

2016 AUDITED  
Financial  
Statements



ORBIS OPTIMAL  
*Funds*

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## DIRECTORY

### Registered office and mailing address

Orbis Optimal (US\$) Fund Limited and  
Orbis Optimal Overlay Funds Limited  
Orbis House  
25 Front Street  
Hamilton HM 11  
Bermuda

### Directors

William B Gray (Chairman)  
Orbis Investment Management Limited  
Bermuda

William B Gray is the President and a Director of the Orbis Funds and Orbis Investment Management Limited and Chief Investment Officer of Orbis Investment Management Limited. He was appointed Chairman of the Orbis Funds effective 31 March 2016.

John C R Collis  
Consultant  
Bermuda

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

E Barclay Simmons  
ASW Law Limited  
Bermuda

E Barclay Simmons is the Chief Executive Officer of ASW Law Limited and was appointed a Director of the Orbis Funds effective 31 March 2016.

David T Smith  
Ecosse Limited  
Bermuda

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



## APPOINTMENTS

### **Investment 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

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  
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

\*\* Investment Advisor to 31 December 2016

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Members of

Orbis Optimal (US\$) Fund Limited and Orbis Optimal Overlay Funds Limited

(collectively the "Funds"):

We have audited the accompanying financial statements of the Funds, which comprise the statements of financial position as at 31 December 2016, 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 and 8 and 12 to 21.

## 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 Funds' 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 Funds' 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 Funds as at 31 December 2016, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst & Young LLP*

Toronto, Canada  
25 January 2017

Chartered Professional Accountants  
Licensed Public Accountants

# ORBIS OPTIMAL (US\$) FUND

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

As at 31 December	2016	2015
<b>Assets</b>		
Financial assets at fair value through profit or loss		
Equity funds	2,377,786	2,382,422
Derivatives	12,364	21,158
Cash and cash equivalents	219,733	281,546
Subscriptions receivable	14,608	-
Margin balances at brokers	151,296	118,050
	<b>2,775,787</b>	<b>2,803,176</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss		
Derivatives	40,128	26,321
Redemptions payable	2,647	-
Other payables and accrued liabilities	148	197
	<b>42,923</b>	<b>26,518</b>
<b>Net assets attributable to holders of redeemable Fund shares</b>	<b>2,732,864</b>	<b>2,776,658</b>



William B Gray,  
on behalf of the Board of Directors  
24 January 2017

See accompanying notes on page 13

## ORBIS OPTIMAL (US\$) FUND

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

For the year ended 31 December	2016	2015
<b>Income</b>		
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	196,584	(5,729)
Other foreign currency gain (loss)	(5,718)	(14,187)
Dividends and interest	5,852	485
	<b>196,718</b>	<b>(19,431)</b>
<b>Expenses</b>		
Transaction costs	1,179	1,350
Administration, custody fees and other	457	523
	<b>1,636</b>	<b>1,873</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable Fund shares</b>	<b>195,082</b>	<b>(21,304)</b>

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

For the year ended 31 December	2016	2015
<b>Balance at beginning of year</b>	<b>2,776,658</b>	<b>3,727,023</b>
Increase (decrease) in net assets attributable to holders of redeemable Fund shares from operations	195,082	(21,304)
Shareholders' activity during the year		
Subscriptions		
Orbis funds	276,340	449,139
Other shareholders	108,544	36,658
Switches between funds	43,744	210,424
Redemptions		
Orbis funds	(340,677)	(1,039,860)
Other shareholders	(179,633)	(188,768)
Switches between funds	(147,194)	(396,654)
<b>Balance at end of year</b>	<b>2,732,864</b>	<b>2,776,658</b>

