CONTRARIUS

QUARTERLY INVESTOR COMMENTARY
30 JUNE 2011

CONTRARIUS GLOBAL EQUITY FUND

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The Fund aims to earn a higher Total Rate of Return than the average of the world's equity markets, as represented by the MSCI World Index, including income ("World Index"). It aims to achieve this without greater risk of loss, over the long- term. The Fund is an actively managed fund, and as such does not in any way seek to replicate its benchmark index, but may instead differ materially from the performance benchmark in order to achieve its objective.

CONTRARIUS GLOBAL EQUITY FUND AT 30 JUNE 2011

Total Rate of Return	Class	Since Inception on 1 Jan 2009	Latest 2 Years	Latest 1 Year	Latest Quarter
		% Annualised			% Not Annualised
Contrarius Global Equity	**Investor**	**39.2**	**29.7**	**23.6**	**0.7**
Contrarius Global Equity	**Institutional**	**39.7**	**30.3**	**24.2**	**0.8**
World Index		18.6	19.9	30.5	0.5

The Fund returned 0.7% for the quarter versus 0.5% for the benchmark MSCI World Index, including income. As we have highlighted previously, our investment philosophy is not benchmark cognisant and our portfolios would normally vary materially from the World Index. The Fund's returns are therefore likely to deviate from those of the benchmark. Investors are reminded that given the long-term, contrarian, valuation based investment philosophy, there will be times when the Fund will materially underperform its benchmark in the short-term in order to achieve its objective of long-term outperformance.

The Fund remains overweight Information Technology, Consumer Discretionary and Consumer Staples stocks, as it has been for much of the past year. Indeed, one of these sectors, Information Technology, has been consistently overweight since the Contrarius equity strategy launched. In recent months our bottom-up analysis of individual stocks has found increasing opportunities in this sector and the overall weighting now represents a significant 31% of the Fund. The Fund's Technology holdings are discussed in more detail in this report.

In terms of geographic exposure, the Fund retained its large overweight position in Japanese equities and remains substantially underweight European equities.

Sector	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
Energy	2	11	(9)
Materials	2	8	(6)
Industrials	3	12	(8)
Consumer Discretionary	31	11	20
Consumer Staples	20	10	10
Health Care	2	10	(8)
Financials	6	20	(14)
Information Technology	31	11	20
Telecommunication Services	0	4	(4)
Utilities	0	4	(4)
Total Shares	**97**	**100**	
Net Current Assets	3	-	
Total	**100**	**100**	

1. Source: MSCI (attention is drawn to MSCI disclaimer in 'Notices')

Geographic	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
North America	62	55	8
Europe	4	30	(25)
Japan	29	9	20
Other	2	6	(5)
Total Shares	**97**	**100**	
Net Current Assets	3	-	
Net Assets	**100**	**100**	

