

2015 AUDITED  
Financial  
Statements



ORBIS INSTITUTIONAL  
GLOBAL EQUITY  
*Fund*

## TABLE OF CONTENTS

Directory	1
Appointments	2
Independent Auditors' Report	3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Net Assets Attributable to Holders of Redeemable Fund Shares	5
Statement of Cash Flows	6
Schedule of Investments	7 - 8
Notes to the Financial Statements	9 - 18
Notices	19

## DIRECTORY

### Registered office and mailing address

Orbis Institutional Global Equity Fund  
Orbis House  
25 Front Street  
Hamilton HM 11  
Bermuda

### Directors

Allan W B Gray (Chairman)  
Orbis Investment Management Limited  
Bermuda

Allan W B Gray was the Chairman and a Director of the Orbis Funds and Orbis Investment Management Limited. He retired effective 1 January 2016.

John C R Collis  
Bermuda

John C R Collis is a Director of the Orbis Funds.

James J Dorr  
Orbis Investment Advisory Limited  
London, United Kingdom

James J Dorr is the General Counsel and Secretary of the Orbis Funds and Orbis Investment Management Limited.

William B Gray  
Orbis Investment Management Limited  
Bermuda

William B Gray is the President and a Director of the Orbis Funds and Orbis Investment Management Limited and the Portfolio Manager of Orbis Investment Management Limited.

David T Smith  
Ecosse Limited  
Bermuda

David T Smith is the Managing Director of Ecosse Limited.



## APPOINTMENTS

### **Manager**

Orbis Investment Management Limited\*  
Orbis House  
25 Front Street  
Hamilton HM 11  
Bermuda

### **Investment Advisors to the Manager**

Orbis Investment Advisory Limited  
15 Portland Place  
London W1B 1PT  
United Kingdom

Orbis Portfolio Management (Europe) LLP  
15 Portland Place  
London W1B 1PT  
United Kingdom

Orbis Gestion S.A.  
Avenue de Rumine 7  
1005 Lausanne  
Switzerland

Orbis Investment Management (U.S.), LLC  
600 Montgomery Street, Suite 3800  
San Francisco, CA 94111  
United States of America

Orbis Investment Advisory (Hong Kong) Limited  
Suites 1802-1805  
18th Floor, Chater House  
8 Connaught Road  
Central, Hong Kong

### **Auditors**

Ernst & Young LLP  
Ernst & Young Tower  
222 Bay Street, PO Box 251  
Toronto, Ontario  
Canada M5K 1J7

### **Custodian**

Citibank N.A., New York Offices  
388 Greenwich Street  
New York, New York 10013  
United States of America

### **Administrator, Registrar and Transfer Agent**

Citibank Europe plc\*\*  
Luxembourg Branch  
31, Z.A. Bourmicht  
L-8070 Bertrange  
Luxembourg

*\*Licenced to conduct investment business by the Bermuda Monetary Authority*

*\*\*Effective 1 January 2016 following the merger of Citibank International Limited and Citibank Europe plc*

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Orbis Institutional Funds Limited and the Members of

Orbis Institutional Global Equity Fund (the "Fund"):

We have audited the accompanying financial statements of the Fund, which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable fund shares and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information on pages 7 to 18.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 Canadian generally accepted auditing standards. 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 auditors' 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 auditors consider 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, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst & Young LLP*

Toronto, Canada  
26 January 2016

Chartered Professional Accountants  
Licensed Public Accountants

# ORBIS INSTITUTIONAL GLOBAL EQUITY FUND

## STATEMENT OF FINANCIAL POSITION (US\$ 000's)

As at 31 December	2015	2014
<b>Assets</b>		
Financial assets at fair value through profit or loss		
Securities	3,549,502	3,671,608
Derivatives	5,207	9,801
Cash and cash equivalents	8,947	16,270
Due from brokers	4,315	561
Manager's fees refunded	-	771
Due from Manager	193	1,305
Dividends and other receivables	5,440	6,328
	<b>3,573,604</b>	<b>3,706,644</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss		
Derivatives	870	2,422
Due to brokers	7,939	4,180
Manager's fees payable	3,412	503
Other payables and accrued liabilities	435	768
	<b>12,656</b>	<b>7,873</b>
<b>Net assets attributable to holders of redeemable Fund shares</b>	<b>3,560,948</b>	<b>3,698,771</b>



