QUARTERLY INVESTOR COMMENTARY
30 SEPTEMBER 2011

CONTRARIUS GLOBAL EQUITY FUND

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 SEPTEMBER 2011

Total Rate of Return in US Dollars	Class	Since Inception on 1 Jan 2009	Latest 2 Years	Latest 1 Year	2011 to Date	Latest Quarter
		% Annualised			% Not Annualised	
Contrarius Global Equity	**Investor**	**26.4**	**1.5**	**(4.9)**	**(15.1)**	**(16.5)**
Contrarius Global Equity	**Institutional**	**27.0**	**2.0**	**(4.5)**	**(14.8)**	**(16.4)**
World Index		9.3	1.1	(4.3)	(12.2)	(16.6)

The Fund returned (16.5%) for the quarter versus (16.6%) 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. Our bottom-up analysis of individual stocks has continued to find opportunities in the Information Technology sector and its overall weighting now represents 45% of the Fund. The Fund's exposure to Technology is discussed in more detail in this report.

In terms of geographic exposure, the Fund has increased its exposure to US equities and ended the quarter overweight both US and Japanese equities. The Fund continues to be extremely underweight European equities.

Sector Exposure 30 Sep 2011	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
Energy	0	11	(11)
Materials	6	7	(2)
Industrials	1	11	(10)
Consumer Discretionary	26	10	16
Consumer Staples	19	11	8
Health Care	1	11	(10)
Financials	1	18	(17)
Information Technology	45	12	33
Telecommunication Services	0	5	(5)
Utilities	0	4	(4)
Total Shares	**99**	**100**	
Net Current Assets	1	-	
Total	**100**	**100**	

[1] *Source: MSCI (attention is drawn to MSCI disclaimer in 'Notices')*

Geographic Exposure 30 Sep 2011	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
North America	69	56	12
Europe	5	28	(22)
Japan	18	10	8
Other	7	6	0
Total Shares	**99**	**100**	
Net Current Assets	1	-	
Net Assets	**100**	**100**	

[1] *Source: MSCI (attention is drawn to MSCI disclaimer in 'Notices')*

Since the inception of the Fund, we have found value in a diverse range of companies. Our largest holdings have included high quality companies with good long-term growth prospects, average companies with cyclical earnings, and, at times, companies that are likely to grow their earnings more slowly than the market. This is probably no better illustrated than by the differences between the two largest holdings in the Fund at the end of the September quarter. Apple and Gannett could hardly be more different. The one is growing revenues and cash flows through selling innovative new products while the other is exposed to an industry in structural decline (albeit with other valuable assets). We have previously discussed the Fund's investment in Gannett and why we find it extremely attractive. The investment case has not changed.

US TECHNOLOGY STOCKS - REVISITED

US Technology stocks were the topic of the last Quarterly Investor Report. Over the last quarter, the Fund has added to its holdings in selected technology companies and exposure to Technology increased from 31% to 45%. This is a meaningful position both in absolute terms and relative to the benchmark MSCI World Index and, as a result, we are revisiting the topic this quarter.

One of the most persistent arguments against technology companies is the risk that advances in technology may make them obsolete. While this is certainly a threat, non-technology companies are also exposed to risks that could meaningfully impact their businesses. The main risk that ultimately collapsed the technology bubble in 2000, which appears to have scared investors away from technology en masse, was one of valuation not obsolescence. During the bubble, investors downplayed the risks and valued almost all technology businesses as if they would be wildly successful. Today, it appears that investors are exaggerating the risks and valuing almost all technology businesses as if their future prospects are limited, or worse. From seeing only the growth prospects and not the risks, the market now seems to see only the risks and not the growth prospects.

Figure 1 shows the 10 largest shares in the MSCI US Information Technology index in March 2000 and again at the end of September 2011, more than a decade later.

Figure 1
US Technology - Largest 10 Companies by Market Capitalization

31-Mar-00	*US$'bn*	*30-Sep-11*	*US$'bn*
Microsoft	533	Apple	354
Cisco Systems	533	IBM	209
Intel	440	Microsoft	209
Oracle	220	Google	166
IBM	210	Oracle	145
Lucent Technologies	197	Intel	112
America Online	154	Cisco Systems	83
Dell	138	Qualcomm	82
Hewlett-Packard	133	VISA	59
EMC	131	Hewlett-Packard	45
Combined Market Cap	2,689	Combined Market Cap	1,463
Combined Enterprise Value (EV)	2,672	Combined Enterprise Value (EV)	1,323
Mutiples		*Mutiples*	
EV/Sales	9.8x	EV/Sales	2.3x
EV/Free Cash Flow [1]	80.6x	EV/Free Cash Flow [1]	10.6x

[1] Free Cash Flow includes net interest
Source: Contrarius Research, Bloomberg, MSCI (attention is drawn to MSCI disclaimer in 'Notices')

Most of the largest technology stocks of March 2000 not only grew their revenues per share and free cash flow per share but did so faster than the S&P 500 Index (the main exceptions being Lucent and America Online). They were nevertheless all poor investments. Investors patently ignored the risk of failure in the cases of Lucent, America Online and many other technology companies. But even for companies that did in fact prove to have excellent prospects, such as Microsoft, Cisco, Oracle and Intel, expectations were still far too high.

