ANNUAL

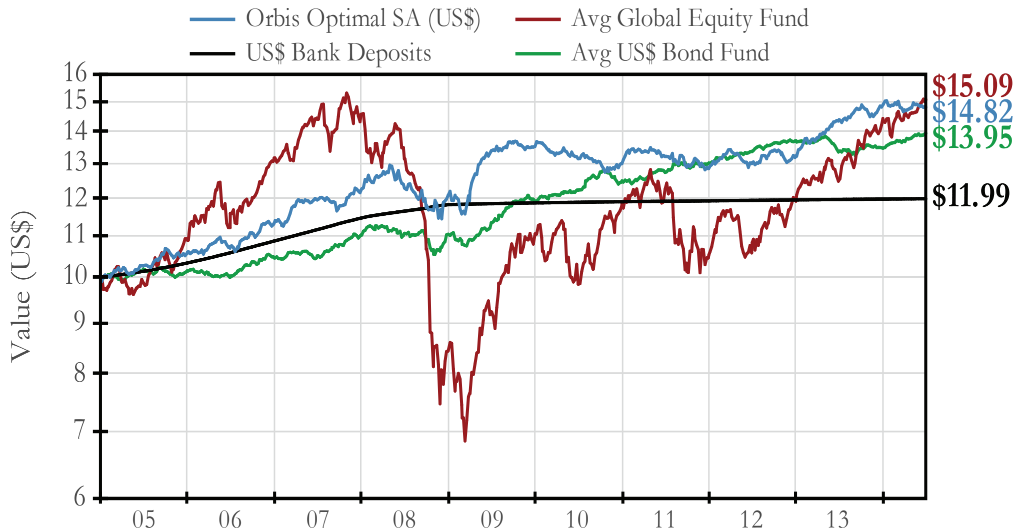
# REPORT

30 JUNE 2014

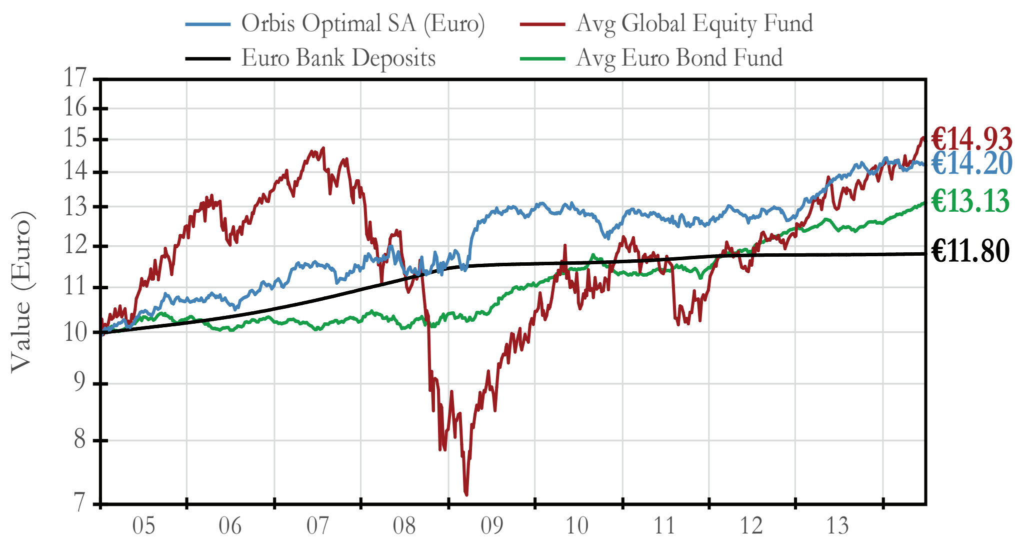
ORBIS OPTIMAL SA

# ORBIS OPTIMAL SA FUND AT 30 JUNE 2014

## Track Record: Value of US$10 invested at inception (dividends reinvested)




## Track Record: Value of €10 invested at inception (dividends reinvested)




*Past performance is not a reliable indicator of future results.*

| **Total Rate of Return in Class Currency, net of fees:** | **From Inception on 1 Jan 2005** | **Latest 5 Years** | **Latest 3 Years** | **Latest 1 Year** | **Quarter** |
|---|---|---|---|---|---|
| | | % Annualised | | | % Not Annualised |
| **US$ Class** | **4.2** | **2.0** | **3.9** | **2.9** | **0.6** |
| US$ Bank Deposits | 1.9 | 0.2 | 0.2 | 0.2 | 0.0 |
| Average Global Equity Fund (in US$) | 4.4 | 10.3 | 7.2 | 20.5 | 3.7 |
| Average US$ Bond Fund | 3.6 | 4.2 | 3.1 | 4.3 | 1.8 |
| **Euro Class** | **3.8** | **2.0** | **3.9** | **2.1** | **0.7** |
| Euro Bank Deposits | 1.8 | 0.5 | 0.4 | 0.2 | 0.1 |
| Average Global Equity Fund (in euro) | 4.3 | 10.9 | 9.2 | 14.5 | 4.3 |
| Average Euro Bond Fund | 2.9 | 4.5 | 4.9 | 5.9 | 2.1 |