William B Gray,  
on behalf of the Board of Directors  
26 January 2016

See accompanying notes on page 9

# ORBIS INSTITUTIONAL GLOBAL EQUITY FUND

## STATEMENT OF COMPREHENSIVE INCOME (US\$ 000's)

For the year ended 31 December	2015	2014
<b>Income</b>		
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	(74,684)	(176,596)
Other foreign currency gain (loss)	(725)	247
Dividend and other	65,616	15,533
	<b>(9,793)</b>	<b>(160,816)</b>
<b>Expenses</b>		
Rebate of Managers' fees charged to Orbis fund	-	(66,549)
Manager's fees (refund)	15,646	(50,888)
Transaction costs	4,464	2,096
Administration, custody fees and other	1,877	987
	<b>21,987</b>	<b>(114,354)</b>
<b>Loss before taxes</b>	<b>(31,780)</b>	<b>(46,462)</b>
Withholding and other taxes	13,114	2,749
<b>Decrease in net assets attributable to holders of redeemable Fund shares</b>	<b>(44,894)</b>	<b>(49,211)</b>

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE FUND SHARES (US\$ 000's)

For the year ended 31 December	2015	2014
<b>Balance at beginning of year</b>	<b>3,698,771</b>	<b>3,963,744</b>
Decrease in net assets attributable to holders of redeemable Fund shares from operations	(44,894)	(49,211)
Shareholders' activity during the year		
Subscriptions		
Shareholders	200,209	132,828
Switches between funds	936,575	809,939
Redemptions		
Shareholders	(811,026)	(399,834)
Switches between funds	(418,687)	(758,695)
<b>Balance at end of year</b>	<b>3,560,948</b>	<b>3,698,771</b>

See accompanying notes on page 9

# ORBIS INSTITUTIONAL GLOBAL EQUITY FUND

## STATEMENT OF CASH FLOWS (US\$ 000's)

For the year ended 31 December	2015	2014
<b>Cash flows from operating activities</b>		
Proceeds from realisation of investments and currencies	1,958,661	1,543,945
Purchases of investments	(1,908,910)	(1,441,806)
Dividends and other income received, net of withholding tax	53,177	6,470
Manager's fees paid	(14,276)	(16,385)
Rebate of Manager's fees charged to Orbis fund received	1,305	68,290
Transaction costs paid	(4,561)	(1,992)
Other expenses paid	(2,099)	(397)
Net cash provided by (used in) operating activities	83,297	158,125
<b>Cash flows from financing activities</b>		
Proceeds from subscription of redeemable Fund shares	1,048,670	420,571
Payments on redemption of redeemable Fund shares	(1,139,290)	(565,385)
Net cash provided by (used in) financing activities	(90,620)	(144,814)
Net increase (decrease) in cash and cash equivalents	(7,323)	13,311
Cash and cash equivalents – Beginning of Year	16,270	2,959
<b>Cash and cash equivalents – End of Year</b>	<b>8,947</b>	<b>16,270</b>

See accompanying notes on page 9



# ORBIS INSTITUTIONAL GLOBAL EQUITY FUND

## SCHEDULE OF INVESTMENTS AT 31 DECEMBER 2015 (US\$ 000's)

### Securities

Security	Fair Value	% of Net Assets
<b>North America</b>		<b>47</b>
QUALCOMM	176,920	5
Motorola Solutions	170,804	5
Apache	115,122	3
Charter Communications	109,303	3
PayPal Holdings	86,744	2
XPO Logistics	86,046	2
Time Warner Cable	85,757	2
Alcoa	54,548	2
CDK Global	51,665	1
American International Group	47,745	1
The Priceline Group	46,160	1
AbbVie	43,660	1
Merck	41,161	1
Microsoft	40,476	1
Citigroup	39,738	1
Liberty Global - C and A	38,325	1
Positions less than 1%	427,881	12
<b>Asia ex-Japan</b>		<b>24</b>
NetEase - ADR	295,944	8
JD.com - ADR	99,736	3
KB Financial Group	65,193	2
Samsung Electronics	62,357	2
Positions less than 1%	324,629	9
<b>Europe</b>		<b>22</b>
Sberbank	76,707	2
Vivendi	72,982	2
Gazprom - ADR and Common	66,047	2
Cable & Wireless Communications	61,566	2
Rolls-Royce Holdings	52,016	1
Shire - ADR and Common	47,098	1
Positions less than 1%	391,579	11
<b>Japan</b>		<b>6</b>
INPEX	49,408	1
Positions less than 1%	176,882	5
<b>Other</b>		<b>1</b>
Positions less than 1%	45,303	1
	<b>3,549,502</b>	<b>100</b>

