ORBIS ABSOLUTE RETURN FUNDS

QUARTERLY

REPORTS

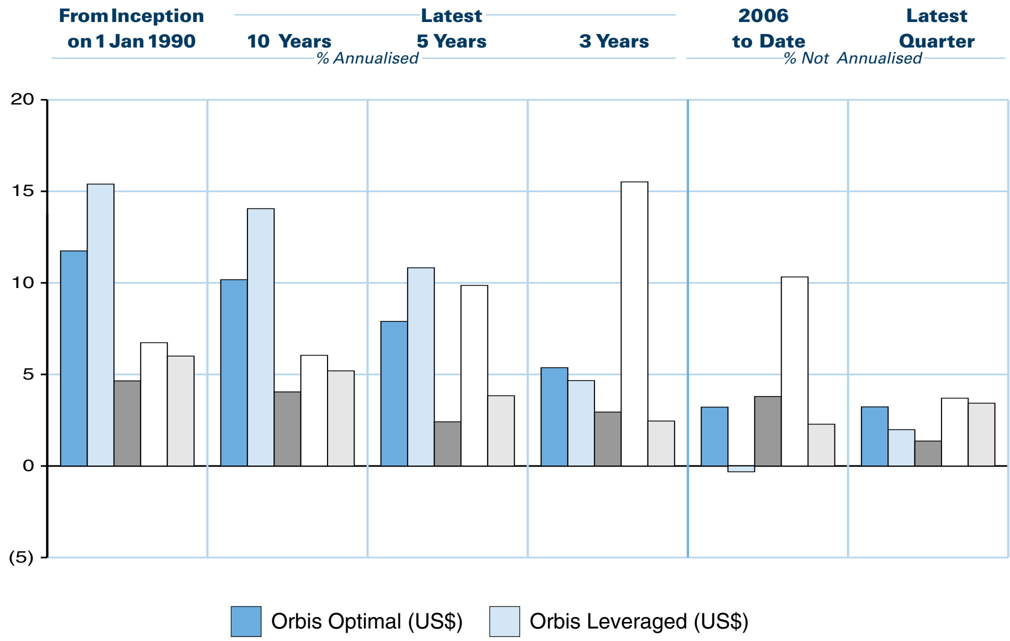
30 SEPTEMBER 2006

ORBIS OPTIMAL

ORBIS LEVERAGED

ORBIS OPTIMAL AND ORBIS LEVERAGED AT 30 SEPTEMBER 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 5 Years	Latest 3 Years	2006 to Date	Latest Quarter
	% Annualised			% Not Annualised	
Optimal (US$) Fund (launched 1 Jan 1990)	**11.7**	**7.9**	**5.4**	**3.2**	**3.2**
Leveraged (US$) Fund (launched 1 Jan 1990)	**15.4**	**10.8**	**4.7**	**(0.3)**	**2.0**
US$ Bank Deposits	4.6	2.4	2.9	3.8	1.4
Average Global Equity Fund	6.7	9.9	15.5	10.3	3.7
Average US$ Bond Fund	6.0	3.8	2.5	2.3	3.4
Optimal (Euro) Fund (launched 30 Jun 1998)	**10.1**	**6.2**	**4.6**	**0.2**	**3.1**
Leveraged (Euro) Fund (launched 30 Jun 1998)	**17.0**	**10.8**	**4.0**	**(1.9)**	**1.2**
Euro Bank Deposits	3.1	2.6	2.3	2.1	0.8
Average Global Equity Fund	1.9	2.8	12.3	3.1	4.7
Average Euro Bond Fund	3.9	4.2	2.9	(0.3)	2.2
% appreciation of the euro versus the US dollar	*1.8*	*6.9*	*2.8*	*7.0*	*(0.9)*
Optimal (Yen) Fund (launched 1 Jan 2006)	**1.3**			**1.3**	**3.4**
Leveraged (Yen) Fund (launched 1 Jan 2006)	**(3.6)**			**(3.6)**	**0.8**
Yen Bank Deposits	0.1			0.1	0.1
Average Global Equity Fund	10.7			10.7	7.1
Average Yen Bond Fund	(0.8)			(0.8)	1.3
% appreciation of the yen versus the US dollar	*(0.4)*			*(0.4)*	*(3.2)*

ORBIS OPTIMAL AND ORBIS LEVERAGED AT 30 SEPTEMBER 2006

In our Equity Funds, any value we add through our stock selection (alpha) is measured simply as the difference between a Fund's return and that of its benchmark index. In our Absolute Return Funds, any alpha we extract is the difference between the return on our selected equities and the stock index futures we use to hedge against stockmarket risk. This collection of stock index futures (hedging basket) most often does not mirror the benchmarks of the underlying equity portfolios and thus Optimal's alpha can differ from that of the underlying Equity Funds. The most significant difference in this regard stems from the fact that Optimal's underlying equity holdings in aggregate often differ substantially in geographic deployment to a global benchmark, whereas Optimal's hedging is designed to closely match the geographic deployment of its underlying equity holdings.