See accompanying notes on page 13

# ORBIS OPTIMAL (US\$) FUND

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

For the year ended 31 December	2016	2015
<b>Cash flows from operating activities</b>		
Proceeds from realisation of investments and currencies	638,377	895,645
Purchases of investments	(415,297)	(53,882)
Decrease (increase) in margin balances at brokers	(33,246)	86,101
Interest received	1,394	729
Interest paid	(518)	(244)
Operating expenses paid	(1,685)	(1,867)
<b>Net cash provided by (used in) operating activities</b>	<b>189,025</b>	<b>926,482</b>
<b>Cash flows from financing activities</b>		
Proceeds from subscription of redeemable Fund shares	414,019	696,221
Payments on redemption of redeemable Fund shares	(664,857)	(1,625,282)
<b>Net cash provided by (used in) financing activities</b>	<b>(250,838)</b>	<b>(929,061)</b>
Net decrease in cash and cash equivalents	(61,813)	(2,579)
Cash and cash equivalents – Beginning of Year	281,546	284,125
<b>Cash and cash equivalents – End of Year</b>	<b>219,733</b>	<b>281,546</b>

See accompanying notes on page 13



# ORBIS OPTIMAL (US\$) FUND

## SCHEDULE OF INVESTMENTS AT 31 DECEMBER 2016 (US\$ 000's)

### Equity Funds

Security	Fair Value	% of Net Assets
Orbis Global Equity Fund	1,153,617	42
Orbis SICAV - Japan Equity Fund - Investor Yen Class	574,419	21
Orbis SICAV - International Equity Fund - Institutional Investor Class	339,664	12
Allan Gray Africa Equity Fund	153,043	6
Orbis SICAV - Emerging Markets Equity Fund - Investor Class	87,265	3
Orbis Institutional Emerging Markets Equity L.P. - Core Refundable Reserve Fee Class	37,294	1
Orbis SICAV - Japan Core Equity Fund	32,484	1
<b>Total equity funds</b>	<b>2,377,786</b>	<b>87</b>

May not sum due to rounding

### Derivatives

	Unrealised Gain (Loss)
Stock index futures gain	2,335
Forward currency contracts gain	10,029
<b>Total derivative assets</b>	<b>12,364</b>
Stock index futures loss	(38,807)
Forward currency contracts loss	(1,321)
<b>Total derivative liabilities</b>	<b>(40,128)</b>

### Stock Index Futures Sold

Contract	Fair Value	Unrealised Gain (Loss)
US: E-mini S&P 500 3/2017	(543,620)	(1,167)
E-mini Russell 2000 3/2017	(247,499)	648
Japan: Nikkei 225 3/2017	(382,966)	(14,989)
TOPIX 3/2017	(328,286)	(9,456)
UK: FTSE 100 3/2017	(150,217)	(4,540)
South Africa: FTSE/JSE Top 40 3/2017	(129,094)	1,591
Korea: KOSPI 200 3/2017	(71,407)	(2,080)
Australia: SPI 200 3/2017	(47,947)	(937)
Hong Kong: Hang Seng 1/2017	(47,155)	(966)
China: H shares 1/2017	(44,915)	(1,165)
Europe: Euro STOXX 50 3/2017	(36,677)	(1,037)
Singapore: MSCI Singapore 1/2017	(34,204)	(11)
Germany: DAX 3/2017	(32,562)	(789)
India: CNX Nifty 1/2017	(18,219)	(333)
Malaysia: FTSE KLCI 1/2017	(17,737)	(119)

See accompanying notes on page 13

# ORBIS OPTIMAL (US\$) FUND

## SCHEDULE OF INVESTMENTS AT 31 DECEMBER 2016 (US\$ 000's) (CONTINUED)

### Stock Index Futures Sold (Continued)

Contract	Fair Value	Unrealised Gain (Loss)
Netherlands: AEX 1/2017	(13,111)	(356)
Taiwan: MSCI Taiwan 1/2017	(11,586)	(142)
France: CAC40 1/2017	(10,333)	(163)
Italy: FTSE MIB 3/2017	(9,394)	(455)
Sweden: OMXS30 1/2017	(7,204)	97
Spain: IBEX 35 1/2017	(5,094)	(103)
Canada: S&P/TSX 60 3/2017	(134)	(1)
<b>Total</b>	<b>(2,189,360)</b>	<b>(36,472)</b>

