# QUARTERLY INVESTOR COMMENTARY
## 30 JUNE 2009

## CONTRARIUS GLOBAL EQUITY FUND

*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 income ("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 2009 | | | | |
|---|---|---|---|---|
| **Total Rate of Return in US dollars** | **Class** | **Since Inception on 1 Jan 2009** | **Quarter to 30 June 2009** | **Quarter to 31 March 2009** |
| | | | *% not Annualised* | |
| **Contrarius Global Equity** | **Investor** | **35.6** | **40.1** | **(3.2)** |
| **Contrarius Global Equity** | **Institutional** | **35.8** | **40.2** | **(3.1)** |
| World Index | | 6.4 | 20.7 | (11.9) |

The Fund returned 40.1% for the quarter versus 20.7% for the benchmark MSCI World Index, including income. Year to date the fund has returned 35.6% versus the benchmark return of 6.4%. Investors should note that this level of outperformance has been possible because of significant disparities within the market and the rate at which these disparities have changed. Under normal circumstances outperformance of this magnitude is very unlikely. While the performance to date has clearly been pleasing, as indicated in our first quarterly report we would prefer to be evaluated over the long-term. The Fund aims to achieve long-term outperformance through the consistent application of Contrarius' investment philosophy. In doing so the Fund may, and often does, differ materially from its benchmark. This may very well result in short-term underperformance in order to achieve long-term outperformance.

As long-term bottom-up stock-pickers, one would expect that our holdings would not normally vary substantially from quarter-to-quarter. We calculate long-term expected Total Rate of Return's for investments and are willing to hold them for extended periods of time. Should a company however rerate to fair value rapidly, or a more attractive opportunity presents itself, we clearly align the portfolio to reflect these changes.

| Sector | Weighting (%) | | Over/Under |
|---|---|---|---|
| | Fund | World Index[1] | Weight |
| Energy | 4 | 11 | (7) |
| Materials | 7 | 7 | 0 |
| Industrials | 4 | 10 | (6) |
| Consumer Discretionary | 29 | 9 | 20 |
| Consumer Staples | 4 | 10 | (7) |
| Health Care | 3 | 11 | (8) |
| Financials | 21 | 20 | 1 |
| Information Technology | 22 | 12 | 10 |
| Telecommunication Services | 5 | 5 | 0 |
| Utilities | 0 | 5 | (5) |
| Total | 100 | 100 | |

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

While the Fund continues to be meaningfully overweight Technology and Non-Bank Financials, there has been a shift out of selected Consumer Staples shares into Consumer Discretionary, Telecommunication and Health Care shares. This shift has been driven by the continued substantial rerating during the quarter of certain of the Fund's previous large holdings, specifically the brewers (including Carlsberg) and soft drink bottlers (Coca Cola Hellenic, Coca-Cola Enterprises and Pepsi Bottling Group).

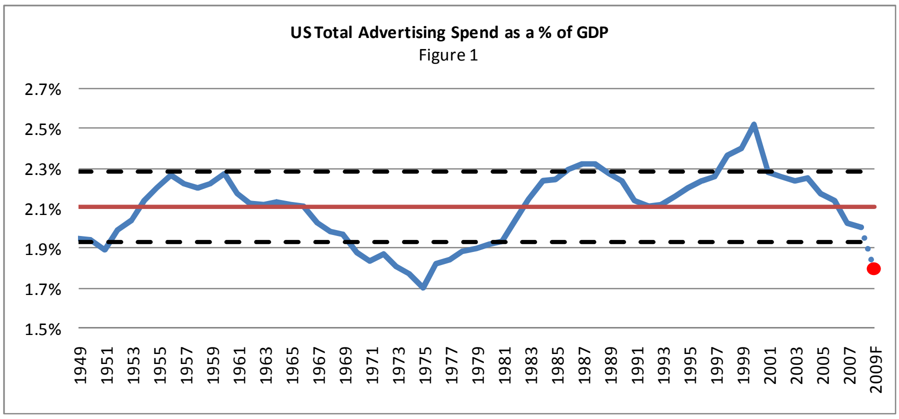
### CONSUMER DISCRETIONARY

As alluded to in our first quarterly commentary, we were increasingly finding greater value in shares of Consumer Discretionary companies and the portfolio shifted into more cyclical shares during the early part of the second quarter. Many of these shares have already contributed to the Fund's outperformance during the quarter. One area within Consumer Discretionary where our bottom-up stock picking has found several attractive shares is amongst media shares. The Fund holds various media shares covering a diverse range of media types. CBS would be a good example of one such share.