*Past performance is not a reliable indicator of future results.*

Optimal is designed for those clients who seek exposure to our stockpicking capabilities, while also seeking to substantially reduce the stockmarket exposure inherent in these investments. The Fund primarily does this by investing in our favourite stocks from around the world and then selling a basket of stock index futures to offset stockmarket risk. The net result is that Optimal's performance is predominantly driven by the *relative* returns of our stock selection decisions rather than the direction of the stockmarket, plus a cash-like return equivalent to the short-term interest rate earned on the stockmarket futures sold.

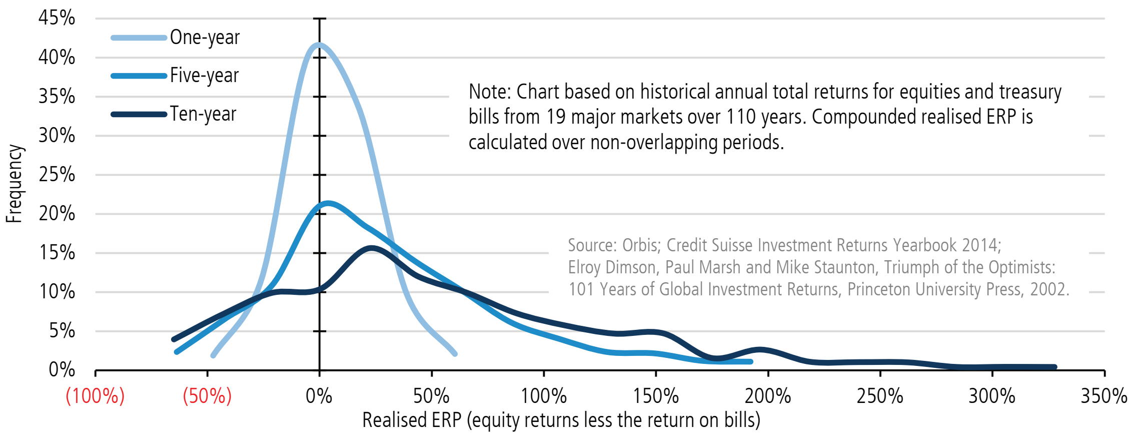
It is important to recognise that while a hedged strategy such as Optimal comes with less stockmarket risk than equities alone, it also sacrifices the returns that can come from market movements. In financial parlance, this is known as the "equity risk premium", or ERP, and may be thought of as the additional rate of return that investors require as compensation for the risk of holding equities rather than a "risk-free" asset such as cash. Optimal's hedging essentially forgoes the ERP by replacing the expected return of stockmarkets with a cash-like return.

Why would this ever be desirable? After all, it stands to reason that owning equities should reward investors over the long term. Companies should be willing to pay handsomely for access to low-risk, long-term capital that enables them to fund higher-risk, higher-return projects. In turn, investors should require ample compensation for holding an asset with a volatile return profile that is capable of producing losses at the most inconvenient times. This is borne out historically, and research has found that across 19 major markets since 1900 stocks have delivered on average about four percentage points per annum more than cash-like instruments.

While it can be tempting to look at the realised ERP over extremely long periods and come to the conclusion that taking risk is an infallible route to excess return, a dash of common sense and a look at the data make it clear that this cannot be the case. One way to think about risk is that *more things can happen than will happen*. In other words, if you take risk then you have to accept the non-trivial chance that your return ends up substantially below where it would have been had you bought a lower risk asset.

**Distribution of historical ERP over different compounding time periods**

Frequency of realised equity risk premiums (ERP) over one-year, five-year, and ten-year compounding periods




The preceding chart shows the wide range of outcomes realised by equities versus bills over different time horizons. Over shorter periods such as one year, the range of outcomes is wide but fairly evenly distributed. Over longer holding periods it becomes far more likely that investors will have been compensated for taking equity risk, but—crucially—it is by no means guaranteed. In fact, the range of negative outcomes also gets wider over time because bad luck can compound in the same way that good luck can. For example, over a ten-year period, investors were approximately five times more likely to see equities lag cash by more than 40% than they were over a one-year period.

Of course, the right asset allocation decision will be unique to each individual client. For those with very long investment horizons, a high tolerance for short-term volatility and a willingness to accept a small but tangible risk that in the long term equities could fall substantially short of expectations, the decision might be easy.