May not sum due to rounding

### Forward Currency Contracts

Currency	Contract Value	Contract Value	Fair Value	Unrealised Gain (Loss)
	000's	US\$ 000's	US\$ 000's	US\$ 000's
AUD	(63,169)	(47,632)	(45,473)	2,158
CAD	(86,281)	(65,370)	(64,298)	1,072
CHF	-	32	-	(32)
CNH	(136,900)	(19,165)	(19,229)	(64)
DKK	(505,412)	(73,691)	(71,971)	1,720
EUR	(174,300)	(184,297)	(184,302)	(5)
GBP	(115,683)	(144,603)	(142,988)	1,615
JPY	(98,411,493)	(849,045)	(845,842)	3,203
KRW	(59,210,000)	(51,170)	(49,026)	2,144
ZAR	(2,302,300)	(161,228)	(164,332)	(3,104)
		<b>(1,596,169)</b>	<b>(1,587,461)</b>	<b>8,708</b>

May not sum due to rounding

See accompanying notes on page 13

# ORBIS OPTIMAL OVERLAY FUNDS - OPTIMAL (EURO) AND (YEN)

## STATEMENT OF FINANCIAL POSITION (€ 000's)

As at 31 December	2016	2015
<b>Assets</b>		
Financial assets at fair value through profit or loss		
Orbis Optimal (US\$) Fund	815,277	761,048
Derivatives	229	4,006
Cash and cash equivalents	718	925
	<b>816,224</b>	<b>765,979</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss		
Derivatives	7,226	7,539
Redemptions payable	244	-
Other payables and accrued liabilities	50	58
	<b>7,520</b>	<b>7,597</b>
<b>Net assets attributable to holders of redeemable Fund shares</b>	<b>808,704</b>	<b>758,382</b>



William B Gray,  
on behalf of the Board of Directors  
24 January 2017

See accompanying notes on page 13

## ORBIS OPTIMAL OVERLAY FUNDS - OPTIMAL (EURO) AND (YEN)

### STATEMENT OF COMPREHENSIVE INCOME (€ 000's)

For the year ended 31 December	2016	2015
<b>Income</b>		
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	64,326	21,878
Other foreign currency gain (loss)	(78)	(16,684)
	<b>64,248</b>	<b>5,194</b>
<b>Expenses</b>		
Administration, professional fees and other	114	126
	<b>114</b>	<b>126</b>
<b>Increase in net assets attributable to holders of redeemable Fund shares</b>	<b>64,134</b>	<b>5,068</b>

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

For the year ended 31 December	2016	2015
<b>Balance at beginning of year</b>	<b>758,382</b>	<b>922,220</b>
Increase in net assets attributable to holders of redeemable Fund shares from operations	64,134	5,068
Shareholders' activity during the year		
Subscriptions		
Orbis funds	97,480	250,522
Other shareholders	6,612	54,415
Switches between funds	13,891	108,842
Redemptions		
Orbis funds	(47,247)	(263,521)
Other shareholders	(21,606)	(29,963)
Switches between funds	(62,942)	(289,201)
<b>Balance at end of year</b>	<b>808,704</b>	<b>758,382</b>

See accompanying notes on page 13

## ORBIS OPTIMAL OVERLAY FUNDS - OPTIMAL (EURO) AND (YEN)

### STATEMENT OF CASH FLOWS (€ 000's)

For the year ended 31 December	2016	2015
<b>Cash flows from operating activities</b>		
Proceeds from realisation of investments and currencies	124,136	384,484
Purchases of investments	(110,654)	(216,110)
Interest paid	(1)	(3)
Operating expenses paid	(121)	(112)
<b>Net cash provided by (used in) operating activities</b>	<b>13,360</b>	<b>168,259</b>
<b>Cash flows from financing activities</b>		
Proceeds from subscription of redeemable Fund shares	117,983	413,779
Payments on redemption of redeemable Fund shares	(131,550)	(582,684)
<b>Net cash provided by (used in) financing activities</b>	<b>(13,567)</b>	<b>(168,905)</b>
Net decrease in cash and cash equivalents	(207)	(646)
Cash and cash equivalents – Beginning of Year	925	1,571
<b>Cash and cash equivalents – End of Year</b>	<b>718</b>	<b>925</b>