1. Source: MSCI (attention is drawn to MSCI disclaimer in 'Notices')

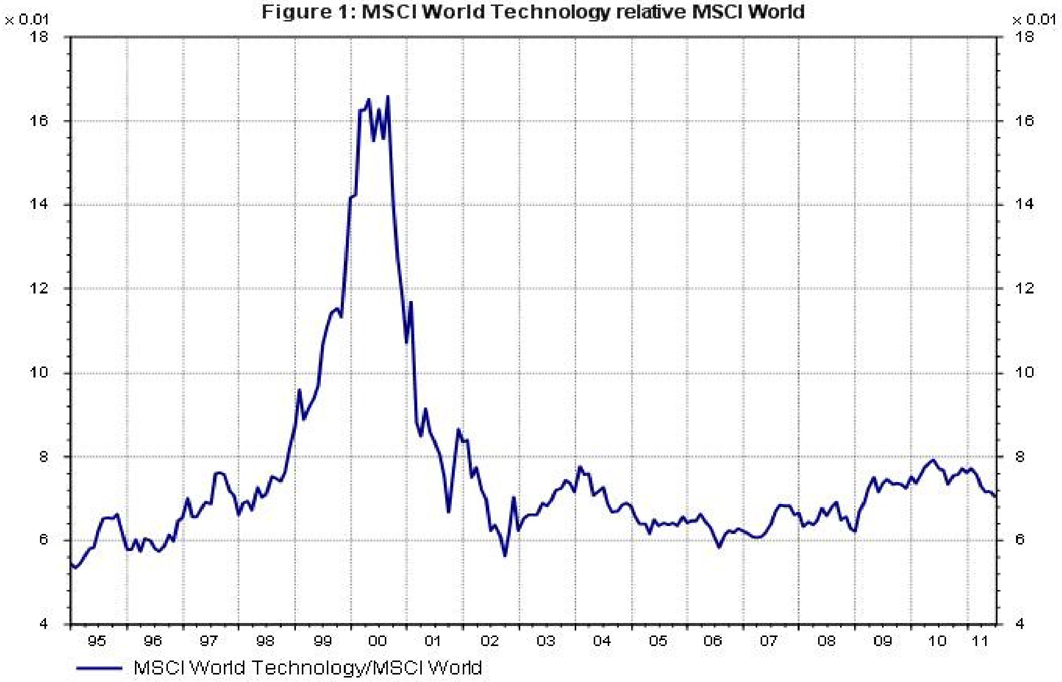
US TECHNOLOGY STOCKS

Our bottom-up analysis has increasingly found compelling long-term value in a range of US Technology stocks. These stocks have been out of favour for some time. Why is this? It seems that many people can still remember the significant wealth destruction that followed the bursting of the last technology bubble in 1999/2000. Even those companies that achieved remarkable growth in revenues and cash flows over the last decade have, in most cases, seen their share prices fall substantially from their peaks.

While the technology favourites of the last bubble remain firmly out of favour (as evidenced by Figure 1 below), attention has shifted to the latest "flavour of the day" such as social-networking companies, emerging market stocks and commodities. It seems that the previous Technology favourites have now become the "old economy" or "smoke-stack" companies of 1999/2000.

While the risk of obsolescence is always present for technology companies that do not adapt, our analysis suggests that many are now trading at values well below our assessment of their long-term intrinsic value. This is reflected in the Fund's current Top 10, which includes Microsoft, Cisco, Symantec, Intel and Dell. Microsoft, Cisco and Intel are discussed in more detail in this report.

Figure 1: MSCI World Technology relative MSCI World



Source: Thomson Reuters Datastream

MICROSOFT

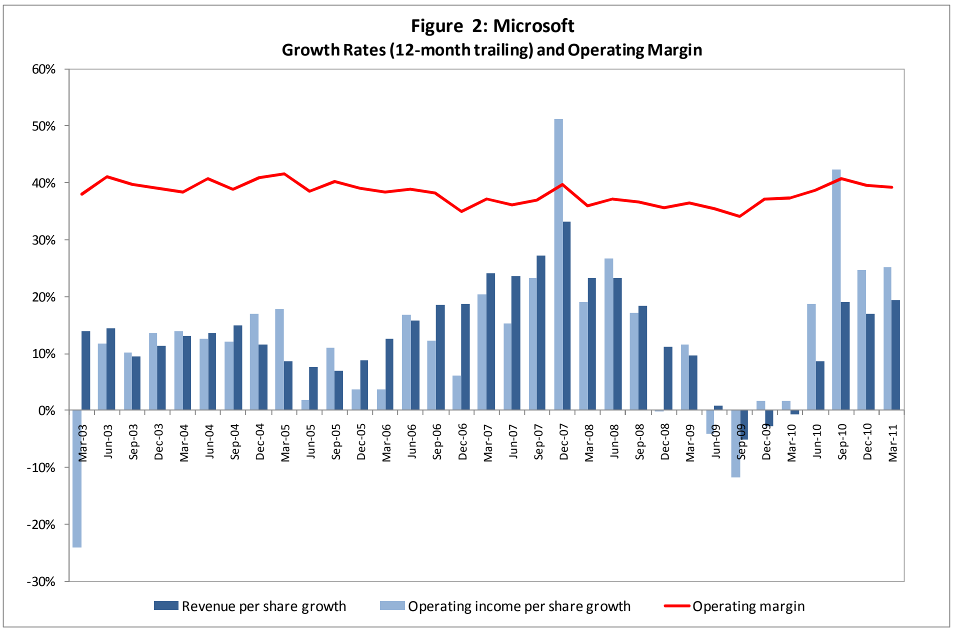
Microsoft's share price has fallen more than 50% from its peak in late 1999. Up until 1999, the company had been growing rapidly, margins had been expanding, and expectations for its future were evident in its lofty share price.