They may be comfortable allocating capital almost exclusively to equities and holding very little cash. For the rest of us, it may make sense to hold more cash as a buffer to dampen the impact of outcomes in the negative tail of the risk distribution. In this sense, cash can be considered a form of "portfolio insurance". There is a cost in the form of lower potential returns, but if bad luck strikes, cash can play a valuable role in ensuring that wealth doesn't fall short of minimum levels required to meet short- and longer-term spending needs.

In addition, historical evidence suggests that the ERP itself varies over time. This means that the cost of protecting a portfolio against negative outcomes also varies. For example, the 1940s and 1950s were an extremely costly time to hold cash in the US because interest rates on cash were low and stockmarket valuations were depressed in the aftermath of the Second World War. In contrast, portfolio insurance was far cheaper during the late 1960s as cash rates approached 8% p.a. and the 1960s bull market had driven the ERP to historically low levels. Being aware of the cost of portfolio insurance should be an important factor in the asset allocation decision.

Where do we stand today? The current environment sends mixed signals. On the one hand our estimate of the prospective ERP is moderately high versus history, which is primarily a result of cash rates being close to zero in many developed markets. This suggests that taking out portfolio insurance is not cheap. On the other hand, the picture is more complex when one considers risk not only in a *relative* sense (i.e. the attractiveness of equities versus cash) but also in an *absolute* sense, as the rate of return that investors are demanding from equities in *absolute* terms is relatively low versus history.

One reason for this could be a rise in moral hazard—the belief that investors can reap the rewards from risk-taking without suffering the consequences of negative tail events. This is a major side-effect of government and central bank actions to avoid deflationary outcomes and smooth economic volatility, and in this type of environment we believe it is likely that risk becomes under-priced. Investors develop a tacit assumption that the government will always step in to avert any disaster, and therefore become comfortable buying assets with a higher range of possible outcomes at prices that do not appropriately discount these risks.

Furthermore, the low returns on cash are not keeping pace with inflation, so an allocation to cash leads to a loss of purchasing power. This has the inevitable effect of pushing investors into riskier investments in search of the *potential* for positive real returns, which in turn drives valuations higher. Higher valuations mean that investors are getting even less compensation (in an absolute sense) for the levels of risk they are taking. Wall Street wisdom teaches that, "more money has been lost reaching for yield than at the point of a gun", and against the current backdrop this is becoming increasingly relevant.

Like cash, Optimal offers low sensitivity to re-pricing of risk, but unlike cash it also offers the *potential* for positive real returns. Of course, this potential comes with extra risk in that there is a chance that we destroy value through our stock selection decisions. One could argue that this risk is highly idiosyncratic and in some sense diversifying, as relative returns of our stock selections have been uncorrelated with most major asset classes in the past, but the potential for underperformance still exists. In any event, we will continue to rigorously apply our core skill of bottom-up stockpicking, which we hope will give clients of Optimal a fighting chance to preserve, and perhaps increase, purchasing power without being forced with the herd into taking on risk at increasingly unfavourable prices.

Commentary contributed by Graeme Forster, Orbis Investment Management Limited, Bermuda

## Analysis of Stockmarket Exposure

| Region | Equity Exposure | Portfolio Hedging | Accounting Exposure | Beta Adjusted Exposure* |
|---|---|---|---|---|
| | % | % | % | % |
| North America | 30 | (29) | - | - |
| Asia ex-Japan | 21 | (18) | 3 | - |
| Europe | 18 | (17) | 2 | 1 |
| Japan | 18 | (18) | 1 | - |
| Other | 2 | (2) | - | - |
| **Total** | **89** | **(84)** | **6** | **1** |

*May not sum due to rounding.*

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

## Currency Deployment

| | US$ Class | Euro Class |
|---|---|---|
| | % | % |
| US dollar | 74 | - |
| Euro | - | 76 |
| Korean won | 9 | 9 |
| Greater China currencies | 6 | 5 |
| Other | 11 | 9 |
| **Total** | **100** | **100** |