#### *CBS*

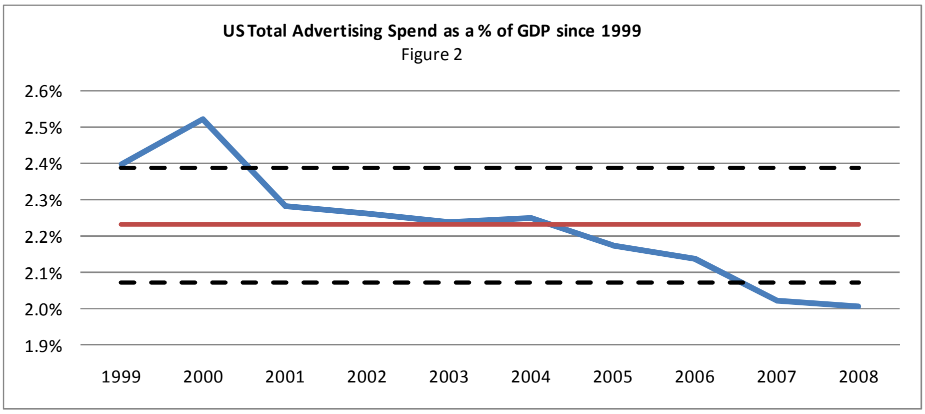
CBS owns the highest rated television network in the United States. In addition it owns the Showtime network, various regional television and radio stations, an outdoor media business, and the book publisher Simon and Schuster. With approximately two thirds of its revenues generated from advertising, it has been severely impacted by the economic downturn. As the credit crisis gripped the world towards the end of last year, even financially sound businesses battened down the hatches and prepared to repay debt in order to avoid the risk of not being able to roll-over their debt obligations. This caused aggressive cost-cutting, and one of the quickest things to cut is advertising. It would appear that “roll-over risk” accentuated an already depressed advertising cycle on the downside.

While the mix of advertising spend on different types of media (television, newspapers, magazines, billboards, internet etc) has shifted over time, total advertising in the US as a percentage of GDP has been relatively constant over the last 60 years (refer figure 1).



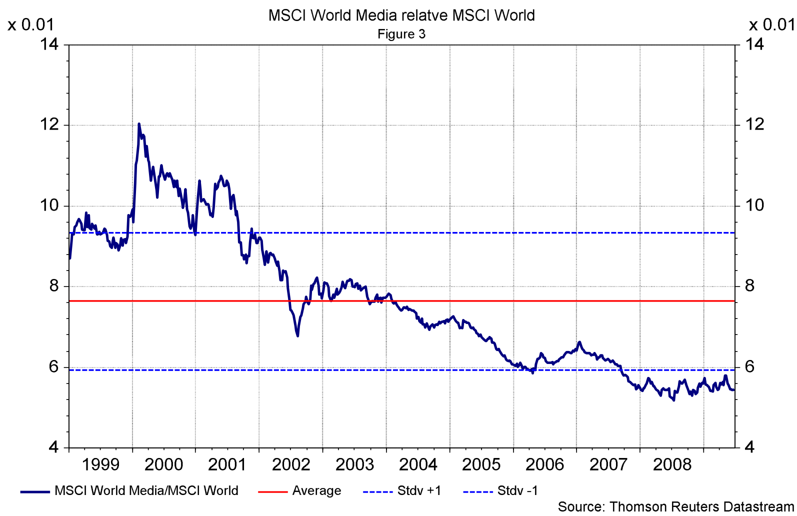

*Source: Purple Motes - Robert J Coen at Magna; Plunkett Research Inc; Bureau of Economic Analysis; Contrarius Research*
*Forecasts: Barclays Capital; Economist Intelligence Unit*

While the internet is currently growing as a percentage of advertising revenues, overall advertising as a percentage of GDP is now towards the lower end of its range over the long-term. These things tend to go through cycles and we would expect that as the economy recovers, advertising expenditures would revert to more normal, higher levels of GDP. As one would expect, people have been more focussed on recent history. Figure 2 below shows the same analysis, but this time for the last ten years.




*Source: Purple Motes - Robert J Coen at Magna; Plunkett Research Inc; Bureau of Economic Analysis; Contrarius Research*
*Forecasts: Barclays Capital; Economist Intelligence Unit*

If one was to extrapolate the trend of the last ten years into the future, one would understandably be bearish on all things media related. And the market has certainly been bearish! Figure 3 shows the MSCI Media Index versus the MSCI World Index over the ten year period.




