

QUARTERLY  
**REPORTS**  
30 JUNE 2007



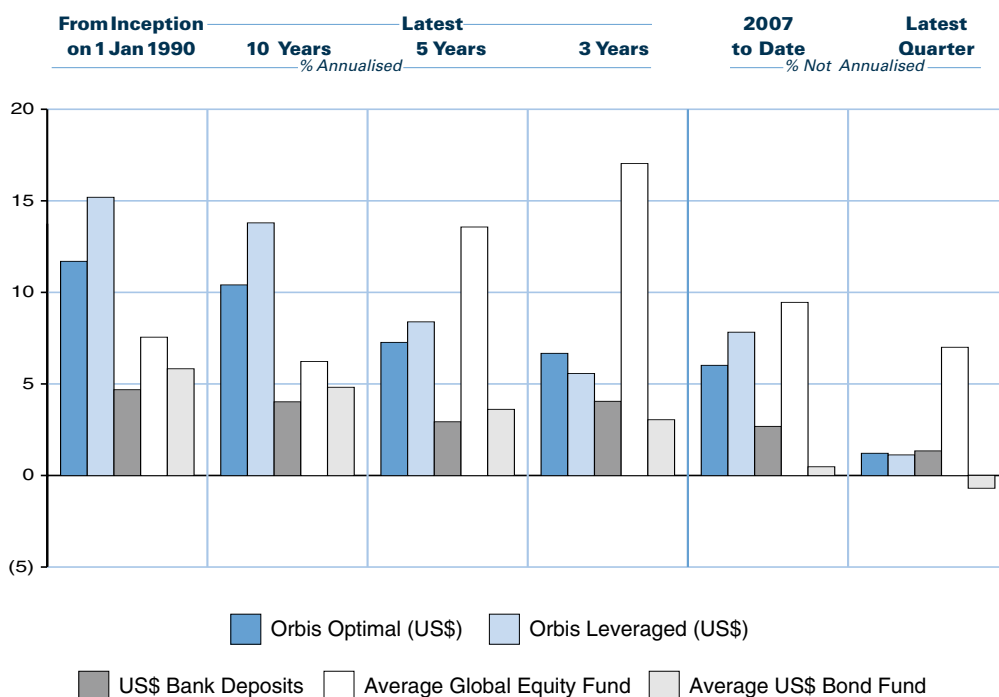
ORBIS OPTIMAL

ORBIS LEVERAGED

*We invite you to visit our website, [www.orbisfunds.com](http://www.orbisfunds.com), where you may register on-line to receive regular reports on our funds automatically by e-mail. We hope that this enables you to keep in better touch with us and with your investments.*

# ORBIS OPTIMAL AND ORBIS LEVERAGED AT 30 JUNE 2007

## 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	2007 to Date	Latest Quarter
	% Annualised			% Not Annualised	
<b>Optimal (US\$) Fund</b> (launched 1 Jan 1990)	<b>11.7</b>	<b>7.3</b>	<b>6.7</b>	<b>6.0</b>	<b>1.2</b>
<b>Leveraged (US\$) Fund</b> (launched 1 Jan 1990)	<b>15.2</b>	<b>8.4</b>	<b>5.6</b>	<b>7.8</b>	<b>1.1</b>
US\$ Bank Deposits	4.7	2.9	4.1	2.7	1.3
Average Global Equity Fund	7.6	13.6	17.0	9.5	7.0
Average US\$ Bond Fund	5.8	3.6	3.0	0.5	(0.7)
<b>Optimal (Euro) Fund</b> (launched 30 Jun 1998)	<b>9.7</b>	<b>5.5</b>	<b>4.7</b>	<b>4.3</b>	<b>0.3</b>
<b>Leveraged (Euro) Fund</b> (launched 30 Jun 1998)	<b>16.3</b>	<b>8.0</b>	<b>4.2</b>	<b>6.7</b>	<b>0.5</b>
Euro Bank Deposits	3.2	2.6	2.7	1.9	1.0
Average Global Equity Fund	3.1	6.7	13.0	6.8	5.6
Average Euro Bond Fund	3.4	3.4	1.9	(1.1)	(1.3)
% appreciation of the euro versus the US dollar	2.4	6.4	3.5	2.5	1.3
<b>Optimal (Yen) Fund</b> (launched 1 Jan 2006)	<b>4.8</b>			<b>5.0</b>	<b>1.4</b>
<b>Leveraged (Yen) Fund</b> (launched 1 Jan 2006)	<b>0.0</b>			<b>5.2</b>	<b>(0.1)</b>
Yen Bank Deposits	0.3			0.3	0.1
Average Global Equity Fund	24.4			13.3	11.9
Average Yen Bond Fund	(1.0)			(0.8)	(0.9)
% appreciation of the yen versus the US dollar	(3.0)			(3.4)	(4.4)

Orbis Optimal and Orbis Leveraged invest directly in the Orbis Equity Funds, and then hedge out stockmarket exposure country-by-country. This means that relative risk, or the likelihood that the stocks of the Equity Funds' portfolios will outperform or underperform their respective local stockmarkets, translates into absolute return risk for the Absolute Funds. Currently, according to our portfolio risk measurement tools, as well as to industry standard risk metrics, the Orbis Equity Funds are taking on below-average levels of relative risk. While this may seem like a good thing, could it be that the old saying "no pain, no gain" is also true? Do we expect low current relative risk levels to translate into low outperformance of our stock selections, also known as alpha generation, which forms the life blood of the Optimal and Leveraged Funds?

