QUARTERLY INVESTOR COMMENTARY
30 SEPTEMBER 2012

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 the reinvestment of dividends net of withholding tax ("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 2012						
Total Rate of Return in US Dollars	**Class**	**Since Inception on 1 Jan 2009**	**Latest 3 Years**	**Latest 1 Year**	**2012 Year-to-date**	**Latest Quarter**
			% Annualised		*% Not Annualised*	
Contrarius Global Equity	**Investor**	**26.3**	**9.1**	**26.0**	**14.1**	**9.1**
Contrarius Global Equity	**Institutional**	**26.8**	**9.6**	**26.6**	**14.6**	**9.3**
World Index		12.4	7.5	21.6	13.0	6.7

The Fund's Investor Class shares returned 9.1% for the quarter versus 6.7% for the benchmark MSCI World Index, including reinvested net income. As we have highlighted previously, our investment philosophy is not benchmark cognisant and our portfolios would normally vary materially from the benchmark 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 significantly overweight Technology (particularly US Technology) and Consumer Discretionary stocks. In terms of geographic exposure, the Fund continues to be significantly overweight US equities. While the Fund continues to be underweight European equities, as mentioned in last quarter's commentary, certain intriguing investment opportunities have started to emerge.

Sector Exposure 30 September 2012	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
Energy	0	11	(10)
Materials	2	7	(5)
Industrials	1	11	(10)
Consumer Discretionary	34	11	24
Consumer Staples	7	11	(4)
Health Care	1	11	(10)
Financials	6	19	(13)
Information Technology	46	13	33
Telecommunication Services	1	4	(3)
Utilities	0	4	(4)
Total Shares	**99**	**100**	
Net Current Assets	1	-	
Net Assets	**100**	**100**	

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

Geographic Exposure 30 September 2012	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
North America	77	59	18
Europe	12	27	(15)
Japan	5	8	(3)
Other	4	6	(2)
Total Shares	99	**100**	
Net Current Assets	1	-	
Net Assets	**100**	**100**	

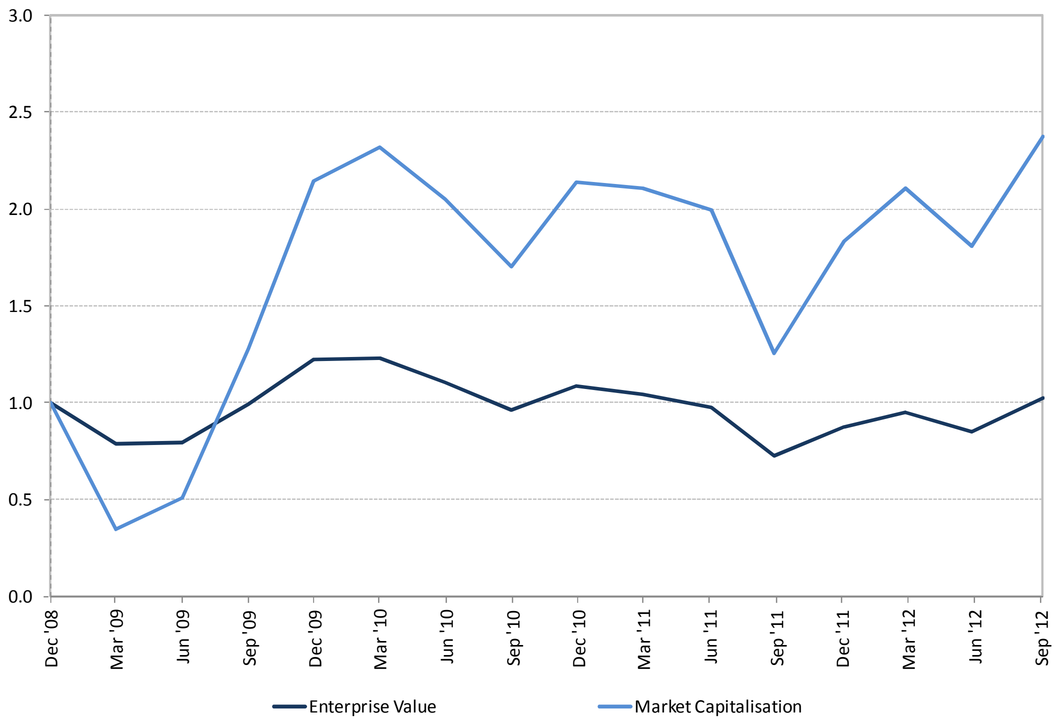
[1] *Source: MSCI (attention is drawn to MSCI disclaimer in 'Notices')*

GANNETT

We believe that it is worth revisiting the investment case for Gannett, which we have previously discussed (Q1 2011). At 30 September 2012 it was the Fund's largest holding (albeit similar in size to Apple). Gannett illustrates both Contrarius' long-term approach (it was a holding at the inception of the Fund) and its contrarian, bottom-up investment philosophy. From 31 December 2008 to 30 September 2012 its share price increased from $8.00 to $17.75. This increase of 122% compares to a 59% increase of the S&P 500 index over the same period. Given this outperformance the obvious question is: why does the Fund have a larger holding today than at its inception?