Sentiment today seems to be reversed. Looking at the current share price an investor could be forgiven for thinking that Microsoft is a declining business. True, the dominant software business of the '90s was slow to react to internet search, mobile computing, cloud computing, and other recent technologies. Yet from financial year 2000 to 2010, revenue grew 170% (in the first nine months of financial year 2011 revenue rose 13%) and the 2010 operating margin of 39% compares to the 1991-2000 average of 40%.

Microsoft continues to hold a remarkable position in terms of market share. Microsoft's share of operating systems is estimated at 80% to 90% (Windows XP, a decade old, is estimated to have 30% to 50%); Microsoft Office market share has been estimated at over 90%, despite comparable products being available for free; Microsoft Internet Explorer accounts for more than half of website impressions, even when mobile phones are included in the total; Xbox has a third of the US game console market.

It may seem that Microsoft's suite of products is fairly discretionary: when budgets are tight, why not wait until next year to upgrade? But in FY2009, during the financial crisis, Microsoft's revenues fell only 3%, in line with those of companies like Procter & Gamble, Johnson & Johnson and 3M. Figure 2 does not appear to show a business with declining or discretionary products.

Investors who paid 27x revenue and 58x free cash flow in 1999 now seem reluctant to pay an estimated 3.2x revenue and 10x free cash flow. This does not even take into account the net cash of $38bn. After accounting for net cash, and with free cash flow for the 2012 financial year expected to be $23bn, Microsoft's operations can now be bought for about 8x free cash flow. We find it surprising that one can acquire a high quality, growing business for this price.



Source: Bloomberg and Contrarius Research

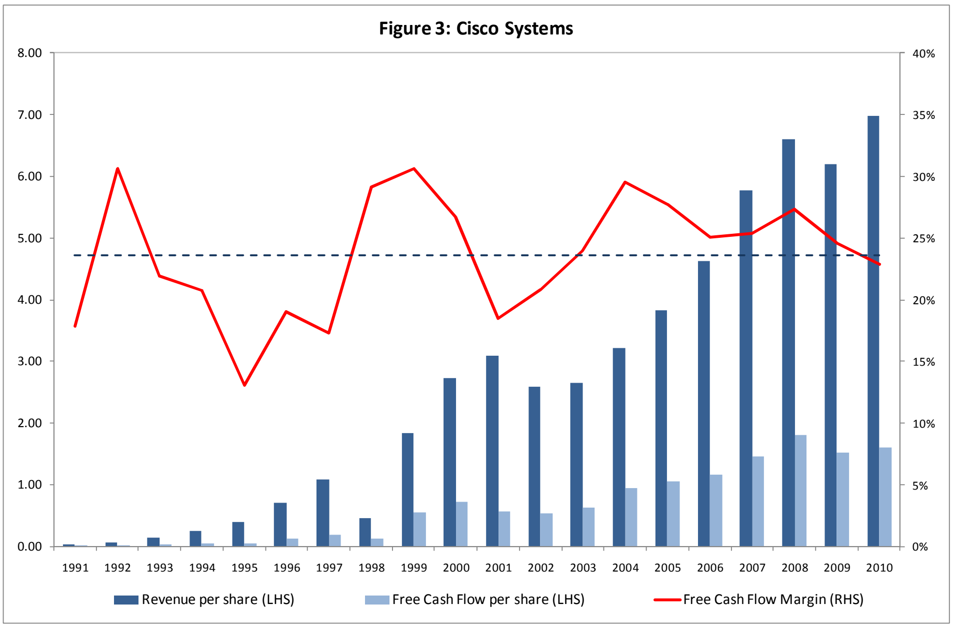
CISCO SYSTEMS

In early 2000, Cisco was (briefly) the world's largest listed company, with a market capitalisation of over $500bn. This has fallen to less than $90bn at quarter-end. During this time, revenue, operating income and free cash flow have approximately doubled. A key reason for the optimism in 2000 was the promising outlook for high-end networking, an industry to which Cisco was the major supplier.

Networking indeed did very well: from 2000 to 2011, the number of internet users is estimated to have grown from 300 million in March 2000 to 2,000 million in March 2011 and global internet traffic is estimated to have grown about 200x. Recent data show estimated annual growth in users of 14% and in traffic of 40%. Cisco remains the major supplier of high-end switches and routers, which are central to the communications infrastructure of telecommunications carriers and data centres. Estimates of Cisco's global market share in these products range from 45% to in excess of 70% (depending on product classification).