In the Global Fund that makes up the bulk of Optimal's and Leveraged's equity exposure, one does not need to be a quantitative analyst, just a keen long-time observer of the Fund, to see that relative risk has dropped. Other than a negative exposure to financial stocks and banks in particular, there are no major sector under- or over-weightings. Also, in the past few years, as lower quality cyclicals and smaller companies have outperformed, we have been increasingly attracted to higher quality, larger companies. This has reduced significantly the size and quality style biases in the Fund, which means that there is now a lower chance that Global will underperform its benchmark significantly if stocks classified by either size or quality considerations perform significantly differently from each other. And, of course, the opposite is true as well.

Importantly, this lack of significant style bias is not by design or some top-down edict to "get more like the market". Rather it results from using the same fundamental stock-by-stock research we've followed from day one, where the biases in the portfolio emerge when we combine our best stock ideas to form a portfolio. In short, we take what the market gives us. And as we've been discussing for the past few years, because investors have been enthralled with lower quality economic cyclicals in the sweet spot of their business cycles or potential leveraged buy-out candidates, the market has been giving us opportunities to buy growth stalwarts like Cisco, CVS Caremark, Microsoft, AIG, BMW, and Yamada Denki, at valuations that we believe do not reflect the superior quality and growth rate of their earnings.

This has resulted in Global's overall portfolio moving closer to its benchmark, the FTSE World Index, in aggregate size, style, and sector characteristics. And, of course, it is logical to assume from this that, as various quantitative risk tools point out, the resultant equity portfolio carries less relative risk. However, this does not preclude the portfolio from producing high levels of positive or negative alpha, it only means it is theoretically less likely. We take care to select each stock based on our assessment of its potential to produce returns in excess of the stockmarket, and if we are right, or indeed if we are wrong, in our assessments, the Equity Funds have ample ability to feed Optimal and Leveraged with significant alphas, both positive and negative.

We believe the underlying equity portfolio has the potential to do far better than the portfolio risk characteristics would indicate. In fact, we have been quite pleased with the 5.2% of alpha generation achieved by Optimal in the first half of the year, an amount that is ahead of its historic average, however, we are mindful that the period is a short one. While there is no guarantee that this will continue, we will invest the same way that has served Members well in the past.

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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 2007

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
<b>Orbis Global Equity Fund</b>	4,237,241	92
<b>Orbis Africa Equity (Rand) Fund</b>	149,361	3
<b>Orbis SICAV - Japan Core Equity Fund</b>	59,737	1
<b>Total Equity Exposure</b>	<b>4,446,339</b>	<b>96</b>
<b>Portfolio Hedging:</b>		
<b>Stock Index Futures Sold:</b>		
US: E-mini S&P 500 9/2007	(1,466,907)	(37)
E-mini Russell 2000 9/2007	(256,840)	
Japan: TOPIX 9/2007	(678,825)	(15)
Korea: KOSPI 200 9/2007	(336,195)	(7)
Germany: DAX 9/2007	(279,889)	(6)
Hong Kong: Hang Seng 7/2007	(276,959)	(6)
UK: FTSE 100 9/2007	(255,246)	(6)
South Africa: FTSE/JSE Top 40 9/2007	(233,572)	(5)
France: CAC40 7/2007	(110,509)	(2)
Europe: Dow Jones Euro STOXX 50 9/2007	(76,625)	(2)
China: H shares 7/2007	(66,987)	(2)
Singapore: MSCI Singapore 7/2007	(60,877)	(1)
Canada: S&P/TSE 60 9/2007	(58,489)	(1)
Australia: SPI 200 9/2007	(57,288)	(1)
Contract Value	4,242,109	91
Net Balances at Brokers	87,722	2
Balance Committed to Above Positions	114,623	2
Net Current Assets	79,099	2
<b>Net Assets</b>	<b>4,640,061</b>	<b>100</b>
<b>Net Asset Value per Share</b>	<b>US\$ 69.25</b>	67,003,319 shares issued

## ORBIS OPTIMAL (EURO) AND (YEN) FUNDS AT 30 JUNE 2007

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
<b>Orbis Optimal (US\$) Fund</b>	575,390	100
Net Current Assets	732	-
<b>Net Assets</b>	<b>576,122</b>	<b>100</b>
<b>Net Asset Value per Share</b>		
<b>Euro Class</b>	<b>€ 23.08</b>	23,654,284 shares issued
<b>Yen Class</b>	<b>¥ 1,072</b>	4,697,275 shares issued