*May not sum due to rounding*

See accompanying notes on page 9

# ORBIS INSTITUTIONAL GLOBAL EQUITY FUND

## SCHEDULE OF INVESTMENTS AT 31 DECEMBER 2015 (US\$ 000's) (CONTINUED)

### Derivatives

	Unrealised Gain (Loss)
Forward currency contracts gain	5,207
Forward currency contracts loss	(870)

### Forward Currency Contracts

Currency	Contract Value	Contract Value	Fair Value	Unrealised Gain (Loss)
	000's	US\$ 000's	US\$ 000's	US\$ 000's
CAD	127,120	96,532	92,015	(4,517)
CNH	(2,478,000)	(377,725)	(372,365)	5,361
CNY	(634,600)	(97,609)	(95,170)	2,439
DKK	913,973	135,872	133,578	(2,294)
EUR	15,337	16,863	16,701	(162)
GBP	(65,818)	(100,246)	(97,054)	3,192
JPY	11,526,900	93,985	96,160	2,175
KRW	(269,217,576)	(226,654)	(228,510)	(1,856)
		<b>(458,982)</b>	<b>(454,645)</b>	<b>4,337</b>

May not sum due to rounding

See accompanying notes on page 9

## General information

Orbis Institutional Global Equity Fund (the “Fund”) was formed on 5 February 2004 and is a sub-fund of Orbis Institutional Funds Limited (the “Company”). The Company was incorporated on 5 December 2003 in the British Virgin Islands. On 1 October 2014, the Company continued from the British Virgin Islands into Bermuda, became a Bermuda mutual fund, registered as a segregated accounts company and changed its name from “Orbis Institutional SPC Limited” to “Orbis Institutional Funds Limited”. The Company’s registered office is at Orbis House, 25 Front Street, Hamilton, Bermuda.

The Fund is designed to remain fully invested in global equities. It aims to earn a higher return than world stockmarkets. In October 2014, the investment approach of the Fund changed from investing in Orbis Global Equity Fund Limited (“Orbis Global Equity Fund”) to investing in global equities directly.

Orbis Investment Management Limited has been contractually appointed as the “Manager” of the Fund.

These financial statements were authorised for issue by the Board of Directors on 26 January 2016.

## Summary of significant accounting policies

**Basis of preparation.** These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

All references to net assets throughout this document refer to net assets attributable to holders of redeemable Fund shares.

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities held at fair value through profit or loss, which are measured at fair value.

### Financial instruments.

**Recognition.** Financial assets and financial liabilities are recognised when the Fund becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

**Measurement.** The Fund’s investments are initially recognised at fair value on the trade date. Transaction costs are expensed as incurred. Subsequent to initial recognition, investments are measured at fair value. Changes in their fair value, together with realised gains and losses on disposal calculated using the average cost method, are included in the Statement of Comprehensive Income as Net gain (loss) on financial assets and liabilities at fair value through profit or loss.

The fair value of investments traded in active markets is based on their quoted market price, where it falls within the bid-ask spread, at the Fund’s valuation point. Should the price not fall within the bid-ask spread, the Manager may determine the point within the bid-ask spread that is most representative of fair value. The fair value of investments not traded in an active market, including over-the-counter derivatives or securities currently or temporarily unlisted, is determined using valuation techniques which include consideration of recent arm’s length transactions, the fair value or indicative quotes of other instruments substantially the same, projected earnings and trading multiples, option pricing models and company-specific facts and circumstances, adjusted to reflect illiquidity or restrictions on sale. The valuation techniques employed make maximum use of market inputs and are consistent with accepted methodologies for pricing financial instruments.

