QUARTERLY INVESTOR COMMENTARY
30 JUNE 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 30 JUNE 2014

Total Rate of Return in US Dollars	Class	Since Inception on 1 Jan 2009	Latest 5 Years	Latest 3 Years	Latest 1 Year	2014 Year-to-date	Latest Quarter
		% Annualised			% Not Annualised		
Contrarius Global Equity	**Investor**	**26.6**	**22.0**	**17.1**	**28.0**	**2.0**	**3.1**
Contrarius Global Equity	**Institutional**	**27.1**	**22.5**	**17.5**	**28.5**	**2.3**	**3.3**
World Index		14.8	15.0	11.8	24.0	6.2	4.9

Past performance is not a reliable indicator of future results.

The Fund's Investor Class shares returned 3.1% for the quarter versus 4.9% 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. The Fund has increased its exposure to shares outside the major developed markets as more value emerges in this area.

Sector Exposure 30 June 2014	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
Energy	0	10	(10)
Materials	11	6	6
Industrials	0	11	(11)
Consumer Discretionary	37	12	25
Consumer Staples	10	10	(0)
Health Care	0	12	(11)
Financials	7	21	(13)
Information Technology	33	12	21
Telecommunication Services	1	3	(3)
Utilities	0	3	(3)
Total Shares	**99**	**100**	
Net Current Assets	1	-	
Net Assets	**100**	**100**	

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

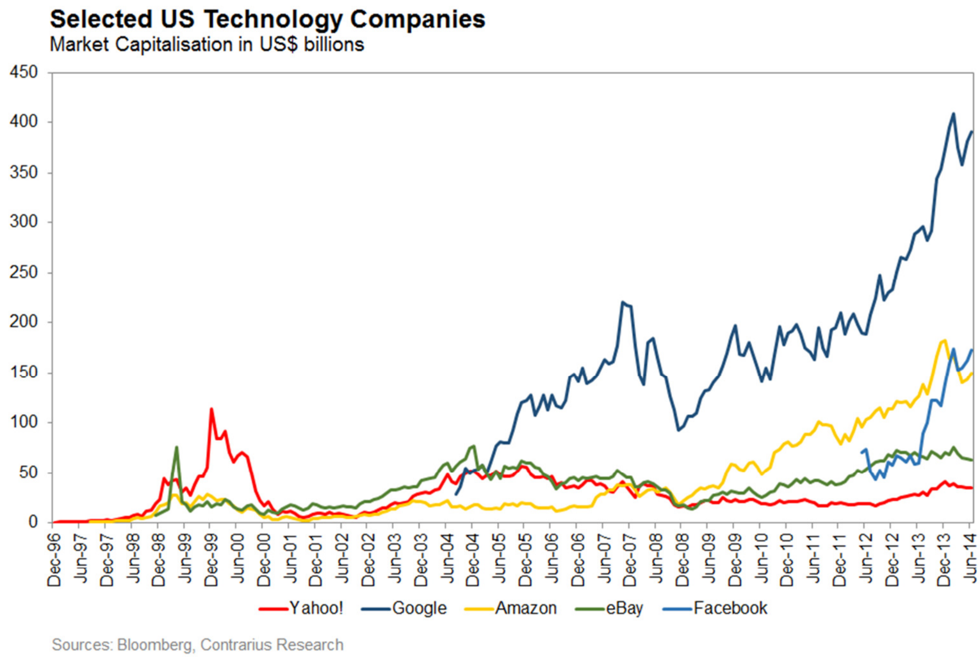
Geographic Exposure 30 June 2014	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
North America	61	59	1
Europe	8	27	(19)
Japan	14	8	6
Other	16	5	11
Total Shares	**99**	**100**	
Net Current Assets	1	-	
Net Assets	**100**	**100**	

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

YAHOO!

In late 1999, some investors seemed to believe that Yahoo! was going to take over the world. It was a leader in helping people navigate their way around the relatively new phenomenon called the internet, and the company's potential in terms of communications, commerce, and socialising was overwhelming. The stock rocketed to over $100 per share at the top of what would become the technology bubble.

The bubble burst and Yahoo!'s share price sank. But unlike some other dotcom stocks, it still offered a valuable proposition. By almost any measure the internet continued to boom through the bust and Yahoo! was still one of the primary ways to navigate it. However, the decade that followed saw the rise of companies that in some way fulfilled the potential that Yahoo! never did. Google emerged as the leading search engine, usurping Yahoo!'s role as lead guide. It outbid Yahoo! for YouTube, a major force in online video. Amazon and eBay became leaders in internet commerce, either offering products to people online or acting as an online platform on which commerce takes place. More recently, the social media heavyweight Facebook has revolutionised how people communicate and interact. These have all become prominent companies with large market capitalisations. It is perhaps not surprising then, that some view Yahoo! as a disappointment: a company of missed opportunities and little direction. The share price, we believe, reflects this disappointment.