**ANALYSIS OF STOCKMARKET EXPOSURE**

<b>Region</b>	<b>Equity Exposure</b>	<b>Portfolio Hedging</b>	<b>Accounting Exposure</b>	<b>Beta Adjusted Exposure*</b>
	%	%	%	%
North America	39	(38)	1	-
Europe	18	(16)	2	-
Japan	17	(15)	2	3
Asia ex-Japan	16	(16)	-	-
South Africa and Other	6	(6)	-	-
<b>Total</b>	<b>96</b>	<b>(91)</b>	<b>5</b>	<b>3</b>

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

**CURRENCY DEPLOYMENT**

	<b>% of US\$ Fund</b>	<b>% of Euro Fund</b>	<b>% of Yen Fund</b>
US dollar	67	-	-
Euro	-	74	-
Japanese yen	22	20	94
Chinese renminbi and other	11	6	6
<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 2007

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
<b>Orbis Optimal (US\$) Fund</b>	2,288,674	197
<b>Incremental Position:</b>		
<b>Bond Futures Sold:</b>		
Japan: JGB 10-Year 9/2007	(1,146,422)	(99)
Contract Value	1,145,394	98
Balances at Broker	6,934	1
Balance Committed to Above Position	5,906	-
<b>Loans</b>		
Net Current Assets	(1,150,000)	(99)
	19,831	2
<b>Net Assets</b>	<b>1,164,411</b>	<b>100</b>
<b>Net Asset Value per Share</b>	<b>US\$ 118.77</b>	9,803,738 shares issued

## ORBIS LEVERAGED (EURO) AND (YEN) FUNDS AT 30 JUNE 2007

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
<b>Orbis Leveraged (US\$) Fund</b>	644,933	101
Net Current Liabilities	(4,615)	(1)
<b>Net Assets</b>	<b>640,318</b>	<b>100</b>
<b>Net Asset Value per Share</b>		
<b>Euro Class</b>	<b>€ 38.86</b>	10,988,231 shares issued
<b>Yen Class</b>	<b>¥ 1,000</b>	35,583,185 shares issued

# ORBIS LEVERAGED FUNDS AT 30 JUNE 2007

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
North America	77	(75)	2	-
Europe	34	(31)	3	-
Japan	34	(29)	5	6
Asia ex-Japan	31	(31)	-	-
South Africa and Other	12	(12)	-	-
<b>Total</b>	<b>188</b>	<b>(178)</b>	<b>10</b>	<b>6</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	63	(37)	(37)
Japanese yen	50	50	150
Chinese renminbi and other	21	21	22
Euro	(17)	83	(17)
British pound	(17)	(17)	(18)
<b>Net Assets</b>	<b>100</b>	<b>100</b>	<b>100</b>

## NOTICES

**Citigroup Transition.** *The planned change of the Funds' current Administrators and Custodians to Citigroup has been progressing as expected. It has been determined that 30 September 2007 will be the official hand-over date. Much work still remains to be done, and we will endeavour to make the transition as seamless as possible.*

*Prior to the 30 September hand-over date, we will be communicating to current investors information that will assist in transacting in the Funds through Citigroup. In the interim, no action is required on your part, but if you have any questions please contact your Orbis representative or the Investor Services Team at Orbis, at +1 441 296 3000, by e-mail at [clientservice@orbisfunds.com](mailto:clientservice@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 on +61 (0)2 8224 8600 or e-mail [clientservice@orbisfunds.com.au](mailto:clientservice@orbisfunds.com.au). Residents of South Africa should contact Allan Gray Unit Trust Limited on 0860 000 654 (toll free from within South Africa) or e-mail [clientservice@orbisfunds.co.za](mailto:clientservice@orbisfunds.co.za).*

**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 [clientservice@orbisfunds.com](mailto:clientservice@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 (0)2 8224 8600 or [clientservice@orbisfunds.com.au](mailto:clientservice@orbisfunds.com.au). South African residents should contact Allan Gray Unit Trust Limited at 0860 000 654 (toll free from within South Africa) or [clientservice@orbisfunds.co.za](mailto:clientservice@orbisfunds.co.za).*

**Sources.** *Average Fund: Morningstar, Inc. All rights reserved. Average Fund data (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from the use of this information. Total Rate of Return for Bank Deposits is the compound total return for one-month interbank deposits in the specified currency.*

**EU Savings Directive.** *Orbis' assessment is that all of the Orbis Funds are effectively exempt from the application 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 & Customs (HRC) 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. At the end of 2004, HRC 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. In the most recent budget, the UK Government confirmed legislative changes that, if enacted, would restore the eligibility of all of the Orbis Optimal and Leveraged Funds to receive distributor status. Those legislative changes would be effective 1 January 2007.*

**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.*