Should any price be unavailable or be considered unrepresentative of fair value, a price considered fair by the Manager will be used.

Cash and cash equivalents and all other receivables and payables are classified under IFRS as loans and receivables and other financial liabilities, which are short-term in nature, are measured at amortised cost which approximates fair value.

**Classification.** The Fund's investments are categorised under IFRS as at fair value through profit or loss as follows:

**(i) Designated as at fair value through profit or loss upon initial recognition**

Financial instruments designated upon initial recognition as being managed and having their performance evaluated on a fair value basis in accordance with the Fund's investment strategy, which include equity securities held by the Fund.

**(ii) Held for trading**

Derivatives held by the Fund, which include forward currency contracts, are classified as held for trading unless they are designated as effective hedging instruments as defined by *IAS 39 Financial Instruments: Recognition and Measurement*. The Fund does not designate any of its derivative instruments as hedges for hedge accounting purposes.

**Offsetting.** Financial assets and financial liabilities are offset when the Fund has a legally enforceable right to offset recognised amounts and either intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Foreign currency translation.** These financial statements are presented in US dollars, the Fund's functional and presentation currency, being the currency in which performance is measured and reported and in which shares are issued and redeemed.

Transactions in foreign currencies are translated using exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated using exchange rates prevailing at the year-end.

In the Statement of Comprehensive Income, translation gains and losses on financial instruments at fair value through profit or loss are included in Net gain (loss) on financial assets and liabilities at fair value through profit or loss. Other translation gains and losses are included in Other foreign currency gain (loss).

**Cash and cash equivalents.** Cash and cash equivalents includes cash and other highly liquid investments held for meeting short-term cash commitments.

**Due from and due to brokers.** Amounts due from brokers represent receivables for securities contractually sold but not yet settled while amounts due to brokers represent payables for securities contractually purchased but not yet settled.

**Income and expenses.** Income and expenses are recorded on an accrual basis. Dividends are accrued on the ex-date of the dividend once the ex-date and amount are known with reasonable certainty. 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.

**Taxes.** There are no Bermuda income, profit, capital, capital gains, estate or inheritance taxes payable by the Fund or its shareholders 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. In the Statement of Comprehensive Income, income and gains are recorded gross of tax with taxes shown separately.

**Accounting estimates and assumptions.** The preparation of financial statements requires management to make estimates and assumptions concerning the future. Actual results may differ from these estimates.

The most significant use of assumptions and estimation applied in preparing these financial statements relate to the determination of the fair value of financial instruments. The Fund may hold financial instruments which are not quoted in active markets, such as over-the-counter derivatives. The fair value of these instruments may be determined using valuation techniques based on observable market prices from reputable pricing sources or indicative pricing. Where such valuation techniques have been applied, they are validated and periodically reviewed. Changes in relevant assumptions could affect the fair values reported in the financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and changes in tax laws on withholding or capital gain taxes. Differences in the assumptions made, or changes to such assumptions, could necessitate future adjustments to taxes already recorded.

**Standards issued but not yet effective.** The final version of *IFRS 9 Financial Instruments*, was issued by the IASB in July 2014 and will replace *IAS 39 Financial Instruments: Recognition and Measurement*. *IFRS 9* introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. *IFRS 9* is effective for annual periods beginning on or after 1 January 2018, but early adoption is permitted. The Fund is in the process of assessing the impact of *IFRS 9* and has not yet determined when it will adopt the new standard.

## Fair value measurement

**Fair value hierarchy.** The table below categorises the Fund's financial instruments measured at fair value within a three level fair value hierarchy, based on the lowest level input significant to the fair value measurement.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input significant to the fair value measurement is unobservable.

