

2017 AUDITED
Financial
Statements



ORBIS INSTITUTIONAL
OPTIMAL (EURO)
Fund

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DIRECTORY

Registered office and mailing address

Orbis Institutional Optimal (Euro) Fund
Orbis Institutional Funds Limited
Orbis House
25 Front Street
Hamilton HM 11
Bermuda

Directors

William Gray (Chairman)
Orbis Investment Management Limited
Bermuda

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

John C. R. Collis
Consultant
Bermuda

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

James Dorr
Orbis Investment Advisory Limited
London, United Kingdom

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

E. Barclay Simmons
ASW Law Limited
Bermuda

E. Barclay Simmons is the Chief Executive Officer of ASW Law Limited and a Director of the Orbis Funds.

David T. Smith
Ecosse Limited
Bermuda

David T. Smith is the Managing Director of Ecosse Limited and a Director of the Orbis Funds.



APPOINTMENTS

Manager

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

Investment Advisors to the Manager

Orbis Investment Advisory Limited
28 Dorset Square
London NW1 6QG
United Kingdom

Orbis Portfolio Management (Europe) LLP
28 Dorset Square
London NW1 6QG
United Kingdom

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

Auditors

Ernst & Young LLP
EY Tower
100 Adelaide Street West, PO Box 1
Toronto, Ontario
Canada M5H 0B3

Custodian

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

Administrator and Registrar

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

* Licensed to conduct investment business by the Bermuda Monetary Authority

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Orbis Institutional Funds Limited and the Members of
Orbis Institutional Optimal (Euro) Fund (the "Fund"):

We have audited the accompanying financial statements of the Fund, which comprise the statement of financial position as at 31 December 2017, 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 12.

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 2017, 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
23 January 2018

Chartered Professional Accountants
Licensed Public Accountants

ORBIS INSTITUTIONAL OPTIMAL (EURO) FUND

STATEMENT OF FINANCIAL POSITION (€ 000's)

As at 31 December	2017	2016
Assets		
Financial assets at fair value through profit or loss		
Orbis Optimal (Euro) Fund	105,763	101,259
Cash and cash equivalents	25	11
Manager's fees refunded	-	79
Rebate of Manager's fees charged to Orbis fund	147	127
	105,935	101,476
Liabilities		
Manager's fees payable	710	61
Other payables and accrued liabilities	25	30
	735	91
Net assets attributable to holders of redeemable Fund shares	105,200	101,385



William Gray,
on behalf of the Board of Directors
23 January 2018

See accompanying notes on page 7

ORBIS INSTITUTIONAL OPTIMAL (EURO) FUND

STATEMENT OF COMPREHENSIVE INCOME (€ 000's)

For the year ended 31 December	2017	2016
Income		
Net gain on financial assets and liabilities at fair value through profit or loss	3,669	6,540
Other foreign currency gain	2	-
	3,671	6,540
Expenses		
Rebate of Manager's fees charged to Orbis fund	(1,662)	(1,428)
Manager's fees	1,959	2,592
Administration, professional fees and other	32	43
	329	1,207
Increase in net assets attributable to holders of redeemable Fund shares	3,342	5,333

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE FUND SHARES (€ 000's)

For the year ended 31 December	2017	2016
Balance at beginning of year	101,385	102,435
Increase in net assets attributable to holders of redeemable Fund shares from operations	3,342	5,333
Shareholders' activity during the year		
Subscriptions		
Shareholders	1,013	2,084
Redemptions		
Shareholders	(540)	(8,467)
Balance at end of year	105,200	101,385

See accompanying notes on page 7

ORBIS INSTITUTIONAL OPTIMAL (EURO) FUND

STATEMENT OF CASH FLOWS (€ 000's)

For the year ended 31 December	2017	2016
Cash flows from operating activities		
Proceeds from realisation of investments	-	8,327
Purchases of investments	(832)	(725)
Manager's fees paid	(759)	(681)
Rebate of Manager's fees charged to Orbis fund received	1,642	1,411
Operating expenses paid	(37)	(35)
Net cash provided by operating activities	14	8,297
Cash flows from financing activities		
Payments on redemption of redeemable Fund shares	-	(8,322)
Net cash used in financing activities	-	(8,322)
Net increase (decrease) in cash and cash equivalents	14	(25)
Cash and cash equivalents – beginning of year	11	36
Cash and cash equivalents – end of year	25	11

