QUARTERLY INVESTOR COMMENTARY
31 DECEMBER 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 31 DECEMBER 2012

Total Rate of Return in US Dollars	Class	Since Inception on 1 Jan 2009	Latest 3 Years	Latest 1 Year	Latest Quarter
			% Annualised		*% Not Annualised*
Contrarius Global Equity	**Investor**	**24.2**	**7.0**	**13.4**	**(0.7)**
Contrarius Global Equity	**Institutional**	**24.8**	**7.5**	**14.0**	**(0.5)**
World Index		12.3	6.9	15.8	2.5

The Fund's Investor Class shares returned (0.7)% for the quarter versus 2.5% for the benchmark MSCI World Index, including reinvested net income. For the year the Fund's Investor Class shares returned 13.4% versus 15.8% for its benchmark index. 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 overweight US equities and underweight European equities. During the quarter the Fund increased its exposure to Japanese equities and is now overweight Japan.

Sector Exposure 31 December 2012	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
Energy	1	10	(9)
Materials	2	7	(5)
Industrials	1	11	(10)
Consumer Discretionary	36	11	25
Consumer Staples	9	11	(2)
Health Care	1	11	(10)
Financials	7	20	(13)
Information Technology	42	12	30
Telecommunication Services	0	4	(4)
Utilities	0	3	(3)
Total Shares	**98**	**100**	
Net Current Assets	2	-	
Net Assets	**100**	**100**	

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

Geographic Exposure 31 December 2012	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
North America	69	57	12
Europe	11	28	(16)
Japan	14	9	5
Other	4	6	(2)
Total Shares	**98**	**100**	
Net Current Assets	2	-	
Net Assets	**100**	**100**	

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

JAPAN

The Japanese market has been an unpleasant investment destination for some time. From its relative peak in 1988, the TOPIX Index has fallen 81% versus the MSCI World Index (Figure 1). Even in the last ten years the TOPIX has performed poorly versus the MSCI World Index (Figure 2). Remarkably, the Japanese market reached a new relative low versus the MSCI World Index on 11 October 2012, 5% *below* the relative low it reached following the Great East Japan Earthquake in March 2011.

We have found compelling value in Japan for some time. The risk in Japan has been that of a persistently weak economy and the value in companies not being unlocked. We believe that there are signs that the probability of value being unlocked is increasing. This, combined with very compelling valuations, has resulted in the Fund increasing its exposure to selected, mainly domestic, Japanese equities. As a result the Fund ended the year with a 14% exposure to Japanese equities, versus a 9% weighting for Japan in the Fund's benchmark MSCI World Index.

