

ORBIS EQUITY FUNDS

QUARTERLY  
**REPORTS**  
31 MARCH 2003



ORBIS GLOBAL

ORBIS AFRICA

ORBIS JAPAN

## NOTICES

*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 2001. Certification is granted retrospectively, therefore there can be no assurance that the Orbis Funds will be certified as distributing funds for fiscal 2002 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 will fluctuate and are not guaranteed. Orbis Investment Management (B.V.I.) Limited is licensed to conduct investment business by the Bermuda Monetary Authority.

*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.*

TOTAL RATE OF RETURN

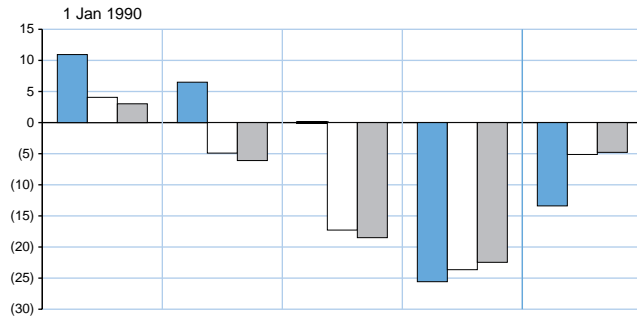
From Inception on      Latest

5 Years      3 Years      1 Year      Quarter

% Annualised      % Not Annualised

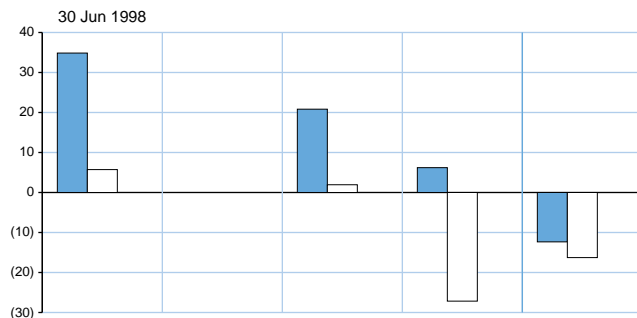
ORBIS GLOBAL EQUITY FUND

This Fund invests globally and seeks to earn higher returns than world stockmarkets. The Fund's Benchmark is the FTSE World Index, including income ("World Index"). The Fund's currency exposure is managed relative to that of the World Index.



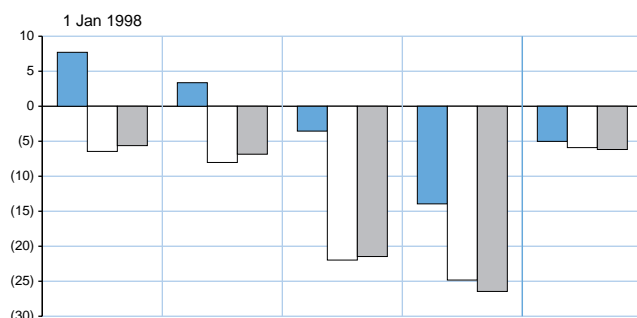
ORBIS AFRICA EQUITY (RAND) FUND

This Fund invests in African, usually South African, equities. The Fund's Benchmark is the FTSE/JSE Africa All Share Index, including income ("JSE Index"). The Fund does not hedge currencies, and thus is exposed to the rand.



ORBIS JAPAN EQUITY FUND

This Fund invests in Japanese equities. The Benchmark of the Fund's Yen Class is the Japanese stockmarket, measured by the Tokyo Stock Price Index, including income ("TOPIX"). The Yen Class does not hedge currencies, and therefore is exposed to the Japanese yen. This Fund is also available in euro and US dollars.



Orbis Fund      Benchmark      Average Fund

"Average Fund" is the Average Global Equity Fund or the Average Japan Equity Fund, as applicable. Average Fund source: Standard & Poor's sector index return. Orbis Africa is not compared with other South Africa funds because its sector comprises no other funds. Orbis Japan Equity Fund is the Yen Class of the Japan Equity Fund of the Orbis SICAV. Prior to 29 November 2002, this Fund was a B.V.I. company, Orbis Japan Equity (Yen) Fund Limited. The Orbis Japan (US\$) Fund and the Euro Class of the Japan Equity Fund of the Orbis SICAV are based on the same equity portfolio as the Orbis Japan Equity Fund and therefore are not shown separately above. Total rate of return on each graph is in the Orbis Fund's base currency.