This report aims to shed additional light on the process we use to select Optimal's hedging basket by focusing on one change we have made to Optimal's hedging process in the latest quarter, namely the inclusion of the Russell 2000 Index. But first some background. Our hedging starts with a calculation that objectively and quite mechanically determines how many contracts of the major stock index futures we should sell in order to neutralise the movement in our stocks that is due to market factors rather than stock-specific factors. This initial stage makes the portfolio market-neutral in relation to those indices and determines the bulk of the hedging basket.

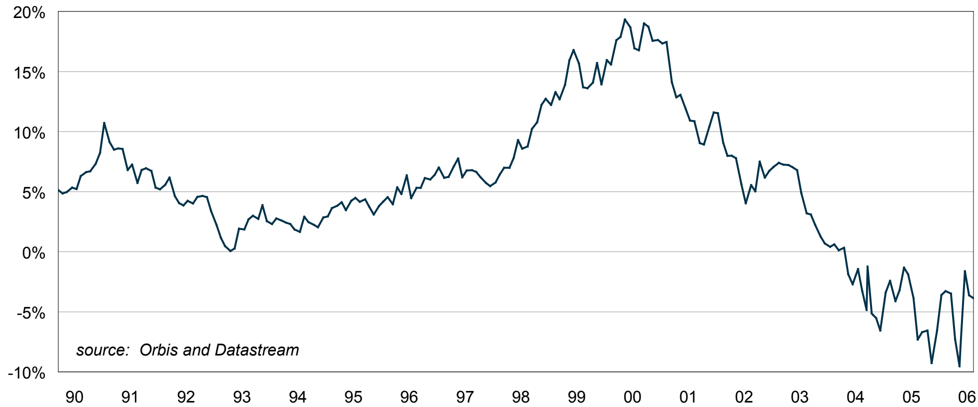
We then allow ourselves some leeway to modify the market-neutral hedge. This incremental positioning can be done for various reasons, but there are two major ones. First, we reduce the hedging somewhat in markets where we believe equities are attractive. Second, we may shift some of the hedging from one market to another, as we did some time ago when we did not fully hedge our selection of Japanese stocks and instead applied some additional hedging in the US because we considered a decline in the US stockmarket a greater threat to the value of the Fund than a decline in the Japanese stockmarket. We restrict these incremental positions in size.

We also apply some judgment to the selection of the constituents in the market-neutral hedging basket. The recent shift in the mix of indices used to hedge Optimal's US stockmarket exposure is a good example. To hedge Optimal's US stockmarket exposure in the past, we typically sold futures contracts using the single most representative, and most liquid US stock index, the S&P 500. This makes the Fund's exposure to US stocks neutral with respect to the S&P 500, but this approach does not make the portfolio market-neutral with respect to the entire US market. The S&P 500 mainly reflects the moves of the largest US stocks by market capitalisation and thus this approach tends to under-represent the small-cap and mid-cap parts of the US market. To represent the US market more completely, the hedging basket should contain some exposure to mid-cap and small-cap indices.

While not true in most stockmarkets, it is possible to remedy this situation somewhat in the US. Although the US lacks a liquid mid-cap futures contract, the futures contract on the Russell 2000 Index, which represents the smallest 2000 of the top 3000 US stocks by market capitalisation, has been reasonably liquid since the late 1990s and is now the industry standard benchmark for small-cap stocks. Allowing the Russell 2000 Index to be incorporated into the Funds' US hedging basket led us to the conclusion that a 85%:15% mix of the S&P 500 and Russell 2000 indices would provide a better hedge than only using the S&P 500.

The timing for this move is also particularly appropriate in our opinion, as illustrated in the chart below. The chart shows the expected return for small-cap US stocks minus the expected return for large-cap US stocks, calculated using our re-rated total rate of return (RTRR) model. It is clear from this chart that while small-cap stocks have offered higher prospective returns than large-cap stocks for almost all of the Funds' history, this is no longer the case. In fact, our analysis suggests that small-cap stocks are extremely unattractive relative to large-cap stocks on a historical basis.

Expected return (RTRR) of Russell 2000 over S&P 500



The addition of a small-cap index to the hedging basket has led Optimal and Leveraged to hold hedging positions of 5.4% and 10.5% of net asset value, respectively, in the Russell 2000 futures contract. These represent just under 15% of the total US hedge basket in each Fund at quarter end. It is important to note that we do not regard the Russell 2000 position as a market view—it simply represents a broadening in the hedging basket that we would also implement in other regions were this possible. In the future, we may wish Optimal or Leveraged to take a view on the Russell 2000 Index and sell more or less futures than prescribed by the market-neutral hedge. Such a position would be regarded as an incremental position and its size would be limited accordingly.

