

QUARTERLY  
**REPORTS**  
30 JUNE 2008



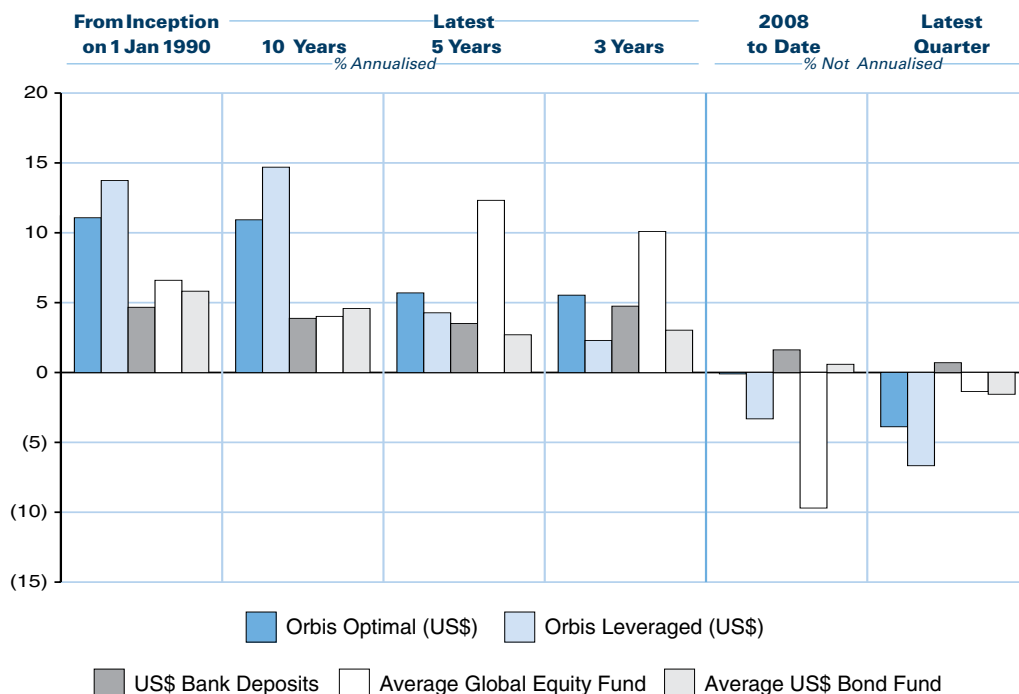
ORBIS OPTIMAL

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 2008

## 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: Morningstar, Inc.

Total Rate of Return in Fund Currency:	From Inception	Latest 5 Years % Annualised	3 Years	2008 to Date % Not Annualised	Latest Quarter % Not Annualised
<b>Optimal (US\$) Fund</b> (launched 1 Jan 1990)	<b>11.1</b>	<b>5.7</b>	<b>5.5</b>	<b>(0.1)</b>	<b>(3.9)</b>
<b>Leveraged (US\$) Fund</b> (launched 1 Jan 1990)	<b>13.7</b>	<b>4.3</b>	<b>2.3</b>	<b>(3.3)</b>	<b>(6.7)</b>
US\$ Bank Deposits	4.7	3.5	4.7	1.6	0.7
Average Global Equity Fund	6.6	12.3	10.1	(9.7)	(1.4)
Average US\$ Bond Fund	5.8	2.7	3.0	0.6	(1.6)
<b>Optimal (Euro) Fund</b> (launched 30 Jun 1998)	<b>8.3</b>	<b>3.6</b>	<b>1.9</b>	<b>(2.2)</b>	<b>(3.6)</b>
<b>Leveraged (Euro) Fund</b> (launched 30 Jun 1998)	<b>13.5</b>	<b>3.6</b>	<b>1.0</b>	<b>(3.1)</b>	<b>(6.1)</b>
Euro Bank Deposits	3.3	2.9	3.5	2.2	1.1
Average Global Equity Fund	0.3	5.5	0.9	(16.3)	(1.1)
Average Euro Bond Fund	3.0	1.4	(0.7)	(1.4)	(2.1)
% appreciation of the euro versus the US dollar	3.7	6.4	9.2	7.9	(0.3)
<b>Optimal (Yen) Fund</b> (launched 1 Jan 2006)	<b>0.4</b>			<b>(2.5)</b>	<b>(2.7)</b>
<b>Leveraged (Yen) Fund</b> (launched 1 Jan 2006)	<b>(5.2)</b>			<b>(5.0)</b>	<b>(7.1)</b>
Yen Bank Deposits	0.5			0.3	0.2
Average Global Equity Fund	3.5			(14.0)	5.0
Average Yen Bond Fund	(0.1)			(0.5)	(1.4)
% appreciation of the yen versus the US dollar	4.2			5.0	(6.1)