Figure 1: TOPIX (U$) relative MSCI World - 40 Years

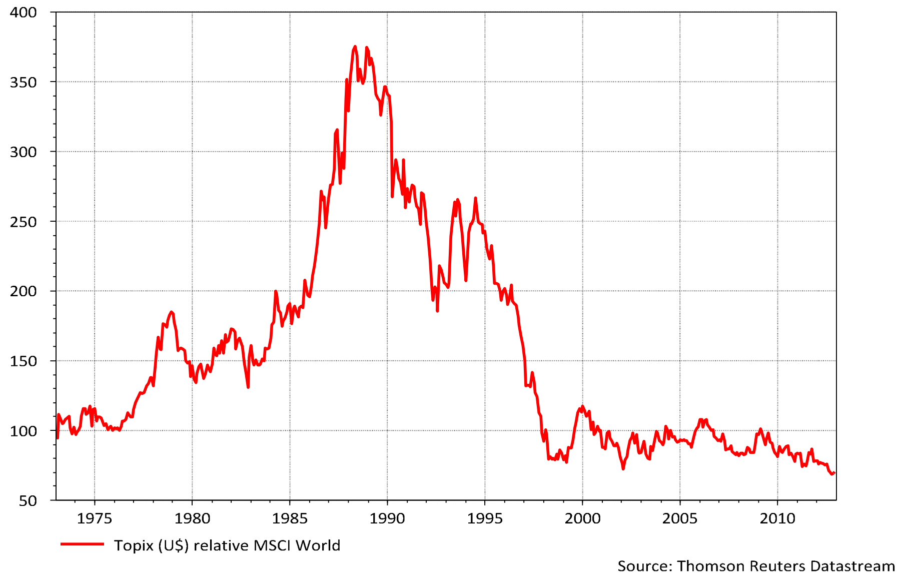
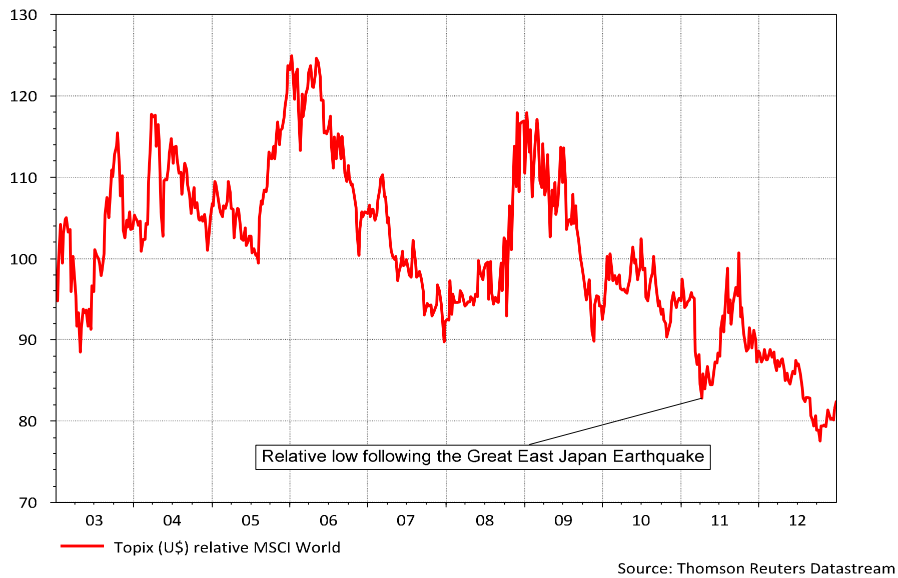


Figure 2: TOPIX (U$) relative MSCI World - 10 Years



APPLE

Apple started and ended 2012 as the Fund's largest holding. Over this period its share price increased 31.4% versus a 13.4% increase in the S&P 500 Index. However, from its recent high in September 2012 the value that the market places on the business of Apple (as measured by enterprise value) has fallen by 30%. An observer may believe that either the share was trading well above its intrinsic value in September, or that there has been a significant change in circumstances, which has undermined Apple's business.

Often, investment sentiment causes shares to trade below their underlying intrinsic value, creating opportunities for long-term, bottom-up, contrarian investors such as ourselves. It is perhaps worth exploring possible reasons for the recent decline and whether they impact our assessment of Apple's intrinsic value.

There have been a number of news items that contributed to the recent change in sentiment: issues with their new maps application; some management changes; Android gaining market share; even that tax changes in the US may tempt shareholders to sell before the 2012 year-end. Most of the discussion at the moment however seems to be around two main concerns: (1) growth has slowed and market share of tablets is declining; (2) their competitive situation in China.

Growth and Market Share

In early December the International Data Corporation (IDC) released their latest forecasts for the tablet market which projected Apple's tablet market share falling from 54% in 2012 to 50% in 2016. The IDC now estimates that Apple will sell 141 million tablets in 2016 compared to 66 million in 2012. The 2016 estimate was revised down from 152 million in their September 29 report but this degree of volatility is to be expected in a four-year forecast. This revision may very well have accounted for some of the recent change in sentiment towards Apple.

Their revised forecast however still represents an expected 21% p.a. unit growth in tablets over the next four years. It is not surprising that Apple, who was early to market in the Tablet sector, will lose some market share as more competitors enter the market. It however continues to have a strong position in a growing sector. In addition, the IDC also forecasts unit growth for the iPhone of 19% p.a. over the next four years.