Media shares were extremely expensive in 1999/2000 with shares trading on high multiples on high earnings. Why were people so optimistic? The previous several years had been fantastic for media companies. Advertising as a percentage of GDP in the US grew from its long-term mean of 2.1% to a peak of 2.5% in 2000. The revenue and earnings of these companies grew rapidly and people extrapolated this growth into the distant future. Since then, advertising has declined and the impact of the credit crisis has resulted in advertising declining to levels well below its long-term average (1.8% (estimate) for 2009). From being overly optimistic in 1999/2000, people are now probably overly pessimistic. We believe that the next ten years are likely to be substantially better for media companies than the last ten. Mix shifts should continue that are likely to benefit some media companies at the expense of others. Indeed our bottom-up research has led us to a diverse range of media companies. We expect some of these to benefit from these shifts and some to suffer. The common feature, however, is that their current year earnings are depressed and stand to benefit from a recovery in advertising back to more normal levels.

While current year earnings for CBS are therefore expected to be substantially lower than last year's (and well below normal), we believe that this is more than discounted in the current price. CBS has fallen substantially over the last couple of years in absolute terms (figure 4) and relative to the market.

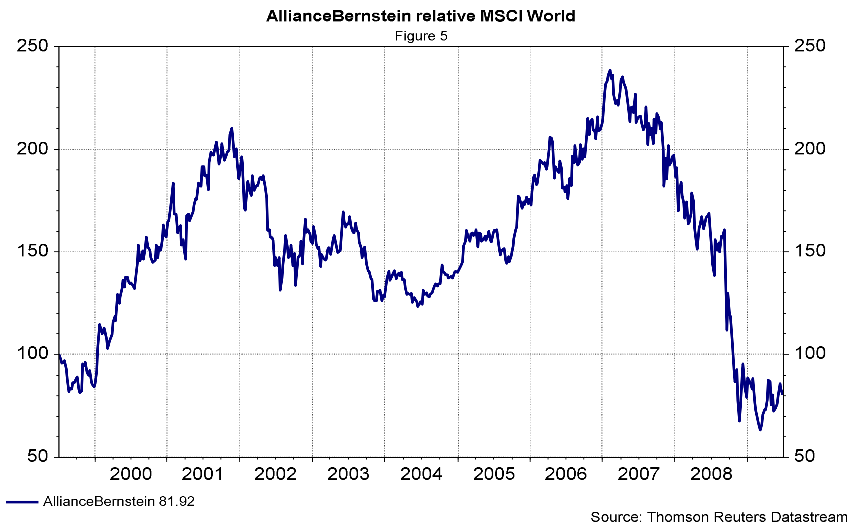

As CBS is predominantly exposed to television, it is relatively mature and very cash generative. While CBS may very well have been overvalued a couple of years ago, at its current price we find it extremely attractive and it is currently one of the Fund's largest holdings with an expected 4-year Total Rate of Return in excess of 30% p.a. in US dollars.

### NON-BANK FINANCIALS

Based on our bottom-up analysis, the Fund has been substantially overweight Non-Bank Financials. These holdings have typically consisted of companies that while geared to an improvement in financial markets have substantially less financial gearing (debt) than that of banks. These companies have included stock exchanges, asset management companies and REIT's. While these companies contributed to the Fund's outperformance during the second quarter, we believe that they remain substantially undervalued, and probably have lower risk, than many banking and insurance shares. One such share is Alliance Bernstein Holdings LP.

#### *AllianceBernstein Holdings LP*

AllianceBernstein Holdings LP (ABH) is one of the Fund's largest holdings. The structure of ABH is intriguing in that it is a partnership listed on the NYSE. Its only holding is a 34% interest in Alliance Bernstein (AB), itself a partnership. AB is a substantial global investment management and research business with assets under management (AUM) at 31 December 2008 of $462bn. Its AUM fell by a substantial 41% from a year earlier. This was mainly the result of the 41% decline in global stock markets, but also included meaningful outflows from investors. While AB has some exposure to fixed income, it is predominantly focused on managing equities. Earnings in the current year are likely to be depressed but we believe that this is more than reflected in the current share price of ABH which has fallen substantially in absolute terms and versus the market (refer figure 5).



AB has no material net debt, with current assets approximating total liabilities. While clearly needing to adjust its cost base to the lower level of revenues, the benefit of AB's low gearing levels is that it can sit out the current market conditions with relatively minimal risk to existing shareholders of a dilutive share issue. We believe that AB would be a substantial beneficiary of a recovery in global equity markets. ABH has the added advantage of not being able to squander its share of the partnership earnings as, in order to maintain its favourable tax status, it is required to distribute its earnings to investors. This minimises one of the major risks of investing in an asset management company, namely that the strong cash generation is allocated poorly.

Our bottom-up research continues to find a diverse range of attractively priced shares across various market sectors and geographic areas. Whilst we are mindful of short term risks we continue to be enthusiastic about the long-term return prospects of the shares in the Fund.

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