*May not sum due to rounding.*

See accompanying notes

# ORBIS OPTIMAL SA FUND AT 30 JUNE 2014

## STATEMENT OF NET ASSETS

| Number Held | Security | Fair Value US$ 000's | % of Fund |
|---|---|---|---|
| | **Portfolio** *(details opposite)* | 2,306,669 | 90 |
| | **Portfolio Hedging:** | | |
| | **Stock Index Futures Sold:** | | |
| (4,457) | US: E-mini Russell 2000 9/2014 | (530,517) | (29) |
| (2,362) | E-mini S&P 500 9/2014 | (230,590) | |
| (3,659) | Japan: TOPIX 9/2014 | (455,908) | (18) |
| (1,731) | Korea: KOSPI 200 9/2014 | (222,875) | (9) |
| (1,741) | UK: FTSE 100 9/2014 | (199,922) | (8) |
| (2,168) | China: H shares 7/2014 | (143,247) | (6) |
| (253) | Germany: DAX 9/2014 | (85,404) | (3) |
| (2,239) | Sweden: OMXS30 7/2014 | (46,218) | (2) |
| (238) | Australia: SPI 200 9/2014 | (30,040) | (1) |
| (310) | Switzerland: SMI 9/2014 | (29,878) | (1) |
| (476) | Singapore: MSCI Singapore 7/2014 | (28,287) | (1) |
| (176) | Hong Kong: Hang Seng 7/2014 | (26,233) | (1) |
| (572) | Europe: Dow Jones Euro STOXX 50 9/2014 | (25,318) | (1) |
| (750) | Malaysia: FTSE KLCI 7/2014 | (21,997) | (1) |
| (337) | France: CAC40 7/2014 | (20,408) | (1) |
| (760) | Brazil: Ibovespa 8/2014 | (18,439) | (1) |
| (549) | Taiwan: MSCI Taiwan 7/2014 | (18,249) | (1) |
| (128) | Netherlands: AEX 7/2014 | (14,488) | (1) |
| (97) | Italy: FTSE MIB 9/2014 | (14,150) | (1) |
| | Contract Value | 2,146,304 | 83 |
| | Balances at Brokers | 146,306 | 6 |
| | Balance Committed to Above Positions | 130,442 | 5 |
| | Net Current Assets | 138,552 | 5 |
| | **Net Assets** | **2,575,663** | **100** |

**Net Asset Value per Share**

| | | |
|---|---|---|
| **US$ Class** | **US$14.78** | 149,910,707 shares issued |
| **Euro Class** | **€ 14.13** | 18,576,265 shares issued |

(At 30 June 2013: US$ Class US$ 14.36; 144,523,780 shares issued
Euro Class € 13.84; 18,899,217 shares issued)

*May not sum due to rounding.*

Allan W B Gray,
on behalf of the Board of Directors

Hamilton, Bermuda
July 2014

See accompanying notes

# ORBIS OPTIMAL SA FUND AT 30 JUNE 2014

## Portfolio

| Number Held 000's | Security | Fair Value US$ 000's | % of Fund |
|---|---|---|---|
| | **North America** | | **30** |
| | Orbis U.S. Equity Fund L.P. | 122,402 | 5 |
| 606 | Motorola Solutions | 40,374 | 2 |
| 1,675 | Weatherford International | 38,527 | 1 |
| 661 | Liberty Global - Class C | 27,973 | 1 |
| 158 | and Class A | 6,992 | |
| 215 | Charter Communications | 34,078 | 1 |
| 732 | Microsoft | 30,532 | 1 |
| 707 | Coca-Cola | 29,967 | 1 |
| 354 | Gilead Sciences | 29,367 | 1 |
| 524 | American International Group | 28,601 | 1 |
| 226 | Amgen | 26,800 | 1 |
| 356 | Wal-Mart Stores | 26,707 | 1 |
| | Positions less than 1% | 325,638 | 13 |
| | **Asia ex-Japan** | | **21** |
| 66 | Samsung Electronics - Common | 86,479 | 4 |
| 14 | and Preference | 14,209 | |
| 1,057 | NetEase - ADR | 82,813 | 3 |
| 937 | Korea Electric Power | 34,521 | 1 |
| 156 | Baidu - ADR | 29,115 | 1 |
| 776 | KB Financial Group | 27,004 | 1 |
| | Positions less than 1% | 258,059 | 10 |
| | **Europe** | | **18** |
| 3,855 | Telefonaktiebolaget LM Ericsson - B | 46,577 | 2 |
| 54,123 | Cable & Wireless Communications | 45,611 | 2 |
| 548 | SAP | 42,320 | 2 |
| 3,743 | Sberbank of Russia - GDR | 37,914 | 2 |
| 896 | and Common | 2,228 | |
| 4,082 | Gazprom - ADR | 35,576 | 1 |
| | Positions less than 1% | 266,879 | 10 |
| | **Japan** | | **18** |
| 3,866 | INPEX | 58,759 | 2 |
| 2,172 | Mitsubishi | 45,170 | 2 |
| 3,115 | Sumitomo | 42,057 | 2 |
| 1,485 | NKSJ Holdings | 39,994 | 2 |
| 4,180 | Nissan Motor | 39,643 | 2 |
| 2,650 | Dai-ichi Life Insurance | 39,459 | 2 |
| 755 | Sumitomo Mitsui Financial Group | 31,643 | 1 |
| 732 | Japan Tobacco | 26,682 | 1 |
| | Positions less than 1% | 152,696 | 6 |
| | **Other** | | **2** |
| | Positions less than 1% | 53,303 | 2 |
| | **Portfolio** | **2,306,669** | **90** |

