

2015 AUDITED  
Financial  
Statements



ORBIS OPTIMAL SA  
*Fund*

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## DIRECTORY

### Registered office and mailing address

Orbis Optimal SA Fund Limited  
Orbis House  
25 Front Street  
Hamilton HM 11  
Bermuda

### Directors

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

Allan W.B. Gray is the Chairman and a Director 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.

John C.R. Collis  
Bermuda

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

David T. Smith  
Ecosse Limited  
Bermuda

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



## APPOINTMENTS

### **Manager**

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

### **Investment Advisor**

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

### **Auditors**

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

### **Custodian**

Citibank Canada  
123 Front Street West  
Toronto, Ontario  
Canada M5J 2M3

### **Administrator and Registrar**

Citi Fund Services (Bermuda), Ltd.  
5 Reid Street  
Hamilton HM 11  
Bermuda

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

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Members of

Orbis Optimal SA Fund Limited (the "Fund"):

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at 30 June 2015 and 2014, and 1 July 2013, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable Fund shares and cash flows for the years ended 30 June 2015 and 2014, 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 audits. We conducted our audits 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 in our audits 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 30 June 2015 and 2014, and 1 July 2013, and its financial performance and its cash flows for the years ended 30 June 2015 and 2014 in accordance with International Financial Reporting Standards.

*Ernst & Young LLP*

Toronto, Canada  
29 July 2015

Chartered Professional Accountants  
Licensed Public Accountants

# ORBIS OPTIMAL SA FUND

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

	30 June 2015	30 June 2014	1 July 2013
<b>Assets</b>			
Financial assets at fair value through profit or loss			
Securities	1,976,174	2,306,669	2,182,644
Derivatives	27,738	4,570	27,975
Cash and cash equivalents	175,146	151,854	115,795
Due from brokers	712	14,252	66,546
Margin balances at brokers	57,366	135,694	103,253
Dividends and other receivables	2,855	4,519	4,109
Rebate of Manager's fee charged to Orbis fund	41	41	32
	<b>2,240,032</b>	<b>2,617,599</b>	<b>2,500,354</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss			
Derivatives	15,508	31,358	20,773
Due to brokers	3,813	1,363	11,608
Redemptions payable	-	5,402	43,295
Manager's fees payable	2,036	2,242	8,509
Other payables and accrued liabilities	984	1,571	775
	<b>22,341</b>	<b>41,936</b>	<b>84,960</b>
<b>Net assets attributable to holders of redeemable Fund shares</b>	<b>2,217,691</b>	<b>2,575,663</b>	<b>2,415,394</b>



William B Gray,  
on behalf of the Board of Directors  
27 July 2015

See accompanying notes on page 10

# ORBIS OPTIMAL SA FUND

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

For the years ended 30 June	2015	2014
<b>Income</b>		
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	(182,523)	95,834
Other foreign currency gain (loss)	(16,345)	7,095
Dividend and other	42,418	44,538
	<b>(156,450)</b>	<b>147,467</b>
<b>Expenses</b>		
Manager's fees	24,869	49,832
Rebate of Manager's fees charged to Orbis fund	(55)	(2,021)
Transaction costs	3,860	4,444
Administration, custody fees and other	1,287	1,282
	<b>29,961</b>	<b>53,537</b>
<b>Profit (loss) before taxes</b>	<b>(186,411)</b>	<b>93,930</b>
Withholding and other taxes	7,204	8,229
<b>Increase (decrease) in net assets attributable to holders of redeemable Fund shares</b>	<b>(193,615)</b>	<b>85,701</b>

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

For the years ended 30 June	2015	2014
<b>Balance at beginning of year</b>	<b>2,575,663</b>	<b>2,415,394</b>
Increase (decrease) in net assets attributable to holders of redeemable Fund shares from operations	(193,615)	85,701
Shareholders' activity during the year		
Subscriptions		
Shareholders	259,980	237,435
Switches between funds	388,365	85,002
Redemptions		
Shareholders	(175,175)	(187,904)
Switches between funds	(637,527)	(59,965)
<b>Balance at end of year</b>	<b>2,217,691</b>	<b>2,575,663</b>