See accompanying notes on page 7

General information

Orbis Institutional Optimal (Euro) Fund (the “Fund”) is a sub-fund of Orbis Institutional Funds Limited (the “Company”), a Bermuda mutual fund registered as a segregated accounts company. The Company’s registered office is located at Orbis House, 25 Front Street, Hamilton, Bermuda.

The Fund seeks long-term capital appreciation by investing in Orbis Optimal Overlay Funds Limited - Euro Class (“Orbis Optimal (Euro)”).

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 23 January 2018.

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 the investment in Orbis Optimal (Euro) is based on its net asset value at the year-end date as this represents the price at which the Fund would transact in these shares. Should this price be unavailable or 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 their fair value.

Classification. The Fund’s investment in Orbis Optimal (Euro) is classified as designated at fair value through profit or loss upon initial recognition as it is managed and its performance is evaluated on a fair value basis in accordance with the Fund’s investment strategy.

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 euro, 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 date of the transaction. 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.

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

Income and expenses. Income and expenses are recorded on an accrual basis. 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.

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. Changes in relevant assumptions could affect the fair value reported in these financial statements.

Standards issued but not yet effective. *IFRS 9 Financial Instruments* will replace *International Accounting Standards ("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 and is effective beginning 1 January 2018. The Fund has determined there will be no material implications to the Fund's financial statements from adopting IFRS 9.

Fair value measurement

Fair value hierarchy. The Fund's financial instruments measured at fair value are categorised within a three-level fair value hierarchy, based on the lowest 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.

The investment in Orbis Optimal (Euro), whose fair value is based on its net asset value per share, is classified as a Level 2 investment.

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 2017 or 31 December 2016.

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

For the year ended 31 December	2017	2016
	€ 000's	€ 000's
Orbis Optimal (Euro)		
Realised losses	-	(106)
Change in unrealised gains	3,669	6,646
Net gain on financial assets and liabilities at fair value through profit or loss	3,669	6,540

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 fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund invests substantially all its net assets in Orbis Optimal (Euro) and as a result indirectly holds securities denominated in foreign currencies whose value will fluctuate due to changes in exchange rates. The currency exposures of that Fund are managed, principally by using forward currency contracts to hedge most or all its currency exposure by selling forward dollars into euro.

At 31 December 2017 through its investment in Orbis Optimal (Euro), the Fund's total exposure to foreign currencies was 9% (2016 – 9%) with no significant exposure to any single currency. The impact on the Fund's net assets of a 5% movement against the euro in all currencies to which the Fund was exposed as at 31 December 2017 would have been 0.4% (2016 – 0.4%).

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 and Orbis Optimal (Euro)'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 investment in Orbis Optimal (Euro) which indirectly invests in equity securities and index futures. To protect investors from the risk of monetary loss arising from unexpected stockmarket declines, Orbis Optimal (US\$) Fund, a fund in which Orbis Optimal (Euro) invests, augments its equity exposure obtained by investing in equity funds with a substantial core level of hedging, principally by holding a basket of stockmarket-based derivatives. The result is that the Optimal Funds' returns are driven mainly by Orbis' ability to select equities that outperform their respective stockmarket indices and not by the overall direction of equity markets. Orbis Optimal (US\$) Fund never seeks to profit from an overall decline in world stockmarkets by establishing a net negative exposure to overall world stockmarkets.

Considering the historical correlation between the return of the underlying equities held by the equity funds 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 2017 would have been 0.4% (2016 – 0.1%). 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 cash and cash equivalents. 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 that meet our strict contractual terms and trading practices, designed to mitigate counterparty insolvency risk.

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 five business days of any Dealing Day.

The Fund invests substantially all its net assets in Orbis Optimal (Euro) which indirectly invests in other equity funds. The majority of those equity funds' investments are actively traded on a stock exchange and can be readily disposed of. Orbis Optimal (Euro) and all funds in which it directly or indirectly invests offer weekly dealing.

