

ORBIS EQUITY FUNDS

QUARTERLY  
**REPORTS**  
30 JUNE 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.*

**Orbis SICAV.** *This report contains an abridged version of the semi-annual report of Orbis SICAV - Japan Equity Fund. A complete version of the semi-annual report is available upon request and free of charge at the registered office of Orbis SICAV.*

**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.*

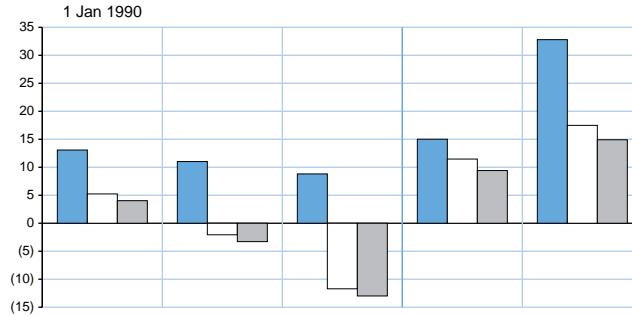
*We invite you to visit our website, [orbisfunds.com](http://orbisfunds.com), where you may register on-line to automatically receive regular reports on our funds by e-mail. We hope that it enables you to keep in better touch with us and your investments.*

TOTAL RATE OF RETURN

From Inception on 5 Years % Annualised Latest 3 Years 2003 to Date % Not Annualised Latest Quarter

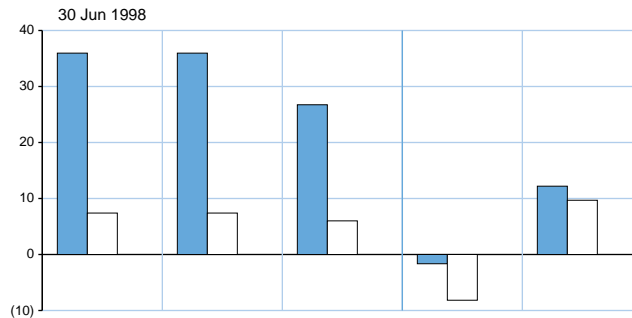
ORBIS GLOBAL EQUITY FUND

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.



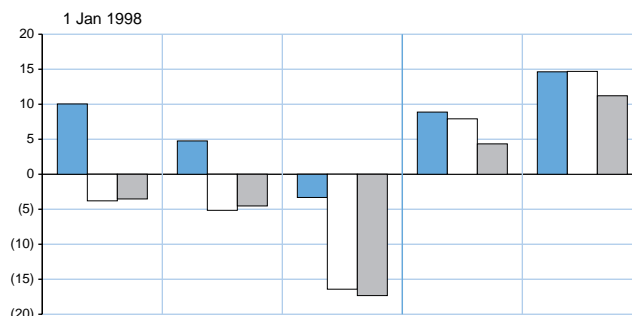
ORBIS AFRICA EQUITY (RAND) FUND

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 30 JUNE 2003

Total Rate of Return in US dollars:	From Inception on 1 Jan 1990	Latest		2003 to Date	Latest Quarter
		5 Years	3 Years		
	% Annualised			% Not Annualised	
Orbis Global Equity	13.1	11.0	8.8	15.0	32.8
World Index	5.2	(2.1)	(11.7)	11.5	17.5
Average Global Equity Fund	4.0	(3.3)	(13.0)	9.4	14.9

The Fund appreciated strongly in the second quarter and more than recovered the underperformance experienced in the first quarter. The Fund's longer-term record is outlined in the table above.

Many investors believe lower share prices are bad. They feel gloomy as they see the value of their investments fall and their wealth eroded. It is difficult not to be emotionally affected by the daily ups and downs of share prices, as such movements are continuously reported in the press and on television. Yet, when viewed rationally, falling share prices are not necessarily bad for investors. For a long-term investor who has invested wisely and who does not need to dispose of his investments, falling share prices are at worst harmless and more likely positive.

Sometimes, falling share prices do reflect permanent erosion in wealth if the fall is the result of bankruptcy, fraud or deteriorating fundamentals. But if the company fundamentals have not changed, and the intrinsic value of the share remains the same, then a lower current share price does not affect the future cash proceeds one expects to receive from the investment. Those proceeds are driven by the intrinsic value of the business, not by the price other people choose to pay for it today. The total return to a long-term investor in the share therefore remains the same if the share is held and not sold during the fall. In fact, for a long-term investor with excess capital to invest, a lower share price means a bigger divergence between the intrinsic value and the price, which presents an opportunity to buy more shares at even cheaper prices. As the average cost becomes lower, the eventual total return on the capital becomes higher. So falling share prices can actually be positive.

