPIX 9/2006	(540,894)	(13)
Hong Kong: Hang Seng 7/2006	(344,247)	(11)
H shares 7/2006	(115,723)	
UK: FTSE 100 9/2006	(308,889)	(8)
South Africa: FTSE/JSE Top 40 9/2006	(239,406)	(6)
Germany: DAX 9/2006	(233,312)	(6)
Korea: KOSPI 200 9/2006	(151,262)	(4)
France: CAC40 7/2006	(99,312)	(2)
Italy: S&P/MIB 9/2006	(96,868)	(2)
Contract Value	3,400,473	83
Net Balances at Brokers	308,015	8
Balance Committed to Above Positions	165,815	4
Net Current Liabilities	(183)	-
<b>Net Assets</b>	<b>4,076,656</b>	<b>100</b>
<b>Net Asset Value per Share</b>	65,508,684 shares issued	<b>US\$ 62.23</b>

### ORBIS OPTIMAL (EURO) AND (YEN) FUNDS AT 30 JUNE 2006

#### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
<b>Orbis Optimal (US\$) Fund</b>	555,134	100
Net Current Liabilities	(452)	-
<b>Net Assets</b>	<b>554,682</b>	<b>100</b>
<b>Net Asset Value per Share</b>		
<b>Euro Class</b>	24,724,901 shares issued	<b>€ 21.41</b>
<b>Yen Class</b>	3,790,437 shares issued	<b>¥ 980</b>

## ORBIS OPTIMAL FUNDS AT 30 JUNE 2006

### ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
United States	35	(35)	-	-
Europe	19	(18)	1	-
Japan	18	(13)	5	5
Asia ex-Japan	18	(15)	3	5
South Africa and Other	6	(6)	-	-
<b>Total</b>	<b>96</b>	<b>(87)</b>	<b>9</b>	<b>10</b>

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

### CURRENCY DEPLOYMENT

	% of US\$ Fund	% of Euro Fund	% of Yen Fund
US dollar	70	-	-
Euro	-	74	-
Japanese yen	19	17	90
Chinese renminbi and other	11	9	10
<b>Net Assets</b>	<b>100</b>	<b>100</b>	<b>100</b>

## ORBIS LEVERAGED FUNDS

The Orbis Leveraged Funds seek capital appreciation on a leveraged global investment portfolio and are offered in a choice of dollars, euro or yen. The Orbis Leveraged (US\$) Fund uses financial leverage to invest up to 200% of its net assets, principally in selected Orbis Funds, and manages its currency and stockmarket exposure. It maintains a core position in the risk-averse Orbis Optimal (US\$) Fund. The Orbis Leveraged (Euro) and (Yen) Funds invest substantially all of their assets in the Orbis Leveraged (US\$) Fund and, by selling forward dollars into their base currencies, hedge most or all of their currency exposure into their base currencies.

### ORBIS LEVERAGED (US\$) FUND AT 30 JUNE 2006

#### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
<b>Orbis Optimal (US\$) Fund</b>	2,013,458	195
<b>Incremental Position:</b>		
<b>Bond Futures Sold:</b>		
Japan: JGB 10-Year 9/2006	(985,703)	(95)
Contract Value	986,980	95
Balances at Broker	4,339	-
Balance Committed to Above Position	5,616	-
<b>Loans</b>	(983,000)	(95)
Net Current Liabilities	(3,000)	-
<b>Net Assets</b>	<b>1,033,074</b>	<b>100</b>
<b>Net Asset Value per Share</b>	9,577,176 shares issued	<b>US\$ 107.87</b>

### ORBIS LEVERAGED (EURO) AND (YEN) FUNDS AT 30 JUNE 2006

#### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
<b>Orbis Leveraged (US\$) Fund</b>	504,780	100
Net Current Assets	1,925	-
<b>Net Assets</b>	<b>506,705</b>	<b>100</b>
<b>Net Asset Value per Share</b>		
<b>Euro Class</b>	12,713,871 shares issued	<b>€ 36.10</b>
<b>Yen Class</b>	7,302,191 shares issued	<b>¥ 956</b>

## ORBIS LEVERAGED FUNDS AT 30 JUNE 2006

### ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
United States	68	(68)	-	-
Europe	37	(35)	2	-
Japan	36	(26)	10	10
Asia ex-Japan	34	(29)	5	10
South Africa and Other	11	(11)	-	-
<b>Total</b>	<b>186</b>	<b>(169)</b>	<b>17</b>	<b>20</b>

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

### CURRENCY DEPLOYMENT

	% of US\$ Fund	% of Euro Fund	% of Yen Fund
US dollar	60	(40)	(40)
Japanese yen	50	49	149
Chinese renminbi and other	21	21	21
Euro	(21)	80	(20)
British pound	(10)	(10)	(10)
<b>Net Assets</b>	<b>100</b>	<b>100</b>	<b>100</b>

### NOTICES

**New Investors.** The Orbis Funds are temporarily not accepting new investors. Existing investors in an Orbis Fund are able to subscribe or switch to any of the Orbis Funds. We will reopen the Orbis Funds to new investors when we consider it appropriate to do so, and will post notice of the reopening on our website, [www.orbisfunds.com](http://www.orbisfunds.com), and via our automated e-mail services facility. If you have any questions or wish to discuss how we define new investors, and how this will be administered, please contact the Investor Services Team at Orbis, at +1 441 296 3000, by e-mail at [servicedesk@orbisfunds.com](mailto:servicedesk@orbisfunds.com), or by mail to: The Investor Services Team, Orbis Group, 34 Bermudiana Road, Hamilton HM 11, Bermuda. Residents of Australia or New Zealand should contact Orbis in Australia at +61 (02) 8224 8600 or [clientservices@orbisfunds.com.au](mailto:clientservices@orbisfunds.com.au). South African residents should contact Allan Gray Unit Trust Limited at 0860 000 654 (toll free from within South Africa) or [info@allangray.co.za](mailto:info@allangray.co.za).

**EU Savings Directive.** Orbis' assessment is that all of the Orbis Funds are outside of the scope of the European Union Savings Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments. Payments from the Orbis Funds, including dividends and redemption proceeds, to residents of the European Union should not be subject to having tax withheld by paying agents under the Directive.

**UK Distributor Status.** HM Revenue and Customs 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 2004. Certification is granted retrospectively, therefore there can be no assurance that the Orbis Funds will be certified as distributing funds for fiscal 2005 or for future accounting periods. HM Revenue & Customs (HRC) has advised that beginning 1 January 2007, the Orbis Optimal (Euro) Fund, the Orbis Leveraged (US\$) Fund and the Orbis Leveraged (Euro) Fund will be ineligible to be certified as distributing funds in their current structure. HRC did not comment on the Orbis Optimal and Leveraged (Yen) Funds because they were launched on 1 January 2006; however, it is unlikely they will be eligible to be certified as distributing funds in their current structure.

**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. Orbis Investment Management Limited is licensed to conduct investment business by the Bermuda Monetary Authority.