*May not sum due to rounding.*

See accompanying notes

## Statement of Operations and Changes in Net Assets

| For the Years Ended 30 June: | US$ 000's 2014 | 2013 |
|---|---|---|
| Investment Income: | 36,847 | 44,445 |
| Dividends and Interest | 36,847 | 44,445 |
| Expenses: | 49,093 | 48,611 |
| Manager's Fees | 49,832 | 48,381 |
| Rebate of Manager's Fees charged to Orbis Fund | (2,021) | (1,010) |
| Custody, Accounting, Professional Fees and Other | 1,282 | 1,240 |
| Net Investment Loss | (12,246) | (4,166) |
| Net Gain (Loss) from Investments and Currencies: | 97,947 | 243,983 |
| Realised | 60,062 | (144,005) |
| Unrealised | 37,885 | 387,988 |
| Increase in Net Assets Resulting from Operations | 85,701 | 239,817 |
| Members' Activity During the Year: | | |
| Subscriptions: | | |
| Members | 237,435 | 362,335 |
| Switches Between Funds | 85,002 | 142,658 |
| Redemptions: | | |
| Members | (187,904) | (230,542) |
| Switches Between Funds | (59,965) | (47,357) |
| Increase in Net Assets | 160,269 | 466,911 |
| Net Assets at Beginning of Year | 2,415,394 | 1,948,483 |
| Net Assets at End of Year | 2,575,663 | 2,415,394 |

See accompanying notes

# NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2014 AND 2013

**General**

Orbis Optimal SA Fund Limited (the "Fund") was incorporated in Bermuda on 22nd April 1997 as Orbis Africa Optimal Limited. It remained dormant, changed its name to Orbis Optimal SA Fund Limited and commenced operations on 1 January 2005. The Fund seeks capital appreciation through a low risk global portfolio and offers a US$ class of shares (the "US$ Class") and a euro class of shares (the "Euro Class") each managed in its base currency, the US$ and euro, respectively.

**Significant Accounting Policies**

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada and Bermuda. The Fund's significant accounting policies are as follows:

**Investments.** Investments are recorded as of the trade date and are stated at their fair values. Investments in Orbis Funds are valued at their Net Asset Value and include the Net Asset Value of any performance fee rebated and reinvested into that fund. Other marketable securities, including futures and options, are valued at their closing prices and forward currency contracts at their mid prices. If these prices are unavailable or considered unrepresentative of fair value, a price considered fair by the Manager will be used. Futures contracts are stated at their full face market value with the net of the market and contract values representing their unrealised gain or loss. The amounts realised may differ from these valuations due to variations in pricing, exchange rates, trading volumes and regulations. At the year-end, the cost of the portfolio investments, in millions, was US$1,964 (2013 - US$1,913, market - US$2,183).

**Foreign Currency Translation.** Assets, liabilities and forward currency contracts denominated in foreign currencies are translated into the reporting currency, US$, using exchange rates prevailing at the year-end. Income and expenses in foreign currencies are translated into US$ at the exchange rates prevailing at the dates of the transactions. Translation exchange gains and losses are included in the Statement of Operations.

**Income and Expenses.** The accrual basis is used to recognise income and expenses. Dividends, net of withholding taxes, are accrued on the ex-date of the dividend once the ex-date and amount are known with reasonable certainty. Realised gains and losses on investments are based on average cost. All income and expenses which can be allocated directly to individual share classes are charged to those share classes. Income and expenses which do not relate specifically to a particular share class are allocated between the share classes pro rata to their Net Asset Values.

**Accounting Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Net Current Assets or Liabilities.** Net current assets or liabilities include primarily unrealised gains or losses on forward currency contracts, cash and cash equivalents, which includes highly liquid investments held for meeting short-term cash commitments, of US$152 million, amounts due to or from brokers, amounts due to shareholders and other miscellaneous accounts receivable and payable, the individual amounts of which are not significant in relation to the total net assets of the Fund except for certain balances which will be disclosed elsewhere in these financial statements.

**Future Accounting Standards.** The Fund will adopt International Financial Reporting Standards effective 1 July 2014 in accordance with the requirements of the Accounting Standards Board of the Chartered Professional Accountants of Canada.

### Taxes

There are no Bermuda income, profit, capital, capital gains, estate or inheritance taxes payable by the Fund or its Members in respect of shares in the Fund. The Bermuda Government has undertaken that in the event that any such Bermuda taxes are levied in Bermuda in the future, the Fund and its shares will be exempt from such taxes until 31 March 2035. Income and capital gains on the Fund's investments, however, may be subject to withholding or capital gains taxes in certain countries.