Only Orbis SICAV is admitted for public marketing in Luxembourg

## ORBIS GLOBAL EQUITY FUND AT 31 MARCH 2003

Total Rate of Return in US dollars:	From Inception on 1 Jan 1990	Latest			Quarter % Not Annualised
		5 Years % Annualised	3 Years	1 Year	
<b>Orbis Global Equity</b>	<b>10.9</b>	<b>6.5</b>	<b>0.0</b>	<b>(25.6)</b>	<b>(13.4)</b>
World Index	4.1	(4.9)	(17.3)	(23.6)	(5.1)
Average Global Equity Fund	3.0	(6.1)	(18.5)	(22.4)	(4.8)

The Fund's share price fell sharply in the first quarter, ending down 13.4%. That decline brought the Fund's price to the point where it is now at the same price as three years ago and 29% below its monthly peak. Somehow the fact that the benchmark World Index is 44% below its peak of three years ago doesn't take away the pain of the Fund's recent losses.

One thing is for certain: share prices are periodically going to experience declines and the Fund is not immune to this fact. The key is to try to ensure that those price declines are restrained and recovered within a reasonable period of time. The best way to ensure that this happens is to pay no more for an investment than its intrinsic value. We are confident the Fund's portfolio fits that criterion, particularly in comparison to the constituents of the World Index.

The most visible evidence we can present to support our conviction in this regard is that three of the Fund's holdings have recently been subject to bids of some form including the Fund's largest holding, Clayton Homes. Through Berkshire Hathaway, Warren Buffett, arguably the most successful investor alive today, chose to make a cash bid for Clayton Homes. He did so despite saying in his latest letter to Berkshire Hathaway shareholders that "we still find *very* few stocks that even mildly interest us". Of course being forced to sell to Berkshire Hathaway at what is a relatively small premium to market price is clearly not the best way for us to maximise value for the Fund's members. We are investigating how we may be able to achieve a price closer to fair value for the Fund's interest in Clayton Homes.

The Fund's largest losses in this quarter stemmed from its holdings in financial services companies. Financial services companies are particularly prone to the impact of self-reinforcing cycles. For example, the slightest hint of a bank not being able to meet its obligations causes others to withdraw their deposits with the bank, further reducing the bank's ability to meet its remaining obligations and so on. Until recently, our concern regarding asset prices in western markets has caused the Fund to hold very few investments in financial services companies. The massive decline in share prices in markets such as Germany, where the benchmark DAX index is down 70% from its peak, coupled with large unexpected losses being experienced by insurers worldwide has created a vicious cycle for many European banks and insurers. We were clearly early in taking positions in financial services companies such as Royal & Sun Alliance Insurance and Bayerische Hypo-und Vereinsbank shown opposite. Both of these companies are however addressing the current pressures by taking concrete action to maintain an adequate capital base in a way that preserves shareholder value. With their current share prices being only 55% and 40% of tangible net asset value respectively, we expect these shares will prove to be rewarding long-term investments for the Fund.

