QUARTERLY INVESTOR COMMENTARY
30 SEPTEMBER 2009

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 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 SEPTEMBER 2009					
Total Rate of Return in US dollars	**Class**	**Since Inception on 1 Jan 2009**	**Quarter to 30 Sep 2009**	**Quarter to 30 Jun 2009**	**Quarter to 31 Mar 2009**
		% not Annualised			
Contrarius Global Equity	**Investor**	**84.9**	**36.3**	**40.1**	**(3.2)**
Contrarius Global Equity	**Institutional**	**85.2**	**36.4**	**40.2**	**(3.1)**
World Index		24.9	17.4	20.7	(11.9)

The Fund returned 36.3% for the quarter versus 17.4% for the benchmark MSCI World Index, including income. Year to date the fund has returned 84.9% versus the benchmark return of 24.9%. As previously noted, the outperformance has been possible because of significant disparities within the market and under normal circumstances outperformance of this magnitude is extremely unlikely. While the performance to date has clearly been pleasing, as indicated in our previous quarterly reports, we would prefer to be evaluated over the long-term.

In light of the changes to the Fund's portfolio during the quarter, and for the benefit of more recent investors in the Fund, it is worth repeating that we are contrarian, long-term investors. 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. The rate at which companies have rerated has continued to be extremely unusual and this is reflected in what we would believe to be a higher than usual turnover of stocks within the Fund.

Sector	**Weighting (%)**		**Over/Under**
	Fund	**World Index** [1]	**Weight**
Energy	10	11	(1)
Materials	6	7	(1)
Industrials	8	10	(2)
Consumer Discretionary	37	9	28
Consumer Staples	2	10	(8)
Health Care	8	10	(3)
Financials	7	22	(14)
Information Technology	17	12	6
Telecommunication Services	5	4	0
Utilities	0	5	(5)
Total	100	100	

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

As illustrated above, the Fund continues to be overweight Consumer Discretionary and Technology shares. During the quarter the Fund substantially reduced its weighting in selected Non-Bank Financials and is now significantly underweight Financials. The Fund's weighting in Healthcare and Energy was increased.

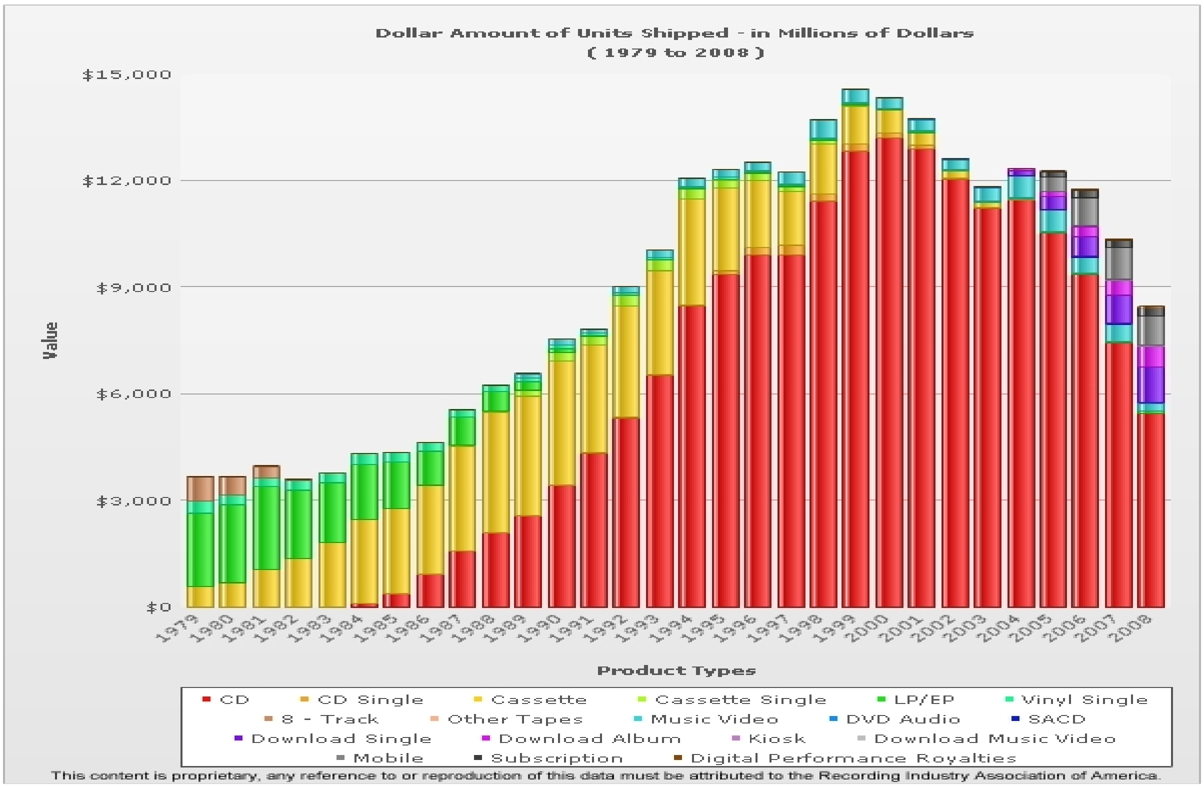
It should be noted that while the Fund maintains a meaningful weighting in Consumer Discretionary shares, the composition of the shares has changed. As an illustration, at the end of June the Fund's two largest holdings were TomTom and CBS. Given the substantial rerating of both of these shares during the quarter (+65% and +74% respectively), the holdings have been considerably reduced. While we believe that they remain attractive, they are clearly not as attractive as they were. One of the Fund's largest current holdings is Warner Music Group.

