



QUARTERLY INVESTOR COMMENTARY
31 MARCH 2014

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 MARCH 2014

Total Rate of Return in US Dollars	Class	Since Inception on 1 Jan 2009	Latest 5 Years	Latest 3 Years	Latest 1 Year	Latest Quarter
			% Annualised		% Not Annualised	
Contrarius Global Equity	Investor	27.3	29.7	16.1	32.6	(1.1)
Contrarius Global Equity	Institutional	27.8	30.2	16.6	32.7	(1.0)
World Index		14.5	18.3	10.2	19.1	1.3

The Fund's Investor Class shares returned (1.1)% for the quarter versus 1.3% 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 underweight European equities and overweight Japanese equities.

Sector Exposure 31 March 2014	Weighting (%)		Over/(Under) Weight
	Fund	World Index ¹	
Energy	0	10	(9)
Materials	9	6	3
Industrials	0	11	(11)
Consumer Discretionary	39	12	27
Consumer Staples	8	10	(2)
Health Care	0	12	(11)
Financials	10	21	(11)
Information Technology	32	12	20
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 March 2014	Weighting (%)		Over/(Under) Weight
	Fund	World Index ¹	
North America	66	59	7
Europe	6	28	(22)
Japan	15	8	7
Other	12	5	7
Total Shares	98	100	
Net Current Assets	2	-	
Net Assets	100	100	

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

MANAGER
Contrarius Investment Management
Limited

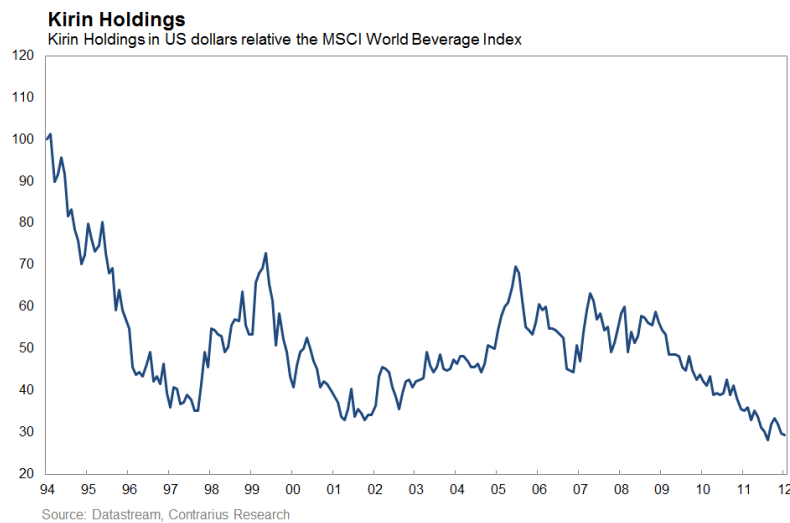
SUB-INVESTMENT MANAGER
Contrarius Investment Management
(Bermuda) Limited

INVESTMENT ADVISOR
Contrarius Investment Advisory Limited

CUSTODIAN
Deutsche Bank International
Limited

KIRIN HOLDINGS

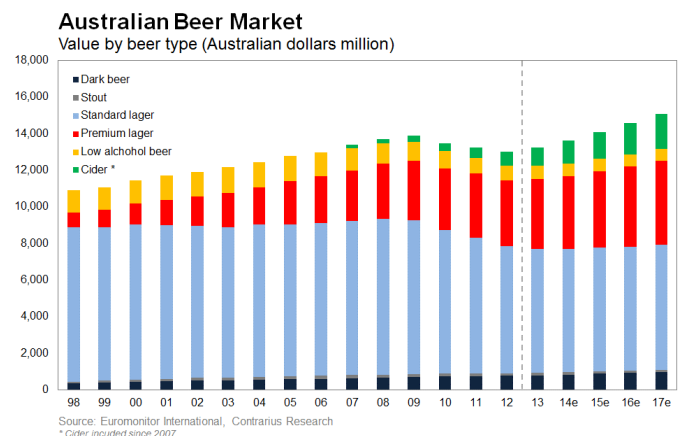
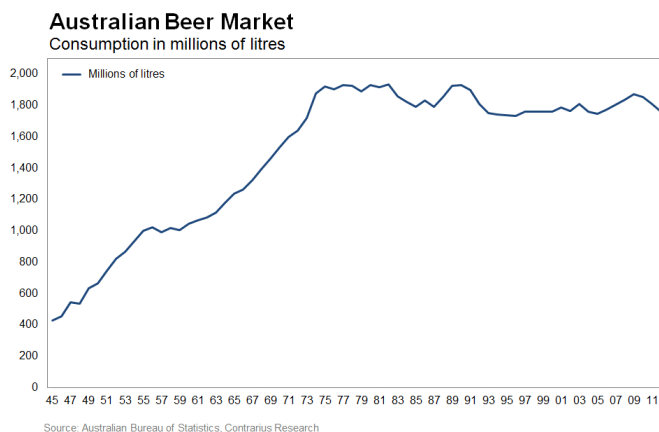
Kirin Holdings (Kirin), a Japanese listed beverage business, is a new position in the Fund's Top 10. The stock price in US dollars has underperformed the major global beverage companies for a long period of time. The market appears to be focused on Kirin's Japanese beverage business which over the years has faced deflation and declining beer volumes.