	Level 1	Level 2	Total
	US\$ 000's	US\$ 000's	US\$ 000's
<b>As at 31 December 2015</b>			
Financial assets at fair value through profit or loss			
Securities	3,549,502	-	3,549,502
Forward currency contracts	-	5,207	5,207
Financial liabilities at fair value through profit or loss			
Forward currency contracts	-	870	870
<b>As at 31 December 2014</b>			
Financial assets at fair value through profit or loss			
Securities	3,671,608	-	3,671,608
Forward currency contracts	-	9,801	9,801
Financial liabilities at fair value through profit or loss			
Forward currency contracts	-	2,422	2,422

**Valuation techniques.** Listed equities and derivatives whose fair value is based on quoted market prices are classified as Level 1 investments. Forward currency contracts are valued at their mid-market prices, determined using valuation techniques that incorporate market observable inputs including foreign exchange spot and forward rates, and are classified as Level 2 investments.

The Fund may occasionally invest in securities which are currently or temporarily unlisted. In determining their fair value, the Manager employs valuation techniques which make maximum use of market inputs and are consistent with accepted methodologies for pricing financial instruments. These securities may be classified as either Level 2 or Level 3 based on whether the lowest level input significant to the fair value measurement is observable or unobservable.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. There were no transfers between levels during the year ended 31 December 2015 or 31 December 2014.

### Net gain (loss) on financial assets and liabilities at fair value through profit or loss

<b>For the year ended 31 December</b>	2015	2014
	US\$ 000's	US\$ 000's
Realised gains (losses)		
Securities	18,007	(20,435)
Orbis Global Equity Fund	-	1,493,005
Derivatives	(6,706)	10,651
Change in unrealised gains (losses)		
Securities	(82,944)	(98,280)
Orbis Global Equity Fund	-	(1,568,916)
Derivatives	(3,041)	7,379
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	(74,684)	(176,596)

**Derivative financial instruments.** Subject to its investment restrictions, the Fund may utilise derivative financial instruments, primarily to manage its exposure to currency risk. The Fund only invests in such instruments if they are sufficiently marketable such that an objective market price may be obtained from a third party and they can be realised within a period considered acceptable. Thus, the instruments used are usually forward currency contracts.

The Fund has entered into agreements whereby all its currency transactions with the counterparty to that agreement can be netted in various events of default. On the Statement of Financial Position, unrealised gains and losses on forward currency contracts are offset only when they share the same maturity date, settle in the same currency and are held with the same counterparty. At 31 December 2015, the gross unrealised gains and (losses) on the forward currency contracts held by the Fund were, in thousands, US\$ 15,436 and US\$(11,099) respectively (2014 - US\$15,415 and US\$(8,036)).

### Financial risk management

The Fund's investment activities expose it to a variety of financial risks: market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The investments of the Fund are managed by the Manager in accordance with the investment policy and investment restrictions of the Fund described in the Fund's prospectus.



**Market risk.**

**Currency risk.** Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund holds securities denominated in foreign currencies whose value will fluctuate due to changes in exchange rates. For this reason, part of the Manager's research effort is devoted to forecasting currency trends. Taking into account these expected trends, the Manager actively reviews the Fund's currency exposure. Those currencies held but considered vulnerable may to some extent be sold in favour of those considered more attractive, generally using forward currency contracts. The Fund's currency deployment therefore frequently differs significantly from the geographic deployment of its selected equities.

The table below summarises the main foreign currencies to which the Fund had exposure at the year-end:

	% of net assets	
	2015	2014
Japanese yen	9	3
British pound	7	7
Euro	6	11
Korean won	1	6

The impact on the Fund's net assets of a 5% movement against the US dollar in all currencies to which the Fund was exposed as at 31 December 2015 would have been 2.0% (2014 – 2.2%).

**Interest rate risk.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing. Accordingly the Fund is not subject to significant levels of risk due to fluctuations in the prevailing levels of market interest rates.

**Price risk.** Price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from currency or interest rate risk.

The Fund is exposed to price risk arising from its investments in equity securities. The Manager attempts to mitigate price risk through the use of a consistent and carefully considered investment approach, based on extensive proprietary investment research, appropriate diversification of investments and equity selection in accordance with the investment guidelines of the Fund. In constructing the portfolio, the Manager assesses not only each equity's perceived risk and reward but also, in order to manage risk further by appropriate diversification, its correlation with the rest of the portfolio. The Manager also takes into account the composition of the Fund's performance benchmark, the MSCI World Index and monitors the Fund's risk of underperforming its benchmark by comparing the Fund's weighting in each industry, stockmarket and currency with that of the benchmark and ensuring that deviations in such weightings, which are prompted by detailed "bottom up" research, are not inconsistent with the Manager's "top down" macroeconomic view. The maximum risk resulting from the Fund's financial instruments is equal to their fair value.