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

**MANAGER**  
Orbis Investment Management Limited

**INVESTMENT ADVISOR**  
Orbis Investment Advisory Limited

**CUSTODIAN**  
The Bank of Bermuda Limited

# ORBIS GLOBAL EQUITY FUND AT 31 MARCH 2003

## STATEMENT OF NET ASSETS (UNAUDITED)

Equity	Market Value US\$ 000's	Fund's % Equities	Exposure to Currencies	% of World Index
<b>United States</b>		<b>34</b>	<b>41</b>	<b>56</b>
Clayton Homes	74,189	6		
CarMax Group	56,022	4		
Liberty Media - A	45,468	4		
General Motors - H	40,992	3		
Copart	26,655	2		
Carnival	26,141	2		
Loews	23,904	2		
Trinity Industries	23,764	2		
AT&T Wireless Services	22,210	2		
McDonalds	21,300	2		
AVX	18,878	2		
Circuit City Stores	16,744	1		
Tecumseh - A	15,474	1		
Positions less than 1%	12,679	1		
<b>Europe</b>		<b>27</b>	<b>43</b>	<b>27</b>
Bayerische Hypo-und Vereinsbank	38,998	3		
Berkeley Group	37,925	3		
Royal & Sun Alliance Insurance	32,612	2		
RMC Group	27,286	2		
Scottish & Newcastle	26,195	2		
WH Smith	22,303	2		
Associated British Foods	19,734	2		
Oce	19,330	2		
Boots	18,978	2		
Karstadtquelle	18,882	2		
Cable & Wireless	17,155	1		
Douglas Holding	16,808	1		
Hornbach Holding - Preference	13,339	1		
Positions less than 1%	26,617	2		
<b>Japan</b>		<b>25</b>	<b>-</b>	<b>8</b>
Pioneer	61,411	5		
Yamada Denki	54,893	4		
Softbank	32,707	3		
Millea Holdings	28,783	2		
Denso	23,264	2		
Shimachu	19,710	2		
Matsumotokiyoshi	18,092	2		
Honda Motor	17,752	1		
Toyota Motor	16,758	1		
Positions less than 1%	38,651	3		
<b>Emerging Markets</b>		<b>13</b>	<b>1</b>	<b>7</b>
Sasol	57,299	5		
Samsung Electronics - Preference	57,204	4		
Anglogold	15,643	1		
Naspers	15,253	1		
Gold Fields	13,489	1		
Positions less than 1%	7,777	1		
<b>Canada</b>		<b>1</b>	<b>15</b>	<b>2</b>
Fairfax Financial Holdings	12,265	1		
<b>Net Current Assets</b>	3,032	-		
<b>Net Assets</b>	<b>1,254,565</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net Asset Value per Share</b>	<b>US\$ 39.52</b>		31,743,956 shares issued	

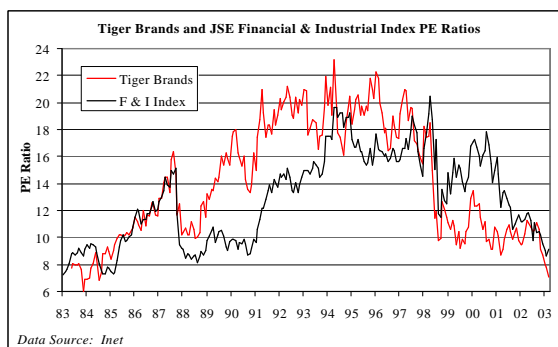
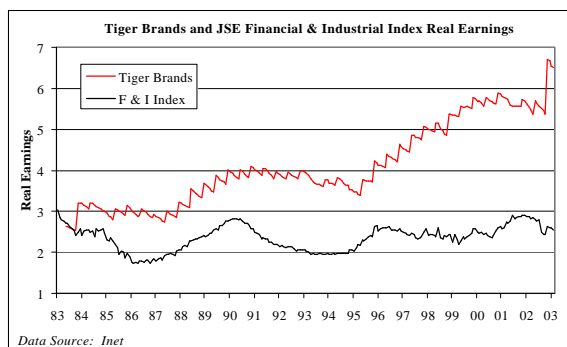
## ORBIS AFRICA EQUITY (RAND) FUND AT 31 MARCH 2003

Total Rate of Return In South African rand:	From Inception	3 Years	Latest	Quarter
	on 30 Jun 1998	% Annualised		% Not Annualised
<b>Orbis Africa Equity</b>	<b>34.9</b>	<b>20.8</b>	<b>6.2</b>	<b>(12.3)</b>
JSE Index	5.7	1.9	(27.1)	(16.3)
% appreciation of the rand versus the US dollar	(5.6)	(6.1)	44.1	9.0

Note: Orbis Africa Equity is not compared with the offshore sector index for South Africa funds because the sector comprises no other funds.

Investment consultants traditionally classify investment managers as having a growth or value bias. Growth managers pay full value for companies they invest in, but rely on the companies' superior growth potential for performance. Value managers buy companies that may be unexciting, but aim to do so at a cheap price. At Orbis, we prefer not to be classified as either growth or value investors because we treat each investment on its own merit. Yet there is one type of investment that really excites us and which we believe is likely to offer the scope for excellent long-term returns with limited downside risk. That is a high quality company with above average growth characteristics which can be bought at a cheap price. While these opportunities are rare, we are finding such companies in South Africa after that market's recent declines.