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 SEPTEMBER 2006

STATEMENT OF NET ASSETS *(UNAUDITED)*

Security	Market Value US$ 000's	% of Fund
Orbis Global Equity Fund	3,912,929	93
Orbis Africa Equity (Rand) Fund	102,274	2
Orbis SICAV - Japan Core Equity Fund	58,359	1
Total Equity Exposure	4,073,562	96
Portfolio Hedging:		
Stock Index Futures Sold:		
US: E-mini S&P 500 12/2006	(1,348,831)	(37)
E-mini Russell 2000 12/2006	(227,756)	
Japan: TOPIX 12/2006	(422,914)	(10)
Hong Kong: Hang Seng 10/2006	(254,006)	(8)
H shares 10/2006	(97,381)	
UK: FTSE 100 12/2006	(309,729)	(7)
Germany: DAX 12/2006	(248,260)	(6)
South Africa: FTSE/JSE Top 40 12/2006	(195,259)	(5)
Korea: KOSPI 200 12/2006	(192,535)	(5)
France: CAC40 10/2006	(112,665)	(3)
Italy: S&P/MIB 12/2006	(100,719)	(2)
Australia: SPI 200 12/2006	(28,953)	(1)
Contract Value	3,506,900	84
Net Balances at Brokers	140,183	3
Balance Committed to Above Positions	108,075	3
Net Current Assets	44,689	1
Net Assets	**4,226,326**	**100**
Net Asset Value per Share	65,794,444 shares issued	**US$ 64.24**

ORBIS OPTIMAL (EURO) AND (YEN) FUNDS AT 30 SEPTEMBER 2006

STATEMENT OF NET ASSETS *(UNAUDITED)*

Security	Market Value € 000's	% of Fund
Orbis Optimal (US$) Fund	573,639	101
Net Current Liabilities	(3,760)	(1)
Net Assets	**569,879**	**100**
Net Asset Value per Share		
Euro Class	24,461,926 shares issued	**€ 22.07**
Yen Class	4,432,114 shares issued	**¥ 1,013**

ORBIS OPTIMAL FUNDS AT 30 SEPTEMBER 2006

Analysis of Stockmarket Exposure

Region	Equity Exposure	Portfolio Hedging	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
United States	39	(37)	2	-
Europe	20	(18)	2	-
Asia ex-Japan	16	(13)	3	5
Japan	15	(10)	5	5
South Africa and Other	6	(6)	-	-
Total	**96**	**(84)**	**12**	**10**

** 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	71	-	-
Euro	-	75	-
Japanese yen	20	17	92
Chinese renminbi and other	9	8	8
Net Assets	**100**	**100**	**100**

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 SEPTEMBER 2006

STATEMENT OF NET ASSETS *(UNAUDITED)*

Security	Market Value US$ 000's	% of Fund
Orbis Optimal (US$) Fund	2,060,619	195
Incremental Position:		
Bond Futures Sold:		
Japan: JGB 10-Year 12/2006	(995,688)	(94)
Contract Value	991,173	94
Balances at Broker	12,208	1
Balance Committed to Above Position	7,693	1
Loans	(1,005,500)	(95)
Net Current Liabilities	(6,611)	(1)
Net Assets	**1,056,201**	**100**
Net Asset Value per Share	9,600,933 shares issued	**US$ 110.01**

ORBIS LEVERAGED (EURO) AND (YEN) FUNDS AT 30 SEPTEMBER 2006

STATEMENT OF NET ASSETS *(UNAUDITED)*

Security	Market Value € 000's	% of Fund
Orbis Leveraged (US$) Fund	528,432	101
Net Current Liabilities	(6,935)	(1)
Net Assets	**521,497**	**100**
Net Asset Value per Share		
Euro Class	12,813,786 shares issued	**€ 36.55**
Yen Class	8,266,617 shares issued	**¥ 964**

ORBIS LEVERAGED FUNDS AT 30 SEPTEMBER 2006

Analysis of Stockmarket Exposure

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
United States	77	(73)	4	-
Europe	39	(35)	4	-
Asia ex-Japan	31	(25)	6	10
Japan	30	(20)	10	10
South Africa and Other	10	(10)	-	-
Total	**187**	**(163)**	**24**	**20**

** 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	68	(32)	(32)
Japanese yen	50	50	149
Chinese renminbi and other	17	17	18
British pound	(15)	(15)	(15)
Euro	(20)	80	(20)
Net Assets	**100**	**100**	**100**

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, 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, 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. 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.*

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 2005. Certification is granted retrospectively, therefore there can be no assurance that the Orbis Funds will be certified as distributing funds for fiscal 2006 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.*

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