As contrarian, bottom-up investors, we have a different view of Kirin. To understand the attractiveness of Kirin, we begin not in Japan but in Australia where Kirin owns Lion, the largest brewer.

Australian Beer Market

Australians drink a lot of beer. The annual consumption per capita is one of the highest in the world at over 90 litres (or almost 250ml/day). It is a mature beer market. Total volumes have largely been flat since the 1970s, but increasing "premiumisation" of beer sold has meant growing revenues.



The Australian beer industry is highly consolidated. The duopoly of Lion and Carlton & United Breweries ('CUB', formerly Fosters) dominate the industry, accounting for approximately 87% of the market. The rivalry for the title of the nation's number one beer by volume has been interesting. Through a series of missteps, CUB's iconic 'VB' beer fell steadily from a market share (off-premises by volume) of 25% in 2000 to around 12% in 2013. In contrast to 'VB', Lion's 'XXXX Gold' has gained market share over the years and they now have similar market shares. As a percentage of total beer volume sold in 2012, 'XXXX Gold' held 9.6%, 'VB' held 9.5%, and Lion's 'Toohey's New' was close behind with 8.9%. As in many other markets there is a shift to premium and craft beers in Australia. Effectively, the average consumer is consuming less volume but is willing to pay a higher price per volume.

Lion's alcoholic beverage business and CUB both generate annual revenues in excess of A\$2bn, with impressive operating margins and cash flow generation. The crucial question is how much is such a strong business worth? In 2011, SABMiller paid A\$11.5bn for CUB (then Fosters), a multiple of 4.8x revenues and 15.1x operating profit (before amortization). Despite SABMiller injecting their international premium brands like Peroni and Miller into it, CUB's market share has dropped from 46% at the time it was acquired to about 41%. Major Anheuser-Busch Inbev and Diageo brands moved from CUB to Lion's distribution. This includes brands like Corona Extra, Stella Artois, Guinness, and Kilkeny. Lion has now become the largest brewer in Australia with a 46% market share. Its portfolio of major brands includes XXXX, Tooheys, Boag's, Hahn, and Steinlager. This is complemented by international premium brands and a growing set of craft beers and ciders. If one applies the same multiple of operating profit (before amortization) that SABMiller paid for Fosters to Lion's alcoholic beverage business one gets a value of approximately A\$10.9bn.

