CONTRARIUS

QUARTERLY INVESTOR COMMENTARY
30 SEPTEMBER 2015

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 2015

Total Rate of Return in US Dollars	Class	Since Inception on 1 Jan 2009	Latest 5 Years	Latest 3 Years	Latest 1 Year	2015 Year-to-date	Latest Quarter
			% Annualised			*% Not Annualised*	
Contrarius Global Equity	**Investor**	**16.3**	**6.7**	**4.9**	**(17.7)**	**(19.9)**	**(21.4)**
Contrarius Global Equity	**Institutional**	**16.8**	**7.1**	**5.3**	**(17.3)**	**(19.6)**	**(21.3)**
World Index		10.7	8.3	8.6	(5.1)	(6.0)	(8.4)

Past performance is not a reliable indicator of future results.

The Fund's Investor Class shares returned (21.4)% for the quarter versus (8.4)% 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 overweight Materials, Technology and Consumer Discretionary stocks. In terms of geographic exposure, the Fund continues to be significantly underweight European equities and overweight shares outside the major developed markets.

Sector Exposure 30 September 2015	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
Energy	9	7	2
Materials	28	4	24
Industrials	0	11	(11)
Consumer Discretionary	24	13	10
Consumer Staples	4	10	(6)
Health Care	3	13	(11)
Financials	5	21	(16)
Information Technology	26	14	13
Telecommunication Services	0	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 September 2015	Weighting (%) Fund	World Index [1]	Over/(Under) Weight
North America	54	62	(8)
Europe	8	25	(17)
Japan	10	9	1
Other	27	4	23
Total Shares	**99**	**100**	
Net Current Assets	1	-	
Net Assets	**100**	**100**	

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

GOLD MINING COMPANIES

At the end of the quarter the Fund had 14.9% invested in gold mining shares. One year earlier that was 2.4%. What has changed? Price and sentiment. The shares of gold miners have fallen dramatically, in most cases much more than gold itself. The Philadelphia Gold and Silver index of mining companies, for example, has dropped over 80% from its 2010 high. It appears that investors now despise gold miners. As long-term contrarian value-based investors, we are now finding remarkable value in individual miners. The Fund's exposure to gold miners (a contributor to the underperformance during the last quarter) is a good example of the considerable disparity we see in the market, at a time when overall equity markets no longer appear to be particularly attractive.

The Fund's exposure to gold mining is essentially in four shares: Barrick Gold, Kinross Gold, Newcrest Mining and IAMGOLD. This report focuses on two of them: the one with the lowest All-in Sustaining Costs (AISC) (Newcrest) and the one with the highest AISC (IAMGOLD). Both seem attractive, despite their different cost structures.

Gold miners are operationally geared. They generally have high fixed costs, such as labour, energy, steel, and other materials. When revenue falls, profit margins typically also fall. Therefore, one of the qualities we look for in a gold miner is the ability to weather lower gold prices. We believe that both Newcrest and IAMGOLD have this quality. In addition, the gold market currently suffers from high levels of new mine supply and the liquidation of gold exchange traded funds. We think that both are unsustainable and that the outlook for the gold price is positive.

NEWCREST MINING

Miners have little control over the price of their product (unlike, say, a branded goods retailer or a software company). Also, mines are eventually exhausted so miners need to invest in new mines, or in expanding existing ones, to keep production from falling. Costs and mine life are therefore important. A low-cost mine should be able to make money during those inevitable times of weak prices, while a long-life mine has less need for investment to keep it going through the tough times. Newcrest's Cadia Valley operation, a key part of our assessment of the company's value, has both a low cost and a long life.