See accompanying notes on page 10

# ORBIS OPTIMAL SA FUND

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

For the years ended 30 June	2015	2014
<b>Cash flows from operating activities</b>		
Proceeds from realisation of investments and currencies	1,274,901	1,556,584
Purchases of investments	(1,166,816)	(1,500,166)
Decrease (increase) in margin balances at brokers	78,328	(32,441)
Dividends and other income received, net of withholding tax	37,045	36,454
Manager's fees paid	(25,075)	(56,099)
Management fee rebate received	567	538
Transaction costs paid	(3,860)	(4,444)
Other expenses paid	(2,039)	(1,042)
Net cash provided by (used in) operating activities	193,051	(616)
<b>Cash flows from financing activities</b>		
Proceeds from subscription of redeemable Fund shares	648,345	322,437
Payments on redemption of redeemable Fund shares	(818,104)	(285,762)
Net cash provided by (used in) financing activities	(169,759)	36,675
Net increase in cash and cash equivalents	23,292	36,059
Cash and cash equivalents – Beginning of Year	151,854	115,795
<b>Cash and cash equivalents – End of Year</b>	<b>175,146</b>	<b>151,854</b>

See accompanying notes on page 10

# ORBIS OPTIMAL SA FUND

## SCHEDULE OF INVESTMENTS AT 30 JUNE 2015 (US\$ 000's)

### Securities

Security	Fair Value	% of Net Assets
<b>North America</b>		<b>27</b>
Orbis U.S. Equity Fund L.P.	129,326	6
eBay	42,013	2
Motorola Solutions	41,986	2
Apache	36,611	2
American International Group	27,097	1
Charter Communications	24,844	1
Liberty Global - C	23,267	1
Time Warner Cable	22,593	1
Positions less than 1%	260,836	12
<b>Japan</b>		<b>26</b>
Sumitomo Mitsui Financial Group - Common and ADR	70,078	3
Mitsubishi	63,334	3
Dai-ichi Life Insurance	45,196	2
Sumitomo	42,677	2
SoftBank	36,956	2
INPEX	34,441	2
Nissan Motor	31,477	1
Sompo Japan Nipponkoa Holdings	28,879	1
Mitsui Mining and Smelting	27,808	1
Honda Motor	26,629	1
NEXON	23,945	1
Positions less than 1%	145,450	7
<b>Europe</b>		<b>17</b>
Cable & Wireless Communications	61,464	3
Rentokil Initial	23,616	1
Positions less than 1%	299,294	13
<b>Asia ex-Japan</b>		<b>17</b>
NetEase - ADR	92,241	4
Baidu - ADR	33,456	2
Samsung Electronics	23,332	1
Positions less than 1%	234,849	11
<b>Other</b>		<b>1</b>
Positions less than 1%	22,482	1
	<b>1,976,174</b>	<b>89</b>

May not sum due to rounding

See accompanying notes on page 10

# ORBIS OPTIMAL SA FUND

## SCHEDULE OF INVESTMENTS AT 30 JUNE 2015 (US\$ 000's) (CONTINUED)

### Derivatives

	Unrealised Gain (Loss)
Stock index futures gain	25,025
Forward currency contracts gain	2,713
<b>Total derivative assets</b>	<b>27,738</b>
Stock index futures loss	(440)
Forward currency contracts loss	(15,068)
<b>Total derivative liabilities</b>	<b>(15,508)</b>

### Stock Index Futures Sold

Contract	Fair Value	Unrealised Gain (Loss)
US: E-mini Russell 2000 9/2015	(504,912)	2,922
E-mini S&P 500 9/2015	(186,129)	2,374
Japan: TOPIX 9/2015	(582,607)	6,732
UK: FTSE 100 9/2015	(212,067)	4,700
China: H shares 7/2015	(97,795)	4,628
Europe: Euro STOXX 50 9/2015	(44,532)	839
Singapore: MSCI Singapore 7/2015	(41,115)	293
Korea: KOSPI 200 9/2015	(36,038)	364
France: CAC40 7/2015	(23,716)	107
Hong Kong: Hang Seng 7/2015	(17,748)	742
Sweden: OMXS30 7/2015	(15,123)	331
Malaysia: FTSE KLCI 7/2015	(14,585)	183
Germany: DAX 9/2015	(14,087)	45
Brazil: Ibovespa 8/2015	(13,166)	127
Netherlands: AEX 7/2015	(10,933)	22
Australia: SPI 200 9/2015	(10,401)	164
Taiwan: MSCI Taiwan 7/2015	(9,482)	6
India: CNX Nifty 7/2015	(5,064)	(3)
Spain: IBEX 35 7/2015	(2,879)	10
<b>Total</b>	<b>(1,842,377)</b>	<b>24,585</b>