The Fund's experience in the first half of the year was a great example of this. Some of the holdings in the Fund fell significantly in the first quarter even though we believed the intrinsic value of those companies remained largely unchanged. Meanwhile, the Fund received cash inflows from its biggest investor, Orbis Optimal, as Orbis Optimal's profits from portfolio hedging in a falling market were invested into the Fund. This allowed the Fund to buy some more of those falling shares at a substantial discount to their intrinsic value and upgrade the quality of the portfolio. The subsequent rebound in the share prices in the second quarter benefited the Fund.

As Members, you face a similar battle between the heart and mind when you see the Fund's share price falling. The sharp decline in the Fund's share price in the first quarter and subsequent recovery illustrates that long-term investors have found it rewarding to resist the temptation to be despondent in the face of adverse short-term results. For some, the falling Fund's price may even present a buying opportunity.

*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 30 JUNE 2003

### STATEMENT OF NET ASSETS (UNAUDITED)

Equity	Market Value US\$ 000's	Fund's % Equities	Exposure to Currencies	% of World Index
Europe		31	29	28
Royal & Sun Alliance Insurance	67,596	4		
Bayerische Hypo-und Vereinsbank	61,845	4		
Berkeley Group	51,625	3		
RMC Group	36,995	2		
Karstadtquelle	35,271	2		
WH Smith	32,657	2		
Douglas Holding	30,442	2		
Scottish & Newcastle	29,624	2		
Cable & Wireless	29,368	2		
Oce	25,366	2		
Associated British Foods	22,427	1		
Hornbach Holding - Preference	19,515	1		
Positions less than 1%	68,036	4		
United States		30	49	55
Clayton Homes	84,336	5		
Liberty Media - A	54,887	3		
General Motors - H	46,885	3		
Copart	38,860	2		
HCA	35,859	2		
Carnival	31,998	2		
Loews	31,339	2		
McDonalds	29,560	2		
Circuit City Stores	28,336	2		
AT&T Wireless Services	26,397	2		
Trinity Industries	25,544	2		
AVX	23,712	1		
Positions less than 1%	38,893	2		
Japan		25	7	7
Pioneer	86,595	5		
Yamada Denki	63,965	4		
Honda Motor	40,123	3		
Millea Holdings	36,220	2		
Mitsubishi Tokyo Financial	34,431	2		
Denso	25,176	2		
Softbank	22,972	1		
Toyota Motor	19,481	1		
Nippon Television Network	19,189	1		
Shimachu	16,417	1		
Positions less than 1%	49,819	3		
Emerging Markets		14	-	7
Samsung Electronics - Preference	82,094	5		
Sasol	57,648	4		
Anglogold	16,416	1		
Positions less than 1%	61,388	4		
Canada		-	15	3
Net Current Assets	1,826	-		
Net Assets	1,641,133	100	100	100
Net Asset Value per Share	US\$ 52.48		31,273,878 shares issued	

## ORBIS AFRICA EQUITY (RAND) FUND AT 30 JUNE 2003

Total Rate of Return in South African rand:	From Inception on 30 Jun 1998	Latest 3 Years	2003 to Date	Latest Quarter
	<i>% Annualised</i>		<i>% Not Annualised</i>	
Orbis Africa Equity	36.0	26.7	(1.7)	12.2
JSE Index	7.4	6.0	(8.2)	9.7
<i>% appreciation of the rand versus the US dollar</i>	(4.5)	(3.4)	14.2	4.8

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

In most western countries, short-term interest rates are at multi-decade lows. The scope for further rate reductions is limited. At the same time, long-term bond yields are well above short-term rates and have recently increased significantly. Markets are expecting short-term rates to increase.

In South Africa, an opposite situation exists. Short-term rates are well above the levels that prevailed three years ago. Despite the recent cut in interest rates of 1.5%, ample scope exists for further cuts. Short-term rates at 11.3% pa are well above the expected inflation rate for the next 12 months. Government 10 year bonds yield only 9.3% pa, discounting further rate cuts.

On a number of past occasions, we have pointed out that the fortunes of local stocks like retailers had been depressed by abnormally high interest rates and argued that a return to a more normal interest rate environment would likely have a very positive effect on their share prices. Stockmarkets very quickly price in current and consensus macro-economic events. This has been especially apparent in shares of retailers. Since the beginning of the year, three of the Fund's largest positions, Foschini, Edgars and Woolworths, have increased by 33%, 58% and 17%, respectively, as the market has started to discount the value inherent in the shares under a lower interest rate scenario. Over the same period the broader market, as represented by the JSE Index, declined by 6%.