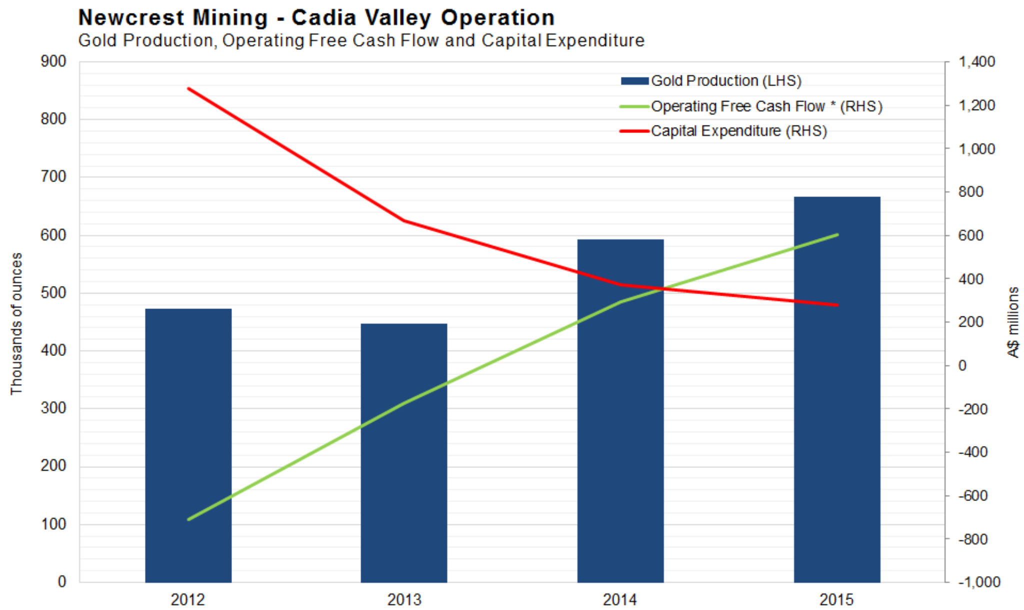
Cost

In the year to 30 June 2015, Cadia Valley produced about 670,000 ounces of gold at an AISC of A$245 per ounce (net of by-product credits). Compare this to the average Australian dollar gold price of A$1,474 per ounce during the period or the quarter-end price of A$1,589. Cadia Valley produces a large amount of copper by-product, which helps to keep net costs down. The mine's costs are largely in Australian dollars while its revenues are in US dollars. So it suffered when the Australian dollar was strengthening but more recently has started benefiting from its weakness.

Mine life

Cadia Valley has an expected life of 30 years, and total reserves that may last closer to 40 years at the current rate of production. Newcrest discovered Cadia Valley – a complex of deposits about 250 kilometres west of Sydney – in 1992. An open-pit mine began producing in 1998 but the operations eventually shifted underground to access the Ridgeway deposit. This has been largely wound down and replaced with Cadia East, the new focus in the complex. This is a major deposit, and is the source of most of the operation's gold and copper reserves.

Like most underground mines, Cadia East needed large upfront investment (approximately A$2.1bn over the last five years). The impact of Cadia East on Cadia Valley's results since 2012 is illustrated in the graph below.



* Operating Free Cash Flow: EBITDA minus Capital Expenditure relating to Cadia Valley segment

Source: Contrarius Research, Newcrest Mining

This investment is now paying off: growing output and falling investment are producing strong cash flow. You could even call Cadia Valley a "cash cow"—a term not often associated with gold mines!

Newcrest also owns the Lihir open-pit mine in Papua New Guinea. It has been producing for 18 years from one of the largest gold deposits in the world. Lihir has a remaining life of 30 years, and considerable reserves (over 40 years at the current production rate) and resources. It produced 690,000 ounces in the year to 30 June 2015 at an AISC of A$1,394 per ounce. While it is not a low cost mine, its long life may allow it to benefit from times of higher gold prices.

In our March 2015 report we described how a number of gold miners are increasingly focused on free cash flow and shareholder value, and how industry conditions are supporting their efforts. Newcrest is one example. Five out of its six mining operations were free cash flow positive in the year to 30 June 2015. Overall, Newcrest generated approximately A$1 billion in free cash flow during the year, most of which was used to pay down debt.