Warner Music Group (WMG) is an example of a share that is substantially out of favour (as is its whole sector). The problems that the Music Industry face are well documented. WMG, however, represents an intriguing opportunity as not only can it be acquired on an extremely low multiple of free cash flow, but we believe that the long-term outlook is likely to be substantially better than both the last 5 years and the general consensus of the future.

WARNER MUSIC GROUP

The US and World Music Industry (recorded music and music publishing) is dominated by the four major labels (Universal Music Group, Sony Music Entertainment, Warner Music Group and EMI), which account for approximately 82% of the US market.

The US Music Industry has declined 54% in real terms from its peak in 1999 and is lower than it was in 1979. The two main reasons are the transition to a new distribution format (digital downloads versus CDs) and the weak economy. The biggest impact, however, is the transition to digital. The Music Industry has previously successfully dealt with these inevitable transitions as LPs made way for cassettes which in turn made way for CDs. Figure 1, from the Recording Industry Association of America, illustrates the transition (in nominal US dollars) over the last 30 years.



During the 20 years to 1999, and despite these transitions, US music sales from all formats increased 105% in real terms. So why is the current transition so different? As has happened in many industries, the internet has disrupted the traditional Music Industry model. While previous transitions were controlled by the record companies, illegally downloaded music and file sharing meant that piracy (which has always been a problem) took on new dimensions. It is estimated that 95% of all downloaded music is illegal. Therefore while CD sales declined significantly, the revenues derived from digital revenue streams (downloads, internet-streaming, mobile phones etc) have, to date, not kept pace with the decline in CD revenues. The Music Industry was slow out of the starting blocks as CD sales had already shown three years of declines before any meaningful digital revenues were realised. Even today, digital revenue gains are not keeping pace with declines in CD sales, and overall music revenues are falling (from already low levels). These trends have led many to announce the demise of the Music Industry. The New York Times in July this year, under the heading “Swan Songs?”, stated: “The music industry’s death watch kicked off about a decade ago, but it seems the vigil could soon be over... the industry could be decimated before Madonna’s 60th birthday.”

Music, however, is an invaluable part of everyday life and music usage has continued to increase. While the Music Industry has to date not successfully been able to monetise it, this is changing. The industry has shifted its focus on piracy from laying charges against illegal down-loaders to placing pressure on internet service providers. In some countries repeat offenders are likely to be cut-off from the internet, an onerous sentence for the internet generation of today. Furthermore, the revenue model for the industry is becoming more defined as differential pricing of tracks on iTunes creates more flexibility and as revenue sharing deals (including advertising) for streaming music and video companies (like Spotify, Rhapsody and YouTube) are inked. Most importantly, it is becoming easier for people to acquire music legally online and more socially unacceptable to download illegally. All these factors are likely to result in continued significant growth in digital revenues from this point.

In addition to the increased monetisation of digital distribution channels, there is a further possible upside to revenues. While the Music Industry consists of various players, the main ones, when it comes to content, are songwriters, artists, recorded music companies and publishing companies. Songwriters and publishing companies benefit from the exploitation of the rights to the song itself (irrespective of who sings it). Artists and recorded music companies benefit from the exploitation of the sound recording. While the artist and songwriter may be the same person, more often than not they are different. To date, commercial broadcast radio stations in the United States have only paid royalties relating to the song itself (such revenues being split between the songwriter and his/her publisher). Despite the US radio industry earning approximately $17bn in annual advertising revenue and using music for up to 70% of its airtime (excluding adverts) nothing has been paid to the sound recording rights holder (the artist and recorded music company). A bill (called the “Performance Rights Act”) is making its way through the US Congress. Its aim is to provide parity in radio performance rights. The bill, if enacted, would bring the treatment of US commercial radio broadcasters in line with US cable, internet and satellite radio companies and many other countries around the world. This would also result in a potentially new and large revenue source for the recorded music divisions of the four major labels.

As one would expect, the results of these companies have come under significant pressure in the face of the poorly executed transition to digital and the weak economy. Warner Music Group (WMG) has been no exception. While it has certainly been impacted, it has weathered the storm better than most. In the period since 2004 it has increased its US total track equivalent album share from 15% to 21%. This, together with extending the services it provides to artists has meant that its revenues have not been as badly impacted as the industry declines would have suggested. Nevertheless, its revenue per issued share has declined by 19% since 2005 versus a decline of 31% for the total US music market. While revenues and earnings for WMG continue to be under pressure in 2009, and the timing of the benefits from new revenue streams remains relatively uncertain, we believe that the market is not recognising the many positive developments, referred to above, that are already under way and that are likely to drive its earnings and free cash flow over the next several years. Ultimately, the owner of the content is likely to win out, and WMG's content is vast, both in terms of its rights to sound recordings and its music publishing catalogue (which includes the ownership or control of over 1 million musical compositions and over 65,000 songwriters and composers).

While WMG has relatively high debt levels, it has generated significant cash flow (even in the tough times) and its earliest debt maturity is 2014. The risks of the timing of the transition to digital revenues remain, but the new revenue models are increasingly becoming clearer. As often happens, the market is looking back at the last several years and assuming that these trends will continue. We believe that the next five years are likely to be significantly better for WMG. With WMG trading on approximately 4 times estimated 2009 free cash flow, we believe that the upside substantially outweighs the downside. As a result WMG is currently one of the Fund's largest holdings.

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