See accompanying notes on page 13

# ORBIS OPTIMAL OVERLAY FUNDS - OPTIMAL (EURO) AND (YEN)

## SCHEDULE OF DERIVATIVES AT 31 DECEMBER 2016 (€ 000's)

### Forward Currency Contracts

Currency	Contract Value	Contract Value	Fair Value	Unrealised Gain (Loss)
	000's	€ 000's	€ 000's	€ 000's
DKK	24,585	3,387	3,338	(50)
HKD	(110,184)	(13,522)	(13,509)	13
JPY	15,661,104	128,806	127,983	(823)
SGD	(15,142)	(10,255)	(9,934)	321
TWD	(307,035)	(9,179)	(9,014)	165
USD	(651,271)	(609,294)	(615,918)	(6,624)
		<b>(510,056)</b>	<b>(517,053)</b>	<b>(6,997)</b>

May not sum due to rounding

See accompanying notes on page 13

## General information

Orbis Optimal (US\$) Fund Limited (“Optimal (US\$)”) and Orbis Optimal Overlay Funds Limited (“Optimal Overlay”) (collectively the “Funds” or singularly a “Fund”) are open-ended mutual fund companies incorporated in Bermuda, with their registered office located at Orbis House, 25 Front Street, Hamilton, HM 11, Bermuda.

The Funds seek capital appreciation on a low risk global portfolio by investing in Orbis’ preferred mix of equities principally via investment in Orbis’ equity strategies. The risk of loss is managed with stockmarket and currency hedging. The Funds are managed in US dollar, euro or Japanese yen.

On 1 January 2006, Orbis Optimal (Euro) Fund Limited launched a Japanese Yen share class and was renamed Orbis Optimal Overlay Funds Limited. Throughout the financial statements these Funds may also be referred to as “Optimal (Euro) and (Yen)”.

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

These financial statements were authorised for issue by the Board of Directors on 24 January 2017.

## 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 Funds’ 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 in funds is based on their net asset value at the year-end date as this is the price at which the Fund would transact in these shares. The fair value of investments not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques commonly applied by market participants, making the maximum use of market inputs and assumptions based on existing market conditions. Should any 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 fair value.

**Classification.** The Funds' 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 each Fund's investment strategy, which includes investments in funds.

(ii) *Held for trading*

Derivatives held by the Funds, which include forward currency and futures 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 Funds do not designate any of their 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 intend to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Foreign Currency Translation.** The Funds' functional and presentation currencies are, for Optimal (US\$) the US dollar and for Optimal Overlay the euro, being the currencies in which the majority of the Fund's 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.

**Margin balances at brokers.** Margin balances at brokers represent the initial margin paid, net of any variation margin paid or received, in respect of futures positions.

**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 Funds or its shareholders in respect of shares in the Funds. The Bermuda Government has undertaken that, in the event that any such Bermuda taxes are levied in Bermuda in the future, the Funds and their 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. The Funds 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 are used, they are validated and periodically reviewed. Changes in relevant assumptions could affect the fair values reported in the financial statements.

**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 Funds are in the process of assessing the impact of *IFRS 9* and have not yet determined when they will adopt the new standard.

### Fair value measurement

**Fair value hierarchy.** The table below categorises the Funds' 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.

<b>Optimal (US\$)</b>	Level 1 US\$ 000's	Level 2 US\$ 000's	Total US\$ 000's
<b>31 December 2016</b>			
Financial assets at fair value through profit or loss			
Equity funds	-	2,377,786	2,377,786
Forward currency contracts	-	10,029	10,029
Stock index futures	2,335	-	2,335
Financial liabilities at fair value through profit or loss			
Forward currency contracts	-	(1,321)	(1,321)
Stock index futures	(38,807)	-	(38,807)
<b>31 December 2015</b>			
Financial assets at fair value through profit or loss			
Equity funds	-	2,382,422	2,382,422
Forward currency contracts	-	6,552	6,552
Stock index futures	14,606	-	14,606
Financial liabilities at fair value through profit or loss			
Forward currency contracts	-	(2,022)	(2,022)
Stock index futures	(24,299)	-	(24,299)

All of Optimal Overlay's financial instruments are Level 2 investments.

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

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 2016 or 31 December 2015.