Tiger Brands is South Africa's premier branded food and pharmaceutical company and also owns a very successful grocery store chain, SPAR. Given the nature of its operations, the company generates strong free cash flow, has limited debt and good quality accounts. The superior nature of Tiger Brand's business is shown by its long-term earnings track record in the left chart below. While its earnings are somewhat cyclical (in line with South Africa's economy), Tiger Brands has managed to grow earnings at about 5% pa in real terms over the past 20 years. This compares very well with the average company that has hardly managed to grow real earnings.



The right chart shows the earnings multiple that investors have been willing to pay for Tiger Brands. By the late 1980s, investors realised that Tiger Brands was a superior company and were willing to pay significantly more for it than the average South African share. This was the case until about 5 years ago. Currently, we can buy the share at just over 7 times earnings – a 23% discount to that of the market. While current earnings growth may be low after the large jump last year (due to currency effects), our research suggests Tiger Brands' long-term future will not be significantly different from its past. Tiger Brands is thus very likely to grow its earnings faster than the market over the long term, but we can buy it at a discount price.

**DIRECTORS** Allan W B Gray, Chairman John C R Collis William B Gray Simon C Marais Stephen C Mildenhall

**MANAGER**  
Orbis Investment Management Limited

**INVESTMENT ADVISORS**  
Orbis Investment Advisory Limited  
Allan Gray Limited

**CUSTODIAN**  
The Bank of Bermuda Limited



## ORBIS AFRICA EQUITY (RAND) FUND AT 31 MARCH 2003

### STATEMENT OF NET ASSETS (UNAUDITED)

Equity (Ranked by sector)	Market Value R 000's	% of Fund	% of JSE Index
<b>Industrial and Cyclical Services</b>		<b>43</b>	<b>19</b>
Kersaf Investments	44,900	7	
Edgars Consolidated Stores	38,650	6	
Woolworths Holdings	32,901	5	
Allied Electronics - Preference and Common	23,939	3	
Foschini	21,339	3	
Comparex Holdings	15,689	2	
Johnnic Communications	15,480	2	
Primedia - 'N' and Common	15,259	2	
New Clicks Holdings	15,245	2	
Sun International	11,362	2	
Rebserve Holdings	7,892	1	
Naspers	7,837	1	
Adcorp Holdings	7,502	1	
Dimension Data Holdings	7,159	1	
FrontRange	6,933	1	
Positions less than 1%	25,889	4	
<b>Resources</b>		<b>31</b>	<b>46</b>
Anglovaal Mining	47,932	7	
Avgold	40,785	6	
Anglo American	37,474	6	
Sasol	37,350	5	
Western Areas	35,029	5	
Northam Platinum	13,375	2	
Positions less than 1%	1,256	-	
<b>Financials</b>		<b>18</b>	<b>25</b>
Coronation - 'N' and Common	36,539	5	
Real Africa Holdings	30,973	4	
Standard Bank Investment	19,926	3	
AMB Holdings	15,625	2	
Investec	11,760	2	
Venfin	10,630	2	
<b>Non-Cyclicals</b>		<b>8</b>	<b>10</b>
Tiger Brands	33,508	5	
Shoprite Holdings	12,280	2	
Illovo Sugar	8,172	1	
<b>Net Current Assets</b>	285	-	
<b>Net Assets</b> (Currency exposure 100% rand)	<b>690,875</b>	<b>100</b>	<b>100</b>
<b>Net Asset Value per Share</b>	<b>R 195.12</b>	3,540,720 shares issued	

## JAPAN EQUITY FUND AT 31 MARCH 2003

Total Rate of Return	From Inception		Latest		
	on 1 Jan 1998	5 Years % Annualised	3 Years	1 Year	Quarter % Not Annualised
<b>Yen Class*</b>	<b>7.7</b>	<b>3.4</b>	<b>(3.6)</b>	<b>(13.9)</b>	<b>(5.0)</b>
TOPIX	(6.5)	(8.0)	(22.0)	(24.8)	(5.9)
Average Japan Equity Fund	(5.6)	(6.9)	(21.5)	(26.4)	(6.2)
% appreciation of the yen versus the US dollar	2.0	2.4	(4.5)	12.6	0.7
<b>Euro Class</b> (launched 1 Jan 2003)					<b>(4.7)</b>
TOPIX Hedged into euro					(5.2)
% appreciation of the euro versus the US dollar					4.1

\* Prior to 29 November 2002 this was Orbis Japan Equity (Yen) Fund Limited

The classic stockmarket bull cycle has three phases. The first upward leg occurs as confidence returns from depressed levels and share prices rise to fairly reflect the prevailing depressed earnings. In the second phase improving fundamentals such as earnings and dividends thrust share prices commensurately upward. In the final or “blow-off” phase share prices rise much faster than the underlying fundamentals. This last stage took place in the late 80s in Japan and the late 90s in western markets.