What, then, has caused the dramatic swing in sentiment? Cisco's profitability has attracted competitors, some with aggressive pricing. In addition, it expanded into low-end and consumer products, which are typically less profitable than its high-end products and in which it has a weaker competitive position. Cisco seems to be re-evaluating some of these businesses and management recently abandoned their long-held, but rather unrealistic, expectations for long-term growth in revenues of 12% to 17% p.a.

Nonetheless, in its most recent financial year Cisco produced more than $9bn of free cash flow. It also has $27bn of net cash. After accounting for the net cash, investors can today buy the operations of Cisco for approximately 7x historic free cash flow. For a company that is still the major supplier to a rapidly growing industry and which has attractive margins and ROE, we believe that the current price represents a very attractive opportunity for long-term investors.



Source: Bloomberg and Contrarius Research

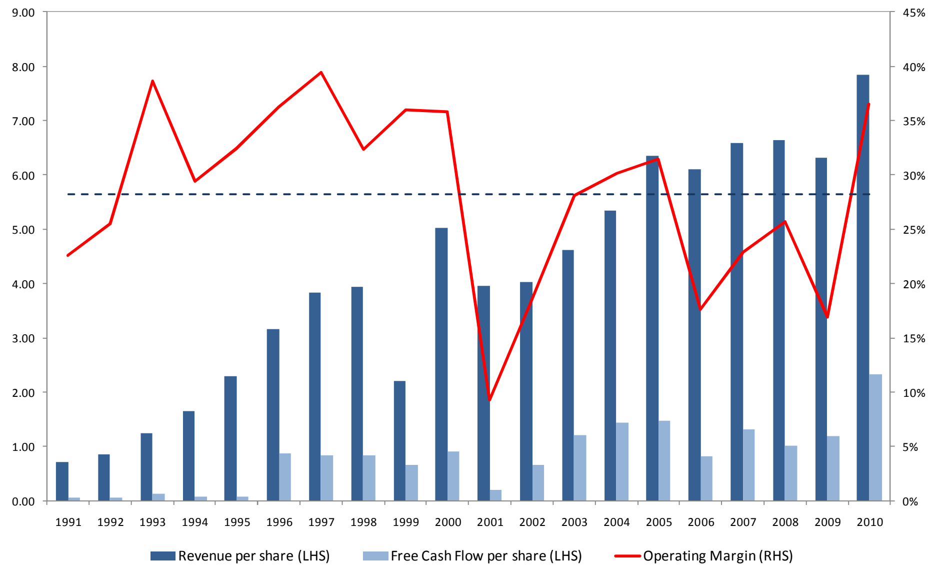
INTEL

Intel's share price has fallen approximately 70% from its peak in 2000. A primary concern is Intel's low share of the mobile computing market, into which ARM Holdings has been so successfully selling its low power consumption processors.

While mobile is evidently challenging, it does not appear to be having an impact on Intel's primary markets: desktops, notebooks and servers. Its market share of desktop and notebook CPU's is estimated to be greater than 70% and 80%, respectively. The only significant competitor in both is AMD, which has struggled with profitability for years. In the year to December 2010, AMD spent $1.4bn on R&D compared to Intel's $6.5bn. Market share in servers depends on how machines are classified and the split between hardware and software, but it is estimated that Intel's share is between 75% and 90%. It may be true that these markets cannot match the growth rate of mobile, but they are growing nonetheless and Intel's revenues and cash generation continue to be strong.

Normal free cash flow is estimated at $11bn and net cash is $10bn. That means that, with a quarter-end market capitalisation of $117bn, an investor today pays marginally less than 10x free cash flow for a growing company with an unusually strong competitive position.

Figure 4: Intel



Source: Bloomberg and Contrarius Research

While we clearly don't know how long technology companies will remain out of favour, as long-term, contrarian investors we find it remarkable that one is able to acquire growing, cash generating businesses with strong balance sheets at what we believe are very compelling valuations.

CONCLUSION

As is often the case, there are many risks present in global financial markets today which, depending on how they develop, may impact asset prices and resultant returns to investors. Whilst mindful of these risks, our focus continues to be on bottom-up fundamental analysis to find companies that we believe offer the prospect of attractive long-term returns.

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