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

<b>For the year ended 31 December</b>	<b>2016</b>	<b>2015</b>
<b>Optimal (US\$)</b>	US\$ 000's	US\$ 000's
Realised gains (losses)		
Equity funds	222,299	261,082
Derivatives	(96,051)	39,599
Change in unrealised gains (losses)		
Equity funds	92,937	(309,520)
Derivatives	(22,601)	3,110
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	196,584	(5,729)
<b>Optimal (Euro) and (Yen)</b>	€ 000's	€ 000's
Realised gains (losses)		
Optimal (US\$)	24,587	67,227
Derivatives	(22,568)	(102,441)
Change in unrealised gains (losses)		
Optimal (US\$)	65,771	38,923
Derivatives	(3,464)	18,169
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	64,326	21,878

**Derivative financial instruments.** Subject to its investment restrictions, the Funds may utilise derivative financial instruments, primarily to manage their exposure to currency and stockmarket risk. The Funds only invest 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 exchange traded stock index futures contracts, exchange traded options and forward currency contracts.

Each Fund has entered into agreements whereby all currency transactions with the counterparty to that agreement can be netted and, following various events of default, futures counterparties and or the Fund may set-off amounts due to be paid to or by it. 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 2016, the gross unrealised gains and (losses) on the forward currency contracts held by the Funds were, in thousands, for Optimal (US\$) US\$27,800 and US\$(19,092) respectively (2015 - US\$ 20,923 and US\$(16,393)) and for Optimal (Euro) and (Yen) €2,810 and €(9,807) respectively (2015 - €6,174 and €(9,707)).

## Financial risk management

Each 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.

Investments are managed by the Manager in accordance with the investment policy and investment restrictions of the Fund described in the Funds' 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.

As a result of its investments in equity funds, each Fund indirectly holds securities denominated in foreign currencies whose value will fluctuate due to changes in exchange rates. Their currency exposures are therefore managed, principally by using forward currency contracts to sell unwanted currency exposure arising from its indirect equity investments. For Optimal (US\$), such currency sales are normally in favour of the US dollar, being the currency in which that Fund would invest if the Manager was impartial between all currencies. Optimal (Euro) and (Yen) invest substantially all of their assets in Optimal (US\$) and hedge most or all their currency exposure by selling forward US dollars into euro and yen, respectively. The Funds may include exposure to other currencies if the prospective returns from doing so are expected to justify the associated risk.

At 31 December 2016, Optimal (US\$)'s total exposure to foreign currencies was 13% (2015 - 7%) with no significant exposure to any single currency. The main foreign currency to which Optimal Overlay had exposure was Japanese yen at 16% (2015 - 15%). The impact on net assets of a 5% movement in all foreign currencies to which the Funds are exposed, relative to their functional currencies as at 31 December 2016 would have been, for Optimal (US\$) 0.6% (2015 - 0.4%), and for Optimal Overlay 1.2% (2015 - 1.1%).

*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 Funds' financial assets and liabilities are non-interest bearing. Accordingly, the Funds are not subject to significant levels of risk due to fluctuations in the prevailing levels of market interest rates. Cash, cash equivalents and margin balances at brokers earn interest at market 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 risk or interest rate risk.

Optimal (US\$) is exposed to price risk arising from its indirect investments in equity securities and its direct investments in index futures. To protect investors from the risk of monetary loss arising from unexpected stockmarket declines, it 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 Optimal (US\$)'s returns are driven mainly by the Manager's ability to select equities that outperform their respective stockmarket indices and not by the overall direction of equity markets. Optimal (US\$) never seeks to profit from an overall decline in world stockmarkets by establishing a net negative exposure to overall world stockmarkets. As Optimal Overlay invests substantially all of its net assets in Optimal (US\$), it has the same exposure to price risk.