May not sum due to rounding

See accompanying notes on page 10

# ORBIS OPTIMAL SA FUND

## SCHEDULE OF INVESTMENTS AT 30 JUNE 2015 (CONTINUED)

### 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	(11,910)	(9,163)	(9,103)	60
CAD	(7,770)	(6,161)	(6,201)	(40)
CHF	28	36	31	(5)
CNH	(981,000)	(154,950)	(156,958)	(2,007)
CNY	(142,900)	(22,571)	(23,236)	(665)
DKK	27,400	4,100	4,098	(2)
EUR	226,903	253,071	253,026	(45)
GBP	(149,537)	(225,713)	(234,701)	(8,988)
HKD	(71,237)	(9,159)	(9,168)	(9)
JPY	(74,195,451)	(604,934)	(606,766)	(1,832)
KRW	(144,239,862)	(129,884)	(128,707)	1,177
SEK	(4,614)	(569)	(554)	15
SGD	(15,174)	(11,196)	(11,208)	(12)
		<b>(917,092)</b>	<b>(929,447)</b>	<b>(12,355)</b>

May not sum due to rounding

See accompanying notes on page 10

## General information

Orbis Optimal SA Fund Limited (the "Fund") is an open-ended mutual fund company incorporated in Bermuda, with its registered office at Orbis House, 25 Front Street, Hamilton, HM 11, Bermuda.

The Fund seeks capital appreciation through a low risk global portfolio and offers a US\$ class of shares (the "US\$ Class") and a euro class of shares (the "Euro class") each managed in its base currency, the US\$ and euro, respectively.

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 27 July 2015.

## 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"). The Fund adopted this basis of accounting from 1 July 2014 as required by the Canadian Accounting Standards Board and has applied it consistently in preparing the Statement of Financial Position as at 1 July 2013 and throughout all subsequent periods presented. Prior to 1 July 2014, the Fund's financial statements were prepared in accordance with generally accepted accounting principles in Canada and Bermuda as defined in Part V of the Chartered Professional Accountants of Canada Handbook ("Canadian GAAP"). The Transition to IFRS note on page 12 details the impact of the transition to IFRS on the Fund's financial position, income and cash flows as previously reported under Canadian GAAP.

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 Statements 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 the investment in Orbis U.S. Equity Fund L.P. ("USLP") is based on its net asset value at the year-end date as this is the value at which the Fund would transact. 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 includes equity securities and the investment in USLP.

(ii) ***Held for trading***

Derivatives held by the Fund, 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 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 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 Statements 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 include 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 and may consist of cash and US Treasury bills.

**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-dividend date 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 Statements 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 gains 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.

## **Transition to IFRS**

Upon transition to IFRS, the Fund adopted a voluntary exemption to designate financial assets and liabilities at fair value through profit or loss. All financial assets and liabilities so designated were previously carried at fair value under Canadian GAAP.

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows whereas IFRS does not provide for any such exemption.

Fund shares and Founders' shares were classified as equity under Canadian GAAP. Upon transition to IFRS, both the Fund and Founders' shares are classified as liabilities as the Fund has a contractual obligation to redeem these shares upon request by the shareholder. These shares do not meet the exemption criteria for classification as equity as stated in *IAS 32 Financial Instruments: Presentation*. Other than presentation, there was no impact to the net assets of the Fund.

The following reclassifications, in thousands, were made to the 2014 comparative amounts on the Statements of Comprehensive Income to conform to IFRS financial statement presentation:

Withholding taxes of US\$7,674, previously netted against Dividend and other income, and capital gains taxes of US\$555, previously netted against Net gain (loss) on financial assets and liabilities at fair value through profit or loss, have been combined and presented separately as Withholding and other taxes.

Transaction costs of US\$4,444, previously included in Net gain (loss) on financial assets and liabilities at fair value through profit or loss, have been presented separately as Transaction costs.