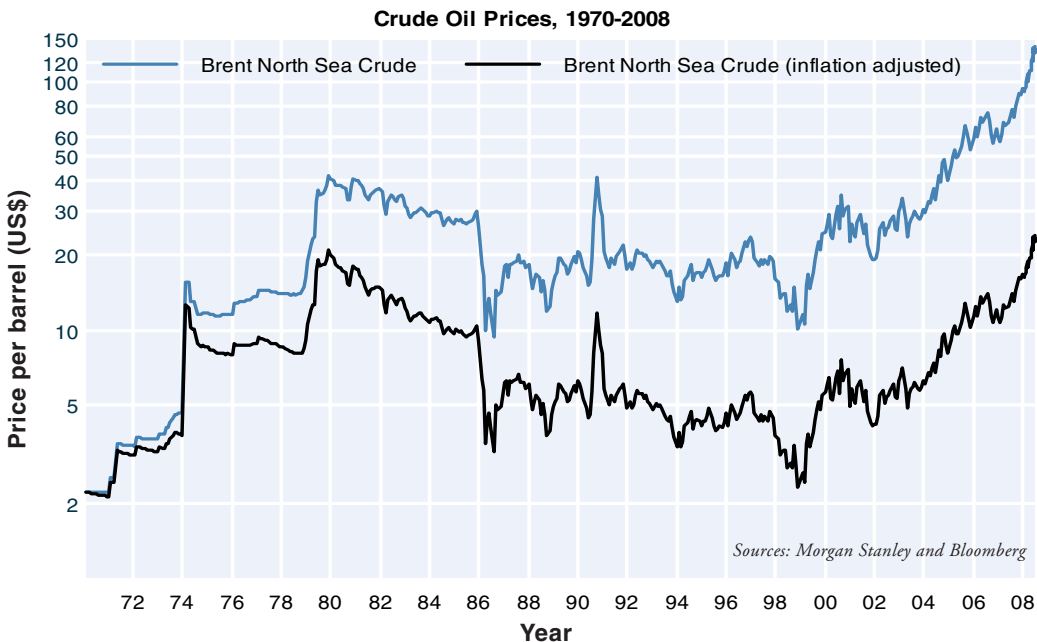
## ORBIS OPTIMAL AND ORBIS LEVERAGED AT 30 JUNE 2008

Often we write about companies that our Funds are invested in and why we have found the stocks of those companies attractive, but this quarter we can best explain the performance and potential of Optimal and Leveraged by discussing what they have not been invested in.

A dramatic and unrelenting move upward in commodity prices, particularly energy, was a prominent driver of global equity markets in the quarter, and indeed has been for the past year. This took many investors (including us) by surprise, as evidenced by our having very little weighting in the momentum-driven commodities shares.

This had an acute negative impact on the returns of the Absolute Funds. Optimal and Leveraged are designed to produce returns that are independent of stockmarket moves. To accomplish this, they hedge out stockmarket risk by shorting stockmarket indices in the same regions as the underlying equity Funds' stock holdings. Doing this creates Funds whose returns are dominated by the performance of Orbis' market-by-market stockpicking. Thus, when we choose not to own companies in a large sector, and that sector performs particularly well, boosting the stockmarket indices Optimal is shorting, it is very likely to translate into a negative for the Optimal and Leveraged Funds. In the past quarter and year, this was the case in commodities-driven sectors which represent significant portions of many major stockmarkets, and more than 20% of the overall global equity market.

The most visible, ubiquitous and arguably emotive of all commodities is oil. It is a prime mover of the global economy and essential to modern daily life. Rising oil prices directly or indirectly translate into higher prices for everything and everyone. As can be seen in the chart below, the recent rise in the price of Crude Oil has been dramatic, even when adjusting for overall inflation. Social and political implications of higher prices predictably mean many are now looking for scapegoats. Financial speculators are the current target of this attention but this witch hunt is unlikely to provide any real answers, and certainly not a solution.