Figure 1 below shows the movement in the market capitalisation and the enterprise value of Gannett since 31 December 2008 (rebased to 1). While the market capitalisation has increased significantly, the overall value placed on the business, as represented by its enterprise value (i.e. including its net debt), has remained virtually unchanged. The increase in the market capitalisation of Gannett is almost entirely accounted for by the retained cash flow generated over this period which was used to reduce its net debt.

Figure 1: Gannett - Enterprise Value versus Market Capitalisation



Source: Contrarius Research, Bloomberg

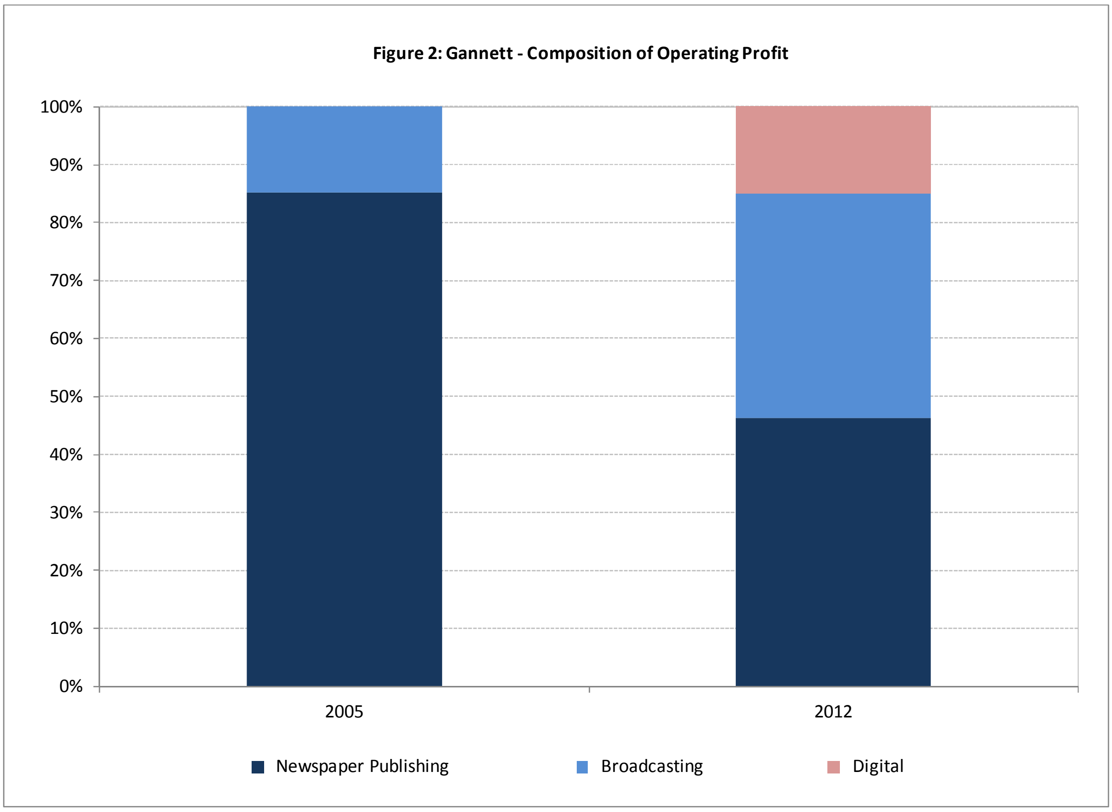
At the end of 2008, a little more than two months before US stock markets bottomed, Gannett reported net debt of $3.7 billion and had an enterprise value of $5.6 billion. Despite the market capitalisation at 30 September 2012 increasing significantly, the enterprise value increased only slightly, to approximately $5.8 billion. This is because Gannett has paid down more than $2.2 billion of net debt (in a period when many investors questioned the company's survival).