As contrarian investors, we attempt to look through market sentiment in search of value. And when we look at Yahoo!, we believe that we see a company with a lot more value than the current share price reflects.

Yahoo! operations

To us, the core business looks a lot like a traditional media business. It attracts an audience with information (news, weather, finance), entertainment (sports, video, lifestyle), and communication services (email, photo sharing, blogging services), packaged in a simple and appealing way. By many measures Yahoo! has been very successful at this and has built up a business with over 800 million unique monthly users. The table below gives some indication of its market share across various metrics in the US.

Yahoo!

Metric	Rank (US)	Date	Description
Desktop Audience	2nd	Mar-2014	The number of unique visitors to a company's desktop properties from home, work and university locations.
Mobile media audience	2nd	Feb-2014	The percentage reach of a company's properties across total US smartphone mobile media users (18+). Includes browsing and app audience (iOS and Android).
Search engine rankings	3rd	Mar-2014	The number of explicit core searches (which excludes contextually driven searches that do not reflect the specific user intent to interact with the search results).
Online video audience	4th	Mar-2014	The number of unique viewers of a company's online video content properties from home and work locations (excludes video ads).

Source: comScore, Contrarius Research

The next step for a traditional media business is to monetise this audience, and as in the case of free-to-air television broadcasters, radio broadcasters, and to some extent newspapers and magazines, this is often done through advertising. Yahoo!'s core business generates approximately 80% of its revenue from advertising.

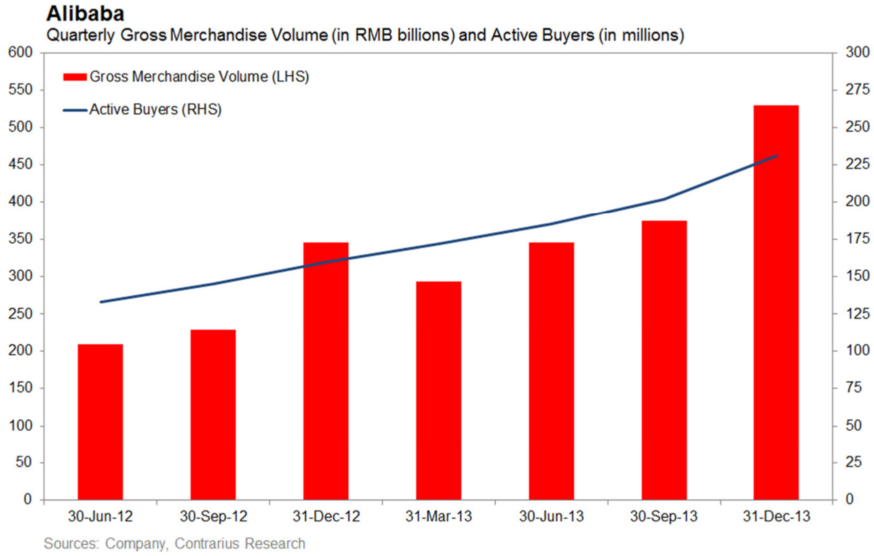
While this business model is strikingly similar to that of a traditional media business, a major difference is that Yahoo! is purely an online operation, and one that is increasingly present on mobile devices. Of its 800 million unique monthly users, approximately 430 million access Yahoo!'s services via mobile devices. As smartphone penetration continues, Yahoo! appears to be in a good position to get its products and services into more hands.

Since Marissa Mayer became CEO in the middle of 2012, Yahoo! has focused on fewer core media properties (homepage, mail, weather, news, etc.), and the results so far look positive. In 2013, user traffic increased after years of decline. In the most recent reported quarter, display advertising revenues grew for the first time since 2011, while search advertising revenues continued to grow. Mobile apps are being updated more frequently and the mobile mail, news, weather, and finance app downloads have demonstrated strong growth. Both the Yahoo Weather and the Yahoo News Digest apps were selected for Apple Design Awards in 2013 and 2014, respectively. Yahoo! is also a creator of content. It has brought in an experienced editorial team across various content categories and has developed a number of web video series. There have been some interesting acquisitions, most recently Summly and Tumblr. Summly was used to develop the Yahoo News Digest app, which has proved to be a very "sticky" product (on average 40% of downloads become daily active users). Tumblr meanwhile continues to grow both users and time spent on the service, and up to 60% of users are accessing it on their mobile devices. While Tumblr is actually loss-making at the moment, it would likely have a high valuation were it a stand-alone company. All this does not seem to have gone unnoticed within the industry. In a business where attracting talent is important, Yahoo! experienced a doubling of job applications in 2013.