Considering the historical correlation between the return of the equities held by the Fund at year-end and the returns of their respective stockmarket indices, the estimated impact on the Fund's net assets of a 5% change in those markets as at 31 December 2015 would have been 4.7% (2014 – 4.7%). Historical correlation may not be representative of future correlation. Actual results may differ and those differences could be material.

**Credit risk.** Credit or counterparty risk arises from the potential inability of a counterparty to a financial instrument to perform its contractual obligations, resulting in a financial loss to the Fund.

Credit risk arises primarily from the Fund's forward currency contracts, cash and cash equivalents and amounts due from brokers. The maximum exposure to credit risk at the year-end is the carrying value of these financial assets.

The Manager seeks to reduce the Fund's credit risk to the extent practicable by dealing only with counterparties which have investment grade ratings from a recognised rating agency; arranging for equity transactions to be settled "delivery versus payment" whenever possible; and, to limit its risk to the amount of any net unrealised gain, by entering into agreements whereby all its currency transactions with the counterparty to that agreement can be netted.

**Liquidity risk.** Liquidity risk is the risk that the Fund will not be able to generate sufficient cash resources to meet its obligations as they fall due.

For the Fund, exposure to liquidity risk may arise from the requirement to meet cash redemption requests, normally payable within 5 business days of any Dealing Day.

The majority of the Fund's investments are actively traded on a stock exchange and can be readily disposed of. The Fund also invests in derivative contracts traded over-the-counter. These may not be able to be liquidated quickly at an amount close to their fair value to meet liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

Fund shares are redeemable weekly on demand at the holder's option, financial liabilities at fair value through profit or loss include forward currency contracts which mature within 6 months of the year-end, and all other payables are due within one month. Although the Fund shares are redeemable on demand, the Manager does not envisage that will be representative of their actual cash outflows.

### Cash and cash equivalents

At the year-end, cash and cash equivalents are comprised of:

	2015	2014
	US\$ 000's	US\$ 000's
Cash	2,956	6,270
US Treasury bills	5,991	10,000
Total cash and cash equivalents	8,947	16,270

### Net assets attributable to holders of redeemable shares

As a Bermuda segregated accounts company, the Company may and, previously while a British Virgin Islands segregated portfolio company, the Company could establish and maintain separate Funds within which all assets and liabilities attributable to each segregated portfolio or segregated account, as applicable, and their respective classes of shares are held. The assets and liabilities of each Fund are legally segregated from the assets and liabilities of any and all other Funds within the Company under the Segregated Accounts Companies Act 2000 of Bermuda. Fund assets shall not be available or used to meet liabilities to, and shall be protected from, any creditors of the Company who are not creditors of that Fund.

At 31 December 2015 and 2014 the authorised share capital of the Company comprises of 12,000 Founders' shares of par value US\$1 each and 500 million Fund shares of par value US\$0.0001 each. Prior to 1 October 2014, the authorised share capital was comprised of 12,000 Founders' shares and an unlimited number of Segregated Portfolio shares, all of no par value.

Fund shares may be issued in one or more classes or series of shares. At 31 December 2015, the Fund offers Base, Core, Founding, and Zero Base Refundable Reserve Fee shares, each of which may have different management fees or eligibility requirements. Within each of those share classes, individual



share classes or individual series within a share class are issued to investors to facilitate calculation of the management fees. On 1 October 2014, a single category of Refundable Reserve Fee Fund shares were in issue which were renamed the Founding Refundable Reserve Fee shares. Fee Reserve Fund shares are issued to the Manager in relation to the performance fee.

Fund and Fee Reserve shares participate pro rata in the net assets and dividends of the Company attributable to those classes of shares. These shares are redeemable at their net asset value and are non-voting. Founders' shares do not participate in the Funds' portfolios, are redeemable at their par value only after all Fund and Fee Reserve shares have been redeemed, and carry the right to vote. If the Company is wound up or dissolved, the Founders' shares would participate only to the extent of their par value. All of the authorised Founders' shares have been issued.