The following table details Optimal (US\$)'s stockmarket exposure by geographic region at the year-end:

	% of net assets					
	2016			2015		
	Equity Exposure	Portfolio Hedging	Accounting Exposure	Equity Exposure	Portfolio Hedging	Accounting Exposure
Japan	29	(26)	3	25	(25)	-
North America	22	(29)	(7)	18	(22)	(4)
Asia ex-Japan	14	(9)	5	13	(2)	10
Europe	13	(10)	3	23	(20)	3
Other	9	(6)	3	6	(2)	4
	86	(80)	6	85	71	14

*May not sum due to rounding*

Considering the historical correlation between the returns of the underlying equities held by the equity funds at year-end and the returns of their respective stockmarket indices, the estimated impact on each Fund's net assets of a 5% change in those markets as at 31 December 2016 would have been 0.1% (2015 – 0.3%). 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 Funds' forward currency and futures contracts, cash and cash equivalents, margin balances with 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 each Fund's credit risk to the extent practicable by dealing only with counterparties which have investment grade ratings from a recognised rating agency and, to limit its risk to the amount of any net unrealised gain, by entering into agreements whereby all their currency transactions with the counterparty to that agreement can be netted.

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

For the Funds, exposure to liquidity risk may arise from the requirement to meet cash redemption requests, normally payable within five business days of any weekly Dealing Day, and daily margin calls on stock index futures.

The Funds invest the majority of their assets in other funds which are redeemable weekly. The majority of the equity funds' investments are actively traded on a stock exchange and can be readily disposed of. The Funds also invest 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 and futures contracts which mature within six and three months, respectively, 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 for Optimal (US\$) are comprised of:

	2016 US\$ 000's	2015 US\$ 000's
Cash	28,418	51,742
USTreasury bills	191,315	229,804
Total cash and cash equivalents	219,733	281,546

## Net assets attributable to holders of redeemable shares

Each Fund issues two classes of redeemable shares, Fund and Founders' shares, both of which are classified as financial liabilities. 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 each Fund's capital. The amount of such net assets can change significantly due to changes in the value of each Fund's investments and from weekly subscriptions or redemptions placed at the discretion of the holders of the redeemable Fund shares. The Funds are not subject to any externally imposed capital requirements.

At 31 December 2016 and 2015, Optimal (US\$)'s authorised share capital comprises 200 million redeemable Fund shares and 12,000 redeemable Founder's shares and Optimal Overlay's authorised share capital comprises 100 million redeemable Fund shares and 12,000 redeemable Founders' shares, all with a US\$1 par value. Fund shares participate pro rata in their Fund's net assets and dividends, are redeemable at the holder's option at their net asset value per share on any weekly Dealing Day and are non-voting. At the year-end they are carried at their redemption value which is equivalent to their net asset value. Founders' shares do not participate in their Fund's net assets, are redeemable at the holder's option at par value only after all Fund shares have been redeemed and carry the right to vote. All authorised Founders' shares are issued, fully paid, carried at their par value of, in thousands, US\$12 (2015 – US\$12) for Optimal (US\$) and €11 (2015 – €11) for Optimal Overlay and are included in Other payables and accrued liabilities on the Statement of Financial Position. There were no transactions in Founders' shares in 2016 or 2015.

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

	Optimal (US\$)		Optimal Overlay			
			(Euro)		(Yen)	
	2016	2015	2016	2015	2016	2015
Balance at beginning of year	37,513	50,112	24,693	35,682	16,164	2,570
Subscriptions						
Orbis funds	3,604	6,068	3,091	5,226	1,959	14,629
Other shareholders	1,405	494	226	2,115	74	108
Switches between funds	566	2,874	507	4,281	53	-
Redemptions						
Orbis funds	(4,501)	(14,109)	(699)	(10,019)	(2,974)	(1,021)
Other shareholders	(2,367)	(2,543)	(807)	(1,174)	(62)	(7)
Switches between funds	(1,921)	(5,383)	(2,410)	(11,418)	(1)	(115)
Balance at end of year	34,299	37,513	24,601	24,693	15,213	16,164

The Net Asset Value per Fund share at 31 December 2016 was:

Optimal (US\$)	US\$79.68
Optimal (Euro)	€27.20
Optimal (Yen)	¥1,128

### Investments in funds

The Funds meet the definition of investment entities within *IFRS 10 Consolidated Financial Statements* and measure their investments in other funds at fair value through profit or loss. Orbis Optimal (US\$)'s investments in other funds are as detailed in the Schedule of Investments. Optimal Overlay invests in Optimal (US\$).