Fund shares are redeemable weekly on demand at the holder's option and all other payables are due within one month.

Net assets attributable to holders of redeemable shares

As a Bermuda segregated accounts company, the Company may 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 2017 and 2016, 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.

Fund shares may be issued in one or more classes or series of shares. At 31 December 2017, the Fund offers Core Refundable Reserve Fee shares, within which individual share classes or individual series within a share class are issued to investors to facilitate calculation of the management fees. 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	
	2017	2016	2017	2016
Balance at beginning of year	3,699	4,031	58	-
Subscriptions				
Shareholders	-	-	29	62
Redemptions				
Shareholders	-	(332)	(16)	(4)
Balance at end of year	3,699	3,699	71	58

The Net Asset Value per share in euro at 31 December 2017 was:

E-6 Core	27.74
Fee Reserve shares	36.43

Investment in Orbis Optimal (Euro)

The Fund meets the definition of an investment entity within *IFRS 10 Consolidated Financial Statements* and measures its investment in Orbis Optimal (Euro) at fair value through profit or loss. At 31 December 2017, the Fund owned 13.6% (2016 – 12.5%) of the non-voting shares of Orbis Optimal Overlay Funds Limited, a Bermuda company with its principal place of business in Bermuda, which includes both the Optimal (Euro) and Optimal (Yen) share classes.

The table below presents additional information on Orbis Optimal Overlay Funds Limited's investment in Orbis Optimal (US\$) Fund and Orbis Optimal (US\$) Fund's investments in other funds at the year-end:

	Ownership %	
	2017	2016
Optimal Overlay		
Orbis Optimal (US\$) Fund	32.8	31.4
Optimal (US\$)		
Orbis Institutional Global Equity (OFO) Fund	100.0	-
Orbis Institutional Emerging Markets Equity L.P.	100.0	100.0
Orbis Global Equity Fund	-	15.3
Orbis SICAV - Japan Equity Fund	25.7	30.0
Orbis SICAV - International Equity Fund	23.8	31.4
Orbis SICAV - Japan Core Equity Fund	-	100.0
Orbis SICAV - Emerging Markets Equity Fund	-	3.2
Allan Gray Africa Equity Fund	68.7	90.6

The Orbis SICAV funds are domiciled in Luxembourg, Orbis Institutional Emerging Markets Equity L.P. in the United States and all other funds in Bermuda. Each fund's principal place of business is the same as its domicile.

Related party transactions

The Core Refundable Reserve Fee shares pay the Manager a base fee of 0.75% per annum of their net assets and a performance-related fee of 25% of the share class' rate of return versus the Fund's 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. The Fee Reserve shares bear no fee.

For each investor in the Core Refundable Reserve Fee share classes, when the value of the related Fee Reserve shares exceeds 3% and 7% 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.

All management fees associated with the Fund's investment in Orbis Optimal (Euro) are rebated by its Investment Manager to the Fund. The Manager has agreed that for the year ended 31 December 2017, the operating expenses of the Fund, excluding the Manager's fees charged and rebated, will be capped at 0.15% per annum (2016 – 0.15%).

The Company pays Director's fees of US\$7,500 (2016 – US\$7,500) per annum to each of John Collis, Barclay Simmons and David Smith. No other directors have received any remuneration or other direct benefit material to them.

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 Investment Managers and Investment Advisors, held all the E-6 Core (2016 – all the E-6 Core) Refundable Reserve Fee Fund shares.

The Manager holds all the Fee Reserve shares.

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 29 March 2018 at 10:00am. 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 2017
- Review of 2017 audited financial statements
- Appointment of the Directors of the Company
- Approval of Director's fees for the year to 31 December 2018
- Proposed re-appointment of Ernst & Young as Auditors for the year to 31 December 2018

By Order of the Board, James 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.

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, account opening form, application form and (for Members who elect to view their account online at www.orbis.com) the Orbis Funds Portfolio Services Agreement. 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 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.

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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 • WEB SITE: www.orbis.com