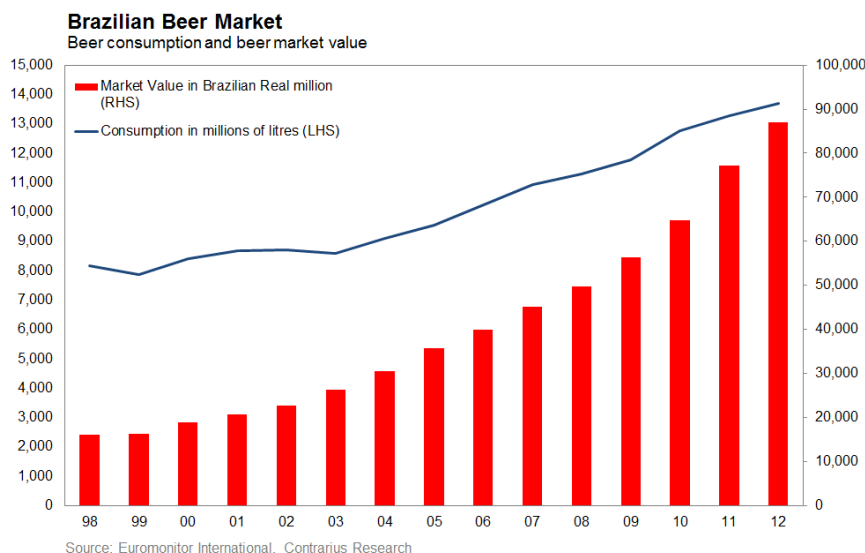
In 2009, Kirin bought out the minorities in Lion and merged it with Kirin's existing wholly-owned Australian dairy and juice businesses. The combined revenues of this large beverage business is about A\$5bn and in our view is a particularly attractive asset in a global beer industry that continues to consolidate.

Kirin's Brazilian business

Brazil is the world's third largest beer market. In 2011 Kirin acquired Schincariol, the second largest brewer. The business has been renamed Brazil Kirin, and it operates 14 beer manufacturing facilities with capacity in excess of 3.2bn litres per year (to put this into context, the whole Australian market consumes about 1.7bn litres of beer per year).

One of the most striking things about the Brazilian beer market is its growth over the 14 years from 1998 to 2012. While cumulative beer volumes have grown by around 68%, the value of beer sales has grown by 443%. Brazil's beer value growth has far exceeded inflation of 147% over this period.

While the Brazilian beer industry is dominated by Anheuser-Busch Inbev-owned Ambev, which holds 63% of the market by volume, Kirin Brazil is second with a 14.6% market share and is a profitable and growing business in a very attractive beer market.



Kirin's other operations (excluding the Japanese beverage business)

Kirin has a 48.6% stake in San Miguel Brewery, the major brewer in the Philippines, a country with a growing economy and a population of nearly 100m people. San Miguel's market share exceeds 90%. It is a very profitable business.

Kirin also holds a majority stake in Kyowa Hakko Kirin, a Japan-based pharmaceuticals company. The company is listed in Japan and Kirin's stake is worth about US\$3bn at the current share price.

We believe that at the current share price one can buy Kirin at a reasonable discount to the estimated fair value of its assets (excluding the Japanese beverage business).

Kirin Holdings			% Interest	Value to Kirin	Value per share
Excluding Japanese beverage business				JPY'bn	JPY
Lion	Beverages	Australia	100	1,054	1,135
Kyowa Hakko Kirin stake	Pharmaceuticals	Japan	53	318	342
Kirin Brazil	Beverages	Brazil	100	277	298
San Miguel Brewery stake	Beverages	The Philippines	49	275	296
				1,924	2,070
Net debt				(346)	(372)
Total estimated fair value				1,578	1,698
<i>Excluding Japanese beverage business</i>					
Kirin Holding's share price					1,430
<i>Net debt as of 31 December 2013, market prices as at 31 March 2014</i>					
<i>Sources: Bloomberg, Contrarius Research</i>					

In addition one is getting Kirin's vast Japanese beverage interests.

One may think of Japan as the land of sake, but beer revenues are more than five times those of sake. Japan is the world's 7th largest beer market by volume, of which Kirin holds an approximate 33% market share. It is second to Asahi (35%), and markedly ahead of third and fourth placed Suntory and Sapporo (14% and 11%, respectively). Kirin is particularly strong in low-malt and no-malt beer brands. Kirin also owns Mercian, a Japanese wine maker and distributor as well as a large non-alcoholic beverage business selling bottled teas, coffees, water and sodas. Kirin's Japanese beverage businesses generate net revenues in excess of US\$8bn. This exceeds the revenues of Lion, Kirin Brazil and San Miguel combined.

Conclusion

Management have recently begun to focus on organic growth and debt reduction rather than acquisitions. They have also initiated share buybacks, a relatively uncommon occurrence in Japan, with the company buying back 3.3% of its own shares in 2013. We believe that Kirin is a collection of valuable businesses that can be acquired at a very attractive price.

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