The table below presents additional information on each Fund's investments in other funds at the year-end. 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. Each share of an Orbis SICAV fund, along with all other shares in issue irrespective of the Class or Fund to which they belong, is entitled to one vote at all general meetings of shareholders. The percentage of voting rights held by Optimal (US\$) in Orbis SICAV is provided below. All other investments are in non-voting securities.

	Ownership %		Voting rights %	
	2016	2015	2016	2015
<b>Optimal (US\$)</b>				
Orbis SICAV - Japan Core Equity Fund	100.0	100.0	0.4	0.9
Orbis Institutional Emerging Markets Equity L.P.	100.0	-		
Allan Gray Africa Equity Fund	90.6	89.7		
Orbis SICAV - International Equity Fund	31.4	-	7.0	-
Orbis SICAV - Japan Equity Fund	30.0	32.2	3.0	3.8
Orbis Global Equity Fund	15.3	15.3		
Orbis SICAV - Emerging Markets Equity Fund*	3.2	3.3	0.9	1.0
Orbis SICAV - Europe Equity Fund	-	91.9	-	6.7
<i>*Formerly Orbis SICAV Asia ex-Japan Equity Fund</i>				
<b>Optimal Overlay</b>				
Orbis Optimal (US\$) Fund	31.4	29.8		

### Related party transactions

Optimal (US\$) pays Orbis Investment Management Limited, its Manager, a performance-based fee of up to 0.5% per annum of weekly net assets whenever the Fund's price exceeds its maximum price in the period from the date of inception to the date one year prior to the date of calculation, and its trailing one-year return exceeds that of Bank Deposits plus 5%. Optimal (Euro) and (Yen) do not directly pay a fee to the Manager. To the extent that they directly or indirectly invest in other funds, all Funds indirectly bear the management fees paid by such other funds. Each equity fund directly or indirectly pays a performance-based fee.

The Shareholders have approved Director's fees for 2016 to each of John Collis, Barclay Simmons and David Smith of US\$12,500 (2015 – US\$12,500 to each of John Collis and David Smith) for Optimal (US\$) and US\$1,000 (2015 – US\$1,000 to each of John Collis and David Smith) for Optimal Overlay. No other directors have received any remuneration or other direct benefit material to them.



The Manager has agreed that for the year ended 31 December 2016, the operating expenses of each Fund will be capped at 0.15% per annum. For this purpose, operating expenses include those incurred by each Fund directly and also indirectly through their investments in other funds and exclude the Manager's fee, brokerage and transaction costs and interest and other borrowing costs.

At the year-end, other Orbis funds held, in thousands of shares, 24,141 (2015 – 25,038) in Optimal (US\$), 12,990 (2015 – 10,598) in Optimal (Euro) and 14,513 (2015 – 15,529) in Optimal (Yen). 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, in thousands of shares, 2,015 (2015 – 2,710) in Optimal (US\$), 6,305 (2015 – 7,775) in Optimal (Euro) and 145 (2015 – 143) in Optimal (Yen).

## NOTICES

**Annual General Meetings.** Notice is hereby given that the Annual General Meetings of Orbis Optimal (US\$) Fund Limited and Orbis Optimal Overlay Funds Limited (collectively the "Funds" or singularly a "Fund") will be held at the offices of Orbis Investment Management Limited, Orbis House, 25 Front Street, Hamilton HM 11, Bermuda on 31 March 2017 at 10:00 am. Members are invited to attend and address the meetings. The Agendas will comprise the following:

- Review of Minutes of the Annual General Meeting of Members of the Fund held on 31 March 2016
- Review of 2016 audited financial statements
- Appointment of the Directors of the Fund
- Approval of Director's fees for the year to 31 December 2017
- Proposed re-appointment of Ernst & Young as Auditors for the year to 31 December 2017

By Order of the Boards, James J Dorr, Secretary

**Notice to Persons in the European Economic Area (EEA).** The Funds are alternative investment funds that are 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 Funds 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 Funds have 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 Funds are 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](http://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 Funds. Subscriptions are only valid if made on the basis of the current Prospectus of the Funds. Certain capitalised terms are defined in the Glossary section of the Funds' respective Prospectuses, copies of which are available upon request. Orbis Investment Management Limited is licensed to conduct investment business by the Bermuda Monetary Authority.



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