What we can say for certain is that the price surge has, in fact, proved that both supply and demand are inelastic in that they have been very unresponsive to rising prices over the recent period. Should this have come as such a surprise? On the supply side, no: raising supply materially has been hampered by the long lead times for bringing new projects online and the decades of underinvestment by the oil industry in its supply chain that has led to significant bottlenecks.

To us, the real surprise has been that demand has not been affected more in response to higher prices. It was only when oil breached \$130 per barrel that stories in the news media of economic stress, induced by rising oil, displaced the more generic hysteria of commentary about oil passing arbitrary milestones such as \$100. With hindsight, we can now say that this has occurred for two primary reasons. First, the oil intensity of developed economies is much lower than it was in the 1970s. Economies that are less dependent on oil can tolerate higher prices. Second, the composition of global economic growth has shifted away from developed to emerging market economies where growth is much more oil-intensive, but also much more driven, at least now, by the rising incomes and desires of their populations than by the price of oil. Chinese auto sales rising 17% thus far this year is a prime example of this. The net effect is that much of the world has been less sensitive to rising oil prices and a huge portion of the world's population has entered a phase of its development where it is thirsty for oil.

What does this say about the future? Well, the only precedents for these sorts of moves are the oil shocks of the 1970s which ended in textbook fashion as higher prices eventually stimulated increased supply and reduced demand. This classic cyclical endgame has been challenged this time round (as it was in the 1970s) by the increasingly vocal 'peak oil' theorists who argue that the finite nature of the world's oil reserves imply inevitable supply limits below which demand will have to be kept, with ever higher prices needed to reduce marginal demand. Shades of this argument extrapolate the situation out into various Armageddon scenarios.

This time they may be right, but, we believe they overlook the time-tested economics of supply and demand. Demand will ultimately be affected by higher prices. Prices may have been able to pass \$100 without affecting demand, but there are clear signs of stress now. Automakers are being forced by consumers to build smaller and more fuel efficient cars. Airlines are shifting to more fuel efficient fleets and many carriers are being forced to cut back schedules aggressively. Conservation is now a hot topic from boardrooms to dining rooms, particularly in the stubbornly consumptive US.

High prices have not gone unnoticed on the supply side either. Money is pouring into work on alternative energy supplies, where global warming concerns and the potential for broader carbon charging are further encouraging efforts. Wind, solar and other technologies are enjoying boom times and struggling to keep up with demand, as they were in the 1970s. However, this time around technology advances now make energy substitution and conservation much more viable threats to oil's dominance.

We believe that the energy markets have not lost their cyclical characteristics, but acknowledge that we are probably in something of a super-cycle for the energy complex. With our contrarian mindset and focus on a margin of safety for our investments; however, we see more risks than opportunities at current prices as the flipside to inelastic demand and supply curves is that energy prices can go down as quickly as they go up with even small changes in demand or supply.

It is indeed unfortunate that we did not hold our big energy positions longer and come to the above conclusion more recently. We sold our last major energy position, Sasol, in July 2006 after a great nearly six year run. We were clearly too early exiting. Cycle peaks, as well as troughs, are unpredictable by nature and tend to go much further, causing more pain, than expected. Those who know us well would not be surprised by our early reduction in exposure to the energy sector, in light of what's summarised in the Crude Oil price chart and our philosophy that seeks out stock opportunities closer to the bottoms of their valuation and business cycles. This investment discipline almost always has us selling out too early, and sometimes way too early in cases such as we see with energy today. While this can translate into frustration in the short term, we believe this discipline will prove effective, as it has throughout the Funds' history, in producing pleasing returns for patient, long-term oriented Members.

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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	Citibank Canada