## 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>30 June 2015</b>			
Financial assets at fair value through profit or loss			
Securities	1,846,848	129,326	1,976,174
Forward currency contracts	-	2,713	2,713
Stock index futures	25,025	-	25,025
Financial liabilities at fair value through profit or loss			
Forward currency contracts	-	15,068	15,068
Stock index futures	440	-	440
<b>30 June 2014</b>			
Financial assets at fair value through profit or loss			
Securities	2,184,267	122,402	2,306,669
Forward currency contracts	-	47	47
Stock index futures	4,523	-	4,523
Financial liabilities at fair value through profit or loss			
Forward currency contracts	-	10,971	10,971
Stock index futures	20,387	-	20,387
<b>1 July 2013</b>			
Financial assets at fair value through profit or loss			
Securities	2,089,848	92,796	2,182,644
Forward currency contracts	-	2,940	2,940
Stock index futures	25,035	-	25,035
Financial liabilities at fair value through profit or loss			
Forward currency contracts	-	2,117	2,117
Stock index futures	18,656	-	18,656

**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 investment in USLP, whose fair value is based on its net asset value, is classified as a Level 2 investment.

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 30 June 2015 or 30 June 2014.

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

<b>For the years ended 30 June</b>	2015	2014
	US\$ 000's	US\$ 000's
Realised gains (losses)		
Securities	174,631	386,631
Derivatives	(225,094)	(329,229)
Change in unrealised gains (losses)		
Securities	(171,079)	72,422
Derivatives	39,019	(33,990)
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	(182,523)	95,834

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

The Fund has entered into agreements whereby all its 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 Statements 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 30 June 2015, the gross unrealised gains and (losses) on the forward currency contracts held by the Fund were, in thousands, US\$11,336 and US\$(23,691), respectively (30 June 2014 – US\$1,398 and US\$(12,322); 1 July 2013 – US\$7,668 and US\$(6,845)).

**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 directly and indirectly through its investment in USLP, denominated in currencies whose value will fluctuate due to changes in exchange rates. Currency exposures are managed, principally by using forward currency contracts to sell unwanted currency exposure arising from its investments. For the US\$ and Euro Classes of the Fund, such currency sales are normally in favour of the US dollar and euro, respectively, being the currency in which those classes would invest if the Manager was impartial between all the currencies. The Fund may include exposure to other currencies if the prospective returns from doing so are expected to justify the associated risk.

The table below summarises the main foreign currencies to which the Fund had exposure at the dates specified:

	% of net assets		
	30 June 2015	30 June 2014	1 July 2013
Euro	29	11	12
Greater China currencies	1	6	7
Korean won	-	9	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 30 June 2015 would have been 1.8% (30 June 2014 – 1.8%; 1 July 2013 – 1.6%).

**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. 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 or interest rate risk.

The Fund is exposed to price risk arising from its direct and indirect investments in equity securities and its direct investments in stock index futures. To protect investors from the risk of monetary loss arising from unexpected stockmarket declines, the Fund augments its equity exposure obtained by investing directly and indirectly in equity securities with a substantial core level of hedging, principally by holding a basket of stockmarket-based derivatives. The result is that the Fund'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. The Fund never seeks to profit from an overall decline in world stockmarkets by establishing a net negative exposure to overall world stockmarkets.

The following table details the Fund's stockmarket exposure by geographic region:

	% of net assets								
	30 June 2015			30 June 2014			1 July 2013		
	Equity Exposure	Portfolio Hedging	Accounting Exposure	Equity Exposure	Portfolio Hedging	Accounting Exposure	Equity Exposure	Portfolio Hedging	Accounting Exposure
North America	27	(31)	(4)	30	(29)	-	31	(31)	-
Japan	26	(26)	-	18	(18)	1	23	(22)	1
Europe	17	(15)	3	18	(17)	2	20	(20)	-
Asia ex-Japan	17	(10)	7	21	(18)	3	14	(12)	2
Other	1	(1)	-	2	(2)	-	2	(1)	1
	89	(83)	6	89	(84)	6	90	(86)	4

*May not sum due to rounding.*

Considering the historical correlation between the returns of the equities held directly and indirectly 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 30 June 2015 would have been 4.2% (30 June 2014 – 4.3%; 1 July 2013 – 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 and futures contracts, cash and cash equivalents, margin balances at brokers 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 weekly Dealing Day and daily margin calls on stock index futures. The majority of the Fund's investments are actively traded on a stock exchange and can be readily disposed of. The Fund's investment in USLP is redeemable weekly. 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 and futures contracts which mature within 6 and 3 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 dates specified, cash and cash equivalents are comprised of:

	30 June 2015	30 June 2014	1 July 2013
	US\$ 000's	US\$ 000's	US\$ 000's
Cash	57,155	37,858	35,818
USTreasury bills	117,991	113,996	79,977
Total cash and cash equivalents	175,146	151,854	115,795

## Net assets attributable to holders of redeemable shares

The 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 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 weekly 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.