The extent of the Fund's holding in Gannett would suggest that we believe that the overall value placed on the operating business of Gannett (represented by its enterprise value) is still too low.

Operations

Gannett is a diversified media company that derives its revenues from three main sources: newspapers, broadcast television and digital assets. Historically, Gannett derived by far the majority of its revenues and free cash flows from its newspaper assets and was, and probably still is, regarded as a "newspaper company". While Gannett does indeed have meaningful newspaper assets (82 US daily newspapers, including USA TODAY, the largest print circulation daily newspaper in the US), we believe that it is more than just a "newspaper company". Gannett's broadcasting division has 23 television stations covering more than 18% of the US population and its non-newspaper digital assets include a controlling stake in CareerBuilder.com and a significant stake in Classified Ventures, which owns Cars.com.

Figure 2 below illustrates how the mix of Gannett's business has shifted dramatically in the last several years. Today, the operating profits of Gannett's television assets and digital investments are similar in size to those of the newspaper business. This shift has occurred due to a combination of declining revenues from the newspaper business and growing revenues from its non-newspaper assets.



'2012' represents the composition of the 12-months trailing operating profit to 2012 Q2
Source: Contrarius Research, Bloomberg

The "Digital" segment shown in figure 2 understates the online component of operating profits as it only includes the standalone digital properties, such as CareerBuilder.com. Digital revenues that are related to newspapers are included in "Newspaper Publishing". In the first half of 2012, these revenues increased 21% compared to 2011 (for USA Today, which many regard as unsuited to digital distribution, the increase was 31%).

We believe that overall revenues for Gannett are on the verge of growing. Because of the mix of revenues, revenue growth of the television and digital assets is now starting to offset the revenue decline of the newspaper assets. This alone makes Gannett an interesting investment opportunity as we believe that its valuation is not reflecting the growth prospects for the company. But in addition to this, newspapers have not stood still and accepted their predicted demise, although "newspaper" may not be the appropriate name for their future business.

The Changing Newspaper Revenue Model

The main difficulty for newspapers has been a new distribution mechanism: the internet. This has had two primary effects: it lowers the barrier for publishing news, making a "journalist" out of anyone with a computer and an internet connection; and it provides an alternative outlet for advertising, disrupting the traditional US newspaper model that relies on subsidising subscriptions with advertising revenue. These are both considerable challenges. The question for newspaper publishers is: how much value is there in reliable, quality content?

Gannett's initial reaction to the advent of the internet, like that of many US papers, was to give away online the same content that subscribers paid for in print, assuming that print would remain the primary distribution medium. This is now evidently unsustainable. After some experimentation with new revenue models, many publishers, including the New York Times (also among the Fund's Top 10 holdings), the Wall Street Journal and the Financial Times, have settled on increasing subscription prices and including digital subscriptions alongside print. The majority of Gannett's local newspapers already require a subscription for online content and by the end of 2012 substantially all of them will do so. The results to date have been promising. Subscriber losses are usually small. One title, after increasing the price, offered a discount for a print-only subscription and 70% of subscribers chose to pay the higher price. In future, Gannett intends to offer bundled print plus digital and digital-only, but not print-only.

USA Today, unlike Gannett's other 81 daily newspapers, is somewhat different because of its unusual business model. It is a national newspaper. More than half of circulation is subsidised by hotels, which leave copies in rooms and foyers. Many of its readers are therefore unaccustomed to paying for its content. USA Today has been working with hotels to offer customised local travel and entertainment content to digital devices in conjunction with the printed paper. It is moving away from third party content (for example, news wires) in favour of more valuable, original content. After a few years of declines, USA Today's circulation increased in the first half of 2012. In addition, USA Today has more than 14.5 million total app downloads across smartphones and tablets. Over time these app downloads may be appropriately monetised.

While the newspaper assets within Gannett continue to face challenges and the industry is still evolving, business models that once appeared speculative to market participants have been well received by paying customers. The mix of the business is more weighted towards its increasingly valuable digital assets and television stations. And a balance sheet that many thought to be strained now looks strong (net debt is only about two years expected free cash flow). As a result we believe that the risk profile of Gannett is significantly different to that at 31 December 2008. We therefore find it intriguing that the market is essentially valuing the business operations at the same level as then.

It is increasingly evident that consumers value reliable, quality content, now conveniently available on a wide array of mobile devices. As a result, we believe that content producers will, over time, be appropriately rewarded for their content. We feel that Gannett continues to be a compelling investment at less than 7x free cash flow.

CONCLUSION

As is often the case, many risks present in global financial markets remain unresolved, 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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