The share has fallen 80% from its 2010 peak. Currently trading on less than 10x free cash flow and holding long-life assets, we believe that Newcrest is offering substantial value at the current share price.

IAMGOLD

IAMGOLD has four gold mines located in Suriname, Burkina Faso, Mali and Canada and expects to produce about 800,000 ounces in 2015. The operations in Suriname, Burkina Faso and Canada are owner-operated and account for 90% of production. A joint venture with AngloGold Ashanti in Mali accounts for the rest.

The 4-year decline in the gold price has weighed heavily on the share, which has dropped more than 90% from $23.25 in late 2011 to $1.63 at quarter end. IAMGOLD produces gold at the higher end of the cost curve compared to the Fund's other gold holdings. During the most recent quarter, the company's AISC were $1,076 per ounce. In contrast, the AISC reported by Newcrest, Barrick and Kinross during the same quarter were $762, $895 and $1,011 per ounce, respectively.

Higher costs mean smaller profit margins, and investors may believe that IAMGOLD has fewer options for coping with a low gold price. But we believe that the market does not appreciate the strength of its balance sheet and the opportunities to reduce costs.

At the end of the latest reported quarter, IAMGOLD had $836 million in cash, cash equivalents and gold bullion at market value. The cash position is mainly due to the recent well-timed sale of the company's remaining non-gold assets, the sale of a royalty asset and cash generated from operating activities. Against this cash position, the company had total debt of $645 million with repayment only due in 2020. As a result, IAMGOLD currently has a net cash position of $191 million and no near term debt repayments. Compare this to the company's market capitalisation of $637 million at the latest quarter end. An unused revolving credit facility of $500 million means that management currently has liquidity in excess of $1.3 billion at their disposal.

The lower gold price has brought operating cost and capital programs into sharp focus. Over the last few quarters, management has been successful in reducing AISC. Falling oil and steel prices have also helped, to some degree.

Operating costs are also expected to decline further as the new Westwood mine in Canada continues its ramp-up. The mine has just completed its first full year of production and its AISC are still well above the prevailing gold price. However, Westwood is expected to become IAMGOLD's lowest cost producer as it gets closer to design capacity over the next four years, with a target AISC of less than $900 per ounce at full production. As such Westwood, which is eventually expected to be about 20% of production, is likely to have an increasingly positive effect on IAMGOLD's overall cost profile over the next four years.

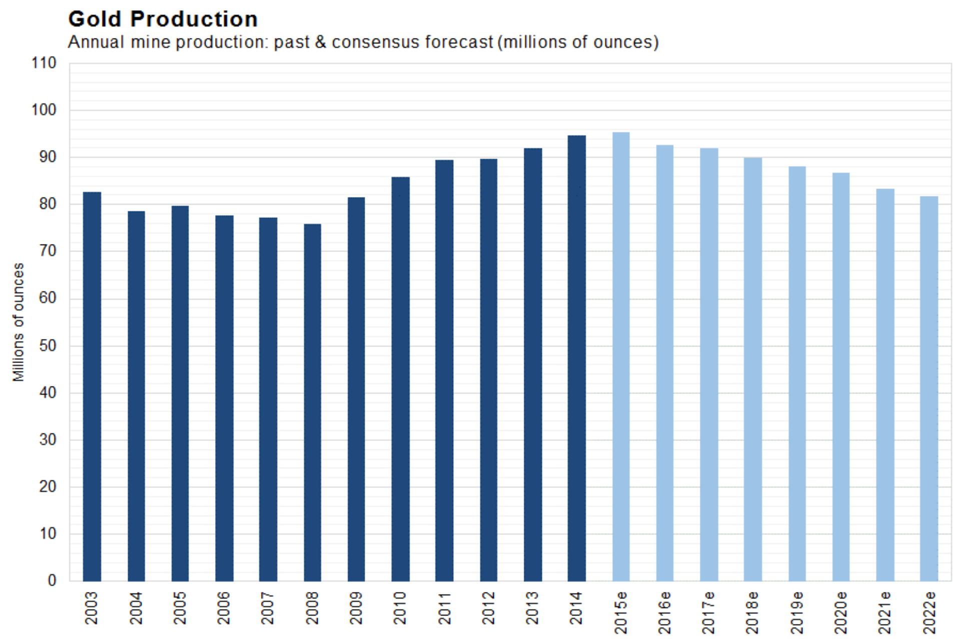
We believe that the commitment to cost reduction and current strong financial position result in an attractive risk-reward profile. IAMGOLD's attractive exploration and development pipeline provides further optionality.