Notwithstanding that the net assets attributable to holders of redeemable Fund shares are classified as a liability in these financial statements, the Manager considers those net assets to represent the Fund's capital. The amount of such net assets can change significantly due to changes in the value of the Fund's investments and from subscriptions or redemptions placed at the discretion of the holders of the redeemable Fund shares. The Fund is not subject to any externally imposed capital requirements.

Fund and Fee Reserve share transactions for the year, in thousands of shares, were as follows:

	Fund shares								Fee Reserve shares	
	Base		Core		Founding		Zero Base		2015	2014
	2015	2014	2015	2014	2015	2014	2015	2014		
Balance at beginning of year	539	-	2,179	-	15,457	20,242	1,699	-	196	664
Subscriptions										
Shareholders	58	6	126	121	420	360	-	-	388	184
Switches between funds	1,205	624	1,522	2,058	1,624	1,069	864	727	12	20
Redemptions										
Shareholders	(407)	(91)	(872)	-	(2,560)	(1,371)	(50)	-	(450)	(591)
Switches between funds	-	-	-	-	(2,241)	(3,871)	-	-	(11)	(81)
Transfer	-	-	-	-	-	(972)	-	972	-	-
Balance at the end of the year	1,395	539	2,955	2,179	12,700	15,457	2,513	1,699	135	196

The Net Asset Value per share in US\$ and the number of shares in issue, in thousands, at 31 December 2015 was:

Base shares	Net Asset Value per Share	Shares*
Class A-14	172.31	10
Class A-15	171.18	55
Class A-16	170.34	763
Class A-19	167.06	94
Class B-4	172.00	6
Class C-13	172.03	9
Class C-15	171.92	25
Class C-16	171.78	75
Class F-6	172.12	48
Class F-7	171.78	53
Class G-8	171.16	36
Class G-9	169.34	5
Class H-8	172.03	10
Class L-4	172.59	33
Class L-5	171.78	127
Class P-6	172.03	10
Class P-8	166.84	6
Class P-9	166.84	6
Class T-9	166.84	6
Class U-9	172.08	11
Class W-4	172.00	6
		1,395
Core shares		
Class A-13	172.92	427
Class C-18	172.09	239
Class G-7	172.66	316
Class H-1	167.26	92
Class K-6	172.39	550
Class N-6	169.97	214
Class P-5	172.39	234
Class S-13	172.09	249
Class T-7	172.10	249
Class U-10	172.09	186
Class V-3	171.41	199
		2,955

Founding shares	Net Asset Value	
	per Share	Shares*
Class A-5	184.64	385
Class A-11	175.85	122
Class C-3	185.85	214
Class C-7	188.55	1,185
Class D-2	191.39	348
Class E-1	189.11	1,191
Class E-4	174.43	539
Class I-2	183.15	750
Class J-2	180.30	319
Class L-1	182.76	297
Class M-2	187.86	931
Class M-6	180.15	332
Class N-4	173.75	143
Class N-5	174.20	152
Class O-10	171.36	123
Class O-11	171.36	265
Class R-5	185.85	48
Class S-3	187.99	555
Class S-5	188.47	577
Class S-10	173.03	57
Class T-3	182.83	920
Class U-4	174.34	221
Class U-6	174.16	80
Class U-7	175.75	283
Class U-8	175.69	224
Class V-1	181.26	2,293
Class W-2	180.81	143
		<u>12,700</u>
<u>Zero Base shares</u>		
Class C-6	190.40	973
Class C-14	173.27	726
Class Q-1	181.40	814
		<u>2,513</u>
Fee Reserve shares	218.84	135

*\*May not sum due to rounding*

During the year ended 31 December 2014, subscription switches of US\$588,514 thousand were settled partly through the contribution of equity investments, and a redemption switch of US\$584,021 thousand was settled partly through the delivery of equity investments.