### Share Capital

The Fund's authorised share capital at 30 June 2014 and 2013 comprised 300 million Fund shares of US$0.0001 par value and 12,000 issued Founders' shares of US$1 par value. Fund shares participate pro rata in the Fund's net assets and dividends, are redeemable, and are non-voting. Founders' shares do not participate in the Fund's portfolio, are redeemable at par value only after all Fund shares have been redeemed, and carry the right to vote. If the Fund is wound up or dissolved, the Founders' shares will participate only to the extent of their par value.

Fund share transactions, in thousands, were as follows:

| | Number of Shares | | | |
|---|---|---|---|---|
| | US$ Class | | Euro Class | |
| | 2014 | 2013 | 2014 | 2013 |
| Balance at beginning of year | 144,524 | 123,436 | 18,899 | 21,472 |
| Subscriptions | | | | |
| Members | 14,269 | 26,925 | 1,446 | 356 |
| Switches Between Funds | 5,719 | 10,537 | 43 | 7 |
| Redemptions | | | | |
| Members | (11,087) | (13,496) | (1,374) | (2,493) |
| Switches Between Funds | (3,514) | (2,878) | (438) | (443) |
| Balance at end of year | 149,911 | 144,524 | 18,576 | 18,899 |

| | Proceeds (Payment) from Fund Shares Subscribed (Redeemed) | | | |
|---|---|---|---|---|
| | US$ Class US$ 000's | | Euro Class € 000's | |
| | 2014 | 2013 | 2014 | 2013 |
| Subscriptions | | | | |
| Members | 209,923 | 356,311 | 20,321 | 4,670 |
| Switches Between Funds | 84,168 | 142,538 | 610 | 94 |
| Redemptions | | | | |
| Members | (161,943) | (187,683) | (19,243) | (32,657) |
| Switches Between Funds | (51,503) | (39,736) | (6,220) | (5,862) |

A fee of up to 0.5% may be levied on the value of a subscription or redemption representing 5% or more of the Net Asset Value of a class of Fund shares.

## Material Contracts

At year-end, the Fund had forward currency contracts settling on or before 12 December 2014 having net contract and net market values as set out below. These contracts expose the Fund to credit risk arising from the potential inability of a counterparty to perform under the terms of a contract. To limit its risk to the amount of any net unrealised gain, the Fund has entered into an agreement whereby all its currency transactions with the counterparty to that agreement can be netted.

| Currency | Contract Value 000's | Contract Value US$ 000's | Market Value US$ 000's | Unrealised Gain (Loss) US$ 000's |
|---|---|---|---|---|
| AUD | (30,150) | (27,569) | (28,110) | (541) |
| CAD | (5,660) | (5,194) | (5,285) | (91) |
| CHF | (31,426) | (35,124) | (35,465) | (341) |
| CNY | (364,000) | (59,101) | (58,891) | 210 |
| EUR | 23,667 | 32,240 | 32,423 | 183 |
| GBP | (125,669) | (210,331) | (214,839) | (4,508) |
| HKD | (1,360) | (176) | (175) | 1 |
| JPY | (50,091,651) | (490,945) | (494,729) | (3,784) |
| KRW | (78,348,304) | (75,125) | (77,186) | (2,061) |
| SEK | (1,452) | (231) | (223) | 8 |
| | | (871,556) | (882,480) | (10,924) |

## Related Party Transactions

Orbis Investment Management Limited has been contractually appointed as "Manager" of the Fund. Each class of Fund shares pays a base fee of 1% of net assets and a performance-based fee of 20% of each class' appreciation relative to its Performance Fee Hurdle, being US$ Bank Deposits for the US$ Fund and Euro Bank Deposits for the Euro Fund. The performance fee is subject to a high water mark, is calculated each Dealing Day and is paid monthly. At year-end, the management fee payable, in thousands, was US$2,242 (2013 - US$2,089) and there was no performance fee payable (2013 - US$6,420).

All management fees associated with the Fund's investment in Orbis U.S. Equity Fund L.P. ("USLP") are rebated by its manager to the Fund. Any performance fee rebated is reinvested in USLP by its manager and will be paid in cash to the Fund when withdrawn, in accordance with the limits specified in USLP's Limited Partnership Agreement. At year-end, fees receivable from the manager were, in thousands, US$41 (2013 – US$32) and the value of the performance fee reinvested and included in the fair value of the investment in USLP was, in thousands, US$2,458 (2013 – US$590). During the year, the gain on the investment in USLP was, in millions, US$28 (2013 - US$23).

The Manager has agreed that the annual operating expenses, excluding the Manager's fees, brokerage and transaction costs and interest, will be capped at 0.15% per annum for each of the US$ and Euro Funds.

At the year-end, other related parties, which include institutional and other clients managed on a discretionary basis and the Directors and Officers of the Orbis Funds and of their Managers and Investment Advisors, held, in thousands of shares, 143,365 (2013 - 141,507) in the US$ Fund and, 16,753 (2013 - 17,205) in the Euro Fund.