GOLD

With the quarter-end gold price having fallen 41% from its 2011 peak, many miners seem to be pricing in further falls. But to us the outlook seems increasingly positive.

New mine supply

In our March 2015 report we discussed how commodity companies are especially sensitive to the business cycle. When prices are high, miners are incentivised to invest in new projects to increase supply. A number of major gold mining projects broke ground in the good times of 2010 and 2011. These take a few years to start producing, so gold output has actually been expanding over the last three years despite the falling price. This supply increase may be coming to an end. Gold supply is forecast to peak in 2015. Just as the production peak lags the price peak by a few years, production is likely to fall even after the price bottoms because of the recent dearth of investment. We expect the contraction in mine supply to be good news for the producers that can see out the tough times.

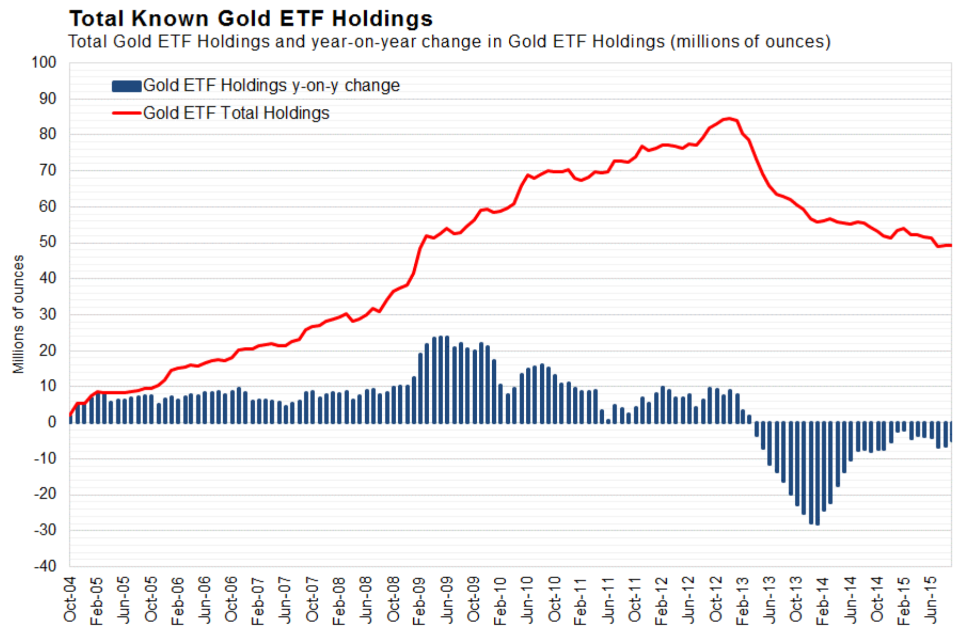


Source: Contrarius Research, GoldCorp, CPM Group, GFMS, and Metals Focus (consensus estimates).