China

More smartphones are sold in China than the US. While all these phones may not currently be as sophisticated as the iPhone, over time this is likely to be a very significant market. While Apple does have agreements with two carriers, to date it has not struck a deal with China Mobile, the largest carrier in the world with more than 700 million subscribers. China Mobile uses a proprietary technology that was not supported by previous iPhone generations. The latest generation of the iPhone appears to have overcome this technical barrier. Given its size, China Mobile will presumably attempt to negotiate a better deal on the extent to which it would subsidise handsets. How this resolves itself is not yet clear, nevertheless, we expect that it will be resolved.

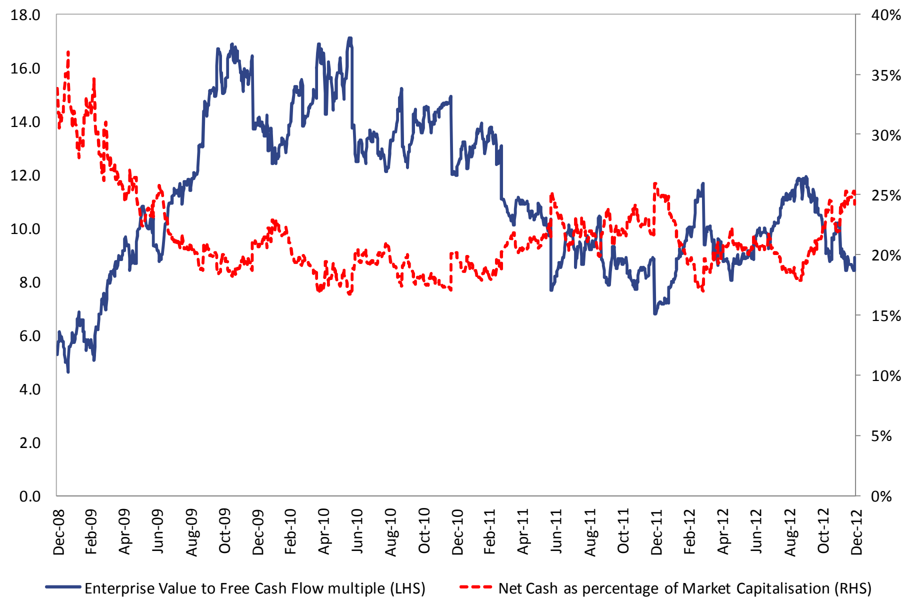
In the most recent financial year, without a deal with China Mobile, Apple's Chinese revenues increased 80% and accounted for 15% of its total revenues.

Conclusion

Apart from Apple's renowned product design skills, its operating system and growing ecosystem of interconnected products, it has another significant competitive advantage in our view: the ability to control its supply chain, relative to that of its competitors.

In the quarter ending in September 2012, Apple sold 27 million iPhones and 14 million iPads. Unit growth compared to the prior year was 58% and 26%, respectively. In the previous quarter those growth rates had been 28% and 84%. The iPhone 5 was launched late in September and within seven days of launch it was available in 31 countries. There have been four major product releases in the past four months alone. This requires extraordinary logistics. The importance of logistics to Apple is clear in the appointment of Tim Cook as Steve Jobs's chosen successor: Mr Cook's experience was primarily with the supply chain (rather than design, for example).

Figure 3: Apple



Source: Contrarius Research, Bloomberg

We believe that Apple not only has opportunities to grow its existing businesses (iPhone, iPad, Macintosh computers and iTunes) at rates above that of the average company, it also has opportunities to grow from the launch of innovative new products. Despite this, as shown in Figure 3, Apple trades at approximately 8.9x historic free cash flow at its year-end share price, after adjusting for its $121bn in net cash (24% of market capitalisation). Rather than being priced like a growth business, it is instead being priced like a business in decline. Even though Apple has already contributed positively to the performance of the Fund, we continue to find it very attractive.

It is interesting that the company often viewed as the biggest threat to Apple, being Google with its Android operating system, is also one of the Fund's Top 10 holdings. We believe that it is attractive in its own right.

While there is risk in any investment, we continue to believe that buying shares trading below our assessment of their intrinsic value, when the perception of risk is exaggerated, will yield good returns in the long term.

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