The Fund's authorised share capital comprises 300 million redeemable Fund shares with a par value of US\$0.0001 per share and 12,000 redeemable Founders' shares with a par value of US\$1 per share. Fund shares participate pro rata in the Fund's net assets and dividends, are redeemable at the holders' 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 the 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 (30 June 2014 - US\$12; 1 July 2013 - US\$12) and included in Other payables and accrued liabilities on the Statements of Financial Position. There were no transactions in Founders' shares in 2015 or 2014.

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

	US\$ Class		Euro Class	
	2015	2014	2015	2014
<b>For the years ended 30 June</b>				
Balance at beginning of year	149,911	144,524	18,576	18,899
Subscriptions				
Shareholders	9,211	14,269	7,381	1,446
Switches between funds	807	5,719	23,141	43
Redemptions				
Shareholders	(9,407)	(11,087)	(2,647)	(1,374)
Switches between funds	(42,248)	(3,514)	(2,577)	(438)
Balance at end of year	108,274	149,911	43,874	18,576

The Net Asset Value per Fund share at 30 June 2015 was US\$14.16 for the US\$ Class and €14.00 for the Euro Class.

## **Investment in USLP**

The Fund meets the definition of an investment entity within *IFRS 10 Consolidated Financial Statements* and measures its investment in USLP, a Delaware Limited Partnership with its principal place of business in Bermuda, at fair value through profit or loss. At 30 June 2015, the Fund owns 100% (30 June 2014 – 100%; 1 July 2013 – 100%) of the Limited Partnership Interests of USLP which do not carry any voting rights.

## **Related party transactions**

Each class of Fund shares pays the Manager of the Fund, Orbis Investment Management Limited, a base fee of 1% of net assets and a performance-based fee of 20% of each class' appreciation relative to its Performance Fee Hurdle, being US\$ Bank Deposits for the US\$ Class and Euro Bank Deposits for the Euro Class. The performance fee is subject to a high water mark, is calculated each Dealing Day and is paid monthly.

All management fees associated with the Fund's investment in USLP are rebated by its manager to the Fund. Any performance fee rebated is reinvested in USLP by its manager and will be paid in cash to the Fund when withdrawn, in accordance with the limits specified in USLP's Limited Partnership Agreement. At year-end, the value of the performance fee reinvested and included in the fair value of the investment in USLP was, in thousands, US\$2,049 (30 June 2014 – US\$2,458; 1 July 2013 – US\$590). For the year ended 30 June 2015, the gain on the investment in USLP was, in thousands, US\$7,332 (2014 – US\$27,739).

The shareholders have approved director's fees to each of John Collis and David Smith of US\$10,000 for the year ended 30 June 2015 (2014 – US\$10,000 to John Collis). No other directors have received any remuneration or other direct benefit material to them.

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

At 30 June 2015, 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, 98,541 (30 June 2014 – 143,365; 1 July 2013 – 141,507) in the US\$ Class and, 41,860 (30 June 2014 – 16,753; 1 July 2013 – 17,205) in the Euro Class.

## NOTICES

**Annual General Meeting.** Notice is hereby given that the Annual General Meeting of Orbis Optimal SA Fund Limited (the “Fund”) will be held at the offices of Orbis Investment Management Limited, Orbis House, 25 Front Street, Hamilton HM 11, Bermuda on 30 September 2015 at 10:30 a.m. Members are invited to attend and address the meeting. The Agenda comprises the following:

- Review of Minutes of the Annual General Meeting of Members of the Fund held on 30 September 2014
- Review of 2015 audited financial statements
- Proposed re-appointment of Allan W B Gray, John C R Collis, William B Gray and David T Smith as Directors of the Fund
- Approval of proposed Director’s fees for the year to 30 June 2016 to each of Messrs Collis and Smith of US\$10,000
- Proposed re-appointment of Ernst & Young LLP as Auditors for the year to 30 June 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.



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