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Members
of Orbis Optimal SA Fund Limited (the "Fund"):

We have audited the accompanying statement of net assets of the Fund (a company incorporated with limited liability in Bermuda) as at 30 June 2014, and the related statement of operations and changes in net assets for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Canada and Bermuda and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2014 and the results of its operations and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in Canada and Bermuda.

**Other matter**

The financial statements of the Fund as at and for the year ended 30 June 2013 were audited by Ernst & Young Ltd. (Hamilton, Bermuda) who expressed an unmodified opinion on those financial statements on 24 July 2013.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
28 July 2014

# NOTICES

## Annual General Meeting

Notice is hereby given that the Annual General Meeting of Orbis Optimal SA Fund Limited (the "Fund") will be held at the offices of Orbis Investment Management Limited, Orbis House, 25 Front Street, Hamilton, Bermuda on 30 September 2014 at 10:30 a.m. Members are invited to attend and address the meeting. The Agenda comprises the following:

- Review of Minutes of the Annual General Meeting of Members held on 30 September 2013
- Review of audited financial statements in the 2014 Annual Report
- Proposed re-appointment of the present Directors as shown in the Manager's report
- Approval of proposed Director's fees for the year to 30 June 2015 to each of Messrs Collis and Smith of US$10,000
- Proposed re-appointment of Ernst & Young LLP as Auditors for the year to 30 June 2015

By Order of the Board, James J Dorr, Secretary

## Bye-Law Amendments: Auditors

Subsequent to the year end, the Fund's Bye-Laws were amended to allow the appointment of auditors that are not Bermuda-based. Following that, Ernst & Young LLP (based in Toronto, Canada) were appointed as the Fund's auditors for the year ended 30 June 2014. Ernst & Young Ltd. (based in Bermuda) previously served as the Fund's auditors. Because the Toronto firm has performed the audit field work since the 2008 year-end, the Manager views this change to be more technical than substantive. The Fund's prospectus has been updated to reflect this change.

In addition, the requirement that notices, documents and other information be sent by post or delivered personally to, of most significance, the Fund's members was modified to allow for additional means of transmission, including electronic. However, no change in the method by which information is conveyed to Members is being made at this time.

Finally, the Bye-Laws were amended to allow one Director, rather than two, to sign on behalf of the Board statements of net assets of the Fund that are laid before the Fund in General Meetings.

A copy of the amended Bye-Laws of the Fund is available from Orbis Investment Management Limited upon request.

## Notice to Current and Prospective Orbis Investors

The Orbis Global Equity, Japan Equity, Asia ex-Japan Equity, International Equity, Global Balanced and Optimal Strategies are currently accepting subscriptions from existing investors and qualified new investors. Qualified new investors must invest the minimum investment specified as follows: for the Orbis Global Equity, International Equity, Global Balanced and Optimal Strategies, US$50 million with Orbis (across one or more funds); for the Orbis Japan Equity Strategy, US$50,000; and for the Orbis Asia ex-Japan Equity Strategy, US$25 million. Current Orbis Fund investors and those persons to whom we have existing commitments are not affected and may continue to make additional investments in the Orbis Funds, other than the Orbis Leveraged Funds which remain closed and will be discontinued at the end of 2014.

Clients investing via Allan Gray Proprietary Limited, which includes the Allan Gray Investment Platform, an Allan Gray investment pool or otherwise through Allan Gray Nominees remain subject to the investment minimums specified by the applicable terms and conditions.

We intend to accept new subscriptions into the Funds from a wider audience when we consider it appropriate to do so, and will issue notice of such change on our website, and via our automated e-mail services facility.

If you have any questions regarding our opening, please contact the Investor Services Team at Orbis, at +1 (441) 296 3000, by e-mail at clientservice@orbis.com or by mail to: The Investor Services Team, Orbis Group, Orbis House, 25 Front Street, Hamilton HM 11, Bermuda. Residents of Australia or New Zealand should contact Orbis in Australia at +61 (0)2 8224 8604 or clientservices.au@orbis.com. South African residents should contact Allan Gray Unit Trust Management (RF) Proprietary Limited at +27 86 000 0654 (toll free from within South Africa) or offshore_direct@allangray.co.za.

## Notice to Persons in the European Economic Area (EEA)

The Fund described in this Report is an alternative investment fund that is neither admitted for public marketing anywhere in the EEA nor marketed in the EEA for purposes of the Alternative Investment Fund Managers Directive. As a result, persons located in any EEA member state will only be permitted to subscribe for shares in the Fund under certain circumstances as determined by, and in compliance with, applicable law.