While we believe that many of the largest technology companies today are likely to continue to grow their revenues and free cash flows over the next several years at rates faster than the market, most are now trading at a discount. At the end of September, the Fund owned seven of the ten largest US technology stocks.

The compelling value we are finding in US Technology shares today, and the stark contrast to the technology bubble, is probably well illustrated by Cisco and Apple. Cisco was briefly the largest market capitalisation company in the world. Apple is currently the second largest market capitalisation company in the world (it was briefly the largest earlier this year). This may tempt some to say that Apple is the “bubble” Cisco of today, but we believe that valuation comparisons probably end there.

Cisco 2000 versus Cisco 2011

Figure 2 compares Cisco in 2000 and 2011. In March 2000, Cisco’s enterprise value was $519bn and it traded on 34.6x sales and 112.9x free cash flow (excluding net cash and investments). At the end of the September 2011 quarter, Cisco’s enterprise value was $53bn and it traded on 1.2x sales and 5.0x free cash flow (excluding net cash and investments). As discussed in our last Quarterly Investor Report, we find Cisco extremely attractive at its current valuation and it was the third largest holding in the Fund at the end of the quarter.

Figure 2	Cisco Systems 2000	Cisco Systems 2011
US$'bn		
Market Capitalization [1]	532.7	83.4
Net Cash & Investments [2, 3]	13.8	30.9
Enterprise Value (EV) [1, 2, 3]	518.9	52.6
Revenue [4]	15.0	43.2
Free Cash Flow [4, 5]	4.6	10.6
Multiples		
EV/Sales	34.6x	1.2x
EV/Free Cash Flow	112.9x	5.0x

[1] Cisco Systems 2000 - 31-Mar-00; Cisco Systems 2011 - 30-Sep-11
[2] Cisco Systems 2000 - 29-Jan-00; Cisco Systems 2011 - 30-Sep-11
[3] Adjusted for long-term investments
[4] Cisco Systems 2000 - rolling 12-months to 29-Jan-00; Cisco Systems 2011 - rolling 12-months to 31-Jul-11
[5] Free Cash Flow includes net interest
Source: Contrarius Research, Bloomberg, Cisco Systems

Cisco 2000 versus Apple 2011

When one of the fastest growing technology stocks can be bought for less than 10x free cash flow (excluding net cash and investments), then the pendulum seems to have swung to the other extreme. Unlike in 2000, when the good, the bad and the ugly in tech all seem to have been rewarded with manic valuations, today even the best seem to be depressed. Figure 3 shows a comparison between Cisco of 2000 and Apple of 2011.

Figure 3	Cisco Systems 2000	Apple 2011
US$'bn		
Market Capitalization [1]	532.7	353.5
Net Cash & Investments [2, 3]	13.8	76.2
Enterprise Value (EV) [1, 2, 3]	518.9	277.4
Revenue [4]	15.0	100.3
Free Cash Flow [4, 5]	4.6	29.4
Multiples		
EV/Sales	34.6x	2.8x
EV/Free Cash Flow	112.9x	9.4x

[1] Cisco Systems 2000 - 31-Mar-00; Apple 2011 - 30-Sep-11
[2] Cisco Systems 2000 - 29-Jan-00; Apple 2011 - 30-Jun-11
[3] Adjusted for long-term investments
[4] Cisco Systems 2000 - rolling 12-months to 29-Jan-00; Apple 2011 - rolling 12-months to 30-Jun-11
[5] Free Cash Flow includes net interest
Source: Contrarius Research, Bloomberg

Apple derived approximately 61% of its revenues in the last 12 months from products that did not exist five years ago. For all the sensation they have caused, the iPad is only 18 months old and the iPhone is not yet sold by the largest mobile operator in the world (China Mobile, with more than 610m customers) and until now has only been offered by only two of the major US mobile-phone operators. The continuing growth potential of these products is perhaps illustrated by Figure 4. It is remarkable that the latest quarter is so much stronger than the quarterly average of the last 12 months, which includes the seasonally strong December quarter.

Figure 4 Units Sold ('000)	Latest Year [1]	Quarterly Average [1]	Latest Quarter [2]
iPhone	69,322	17,331	20,338
iPad	25,459	6,365	9,246

[1] 12-months to 30 June 2011
[2] To 30 June 2011

Source: Bloomberg

While the share has performed extremely well over the past few years, and it would obviously have been better to buy Apple earlier, we believe that the price has not kept pace with the increase in the intrinsic value. There is little doubt that the genius of Steve Jobs will be missed but Apple remains well placed to benefit from the continuing growth in mobile computing.

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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