Bear markets also classically comprise three phases. In 1990, Japan’s TOPIX price index plunged 47% from its peak as the preceding bubble was pricked. A very painful decade of economic adjustment and desultory corporate earnings then followed, reflected in a weakening stockmarket. Characteristic of the final third phase, well-entrenched downward momentum has pushed the market 26% lower in the past year while corporate earnings have simultaneously increased substantially. Shares are being sold, not because they are overvalued, but simply because they are declining in price and investors are afraid of losing yet more money. This has reduced price-earnings ratios and created an attractive buying opportunity for long-term equity investors. Now, while pessimism is rampant and most investors are selling, is the time to buy selected shares for good returns over the long term.

We at Orbis have been reasonably successful at identifying the third phases of stockmarket cycles – the dangerous, speculative phases (Japan in late 80s and western markets in late 90s) and also the “fill your boots” with equities phases. Furthermore, at these critical times we have had the courage of our convictions to take meaningful stances to take advantage of them. Nevertheless, our experience has been that it is impossible to accurately time the precise turning points in stockmarkets. Instead, we discipline ourselves not to play the “bigger fool theory”. That is don’t buy a share one considers overpriced in the hope a bigger fool will buy it from you at an even higher price. Or, more relevant to Japan today, do not postpone buying a share which is considered to offer excellent fundamental value in the expectation that there is a bigger fool than ourselves who will later sell the shares to us even more cheaply.

Of major world stockmarkets, we believe Japan’s is unique in being well into the final phase of a classic stockmarket bear cycle. We are very confident that this is a better time to be buying Japanese equities than it is to be selling them. Our proprietary research convinces us that an investment in the Fund, consisting of the portfolio shown opposite, will prove to have been rewarding when we look back in three, five and ten years time.

<b>DIRECTORS</b>	<i>Allan W B Gray, Chairman</i>	<i>Germain Birgen</i>	<i>John C R Collis</i>	<i>William B Gray</i>	<i>David T Smith</i>
<b>MANAGER</b>	Orbis Investment Management (B.V.I.) Limited	<b>INVESTMENT ADVISOR</b>	Orbis Investment Management Limited	<b>CUSTODIAN</b>	State Street Bank Luxembourg S.A.