## 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 2008

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
<b>Orbis Global Equity Fund</b>	3,625,092	78
<b>Orbis Japan Equity (US\$) Fund</b>	318,919	7
<b>Orbis SICAV - Europe Equity Fund</b>	130,745	3
<b>Orbis Africa Equity (Rand) Fund</b>	126,254	2
<b>Orbis SICAV - Japan Core Equity Fund</b>	52,499	1
<b>Total Equity Exposure</b>	<b>4,253,509</b>	<b>91</b>
<b>Portfolio Hedging:</b>		
<b>Stock Index Futures Sold:</b>		
US: E-mini S&P 500 9/2008	(875,307)	(28)
E-mini Russell 2000 9/2008	(410,939)	
Japan: TOPIX 9/2008	(941,413)	(20)
Germany: DAX 9/2008	(337,115)	(7)
Korea: KOSPI 200 9/2008	(300,088)	(6)
France: CAC40 7/2008	(250,502)	(5)
UK: FTSE 100 9/2008	(230,428)	(5)
South Africa: FTSE/JSE Top 40 9/2008	(184,980)	(4)
Hong Kong: Hang Seng 7/2008	(101,987)	(2)
Europe: Dow Jones Euro STOXX 50 9/2008	(90,714)	(2)
Singapore: MSCI Singapore 7/2008	(71,671)	(2)
Australia: SPI 200 9/2008	(53,475)	(1)
China: H shares 7/2008	(30,282)	(1)
Canada: S&P/TSE 60 9/2008	(4,580)	-
Contract Value	4,087,909	88
Net Balances at Brokers	101,947	2
Balance Committed to Above Positions	306,375	7
Net Current Assets	86,771	2
<b>Net Assets</b>	<b>4,646,655</b>	<b>100</b>
<b>Net Asset Value per Share</b>	<b>US\$ 69.81</b>	66,561,195 shares issued

## ORBIS OPTIMAL (EURO) AND (YEN) FUNDS AT 30 JUNE 2008

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
<b>Orbis Optimal (US\$) Fund</b>	656,226	99
Net Current Assets	7,047	1
<b>Net Assets</b>	<b>663,273</b>	<b>100</b>
<b>Net Asset Value per Share</b>		
<b>Euro Class</b>	<b>€ 22.25</b>	24,053,866 shares issued
<b>Yen Class</b>	<b>¥ 1,011</b>	21,179,836 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>
	%	%	%	%
Japan	28	(20)	8	10
North America	25	(28)	(3)	(5)
Europe	20	(19)	1	-
Asia ex-Japan	12	(11)	1	-
Other	6	(5)	1	-
<b>Total</b>	<b>91</b>	<b>(83)</b>	<b>8</b>	<b>5</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	71	-	-
Euro	-	75	-
Japanese yen	20	20	95
Asia ex-Japan and other currencies	9	5	5
<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 2008

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value US\$ 000's	% of Fund
<b>Orbis Optimal (US\$) Fund</b>	1,760,720	199
<b>Incremental Position:</b>		
<b>Bond Futures Sold:</b>		
Japan: JGB 10-Year 9/2008	(905,636)	(102)
Contract Value	897,988	101
Balances at Brokers	17,209	2
Balance Committed to Above Position	9,561	1
<b>Loans</b>	(911,100)	(103)
Net Current Assets	28,159	3
<b>Net Assets</b>	<b>887,340</b>	<b>100</b>
<b>Net Asset Value per Share</b>	<b>US\$ 108.16</b>	8,204,309 shares issued

## ORBIS LEVERAGED (EURO) AND (YEN) FUNDS AT 30 JUNE 2008

### STATEMENT OF NET ASSETS (UNAUDITED)

Security	Market Value € 000's	% of Fund
<b>Orbis Leveraged (US\$) Fund</b>	411,122	99
Net Current Assets	5,662	1
<b>Net Assets</b>	<b>416,784</b>	<b>100</b>
<b>Net Asset Value per Share</b>		
<b>Euro Class</b>	<b>€ 35.41</b>	5,173,221 shares issued
<b>Yen Class</b>	<b>¥ 875</b>	44,631,414 shares issued

# ORBIS LEVERAGED FUNDS AT 30 JUNE 2008

## ANALYSIS OF STOCKMARKET EXPOSURE

Region	Equity Exposure	Stockmarket Positions	Accounting Exposure	Beta Adjusted Exposure*
	%	%	%	%
Japan	56	(40)	16	20
North America	48	(55)	(7)	(10)
Europe	40	(39)	1	-
Asia ex-Japan	25	(22)	3	-
Other	12	(10)	2	-
<b>Total</b>	<b>181</b>	<b>(166)</b>	<b>15</b>	<b>10</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	66	(34)	(34)
Japanese yen	50	50	150
Asia ex-Japan and other currencies	19	19	19
Euro	(18)	82	(18)
British pound	(17)	(17)	(17)
<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 [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 e-mail [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 e-mail [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 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 2006. Certification is granted retrospectively, therefore there can be no assurance that the Orbis Funds will be certified as distributing funds for fiscal 2007 or for future accounting periods.*

**Risk Warnings.** *Past performance is not indicative of future performance. Orbis Fund share prices fluctuate and are not guaranteed. When making an investment in the Funds, an investor's capital is at risk.*

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