Investors seeking companies with the prospect of immediate earnings growth continue to accumulate these shares. We also anticipate continued earnings growth, but despite current good fundamentals there is no reason to believe that the intrinsic value of these companies has increased significantly. At the same time, share prices of retailers have more than doubled off their lows, resulting in a big increase in your Fund's exposure to these shares. The Fund has thus been taking profits and selling some of these shares into recent strength. We recognise that we are early in the cycle and that the shares may well move much higher (both Foschini and Edgars are trading at half their peak values seven years ago), but it makes little investment sense to have an already very heavy weighting increased by market movements.

We are looking to re-invest the proceeds from the Fund's recent sales in companies with sound long-term businesses but whose immediate future is arduous, such as many of the exporters or companies with offshore operations. The strong rand is putting huge pressure on the prospective earnings of exporters. Revenues are under pressure due to lower rand prices for dollar exports and costs are increasing due to high wage settlements given high historic inflation rates. The earnings of these companies will disappoint in the near term even relative to reduced estimates. However, that is likely to provide the Fund with the opportunity of acquiring quality companies with dollar earnings at very attractive prices. If the rand weakens with lower interest rates and a negative trade balance, shares of these companies are likely to reward patient long-term investors.

**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 30 JUNE 2003

### STATEMENT OF NET ASSETS (UNAUDITED)

Equity (Ranked by sector)	Market Value R 000's	% of Fund	% of JSE Index
Industrial and Cyclical Services		42	20
Kersaf Investments	48,894	6	
Woolworths Holdings	35,226	5	
Allied Electronics - Preference and Common	28,755	4	
Foschini	27,645	4	
Edgars Consolidated Stores	21,844	3	
Johnnic Communications	16,739	2	
Comparex Holdings	16,221	2	
Primedia - 'N' and Common	15,896	2	
New Clicks Holdings	15,412	2	
Sun International	11,962	2	
Naspers	10,531	1	
Dimension Data Holdings	10,145	1	
FrontRange	9,454	1	
Adcorp Holdings	9,324	1	
Rebserve Holdings	8,887	1	
Mr Price Group	8,001	1	
Financiere Richemont	7,780	1	
Positions less than 1%	21,573	3	
Resources		34	44
Anglovaal Mining	54,008	7	
Sasol	53,105	7	
Avgold	46,698	6	
Western Areas	42,327	6	
Anglo American	38,297	5	
Northam Platinum	13,709	2	
Positions less than 1%	9,013	1	
Financials		14	25
Investec	28,116	4	
Standard Bank Investment	24,073	3	
AMB Holdings	15,496	2	
Real Africa Holdings	14,838	2	
Coronation Fund Managers	12,852	2	
Venfin	11,749	1	
Non-Cyclicals		10	11
Tiger Brands	40,189	5	
Shoprite Holdings	13,910	2	
Illovo Sugar	9,171	1	
Positions less than 1%	14,359	2	
Net Current Assets	2,786	-	
Net Assets (Currency exposure 100% rand)	768,985	100	100
Net Asset Value per Share	R 218.92	3,512,612 shares issued	

## JAPAN EQUITY FUND AT 30 JUNE 2003

Total Rate of Return	From Inception	— Latest —		2003	Latest
	on 1 Jan 1998	5 Years	3 Years	to Date	Quarter
	% Annualised			% Not Annualised	
Yen Class*	10.0	4.8	(3.3)	8.9	14.6
TOPIX	(3.8)	(5.2)	(16.4)	7.9	14.7
Average Japan Equity Fund	(3.5)	(4.5)	(17.3)	4.3	11.2
% appreciation of the yen versus the US dollar	1.6	3.0	(4.0)	(0.8)	(1.5)
Euro Class (launched 1 Jan 2003)				9.8	15.2
TOPIX Hedged into euro				9.4	15.4
% appreciation of the euro versus the US dollar				9.7	5.4

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

During the quarter the Fund appreciated 14.6%, just shy of the TOPIX's 14.7% increase. The Fund has risen 8.9% during the first half of 2003 compared with a 7.9% gain for the TOPIX and 4.3% for the Average Japan Equity Fund.

We believe the low reached by the TOPIX on 14 April 2003 may well mark the end of the 13-year bear market in the Japanese stockmarket, with the TOPIX having fallen 73% since its peak in December 1989. The subsequent 21% rise in the TOPIX to the date of writing has many of the hallmarks of the initial stage of a bull market, namely a friendless market which rises sharply on well above average trading volume from an oversold, momentum-driven state without any clear improvement in the underlying fundamentals. At the same time, the bond market crashed which reinforces our conviction that investor attitudes have been transformed and a more rational and balanced view will now prevail. This is discussed in more detail in this quarter's report for the Orbis Leveraged (US\$) Fund.