## JAPAN EQUITY FUND AT 31 MARCH 2003

### STATEMENT OF NET ASSETS (UNAUDITED)

Equity (Ranked by sector)	Market Value ¥ 000's	% of Fund	% of TOPIX
<b>Consumer Non-Durables</b>		<b>31</b>	<b>20</b>
Softbank	4,623,000	5	
Yamada Denki	3,852,800	4	
Taisho Pharmaceutical	3,616,149	4	
Shimachu	3,508,950	4	
Mitsubishi	2,013,732	2	
Oracle Japan	1,769,670	2	
Yoshinoya D&C	1,761,575	2	
Tsuruha	1,073,250	1	
Mikuni Coca-Cola Bottling	963,786	1	
Positions less than 1%	5,301,046	6	
<b>Cyclicals</b>		<b>24</b>	<b>38</b>
Toyota Motor	3,530,900	4	
Honda Motor	3,278,500	4	
Denso	2,372,840	2	
Sankyo (machinery)	2,289,288	2	
Okumura	1,582,272	2	
NGK Spark Plug	1,371,590	2	
Toyota Industries	1,358,370	2	
Daito Trust Construction	1,258,400	1	
Mitsubishi Logistics	1,163,990	1	
Fancl	928,021	1	
Positions less than 1%	2,814,728	3	
<b>Technology</b>		<b>21</b>	<b>16</b>
Pioneer	5,398,350	6	
Olympus Optical	2,841,255	3	
Fujitsu	2,016,000	2	
Nichicon	1,364,160	2	
Citizen Watch	1,363,100	2	
Canon	1,345,500	2	
TDK	1,313,700	1	
Mitsumi Electric	1,129,518	1	
NEC	1,056,091	1	
Positions less than 1%	778,005	1	
<b>Financials</b>		<b>17</b>	<b>13</b>
Sumitomo Mitsui Financial - Common and Convertible Preferred	3,187,520	4	
Mitsubishi Tokyo Financial	2,886,750	3	
Millea Holdings	2,453,824	3	
Mitsui Sumitomo Insurance	2,179,320	2	
Mitsubishi Securities	2,158,640	2	
Japan Securities Finance	1,259,180	1	
Positions less than 1%	1,546,635	2	
<b>Utilities</b>		<b>7</b>	<b>13</b>
NTT DoCoMo	4,278,560	5	
Toho Gas	1,077,165	1	
Positions less than 1%	886,600	1	
<b>Net Current Assets</b>	366,439	-	
<b>Net Assets</b>	<b>91,319,169</b>	<b>100</b>	<b>100</b>
<b>Net Asset Value per Share</b>			
<b>Class A Yen</b> (Currency exposure 100% yen)	<b>¥ 1,476</b>	59,778,911 shares issued	
<b>Class A Euro</b> (Currency exposure 100% euro)	<b>€ 9.53</b>	2,494,781 shares issued	

## ORBIS JAPAN EQUITY (US\$) FUND AT 31 MARCH 2003

Total Rate of Return in US dollars:	From Inception	Latest		Quarter % Not Annualised
	on 12 Jun 1998	3 Years	1 Year	
<b>Orbis Japan Equity (US\$)</b>	<b>7.0</b>	<b>0.1</b>	<b>(12.6)</b>	<b>(5.0)</b>
TOPIX Hedged into US dollars	(3.3)	(18.9)	(23.7)	(5.5)
% appreciation of the US dollar versus the yen	(4.1)	4.7	(11.2)	(0.7)

Orbis Japan Equity (US\$) was formed to serve investors who wish to invest in Japanese equities while remaining exposed to the dollar. As shown in the Statement of Net Assets below, the Fund's entire equity exposure comprises shares in the Luxembourg domiciled Orbis SICAV - Japan Equity Fund - Yen Class. Given this, we refer regular readers to the Orbis SICAV - Japan Equity Fund report on page 6. A further difference between the Funds is that the US\$ Fund is Bermuda domiciled and regulated whereas the Orbis SICAV is Luxembourg based and regulated. First time readers may find it informative to also read the text in italics below.

*The Fund's currency hedging reduces or eliminates the effect on its share price of fluctuations in the yen/dollar exchange rate. Most Japanese equity funds do no currency hedging and therefore their returns are, when translated into dollars, directly influenced by these exchange rate fluctuations. As the statistics above show, these fluctuations are often large. The result is that this Fund's dollar returns above are not comparable with those of the Average Japan Equity Fund or those of Orbis SICAV - Japan Equity Fund - Yen Class when their returns are likewise expressed in dollars. The returns on Orbis Japan Equity (US\$) in dollars approximate those on the Orbis SICAV - Japan Equity Fund - Yen Class in yen, adjusted for the short-term interest rate differential between the US and Japan.*

STATEMENT OF NET ASSETS (UNAUDITED)		
Equity	Market Value US\$ 000's	% of Fund
<b>Orbis SICAV - Japan Equity Fund Class A Yen shares</b>	485,250	102
Net Current Liabilities	(8,640)	(2)
<b>Net Assets</b>	<b>476,610</b>	<b>100</b>
<b>Net Asset Value per Share</b>	<b>US\$ 13.82</b>	34,480,993 shares issued
DEPLOYMENT		
		% of Fund
<b>Stockmarket exposure</b>	Japan	<b>102</b>
<b>Currency exposure</b>	US dollar	<b>100</b>

DIRECTORS *Allan W B Gray, Chairman* *John C R Collis* *William B Gray*

MANAGER Orbis Investment Management (B.V.I.) Limited INVESTMENT ADVISOR Orbis Investment Management Limited CUSTODIAN State Street Bank and Trust Company