## Fund Information

The country and currency classification for equity securities follows that of third party benchmark providers for comparability purposes. Based on a number of factors including the location of the underlying business, Orbis may consider a security's classification to be different and manage the Fund's exposures accordingly.

## Sources

Orbis Fund Returns: Orbis Investment Management Limited using single pricing.

Average Fund data: © 2014 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 any 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.

## Reporting Fund Status

The United Kingdom HM Revenue & Customs has approved each of the US$ Class and the Euro Class of the Fund as a Reporting Fund with effect from 1 July 2010. For the Fund's fiscal years ended 30 June 2006, 2007, 2008, 2009 and 2010, each of the US$ Class and the Euro Class of the Fund had received certification as a distributing fund from HM Revenue & Customs ("Distributor Status").

As a Reporting Fund, investors will no longer receive annual distributions from the Fund and UK investors may be liable to tax annually on their share of Fund income, without receiving a distribution of that income from the Fund. Within six months of its year-end, the Fund will make available, on the website www.orbis.com, a report providing relevant fund income information for UK investors' tax purposes.

Unlike Distributor Status, which was subject to a retrospective application and certification process at the end of each year, a Fund will continue to qualify as a Reporting Fund unless and until it fails to comply with the relevant requirements. The Directors intend to manage the Fund in such a way that under existing United Kingdom legislation it should continue to qualify as a Reporting Fund. However, there can be no assurance that a Fund will continue to qualify as a Reporting Fund.

## Supplemental Disclosure under the Distance Marketing of Financial Services Directive

Disclosure requirements arising from the European Council Distance Marketing Directive (No. 2002/65/EC) apply to financial services supplied at a distance to consumers in the European Union. The Fund has determined that for the purposes only of meeting the Directive requirements, the Luxembourg Distance Marketing of Consumer Financial Services Law of 2006 shall apply to the establishment of relations with prospective and current Members entitled to the benefit of the Directive. The Fund is required to provide specified information to prospective and current Members. This specified information, which is provided in English, is contained in the Orbis Fund's Prospectus, the Orbis Account Opening Form, the Subscription Form and (for Members who elect to view their account online at www.orbis.com) the terms of use of Orbis' website. These services are not a type of financial service to which cancellation rights apply.

## Risk Warnings

Past performance is not a reliable indicator of future results. Values may fall as well as rise and you may get back less than you originally invested. It is therefore important that you understand the risks involved before investing. This report provides general information only and does not constitute a recommendation to buy, sell or hold any shares or other securities in the companies mentioned in it ("relevant securities") nor does it constitute financial advice, and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Entities and employees of the Orbis Group are not subject to restrictions on dealing in relevant securities ahead of the dissemination of this report. While we have endeavored to ensure the accuracy of the information herein, such information is not guaranteed as to accuracy or completeness. At any time, members of the Orbis Group may have long or short positions in, and may be buying or selling, the investments, if any, referred to in this report. You should consider the Prospectus in deciding whether to acquire, or to continue to hold, your investment.

## Other

The discussion topic for the report on pages 2-3 was selected, and the report was finalised and approved, by Orbis Investment Management Limited, the Fund's Manager. The information on pages 1-3 and 12-14 is based on sources believed to be accurate and reliable and provided "as is" and in good faith. While we have endeavoured to ensure the accuracy of such information, it is not guaranteed as to accuracy or completeness. Neither Orbis, its affiliates, directors and employees (together, the "Orbis Group") make any representation or warranty as to accuracy, reliability, timeliness or completeness of such information. The Orbis Group disclaims all liability (whether arising in contract, tort, negligence or otherwise) for any error, omission, loss or damage (whether direct, indirect, consequential or otherwise) in connection with such information.

This Report does not constitute a financial promotion, a recommendation, an offer to sell or a solicitation to buy shares or units of the Orbis Funds. Subscriptions are only valid if made on the basis of the current Prospectus which is available upon request from Allan Gray Unit Trust Management (RF) Proprietary Limited, a Member of the Association for Savings & Investments SA. Certain capitalised terms are defined in the Glossary section of the Orbis Fund's respective General Information document. Collective investment schemes are generally medium to long-term investments. Commission and incentives may be paid by investors to third-party intermediaries and if so, would be included in those investors' overall cost of investing in the Funds. Orbis Investment Management Limited is licensed to conduct investment business by the Bermuda Monetary Authority.

*We invite you to visit our website, www.orbis.com, where you may download, or register on-line to receive by e-mail, regular reports on our Funds. Orbis Global Equity Fund, Orbis Optimal SA Fund, Orbis SICAV – Asia ex-Japan Equity Fund, Orbis SICAV – Global Balanced Fund and Orbis SICAV – Japan Equity Fund are the only Funds on our website that have been approved in terms of section 65 of the Collective Investment Schemes Control Act, 2002 by the South African Registrar of Collective Investment Schemes.*

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