Over the last ten years, Yahoo!'s core business has generated average annual free cash flow of $880 million. While it may not take over the world as some once believed, Yahoo! remains a widely used service that consistently generates strong cash flows. We value this business at approximately $16bn or $15.87 per Yahoo! share.

Alibaba

Yahoo! acquired a stake in Alibaba in 2005. Alibaba is China's largest online and mobile commerce company. The company operates three major platforms that service Chinese consumers and businesses, helping buyers and sellers meet and trade. 'Taobao' Marketplace is China's largest online shopping destination and allows anyone in China to buy and sell goods. 'Tmall' is a platform for established brands and retailers (including global brands) and is perhaps seen as a more upmarket online shopping destination. Lastly, 'Juhuasuan' is a platform for group-based purchases. Together, these three platforms generated a combined 'gross merchandise volume' (GMV) of US$248bn from its 231 million active buyers and 8 million active sellers in 2013. By comparison, the GMV of eBay's Marketplaces business in 2013 was US$76bn from its 140 million active buyers.



Various trends in China point to bright prospects for Alibaba. China's internet population is about 618 million and growing. Internet penetration appears low when compared to developed peers. Less than half of Chinese internet users were online shoppers in 2013, and online shopping represented 7.9% of total China consumption. The growth of mobile devices with decent internet capabilities has also been strong and the user base was estimated to be about 500 million in 2013. Alibaba has 136 million active monthly mobile users, and almost 20% of its total gross merchandise volume was transacted over its mobile shopping platform. According to iResearch, Alibaba accounted for 76% of total mobile retail gross merchandising volume (excluding virtual items) in China in 2013. It is by far the leader in a rapidly growing industry, and one that probably has a strong network effect whereby more buyers attract more sellers who attract more buyers, etc.

Alibaba generates revenue in a few different ways. One is through its online marketing platform which helps merchants broaden their audience. A second is commissions on transactions. The company's major three platforms described above generate over 80% of Alibaba's total revenues. Revenue totalled $8.4bn in the year to March 2014, an annual growth of about 52%. Its 2013 operating margin was 49%. It is a platform business rather than a merchant. In general, it is a business that needs relatively little investment compared to the size of the trade that it facilitates. Alibaba's net income increased 274% to $3.7bn in the year to March 2014.

In 2005, Yahoo! paid $1bn for a 40% stake in Alibaba. In 2012, it reduced that stake in exchange for $7.1bn (before tax), largely in cash. Yahoo! agreed to sell a further 40% of its remaining holding in Alibaba's highly anticipated IPO, which is expected to be this year. After the listing, the market should be able to assess more accurately the value of Yahoo!'s stake, and Yahoo! may be able to realise a large portion of that in the short term. Alibaba is estimated to be worth $168bn according to Bloomberg, which averaged the estimates of investment analysts. This values the stake in Alibaba at approximately $33.4bn (net of estimated tax on the disposal), or about $33.21 per Yahoo! share. Interestingly, one can buy the whole Yahoo! for a similar price.

Yahoo Japan

Yahoo Japan is a major internet portal in Japan. An internet portal is a place where people often begin their internet activity, for example, where they can find news, search for something specific, or access their mail and online games. Yahoo! formed the business with SoftBank in 1996, and retains a 35% stake. Yahoo Japan has been consistently profitable with operating margins averaging over 50% since 2004. It has grown revenue at an average rate of 8% per annum over the last four years, well above the Japanese inflation rate. Yahoo Japan is separately listed in Tokyo and at the quarter-end share price of Y468 per share, Yahoo!'s stake is worth $9.3b or $9.27 per Yahoo! share.

Conclusion

Yahoo! has roughly $3.4bn in net cash and investments (excluding the two major affiliates), which, when combined with the other assets results in an estimated value meaningfully higher than the current share price.

Yahoo!	% Interest	Value to Yahoo US$'bn	Value per share US$
Yahoo! operations	100	16.0	15.87
Alibaba	23	33.4	33.21
Yahoo Japan	35	9.3	9.27
		58.7	**58.35**
Net cash and investments		3.4	3.42
Total estimated value		**62.2**	**61.78**
Yahoo!'s share price			**35.13**
Discount to estimated value			*43%*

Net cash as of 31 March 2014, market prices as at 30 June 2014

Source: Bloomberg, Contrarius Research

While one may debate the value attributed to Alibaba, at the current share price of Yahoo! investors are paying very little for it.

Although Yahoo! does not pay a dividend, the company has cannily bought back shares over the last four years, reducing the number of shares in issue by 28% since 2010 at an average price of $18.36 per share.

After seven different CEOs in eight years, it is not surprising that investors may be disappointed in Yahoo!. However, as contrarian, long-term, bottom-up stock pickers, we find significant value and, as a result, Yahoo! is a meaningful position in the Fund.

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