What has changed in the past quarter? Our analysis suggests that the appointment of Toshihiko Fukui as governor of the Bank of Japan (BOJ) on 20 March 2003 heralded an aggressive easing of monetary policy. The current account balance of commercial banks at the BOJ, a part of the money supply, was raised from a range of ¥22 – ¥27 trillion to ¥27 – ¥30 trillion on 20 May. Perhaps most significantly, the Japanese authorities spent US\$32 billion in May, and \$5 billion in June, suppressing appreciation of the yen by selling yen and buying US dollars. Importantly, this was mainly financed by the BOJ by increasing the money supply correspondingly.

This dramatic easing demonstrated Fukui's determination to rid Japan of deflation and get the economy going again. We expect he will succeed. Already economists are raising their gross national product forecasts for Japan. The outlook for corporate profits and dividends is favourable. While medium and long-term interest rates have risen sharply, short-term rates will be held at extremely low levels by the BOJ until deflation is a thing of the past. We expect prices of real assets to rise and those of long-term bonds to fall over the next few years. Shares should continue to thrive under this anticipated scenario. To be sure, the TOPIX deserves a rest following a 21% rise over 14 weeks and a consolidation should be expected. However, with most equity investors caught flatfooted by the change of events in Japan, we expect there are many investors anxiously awaiting a setback in the TOPIX to give them a favourable opportunity to buy. In such instances, the market tends to be less than obliging in catering to these natural human instincts.

**DIRECTORS** Allan W B Gray, Chairman Germain Birgen John C R Collis William B Gray David T Smith Jean-Claude Stoffel

**MANAGER**

Orbis Investment Management (B.V.I.) Limited

**INVESTMENT ADVISOR**

Orbis Investment Management Limited

**CUSTODIAN**

State Street Bank Luxembourg S.A.

## JAPAN EQUITY FUND AT 30 JUNE 2003

### STATEMENT OF NET ASSETS (UNAUDITED)

Equity (Ranked by sector)	Market Value ¥ 000's	% of Fund	% of TOPIX
Cyclicals		28	38
Toyota Motor	6,104,930	5	
Honda Motor	5,788,510	5	
Toyota Industries	5,092,320	5	
Denso	3,005,979	3	
Daito Trust Construction	2,408,850	2	
Sankyo (machinery)	2,403,188	2	
Mitsubishi Logistics	1,882,518	2	
Okumura	1,542,912	1	
Positions less than 1%	3,568,397	3	
Consumer Non-Durables		25	17
Yamada Denki	5,017,775	4	
Nippon Television Network	4,340,652	4	
Taisho Pharmaceutical	4,088,772	4	
Fuji Television Network	3,793,104	3	
Shimachu	3,005,100	3	
Yoshinoya D&C	2,206,890	2	
Softbank	1,994,720	2	
Positions less than 1%	3,939,357	3	
Financials		22	13
Millea Holdings	6,136,830	6	
Mitsubishi Tokyo Financial	6,126,126	6	
Mitsui Sumitomo Insurance	3,784,815	3	
Mitsubishi Securities	3,230,864	3	
Nikko Cordial	2,665,942	2	
Japan Securities Finance	1,416,160	1	
Positions less than 1%	917,910	1	
Technology		19	17
Pioneer	6,453,000	6	
Canon	4,848,800	4	
TDK	2,099,220	2	
Citizen Watch	1,960,800	2	
Olympus Optical	1,709,680	2	
Mitsumi Electric	1,515,385	1	
Nichicon	1,259,300	1	
Positions less than 1%	1,012,420	1	
Utilities		6	15
NTT DoCoMo	5,033,600	4	
Positions less than 1%	1,817,213	2	
Net Current Assets	186,257	-	
Net Assets	112,358,296	100	100
Net Asset Value per Share			
Yen Class (Currency exposure 100% yen)	¥ 1,692	63,821,788 shares issued	
Euro Class (Currency exposure 100% euro)	€ 10.98	2,869,706 shares issued	

## ORBIS JAPAN EQUITY (US\$) FUND AT 30 JUNE 2003

Total Rate of Return in US dollars:	From Inception on 12 Jun 1998	Latest 3 Years	2003 to Date	Latest Quarter
	<i>% Annualised</i>		<i>% Not Annualised</i>	
Orbis Japan Equity (US\$)	9.6	(0.1)	9.1	14.8
TOPIX Hedged into US dollars	(0.4)	(13.5)	8.7	15.1
<i>% appreciation of the US dollar versus the yen</i>	(3.6)	4.2	0.8	1.5

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
Orbis SICAV - Japan Equity Fund - Yen Class	167,463	99
Net Current Assets	1,993	1
Net Assets	169,456	100
Net Asset Value per Share	US\$ 15.87	10,678,547 shares issued

### DEPLOYMENT

		% of Fund
Stockmarket exposure	Japan	99
Currency exposure	US dollar	100

**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





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