Gold exchange traded funds

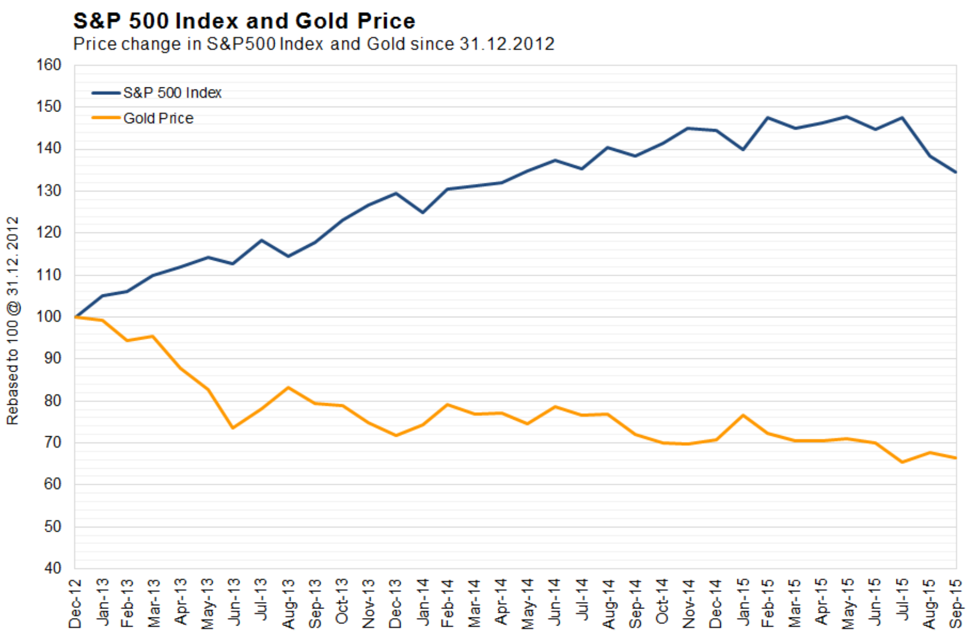
Gold exchange traded funds, or "ETFs", are securities that aim to track the gold price. Many are backed by physical gold and trade on public exchanges. This gives investors an easy way to get exposure to the gold price without having to buy gold bullion. When the total purchases of a gold ETF exceed the total sales, the financial company operating the ETF generally buys the required amount of gold to meet the excess demand and then issues new shares against the newly acquired gold. However, when the sales outnumber the purchases, the ETF operator liquidates the excess gold inventory, causing the size of the ETF to decline.

Perhaps unsurprisingly, the total holdings of gold in ETFs peaked in December 2012 approximately a year after the peak in the gold price. Since December 2012, holders of gold ETFs have been net sellers, with the total known ETF holdings of gold declining from around 84 million ounces to 49 million ounces currently. The 35 million ounces of disinvestment over this period is the equivalent of new supply of 13 million ounces per year on average. To put this in perspective, the largest two gold miners in the world – Barrick and Newmont – had a combined production of 11.5 million ounces in 2014. This rate of liquidation clearly cannot continue indefinitely and any slowdown or reversal is likely to have a substantial positive impact on the gold price.



Source: Contrarius Research, Bloomberg

The falling gold price was probably not the only factor causing investors to fall out of love with gold. Over the same period shares as represented by the S&P 500 Index rose by 35%. While investors are constantly reminded that past performance is not an indication of future returns, the temptation to extrapolate the recent past performance is extremely strong and may often drive investment decisions. This may explain investors' current strong dislike of gold and gold mining shares and their interest in equities as an asset class, and more specifically in the best performing sectors within equities. Increasing volatility in the equities markets may remind investors that equities also carry risk, which may prompt them to reassess their investment holdings.



Source: Contrarius Research, Bloomberg

Conclusion

Increasing new mine supply and liquidation of gold ETFs have put downward pressure on the gold price at a time of relatively subdued demand. We believe that Newcrest and IAMGOLD are being priced as though conditions are only going to get worse. While this may happen temporarily, the nature of these two businesses suggests that they should not only be able to weather the current difficult period but stand to benefit substantially when the cycle turns again. We believe the upside of these investment opportunities significantly outweighs the downside, a characteristic that is no longer necessarily true for overall equity markets.

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