## **Related party transactions**

The Manager is paid a base fee by the Base Refundable Reserve Fee shares of 0.60% and, by each of the Core and Founding Refundable Reserve Fee shares of between 0.30% and 0.45% per annum of their net assets. The Zero Base Refundable Reserve Fees do not pay a base fee. The Base, Core and Founding Refundable Reserve Fee shares each pay a performance related fee of 25%, and the Zero Base Refundable Reserve Fees shares a fee of 33% of the share class' rate of return versus its performance fee hurdle since the last Dealing Day. At each Dealing Day, the Manager is issued Fee Reserve shares to the extent of any performance fee accrued. The performance fee is partially refundable in the event of future underperformance, with the refund limited to the value of the Fee Reserve shares related to each investor's Refundable Reserve Fee shares and the fee subject to a high water mark should the available refund be exhausted. Prior to 3 October 2014, the Founding Refundable Reserve Fee shares paid a base fee of between 0.30% and 0.75% per annum of net assets and a performance related fee of 25% of the share class' rate of return versus its performance fee hurdle. The Fee Reserve shares bear no fee.

For each investor in the Base, Core and Founding Refundable Reserve Fee share classes, when the value of the related Fee Reserve shares exceeds 3% and 7% per annum of the total Net Asset Value of their Refundable Reserve Fee shares, the Manager is paid in cash at the rate of 1% and 2% per annum, respectively, of the total Net Asset Value of those Refundable Reserve Fee shares. For each investor in the Zero Base Refundable Reserve Fee share classes, payment is made at the rate of 0.75% per annum of the total Net Asset Value of their Refundable Reserve Fee shares, and increased to 1.75% and 2.75% per annum when the value of the related Fee Reserve shares exceeds 3% and 7% per annum, respectively, of the total Net Asset Value of those Refundable Reserve Fee shares.

In 2014 all management fees associated with the Fund's investment in Orbis Global Equity Fund were rebated by its Manager to the Fund. The Manager has agreed that for the year ended 31 December 2015, the operating expenses of the Fund excluding the Manager's fees charged and rebated, will be capped at 0.15% per annum (2014 – 0.15%).

The Company pays director's fees of US\$7,500 per annum (2014 - US\$7,500) to each of John Collis and David Smith. No other directors have received any remuneration or other direct benefit material to them.

The Manager holds all the Fee Reserve shares.

## **Comparative figures**

Certain of the comparative figures have been reclassified in order to conform with current year presentation.

## NOTICES

**Annual General Meeting.** Notice is hereby given that the Annual General Meeting of Orbis Institutional Funds Limited (the "Company") will be held at the offices of Orbis Investment Management Limited, Orbis House, 25 Front Street, Hamilton HM 11, Bermuda on 31 March 2016 at 10:00 am. Members are invited to attend and address the meeting. The Agenda will comprise the following:

- Review of Minutes of the Annual General Meeting of Members of the Company held on 31 March 2015
- Review of 2015 audited financial statements
- Appointment of the Directors of the Company
- Approval of Director's fees for the year to 31 December 2016
- Proposed re-appointment of Ernst & Young as Auditors for the year to 31 December 2016

By Order of the Board, James J Dorr, Secretary

**Notice to Persons in the European Economic Area (EEA).** The Fund 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.

**EU Savings Directive.** Orbis' assessment is that the Fund is 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 Fund, 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.

**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 Fund's Prospectus, Application Form and (for Members who elect to view their account online at [www.orbis.com](http://www.orbis.com)) the terms of use of Orbis' website. These services are not a type of financial service to which cancellation rights apply.

**Other.** This Report does not constitute a financial promotion, a recommendation, an offer to sell or a solicitation to buy shares or units of the Fund. Subscriptions are only valid if made on the basis of the current Prospectus of the Fund. Certain capitalised terms are defined in the Glossary section of the Fund's Prospectus, a copy of which is available upon request. Orbis Investment Management Limited is licensed to conduct investment business by the Bermuda Monetary Authority.



ORBIS INVESTMENT MANAGEMENT LIMITED • ORBIS HOUSE, 25 FRONT STREET, HAMILTON HM 11, BERMUDA.

TELEPHONE: +1 (441) 296 3000 • FACSIMILE: +1 (441) 296 3001 • E-MAIL: [clientservice@orbis.com](mailto:clientservice@orbis.com) • WEB SITE: [www.orbis.com](http://www.orbis.com)